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# Unlocking Potential: Rebuilding Ukraine's Workforce at Home

# Contents

- 3 Executive Summary
- 5 The Challenges Facing Ukraine's Labour Market
- 13 Plugging Labour Shortages With Talent at Home
- 18 Delivering a 3 Million Labour-Force Opportunity
- 21 Conclusion
- 22 Methodology



# Executive Summary

When President Volodymyr Zelenskyy unveiled his government's Internal Resilience Plan to parliament in November, bolstering Ukraine's labour force (its "human capital") was among his top priorities. He framed giving Ukrainians a chance "to work in Ukraine, with Ukraine, for Ukraine" as a national duty – a social contract at the heart of rebuilding the country.

Yet Ukraine faces significant labour-market challenges, with Russia's full-scale invasion exacerbating structural issues prevalent since the 1990s. The headlines are stark: 6.8 million refugees have left Ukraine, 3.3 million more people remain in occupied territories and 4.9 million are internally displaced. One million have been mobilised into the military since 2022. An estimated 5.8 million workers would need to be brought into formal employment by 2030 to meet the Ministry of Economy's growth targets.

In this context, the return of refugees is often framed as the key to addressing Ukraine's labour needs. However, the Tony Blair Institute for Global Change has identified more than 3 million people in Ukraine who could be brought into the labour force to drive growth. Bringing this hidden workforce into employment would expand the labour pool, bolster wartime resilience and send a clear signal to investors: Ukraine's recovery need not wait for peace.

Our research shows that unlocking this potential will require removing barriers to employment for underrepresented groups – women, people with disabilities and internally displaced people, for example. It will also necessitate the development of tech-enabled job-matching initiatives and targeted reskilling programmes to better address Ukraine's high unemployment and high job-vacancy rates. This research is grounded in interviews with more than 40 Ukraine-based and international experts, comparative analysis across European economies and a Human Capital Survey of over 2,500 unemployed, employed and economically inactive Ukrainians.

Realising this opportunity will rely on international businesses and third-sector organisations to support the government's ongoing work in this area. In particular, efforts should focus on:

- Building on Ukraine's world-leading technical skills and digital infrastructure to modernise parts of the employment ecosystem, including introducing AI-enabled job- and skills-matching capabilities.
- Identifying and scaling the most successful government and donor-led reskilling efforts by introducing transparent market-led evaluation, ensuring funding allows businesses to effectively address their skills gaps.
- Finalising existing efforts to adopt a new Labour Code, focusing on improving workers' rights and in particular supporting gender equality.
- Removing specific barriers to employment that underrepresented groups are facing, including workplace accessibility for people with disabilities.

Unlocking human capital is of critical importance to Ukraine's future, irrespective of how the war unfolds. If it continues, integrating these individuals will bolster resilience, helping sustain defence efforts while maintaining economic stability. Should the situation on the battlefield improve or peace negotiations advance, a larger, more inclusive workforce will accelerate reconstruction, drive investment and foster social cohesion.

# 02

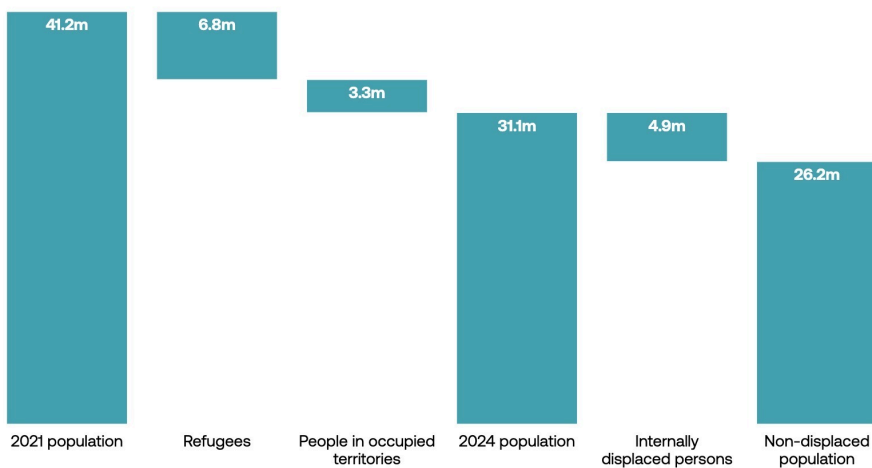
## The Challenges Facing Ukraine's Labour Market

Ukraine's labour market is currently facing a dual challenge of high unemployment and a high numbers of vacancies, presenting problems for both jobseekers and employers.

