

**Macroeconomics**

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**PECULIARITIES OF THE REGIONAL  
LABOUR MARKET DEVELOPMENT  
IN UKRAINE AND PROFESSIONAL –  
QUALIFICATION STRUCTURE OF HUMAN  
RESOURCES UNDER THE CONDITIONS  
OF OPEN ECONOMY****Abstract**

The problem of territorial differentiation of the labor markets of Ukraine and professional and qualification structure of human resources in terms of formation of innovative employment is observed. It is determined that the development of the regional labor markets is mainly influenced by the demographic and economic factors. Based on the analysis of the contemporary structure of the regional labor markets, the reasons of its deformation are defined and the directions of approval of innovative forms of employment using the state youth employment programming are observed.

**Key words:**

Regional labor markets, professional and qualification structure, youth employment, state social programming.

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Examination of the problem is caused by the following reasons:

Firstly, the need to dispose the existing imbalances at the regional labor markets in order to achieve a sustainable development of the Ukrainian economy in XXI century;

Secondly, there is an urgency of forming of a new professional-qualification structure of human resources in the context of the knowledge economy development;

Thirdly, the feasibility of using of state SME programming in order to create high-tech economic benefits aimed at realization of the intellectual potential of young people and, consequently, a decrease of the volumes of informal employment.

Using of the system-based analysis in order to examine the characteristics of territorial differentiation of the labor markets promotes their consideration in the context of comprehensive transformation: sectoral, territorial, innovative, socially-oriented.

Modern development of the national labor market in Ukraine is influenced by both endogenous and exogenous factors which determine some of its specificity, which is clearly evident at the regional level. Formation of the regional labor markets (RLM) in Ukraine has largely historical roots, which is confirmed by the territorial differentiation of the regional economic activity in the national economy. Thus, in 2010 the volume of generated gross regional product in Kyiv, Dnipropetrovsk, Donetsk, Kharkiv regions amounted to 46.8% of the total one. (<http://ukrstat.gov.ua>). The structure of RLM is specified by the certain quality components which are connected with the regional characteristics: demographic, natural-geographic, political and administrative. RLM as an open subsystem by means of interregional migration seamlessly interacts with the markets in other regions.

Macroeconomic analysis of RLM under conditions of disequilibrium provides:

- analysis of the human behavior which concerns:
- decision-making concerning job search;
- choice of the place of residence and work, as well as consideration of the market mechanism action (labor supply and demand for human resources, salaries, competition).

If the proposal for human resources (composition and their structure) is defined by the demographic factors, the demand for them is formed through the production function with a combination of indicators which take into account the investment processes, the migration of the economically active population, educational and qualification aspects of employment, innovation, information changes. Information factors of RLM development is connected with the development of the job search theory, based on the neoclassical concept of individual behavior, which explains the irregularity of the territorial distribution of human resources and asymmetry of information about the labor market.

Research of the theory of RLM confirms the conclusion, which says that such a methodology is appropriate for the segmentation of the labor market in general but with consideration of the territorial features of Ukraine's economy and above all – the potential nature of the labor markets. At the regional labor market, the interaction of the regional demand and regional supply of human resources and places of employment is taken place, the price of labor services, the conjuncture of the labor market is determined. At AWP and labor supply the demand for it is formed by the same factors and patterns as in big economic system. And the regulation of employment efficiently solved exactly at AWP.

Regional labor market as a system has two interdependent components – regional market of labor services and regional market of working places. The determining factor in regionalization of the labor market is population, its quantitative and qualitative characteristics; economic and social needs, which define the region.

In accordance with the statistical data argue, the regions of the regional level (oblast) in Ukraine are differ concerning the largest average annual population (Donetsk region) and its lowest value (Chernivtsi region) in 2011 in 4.9 times (<http://ukrstat.gov.ua>). Inasmuch as the basis of the human potential regions is working population, the share of which in the total population of Ukraine in 2011 was 73.7%, the high proportion of the working population is observed in Donetsk, Dnipropetrovsk, Kharkiv, Lviv, Odessa, Luhansk, Zaporizhzhia, Kyiv, Vinnytsia, Khmelnytskyys, Transcarpathian regions, city of Kyiv (<http://ukrstat.gov.ua>).

