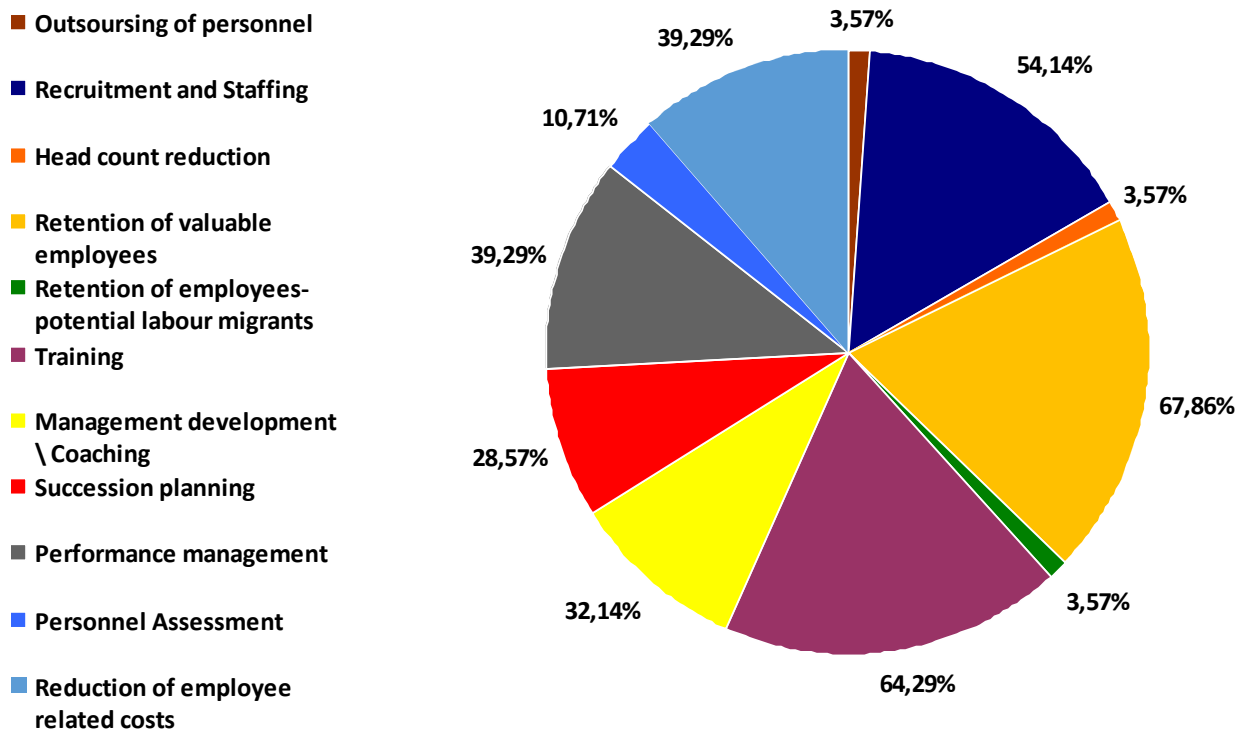


EBA Western Ukrainian Branch together with Lviv Consulting Group keep monitoring the labor market of Western Ukraine and are happy to share with you results of the 10th Wave, Western Ukraine Labour Index, conducted in February 2016. The survey's objective was to identify major trends and dynamics of the labour market and to compare them with the previous wave indices.

Businesses based in Western Ukraine, mostly with foreign investments, were invited to participate in the survey. Majority of participants (68%) are companies active in production (automotive, construction, machine building, agriculture, metal working and food processing) with average headcount from 100-500 to 1000 employees. Among the survey participants are businesses providing services in banking, retail, sales and distribution, logistics, IT, consulting and audit, insurance and HR with headcount up to 100 employees and 500 through 1000 employees.

