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SURVEY ON THE IMPACT OF WAR ON APPROACHES TO HUMAN CAPITAL MANAGEMENT



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Purpose

The survey by Deloitte Ukraine and the American Chamber of Commerce in Ukraine was conducted in order to identify the challenges that employers face in Ukraine in terms of human capital management during the war. We have also investigated the adjusted HR priorities and practices as a response to the new reality.

Tasks

- To identify the challenges and priorities of companies in the area of human capital during the war
- To analyze changes in approaches to human resources management
- To analyze changes in approaches to remuneration and employees' support
- To understand the priority areas in terms of future actions aimed at recovery and overcoming the challenges

Methodology

We used qualitative and quantitative approaches to analysis. During the first stage of our study we conducted 4 expert interviews with top managers from various industries. During the second stage we collected inputs via online survey from top managers, HR function leaders and other business representatives (members of the American Chamber of Commerce in Ukraine).

Study timeline: 6 April - 13 May. The total number of participants - 44.

EXECUTIVE SUMMARY



Key findings (1/3)

- Only a quarter of the surveyed companies (25%) conduct operations in full, 65% have limited operations, and 8% - temporarily suspended their operations. At the same time, the vast majority of the companies (90%) have or previously had operations in regions that suffered from active combat.
- The biggest challenges in human resources management during the war are employees' safety (74%), supporting team productivity (56%), and ensuring the continuity of work processes (49%).
- The most relevant HR priorities include workload management (57%), real-time support and assistance to employees (57%), review of the workforce plan/organizational structure (49%).
- Most of the surveyed companies (67%) have not changed their headcount since the beginning of a full-scale war, nearly half of them (54%) do not plan such actions for the next 3 months. Nearly 28% of the surveyed companies have decreased their headcount, by 10% on median. The most cited reason for such change was forced migration/relocation of employees.
- Representatives of the companies note that the total workload has decreased - for all employees (31%) or for certain categories (41%).

Key findings (2/3)

- The vast majority of the companies paid salaries in full to all employees during February - April, but the share of such companies has been decreasing from month to month (due to more active introduction of partial payments for certain categories of employees).
- 41% of the companies that had a planned salary review in the period no later than the end of April (62%) implemented changes before the war started. Among those who had a planned review in the period after the beginning of May, 50% changed their plans due to the war.
- 81% of the companies support employees in Ukraine and abroad. Among financial aid the most popular are relocation assistance (79%), assistance with housing (79%) and monetary payments (67%). Among the non-financial aid the most popular are mental health support (70%), flexible schedule (70%), and volunteering opportunities during working hours (49%).
- Communication during the war became more intensive. The companies consider the inability to contact some employees through general communication channels to be the biggest communication challenge (50%). At the same time, 31% of the companies say that they have no communication problems.

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- According to the respondents, after the end of active combat, the following priority areas should be considered for the recovery in the area of human capital management:
- For the government - liberalization of tax and labor legislation, providing financial support for businesses, social support for people who return from abroad and for internally displaced people.
 - For companies - returning and retaining talent, focusing on employee well-being (including financial, physical, mental and social aspects), redesigning work processes to ensure better flexibility, recovering and transforming business operations to maximize social impact

SURVEY PARTICIPANTS



Profile of respondents

Role



Number of respondents - 40

Function

(for top management, middle management and non-management position)

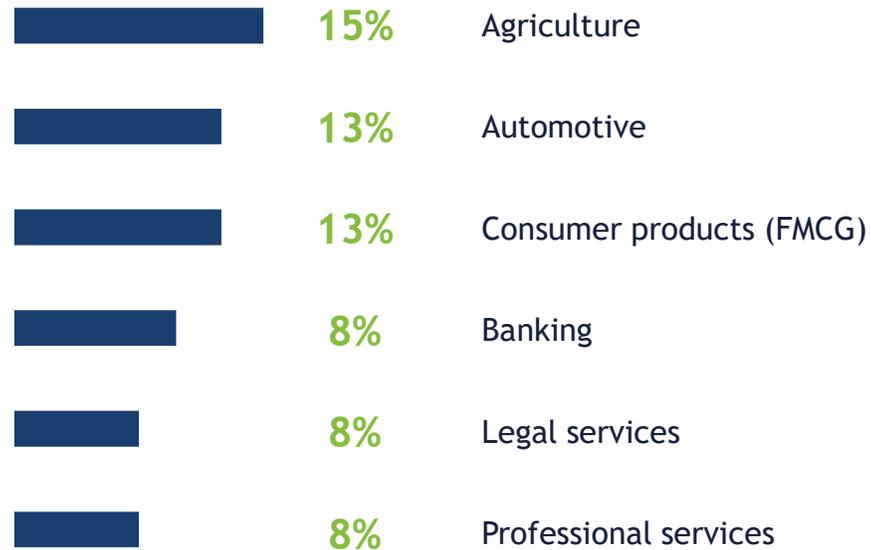


Number of respondents - 22

Profile of companies represented by respondents (1/2)

Industry

(the most represented)

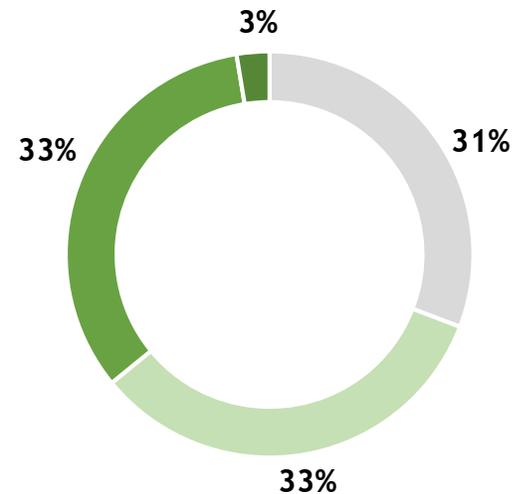


Survey participants also include representatives of such industries: pharmaceutical, telecommunications, health care, industrial products and construction, insurance, media, real estate, tourism, hospitality and services

