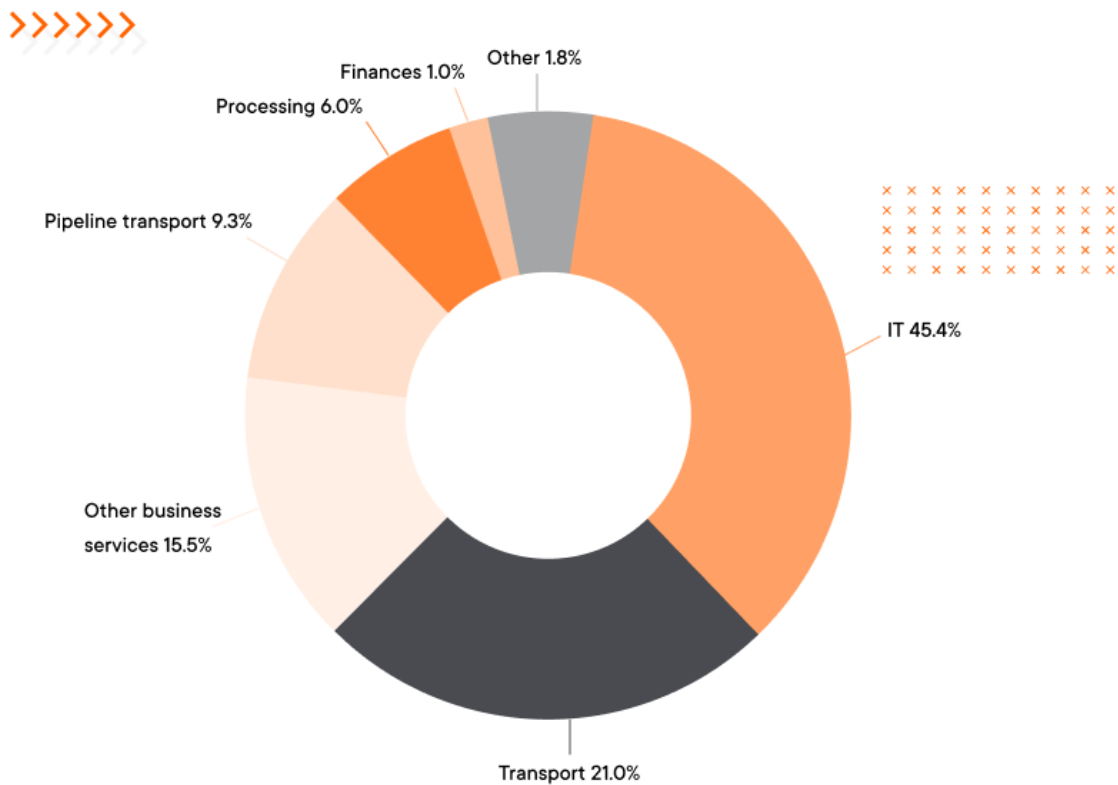


THE IMPACT OF THE GLOBAL RECESSION ON UKRAINIAN IT IN 2023: CHALLENGES AND THE FUTURE OF THE EXPORT OF SERVICES

The recession will affect one-third of the global economy in 2023, according to Kristalina Georgieva, director of the International Monetary Fund. The reason for this is the simultaneous slowdown of three large economies, the USA, the EU, and China. For Ukrainian IT, this external factor influencing its development is reinforced by an internal one, the war with the Russian aggressor.



Data from Opendatabot points to a winning position for IT in 2022 compared to all other exports of goods and services, which dropped by a third.

During the 11 months of the full-scale war, the IT sector received 7% more in exports than in the same period in 2021: \$6.6 billion compared to \$6.2 billion. These indicators changed significantly during the year, for example, in June and September there was a 7% decrease in exports. These fluctuations indicate the instability of the overall situation and prompt us to carefully look to the future.

At the end of 2020 and the whole of 2021, the labor market in Ukraine is often associated with the word "overheated" when the demand for specialists was much higher than the number of specialists needed. What was the reason? COVID-19 forced the world to switch to hybrid and remote work and created demand in the west for Ukrainian IT specialists, highly technical and cheaper than local ones.

