

Family and Social Policy in Ukraine as a Social Safety Net



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According to the Concept of Family Policy, approved in 1999, “Family is a key indicator of social development, reflecting the moral state of society and playing a critical role in the formation of demographic potential”¹. The Ukrainian government has introduced a range of policies aimed at supporting families and promoting the well-being of children, including measures to increase access to healthcare, education, and childcare, as well as support for maternity and paternity leave.

The family policy shall be considered a component of the social safety net system (SSN). The system envisages many benefits, but is not without its weaknesses. It is often based on categorical principles and is meant to support disadvantaged individuals in society. Almost half of Ukraine’s population is enrolled in some form of social protection program. According to the World Bank, SSN budget spending for social assistance accounted for 3% of GDP prior to 2022, which is above the average for the Eastern European and Central Asian region of 1.7%². This does not include high spending within the pay-as-you-go pension system and payments in the framework of other social security spending.

Overall, there are numerous programs available to families and individuals in the SSN system, such as payments to individuals with disabilities, foster families, large families, and the elderly. Some programs (like the childbirth grant) are not means-

¹ Verkhovna Rada of Ukraine (1999) *Parliament Resolution No.1063-XIV from September 17*. Available [online]: <https://zakon.rada.gov.ua/laws/show/1063-14#Text> [in Ukrainian]

² The World Bank, Report No. PAD5127, August 1, 2022, available [online]: <https://documents1.worldbank.org/curated/en/099105408022290169/pdf/P179456044b242050b5ed0b8ae55bfe32f.pdf>

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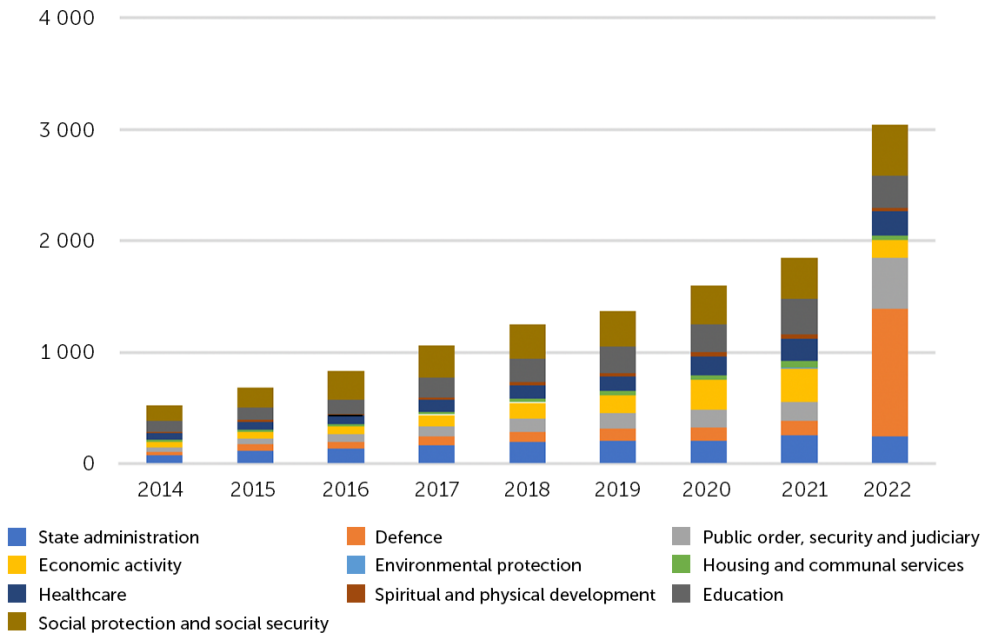
UKRAINIAN
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tested. At the same time, the low-income family allowances program, or guaranteed minimum income (GMI) program, is efficient in targeting the poor, but has low coverage. Housing and utility subsidies (HUS) aim to keep people from poverty at times of high energy costs. The eligibility for HUS depends on the level of household income and the share of income spent on housing and utilities.