Number of respondents - 40

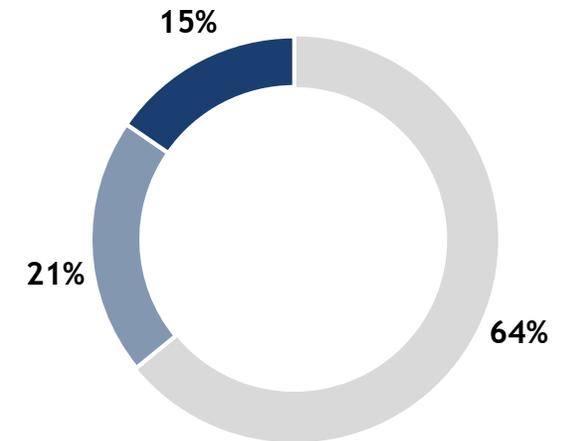
Size

(by number of employees in Ukraine)



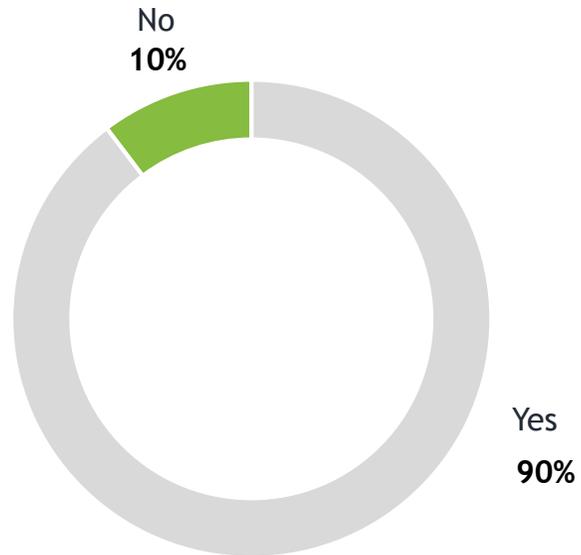
- Less than 100
- 101-500
- 501-5 000
- Over 5 000

Ownership structure

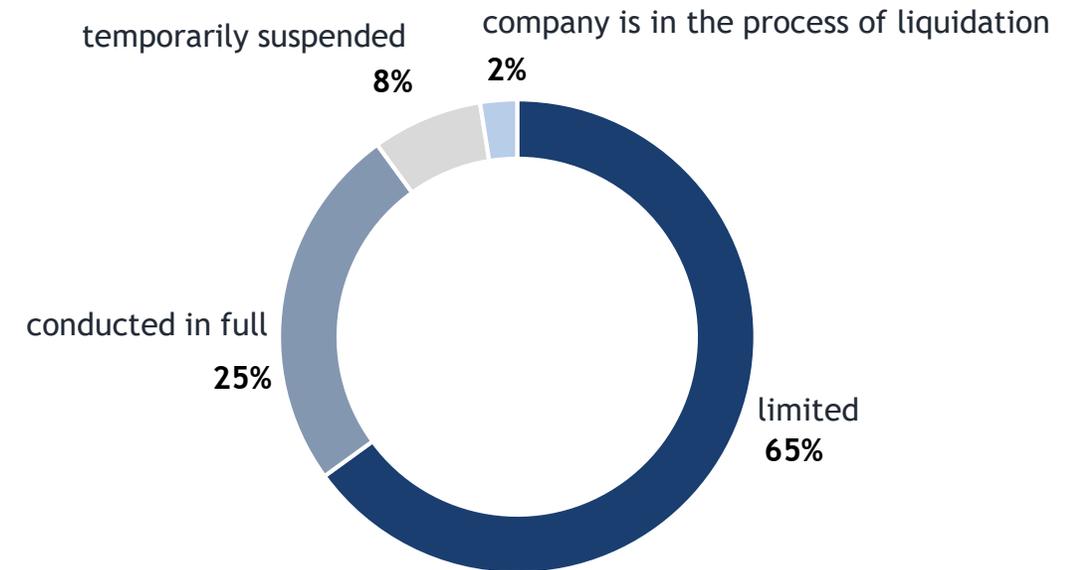


- Foreign investment
- Local investment
- Joint venture

Does the company's operations take place in the regions where active combat take/took place*?



