COMPENSATION PLANNING FOR 2016
EMEA FORECASTS AND TRENDS
OCTOBER 28 2015

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David Wreford, UK
AGENDA FOR OUR SESSION TODAY

Context for Planning
Mercer Survey Insights
Trends for 2016 and Beyond
Call to Action
CONTEXT FOR PLANNING
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

CBZ15 - Crude Oil Brent (ICE)

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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
SALARY MOVEMENT SNAPSHOT SURVEY
PARTICIPANT PROFILE – SEPTEMBER 2015

4,823 PARTICIPANTS

376 UNIQUE ORGANISATIONS

79 MARKETS

Source: Mercer EMEA SMS September 2015
S A L A R Y  M O V E M E N T  S N A P S H O T
P A R T I C I P A N T  P R O F I L E

CONSUMER GOODS
HIGH TECH
LIFE SCIENCES
ENERGY
OTHER DURABLE GOODS MANUF

16%
14%
13%
10%
11%

4%
7%
7%
12%
5%

OTHER NON-DURABLE MANUFACTURING
SERVICES
FINANCIAL SERVICES
OTHER
RETAIL & WHOLESALE
LIVE POLL
QUESTION 1

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
## Salary Increase Forecasts for 2016
### Africa – All Responses

<table>
<thead>
<tr>
<th>Country</th>
<th>Increase</th>
<th>Country</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malawi</td>
<td>14.0%</td>
<td>Algeria</td>
<td>6.9%</td>
</tr>
<tr>
<td>Ghana</td>
<td>12.0%</td>
<td>Uganda</td>
<td>6.9%</td>
</tr>
<tr>
<td>Egypt</td>
<td>10.0%</td>
<td>Tunisia</td>
<td>6.3%</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>9.9%</td>
<td>Mauritius</td>
<td>5.5%</td>
</tr>
<tr>
<td>Nigeria</td>
<td>9.9%</td>
<td>Mozambique</td>
<td>5.5%</td>
</tr>
<tr>
<td>Kenya</td>
<td>8.0%</td>
<td>DRC</td>
<td>4.8%</td>
</tr>
<tr>
<td>Zambia</td>
<td>7.7%</td>
<td>Morocco</td>
<td>4.5%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>7.1%</td>
<td>Ivory Coast</td>
<td>4.1%</td>
</tr>
<tr>
<td>Angola</td>
<td>7.0%</td>
<td>Senegal</td>
<td>4.0%</td>
</tr>
<tr>
<td>South Africa</td>
<td>7.0%</td>
<td>Gabon</td>
<td>3.1%</td>
</tr>
</tbody>
</table>

Source: Mercer EMEA SMS September 2015 (Median)
TRENDS FOR 2016 AND BEYOND
AFRICA
2015 Economic Freedom Heat Map
World Average 60.4

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%**

<table>
<thead>
<tr>
<th>Currency Pair</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$/RUB</td>
<td>103.82%</td>
</tr>
<tr>
<td>US$/GHS</td>
<td>72.85%</td>
</tr>
<tr>
<td>US$/AOA</td>
<td>38.64%</td>
</tr>
<tr>
<td>US$/ZAR</td>
<td>39.52%</td>
</tr>
<tr>
<td>US$/NGN</td>
<td>24.22%</td>
</tr>
</tbody>
</table>

Graph showing the trend of currency pairs from Jan 1, 2014 to Jul 1, 2015.
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 …
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
# Salary Increase Forecasts for 2016

Middle East/Asia – All Responses

<table>
<thead>
<tr>
<th>Country</th>
<th>Increase</th>
<th>Country</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iran</td>
<td>20.0%</td>
<td>Iraq</td>
<td>5.5%</td>
</tr>
<tr>
<td>Pakistan</td>
<td>11.6%</td>
<td>Bahrain</td>
<td>5.0%</td>
</tr>
<tr>
<td>Yemen</td>
<td>9.0%</td>
<td>Kuwait</td>
<td>5.0%</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>9.0%</td>
<td>Oman</td>
<td>5.0%</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>8.6%</td>
<td>Qatar</td>
<td>5.0%</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>8.0%</td>
<td>Saudi Arabia</td>
<td>5.0%</td>
</tr>
<tr>
<td>Syria</td>
<td>8.0%</td>
<td>UAE</td>
<td>5.0%</td>
</tr>
<tr>
<td>Lebanon</td>
<td>5.9%</td>
<td>Israel</td>
<td>3.1%</td>
</tr>
<tr>
<td>Jordan</td>
<td>5.7%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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?

COMPENSATION

Direct monetary rewards provided in exchange for employee time and performance.
• Base Pay
• Allowances
• Short Term Incentive Plans
• Long Term Incentive Plans

CAREERS

Rewards offered to improve employees’ skills and advance their careers.
• Performance Management
• Promotion & Lateral Moves
• Formal and Informal Training
• Tuition Reimbursement

BENEFITS

Rewards offered to protect the health and long-term financial security of the employee.
• Health and Welfare
• Paid Time Off
• Retirement Plans
• Perquisites and Other Benefits

WORK-LIFE

Rewards offered to enhance an employee’s everyday work experience and contribute to quality of life.
• Job Design and Flexibility
• Recognition
• Health & Well-Being
TRENDS FOR 2016 AND BEYOND MIDDLE EAST

PREVALENCE OF ALLOWANCES – UAE

<table>
<thead>
<tr>
<th>Allowance</th>
<th>2014 (% of Total)</th>
<th>2015 (% of Total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation Allowance</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Housing Allowance</td>
<td>99</td>
<td>99</td>
</tr>
<tr>
<td>Meal Allowance</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Shift Allowance</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Furniture Allowance</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Utilities Allowance</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>National Allowance</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other Guaranteed Allowance</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Consolidated Allowance</td>
<td>19</td>
<td>19</td>
</tr>
</tbody>
</table>