The need for efficient family and social policies has recently increased during the ongoing full-scale war of Russia against Ukraine. According to the United Nations (UN), up to 8 million Ukrainians, predominantly women with children, were forced to leave Ukraine and move to safer countries because of the war³. Poverty and unemployment increased, while the number of

³ UNHCR data is available [online]: <https://data.unhcr.org/en/situations/ukraine>

Figure 1: Functional classification of consolidated budget*



Source: NBU

Note: Consolidated budget includes state and local budget, but does not include expenditures of social security funds financed by single social contribution

internally displaced people (IDPs) reached 8 million in May, reduced to almost 6 million in December and further to 5.4 million in the end of January 2023⁴.

Therefore, the war of Russia against Ukraine aggravated previous challenges that existed in the framework of family and social policies. Their list includes aging and reducing population and budget constraints, as well as high unemployment and a large number of IDPs and emigrants.

SUBSTANTIAL SOCIAL FISCAL SPENDING

In Ukraine, the social safety network system is rather complex. It is comprised of the social security system, which is financed by social security funds primarily at the expense of a single social contribution (payroll), and the social welfare (assistance) system financed from state and local budgets.

The state social security system in Ukraine consists of three types of mandatory state social insurance: PAYG (pay-as-you-go) pension system, unemployment insurance and insurance in case of temporary loss of working ability, working accidents, and occupational disease. The single social contribution (SSC) is a key source to

⁴ Ukraine Internal Displacement Report, IOM, Round 12, January 23, 2023, available [online]: <https://dtm.iom.int/reports/ukraine-internal-displacement-report-general-population-survey-round-12-16-23-january-2023>

PAYG PENSION SYSTEM IN UKRAINE

This Fund administers the state pay-as-you-go (PAYG) pension system. The non-state pension system is undeveloped due to a lack of stock exchange market and high risks, while compulsory accumulative pension system does not exist so far. Pension age under the pay-as-you-go pension system is defined at 60 years. To receive old-age pension women should have insurance record in the system for

30 years, while men for 35 years. If these eligibility requirements are met, the retired person receives pension, which is estimated according to strictly defined formula, but which cannot be lower than the minimum level, defined at the level of subsistence minimum for such a group. Minimum pension for pensioners above 65 years old is defined at 40% of minimum wage (UAH 2,680 per month as of January 2023). There are also some additional payments to pensioners above 70 years old.

finance the system. Its rate is set at 22% (payroll) and is mandatory to be paid for all employees as well as private entrepreneurs of the simplified taxation system (the latter pay SSC from minimum wage). The social security system, however, except for the pension system, is not discussed here⁵.

The social welfare system envisages numerous payments to individuals and families. Many of them are provided on the categorical basis without considering income level, while there are several means-tested programs.

In total, between 2014 and 2021, social protection and social security spending, made from the consolidated budget, accounted on average for 25% of total expenditures [See: Figure 1]. However, in real terms, this spending increased by only 2.2% as they declined substantially in 2015 due to high inflation, and in 2018-2019, the government attempted to streamline some

social welfare programs. In 2022, the share of social protection spending was reduced to 15% of total budget as defense and security spending grew substantially due to the full-scale invasion by Russia. However, social budget spending grew by about 24% in nominal terms and 3% in real terms, primarily due to higher financing of pension programs and IDPs support⁶.

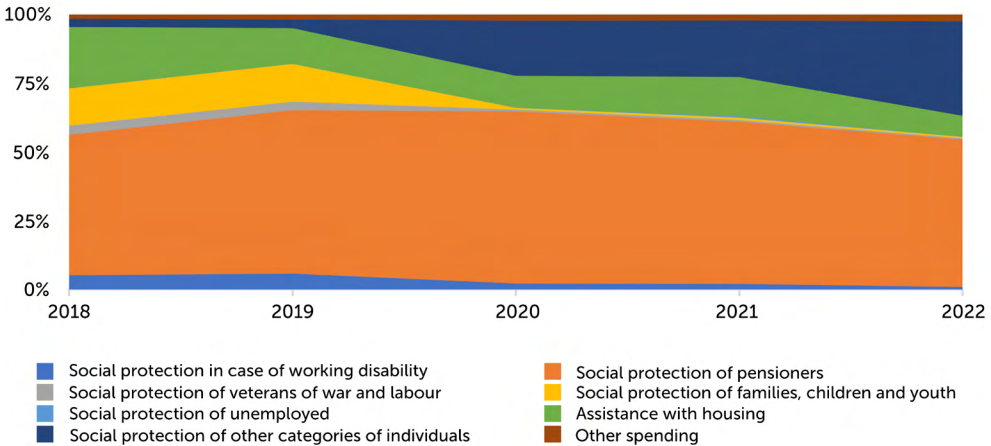
The largest share of the social protection spending financed from consolidated budget is allocated for the state budget transfer to the Pension Fund. This transfer, in fact, finances several types of spending:

