


MERCER WEBCAST

COMPENSATION PLANNING FOR 2015 EMEA FORECASTS AND TRENDS

OCTOBER 20, 2014



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AGENDA FOR OUR SESSION TODAY



Context for
Planning



Mercer
Research
Insights

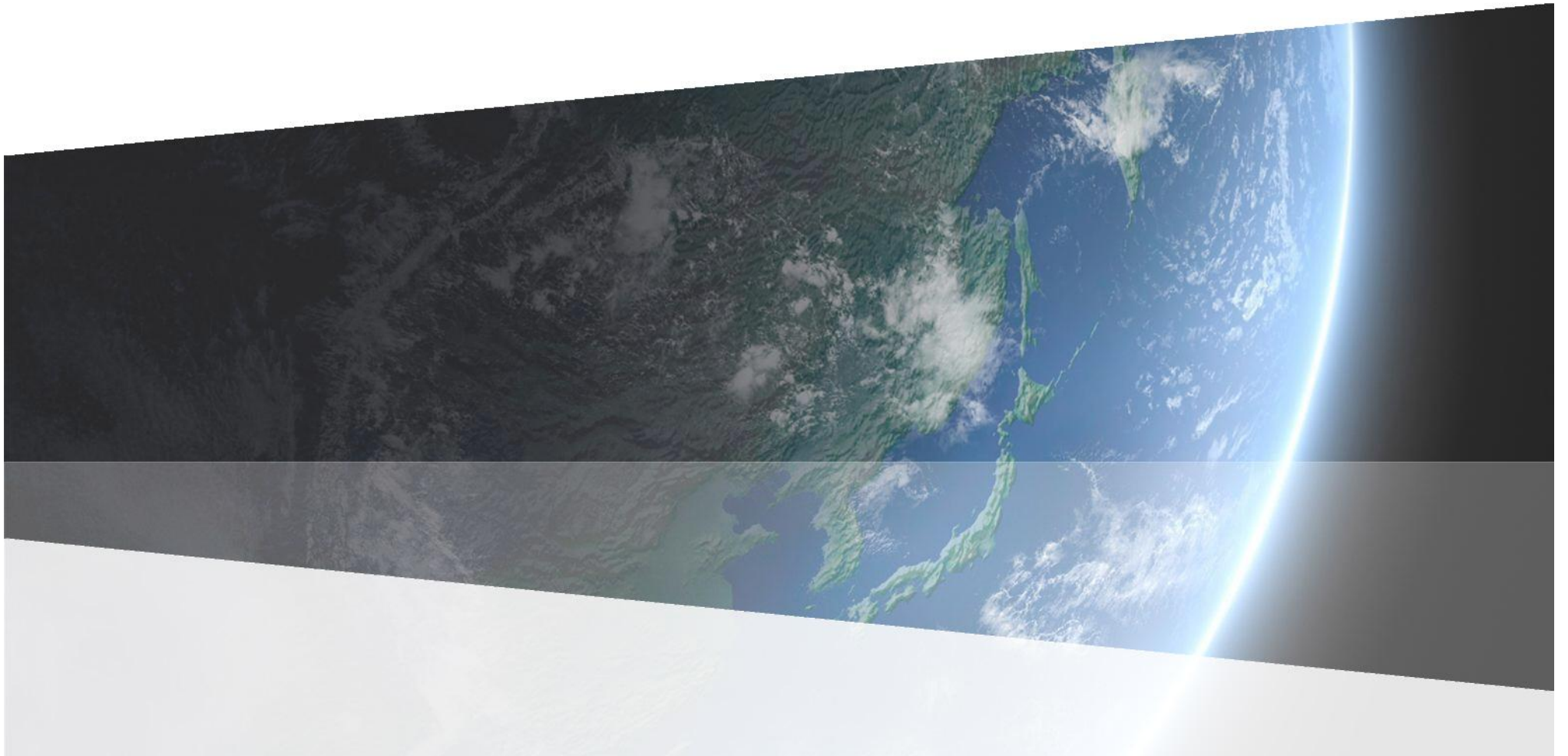


Trends for
2015 and
Beyond



Call to
Action

CONTEXT FOR PLANNING



EUROPE - ECONOMIC AND MARKET CONTEXT

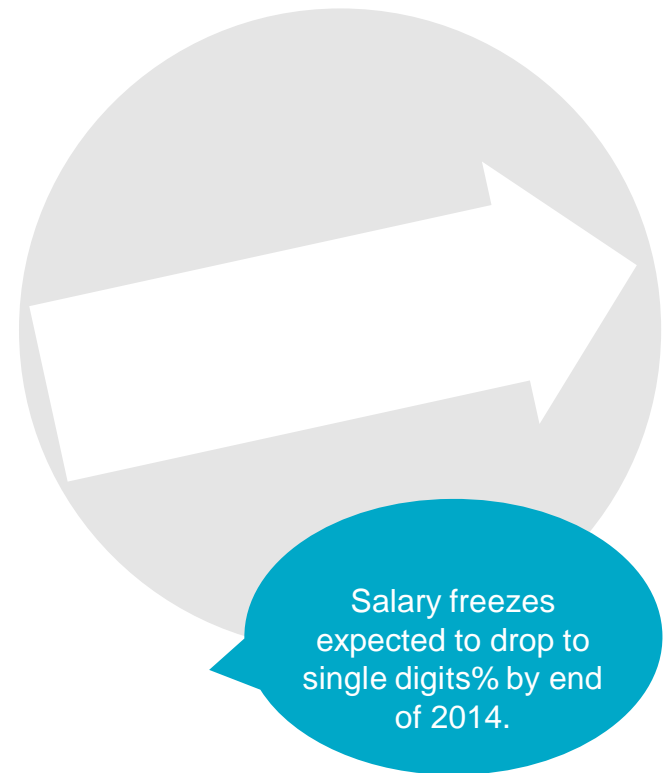
The European economy is positioned to experience growth end of 2014/start of 2015

Economic recovery continues at a modest pace, though is expected to accelerate, in particular in Central and Eastern Europe.

More signs of modest economic improvement:

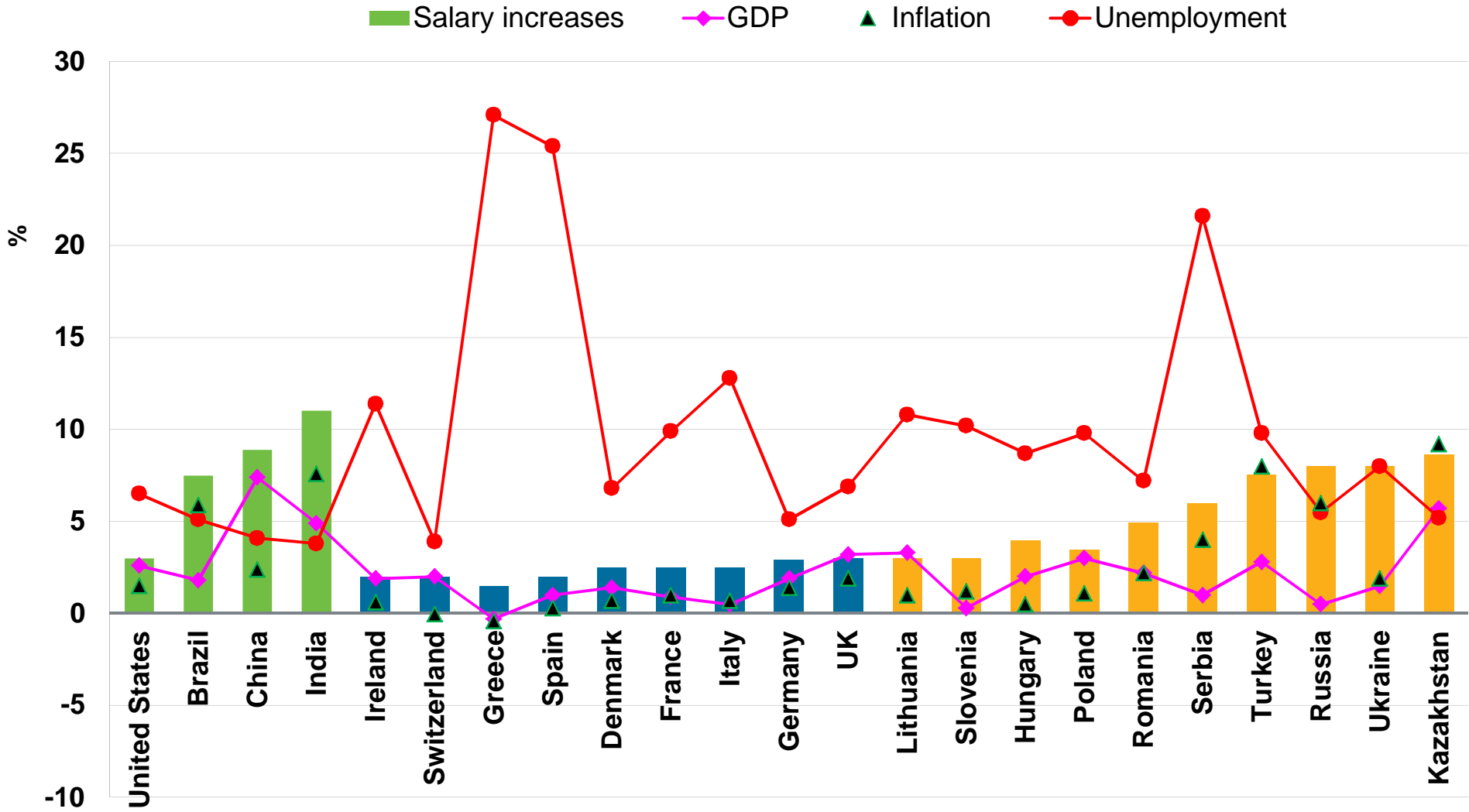
- Inflation is either limited and/or in decline
- Salary freezes are down significantly from 2013 and projected to decline further in 2015
- There is a risk posed by unemployment with some particularly hot spots in Greece, Spain and Serbia. Generally though it is declining in many European countries

The world economy is growing slowly - due to weakening trends in emerging economies



Salary freezes expected to drop to single digits% by end of 2014.

ECONOMIC CONTEXT IN 2014



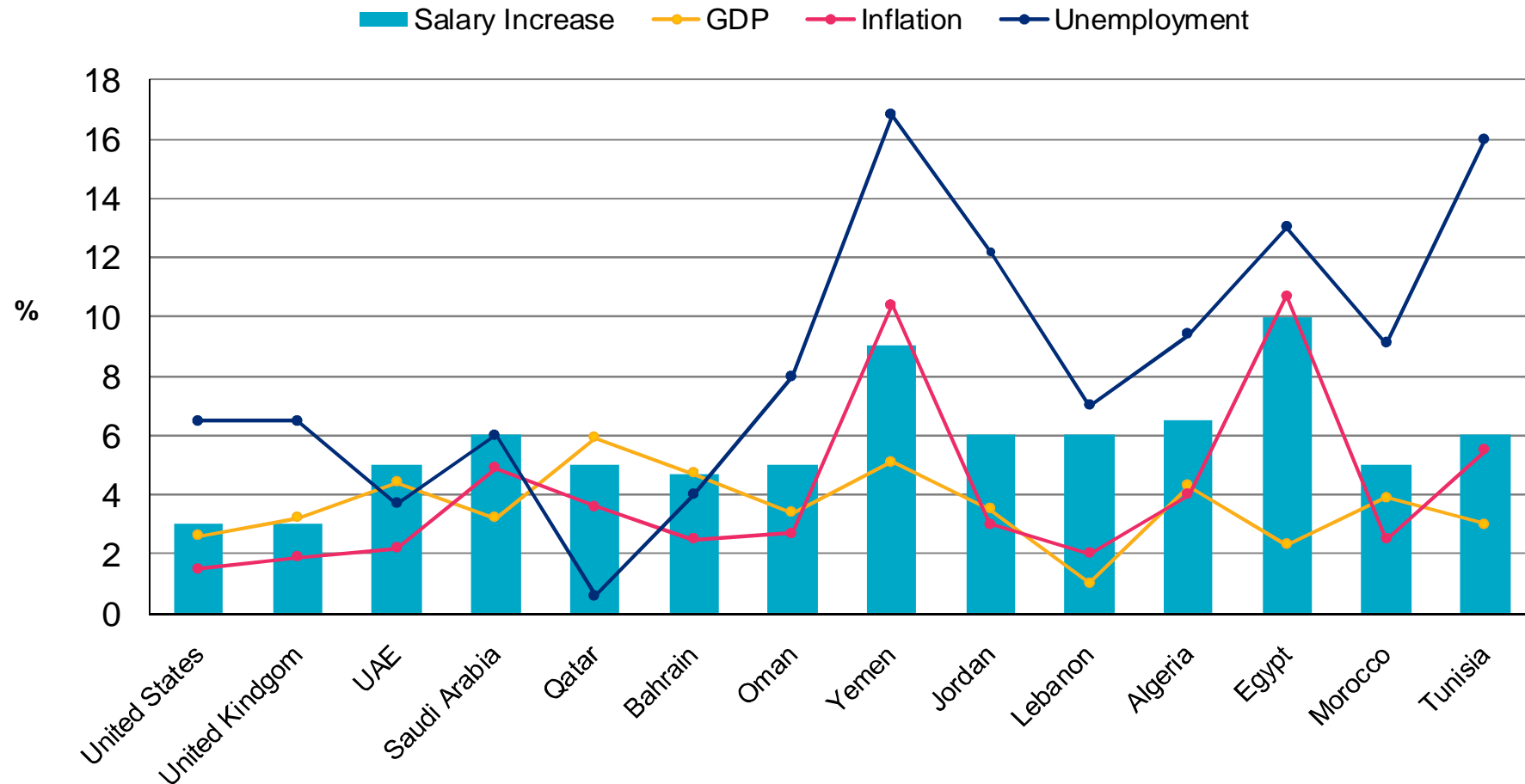
Source: Global Compensation Planning Report, July 2014

MIDDLE EAST – POLITICAL AND ECONOMIC CONTEXT

- 1 | One region, two worlds
- 2 | Deteriorated security
- 3 | Sharp decline in oil prices
- 4 | GCC (Gulf Cooperation Council) countries remain relatively stable and continue to grow

PAY INCREASES AND ECONOMIC TRENDS IN 2014

A CROSS COUNTRY VIEW

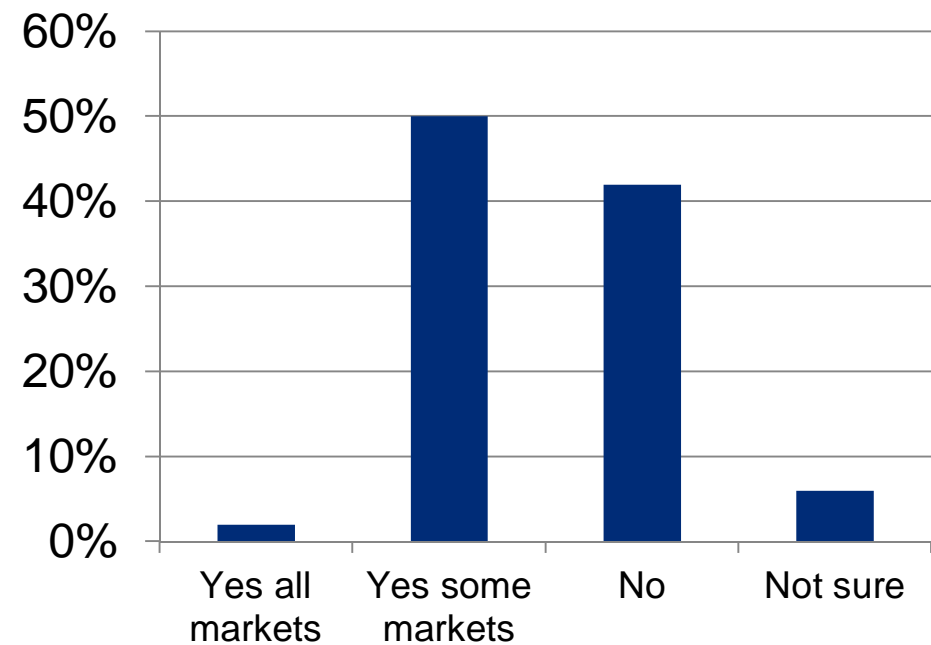


SOURCE: Global Compensation Planning Report, July 2014

LIVE POLL QUESTION 1

Do you think that limited salary increase budgets have led to adjustments elsewhere in the total reward package?

