

HEALTH WEALTH CAREER

# COMPENSATION PLANNING FOR 2016

## EMEA FORECASTS AND TRENDS

OCTOBER 28 2015

**Alyson Callin, UK**  
**Nuno-Filipe dos Santos Gomes, UAE**  
**Nicol Mullins, South Africa**  
**David Wreford, UK**



# TODAY'S SPEAKERS



**ALYSON CALLIN**  
London, UK



**NUNO GOMES**  
Dubai, UAE



**NICOL MULLINS**  
South Africa



**DAVID WREFORD**  
London, UK

# AGENDA FOR OUR SESSION TODAY



Context for  
Planning



Mercer  
Survey  
Insights

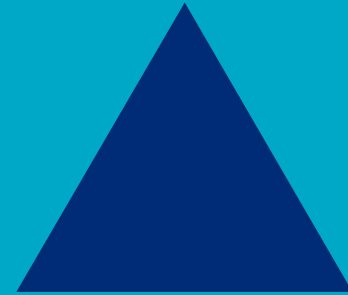


Trends for  
2016 and  
Beyond



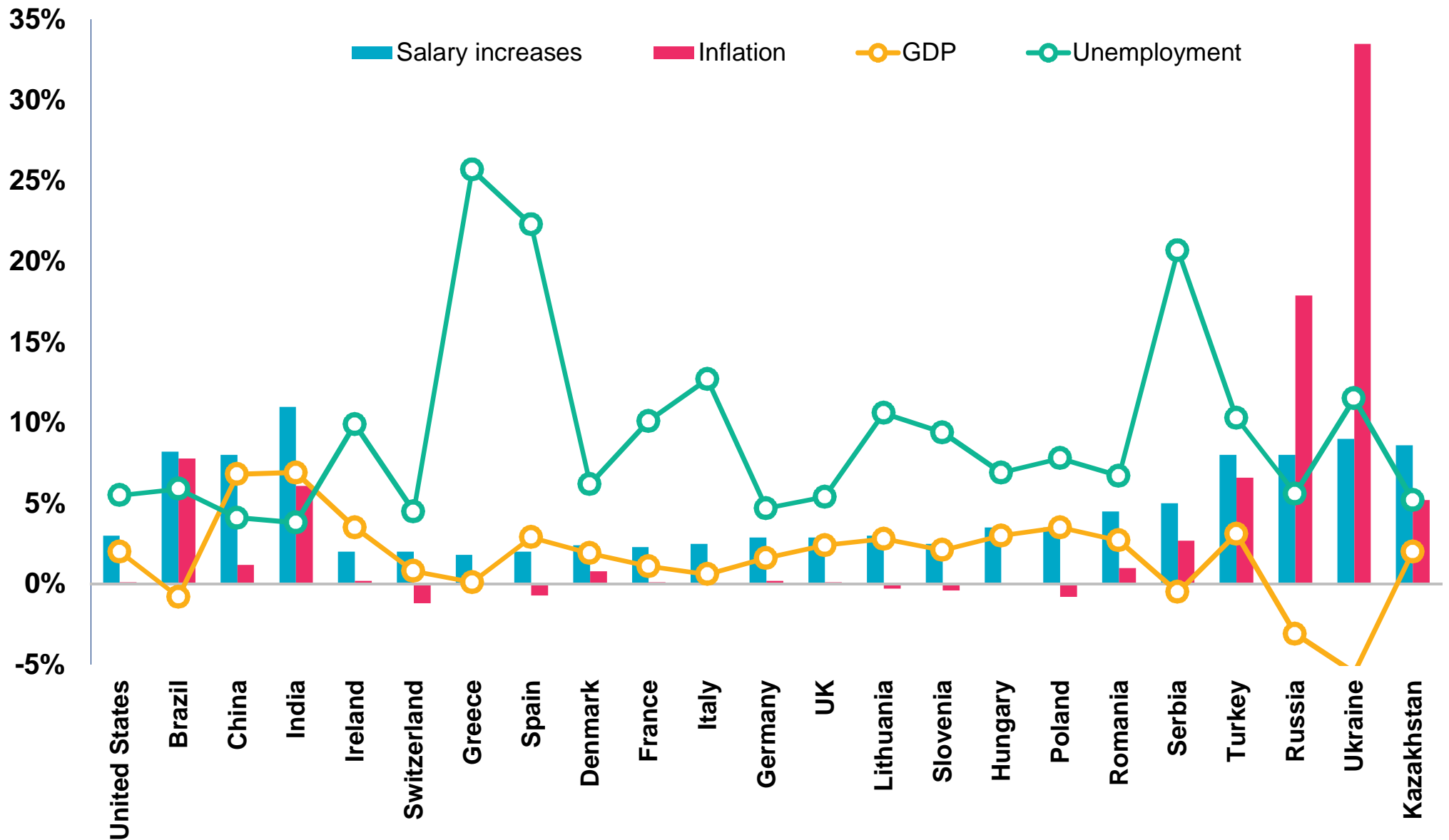
Call to  
Action

# CONTEXT FOR PLANNING



# EUROPE

## ECONOMIC CONTEXT 2015



Source: Global Compensation Planning Report, July 2015

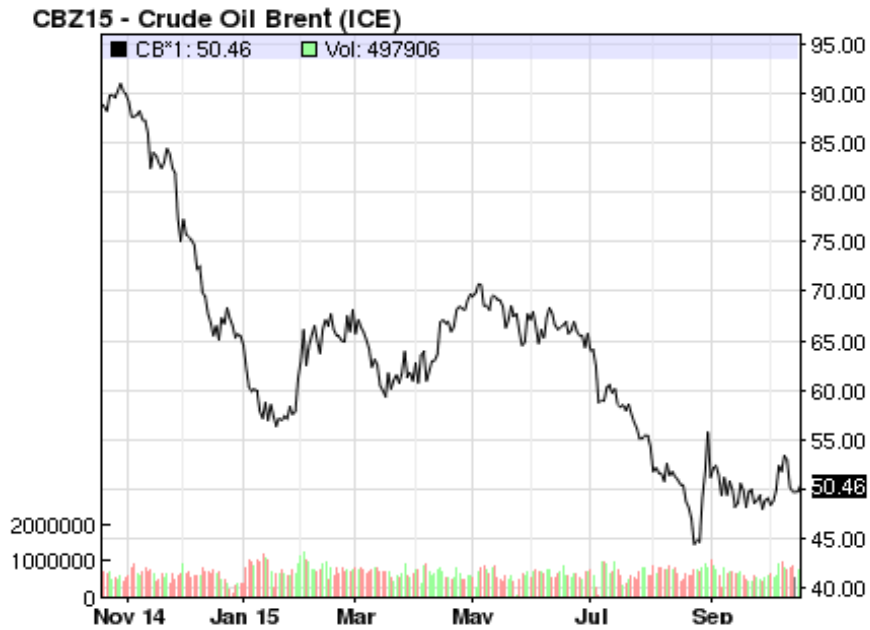
# EUROPE

## ECONOMIC AND MARKET CONTEXT



1. Stabilised economies and low inflation
2. Sustained war for the best talent
3. Diversity and inclusion agenda driving need for:
  - Fairer rewards
  - Flexible rewards
4. Post-recession emphasis on maintaining good governance
  - From cost control to targeted investments
  - Distributed responsibility and function effectiveness
5. Increased transparency
  - Better educated managers
  - More informed employees

# MIDDLE EAST ECONOMIC AND MARKET CONTEXT



EXPO 2020  
DUBAI, UAE



# AFRICA

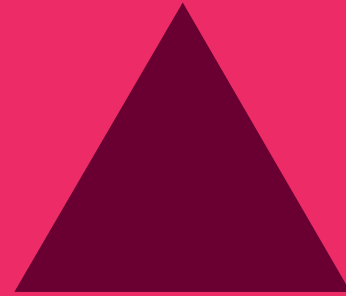
## ECONOMIC AND MARKET CONTEXT

- 55 recognised African States
- Tough economic conditions
  - Legislation changes
- Tougher infrastructure challenges
  - Lack of dependable infrastructure
- Developed markets turning to emerging markets
- Africa is one of the earmarked growth regions globally





