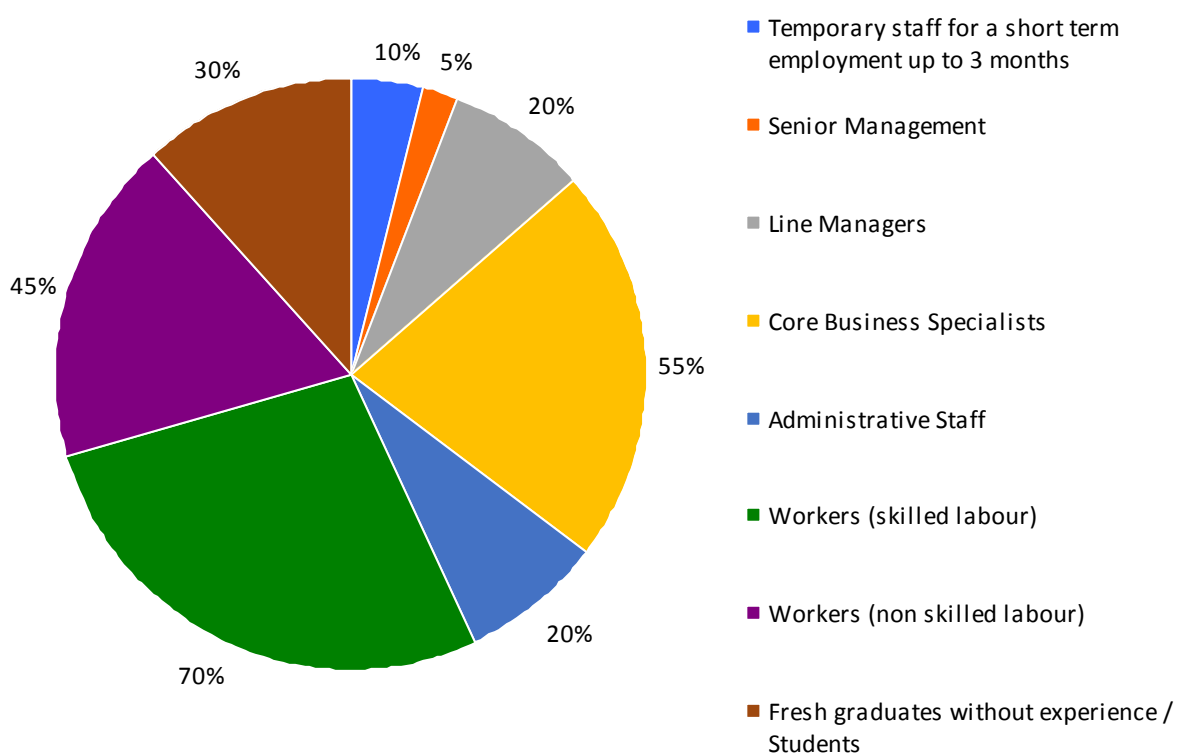


EBA Western Ukrainian Office together with Lviv Consulting Group keep monitoring the labor market of Western Ukraine and are happy to share with you results of the 13th Wave, Western Ukraine Labour Index, conducted in July 2017. The survey's objective was to identify major trends and dynamics of the labour market and to compare them with the previous wave's indices.

Businesses with foreign capital based in Western Ukraine were invited to participate in the survey. 50% of the participants are involved in the production area, namely: Automotive, Food Processing and Textile, Wood Working and Machine Building. Production companies with head count of 100-500 employees prevail; 40% of the companies have over several thousand employees. Service providers also took part in the survey. Among them are Hotels and Banks, firms active in Logistics, Consultancy, FMCG/Retail and IT. As a rule, service companies employ up to 100 employees, but in the 13th Wave only 10% of service companies are small-sized, the rest have head count above 100 employees up to 500 and even above 1000 employees.

50% of participants active in the Textile and Automotive industries, IT and Hospitality have indicated they plan to increase head count in the next three months. It is 15% less companies compared to the previous wave. 40% of respondents do not plan to increase head count, among them Logistics, Banking and Wood Processing businesses.

