

## Assessment of the Impact of Macroeconomic Factors on Wage Formation in a Market Transformation of Ukraine's Economy

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**Abstract:** An assessment of the impact of macroeconomic factors on wage formation in conditions of market transformation of Ukraine's economy has been performed. The factor analysis of indicators has been carried out. The main factors of earning power in the Republic of Poland and Ukraine are compared. The main problems of state regulation of wage setting in Ukraine are revealed. The measures to improve macroeconomic regulation of the wage process and increase macroeconomic indicators have been proposed.

**Keywords:** wages, income, GDP, labor productivity, consumer price indices, exchange rate dynamics.

JEL:E 240, H 550

### Introduction

The transformations that have taken place in the economy of Ukraine are deeply connected with the need for reforms in the field of wages in order to strengthen the motivational function of wages and, accordingly, increase the efficiency of management. Labor relations in Ukraine have long been based on volatile and subjective wages. The deformation in the field of wages has now reached such a scale and depth that wages have actually become a kind of "social assistance", ceasing to be the main value in society and the basis of its economic and social development. Large differences between the market status of the labor force and largely non-market methods of evaluating results undermine the foundations of the market system and lead to lower living standards of the general population, falling real incomes, increasing property differentiation, shadowing the economy. Therefore, the study of wages and the ways to increase wages is of particular importance today.

## **The purpose of the study and methodology**

The main purpose of the study is to assess the impact of key macroeconomic factors on wage formation in a market transformation of Ukraine's economy. Legislative and regulatory acts of Ukraine, materials of the World Bank, the European Statistics Service, the State Statistics Committee of Ukraine, the Ministry of Economy, the Ministry of Labor and Social Policy were used for this purpose. The information basis of the study was also the work of domestic and foreign scientists, official Ukrainian and foreign statistical materials, data of international organizations, the results of sociological surveys, etc.

The work uses a number of general and special research methods: abstract – logical – in the study of the essence of categories and concepts of wages; comparative – economic – in the analysis of domestic and foreign experience in regulating wages; statistical and method of economic analysis – to process an array of statistical and empirical data to assess the situation and retrospective analysis of wages in Ukraine.

## **Research issues**

There is no doubt that at the present stage, there is a need to further study the directions of reforming the wage system. The problems of wage differentiation as the value of the marginal product of labor and the development of proposals and recommendations for improving the efficiency of state regulation of wages in the economy of Ukraine has come to the fore. In the analysis of the labor market, of particular interest is the process of decision-making to determine the optimal volume of labor demand as an economic resource. Thus, a firm that seeks to maximize its profits usually must take into account the possible volume of resource use, the value of the total product at appropriate levels of labor costs, and marginal product of labor (MPL).

If the marginal product of labor is obtained by differentiating the production function of Kobe - Douglas, where the marginal productivity of the factor is proportional to its average productivity, it can be explained why in countries with high average labor productivity there are high and real wages. Conversely, in countries where labor productivity is low, real wages are also low.

As for the analysis of state intervention in the formation of the labor market, setting the minimum wage usually upsets the balance and increases unemployment. Therefore, there

is a need to study and summarize the experience of foreign countries in regulating wages, while the method of calculating the minimum wage needs to be improved.

## **GDP and wages**

Today, the development of Ukraine's economy, which takes place in conditions when labor and wages continue to occupy a place that is not adequate to their role and importance in the functioning of a market economy, depends on certain factors. First of all, it is an opportunity for economic growth in the country, as the economy is the foundation of social development, and its strength is a guarantee of social welfare, especially the growth of income and wages.

In economic research in recent years, in accordance with the concept of sustainable development, much attention is paid not only to the conservation of natural resources, but also labor. Among the number of scientists from Poland and Ukraine who study this issue are such as V. Sarioglo (2015), G. Tereshchenko (2015), BleiereDaina (1992), J. Polcyn (2018), M. Gawrysiak (2018), G. Przekota (2018), S. Korablin (2015), J. Rembaza (2018), A. Yakymchuk (2020). Thus, the first set of factors that significantly affect the process of wage formation includes GDP growth rates and its distribution on consumption and accumulation; dynamics of separate branches of domestic production and proportionality in their development; achievements in the development of small business; rates of change in labor productivity; population dynamics; increase or decrease of employment opportunities for the able-bodied population of the country and the dynamics of unemployment; opportunities for the formation of domestic investment resources; the degree of stability of the domestic currency and the strength of the financial system in general, the presence and size of external debt and the degree of dependence of the economy on foreign capital; dynamics of prices, in particular the dynamics of housing and communal and transport tariffs and the degree of their compliance with the real size of wages and per capita income; the presence of arrears in payments [Taxation in Poland, 2020].