# MERCER SURVEY INSIGHTS



# SALARY MOVEMENT SNAPSHOT SURVEY PARTICIPANT PROFILE – SEPTEMBER 2015



**4,823** PARTICIPANTS



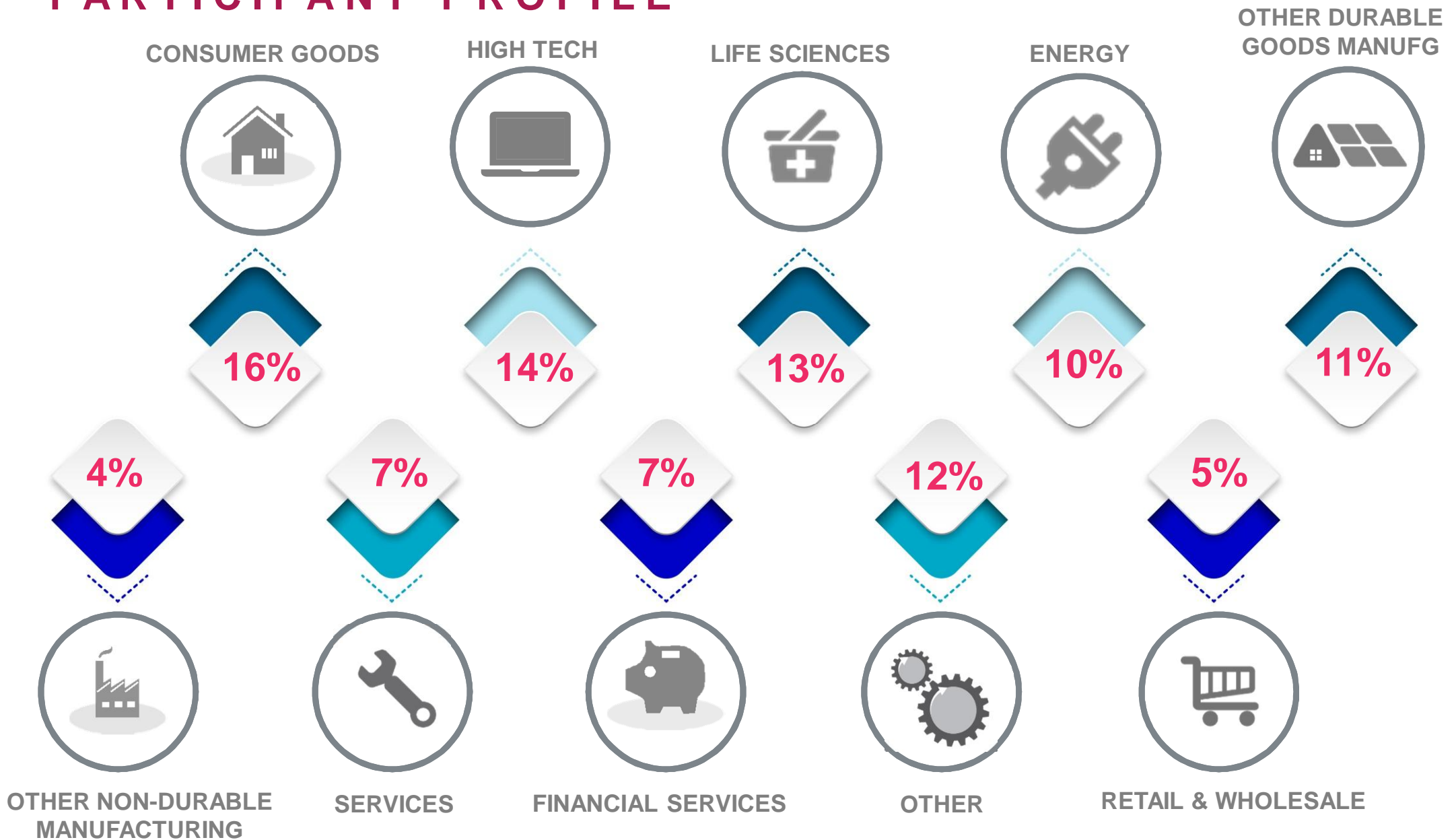
**376** UNIQUE  
ORGANISATIONS



**79**  
MARKETS

Source: Mercer EMEA SMS September 2015

# SALARY MOVEMENT SNAPSHOT PARTICIPANT PROFILE



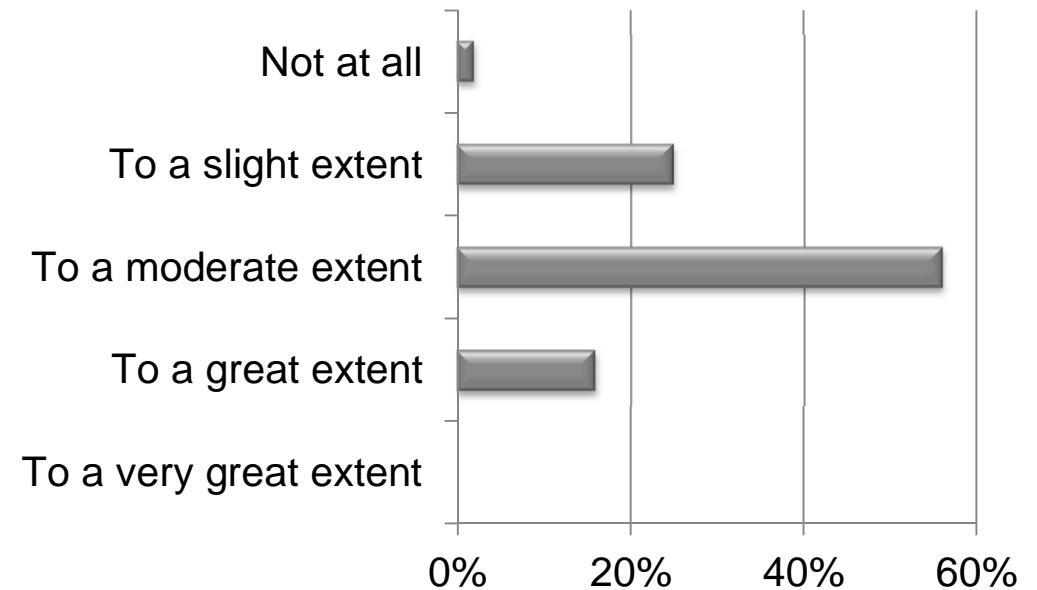
# LIVE POLL QUESTION 1

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To what extent do your employees understand the basis upon which their pay and incentives are determined?

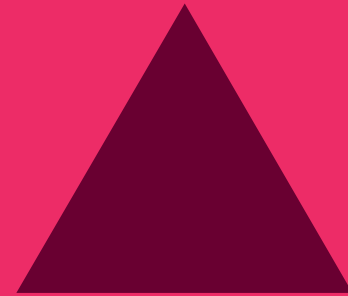
- A – Not at all
- B – To a slight extent
- C – To a moderate extent
- D – To a great extent
- E – To a very great extent

## Results























Based on 183 responses

# MERCER SURVEY INSIGHTS AFRICA



# SALARY INCREASE FORECASTS FOR 2016

## AFRICA – ALL RESPONSES

| Country  | Increase | Country   | Increase |
|--|----------|---|----------|
|  Malawi         | 14.0%    |  Algeria       | 6.9%     |
|  Ghana          | 12.0%    |  Uganda        | 6.9%     |
|  Egypt          | 10.0%    |  Tunisia       | 6.3%     |
|  Ethiopia       | 9.9%     |  Mauritius     | 5.5%     |
|  Nigeria        | 9.9%     |  Mozambique    | 5.5%     |
|  Kenya          | 8.0%     |  DRC           | 4.8%     |
|  Zambia        | 7.7%     |  Morocco      | 4.5%     |
|  Tanzania     | 7.1%     |  Ivory Coast | 4.1%     |
|  Angola       | 7.0%     |  Senegal     | 4.0%     |
|  South Africa | 7.0%     |  Gabon       | 3.1%     |

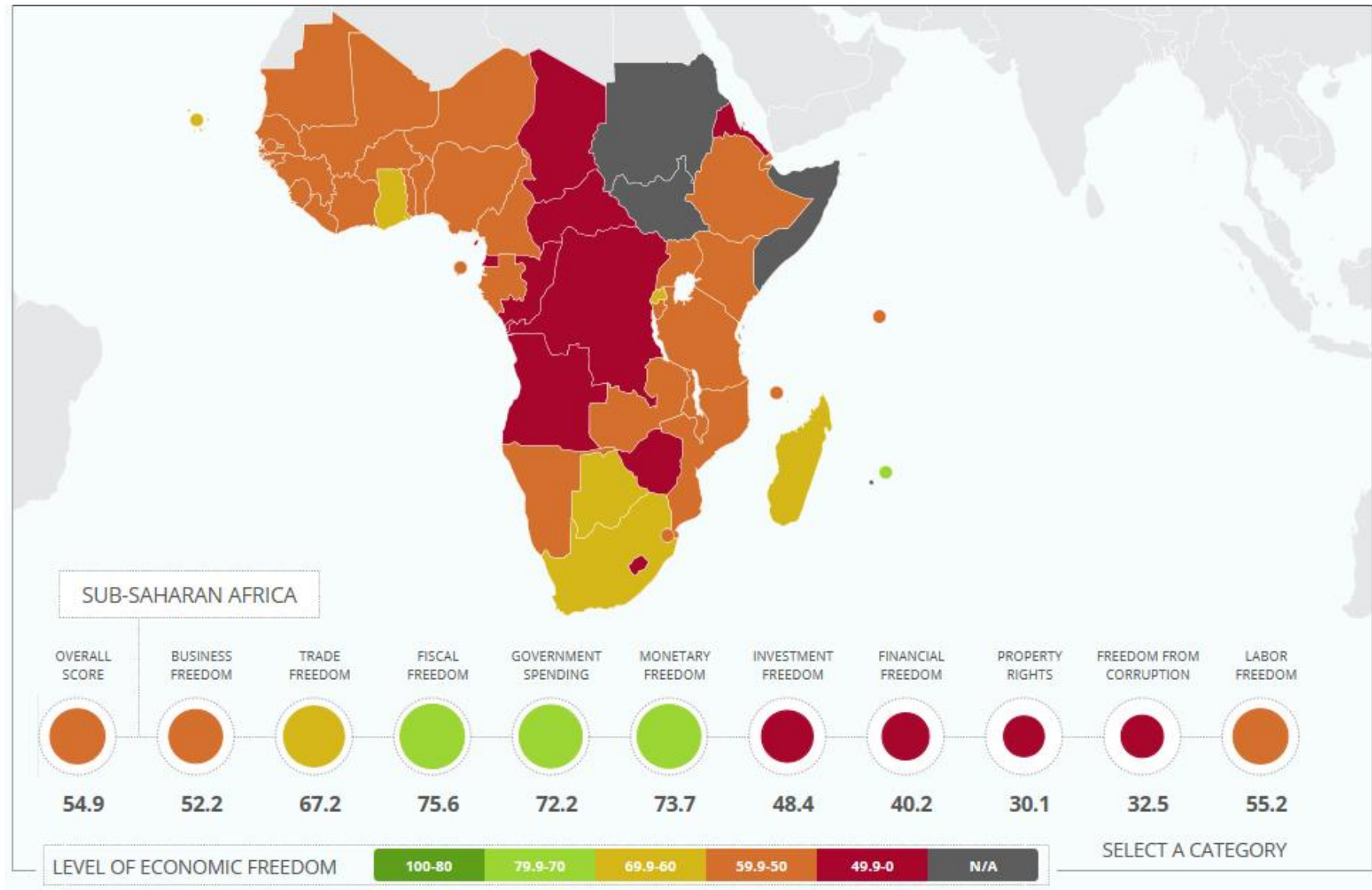
Source: Mercer EMEA SMS September 2015 (Median)

# TRENDS FOR 2016 AND BEYOND AFRICA



# 2015 ECONOMIC FREEDOM HEAT MAP

## WORLD AVERAGE 60.4



Source: The Heritage Foundation, 2015 Economic Freedom Heat Map, <http://www.heritage.org/index/heatmap>



# TRENDS FOR 2016 AND BEYOND

## AFRICA

- AFRICA is VUCA
  - Volatile
  - Uncertain
  - Complex
  - Ambiguous
- 3 Main Regions in Africa
  - Anglophone
  - Francophone
  - Lusophone
- Currency Volatility & Depreciation
  - Angola
  - Ghana
  - Nigeria
  - South Africa



