

## TRANSFORMATION OF THE LABOR MARKET UNDER MARTIAL LAW: UKRAINIAN EXPERIENCE

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### ABSTRACT

*The article actively explores the transformation of the Ukrainian labor market in the context of war. The authors analyze the impact of the military conflict on labor relations and employment, and discuss key changes in the labor sphere: employment decline, rising unemployment, migration, and deteriorating working conditions. The authors analyze government initiatives aimed at supporting the labor market, including entrepreneurship development programs, business relocation strategies, and employment opportunities for internally displaced persons (IDPs). The study reveals a significant shortage of qualified personnel due to emigration and human losses. It analyzes statistical data and survey results, and proposes measures to revitalize the labor market based on a systematic approach that takes into account demographic, economic, educational and other factors.*

**Key words:** labor market, labor relations, employment, unemployment, war, transformation, reforms, strategy.

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## **1. INTRODUCTION**

War and hostilities usually cause significant transformational changes in labor relations, which is a complex and multifaceted process. The consequences of the war for the economy and social sphere have had a significant impact on various aspects of labor activity and relations between employees and employers. One of the biggest consequences has been a reduction in employment due to the destruction of businesses, evacuation of the population and changes in the structure of production. This has led to an increase in unemployment and related social problems and economic instability. There has also been a decline in wages due to reduced production, lower demand and inflation. Working conditions and social guarantees have deteriorated due to the hostilities and created uncertainty for employees. The war has caused changes in working hours, especially in the east of the country. Employees have been facing travel restrictions, power outages, and security threats at work.

The methodology of the study is based on the following main scientific methods, namely: theoretical analysis of literature sources - a review and analysis of available theoretical sources on the topic of the study, including previous scientific articles and publications on the impact of war on labor relations; document analysis - analysis of relevant regulations, laws and other official documents regulating labor relations in Ukraine; statistical analysis - the article provides statistical data from official sources characterizing the state of the labor market. Thus, a set of scientific methods was used for a comprehensive study of the problem of labor market transformation in the context of war.

The purpose of the study is to examine the transformation of the labor market in Ukraine during the war. The main tasks are to analyze the changes that have occurred in the labor market during active hostilities in Ukraine, to identify the main challenges and problems faced by the state in restoring the labor market under martial law.

The structure of the labor market has also undergone a transformation. Employees have to look for work in other regions and learn new professions. It is important to provide adequate training and support for their adaptation. Finally, the impact on the psychological state of employees is significant. Stress, anxiety, and psychological burden negatively affect their productivity and well-being. The international community has condemned Russia's temporary occupation of Ukraine's territories and taken measures to punish Russia for its actions. The United States and its allies are working hard to ensure that the Russian Federation and the Lukashenko regime in Belarus pay a stiff economic and diplomatic price for their unprovoked aggression against Ukraine.<sup>1</sup>

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<sup>1</sup> U.S. Department of State: Holding Russia and Belarus accountable, (n.d.), <https://www.state.gov/притягнення-росії-та-білорусі-до-відп/>, 20/06/2023.

The United States and the European Union have imposed sanctions on Russia, including on major Russian financial institutions and sovereign debt, banned imports of key technologies into Russia, and targeted the financial networks and assets of the Russian and Belarusian elite, including President Putin and members of the Russian Security Council.<sup>2</sup>

The war in Ukraine has had serious consequences for Ukrainian society, economy and labor relations. The occupation of the territories has led to a significant economic downturn and rising unemployment, which has become a major challenge for the country. Employees have lost their jobs, and those who have retained them have been facing changing qualification requirements and unstable working conditions. This situation calls for effective strategies to support workers, restore economic development, and build sustainable peace after the conflict. This is one of the challenges Ukraine has faced during the war with Russia.

Thus, the study of the transformation of labor relations during the war is important for developing strategies to support workers and economic recovery after the conflict. The armed conflict that began in 2014 in the east of the country between Ukraine and Russia and escalated into a full-scale war in 2022 has had serious consequences for Ukrainian society, the economy, and especially labor relations in the country. The war has had many negative consequences for Ukraine, and in recent years, as a result of the war in Ukraine, Russia has annexed Crimea and occupied parts of Donetsk and Luhansk regions.<sup>2,3,4</sup> In September 2022, Russian President Vladimir Putin signed “agreements on accession to the Russian Federation” of new entities - the occupied Ukrainian territories, namely Donetsk and Luhansk regions, as well as parts of Zaporizhzhia and Kherson regions<sup>5</sup>. According to the President of Ukraine Volodymyr Zelenskyy, as of June 2, 2022, about 20% of Ukraine’s territory is under the temporary occupation of Russian troops, and hostilities have spread to more than 2,600 settlements<sup>6</sup>.

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<sup>2</sup> U.S. Department of State: Holding Russia and Belarus accountable. (n.d.), <https://www.state.gov/притягнення-росії-та-білорусі-до-відп/>, 20/06/2023.

<sup>3</sup> Simmoys, A. et al.: Russia announces annexation of four regions of Ukraine, *The Wall Street Journal*.

<sup>4</sup> BBC News Ukraine: Russia announces annexation of occupied territories of Ukraine, (n.d.).

<sup>5</sup> BBC News Ukraine: Russia announces annexation of occupied territories of Ukraine, (n.d.).

<sup>6</sup> Voytyuk, T.: About 20% of Ukraine’s territory is currently under occupation, 02.06.2022, <https://suspilne.media/245956-rosia-zalucila-vsi-svoi-boezdatni-vijska-dla-napadu-na-ukrainu-zelenskij/>?, 20/06/2023.

According to Article 3 of the Law of Ukraine “On Ensuring the Rights and Freedoms of Citizens and the Legal Regime in the Temporarily Occupied Territory of Ukraine”, the temporarily occupied territory of Ukraine is the land territory of the territories of Ukraine temporarily occupied by the Russian Federation, water bodies or parts thereof located in these territories, other land territory of Ukraine, inland sea waters, and the territorial sea of Ukraine, recognized as temporarily occupied under martial law by a decision of the National Security and Defense Council of Ukraine, enacted by a presidential decree. The subsoil under these territories and the airspace above these territories are also recognized as temporarily occupied.<sup>7</sup>

The war has a significant impact on labor relations. The Government of Ukraine is trying to mitigate the impact of the war on labor relations and protect the labor rights of employees by implementing social programs and measures aimed at supporting employment and social protection of the population. In particular, the Government has introduced a number of regulatory changes to the country’s labor legislation. The main changes in Ukrainian labor legislation that occurred during the war include the following: Possibility to suspend an employment contract. The Law of Ukraine “On Peculiarities of the Legal Regime of Martial Law” introduced the possibility of suspending an employment contract for the period of martial law<sup>89</sup>. The Law of Ukraine “On the Legal Regime of Martial Law” also establishes special working conditions for the period of martial law, in particular, longer working hours and a reduction in the duration of vacations<sup>10</sup>.

To summarize, military operations on the territory of Ukraine have a significant impact on labor relations. The negative effects of the war include lower wages, changes in working conditions, and deterioration of social protection and safety in the workplace. The Government of Ukraine is taking steps to mitigate the impact of the war on labor relations by implementing social programs and introducing regulatory changes to labor legislation. Some of these changes include the possibility of suspension of employment contracts for the period of martial law and special working conditions during this period. It is important to continue to ensure the protection of workers’ rights during conflicts and wartime

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<sup>7</sup> Official web portal of the Verkhovna Rada of Ukraine: On ensuring the rights and freedoms of citizens and the legal regime in the temporarily occupied territory of Ukraine, Law of Ukraine of 15.04.2014 No.1207-VII, (n.d.), <https://zakon.rada.gov.ua/go/1207-18>, 20/06/2023.

<sup>8</sup> YURLIGA: Labor relations during the war: Top 5 changes, (n.d.).

<sup>9</sup> On peculiarities of regulation of labor relations under martial law. Law of Ukraine of 15.03.2022 No. 2136-IX, version of 01.07.2022.

<sup>10</sup> On peculiarities of regulation of labor relations under martial law. Law of Ukraine of 15.03.2022 No. 2136-IX, version of 01.07.2022.

situations, to promote economic and social recovery after the war, and to create conditions for stability and well-being of the entire population.