Throughout its independence, Ukraine has seen the following trends depending on changes in wages in all spheres of economic activity and changes in real GDP: in the period from 1990 to 2019, GDP fell by more than three times (Table 1), with a long period

(from 1995 to 2002) when the number of goods and services produced in the country for a year was half of that from before Ukraine's independence [Yakymchuk A., 2021].

**Table 1.** The growth rate of real GDP and income

Years	GDP, billion US dollars	GNI per capita (USD)	Real GDP (% to previous year)	The amount of real wages (% to the previous year)
1991	77,465	1520	91,3	
1992	73,942	1420	90,1	
1993	65,649	1230	85,8	
1994	52,55	1000	77,1	
1995	48,214	920	87,8	110,6
1996	44,558	860	90	96,6
1997	50,15	890	97	96,6
1998	41,883	850	98,1	96,2
1999	31,581	760	99,8	91,1
2000	31,262	700	105,9	99,1
2001	37,972	730	109,2	119,3
2002	42,352	790	105,2	118,2
2003	50,084	980	109,6	115,2
2004	64,82	1270	112,1	123,8
2005	86,058	1540	102,7	123,3
2006	107,648	1950	107,1	118,3
2007	142,58	2590	107,3	112,5
2008	179,817	3210	102,8	106,3
2009	117,113	2840	85,5	90,8
2010	136,01	2980	104,1	110,2
2011	163,16	3110	105,4	108,7
2012	175,781	3500	100,2	114,4
2013	183,31	3800	100	108,2
2014	133,503	3560	93,4	93,5
2015	91,031	2700	90,2	79,8
2016	93,356	2370	102,4	109
2017	112,19	2380	102,5	119,1
2018	130,902	2800	103,4	112,5
2019	153,781	3370	103,2	106,5

*Source: Official site of the world bank, Official site of the state statistics service of Ukraine.*

Of course, one cannot ignore the fact that throughout the period of its independence, Ukraine has been constantly "experiencing" crises, like the crisis of 1990 – (first half), the crisis

of 2008-2009, as well as 2014-2015. 2020 became a year of trial for the entire world economy, and, of course, for Ukraine's economy. Which is clearly traced at the level of income, and. Unfortunately, increasingly leads to impoverishment of the population of Ukraine.

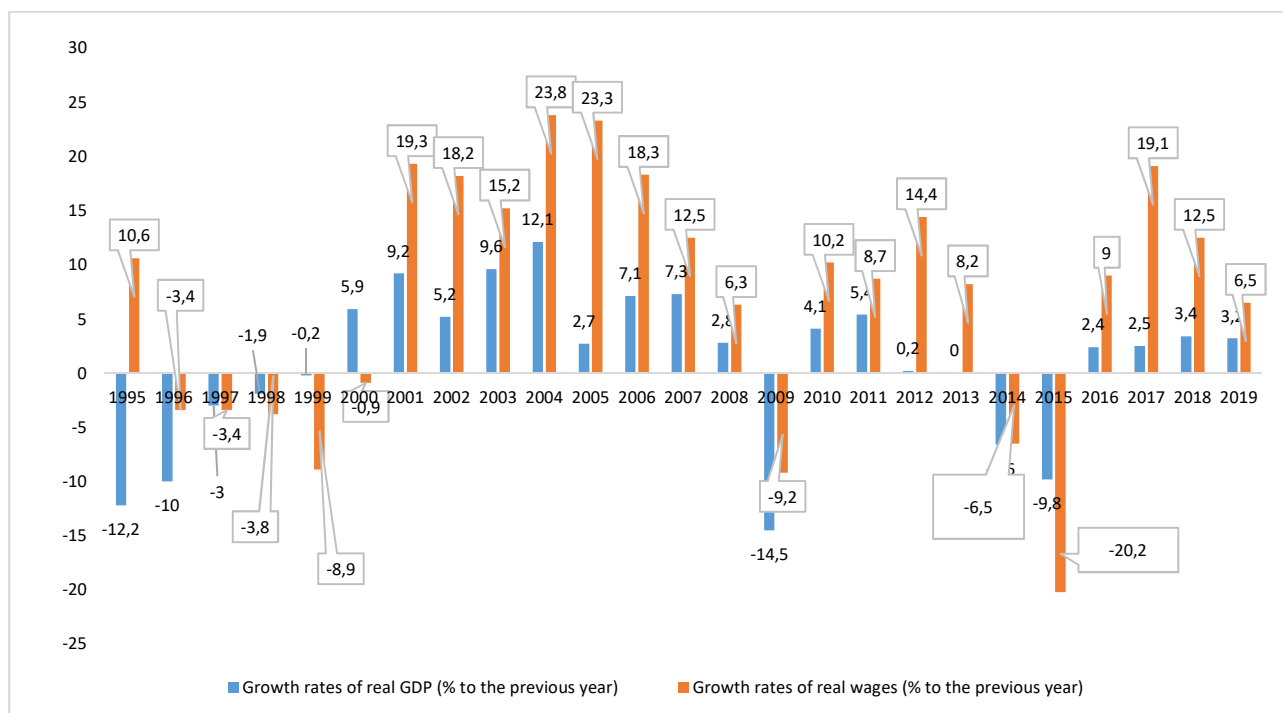
Only in 2003, Ukraine reached the level of production that corresponded to 1994 (54.4% of GDP compared to 1990). In 2007, the level of production slightly exceeded the level of 1993. In 2008, we managed to reach production volumes that amounted to 77% of the 1990 level. However, in 2009, the value of real GDP decreased to 63% of the 1990 level and actually returned to the 2005 level.