- a – Yes – in all markets**
- b - Yes – in at least some markets**
- c – No**
- d – I don't know**

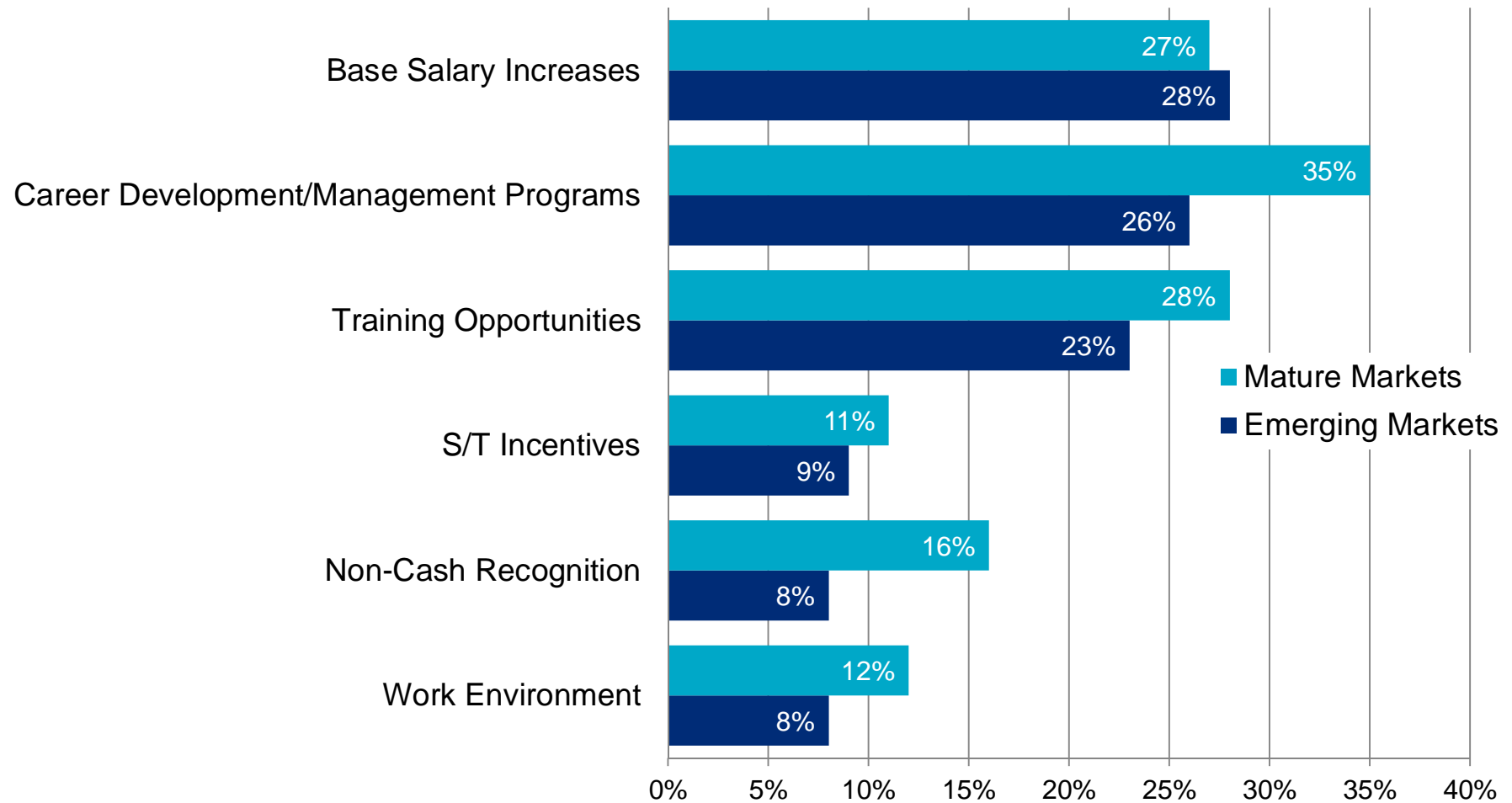


* of those responding

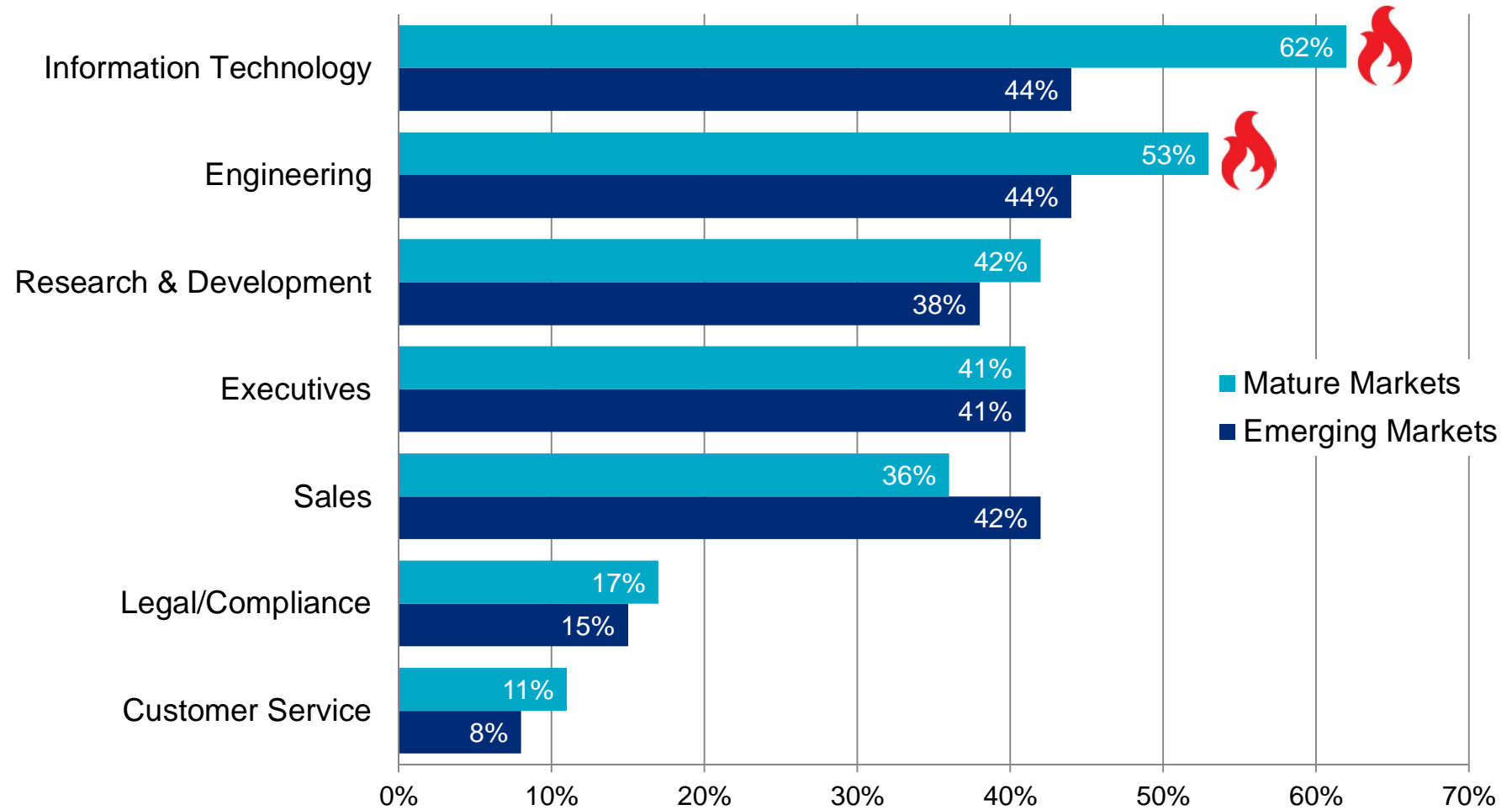
COMPANIES CONTINUE TO INCREASE FOCUS ON THE BROADER DEFINITION OF TOTAL REWARDS

EMPLOYER PERSPECTIVE...			
MONEY		CAREERS	WORK/LIFE
PAY	BENEFITS		
Base pay Short-term incentives Long-term incentives Allowances Financial recognition programs Deferred compensation	Retirement Savings Medical/Dental/Vision/ Prescription Drug, etc. Life insurance Short- and long-term disability Accident coverage	Performance and accountability Career opportunity and pathing Mobility Leadership Experiential rewards Talent development	Time off Wellness programs Dependent care Workplace flexibility Non-financial and status recognition Commuter programs Workplace facilities and perquisites
EMPLOYEE PERSPECTIVE...			
My value today	My financial security and protection	My future value	My quality of life
"EMPLOYEE EXPERIENCE"			

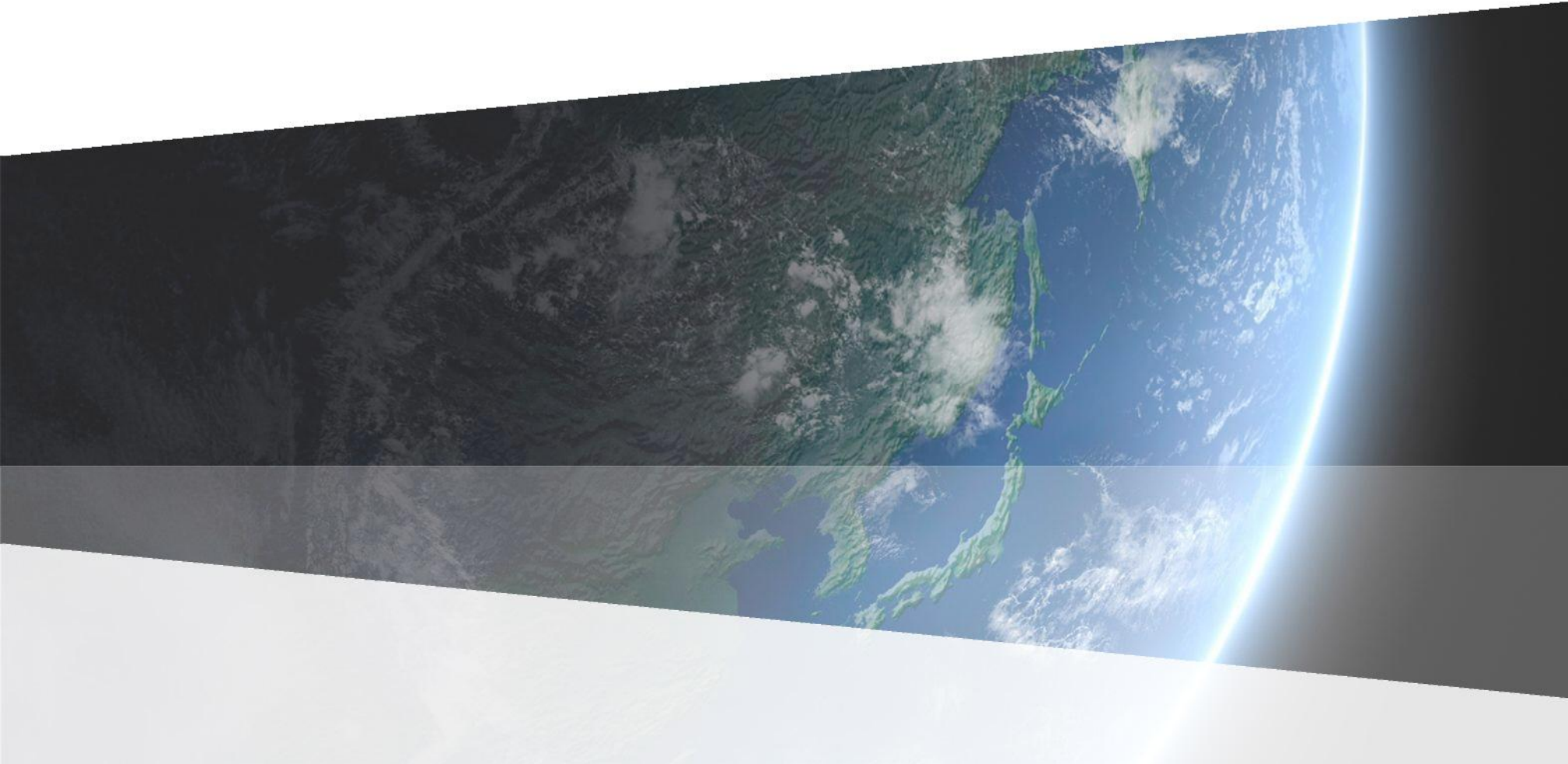
INVESTMENTS IN CAREER DEVELOPMENT AND TRAINING ARE KEY IN MATURE MARKETS LIKE WESTERN EUROPE



IT AND ENGINEERING CONTINUE TO BE VIEWED AS “HOT” IN MATURE MARKETS

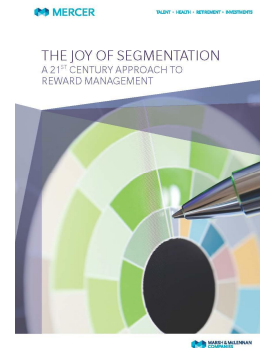
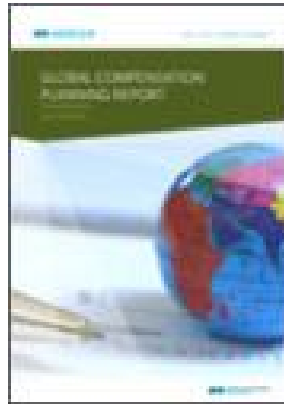


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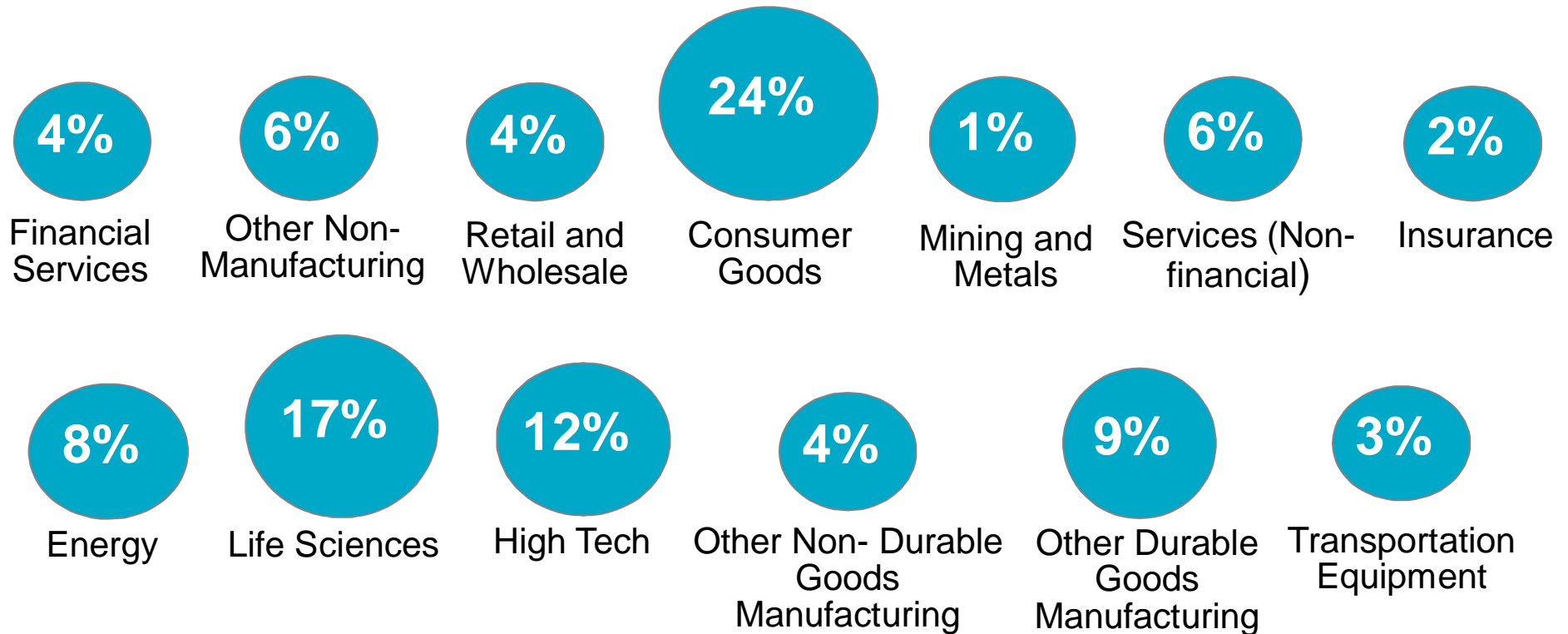
2014/2015 EMEA SALARY MOVEMENT SNAPSHOT SURVEY PARTICIPANT PROFILE



6,605
PARTICIPANTS



82
MARKETS



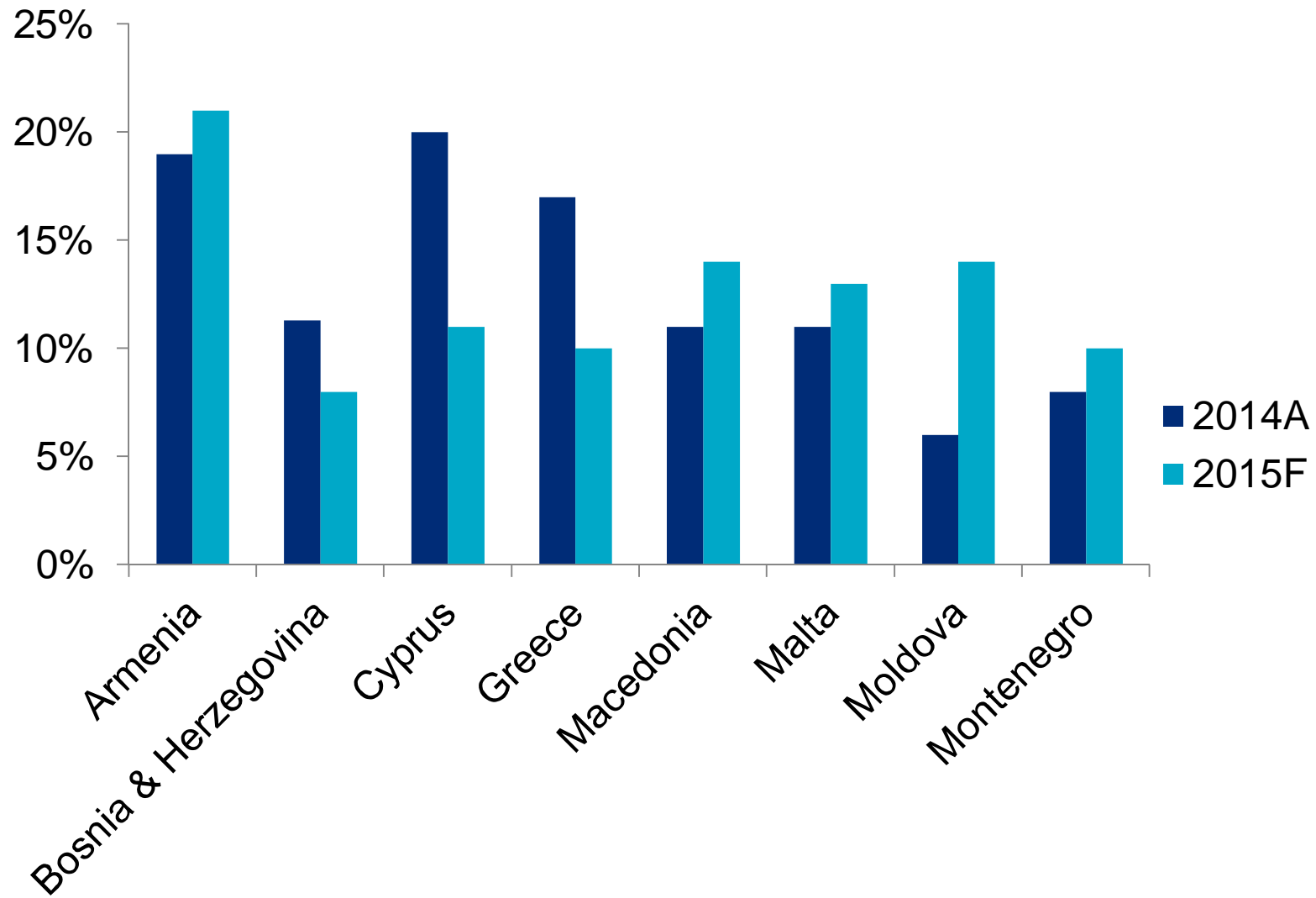
2014/2015 EMEA SMS SURVEY PARTICIPANT PROFILE