To summarize, the war in Ukraine has significant consequences. The main problems are damage to the country's economic potential, loss of jobs, changes in qualification requirements for employees, and instability of working conditions. The demographic crisis caused by the war also affects labor relations through population decline and displacement, which creates an imbalance in the labor market. The humanitarian crisis, in particular the destruction of infrastructure and housing, also negatively affects the working conditions of employees. Overcoming the effects of the war on labor relations requires a wide range of measures and support. Important tasks include effective economic recovery, job creation, professional development, and ensuring stable working conditions. In addition, it is necessary to develop and implement strategies to support internally displaced persons and affected communities.

When considering the issue of “internally displaced persons” in this context, it should be noted that Ukrainian legislation has defined the following concept, namely “an internally displaced person is a citizen of Ukraine, a foreigner or a stateless person who is legally on the territory of Ukraine and has the right to permanent residence in Ukraine, who was forced to leave or abandon their place of residence as a result of or in order to avoid the negative consequences of armed conflict, temporary occupation, widespread violence, human rights violations and natural or man-made emergencies”.<sup>11</sup> And the international community has an important role to play in providing assistance and coordinating efforts to address post-war labor issues. Providing humanitarian aid, economic support, and working together to restore peace and stability are essential elements to overcome this difficult situation.

The final overcoming of the war's effects on labor relations will require a long-term and comprehensive approach, as well as active cooperation of all stakeholders.

## 2. LITERATURE REVIEW

There have been many military conflicts in history that have had a significant impact on the transformation of labor relations and productivity in general, but the war between Ukraine and Russia is the largest in scale and consequences

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<sup>11</sup> Official web portal of the Verkhovna Rada of Ukraine: On ensuring the rights and freedoms of citizens and the legal regime in the temporarily occupied territory of Ukraine, (n.d.), dated 20 June 2023 Law of Ukraine of 15.04.2014 No. 1207-VII, <https://zakon.rada.gov.ua/go/1207-18.I>.

since World War II, because the cost of war is expressed in human casualties, destroyed economic potential and damage to the country's most important infrastructure.<sup>12</sup> According to the Kyiv School of Economics, the losses from the war in Ukraine amount to \$80.4 billion, with weekly increases of \$8 to \$12 billion.<sup>13</sup> If the war continues, this figure could exceed \$135 billion.<sup>14</sup>

The war also has a serious impact on the demographic situation in Ukraine. According to the EU Council, as a result of the war and depending on its duration, Ukraine's population could decline by 24-34%.<sup>15</sup> As of January 1, 2022, 34.5 million people lived in Ukraine, and as of the end of August 2022, only 27.8 million lived in Ukraine.<sup>16</sup> This indicates a serious demographic crisis in the country.

The humanitarian crisis in Ukraine is also associated with the destruction of infrastructure and housing in the war zone, displacement of people, including internally displaced persons, and a decline in living standards.<sup>17</sup> According to Denise Brown, the UN Resident and Humanitarian Coordinator for Ukraine, the war-affected areas are "completely devastated" and the scale of the humanitarian crisis is constantly changing.<sup>18</sup>

However, additional efforts and resources are needed to address the problems caused by the humanitarian crisis. The humanitarian crisis also exacerbates labor issues. Destruction of infrastructure and housing stock, displacement of people and decline in living standards create difficult conditions for employees and businesses. In particular, internally displaced persons are in a vulnerable position and need additional support.

The next problem is the economic consequences that Ukraine has suffered from the war. The war has had a serious impact on Ukraine's economy, leading

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<sup>12</sup> Jennings, R. S.: The consequences of the war in Ukraine: preparing for the future, *Just Security*, 05.05.2022.

<sup>13</sup> Jennings, R. S.: The consequences of the war in Ukraine: preparing for the future, *Just Security*, 05.05.2022.

<sup>14</sup> Jennings, R. S.: The consequences of the war in Ukraine: preparing for the future, *Just Security*, 05.05.2022.

<sup>15</sup> Express online: Demographic consequences of the war: Ukraine's population is sharply declining. "We will have to attract foreigners", (n.d.).

<sup>16</sup> Express online: Demographic consequences of the war: Ukraine's population is sharply declining. "We will have to attract foreigners", (n.d.).

<sup>17</sup> TSN.ua, The UN assessed the humanitarian crisis in Ukraine as a result of the war: "It is a complete devastation" 18.10.2022.

<sup>18</sup> TSN.ua, TSN.ua, The UN assessed the humanitarian crisis in Ukraine as a result of the war: "It is a complete devastation" 18.10.2022.

to serious economic consequences. According to experts from the World Bank and the European Commission, the damage caused by the war in Ukraine between February 24, 2022 and February 24, 2023 is estimated at USD 134.7 billion, and the recovery needs are estimated at USD 410.6 billion.<sup>19</sup> The cost of rebuilding Ukraine and its economy is already estimated at around 349 billion USD.<sup>20</sup> The war also led to a drop in Ukraine's GDP by more than 35% in 2022 due to the massive destruction of infrastructure, including rail and other connections to neighboring countries, the road network, and bridges.<sup>21</sup>

In addition, the war has had an impact on inflation and rising food and energy prices, which could lead to an increase in poverty in the country.<sup>22</sup> The war has also led to a decline in living standards and an increase in the number of internally displaced persons.<sup>23</sup>

The government of Ukraine is trying to mitigate the economic consequences of the war by attracting domestic creditors of the state and issuing money, as well as attracting external financial support.<sup>24</sup> However, overcoming the economic consequences of the war requires significant efforts and resources. These include loss of production, destroyed infrastructure, high costs of military operations and restoration of territories, loss of foreign investment, and trade restrictions, which have led to a reduction in employment, lower wages, and a general economic downturn.

In particular, the war and its aftermath have had a negative impact on labor relations in Ukraine. The hostilities primarily have contributed to the growth of unemployment: The war has led to a decline in employment in the country, in particular due to a drop in production and a decrease in demand for labor. According to the Ministry of Economy, at the beginning of 2023, the number of unemployed people was 2.6 million, while the NBU estimates it to be around 4.2-4.8 million.<sup>25</sup> Many businesses have been destroyed or forced to cease operations, leading to layoffs and rising unemployment.

The war has also brought a change of employment for many people, including through evacuation from the combat zone and relocation to other regions of

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<sup>19</sup> LB.ua news portal: Financial and economic consequences of the war.

<sup>20</sup> DW: How the war affected the economy of Ukraine, 12.09.2022.

<sup>21</sup> UN: War destroyed 35% of Ukraine's economy, (n.d.).

<sup>22</sup> BBC News Ukraine: The economic impact of the war in Ukraine will be felt far beyond its borders, (n.d.), <https://www.bbc.com/ukrainian/news-60619288>, 04/07/2023.

<sup>23</sup> DW: How the war affected the economy of Ukraine, 12.09.2022.

<sup>24</sup> LB.ua news portal: financial and economic consequences of the war.

<sup>25</sup> National Institute for Strategic Studies: Unemployment in Ukraine during a full-scale war, 14.02.2023.

the country. As of January 31, 2023, the total number of registered internally displaced persons amounted to 3,621,723, most of whom came from Donetsk, Kharkiv and Luhansk regions. Among them, 60% are women and 40% are men.<sup>26</sup>

There has also occurred a systematic violation of labor rights of the parties to labor relations. The war has led to a decrease in wages in various sectors of the economy, in particular due to a drop in production and a reduction in demand for labor. It has also affected the level of social protection of employees, in particular due to a reduction in the number of social programs and state support. The war has led to changes in working conditions for many employees, including changes in jobs and longer working hours. Safe and healthy working conditions have deteriorated significantly, in particular due to a decrease in workplace safety and increased health risks.

At this point, it seems most appropriate to analyze the experience of the United States of America, for several reasons:

- 1) In terms of scale and consequences, World War II was a global conflict that had a significant impact on the global economy, including the United States as a key player. The US experience during this period can provide valuable lessons on the impact of a large-scale war on the labor market and productivity. Localized conflicts, while important, have less impact on the global economy;
- 2) availability of data and research, as World War II is a well-researched period with a large amount of available statistics and scholarly work. This allows us to rely on reliable sources and draw reasonable conclusions. For more recent local conflicts, there may be less available data and in-depth research;
- 3) similarity of economic systems, where the US economy during World War II, despite the historical period, has more in common with the modern Ukrainian economy than the economies of countries involved in recent local conflicts. This makes the US experience more relevant for analysis and comparison;
- 4) duration and intensity of the conflict, where World War II was a long and intense conflict that had a significant impact on the US economy and labor market. This allows us to better understand the long-term effects of the war. Localized conflicts, while important, often have shorter durations and less impact on the economy as a whole, and using the US experience in World

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<sup>26</sup> Displacement tracking matrix: Ukraine - baseline assessment of the area of registered IDPs - results of the 20th round home, (n.d.).