- the deficit of the Pension Fund in the PAYG system;
- the difference between the PAYG system and the minimum level for retired people with pensions in PAYG system below minimum one;
- the pensions defined according to special state budget pension programs, primarily pensions of military personnel, judges, etc.

⁵ Social security system is based on the individual approach as it focuses primarily individual and the coverage depends on the insurance record of a person in the system. Therefore, they largely do not relate to family policies, except for maternity leave payments and survivor's pensions. However, the latter also depend on whether a person was insured under compulsory state social security system or not.

⁶ Detailed budget execution figures are available online on the web-portal 'Budget for citizens': <https://open-budget.gov.ua/>

Figure 2: Social protection spending from consolidated budget*



Source: openbudget.gov.ua

Note: Consolidated budget includes state and local budget, but does not include expenditures of social security funds financed by single social contribution

Overall, state budget transfer to the Pension Fund in 2021 and 2022 was at about 35% of the Fund's revenues, while the rest of the revenues came from single social contribution⁷. However, average pension remains low – at UAH 4623 per month as of January 1, 2023 (15.8% higher than a year ago)⁸. About 38% received pension close or just slightly above the minimum level as of January 1, 2023. The replacement rate is low and, thus, the Ukrainian government discusses the need to introduce mandatory accumulative pillar of the pension system. This step is challenged by the absent stock exchange market, high inflation, and instability. The reform and changes in solidarity PAYG pension system are also debated to ensure that pension system helps to keep people from poverty when they retire.

In 2018 and 2019, spending for social protection of families, children, and youth as defined according to the functional classification of the budget totaled to 13.5% and 13.7%, respectively⁹. Since 2020, the government streamlined the social protection projects and now such social protection is a part of another sub-function called 'Social protection of other categories of individuals'. This was made to increase the efficiency of budget financing of different social welfare programs. Overall, the financing for the family-related programs was not reduced [See: Figure 1].

In 2022, the expenditures for social protection of other categories of individuals increased substantially primarily due to higher spending on support of international displaced individuals (IDPs). The number of

⁷ Information of the Pension Fund, <https://t.me/PensionFund/718>

⁸ Ibid.

⁹ Detailed budget execution figures are available online on the web-portal 'Budget for citizens': <https://openbudget.gov.ua/>



THE NEED FOR EFFICIENT FAMILY AND SOCIAL POLICIES HAS RECENTLY INCREASED DURING THE ONGOING FULL-SCALE WAR OF RUSSIA AGAINST UKRAINE

registered IDPs surged from about 1.4 million at the beginning of 2022 to 4.9 million at the end of the year¹⁰. Overall, spending for IDPs cash support grew to UAH 57 billion in 2022 as compared to UAH 3 billion in 2021.

FAMILY AS A FOCUS OF SOCIAL SAFETY NET

The Concept of Family Policy, approved in 1999, stipulates that *“Family is a key indicator of social development, reflecting the moral state of society and playing a critical role in the formation of demographic potential”*¹¹. As it is defined in the document, “the purpose of the state family policy is to provide favorable conditions for the

comprehensive development of the family and its members, the fullest realization by the family of its functions and the improvement of its living standards, increasing the role of the family as the basis of society”¹². The key principles of family policies include differentiated approach for the social protection, which motivate working able individuals to work and ensure socially guaranteed subsistence level for other family members (including children, retired, and persons with disability). However, overall, the concept is rather general and does not contain details on family policy in Ukraine. The situation in Ukraine’s economy and policy regulation changed substantially over the years, including the changes in the social safety net system.