And from the middle of last year until now, we have been witnessing a wave of mass layoffs at global tech giants such as Google, Microsoft, Twitter, Meta, Lyft, and others. As explained by Business Insider, the reason is a slowdown in business growth and an

increase in labor costs. Even those companies that have maintained growth rates are taking their time to hire and taking a more measured approach to certain parts of their business. Personnel policy is likely to freeze the company composition.

Besides suspending the scaling of projects and the companies' composition, cooperation with Ukrainians in Ukraine is at the top of the Risk Assessment for foreign partners and customers. This is despite all the measures taken by the companies to ensure the stable work of specialists on projects during shelling and power outages, relocation of teams, etc.

What challenges to expect and what companies and professionals should prepare for

The main concerns for companies will remain:

- safety issues of specialists and their mental well-being,
- a further adaptation of working conditions during the war to fulfill obligations to customers and clients,
- ways of attracting investors,
- other issues to be discussed below.

To solve the problems, changes in the legislation and close interaction of the state and the IT business are crucial.

For instance, it is about Diia.City, the development of the startup ecosystem, a focus on the development of military-tech projects to strengthen Ukraine's defense capabilities, and work on launching an e-residency for online business, but there is still a lot of work to be done. Business development issues such as the ban on IT workers traveling abroad and mobilization remain relevant. The issue of employee outflow is also acute, due to relocation in search of security. According to a survey and calculations by the Lviv IT Cluster, under a pessimistic scenario, up to 118,000 IT professionals may leave Ukraine after winning the war, which is more than 50% of the country's entire IT industry. Optimistically, the figure reaches 27,000 specialists or 12%. But this is on condition that the country sticks to its course of European integration, with the support of the West and reconstruction aid.

With these factors, the impact of the recession on the global economy, the slowdown in business growth, and the course of the war, one can conclude that positive developments in the IT sector can only be expected in the second half of 2023 when most initiatives will be implemented (or not when, but **if**).

As for companies, this means a period of stagnation, a focus on business stabilization, project preservation, optimization of resources, both financial and human, and a focus on internal branding. For IT professionals, this means further layoffs, changes in the average salary for some specialties, and a complicated job search under new conditions, as the candidate market has changed to the company market.

TRANSITION FROM THE MARKET OF CANDIDATES TO THE MARKET OF COMPANIES

Ukrainian IT experienced and withstood the most difficult period of turbulence. At a time when almost 40% of Ukrainians completely or partially lost their jobs, this share in the IT sector was about 6%.

According to the annual analytics of the Djinni job search platform, in June 2022 the number of candidates for the first time since the service's foundation, while the number of vacancies decreased significantly, with about 3 candidates per vacancy.

In 2022, the number of students who started studying IT specialties hit a record high. The free project for switchers, IT Generation, was also launched, and its schools received more than 200,000 applications from 50,000 Ukrainians, according to Mykhailo Fedorov, Vice Prime Minister, Minister of Digital Transformation. The training of specialists in courses offered by IT companies also went on. The number of IT beginners has been growing alongside the companies' suspension of scaling, and difficulties in attracting new investments, clients, and projects. At the same time, there is a shortage of middle and senior specialists in some areas. The global recession and the full-scale invasion have affected the specialties in various ways.

The demand is mainly for:

Frontend, QA, Backend

The most popular technologies include:

JS JavaScript

Java

PHP

C#/.NET

node Node.js

according to Djinni analytics

A wave of job cuts, both global and Ukrainian, a low number of vacancies and a large number of CVs, and a balanced approach to hiring enable companies to choose. As for candidates, though, it means higher selection requirements and lower salaries compared to 2021, when companies were willing to "overpay" to close a vacancy.

But should we assume that from now on, the employer brand is losing the power of the word "awareness" because being chosen is more important than choosing? The specialist's performance still depends on the working conditions, reputation, and attitude of the employer, while highly technical candidates remain demanding. Companies simply have to change their focus from the external labor market to the internal one.

CHANGE OF FOCUS FROM EXTERNAL TO INTERNAL BRANDING

The situation in the IT market and the country has shifted the focus from external to internal branding. The main task of the business is to keep people in the teams in full

force and to provide continuous services to clients and customers. This is a well-known principle in times of crisis, ensuring self-sustainability.

In addition to relocation programs aimed at helping to provide security for specialists' lives, this year, just like last year, companies have been spending resources and working to enhance well-being programs.