War II allows us to look at the problem from a historical perspective and trace long-term trends. This can be useful for understanding the potential long-term consequences of the current war in Ukraine.

A researcher Field, A. J., has studied the impact of war on labor productivity in individual countries. For example, a study<sup>27</sup> on the decline in labor productivity in the United States between 1941 and 1948 showed that the United States entered the war with a high level of labor productivity, but during the war, productivity declined due to factors such as labor shortages and the diversion of resources to the war effort. The author questions the widespread belief that the war had a positive impact on productivity due to the experience of military production and the flow of technology from the military to the civilian sector (Field, 2008).

According to the data, the growth rate of total factor productivity in the private non-agricultural sector in 1941-1948 was lower than before or after this period. The author argues that the mobilization and demobilization of the economy had a negative shock to productivity (Field, 2008). He argues that most of the technological progress occurred before the war, and the skills acquired during the production of war goods were of little use in peacetime. Therefore, the war slowed down the growth of potential production rather than stimulated it (Field, 2008).

Thus, the author proposes to reconsider the notion of the positive impact of the war on labor productivity in the United States based on the analysis of data and economic processes of the period. Jola-Sanchez, A.F., came to a slightly different conclusion in his study, in which he examined the impact of the civil war on the productivity of firms in Colombia.

The main conclusions of this study are that service companies in war-affected cities demonstrate 14-17% higher productivity than manufacturing firms. The positive effect for these companies is explained by the higher level of intellectual capital (know-how, patents) due to the need to adapt to the war conditions. As for the negative consequences of war (destruction, violence), they have less impact on service companies than on manufacturing companies.<sup>28</sup> Thus, the author proves that war has a different impact on the productivity of firms depending on the sector of activity.

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<sup>27</sup> Field, A. J.: The decline in U.S. productivity between 1941 and 1948, *The Economic History Review*, 76(4) 2023, pp. 1163-1190.

<sup>28</sup> Jola-Sanchez, A. F.: How does war affect firm productivity?, *Manufacturing & Service Operations Management*, 24(4) 2020, pp. 1051-1067.

Thus, it can be emphasized that labor productivity is a key factor that determines the transformation of labor relations in wartime. High productivity helps to optimize resources, support the economy and ensure stability. Skepticism about the claim that labor productivity is a key factor influencing the transformation of labor relations in wartime arises from several considerations. Wartime labor relations are shaped by numerous factors that go beyond labor productivity, such as changes in employment due to conscription, population displacement, and infrastructure damage. Sudden disruptions in labor markets, including rising unemployment and forced migration, can have a significant impact on labor relations, as can shifting economic priorities that divert resources to defense. Government measures to stabilize or mobilize the economy also have a profound impact on labor relations, and demographic changes in the workforce due to conscription or displacement lead to shifts that affect labor relations regardless of productivity. All of these factors contribute to a complex wartime labor environment in which performance is only one of many influential elements.

Another study of the impact of World War II on productivity growth in the United States found that the period of military mobilization and demobilization that lasted from 1941 to 1948 had a positive impact on productivity growth in the long run, despite short-term disruptions. To regulate certain areas of labor relations, the Government of Ukraine has made appropriate changes and laid a path for the development and adaptation of labor relations under martial law. In his analytical report, Sergiy Guz outlined the socio-economic profiles and labor market integration of Ukrainian refugees in OECD countries. He recognizes that the conflict in Ukraine and the displacement of citizens have led to various significant changes in this area. However, transforming the economy to improve labor rights and trade union participation will require fundamental structural changes.

Due to the military operations in Ukraine, the government has restricted labor rights and introduced laws that limit them.<sup>29</sup> In its report, the ILO noted that even before the war, labor legislation in Ukraine was flawed and poorly enforced by the state.<sup>30,31</sup> The ILO also emphasized that the consequences of such policies are manifested in inflation, lower real wages, rising inequality, reduced policy choices, and increased debt.

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<sup>29</sup> Open Democrac: Is war a justification for eliminating workers' rights?.

<sup>30</sup> International Labour Organization: How does the war against Ukraine affect the labor market?.

<sup>31</sup> International Labour Organization: The global labor market will continue to deteriorate due to the conflict in Ukraine and other crises, 31.10.2022.

The restrictions on freedom of association have also been influenced by the actions of Russian Federation agents in the occupied territories, which have further restricted workers' rights.<sup>32</sup> However, some argue that the war should not be used as a pretext to deprive workers of their rights, and that decent working conditions should be preserved.<sup>33</sup>

Overall, the Ukrainian government has restricted a number of labor rights during the war, and the situation remains uncertain.

Certain issues related to the impact of the war on labor relations have been considered by Ukrainian researchers. One of them, Tutova, devoted her research to the state of the labor market in the context of a full-scale war, identifying its features and recommendations for ensuring the effective functioning of the labor market after the war. The article presents and analyzes statistical data on the number of refugees abroad since the beginning of the full-scale invasion, their adaptation, employment in other countries, and intentions to return to Ukraine. The impact of internally displaced persons on the labor market is determined: the number of IDPs; regions from which most people have moved and regions that have received the most people. The dynamics of wages and financial stability of companies in the first months of the war are analyzed on the example of small and medium-sized businesses. Data on the unemployment rate, the number of applicants for one vacancy, and the geography of vacancies are considered and analyzed. The author draws conclusions about the impact of the war on the labor market, identifies the main factors of pressure on the market and offers recommendations that will ensure the effective functioning of the labor market in the post-war period.<sup>34</sup>

Maryna Gudz also focused on the impact of martial law on social and economic processes in Ukraine. She notes that the war conditions have significantly changed the organization of these processes and created serious challenges for the stability of the economy. Among the main problems highlighted in the study is an imbalance in the labor market, where the war has led to a loss of ability to manage supply and demand in the labor market. This has led to labor shortages in certain industries and regions. People are actively migrating and looking for opportunities abroad for security, which has led to an outflow of skilled professionals. The loss of economic resilience of enterprises during the war has led to a reduction in the number of vacancies and the threat of bankruptcy. An important problem is the rising unemployment rate, which is wors-

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<sup>32</sup> OECD: Doing business responsibly: the impact of Russia's invasion of Ukraine, (n.d.).

<sup>33</sup> Sanudl, G.: A full-scale attack on Ukrainian labor rights, *IPS Journal*, 10.02.2023.

<sup>34</sup> Tutova, A. The labor market in war time, *Scientific journal "Economy and Region"*, 1(88) 2023, pp. 91-98.

ening due to inflation, high prices, and slowing economic activity. The authors emphasize that these factors have caused unprecedented changes in the labor market in Ukraine and believe that optimizing this situation is necessary to achieve overall stability and predictability of the country's economy<sup>35</sup>

Also, significant contributions were made by scholars such as Ogar Gandiy and Vladyslav Shestopalov.<sup>36</sup> In their paper "Unemployment during the war: analytical aspects", the researchers analyzed the problem of unemployment in the context of the war in Ukraine. The paper addresses the following aspects: analysis of statistical data on the unemployment rate in Ukraine during the war; identification of the causes of unemployment in the war and their impact on the labor market; analysis of measures taken by the state to reduce unemployment in the war; conclusions and recommendations for further actions of the state in the field of reducing unemployment in the war.

The authors note that the war has a serious impact on the labor market and can lead to an increase in unemployment. The authors also point out the need to take effective measures to reduce unemployment during the war and ensure social protection of the population.

A significant contribution to the development of this topic was made by the author's team consisting of Oleh Yaroshenko, Halyna Chanyshcheva, Lesia Maliukha, Kostiantyn Melnyk, and Yulia Burniagina, who study the impact of martial law on labor relations in Ukraine during the full-scale offensive of the Russian Federation. The study identifies significant changes in labor processes in various institutions and organizations related to the introduction of martial law and the ongoing conflict. The study also analyzes legislative changes related to relations between employees and employers and their impact on labor rights and freedoms. In particular, it deals with changes in the organization of workplaces, transfers to other jobs, vacation policies, overtime and night work, dismissals, terms of employment contracts, remuneration and employment of certain categories of employees. The study contains recommendations for improving legislation in the field of labor relations and increasing overall efficiency in this area.<sup>37</sup>

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<sup>35</sup> Marina G.: Labor market of Ukraine: trends in the conditions of war and actualization of the unemployment problem, *Bulletin of the Chernivtsi Trade and Economic Institute*, I(89) 2023, pp. 8-20.

