

THE UKRAINAIN GOVERNMENT'S RESPONSES TO THE COVID-19 PANDEMIC

The present study seeks to analyse economic and social components of the coronavirus environment in order to highlight peculiar features of the crisis period, and thus to identify possible areas and measures of socio-economic policy aimed at strengthening the Ukrainian economy and consolidating the social sphere in the medium term.

Ukraine has open economy with high dependence on export conditions. This significantly increases its susceptibility to global crises, which weakens external demand for Ukrainian exports and negatively affects the country's economic dynamics and social support in general.

The complexity of countering crisis processes in Ukraine, including those caused by the COVID-19 pandemic, is growing not only due to the dependence on the partners' economic situation, but also due to the need to urgently mitigate accumulated social imbalances. Today, Ukraine's systems of social security, health care and education undergo reforms that are largely focused on the implementation of the neoliberal course.

PUBLIC FINANCES

Public finances have failed to respond adequately to the challenges posed by COVID-19. Much of Ukraine's Anti-COVID-19 Fund was spent on things not related to the pandemic prevention, such as road construction and repair. Specifically, 3 of 5 sphered financed from the Anti-COVID-19 Fund financed were non-core:



- ✓ health care – UAH 14.7 billion, or 65.6% (UAH 22.4 billion budgeted);
- ✓ social protection – UAH 12.8 billion hryvnias (UAH 17.4 billion budgeted);
- ✓ law enforcement – UAH 3.6 billion (UAH 4.5 billion budgeted);
- ✓ road construction and repair – UAH 24.9 billion (UAH 26.4 billion budgeted);
- ✓ culture and tourism – UAH 6 million (UAH 1 billion budgeted).

As of 1 January 2021, UAH 11.9 billion of the Fund approved for 2020 have not been used, mainly due to poor coordination of the government's efforts to counter the pandemic. Out of 37 budget programmes, 32 were not fully implemented. Particularly damaging is the fact that the government failed to properly finance the work of health professionals. By the end of 2020, UAH 116 million (or almost 35%) of the planned amount was not used for additional payment to health workers.

LOCAL BUDGETS

Despite all existing challenges related to the reduction of sources of local budget revenues (significant decrease in revenues from personal income tax, land tax and single tax during the year; exemption and deferral of certain payments during the lockdown; declining household income, etc.), initially approved plans of local budget revenues were fulfilled by 105.3%, and own revenues of the general fund – by 99.0%. This is primarily due to the peculiarities of local budgeting in Ukraine, where the main revenues come not from income taxes, as in most countries, but from non-tax revenues, such as administrative fees and property income.

Despite the fulfilment of the revenue plan by local councils, they adopted almost no specific targeted programmes aimed at supporting COVID-19 response. Financing of such expenditures (in particular, procurement of protective equipment and disinfectants, medicines, etc.) was mainly carried out at the expense of funds allocated within relevant budget or targeted programmes. And only in some cases there was an increase in their funding.

No additional funds were allocated to local budgets from the state budget to combat COVID-19.

SUPPORT OF ENTREPRENEURS AND BUSINESSES

Following the example of European countries in supporting businesses in crisis, the government of Ukraine presented an anti-crisis plan and tried to adapt existing state support programmes, also introducing several new temporary schemes for budget financing of businesses during quarantine.

In Ukraine, there are 1.9 million small and medium-sized enterprises (SMEs). 19.8% of SMEs operate as legal entities, and the remaining work as individual entrepreneurs (IPs) – a little over 3 million, including employees. Only about 10% of IPs and employees received assistance under the government small business support programmes. Such level of support can be considered totally unsatisfactory, having no significant impact on people's income. Moreover, promises to support businesses during the lockdown seemed unrealistic amidst the budget crisis that has been «accompanying» the country in recent years.

Due to quarantine, 29% of companies were forced to suspend their activities, with 6% completely closing their businesses. 35% of SMEs could not switch and go online due to the peculiarities of their business models. Despite the allocated funds, 232 thousand IPs discontinued their business activities by the end of 2020 – a 16% increase compared to 2019. At the same time, the number of new IPs was by 5% lower.

