



Ukraine – a Budding Destination for Your SSC/BPO

September 2019

General Overview


Ukraine continues to be an attractive market for different industries. Since 2017, the following major brands entered the Ukrainian market.


Five shared service centers (SSC), a vast number of BPOs (business process outsourcing) and R&D centers successfully operate and now are expanding operations in Ukraine. Several companies are currently considering Ukraine as a destination for SSC/R&D. We hope to announce new names soon.

 **>45** new retail brands
H&M, IKEA, Under Armour, Zara Home, etc.

 **>5** new international airlines
Qatar Airways, Ryanair, Brussels Airlines, etc.

 **>3** new technological services
Apple Pay, Google Pay, Xoom, etc.

 **2** new food delivery services
Uber Eats, Glovo

 **>60** BPOs
BPOs provide the following services: data entry, customer support, accounting, etc.

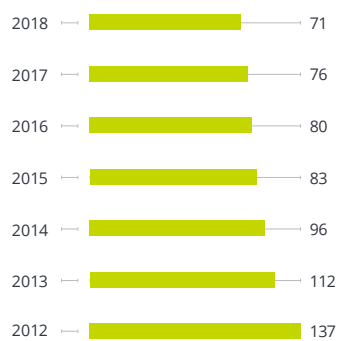
 **>100** R&Ds
TOP-20 IT/R&D companies key facts: >40k IT specialists, clients from Europe, UK, USA from Fortune 500

Company	Industry	Location in Ukraine	Country of Origin	Services	Approximate Headcount	Foundation Year
AB InBev	Food processing	Kharkiv	Belgium	Logistics, procurement, HR and financial services	600	2009
Gruma EMEA SSC	Food processing	Cherkasy	Mexico	Financial services	n/a	n/a
KOSTAL	Automotive	Pereyaslav-Khmelnitsky	Germany	Financial services, procurement, sales, R&D, and other functions	n/a	2006
NESTLE	Food processing	Lviv	Switzerland	Financial services	1089	2010
PwC Service Delivery Center	Professional services	Lviv	United Kingdom	Audit, tax and advisory services	350 (target)	2018

Source: official companies' websites

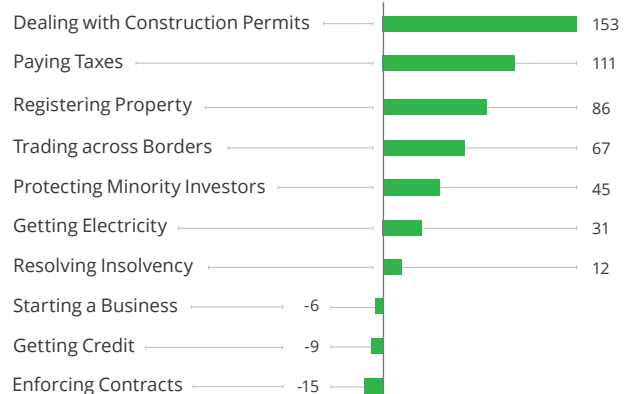
Recent reforms and developments have a favorable impact on Ukraine's business environment. Ukraine is steadily improving its ranking in 'ease of doing business', showing advancement primarily in deregulation and paying taxes.

Ease of Doing Business rank



Source: Doing Business by the World Bank

Change of Doing Business indicators from 2012 to 2018



Proximity to Operations

Ukraine has significantly improved air connectivity with other countries. New airlines and lowcosters entered the Ukrainian market, making logistics easier and more affordable in terms of both intercity and international flight connection.

20.5 m

Volume of passenger traffic through Ukrainian airports in 2018

+24.5%

Increase in passenger traffic in 2017/2018

UTC +3

Summer timezone (March – October)

UTC +2

Winter timezone (October – March)

Operating international airports



Visa requirements for Ukrainian passport holders

24 Passport Power Rank (out of 92)

91 Visa-free (including Schengen area and the CIS countries)

44 Visa on arrival

63 Visa required

Visa-free regime

Ukraine's migration policy allows citizens of 69 countries to use a visa-free regime. Visa is not required for a stay of up to 90 days within a 180-day period for EU, UK, USA, UAE, Canada, etc.

Visa is required

Other countries must get the Ukrainian visa to enter the country. For certain countries a simplified visa application process is available.

E-visa

Since January 2019 foreigners-holders of passports of 52 specified countries* may apply for Ukraine's electronic visa (e-Visa). Single entry tourist or business visa valid for up to 30 days.