Markets covered – no of participants


























SALARY FREEZES 2015 FORECASTS



SALARY INCREASE FORECASTS FOR 2015







AFRICA – ALL RESPONSES






Country	Increase
 Egypt	10.0%
 Ghana	10.0%
 Nigeria	10.0%
 Malawi	9.5%
 Angola	9.0%
 Tanzania	9.0%
 Ethiopia	8.5%
 Kenya	8.5%
 Libya	7.3%
 Namibia	7.0%
 South Africa	7.0%
 Zambia	7.0%

Country	Increase
 Algeria	6.9%
 Botswana	6.9%
 Uganda	6.5%
 Tunisia	6.0%
 Mauritius	5.8%
 Mozambique	5.4%
 Morocco	5.0%
 Zimbabwe	5.0%
 Ivory Coast	4.6%
 Senegal	4.5%
 Cameroon	4.0%

SALARY INCREASE FORECASTS FOR 2015










MIDDLE EAST– ALL RESPONSES










Country	Increase
 Yemen	8.0%
 Iraq	6.0%
 Jordan	6.0%
 Lebanon	5.8%
 Saudi Arabia	5.3%
 Kuwait	5.0%

Country	Increase
 Oman	5.0%
 Qatar	5.0%
 UAE	5.0%
 Palestine*	5.0%
 Bahrain	4.6%

** New with this edition!*















SALARY INCREASE FORECASTS FOR 2015 WESTERN EUROPE – ALL RESPONSES














	Country	Increase
	Germany	3.0%
	Norway	3.0%
	UK	3.0%
	Austria	3.0%
	Netherlands	2.6%
	Belgium*	2.5%
	Denmark	2.5%
	Finland	2.5%
	France	2.5%

	Country	Increase
	Italy	2.5%
	Luxembourg*	2.5%
	Sweden	2.5%
	Ireland	2.0%
	Portugal	2.0%
	Spain	2.0%
	Switzerland	2.0%
	Malta	2.0%
	Greece	1.5%

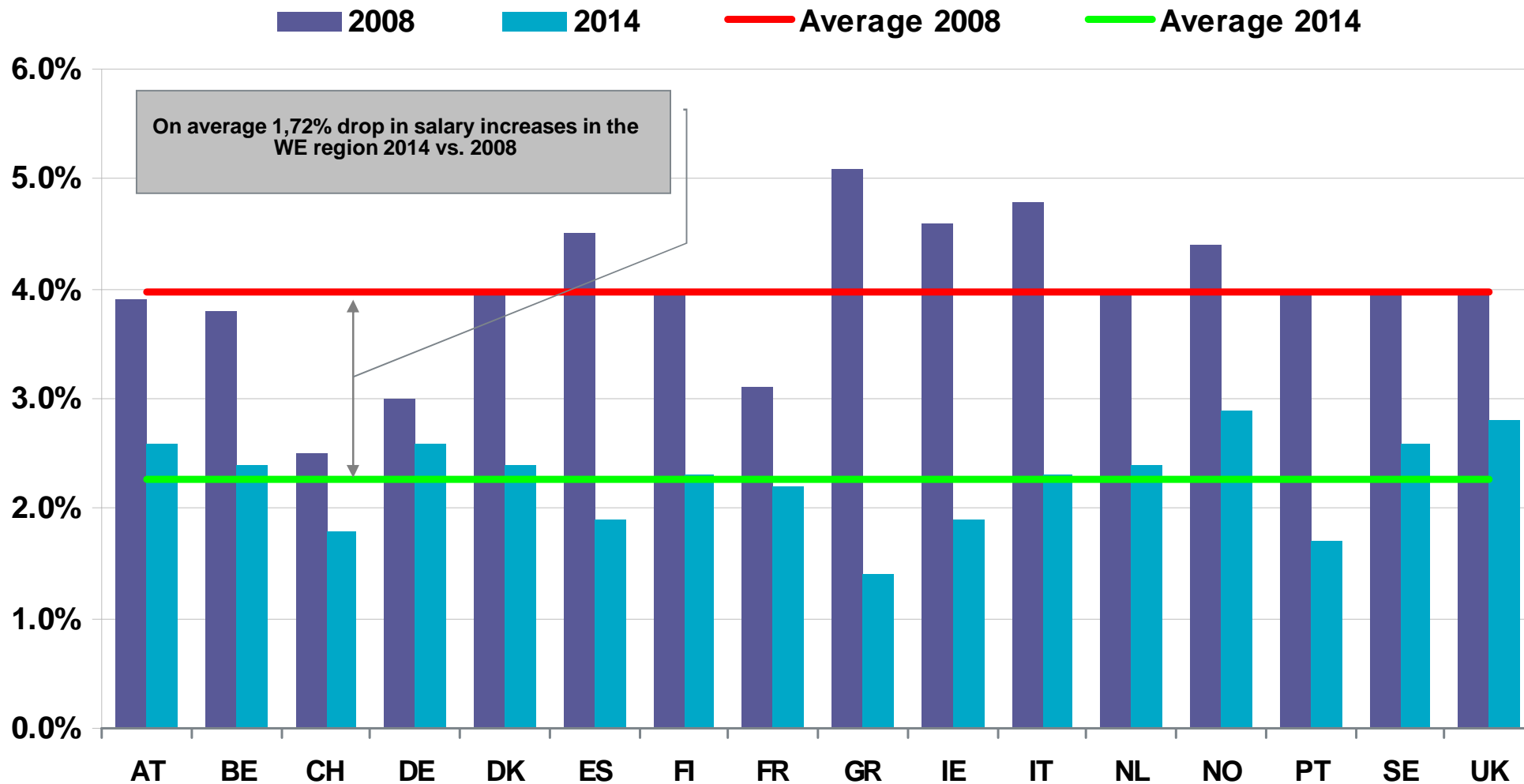
** Mandatory indexation included*

SALARY INCREASE FORECASTS FOR 2015 CENTRAL & EASTERN EUROPE – ALL RESPONSES

Country	Increase
 Belarus	10.0%
 Uzbekistan	9.7%
 Kazakhstan	9.0%
 Ukraine	8.5%
 Russia	8.0%
 Turkey	8.0%
 Azerbaijan	7.0%
 Georgia	7.0%
 Armenia	5.8%
 Moldova	5.6%
 Serbia	5.5%
 Romania	4.9%
 Bulgaria	4.1%
 Hungary	3.9%

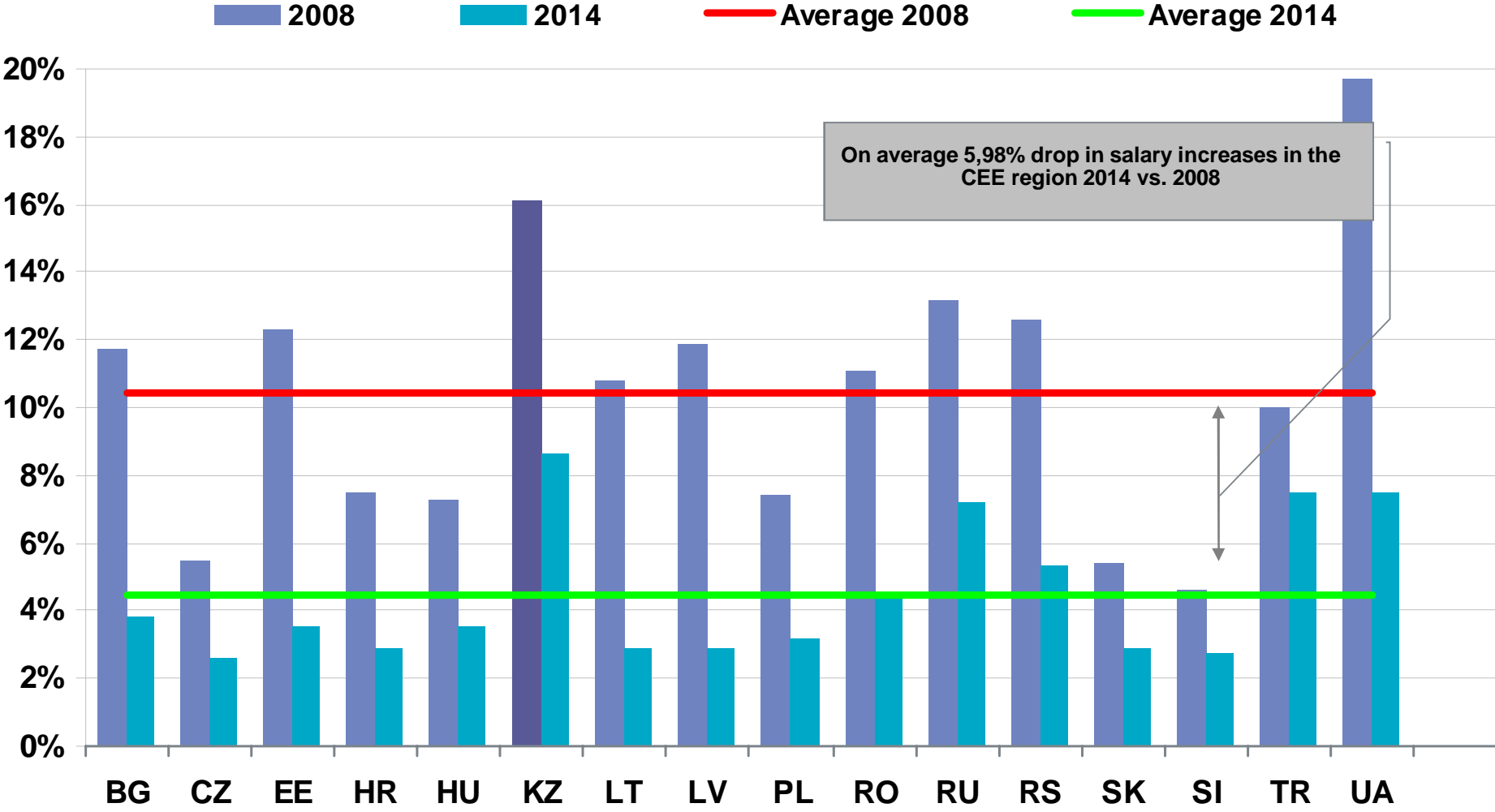
Country	Increase
 Poland	3.5%
 Israel	3.2%
 Albania	3.0%
 Croatia	3.0%
 Czech Republic	3.0%
 Estonia	3.0%
 Latvia	3.0%
 Lithuania	3.0%
 Macedonia	3.0%
 <i>Montenegro</i>	3.0%
 Slovakia	3.0%
 Slovenia	3.0%
 Bosnia & Herzegovina	2.9%
 Cyprus	1.8%

2008 VS. 2014 SALARY INCREASES WESTERN EUROPE – ALL LEVELS



Source: June 2014 Salary Movement Snapshot

2008 VS. 2014 SALARY INCREASES CENTRAL AND EASTERN EUROPE – ALL LEVELS



Source: June 2014 Salary Movement Snapshot

INDUSTRY DATA 2015 FORECASTS

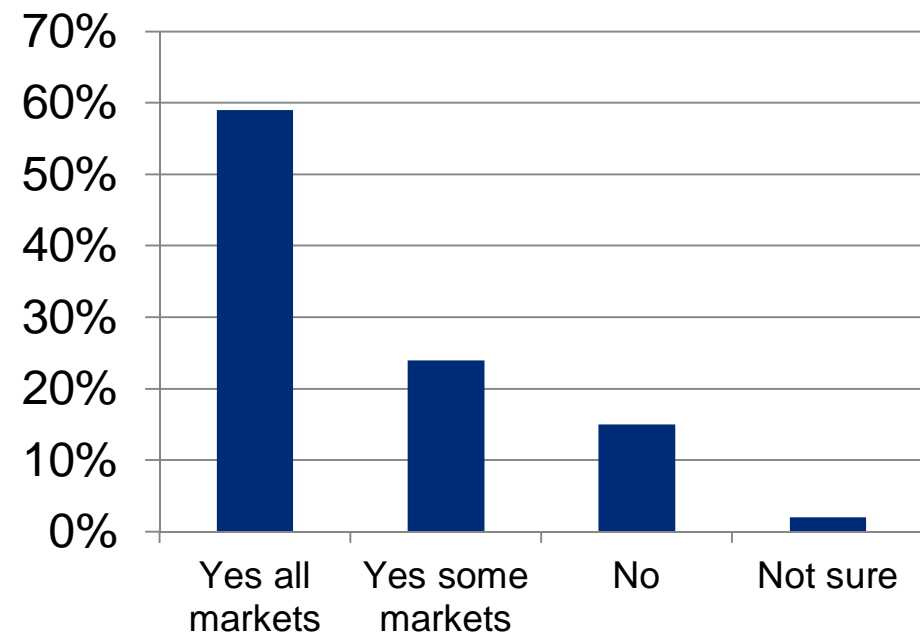


	AFRICA	MIDDLE EAST	W EUROPE	E EUROPE
ABOVE	Energy	Consumer Goods Life Sciences	High Tech Insurance	Consumer Goods Life Sciences
ALL INDUSTRY	<hr/>			
BELOW	Financial Services High Tech Life Sciences Services (Non Financial)	Energy Financial Services High Tech Insurance Retail & Wholesale	Consumer Goods Energy Financial Services Services (Non Financial)	Energy Financial Services Services (Non Financial) Retail & Wholesale

LIVE POLL QUESTION 2

Does your organization use a salary increase matrix, linking increases to individual performance and position within the salary range?