The level of the human potential of the region increases with the growth of economic activity in the area. According to the results of the sample surveys of labor (SSL) in 2011 the number of economically active population in Ukraine was 22.6 million and decreased by 3.4% compared with 2000, the level of economic activity also decreased to 64.3% and was different on the territories. The highest level of economic activity of the population was observed in Kiev (68.2%), Chernihiv (66.4%) and Zhytomyr (65.8%), and the smallest – in Ivano-Frankivsk region (57.2%). The growth of this indicator was provided by the increase of the economically active population living in the rural areas (<http://ukrstat.gov.ua>).

Among the economically active population the high rate of people with a complete higher education is available – Kyiv (55.4%), Kharkiv (33.6%), Lviv

(29.4%), Odessa (27.1%) regions and they have the inherent highest level of employment and the lowest – in Volyn, Chernivtsi regions (<http://ukrstat.gov.ua>). Complete higher education provides 73.4% of employment in Ukraine, basic higher education – 41.1%, incomplete higher education – 66.1%, complete general education – 57.1%, at the same time when primary general education – only 13.5% (<http://ukrstat.gov.ua>).

Formation of the labor market in Ukraine started in 1992. It took place under conditions of a sharp increase of the supply of human resources and equally sharp decline in demand on it. A significant release of workers from the sphere of material production through the conducting of organizational and structural measures became the main source of formation of the labor market. At that, the need for workers to fill the vacant positions in the economy reduced.

The economic capacity of the territorial labor markets is essentially defined by the entities of private and collective property, the number of which increased by 1.3 times in 2011 (from 270,757 one (2001) to 356 212) (<http://ukrstat.gov.ua>). They were accounted for the vast number of the employed population, so the functions of the state economic regulation of regional labor markets became very important.

The essential structural and organizational imbalance is peculiar for the labor markets of Cherkasy, Khmelnytskys, Vinnytsia, Ivano-Frankivsk, Rivne, Zaporizhzhia, Sumy, Kirovohrad, Mykolaiv regions. Their share in the territorial structure of the employment of population is 25.4%. However, they account for 28.8% of the total number of the registered unemployed (<http://ukrstat.gov.ua>). Statistical data indicate the peculiarities of the regional labor markets in Ukraine: the highest level of competition for one work place in Cherkasy (140 people), Khmelnytskyi (51.1), Vinnytsa (47) (the average in Ukraine – 8 people) what is accordingly in 17, 5, 6.3, 5.9 times higher than the national level and in Dnipropetrovsk and Odesa the minimal competition for one work place is 4 persons (<http://ukrstat.gov.ua>).

Market economic system can not be developed without upgrading of the technology, at that the creation and development of new technological basis provides the investment into the human capital, development of active innovation activity. With the development of the market economy a radically new innovation strategy should be created. According to the national high-tech development program until 2013 it is expected to increase the production of V technological way to 12%, and production of VI technological mode – up to 3% (Melnyk, 2012). However, the modern practice of managing has a technological conservatism both on the macro-and meso- levels, which provides the asymmetry of technological development and finds the expression for the eastern regions of the third technological mode of industries, and for the western and central regions – the fourth and fifth technological structure (<http://zakon.rada.gov.ua>).

The high level of working out of basic capital from 37.7% (Chernivtsi region.) to 97.7% (Vinnytsia region.), 96.7% (Kirovohrad region.), 88.7% (Kharkiv region), 78.7% (Dnipropetrovsk region), 74.3% (Mykolaiv and Transcarpathian regions) and the poor indicators of its renewal in the economy provides the slow dismissal of workers and their maintenance in the low productive work place (<http://ukrstat.gov.ua>). Reduction of the demand on human resources from the industrial regions in the key sectors led to the essential reduction of the volumes, directions and intensity of the geographically-sectoral movement of human resources. Besides it, during 1996 – 2011 the tendency to the reduction of the specific weight of completed scientific and technological works in GDP respectively, from 1.36 to 0.79 is observed. The share of firms engaged in innovation activity is also reduced from 18% in 2000. to 16.2% in 2011 and thus the number of innovative products, put into production is reduced correspondingly from 15 323 to 13 238 items, ie for 13.6% (<http://ukrstat.gov.ua>).