**Please indicate current priorities in managing
human resources in your company**

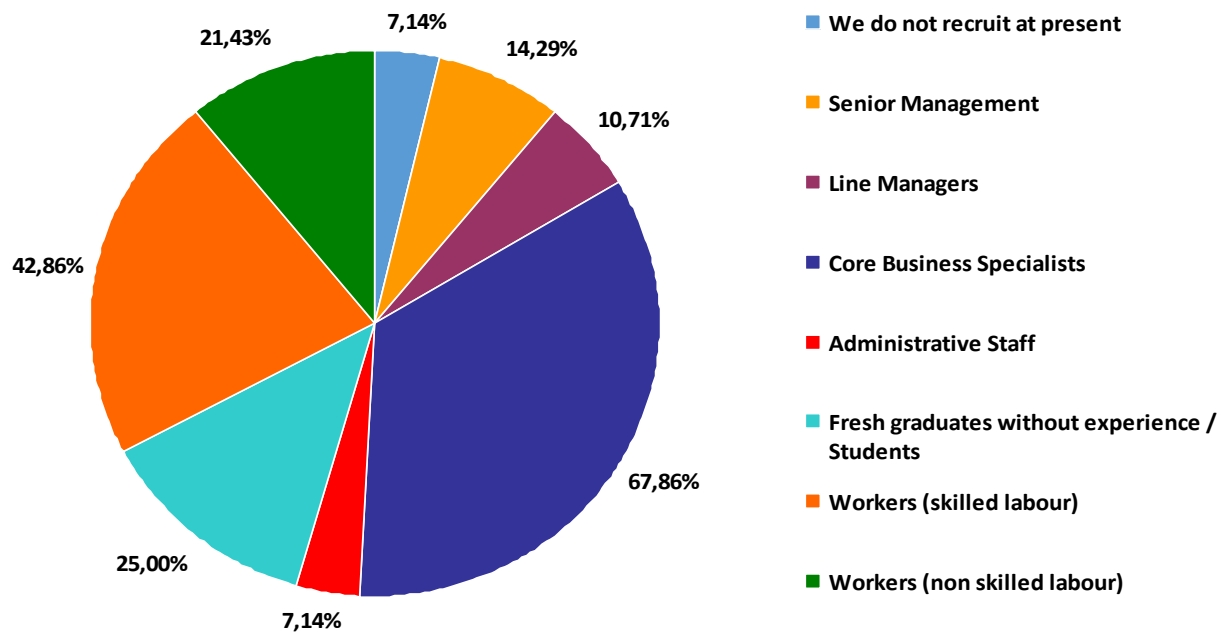


Retention of valuable employees, Training and Development, as well as Recruitment and Staffing are lasting priorities for majority of the businesses. 30% participants consider reduction of employee related costs as one of the most important priorities due to the economic situation in Ukraine. Performance management and Assessment that used to be high on the list of priorities in the past three waves, is less important today. Number of companies interested in developing employees' Leadership skills went up by 15% compared to the previous survey.

In the 9th wave above 60% of participants did not plan to change headcount. In the present survey only 38% of businesses will keep the headcount unchanged, among them small service providers (up to 100 employees): insurance, HR and consulting firms, as well as food processing and metal working businesses with headcount above 1000 employees. Only 7% respondents plan to reduce headcount – this tendency prevailed over the past year. Above 55% respondents will hire new employees or/and expand business; among them are representatives of the automotive, machine building and construction industries with headcount from 500

through 1000+ employees, and medium sized (up to 100 employees) companies in sales and distribution, logistics and software development.