<sup>36</sup> Khandii O. O., Shestopalov V. I.: Unemployment during the war: analytical aspects, *Bulletin of the East Ukrainian National University named after V. Dahl*, 4(274) 2022, pp. 76-84.

<sup>37</sup> Yaroshenko, O. et al.: The impact of martial law on labor regulation at Ukrainian enterprises, *Economic Affairs*, 68 2023, pp. 887-893.

Analyzing the research of domestic scholars on the impact of the Russian-Ukrainian war on the labor market and labor relations, it can be concluded that the war has caused unprecedented changes in the functioning of the national employment system. The key problems identified by the researchers are the growth of unemployment due to the reduction of production and the closure of enterprises, the imbalance of labor supply and demand due to migration processes and the outflow of qualified personnel, the deterioration of working conditions and the reduction of social protection of employees. The researchers emphasize the need to develop and implement a comprehensive state strategy for adapting the labor market to war conditions, which should include measures to stimulate entrepreneurial activity, support business relocation, employment of internally displaced persons, and reform of the vocational education system in accordance with the needs of the economy. An important area for further research is to analyze the effectiveness of government initiatives in the field of employment regulation and develop recommendations for improving the institutional environment of the labor market in the context of post-war recovery.

Despite a certain number of studies on the impact of the war on labor relations in Ukraine, this topic remains insufficiently studied and requires further research in these areas:

- The impact of war on motivation and productivity. There is a lack of comprehensive research on how the war affects employee motivation, job satisfaction, loyalty to the employer, and willingness to work at full capacity.
- Psychological consequences of war for employees. The impact of post-traumatic stress disorder, anxiety, and depression on productivity and safety during war remains poorly understood.
- The impact of the war on social and labor relations and collective bargaining. There is a lack of analysis of how the war has changed the nature of relations between employees and employers, trade unions, and collective bargaining processes.
- State regulation of the labor market in times of war. Studies of the effectiveness of state policy in the field of employment, employment of internally displaced persons and reduction of unemployment are needed.
- Restoring the labor market after the war. It is important to conduct a scientific modeling of the labor market recovery process and develop recommendations for government agencies.

### **3. ANALYSIS OF THE TRANSFORMATION OF THE LABOR MARKET DURING MARTIAL LAW**

In times of war, labor productivity turns out to be a key factor that has a decisive impact on the transformation of labor relations. High labor productivity helps to optimize resources and ensure the efficiency of business processes in the face of unforeseen circumstances that may be caused by military operations. This is important to ensure sustainable production, support the economy and provide resources for military operations. In addition, high labor productivity can reduce social tensions and promote social stability in the context of military conflicts, and play an important role in economic recovery after a war. Thus, attention to labor productivity in wartime is essential to ensure effective transformation of labor relations and support for sustainable development during and after conflict.

The impact of war on motivation and labor productivity is one of the key factors that determine the efficiency of an economy in a military conflict. According to researchers at <sup>38</sup>, war creates unique challenges for maintaining employee motivation, as it is accompanied by high levels of uncertainty, stress, and security threats. In such circumstances, traditional incentive methods, such as financial rewards or career advancement, may not be effective enough.<sup>39</sup> Intangible motivational factors, such as a sense of belonging to a common cause, patriotism, and solidarity with colleagues and society, come to the fore during war. These are the factors that can keep employees working even in the most difficult circumstances. According to the authors of <sup>40</sup>, without taking into account these motivational features, it is impossible to develop effective measures to maintain and restore production during the war.

At the same time, researchers note that the well-being of employees in a military conflict takes a back seat to more pressing needs. In extreme situations, the priority is to meet basic needs such as security, food and medical care. In addition, a key task is to preserve jobs and prevent mass unemployment, which can have devastating consequences for social stability.

Thus, studying the impact of war on motivation and labor productivity is a prerequisite for developing effective strategies for adapting the economy to the conditions of military conflict. Without an understanding of the specifics

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<sup>38</sup> Bauer, M. et al.: Can war promote cooperation?, *Journal of Economic Perspectives*, 30(3) 2016, pp. 249-274.

<sup>39</sup> Anderson, D. M. et al.: Safeguarding consumers through minimum quality standards: milk inspections and urban mortality, 1880-1910, *National Bureau of Economic Research Working Paper Series*, (30063) 2022.

<sup>40</sup> Bauer, M. et al. Can war foster cooperation?, *Journal of Economic Perspectives*, 30(3) 2016, pp. 249-274.

of labor behavior in extreme situations, it is impossible to ensure sustainability and recovery of production. At the same time, the welfare of employees, while important, is a secondary priority compared to the more urgent tasks of survival and preservation of the country's labor potential.

Looking back at the realities that took place during the war in Ukraine, business and the labor market have hardly changed, adapting to the new realities of martial law. At the beginning of 2022, especially in February and March, labor market activity declined sharply. As a result, many businesses ceased operations, leading to massive job losses. Some companies were able to relocate their staff or part of it to safe regions or other countries and continue operations, but this was mainly the case in the IT sector. Communicating with employees who left their homes during the first, "shock" period of the war became one of the most important priorities for most companies. Caring for employees took on a new meaning and special relevance. In the early days, many Ukrainian companies actively implemented such measures as constant communication with employees, psychological support, social guarantees, and timely payment of salaries and advances.

Among the most common measures was the creation of special chats for employees, where effective vertical and horizontal communication was carried out. Many company executives actively supported their employees and provided up-to-date information about the company's activities. These chats collected information about the location of employees, their needs for assistance, changes in location, and facilitated active communication between colleagues and mutual support.

The psychological consequences of war for employees have an extremely serious impact on their ability to perform their professional duties, adapt to new working conditions and maintain the required level of safety. Studies show that the prevalence of post-traumatic stress disorders among civilians in military conflict zones can reach 30-40%.<sup>41</sup>

In addition, anxiety and depression are also common psychological reactions to the stressful events of war. These psychological disorders significantly reduce a person's ability to work, affecting concentration, memory, motivation and overall productivity. Without proper attention to the psychological state of employees, it is impossible to ensure the effective functioning of labor collectives under stressful conditions of war.<sup>42</sup>

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<sup>41</sup> Cherevik, M. et al.: Potentially Traumatic Events, Coping Strategies, and Associations with Mental Health and Well-Being Measures among Youth Affected by Conflict in the Eastern Democratic Republic of Congo, *Global Health Research and Policy*, 1(1) 2016, pp. 1-18.

<sup>42</sup> Sandahl, G. M. et al.: Personality and coping strategies during underwater missions, *Journal of Human Performance in Extreme Environments*, 4(1) 1999, pp. 1-15.

Thus, the study of the psychological consequences of war for employees is an important aspect of labor relations research in the context of military conflict. Without understanding the extent and specifics of the impact of traumatic experiences on people's mental health and ability to work, it is impossible to develop effective strategies to support and preserve labor potential during war. War conditions have emphasized the need to support and communicate with employees affected by the conflict. Psychological support, security and payment of salaries have become more important. Effective internal communication through special chats helped to maintain a sense of community and provide the necessary assistance.

Thus, the war in Ukraine has emphasized the importance of flexibility, adaptability and mutual support in business and the labor market. It has also highlighted the critical need to provide psychological assistance and social support to employees as a key element of maintaining labor potential and productivity in times of crisis.

The next step is to study the impact of war on social and labor relations and collective bargaining, which are crucial for understanding the transformations that occur in the interaction between employees and employers during war. The war significantly changes the balance of power in the labor market, jeopardizing the very possibility of constructive social dialogue.

In the face of uncertainty and economic instability, employers often resort to cutting staff costs, limiting social guarantees and curtailing collective bargaining. In turn, employees find themselves in an extremely vulnerable position, losing leverage over their employers and the ability to protect themselves. In addition, war often leads to an increase in informal employment, which further complicates the regulation of social and labor relations and the observance of labor rights. In such circumstances, traditional mechanisms of collective bargaining and collective agreements may be ineffective or inaccessible to a significant number of employees.