In accordance with the indicators of the movement of human resources at the labor market, the groups with extremely unfavorable conditions of work form regions, where their share of the regional structure of the aggregate supply of human resources exceed the corresponding structural indicators of need in them. For example, Cherkasy, Khmelnytskyi, Vinnytsia, Rivne, Ivano-Frankivsk region (<http://ukrstat.gov.ua>). In 2011, the rate of growth of the number of hired declined in all regions in comparison with 2005 from 1.6 to 13.0 times (<http://ukrstat.gov.ua>).

LFS data fix the effect of the structural changes on the economy likewise the state and status of employment of population. Thus, the occupied population, which were worked for hire in 2011 was 80.7%, self-employed –17.8%, employers –1.1% (<http://ukrstat.gov.ua>), while in 2008 it was respectively 82.0%, 16.7%, 1.0%.% (<http://ukrstat.gov.ua>). Restructurization of the forms of employment is restrained by the presence of a large informal employment. The specific weight of employees, which in 2010 were employed in the informal sector of economy amounted to 22.9% of total employment or 4.7 million of people and tends to increase (growth rate of 2011. Before 2005 it amounted to 107.4%) . The structure of employed in the informal sector according to the types of economic activity was as follows: 65.2% were in agriculture, 13.4% – trade, and repair of cars, household goods and things of personal consumption 12.3% – construction, 7.3% – other, 1.8% – transport and communication activity (<http://ukrstat.gov.ua>).

Engaged in economic activities in Ukraine in 2000- 2011 were defined by the increasing level of education: in 2000 20.0% of accounting number of staff had a complete higher education, and in 2011 – 33.5% (<http://ukrstat.gov.ua>). Hereafter, the level of education of employees will be reduced due to the increasing and uncontrolled immigration. Immigration of mainly low-skilled human resources, for example in 2011 is observed in Ukraine for example in 2011 17 096 persons arrived to Ukraine mainly from South East Asia (including China, Vietnam, etc.), but specialists with academic degrees immigrate to the United States,

Canada, the Russian Federation (<http://ukrstat.gov.ua>). In addition, the highly educated young people remain unemployed because Ukraine does not create new highly skilled work places; there is a danger of deskilling. Thus, in 2008 the level of youth unemployment (according to Ukrainian legislation, young people 15–35 years old) was 25.7% (according to ILO methodology), and in 2011 was 35.2% (<http://ukrstat.gov.ua>).

Small and medium innovation entrepreneurship would have a paramount importance in the modern domestic economy, inasmuch as it would promote the competition, contribute to the weakening of monopolism, influence on the structure of the national economy and ensure the faster realization of innovations. Accelerated development of SMEs would become an essential precondition for achievement of balance at the regional labor market, because it is called a «local entrepreneurship». However, the contribution of SMEs into the local economy and, what is the most important, into the creation of work places does not play a decisive role. Thus, if in 2007 at the enterprises of the given sector 12 926.1 of persons were employed, in 2011 only 10 164.9, in other words there has been a reduction of employment by 21.4% (<http://ukrstat.gov.ua>).

Scientists point out that the low level of innovation activity of small business in Ukraine is caused by the worsening of the institutional and resource problems of innovation activity (financial, organizational and legal, information and market). Therefore, the important measure in the activation of the innovation entrepreneurship is to encourage the young professionals wishing to create their own companies, reducing the time of various government permits to produce high-tech products and services, the introduction of special rules which simplified the opening and incentive regulation of enterprises of the Internet – economy (<http://tyzhden.ua/Economics/61778>). Rebalancing at the regional labor markets is promoted by the mobility, which is closely connected with the free choice of places of labor activity (the plurality of propositions of work places, employers' competition for obtaining of the qualitative human resources) during which the human potential is reproduced. The labor market activates the territorial movement of employees, promotes the change of professions and qualification and professional development.

For interregional migration in Ukraine in 2011 the excess of the number of arrived over the number of departed for seven regions and cities of the state submission were peculiar. The highest rate of the coefficient of gross interregional migration was in Kyiv and Kyiv region, and the smallest – in Ivano-Frankivsk and Kharkiv regions (<http://ukrstat.gov.ua>). Since 1995, the migration flows into the villages of Ukraine became larger than the return flows. The interregional labor migration takes place mainly in the regions with a less rigorous situation at the labor market. One of the compulsory conditions for the effective functioning of the economy is skilled labor mobility, ie the availability of an employees' ability to qualitative change, which not only meet the level of complexity of new technology, but also outstrip the last one.

