Mriya, an agricultural group in Ukraine, was granted two loans by IFC in fiscal years 2010 and 2011, totaling $60 million, to help expand its capacity and finance working capital needs. This incremental capacity helped create about 2500 direct and 7,400 indirect jobs over two years, more than 80 percent in distribution. The new jobs are unskilled and low skilled and were created in the poorest areas of western Ukraine, which helps reduce poverty.

Mriya and IFC Engagement
Mriya is an agricultural group in Ukraine that had 295,000 hectares of land under its control as of December 2011. Mriya’s diversified crop portfolio includes wheat, corn, rapeseed, buckwheat, potatoes, and sugar beets. In the next four to five years Mriya aims to expand its agricultural operations to 650,000 hectares. To help Mriya in its expansion plan, IFC has made two investments in Mriya, in fiscal years 2010 and 2011. The second investment has provided a $35 million A Loan in the form of a three-year annual renewable working capital facility, which increased the amount of IFC working capital financing to Mriya by $10 million, from $25 million.

Direct employment effects
Mriya expanded quickly over the past two years, doubling its revenue. The expansion led to large direct employment creation due to movement away from contracting, significant female employment, and emphasis on training—leading to employees earning more.

Direct employment jumped from 761 in 2009 to 3,266 in 2011. This rapid increase mainly happened due to Mriya contracting out fewer jobs and hiring more employees directly for transportation, security, and transportation jobs. This way Mriya increased reliability and secured the highest quality of products it produces.

Gender Employment at Mriya. Mriya recently made a tremendous leap in gender employment. In 2009, 21 percent of direct employees at Mriya were women. In 2011 almost half were. Mriya offers competitive salaries to all its employees. Women enjoy maternity benefits such as bonuses, housing, medical leave, and 10 additional days of vacation a year for mothers. Such benefits and flexible work schedule create a favorable environment for women to return to work after having children.

Training and Creating Specialists at Mriya. Agribusiness in Ukraine is facing a lack of specialists. Since the Soviet Union collapsed, universities have been teaching outdated information because most professors received their education during Soviet times. In addition, agribusiness is an unpopular major among students. As a result, Mriya finds it difficult to fill specialist positions. Four specialists from Western countries have been recruited to fill specialized positions at Mriya.

To remedy the situation, Mriya opened a school that prepares its employees for higher-skilled positions. Four full-time trainers teach courses for 30 staff at a time. Mriya took the approach of retaining its talent by training them and helping them move up. As a result, Mriya’s turnover rate is among the lowest in Ukraine’s agribusiness industry, at 1 percent compared with an industry average of 14 percent.

Effects of Mechanization of Processes on Employment. In the past two years, Mriya upgraded many of its facilities to the latest technologies. In addition, all facilities that Mriya built, including silos, are highly advanced. This called for an increased number of specialized jobs. To assist with this change, Mriya has been training its staff in working with and maintaining computerized machinery. This shift allowed workers to move to more skilled positions.
Indirect Employment Effects

Mriya’s expansion helped create nearly 7,400 indirect jobs between 2009 and 2011. The four areas along the supply chain with additional indirect employment are suppliers, seasonal labor, construction, and the distribution network (figure 1). Most indirect employment was generated in the following main components: selected suppliers of Mriya (constituting most of the cost), seasonal workers involved in crop production, construction contractors, and the distribution network. This study could not analyze the distribution network for every crop that Mriya produces, so it focused on the distribution of sugar beet products. An estimate was used to calculate the number of indirect jobs created in the entire distribution network.

Suppliers. The three main materials required for Mriya’s crop production are fertilizers, crop protection chemicals, and fuel. The number of local companies supplying to Mriya increased from 22 in 2009 to 59 in 2011. But its indirect job creation was marginal during this time.

In 2011 Mriya had 59 domestic suppliers of fertilizers, crop protection chemicals, and fuel. Of these, 16 were companies for whom more than half their revenue came from Mriya. About 50 indirect jobs were added on the supply side. This marginal increase occurred because Mriya reached a size large enough to buy goods from international suppliers at discounted rates and the number of companies that derive half or more of their revenues from supplying goods to Mriya decreased. There is no evidence that Mriya has destroyed jobs, though companies have had to diversify their buyers to adapt to the change.

Seasonal labor. Between 2009 and 2011 the expansion of operations created a full-time equivalent of 890 indirect jobs, reflecting 3,560 additional people who got seasonal contracts with Mriya. This had a significant poverty impact on Mriya’s operations in the poorest regions of western Ukraine. Some 30 percent of the jobs went to women.

Poverty rates in Ukraine. The rural western region of Ukraine is among the poorest in the country. In Chevnivtsy, Ivano-Frankivsk, Khmelntisky, and Ternopol, the areas of Mriya’s operations, average monthly income is 2,000–2,200 hryvnias ($250–275), compared with 4,200 hryvnias ($525) in Kyiv. Western Ukraine has the country’s highest poverty rates. In 2001, 39 percent of Ukraine’s population lived below the World Bank’s poverty threshold of $1 a day per capita. At least 60 percent of rural western Ukrainians and 45 percent of urban western Ukrainians were poor. In 2010, the region’s poverty line based on the nationally defined poverty line was 24 percent. The poverty level in rural areas is almost twice as high as in urban areas.

