

## LABOR REMUNERATION IN THE AGRICULTURE SECTOR OF UKRAINE FROM THE DECENT WORK PERSPECTIVE

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**Abstract.** Agriculture has become one of the key sectors of Ukraine's economy. It plays a vital role in ensuring the security of the Ukrainian and global food markets. To have qualified and competent employees, an effective remuneration policy must be designed to provide decent wages. The purpose of the research is to substantiate the theoretical and methodological foundations for the study of the remuneration policy from the point of view of the implementation of the concept of decent work and to analyze the remuneration policy in the agriculture sector of Ukraine to determine the directions for its improvement. The analysis of scientific literature, the ILO's target priorities of decent work, and the parameters of decent pay led to the creation of a system of 31 indicators with defined standards and methodological principles for determining each of them and a methodology for calculating a composite indicator. The analysis of wages in the agriculture sector in Ukraine was carried out according to the developed indicators, and a composite indicator was calculated. The study showed that the agriculture sector belongs to the industries with the composite indicator of decent wages below the average level. It has been proven that the remuneration policy in the agriculture sector of Ukraine is currently not favorable and negatively affects the human and innovative potential of the sector. To overcome the identified problems, recommendations were made regarding the development of a remuneration policy in the agriculture sector based on the principles of decent work, namely, ensuring a decent level of wages,

*eliminating arrears in wages, developing a transparent remuneration policy, increasing the effectiveness of social dialogue in regulating wages, strengthening the responsibility of social partners, implementation of measures to create equal opportunities in practice.*

**Keywords:** wages, tariff system, sectoral agreement, social dialogue, evaluation.

**Reikšminiai žodžiai:** darbo užmokestis, tarifų sistema, sektorių sutartis, socialinis dialogas, vertinimas.

## Introduction

Agriculture is an essential driver of structural change (McArthur & McCord, 2017) and economic growth (Awokuse & Xie, 2015), contributing to the increase in the local gross output (Loizou et al., 2019). Agriculture plays a particularly significant role in ensuring food security (Filippini et al., 2019; Pawlak & Kołodziejczak, 2020), reducing poverty (Cervantes-Godoy, Dewbre, 2010; Ogebe, 2020), and increasing economic activity and employment opportunities in the rural areas (Anriquez & Stamoulis, 2007).

Agriculture has become one of the key sectors of Ukraine's economy. Agriculture has effectively integrated into the global food system. It is essential to ensure the security of the Ukrainian and global food markets. In the context of the military aggression of the Russian Federation, Ukraine's agricultural sector is an essential factor in ensuring national security, preserving Ukraine's national identity and sovereignty, and maintaining stability in major global food markets (Cabinet of Ministers of Ukraine, 2024).

According to the State Statistics Service, Ukraine's agriculture generated 8.6% of the country's GDP in 2022, and the share of food and agricultural products in exports from Ukraine was 53%. Over 30% of Ukraine's population lived in rural areas in 2022. 17.2% of the country's population was employed in agriculture, forestry, and fisheries. The share of arable land in the country's territory is over 50%. These conditions make Ukraine unique regarding its agricultural potential (Cabinet of Ministers of Ukraine, 2024).

Ukraine is one of the key guarantors of food security on a global level, providing a share of sunflower oil production in world production in the 2022/23 marketing year at 27.8%, barley – 4%, wheat – 2.7%, corn – 2%, sugar – 0.8%. The share of sunflower oil exports in global exports is 40.3%, corn is 15%, barley is 8.4%, wheat is 7.9%, and sugar is 1.1%. Considering that, according to the United Nations, about 9% of the world's population is undernourished, this contribution of Ukraine is quite significant (Cabinet of Ministers of Ukraine, 2024).

Human resources are a key factor in shaping organizational effectiveness (Sundaray, 2011), innovation development (Vasilieva, 2016), and competitive advantages of enterprises (Hamadamin & Atan, 2019). Employee engagement, job satisfaction of employees, and their satisfaction with financial remuneration impact the business performance of agricultural companies (Bedarkar & Pandita, 2014; Jankelová et al., 2020).

Labor remuneration is one of the crucial and, at the same time, the most problematic issues in the Ukrainian agricultural sector. Low wages lead to a reduction in the number of employees and increased staff turnover in agricultural enterprises (Gladun, 2016; Lanchenko et al., 2020).

Therefore, providing agriculture enterprises with competent employees and increasing their involvement and motivation requires developing an effective and fair remuneration policy and paying employees decent and competitive wages.

Among the priorities of the Decent Work Country Program (DWCP) for Ukraine are improved protection, the level, and equality in earnings. According to the DWCP, the main challenges of the wage policy are wage arrears, a low minimum wage, setting a wage rate for a first-class worker based on the living wage, and gender gaps in rewards. Another significant shortcoming of the remuneration policy is that the social partners are not involved in setting the minimum wage rate (ILO, 2020).

Another key priority of the DWCP for Ukraine is improved social dialogue with strengthened positions of social partners and improved collective bargaining at the sectoral level (ILO, 2020). In connection with this, collective wage regulation should be essential for ensuring a decent wage.

This article analyzes the literature and core documents of the ILO regarding the assessment of wages from the point of view of the decent work concept and current problems of wages in the agriculture sector. Based on the literature analysis, the target priorities of the decent work of the ILO, and parameters of a decent wage, the indicators of the assessment of the remuneration from the decent work concept point of view, and the method of calculating the composite indicator were given. Then, the agriculture sector's wages were analyzed according to the developed indicators, and a composite indicator was calculated. Recommendations on constructing a remuneration policy in agricultural sector based on the decent work concept were formulated based on the identified problems. Then, this research discusses issues, perspectives, and conclusions.

## Literature review

The fourth industrial revolution has impacted the agricultural sector and farms (Cowie, Townsend & Salemin, 2020; Lezoche et al., 2020; Barrett & Rose, 2022). Globalization, integrated value chains, rapid technological and institutional innovations, and environmental constraints have profoundly changed the context of agriculture's role (Byerlee et al., 2009) and economic structure in rural areas (Rosner & Wesołowska, 2020). This influences requirements for human resources, labor conditions, and employee rewards (Kryukova, 2016; Min et al., 2019; Yurchuk & Ludvik, 2021).

Working in agriculture is hard (Girdziute et al., 2022), with the highest risk indexes (Cecchini, 2018), and can hardly be called prestigious. Young people tend to leave rural areas in search of alternative activities in urban areas (Girdziute et al., 2022). The decline in the agricultural labor force is becoming a common trend in Europe (Simões & Brito do Rio, 2020; Girdziute et al., 2022).