Status of the current operations



* Chernihiv, Sumy, Kharkiv, Kherson, Mykolaiv, Zaporizhzhia, Donetsk, Luhansk, Kyiv regions and Kyiv

Number of respondents - 40

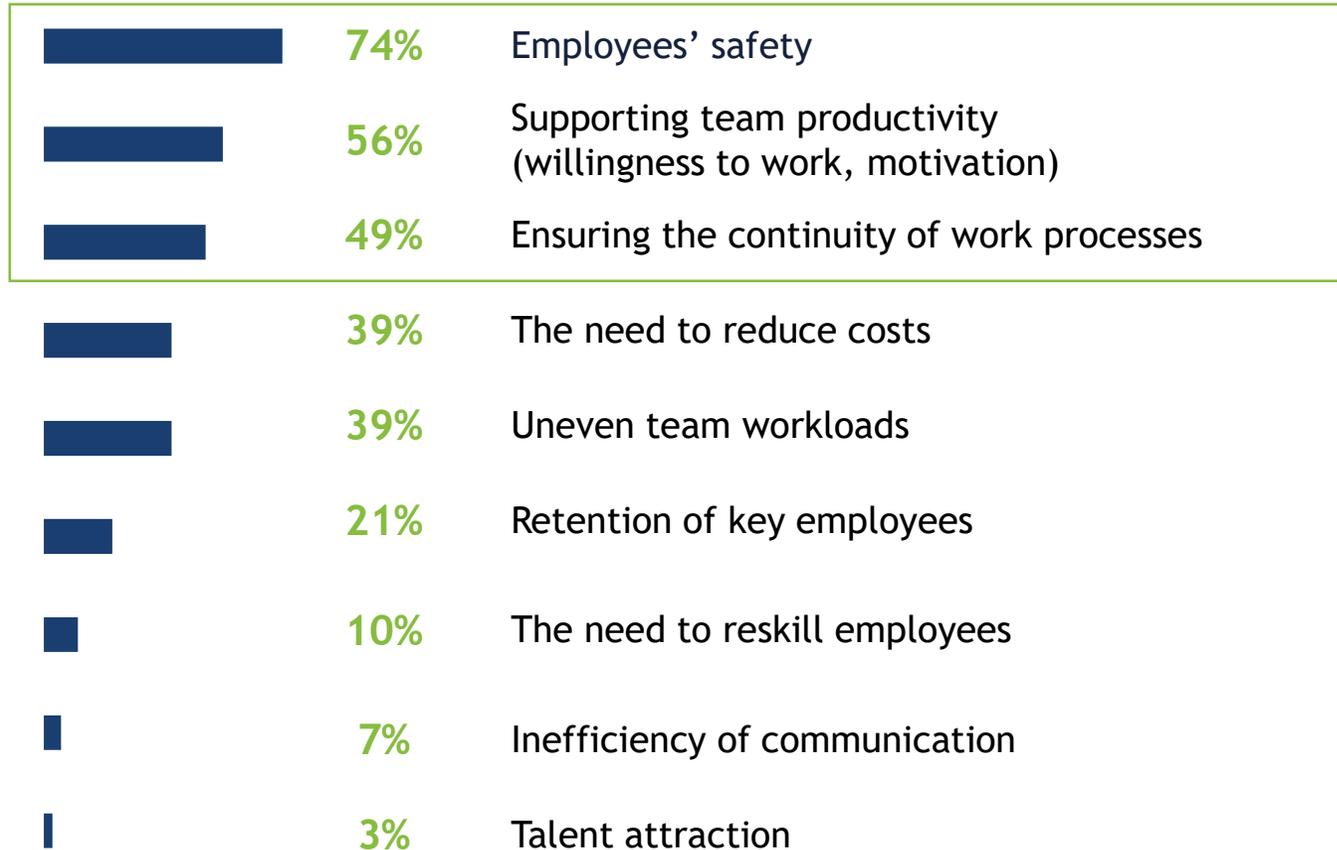
HUMAN RESOURCE MANAGEMENT DURING THE WAR

The period after the beginning of the active phase of a full-scale war (24.02.2022)



Current challenges in the field of HR management during the war

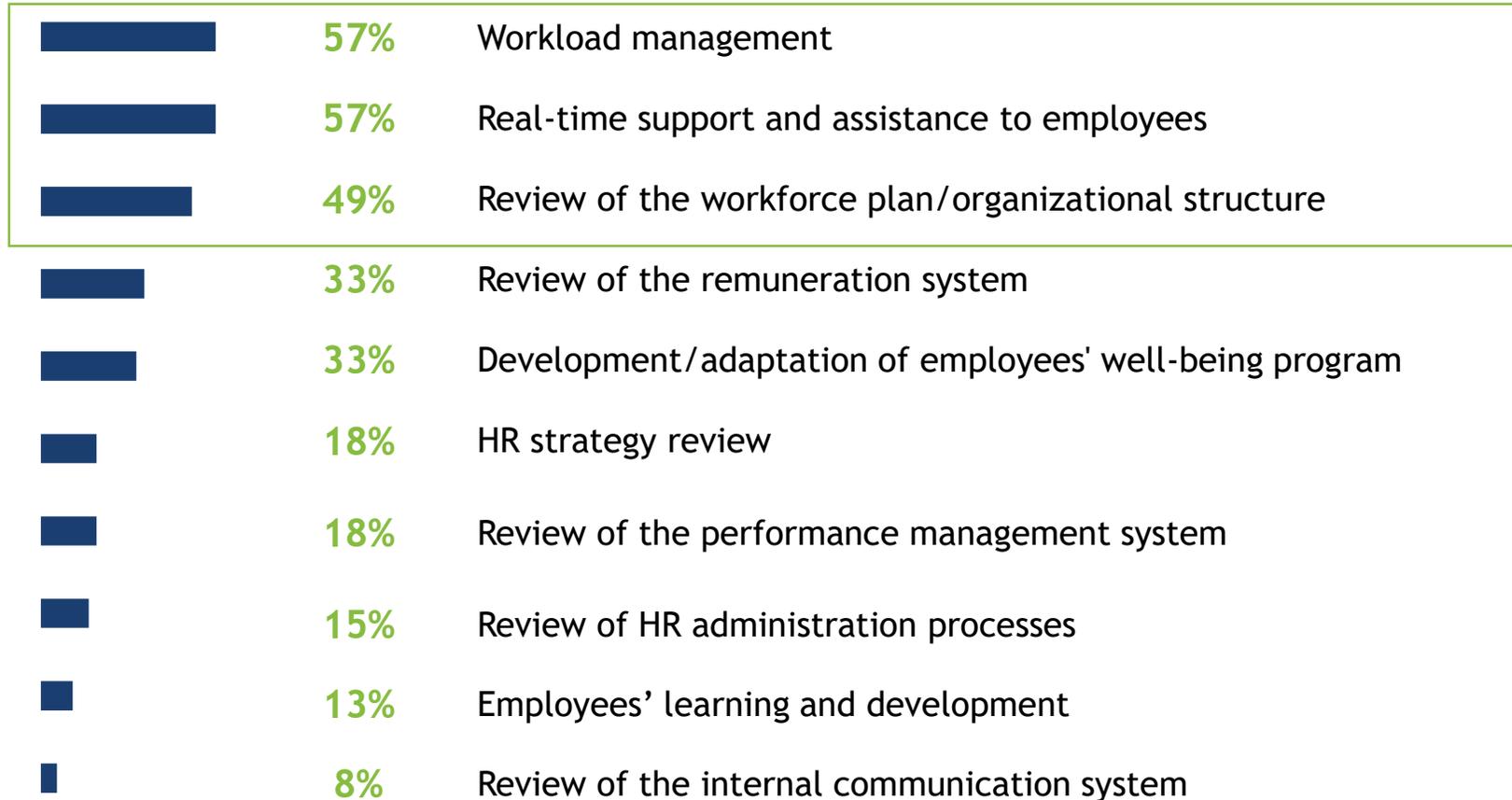
Respondents were asked to select top 3 factors that are the most important in their opinion