Please indicate what categories of employees are currently in demand in your company

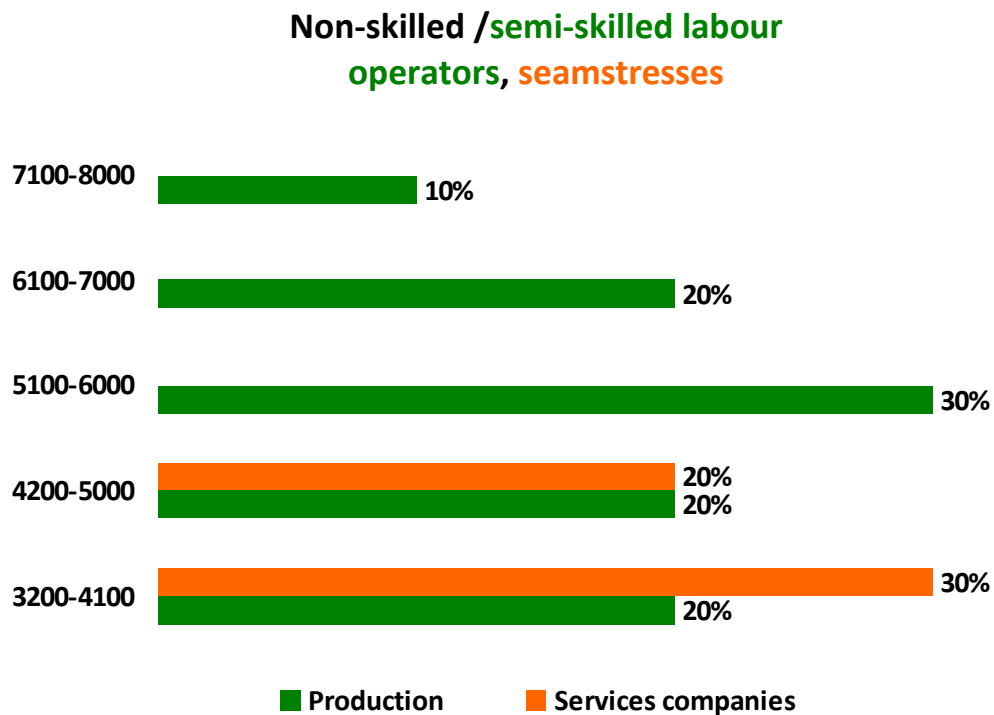


There is a pronounced activity in the labor market: notwithstanding the summer period all respondents hire new employees. As in the previous wave, most frequently the companies look for qualified labor: mechanics, electricians, lock smiths, machine set up men, cashiers, hotel maids, call centre operators, as well as purchasing specialists, book-keepers, IT programmers, QA specialists, engineers, logistic specialists. Compared to the previous wave the demand for non-qualified labor and fresh graduates increased twofold, especially in Textile, Automotive, Wood Working, Hospitality, Banking and Retail businesses. Just a few service companies indicated they have been looking for top managers, though 3 months ago the demand for top and middle managers was indicated by 20% of participants.

In the current survey we asked the participants if they had attracted temporary employees for short-time assignments. Temporary employment is popular among Textile, Automotive and Machine Building companies due to seasonal order increases.

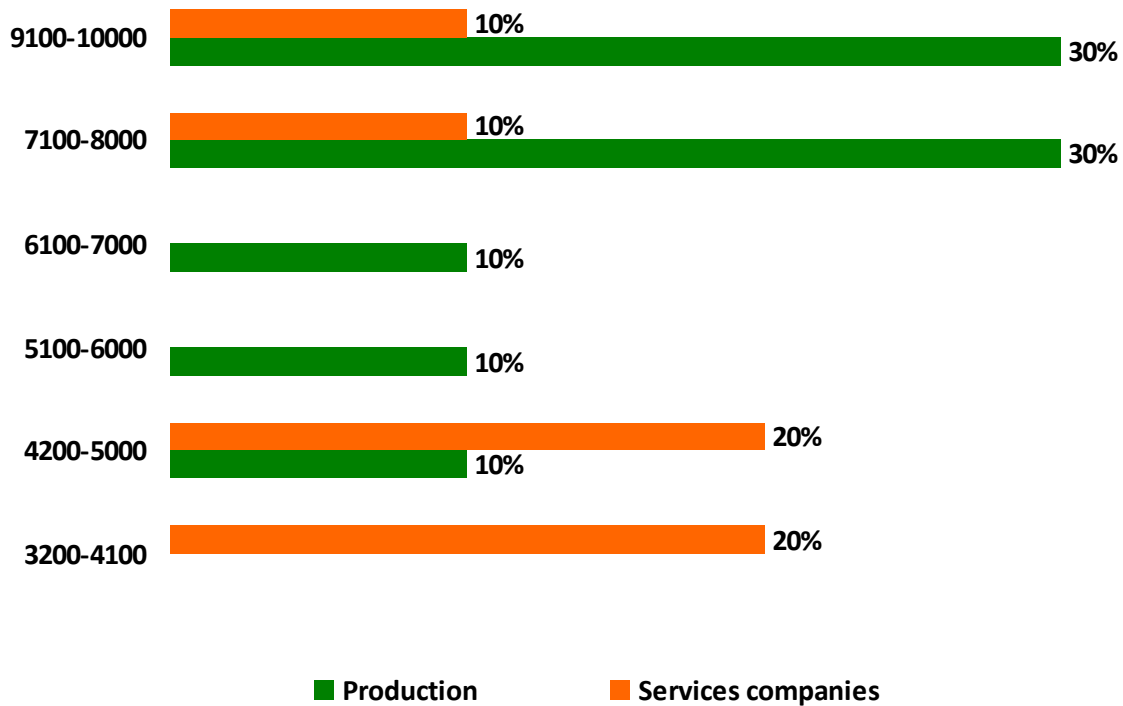
Average salary ranges (before taxes) in production and service companies, UAH