Ukrainian researchers emphasize the problem of population migration, especially young people from rural areas, high staff turnover, and lack of highly qualified specialists in agricultural enterprises (Tomilin, 2014; Perevuznyk & Holovachko, 2019; Lanchenko et al., 2020). Therefore, the issue of attracting young people to work in agriculture and retaining current employees remains relevant.

Increasing the provision of agricultural enterprises with human resources and efficient work is possible if employees are motivated by high incomes and social benefits (Gaida, 2019). Many studies show that higher wages attract more qualified and competent applicants (Dal Bó, 2013; Adeosun & Ohiani, 2020; Rozsa & Machova, 2020; Rajibul & Kijima, 2021). Material rewards are an effective tool for the engagement of employees in work (Zakrevska, 2018) and their performance (Wahyuni et al., 2023). In addition to high wages, other important factors include the reputation of an organization (Lawong, 2019) and brand name (Adeosun & Ohiani, 2020), work-life balance (Rozsa & Machova, 2020), as well as a sense of belonging and uniqueness (Huang et al., 2020).

In this regard, the remuneration policy in the agricultural sector should attract and retain skilled and competent employees and increase their motivation to improve performance and engage in innovative activities. At the same time, studies of Ukrainian scholars (Bondarevska, 2012; Kaflevska & Krasnyak, 2013; Perevuznyk & Holovachko, 2019; Dovgal, 2020; Vitvitskyi & Bezhenar, 2021; Dvornik, 2022) showed that there are many problems concerning remuneration for labor in the agriculture sector.

The main problems of a remuneration policy in Ukrainian agriculture are low wages (Bondarevska, 2012; Kaflevska & Krasnyak, 2013; Vitvitskyi & Bezhenar, 2021); inadequate wage differentiation and wage arrears (Perevuznyk & Holovachko, 2019); shadowing of incomes (Vitivitskyi & Bezhenar, 2021); the discrepancy between an increase in wages and an increase in efficiency as well as the inability of wages to fulfill their functions (Dvornik, 2022).

Insufficient labor remuneration harms the attitudes of employees toward work (Bondarevska, 2012), does not contribute to the retention of skilled and young specialists in rural areas, and does not create opportunities for an increase in labor productivity (Kaflevska & Krasnyak, 2013).

Considering that labor remuneration plays a crucial role in the human resources policy of agricultural enterprises, it is reasonable to analyze the remuneration policy in the agriculture sector in the context of

the decent work and priorities set by the International Labor Organization (ILO) related to rights, social justice, and social partnership (ILO, 2001; ILO, 2008; ILO, 2016).

The set of decent work indicators identified by the ILO includes average hourly earnings and labor share of GDP (ILO, 2016). Statistical indicators for measuring decent work suggested by Anker et al. include a share of wage employment in the non-agricultural sector and the share of women in wage employment in the non-agricultural sector (Anker et al., 2002). Among the decent work indicators suggested by Bescond et al. is a low hourly pay rate (Bescond et al., 2003). Statistical indicators of decent work, designed by Ghai, contain wage employment. Industrial countries use two indicators: the proportion of employees receiving an income less than half of the national median wage and a measure of the absolute poverty line a day per person. The absolute poverty line is a good indicator for developing countries (Ghai, 2003).

Bonnet et al. divided decent work indicators into input, process, and output categories. The input indicators include government commitment to income security: ratification by the country of the Social Security Convention No. 102; the Minimum Wage Fixing Convention No. 131 and Minimum Wage-Fixing Machinery Convention No. 26; and the presence of the national law on the minimum wage. The process indicators contain the share of social security expenses in GDP and the percentage of the population covered by social security programs. The outcome indicators include the national poverty rate, GDP per capita, the Gini coefficient, and the wage share in GDP (Bonnet et al., 2003).

Ostermeier et al. worked out a new set of decent work indicators containing the working poverty rate, the share of employees receiving less than an absolute labor income, and the share of employees receiving less than 60% of the median labor income (Ostermeier et al., 2015).

Oya developed decent work indicators for agriculture and rural areas in addition to the indicators recommended by the ILO. They contain the percentage of employees' wages in farm income (Oya, 2015).

The assessment of remuneration in terms of the decent work concept in the healthcare sector of Ukraine has a more comprehensive set of indicators (Tsymbaliuk & Shkoda, 2022).

Despite many studies of remuneration in the agricultural sector, the analysis showed that there is a lack of comprehensive research on remuneration in Ukraine from the perspectives of the concept of decent work that combines various aspects: decent level of wages, competitiveness and objective differentiation of wages, effective wage structure, and use of innovative approaches and social dialogue tools in the development of remuneration policy.

The purpose of the research is to substantiate the theoretical and methodological foundations for the study of the remuneration policy from the point of view of the implementation of the concept of decent work and to analyze the remuneration policy in the agriculture sector of Ukraine to determine the directions for its improvement.

## Methodology

Taking into account the ILO target priorities of decent work (guaranteeing rights, social justice, development of social partnership, etc.), we can determine the main parameters of decent labor remuneration: decent amount, objective differentiation, absence of arrears, transparency and awareness of employees, lack of discrimination and provision of equal opportunities, implementation of collective wage regulation, use of modern approaches and payment models.

Indicators have been defined to assess wages from the decent work concept perspective (Table 1), standards for each indicator have been determined, methodological principles for determining unit indices, and a composite indicator have been developed. The expert survey method was used to determine the indicators' reliability. Scientists and specialists in social and labor relations and wages were the experts in the survey.