Mobility of labor is the basis of the stable proportions of professional and sectoral distribution of the total supply of labor. Employees who have a certain level of mobility, offer their services of labor in a competitive environment. Here, the competitiveness of human resources is shown, which refers to a set of qualitative and valuable characteristics, providing the satisfaction of specific needs of employers for employee of certain skills (professions). Competitiveness of the employee is the degree of development of abilities and skills used at the enterprises at a given level of organization of production and labor. As a result of mobility the competitive workers choose the optimal working conditions.

Every kind of work, profession has its own market. Inasmuch as in Ukraine the labor markets are characterized by the underdeveloped institutional infrastructure, so there is an informal labor market, ie the national labor market had elements of dualism.

The first theoretical model of differentiated labor market is developed by the U.S. economists B. Doeringer, Michael J. Piore in the end of 60-ies of XX century (Doeringer 1971, pp. 10–30). According to this model there are primary and secondary labor markets. The first is characterized by the high wages, stable employment, and its high mobility. In the secondary sector the employees' wage is much lower, working conditions are poor, the opportunities of career advancement are not available. The movement of human resources between sectors is difficult. The next stage of development of the conception of dual market is segmented market model, which better reflects the Ukrainian reality. The followers of this model believe that the structure of the primary sector has two segments: upper, which includes mostly managers and professionals, and lower, uniting the «blue collars» and most of the employees of routine mental labor. Specification of this model is carried out taking into account the status and trends in the national labor market.

In Ukraine, the labor market is formed and takes its own structure and eventually the other segments can be formed, but we can identify a clear trend towards deepening of the division of the labor market into the primary and secondary markets. The main criteria for the division are: the level of qualification, the status and stability of employment, the level of wages, and competitiveness at the labor market. In the development of primary and secondary labor markets we can distinguish three phases:

I (1992–1997) – unemployment, difficulties with the employment have been more defined for the primary market.

II (1998–2004) – workers with low qualifications, without special training are the most vulnerable.

III (2005–2011) – the level of unemployment was significant for the primary and secondary labor markets, except the certain occupational groups (<http://ukrstat.gov.ua>).

For example, the coefficients of load for the one vacancy decreased by 2–4 times during the 2005–2011, but still remain high. At that, they are much lower in such categories as:

- 1) skilled workers with tools
- 2) professionals;
- 3) specialists (<http://ukrstat.gov.ua>).

All of these categories form the primary market of independent work places. Vice versa, the load factors for one free work place in the representatives of the primary subordinate work places and low-skilled personnel (secondary segment of the labor market) exceed the average level. The reasons of this tendency do not lie in the dynamics of the supply structure of human resources, but – in the demand. The skilled workers with a tool (21.9%), professionals (15.3%), workers in service, maintenance and control over the work of processing equipment, assembly equipment and machinery (13.3%) specialists (11.8%), the legislators and workers in the services and trade (respectively 8.9% and 10.4%) had demand at the most popular enterprises in 2011. The low demand was for skilled workers of agriculture and forestry (1.2%), technical staff (2.9%) (<http://ukrstat.gov.ua>). Thus, the examination of the primary and secondary segments of the labor market shows that:

- The demand for the employees of the primary segment is characterized by the positive dynamics;
- The perspectives of the primary subordinate of the sub-segment of work places are connected with the creation of conditions for their training and retraining;
- The secondary segment of the labor market is specified by the decrease in the demand for the certain professional groups of employees, so they should appeal to the employment service.

The peculiarity of segmentation of Ukrainian labor market into the primary and secondary is the fact that the main category of the primary market – highly trained personnel, sustained the greatest losses during the reforming and even today it is not the leading sub-segment of the primary labor market (<http://ukrstat.gov.ua>). Instead, such categories as entrepreneurs and managers, the representatives of the new occupations connected with the servicing of the market, staff of the non-governmental enterprises which are successful at the market. In the nearest future, the need for the highly skilled personnel will grow in Ukraine inasmuch as the development of NTP objectively requires the improvement of the human resources.