Diagrams present information on average salary ranges for four groups of employees; % indicates a relative number of companies paying salaries in a specific range.



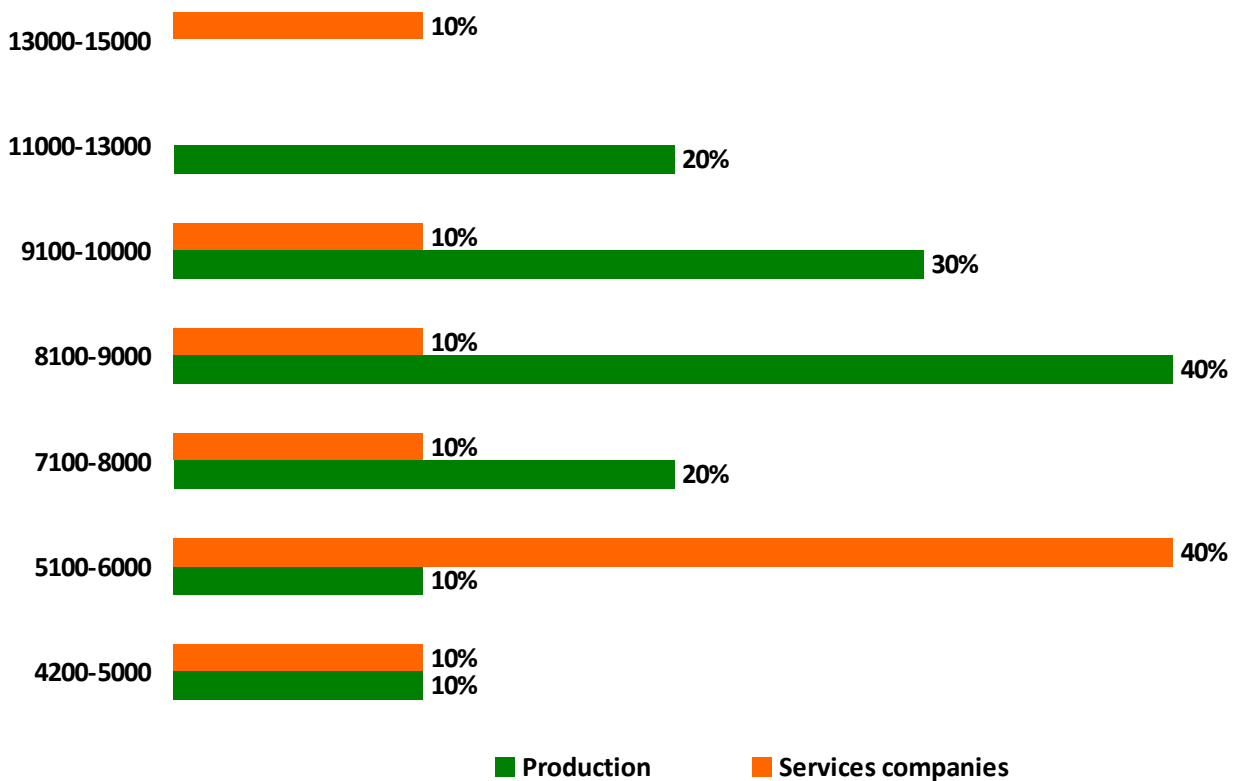
Skilled labor

mechanics, locksmiths / call centre operators, clerks, cashiers, senior sales agents