**Table 1.** *Indicators for evaluating remuneration from the decent work perspective*

| INDICATOR                                                                                                                                                                                               | STANDARD                      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|
| Growth rates of real wages in the industry, %                                                                                                                                                           | $\geq 110$                    |
| The ratio of the average wages in the industry to the average wages in the country's economy                                                                                                            | $\geq 1$                      |
| The share of employees who receive wages lower than the living wage                                                                                                                                     | Absent                        |
| Gini coefficient in the industry                                                                                                                                                                        | [0.20, 0.35]                  |
| Decile coefficient in the industry                                                                                                                                                                      | [6, 8]                        |
| The share of the basic salary in the wage fund in the industry, %                                                                                                                                       | $>60$                         |
| Wage arrears in the industry, UAH                                                                                                                                                                       | Absent                        |
| The ratio of women's wages to men's wages, %                                                                                                                                                            | 100                           |
| Availability of a sectoral agreement                                                                                                                                                                    | Yes                           |
| Recognition of the agreement by the partners as a normative act                                                                                                                                         | Yes                           |
| Timeliness of concluding a sectoral agreement                                                                                                                                                           | Yes                           |
| Designation by the sectoral agreement of the officials who are responsible for the implementation of its provisions                                                                                     | Yes                           |
| Regulation of labor remuneration norms under the law by a sectoral agreement, %                                                                                                                         | $\rightarrow \max (100)$      |
| The ratio of the number of obligations of social partners regarding labor remuneration in the current sectoral agreement as compared to the number of commitments in the previous sectoral agreement, % | $>101$                        |
| The ratio of the number of provisions that contain specific obligations in the sectoral agreement on remuneration to the total number of obligations on remuneration, %                                 | $\rightarrow \max (100)$      |
| The number of provisions of the sectoral agreement that contain higher obligations of partners compared to the obligations provided for in previous agreements, %                                       | 100                           |
| Obligations regarding growth rates of wages under the sectoral agreement                                                                                                                                | $\rightarrow \max (\geq 110)$ |
| Obligations to increase the share of wages in gross costs of products sold, performed works, and services under the sectoral agreement                                                                  | Yes                           |
| Obligations regarding the share of the basic salary in the wage fund, under the sectoral agreement, %                                                                                                   | $\rightarrow \max (>60)$      |
| Ratio of the wage of the 1st category worker and the minimum amount provided by the law, under the sectoral agreement, %                                                                                | $\rightarrow \max (\geq 110)$ |
| Range of 6-grade tariff scale for remuneration of workers under the sectoral agreement                                                                                                                  | $\geq 2$                      |
| Range of the salary scheme for remuneration of managers and specialists under the sectoral agreement                                                                                                    | $\geq 4$                      |
| The differences between the basic salaries of employees of two neighboring categories, under the sectoral agreement, %                                                                                  | $\geq 10$                     |

| INDICATOR                                                                                                                                                                                   | STANDARD    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| The use of analytical methods for evaluating positions and tasks during the development of the labor remuneration system under the sectoral agreement                                       | Yes         |
| Use of flexible payment models as per the industry agreement under the sectoral agreement                                                                                                   | Yes         |
| Compliance of the list, amounts, and procedure for payment of additional compensations and allowances with the law and the provisions of the general agreement under the sectoral agreement | Yes         |
| Availability of provisions regarding the introduction of programs for personnel participation in profit and (or) in share capital in the sectoral agreement                                 | Yes         |
| Availability of provisions regarding the introduction of social packages in the sectoral agreement                                                                                          | Yes         |
| Availability of provisions regarding the introduction of social security programs (number of social security programs) in the sectoral agreement                                            | yes (→ max) |
| Availability of provisions regarding compliance with gender equality in remuneration in the sectoral agreement                                                                              | Yes         |
| The level of coverage of employees by collective agreements in the studied industry, %                                                                                                      | → max (100) |

Source: Authors.

In the case of a study of remuneration from the decent work perspective in various industries, unit indices (Ii) are determined through the standardization procedure.

In the case of a wage study in a particular industry, unit indices are determined in the following order:

- if the actual value of a specific indicator does not meet the established standard, then the unit index (Ii) of this indicator is equal to 0;
- if the actual value of a specific indicator corresponds to, is within, or exceeds the established standard, then this indicator's unit index (Ii) is equal to 1.

The formula determines the composite indicator of decent remuneration (K)

$$K = \frac{\sum_{i=1}^n I_i}{n}, \quad (1)$$

where  $n$  is the number of indicators.

The value of the composite indicator of decent remuneration can be in the range of 0 to 1.

An essential stage of developing a toolkit is defining the ranges of the composite indicator of decent remuneration levels. To determine the ranges of levels, a methodological approach was used, through which the entire set of values is divided into equal intervals:

$$\text{If } K \in \left\{ \begin{array}{l} [0,8; 1] \\ [0,6; 0,8) \\ [0,4; 0,6) \\ [0,2; 0,4) \\ [0; 0,2) \end{array} \right\}, K \in \left\{ \begin{array}{l} \text{high level} \\ \text{above-average level} \\ \text{average level} \\ \text{below-average level} \\ \text{low level} \end{array} \right\}. \quad (2)$$

## Empirical data and analysis

One of the most important indicators that characterizes the remuneration policy from the decent work perspective is the level and dynamics of wages. The dynamics of nominal and real wages in the agriculture sector of Ukraine in 2010-2022 are shown in Table 2.

**Table 2.** *Dynamics of nominal and real wages in the agriculture sector of Ukraine in 2010-2022*

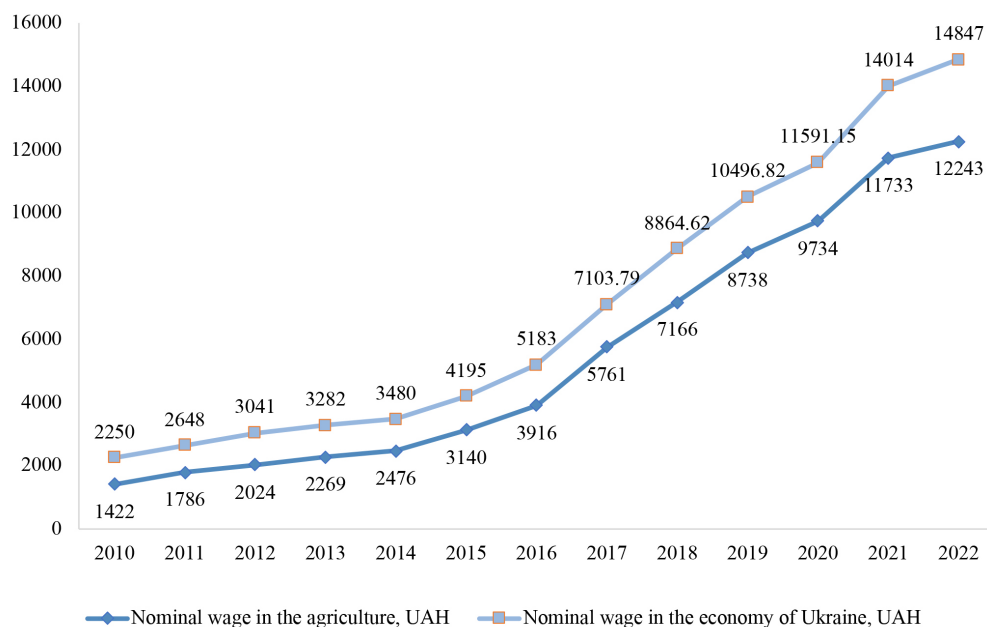
|      | NOMINAL<br>WAGES, UAH | CONSUMER PRICE<br>INDEX UNTIL 2010, % | REAL WAGES,<br>UAH | GROWTH RATES<br>OF REAL WAGES, % |
|------|-----------------------|---------------------------------------|--------------------|----------------------------------|
| 2010 | 1422                  | 100                                   | 1422               | -                                |
| 2011 | 1786                  | 104.6                                 | 1707.46            | 120.07                           |
| 2012 | 2024                  | 104.39                                | 1938.88            | 113.55                           |
| 2013 | 2269                  | 104.91                                | 2162.81            | 111.55                           |
| 2014 | 2476                  | 131.04                                | 1889.5             | 87.36                            |
| 2015 | 3140                  | 187.77                                | 1672.26            | 88.50                            |
| 2016 | 3916                  | 211.06                                | 1855.4             | 110.95                           |
| 2017 | 5761                  | 239.97                                | 2400.89            | 129.40                           |
| 2018 | 7166                  | 263.49                                | 2719.8             | 113.28                           |
| 2019 | 8738                  | 274.29                                | 3185.66            | 117.13                           |
| 2020 | 9734                  | 288.01                                | 3379.74            | 106.09                           |
| 2021 | 11733                 | 316.81                                | 3703.44            | 109.58                           |
| 2022 | 12243                 | 401.08                                | 3052.51            | 82.42                            |