In 2002, the parliament approved the Family Code of Ukraine¹³, which defines principles of marriage, personal non-property and property rights and responsibilities of spouses, grounds for the creation, contents of personal non-property and property rights and responsibilities of parents and children, adopters and adopted persons, other family members, and relatives¹⁴. The equality of rights and responsibilities of women and men in family is an integral part of the document. The Code defines that the state protects the family, childhood, motherhood, fatherhood, and creates conditions for the strengthening of the family. It also ensures protection of the mother and father’s rights, materially and morally encourages, and supports

¹² Ibid.

¹³ Verkhovna Rada of Ukraine (2002) *Family Code approved by the Law No.2947-III from January 10*. Available [online]: <https://zakon.rada.gov.ua/laws/show/2947-14#Text> [in Ukrainian]

¹⁴ In this article, the focus is on the family policies which relate to social protection of families. The overview of other Family Laws in Ukraine can be found in Suleymanova, A. et. al (2020) *Family Law in Ukraine: Overview*. Available [online]: <https://uk.practicallaw.thomsonreuters.com/5-564-3065>

¹⁰ The data released at the Ministry of Social Policy website. Available [online]: <https://www.msp.gov.ua/news/22495.html> [in Ukrainian]

¹¹ Verkhovna Rada of Ukraine (1999) *Parliament Resolution No.1063-XIV from September 17*. Available [online]: <https://zakon.rada.gov.ua/laws/show/1063-14#Text> [in Ukrainian]

motherhood and fatherhood. The Code also envisages the priority of family care of children and ensures the protection to every child deprived of appropriate parental care. However, it does not actually define the family policy.

Still, family policy is an integral component of the social safety net system in Ukraine, as numerous types of social benefits are provided to families. This includes means-tested low-income family allowances and *housing and utility subsidies*, as well as categorical based payments to families with children.

The low-income family allowance is a targeted program designed to provide cash payments to impoverished households in need of last resort support to reach the minimum subsistence level. As a result, this program is typically referred to as the ‘Guaranteed Minimum Income’ (GMI) program. The benefit amount is determined by calculating the difference between the household’s total income and the guaranteed level of income, which is set at 45% of the subsistence minimum for those able to work, 130% for children, and 100% for disabled individuals. The program sets a maximum benefit of 100% of the subsistence minimum for the entire family¹⁵.

The GMI program incentivizes able-bodied individuals to seek employment and receive higher wages by providing only a fraction of the subsistence minimum. However, this approach limits the coverage of the program for families. In 2020, the GMI program helped 318,000 households, consisting of 1.2 million individuals, with 60% of the beneficiaries being children. Already in 2021, the program only covered



FAMILY POLICY IS AN INTEGRAL COMPONENT OF THE SOCIAL SAFETY NET SYSTEM IN UKRAINE, AS NUMEROUS TYPES OF SOCIAL BENEFITS ARE PROVIDED TO FAMILIES

257,000 households due to the increase in household income.

In 2022, the Ukrainian government increased the subsistence minimum as planned before a full-scale invasion occurred. As a result, the GMI benefit amount increased nominally, but decreased substantially in real terms when inflation is considered¹⁶. Regardless of high unemployment, which – according to the NBU estimates – reached 30% in the summer of 2022, the number of families that received cash payments within this program increased by only 2.9%, while average assistance grew by 6.5% to UAH 5,269 per family¹⁷. This phenomenon resulted in a high number of mothers with children who were

¹⁵ Law of Ukraine “On low-income family allowance”. Available [online]: <https://zakon.rada.gov.ua/laws/show/1768-14#Text> [in Ukrainian]

¹⁶ Consumer price inflation reached 20.2% on average in 2022 and 26.6% yoy in December 2022.