At the same time, it is the nature of social and labor relations and the ability of the parties to engage in constructive dialogue that will determine the ability of the economy to adapt to the conditions of war and recover in the postwar period. Preserving the basic principles of social partnership, such as equality of the parties, voluntary acceptance of obligations, mutual responsibility, etc., is a prerequisite for ensuring the stability and resilience of labor collectives in extreme conditions.

Thus, the study of the impact of war on social and labor relations and the collective bargaining process is not only theoretical but also practical. Without understanding the specifics of the transformation of the interaction between employees and employers in the context of a military conflict, it is impossible



to develop effective mechanisms for regulating the labor market and ensuring social stability. At the same time, the issue of the balance of power and constructive dialogue between key participants in labor relations is more important than the welfare of individual employees, as it affects the overall sustainability of the economy and the prospects for post-war recovery.

State regulation of the labor market in times of war is crucial to ensure social stability and support the country's economy in times of military conflict. According to the International Labor Organization (ILO), effective labor market regulation can help mitigate the negative effects of war on workers and their families, as well as facilitate faster economic recovery after a conflict.<sup>43</sup> One of the main goals of government regulation of the labor market during war is to prevent mass unemployment and maintain incomes. To this end, governments can take various measures, such as subsidizing wages, encouraging the creation of temporary jobs, organizing public works, etc. In addition, an important area is to support internally displaced persons and their integration into the labor market in the host regions.

At the same time, it is important to adapt labor legislation to the conditions of war, ensuring a balance between the interests of employees and employers. This may concern issues of remote work, flexible working hours, vacations, etc. In Ukraine, for example, the Labor Code has been amended to allow employers to change essential working conditions under martial law without giving two months' notice to employees.<sup>44</sup>

Another important aspect of state regulation is the adaptation of labor legislation to the conditions of war. According to the authors of<sup>45</sup>, changes in legislation should strike a balance between the interests of employees and employers, taking into account the peculiarities of the economy in a military conflict. In particular, the issues of organizing remote work, flexible working hours, granting vacations, dismissal of employees, etc. are important.

At the same time, researchers emphasize the need to preserve the key principles of social dialogue and collective bargaining even during the war. The state should act as an intermediary and facilitator of interaction between trade unions and employers' organizations, promoting compromises and collective bargaining at the national, sectoral and local levels.

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<sup>43</sup> International Labor Organization: *Employment and decent work in fragile, conflict and disaster settings*, 2016.

<sup>44</sup> Verkhovna Rada of Ukraine: *Law of Ukraine: "On Amendments to Certain Legislative Acts of Ukraine on Optimization of Labor Relations"*, 2022.

<sup>45</sup> Yaroshenko, O. et al.: *The impact of martial law on labor regulation at Ukrainian enterprises*, *Economic Affairs*, 68 2023, pp. 887-893.

Another important task of state regulation is to formulate a strategic vision for the development of the labor market in the postwar period. It is already necessary to develop programs for vocational training and retraining, modernization of workplaces, stimulation of entrepreneurship and self-employment, etc. These measures should contribute to the fastest possible economic recovery and ensure productive employment after the end of the military conflict.

State regulation of the labor market in wartime is a complex and multifaceted process that requires governments to adopt proactive and balanced policies. The effectiveness of such regulation largely determines the country's ability to minimize the negative effects of war on the welfare of the population and lay the groundwork for post-war economic recovery. At the same time, the key principles should remain the preservation of social dialogue, balancing the interests of employees and employers, and the formation of a strategic vision of the labor market development in the long term.

Finally, state regulation should be aimed at supporting social dialogue between trade unions and employers even in times of war. This allows the parties to align their interests and find compromises on working conditions and social guarantees. In Ukraine, during the war, the General, Sectoral and Territorial Agreements, which define the basic principles and norms in the field of labor relations, continue to be in effect.<sup>46</sup>

Thus, state regulation of the labor market in wartime is a complex task that requires concerted efforts by the government, social partners, and international organizations. Effective policies in this area can significantly mitigate the negative effects of military conflict on workers and accelerate the country's economic recovery after the conflict ends. However, the hostilities, which have had a negative impact on the labor market, have made their own adjustments to the market as a whole.

The government's top priority has been to keep critical infrastructure, defense, agriculture, and other strategic enterprises operating. The loss of and damage to production assets and infrastructure, as well as disruption of supply chains in retail chains, have led to a significant weakening of the labor market's capacity. This situation has been causing "disruptions" and loss of employment opportunities for most Ukrainians.

The armed conflict has had a significant impact on production and economic activity, leading to an increase in the number of people employed in dangerous and low-paid jobs. There is a risk that most people who want to find work will

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<sup>46</sup> Federation of Trade Unions of Ukraine: social dialogue and collective bargaining in war time, 2022.

not be able to do so officially. In this regard, the shadow economy, which is currently estimated at over 41%, is becoming a source of livelihood for many Ukrainians. At the same time, workers are becoming more vulnerable due to violations of labor laws, infringement of their labor rights, and deteriorating working conditions.<sup>47</sup>

The war has changed the conditions and principles of the labor market, moving it into a more uncertain and dangerous phase. In particular, according to a survey conducted by the European Business Association (EBA) among EBA member companies in March 2022, 43% of companies had financial reserves for several months, 28% - for 6 months, 17% - for a year or more, 6% reported that their financial reserves were exhausted. Thus, since the first days of the war, companies have been trying to optimize by reducing staff,<sup>48</sup> providing unpaid leave, suspending contract employment, reducing salaries, etc. According to a survey conducted by the HR portal grc.ua, the number of people affected by the decline in business activity and unemployment in Ukraine reaches 52%. Respondents claim that they are either paid the minimum wage or have had their wages reduced by 30% or more.<sup>49</sup>

The NBU report notes the exhaustion of business financial capabilities, emphasizing that small businesses have less and less ability to financially support their staff. The NBU's monthly macroeconomic and monetary review for July reports that small and medium-sized businesses in Ukraine had laid off 1.07 million employees. It also notes that these reductions were due to changes in the labor market since the beginning of the war:

- 27% of the staff works on a reduced salary;
- 20% of the staff was sent on forced vacation;
- To date, 20% of the staff has been laid off.<sup>50</sup>

Given these circumstances, the Ukrainian authorities, realizing the importance and need to provide citizens with jobs, have been implementing a number of measures and programs since last year aimed at stabilizing the labor market and restoring the country's labor potential.

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<sup>47</sup> Razumkov Center: Policy brief labor market in times of war: main trends and directions of stabilization.

<sup>48</sup> 9% of enterprises were forced to reduce staff. For more details see: Yarmoliuk A.: Labor market during the war: how to organize HR processes in companies?, *Liga Business Inform*.

<sup>49</sup> Savytskyi O.: The impact of the war: what is happening on the Ukrainian labor market, *Deutsche Welle*.

<sup>50</sup> Monthly Macroeconomic and Monetary, July 2022.

The government is responding to the current circumstances by introducing a number of measures aimed at mitigating the effects of the war. Some of these programs are aimed at supporting the opening of new businesses, which in turn should create new jobs and pay the necessary taxes to the state budget. One of these programs is the government's E-Work initiative, which provides Ukrainians with grants for starting a business, developing entrepreneurship, and training. It is aimed at developing entrepreneurship and stimulating the creation of new jobs. The main condition is to create jobs to employ as many Ukrainians as possible.<sup>51</sup>

According to the Prime Minister of Ukraine Denys Shmyhal, more than 6,000 grants from the state worth more than UAH 4.5 billion had been approved a year after the program was launched. This will create about 20,000 new jobs.<sup>52</sup>

This program was aimed at stimulating entrepreneurial activity and creating new jobs by providing grants for starting or developing a business.<sup>53</sup>

The eRobota program includes several grant programs:

- Grants for processing enterprises - up to UAH 8 million for the purchase of equipment to create or increase production capacity. The grant provides for the creation of up to 25 jobs.
- Own garden - grants for the creation or development of horticulture, berry growing and viticulture. Grants are provided up to UAH 400 thousand per hectare, but not more than 70% of the project cost.
- Own greenhouse - up to UAH 7 million for the development of greenhouse facilities with the mandatory creation of at least 14 jobs.
- IT startups - grants of up to UAH 3.5 million for employee salaries, consulting services, equipment purchases, etc. to create new companies and jobs in the high-tech sector.
- Start in IT is a program for obtaining a profession in the IT sector aimed at Ukrainians without formal education and experience in the industry.<sup>54</sup>

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<sup>51</sup> Ministry of Economy of Ukraine: eRobota: Grants from the state for starting or developing a business, (n.d.).

