Trends and challenges in reward

Romanian pay practices in a global and regional context

24 March

MIRKA STRAATHOF



Diversity and commonalities in CEE

Central and Eastern Europe (CEE) is a large region with diverse characteristics, but the countries and pay markets also share many commonalities. Still we cannot say there is a CEE pay market or practice.

Hay Group has offices and employees in all CEE countries and conducts annual pay surveys to capture specific trends and changes in these markets.

Key highlights from the 2014 data that this presentation is based on:

- **6100 participating organizations**
- **Over 4,2 million incumbents**
- **Across 26 countries**
- **From all industry sectors**

© 2015 Hay Group, All rights reserved

Structure of presentation

1. Economic outlook in the region
2. Pay level gaps (West vs East, manager/clerk, men/women, regional)
3. (Real) Annual salary increases
4. Total Remuneration and benefits
5. Total Reward
6. The impact of line managers in reward program implementation
7. Conclusion and questions

© 2015 Hay Group, All rights reserved

Economic Outlook in CEE

	Nominal GDP (US$ at PPP) 2014 (bln)	GDP per head ($ at PPP) 2014	Real GDP growth rate, %			Unemployment rate 2014	Inflation 2014	Population (millions) 2014
			2013	2014	2015			
Azerbaijan	166,5	17570	5,8	2,3	1,9	5,4	1,6	9,476
Belarus	171,8	18340	0,95	1,6	2	n.a.	18,4	9,368
Bulgaria	118,1	16480	1,07	1,5	1,8	11,2	-1,4	7,168
Czech Republic	314,1	29250	-0,7	2,2	2,9	7,7	0,4	10,74
Estonia	35,8	27180	1,63	1,8	2	7,5	-0,1	1,3158
Greece	289,3	25990	-3,9	0,8	1,7	26,8	-1,3	11,13
Hungary	243,1	24480	1,53	3	2,4	7,1	0	9,931
Kazakhstan	404,1	23250	5,89	4,3	3,1	5	6,6	17,38
Latvia	41,7	20450	4,22	2,3	2,9	9,5	0,7	2,038
Lithuania	79,6	26950	3,26	3	2,9	10,8	0,2	2,954
Poland	943	24490	1,55	3,3	3,1	12,3	0,1	38,5
Romania	385,9	17830	3,52	2,8	2,9	7	1,1	21,64
Russia	3519	24730	1,31	0,5	-3,5	5,2	7,8	142,3
Slovakia	148,8	27610	1,43	2,2	2,6	12,6	0,3	5,39
Turkey	1487,4	19560	4,062	3	4	9,9	8,9	76,04
Ukraine	372,8	8290	0,25	-7,8	-3	8,9	12,1	44,99
EU (27)	18388,717	26309,66	4,13	5,36	5,58	10,55	0,48	509,2279

2014: estimation 2015: forecast all data are from january 2015

Whilst every effort has been taken to verify the accuracy of this information, neither The Economist Intelligence Unit Ltd. nor its affiliates can accept any responsibility or liability for reliance by any person on this information. "The Economist Intelligence Unit" and "EIU" are registered trademarks of The Economist Newspaper Limited.

© 2015 Hay Group, All rights reserved

Ease of doing business in CEE



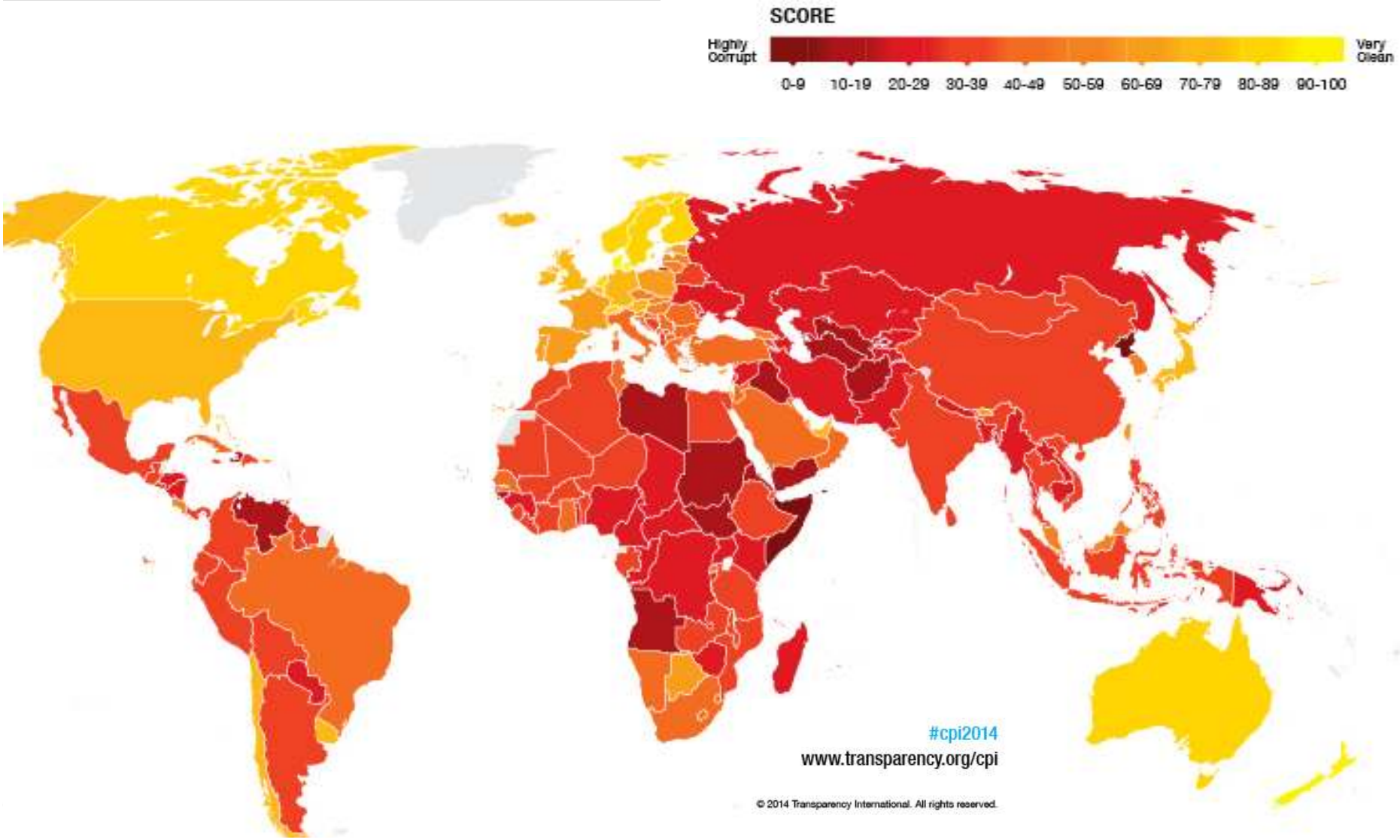
Country	Rank
Georgia	15
Estonia	17
Latvia	23
Lithuania	24
Macedonia, FYR	30
Poland	32
Montenegro	36
Slovak Republic	37
Bulgaria	38
Israel	40
Czech Republic	44
Armenia	45
Romania	**48**
Slovenia	51
Hungary	54
Turkey	55
Belarus	57

Country	Rank
Greece	61
Russian Federation	62
Moldova	63
Cyprus	64
Croatia	65
Albania	68
Kosovo	75
Kazakhstan	77
Azerbaijan	80
Serbia	91
Ukraine	96
Kyrgyz Republic	102
Bosnia and Herzegovina	107
Uzbekistan	141
Tajikistan	166