Modern forms of division of labor, along with a certain number of layoffs and rising of unemployment provides the preservation and development of the qualified staff. The practice of attachment to a particular enterprise by means of



vertical mobility realization. For high-tech industries in the U.S., for example, at the beginning of the 80-s of XX century the change of the place of work every two years was typical and as a result, the professional mobility increased, the identification of labor with one occupation weakened, the transition from one job to another is lightened, because the main criterion for qualification of the employee is general qualifications, creativity. Thus, the problem of mobility means not only the change of qualification which influences mainly on the welfare of employees, but the possibilities of conducting of induced transition to a new kind of activity at a minimum cost. In the USA there is an urgent problem re-skilling of employees of many professions and qualifications as soon as possible and on a large scale, where the insufficient horizontal mobility is the main reason of structural and technological unemployment (Yershov, 1994, p. 132).

Acceleration of the rates of technology life cycles causes promote the quick aging of professional knowledge of employees. The presence of horizontal mobility means that the employee should possess not only sectoral mobility, but first of all – the preconditions for the change of the competitive variety of professional activities. The macro-mobility is observed if the employee' ability to change the industry while the simultaneous change of the type of professional activity and micro-mobility – is the employee's attraction to a narrow group of similar industries or one industry and a large number of transfer to other works under conditions of saving of the previous profession. An indicator of horizontal mobility is very important for the change of the type of professional activities or industries (not caused by a reduction in salary, the threat of unemployment or deterioration of general social status). This suggests the presence of a worker's industry and professional capacity sufficient to accommodate changes in the conditions of modern production.

Examination of occupational mobility during 2005–2011 in Ukraine shows that there is a tendency to a slight decrease in demand for the highly skilled labor: load indicator increased from 4 (skilled workers with tools), 5 (professionals), 7 (specialists) to 16 (technical employees) and 35 (skilled workers of agriculture and forestry) (<http://ukrstat.gov.ua>). A service industry will become an important sector of the post-industrial economy will become the service sector, in which in 2011 81.7% of employees were involved, while in 1990 their share was – 52.3%. The volumes of services realization increase from 9 532.3 million (2005) to 30 860.6 million UAH (2011), ie by 3.2 times. However, the main part of services accounts for the transport and communications – 58.5%, and knowledge-intensive services only about 3% of the volume of realization, although the latter are characterized by the high annual growth rates that exceeded during 2005–2011. 400% (<http://ukrstat.gov.ua>). In relation to information reality, the following groups of information benefits are distinguished: benefits which materialize information (knowledge-intensive goods and services) intended for the effect on information (computers, storage devices), use of information in the production as a «working fluid» (genetic engineering, educational technology); use information as

a consumer goods (tourism, perfumery) the benefits themselves are information (computer software, virtual services) (Melnyk, 2003, p. 136).

Realization of the strategy of innovative development of the national economy during 2004–2015 will promote the increase in the demand for highly skilled human resources inasmuch as the informatization of the national economy will lead to the emergence of new jobs (<http://zakon.nau.ua/doc/?code=493/2004>).

A necessary condition to provide a balance at the regional labor markets is a further development of the human intellectual potential of the Ukrainian economy and its sustainable use based on the increase of the role of program and target methods in the management of the budget expenditures for social purposes. In fact, according to E. Vedung's opinion, the government programs – are an empirical extension of the public policy, the evaluation of which is carried out through the mechanism of monitoring, systematization and adjustment of the government activity and its results (Vedung, 2003).

The main principles for the development, approval and implementation of STP (state target program) are defined by the Law of Ukraine of 18.03.2004 № 1621 «On State Target Program» (<http://portal.rada.gov.ua>). According to the content of the law, the program activities are classified according to the following aggregated positions: economic, scientific, technological, social, national, cultural, environmental, defense, law enforcement. In practice, the implementation of STP is connected with the use of classification groups of programs according to the more detailed positions, the content of which is focused on the key areas of economic and social policy. Experts say that the level of financial support for the implementation of social STP amounted to average 50% of the requirement set out by the approved programs (Geyets et al., 2008, p. 16). This constant underfunding of the programs led to the necessity of adjustments and the relative increase in their number. Moreover, in the implementing of STP the duplication of their certain provisions (eg, tasks, and events) complicated the process of analyzing of their fulfillment.