Source: The State Statistics Service of Ukraine ([ukrstat.gov.ua](http://ukrstat.gov.ua)).

Nominal wages in the agriculture sector increased during the studied period. However, the growth rate of real wages did not have positive dynamics. Moreover, in 2014, 2015, and 2022, due to the military aggression of the Russian Federation, the occupation of part of the Ukrainian territory, the emigration and internal migration of Ukrainians from less safe regions, the closure of some enterprises, the reduction of production volumes, and as a result, the recession of the economy, and significant inflation real wages has significantly reduced. This negatively characterizes the remuneration policy from the perspective of decent work.

It is necessary to investigate not only the rate of wage growth but also *the ratio of the average wages and the dynamics of its growth in the studied industry with similar indicators in the country's economy in general and in other industries in particular*. The changes in average monthly wages in the agriculture sector and the economy of Ukraine in 2010-2022 are shown in Figure 1.

Traditionally, wages in the agriculture sector are among the lowest in the economy of Ukraine, lagging behind the average wages in this industry compared to the average wages in the economy of Ukraine. Moreover, the difference grew yearly, as shown by the data in Figure 1.



**Figure 1.** Dynamics of the average monthly wages in the agriculture sector and the economy of Ukraine in 2010–2022

Source: State Statistics Service of Ukraine ([ukrstat.gov.ua](http://ukrstat.gov.ua)).

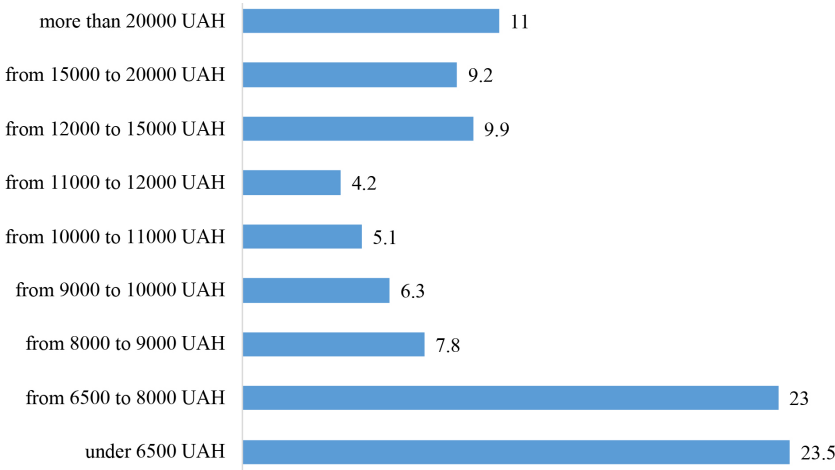
Such a tendency negatively characterizes the remuneration policy for agriculture workers and does not contribute to attracting and retaining professionals, especially young ones. A low level of wages demotivates employees, leads to a loss of interest in their work, and encourages employees to look for jobs in other industries with a higher level of salaries. This negatively affects the availability of employees in agriculture enterprises and the creation of prerequisites for the development of the sector, which is essential for the recovery of the economy in the post-war period.

An important indicator is the *share of employees who receive wages lower than the living wage*. It is important to note that Ukraine's legally established living wage is not an adequate social standard. It does not consider all goods and services necessary for a person's physical, professional, and cultural development. Therefore, it is advisable to use the indicators of the living wage calculated by the Ministry of Social Policy of Ukraine. The actual living wage for non-disabled people as of January 2022, according to the Ministry's calculations, was UAH 6,032.

The State Statistics Service of Ukraine does not publish data on the share of employees who receive wages lower than the living wage, so it is impossible to establish the percentage of such employees. However, in January 2022, the minimum wage was at UAH 6,500. If taxes and fees are deducted, the net amount received by the employee is UAH 5,232.5, which is less than the actual living wage. Since some of the employees received wages at the minimum wage level, it can be argued that some of the employees in the agriculture sector of Ukraine received wages lower than the actual living wage.

Indicators of *wage differentiation* occupy a special place in the system of indicators for assessing the remuneration policy from the decent work perspective. It is appropriate to use two indicators to determine the differentiation of wages: *the Gini coefficient* and *the decile coefficient*. Since there is no data on those industry indicators on the website of the State Statistics Service of Ukraine, we cannot consider these indicators when analyzing the agriculture sector's remuneration policy from a decent work perspective.

According to the available statistical data, in December 2021, more than 50% of employees in the agriculture sector received a salary of less than UAH 9,000 (Figure 2). This indicates a very low level of workers' income in this sector of the economy. At the same time, the mode and median value of the average wage are significantly lower than the arithmetic mean (see Figure 1). The distribution of full-time employees according to the amount of wages paid in the agriculture sector (see Figure 2) also indicates a low differentiation of incomes of employees in the industry.



**Figure 2.** Distribution of full-time employees according to the amounts of wages paid to them in the agriculture sector in December 2021, %

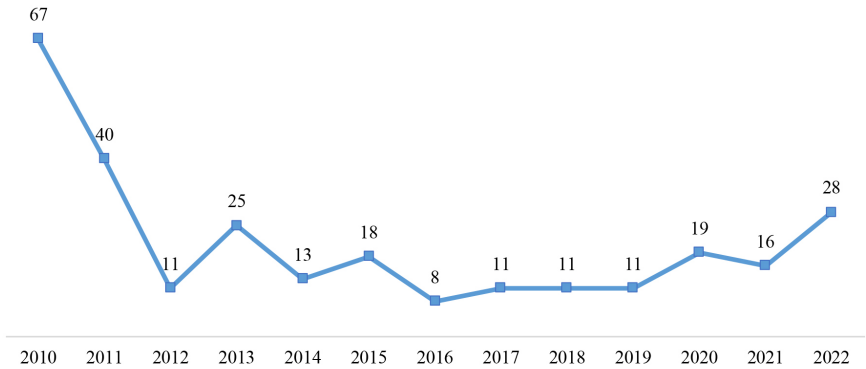
Source: State Statistics Service of Ukraine ([ukrstat.gov.ua](http://ukrstat.gov.ua)).

