

Rapid Economic Assessment in Mykolaiv Oblast

June 2023 | Ukraine

KEY FINDINGS



Mykolaivska's partial occupation from March to November 2022, and its continued proximity to the frontline, has led to **business closures** across important sectors of the economy such as manufacturing, agriculture, and trade. And yet, while the region is still affected by regular conflict incidents including missile strikes, loitering munition attacks, multi-launch rocket system strikes, and the risk of mines on land and in water, **the labour market appears to have staged a partial recovery** in recent months, with vacancies and resumes advertised on work.ua, Ukraine's most popular job search platform, approaching 2021 levels.



The raions of **Mykolaivskiyi and Bashtanskiy** have experienced the most conflict-related incidents, have seen the largest displacements of the local population, host large returnee and IDP populations, and, in the case of some settlements in Bashtanskiy, have been impacted by flooding following the breach of the Kakhovka dam. It is unsurprising then that **businesses in these raions have reportedly suffered the most negative impacts** of the full-scale war (hereafter 'war').¹



Businesses in Mykolaiv reportedly face a complicated set of challenges, including a **lack of demand, direct damage to/loss of business assets, presence of mines/UXO, and increased costs**. Business management organisation (BMO) KIs indicated a lack of state support to address these challenges and local authority (LA) KIs discussed **reduced financing for businesses at the local level**², with one representative of the District State Administration (DSA) in Bashtanskiy indicating that most resources are being channelled to the war effort and the reconstruction of social infrastructure.



In terms of **priority measures for recovery and development**, LA KIs emphasised the importance of **restoration of infrastructure**, such as potable water supply, roads, and seaport facilities. **Reconstruction of housing** is also a priority, especially for IDPs and returnees. Logically, such measures would precede measures designed specifically to support businesses, especially given the need to provide collateral (often in the form of real estate or equipment) when applying for a loan from a bank.



Skilled agricultural workers, as well as **professionals**, were reportedly the occupations most **in demand**. By way of comparison, IDPs are commonly reported to be working in retail trade (likely different from their pre-war specialisation), while the top professions for women pre-war were reportedly clerical, service and sales, and professionals. As such, there is an apparent mismatch between the work of women/IDPs and the need for skilled agricultural workers, as reported by KIs.

PROGRAMME DEVELOPMENT RECOMMENDATIONS

Flexible livelihoods programming. Given existing reconstruction needs/need for accommodation among IDPs; the ongoing exposure of the region to hostilities, which could result in further damage to residential areas, critical infrastructure, and business assets; and the relatively high possibility of further IDP arrivals due to the proximity of Mykolaivska to front line areas, partners might consider developing programs that support reconstruction efforts and are flexible enough to be adapted in line with the evolving context.