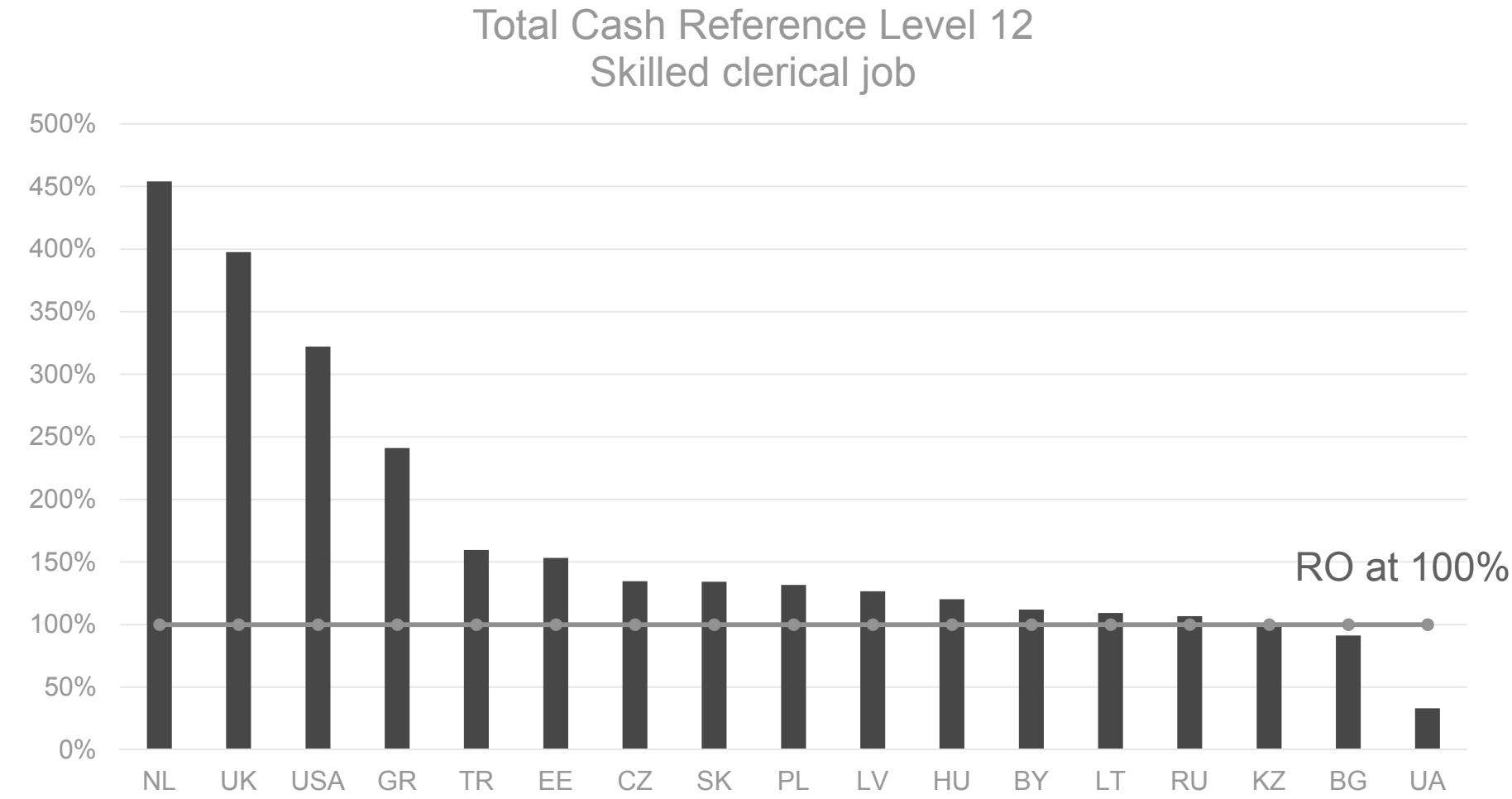
© 2015 Hay Group, All rights reserved

Source: World Bank

Global Corruption Index

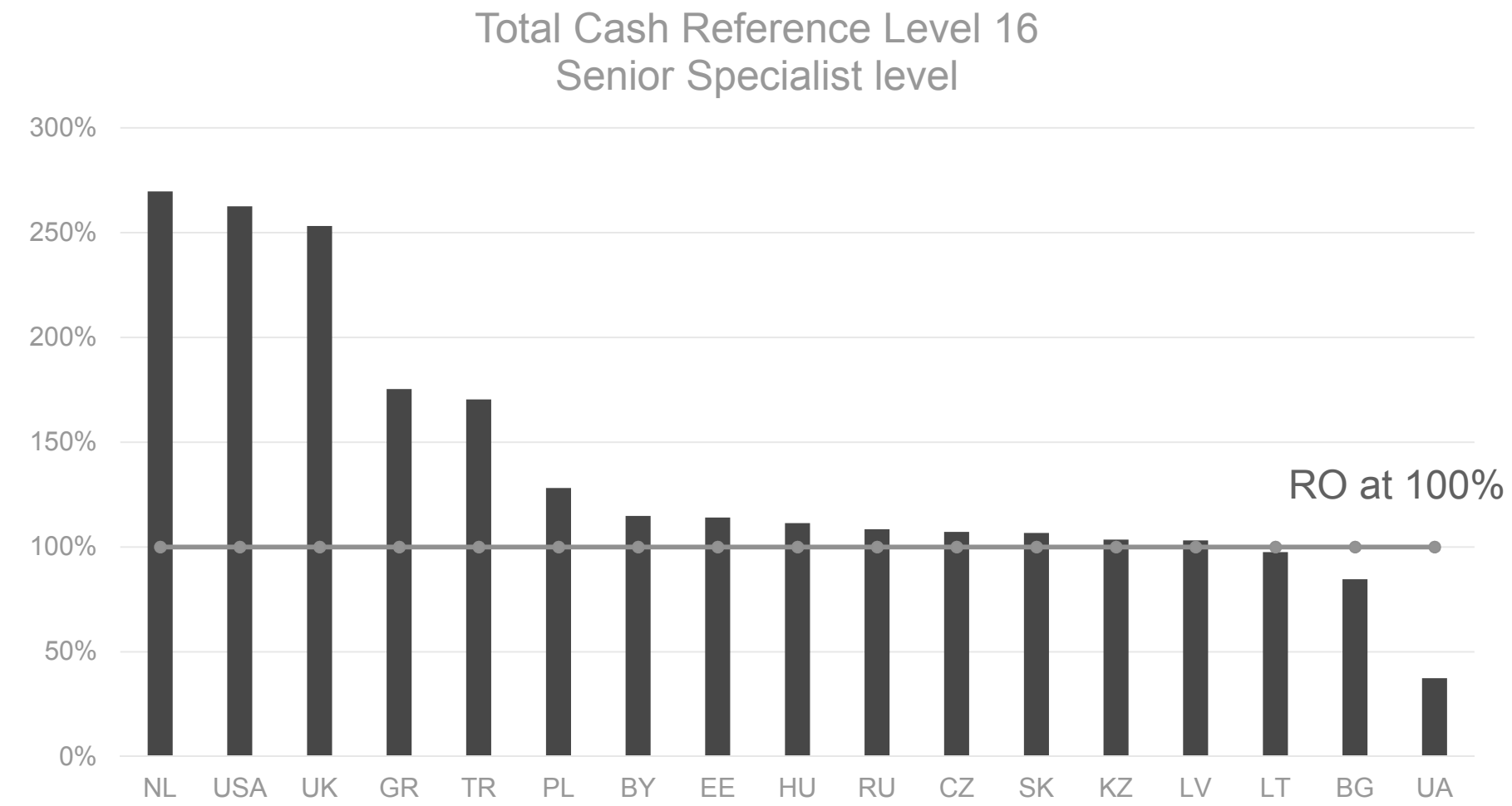


Still apparent gap in total cash levels between the West and CEE



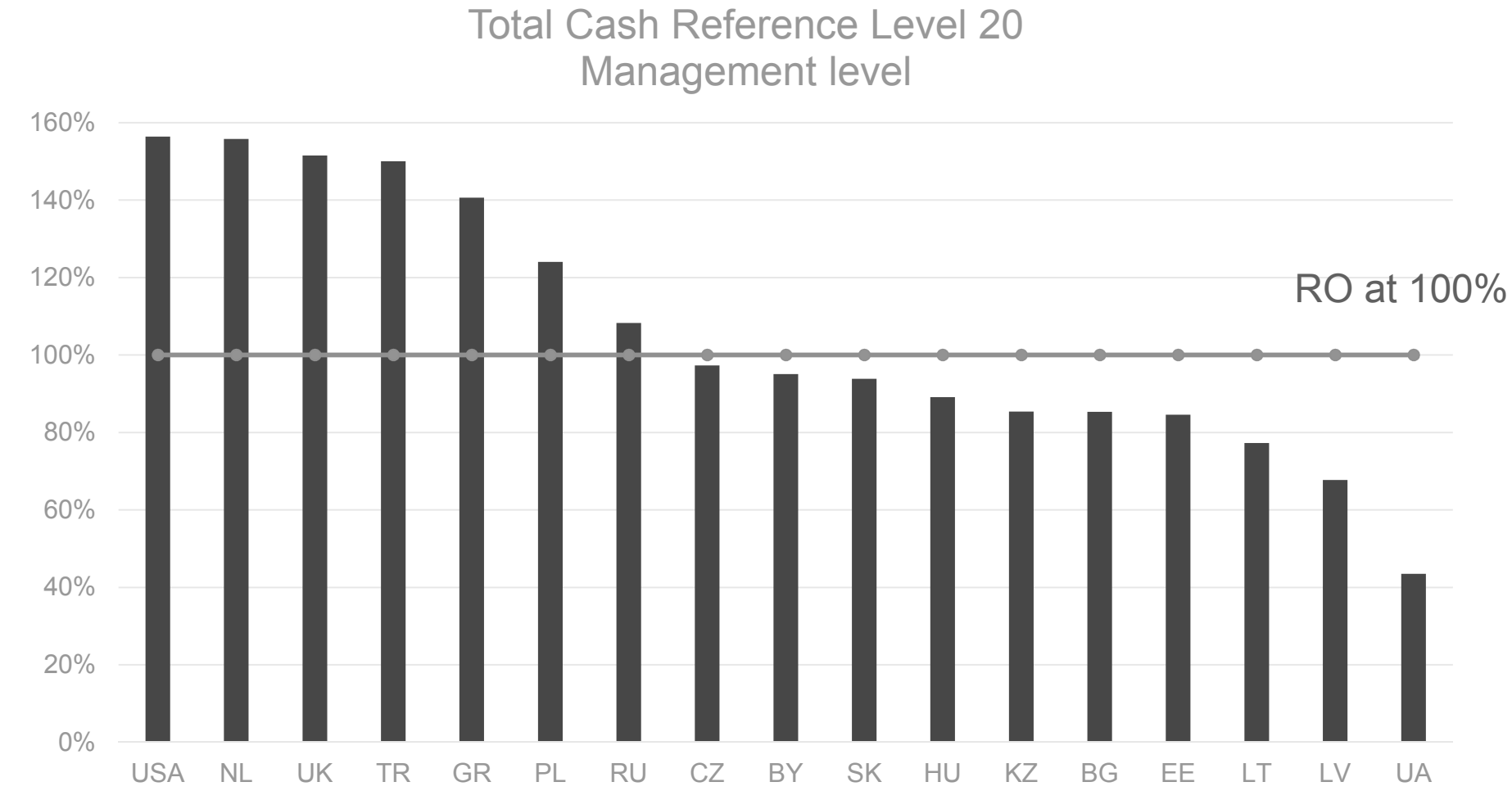
© 2015 Hay Group, All rights reserved

Still apparent but smaller gap