Number of respondents - 39

Current priorities of companies in the field of HR management

Respondents were asked to select top 3 factors that are the most important in their opinion



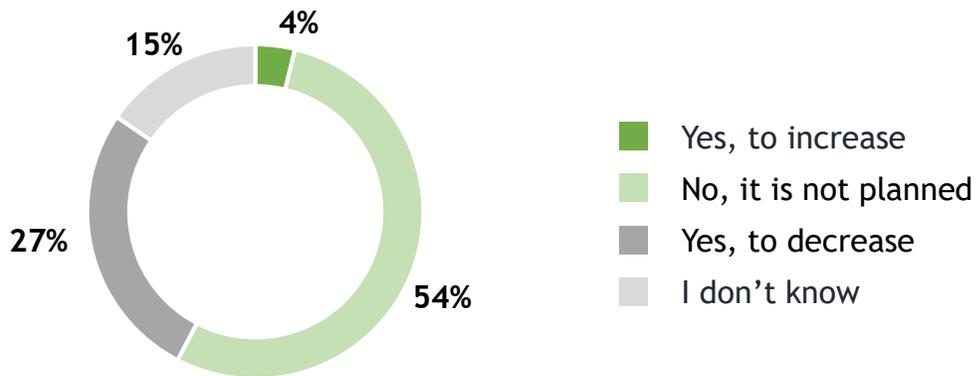
Number of respondents - 39

The headcount changes in the companies since the beginning of the active phase of the war



Number of respondents - 39

Do the companies, where the headcount has not changed, plan to review their work during the next 3 months?



Number of respondents - 26

In companies that report a decrease in the headcount, the number of employees has decreased by **10%** (median)

What are the reasons for headcount decrease*?

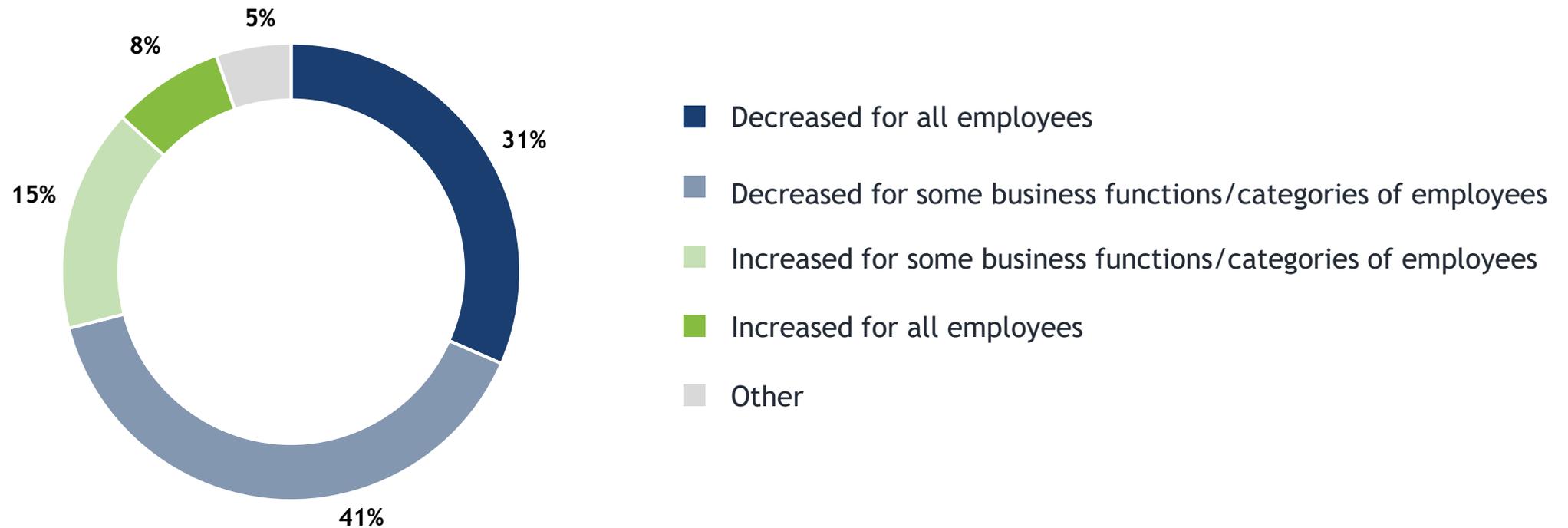
(from most frequently mentioned to least)