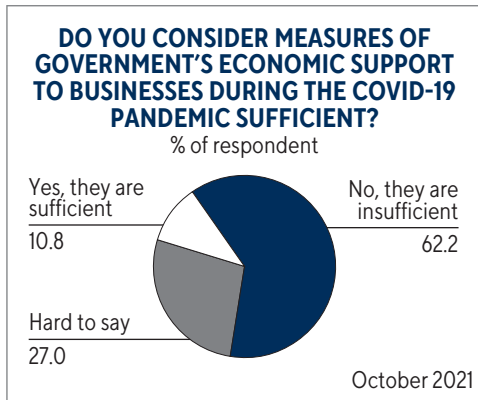
The government has allocated a total of UAH 1.6 billion for one-time payments to IPs' families with children, which certainly was a relief for some families, but some social groups were lost for the social support system or received only part of it (informally employed workers, families with older children and young people at high risk of declining incomes).

Mechanisms to help employees through employers, in particular loans, have also worked poorly in the country. The state programme «Affordable Loans 5-7-9%» was designed to help create more than 90 thousand new jobs in the first year and attract about UAH 2 billion of domestic investment in the Ukrainian economy (in microbusiness).

However, the effectiveness of this loan programme was questionable. The forum of leading international financial institutions proposed to curtail or significantly transform «Affordable Loans 5-7-9%», as it did not meet



the stated objectives – budget funds were spent not to support quarantine-affected businesses, but rather to replenish capital of solvent business, such as profitable agricultural business.



The results of a sociological survey showed that 62% of respondents consider the government's measures to support business insufficient.

It must be acknowledged, however, that the government has been severely limited in access to financial resources and in its ability to increase borrowing for providing large-scale support to businesses affected by economic shocks.

Therefore, any massive support for both households and businesses was out of the question. It is not surprising that 77.7% of Ukrainians did not feel any support from the government at all.

REGULATION OF EMPLOYMENT DURING AND AFTER QUARANTINE RESTRICTIONS

The country saw a significant deterioration in the employment situation and a sharp rise in unemployment. Unemployment increased both due to the release of labour inside the country resulting from reduced economic activity in certain sectors during the quarantine, and the return of some workers from abroad.

Experts estimate that up to 3.1 million Ukrainians, or 17% of the total workforce, were in hidden unemployment at the peak of quarantine. In other words, these people's employment was reduced, or they were sent on unpaid leave.

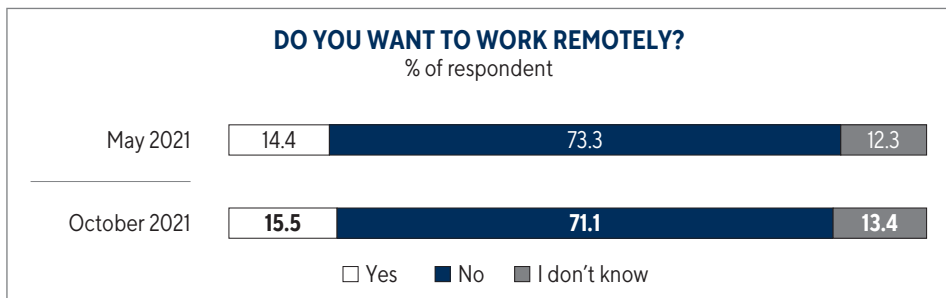
At the peak of the coronavirus crisis, the number of vacancies on job search portals *work.ua* and *roboota.ua*, as well as the State Employment Service, almost halved. However, with the introduction of adaptive quarantine and lifting of restrictions, the number of vacancies quickly returned to almost pre-quarantine levels. Meanwhile, the activity of job seekers increased with the removal of strict restrictions.

With adaptive quarantine and economic recovery, people became even more active in job hunting than before the crisis: in late 2020, the number of job seekers increased by 15-35% compared to the pre-crisis period. This may be due to the fact that people who were laid off during the crisis did not start searching for jobs immediately due to the small number of vacancies.

As many as 2.2 million jobseekers used services of the State Employment Centre, including 1.2 million with the official unemployed status. 1.1 million people received unemployment allowances.

The importance of remote work has increased, and its status has changed. It is worth noting that the coronavirus crisis has become a catalyst for people to understand the importance of labour rights. Many freelancers who have worked without formal employment contracts have felt what it was like not to have insurance after companies closed their offices during a lockdown. This raised the issue of official employment. That is why legislative regulation of remote work is one of the key issues that emerged during the pandemic. In fact, the widespread use of remote work has necessitated the urgent need for its legislative regulation.