In addition, according to the World Bank, there has been a decline in real GDP of Ukraine - the largest of the 166 countries that disclosed full statistics for 1991-2014, it decreased in only four other countries: Moldova (-29%), Georgia (-15, 4%), Zimbabwe (-2.3%), the Central African Republic (-0.94%). In Ukraine, this figure was -35% [Korablin, 2015].

As for GNI per capita, in 2019, Ukraine was in 70<sup>th</sup> place (from the end) among all countries whose data are analyzed by the World Bank, and much lower than in any other European country. Thus, the average GDP per capita in Europe in 2019 amounted to USD 35,812 thousand , Europe and Central Asia – USD 25,205, and in Europe and Central Asia, except for high-income countries – USD 8,036. In Ukraine, this figure was only USD 3,370. At the same time, for example in neighboring Poland – USD 15,350, and in the Russian Federation – USD 11,260 [Official site of the world bank, 2020].

If we compare with the other 4 countries, which also saw a decline in real GDP, then two of them, namely Georgia and Moldova, had a GDP per capita in 2019 of 41.8% and 36.2% more than in Ukraine, respectively – USD 4,780, and USD 4,590 [Official site of the world bank [2021]. The GDP growth rate in comparison with the previous year also decreased for a long time and only in 2000 exceeded the mark of 100% by 5.9 for the first time (Fig. 1).