Since Russia's full-scale invasion in February 2022, around 15 million Ukrainians – more than a third of the population – have been displaced by the war or forced under Russian occupation. Of these, 6.8 million have left Ukraine as refugees, 4.9 million have been internally displaced and 3.3 million remain in occupied territories.

FIGURE 1

### Ukraine has lost a quarter of its population since 2021, with millions more internally displaced



Source: TBI analysis<sup>1</sup>

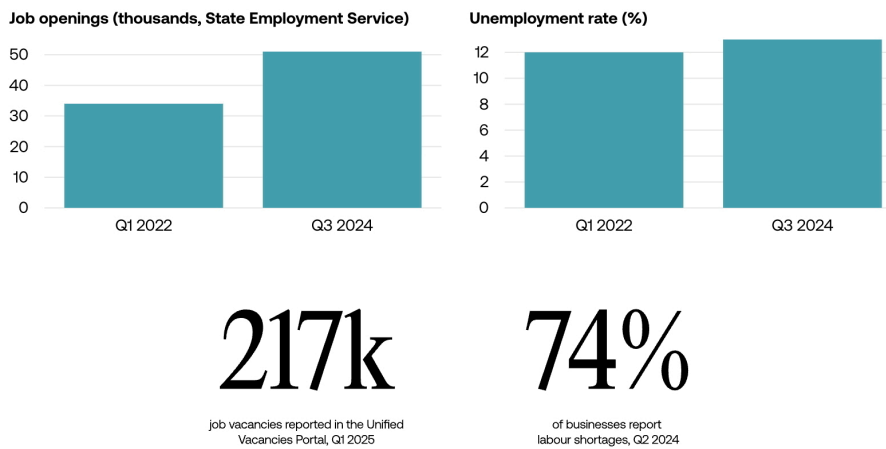
This has severely disrupted the labour market and exacerbated its long-term structural issues. Demographic decline, low labour-force participation among underrepresented groups and outdated labour legislation have all contributed to the high unemployment rates that have persisted since the start of Ukraine's transition away from its Soviet past. These structural challenges point to hurdles that Ukraine may face as it looks to drive post-war reconstruction through its human capital.

## The Labour Market Today

Business hiring activity dropped in early 2022 due to the war. It has since largely recovered to pre-war levels (55,000 vacancies a week), but unemployment has grown in the same period from 12 per cent in Q1 2022 to 13 per cent in Q3 2024. Traditionally male-dominated sectors such as heavy industry and construction have disproportionately faced a labour-force contraction, with similar trends seen in occupations such as driving and engineering.

FIGURE 2

## Increases in both jobseekers and vacancies point to structural unemployment



Source: TBI analysis<sup>2</sup>

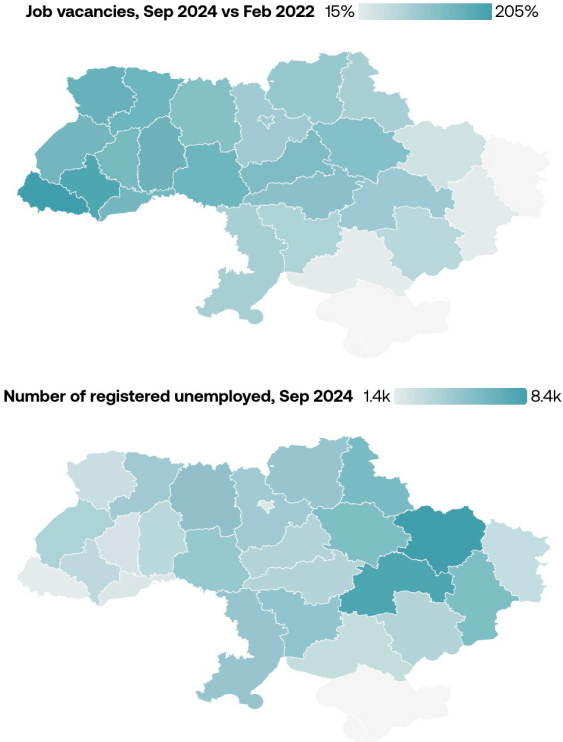
Note: Under normal market conditions, a high vacancy rate results in low unemployment (for example in Poland, which had 114,300 vacancies and 3.0 per cent unemployment in Q3 2024). Structural unemployment occurs when there is a mismatch between the needs/capabilities of jobseekers and the jobs available. Estimates of unemployment data post-2021 vary as employment statistics have not been published since 2021. Alternative estimates for 2024 include 9 per cent (Ptoukha Institute) and 16 per cent (National Bank of Ukraine).