- Relocation/migration of employees
- Decrease/absence of workload
- Employees' own desire due to personal circumstances
- Employees' own desire due to better working conditions abroad
- Closing offices in the active combat zone
- Financial inability of the company
- Employees' own desire due to discontent with the company's policy

Number of respondents - 11

* respondents could select multiple options

How has the workload changed for employees?

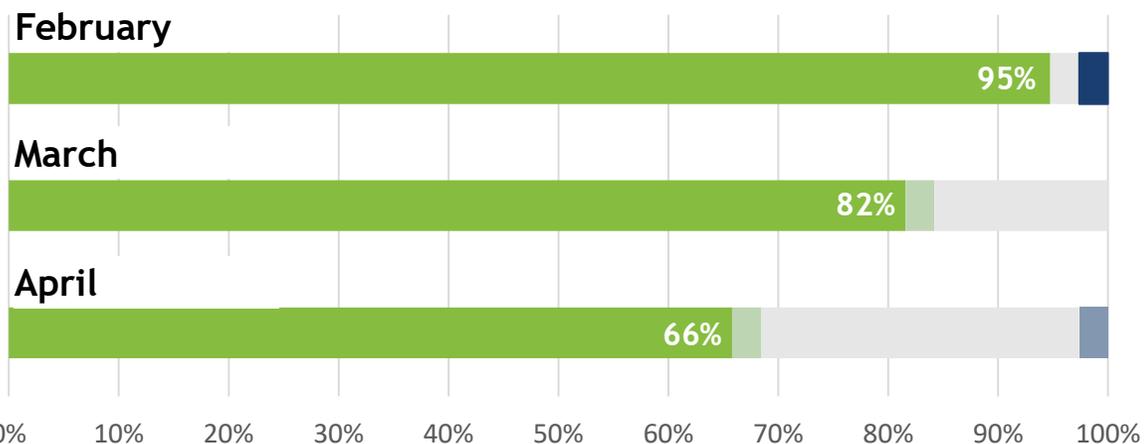


Number of respondents - 39

REMUNERATION



Salary payments to employees

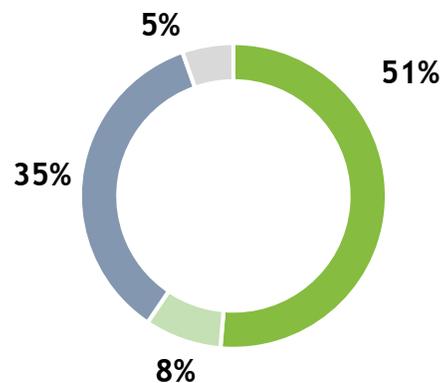


- Yes, for all employees in full
- Yes, for all employees partially
- Yes, for **some** employees in full, and for **some** employees partially
- Yes, for **some** employees in full, but **some** were Not paid at all
- Yes, for **some** employees partially, but for **some** employees were Not paid at all

**The option "Didn't pay to anyone" was not mentioned by the respondents*

Number of respondents - 38

Were salaries paid in advance for several months?



- Yes, salaries were paid in advance for all
- Yes, salaries were paid in advance for some employees
- No, salaries were paid according to the regular schedule
- Other

Number of respondents - 37

The median number of monthly salary payments in advance:

2

Number of respondents - 21

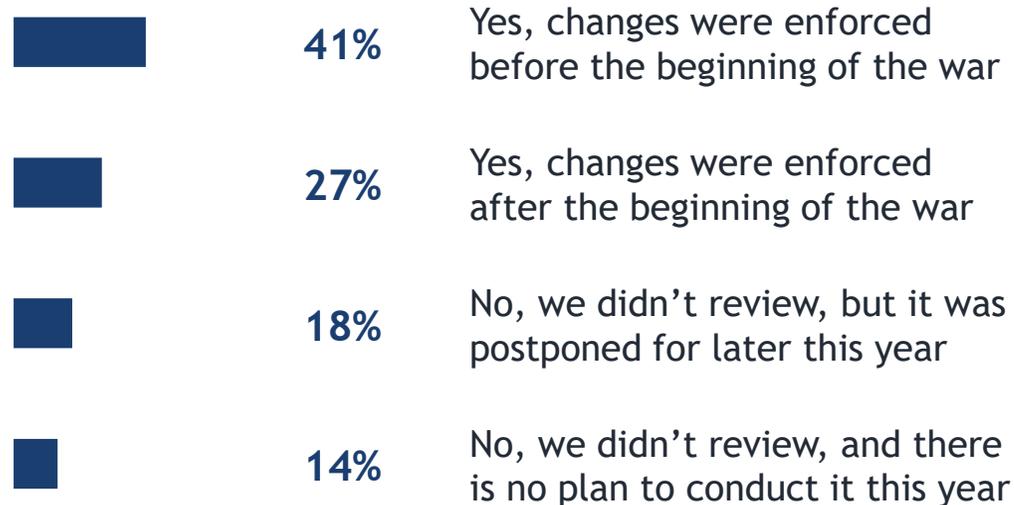
Planned review of compensation levels

When a planned review of the compensation levels for 2022 was scheduled (pre-war plans)?