© 2015 Hay Group, All rights reserved

The gap decreases at management levels



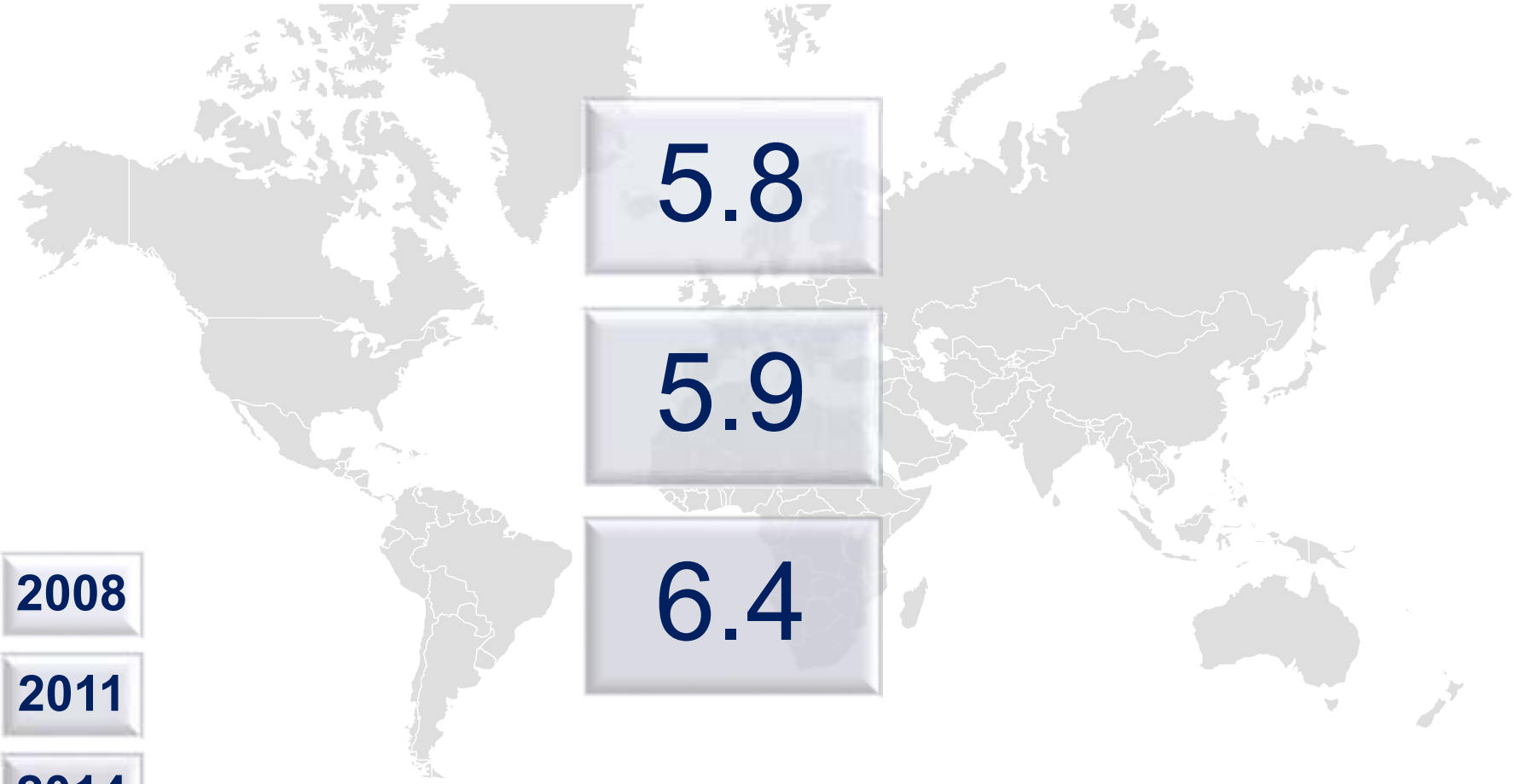
© 2015 Hay Group, All rights reserved

HayGroup®

Base salary inequity rate is calculated as

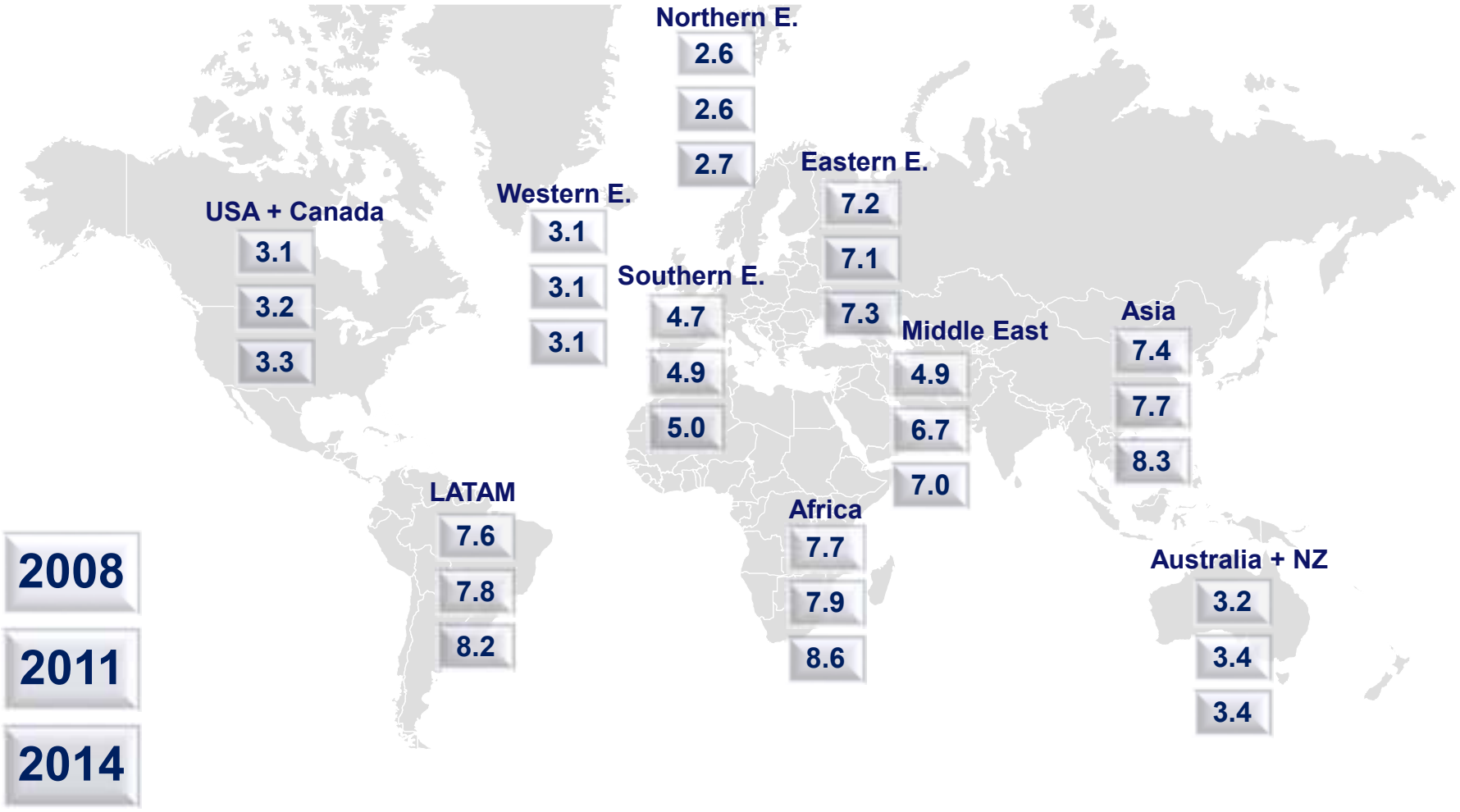
$$\frac{\text{base salary level 20 (managerial)}}{\text{base salary level 12 (skilled clerical)}}$$