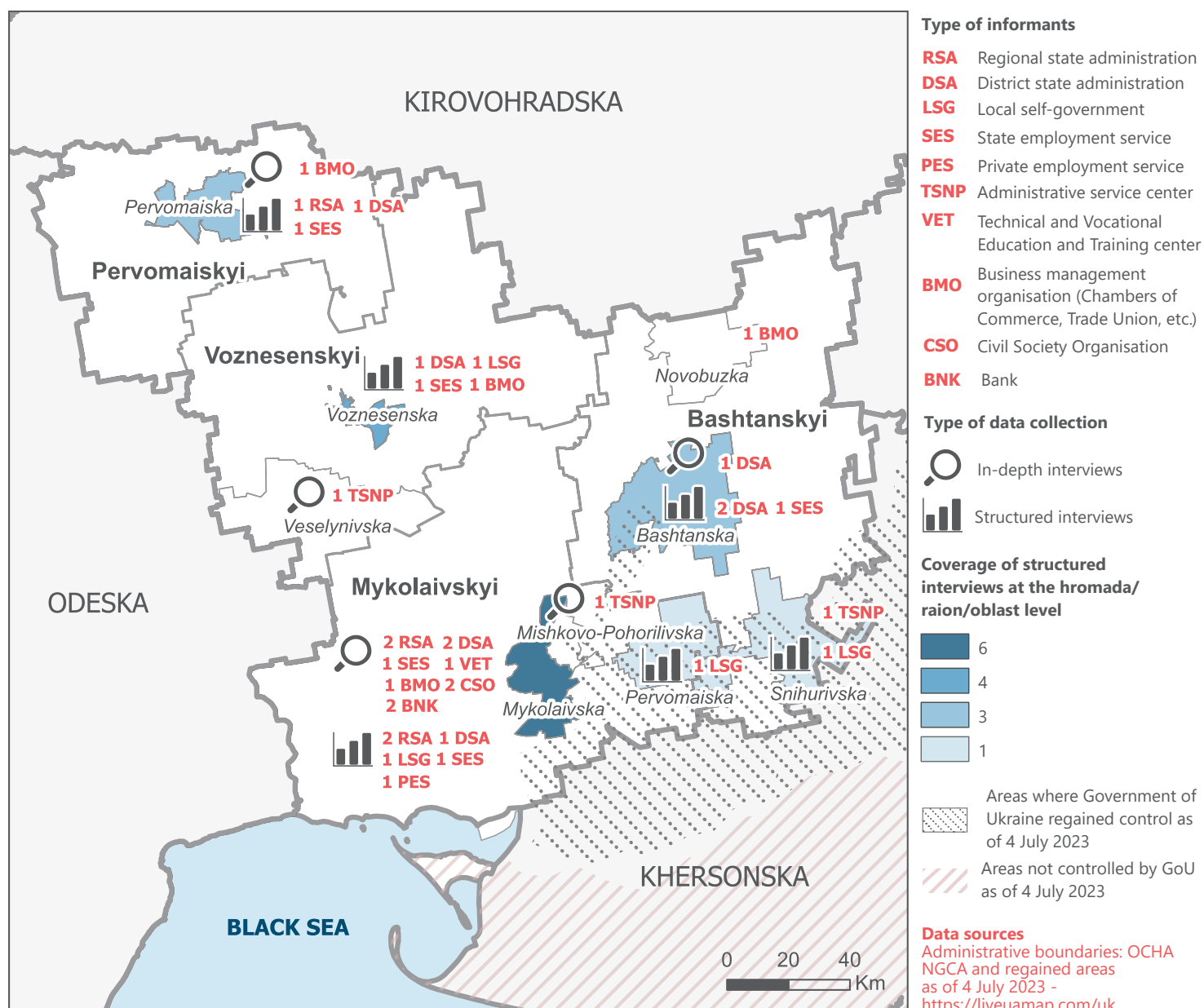
Support for agriculture. According to KIs, agriculture should be the focus of livelihoods support activities in Mykolaivska,

through the provision of inputs for crop production (cereal and vegetables), livestock production and animal health services, as well as for restoration of damaged agricultural assets. KIs also mentioned the need for vocational training and rapid reskilling, again presumably with a focus on agriculture given the reported mismatch between supply and demand of skills in the labour market, as discussed above.

Empowering women. According to CSOs, INGOs can take simple steps to enhance women's economic empowerment by supporting local women with information and guidance on obtaining business creation/development grants, assisting women with the legal registration of a business and finding new clients/markets, and with complementary services such as psychosocial support.

1. One local authority (LA) key informant (KI) reported that the most conflict-affected eastern parts of the region won't be fit for civilian life for a long time and there is an expectation that many IDPs will remain in Mykolaiv city.
2. Mykolaiv was the only one of four assessment areas where a majority of LA KIs in each raion reported reduced local state revenues and financing. Reported reasons for reduced revenues and financing include decreased tax revenues from entrepreneurs/individuals and decreased funding from the state budget.

DATA COLLECTION SAMPLE



METHODOLOGY

Most of the results of this assessment are derived from primary qualitative and quantitative data collected through 21 in-depth interviews and 18 structured interviews of key informants (KIs) present in the assessment areas. Six unique interview guides were developed for in-depth interviews with local authority representatives, business management organisations, civil society organisations, international organisations, and vocational training providers. Results of these interviews contributed to a nuanced qualitative picture of the socioeconomic impacts of the full-scale war in each of the assessment areas. One structured KoBo tool was built using a variety of constraints to enable data to be collected from representatives of

local authorities, employment centres, and business management organisations. Results of the survey allowed for an indicative quantitative analysis of the socioeconomic impacts of the full-scale war in different localities. In parallel, two scripts were developed in RStudio to scrape job vacancy and resume data from Ukraine's most popular job search engine, work.ua. Results of the web scraping provided a more comprehensive quantitative picture of labour market dynamics, including demographics of jobseekers as well as sectoral and geographic trends. This was supplemented by an analysis of secondary data collected on the labour market by the State Employment Service of Ukraine.