The results of a sociological survey showed that only 14% of Ukrainians switched to remote work, either fully or partially. For 54% of respondents, nothing has changed in their working arrangements. Remote work was often «mixed», with employees remotely performing some duties and occasionally visiting the workplace. Office workers, usually specialists with higher education, were most likely to switch to remote work – initially, they were quite comfortable with that and even showed some interest. However, most respondents eventually were negative about the remote work format.





Factors that render widespread use of remote work impossible include the structure of the economy, as industries with largest inputs in Ukraine' GDP could not switch to such working arrangements. These are agricultural production, processing and mining, energy, construction, transport, and some other industries. Another factor is underdeveloped technology in Ukraine, with insufficient number of reliable digital platforms and electronic payment systems. In addition, the shift to remote work among those who have this opportunity is linked to the existing organisational or corporate culture. It primarily concerns the rules of flexibility of operational and communication processes, which are not necessarily reflected in statutory documents, but which are observed within the organisation.

HEALTH SECTOR

To respond more effectively to the COVID-19 pandemic, health facilities have been reformatted without significant additional financing. This implied the redistribution of available human and material resources, including installation of additional beds for COVID-19 patients by reducing their number in other departments, and involvement of medical staff from other hospital departments in treatment and care of coronavirus patients.

However, the coronavirus response system has not been implemented properly. Health sector was not restructured to meet the needs of COVID-19 patients, which has led to substantial human losses – probably the worst impact of the coronavirus crisis.

Study findings show that the organisation of health system in the context of the COVID-19 pandemic is mediocre from the viewpoint of both primary health care (PHC) physicians and the general public. During the pandemic, the availability, continuity, and timeliness of health care at the PHC level has decreased substantially. This highlights the problem that needs to be addressed, because the risks of continuation or recurrence of the pandemic are quite high.

Doctors point at the shortage of medical staff, which is indirectly confirmed by the answers of ordinary citizens, as 3.5% of respondents mentioned the refusal of primary care physicians to provide

assistance – this is most likely due to their physical overburden or lack of staff (although this issue requires a separate study).

COVID-19 vaccination promotion campaign seems insufficient, as confirmed by the fact that just over 31% of respondents believe that all-out immunisation the most effective mechanism to curb the pandemic. One of effective tools to complete this task is to involve more primary care physicians in the vaccination promotion, because according to the survey, PHC doctors are one of two categories most trusted by people.

The vast majority of experts and researchers emphasise the lack of attention to the provision of basic services not related to COVID-19 at the PHC level, which led to:

- ✓ reduced provision of primary care, especially for patients with chronic diseases,
- ✓ reduced access to primary health care, and
- ✓ deteriorated management of all public health problems at the PHC level.

Moreover, COVID-19 prevention measures, including physical distancing, quarantine restrictions and lockdown affect social life, giving rise to new health problems, which in turn increases the need for medical care at the primary level.

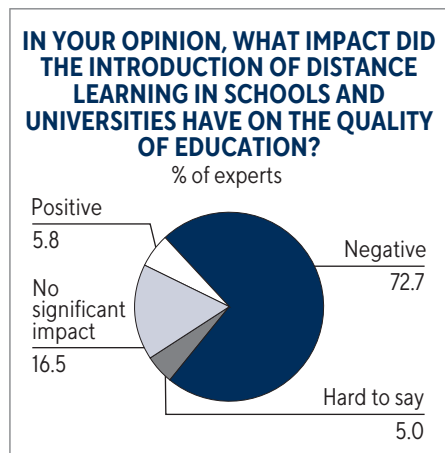
The pandemic has become not just a health system's problem – it is closely intertwined with political, social and economic issues that require complex response. Therefore, strengthening of health system will not only reduce the impact of COVID-19 on the health and well-being of millions, but also limit susceptibility to the next pandemic.

EDUCATION

Distance learning in the Ukrainian education system was one of the most controversial quarantine decisions. Its introduction, which was based more on a «feeling» of government officials, equally affected students of primary and secondary schools and universities. At the same time, the officials ignored the fact that such restrictions would not undermine the quality of education only if used in short-term extracurricular activities. As for



the schooling of primary school students, who particularly need a direct contact (including educational) with peers and teachers, such an approach will very quickly lead to poor learning outcomes.