*The share of the basic salary in the wage fund* is also an important indicator. In 2021, the share of the basic salary in the wage fund in the agriculture sector was 76.6%, which is positive and meets the established standard. Since the basic salary is a permanent and stable part of an employee's remuneration, in contrast to extra payments, bonuses, and one-time rewards, a high proportion of the basic salary creates a sense of safety, stability, and security, which constitute basic human needs. Therefore, the indicator of the share of the basic salary in the wage fund positively characterizes the remuneration policy from the perspective of decent work.

*Wage arrears* are one of the leading indicators that characterize the remuneration policy from a decent work perspective. The trend of this indicator in the agriculture sector of Ukraine in 2010-2022 is shown in Figure 3.

Despite the decrease in the wage arrears in the studied period, their presence negatively characterizes the remuneration policy from the decent work perspective in the agriculture sector, as it does not allow employees to meet their basic needs.

An essential part of the concept of decent work is eliminating any forms of discrimination on various grounds, including gender. Ensuring gender equality and the absence of discrimination is one of the priorities of the ILO Decent Work Country Program for Ukraine. In this connection, *the ratio of women's wages to men's* is an essential indicator for analyzing remuneration policy. According to data from the State Statistics Service of Ukraine, the ratio of women's wages to men's in the agriculture sector in 2021 was 77.7%, much lower than the average level for the economy of Ukraine (81.6%). Gender wage gap negatively characterizes the remuneration policy in the agriculture sector in terms of creating equal conditions and opportunities and non-discrimination, which does not meet the provisions of the decent work concept.



**Figure 3.** Dynamics of wage arrears in the agriculture sector of Ukraine in 2010-2022, as of January the 1st of the corresponding year, UAH million

Source: State Statistics Service of Ukraine ([ukrstat.gov.ua](http://ukrstat.gov.ua)).

Representation and social dialogue are important areas that define the concept of decent work. Thus, an essential factor in implementing decent work is equal representation of the main parties of labor relations and the development of social partnerships in regulating labor remuneration.

Based on this, *the presence of the Sectoral Agreement between the Ministry of Agrarian Policy and Food of Ukraine and the Trade Union of Employees of the Agriculture Sector of Ukraine for 2023-2025* (hereinafter referred to as the Sectoral Agreement in the agriculture sector for 2023-2025) positively characterizes the remuneration policy in the agriculture sector.

An effective practice in the regulation of labor relations is *the recognition of the agreement by the partners as a normative act*, which emphasizes the obligations and responsibilities of social partners to fulfill the norms of the sectoral agreement. Unfortunately, the Sectoral Agreement in the agriculture sector for 2023-2025 does not contain such a provision. This does not contribute to strengthening the role of collective bargaining in developing the remuneration policy based on the decent work concept.

The current sectoral agreement in the agriculture sector is concluded for 2023-2025, which meets the established standard for the indicator “*timeliness of concluding a sectoral agreement*”. It is a positive characteristic of the remuneration policy.

The previous sectoral agreement in the agriculture sector was concluded for 2014-2016, and the term was extended until the new agreement’s adoption. A prolonged absence of a new agreement that would meet the current realities in the economy and social and labor sphere can negatively affect employee remuneration, material well-being, and social security. This negatively characterizes the remuneration policy from the perspective of the decent work concept.

*The designation by the sectoral agreement of the officials responsible for implementing its provisions* is also an important indicator that characterizes the effectiveness of the sectoral agreement in regulating labor relations. The Sectoral Agreement in the agriculture sector for 2023-2025 contains the section “Control of the implementation of the agreement”. This section states that the representatives of the parties are responsible for the violation or non-fulfillment of the agreement provisions following Ukraine’s legislation. The agreement defines the officials who are the parties’ representatives and who, accordingly, are responsible for implementing the agreement provisions.

An important indicator for assessing remuneration from a decent work perspective is *the regulation of labor remuneration norms under the law by a sectoral agreement*. Table 3 contains the results of evaluating the level of regulation of labor remuneration norms under the law by the Sectoral Agreement in the agriculture sector for 2023-2025.

**Table 3.** *Level of regulation of labor remuneration norms under the law by the Sectoral Agreement in the agriculture sector for 2023-2025*

| Remuneration norms that must be regulated by a sectoral agreement under the Law of Ukraine “On Collective Bargaining and Agreements” (Article 8)       | Norms of the Sectoral Agreement in the agriculture sector for 2023-2025 | Assessment of the level of the regulation (yes, no) |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------------|
| 1. Minimum wage guarantees by the qualification based on a unified wage scale                                                                          | —                                                                       | No                                                  |
| 2. Minimum amounts of additional payments and increases, considering the specifics, work conditions of professional groups and categories of employees | 3.16, 3.17, 3.19, 3.30, Appendix 6                                      | Yes                                                 |
| 3. Minimum social guarantees, compensations, benefits                                                                                                  | 3.1, 3.2, 3.4, 3.21, 3.32                                               | Yes                                                 |
| 4. Utilities and amenities, medical, cultural services                                                                                                 | 6.7, 6.11, 6.14, 6.15                                                   | Yes                                                 |
| 5. Rehabilitation and recreation                                                                                                                       | 6.2, 6.3, 6.4, 6.5, 6.8, 6.12, 6.13, 6.14, 6.20, 6.21                   | Yes                                                 |
| 6. Conditions for the growth of wage funds                                                                                                             | 3.24, 3.25, 3.31, 3.47                                                  | Yes                                                 |
| 7. Inter-qualification (inter-job) ratios in labor remuneration                                                                                        | 3.2, 3.3, 3.5, 3.6, 3.8, Appendices 1, 2, 3, 4, 5                       | Yes                                                 |
| 8. Ensuring equal rights and opportunities for women and men                                                                                           | 3.43, 6.16, 6.17                                                        | Yes                                                 |

Source: Authors.

The analysis proved that almost all the principles and norms of implementing the remuneration policy are regulated by the Sectoral Agreement in the agriculture sector for 2023-2025. The current sectoral agreement lacks commitments to minimum wage guarantees by the qualification based on a unified wage scale. At the same time, the current sectoral agreement stipulates the obligation to establish differentiation in remuneration based on qualifications or positions. Because the agreement does not put all categories, professions, and positions on the *unified wage scale*, we can assume that according to this indicator, the remuneration policy meets the established standard.