Fig.1. Dynamics of real GDP and wage growth rates in 1991-2019



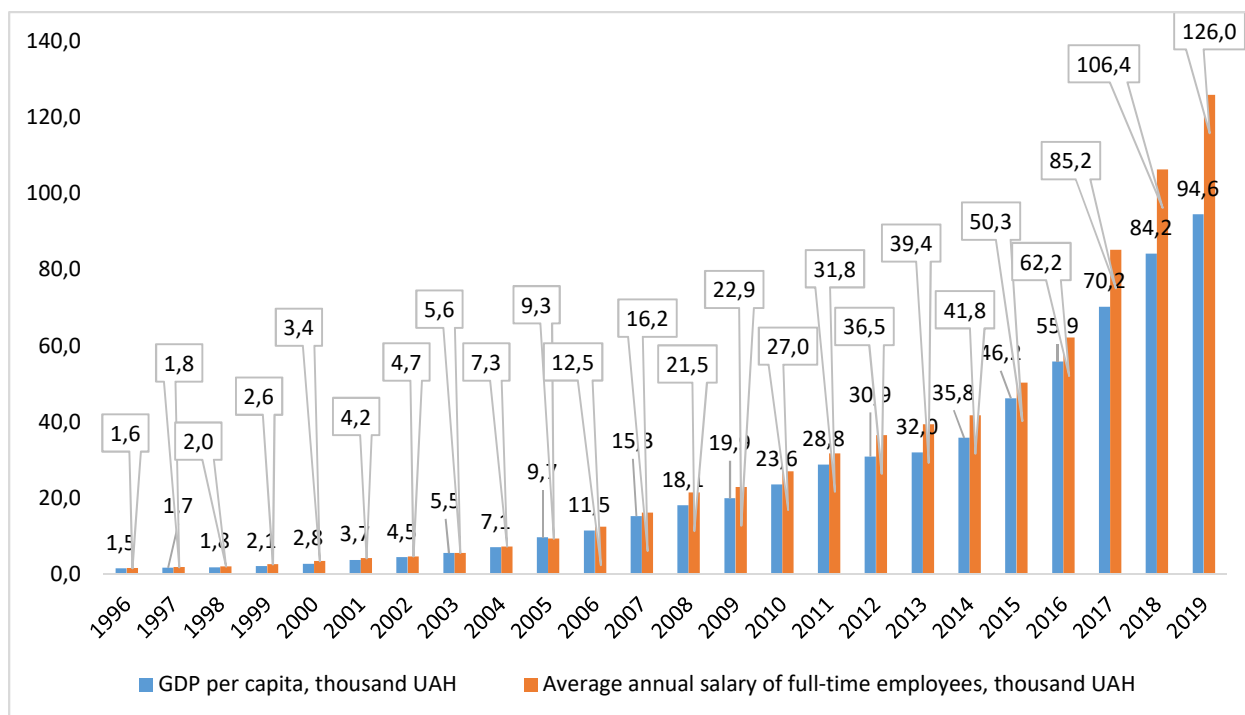
Source: authors' calculations according to the data: official site of the state statistics service of Ukraine.

This dynamics corresponds to the growth rate of real wages as a percentage of the previous year. Thus, in the period from 1996 to 2000, it was constantly declining. In 1999, the decrease was 8.9%, and was the highest for that period. Since 2000, there has been a marked increase in real wages, by an average of 20% per year. However, even under such conditions, the real income of the population until 2004 remained less than half of that in 1991. Unfortunately, since 2006, the growth rate of real wages has been declining again. Thus, in 2008, the value of real wages was only 6.3% higher than the previous year. But in 2009, there was the largest reduction in GDP (by 14.5%) compared to the previous year, while the reduction in real wages was 9.2% [Polishchuk, 2014]. Already in 2014-2015, the reduction was 6.6% and 9.9%, respectively, while real wages decreased by as much as 6.5% and 20.2%, respectively. And although after the crisis of 2014-2015 there was a positive trend, still in 2019 the growth of real wages was only 6.5%, with real GDP growth of only 3.2% [Yakymchuk A., 2017; Ivanova, 2019].

As for the ratio of wages and GDP per capita, if before 1999 this figure was constantly declining, so the annual average wage per employee was 95% of GDP per capita in 1996, in 1999 – 80%, then in the year 2005, for the first time, the value of the annual average nominal wage was 103.6% higher than the value of GDP per capita. This trend continued in

2019, with an annual average salary of UAH 125,964 (USD 4,882), the value of GDP per capita was 25% lower and amounted to UAH 94,589 (USD 3,666) (Fig. 2).

**Figure 2.** Dynamics of growth of average annual wages and GDP per capita



Source: Ministry of finance. 2020, Official site of the state statistics service of Ukraine.

Thus, in 2018, GDP by category of end use was 3.3% lower than in 2010. The number of employees for 9 years decreased by 23.6% and in 2019 amounted to 16,578 thousand people. This is despite the fact that, for example, in 2010 there were 19,180 thousand people employed, in 2000 – 20,175 thousand people, and in 1990 – 23,301 thousand people. Thus, during the years of independence, the number of employed people in Ukraine decreased by 40% – which amounted to 6,723 thousand people. In addition, despite the fact that the minimum wage in our country regularly increased in 2010, it was still more than one and a half times lower than in 1990, and in 2019, after a significant drop in 2014-2015, only returned to the level from 2010 (Table 2).