# TRENDS FOR 2016 AND BEYOND

## AFRICA

AVERAGE BID RATE FOR THE WEEK OF MONDAY, SEP 28, 2015 TO SUNDAY, OCT 4, 2015 @ +/-0%

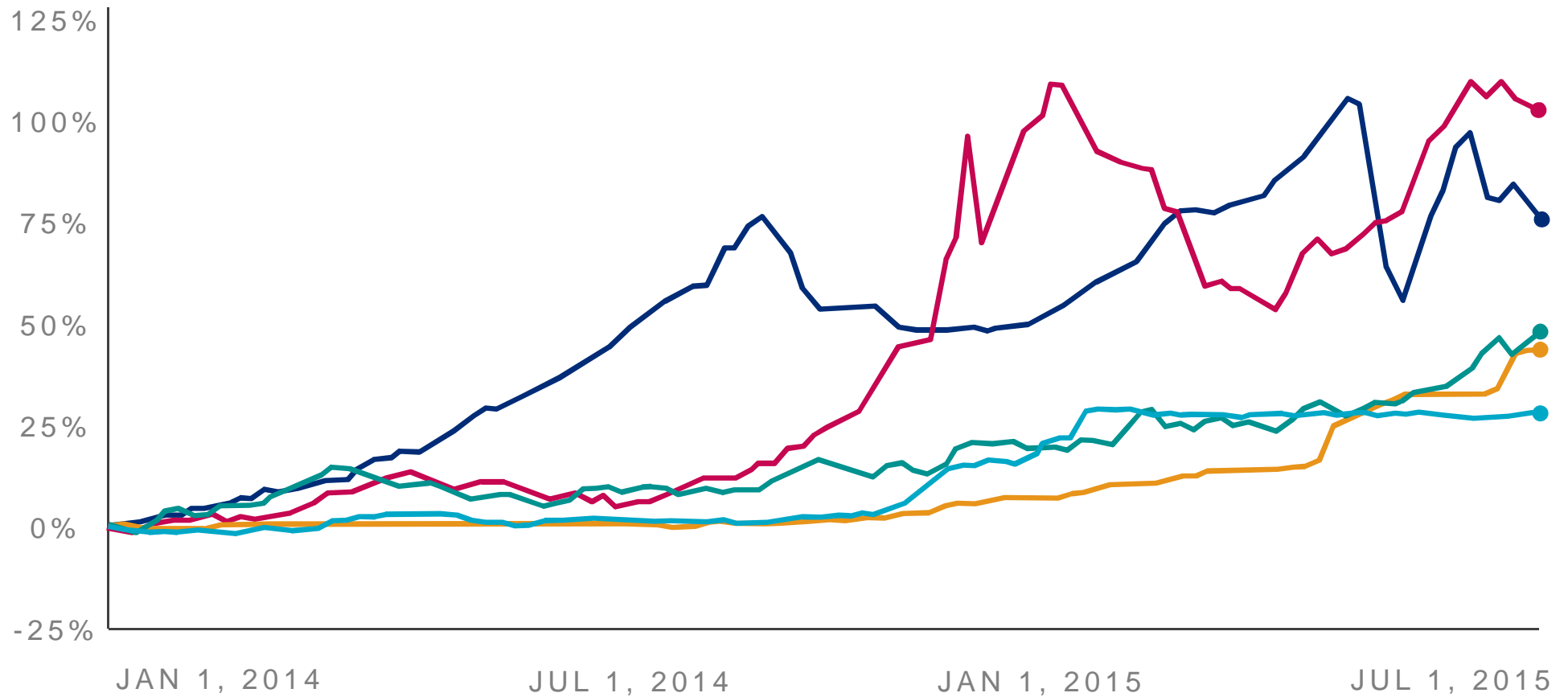
US\$/RUB  
103.82%

US\$/GHS  
72.85%

US\$/AOA  
38.64%

US\$/ZAR  
39.52%

US\$/NGN  
24.22%



# TRENDS FOR 2016 AND BEYOND AFRICA

- Sustained high inflation
  - IMF latest projections as October
    - slow down in CPI
    - small growth in GDP
- Sustained high market increases
  - Real wage increases
- Sustained high levels of compensation
- Focus is on cash and benefits
  - Base salary not relevant benchmark
- Skill scarcity
  - High demand low supply
  - Most companies buy skills – very few build
- Opportunities bountiful – but for the brave ...

# LIVE POLL QUESTION 2

To what extent do you proactively adapt your compensation policies to address your talent issues?

A – Not at all

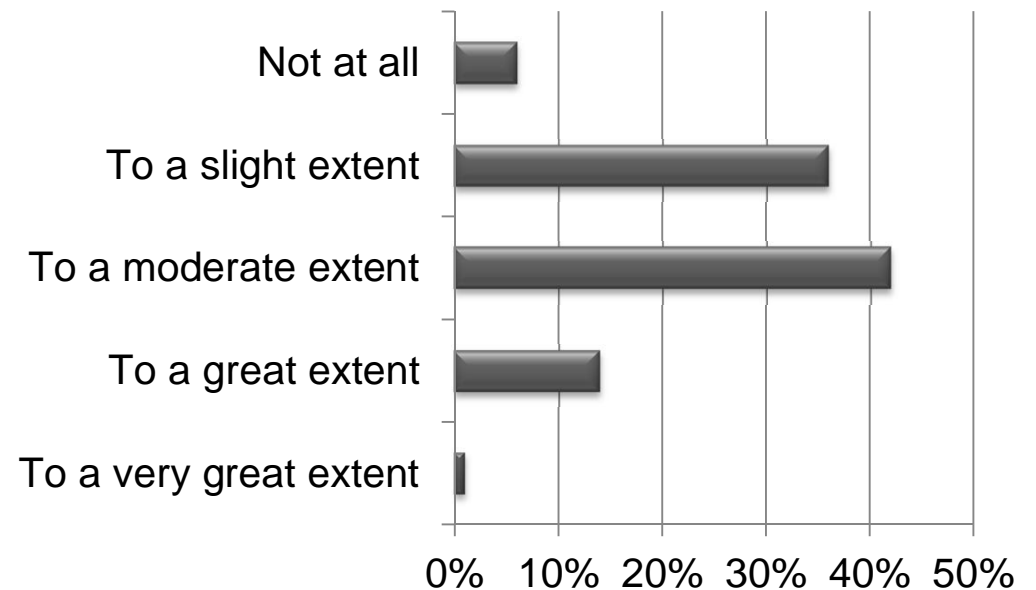
B – To a slight extent

C – To a moderate extent

D – To a great extent

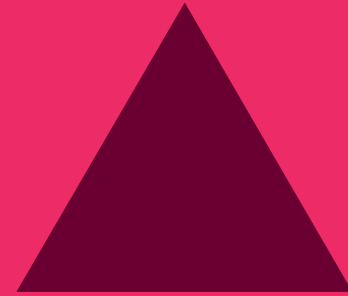
E – To a very great extent

## Results




















Based on 160 responses

# MERCER SURVEY INSIGHTS MIDDLE EAST



# SALARY INCREASE FORECASTS FOR 2016

## MIDDLE EAST/ ASIA – ALL RESPONSES

| Country  | Increase | Country  | Increase |
|--|----------|--|----------|
|  Iran       | 20.0%    |  Iraq         | 5.5%     |
|  Pakistan   | 11.6%    |  Bahrain      | 5.0%     |
|  Yemen      | 9.0%     |  Kuwait       | 5.0%     |
|  Uzbekistan | 9.0%     |  Oman         | 5.0%     |
|  Kazakhstan | 8.6%     |  Qatar        | 5.0%     |
|  Azerbaijan | 8.0%     |  Saudi Arabia | 5.0%     |
|  Syria     | 8.0%     |  UAE         | 5.0%     |
|  Lebanon  | 5.9%     |  Israel     | 3.1%     |
|  Jordan   | 5.7%     |  |          |

Source: Mercer EMEA SMS September 2015 (Median)