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



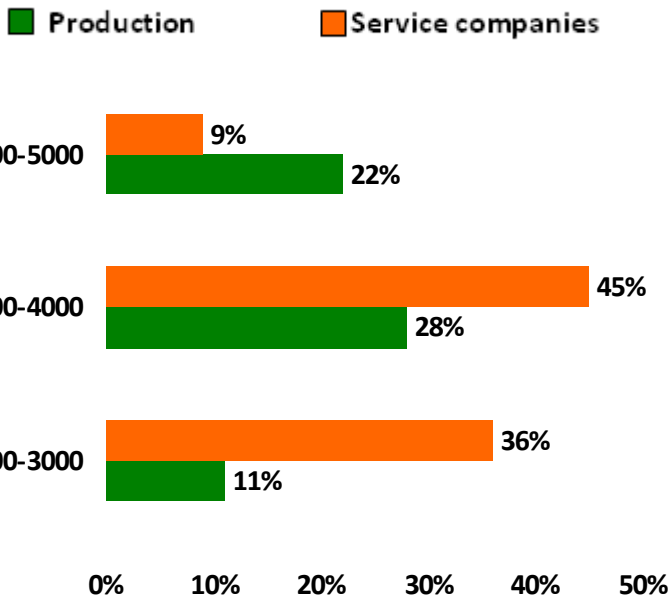
93% of respondents reported to actively hire new employees from the open market. This is a strong tendency we have observed during the past three waves. There is a continuous demand for qualified specialists, like engineers, agronomists, financiers in Production; providers of services are looking for specialists in traditional marketing and e-commerce marketing, sales and logistics “stars”, and, of course, IT specialists. Production companies that plan to increase headcount are interested both in skilled workers (mechanics, electricians, welders, millers with 2+ years of practical experience) and non-skilled assemblers or operators. Employers’ interest in fresh graduates kept growing during the past two waves. Young people are welcomed as IT programmers, recruiters, sales agents. Administrative and legal personnel, top managers have had less chances to find a new job during the past three waves and this tendency still prevails. Number of respondents seeking line managers in the market went down to 11% from 33%.

Decrease of the single social tax rate down to 22% is an opportunity for businesses to save money. Around 47% of respondents active in production and provision of services will use this reserve to increase base salaries; 11% of respondents active in sales and distribution will allocate the money to pay bonuses; and 11% of production companies will finance additional employee benefits. 55% of respondents will not use the funds to increase pay. During the past two waves none of businesses that participated in the survey reported pay decrease. Since January 2016 one third of survey participants have already reviewed pay with a 15% to 35% increase: production companies increased base wages, and providers of services increased a variable pay (bonus). 25% of respondents will consider 10-15% pay increase over a year. In total 44% participants plan to increase pay during the next three months, one third - by 10-15% (mostly production companies), two thirds - by 20-35% (providers of services). 30% of all respondents (IT, agriculture, logistics, sales, consulting and HR) will not review pay levels in the coming three months.

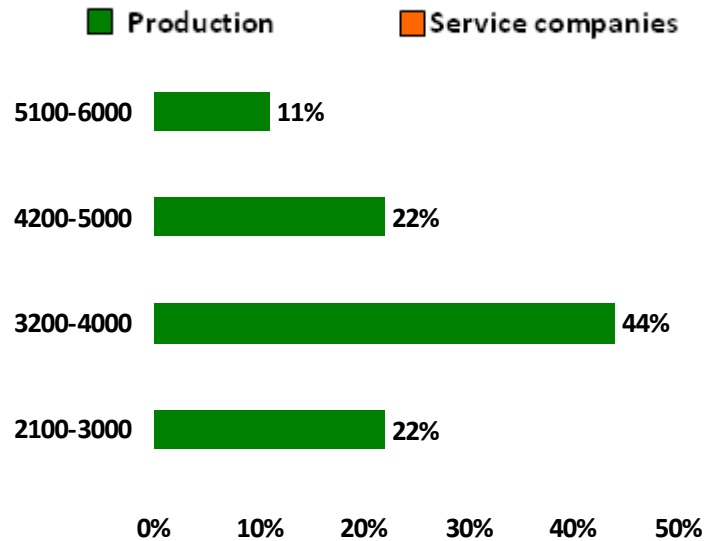
Average salary ranges (before taxes) in production and service companies, uah .