These problems are partly related to geography. Analysis of regional vacancy numbers highlights high vacancy rates in the west of the country and high unemployment in the east. The number of people identifying a lack of vacancies as a barrier to employment was 18 percentage points higher in

the east than the centre of the country. The male-dominated industries that have experienced the biggest shortages also tend to be concentrated in the east.

FIGURE 3

# Ukraine has a geographic mismatch between the availability of jobs and jobseekers



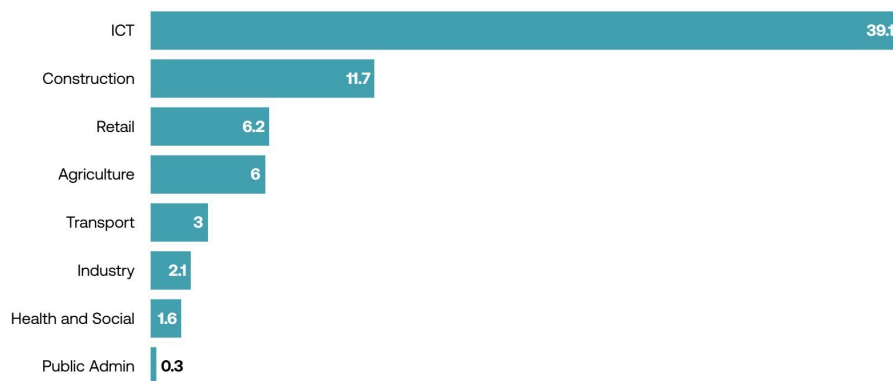
Source: TBI analysis<sup>3</sup>

But a mismatch in skills is also an issue. More than 25 per cent of unemployed Ukrainians cite a lack of adequate skills as a major obstacle to finding work.<sup>4</sup> Meanwhile, 40 per cent of businesses currently struggle with a talent shortage, a 26 percentage point increase on post-full-scale-invasion lows of 14 per cent in November 2022.<sup>5</sup>

At a sectoral level, there is considerable variation in competition for roles. There is keen interest in high-growth sectors such as information and communication technology (39 interested jobseekers per role, based on TBI's analysis of the number of open jobs and survey responses from jobseekers on the type of work they want), and almost all key sectors have more interest than available roles. However, this does not translate into applications – just 22 per cent of respondents had reached out to employers in the two weeks prior to being surveyed. This is in part a skills issue. Efforts should be made to upskill people rapidly to fill roles in sectors that will be key to supporting Ukraine's recovery.

FIGURE 4

## Jobseekers' interest in sectors critical to Ukraine's recovery is high



Source: TBI Analysis<sup>6</sup>

An acute shortage of qualified labour is an obstacle to business growth and investment. Left unaddressed, it will hamper Ukraine's ability to sustain its defence and stall economic recovery from the war.

## Structural Challenges

Addressing current labour-market problems will mean confronting long-standing structural challenges. Ukraine's population has steadily declined since 1994 due to ageing and negative net-migration trends for 19 of the past 30 years.

FIGURE 5

## Russia's invasion has exacerbated long-standing demographic issues



Source: TBI analysis<sup>7</sup>

Unemployment has remained consistently high, averaging 9 per cent between 1995 and 2021. This has disproportionately affected vulnerable groups. According to the most recent data in 2021, 84 per cent of people with disabilities were out of work, compared with 50 per cent in the

European Union.<sup>8</sup> Meanwhile, unemployment is more than twice as high among internally displaced persons (IDPs, at 36 per cent) compared to the general population (13 per cent).<sup>9</sup>

Low labour-force participation has co-existed alongside unemployment, with a drop of a further 10 percentage points since Russia launched its invasion of Crimea in 2014.<sup>10</sup> There is a participation gap of 15 percentage points between men and women, with women citing difficulty balancing work and family responsibilities, and traditional views about “male” professions such as mining or construction, as leading deterrents.<sup>11</sup>

Additionally, the Labour Code – which has gone without a wholesale update since Brezhnev’s Soviet Union – no longer reflects the reality of the labour market. Multiple minor amendments have had little impact on the size of Ukraine’s informal economy or on enabling flexible work arrangements.