The results of work show that the framework requirements for the development and implementation of STP, as defined in the Procedure of development and implementation of STP (approved in January 2007 are not adhered, for example in such fundamental field of innovation development as the branch of investments and innovations. All the approved programs in the given are poorly prepared and the volumes of financing in the examined programs are questionable and unfounded, and therefore their actual effectiveness can not be determined, the above mentioned fact confirms the necessity of the detailed assessment of STP, their content and cost for their execution – O. Chemeris says (Chemerys, 2009). The same situation is with the fulfillment of the State Target Programme «Youth of Ukraine» for 2009–2015, where with the violation of the applicable laws, 3.5 million or 26.1% of the state budget during 2009–2010 were used inefficiently. In addition, the one third of incomes was declaratory and did not provide the solution of social

problems in the sphere of youth (<http://zakon1.rada.gov.ua/cgi-bin/laws/main.cgi?nreg=41-2009-%EF&p=1233434564845044>, <http://www.ac-rada.gov.ua/control/main/uk/index.>).

Thus, the presence of negative features in the development of the process of budget programming requires the constant monitoring of the development and implementation of STP on innovative improving of the human potential in the specific areas of social and humanitarian orientation, making the appropriate adjustments. It is time to develop the state target programs on promotion of youth employment, particularly on development of innovative SMEs. Thus in terms of innovation society, the creative work is aimed at changing of the person himself, his improvement, both as an entity of production, and as an entity of rest, inasmuch as the main source of progress is the internal development of the man and his ability self-improvement, knowledge generation. However, the lack of progressive social and economic transformations in Ukraine led to a further reduction of the Human Development Index and therefore the country in 2011 already occupied 76th place (out of 187 countries) (<http://www.undp.org.ua/ua/media/45-prosperity-poverty-reduction-and-mdgs/1212-ukraine-is-ranked-76th-out-of-187-countries-the-2011-human>). The reasons for such sharp decline in HDI lie in the negative dynamics of its main components – life expectancy, education and income levels.

It is therefore necessary to carry out systematic socio-economic transformations in the country, including the implementation of the conception of high-tech industries, in particular IT-Industry in Ukraine, where the priority area will be the program-targeted assistance of the country through the state order for fundamental scientific research, as it is in the civilized leading countries with the technological competitiveness. And at the present rates of growth (40%) in the nearest future, IT companies would show a fivefold increase, which would create an additional 100,000 high-skilled work places – the experts point out (Bilousova). It would encourage the use and improvement of the existing human intellectual capacity and would reduce the number of educated youth among the migrant workers, contributing to the elimination of the regional imbalances at the labor market.

**Conclusions.** Thus, our study shows the following:

- Regional markets are characterized by the surplus conjuncture;
- A tendency to reduce the economically active population, including working is observed;
- The level of education of the economically active population increases; therefore, there is a basis for the development of knowledge-intensive sectors of the national economy;

- As a result of functioning of a large share of shadow economy, a dualism is peculiar for the national labor market: along with the formal, the informal labor market exists, the number of employed here is 4.7 million and it is permanently growing;
- Because of excessive administrative burden the winding up of economic activity of SMEs is taken place;
- Technological conservatism and asymmetry of technological development does not provide the innovative development of the labor market both at the macro- and meso- levels;
- Professional mobility will provide the equilibrium at the regional labor markets, under conditions of technical and technological re-equipment of domestic production;
- An important sector of the national economy is the service sector, where the main part of the hired employees (80%) is employed, while the high-tech services occupy about 3% of the volume of sales, but the latter is characterized by the high annual growth rate (400%);
- An essential condition for the provision of sustainable development of the regional labor markets and improvement of human resources is the increase of the role of program target methods in the management of budget expenditures aimed at social needs (primarily stimulation of youth employment, development of innovative small and medium enterprises) with the elimination of existing defects in the formation and monitoring of their implementation.

As a conclusion, we note that the problem is complex and multi-directional and not all the questions can be examined in one article. Therefore, the formation and development of the new forms of employment of the economically active population, their structure and features of the Ukrainian economy will be the subject of the further scientific studies.

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