- a – Yes – in all markets**
- b - Yes – in at least some markets**
- c – No**
- d – I don't know**

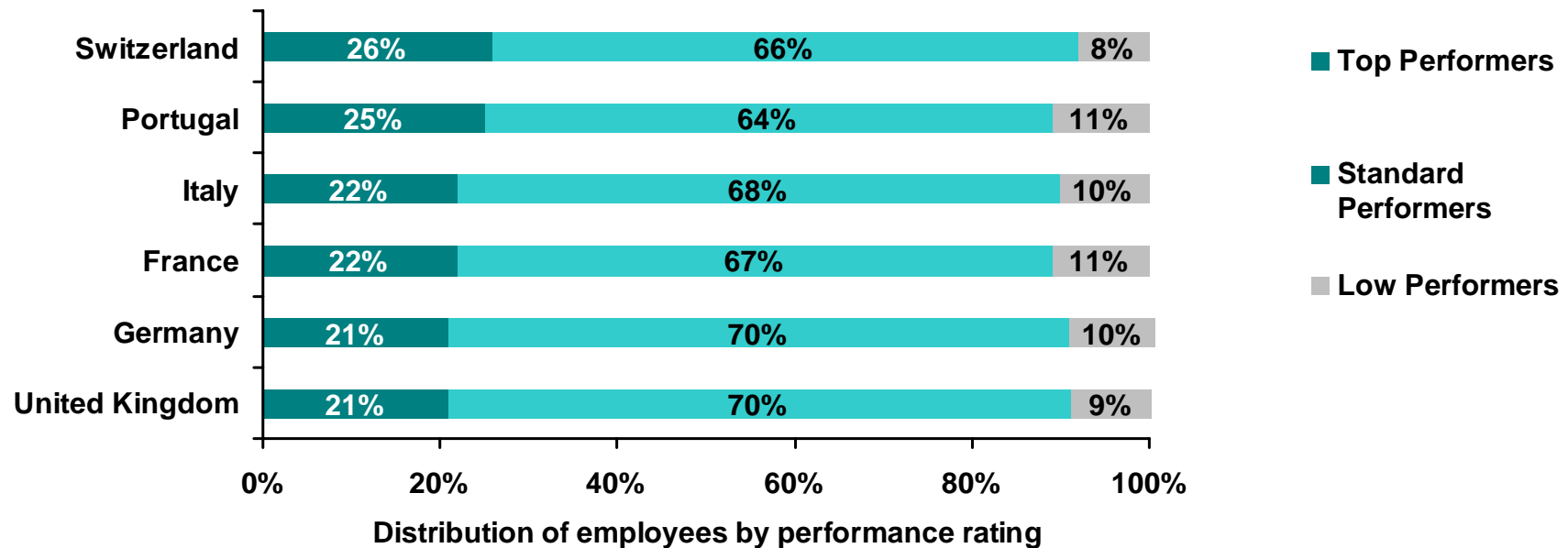
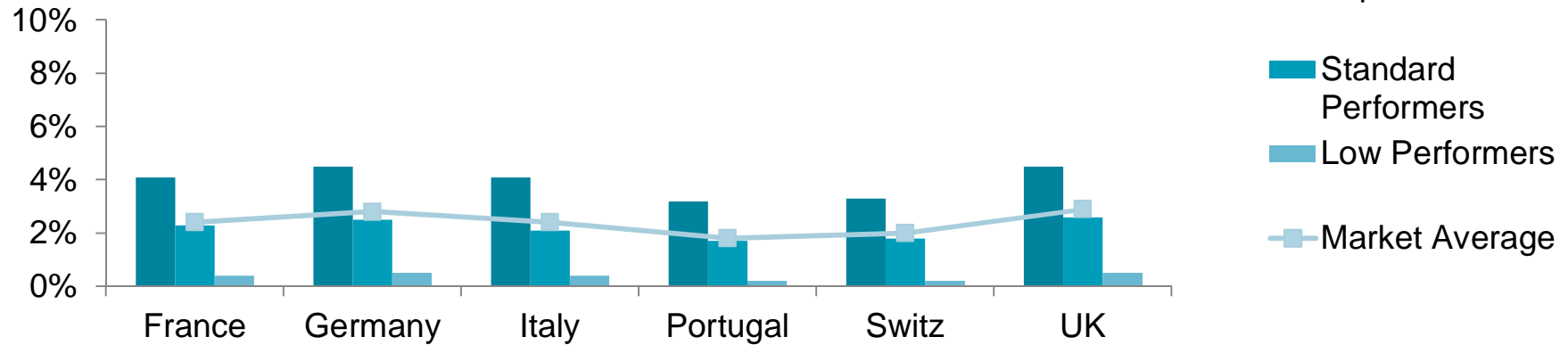


* of those responding

2015 FORECAST SALARY INCREASES

PERFORMANCE MATRIX

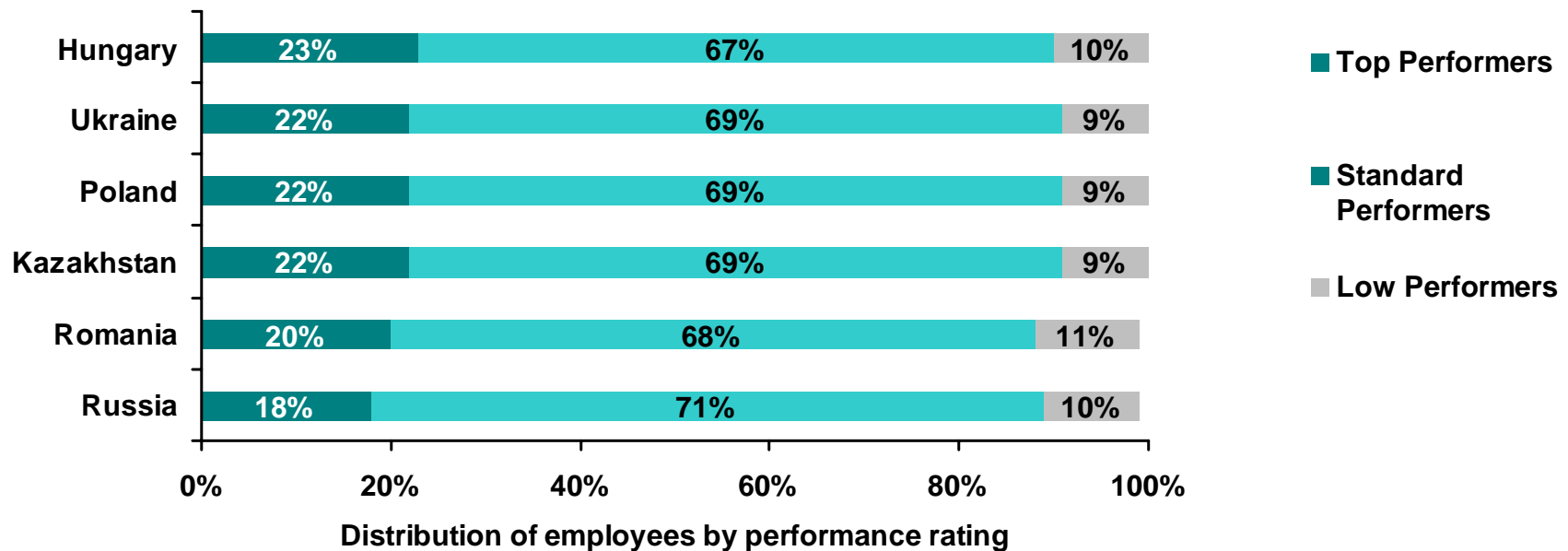
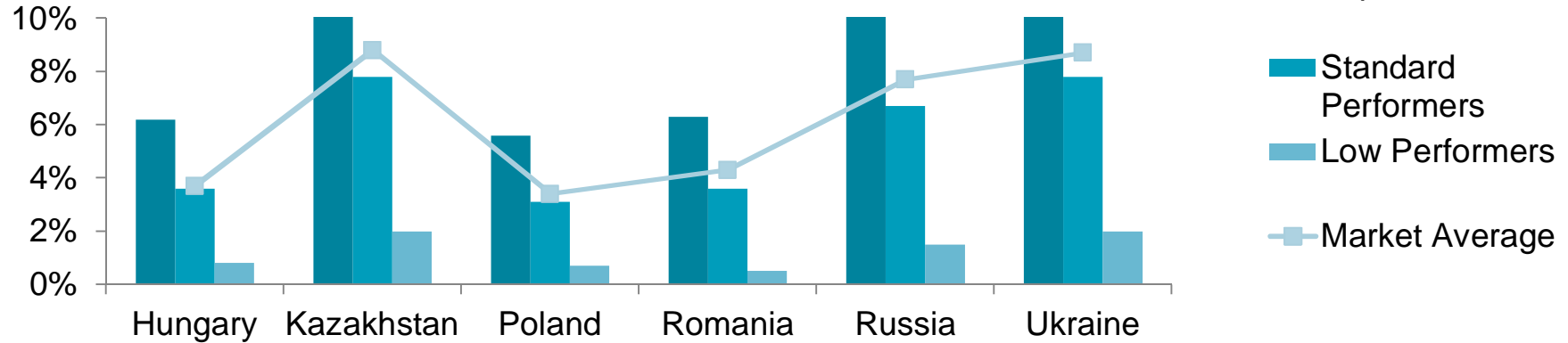
Average actual salary increase