<sup>52</sup> Kitsoft: The Cabinet of Ministers of Ukraine - Denys Shmyhal: Over the year, grants for more than UAH 4.5 billion were issued under the eRobot program, which will create about 20 thousand new jobs, (n.d.), <https://www.kmu.gov.ua/news/denys-shmyhal-za-rik-u-mezhakh-prohramy-ierobota-vydano-hrantiv-na-ponad-45-mlrd-hrn-zavdiaky-chomu-bude-stvoreno-blyzko-20-tys-novykh-robochykh-mists>, 03/09/2023.

<sup>53</sup> eRobota, n.d., <https://erobota.diia.gov.ua/>, 14/03/2024.

<sup>54</sup> Ministry of Economy of Ukraine: eRobota: Grants from the state for starting or developing a business, (n.d.).

A grant application is submitted through the Diia portal, where you need to submit a business plan and pass a business reputation check. After receiving a grant decision, you need to open a special bank account to receive the funds. Some programs, such as support for waste recycling, planting gardens, and greenhouses, require a share of co-financing.<sup>55</sup>

The initiative is part of the Government of Ukraine's broader strategy to restore and develop the country's economy after the war, with a focus on supporting small and medium-sized businesses. eRobota is a key element of the Government's strategy to respond to the economic challenges caused by martial law in Ukraine. It aims to support citizens in starting their own businesses, develop entrepreneurship and provide training to stimulate job creation and increase entrepreneurial activity. The E-Work program is part of a comprehensive effort by the Ukrainian government to provide citizens with jobs. This initiative provides grants for business creation and development, as well as training.

Another important measure was the introduction of a program to relocate businesses from areas close to or in the combat zone to safe regions in western Ukraine. In order to relocate a business to a safe zone, the owner must submit an application for relocation. After a positive decision is made, the company will receive a package of state support, including the choice of location, assistance with transportation to a new location, assistance in relocating employees and finding new employees, support in restoring logistics, purchasing raw materials and finding markets.<sup>56</sup>

Currently, the main work at the regional level is being carried out in the following areas: creating opportunities to provide enterprises with appropriate warehouse and production facilities; establishing a mechanism for providing housing and office space for employees; and creating safe working conditions.

As of 12 May 2022, 510 enterprises have relocated their facilities under the Program, 303 of which have already resumed operations in safe areas, and another 50 have installed equipment and connected communications. In addition, 192 companies are preparing to move in the near future and are at different stages of transportation.<sup>57</sup>

It should also be borne in mind that there are further state measures to support the relocation of enterprises, where the State Employment Service plays an important role, assisting enterprises in resolving personnel issues, recruiting

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<sup>55</sup> <https://diia.gov.ua/services/categories/biznesu/yerobota>, 14/03/2024.

<sup>56</sup> Ministry of Economy of Ukraine, Enterprise Relocation Program, (n.d.).

<sup>57</sup> National Institute for Strategic Studies: Review of the implementation of the enterprise relocation program in Ukraine.

employees, and providing the necessary consulting support to enterprises, if necessary. This includes remuneration, dismissal, transfer, downtime, employee time tracking, work organization, safe and healthy working conditions, administrative services, etc. Advising displaced businesses is a useful service given the changes being made to labor legislation to adapt it to martial law, and to this end, the State Labor Service has created a telegram bot to promptly provide entrepreneurs with answers to the most common questions about labor legislation. A special information portal on labor relations under martial law has also been launched at.<sup>58</sup>

The next step was the creation of the “Army of Recovery” program aimed at encouraging employers to hire IDPs, which provides a monthly compensation of UAH 6,700 to employers who hire IDPs for two months. A unified database of vacancies has been created in Ukraine, which contains job offers from both the State Employment Service and the largest employment websites. Information about vacant jobs is updated in real time. This allows employers to quickly find an employee and job seekers. In addition, the government is activating the mechanism of involving job seekers in the country’s “Army of Recovery”. In particular, able-bodied persons registered as unemployed and internally displaced persons who do not have health restrictions will be involved in public works.<sup>59</sup>

According to the Ministry of Economy, 8,500 unemployed people in 13 regions are engaged in public works as part of the Army of Recovery project. They receive at least 6,700 hryvnias for their work, which is more than the average unemployment benefit.<sup>60</sup>

The Ukrainian government is taking active measures and programs to combat the problem of unemployment and provide citizens with jobs in a time of war. All these initiatives are aimed at providing citizens with jobs, creating new jobs and supporting entrepreneurship. The results show that these programs have been successfully implemented and have had a positive impact on the labor market. Overall, the Ukrainian authorities are actively working to address the problem of unemployment in the context of the military conflict and are making efforts to support the country’s economic recovery.

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<sup>58</sup> National Institute for Strategic Studies: Review of the implementation of the enterprise relocation program in Ukraine, the implementation of the enterprise relocation program in Ukraine.

<sup>59</sup> Ministry of Economy of Ukraine: “Army of Restoration”: Rebuilding the country, (n.d.).

<sup>60</sup> The path to a new job: how the state helps Ukrainians find work during the war, (n.d.), <https://www.unian.ua/economics/finance/shlyah-do-novoji-roboti-yak-derzhava-dopomagaye-pracevlashtuvatsiya-ukrajincyam-u-chasi-viyni-12196341.html>, 03/09/2023.

Thus, analyzing the measures taken by the Ukrainian authorities to support the labor market during the war, we can conclude that they are comprehensive and cover various aspects of the problem. Another important area is the relocation of enterprises from areas close to the war zone to safe regions. This helps preserve production facilities and jobs, as well as ensure the safety of employees. The government provides comprehensive support to the relocated companies, including assistance with transportation, resettlement of employees, restoration of logistics, etc. The Recovery Army program is aimed at encouraging employers to hire internally displaced persons by providing financial compensation. This helps to solve the problem of unemployment among IDPs and facilitates their social adaptation in their new place of residence.

At the same time, despite the government's active efforts, the labor market remains challenging. The war has led to a significant reduction in jobs, lower incomes, and an increase in shadow employment. The shortage of qualified personnel in key economic and social sectors is particularly acute. The resulting staff shortage has undermined various sectors of the economy and the social sphere. The shortage of specialists can lead to a decline in the quality of medical services, legal support, education, and other areas. Raising wages and improving working conditions will encourage the return of specialists to Ukraine, as well as increase the interest of young people in obtaining higher education and developing a career in their home country.

With this in mind, the government is making great efforts to fight unemployment, but this fight has led to an imbalance in the labor market. In particular, skilled workers are in the greatest demand among employers.

Analyzing the National Bank of Ukraine's July 2023 Inflation Report on the Labor Market and Income of the Population, it is clear that in the first months of 2023, Ukraine saw an increase in demand for labor due to the economic recovery. Specialists capable of adapting businesses to the conditions of the military conflict were in greatest demand, which was reflected in the emergence of new vacancies in blue-collar occupations, logistics, sales and purchasing, as well as in healthcare and education. At the same time, demand for workers in the humanitarian, cultural, administrative, and management sectors, as well as in information technology and construction, remains low.

Labor supply has almost returned to its previous level after the Ukrainian population adapted to the high security risks. Employment growth was driven both by people who returned to their regular jobs and by new hires. The situation with the employment of war veterans was also important. However, the number of Ukrainian migrants remains significant due to deteriorating security expectations and the adaptation of Ukrainians abroad. This situation may continue, posing risks to economic recovery.

The unemployment rate remains high due to both previous problems in the labor market and the effects of the war, in particular, the different speeds of recovery in different sectors and regions. However, the situation is expected to improve due to the expected economic recovery. An important aspect is the skill and regional imbalances in the labor market, which remain significant.