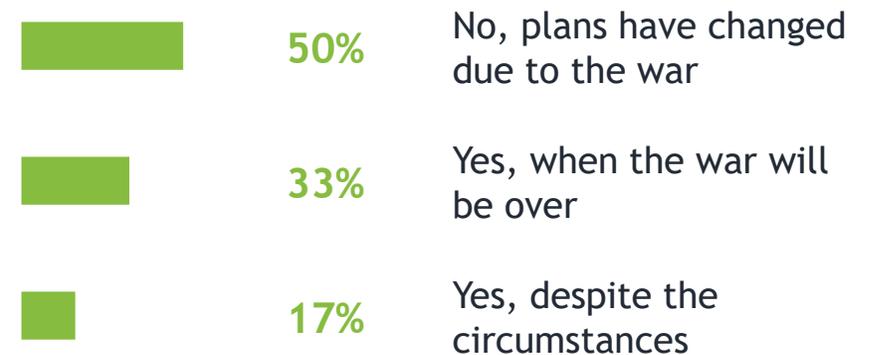
Number of respondents - 37

Have conducted a planned review in 2022?



Number of respondents - 22

Do plan to conduct a planned review in 2022?



Number of respondents - 12

SUPPORT TO EMPLOYEES



Support to employees – general approach

Representatives of the companies noted that close to **20%** of their employees are currently located abroad (median)

81%

Helping workers both in Ukraine and abroad

8%

Only help employees abroad

11%

Don't provide any support for employees

FMCG-company representative

"We launched a mental health support program in fall 2021. Currently we see that we need to raise the awareness about it, because our people are still not used to it, there were only a few requests. That is why we plan to start holding seminars and webinars on the importance of mental health support"

IT-company representative

"We also support partners who can work regardless of the location. We help them find clients abroad and actively promote Ukrainian partners among the European community. There are successful cases"

FMCG-company representative

"The cost of living abroad differs, we understand that, that is why people should be supported. We help with accommodation and provide other financial support. As for employees in Ukraine, unfortunately, there are those who lost everything - we paid them depending on the number of people in the family. We also provide financial aid to those who were drafted in the Armed Forces and to those in the Territorial Defense"