¹⁷ Data provided upon request by the Ukrainian Ministry of Social Policy.

forced to leave Ukraine to safer countries due to a brutal war waged by Russia on Ukraine.

Another means-tested program, which addresses the risks of households to become poor at times of increase in housing and utility tariffs, is the provision of housing and utility subsidies (HUS). In fact, HUS is targeted to help households pay their utility bills. The program sets a cap on how much households can spend on a standard amount of consumption, based on social norms. The maximum share of household income that should be spent on traditional consumption of housing and utility services is determined by using a formula that considers the household's income level relative to the subsistence minimum¹⁸.

The HUS program is the most extensive means-tested program in Ukraine, although it is less effective than the GMI program in targeting those living in poverty¹⁹. The HUS program received increased financing and coverage from 2015 to 2017 to support Ukrainians during an energy reform that eliminated universal energy subsidies. During this time, 6.5 million households received HUS²⁰. However, since 2018, the program has reduced its coverage as households' disposable income grew faster than utility tariffs, and the program's design was improved to enhance targeting and accountability. In 2022, the government made the provision of HUS more accessible to households that lost their income, and

internally displaced persons (IDPs) were allowed to receive HUS at their new place of residence, which expanded their protection. At the same time, the government did not raise the housing and utility tariffs for households in 2022, which against the background of increased emigration resulted in smaller number of households for HUS. The financing of HUS at UAH 24.9 billion was 24.5% lower than in 2021²¹.

At the same time, there are no housing subsidies in Ukraine, which would help Ukrainians pay for housing rent even though the purchase of housing is a big challenge for many families due to high interest on loans. The situation is also difficult as there is almost no social housing in Ukraine, which can be provided to low-income families. Some state budget financing was allocated for housing financing for youth, IDPs, and war veterans in previous years²². Also, in 2021 the government launched their program of subsidizing mortgage loans for some groups of the population. But the coverage of program so far is small due to restricted state budget financing, as well as high eligibility requirements to households²³.

The Ukrainian social welfare system also envisages a number of more categorical benefits²⁴. In particular, the Law on State

²¹ Data provided upon request by the Ukrainian Ministry of Social Policy.

²² A detailed budget execution figures are available online on the web-portal Budget for Citizens: <https://openbudget.gov.ua/>.

²³ Information of the Fund of entrepreneurship development that administers respective program is available [online]: <https://bdf.gov.ua/uk/informaciya-pro-rezultati-derzhavnoji-programi-dostupna-ipoteka-7>.

²⁴ The KSE study shows that there is a large number of categorical-based benefits, which are provided in cash as well as in-kind and reveals that the system is overloaded by such benefits, which sometimes are defined in legislation but are not financed in real life. The study is available [online]: https://kse.ua/wp-content/uploads/2021/07/Sotsialni-dopomogi_doslidzhennya.pdf

¹⁸ Resolution of the Cabinet of Ministers 'On the HYS procedure', as of February 2023. Available [online]: <https://zakon.rada.gov.ua/laws/show/848-95-%D0%BF#n15>.

¹⁹ This was shown in several analyses conducted in different years. See, for example: <https://documents1.worldbank.org/curated/es/493131559552778851/pdf/Challenges-and-Options-for-Reforming-the-SSN-System-in-Ukraine-A-Reform-Proposal-Developed-as-Part-of-Technical-Assistance.pdf>.

²⁰ Data of the Ukrstat.

Support to Families with Children defines the following types of benefits²⁵:

assistance in case of pregnancy and childbirth: eligibility covers women that are not insured under the social security system, and the payment depends on the previous income (e.g., size of unemployment benefits) but not lower than 25% of subsistence minimum;

- assistance at birth: the payment of UAH 41280 at childbirth with UAH 10320 paid in a lumpsum and the rest in equal amounts during 36 months of the child's life;
- one-time in-kind assistance 'baby package' provided upon the baby's birth;
- assistance in adopting a child;
- allowance for children over whom custody or guardianship has been established;
- child support for single mothers/fathers is now means-tested;
- assistance for children suffering from severe perinatal lesions of the nervous system, severe congenital malformations, rare orphan diseases, oncological, oncohematological diseases, cerebral palsy, severe mental disorders, type I diabetes mellitus (insulin-dependent), acute or chronic kidney disease of iv degree, for a child who has been seriously injured, needs an organ transplant, needs palliative care, who has not been diagnosed with a disability²⁶.