Thus, the impact of the war on the labor market in Ukraine, where labor supply and demand are determined by difficult socioeconomic and security conditions, is an important topic. Existing imbalances and challenges in the labor market require careful monitoring and strategic planning to further stabilize and restore economic activity.<sup>61</sup>

An online survey of small and medium-sized businesses was conducted to find out what challenges they face in finding and training their workforce. A total of 252 small and medium-sized business owners were surveyed.<sup>62</sup>

The main reason for the imbalance is the mismatch between the education system and the real needs of the economy and the labor market. More than 80% of businesses consider it inefficient. Therefore, companies are forced to train and upgrade their staff on their own. More than half of the surveyed companies provide such training.<sup>63</sup>

The state makes certain attempts to improve the qualification level of employees. For example, the State Employment Center offers a training program for certain categories of persons, which provides for a special voucher entitling them to retraining or training in another specialty, or advanced training at educational institutions or with an employer. Such a voucher is issued by employment centers to individuals who are not registered as unemployed but meet certain requirements. Thus, persons over 45 years of age with at least 15 years of insurance experience and vocational or higher education, persons discharged from military service (in particular, after participation in the anti-terrorist operation), and internally displaced persons (IDPs) are eligible for such training.

In addition, the government has expanded the list of people eligible to receive such a voucher. Now, this circle of people includes defenders of the Fatherland, citizens who have been wounded, and people with disabilities.

Since February 2023, Ukraine has resumed the “Helping Hand” program, which provides loans to the unemployed from low-income families to start or develop their own business. It allows such persons to receive a one-time

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<sup>61</sup> National Bank of Ukraine: Inflation Report, (b.d.), <https://bank.gov.ua/ua/news/all/inflyatsiyniy-zvit-lipen-2023-roku>, 02/09/2023.

<sup>62</sup> Ekonomichna Pravda: Labor force in Ukraine: how does the war affect its future?.

<sup>63</sup> Ekonomichna Pravda: Labor force in Ukraine: how does the war affect its future?.



interest-free repayable financial assistance of up to UAH 100,500 to start or develop their own business. Such assistance is provided for the purchase of equipment and materials necessary for the development of their own business.

Thus, it can be seen that the morning job is a complex phenomenon, the development or maintenance of which requires consideration of many aspects, both in terms of qualified personnel and their social well-being. Indeed, the conditions in which Ukraine has found itself as a result of the war are extremely challenging for the labor market. The war immediately led to a number of negative consequences: loss of jobs, mass unemployment, migration, shortage of skilled personnel due to emigration, and human losses. Ukraine was not prepared for such large-scale challenges and only gradually began to take measures to restore the labor market.

The following recommendations can be made to improve the effectiveness of the state employment policy:

- Expand the scope and diversify the tools for supporting entrepreneurship, in particular through microcredit, tax benefits, simplified regulatory procedures, etc.
- Develop targeted retraining and professional development programs in line with labor market needs, especially in critical infrastructure and high-tech industries.
- Strengthen coordination between central and local authorities, as well as cooperation with the private sector and non-governmental organizations in implementing employment programs.
- Provide targeted support to vulnerable groups, including young people, people with disabilities and people of pre-retirement age, through active employment promotion programs.
- Improve the system for monitoring and evaluating the effectiveness of state employment support programs, ensuring their flexibility and adaptability to changes in the labor market.

Implementation of these recommendations will help to improve the effectiveness of state policy in the labor market and accelerate the processes of restoring and developing Ukraine's labor potential during the war and after its end. At the same time, solving employment problems requires concerted efforts of all stakeholders and consideration of a number of socio-economic factors that affect the functioning of the labor market.

As we can see from the analysis of the article, most government initiatives have focused on specific aspects or segments of the labor market: supporting entrepreneurship to create jobs, facilitating the employment of internally dis-

placed persons, and reforming education. However, there is no comprehensive vision or holistic strategy for labor market recovery.

Therefore, to effectively address labor market problems in a time of war, a systematic approach is needed, taking into account all interrelated factors. This requires the development of a national recovery strategy with clear goals, objectives, and a set of measures in various areas, from education and business support to reintegration of internally displaced persons and social protection. Only such a coherent and coordinated policy will be able to overcome the crisis on labor market and ensure its effective functioning during the war and post-war reconstruction.

#### **4. DISCUSSION**

It is worth noting that for a long time, informal employment (even taking into account the risks that logically follow from the very definitions of risks) was seen as a catalyst for business adaptation to various kinds of changes. But today, informal labor is a destabilizing factor in the country's economic sector. Moreover, it carries significant risks due to the insufficient level of response from government agencies and the lack of legal regulation of informal labor in general due to its nature. That is why there is a need to transform the sphere of informal employment and informal labor into formal employment and further regulate such labor. In the process of formalization, certain risks and social protection challenges will inevitably arise. They always exist alongside development prospects. Therefore, it is worth analyzing in more detail the legal aspects of informal labor formalization and highlighting its main mechanisms.

In general, the main mechanisms of formalization are the characteristics of the institutional environment and economic growth factors. These mechanisms differ in their application. For example, economic growth factors automatically reduce the percentage of informal employment as a consequence of economic growth. Therefore, the main goal is to remove any obstacles to economic growth. As for the characteristics of the institutional environment, they suggest that this is not enough. However, we cannot but agree that in most cases economic growth is a catalyst for the formalization of informal work. Since the increase in the percentage of employment in the informal sector is driven by the lack of appropriate legal regulation, poor business climate, and hidden earnings, the percentage of informal employment can be reduced by reforming formal institutions and improving the economic policy model in general.

International experience in formalizing informal labor shows that hard measures taken by government agencies did not bring the desired result, i.e., were ineffective. At the same time, soft measures in the form of creating certain

incentives for the transition to formal employment have brought the desired result. This is because hard measures lead to a decline in economic activity without an increase in the formal sector of the economy. Therefore, in our opinion, the policy of formalizing informal labor should be soft and stimulating, and therefore include the following response tools:

- Formulating a comprehensive economic development strategy and implementing it - to change the current economic development model that has led to the growth of informal employment; including the strategy's coverage of the process of improving the business and institutional environment, which is conducive to effective anti-corruption activities and intensive creation of more formal jobs;
- Modernization of public administration by developing and implementing specific step-by-step measures aimed at increasing the trust of both employers and employees in the tax authorities and the tax payment process itself (based on the principles of equality and impartiality);
- Improving the level and quality of public service delivery is an important factor in increasing the value of formal employment in the eyes of the population and in understanding the importance of paying taxes. This is reflected in the fact that employees and employers should see the result of fulfilling their tax obligations in the form of receiving relevant services and goods;
- Implementation of a set of measures aimed at improving the quality of human capital of the country's working population;
- Developing a set of measures aimed at informing the population about the prospects for formal employment, promoting it and reducing the negative perception of informal employment. Such measures may include educational activities on taxation and the direct link between taxes and benefits for the population. Explanatory work can be carried out on running informal businesses and criminal liability for tax evasion, peculiarities of imposing fines for informal employment, etc.

The state should also take measures to improve conditions for small and medium-sized businesses and create prospects for attracting investors, which will serve as a springboard for further formalization of informal labor with direct benefits for employers and employees. The so-called stimulus measures should be administrative in nature, in terms of reducing barriers to business legalization or to the creation of new businesses and the expansion of existing ones.

Some studies suggest reducing the tax burden to facilitate the rapid formalization of informal work, as this would be a good incentive for many enterprises to come out of the shadows. However, such a step may not be applicable in

all countries, but only in economically developed countries. For example, in Ukraine, whose economy is in a very difficult state, the possibilities of using tax instruments to reduce Ukrainian informal employment are almost exhausted. Therefore, if social contributions from legal businesses continue to decline, this will not lead to an increase in the tax base, but instead will lead to a decrease in insurance revenues. And this, in turn, will have a significant impact on pensions and the quality of medical services.

However, it can be noted that an alternative would be to create conditions under which income disclosure and tax payments are compensated by certain benefits, for example, in the area of health care, banking or other social services. An option for gradual formalization of informal work could be partial legalization, which means allowing entrepreneurs to have and enjoy the benefits of legal status (attracting investors, additional funding from the state through targeted programs, protection mechanisms, etc.) and the benefits of illegal status, such as reduced tax burden.

Based on the above, the following legal and social aspects, approaches and mechanisms for formalizing informal labor can be identified:

- Define the concept of “informal labor” at the legislative level, in particular in the Labor Code, Tax Code, Employment Law, Law on Social Insurance in Case of Unemployment, etc., which should cover all types of informal labor, areas where it is widespread, responsibility for informal labor relations, and a list of possible sanctions. This should be enshrined in order to create a clear understanding of the nature of informal labor and the risks for employers and employees;
- Developing an economic development strategy that, in combination with the previous point, will help reduce the number of workers and employers involved in informal employment;
- Legal regulation of the so-called freelance work, determination of its scope and distribution.