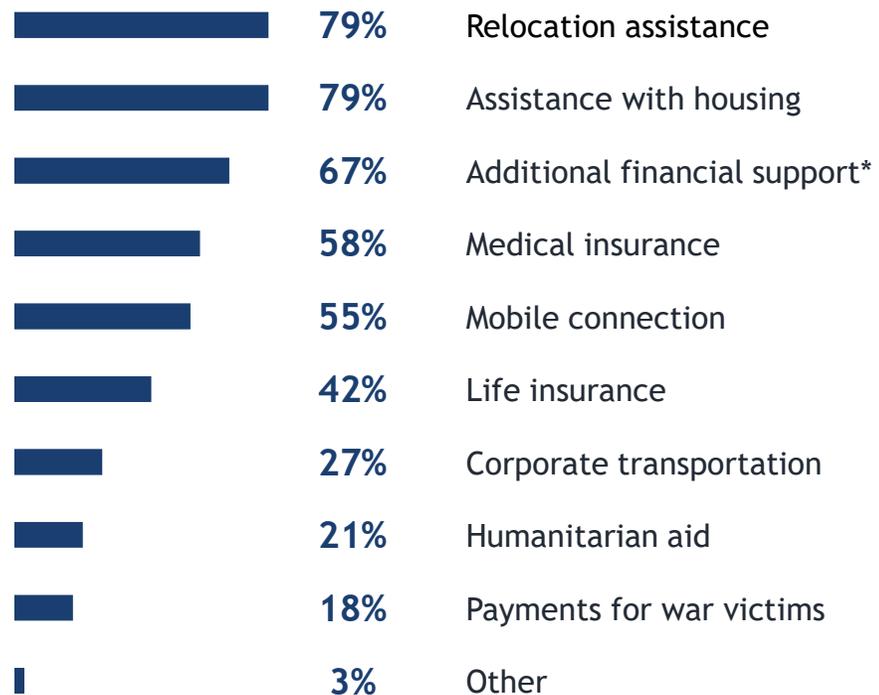
Number of respondents - 39

The quotes were translated into English

Support to employees - by type of aid

Respondents could select a few factors

Financial aid



Non-financial aid



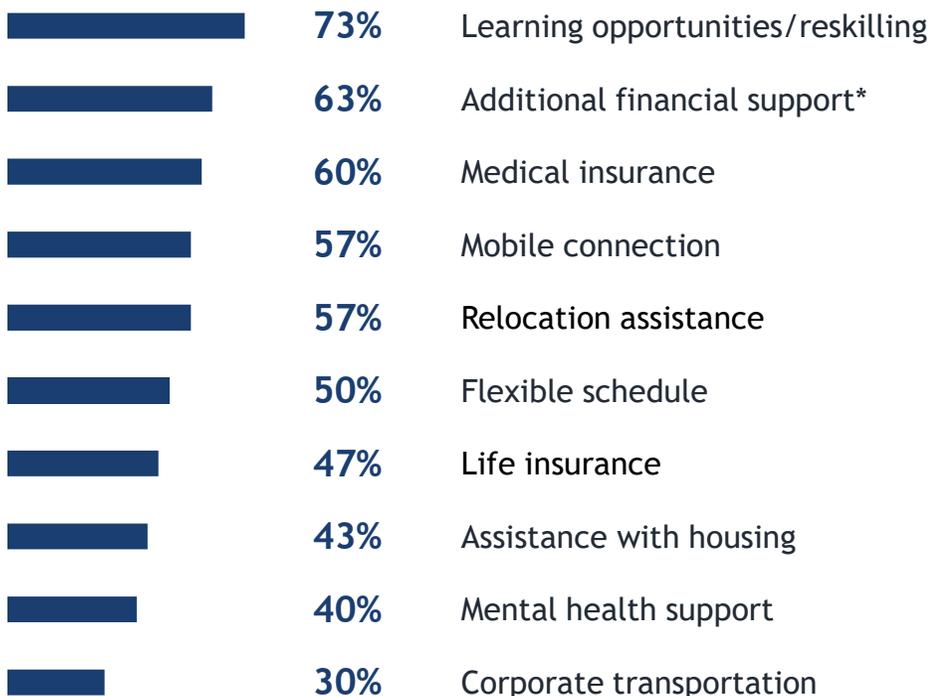
Number of respondents - 33

* including one-time payment in accordance with the salary base, assistance to those who are unable to work, monthly extra paid assistance, one-time assistance to those who were mobilized or those who are in territorial defense (from the open comments)

Support to employees – difference in approaches based on location

10 factors, that respondents were selecting most often

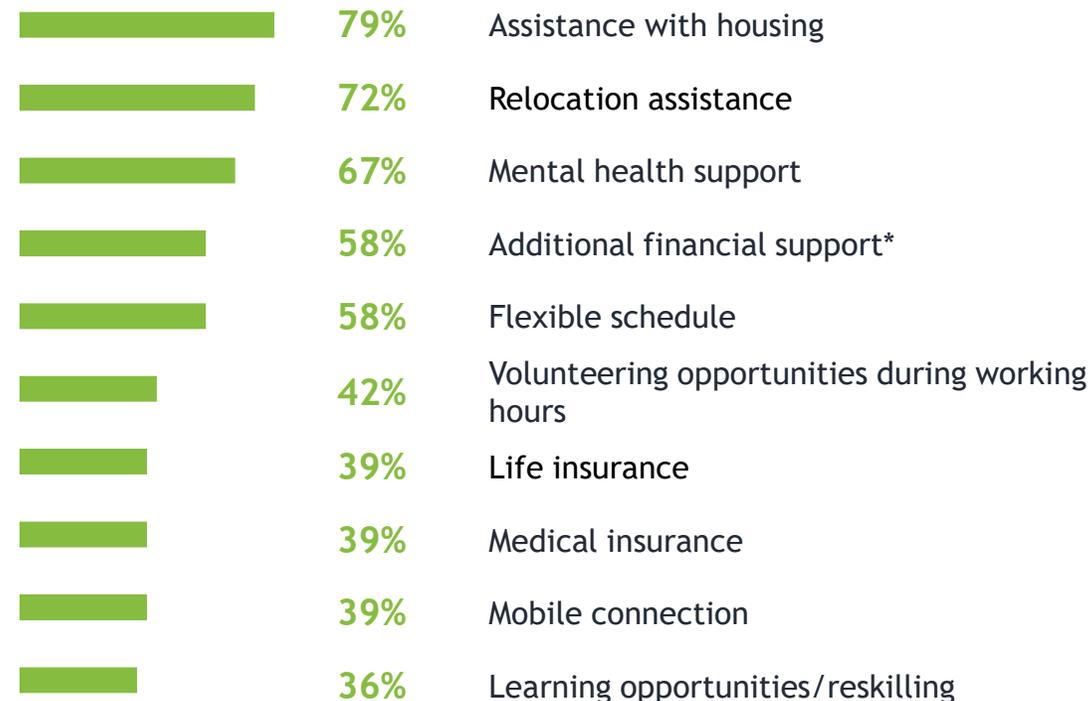
Employees in Ukraine



Number of respondents - 30

* including one-time payment in accordance with the salary base, assistance to those who are unable to work, monthly extra paid assistance, one-time assistance to those who were mobilized or those who are in territorial defense (from the open comments)

Employees abroad



Number of respondents - 33

CRISIS COMMUNICATION



Changes in approaches to internal communications management

How did the intensity/frequency of communication within your company change during the war?

Horizontal (between employees/divisions)



■ Became less intense

■ Has not changed

■ Became more intense

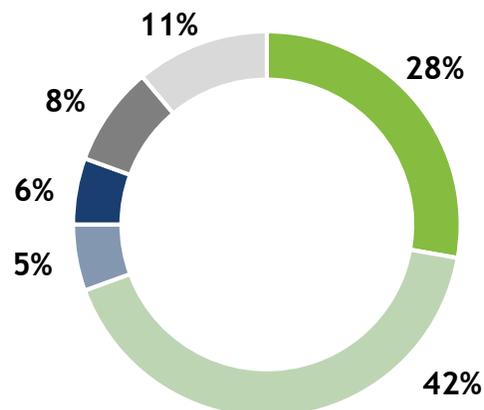
■ I don't know

Vertical (between supervisors and subordinates as well as at the general corporate level)



Number of respondents - 36

How often do you collect centralized feedback on current issues among employees?