These challenges are underscored when compared with Poland, a neighbour that emerged from communism at a similar time to Ukraine, both with a low GDP per capita. Between 1991 and the full-scale invasion, Ukraine’s GDP per capita grew by a multiple of 3.2, while Poland’s increased eightfold.<sup>12</sup> This stark divergence underlines the scale of Ukraine’s growth challenge.

Key labour-force indicators also show a significant gap between the two countries, such as labour-force participation (from 2.5 percentage points higher than Poland in 1995 to 6 percentage points lower in 2021) and unemployment (from 8 percentage points lower in 1995 to 6.5 percentage points higher in 2021).<sup>13</sup>

This is particularly true of Ukraine’s informal economy (which constitutes 46 per cent of total GDP). This is twice as high as in Poland and has grown by 2 percentage points since 1991 compared to Poland’s 7 percentage point contraction.<sup>14</sup> Pension Fund data show that around one-fifth of Ukrainian workers still lack a formal contract. While this share has fallen by 5 percentage points since 2014, it underscores the enduring scale of informal activity.<sup>15</sup>

The average monthly salary before the full-scale invasion was approximately a third of the average salary in Poland (\$532 versus \$1,477).

# 03

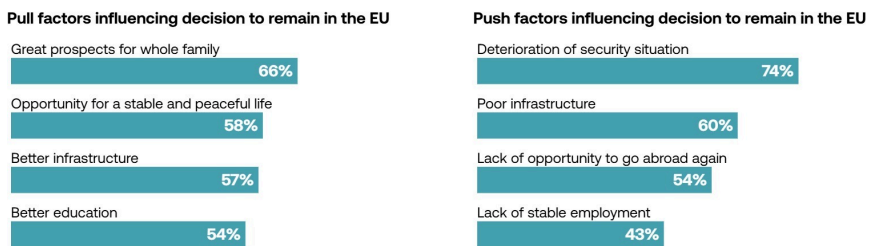
## Plugging Labour Shortages With Talent at Home

Given the sharp population decline caused by the full-scale invasion, it is tempting to see the return of refugees as a quick solution to Ukraine's human-capital challenges. However, only 55 per cent of refugees intend to return to Ukraine. Of these, 62 per cent are unsure when that would be.<sup>16</sup>

Economic opportunities in the EU (66 per cent) are almost as important as security concerns in Ukraine (74 per cent) in shaping this decision. Many refugees have now learnt local languages in the European countries to which they have moved and have placed their children in schools. With the Temporary Protection Directive extended until March 2027 there are also several national-level support schemes to further integrate Ukrainians into their host countries' workforces.<sup>17</sup>

FIGURE 6

## Economic opportunities in the EU are influencing refugees' future plans



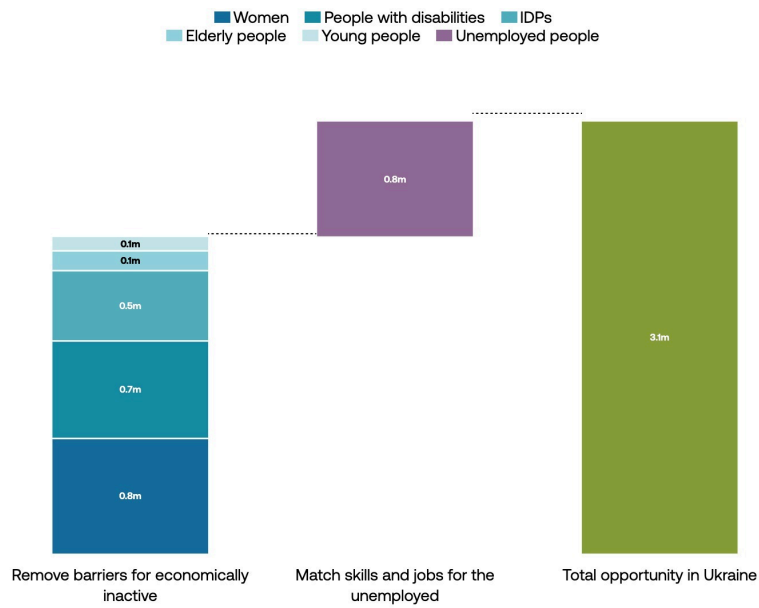
Source: Gradus Survey: Mapping of Migration Factors<sup>18</sup>