Base salary inequity rate – global average



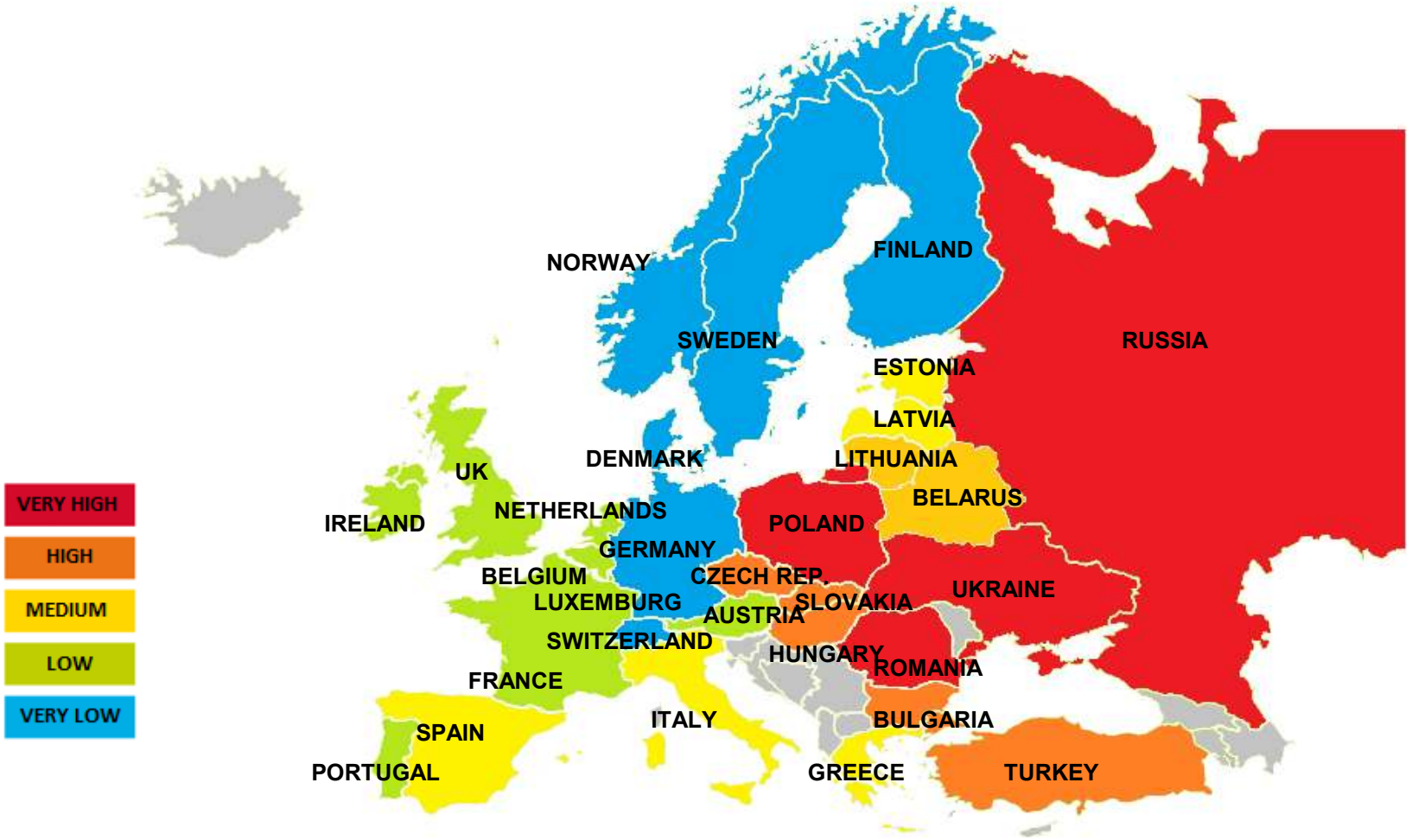
© 2015 Hay Group, All rights reserved

Base salary inequity rate – in world regions



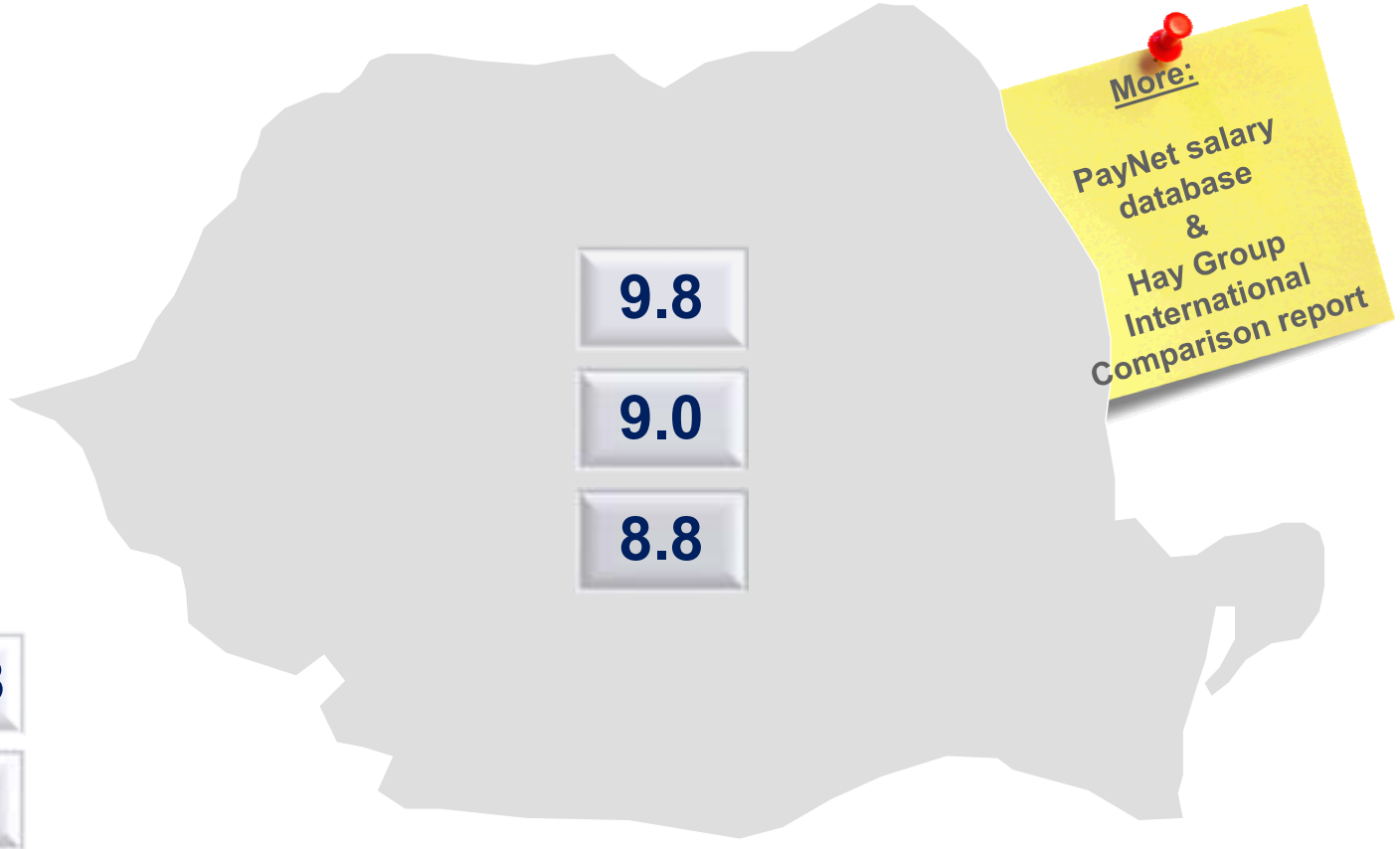
© 2015 Hay Group, All rights reserved

Pay gap between senior management and clerical roles is higher in CEE than in Western Europe



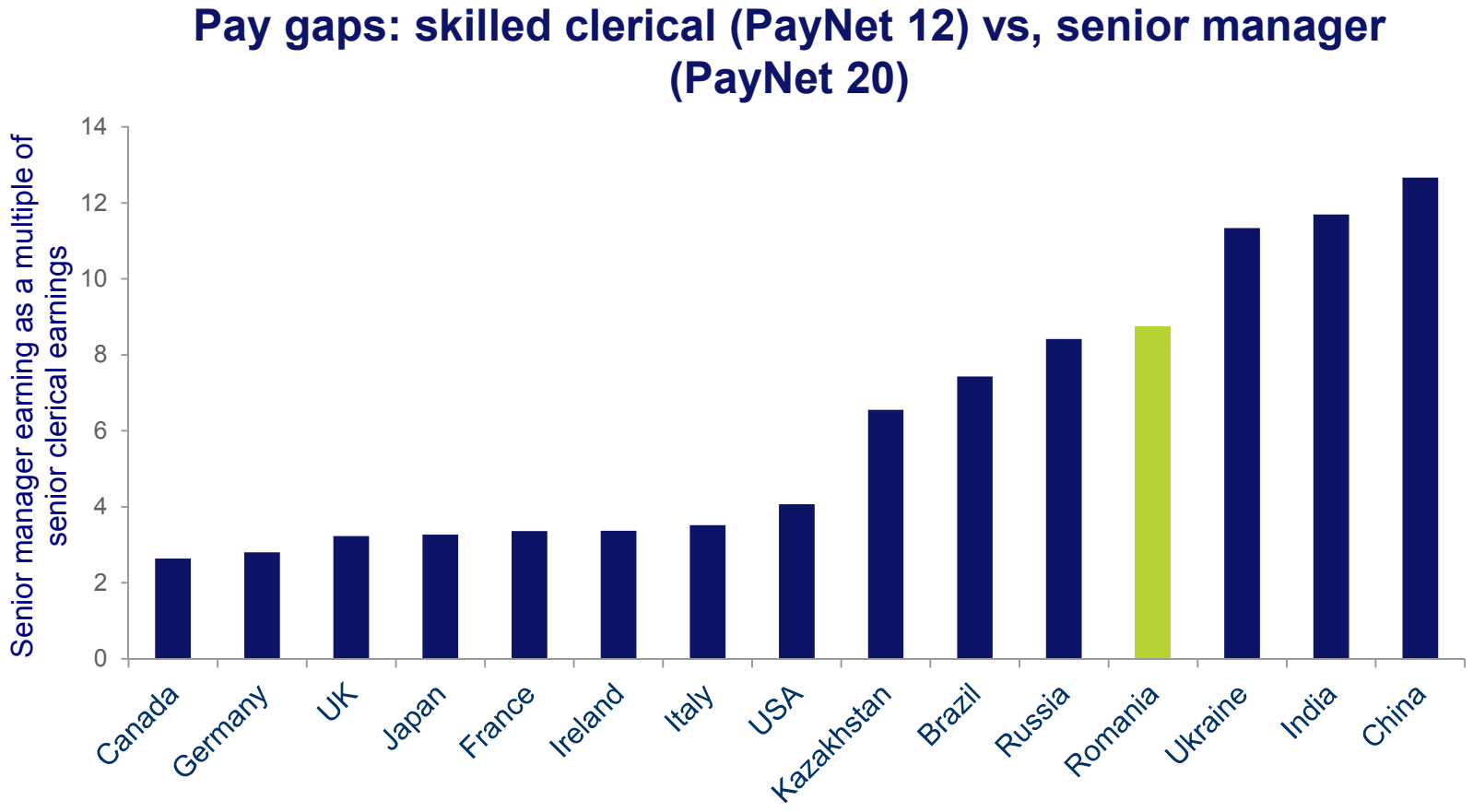
© 2015 Hay Group, All rights reserved

Base salary inequity rate – in own capital



© 2015 Hay Group, All rights reserved

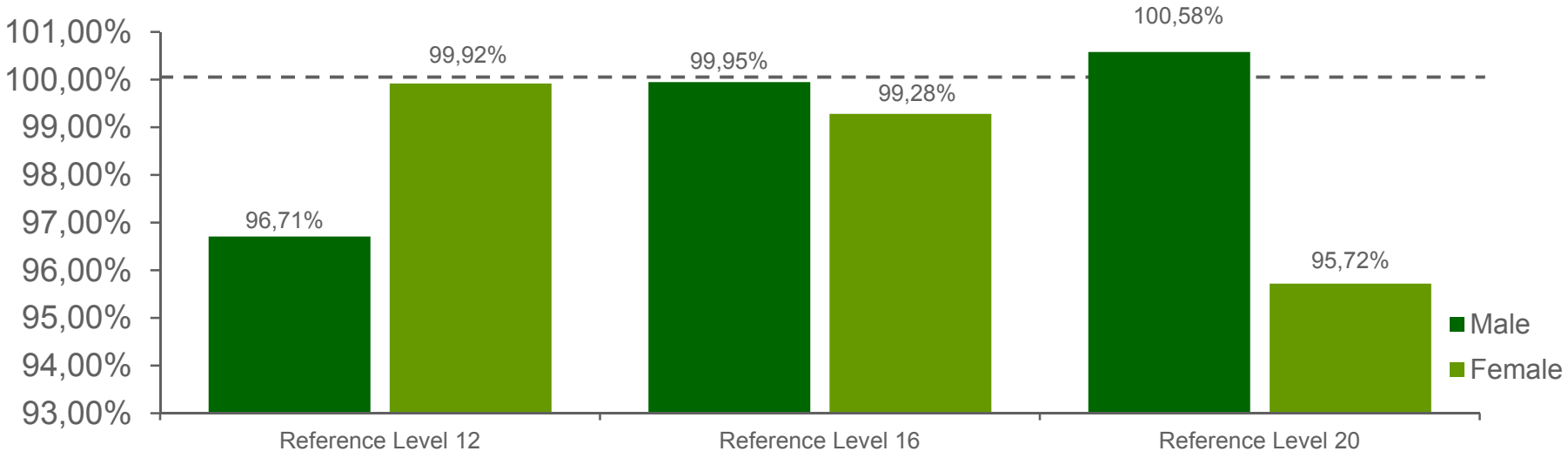
Pay gap larger in emerging countries



© 2015 Hay Group, All rights reserved

Differences between male and female

Romanian landscape: gap between Male and Female, General Market is 100%



Note: For this comparison we use pay weighted average pay market is 100%)

