



**EUROPE
WITHOUT BARRIERS**



Policy Brief

Incentives for Employers to Comply with Minimum Social and Labour Standards in Ukraine

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Introduction

Within the framework of Work Package 4 (WP4), Europe Without Barriers held a workshop dedicated to the employment of foreign nationals in Ukraine and to the ongoing reform introducing a single residence and work permit.

The purpose of the meeting was to discuss **incentives for employers to comply with minimum social and labour standards, as well as to identify key barriers and opportunities related to the legal employment of foreign workers in Ukraine.**

The discussion gathered representatives of employers' associations, businesses, and international employment agencies with practical experience in hiring foreign workers.

The workshop demonstrated that the current permit system remains complex, fragmented, and administratively burdensome, while the lack of coherence among state institutions creates additional

risks for businesses and hinders the legalization of labour relations.

Background and the ongoing legislative reform

According to business associations, the Ukrainian labour market **is already facing an acute shortage of personnel in industry, construction, logistics, and agriculture.** A similar position was expressed by employment organizations, which stressed that the labour shortage is one of the main barriers to economic growth. In their view, legal employment should become more beneficial than informal work, and regulation should be realistic and understandable for businesses.

Against this backdrop, the Ministry of Economy, Environment and Agriculture of Ukraine (Ministry of Economy) is working on a legislative reform aimed at introducing a single permit for employment and residence. The draft law

provides for combining two documents into one, introducing electronic application procedures, and introducing a system in which foreign workers submit their own permit applications directly, while employers only confirm the vacancy. This reflects the shift towards a 'direct hire' model used in several EU member states. Other proposed measures include **the definition of seasonal employment, simplified access of graduates to the labour market, and expansion of categories of persons allowed to work without a permit, including EU citizens, teachers, and participants of international projects.**

The reform, which is currently under interagency coordination, has the potential to balance the interests of the state and business, create clear rules for employers, and ensure transparent integration of labour migrants into the labour market, thereby supporting the gradual harmonization of Ukrainian practices with EU standards.

Challenges for Employers

The gap between the labour market and bureaucracy

Despite the Government's plans to introduce a single residence and work permit, business representatives describe the current system for employing foreign

workers as overregulated, unpredictable, and fragmented.

Entrepreneurs note that instead of incentives for legal employment, there is excessive bureaucratic burden, high procedural costs, and lengthy approval processes – factors that often push employers toward informal practices.

According to business representatives, employers are generally interested in official employment; however, the existing procedures for obtaining work and residence permits do not correspond to market dynamics. The labour market – especially in seasonal and production sectors – requires swift recruitment mechanisms, while both industry associations and international employment agencies emphasize that document processing may take from several weeks to several months.

The lack of certainty and transparency

An additional challenge is uncertainty regarding the distribution of responsibilities. As noted by employer associations, under the current legislation, the primary obligation for legalization is placed on the employer, which often results in fines and administrative costs even when violations are caused by employees. This imbalance has prompted discussions about allowing workers to submit their own applications.

International employment agencies point out that many modern Ukrainian companies already follow international compliance standards, but they need a clear and digitalized system of interaction with state institutions. The lack of a unified database and transparent verification channels creates risks of double reporting and complicates the legal registration of short-term contracts.

Representatives of international employment agencies emphasized the need to clarify and regulate the role of intermediary employers, ensuring transparency in recruitment and adequate protection of workers' rights.

Poor institutional capacity and coordination

Currently, Ukraine lacks a coordinated system of interaction among institutions responsible for the recruitment and integration of labour migrants. Responsibilities are fragmented among the Ministry of Social Policy, Family and Unity, Ministry of Education and Science, State Migration Service, and local authorities.

This fragmentation complicates labour market forecasting, integration of foreign workers, and the development of a stable support infrastructure for employers.

Expectations concerning the ongoing policy reform

Employers participating in the workshop expect the state to simplify procedures and create stable rules that would prevent duplicated requirements and inconsistencies in inspections.

At the same time, experts emphasize that reforming the permit system should take into account not only simplification of procedures but also guarantees of workers' protection.

Without building institutions capable of monitoring working conditions, overseeing recruitment practices, and providing access to legal assistance, even a simplified system will not ensure fair employment conditions.

Thus, the participants agreed that the success of the upcoming reform depends on combining digitalization, procedural simplification, and stronger labour rights enforcement, forming the foundation for a transparent and competitive labour market system in Ukraine.

Policy Recommendations

An integrated policy is needed that brings together the efforts of the state, businesses, trade unions, and international employment agencies.

For the Government and State Institutions

Only a combination of enforcement and incentivizing mechanisms can create a solid foundation for improving labour standards.

1) Introduce a system of positive incentives for employers who comply with social and labour standards – for example, a ranking of fair employers, priority access to public procurement, or participation in business support programs.