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

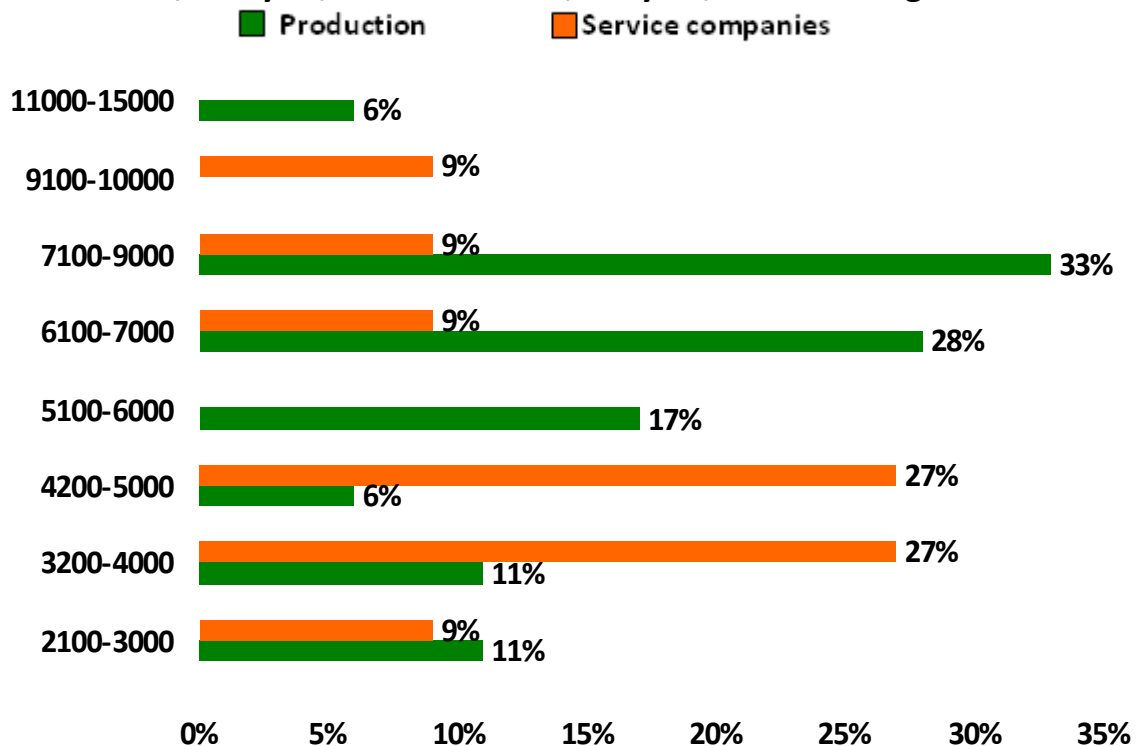
Skilled labor
mechanics, locksmiths / call centre operators,
clerks, cashiers, senior sales agents



Non-skilled /semi-skilled labour
operators, seamstresses etc.