Moreover, distance learning can by no means be a long-term systemic solution, as lasting removal of children from schools has an increasingly adverse effect on the quality of knowledge, practical skills, and the formation of human capital. The vast majority of Ukrainians (72.7%) consider the impact of distance learning on the quality of education as negative.

SOCIAL PROTECTION ISSUES BEYOND THE GOVERNMENT'S ATTENTION

The pandemic should have prioritised the needs of vulnerable populations, but the government, having focused on the quarantine-related subsidies and cash benefits, paid almost no attention to people in difficult life circumstances and those in need of external help.

Although the state took the path of providing maximum support for the most disadvantaged categories of citizens, including pensioners, these people found themselves in the most vulnerable situation. According to the surveyed experts, this category of citizens needed the greatest care from the state.

Categories most disproportionately affected by the pandemic include workers employed in informal economy, migrants, women, young people (especially those entering the labour market), as well as people who work but remain below the poverty line. However, the government seemed to have no idea about socially vulnerable categories that could require additional targeted social support programmes, and about who and how to help, especially outside the list of the above-mentioned «classic» vulnerable populations. This situation is further complicated

by the social policy discourse, which focuses on the ongoing assessment and reassessment of the effectiveness of measures targeting vulnerable populations that already receive assistance.

During the quarantine, virtually no additional support was provided to social service providers and social workers who directly deliver social services at the place of residence of service recipients.

Almost no support was offered to women, who are currently rightly considered as a separate social group in need of government attention.

Similarly, almost no special measures have been taken to assist homeless people. Despite the lack of institutions for the homeless (as of the end of 2019, there were only 110 facilities across the country, including 96 municipal), this category was never included in the priority list of those eligible for state support. During quarantine restrictions, homeless people's access to food, hygiene, temporary housing and health care has become even more limited. Apart from limited financial capacities of local budgets, the main obstacle to expanding the network of institutions for the homeless during the pandemic was the government's prioritisation of assistance to other social groups.

In Ukraine, law enforcement agencies, rather than social services, are responsible for working with the homeless. Focus on support and integration of the homeless, declared by the Ministry of Social Policy, runs counter to systemic use of violence by the police and the municipal guard against people who lost their nights lodging with the closure of railway stations and a ban on visiting parks during quarantine. With almost full disregard to living problems of the homeless, the police instead shifted their attention to NGOs that organised the distribution of food to the homeless in the quarantine, threatening them with fines.

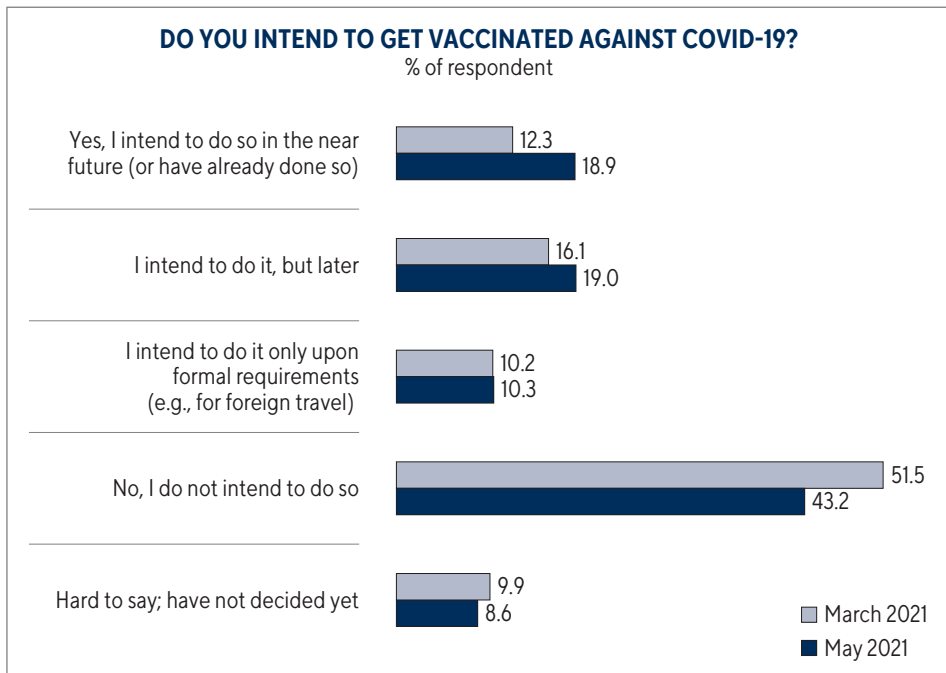
ASSESSMENT OF GOVERNMENT MEASURES BY THE PUBLIC