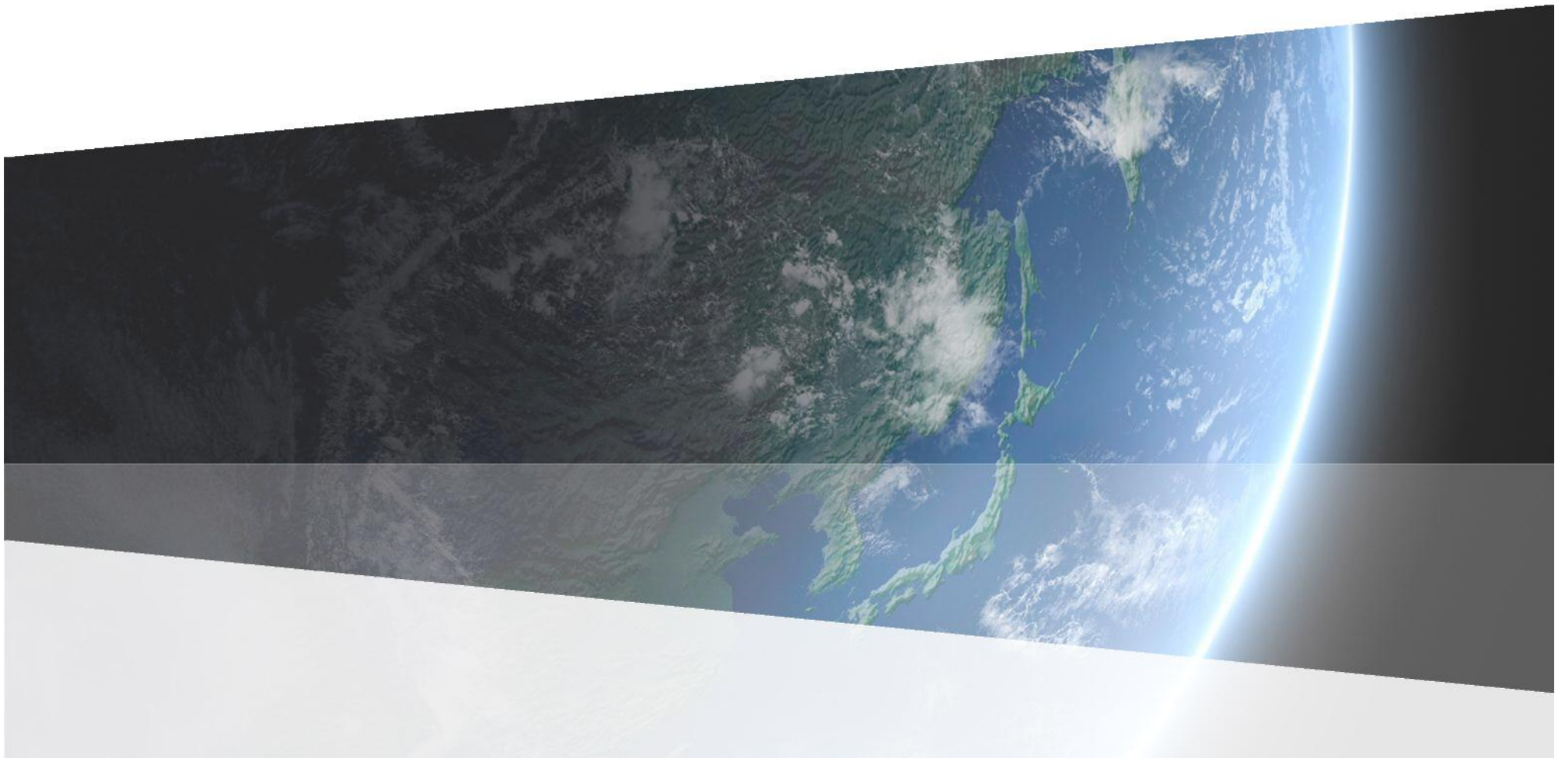
2015 FORECAST SALARY INCREASES

PERFORMANCE MATRIX

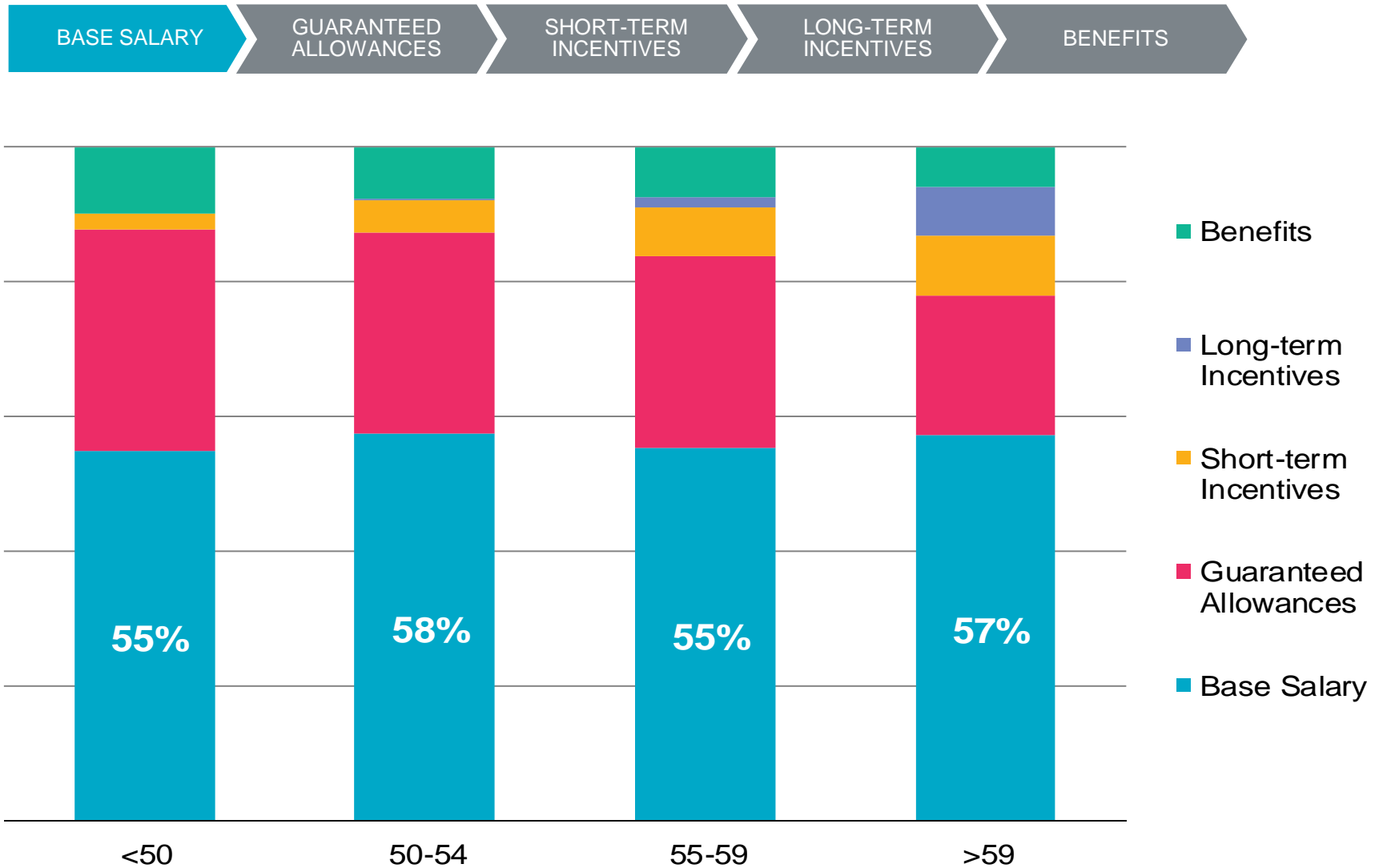
Average actual salary increase



TRENDS FOR 2015 AND BEYOND - MIDDLE EAST

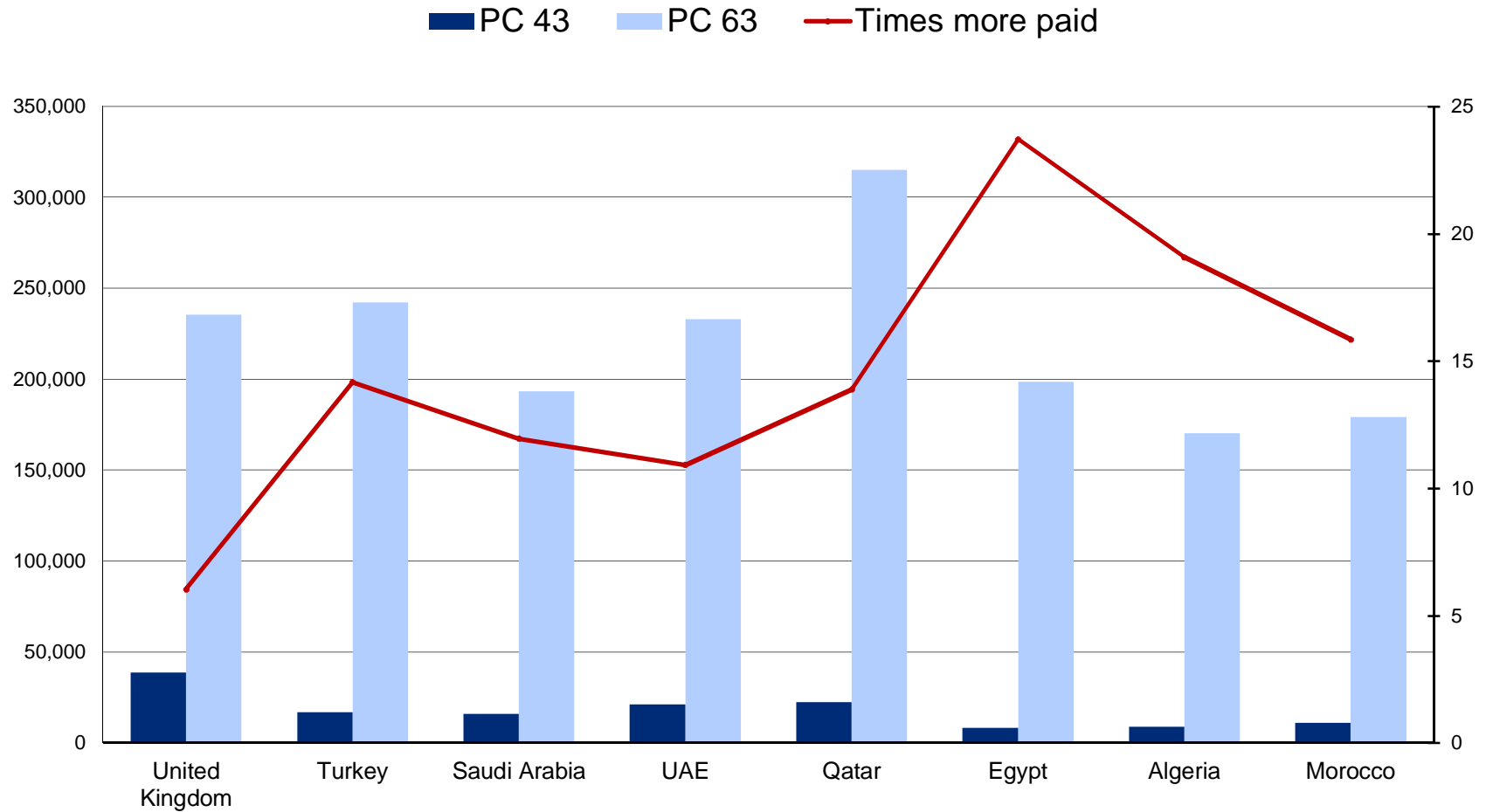


TOTAL REMUNERATION MIX UAE EXAMPLE

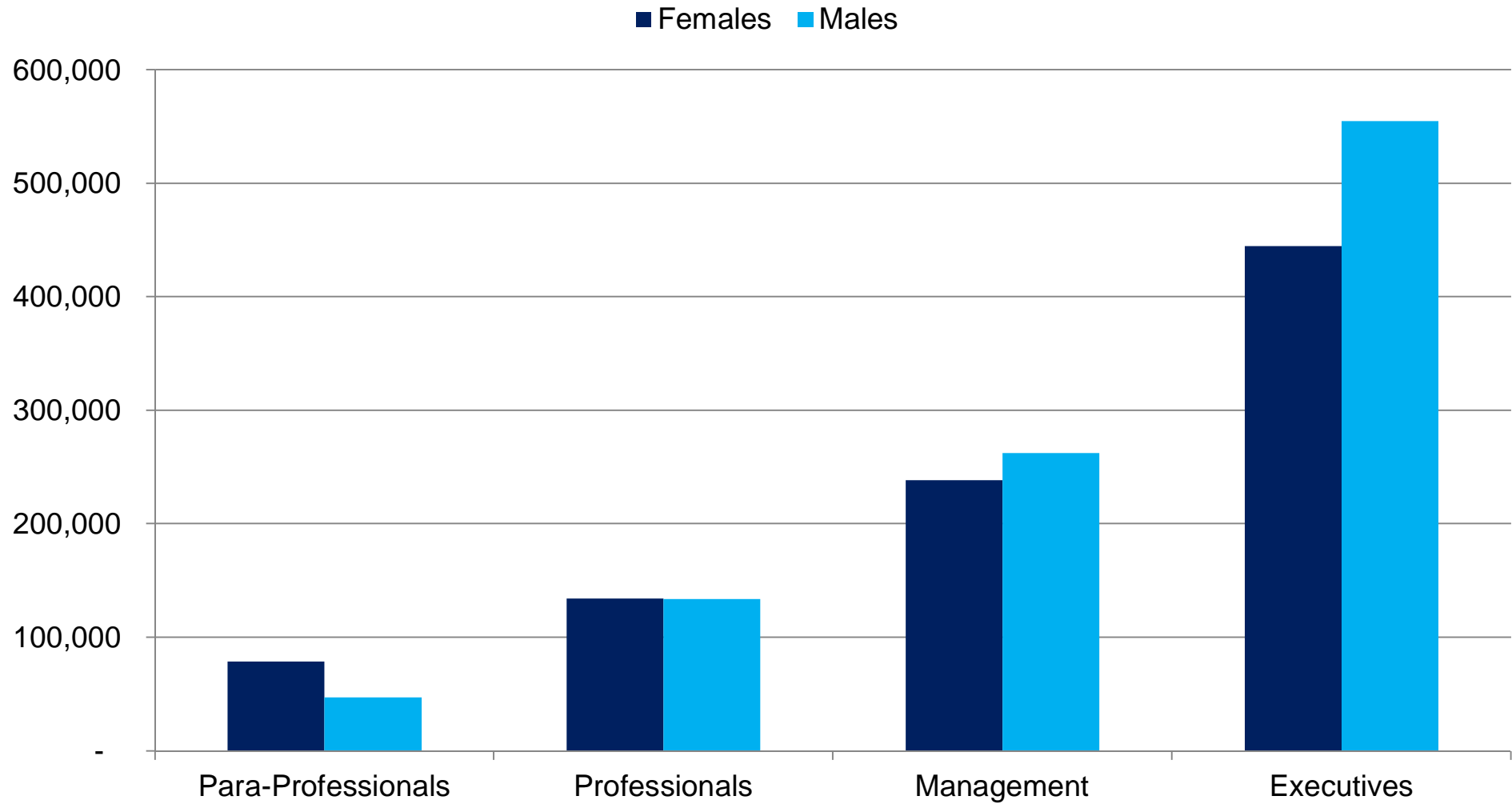


SALARY DIFFERENCES

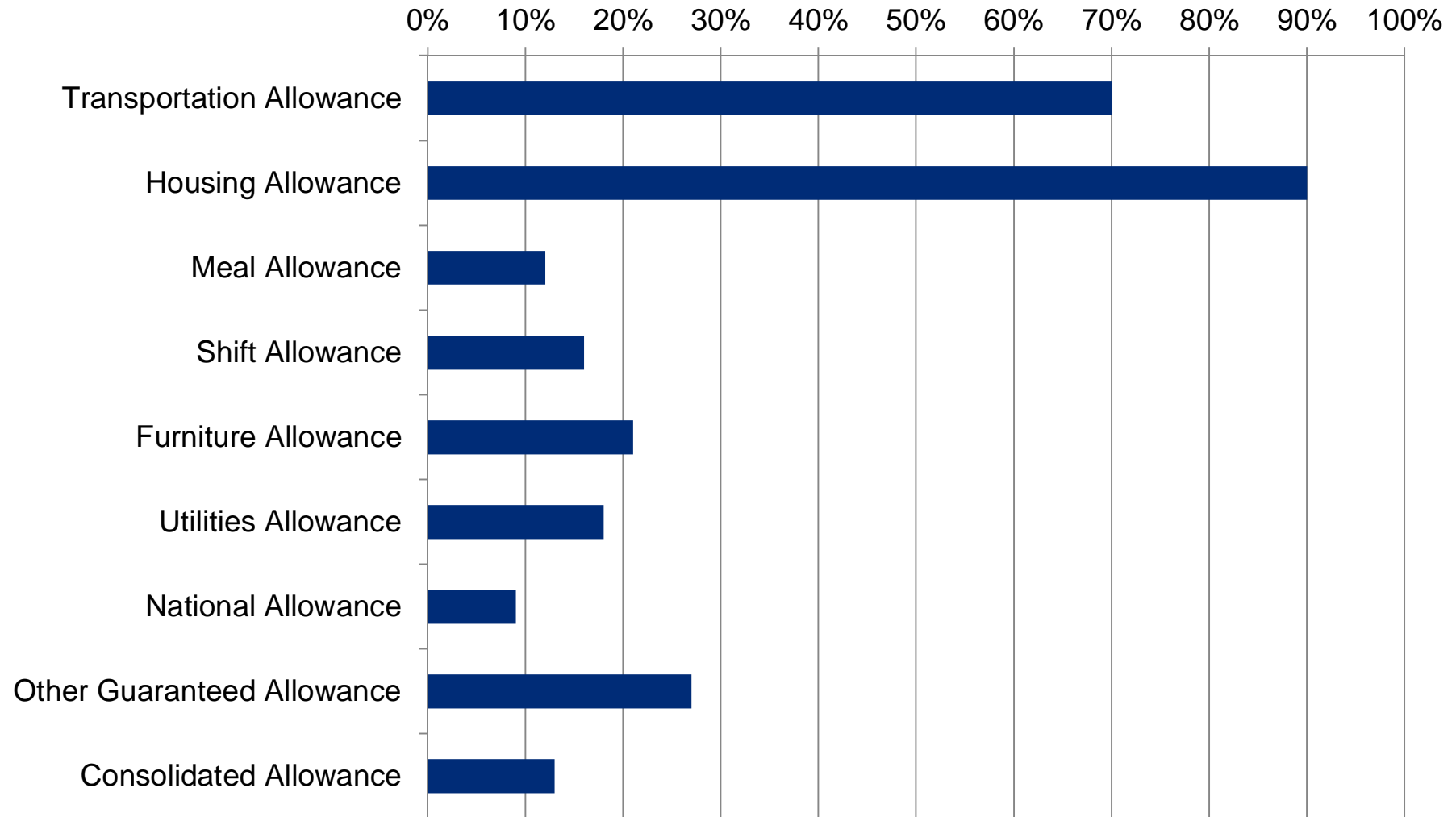
ANNUAL BASE SALARY, PC 43 vs 63 – in USD



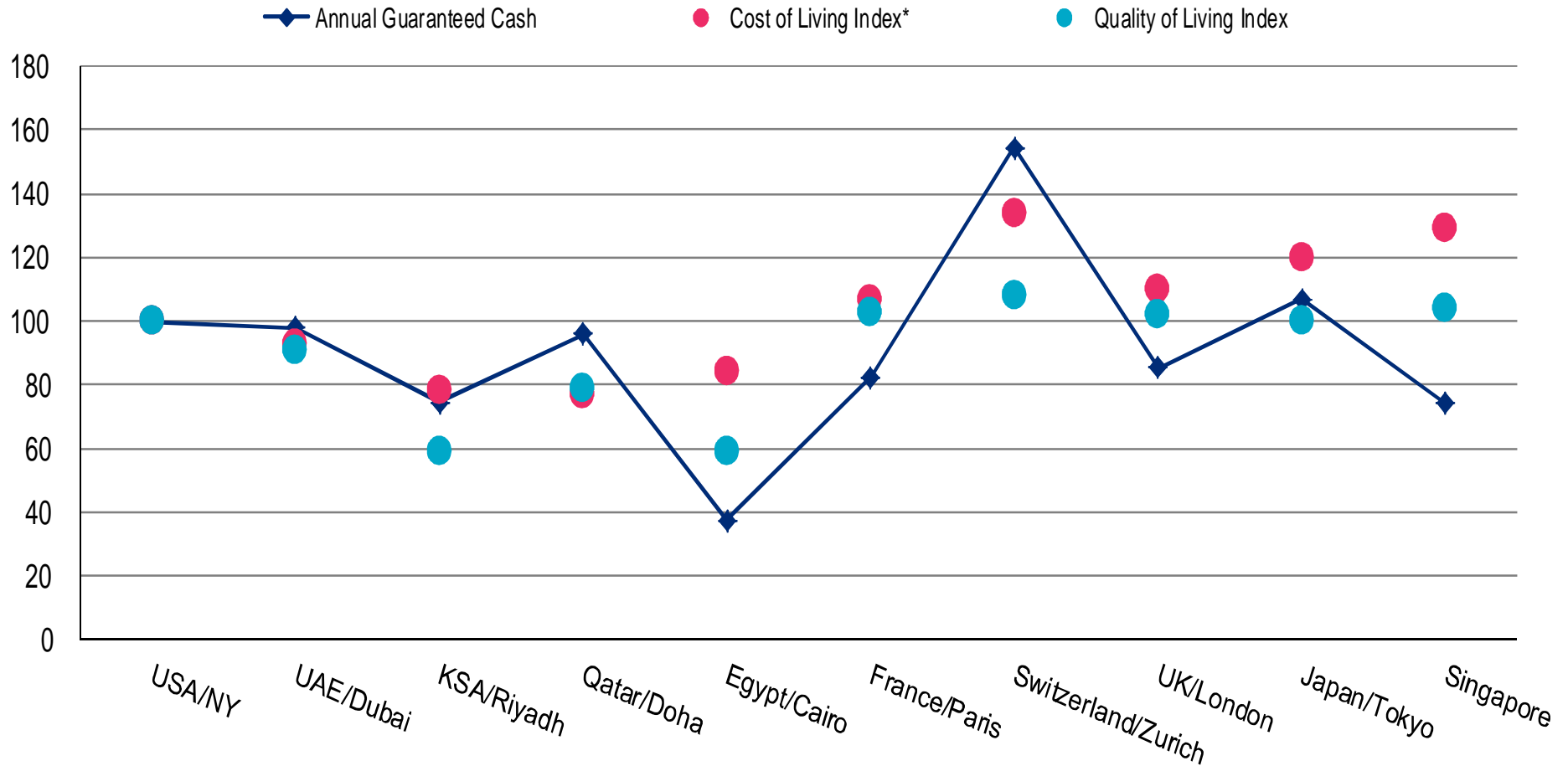
SALARY DIFFERENCES GENDER DISPARITY BY CAREER STREAM (Mean of Base)



GUARANTEED ALLOWANCES PREVALENCE IN UAE



COUNTRY / CITY COMPARISON (New York City = 100) COL, QOL, AND ANNUAL TOTAL GUARANTEED CASH (PC 51)



Source: Mercer Cost of Living report, March 2014
 Mercer Quality of Living report, September 2013

* Expatriate CoL

KEY HR CHALLENGES AND PRIORITIES

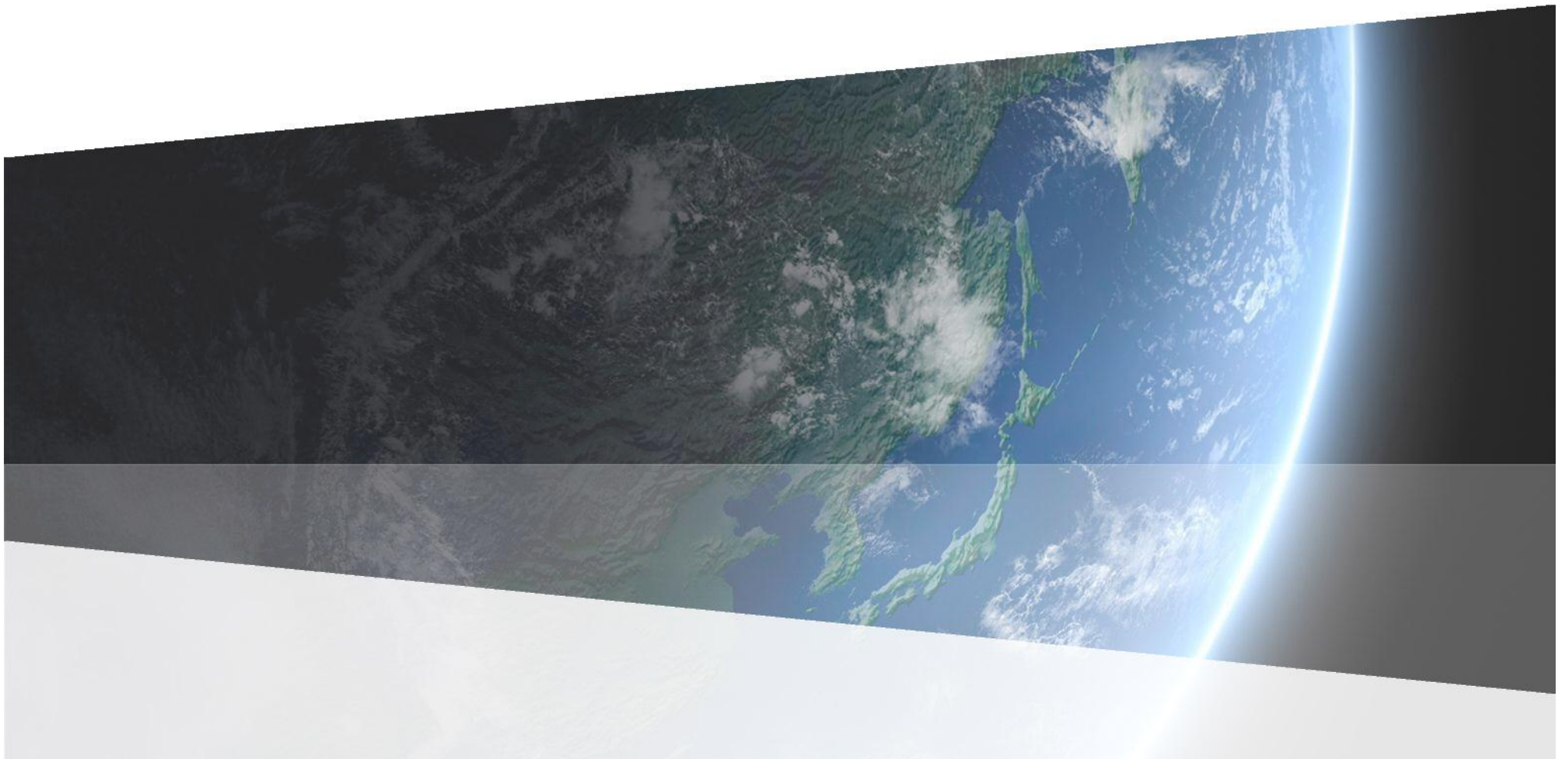
Non-GCC countries

- 1 Security and business continuity
- 2 Brain-drain
- 3 Inflation (e.g. Egypt, Yemen)
- 4 Workforce engagement and productivity

GCC countries

- 1 Workforce nationalization
- 2 Rising costs of housing, school fees, medical insurance
- 3 Regional mobility
- 4 Workforce engagement and productivity

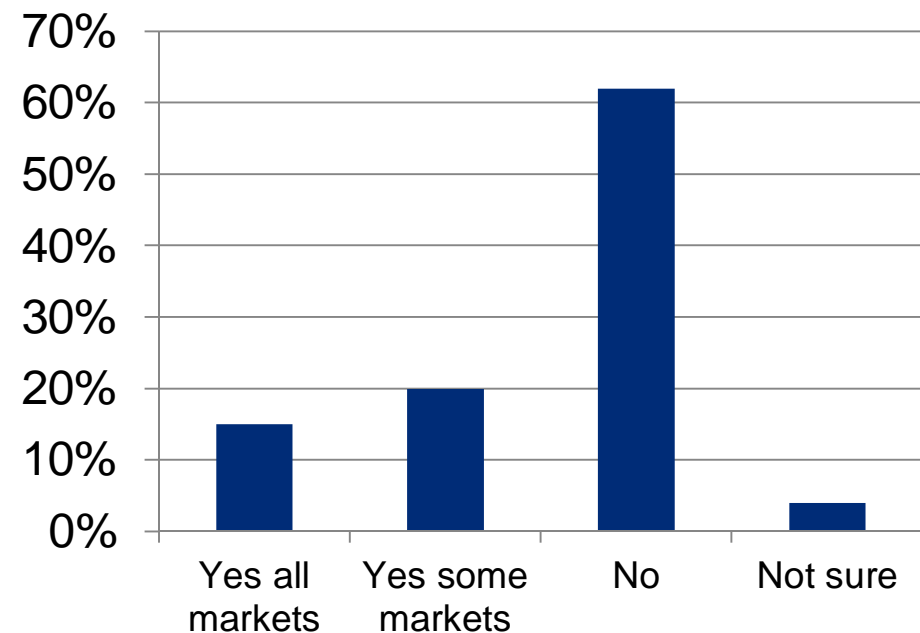
TRENDS FOR 2015 AND BEYOND - EMEA REGION



LIVE POLL QUESTION 3

Does your organization segment salary increases and use different budgets for different groups of jobs within one country?