The long period of the pandemic and a year of full-scale war have greatly affected the psychological state of IT professionals. Employers identify such conditions as stress, burnout, and mental health issues as common among workers. The loyalty programs are increasingly focused on supporting emotional well-being.

This work can also be noticed in the increased demand for non-technical jobs: HR specialists, project managers, internal communication managers, and psychologists. These specialists oversee the organization of internal processes, culture, and microclimate in the team. Companies are increasingly hiring psychologists, both in-house and outsourced, to work with specialists to solve specific problems. The key thing that has happened is the revision of values, where human life and psycho emotional state have become a priority.

Companies with lagging well-being programs are losing out on the employer market. It is recommended to pay attention to this point when allocating resources.

Communication within companies has also changed. Companies that have open communication between owners and representatives and specialists, and timely communication of processes and events both within the business and in the world at large will have an advantage. How to implement it? For instance, at Yalantis, this is implemented through weekly meetings with company leaders in various ways: Town Hall with specific agenda, operational updates, and information on certain changes in the company's work; Open Hours with the COO in an open format, where everyone can ask any question about the company's future development plans and offer their vision of the processes. There can also be various AMA (ask me anything) sessions on specific topics and with certain specialists to provide comprehensive information and talk about the processes in your company.

It also makes sense to develop an emergency communication plan, which includes the creation of a rapid response team and authorized people to communicate during urgent situations and long-term crises. Rapid reaction, openness, and informative communications are important when working with the employer's brand, both externally and internally, as information spreads very swiftly.

Corporate responsibility is also important, as companies need to demonstrate their unequivocal position on the war with Russia, as well as work with the culture inside and make sure that their views coincide with the views of their employees. On LinkedIn, there are many calls for a company to pay attention to an employee who openly supports Russia's invasion of Ukraine while deeply condemning the brand for working with such professionals. These posts make it clear that it is impossible to separate oneself from the views of colleagues and that the actions of one person dramatically affect the reputation of the entire company.

If a business is aiming to evolve in the future, working on globalization, has plans to open new development centers, wants to maintain a healthy atmosphere in teams,

stabilize staff turnover, and attract talented new specialists, then working on the employer brand and investing resources in it is a must. The work on the employer brand should continue systematically, with the strategy being adapted to the realities and taking into account global trends. The business should have a strategy that is flexible and adaptive to changes monthly, but with a general vision of the goal for 5 years ahead and in line with its mission and vision.

In addition to the steps outlined above:

It is worth optimizing:



1. Realistic budgets.

Optimizing budgets according to realities is aimed at creating a financial buffer. Saving and accumulating is a logical response to unpredictable events. Also, it provides an opportunity to redirect funds to where they are needed right now without additional stress: to pay salaries to specialists at the bench and those who joined the Armed Forces; to buy generators, Starlinks, and eco-flow for offices, to develop relocation proposals, to solve individual cases of specialists, and in some cases to repair buildings suddenly after rocket attacks.

2. Human resources engaged in the processes

Currently, if the company is not expanding or even decreasing in size, with fewer internal activities and large-scale events, it is worth assessing the real workload of specialists, reviewing the involvement of people in processes, redistributing responsibilities in accordance with strategies, and determining the appropriateness of the number of people working on certain tasks and whether their skill level meets new needs.

3. Compensation packages and benefits

When creating an employer's value proposition, EVP, the following remain relevant: opportunities for development within the company, mentoring, equipped and tailored to the new realities offices, as well as health insurance, relocation, and well-

being programs. The last one focuses on the person, their life, and psychological support. In 2023, professionals will "forgive" the loss of such benefits as sports compensation or the lack of team building, but will point out the weak support for professionals and values that do not match their own.

An important leverage to influence the candidate's decision and part of the support for specialists is the relocation program. Accelerating globalization and opening development centers abroad is one of the reactions of the IT business to the war. Such changes also open up certain opportunities for employees, but they are not always available for various reasons. Financial, legal, and coordination support for the company in the decision to relocate those specialists who can cross the border is an advantage among many other benefits.