* Australia, Indonesia, New Zealand, Saudi Arabia, Mexico, Qatar, etc. Scan QR-code to see the whole list of countries


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Labor Availability

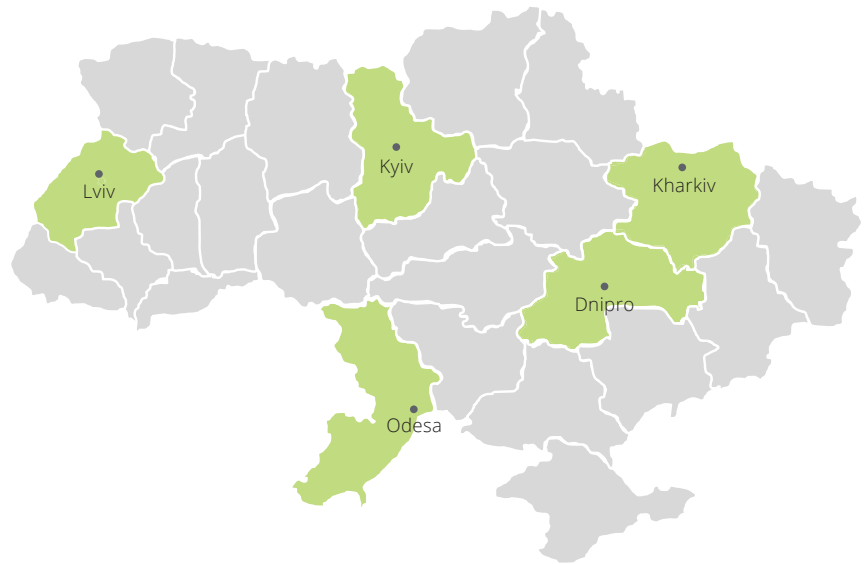
Ukraine is a country with significant high-qualified labor potential. More than 13 million people with advanced education live and work in Ukraine.

Educational Statistics in Ukraine

 **UAI** (universities, academies, institutes)
282 UAIs in 2018/2019

 **Students at the UAI**
1.32 mln students in 2018/2019

 **Graduates from the UAI**
357k graduates in 2018



Educational Statistics by selected regions in 2018/2019

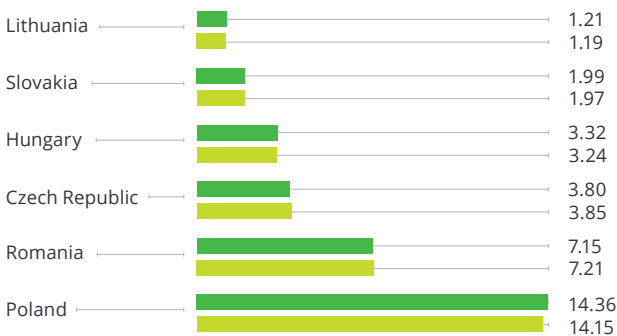


Region	UAI	Students	Graduates
Kyiv City	67	344k	95k
Odesa Region	21	92k	25k
Dnipropetrovsk Region	24	93k	26k
Kharkiv Region	34	155k	41k
Lviv Region	23	109k	29k

Number of students by specialty

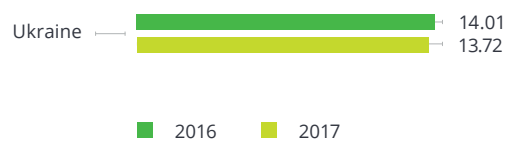


Labor force with advanced education in 2016/2017



 **66.82%**

Ukraine's labor force with advanced education in 2017



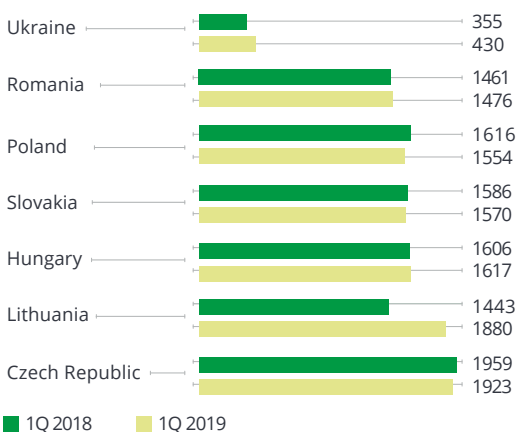
Labor Costs

There is a variety of high-qualified and experienced workers in Ukraine with the reasonable level of remuneration level.

