

The Ukrainian recruitment sector: rising demand, falling supply

— Oksana Bondarchuk Business Ukraine

As the Ukrainian economy booms the domestic recruitment industry is flourishing amid ever increasing demand for skilled personnel, but with a limited supply and ambitious employees spending less and less time in any one company before moving on, recruiters are facing a constant struggle to keep pace

The growth of Ukraine's recruitment industry has necessarily been tied to the health of the country's economy and in the 1990s it remained very much underdeveloped, with very few agencies operating in a market which was characterised by a general lack of demand or interest in their services.

The arrival of big multinationals in the latter half of the 1990s was accompanied by the appearance of a small number of international recruitment agencies looking to staff newly established head offices, but it was only really at the end of the decade that the market matured and began to welcome its first real players, both local and foreign.

Since then their numbers have swelled, meeting an ever-growing demand from companies which have come to appreciate the value of a well selected workforce, says Serhiy Belyayev, director of the eight-year old agency Navigator. "Today there are more than 200 recruitment agencies operating in Ukraine, with half of them located in Kyiv. In the mid 1990s there were only five to ten companies which were ready to pay for the services of a recruitment agency, mostly foreign businesses or joint ventures. Now our client base covers 35-40% of the business sector, including small businesses," he reflects.

Iryna Mazyukova, a staff selection specialist at Kyiv's Personal-Service recruitment agency, confirms that the days when agencies exclusively served big international corporations are long gone, with

even the smallest of operations now seeing the value in employing personnel specialists to aid them in their efforts to build a winning team. "We have now reached the stage where Ukrainian companies with as few as 50 employees are looking to use the services of professional recruiters," she observes.

One of Kyiv recruitment agency ANCOR's biggest clients, mobile operator

Recruiting a qualified specialist will cost a company anything from 12% to 30% of the proposed annual salary. Recruiting senior managers is considerably more expensive, and can cost 30-35% of the proposed annual salary, which can mean a five figure finder's fee

MTS, is a good example of how the recruitment market is enabling leading Ukrainian companies to meet their growing personnel needs as they expand and diversify. The company has been able to fill between 30% and 40% all of their vacancies in the past few years with the help of recruitment agencies. "The vast majority of recruitment agencies we work with have been partners for many years.

The quality of their services is improving year on year and is now at the appropriate level," comments senior HR specialist Oleh Lomakovskiy at MTS-Ukraine.

■ Specialising and diversifying

The industry has diversified as it has grown, with specialist agencies springing up to cater for the needs of niche segments. Belyayev estimates that around 25% of today's recruitment market is occupied by agencies catering for those companies which are looking to fill junior positions, while middle management specialists take up some 60-70% of the overall recruitment market, with just 5% of recruiting companies dealing in the lucrative business of identifying the right senior managers and company directors.

As competition heats up recruitment specialists are also increasingly offering a wider range of services including personnel restructuring, salary reviews and employee market analysis as well as handling candidate screening and contract negotiations. "Diversified recruitment services are the future," Inna Stepanenko at ANCOR says. "Our company is receiving more and more requests for help in areas like staff leasing and out-staffing," she adds.

Despite the number of services they offer most recruitment agencies continue to be very much judged by the quality of the candidates they can propose, and as the sector becomes crowded more and more time is being spent accumulating the

best possible human capital databases.

Traditionally agencies have relied predominantly on announcements placed in the mass media, but this trend is being overtaken by more innovative approaches such as online Internet appeals for CVs and trawling through Ukraine's institutes of higher education.

■ Internet recruitment offers anonymity

In many ways the internet has revolutionised the way recruiting agencies work and in today's market Internet employment sites are becoming increasingly crucial for agencies and allowing far greater freedom for dissatisfied employees who are looking to scope out the job market without making a commitment to move.

More than 20 specialised web sites currently operate in Ukraine and together they contain literally tens of thousands of resumes and vacancy announcements covering every possible employment path, while the electronic nature of the information can serve to further

simplify the search process for existing companies. It also creates significant and cost effective competition without matching the service levels on offer at the more established agencies.

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Tatyana Topchiy, PR manager at one of the country's biggest sites, HeadHunter.com.ua, says her company works with over three thousand Ukrainian and foreign employers. She argues that internet recruiting offers unique opportunities

for employers today.

"Professional rivals have the chance to post their resumes confidentially, by locking out their current employer or certain other strategically sensitive companies from access to their personal information. This allows Internet recruitment sites to attract candidates who might not usually feel comfortable demonstrating their desire to change jobs, something which often applies to experienced specialists and top managers," she explains.