MAIN IMPACTS ON BUSINESS AND SECTORS WORST AFFECTED

Before the start of the war, agriculture and industry were key sectors in Mykolaiv's economy in terms of output and employment.

The region possesses more than 2.0 million hectares of agricultural land, or 5% of the total area of agricultural land in Ukraine.³ Mykolaiv was home to 175 manufacturing enterprises pre-war, including Nibulon (shipbuilding and grain production & export), Agrofusio (tomato production and processing), Yantar (beer production) and PepsiCo Ukraine (beverage production). Among the largest enterprises in the region, they are a good example of how economic activity, which was severely constrained in the early months of the war, is now staging a partial recovery in the area.⁴ Mechanical engineering and metallurgy constitute the main subsectors of heavy industry, with the region historically contributing up to 50% of the output of the country's shipbuilding industry, more than 90% of

the production of gas turbines, and 80% of the output of alumina extraction.⁵

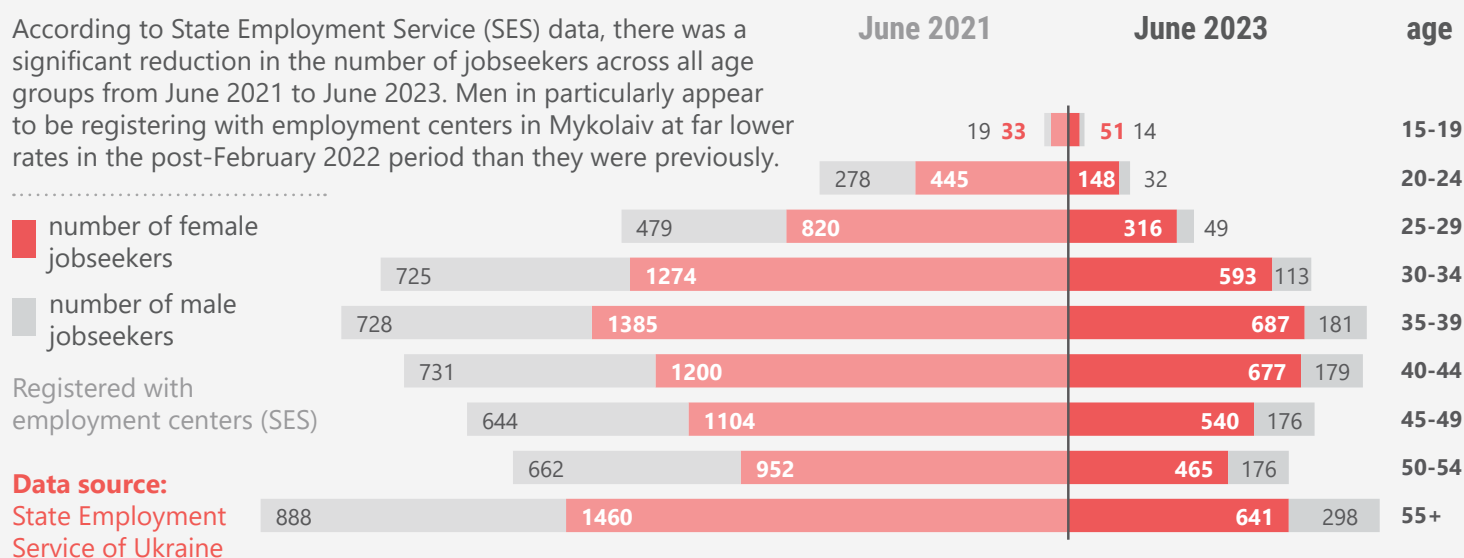
Ports in Mykolaiv, which have contributed 30–40% of the region's economy in recent years, have been blocked since the beginning of the war.⁶ Pre-war, the city's largest company, the agricultural enterprise "Nibulon", had its own fleet of 82 ships, more than 76,000 hectares of arable land, and 6,000 employees.⁷ Currently, Nibulon is only operating at 32% capacity.⁸ As informants from BMOs noted, the main problems faced by businesses in the region after the start of the war include a lack of state support, direct impact of hostilities on activities, outflow of personnel abroad, conscription of employees to the army, increased production costs, transport/logistics problems, and disruption of raw material supply chains.

According to BMO KIs, the availability of credit for business has significantly decreased, as security risks and loss of property have limited entrepreneurs' ability to provide the collateral needed to obtain a loan. On the other hand, an Employers' Association KI indicated that the availability of grant funding from various donors has increased.

