Annex 1D - Context Analysis (Labour).

This context analysis is focused specifically around issues pertaining to the Labour engagement under DANEP 2027 – 2031, with a particular focus on Ukraine and Moldova. The annex is complementary to the Annex 1 - Context analysis included in the overarching programme document for DANEP 2027 - 2031, which provides a broader overview of country contextual dynamics.

Cross-cutting Thematic and Structural Issues

EU accession as leverage
Both Moldova and Ukraine have stated EU accession ambitions backed by significant political commitment and this creates a structural window for further promotion and strengthening of labour market reforms. The EU's Directive on Adequate Minimum Wages (2022/2041) sets an 80 percent collective bargaining coverage target, directly relevant to both Moldova (at 43 percent) and Ukraine (at 40 percent). The European Pillar of Social Rights, explicitly referenced in the EU/ILO Ukraine partnership documentation, provides a normative framework for linking programme activities to accession benchmarks.

Gendered dynamics
Both countries exhibit systemic gendered labour market barriers that intersect with occupational segregation, legal restrictions, care economy failures, and wage discrimination. Moldova's legal restrictions on women's employment in specified sectors under a 1993 Government Decision provide a specific, tractable reform target that could support social partners to advance through the accession alignment process. In Ukraine, the wartime entry of women into male-dominated sectors could be seen as both an opportunity to lock in gains and a risk to be monitored as demobilisation proceeds.

Examples of Country Specific Dynamics

Ukraine
Social dialogue in Ukraine - the tripartite consultations between government, trade unions and employer associations has traditionally been characterized by structural weaknesses, declining collective bargaining coverage and a failure to reach consensus on major socio-economic reforms. The current situation of the labour market cannot be understood outside the context of the ongoing conflict. The scale of disruption is staggering: the civilian labour force in government-controlled territory has shrunk by an estimated 17 to 28 percent [in 20??] relative to 2021, with roughly 2.8 million workers lost through refugee outflows and a further 500,000 to 600,000 through mobilisation. Approximately 6 million Ukrainians (55 percent of whom were employed before the war) remain abroad, creating a structural labour supply shock of an unprecedented scale for a major European economy.

Despite this, the Ukrainian labour market has demonstrated surprising resilience during the period since Russia's invasion. Unemployment, which spiked above 20 percent in 2022, had fallen to around 11.5 percent by 2025, moving closer to the pre-invasion baseline of 9percent. Real wages, after an initial decline of around 20 percent, had recovered to above pre-war levels by 2024. This resilience reflects rapid reallocation, involving measures such as the westward relocation of industries, a shift toward defence manufacturing, and the mobilisation of previously underrepresented groups, including women and older workers. Yet aggregate figures conceal severe regional divergence: in heavily conflict-affected oblasts like Donetska and Mykolaivska, employment rates remain severely suppressed and economic activity is functionally collapsed.

Wartime deregulation has materially weakened labour protections. Emergency provisions have suspended or reduced the scope of key rights, and social dialogue has been sidelined as government priorities focus on the war effort. In addition, internally displaced persons (IDPs) represent a growing share of labour market vulnerability: working-age IDPs record unemployment rates of 15 percent, and 61 percent of unemployed IDPs are actively seeking work, reflecting a higher rate of active job-seeking than among non-displaced unemployed populations, reflecting economic desperation rather than discouragement.

ILO estimates that Ukraine's reconstruction will require an additional 8.7 million workers to the labour market. Reconstruction aligned with EU integration and green policy frameworks could embed decent work standards, social partner involvement, and inclusive hiring from the outset, yet only if labour market institutions are strong enough to shape the process. Without that, reconstruction risks replicating or deepening informality at scale.

A distinct and urgent challenge is the reintegration of approximately 1.2 million veterans (800,000 of whom are combat veterans) into civilian employment. This is a challenge that existing structures are failing to meet: a 2024 survey found that only 25 percent of Ukrainians believed the state was fulfilling its obligations to veterans, down from 69 percent in August 2022. Employer interest in hiring veterans is growing, partly because veterans are seen as experienced workers with a lower mobilisation risk, but structural barriers remain: inadequate interagency coordination, poor reach in rural areas, and limited psychological and social support. The establishment of robust Occupational Safety and Health frameworks (OHS) are vital for the safe reintegration and physical rehabilitation of the workforce.

Moldova

Moldova's headline challenge is the scale of informality of the labour market, with over half the workforce operating outside formal employment relationships, denying thousands access to social protection, regulated wages, and safe working conditions. This is not a transitory condition: the country's transition from informal to formal employment has stalled, and informality remains concentrated in agriculture and small enterprises where the State Labour Inspectorate has the least reach. Occupational health and safety enforcement is particularly constrained, with Moldova's dual system of public and private occupational health services beset by inefficiencies, insufficient training standards, and the systematic underreporting of work-related accidents and diseases.

The labour market showed resilience in 2025, with employment rising and new jobs created, supported by targeted policies amid structural challenges like emigration and informality. The employment rate reached 58.6 percent in 2025, up from prior years, as the National Employment Agency facilitated over 20,000 jobs, a 20 percent increase from 2024, with a focus on public administration, healthcare, education, trade, and agriculture. Unemployment fell to 3.5 percent by the end of 2025, with youth joblessness easing and labour force participation climbing. In terms of policy reforms, the National Development Plan (2023–2027) emphasises energy transition, food security, health, bioeconomy, diversity, and peace, while the National Employment Programme (2022–2026) prioritises women's employment, informal job reduction and alignment of labour laws with ILO standards.

Despite relatively high union density at 42 percent, the collective bargaining coverage of 43 percent is well below the 80 percent target set by the EU's 2022 Directive on Adequate Minimum Wages, a directly relevant benchmark given Moldova's accession trajectory. Social dialogue institutions are further undermined by a government tendency to channel consultations through alternative platforms such as the Economic Council to the Prime Minister, bypassing the National Commission for Consultations and Collective Bargaining.