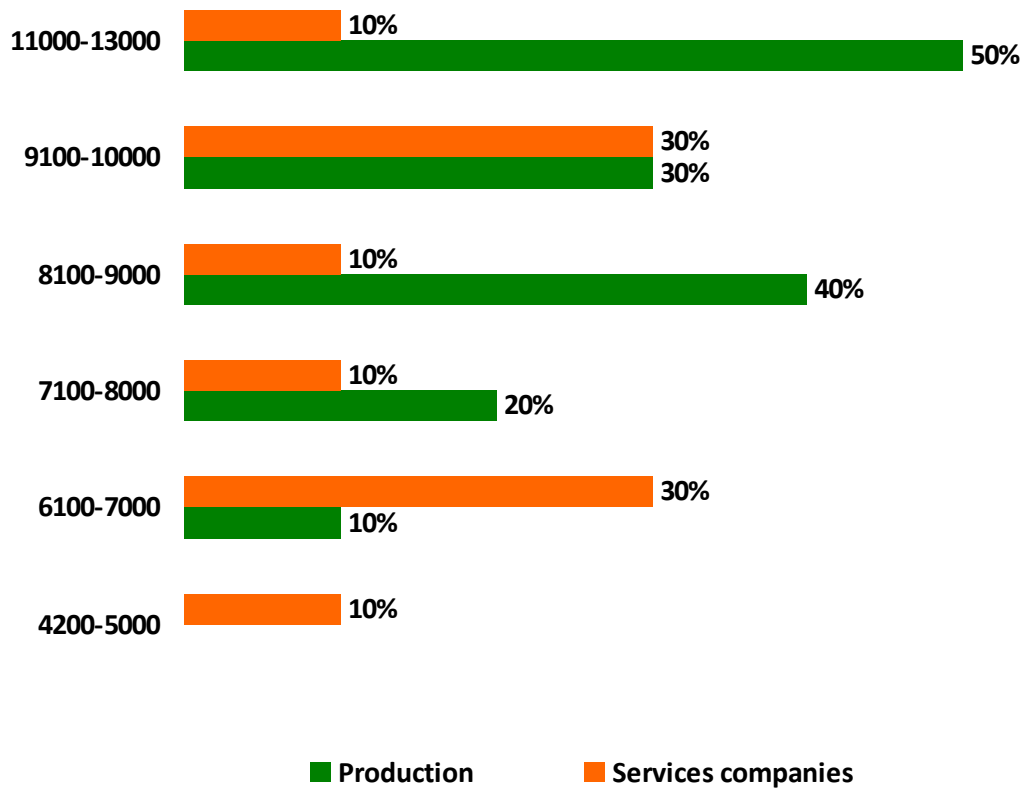


Administrative and office personnel

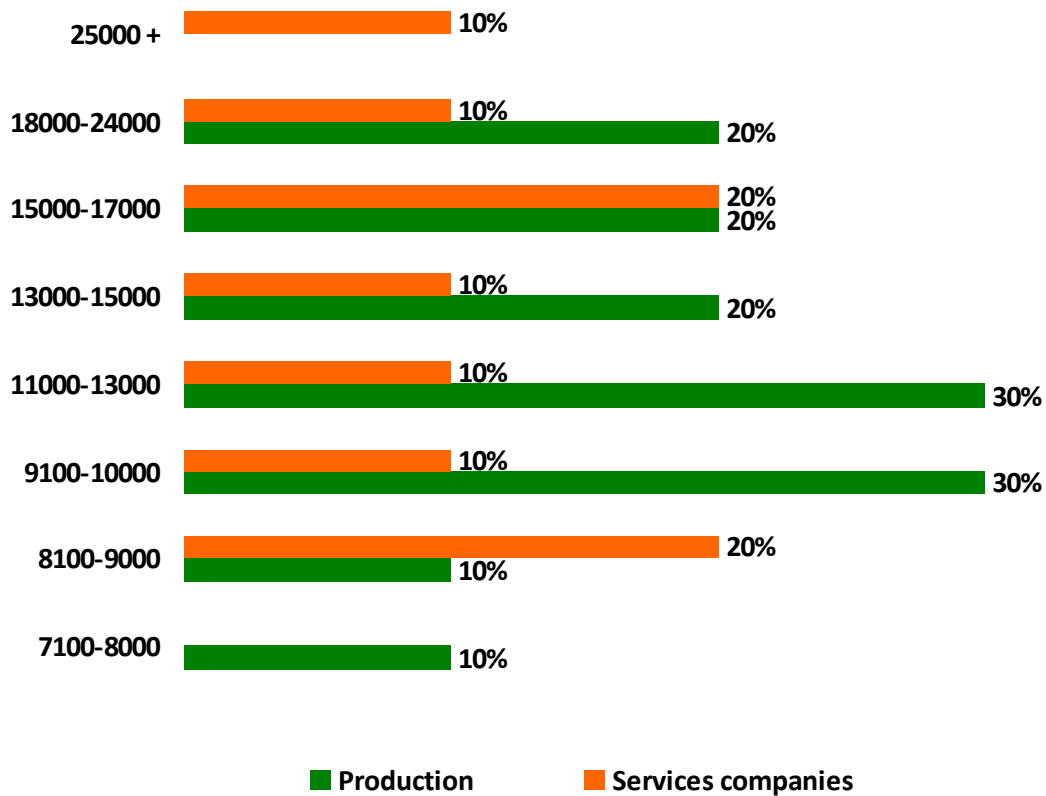
accountants, analysts, administrators, lawyers, office managers



Specialists
engineers, logistic, consultants, HR, agronomists/
logistics, consultants, HR, sales managers



Middle or line managers



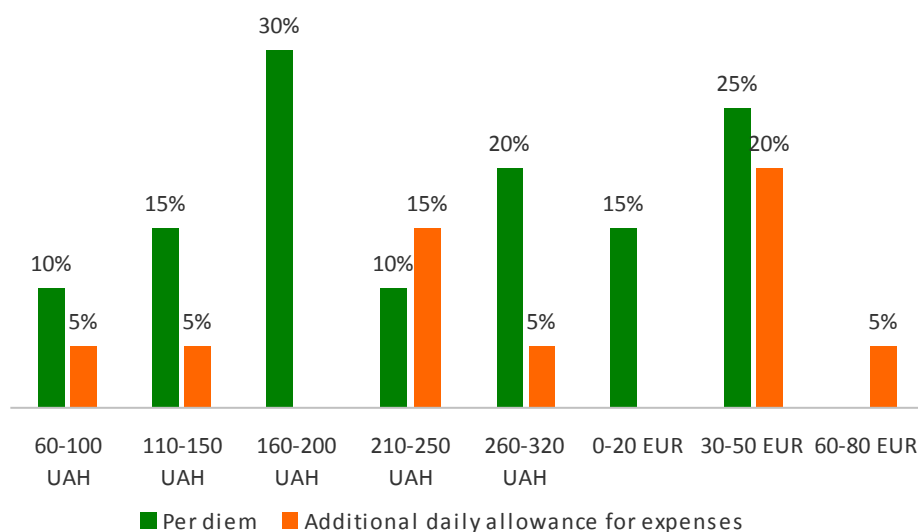
In comparison with the 12th wave pay levels of non-skilled labor in production have increased by 12%-15% and amount to 5100–6000 uah; skilled workers enjoy a modest pay level increase by 8%-10% that amounts to 7100-9000 uah. Administrative personnel and specialists in production companies started to earn 15% more than 3 months ago - on average 8100-11000 uah. Increase of pay levels among production companies is caused by high competition for active job seekers in the labor market.

We do not observe increase of average pay levels among service companies. On the contrary, for some employers reported that the average salary went down by 10%-12%, though this can be a temporary seasonal factor.

70% of the participants indicated they would not review pay levels in the next three months - 42% of them had increased base salaries in the second quarter of the year. Textile, Food Processing and Wood Working businesses will increase pay levels by 10%-15%; Hospitality and Machine Building firms plan a 20%-35% increase.