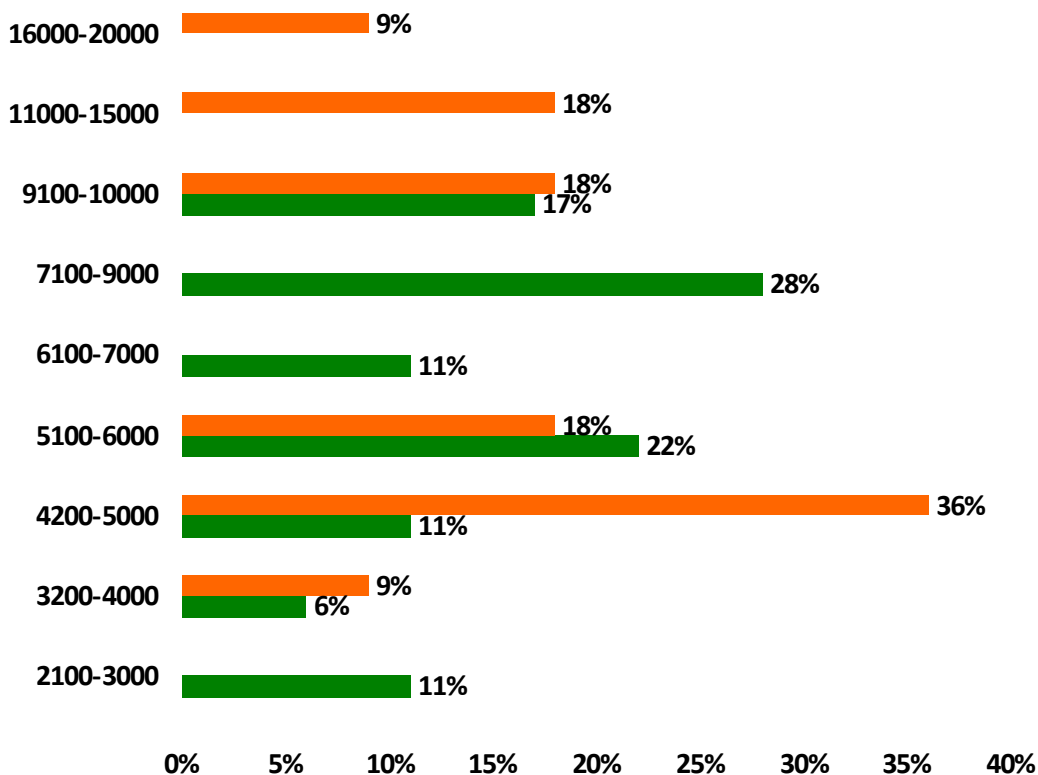


Administrative and office personnel
accountants, analysts, administrators, lawyers, office managers



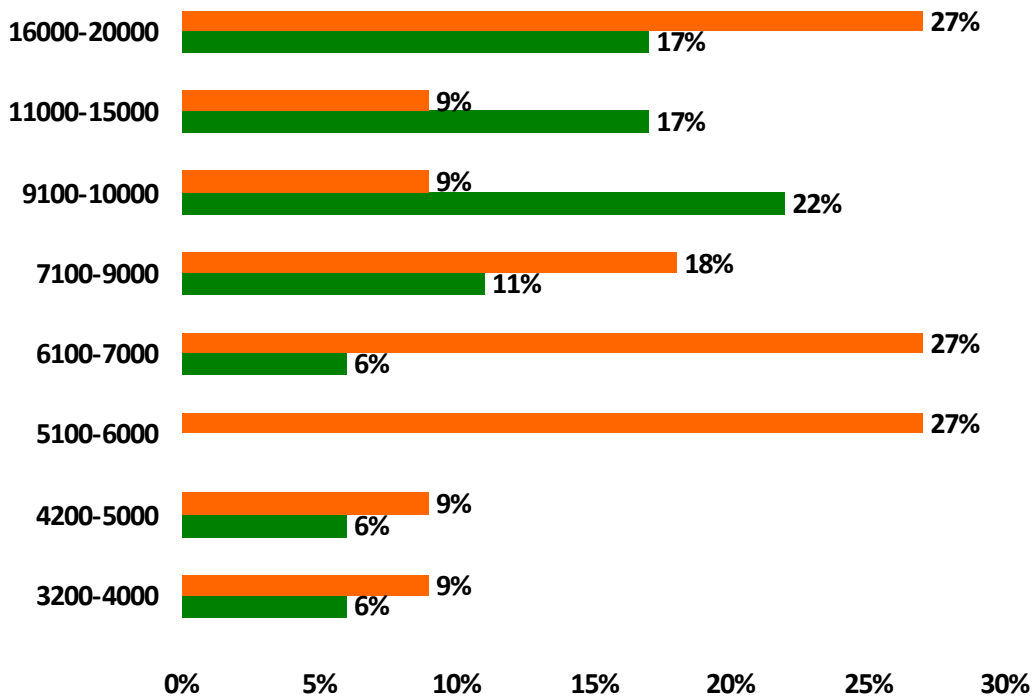
Specialists
engineers, logistic, consultants, HR, agronomists/
logistics, consultants, HR, sales managers