# TRENDS FOR 2016 AND BEYOND MIDDLE EAST



# TRENDS FOR 2016 AND BEYOND MIDDLE EAST

**MANAGING WORKFORCE AND MARKET DIVERSITY**

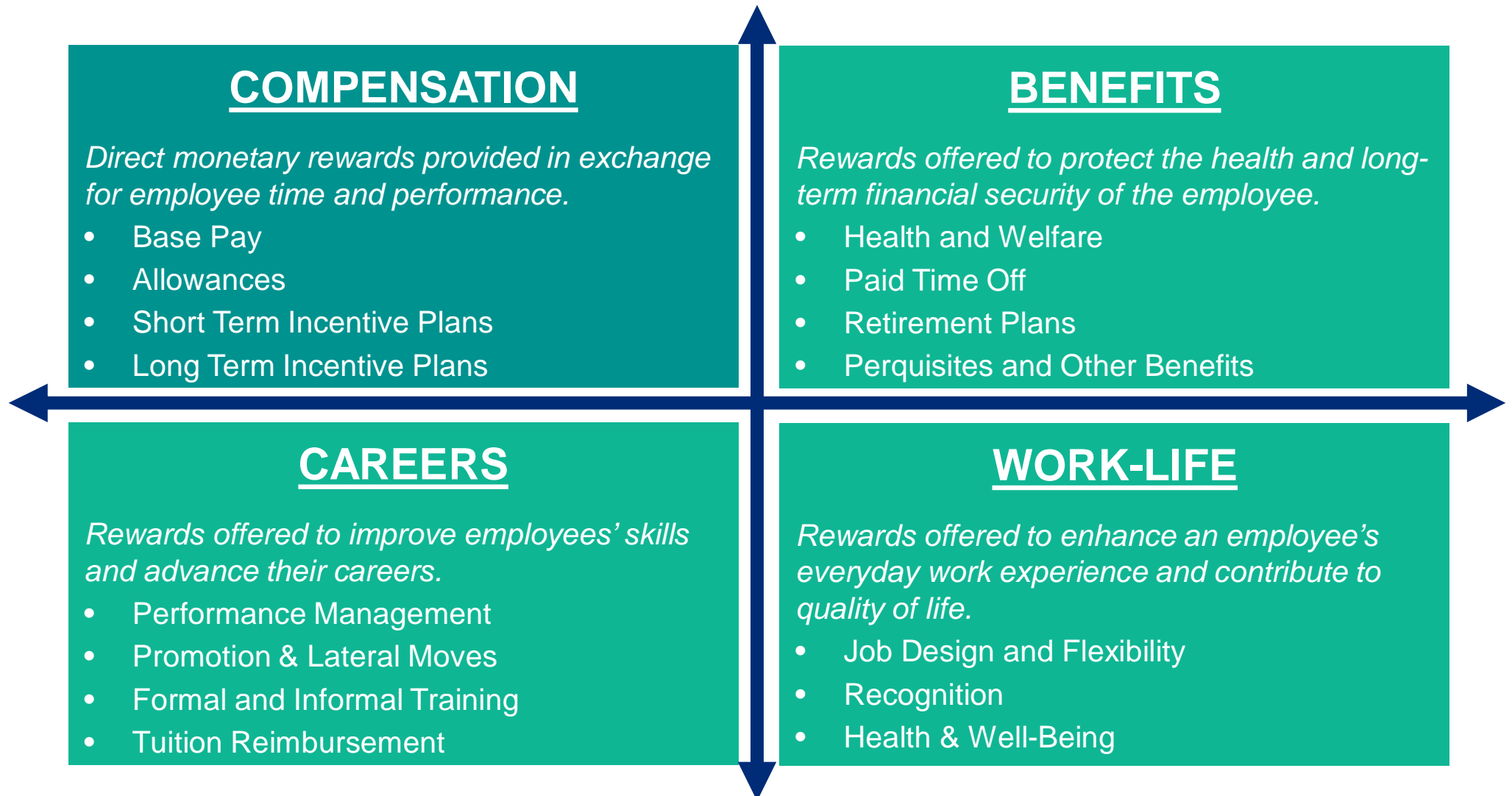
**SIMPLIFICATION OF COMPENSATION**

**FOCUS ON BENEFITS – STRONGER RETENTION**



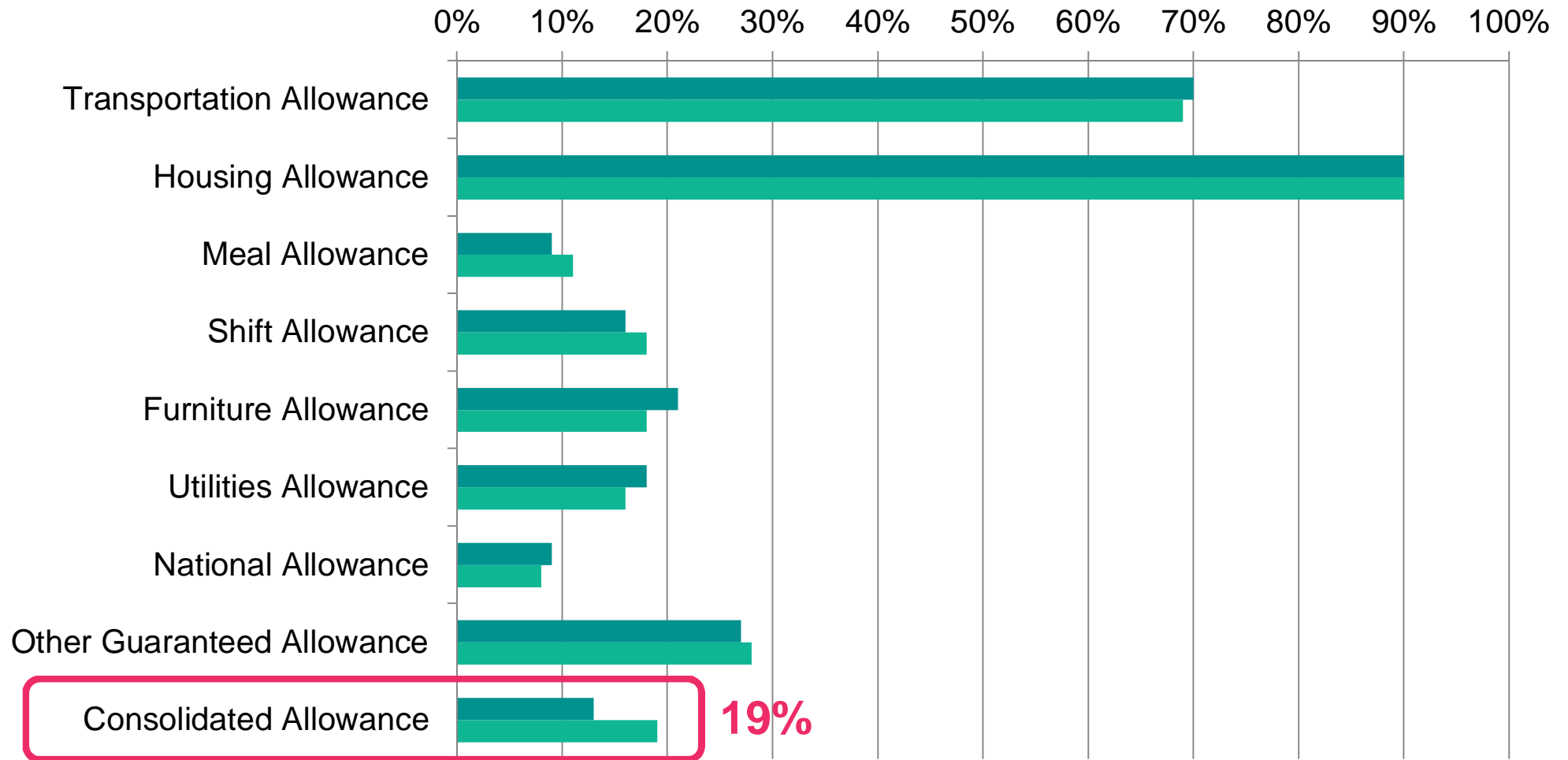
# TRENDS FOR 2016 AND BEYOND MIDDLE EAST

IS THE CONCEPT OF TOTAL REWARDS FINALLY RESONATING IN THE MIDDLE EAST?



# TRENDS FOR 2016 AND BEYOND MIDDLE EAST

## PREVALENCE OF ALLOWANCES – UAE



Source: Mercer 2015 UAE Total Remuneration Survey

■ 2014 ■ 2015

# LIVE POLL QUESTION 3

To what extent do your pay and bonus programmes differentiate the employee attributes you feel are important to drive business performance?

A – Not at all

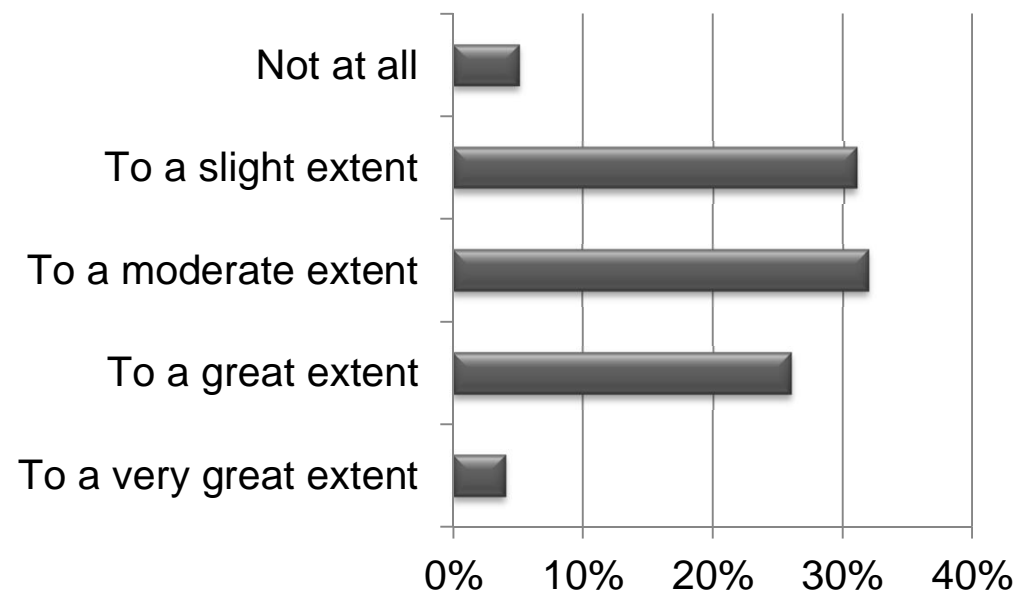
B – To a slight extent

C – To a moderate extent

D – To a great extent

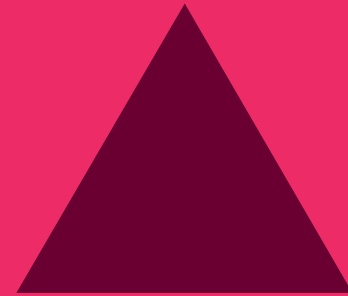
E – To a very great extent

## Results




















Based on 127 responses

# MERCER SURVEY INSIGHTS EUROPE



# SALARY INCREASE FORECASTS FOR 2016

























## WESTERN EUROPE – ALL RESPONSES

| Country   | Increase | Country  | Increase |
|---|----------|--|----------|
|  Germany       | 3.0%     |  France       | 2.3%     |
|  Norway        | 3.0%     |  Finland      | 2.2%     |
|  UK            | 2.9%     |  Ireland      | 2.2%     |
|  Austria       | 2.7%     |  Belgium      | 2.0%     |
|  Denmark       | 2.5%     |  Portugal     | 2.0%     |
|  Italy         | 2.5%     |  Spain        | 2.0%     |
|  Luxembourg   | 2.5%     |  Switzerland | 2.0%     |
|  Netherlands | 2.5%     |  Greece     | 1.7%     |
|  Sweden      | 2.5%     |  |          |

Source: Mercer EMEA SMS September 2015 (Median)

# SALARY INCREASE FORECASTS FOR 2016

## CENTRAL/EASTERN EUROPE – ALL RESPONSES

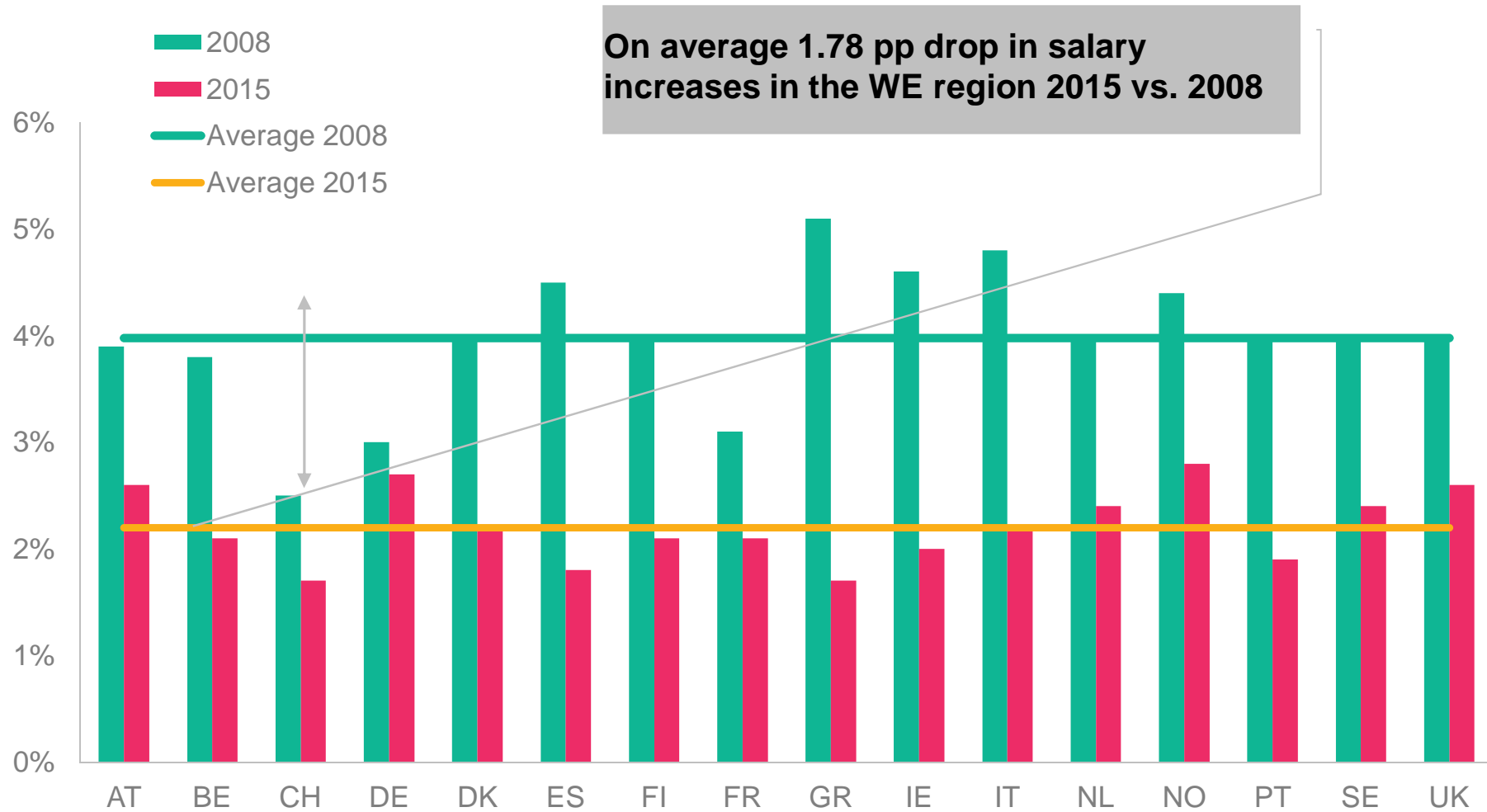
| Country  | Increase | Country  | Increase |
|--|----------|--|----------|
|  Belarus    | 12.0%    |  Bosnia and Herzegovina | 3.0%     |
|  Ukraine    | 10.0%    |  Estonia                | 3.0%     |
|  Russia     | 8.0%     |  Latvia                 | 3.0%     |
|  Turkey     | 7.8%     |  Lithuania              | 3.0%     |
|  Moldova    | 7.0%     |  Montenegro             | 3.0%     |
|  Georgia    | 6.9%     |  Slovakia               | 3.0%     |
|  Armenia    | 5.9%     |  Albania                | 2.9%     |
|  Serbia    | 5.4%     |  Macedonia             | 2.9%     |
|  Romania  | 4.5%     |  Croatia              | 2.8%     |
|  Bulgaria | 4.0%     |  Czech Republic       | 2.8%     |
|  Hungary  | 3.5%     |  Slovenia             | 2.8%     |
|  Poland   | 3.1%     |  Cyprus               | 1.5%     |