**Table 2.** Dynamics of the main macroeconomic indicators of economic development  
of Ukraine for 2010-2019 (base of 2010) (%)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Indices of physical volume of GDP by categories of end use (at constant 2010 prices), %									
100	105.5	105.7	105.7	98.8	89.1	91.3	93.5	96.7	x
Number of employees (in % before 2010)									
100	100.3	100.4	100.7	94.2	85.7	84.9	84.2	85.3	86.4
Real wage indices (in % by 2010)									
100	99.0	100.5	96.7	78.3	81.5	96.4	107.6	99.3	100.8
Labor productivity by GDP (in % by 2010)									
100	120.1	129.6	134.8	156.0	214.9	260.4	328.2	386.8	426.1
The share of wages in cash income (in % by 2010)									
100	102.73	106.72	106.30	102.52	99.16	98.11	110.08	114.50	120.38

Source: authors' calculations according to the data: Ministry of finance (2021), Official site of the state statistics service of Ukraine, State statistics service of Ukraine (2020).

The analysis shows that there is a direct relationship between GDP growth and wages. To follow it, we used data for the last 24 years (1996-2019) [Official site of the state statistics service of Ukraine], on the basis of which we built an econometric model, according to which, with the growth of production of goods and services by 1%, the average nominal wage increased by 0.2 % ( $ZP = 0.002 \text{ GDP} - 96.47, R = 0.99, a_0 = 0, b_0 = 22.65$ ).

We also examined the relationship between wages and productivity in Ukraine over the past 24 years. The study showed that with a 1% increase in labor productivity, wages more than quadrupled. ( $3P = 469.0 * PP - 61.36, R = 0.99, a_0 = 12.72, b_0 = 21.66$ ).

## Ukraine's relations with individual countries of the world

In general, over the last decade, in Ukraine, according to official statistics, there has been an increase in production, and relatively positive dynamics of wages, but this does not indicate positive trends in the effectiveness of labor motivation.

This is confirmed primarily by the fact that the actual indicators of labor productivity in Ukraine are quite unfavorable from similar indicators of market economies. Proof of this can be a comparison at the macro level – indicators of gross value added per employee, at the enterprise level – the productivity of the employee. Comparison of these indicators with the level of wages indicates a low standard of living, and hence the possibility of maintaining social tension in society.



The degree of such validity can be assessed using international comparisons, for example, Ukraine's relations with other Central and Eastern European countries in terms of labor productivity (GDP per capita) and average wages. If both ratios are approximately the same, it can be concluded that the level of wages in Ukraine is objective and economically justified. If the ratio is higher in terms of labor productivity, the salary is understated, if lower – too high [Polishchuk, 2012].

The results of calculations performed according to comparative data show that Ukraine's lag in the level of labor productivity roughly corresponds to the wage lag. At the same time, the trends reflect the outpacing growth rates of wages in Ukraine, rather than labor productivity. In addition, if in developed countries the ratio of GDP per capita to average monthly wages is kept at about the same level with an upward trend, in Ukraine there is a gradual decline, with a sharp decline in 2017 to 8.2 from 14.9 in 2010, which certainly leads to increasing the impoverishment of the population of Ukraine (Table 3).

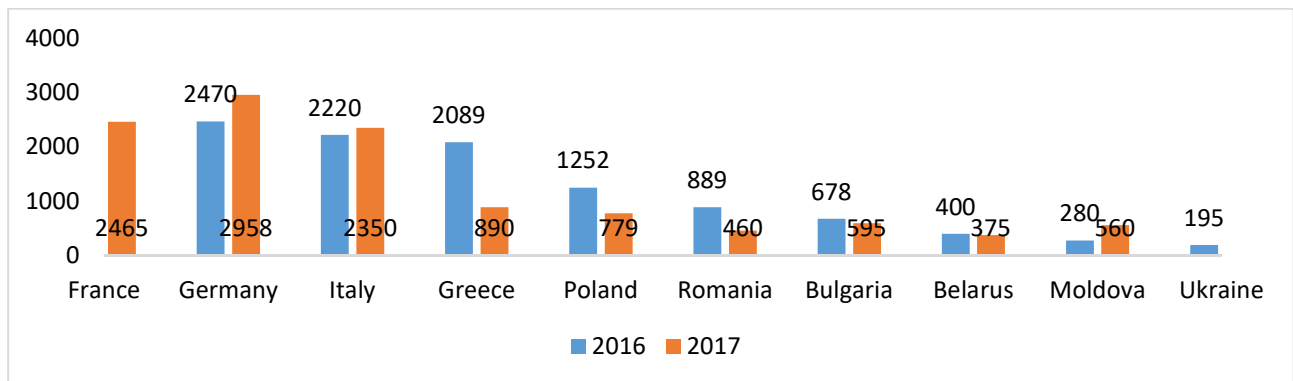
**Table 3.** The ratio of Ukraine with some countries in the world for 2000-2017