We asked participants of the 13th Wave to share information on reward systems and frequency of bonus payments. Thus, 70% of production companies pay 15%-20% in bonuses to non-skilled workers once a month. In service firms bonuses for such workers amount to 7%-10% and 15%-20% of the base salary and are paid on a monthly basis. Most in-demand qualified workers may get per month 15%-20% to 50%+ and even 100% bonuses to the base salary, depending on the industry and company. Practically in any industry administrative workers enjoy similar bonuses: from 7%-10% to 15%-20% of the base salary every month or quarterly. The same is true about bonuses to specialists in production companies. The service firms may pay bonuses to specialists monthly, quarterly, every six months or annually. 40% of service companies pay 15%-20% bonus to the base salary. Middle managers in production companies obtain 7%-10% and 15%-20% bonuses every month, quarterly and annually; in service firms managers can earn 7%-10% bonus every month and 30%-40% annual bonus. Most frequently top managers in production companies get 15%-20% bonus quarterly and 100% annual bonus; in service firms top manager are rewarded with a 30%-40% bonus monthly or quarterly and 100% of base salary every 6 months or annually.

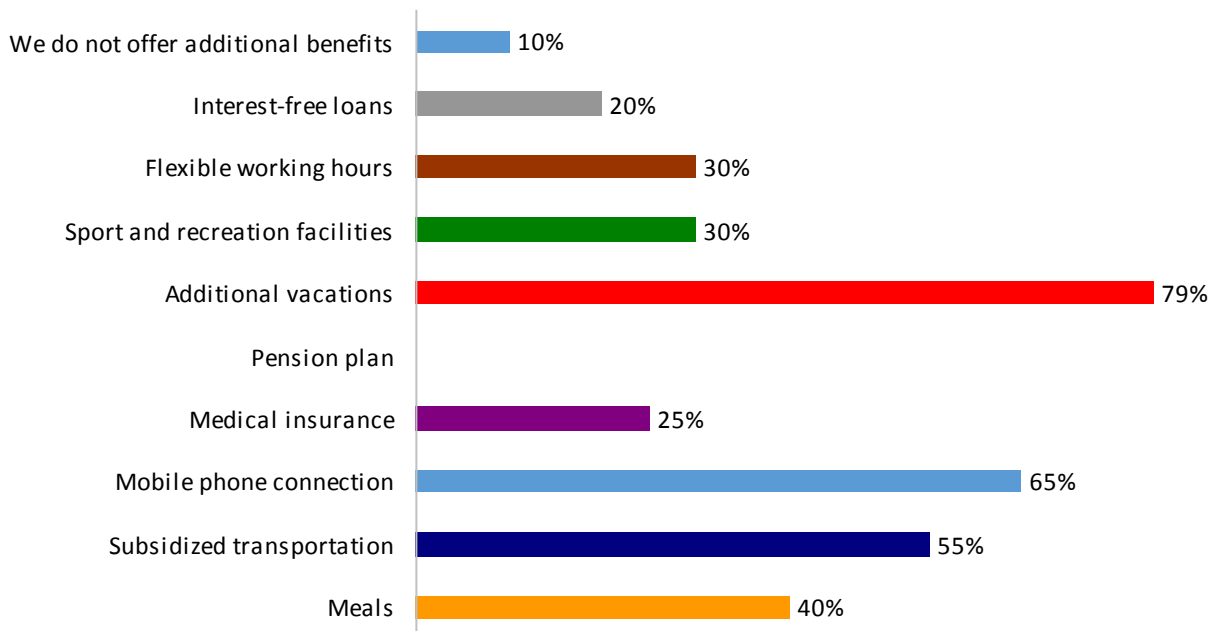
What per diem does your company pay to the employee on a business trips in Ukraine and abroad (in UAH / EUR)?



Data in the table demonstrate the cumulative information provided by the survey respondents. Most frequently production companies pay 110-150 uah as per diem during business trips in Ukraine and Euro 30-50 while