Source: Mercer EMEA SMS September 2015

# TRENDS FOR 2016 AND BEYOND EUROPE



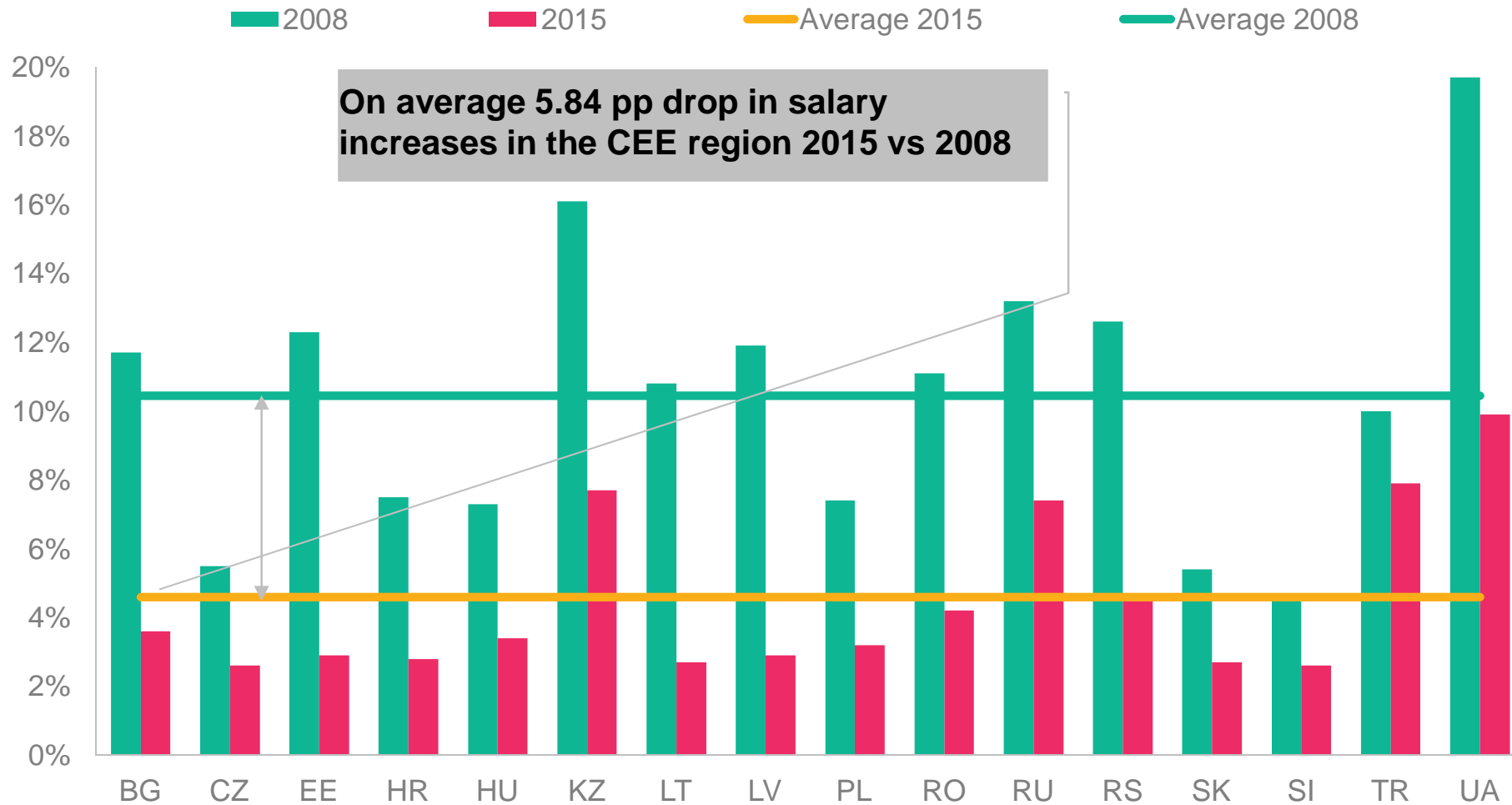
# 2008 VS. 2015 SALARY INCREASES WESTERN EUROPE – ALL LEVELS



Source: 2015 Salary Movement Snapshot

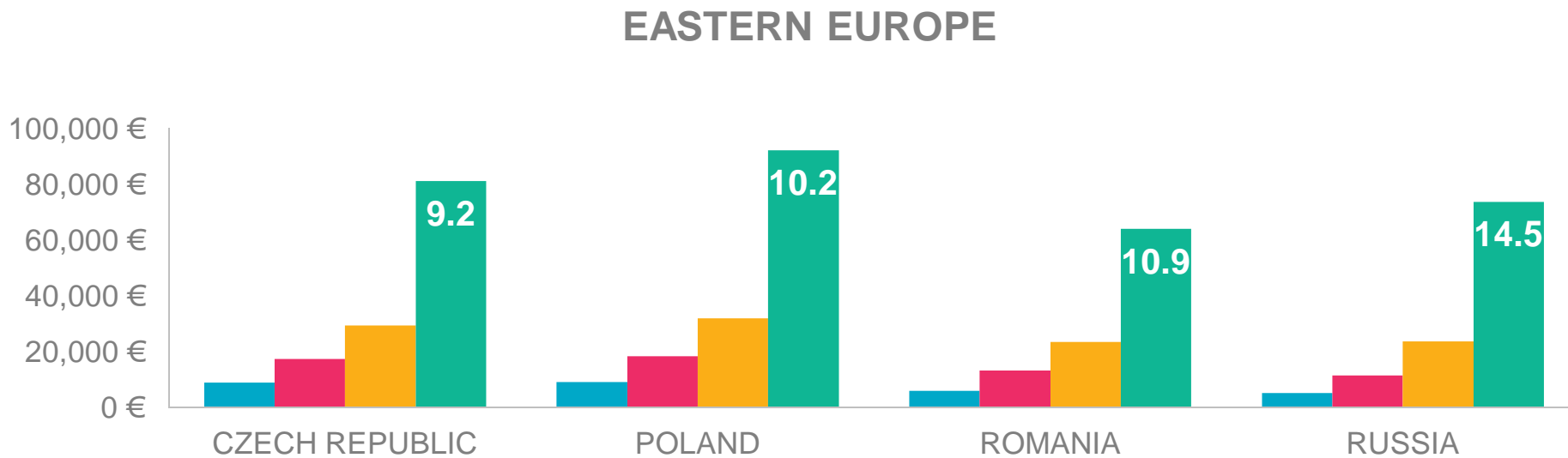
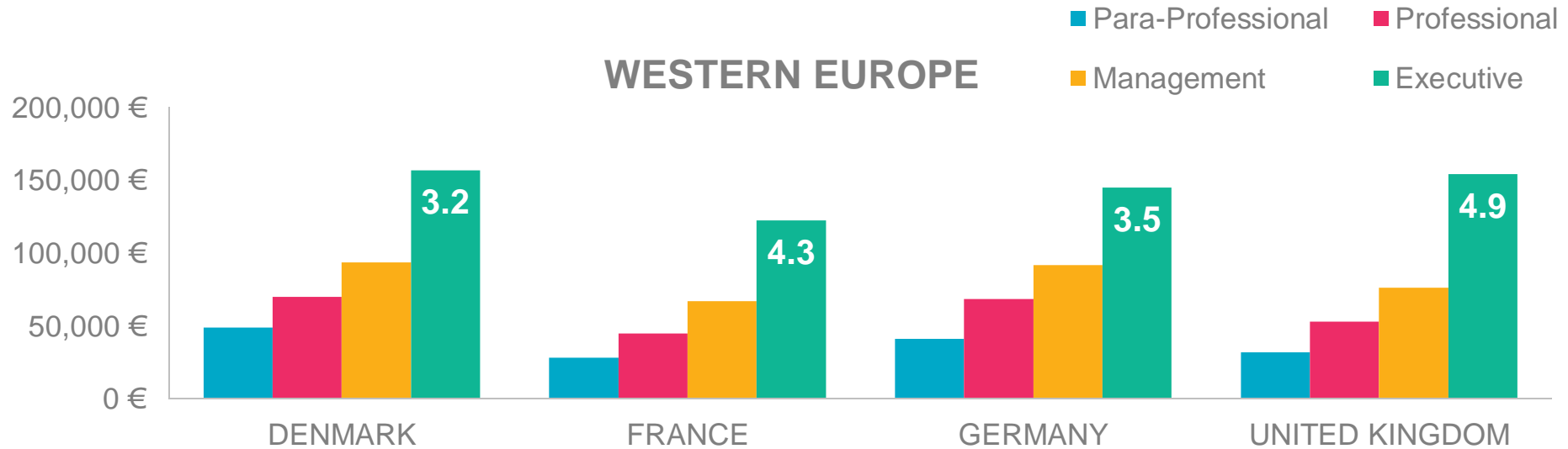