Year	Ukraine	USA	Poland	Germany
GDP per capita, USD				
2000	632	36,450	4,459	23,719
2005	1,825	44,307	7,980	34,697
2010	2,553	48,373	12,507	41,786
2015	2,125	56,207	12,475	41,177
2016	2,185	57,467	12,332	41,936
2017	2,194	59,501	13,429	44,550
Average monthly salary, USD				
2000	42.3	3247	509.3	2,154.3
2005	157.3	3,780.3	812	3,159
2010	283.5	4,365.4	1,124	3,620
2015	192	4,915.1	1,009.1	3,476
2016	202.8	4,973.4	1,008.1	3,541
2017	267.1	5,046.5	1,122.5	3,713.6
The ratio of GDP per capita to average monthly wages				
2000	14.9	11.2	8.8	11.0
2005	11.6	11.7	9.8	11.0
2010	9.0	11.1	11.1	11.5
2015	11.1	11.4	12.4	11.8
2016	10.8	11.6	12.2	11.8
2017	8.2	11.8	12.0	12.0

*Source: authors' calculations according to the data: official site of the state statistics service of Ukraine, State statistics service of Ukraine, 2020.*

Despite the constant increase in wages in Ukraine, even before the global economic crisis, not only did this gap not decrease, but in most cases it increased. So if in 2005, in comparison with the Czech Republic, the lag was 73 euros, then in 2008 the gap increased to 264 euros, in comparison with Poland, the lag in 2008 made 269 euros (in 2005 61 euros), with Estonia – 213 euros (in 2005 – 53 euros), with Bulgaria – 47 euros (in 2005 – 44 euros). Already in 2017, the salaries of Ukrainians were 11.5 times lower than those of the French, 13.9 times lower than those of the Germans, and 2.6 times lower than those of Moldovans (one of the five countries where real GDP fell) (Fig. 3).

**Figure 3.** Average monthly salary of Ukraine and European countries for 2016-2017, euro



Source: authors' calculations according to the data: official site of the European statistics service

## Economic emigration

In Ukraine, Labor migration remains an important issue in the form of a net outflow of workers as a factor in replacing labor with capital. After all, the duration and scale of labor migration depend on how wages and living conditions in Ukraine differ from potential countries for employment. The reality today is that, given the demographic changes and aging populations of many countries, including the old EU member states, there will be an increasing shortage of workers, so the openness of EU countries to the labor of migrants from Ukraine may increase. On the other hand, the wage gap between Ukraine and European countries, even with unofficial wages, will remain an incentive for migration for many years to come.

Note that the migration of 2-3 million people has contributed to the reduction of the labor force in Ukraine, causing a shortage of labor in certain professions. This can be seen as one of the factors (not necessarily) that contributes to the growth of wages of workers who remain in the country.

As for highly educated workers among emigrants, their share is not high (16% of migrants had higher education according to the SSSU survey in 2017, against 32% of those employed in Ukraine according to the SSSU labor force survey in 2020). Therefore, the problem of «brain drain» and the impact on productivity should not be exaggerated.

In general, labor migration is an important factor for Ukraine in the coming years. And while its effects have so far been largely beneficial to migrants (increased remittances, and the living standards of migrant families), this may change in the long run if emigration begins to harm price competitiveness, the investment climate, and public finances.

### **Assessment of the welfare of the population**

Assessing the impact of key macroeconomic factors on wage formation in Ukraine, special attention should also be paid to assessing the level of welfare of the population. It is known that the level of welfare characterizes the number of goods and services that an employee can receive for their wages and depends on three main factors: the size of nominal wages, consumer price index for goods and services, the amount of deductions from nominal wages. Note that despite the rapid growth of nominal wages throughout the study period, the purchasing power of the population fell just as rapidly. The conditional calculation indicator, which is intended for an objective assessment of the purchasing power of the population is the level of real wages. Although in the analyzed period the nominal wage was constantly growing, and the real wage in 1995 was 30.3% of the real wage in 1990, and continued to decline until in 1999, it reached the lowest level of 26.1 % in 1990. In 2000, there was a tendency for a slight increase (28.4%), in 2004 the purchasing power of the population in terms of real wages was three times lower than in 1990 and amounted to 34% of 1990 [Polishchuk, 2012; Yakymchuk, 2020; Sarioglo, 2015].