The benefits for families with children are aimed to address the poverty of families

²⁵ Verkhovna Rada of Ukraine (1992) *The Law on State Support to Families with Children, No.21, November 1992*, with numerous amendments (the latest made on July 28, 2022). Available [online]: <https://zakon.rada.gov.ua/laws/show/2811-12#Text> [in Ukrainian]

²⁶ Ibid.

with children and stimulate childbirth. However, available data on social welfare payments does not allow so far to assess the effectiveness of these benefits. There are other problems, which might restrict childbirth in Ukraine, including the absence of adequate access to kindergartens and schools. The improved access to the former would increase the employment of women²⁷, which, in fact, would reduce the need for social benefits and poverty risk of families with children.

One of the policies aimed to stimulate childbirth and increase access to pre-school and school education offers a possibility to receive a personal income tax refund if one of the parents pays for education in a private education facility²⁸. However, the refund is restricted²⁹. Besides, there is anecdotal evidence that it is a rather complex procedure to receive a refund. Overall, this is the only tax privilege provided to families with children. Recently, members of parliament have initiated discussions on the changes in personal income taxation with shifting taxation from individuals to households with the aim of supporting families³⁰. This debate is still at an early stage and needs assessment, as it might result in lower fiscal revenues without a positive impact on childbirth, taking into account the difficult economic situation in the country due to the full-scale war.

²⁷ Sakhno H. and A. Teleton (2020) *How Does Better Access to Kindergartens Help Mothers in Labor Markets?*, Center for Economic Strategy. Available [online]: <https://ces.org.ua/access-to-kindergartens-and-mothers-in-the-labor-market/> [in Ukrainian]

²⁸ Tax Code of Ukraine. Available [online]: <https://zakon.rada.gov.ua/laws/show/2755-17>

²⁹ Data of the State Tax Service in Ukraine.

³⁰ One of the draft laws on this topic was submitted to the Parliament in January 2022. Available [online]: http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=73617



THERE ARE NO HOUSING SUBSIDIES IN UKRAINE, WHICH WOULD HELP UKRAINIANS PAY FOR HOUSING RENT EVEN THOUGH THE PURCHASE OF HOUSING IS A BIG CHALLENGE FOR MANY FAMILIES DUE TO HIGH INTEREST ON LOANS

Another important type of family support during the full-scale invasion is cash payments to IDPs. However, it does not depend on the income of family. The monthly payment equals to UAH 2,000 per working able adult and UAH 3,000 for children, the elderly, and persons with disability. The government is currently discussing the changes in policies aimed at integrating IDPs to labor market in locations where they now live³¹. This step is essential, considering the estimate of the International

³¹ This idea was stressed in several interviews and briefs of the top-level officials from the Ministry of Social Policy. Besides, it is also reflected in the draft Strategy on IDPs policies. Available [online]: <https://minre.gov.ua/news/oprylyudnyuyemo-dlya-gromadskogo-obgovorennya-proyekt-strategiyi-derzhavnoyi-polityky-shchodo>

Migration Organization that 60% of IDPs lost their jobs³².

DO WE KNOW MUCH ABOUT THE DEMOGRAPHIC SITUATION IN UKRAINE NOW?

Even before the full-scale war, Ukraine was recognized as a country with an aging and shrinking population. The population dropped from 52 million in 1991 to 43.8 million in 2021³³, if the entire territory of Ukraine is taken into account. According to the Ukrstat, in 2021, the population totaled 41.1 million if data for Crimea, which was annexed by Russia in 2014, is excluded³⁴. There are two reasons behind the decline in population: negative natural growth of the population and emigration. Death rates were high, while birth rates were low against the background of a difficult economic situation in the country – especially during the 1990s. The situation somewhat improved after 2004, when economic growth recovered. However, the share of working able individuals and children decreased, while the share of pensioners increased. As a result, the PAYG system faces a challenge to remain sustainable as, already now, the replacement rate reduced to about 30% in 2021³⁵.