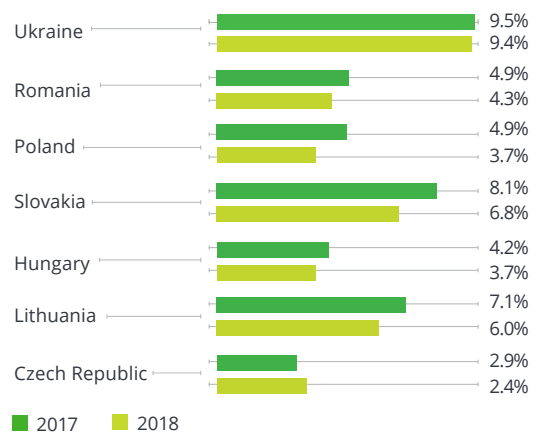
Net salaries for selected professions including knowledge of English provided by Adecco Ukraine

Vacancy		Dnipro	Kharkiv	Kyiv	Lviv	Odesa
Accountant	min	\$360	\$330	\$470	\$420	\$370
	avr	\$410	\$400	\$650	\$500	\$700
	max	\$450	\$470	\$830	\$590	\$1030
Call center employee	min	\$280	\$260	\$440	\$360	\$280
	avr	\$380	\$350	\$940	\$750	\$500
	max	\$500	\$440	\$1440	\$1130	\$740
Customer relations specialist	min	\$350	\$330	\$500	\$490	\$280
	avr	\$440	\$390	\$910	\$550	\$410
	max	\$520	\$460	\$1320	\$620	\$520
Financial analyst	min	\$240	\$230	\$280	\$240	\$280
	avr	\$470	\$540	\$770	\$560	\$540
	max	\$1200	\$1880	\$2030	\$1060	\$1250
Technologist/Design engineer	min	\$300	\$240	\$250	\$340	\$240
	avr	\$480	\$580	\$760	\$630	\$610
	max	\$1050	\$1680	\$1770	\$1240	\$1450
IT Administrator	min	\$410	\$610	\$650	\$590	\$510
	avr	\$1040	\$1080	\$1100	\$1180	\$1020
	max	\$1740	\$1670	\$1950	\$1650	\$1630
QA	min	\$500	\$520	\$550	\$500	\$480
	avr	\$1280	\$1430	\$1680	\$1420	\$1370
	max	\$2550	\$3000	\$3300	\$2850	\$2650
IT Developer	min	\$600	\$700	\$750	\$650	\$650
	avr	\$2000	\$1900	\$2200	\$2100	\$2150
	max	\$3900	\$4000	\$4500	\$4000	\$4100

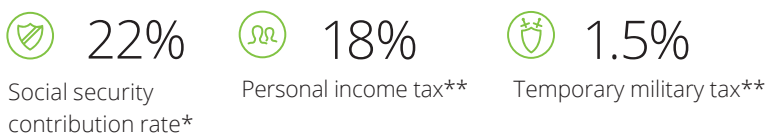
Country avg. salary, USD, incl. employer tax



Unemployment rate, %



Officially employed



Private entrepreneurs (widely used in IT industry)



*Social security contribution is payable by employer and private entrepreneurs. The base for social security contribution calculation is capped, thus, it can not exceed ~ \$440 per employee per month. Nominal amount (<\$30) per month is paid by every private entrepreneur

** Personal income tax and military tax is payable by employee on PAYE basis

Office Property Market

A growing demand in the office property market in major cities of Ukraine, especially from IT sector and BPOs, has been putting upward pressure on rents and driving further decrease in vacancy rate over the last several years.

Nevertheless, in view of the improvement of general economic situation in Ukraine, many developers are now increasingly considering new development projects in major cities of Ukraine.



Basic indicators



City	Total stock (GLA*), m ²	Prime rent, \$/sq m/month	Vacancy rate, %	Official population, mln inhabitants
Kyiv June 2019	1,958,463	30	6,2%	2.9
Lviv June 2019	254,000	19	1,7%	0.7
Kharkiv June 2019	312,300	18	0,9%	1.4
Dnipro June 2019	279,570	15	1,9%	1.0
Odesa June 2019	233,230	17	2,1%	1.0

- Total stock (GLA*), m²
- Prime rent, \$/sq m/month
- Vacancy rate, %
- Official population, mln inhabitants