The main reason for this state of affairs was that the growth rate of prices for consumer goods and services in 1995-2009 was 2.7 times higher than the growth rate of real wages. As for the last decade, the growth rate of nominal wages almost corresponded to the consumer price index. The largest increase was in the group «Housing, water, electricity, gas and other fuels» – 6.13 times compared to 2010, significantly increased the cost of educational services – 2.8 times, and almost as much increased the cost of health care, 1-2.6 times. On the

other hand, the growth rate of prices for clothing and footwear was even lower than the growth rate of real wages – 1.4 and 1.6 times, respectively (Table 5).

**Table 5** Consumer price indices and growth rates of nominal and real wages in 2010-2019

Years	Consumer price index	Food and soft drinks	Clothes and shoes	Housing, water, electricity, gas and other fuels	Health care	Recreation and culture	Education	Nominal wage growth	Real wage growth rates
2010	100	100	100	100	100	100	100	100	100
2011	104.6	101.7	101	111	106.4	103.2	105.7	116.2	111
2012	104.3	99.4	98.7	111.8	108.5	103.5	110.3	126.8	122.1
2013	104.9	98.7	95.3	112.1	111.8	103.1	112.7	134	128.8
2014 <sup>1</sup>	130.9	123.2	109.1	150.6	145.3	128.7	118	144.4	115.2
2015 <sup>2</sup>	187.7	174.3	147.3	305.7	187.6	177.5	146.6	174.8	105.3
2016 <sup>2</sup>	210.9	180	155.3	450	202.1	185.5	166.6	198.6	116.9
2017 <sup>2</sup>	239.7	211.9	156.8	497.6	217.3	193.8	191.5	234.1	135.8
2018 <sup>2</sup>	263.1	228.4	159.9	550.6	236.8	202.3	217.3	254.6	145.5
2019 <sup>2</sup>	273.8	239.3	156.2	540	245.7	202.1	246.6	270.6	156.8
2020 <sup>2</sup>	287.5	251.1	144.8	613.2	264.7	202.2	280.9	278.1	161.3

<sup>1</sup>The data are given without taking into account the temporarily occupied territory of the Autonomous Republic of Crimea and the city of Sevastopol.

<sup>2</sup>Data are given without taking into account the temporarily occupied territory of the Autonomous Republic of Crimea, the city of Sevastopol and part of the temporarily occupied territories in Donetsk and Luhansk regions.

Source: authors' calculations according to the data: official site of the state statistics service of Ukraine.

Of course, we can identify factors that at one time (before the global financial and economic crisis) hindered the development of inflation, for example: the implementation of a set of anti-inflationary measures of the Government and the NBU (the budget did not create preconditions for excess demand), or the fall of world oil prices. However, there are many more accelerating factors: firstly, a significant lag impact from the increase in industrial producer prices (in particular, food products), formed in previous periods (due to rising energy and agricultural costs, increased labor costs, loan servicing) and investment costs); secondly – lag influence from growth of money supply in economy (money supply has increased); and finally, of course, the convergence factor (the formation of which is influenced

by the openness of Ukraine's economy, increasing the inflow of imported goods; inflationary processes in most countries) [Polishchuk, 2012; Polcyn J., 2018].

In general, it can be argued that during the analyzed period (1991-2019), with each increase in nominal wages by 1%, inflation increased by 2.2%, and the result was a sharp impoverishment of a large mass of the population.

From here, we draw the conclusion about the absence of a corresponding economic basis. Since the growth of real wages implies an increase in nominal wages (and it was still limited during the crisis of the 1990s), it was also necessary to take measures of state policy aimed at limited inflation. For a long time now, the main condition for raising wages has been the achievement of stable economic growth. However, the low purchasing power of the population blocks production, restricts the movement of domestic goods, and does not allow the domestic consumer to become a strategic engine for the growth of national production [Ivanova A., 2019; Sarioglo V., 2015].

In order to more clearly determine the impact of the inflation index on wages, we trace what changes occurred with wages denominated in foreign currency (Table 6).

Thus, it can be seen that the value of the real wage of the population also depends on the exchange rate dynamics of the hryvnia. After all, even with the minimum inflation rate – 2-3 percent per year – the exchange rate strengthening of the national currency will constantly worsen the competitive position of domestic producers in both foreign and domestic markets. To one degree or another, it affects not only the main domestic exporters – metallurgists and chemists, but also workers in light and food industries, forestry and woodworking, agro-industrial complex and farmers, public sector workers, retirees, students and more.