*A comparison of the number of obligations of social partners regarding labor remuneration in the current sectoral agreement and the number of commitments in the previous sectoral agreement is shown in Table 4.*

According to the data in Table 4, the number of obligations of social partners is increasing, which is a positive characteristic. The number of remuneration and social security obligations in the Sectoral Agreement in the agriculture sector for 2023-2025 increased mainly due to employers' recommendations and obligations regarding resolving specific issues by collective agreements in enterprises. This proves the decentralization trend in regulating social and labor relations: the reduction of the role of sectoral agreements and the strengthening of collective agreements at the organizational level.

The number of obligations of the Ministry of Agrarian Policy and Food of Ukraine and trade unions remains small, with a relatively high share of joint obligations of partners. This does not contribute to strengthening the responsibility of the specified partners in regulating social and labor relations regarding remuneration.

The provisions of the Sectoral Agreement in the agriculture sector for 2023-2025 on remuneration contain specific obligations of social partners, which positively characterize the agreement on wages

regulation and remuneration policy in general. However, part of the obligations duplicate legislative norms and norms of the general agreement concluded at the national level, and there is no expansion of the list or an increase in the amount of payments and rewards. In addition, the agreement lacks specific tools for implementing certain provisions, which may result in the non-fulfillment of the obligations by the partners and make it impossible to monitor the implementation of them.

**Table 4.** *A comparison of the number of obligations of social partners regarding labor remuneration in the current sectoral agreement and the number of commitments in the previous*

| Agreements/obligations                       | The number of joint obligations / the parties have agreed | The number of recommendations/ obligations of employers | Obligations of the Ministry of Agrarian Policy and Food of Ukraine | The number of obligations of trade unions | The total number of obligations of the partners |
|----------------------------------------------|-----------------------------------------------------------|---------------------------------------------------------|--------------------------------------------------------------------|-------------------------------------------|-------------------------------------------------|
| <b>Sectoral agreement for 2023-2025</b>      |                                                           |                                                         |                                                                    |                                           |                                                 |
| obligations regarding remuneration for labor | 28                                                        | 16                                                      | 3                                                                  | 7                                         | 54                                              |
| social security obligations                  | 12                                                        | 27                                                      | 1                                                                  | 3                                         | 43                                              |
| <i>all obligations</i>                       | 40                                                        | 43                                                      | 4                                                                  | 10                                        | 97                                              |
| <b>Sectoral agreement for 2014-2016</b>      |                                                           |                                                         |                                                                    |                                           |                                                 |
| obligations regarding remuneration for labor | 23                                                        | 10                                                      | 4                                                                  | 7                                         | 44                                              |
| social security obligations                  | 11                                                        | 17                                                      | 0                                                                  | 3                                         | 31                                              |
| <i>all obligations</i>                       | 34                                                        | 27                                                      | 4                                                                  | 10                                        | 75                                              |
| <b>Sectoral agreement for 2011-2013</b>      |                                                           |                                                         |                                                                    |                                           |                                                 |
| obligations regarding remuneration for labor | 37                                                        | 0                                                       | 0                                                                  | 7                                         | 44                                              |
| social security obligations                  | 4                                                         | 9                                                       | 0                                                                  | 0                                         | 13                                              |
| <i>all obligations</i>                       | 41                                                        | 9                                                       | 0                                                                  | 7                                         | 57                                              |

Source: Authors.

The number of provisions of the sectoral agreement that contain higher obligations of partners compared to the obligations provided for in previous agreements is the next important indicator for assessing the remuneration policy. The analysis of the content of the sectoral agreements proved that certain norms of the Sectoral Agreement in the agriculture sector for 2023-2025 contain obligations that improve conditions of payment for labor as compared to the obligations provided for by the Sectoral Agreements for 2011-2013 and 2011-2013. It is a positive fact that the Sectoral Agreement for 2023-2025 contains regulations on wages that were not provided for in previous agreements. At the same time, part of the norms of the Sectoral Agreement for 2023-2025 duplicates the norms of previous agreements and, as we have already noted, legislative norms. Some obligations provided for in the previous agreements were not included in the Sectoral Agreement for 2023-2025 (for example, those that concern the rate of growth of the wage fund, the minimum share of the basic salary, the payment of retirement benefits), which does not contribute to

the improvement of material well-being of employees of the agriculture sector. Based on this, it cannot be assumed that the remuneration policy of the agricultural sector meets the established standard.

The Sectoral Agreement in the agriculture sector for 2023-2025 does not specify details on *the growth rates of wages*. The agreement only states that the growth rate of average wages should be higher than the predicted consumer price index for the corresponding year. This norm applies only to enterprises in the industry where wages are less than 1.5 times the minimum wage. Because of the low level of wages in the agricultural sector, this provision does not contribute to ensuring decent remuneration for labor.

The sectoral agreement also does not specify *the obligation to increase the share of wages in the gross costs of products sold, performed works, or services*. It is only indicated that collective agreements at the organizational level should regulate these issues. The obligations of the social partners regarding *the share of the basic salary in the wage fund* remained unresolved.

The next block of indicators assesses *the tariff conditions of labor remuneration*. The traditional approach to developing tariff conditions of labor remuneration is mainly used in agriculture enterprises. It involves the development of a tariff scale for workers' wages and salary schemes for managers and specialists.

The Sectoral Agreement in the agriculture sector for 2023-2025 provides the wage of the 1st category worker not less than 115% of the minimum wage. This significantly exceeds the minimum state guarantees and creates the basis for ensuring a decent wage.

As for the differentiation of the basic salary, the ranges of tariff scales and salary schemes are minimal and do not meet the established standards. The differences between the basic salaries of employees of two neighboring categories do not exceed 10%, which is the minimum necessary difference to consider the work complexity, the level of responsibility, and qualification requirements. Therefore, the tariff conditions of labor remuneration specified by the Sectoral Agreement in the agriculture sector for 2023-2025 do not provide objective differentiation of the basic salary and, therefore, do not create conditions for fair and decent remuneration.

The Sectoral Agreement in the agriculture sector for 2023-2025 allows for the introduction of innovative approaches to the design of basic salaries (based on a system of grades and using unified wage scale). However, the agreement does not stipulate specific obligations or recommendations for introducing such approaches. There are also no recommendations for introducing flexible payment models that allow for individualization of the basic salary and better consideration of employees' competencies, performance, and achievements.

An essential indicator of assessing remuneration from the decent work perspective is compliance with *the list, amounts, and procedure for payment of additional compensations and allowances with the law and the provisions of the general agreement*.