While maintaining connections with citizens abroad will be crucial to Ukraine's future – and indeed is central to the Internal Resilience Plan – Ukraine should turn its focus in the short term to the resources available internally to alleviate its workforce challenges.

TBI's analysis found that Ukraine has untapped labour potential at home. If donors and government bodies alike implement well-delivered interventions to find jobs for those who need them, more than 3 million workers can be brought into the labour market in the short-to-medium term. This would represent a 25 per cent increase on 2024 employment levels. Support in four key areas – digitally enabled jobs- and skills- matching, scaling reskilling initiatives, modernising labour legislation and supporting underrepresented groups into employment – can help unlock this opportunity.

FIGURE 7

## Addressing structural issues can bring more than 3 million Ukrainians into the workforce



Source: TBI analysis<sup>19</sup>

Note: We calculated potential employment by benchmarking key demographic groups' activity (assuming there are available jobs), for example versus EU norms. Modelling uses static assumptions about population and workforce because of uncertainties about the war ending. Numbers in the first column do not add up to 2.3 due to rounding.

These 3.1 million new workers would come from the following groups of people:

- **Economically inactive – 2.3 million:** By far the largest potential comes from mobilising economically inactive groups. Completely closing the employment-participation gap between men and women (15 percentage

points) would attract an additional 0.8 million people into work. Closing the gap to the EU average for people with disabilities and the elderly would add 0.7 and 0.1 million to the workforce respectively. Bringing youth and IDP employment rates in line with the general population would contribute a further 0.1 and 0.5 million workers.

- **Unemployed – 0.8 million:** Achieving an ambitious target of engaging the workforce to cut unemployment from 13 per cent to the EU average of 5.9 per cent would bring 0.8 million more people into work, effectively cutting joblessness by more than half.<sup>20</sup>

Delivering jobs for workers in key sectors critical to Ukraine's recovery hinges on mobilising private investment – whether through new startups, by scaling leading national companies or by attracting global firms to Ukraine. Targeted capital and simpler market entry can spark a steady flow of secure, high-quality roles for jobseekers.

Unlocking this human capital is of critical importance to Ukraine's future, irrespective of how the war unfolds in the short term. If the conflict persists, integrating these individuals will bolster resilience, helping to sustain defence efforts and maintain economic stability through increased tax revenue and an improved supply of labour to key sectors. It will also signal to Ukrainians abroad that the government is ready and willing to create the economic conditions needed to provide attractive professional opportunities in Ukraine.

Ukraine has four advantages that can bolster efforts to improve its human capital:

- **Existing momentum in government and donor efforts:** The government has already invested significantly in human-capital programmes, from training vouchers to entrepreneurship grants. International donors have committed billions in further support, for example through the Skills Alliance, a joint initiative that includes partners such as the World Bank, the Organisation for Economic Co-operation and Development, the European Bank for Reconstruction and Development, and Germany's

development agency GIZ. Efforts to reform the childcare system and digitalise both the State Employment Service and job centres are also ongoing, while a new labour code is in final drafting stages.

- **A motivated population:** TBI's research found a motivated population wanting to find work and willing to reskill or move to secure it. Thirty-nine per cent of unemployed Ukrainians are ready to change profession and 25 per cent to relocate within Ukraine. In groups such as IDPs, this proportion is even higher: 54 per cent are ready to reskill and the same proportion ready to move for work (again). More broadly, 28 per cent of unemployed survey respondents said they were ready to retrain immediately, a figure that rose to 40 per cent for workers close to the frontlines.
- **A rapidly modernising government ecosystem:** Future human-capital efforts will have to contend with job-search behaviours that are yet to be entirely formalised. Forty-eight per cent of employed survey respondents said that they found work through friends; just 15 per cent used job-search platforms. Yet the government is not starting from scratch in its efforts to shift these behaviours. Ukraine already tops the UN's E-Participation Index and has delivered "a digital state in a smartphone" through a range of sophisticated apps such as Diia.<sup>21</sup>
- **Ongoing EU integration efforts:** The ongoing EU accession process is providing external impetus for Ukraine to modernise much of its labour legislation. It also provides the government with a pool of experts across Europe who can support this.