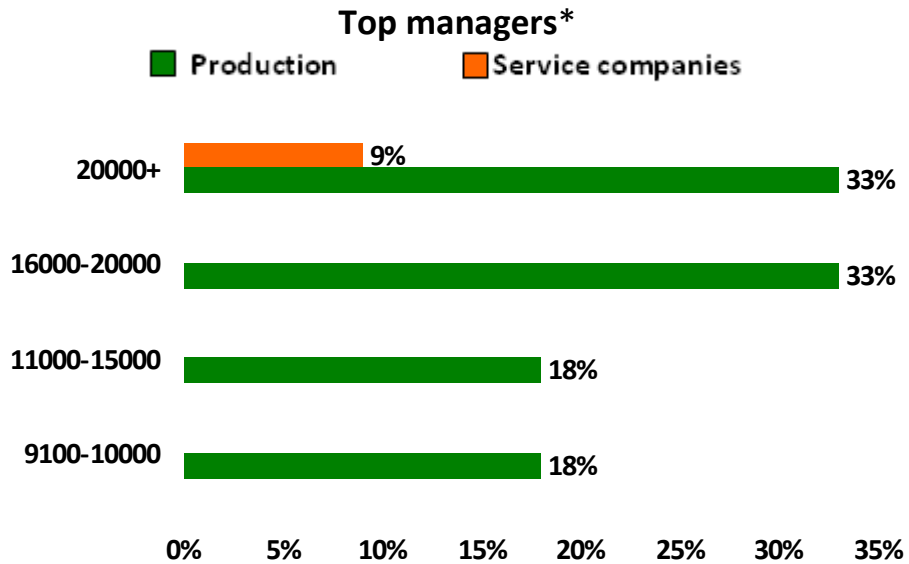
■ Production ■ Service companies



Mid level managers, heads of departments

■ Production ■ Service companies

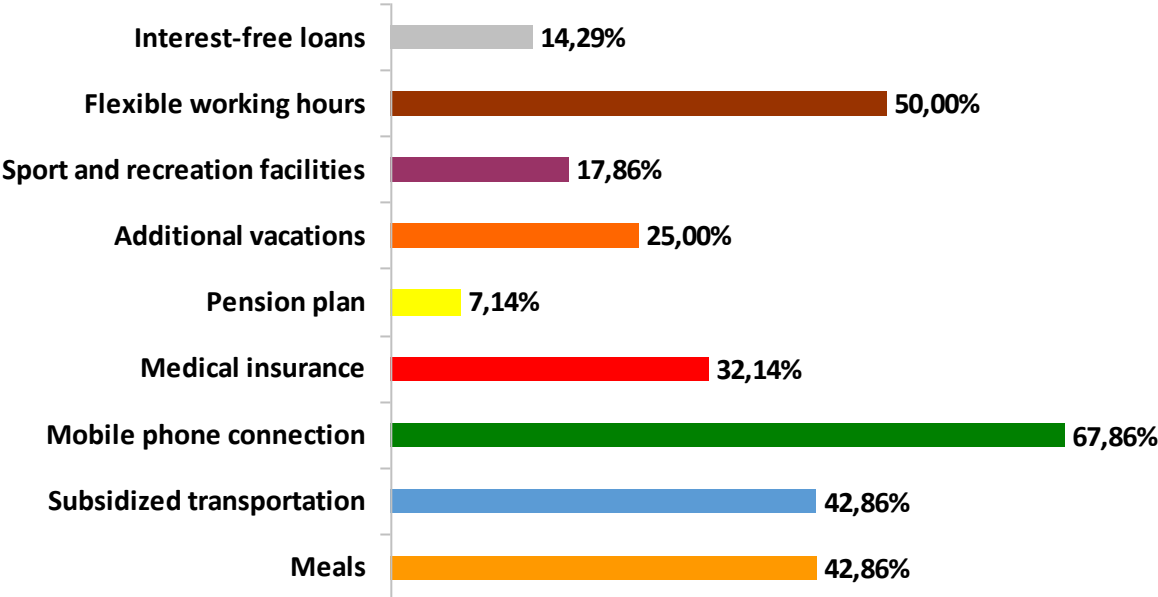




*Information from service companies is not complete.