UNEMPLOYMENT DEMOGRAPHICS OVER TIME, MYKOLAIV OBLAST

Figure 1

According to State Employment Service (SES) data, there was a significant reduction in the number of jobseekers across all age groups from June 2021 to June 2023. Men in particular appear to be registering with employment centers in Mykolaiv at far lower rates in the post-February 2022 period than they were previously.



SUBPOPULATIONS WORST AFFECTED BY LOSS OF INCOME

According to structured interviews, women and households with children were reportedly among those worst affected by loss of income since February 2022.

Pre-pensioners (50–59) and households with older persons were likewise reported to have been badly affected. LA representatives indicated during in-depth interviews that the rural population and former employees of large industrial enterprises are also experiencing limited access to livelihoods.

CSO KIs estimate that there is partial or low economic integration of the sizeable IDP population in the local area. According to IOM, there were 118,496 IDPs as of the 31st of August 2023, and the estimated returnee presence for June 2023 was 192,000.^{9, 10} Employment was the most commonly reported need of returnees in the area, followed by access to housing, and funds/productive assets for re-establishing business. Priority needs for IDPs are reportedly different, with access to housing ranking first. LA KIs reported various forms of financial and in-kind assistance targeting IDPs, including social security, provision of housing, and stimulation of entrepreneurial activity.

3. <https://www.mk.gov.ua/ua/myko/economy/>

4. <https://biz.liga.net/ua/all/prodovolstvie/novosti/agrofusio-pepsico-yantar-kakoy-krupnyy-biznes-vozobnovil-rabotu-v-nikolaevskoy-oblasti>

5. <https://www.mk-oblrada.gov.ua/oblasni-programy>

6. A third of Ukrainian grain exports before the war passed through Mykolaiv: <https://forbes.ua/ru/company/na-shlyakhu-do-ekonomichnoi-pusteli-mikolaiv-vtrativ-90-biznesu-povertayutsya-odinitsi-kompaniy-chomu-pidpriemtsi-ne-pospishayut-nazad-do-mista-13062023-14121>

7. <https://www.nibulon.com/data/pro-kompaniyu/zberigannya-dorobka-ta-perevalka-zerna-torgoveln-diyalnist.html>

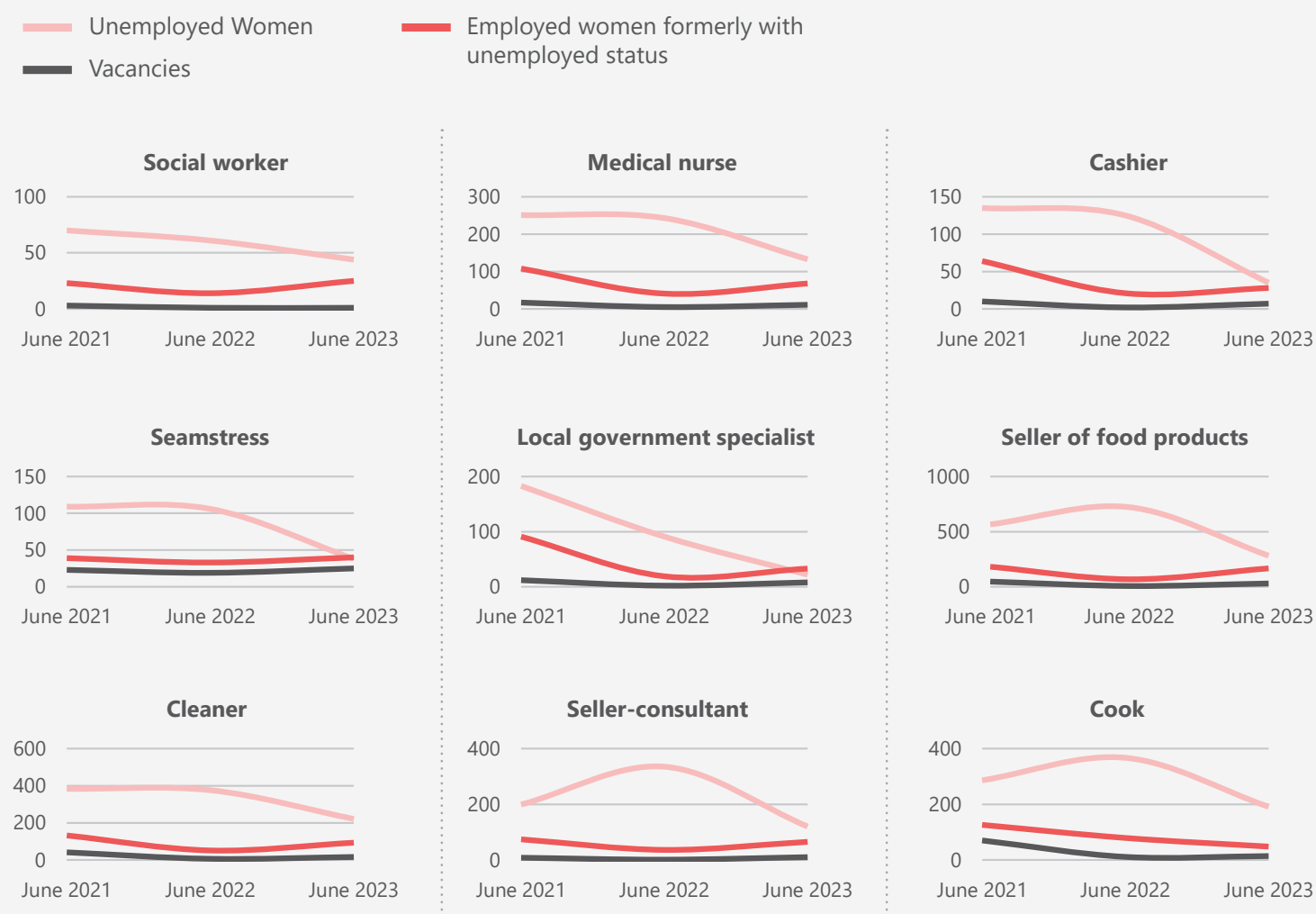
8. <https://kpmg.com/ua/uk/home/media/press-releases/2023/06/tsyfrova-transformatsiyi-ye-zaraz-na-chasi.html>