4. Financial contributions to support internal culture: corporate events, internal activities

All parts of internal culture have undergone transformations. Large-scale holiday gatherings and high-budget corporate events are definitely out of place. Realities change priorities. But this does not mean that we should completely abolish the organization and funding of informal events that used to have an entertainment function and helped build culture and relationships in teams. Such activities need to be rethought. In general, companies managed to do this last year. This year, events and gatherings will also be positively perceived and will have a positive impact on the atmosphere in the company and the brand overall, with the main idea of having joint fundraising for the Armed Forces; assistance to war victims, children, animal shelters; participation in projects to rebuild devastated locations, blood donations, charity auctions, etc.

5. Working with external awareness and PR

The most common sources of information about the IT sector and specific companies are specialized media and social networks. This fact gives an understanding of the importance of investing resources in external awareness and PR.

In collaboration with the media, the key point is to disclose the issues that are of the greatest concern to professionals and will attract media interest: the termination or suspension of cooperation with aggressor countries; plans to scale up and expand globally; recruitment and the conditions for getting a job; business sustainability; security and ensuring comfortable working conditions for professionals; volunteering, and values.

Social media should still emphasize the deeds that bring the country closer to victory but shift the focus to people and their stories, creating content that will reveal the functioning and transformation of internal branding. Companies need to review their social media analytics and determine how much engagement such posts receive over time. After all, the content of other brands is also devoted to military events, and it is necessary to find new topics to attract the audience: videos about the company's life, useful training collections, technical interviews with specialists, job advertisements, everything that will help to learn along with you, see the internal processes, how the company operates during the war, and answer the main question – whether it is possible to work with you.

To optimize finances for this part, you should participate in events and activities that will create content for organic publications. Or you can create useful and interesting materials that will encourage the media to publish them for free.

VOLUNTEERING DURING THE WAR AND ITS IMPACT ON THE EMPLOYER BRAND

As a rule, particular organizations and foundations do volunteering, but IT companies don't stand aside, because volunteering is one of the components of corporate social responsibility, which was briefly mentioned above. In turn, social responsibility is part of the brand and is a reflection of the attitude of business owners to important issues in the country. The effective implementation of projects in this area and their scale depends on whether the owner understands the need and feasibility of their implementation, as well as the availability of appropriate human and financial resources. After February 24, volunteering and helping the Armed Forces became part of the existence of almost any business and integral criteria for company evaluation.

Below, you will find out how companies can combine branding and volunteering and the benefits of such activities.

Own funds

Those companies that have the financial and legal capacity can create and operate their own funds. The work of such foundations directly or indirectly affects the owner's brand, as the name of the foundation will be inextricably linked to the company's name in the media.

Donating on behalf of the company and collaborations

Organizations can join large fundraisers in the form of donations on behalf of the company, or collaborate with foundations or companies with larger budgets, experience, and projects. In both cases, this is an opportunity to appear in the information space with a wide audience and attract the necessary attention.

Internal volunteer events

Each activity has periods of "burnout" and requires additional stimulation to continue effectively. If the volunteer community is experiencing a simultaneous increase in requests and a decrease in donations and the involvement of specialists in projects, it is worth developing incentive ideas and changing project formats.

Fairs and auctions work well. According to our own experience, items presented by specialists themselves are effective: English lessons, master classes, and unique handmade products.

Large-scale fundraisers can be closed during corporate events transformed into a new reality. For example, at Yalantis, at an informal meeting, the entire company announced a drone fundraiser in a hybrid format, which specialists closed within 3 minutes of the start of the fundraiser and did not stop donating until the end of the evening. The surplus funds covered some other requests from the volunteer center. A common big goal, limited by time and event, unites teams and positively stimulates and increases the level of cohesion. The event was well supported by social media experts, which added to the brand's organic awareness.

Intellectual volunteering can be another effective approach that requires the initiative of the business and its leaders. Individuals or entire teams can provide free technological and development services to the Armed Forces of Ukraine. This includes creating code or providing cybersecurity solutions, as well as website development, design, etc.