In comparison with the 9th wave pay levels of non-skilled and skilled labor increased by 17%-30%; administrative clerks and middle level managers in production companies now enjoy a higher pay (by 15-20%). Average pay levels of administrative clerks and middle managers working at firms that provide services have not actually increased. There is no essential increase in average pay levels of specialists both in production and servicing companies. Pay levels of top managers and IT professionals are in most cases tied to hard currencies, they increase by minimum 10%.

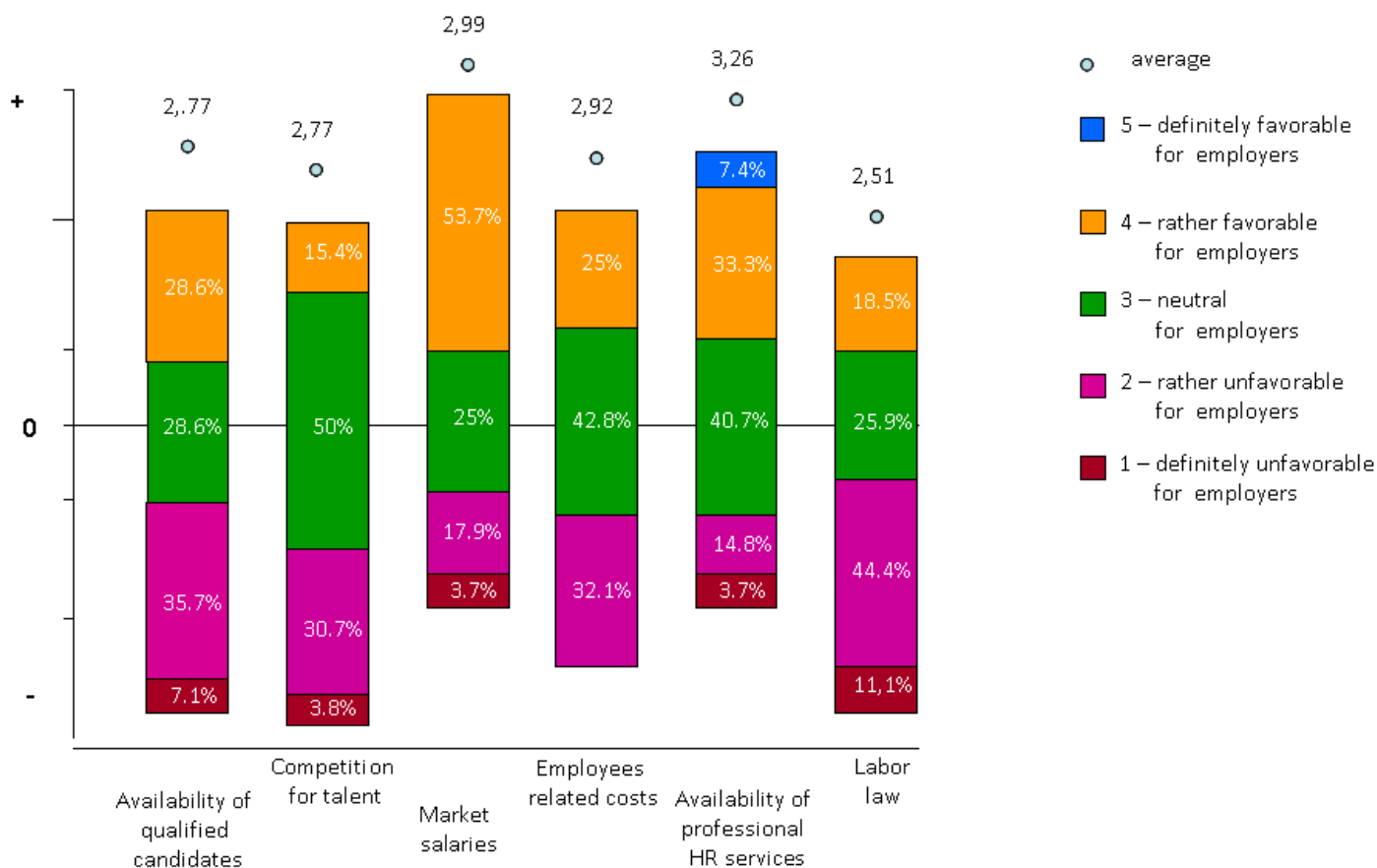
**Please indicate what benefits your company offers to employees,
in addition to those required by the law**