■ Daily

■ Weekly

■ A couple of times per month

■ Monthly

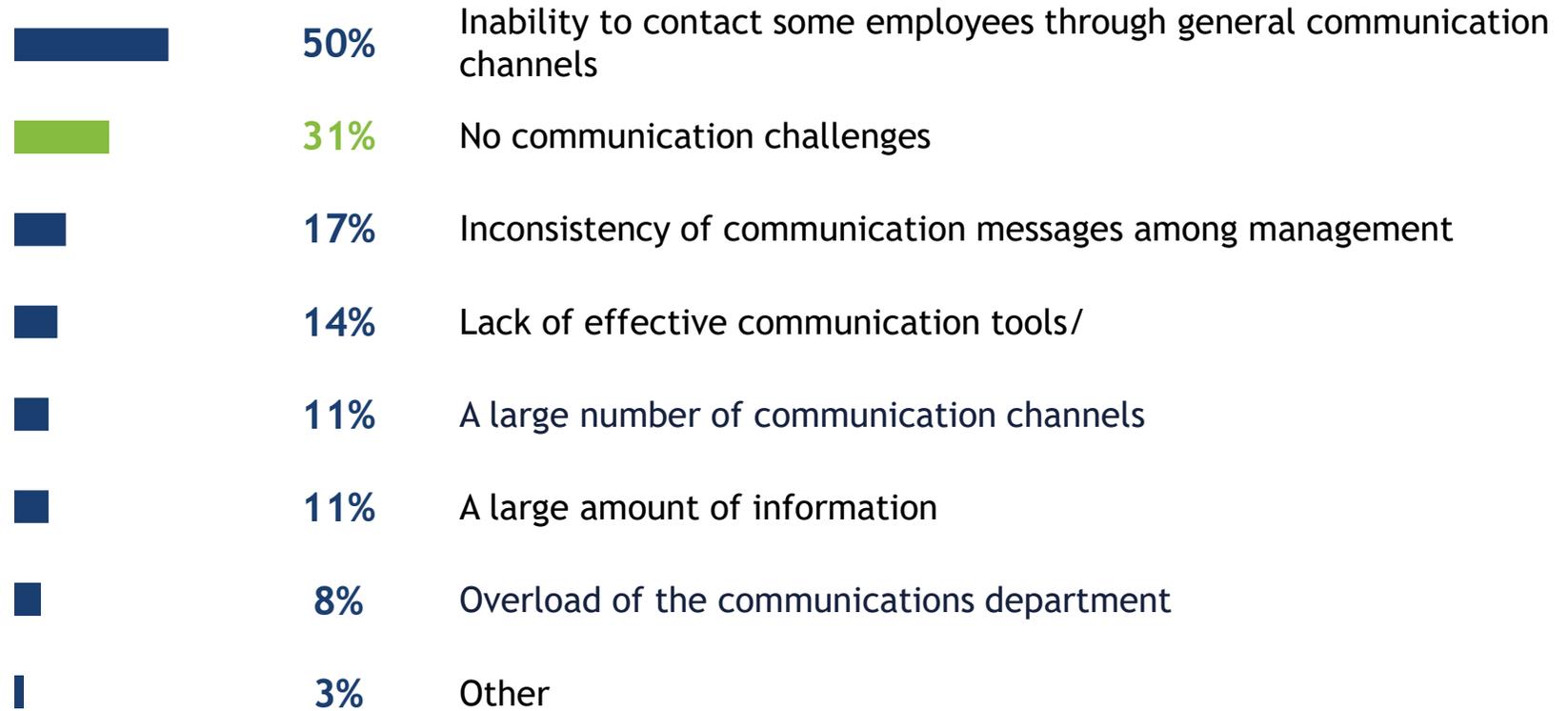
■ Feedback is not gathering

■ Other

Number of respondents - 36

Current challenges related to internal communication in companies

Respondents could select multiple factors



Number of respondents - 36

FUTURE PLANS



Priority areas of action for the government in terms of human capital management after the end of active combat (according to respondents)

“

Setting priorities for development across various industries, creating jobs (including remote work opportunities for those abroad), supporting reskilling, providing assistance for unemployed, restoring housing and infrastructure, providing medical assistance in rehabilitation.

*HR manager
at a telecom company*

*Number of respondents - 28
The quote was translated into English*



Business issues

- Liberalization of tax legislation
- More flexible labor law regulations
- Supporting economic freedom
- Developing motivational mechanisms for business, including financial support
- Overcoming corruption
- Supporting further digitalization



Social issues

- Creating jobs and ensuring fair salary
- Providing housing to people who have lost their properties
- Encouraging people to return and participate in rebuilding the country
- Providing social guarantees both for employees and for the business community that continue to operate
- Modernizing the education system
- Introducing mechanisms of non-financial support and motivation

Priority areas of action for companies in terms of human capital management after the end of active combat (according to respondents)



People

- Returning and retaining talent and key employees
- Restoring teams in terms of positions, where the expertise was lost
- Ensuring a competitive salary, at least at a pre-war level
- Focusing on well-being and mental health support of employees
- Restoring team effectiveness and readiness to work



Processes

- Implementing processes flexibility and optimization, hybrid working
- Digitalization
- Reviewing and balancing workload levels
- Ensuring efficient communication



Business activities

- Reviewing organizational structure and business functions
- Recovering production and sales
- Implementing financial stability mechanisms
- Solving challenges with logistics
- Focusing on social and economical impact of business for our country

There is a need for business recovery. This will contribute to the economy in terms of taxes and salaries. Companies need to focus on emotional stabilization of employees, designing effective organizational structure, restoring overall mental health .

*HR Director
at an automotive industry company*

Number of respondents - 28
The quote was translated into English

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