Additional compensations and allowances (by type, amount, and payment procedure) provided for by the Sectoral Agreement in the agriculture sector for 2023-2025 correspond to the legislative norms and the norms of the general agreement. Moreover, the agreement contains a broader list of additional compensations and allowances. Some of them are at a higher rate than those stipulated by the legislation. This positively characterizes the remuneration policy and encourages employees to improve their professional competencies, perform additional functions, etc.

The Sectoral Agreement in the agriculture sector for 2023-2025 does not provide for obligations regarding introducing *programs for personnel participation in profit and (or) share capital, social packages, and social security programs*. Although the agreement provides for some social guarantees, their list is limited and does not correspond to leading companies' advanced practices of personnel reward schemes. This does not create additional competitive advantages for agriculture enterprises in the labor market, does not contribute to increasing the attractiveness of work, and does not create a sense of security and care from the employer for employees, which negatively characterizes the remuneration policy.

The presence of provisions regarding gender equality in remuneration in the sectoral agreement is a significant indicator for assessing remuneration from a decent work perspective. The Sectoral Agreement in the agriculture sector for 2023-2025 contains norms for ensuring gender equality in labor remuneration, which positively characterizes the remuneration policy from a decent work perspective. At the same time, as mentioned earlier, the ratio of women's wages to men's in agriculture in 2021 was 77.7%, which negatively characterizes the remuneration policy in terms of creating equal conditions and opportunities and non-discrimination, which does not meet the provisions of decent work concept.

The next indicator is *the level of coverage of employees by collective agreements in the studied industry*. According to data from the State Statistics Service of Ukraine, as of the end of 2021, only 58.4% of employees in the agriculture sector were covered by collective agreements. This indicator is significantly lower than the average in the economy of Ukraine (70.2%). On the one hand, this indicates the lack of protection of the interests of employees in labor relations, particularly those related to decent wages. On the other hand, this shows the low trust of employees in the institution of social partnerships and collective agreement regulation, as well as trade unions as defenders of their interests.

Generalized information concerning unit indices of decent remuneration in the agriculture sector is given in Table 5.

The composite indicator of decent remuneration in the agriculture sector is equal to

$$K = \frac{10}{29} = 0.34.$$

Table 5. Generalized information concerning unit indices of decent remuneration in the agriculture sector

| Indicator | Standard                      | Actual value | Unit index, Ii |
|-----------|-------------------------------|--------------|----------------|
| 1         | $\geq 110$                    | 82.42        | 0              |
| 2         | $\geq 1$                      | 0.82         | 0              |
| 3         | There is none                 | is           | 0              |
| 4         | [0.20, 0.35]                  | n/a          | -              |
| 5         | [6, 8]                        | n/a          | -              |
| 6         | $>60$                         | 76.6         | 1              |
| 7         | There is none                 | 28 million   | 0              |
| 8         | 100                           | 77 _ 7       | 0              |
| 9         | Yes                           | Yes          | 1              |
| 10        | Yes                           | No           | 0              |
| 11        | Yes                           | Yes          | 1              |
| 12        | Yes                           | Yes          | 1              |
| 13        | $\rightarrow \max (100)$      | 100          | 1              |
| 14        | $>101$                        | 129.3        | 1              |
| 15        | $\rightarrow \max (100)$      | 100          | 1              |
| 16        | 100                           | $<100$       | 0              |
| 17        | $\rightarrow \max (\geq 110)$ | absent       | 0              |
| 18        | Yes                           | absent       | 0              |
| 18        | $\rightarrow \max (>60)$      | absent       | 0              |
| 20        | $\rightarrow \max (\geq 110)$ | 115          | 1              |
| 21        | $\geq 2$                      | 1. 8         | 0              |
| 22        | $\geq 4$                      | 2. 6         | 0              |
| 23        | $\geq 10$                     | $<10$        | 0              |
| 24        | Yes                           | No           | 0              |
| 25        | Yes                           | No           | 0              |
| 26        | Yes                           | Yes          | 1              |
| 27        | Yes                           | absent       | 0              |
| 28        | Yes                           | absent       | 0              |
| 29        | yes ( $\rightarrow \max$ )    | absent       | 0              |
| 30        | Yes                           | Yes          | 1              |
| 31        | $\rightarrow \max (100)$      | 58.4         | 0              |

Source: Authors.

The agriculture sector belongs to the industries with a below-average level of decent remuneration per the defined ranges. Based on the analysis, it is necessary to note that the remuneration policy in the agricultural sector of Ukraine is currently not favorable and negatively impacts the human and innovation potential of the industry.

## Discussion and recommendations

The conducted research made it possible to identify the most critical problems in the remuneration policy in the agriculture sector that potentially inhibit the development of the industry, negatively affect the development of rural areas, and cause the outflow of people, especially young ones. Since numerous studies indicate that agriculture plays a particularly significant role in ensuring food security (Filippini et al., 2019; Pawlak & Kołodziejczak, 2020), then these problems can potentially lead to a food crisis both in Ukraine and in the world.

The study confirmed the presence of some problems in the remuneration policy in the agriculture sector, as diagnosed by previous studies of Ukrainian scientists. This applies to low wages (Bondarevska, 2012; Kaflevska & Krasnyak, 2013; Vitvitskyi & Bezhenar, 2021), inadequate wage differentiation, and wage arrears (Perevuznyk & Holovachko, 2019).

At the same time, this study revealed other problems related not only to the consequences of an ineffective remuneration policy but also to the tools of its development: the ineffectiveness of social guarantees of the state, ineffective social dialogue and contractual regulation of wages, the lack of innovative remuneration models and approaches to the development of wages components, social benefits, and rewards.

In this regard, an essential basis for developing a remuneration policy based on the principles of decent work is to increase social standards in remuneration (minimum and living wages) and to adjust the minimum basic salary (tariff rate of the 1st category) to the minimum wage set based on a substantiated living wage. This requires legislative changes in the methodology for determining the living wage and appropriate amendments to the labor legislation of Ukraine. Collective bargaining of the minimum wage at the sectoral level should also become an effective tool for ensuring decent wages. Some studies showed that the government's legislated minimum wage is lower than the wage floor set within collective agreements (Gautie & Schmitt, 2010; Boeri, 2012).