*GLA – Gross Leasable Area

Source: Cushman & Wakefield

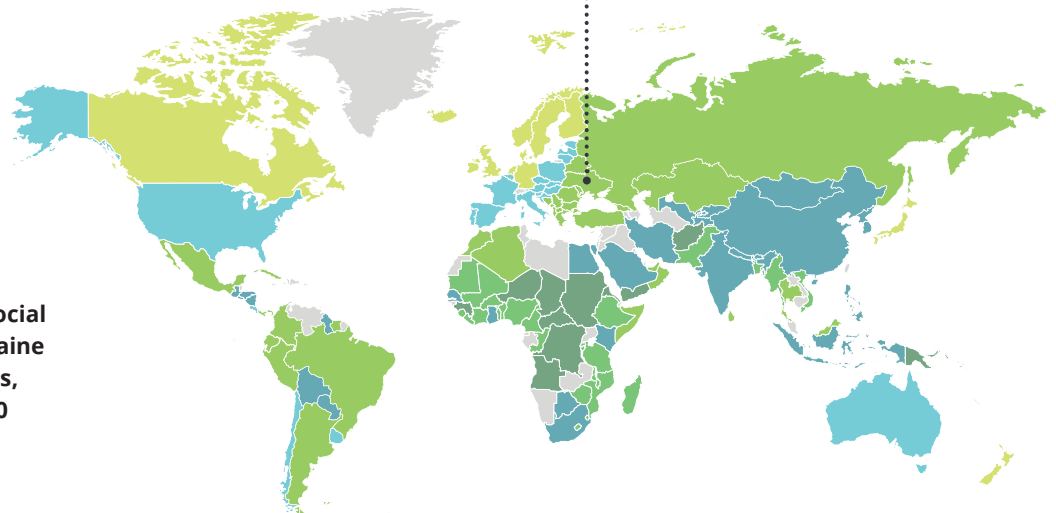
Social Progress Index

Income Group

- Tier 1 (Very High)
- Tier 2 (High)
- Tier 3 (Upper Middle)
- Tier 4 (Lower Middle)
- Tier 5 (Low)
- Tier 6 (Very Low)
- Incomplete Data

According to Annual Survey «Social Development Index 2018», Ukraine ranks 64th among 146 countries, with an improved score of 69.30 out of 100 (vs. 68.35 in 2017).

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Methodology

In this report, we chose to focus on Ukrainian potential and competitive advantages as a destination for an SSC/BPO.

We highlighted the following factors that play a vital role when considering opening or relocating an SSC/BPO: an overview of air logistics (proximity to operations),

the labor market as compared with other CEE countries, and an office market analysis. We selected five of the largest Ukrainian cities for providing background information.

Category	Overview	Date	Source
Proximity to operations	According to the 2017 Global Shared Service Survey, proximity to operations is considered one of the most important rationales for companies that are contemplating relocating or opening a new SSC/BPO. In this section, we provided information on international air connections with the five largest cities and all cities with operating international airports. Air connectivity was analyzed based on:		
	<ul style="list-style-type: none"> The quantity of operational international airports and the map of flights 	As of August 2019	Official airport websites, State Aviation Administration of Ukraine
	<ul style="list-style-type: none"> Ukraine's migration policy as regards Ukrainian visa requirement for foreign nationals 	August 2019	Ministry of Foreign Affairs of Ukraine
	<ul style="list-style-type: none"> The Global Passport Power Rank 	2019	Passport Index
Labor availability	This section contains the educational statistics of Ukraine as part of the labor availability indicator in the country. Therefore, we showed general statistics on students, graduates and universities in Ukraine in 2018/2019, as well as their distribution among the selected cities. We showed the quantity of students studying for four academic degrees (junior specialist, Bachelor's, specialist, and Master's) in four subject areas in 2018/2019.	2019	State Statistics Service of Ukraine
	<ul style="list-style-type: none"> Economics: Accounting, Finance, International Business, Management, Marketing, etc. Law & International Law IT: Information Technologies, Information Security Technical & natural specialties: Natural Sciences, Physics and Mathematics, System Science and Cybernetics, etc. 		
	A comparison of the labor force with advanced education among CEE countries.	2017 vs. 2016	The World Bank
Labor costs	In this section, based on the data provided by Adecco Ukraine, we analyzed labor costs in finance and accounting, IT and customer support, showing the minimum, average and maximum salary in the selected cities.	2019	Adecco Ukraine
	We compared the average Ukrainian salary in USD with the selected countries, including employer tax.	1Q 2018 vs, 1Q 2019	State Statistics Service of Ukraine, State Statistics Services of selected countries, the World Bank
	A comparison of unemployment rates (% of total labor force) in selected countries.	2017 vs. 2018	The World Bank
Office property market	In order to provide complete information about Ukrainian investment potential, based on the data collected by Cushman & Wakefield, we provided an overview of the office property market in major cities of Ukraine. We covered total stock, prime rents and vacancy on the office property market in these cities, as well as official population statistics in millions of inhabitants.	2017 vs. 2018	Aggregated indicators based on the analysis undertaken by Cushman & Wakefield, State Statistics Committee of Ukraine
Social Progress Index	The Social Progress Index is a holistic assessment of the country's social development, regardless of economic factors. The index consists of environmental and social development indicators. Deloitte and the Social Progress Imperative have been working together for the last five years. The results of the assessment illustrate Ukrainian potential: being in the third tier (upper-middle income group), Ukraine's overall social and business performance has been improving from year to year.	2018	Social Progress Index

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