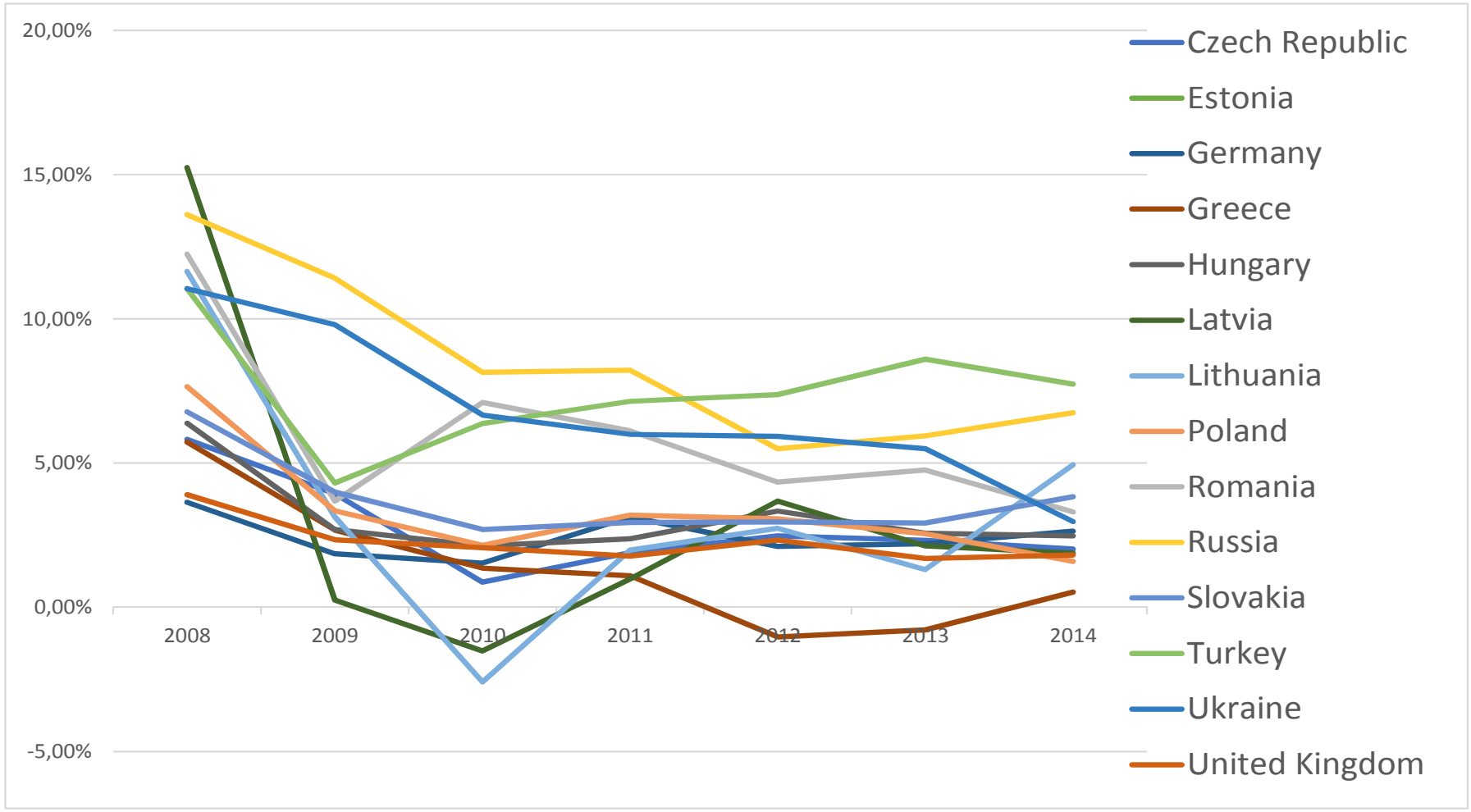
© 2015 Hay Group, All rights reserved

In most CEE markets large differences between the capital and the regions exist



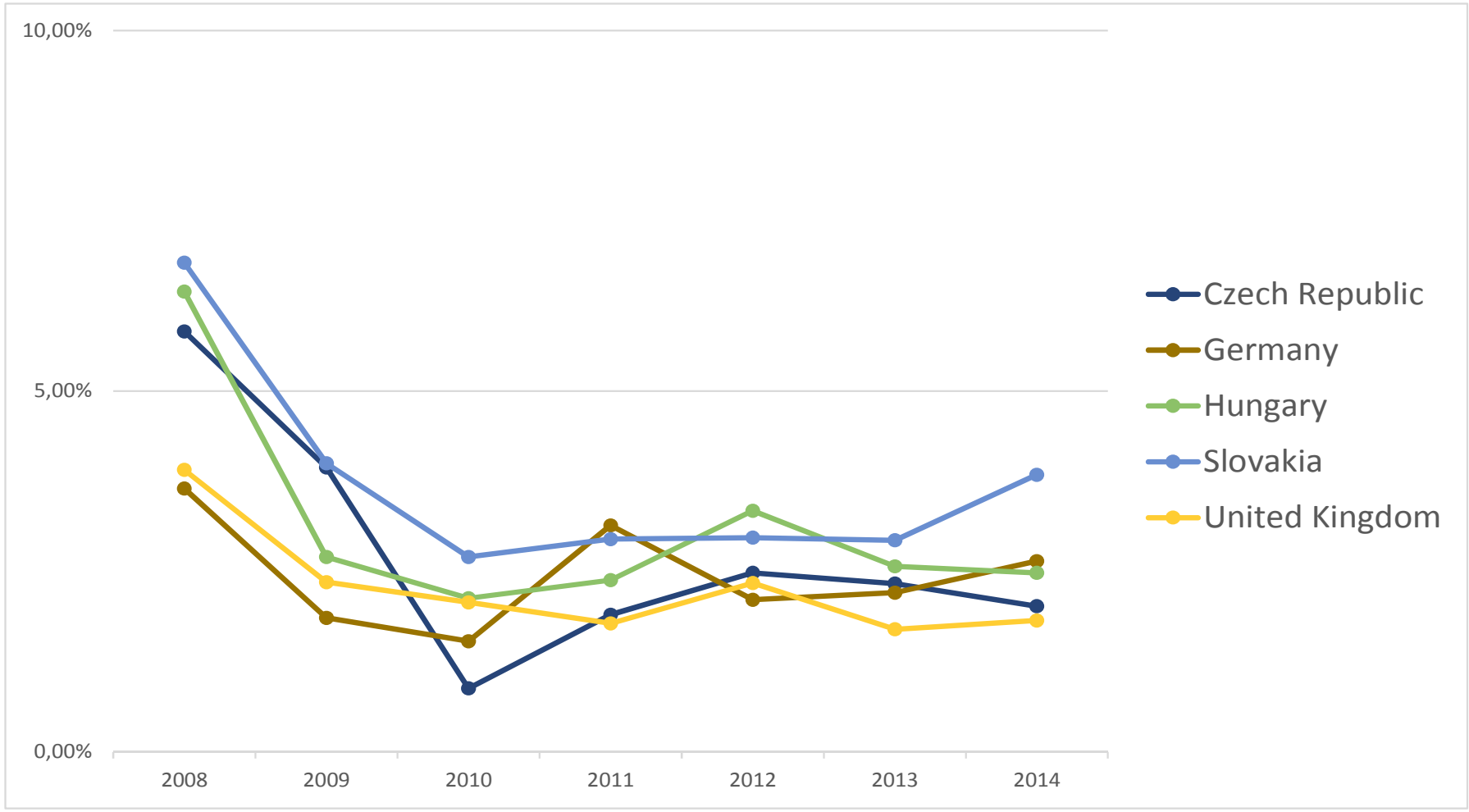
© 2015 Hay Group, All rights reserved

CEE annual salary increases: there is not 1 market trend



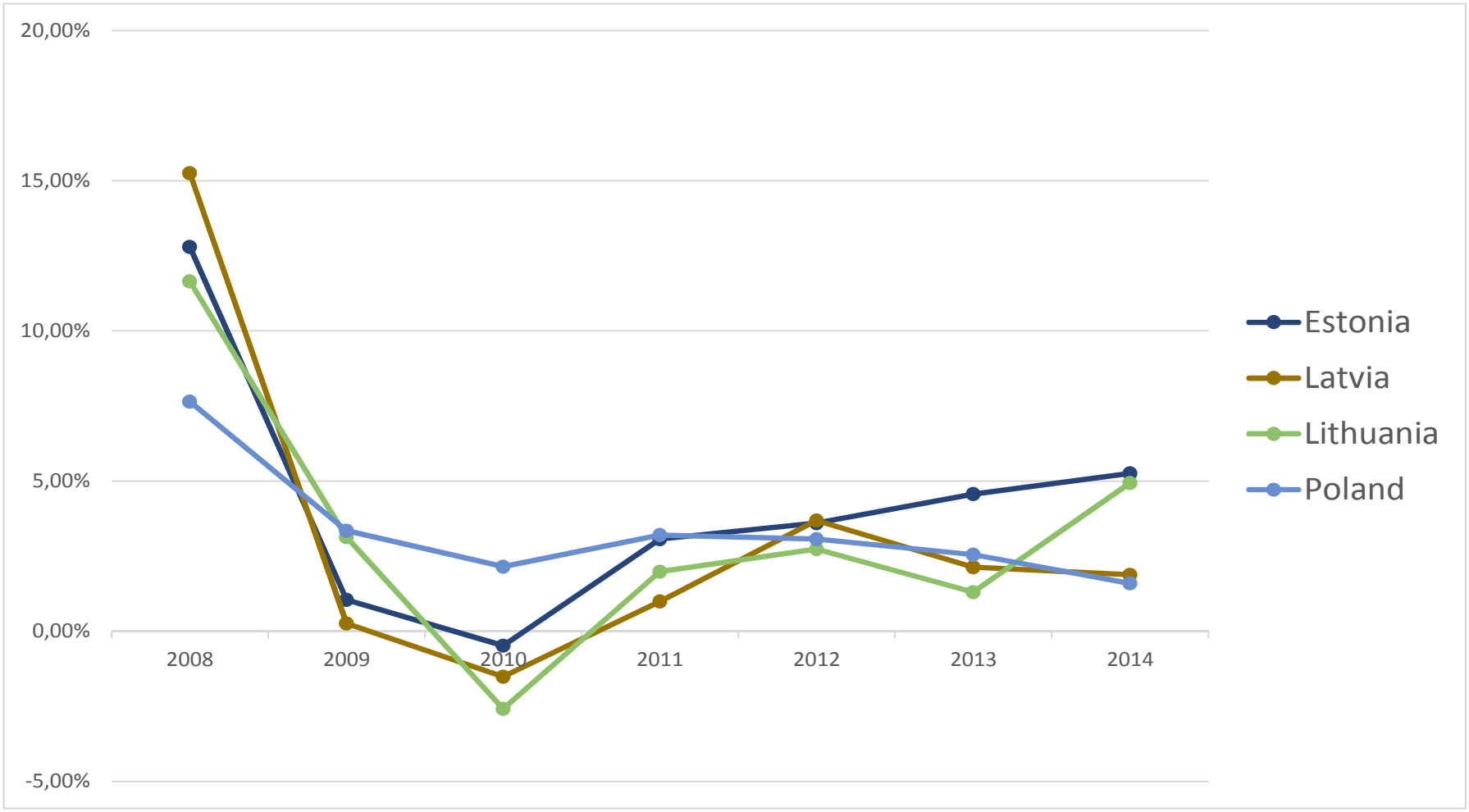
© 2015 Hay Group, All rights reserved

Central European and German economies are strongly connected



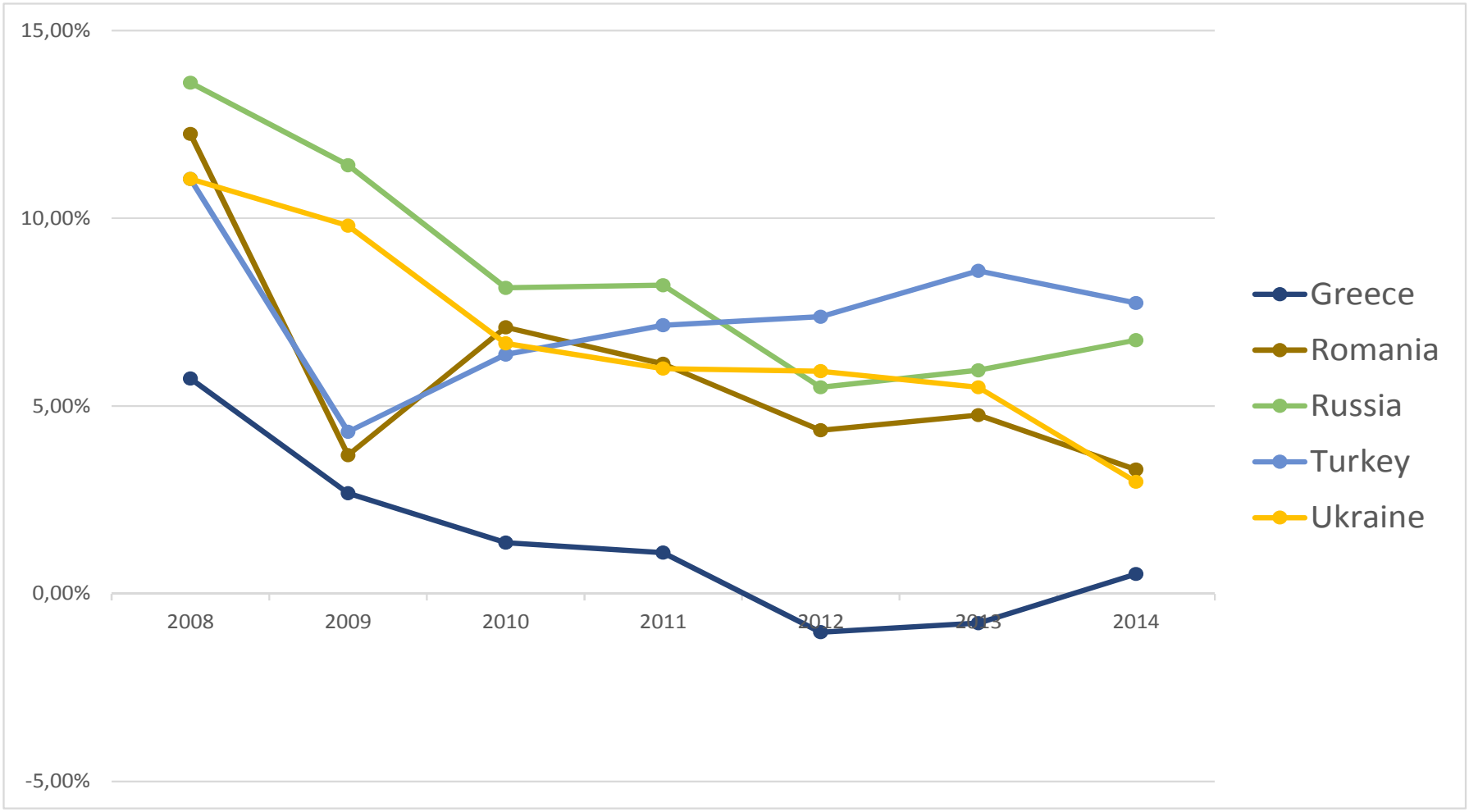