9. Ukraine — Area Baseline Report (Raion level) — Round 27 (August 2023) | Displacement Tracking Matrix (iom.int)

10. Ukraine — Returns Report — General Population Survey Round 13 (June 2023) | Displacement Tracking Matrix (iom.int)

VACANCIES/JOBSEEKERS FOR SELECTED POSITIONS

Figure 2



Data source: State Employment Service of Ukraine

BARRIERS FACED BY VULNERABLE GROUPS ACCESSING EMPLOYMENT

One LA KI in Mykolaiv expressed the view that a more complete integration of IDPs into the workforce would have a positive impact on the local economy.

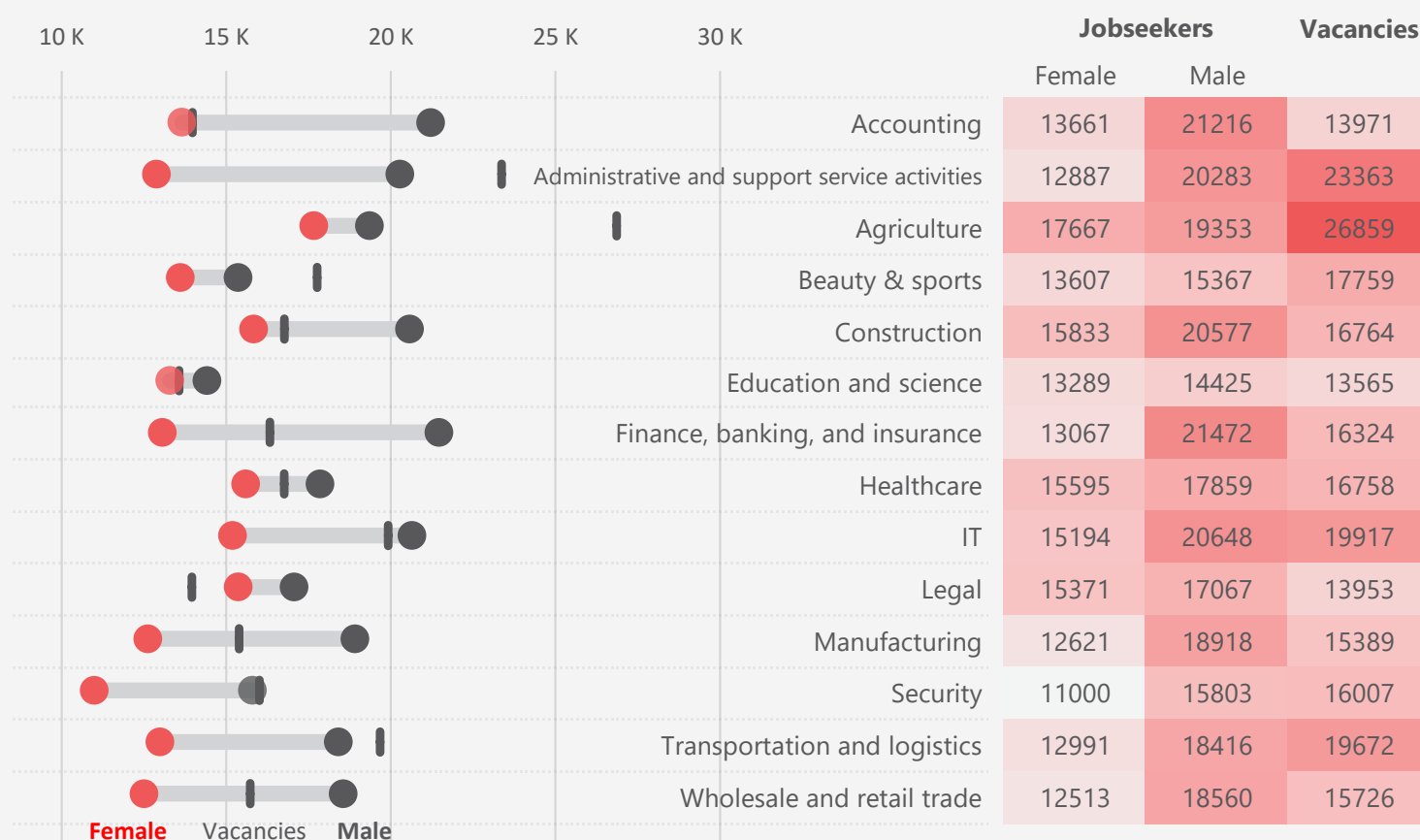
CSO KIs for their part indicated that IDPs may face specific barriers to employment, such as lack of local knowledge, inappropriate experience, lack of necessary documents, lack of information about employment support, distance between place of residence and work opportunities, and a lack of interest in finding work. Several LA KIs agreed on the fact that, due to a mismatch between skills/experience and available opportunities, there is a high need for retraining among IDPs. Moreover, and as one CSO highlighted, IDPs may experience psychosocial challenges as a result of their experience of the conflict and displacement, impacting their ability to work.

As in other areas of assessment (Vinnytska, Chernihivska, Odeska) in Mykolaivska oblast women are a vulnerable

population. The main barriers to accessing employment experienced by women include having increased household responsibilities since the outbreak of war, experiencing discrimination during recruitment, managing childcare responsibilities, having single mother status, lacking qualifications/having the wrong kind of qualifications, and closure of enterprises in the region as a result of the war. Similar points were discussed in relation to barriers experienced by women in starting/running a business, as well as reports of ageism and sexism in the business environment, especially