The number of emigrants varies in different estimates. According to the World Bank, the number of emigrants was estimated at

³² <https://ukraine.iom.int/news/needs-growing-displaced-and-returnee-population-ukraine-iom-survey>

³³ Data available online at the World Bank data base: <https://data.worldbank.org/indicator/SP.POP.TOTL?locations=UA>

³⁴ Data available [online] at the Ukrstat website: <https://ukrstat.gov.ua/>

³⁵ Ministry of Social Policy (2021) *Q&A on Accumulative Pension System*, a report. Available [online]: <https://www.kmu.gov.ua/storage/app/sites/1/18%20-%20Department/18%20-%20PDF/13.08.2021/nak-pensii.pdf> [in Ukrainian]

about 4.8 million³⁶. In fact, Ukraine's economic development was challenged with brain drain. At the same time, the favorable taxation system resulted in the development of an IT sector in Ukraine, with IT specialists working as freelancers.

It is important to note that, in fact, little is known about the structure of the population by occupation and education. In particular, the most recent population census was conducted in 2001³⁷ and the next one was postponed many times. At the same time, reforms in the social sphere, including social protection reform, education and healthcare reforms, require a more comprehensive understanding of the population structure.

In 2020, the Cabinet of Ministers made an attempt to estimate the population on the basis of information in some registers. The result was rather pessimistic – with the population estimated at about 37 million persons³⁸. However, this exercise likely underestimated the size of the population in Ukraine.

THE CHALLENGES AGGRAVATED

Currently, Ukraine's economy is in turmoil due to a full-scale invasion by Russia, which started on February 24, 2022, after eight years of war. Real GDP is estimated to have declined by 30-32%³⁹ due to the temporary loss of some territories, full or partial damage of businesses and infrastructure (including hospitals, schools,

bridges, and roads) by the Russian missiles and drones⁴⁰, and enormous loss of life. While thousands of Ukrainians (both military personnel and civilians) were killed or wounded, millions left their homes to find safer places to live. According to the UNHCR, 4.9 million Ukrainians registered for Temporary Protection or similar national protection schemes in Europe, while about 2.8 million became refugees in Russia⁴¹. Many emigrants are women with children, and some are elderly. This means that the demographic situation worsened substantially for Ukraine. Therefore, after the war, Ukraine will have to approve policies not only to counteract previous negative demographic trends, but also to stimulate Ukrainians to come back home.

Moreover, the population pattern in Ukraine substantially changed also due to internal migration. According to the Ministry of Social Policy, about 4.9 million Ukrainians were registered as internally displaced people (IDP), while the total number of IDPs reached almost 6m persons. People moved primarily from the east and south oblasts of Ukraine to relatively safer regions. According to the IOM survey, only 34% of IDPs (aged 18-64) indicated being employees, whereas 7% reported having their own business⁴². In total, 31% of IDPs reported that they are unemployed, with 20% actively looking for a job⁴³.

³⁶ World Bank data. Available [online]: <https://data.worldbank.org/indicator/SM.POP.TOTL?locations=UA>

³⁷ The results of the 2001 census are available [online]: <https://2001.ukrcensus.gov.ua/eng/>

³⁸ https://biz.ligazakon.net/news/192576_dublet-opri-lyudniv-rezultati-vseukranskogo-perepisu-naselennya [in Ukrainian]

³⁹ According to published estimates of different entities and organizations. According to the IER estimate, real GDP declined by 30.2% in 2022.

⁴⁰ <https://kse.ua/about-the-school/news/as-of-november-2022-the-total-amount-of-losses-caused-to-the-infrastructure-of-ukraine-increased-to-almost-136-billion/>

⁴¹ UNHCR data. Available [online]: <https://data.unhcr.org/en/situations/ukraine>

⁴² IOM (2022) *Ukraine Internal Displacement Report General Population Survey*, Round 10, October 27. Available [online]: <https://displacement.iom.int/sites/g/files/tmzbd11461/files/reports/Ukraine%20Internal%20Displacement%20Report-%20General%20Population%20Survey%20Round%2010.pdf>

⁴³ Ibid.