© 2015 Hay Group, All rights reserved

Baltics and Poland



© 2015 Hay Group, All rights reserved

Romania compared to other markets



© 2015 Hay Group, All rights reserved

Global salary increases – nominal



Latin America Regional average **9.7%**

Africa Regional average **6.9%**

Asia Regional average **6.8%**

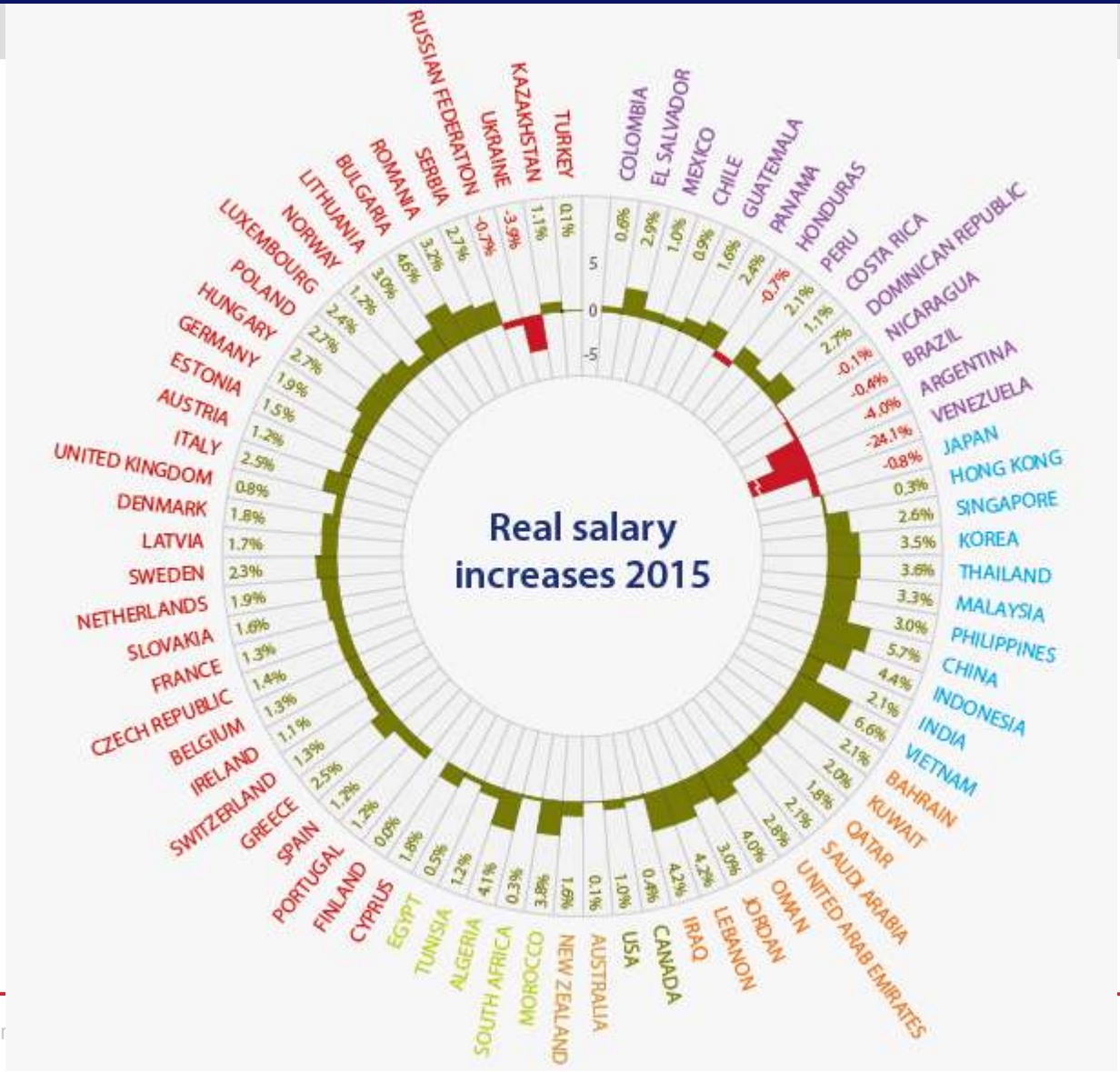
Middle East Regional average **5.6%**

Europe Regional average **3.1%**

Pacific Regional average **3%**

North America Regional average **2.8%**