■ The importance of appraisals

However, there is little chance that internet agencies will ever usurp the traditional recruitment companies, largely because of the continuing need for a thorough personal appraisal in all matters relating to human resources. Regardless of the position being advertised, recruiters are unanimous in stating that live interviews are of paramount importance when it comes to choosing the right candidate. They recommend that potential future employers ►



▶▶ not place too much faith in resumes or stated experience in a well-known company but withhold judgment instead until they have had a chance to assess the candidate's personality and knowledge on a one-to-one basis.

■ Demand far outstripping supply

Demand for new well-qualified employees is currently far outstripping supply on the Ukrainian job market. "One of the main problems in today's labour market is the deficit of experienced staff in most professional spheres," says Topchiy. As a result most recruiters state that finding a good professional specialist is becoming increasingly problematic and a lack of experienced workers is hampering the growth of nearly all sectors of the economy, but nowhere more so than in the IT field, she says.

Nearly 20% of vacancies at HeadHunter are posted by employers searching for IT specialists, while the number of IT job seekers is slightly less and accounts for only 10% of all resumes. Navigator's Serhiy Belyayev estimates the shortage of specialists needed to man the Ukrainian IT industry currently stands at several thousand and says that in two years it could more than double.

"Part of the reason for this is the fact that the IT market features a lot of very specific positions," says Iryna Rymarenko, the director of the Ukrainian recruitment agency Private Service.

Heavy industry has found it increasingly difficult to fill middle management and technical specialist positions in recent years despite the strong technological education that many Ukrainians have enjoyed over the past fifty years, to the extent that in today's market well-qualified smelters, production engineers and chemical industry workers are a relatively rare commodity.

"This trend is easy to explain. Specialists in these fields who were educated in Soviet times tended to change their occupation for something more profitable during the industrial depression of the early independence years and as a result many lost their technical skills. Others have long since retired, and the number of educated young technical specialists is simply too small," Belyayev comments.

■ The importance of language skills

As well as technical requirements recruitment agencies often receive very specific employee search briefs revolving around issues such as language skills. Private medical clinics, for example, often require English language proficiency in order to communicate with foreign specialists, thus ruling out many otherwise well-qualified doctors who never felt the need to study English, while the problem of foreign language requirements is also a regular issue in the banking, marketing and service industry spheres.

This language factor is particularly commonplace for recruitment agencies

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dealing with foreign companies or joint ventures and can often be as important as relevant professional experience and western business practices.

This shortage of appropriately trained or tried and tested potential employees is not only felt at the middle and top end of the market, and has also become a concern for more democratic employers such as restaurant chain McDonald's Ukraine, which is one of the biggest retail employers in the country. McDonald's intends to increase the number of restaurants it has in Ukraine to 100 in the next five to seven years and create 5,000 new work places in the process, but they are increasingly struggling to meet their HR targets.

"We pay special attention to restaurant staff recruitment as it is the most numerous employee category at McDonald's, and at present we have registered a deficit of non-qualified staff

which amounts to tens of thousands, especially in Kyiv," says Olha Kravchenko, HR director of McDonald's Ukraine.

■ Headhunting for top specialists

With shortages in experienced potential employees affecting almost every sphere of Ukrainian business many recruiters are increasingly turning to headhunting, or approaching senior management members and enticing them to switch employers via the promise of better terms of employment and future prospects.

Headhunting remains a relatively underdeveloped sector of the Ukrainian recruitment market, and Belyayev claims that only five to seven Kyiv companies could legitimately boast of a specialised headhunting service today. It is not uncommon for entire teams to be approached and enticed to move as a unit from one company to another and for the time being the banking, construction and insurance sectors are the main focuses for headhunting activity.

The recruitment difficulties posed by the lack of expert managers and experienced specialists in these sectors has been effectively amplified by the rapid growth they are currently enjoying. Iryna Rymarenko, director of the recruitment agency Private Service concurs that in these booming industries there is a lack of experienced personnel, a major factor in the rise headhunting. "A lot of banks are coming into the market and competition is growing, which is pushing up salaries. As a result experience is the key factor for each candidate," she says.

Compared to the same period in 2006, the number of vacancies advertised on the HeadHunter website for banking positions has increased threefold so far in 2007.

■ The price of a perfect professional

Finding the right employee is not cheap, and the lack of supply has served to make good candidates worth their weight in gold. Agency fees tend to be calculated in line with a number of factors including the prospective salary of the new employee, the specific requirements of the potential employer and the credibility of the agency's track record. In practice this means that

recruiting a qualified specialist will cost a company anything from 12% to 30% of the proposed annual salary. Recruiting senior managers is considerably more expensive, and can cost 30-35% of the proposed annual salary, which can mean a five-figure finder's fee.