In the first months of the pandemic, the information and propaganda policy of the Ukrainian authorities was outright weak, prompting people to largely deny or ignore the government's anti-coronavirus initiatives. Only in the first half of 2021 (that is, a year after the onset of the crisis) people began to realise their losses and risks (including due to their own



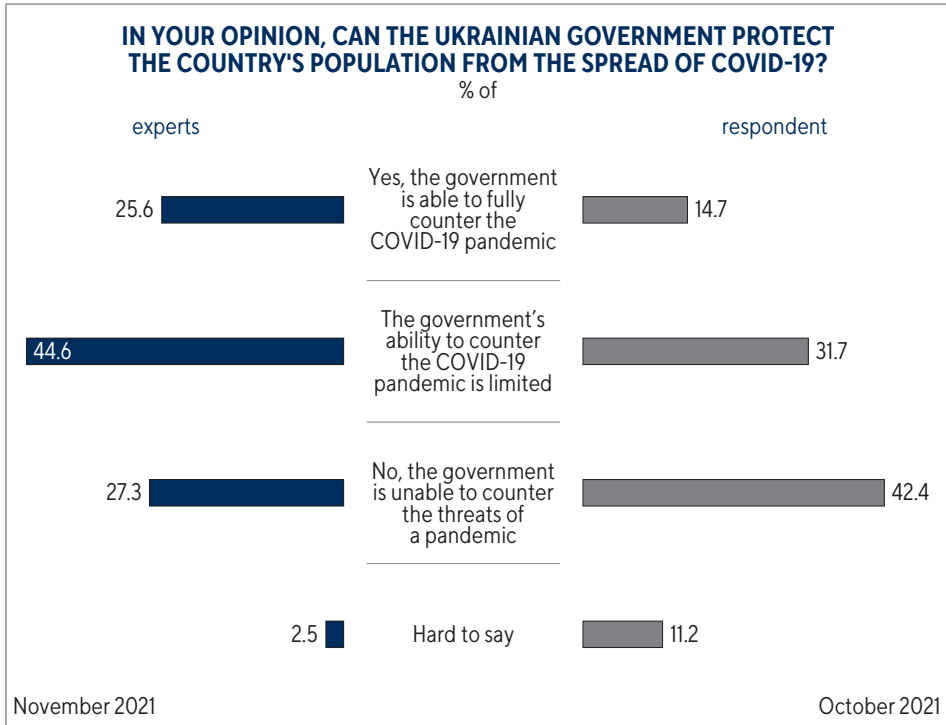
experience of the disease) and understand the right measures to minimise the crisis. Consequently, people's attitudes towards public policy have somewhat eased.

This can be confirmed by findings of the studies of Ukrainians' attitudes to COVID-19 vaccination. During the period from March to May 2021, the number of respondents who did not intend to get vaccinated decreased from 51.5% to 43%; the share of those who intended to do it in the near future (or have already been vaccinated) increased from 12% to 19%. Similar increase was observed among those who intended to get a vaccine shot later (from 16% to 19%), while the number of those who would do so only upon formal requirements (e.g., for foreign travel), remained the same at about 10%.



According to Ukrainian citizens, the government's response to the pandemic is very limited, partly due to a lack of competence, and partly because of the situation's dynamism, which is difficult to address promptly. The survey revealed a generally low level of public confidence

in the government’s actions. 42.2% of respondents do not believe in the government’s ability to counter the threats of a pandemic; 31.7% consider this ability limited; and only 14.7% believe that the authorities are able to fully respond to the COVID-19 pandemic.



As for specific measures taken by the government in response to the coronavirus, they are generally supported both by ordinary citizens and experts. Only a small share of experts (7.4%) did not support government measures at all. While generally approving the government’s actions, the vast majority of experts (62.8%) agreed that the measures taken were aimed at temporary solutions. Only 23.1% of the surveyed experts viewed government actions as systematic, balanced and comprehensive.