# 2008 VS. 2015 SALARY INCREASES C&E EUROPE – ALL LEVELS



Source: 2015 Salary Movement Snapshot

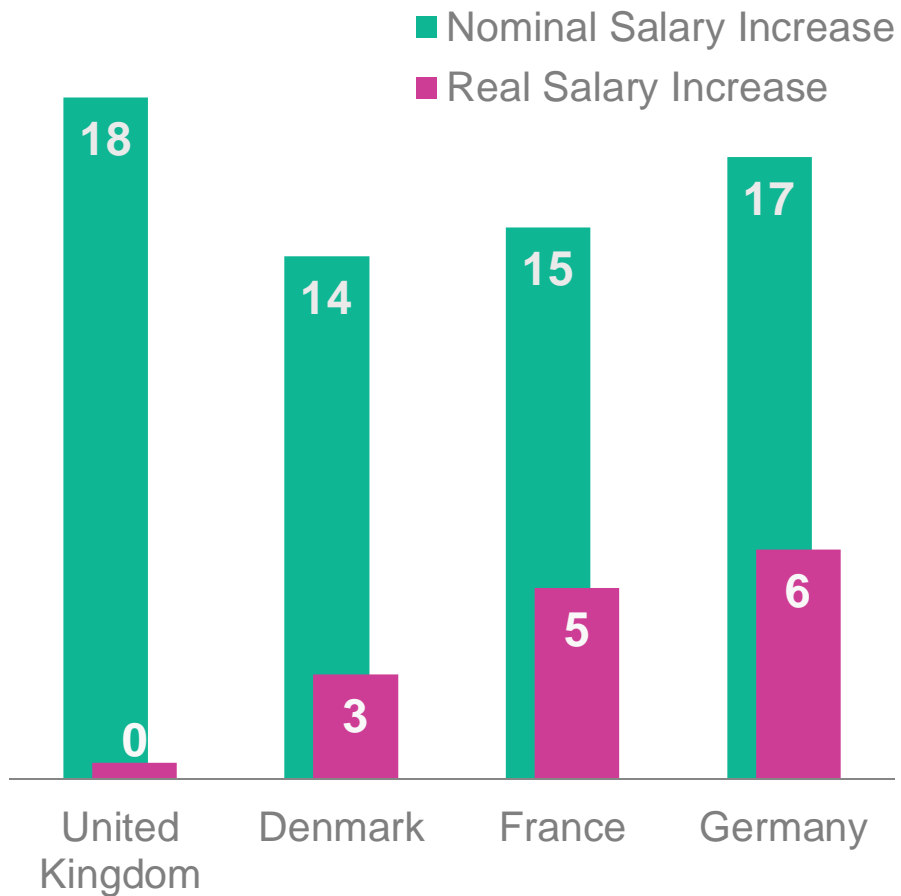
# PAY PROGRESSION CAREER STREAMS



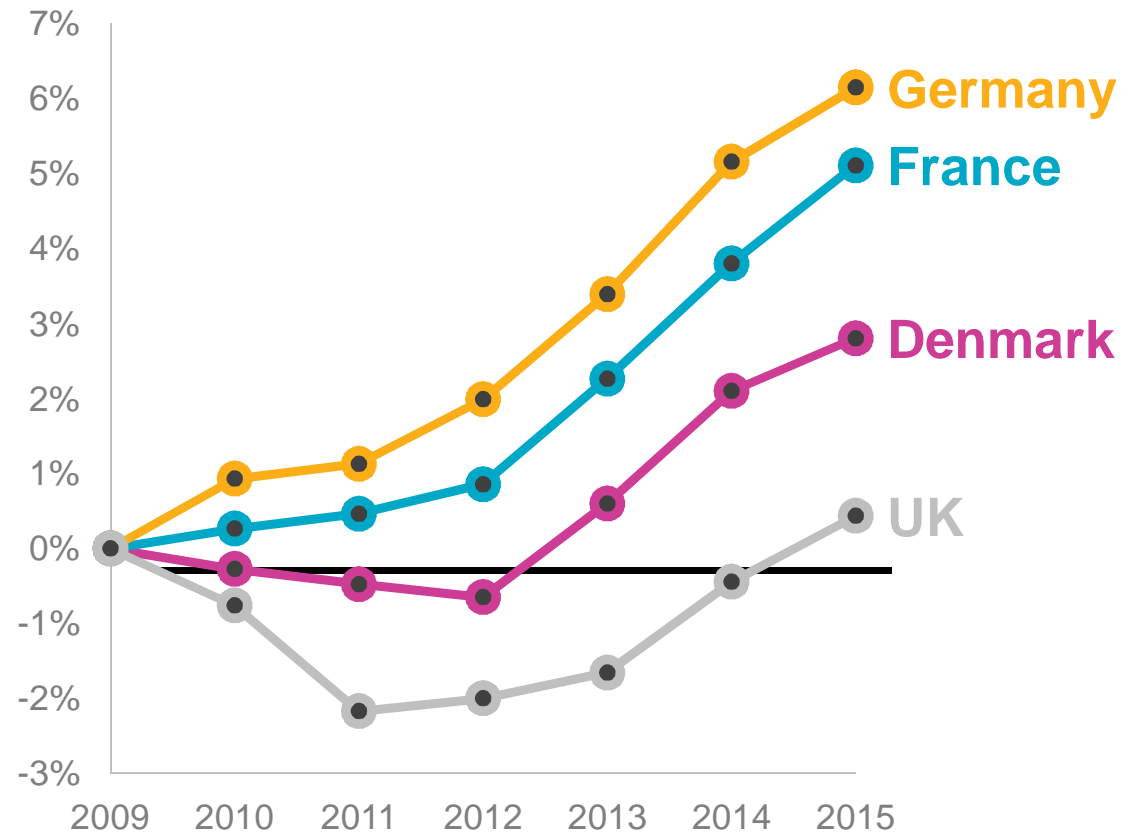
Source: 2015 TRS Surveys

# SALARY INCREASES WESTERN EUROPE

**NOMINAL AND REAL SALARY INCREASE 2009-2015  
2009=0% (CUMULATIVE)**



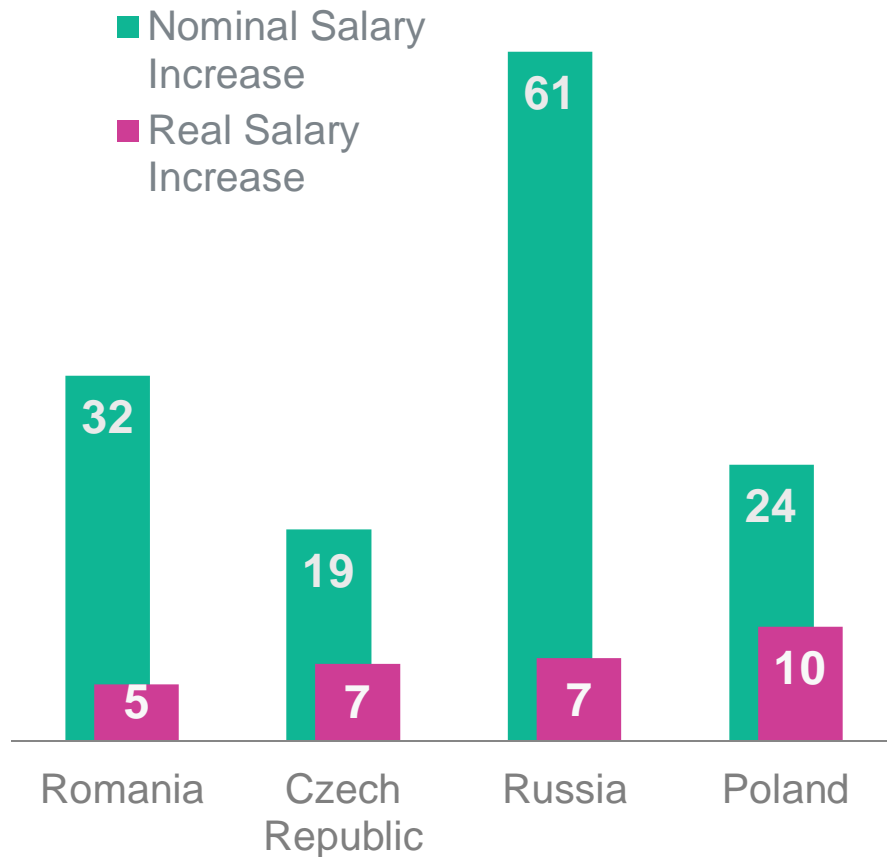
**REAL CUMULATIVE SALARY INCREASES  
2009-2015 (2009=0%)**



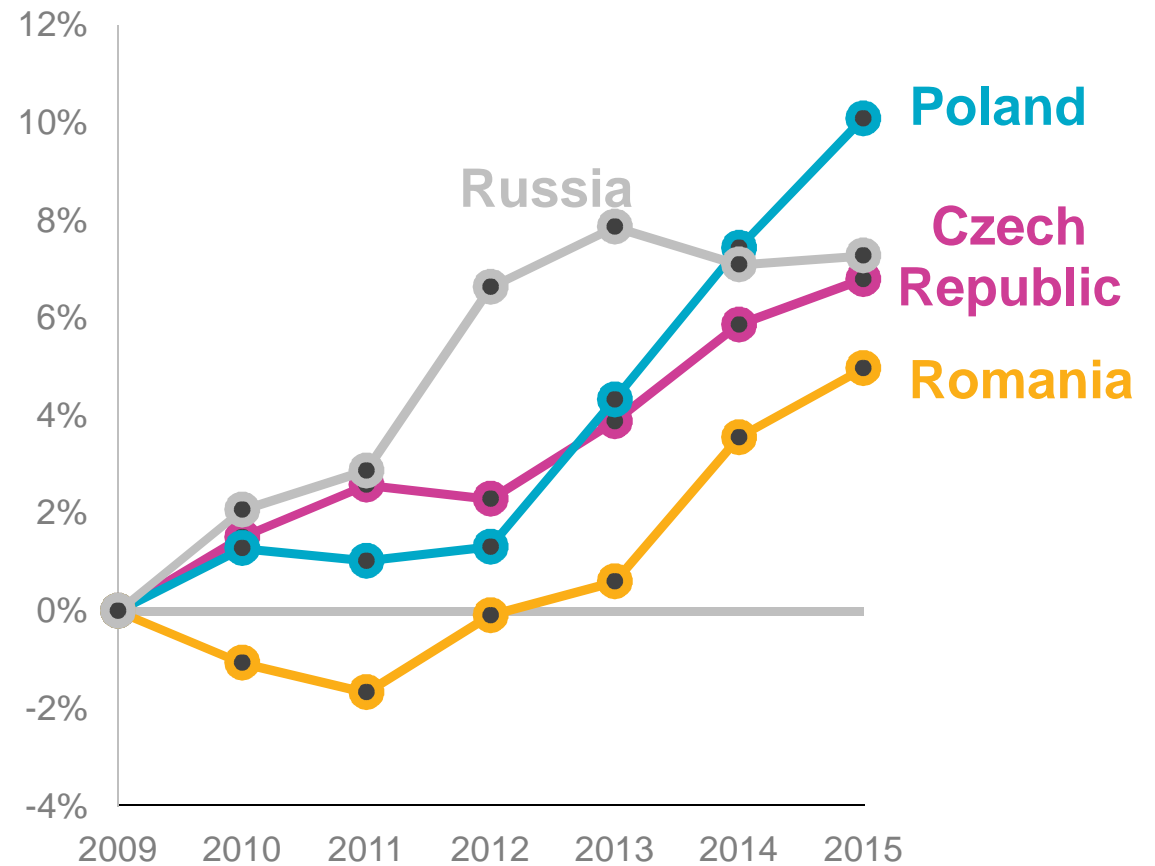
Source: 2015 Salary Movement Snapshot & IMF World Economic Outlook April 2015