Most seasonal jobs created by Mriya are low or unskilled, which helps reduce poverty. Mriya is considered a great employer for subsistence farmers in its areas of operations. Farmers are loyal to Mriya, sorting potatoes, loading trucks, and clearing land. In 2011 Mriya hired 3,560 local subsistence farmers to perform unskilled and low-skilled jobs on a seasonal basis. Mriya was the main source of their income other than subsistence farming. Mriya has a positive reputation because it pays 5–10 percent more than the regional average and invests in community development.

Construction contractors. Mriya contracts out its construction and maintenance needs. Between 2009 and 2011 it hired an additional 450 workers. About two-thirds of those jobs are low skilled, the rest are unskilled.

Overall distribution. About 6,000 indirect jobs were added in the distribution of Mriya’s products between 2009 and 2011—80 percent of overall indirect job growth. Mriya grows a diversified crop portfolio including wheat, corn, rapeseed, buckwheat, potatoes, and sugar beets. Given that the analysis focused on the indirect employment effects in the distribution of sugar products, a reasonable assumption was made on how many indirect jobs were created in the entire distribution network.
Distribution of sugar beet products. Mriya works with six related sugar factories (with some overlap in ownership) in its areas of operation. Seasonal labor hired by these factories during the high season are mostly low skilled and unskilled. There are three sugar beet products that factories sell: sugar, pulp, and molasses. Sugar beet products are distributed locally. There are more than 400 buyers of sugar, 13 buyers of pulp, and over 40 buyers of molasses. Most of them derive at least half of their revenues from Mriya. About 3,000 new indirect jobs were created in the distribution of sugar beet products as the result of Mriya’s capacity doubling between 2009 and 2011.

Some 80 percent of jobs in distribution are low skilled or skilled because companies that buy sugar products include administrative and managerial staff as direct employees and outsource transportation and loading jobs.

There are no strong poverty reduction effects in the sugar distribution network. But buyers of pulp and molasses, which are fewer in number, heavily depend on their proximity to one of the six related sugar factories. In most cases these micro, small, and medium-size enterprises (MSMEs) stated that they would scale down or even cease operations if the sugar factories were closed. For pulp, one buyer is a small farm that uses pulp to feed its livestock. The buyers interviewed for this study said that they almost doubled their production of livestock due to acquisition of the sugar factory near their village by Mriya’s owners.

Indirect Job Creation Multiplier and Its Applicability

Based on the data collected through the interviews and assumptions used above for calculating the indirect employment effects, Mriya expansion helped create 8,014 jobs indirectly between 2009 and 2011. This yields a multiplier of 10.5 indirect jobs for every direct job. This multiplier falls to 4.7 when calculating the same ratio using 2011 data. Such drastic change in the multiplier was due to the rapid increase of direct jobs at Mriya.

Such a considerable change in the indirect job multiplier just two years apart suggests that using a multiplier can be misleading out of context. For Mriya the multiplier changed significantly due to a rapid increase in direct employment for jobs that used to be a part of indirect employment.

Calculating Indirect Job Creation

Instead of using a multiplier to estimate indirect job creation effects, volume can be used for such estimates. For Mriya the indirect jobs baseline and the total capacity addition can be used to estimate indirect jobs created between 2009 and 2011. Using this calculation method, 14,500 new indirect jobs have been created. This number is slightly smaller than the 15,410 jobs estimated by this study, but the numbers are comparable.

Implications for IFC

- **Significant share in distribution.** Some 80 percent of indirect jobs have been created in the distribution network. The relatively small proportion of indirect job effects in the supply chain is because Mriya no longer outsources jobs in transportation, security, and construction and buys goods mainly directly from international suppliers and less from local suppliers.

- Mriya’s operations have a positive impact on poverty reduction in western Ukraine in a number of ways. More than 3,000 local subsistence farmers are employed on a seasonal basis. In addition, buyers of pulp and molasses, owe their expansion and at times livelihood to their proximity to Mriya’s related parties—sugar factories. Finally, Mriya launched training for employees to move to higher-skilled positions.

- **Cautious use of multipliers.** Replicability of indirect job multiplier for other agribusiness projects is questionable due to the large fluctuation of the multiplier for Mriya, which fell from 10.4 to 4.7 in two years. For agribusiness projects, the multiplier would be affected by several parameters including the regional context, the level of maturity which the client has reached in the industry context, local labor regulations that affect direct employment, and most importantly the degree to which a company decides to have work “in-house” or outsourced.

- **Basing estimates on volumes is a different way to estimate indirect employment creation, and may be more reliable than job multipliers.**

Endnotes

1. IFC loans to Mriya are working capital loans to companies and not tied to production of one product.
2. In 2011 Mriya imported 5-10 percent of its fertilizers and 95 percent of its crop protection chemicals. All fuel was purchased locally.
3. Another 43 companies that supply to Mriya were not counted toward indirect job creation because they derive less than half of their revenue from Mriya.
5. Divide by four to get the full-time equivalent.

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