To increase the attractiveness of work in the agriculture sector and attract competent, qualified specialists, it is essential to form a remuneration policy based on the principles of decent work. For this purpose, it is recommended to take the following measures:

- guaranteeing a decent level of remuneration for labor, primarily through the increase of minimum wage;
- the elimination of arrears in wages;
- forming a transparent remuneration policy, increasing employee awareness;
- the introduction of modern approaches and models of remuneration, in particular the grade systems, flexible models of remuneration, the bonus system based on key performance indicators, the formation of a social package based on the cafeteria approach;
- ensuring the objective differentiation of the basic salary that takes into account the work complexity and the qualifications of employees during the development of the tariff conditions of labor remuneration, and the introduction of tools for strengthening the individualization of wages taking into account the individual performance of employees, their contribution to collective results, and personal achievements, etc.;
- increasing the effectiveness of social dialogue in regulating remuneration, expanding collective agreements with new content, strengthening the responsibility of social partners for the fulfillment of their obligations, spreading the norms of the sectoral agreement to all enterprises of the industry;
- the introduction of measures to create equal opportunities in practice (not only their declaration), in particular, an increase of minimum guarantees in wages, equal opportunities for women and men for professional and career growth, etc.

Further research should be directed at studying the degree of satisfaction of agricultural employees with various aspects of the remuneration policy, analyzing the factors that significantly influence the attraction of employees, their retention at enterprises, and motivation. It is essential to study the employees' perception of remuneration as fair and sufficient for the reproduction of the labor force and the degree of consideration of the efforts expended and the results achieved. The results obtained should be compared with the results of the assessment of the remuneration policy from a decent work perspective.

An important direction in the expansion of research on labor remuneration in the agriculture sector is the study of trends and changes occurring in the economy of Ukraine, especially in the post-war period. In the context of ensuring decent wages, it is essential to study the impact of the structure of agricultural production, the ownership of production farms, and state subsidies to the agricultural sector on labor remuneration. It is also essential to study changes in the remuneration policy under the digitalization of production and management processes, the development of innovative technologies, and the implementation of the principles of sustainable development of rural areas, etc.

## Conclusion

As the study shows, agriculture is an essential driver of structural change and economic growth, contributing to increased local GDP, poverty reduction, and economic activity and employment opportunities in rural areas. It has become one of the key sectors of Ukraine's economy. Agriculture has effectively integrated into the global food system. It plays a vital role in ensuring the security of the Ukrainian and global food markets.

Following the need for the development of the agriculture sector and the growth of its role in the post-war recovery of the economy of Ukraine, it is essential to provide this sector with qualified and competent employees, increase their motivation for innovative development, and improve their performance. This, in turn, requires an effective human resource management policy aimed at attracting and retaining the employees necessary for the development of the industry. As shown by numerous research results, a key role in this is played by the remuneration policy that should ensure a decent level of wages, competitiveness, objective differentiation of wages, effective wage structure, and use of innovative approaches and social dialogue tools in developing remuneration policy.

Despite many studies of remuneration in the agricultural sector, the analysis showed a lack of comprehensive research on remuneration based on decent work in Ukraine. Based on the literature analysis, the target priorities of the decent work of the ILO, and parameters of a decent wage, a system of 31 indicators with defined standards and methodological principles for determining each of them, and a methodology for calculating a composite indicator were developed.

The analysis revealed the most critical problems in the remuneration policy in the agriculture sector that potentially inhibit the development of the industry, negatively affect the development of rural areas, and cause the outflow of people, especially young ones. These problems include low wages, especially compared to wages in other sectors of the economy, low differentiation of employees' incomes, wage arrears, gender wage gaps, lack of modern approaches and payment models, and ineffective collective bargaining.

Following the analysis of the remuneration policy in the agriculture sector of Ukraine as per developed indicators, it was founded that the remuneration policy is currently not favorable, does not create competitive advantages when compared to other types of economic activity, and does not make it possible to attract promising, and especially, young professionals. This situation also leads to the outflow of employees to enterprises of other types of economic activity with higher incomes and competitive social packages. This does not contribute to the development of the industry, which remains one of the key ones in Ukraine's economy.

To increase the attractiveness of work in the agriculture sector and attract competent, qualified professionals, primarily young ones, it is essential to develop a remuneration policy on the principles of decent

work. For this purpose, it is recommended to take such measures as ensuring a decent level of wages, the elimination of arrears in wages, developing a transparent remuneration policy, providing the objective differentiation of salaries, increasing the effectiveness of social dialogue in regulating wages, strengthening the responsibility of social partners, implementation of measures to create equal opportunities in practice.

Managers of enterprises in the agriculture sector, policymakers, and social partners (employers and trade unions) should pay attention to the indicators of evaluation of remuneration from the decent work perspective that received zero values per the developed methodology. It is invaluable to study the best experience of creating a remuneration policy from a decent work perspective in the agriculture sector and other industries of the economy in Ukraine and abroad.

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## DARBO UŽMOKESTIS UKRAINOS ŽEMĖS ŪKIO SEKTORIJE DERAMO DARBO POŽIŪRIU

**Anotacija.** Žemės ūkis tapo vienu iš pagrindinių Ukrainos ekonomikos sektorių. Jis atlieka gyvybiškai svarbų vaidmenį užtikrinant Ukrainos ir pasaulio maisto rinkų saugumą. Norint turėti kvalifikuotus ir kompetentingus darbuotojus, turi būti sukurta veiksminga atlyginimų politika, užtikrinanti tinkamą darbo apmokėjimą. Tyrimo tikslas – pagrįsti darbo užmokesčio politikos tyrimo teorinius ir metodinius pagrindus deramo darbo koncepcijos įgyvendinimo požiūriu bei išanalizuoti Ukrainos žemės ūkio sektoriaus atlyginimų politiką, siekiant nustatyti kryptis jo tobulėjimui. Išanalizavus mokslinę literatūrą, TDO tikslinius deramo darbo prioritetus ir atitinkamo darbo užmokesčio parametrus, buvo sukurta 31 rodiklio sistema su apibrėžtais standartais ir kiekvieno iš jų nustatymo metodikos principais bei sudėtinio rodiklio apskaičiavimo metodika. Pagal sukurtus rodiklius buvo atlikta Ukrainos darbo užmokesčio žemės ūkio sektoriuje analizė, apskaičiuotas sudėtinis rodiklis. Tyrimas parodė, kad žemės ūkio sektorius priklauso pramonės šakoms, kurių sudėtinis deramo darbo užmokesčio rodiklis yra mažesnis už vidutinį lygį. Įrodyta, kad Ukrainos žemės ūkio sektoriaus atlyginimų politika šiuo metu nėra palanki ir neigiamai veikia sektoriaus žmogiškąjį ir inovacinį potencialą. Nustatytiems nesklaidumams išgyvendinti pateikiamos rekomendacijos žemės ūkio sektoriaus darbo atlygio politikai, pagrįstos deramo darbo principų plėtojimu, būtent, užtikrinant tinkamą darbo užmokesčio lygį, stiprinant socialinio dialogo efektyvumą atlygio klausimu, įtvirtinant socialinių partnerių atsakomybę, įgyvendinant lygių galimybių kūrimo priemones.

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