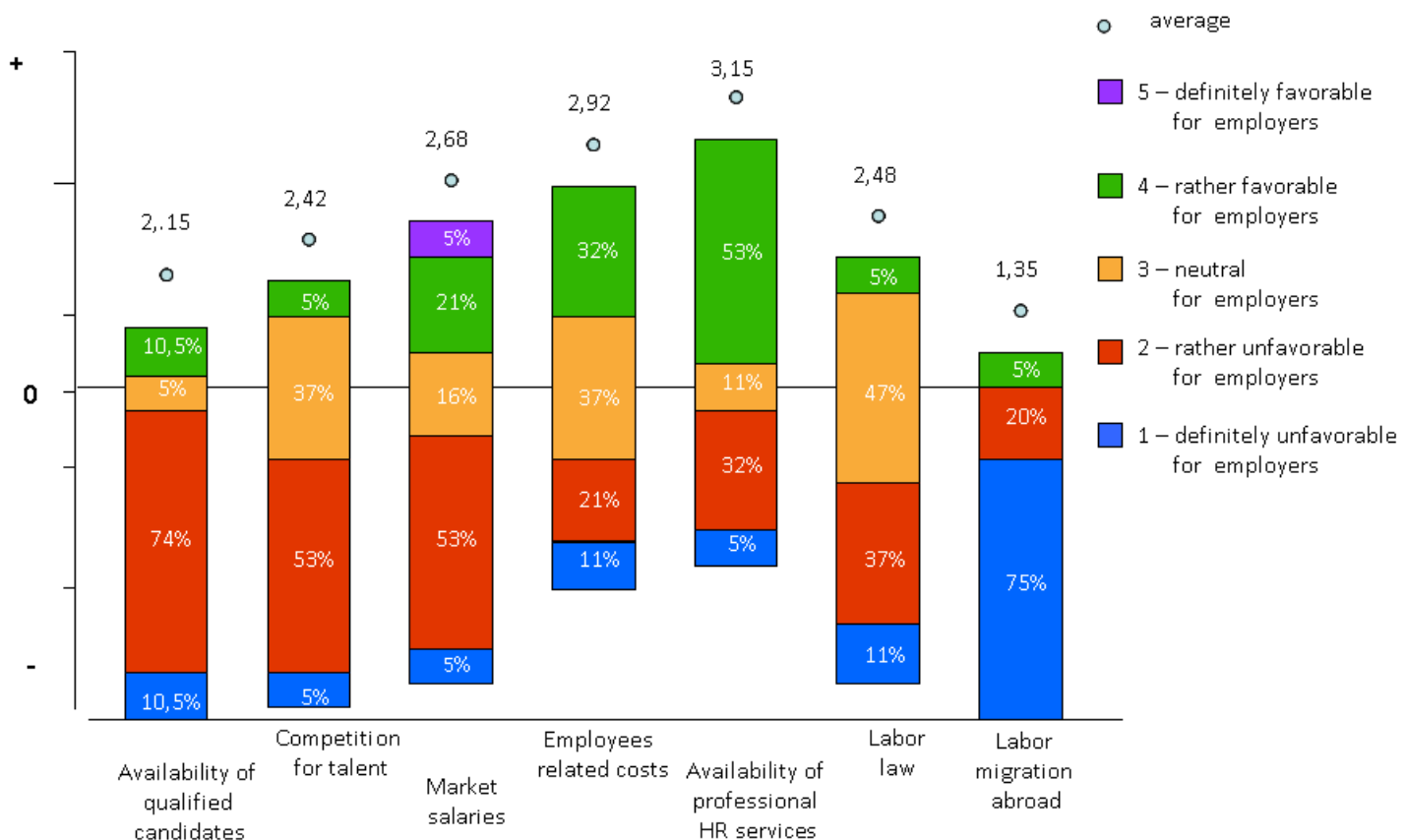
abroad. Service firms pay higher per diem in Ukraine - 160-200 uah and Euro 30-50 during business trips outside of Ukraine. Additional expenses of employees during business trips are compensated in amounts indicated in cheques, limits are established individually.

Please indicate what benefits your company offers to employees,



In comparison with the previous wave the number of companies willing to provide Additional Vacation, Sport and Recreation Facilities to their employees has increased twofold. The list of other most popular benefits provided to employees has remained the same during the four consecutive waves.

How would you estimate the current labor market?



Labour Market Index in July 2017 was 2,45

The index is defined as an average indicator of individual categories. Individual indicators were defined as follows: e.g. "Market salaries": $1 \cdot 5\% + 2 \cdot 53\% + 3 \cdot 16\% + 4 \cdot 21\% + 5 \cdot 5\% = 2,68$.

The labour market Index in July 2017 went down by 0.30 since February 2017 (2,78). The index keeps falling down for two waves in a row. The neutral environment of the labor market in February gradually turned to be rather unfavourable for employers in July. The survey participants believe the pool of qualified candidates in the market is shrinking, in particular due to labor migration, the competition for talents increases, salary expectations of potential job seekers are too high and employers are forced to increase pay.

Labour Market Index Dynamics