It should be noted that expert assessment of the validity and adequacy of restrictive measures varies significantly depending on the perception



of risk that these measures are designed to address. For example, experts support such measures as permission to attend public events and places (cafes, restaurants, fitness centres, cinemas) only with a valid COVID-19 vaccination certificate or negative PCR test (70.2%); introduction of penalties for violations of the established rules (65.3); suspension of education in schools, colleges, universities and kindergartens, if at least 80% of all staff – from teachers to cooks – did not get at least one dose of vaccine (62%).

Meanwhile, experts do not justify such measures as suspension of medical care provision by health facilities except in cases related to COVID-19 (suspension of planned surgeries, reduction of doctor's appointments) (81.8%); temporary cessation of businesses, excluding critical or essential (62%); dismissal (or unpaid leave) of an employee in case of his/her refusal to be vaccinated against COVID-19 (61.2%). Recent government initiatives are the most controversial, while the legitimacy of the Ministry of Health's order, according to which unvaccinated workers are to be suspended without pay, raises much criticism from both employees and employers.

Experts believe that the government's key actions in the economic sphere had to focus primarily on supporting the health sector (52.9%), reducing or deferring tax payments (48.8%), as well as implementing certain measures to support sectors of the economy from the budget (43.8%). Instead, the experts were unhappy with the termination of the budget rule that limits the amount of borrowings (5%). Such steps have been taken by the governments of many developed countries. In Ukraine, however, the increase in budget revenues through loan financing was not supported by the expert community.

According to most Ukrainian experts (79.3%), standard measures of economic policy mitigation (lower interest rates, lower taxes, regulation of the national currency exchange rate, etc.) are the only and the most effective tools to support the Ukrainian economy during the crisis.

The pandemic has directly affected the psychological state of citizens. Today its main consequences include a rise of stress and anxiety. However, the introduction of new anti-epidemic measures and related



WHAT DO YOU THINK IS A MORE EFFECTIVE MEASURE TO SUPPORT THE ECONOMY DURING THE CRISIS? % of experts	
Standard measures of economic policy mitigation (lower interest rates, lower taxes, regulation of the national currency exchange rate, etc.)	79.3
Consumption stimulation through consumer loans	4.1
Direct distribution of money	5.0
Hard to say	11.6

changes (especially quarantine, which affects routine activities, daily life and basic livelihoods) may also increase the prevalence of loneliness, depression, alcohol abuse and drug use, as well as self-harm or even suicidal tendencies.

CONCLUSIONS

The general conclusion is that the fragmentation of Ukraine's social policy became particularly evident during the quarantine. Most social support measures introduced in the midst of the pandemic and in the early stages of lockdown targeted the working population, families with children and the most economically vulnerable categories of citizens. The efficiency of implemented measures was low, and quite often the use of allocated resources was neither targeted nor effective. In fact, the development of the coronavirus situation occurred against the government's «withdrawal» from real financial assistance, which was observed in other countries.

The pandemic highlighted the absence in Ukraine of a good needs assessment structure and a system that ensures equal access to social assistance. However, these bottlenecks have been known well before the crisis. The government effectively to demonstrate its ability to effectively protect and support own citizens, while areas and measures of socio-economic policy were not always timely and adequate to the existing and potential risks and challenges.



Government social protection measures introduced in response to the coronavirus crisis mostly concerned monetary forms of assistance. However, these were mainly targeted, involving one-off and/or small payments.

Non-monetary assistance, in particular social services, was mostly ignored. As a result, entire population groups that rarely attracted the state's attention even before the quarantine were left out. These groups include pensioners, low-income and large families, orphans and people with disabilities, as well as social workers themselves.

Many social protection issues that have surfaced or deepened during quarantine and received no proper response from the state, are in one way or another related to systemic problems in the sector. Therefore, the government has to focus on structural problems in order to timely respond to challenges and develop integrated approaches and solutions that will work in the long run.

However, the main conclusion of the study is that, despite the difficulties and contradictions, Ukraine has managed to avoid economic collapse, destabilization of the social and medical spheres, and to some extent to retain the assets and positive trends of development. Generally, the Ukrainain government's measures have demonstrated both the vitality of Ukrainian society and the ability of the Ukrainian government to withstand the challenges of the COVID-19 pandemic.

Thus, there are reasons to pronounce that regardless of not always unambiguous results of the authorities, Ukraine is confidently moving towards its strategic goal – the achievement of the European standards of living.