Should peace negotiations advance or the situation improve on the battlefield, the development of a larger and more inclusive workforce will accelerate reconstruction, drive investment, foster social cohesion and motivate more Ukrainians to return from abroad.

## 04

## Delivering a 3 Million Labour-Force Opportunity

Delivering on Ukraine's human-capital opportunity will require continued support from international partners to maintain momentum on existing efforts and prioritise the most impactful interventions. International partners can best support the government by aligning with its existing priorities and focusing on deliverable, short-term actions and quick results. In practice, this means:

**1. Building on Ukraine's world-leading technical skills and digital infrastructure** to modernise parts of the employment ecosystem. With 46 per cent of unemployed people citing a lack of vacancies as a primary barrier to work and a further 26 per cent citing insufficient skills (these were the second and third most common answers behind low salaries), international partners can look to build on existing successes of Ukraine's e-governance by funding the digitalisation of employment services.

Ukraine's government has already embarked on this journey, designing an AI-driven matching platform for jobs and skills, and is looking for international support. The platform would not only facilitate better connections between jobseekers, employers and education providers but would also gather labour-market intelligence to support better policymaking in times of war and post-war recovery.

Foreign governments could share relevant experience related to the transformation of institutions such as the State Employment Service and State Labour Service, so that these bodies could deliver their services more efficiently without engaging employers and employees in too much unnecessary paperwork.

**2. Identifying and scaling the most successful government and donor-led reskilling initiatives** by introducing transparent market-led evaluation. This would ensure funding allows businesses to address their skills gaps effectively.

Donor and government interest in Ukraine's human capital has meant large amounts of capital have been made available for relevant programmes. This includes a Skills Alliance of donors, international organisations and businesses designed to coordinate skills-related programmes that collectively amount to €700 million. Additionally, the State Employment Service is already providing jobseekers with vouchers to cover skills training, but supply is fairly limited.

International partners can go further in their efforts to ensure that the donor money that is spent results in people getting jobs. Pooling resources into a common fund, expanding the involvement of employers in designing training and using technology – such as a digitalised employment service – to assess impact can ensure transparent market-led evaluation. The most successful courses would continue to be backed and where necessary scaled, while funding for those that are more poorly reviewed could be more successfully allocated elsewhere.

**3. Supporting existing efforts to reform labour laws by replacing the Labour Code** that has been in place since 1971 with modern legislation to create a legal framework that encourages economically inactive adults to seek employment. The new code is expected to guarantee equal pay for women, enhance protections for workers from gender or disability discrimination, and make flexible working easier.

Reforming labour legislation, essential for EU accession, will boost investor confidence, ultimately improving wages and making work more attractive. The Ukrainian government has already held discussions with social partners to ensure that the new Labour Code manifests a mutually beneficial compromise between employers and employees. It is important that international partners and other governments continue to support the drafting process through both technical assistance and public advocacy. This is especially important when it comes to ensuring alignment with the EU *acquis* (the common laws, rights and obligations that member states adopt).

**4. Removing specific barriers to employment** that underrepresented groups (women, people with disabilities, IDPs) are facing, especially around childcare.

The Ukrainian government has already made good progress in this area. A Human Capital Resilience Charter outlining principles to which businesses must adhere to deliver a barrier-free workplace is being drafted with 20 major employers. The State Employment Service will also compensate employers for adjustments that make workplaces more accessible for people with disabilities.

For many women, however, access to childcare remains challenging. In TBI's Human Capital Survey, 43 per cent of female respondents identified difficulties juggling work with family commitments as a barrier to working. This was the second highest cause (behind not believing they could fulfil a role's physical requirements at 69 per cent). To tackle this, the Ukrainian government has adopted a new law on pre-school education which guarantees access free of charge to all children. However, given demand for childcare still outstrips supply in many areas, international partners should fund additional capacity, including through innovative models such as mini-kindergartens (smaller, home-based daycare) and workplace daycare.