## **5. CONCLUSION**

The war in Ukraine has caused profound and widespread changes in the labor market, which have negatively affected employment, incomes and welfare.

First, the hostilities led to a significant reduction in employment. Many businesses were forced to suspend or reduce their operations due to the destruction of infrastructure, disruption of supply chains, and falling demand. According to the Ministry of Economy, in early 2023, the number of unemployed reached

2.6-4.8 million people. Small and medium-sized businesses were particularly affected, with more than 1 million jobs cut.

Secondly, the war provoked a rapid increase in unemployment. Many people lost their jobs due to the closure of businesses, staff reductions, or the inability to work in the war zone. According to polls, almost 52% of Ukrainians have suffered from a decline in business activity and job losses. At the same time, unemployment remains high even in government-controlled areas due to the economic crisis and uneven recovery of industries.

Third, the war has caused large-scale migration both within the country and abroad. About 5 million Ukrainians were forced to leave their homes and move to safer regions. This has led to an imbalance in local labor markets, where demand for housing, goods, and services has increased sharply. At the same time, millions of labor migrants have found themselves abroad, unable to return or seeing no employment prospects at home.

Fourthly, the war has significantly worsened working conditions for those who have kept their jobs. Many people are forced to work in dangerous conditions, under fire or in destroyed buildings. The practice of unpaid vacations, salary cuts and delays in payment has become widespread. According to trade unions, massive violations of labor rights, forced labor, and ethnic discrimination are taking place in the occupied territories. Thus, the war has dealt a powerful blow to Ukraine's labor market, resulting in job losses, rising unemployment, imbalance of labor resources, and deteriorating working conditions. These negative transformations are long-term and require sustained efforts by the government, business, and civil society to overcome. Restoration of the labor market should be one of the key priorities of the post-war strategy to rebuild the country.

The Ukrainian government, realizing the extent of the negative impact of the war on the labor market, is taking a number of measures to mitigate the situation and support employment.

One of the key initiatives is the eRobota entrepreneurship support program, which provides grants to start or develop a business. This program is aimed at stimulating business activity and self-employment, especially in regions affected by the war. Over the year of the program's operation, more than 6,000 grants worth UAH 4.5 billion were issued, which helped create about 20,000 new jobs. Another important area is to facilitate the relocation of businesses from the areas affected by the hostilities to safer regions of the country. The government is helping businesses to transport equipment, find new production sites, and provide housing for employees. As of May 2022, 510 businesses had been relocated, of which 303 resumed operations at new locations. This has

saved thousands of jobs and provided people with a stable income. Particular attention is paid to the employment of internally displaced persons who were forced to leave their homes because of the war. To this end, the “Army of Restoration” program was introduced, which provides for compensation to employers for the labor costs of IDPs in the amount of UAH 6,700 per month. A single database of vacancies has also been created, which accumulates job offers from the employment service and private employers. IDPs can use this resource to find suitable work in the regions of displacement.

Despite these efforts, the situation on the labor market remains extremely difficult. The scale of destruction and economic losses is so great that existing support programs are not sufficient to fully restore employment. Many people are still unable to find work or are forced to work part-time or in the shadow economy. In addition, the implementation of government initiatives faces a number of obstacles, such as bureaucratic procedures, limited resources, and insufficient coordination between agencies. To increase the effectiveness of employment policy, additional measures are needed to stimulate job creation, infrastructure development, investment, and economic activity in the affected regions. It is also important to ensure that support programs are targeted and accessible to all categories of the population, including the most vulnerable groups. Only a comprehensive and consistent approach will help mitigate the negative effects of the war on the labor market and lay the groundwork for its sustainable recovery in the future. One of the most painful problems faced by the Ukrainian labor market as a result of the war is the acute shortage of qualified personnel. This problem has several dimensions and leads to serious imbalances between labor supply and demand.

First, the war has provoked a massive outflow of specialists abroad. Many highly skilled professionals, especially in the fields of IT, medicine, education and science, have been forced to leave the country due to the threat to their lives and lack of employment prospects. According to various estimates, between 2 and 3.6 million able-bodied people, most of whom have higher education and valuable professional experience, have left Ukraine. This “brain drain” is creating a critical shortage of personnel in key economic and social sectors.

Second, Ukraine has suffered significant human losses as a result of the fighting, including civilian deaths and injuries. Many have been injured and some killed, including many skilled workers with unique knowledge and skills. In addition, the war has caused severe psychological trauma to millions of people, which negatively affects their ability to work and productivity.

As a result of these processes, a significant imbalance has emerged in the Ukrainian labor market between the supply and demand for skilled labor. On

the one hand, there is an acute shortage of specialists in such critical areas as healthcare, education, transportation, energy, etc. Employers complain about the inability to find workers with the necessary competencies, which hinders business development and economic recovery. On the other hand, many skilled professionals who have remained in Ukraine cannot find work in their specialty due to declining demand and changing employment patterns.

This situation requires urgent measures by the state and other stakeholders to restore balance in the labor market. It is necessary to develop a comprehensive strategy for the preservation and development of human capital, which will include:

- programs to encourage the return of labor migrants, in particular by creating attractive employment conditions and supporting reintegration;
- investments in vocational education and training, focused on the needs of the labor market and taking into account the specifics of post-war reconstruction;
- mechanisms for recognizing and confirming qualifications obtained abroad or informally;
- retraining and retraining programs for the unemployed in accordance with current vacancies;
- measures to popularize scarce professions among young people and encourage them to choose the appropriate educational path.

Only a systematic effort to develop human potential will overcome imbalances in the labor market and provide the economy with the skilled personnel needed for the post-war reconstruction of the country. Otherwise, the shortage of professionals will only get worse, which will have devastating consequences for all spheres of public life.

To effectively address the labor market problems caused by the war, a comprehensive, systemic approach is indeed needed. Such an approach should take into account the full range of factors affecting the functioning of the employment sector, from demographic processes to the state of education and the economy. First of all, it is necessary to conduct a thorough analysis of the demographic situation and its impact on the labor market. The war has led to significant human losses, forced migration, and deformation of the age and gender structure of the population. These changes need to be taken into account when forecasting labor supply and demand, planning social and educational policies. It is also important to develop measures to support the most vulnerable categories of the population - young people, the elderly, people with disabilities, etc. The next important aspect is economic recovery and modernization. Without

rebuilding destroyed businesses, creating new jobs and attracting investment, it is impossible to ensure a stable demand for labor. Therefore, the economic development strategy should be synchronized with the employment policy, taking into account the needs and specifics of local labor markets. Particular attention should be paid to supporting small and medium-sized businesses, promoting self-employment, and developing promising industries. Education and training is another cornerstone of a systemic approach to labor market regulation. The war has caused significant damage to the educational infrastructure, resulting in a loss of human resources and a decline in the quality of education. The restoration and reform of the education system should be carried out in close cooperation with employers and taking into account the current needs of the economy. It is necessary to modernize the content and methods of education, introduce dual education, develop the adult education system, and provide opportunities for retraining. In addition, effective labor market regulation is impossible without taking into account social and institutional factors. The war has exacerbated the problems of poverty, social exclusion, and inequality. Therefore, the employment recovery strategy should be accompanied by measures to increase incomes, expand access to social services, and strengthen the social protection system. It is also important to ensure effective interaction between key labor market institutions, such as the State Employment Service, employers, trade unions, educational institutions, etc.

Finally, a systemic approach to labor market regulation should take into account regional peculiarities and imbalances. The war has had a different impact on different parts of the country, exacerbating existing imbalances in the development of the territories. Therefore, employment policy should be differentiated and adapted to the specifics of each region - its economic structure, demographic situation, level of urbanization, etc. Special programs are needed to support depressed areas, encourage labor mobility and develop local infrastructure.

Thus, only a comprehensive vision of labor market problems and a systematic approach to solving them will allow to effectively overcome the consequences of the war in the field of employment. This requires coordinated efforts of the state, business, education, and civil society, as well as significant investments in human capital and infrastructure. Despite the complexity of this task, the restoration and development of the labor market is the key to Ukraine's successful post-war recovery and the well-being of its citizens.



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