# SALARY INCREASES EASTERN EUROPE

**NOMINAL AND REAL SALARY INCREASE 2009-2015  
2009=0% (CUMULATIVE)**



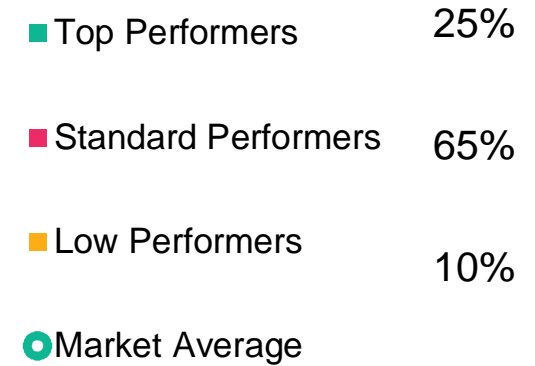
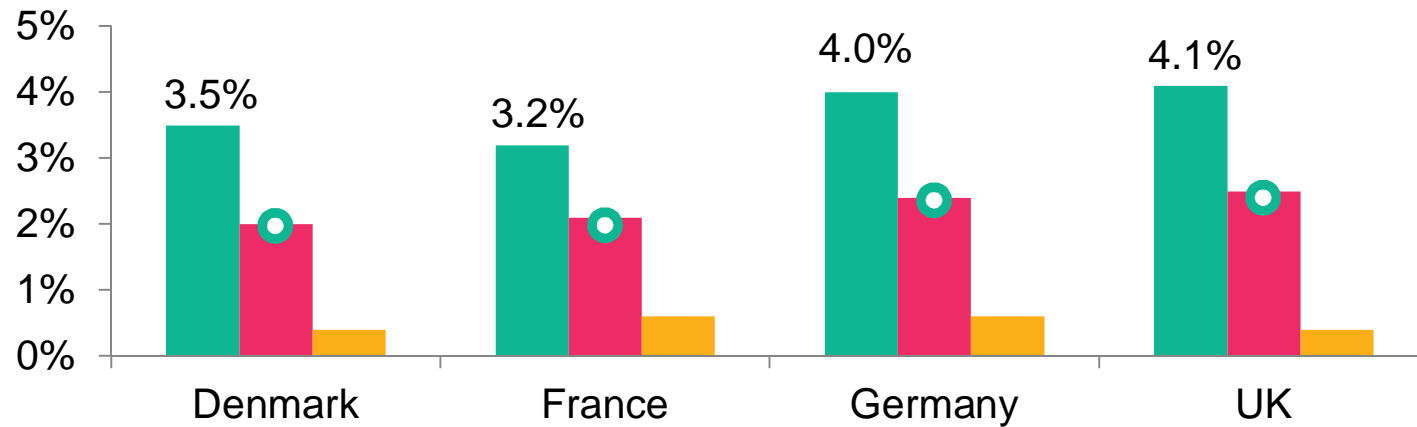
**REAL CUMULATIVE SALARY INCREASES  
2009-2015 (2009=0%)**



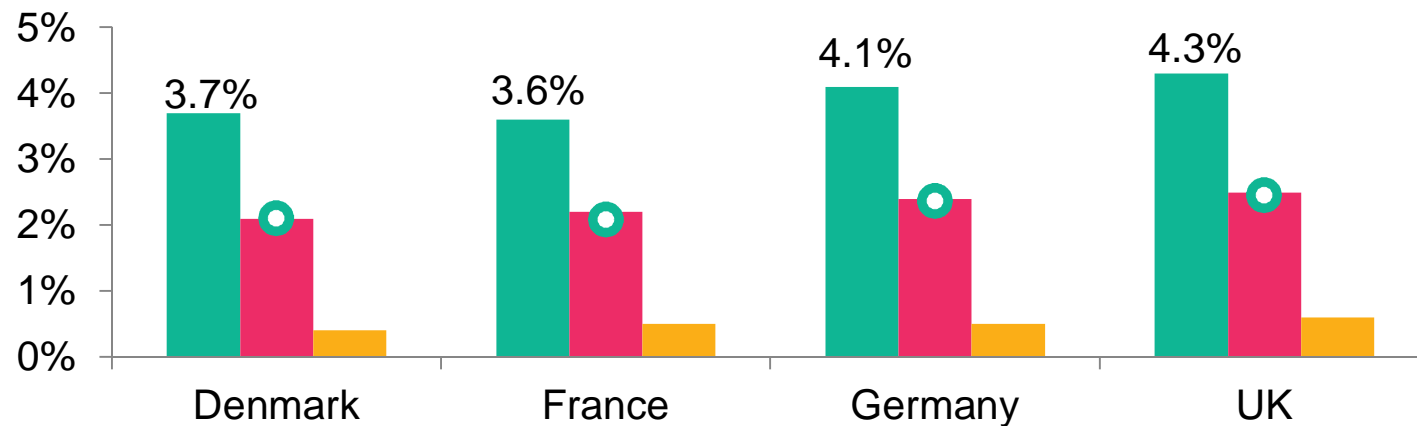
Source: 2015 Salary Movement Snapshot & IMF World Economic Outlook April 2015

# 2015 ACTUAL SALARY INCREASES PERFORMANCE MATRIX

**Average actual salary increase 2015**



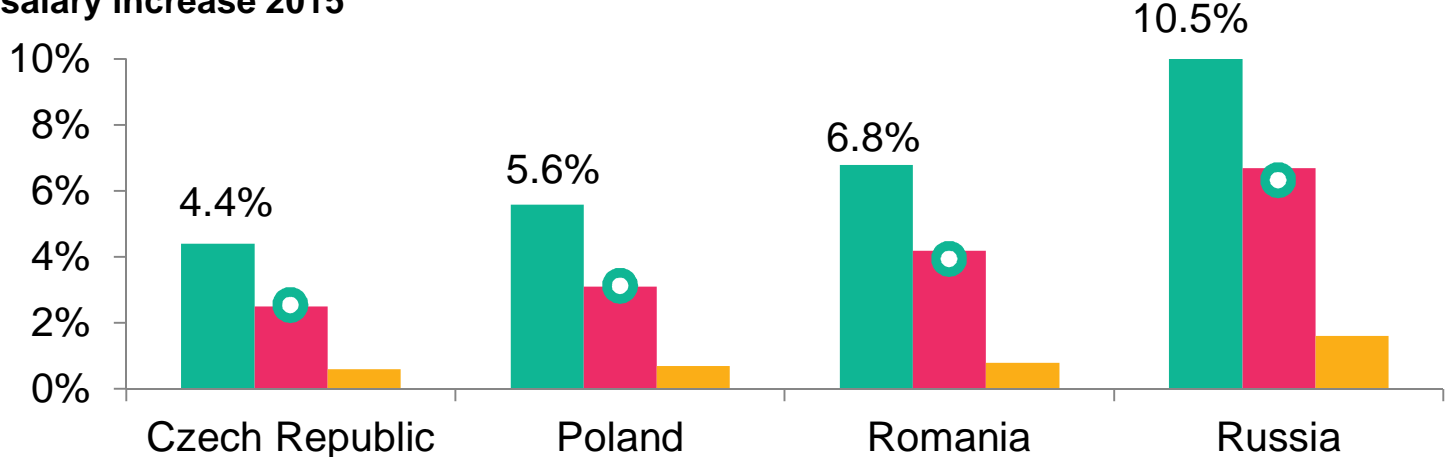
**Average forecast salary increase 2016**



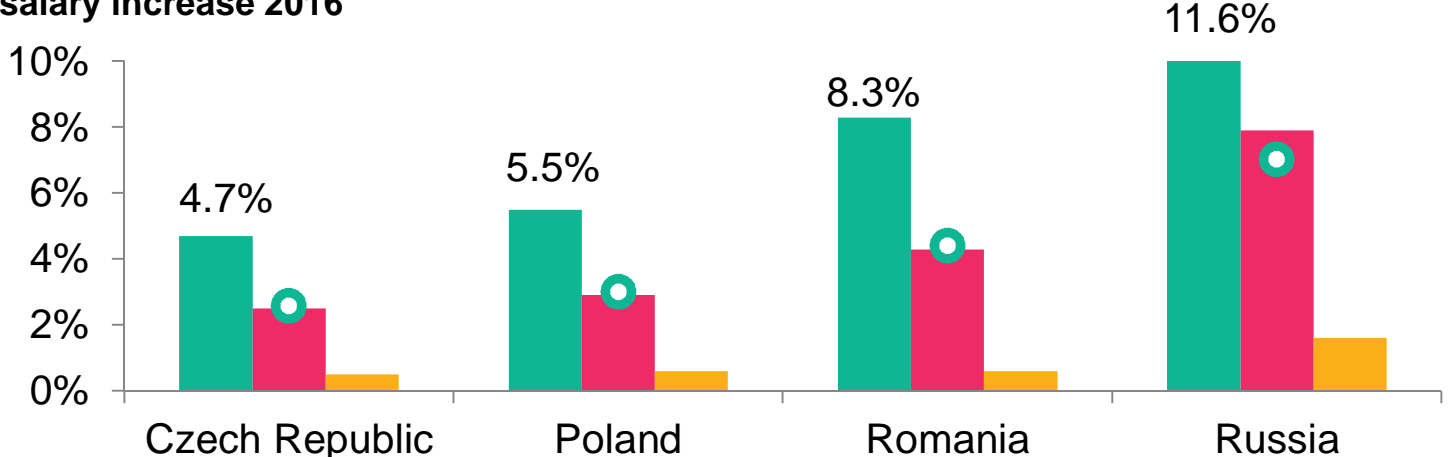
Source: September 2015 Salary Movement Snapshot

# 2015 ACTUAL SALARY INCREASES PERFORMANCE MATRIX

**Average actual salary increase 2015**



**Average forecast salary increase 2016**



Source: September 2015 Salary Movement Snapshot

# LIVE POLL QUESTION 4

To what extent are your employees consistently paid for the work they do?