Such negative effects can be avoided by forming the same rates of exchange and price dynamics. In this case, goods compete more for quality and cost than for exchange rate advantages, which may have a very distant relation to the efficiency of their production [Polishchuk, 2012; Korablin S., 2015].

**Table 6.** Dynamics of average monthly and minimum wages in national and foreign currency

Year	Average monthly salary, UAH	Average monthly salary, USD USA*	Minimum wage, UAH	Minimum wage, USD USA*
1996	126	68.9	15	8.2
1997	143	76.8	45	24.2
1998	153	62.5	50	20.4
1999	178	43.1	74	17.9
2000	230	42.3	80	14.7
2001	311	57.9	118	22
2002	376	70.6	150	28.2
2003	462	86.6	190	35.6
2004	590	110.9	220	41.4
2005	806	157.3	300	58.5
2006	1,041	206.1	400	79.2
2007	1,351	267.5	460	91.1
2008	1,806	225.75	532.5	66.6
2009	1,906	238.25	643.5	80.4
2010	2,239.0	281.3	894.0	112.3
2011	2,633.0	329.9	972.5	121.9
2012	3,026.0	378.7	1,104.2	138.2
2013	3,774.0	459.7	1,182.5	144.0
2014	3,988.0	253.0	1,218.0	77.3
2015	4,789.0	303.7	1,298.0	82.3
2016	5,902.0	235.7	1,476.0	58.9
2017	7,631.0	295.8	3,200.0	124.0
2018	9,633.0	348.4	3,723.0	134.6
2019	11,788.0	467.8	4,173.0	165.6
2020	11,201.7	395.8	4,753.8	168.0
Wage growth, in nominal terms *	88.9	5.7	316.9	20.5

Source: Ministry of finance, 2021, Official site of the state statistics service of Ukraine.

In general, not only the above factors influenced the formation of wages in the context of market transformation of Ukraine. After all, over the years of reforms, the labor market itself has suffered significantly. Of course, today we can say it is somewhat stable, but during the economic downturn, the labor market underwent significant distortions, which are still felt today.

## Conclusions

Wage formation in Ukraine took place in conditions when labor occupied a place inadequate to its role and importance in a market economy. This was the reason for its low level. Despite the fact that nominal wages have been growing steadily, today the level of real wages still remains low. There are a number of factors that significantly affect the wage formation process. Such factors include GDP growth; dynamics of separate branches of domestic production; rates of change in labor productivity; population dynamics; employment opportunities; unemployment dynamics; the degree of stability of the domestic currency and the strength of the financial system in general; the dynamics of prices and the degree of their compliance with the real size of wages and per capita income; the presence of arrears in payments.

The structure of monetary income of the population has also undergone significant changes during the years of Ukraine's independence, which has led to its significant stratification. In addition to the decrease in the share of wages in income, inter-sectoral, inter-regional, inter-qualification (inter-job) ratios in wage levels have been and remain unsatisfactory. In addition, significant wage arrears remain. The worst thing is that low wages have caused poverty to spread among the working population.

We should also not ignore the fact that today, Ukraine has temporarily occupied territories, and war and destruction continue in the largest industrial region. Under such conditions, and such dynamics of the main macroeconomic indicators, Ukraine will be on the sidelines of the world economy for a long time, far from its neighbors, not being able to share their successes, plans or capabilities.

In general, the article conducts a systematic study of the theoretical and methodological foundations of wage formation in the economic system of Ukraine, which allowed to obtain theoretical and practical results, characterized by scientific novelty. In particular, the influence of the main macroeconomic indicators on the level of wages using correlation - regression analysis is estimated. It is revealed that in the conditions of market changes in the economy of Ukraine, the connection between the growth rates of real wages and labor productivity is insufficient, which indicates the absence of an effective organizational and economic mechanism of wage formation.

Prospects for further research. In the course of the analysis, we were able to investigate the impact of key macroeconomic factors on wage formation in Ukraine throughout the period of independence. This makes it possible to form a set of measures that, in our opinion, should affect the level of real wages of Ukrainians, and hence the level of welfare of the nation, will allow to form a middle class in the country and reduce poverty. A level of well-being of the population of Ukraine that will give the opportunity to reach a new, European, standard of living.

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