Global salary increases – real



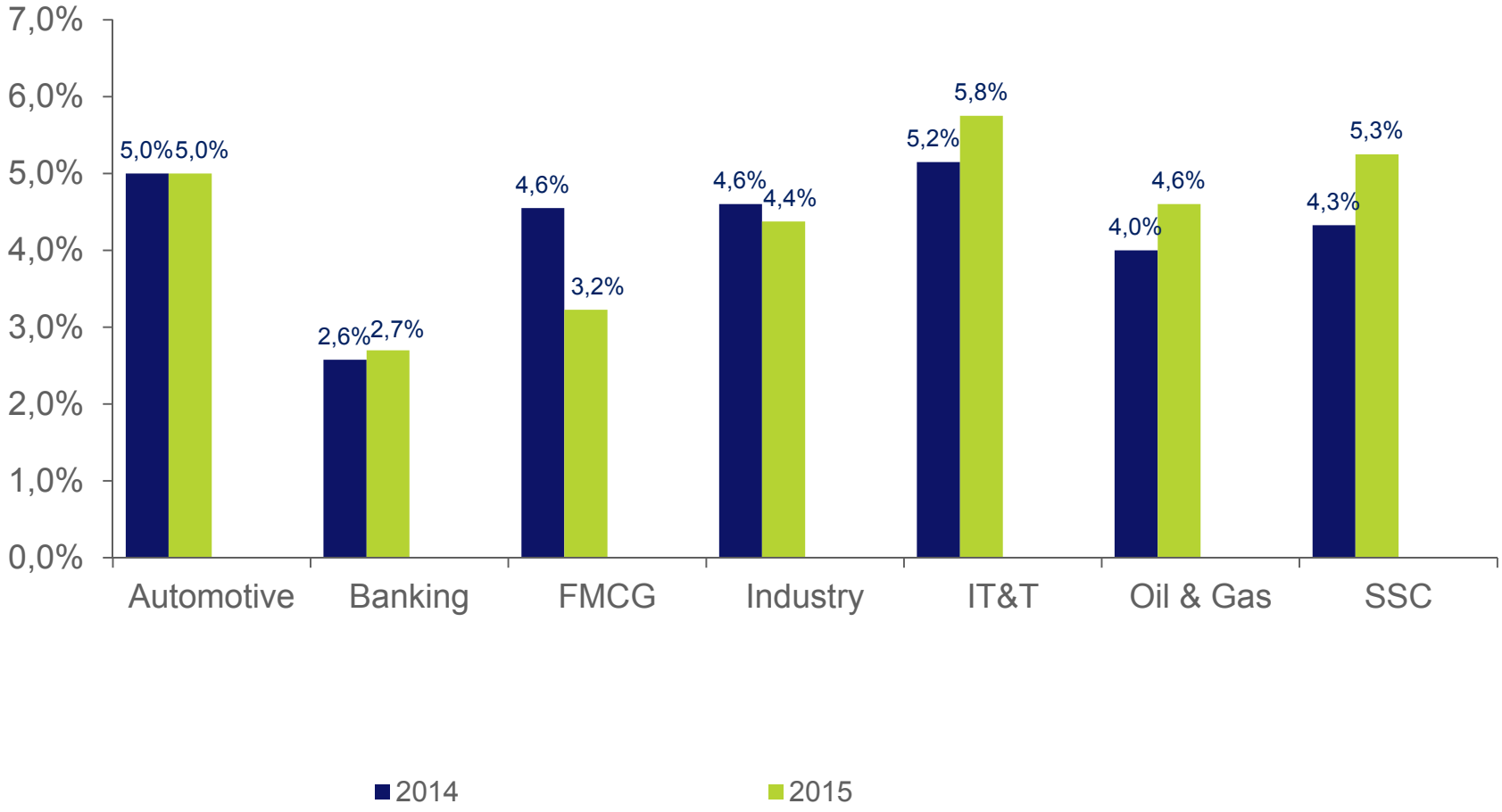
© 2015 Hay Group, All rights r

Salary movements and forecast
General Market Romania

	Increase on median 2014	Increase on median 2015
Executives/ Senior Management	4%	4%
Middle Management/ Seasoned Professionals	4.7%	4.5%
Supervisory/ Junior Professionals	5%	4.5%
Clerical/ Operational	5%	5%
Total	**4.7%**	**4.5%**

© 2015 Hay Group, All rights reserved

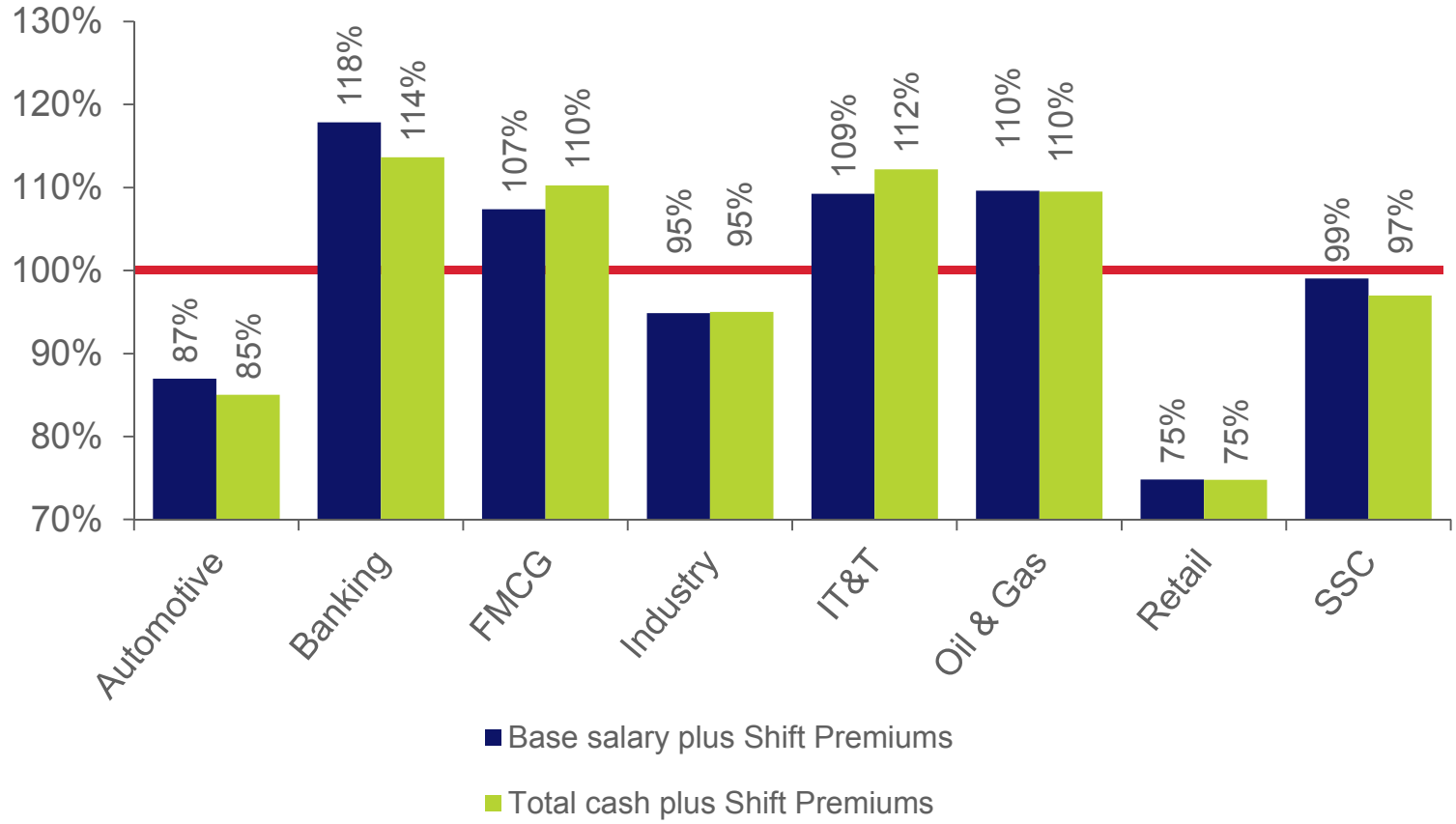
Median salary increases and forecast by sector