- a – Yes – in all markets**
- b - Yes – in at least some markets**
- c – No**
- d – I don't know**



* of those responding

TREND #1

*From one size fits all, to
segmentation of the total
rewards framework*

Common principles expressed differently per employee or region segment

WHAT WE ARE HEARING FROM OUR CLIENTS

“We can’t **pay at median** for our marketing roles if we want superstars.”

“**Limited budgets are not enough** for our hourly workforce.”

“The technology group wants more from their rewards, **pay is not enough** — they want development.”



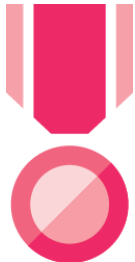
BUSINESS STRATEGY SHOULD DRIVE YOUR REWARDS STRATEGY



BUSINESS STRATEGY



PEOPLE STRATEGY



REWARDS STRATEGY

How will the organization manage and motivate a workforce that can execute the business strategy?

APPROACHES TO SEGMENTATION CAN DIFFER BASED ON BUSINESS NEEDS



TREND #2

*Integration of talent and
reward with focus on
communications*

Employees value most what they understand best

THE EMPLOYER PERSPECTIVE

“We need to **build our talent from within**

by identifying the right skills and creating career paths.”

“Employees are asking for **clarity** on expectations at each step of the **career journey** as they move up and laterally.”

“There is too much **ad hoc** and discretionary deal-making — leading to manager angst and **employee mistrust.**”



THE EMPLOYEE PERSPECTIVE

“I don’t see a
clear path
to progress in this
organization.”

“I would love to
**navigate
future
possibilities**
starting from my current job
and company.”

“There is no
consistency
in **job level** or
pay, making me
question the organization’s
promise to me.”

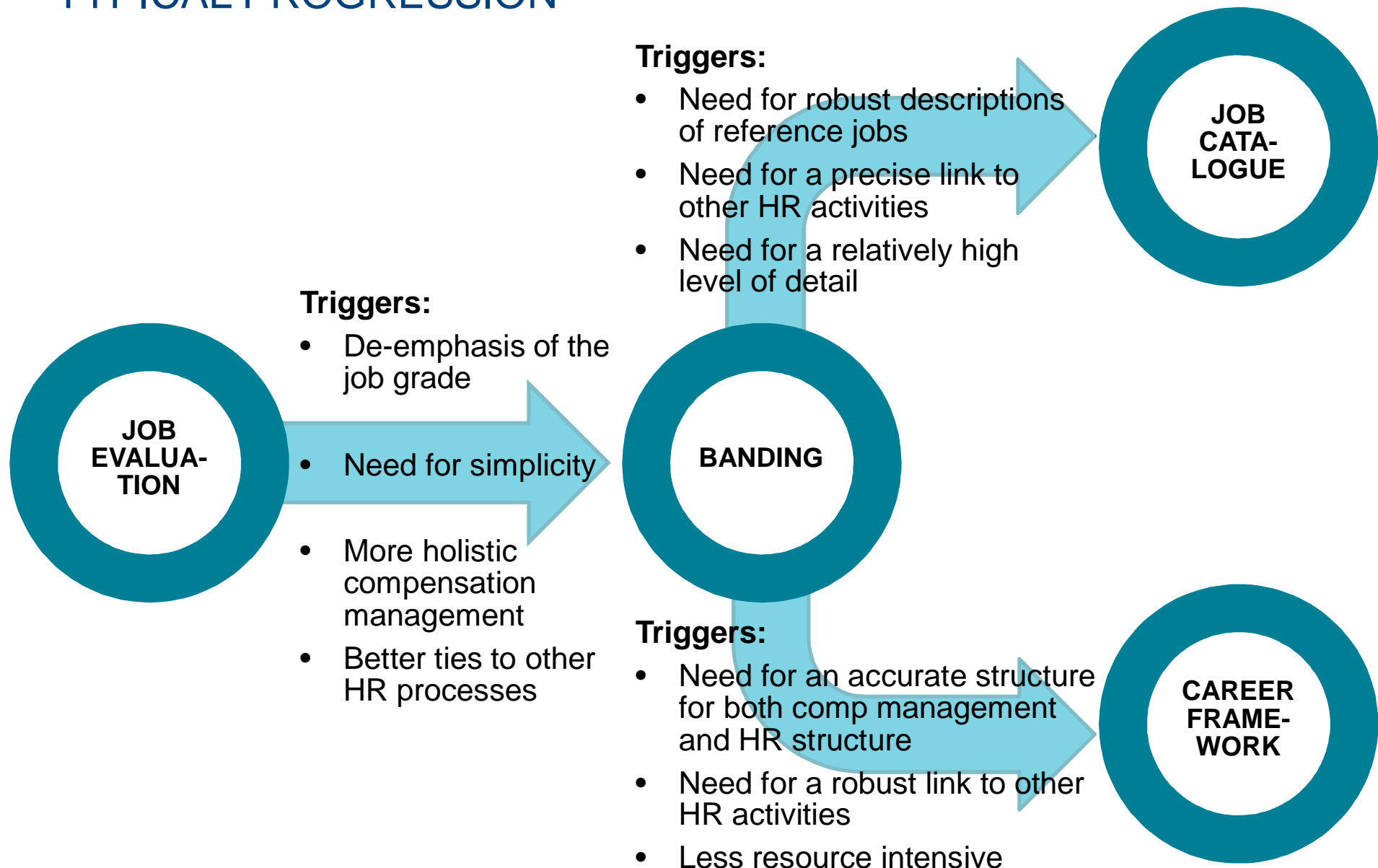


WHAT IS A CAREER FRAMEWORK?



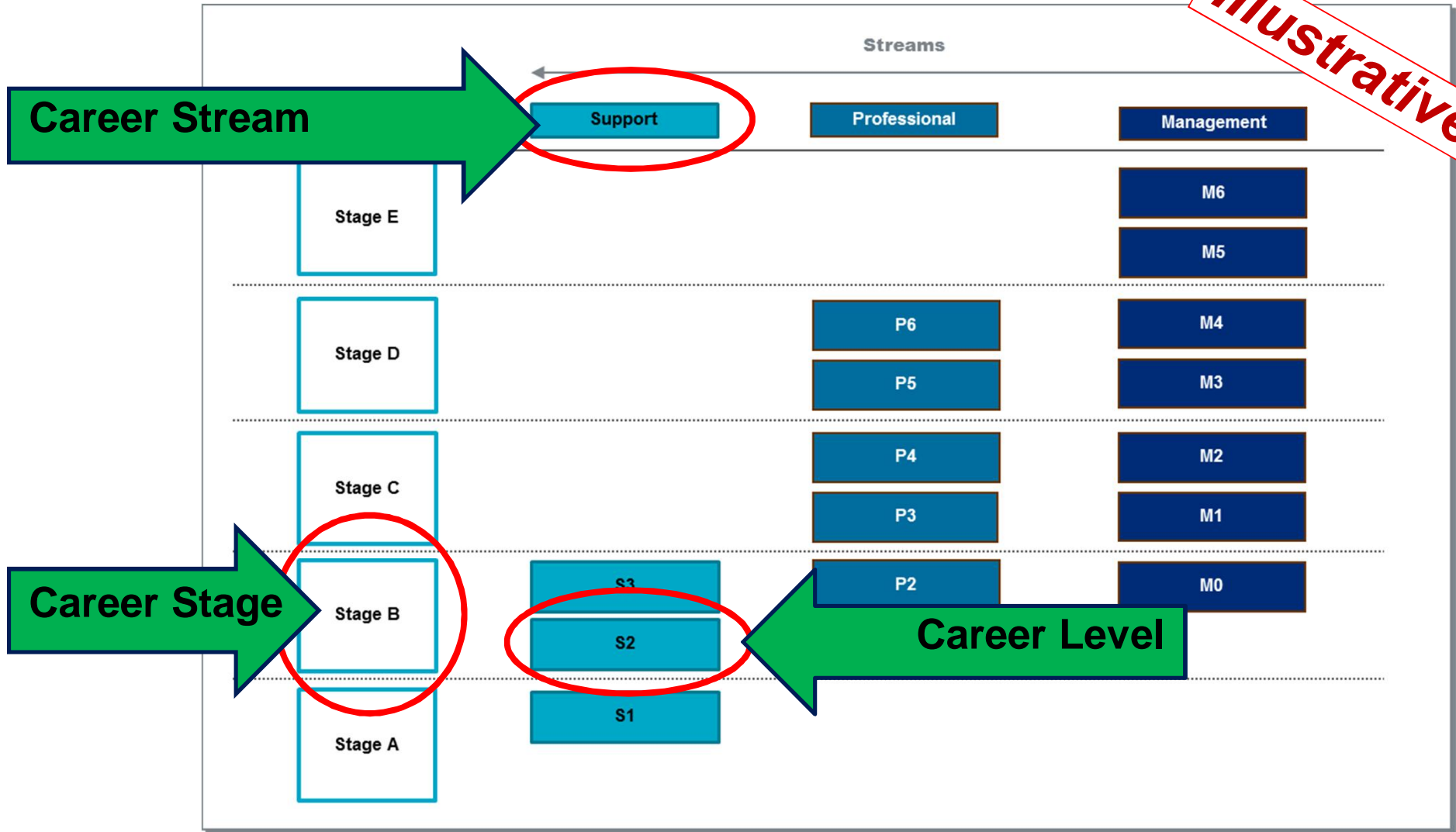
MOVING FROM JOB EVALUATION TO CAREER FRAMEWORKS

TYPICAL PROGRESSION



CAREER FRAMEWORK: OVERVIEW

Illustrative



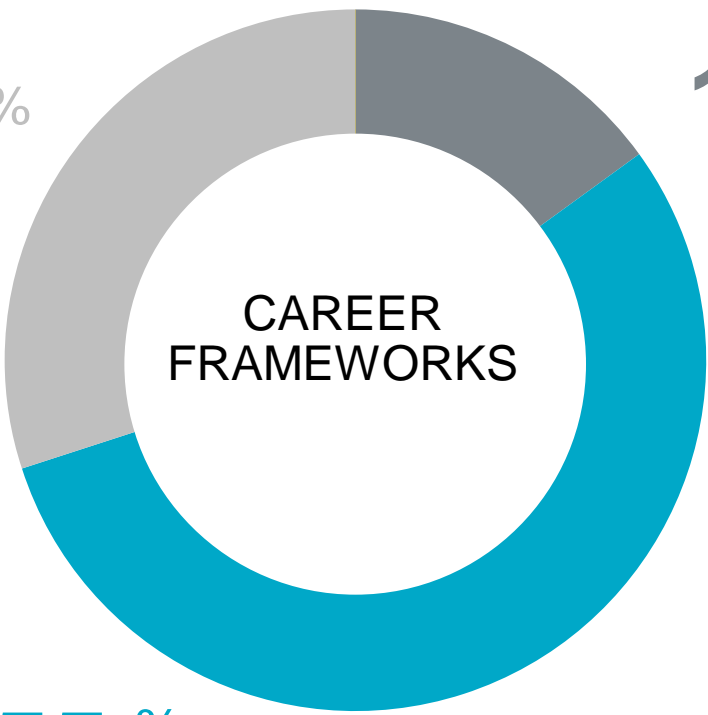
CAREER FRAMEWORKS ARE BECOMING MORE COMMON

Don't have a career framework and not planning to implement one

30 %

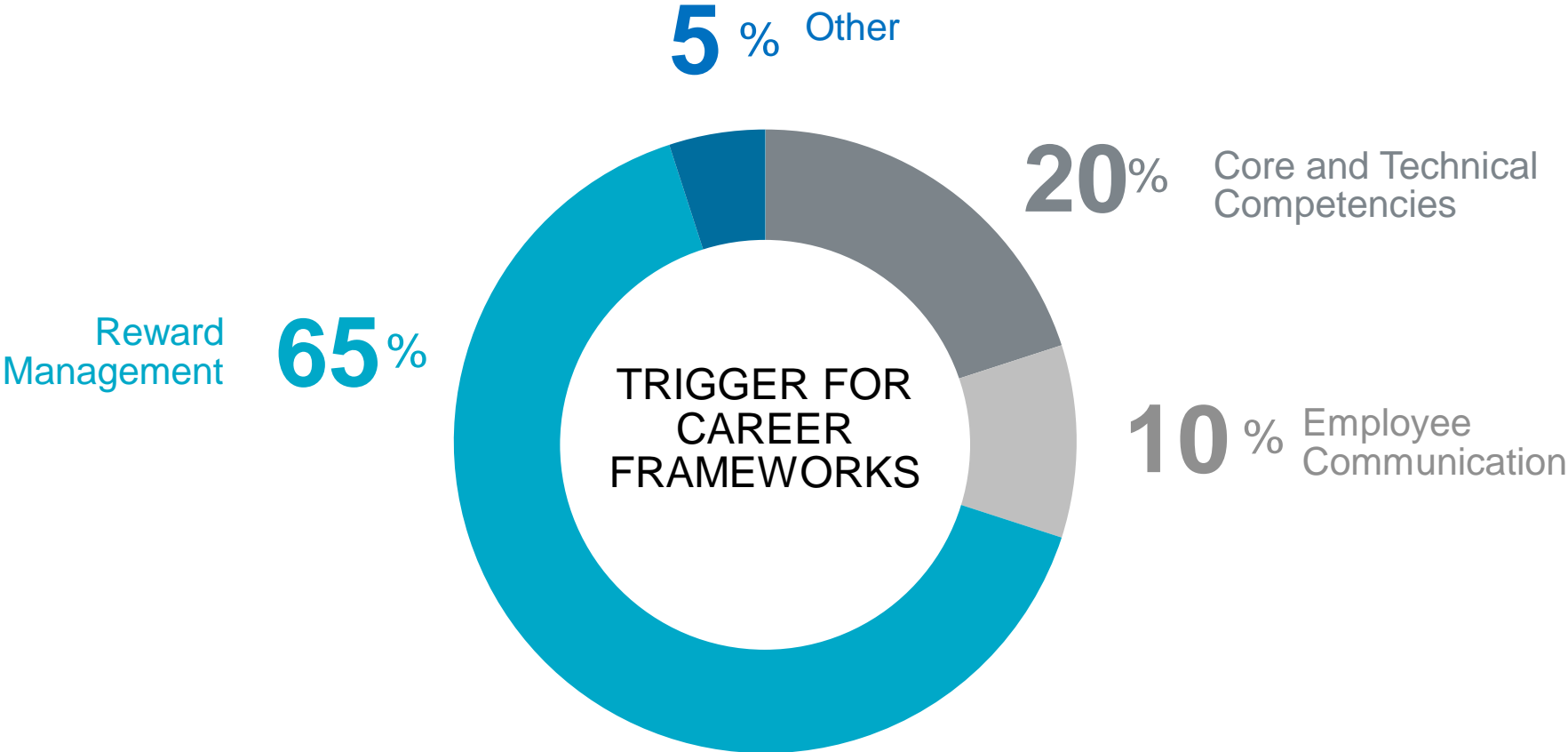
(generally using position evaluation only)

