

“Staff shortages could have a domino effect,” — Tetiana Petruk in a commentary for Bloomberg on the shortage of staff facing Ukraine

Bloomberg, a leading global business news outlet, has devoted an article to the labour shortage that is beginning to be felt in Ukraine. Tetiana Petruk, Metinvest Group's Chief Sustainability Officer, was among the publication's key commentators on the topic from big business who talked about the challenges faced by the Group in attracting staff during the war.



The drain on personnel that's weakened Ukrainian armed forces staving off Russia's onslaught on the battlefield is also sapping the productivity of the war-affected nation's factory floors, construction sites, mines and restaurants.

The squeeze on labour has become one of the top concerns of businesses struggling to hire, with job searches taking up more of managers' energy. In a time of war, wages are set to exceed their levels before Russia's invasion in February 2022. A mobilisation law that went into effect last month is aimed at replenishing Ukraine's military ranks with hundreds of thousands of troops. But the lack of able-bodied men and women is emerging as a burden for businesses large and small that make up the backbone of a wartime economy.

It's a conundrum for President Volodymyr Zelensky, who is working to replenish his forces while ensuring that the shortage doesn't damage an economy he needs to keep afloat.

“We are now in a war of attrition,” Ukrainian Deputy Central Bank Governor Sergiy Nikolaychuk said in an interview in Kyiv. “It is very difficult to choose between butter and guns.”

The problem will only intensify as the Russian invasion drags well into its third year and Ukraine is forced to fill a gap left by millions who have either fled the country, joined the army or fallen in battle. As Ukraine's military struggles to hold the line against a fresh Russian offensive, its economy — which has lost a quarter of its output since the invasion began — risks being further weakened by the shrinking workforce.

Nikolaychuk said a collapse in economic output compared with 2021 was linked with a contraction of about 27% in the available labour force from pre-war levels. In addition to an estimated more than 6 million people who fled the war, the vacuum has been exacerbated by men who've disappeared into a shadow economy of unregistered employees ducking conscription.

It's a policy challenge that can't be fixed with help from allies, who are dispatching ammunition and air-defence equipment. Manpower is a finite issue — one that gives Russia and its vast resources an advantage.

‘Who Will Work?’

Metinvest Group, which employs almost 60,000 people and is seeking to fill 4,000 vacancies, has struggled to find

workers to operate an open-hearth steel furnace at a plant in the southeastern city of Zaporizhzhia.

Tetiana Petruk, Metinvest's Chief Sustainability Officer, said finding 89 workers ended up becoming a three-month intense search, far more than the month it would have taken in peace time. The company must first seek to line up staff before it can begin to restart capacity hit in the war.

"Not raw material resources, not equipment, nor machinery — the priority question is who will work and whether we are able to find these people," Tetiana Petruk said.

The hiring process is made cumbersome because male staff are reluctant to join large companies targeted by military recruiters. Enlistment officers at one point "distributed conscription notices at the entrances — even to our job candidates." She said that some 15% of Metinvest workers have been mobilised.

The issue ranks No. 2 behind rising costs among Ukrainian companies, according to a survey conducted by the Kyiv-based Institute for Economic Research and Policy Consulting earlier this year. About half said they were struggling with labour shortages.

Ukraine's Economy, Finance and Defence Ministries declined to comment on the issue.

Wages Up

An upshot of the labour-supply shortage is a surge in wartime wages as employers boost payments to retain workers who've remained. Although inflation has receded close to 3% compared with 27% at its peak following the invasion, Ukraine's national bank cited the phenomenon in an inflation report, anticipating that wages adjusted for price growth are on track to surpass pre-war levels next year.

Volodymyr Landa, a senior economist at the Kyiv-based Centre for Economic Strategies, said the government has to keep an eye on business demands even as it boosts its military.

"The reason is simple: Ukraine doesn't have enough funds to significantly increase its troops," Landa said.

The mobilisation legislation gives businesses considered to be crucial for the economy an avenue to maintain staff, allowing companies to reserve up to 50% of their male employees who are otherwise eligible for conscription.

But the issue is being felt by Ukrainians. Kyiv's metro system said it'll soon run fewer trains because migration and conscription caused a "significant deficit" of workers that's expected to worsen as more employees join the army. Mykolaiv, a southern city near the front line, reduced bus services because of the mobilisation of drivers, Mayor Oleksandr Sienkevych told Suspilne, a public broadcaster.

For Ilarion Sauk, a co-owner of several restaurants in Kyiv, the staffing issue has moved to the top of the list of his challenges. Foremost is the dearth of staff for jobs like cooking and cleaning, many of which had been held by women who fled the country.

The other is conscription, which has reduced staffing by about a tenth. Many men are hesitant to work far from home as they keep on the lookout for military recruitment patrols, he said.

"Sometimes owners have to wash dishes themselves," Sauk said in an interview.

Under the Table

Yuliya Kuzenkova, head of projects at Kyiv-based recruiting agency Resorcer, said firms are increasingly hiring male employees as contractors or vendors, since many are reluctant to meet a requirement to update their personal data that can be used by recruitment offices.

Many are also hiring women for jobs once predominantly held by men, such as in mining, bringing in students or hiring foreign staff, including migrants from Turkey, she said.

"Companies are focusing either on training and development of the personnel they already have or on hiring students," Kuzenkova said in an interview. "They are building their personnel reserve."

Tetiana Petruk at Metinvest said the shortage could have a domino effect, with an eroding tax base that would ultimately hurt military aims. Businesses could be forced to curtail production.

"If conscription continues at this pace, we will be compelled to halt some processes or production areas as there physically won't be enough workers," she said.