A – Not at all

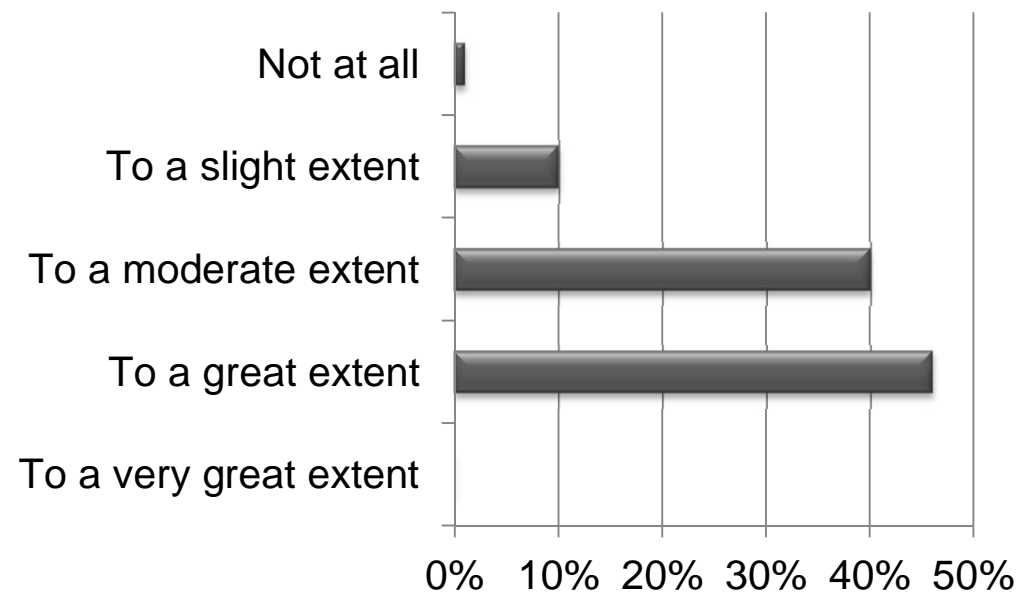
B – To a slight extent

C – To a moderate extent

D – To a great extent

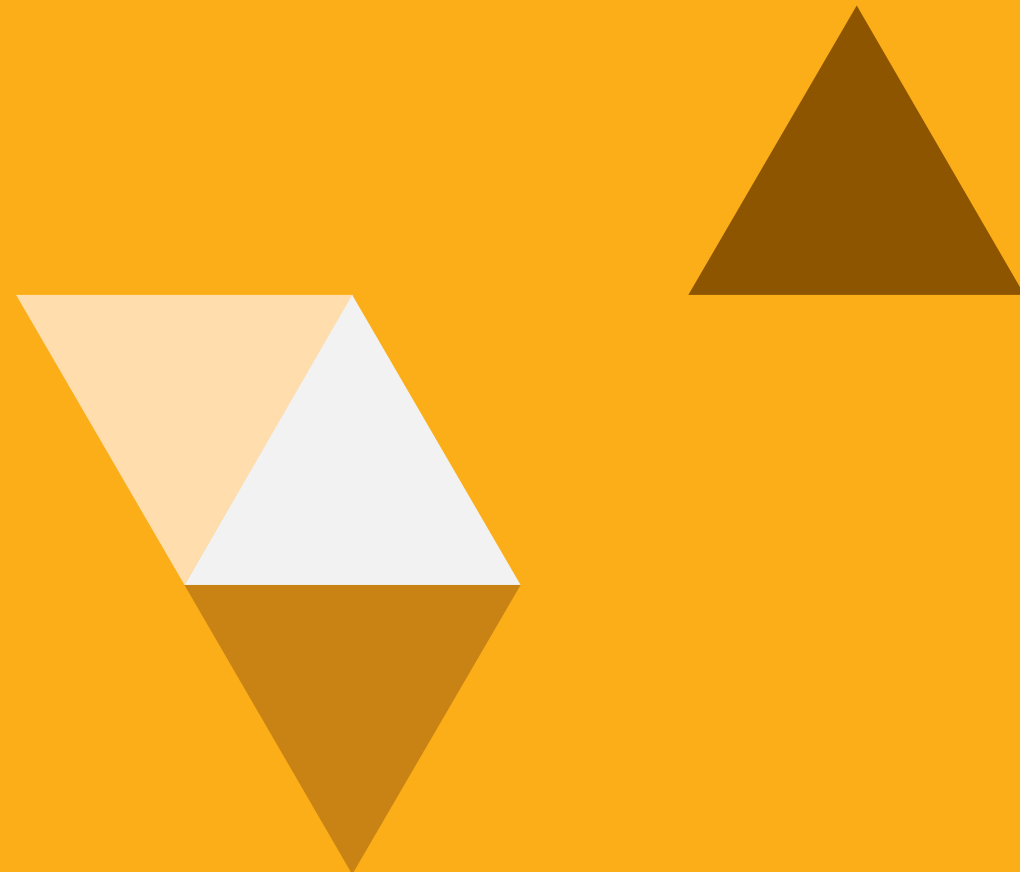
E – To a very great extent

## Results





Based on 136 responses

# CALL TO ACTION





# INDUSTRY DATA 2016 FORECASTS

|  | AFRICA  | MIDDLE EAST  | W EUROPE   | E EUROPE  |
|--|---|--|--|---|
| <br>ABOVE  | Retail/Wholesale<br>Consumer Goods<br><b>Life Sciences</b>  | <b>Life Sciences</b><br>Consumer Goods<br>High Tech  | Retail/Wholesale<br>High Tech<br>Ins/reinsurance<br><b>Life Sciences</b><br>Transportation<br>Equipment<br>Mining & Metals | Consumer Goods<br><b>Life Sciences</b><br>Retail/Wholesale  |
|  | ALL INDUSTRY  |  |  |   |
| <br>BELOW | High Tech<br><b>Services</b><br><b>Energy</b><br>Mining & Metals<br><b>Financial Services</b><br>Transportation<br>Equipment<br>Ins/reinsurance | Transportation<br>Equipment<br><b>Services</b><br>Retail/Wholesale<br><b>Energy</b><br>Ins/reinsurance<br>Mining & Metals<br><b>Financial Services</b> | Consumer Goods<br><b>Services</b><br><b>Financial Services</b><br><b>Energy</b>  | Transportation<br>Equipment<br>High Tech<br><b>Services</b><br><b>Energy</b><br>Mining & Metals<br>Ins/Reinsurance<br><b>Financial Services</b> |

# PAST – PRESENT – FUTURE STATE

## PAST

## PRESENT

## FUTURE

One size fits all

Segmentation & differentiation

Personalisation

Competitive Pay

Fair pay

Responsible pay

Fixed employment costs

Flexible employment costs

Multiple fully flexible

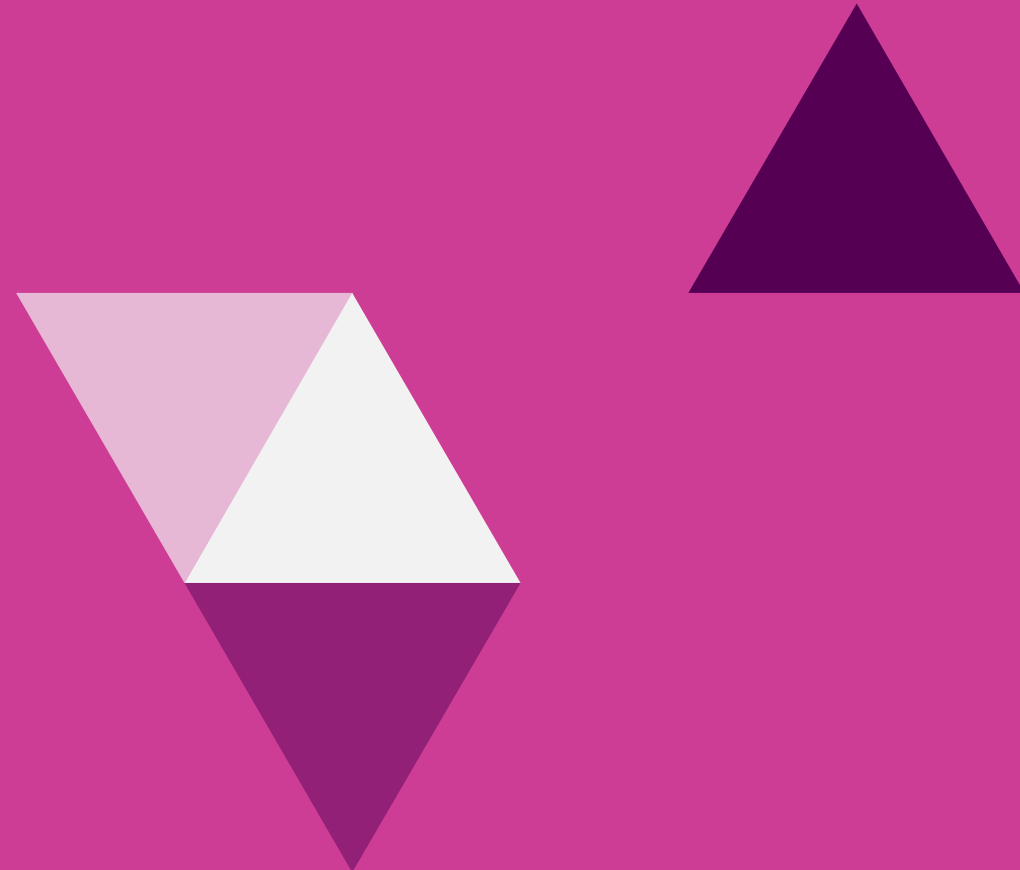
# CALL TO ACTION

## WHERE TO FOCUS FOR 2016



- ✓ Clear **alignment** between organisational and workforce plans, EVP and reward programmes (incl. analytics)
- ✓ **Integrated reward and talent programmes** that support each other
- ✓ **Grading structures** that clearly define career levels and expectations
- ✓ Clear definition of drivers that define factors that determine and progress reward
- ✓ Thoughtful **segmentation** and **differentiation**
- ✓ **Transfer of benefit risk, choice and cost** to employees
- ✓ Tighter governance of reward resulting in:
  - Clear definition of **function design and priorities**
  - **greater cost control and can limit overspending** and result in **less attraction/retention risk**
- ✓ Well managed and transparent reward structures, and managers who are consistent advocates of rewards result in better **employee perception of internal equity**
- ✓ Better understanding of rewards resulting in increased **employee satisfaction and commitment** to their employers

# QUESTIONS



# QUESTIONS



ALYSON CALLIN



NUNO GOMES



NICOL MULLINS



DAVID WREFORD

## QUESTIONS

Please type your questions in the Q&A section of the toolbar and we will do our best to answer as many questions as we have time for.

To submit a question while in full screen mode, use the Q&A button, on the floating panel, on the top of your screen.



CLICK HERE TO ASK A QUESTION TO "ALL PANELISTS"

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# SALARY MOVEMENT SNAPSHOT (SMS) SURVEY



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- Updated **quarterly**
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**TODAY**