2) Integrate into legislation the principle of “social conditionality”, whereby access to grants, preferential programs, or state funding depends on confirmation of legal employment and payment of social contributions.

3) Establish tax incentives or reduced administrative fees for companies that officially employ foreign workers and demonstrate compliance with occupational safety standards.

4) Introduce public reporting and monitoring of compliance with standards through an open state register of verified employers, increasing trust among

workers and international employment agencies.

5) Strengthen the role of labour inspectorates in consultation rather than solely control by introducing “preventive audits” for companies seeking to transition into the formal sector.

Moreover, an effective incentive policy for employers must be accompanied by enhanced institutional capacity on the part of the state and coordination among relevant actors.

6) Enhance simplified procedures, digitalization, and predictability of rules for ensuring compliance.

Reinforce interagency coordination.

Clarify and regulate the role of intermediary employers to ensure transparent recruitment practices and adequate protection of workers’ rights.

For Businesses, Employers, and Associations

Develop internal compliance and social responsibility standards covering equal pay, safe working conditions, non-discrimination, and transparent contracts with foreign workers.

1) Adopt corporate codes of ethics on the employment of foreigners to reduce informality risks and enhance company reputation in the market.

2) Join or establish professional associations capable of implementing self-regulation mechanisms, certifying

responsible employers, and sharing information on unfair practices.

3) Invest in the training of HR specialists and recruiters to increase awareness of labour legislation regarding foreign workers and social standards.

For International Partners

1) Support Ukraine in developing a monitoring and certification system for compliance with social standards, modelled on European “Fair Recruitment” initiatives.

2) Provide technical assistance for implementing digital services and shared databases that facilitate communication between employers, the State Migration Service, and international employment agencies.

3) Promote exchange of best practices related to social conditionality policies, where respect for labour rights is a prerequisite for access to markets or financial support.

The workshop discussion demonstrated that effective incentives for employers must combine control and motivation, as illustrated in Figure 1. The state should create conditions where legal employment becomes more advantageous than informal work, businesses should demonstrate social responsibility, and international partners should support the

development of transparency and fair competition mechanisms.

This approach can ensure the sustainable implementation of decent work standards, as shown in Figure 2. and contribute to the harmonisation of Ukraine’s labour market with European employment principles.

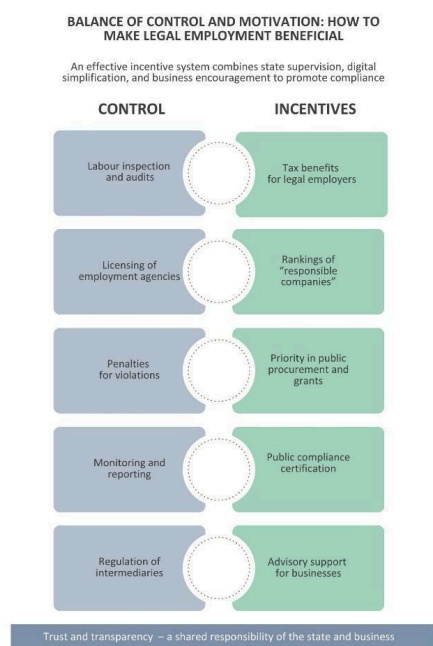
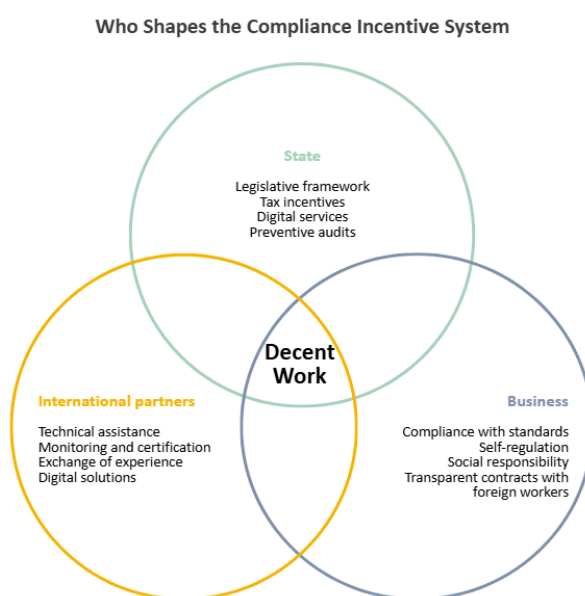


Figure 1. Balance of Control and Motivation.
Source: Europe Without Barriers (EWB), 2025.

Figure 2. Who Shapes the Compliance Incentive System. Source: Europe Without Barriers (EWB) / DignityFIRM, 2025.



Deliverable information

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About DignityFIRM

Towards becoming sustainable and resilient societies we must address the structural contradictions between our societies' exclusion of migrant workers and their substantive role in producing our food.

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