AFTER THE WAR,
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HOME

The return of Ukrainians from abroad, as well as the incorporation of IDPs into the labor force, is essential for the recovery and future development of the country. This is essential as human capital is important for higher foreign direct investments in the country. Additionally, people also create a market for the consumption of goods and services, which can attract more companies to come to Ukraine and create jobs. Therefore, the Ukrainian government should introduce reforms required for the improvement of education and healthcare services to incentivize individuals to return. Meanwhile, the measures to improve the investment climate, which would result in job creation, are to be introduced in the framework of the implementation of the Association agreement between

Ukraine and the European Union (EU) as well as on the way of Ukraine towards EU membership.

At the same time, the Ukrainian government will have to make a snapshot of the current population in the country and its structure, and, as a result, make decisions on the list of infrastructural objects (including education and healthcare facilities) to be renovated and reconstructed. An understanding of the structure of the population, as well as that of education and work background, would also be required. Therefore, the population census would be an extremely helpful tool in this regard. It would also help the government to introduce effective and efficient active labor market policies, as even before 2022, there was high structural unemployment⁴⁴.

CONCLUSIONS

The social safety net system in Ukraine is rather comprehensive and complex. It is represented by social security and social assistance systems. The family policy is an integrated component of the latter. There are means tested programs of family assistance, the biggest being the GMI and HUS programs. Apart from these, there is a number of payments which do not take into account the income level of households. There are also benefits, which are categorical based rather than household based. Overall, the Ukrainian system is currently primarily oriented towards helping individuals in difficult life circumstances rather than helping people move out of poverty.

⁴⁴ A conclusion based on different studies and articles, including: http://wbgfiles.worldbank.org/documents/hdn/ed/saber/supporting_doc/Background/WFD/SAB-ER_WFD_Background_Skills_for_a_modern_Ukraine.pdf, <http://efp.in.ua/en/journal-article/393>, <https://vox-ukraine.org/en/the-labour-market-in-ukraine-rebuild-better/>

Even though the World Bank estimates social assistance spending at 3% of GDP, which is by 1.3 p.p. more than in peer countries⁴⁵, the financing of social assistance programs is challenged by the fact that the government does not have sufficient financial resources to finance all programs, defined in legislation. As a result, the coverage by effective GMI program remains low, the level of benefits, as well as pensions, is low. Ukraine's economy has been challenged by poor demographic trends, with a drop in working able individuals and a high share of pensioners.

The ongoing full-scale invasion by Russia, which started on February 24, 2022, has created additional challenges. These include a brain drain emigration of women with children leaving Ukraine to safer countries. So, the government will be challenged already in 2023 with the task to ensure higher efficiency of family policies to help families reunite in Ukraine. Moreover, there is an increased risk of poverty for families with children.

Therefore, there is a need for the government to reconsider current policies to address these challenges and promote the well-being of families and children in Ukraine. This does not only include social policy changes, but also an education reform, which would ensure that children have access to quality preschool and school education. In the short run, there is a need to ensure that all education facilities have good shelters.

Indeed, it becomes clear that social spending in Ukraine is not likely to reduce substantially in the nearest future. The increase in housing and utility tariffs, including gas

and electricity, are likely to be introduced already in 2023, which would result in higher HUS spending. Still, the launch of reconstruction will drive economic growth and an increase in the number of employees with decent wages. Soon, there will be an urgency for policies aimed to integrate IDPs and war veterans into society overall, and the labor market in particular. This requires changes in active market policies, as well as in state communication.



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⁴⁵ The World Bank (2022) *Report No. PAD5127*, August 1. Available [online]: <https://documents1.worldbank.org/curated/en/099105408022290169/pdf/P179456044b242050b5ed0b8ae55bfe32f.pdf>