© 2015 Hay Group, All rights reserved

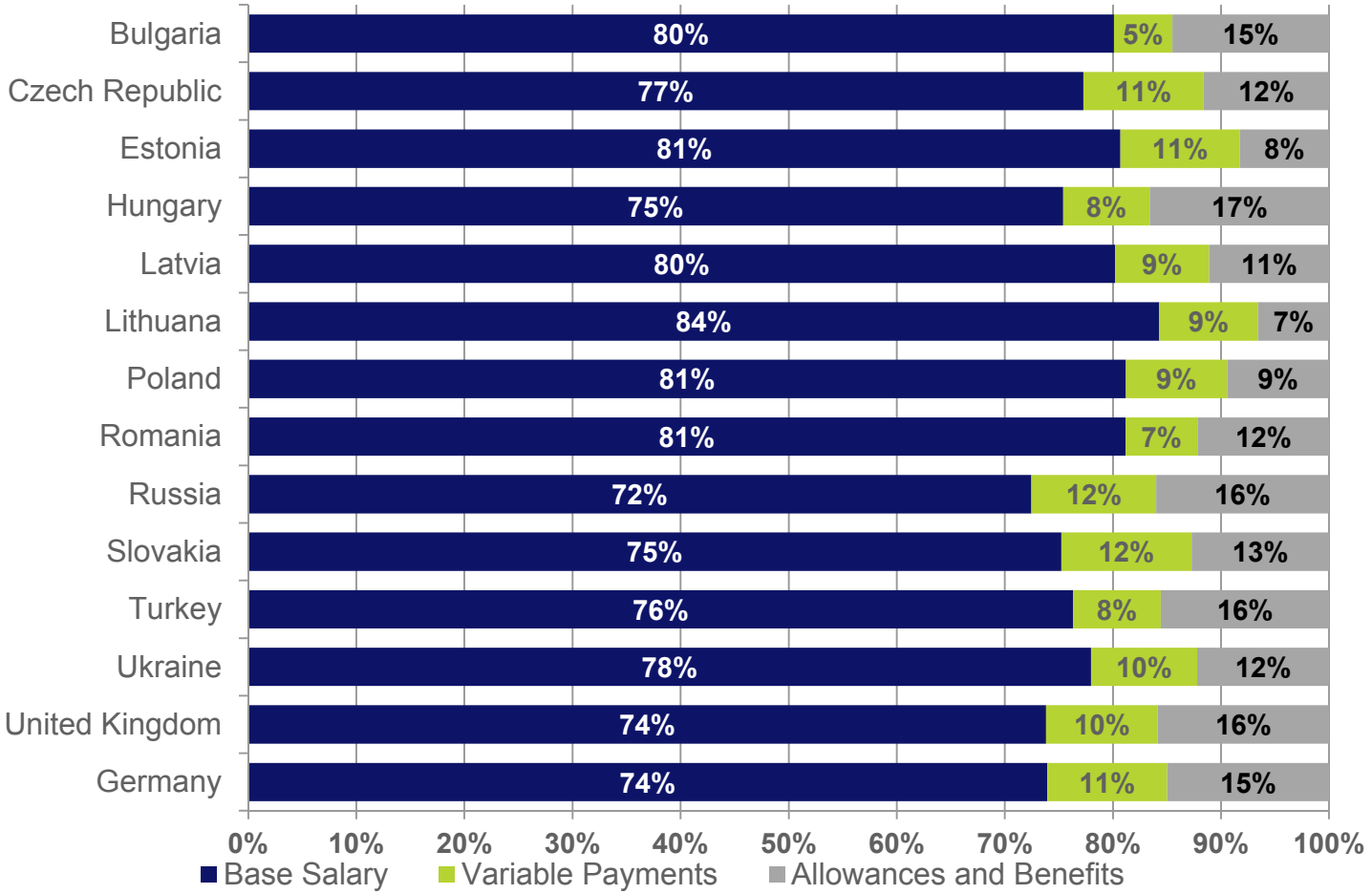
Pay difference by sector

All market = 100%



© 2015 Hay Group, All rights reserved

Total Remuneration Mix by country (average) in CEE



© 2015 Hay Group, All rights reserved

Popular Benefits

Country	Most Popular Benefit	Percentage	2nd Most Popular Benefit	Percentage
Bulgaria	Employee Education Allowance	75,9%	Death Benefit	**61,3%**
Czech Republic	Additional holidays/vacation	92,0%	Meal Assistance	**72,5%**
Estonia	Car Benefits	61,9%	Death Benefit	**51,8%**
Hungary	Car Benefits	63,1%	Death Benefit	**63,1%**
Latvia	Death Benefit	75,8%	Healthcare	**71,9%**
Lithuania	Car Benefits	53,8%	Death Benefit	**53,0%**
Poland	Healthcare	76,2%	Death Benefit	**48,3%**
Romania	Healthcare	81,3%	Additional holidays/vacation	72,1%
Russia	Healthcare	92,3%	Death Benefit	**66,9%**
Slovakia	Meal Assistance	76,1%	Employee Education Allowance	**68,4%**
Turkey	Healthcare	82,5%	Subsidized Canteen Benefits	**70,0%**
Ukraine	Healthcare	63,7%	Death Benefit	**58,3%**
Germany	Additional holidays/vacation	84,3%	Death Benefit	**69,8%**
United Kingdom	Death Benefit	93,3%	Healthcare	89,4%

© 2015 Hay Group, All rights reserved

Interesting benefits









© 2015 Hay Group, All rights reserved

Rethinking reward

FROM	TO
Cost orientation of reward	Investment orientation of reward
External and internal equity of reward	Motivational value of reward
Siloed cash and benefits orientation	Total remuneration/rewards orientation
Reward program design	Reward program implementation
HR-led implementation	Line manager-led implementation

… all leading to management of reward programs that are better aligned with business and talent management strategies

© 2015 Hay Group, All rights reserved

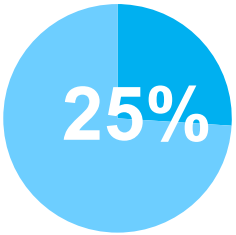
HayGroup®

Key to the success of reward programs is implementation.

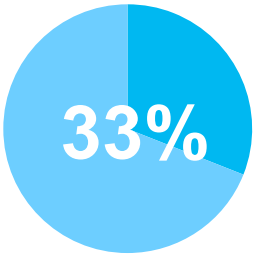
If so, then line managers are *key* to the *success* of the *implementation*.

What gets in the way?

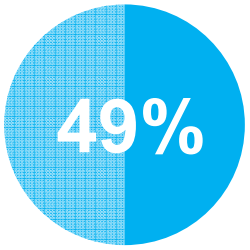
We looked at the data from our employee surveys (4.5 million people)



One quarter of managers indicate a **need for more information** and more authority to carry out their job effectively



One third of managers **lack the resources** needed to do their jobs well



Nearly half of managers give their organisations **low marks for being** innovative in the way work is done (using new technologies or creative approaches)

© 2015 Hay Group, All rights reserved

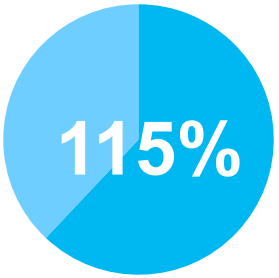
HayGroup®

Technology might provide part of the answer

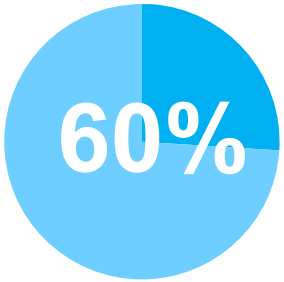


Technology to help drive change

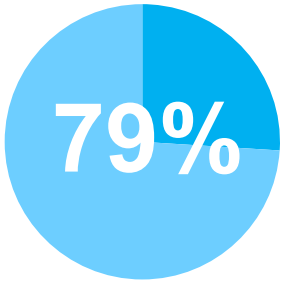
We have a thirst for data/knowledge and we want it any time, any place, any how. If I can check-in for a flight on an underground train, why can't I view my development plan on my smartphone?



Rise in mobile app use in 2013



60% of teenagers and **37% of adults** admit to being addicted or highly-addicted to their smartphones.



79% of smartphone users look at their phones within the first 15 minutes of waking up.

© 2015 Hay Group, All rights reserved

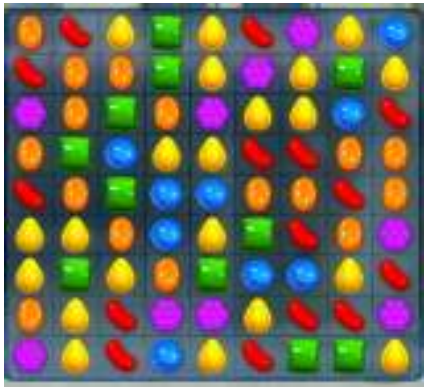
The power of gamification



On any given day **48%** of Facebook users log in

48% of 18-34 year olds log into Facebook when they wake up

There are **more people playing** Candy Crush Saga every day (93 million) than there are people living in Germany (81.9 million)!



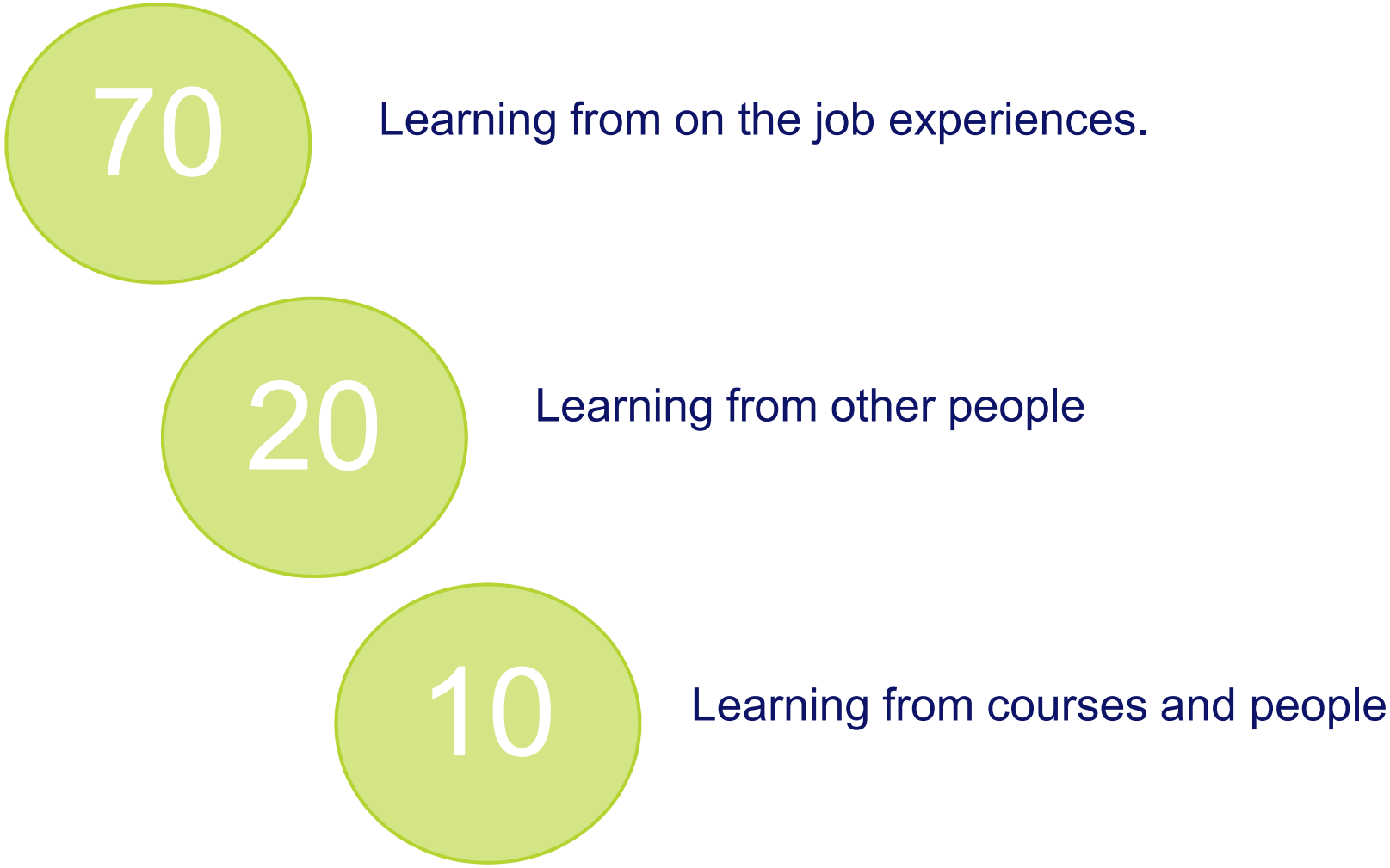


© 2015 Hay Group, All rights reserved

HayGroup®

Gamification can enhance employees ability to learn by 40%

...helping to take the strategy off the shelf and into everyday life for the workforce.



© 2015 Hay Group, All rights reserved

HayGroup®

Mobile technology has already changed the way we lead our lives, but we have really only scratched the surface of what it can do for personal development in the workplace

Hay Group's *Activate* represents a leap forward in how employee development is activated, monitored and resourced



Activate – our suite of apps

Activate your managers

Styles and climate… 01

…a powerful leadership development tool

Grade a job… 02

…helps managers make decisions about how they define the roles in their team

Price a job… 03

…helps managers make faster decisions about what to pay your people



Activate your employees

Journey… 01

…helps your recent graduates to develop the emotional and social skills they need to excel at work

© 2015 Hay Group, All rights reserved

Thank you!



Mirka.straathof@haygroup.com

+31 651 258 470

© 2015 Hay Group, All rights reserved