All companies provide additional benefits to employees. Subsidized mobile phone connection and meals are most favorite benefits among production companies and providers of services – this tendency prevails. A traditional compensation package in a production company completed with transportation to a work place and additional paid vacation days in some companies is complemented by medical insurance and flexible work hours. A “new” benefit that employers dropped at the end of 2013, is provision of pension plan to employees.

The structure of the Employee Compensation Package in companies providing services has not changed since the previous wave. More companies, not only IT firms, started to provide medical insurance, free sport and recreation facilities. A small percentage of respondents provide free loans to employees.

How would you estimate the current labor market?

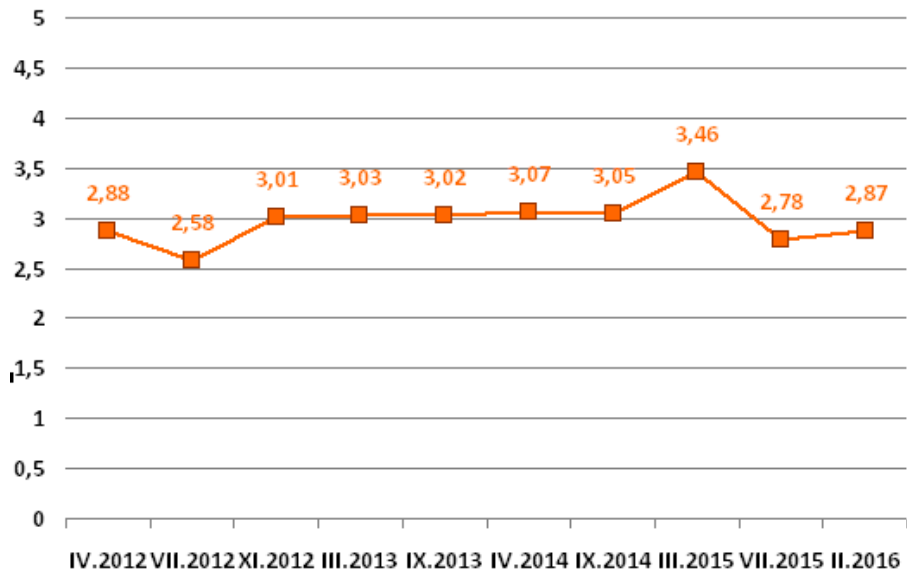


Labour Market Index in February 2016 is 2,87.

The index is defined as average indicator of the individual categories. Individual indicators were defined as follows: e.g. “Availability of HR services”: $1 \times 3,7\% + 2 \times 14,8\% + 3 \times 40,7\% + 4 \times 33,3\% + 5 \times 7,4\% = 3,26$.

Compared to July 2015, Labour market Index in February 2016 went up by 0,09 and is at the level of 2,87. Thus, the labour market is still unstable for employers. Though the survey participants believe market salaries and employee related costs became more attractive for businesses due to hryvna devaluation and decrease of the single social tax rate.

Labour Market Index Dynamics



- Average Labour Market (LM)
- 1 – LM is definitely unfavorable for employers
- 2 – LM is rather unfavorable for employers
- 3 – LM is neutral
- 4 – LM is rather favorable for employers
- 5 – LM is definitely favorable for employers