

# Utility bill hike set to compound ordinary Ukrainians' economic pain

Friday 26 May 2023, by [SEMCHUK Kateryna](#) (Date first published: 24 May 2023).

## Ukraine's economy has taken a battering from Russia's invasion, with unemployment high and consumer debt soaring

A perfect storm of job losses, high prices and soaring utility bills caused largely by Russia's invasion has left millions of ordinary Ukrainians struggling to get by.

Many have found themselves in financial difficulties due to reduced income or loss of work altogether.

According to the National Bank of Ukraine, the annual unemployment rate in Ukraine in 2023 is expected to be [26%](#) – more than double its 2021 average of 10.3%. Economic losses from the war [reached](#) \$700bn in 2022, while [14.5 million](#) Ukrainians fled the country altogether, 40% of them now [working](#) abroad. Others who have left include employers.

Financial journalist Ivan Verstiuk blames economic uncertainty for the drainage of Ukraine's labour force. "Very few people understand what will happen in Ukraine six months or a year from now," he told openDemocracy.

Ukraine's combined consumer debt for utility bills already amounts to more than [81 billion hryvnias](#) (about £1.76bn), while water rates and [electricity prices](#) are due to go up again on 1 June.

That adds to year-on-year [inflation](#) of 16.9% as of April (and an even higher level of consumer inflation of 17.9%), lay-offs, loss of workplaces, downtime, forced unpaid leave, lack of work with decent conditions, forced displacement, and persistently low wages and pensions.

### Downtime

Violetta Kalashnikova, 22, lost her income because of the war. "I am an ecologist," she told openDemocracy. "It is quite difficult for me to find a job in my specialty." Two years ago, she said, "luck smiled on me" and she found a good job at an institute carrying out research on hygiene, toxicology, food and chemical safety.

Kalashnikova stayed in Kyiv when Russia invaded – but her employer forced her to take unpaid leave as there was nothing to pay her salary with. After seven months, she resigned.

"Every day I had less money," she said. "Time dragged on and my savings had run out, so I had to ask family and friends for money."

Kalashnikova went to work as a sales consultant in a clothing store, but quit again due to terrible working conditions.

"I wasn't comfortable working 12 hours a day," she said, "and receiving a rather small salary of 11,000 hryvnias [about £240] for 16 shifts."

Kalashnikova cannot leave Ukraine because her boyfriend is of military age, and the future looks bleak. "If we don't find jobs this year [that pay] 50,000 hryvnias [£1,089] a month, then I think it won't be really possible for us to survive."

"Unemployment in Ukraine is at its highest level since 1991"

Financial journalist Ivan Verstiuk

One of the common practices that Ukrainian employers resort to during wartime is employee downtime.

For instance, after the end of the heating season this April, Zaporizhzhia's public heating company sent part of its employees on downtime for half a year, where they are paid two-thirds of their basic salary.

Two employees at the company, which is called City Heat Networks, independently confirmed this to openDemocracy. The company did not respond to a request for comment.

An employee at City Heat Networks, who wished to remain anonymous, told openDemocracy that the downtime at the company is likely linked to Ukraine's ongoing moratorium on heating prices for consumers – while the company's expenditures have increased. "That is why [the company] saves on everything, except paying for gas" which is used to generate heating for the city, the employee said.

### **Unstable labour market**

Ukraine's actual unemployment numbers are hard to estimate.

Analysing GDP figures and carrying out random sampling has led Verstiuk to believe at least half of Ukrainians are either unemployed or working only part-time. "For example, a municipal street cleaner might work two hours a day and earn 1,000 to 2,000 hryvnias [£22 to £44] a month," he said. "It's widespread."

According to research by the Kyiv School of Economics, as of 2022 [more than 100](#) large and medium-sized enterprises suffered collective losses of \$13bn [£10.5bn], while only about 40% of small and micro enterprises (those with fewer than ten workers and revenue below €700,000) are working at full capacity.

Verstiuk believes the majority of layoffs occurred in the corporate private sector – jobs such as those in offices, banks and investment companies. The IT sector is also suffering. Economic uncertainty has [led](#) to more international restraint in the awarding of IT contracts to Ukrainian companies, while at least half of Ukraine's IT workers left last year.

"Unemployment in Ukraine is at its [highest](#) level since 1991," said Verstiuk. "The main reason is of course Russia's full-scale invasion.

"But the Ukrainian labour market has also turned out to be unstable. It is often more profitable for employers to close a company through bankruptcy and drive people out into the street... than to pay salaries to people who do not work because they are sitting in bomb shelters. Many have done just

that, simply launching bankruptcy proceedings to avoid paying wages.”

Verstiuk left his own job as a business editor at [NV](#) magazine last summer, after the publication slashed salaries by about 60%. After five months, living off 5,000 hryvnias (£108) a month was no longer viable.

“I am one of those people who lost practically everything during the war,” he said.

## **Tariffs**

Daily life is hitting ordinary Ukrainians in the pocket. Utility bills can swallow up [more than 30%](#) of some household budgets and, with [water rates](#) and electricity bills expected to increase next week, payments could rise to a few hundred hryvnias. For many, that will be more than half their income.

The average [increase](#) in water rates will be about 15%, but in some cities that figure will hit 45%. Electricity tariffs could [rise](#) by as much as 70%, although Ukraine has said bills for gas and hot water will not go up while the country is under martial law, or for six months thereafter.

“This means that depending on consumption, depending on where a person lives, how they use appliances, et cetera, the average payment will increase to 250 to 300 hryvnias,” said Oleh Popenko, head of the Union of Utilities Consumers. “The utility payment will be, for the main mass of the population, from 20% to 40% – in some cases, up to 50% of the household income.”

Currently, Ukraine’s minimum wage is 6,700 hryvnias (£146) a month and [is not expected](#) to increase this year. Ukrainians’ real-terms income fell 16% in 2022. (The NBU [predicts](#) that, by the end of 2023, real-terms wages will have grown by 3.3% despite inflation.) At the same time Ukrainians’ expectations of development of the economy for the next year as of April have worsened, [according](#) to Ukrainian polling company Info Sapiens.

Any hike in utility tariffs will lead to an increase in debt, Popenko thinks, as people prioritise food over bills for heating and maintenance.

## **Vulnerable groups**

Ukraine’s [8.9 million pensioners](#) – those aged 60 or above, which is about 24% of the population – are likely to be among the worst hit by the rising cost of living.

The situation becomes more dire the older people get. “People over 70 are more likely to be alone, face more obstacles to receiving information, and face greater risk of having insufficient money to make ends meet than those 60 to 69 years old,” HelpAge International writes in its report on Ukraine.

Olga Yaremcha, 88, from Lviv, receives a pension of 4,000 hryvnias (£86) a month for her 44 years of work at the local ceramic factory.

“Of course it’s difficult – you exist to survive,” said Yaremcha of her small income, all of which goes on food, medicine and bills.

Although Yaremcha has a supportive family, and her husband also receives a pension, the money isn’t enough: her husband has had a stroke, and her son and grandson are ill, meaning they have no spare money.

There are different national and international aid [programmes](#) available for older Ukrainians. Almost

two million households, including pensioners, [received](#) a subsidy in the 2022/23 heating season. But even these are at risk.

“The more debts Ukrainians have, the fewer options they have for receiving subsidies. Those who have debt of more than [680 hryvnias](#) [£15] will lose it,” said Popov. He believes Ukrainians will be unable to pay off their debts because they need all their money for food.

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