# 05

## Conclusion

Ukraine cannot afford to wait for peace to solve its labour-market challenges. Two external impetuses – the war and EU accession negotiations – require Ukraine and its international partners to take bold steps towards a more dynamic, inclusive labour market, and quickly.

With more than 3 million people in Ukraine ready to enter the workforce with the right policies and support, the foundations for this already exist. By removing barriers to accessing work and focusing investment on reskilling efforts that are already reaping results, Ukraine can unlock its workforce potential and deliver a resilient economic recovery.

# 06

## Methodology

This report represents the culmination of TBI's research into Ukraine's human capital. It combines desk research with more than 40 interviews with Ukraine-based and international topic experts, comparative analysis across European economies and a TBI-led Human Capital Survey of more than 2,500 respondents from across Ukraine.

The survey used stratified random sampling by age, gender and oblast (administrative division) to interview 1,200 unemployed, 800 employed and 500 economically inactive respondents across Ukraine. It sought to understand the challenges and barriers that people face in accessing work, as well as the government support that they require.

Variations of this research have been presented to Ukraine's Ministry of Economy and the government's Employment Strategy working group.

# Endnotes

- 1 TBI analysis based on [UNHCR Operational Data Portal](#), Eurostat, IOM Ukraine Area Baseline Assessment Round 35, Ministry of Reintegration, President of Ukraine, Ministry of Social Policy, NISS
- 2 TBI analysis based on [NBU](#); [State Statistics Service of Ukraine](#); [EBA](#); [Unified Vacancies Portal](#); [Statistics Poland](#); [Trading Economics](#)
- 3 TBI analysis based on [work.ua](#), [National Bank of Ukraine](#), IOM Ukraine Area Baseline Assessment Round 35
- 4 TBI Human Capital Survey response to the question, “What are the obstacles to finding a job?”
- 5 <https://bank.gov.ua/en/news/all/inflyatsiyniy-zvit-lipen-2024-roku>
- 6 TBI analysis based on [Unified Vacancies Portal](#) and TBI Human Capital Survey response to the question, “In which sector of the economy are you looking for a job?”
- 7 TBI analysis based on [World Bank \(1\)](#) and [World Bank \(2\)](#)
- 8 <https://www.coe.int/en/web/kyiv/-/draft-law-on-employment-of-persons-with-disabilities-has-been-registered#:~:text=According%20to%20the%20State%20Statistics,needs%20rehabilitation%20and%20further%20employ>  
<https://dsv-europa.de/en/news/2022/06/zugang-von-menschen-mit-behinderung-zum-arbeitsmarkt.html?m>
- 9 TBI analysis based on [National Bank of Ukraine](#); [IOM Employment Challenges Report](#); [Carnegie Endowment](#)
- 10 <https://data.worldbank.org/indicator/SL.TLF.CACT.NE.ZS?end=2021&locations=UA&start=1990>
- 11 Participation gap data from [ILO](#); sentiment data from [Gradus](#) (offline)
- 12 <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?end=2023&locations=UA-PL&start=1991>
- 13 <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=UA>; <https://data.worldbank.org/indicator/SL.UEM.TOTL.NE.ZS?locations=UA-DE-PL>
- 14 <https://www.worldbank.org/en/research/brief/informal-economy-database>
- 15 Pension Fund of Ukraine 2024 (shared offline)
- 16 <https://gradus.app/en/open-reports/migration-intentions-ukrainians-ukraine-and-abroad/>  
(report is not available online)
- 17 <https://www.consilium.europa.eu/en/press/press-releases/2025/06/13/eu-member-states-agree-to-extend-temporary-protection-for-refugees-from-ukraine/#:~:text=Temporary%20protection%20is%20due%20to,asylum%20on%20an%20individual%20basis>
- 18 <https://gradus.app/en/open-reports/migration-intentions-ukrainians-ukraine-and-abroad/>  
(Report not available online)
- 19 TBI analysis based on [World Bank](#), [Council of Europe](#), [Confederation of Employers of Ukraine](#),

IOM, National Bank of Ukraine, UNICEF, Population Pyramid

20 TBI analysis based on NBU, Eurostat

21 UN's E-Participation Index; quote from President Zelenskyy of Ukraine

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