To find the right specialist for any given vacancy, market insiders emphasise the importance of close cooperation with client companies. According to Mazyukova at Personal-Service, it is essential to establish a strong level of trust between the client company and its recruitment partner. The client must share as much information and details about the specifics of the company as possible and make it clear what its requirements from a future employee would be.

"The client company needs to be flexible in its evaluation of the candidate. It is very difficult to find a specialist who will be a 100% match for any vacancy. Conversely, even if a candidate is truly excellent and meets all a company's requirements, it doesn't necessarily follow that the position on offer will be definitely be of interest to them," she adds.

As well as spending liberally on recruiting the right staff more and more Ukrainian companies are prepared to invest in the professional training and development of their workforce in order to keep them both well-qualified and motivated. As a result a number of Ukraine's recruitment agencies have branched out into the training sphere to accommodate this growing trend.

Anastasiya Leshchenko, head of marketing at Business Master, says that rather than focusing on theoretical questions the majority of their training programmes target the practical skills of workers. This kind of investment in staff is not cheap, and Business Master offers 30-hour corporate training programmes for EUR 3,500-10,000.

However, the culture of on-the-job training is by no means a universally accepted practice in Ukrainian business circles, even compared to fellow former Soviet republics like neighbouring Russia. "We still need to convince Ukrainian company directors that a businessman will receive double the return if they invest in their staff," Leshchenko says. ■

Headhunting in the former Eastern Bloc

In the 1990s newly independent Ukraine saw a large number of West European and North American executive expats arriving to help run the big corporations and joint ventures of the country. Ever since the Russian financial crisis of 1998 this trend has been slowly but surely reversed, and while many senior management positions are being taken up by an emerging generation of Ukrainian corporate talents, the need in recent years to meet the demands of an ever expanding economy has continued to force ambitious Ukrainian employers to look beyond the borders of the country for senior personnel solutions. However, rather than looking to the tried and tested markets of the old western democracies, the Ukrainian business community is increasingly finding solutions to the shortage of domestic management material in the former Warsaw pact countries of eastern Europe where transition experience and international financial expertise combine to offer the personnel that the current market requires.

■ Meeting and beating international standards

Alexander Polyanchuk of Alex Polin International, which specialises in executive recruitment, says that the days when only second-tier professionals would consider a career move to Ukraine are now long gone. "Ukrainian companies can offer foreigners competitive salaries including attractive social and relocation packages which are similar to or sometimes even more competitive than the kind of offer they could expect in western Europe. Ukrainian employers understand that it is no longer simply a matter of offering the most money if they are serious about attracting high level executives. They must also invest time and effort into creating a healthy and attractive working atmosphere and the right conditions for an executive in order to allow them to see out their contract here and be satisfied with the job."

The banking and finance sectors are two of the hottest areas of the Ukrainian economy, and both have required an injection of

foreign senior management know-how in recent years, with top executives coming in to handle future IPOs or manage relations with international investors. The vast majority of these high level employees have been recruited from Russia and the former Eastern Bloc countries, where similar processes have been underway for the past ten years or longer. This has served to create an ample supply of experienced individuals. "Leading investment companies are increasingly searching for international sales and trading executives and equity analysts," says Polyanchuk. "But we would not look for these people in Russia as they would be extremely expensive. These categories of investment specialist are easier to attract from London than Russia. We would conduct our search mainly in Poland, Hungary and the Czech Republic as well as the UK. Production companies are also looking for production and quality control managers for their manufacturing plants. In Ukraine there are no specialists in this bracket. I would focus my search on neighbouring east European countries. Hungary, for instance, would probably yield at least five plants with five executives all boasting the requisite experience."

■ Banking on Baltic expertise

Companies with plans to sell to global market players are also very much on the lookout for international executives with the experience in making such deals a reality. Senior staff who have been through similar processes in the countries of eastern Europe are in high demand across the business spectrum, and often bring more to the table than their western European counterparts. "The owners of Ukrainian insurance companies planning to sell their businesses to global insurance players often think about recruiting international strategy managers," says Polyanchuk. "The main function these executives serve is to help with integration, branding and strategic development to prepare the company for eventual sale to a potential investor. The best places to search for a good strategy insurance manager would be Estonia, Lithuania, Latvia and other eastern European countries where the insurance market is mature enough and far more developed than in Ukraine." ■