towards younger women. It should be noted that the representatives of the Mykolaivska and Chernihivska oblasts identified more barriers for women in starting/running a business than the informants from the Odeska and Vinnytska oblasts, which may be due to the greater impact of the war on these regions and the resulting increase in women's household responsibilities. On the other hand, CSO KIs reported some positive trends in terms of women's social and economic empowerment, such as growing numbers of women in managerial positions (during the last 3-5 years), of self-employed women, and of women in local self-government.

SALARIES OFFERED/DEMANDED IN DIFFERENT SECTORS

Figure 3



Data source: work.ua resumes and vacancies, May and June 2023

GAPS IN LIVELIHOODS/BUSINESS SUPPORT

According to technical and vocational education and training providers (TVETs), their most popular courses include psychological support/first aid, computer literacy/IT, and advanced technical training courses.

The Mykolaiv Business Support Center indicated that they have separate training programs for IDPs in cooperation with the International Labour Organization. As noted by

TVET KIs, the main challenges related to accessing training/vocational education programs include a lack of technical capabilities/skills among training participants (especially among people over 45 years old), location of the training, cost (individual training is more expensive than group training), unavailability of sought-after courses (due to lack of teachers), and increased household responsibilities among prospective participants.

ABOUT US

REACH Initiative facilitates the development of information tools and products that enhance the capacity of aid actors to make evidence-based decisions in emergency, recovery and development contexts. The methodologies used by REACH include primary data collection and in-depth

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