15 % Have a career framework



Don't have a career framework, but planning to implement one **55** %

REWARD MANAGEMENT & COMPETENCIES MOST OFTEN TRIGGER IMPLEMENTATION OF CAREER FRAMEWORKS



A CLOSER LOOK: THE CAREER FRAMEWORK SUPPORTING A RANGE OF HR ACTIVITIES



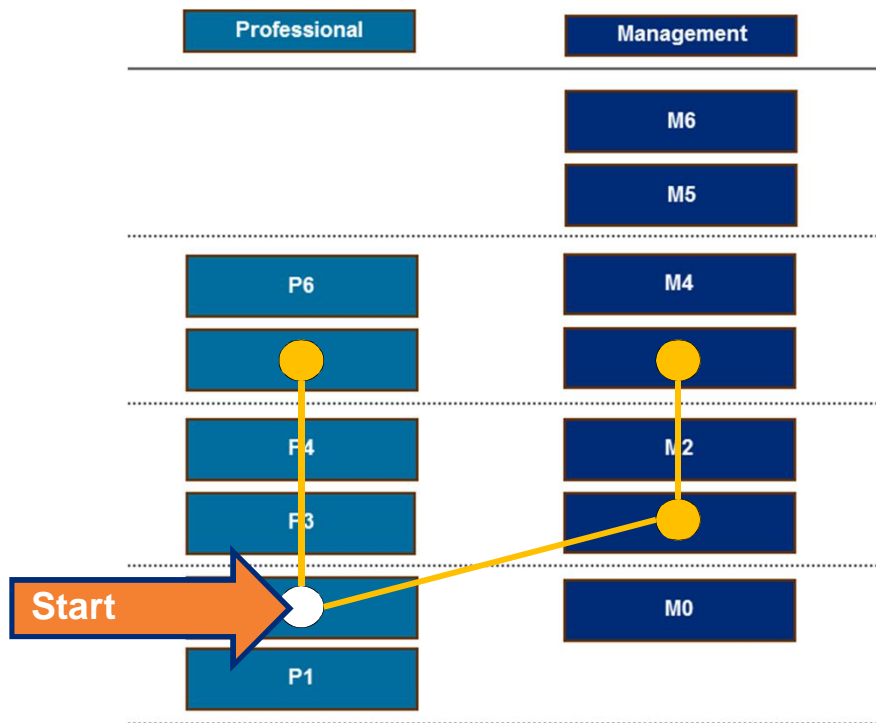
Career Framework		Pay Linkages			IPE Position Class Ranges
		Base Pay Broad Bands w/Reference Points	STI	LTI	
	E1	◆◆◆◆	40%	50%	61 - 63
	E2	◆◆◆◆	30%	45%	58 - 60
	E3	◆◆◆◆	25%	40%	56 - 57
P6	M4	◆◆◆◆	20%	35%	54 - 55
P5	M3	◆◆◆◆	15%		52 - 53
P4	M2	◆◆◆◆	10%		50 - 51
P3	M1	◆◆◆◆	7%		48 - 49
P2		◆◆◆◆	5%		46 - 47
S3	P1	◆◆◆◆	2%		44 - 45
S3		◆◆◆◆			42 - 43
S2		◆◆◆◆			
S1		◆◆◆◆			



A CLOSER LOOK: THE CAREER FRAMEWORK SUPPORTING A RANGE OF HR ACTIVITIES



Articulating a Career journey



Core competencies (From Career Stage)

Critical Thinking/ Driving Strat
Driving Results
Innovation & Growth
Customer Focus
Coaching & Development
Stakeholder Relat . Management

Technical competencies (From Family/Sub-family)

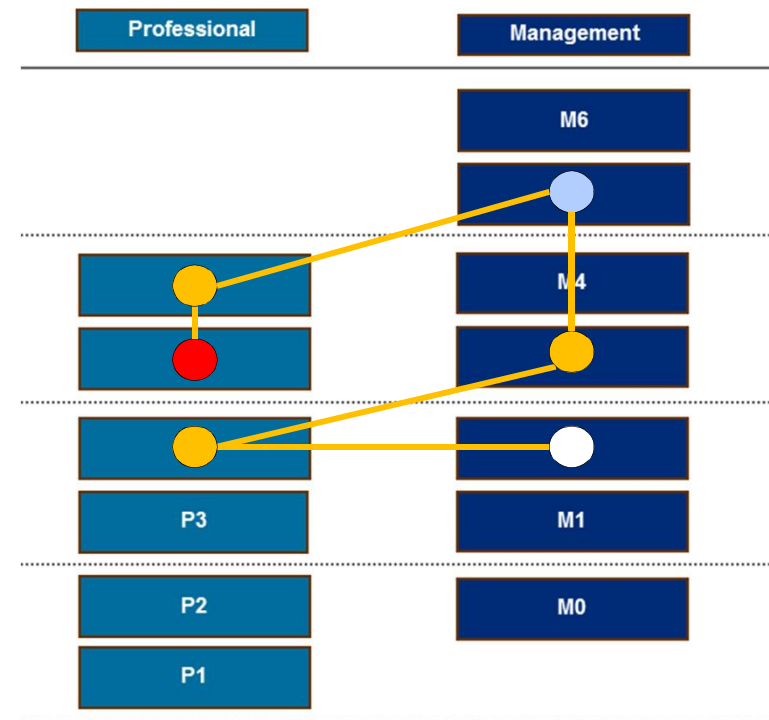
Applications Development
Network Architecture
Network Security
Knowledge of Emerging & Existing
Technical Communication
Hardware & Asset Management

70%	On the Job Experiences	Menu of developmental activities that can enhance Skills in a particular competency area (e.g., Manage a cross-functional project and take note of varying stakeholder agendas & views)
20%	Feedback & Coaching	Guides for soliciting quality and actionable feedback, catered to developing skillsets in a given competency area
10%	Formal Training	List of trainings (in person & online), books, articles, and other training materials that increase knowledge in a particular competency area

A CLOSER LOOK: THE CAREER FRAMEWORK SUPPORTING A RANGE OF HR ACTIVITIES

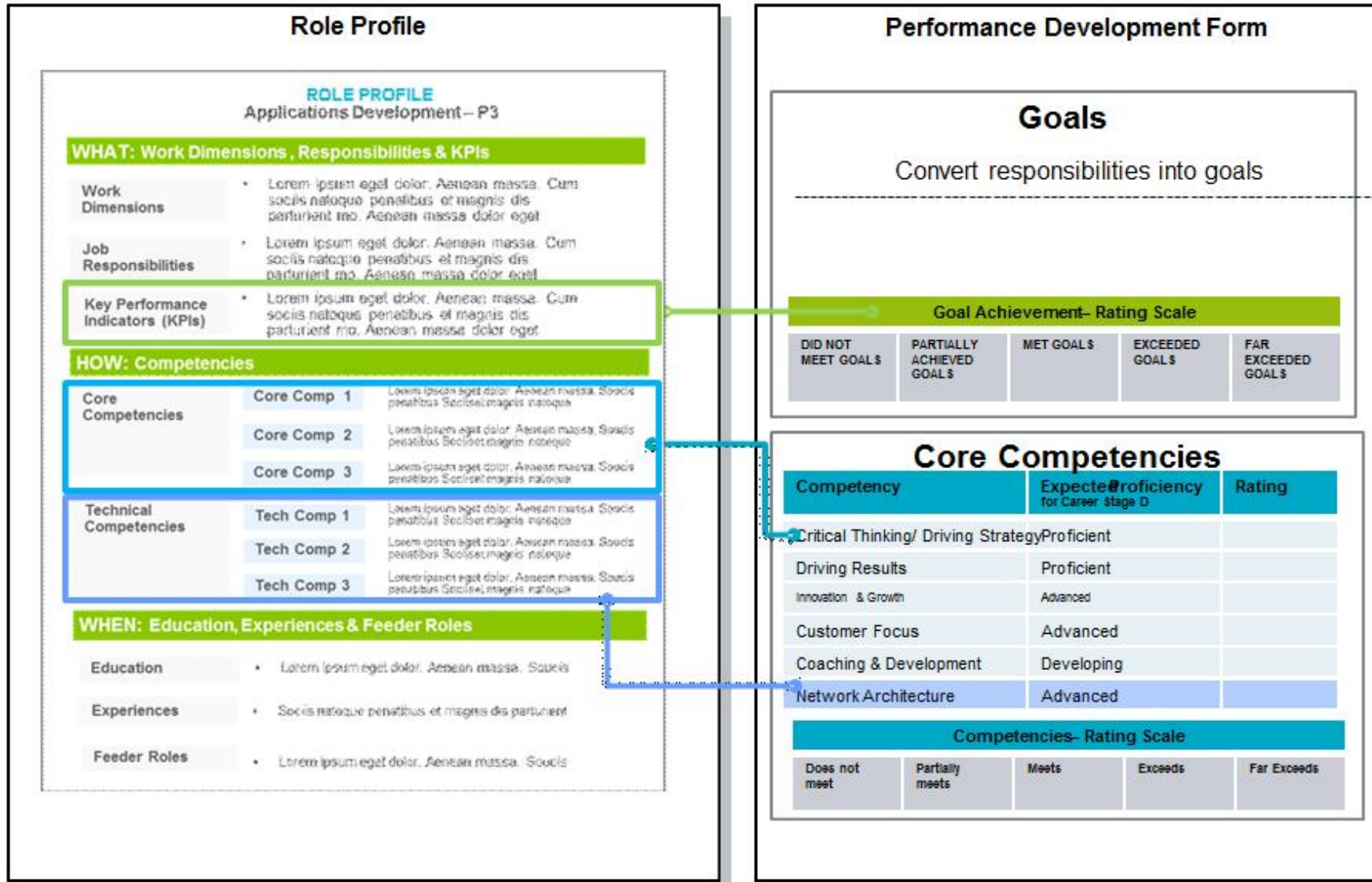


Articulating a Career journey

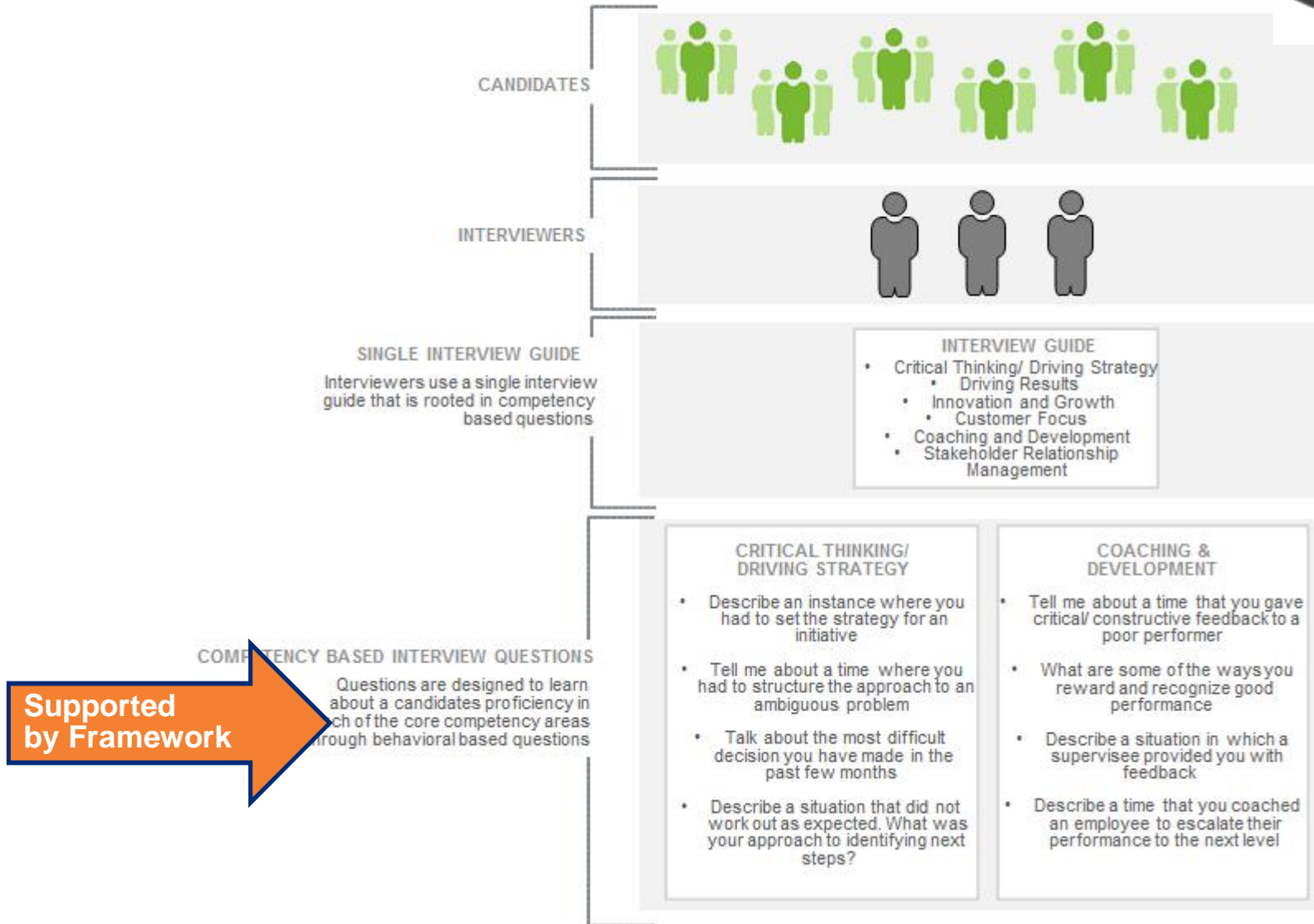


- Destination role
- Starting point employee 2 (ready ~3 years)
- Starting point employee 1 (ready ~5 years)

A CLOSER LOOK: THE CAREER FRAMEWORK SUPPORTING A RANGE OF HR ACTIVITIES



A CLOSER LOOK: THE CAREER FRAMEWORK SUPPORTING A RANGE OF HR ACTIVITIES



TREND #3

Use more sophisticated workforce analytics, in setting the total reward framework

Expanding use of HR analytics to predict future outcomes

A CLOSER LOOK: THE CAREER FRAMEWORK SUPPORTING A RANGE OF HR ACTIVITIES

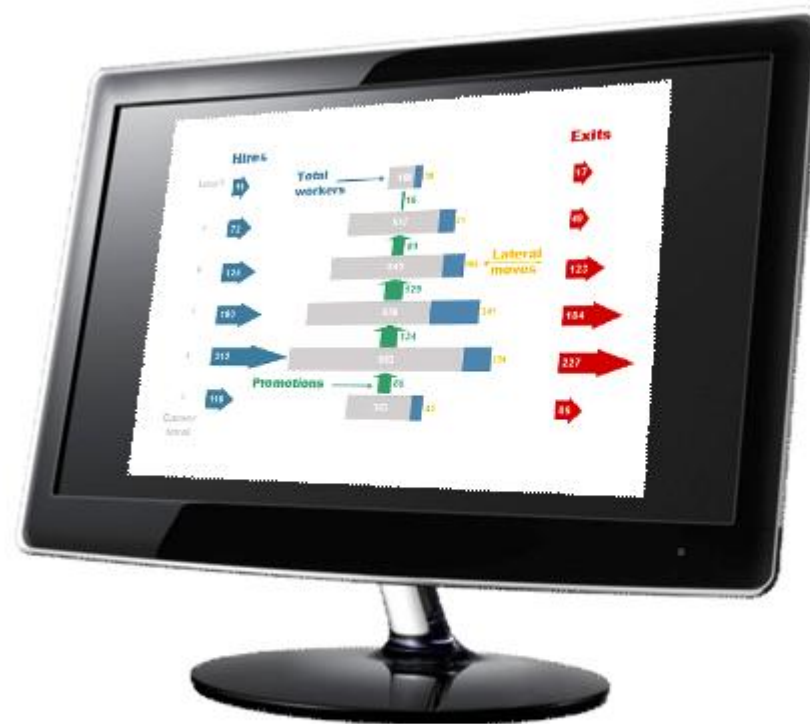


IMPROVING CAREER FRAMEWORKS THROUGH ANALYTICS

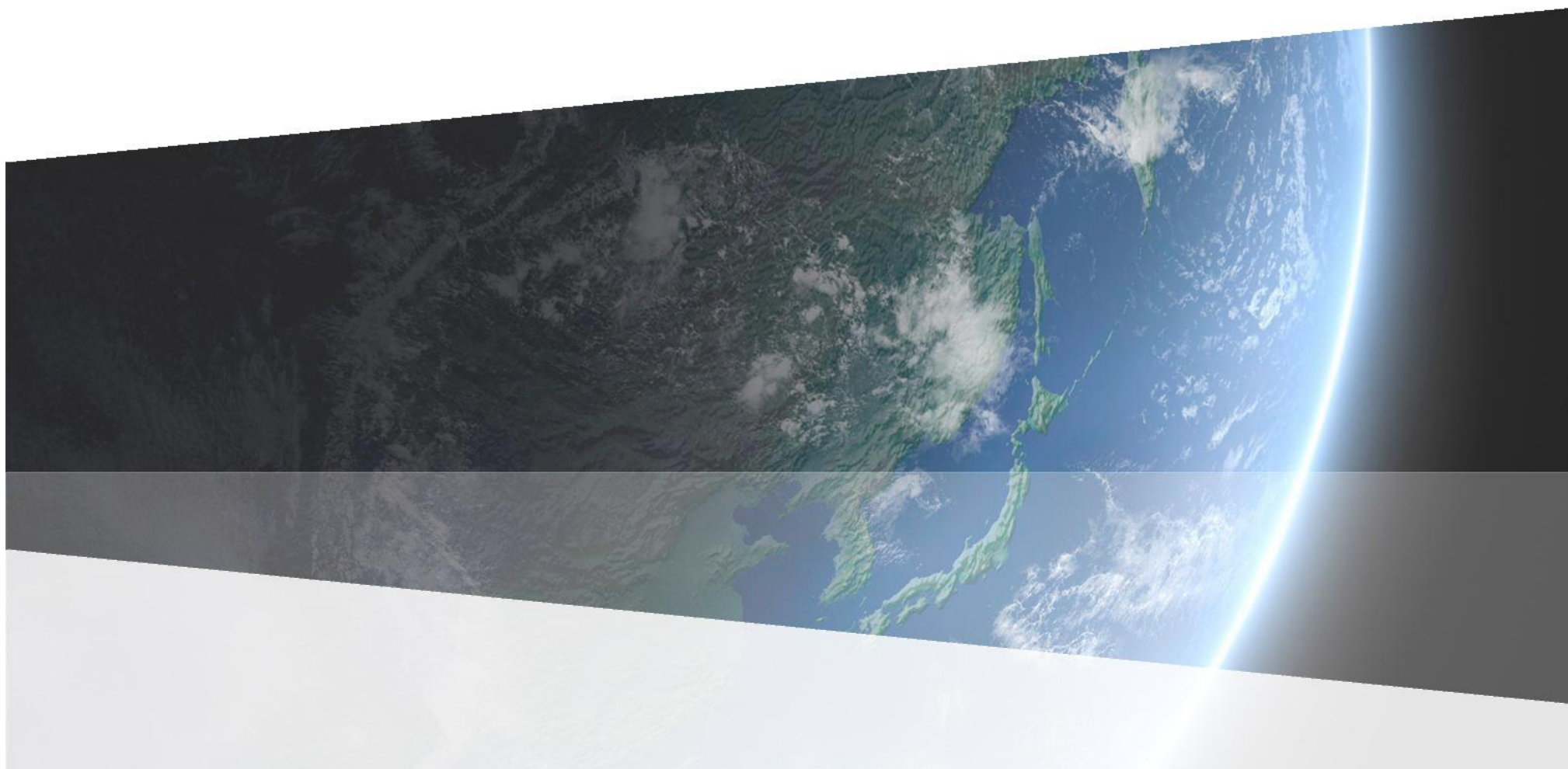
Once the career framework is in place, it provides a static structure that provides clarity to both the employee and employer.