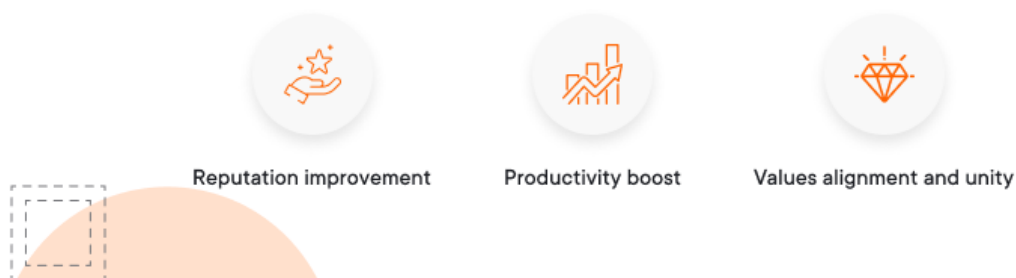
Yalantis has tried a new type of intellectual volunteering that helped raise about a million UAH in two days. On October 14 and December 26, the company made it a day off, and specialists came to work on projects at will. The company used the extra money earned on that day to cover the needs of the volunteer coordination center.

New volunteer formats significantly increase engagement even during periods of slowdown.

Involving foreign clients and partners in volunteering

If a company cooperates with international clients, it is possible to involve them in certain volunteer projects. In light of Western support, discussing initiatives and ways to help Ukraine is a good idea. The teams responsible for customer and partner relations can develop an appropriate communication plan.

What are the benefits of volunteering for an employer's brand?



Reputation improvement

Reputation directly affects a company's profits, opportunities for development, and capitalization. The Ukrainian community is currently highly sensitive to events, and people are willing to interact with positive and caring brands. By volunteering, the company creates a positive public impression of itself.

Productivity boost

Volunteering is about changing yourself and taking on new roles. Active participation in projects that bring Ukraine's victory closer is accompanied by a greater level of satisfaction. This is often mirrored in the increased motivation of professionals and better performance in their day-to-day work.

Values alignment and unity

Volunteering is a way to put a company's values into practice. Common values shared by all members of the company have a positive impact on the atmosphere and culture, create powerful emotional connections, and build strong teams.

CONTRIBUTION TO YOUTH EDUCATION: AN INVESTMENT IN THE FUTURE

High-quality technical education in Ukraine, cooperation between private IT companies and universities, and free opportunities at the state level create a solid

foundation for the development of the IT industry. Despite the decline in the number of vacancies for youth, and the slowdown or freezing of team scaling, the situation will change significantly after the victory. Ukraine, as a brand, is already a symbol of resilience and adaptability to any conditions. This will have a positive impact on the willingness of foreign investors, customers, and partners to cooperate.

Therefore, recalling the surveys and calculations of the Lviv IT Cluster, which show that, under a pessimistic scenario, more than 50% of the country's entire IT industry may leave Ukraine after the war is won, one can guess what role new personnel will take.

The development and support of the youth, the development of training programs, the start or continuation of cooperation with universities, and the creation of jobs for beginners, where possible, are important to be considered now. These actions are an investment in the future of the industry and the company.

A strong university environment is essential for the development of the industry. It's necessary to start from the first year of study. This is where future talent is formed, and companies will soon be eager to hire them when the demand for young professionals increases. To retain a good junior specialists, companies need to grow them from students and trainees. This strategy is a win-win for beginners, universities, and companies.

The way to improve the quality of education is to:

- provide universities with their own practitioners to teach certain materials;
- involve experts in the development and modification of educational programs;
- offer new solutions to upgrade higher technical education;
- work with students' awareness;
- organize information events and themed meetings for students.

The strategy should also include working with teachers, getting them acquainted with IT trends, and new projects that can be integrated into the curriculum, and organizing free professional development courses.

CONCLUSION

With the changing market of candidates for the company market, being chosen is as important as making choices. If a business is going to scale and move towards globalization, increase profits and success, and achieve goals with a strong, high-tech team, it is crucial to understand how the brand impacts it.

Times of turbulence and constant change, when old methods and solutions don't work, budgets are shrinking, and results are not instant, can be an obstacle to continuing to develop an employer brand. But thoughtful leaders see this as a challenge, rather than an obstacle. The new challenge is an exhilarating experiment, and the way to overcome it is to fight against outdated assumptions about work organization and beliefs that new approaches are unimplementable.

Changing the focus to internal branding, taking care of their teams and being open, optimizing resources, new projects and forms of interaction with the public through accessible media, developing volunteer programs, and investing in training for beginners

are what strategy implementers need to work on to achieve their goals in the conditions of recession and war. Success will come from the synergy of leaders and teams working on the company's brand.