However it is important to layer on the **TALENT FLOWS** and **VELOCITY** using analytics to determine the right shape of the organization.

The ideal shape will focus on **BUILDING TALENT** and **ELIMINATING CHOKE POINTS AND BLOCKERS**



CALL TO ACTION

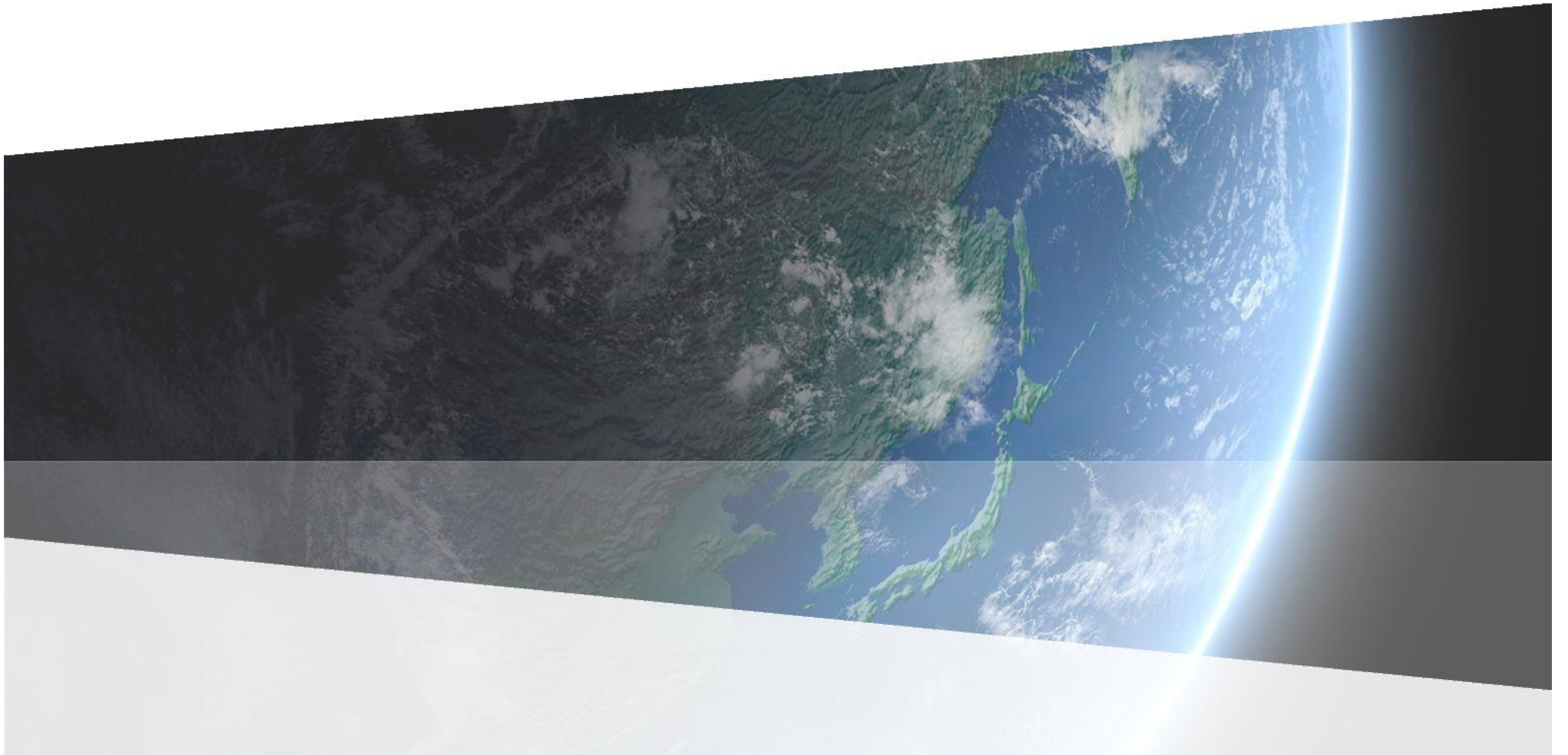


CALL TO ACTION WHERE TO FOCUS FOR 2015?



- ✓ Examine segmentation and differentiation and start to measure your business outcomes using higher level analytics if not already the case
 - For example, what does pay for performance really look like in your organization?
- ✓ Continue to pay attention to base pay... it's important
 - Based on our research it's a driver of retention
- ✓ Think about how you are communicating your Talent and Reward proposition to employees, is there a need to refresh your reward and talent infrastructure?
- ✓ **Create an “ecosystem” to optimize and leverage your talent and total reward programs through Career Frameworks**

APPENDICES



UPCOMING RESULTS

- 1 | Mercer's Global Compensation Planning Report – October update
www.imercer.com/gcpr
- 2 | Mercer's Salary Movement Snapshot - December update
www.imercer.com/sms
- 3 | Mercer Executive Remuneration Guide
www.imercer.com/merg
- 4 | Mercer's Total Remuneration Survey
www.imercer.com/trs

STAY UP-TO-DATE ON A GLOBAL BASIS GLOBAL COMPENSATION PLANNING

For further information visit:
www.imercer.com/gcpr

Access to global data:

- the latest country-specific pay increase forecast and economic data
 - an interactive charting tool that lets you display up to 15 years of pay increase data by job family
- Covers over 120 countries
 - Provides global data and analysis on:
 - actual salary increases for 2013 and 2014 as well as projected increases for 2015
 - economic indicators
 - regional overviews
 - short-term incentives
 - The ability to download data into an Excel file



MERCER TOTAL REMUNERATION SURVEY

THE KEY TO DESIGNING COMPETITIVE PAY PACKAGES WORLDWIDE

TRS IS AVAILABLE IN OVER
120 MARKETS
WORLDWIDE

MORE THAN
25,000
ORGANISATIONS

Access common global benchmarks in more than 120 markets and receive all industry or industry specific results.

NEW IN 2013:
LEBANON, JORDAN,
IRAN, IRAQ, LIBYA,
MYANMAR AND
MONTENEGRO.

NEW IN 2014:
LUXEMBOURG



TRS IS BUILT ON A COMMON, GLOBAL PLATFORM THAT DELIVERS WORLDWIDE CONSISTENCY FOR JOBS, DATA, METHODOLOGY, AND TECHNOLOGY.

SURVEYS DELIVERED ONLINE
THROUGH MERCER WIN®
ACCESSIBLE ANYWHERE, ANYTIME.

- Access to your survey results across industry and across borders
- Unlimited peer cut reports for participants
- Ability to compare your submission to the market instantly
- Analyse and compare market by job, family, career level and/or job size
- More than 40,000 WIN® Users Worldwide

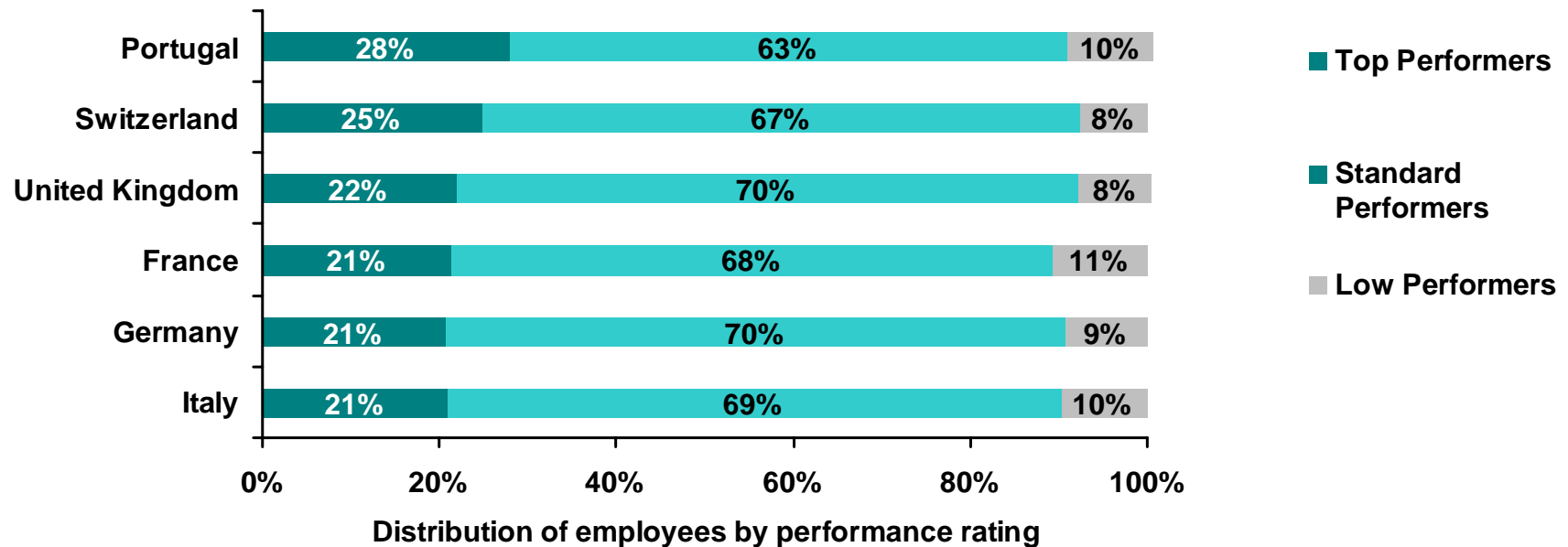
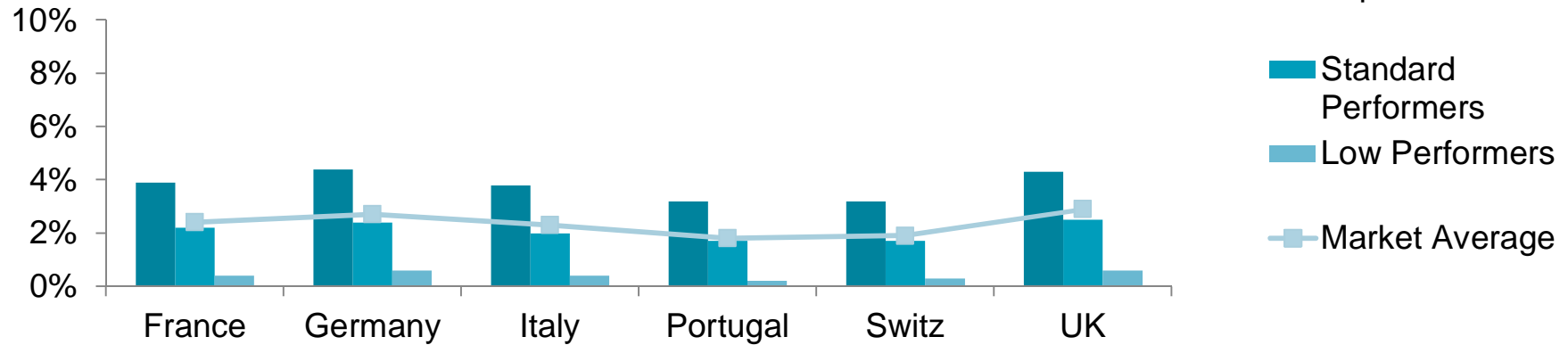
THE TRS DATABASE CONTAINS
INFORMATION BASED ON MORE THAN
15 MILLION
INCUMBENTS

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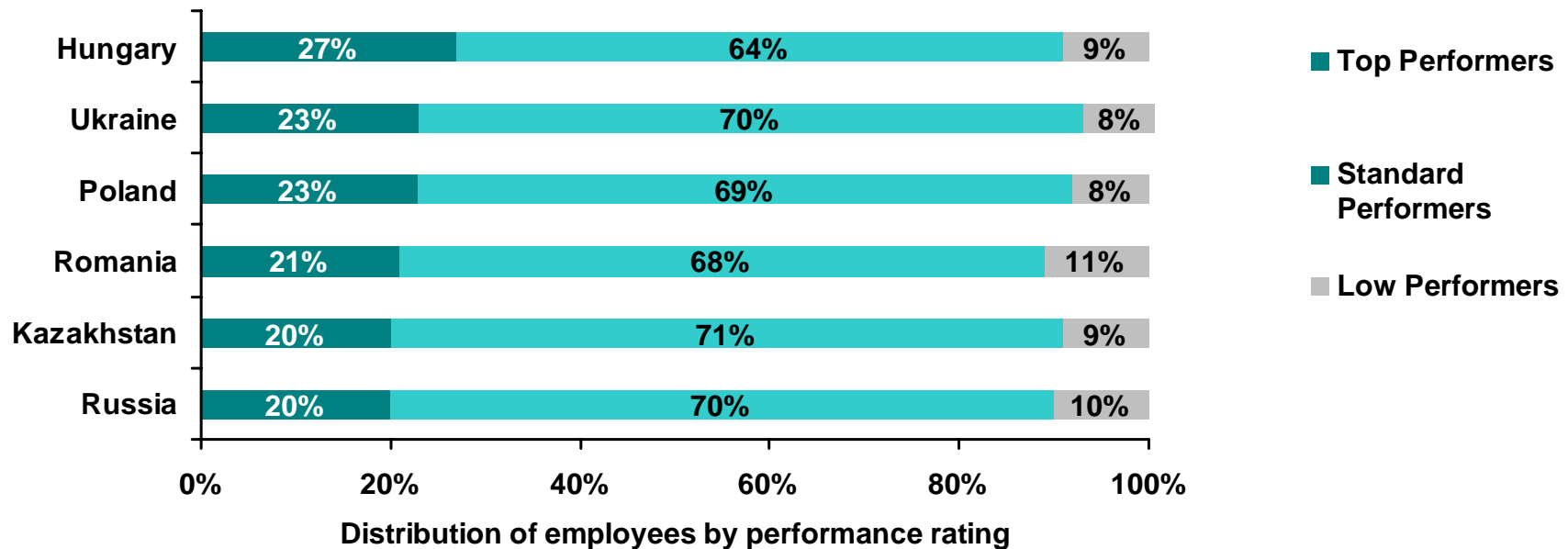
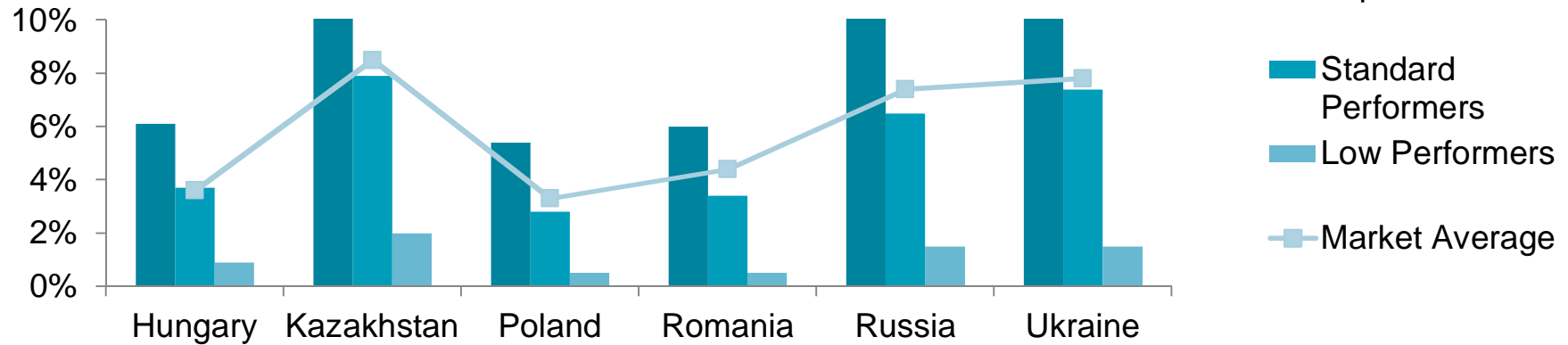
2014 ACTUAL SALARY INCREASES PERFORMANCE MATRIX

Average actual salary increase



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Average actual salary increase



2015 FORECAST SALARY INCREASES BASED ON PERFORMANCE – ADDITIONAL MARKETS

	Top performers	Standard performers	Low performers
Austria	4.6%	2.4%	0.3%
Belgium	4.3%	2.5%	1.1%
Czech Republic	4.4%	2.6%	0.3%
Denmark	4.1%	2.3%	0.3%
Finland	4.5%	2.3%	0.2%
Ireland	3.1%	2.0%	0.5%
Netherlands	4.5%	2.6%	0.5%
Norway	4.6%	2.9%	0.4%
South Africa	9.4%	6.4%	1.9%
Spain	3.7%	1.8%	0.3%
Sweden	4.2%	2.4%	0.4%
Turkey	12.8%	7.7%	1.9%
UAE	7.3%	4.3%	1.2%