Source: Mercer 2015 UAE Total Remuneration Survey

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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
COMPENSATION PLANNING FOR 2016

MERCER SURVEY INSIGHTS EUROPE
**Salary Increase Forecasts for 2016 - Western Europe - All Responses**

<table>
<thead>
<tr>
<th>Country</th>
<th>Increase</th>
<th>Country</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>3.0%</td>
<td>France</td>
<td>2.3%</td>
</tr>
<tr>
<td>Norway</td>
<td>3.0%</td>
<td>Finland</td>
<td>2.2%</td>
</tr>
<tr>
<td>UK</td>
<td>2.9%</td>
<td>Ireland</td>
<td>2.2%</td>
</tr>
<tr>
<td>Austria</td>
<td>2.7%</td>
<td>Belgium</td>
<td>2.0%</td>
</tr>
<tr>
<td>Denmark</td>
<td>2.5%</td>
<td>Portugal</td>
<td>2.0%</td>
</tr>
<tr>
<td>Italy</td>
<td>2.5%</td>
<td>Spain</td>
<td>2.0%</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>2.5%</td>
<td>Switzerland</td>
<td>2.0%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>2.5%</td>
<td>Greece</td>
<td>1.7%</td>
</tr>
<tr>
<td>Sweden</td>
<td>2.5%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Mercer EMEA SMS September 2015  (Median)*
### Salary Increase Forecasts for 2016

**Central/Eastern Europe – All Responses**

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

Source: Mercer EMEA SMS September 2015
2008 VS. 2015 SALARY INCREASES
WESTERN EUROPE – ALL LEVELS

On average 1.78 pp drop in salary increases in the WE region 2015 vs. 2008

Source: 2015 Salary Movement Snapshot
2008 VS. 2015 SALARY INCREASES
C&E EUROPE – ALL LEVELS

On average 5.84 pp drop in salary increases in the CEE region 2015 vs 2008

Source: 2015 Salary Movement Snapshot
PAY PROGRESSION CAREER STREAMS

WESTERN EUROPE

Para-Professional  Professional  Management  Executive

DENMARK  FRANCE  GERMANY  UNITED KINGDOM

EASTERN EUROPE

Para-Professional  Professional  Management  Executive

CZECH REPUBLIC  POLAND  ROMANIA  RUSSIA

Source: 2015 TRS Surveys
## Nominal and Real Salary Increase 2009-2015

<table>
<thead>
<tr>
<th>Year</th>
<th>UK</th>
<th>Denmark</th>
<th>France</th>
<th>Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>0%</td>
<td>3%</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>2010</td>
<td>1%</td>
<td>4%</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>2011</td>
<td>2%</td>
<td>5%</td>
<td>7%</td>
<td>8%</td>
</tr>
<tr>
<td>2012</td>
<td>3%</td>
<td>6%</td>
<td>8%</td>
<td>9%</td>
</tr>
<tr>
<td>2013</td>
<td>4%</td>
<td>7%</td>
<td>9%</td>
<td>10%</td>
</tr>
<tr>
<td>2014</td>
<td>5%</td>
<td>8%</td>
<td>10%</td>
<td>11%</td>
</tr>
<tr>
<td>2015</td>
<td>6%</td>
<td>9%</td>
<td>11%</td>
<td>12%</td>
</tr>
</tbody>
</table>

### Real Cumulative Salary Increases 2009-2015 (2009=0%)

- **Germany**: 0%, 1%, 2%, 3%, 4%, 5%, 6%, 7%, 8%, 9%, 10%, 11%, 12%
- **France**: 0%, 1%, 2%, 3%, 4%, 5%, 6%, 7%, 8%, 9%, 10%, 11%, 12%
- **Denmark**: 0%, 1%, 2%, 3%, 4%, 5%, 6%, 7%, 8%, 9%, 10%, 11%, 12%
- **UK**: 0%, -1%, -2%, -3%, -2%, -1%, 0%, 1%, 2%, 3%, 4%, 5%, 6%

Source: 2015 Salary Movement Snapshot & IMF World Economic Outlook April 2015
**S A L A R Y  I N C R E A S E S  E A S T E R N  E U R O P E**

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

- **Nominal Salary Increase**
- **Real Salary Increase**

<table>
<thead>
<tr>
<th>Country</th>
<th>Nominal Increase</th>
<th>Real Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Romania</td>
<td>32</td>
<td>5</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>19</td>
<td>7</td>
</tr>
<tr>
<td>Russia</td>
<td>61</td>
<td>7</td>
</tr>
<tr>
<td>Poland</td>
<td>24</td>
<td>10</td>
</tr>
</tbody>
</table>

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

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

© MERCER 2015
2015 ACTUAL SALARY INCREASES
PERFORMANCE MATRIX

Average actual salary increase 2015

Denmark: 3.5%
France: 3.2%
Germany: 4.0%
UK: 4.1%

Top Performers: 25%
Standard Performers: 65%
Low Performers: 10%
Market Average: 10%

Average forecast salary increase 2016

Denmark: 3.7%
France: 3.6%
Germany: 4.1%
UK: 4.3%

Top Performers: 25%
Standard Performers: 65%
Low Performers: 10%
Market Average: 10%

Source: September 2015 Salary Movement Snapshot
2015 ACTUAL SALARY INCREASES
PERFORMANCE MATRIX

Average actual salary increase 2015

<table>
<thead>
<tr>
<th>Country</th>
<th>Top Performers</th>
<th>Standard Performers</th>
<th>Low Performers</th>
<th>Market Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>4.4%</td>
<td>2%</td>
<td>4%</td>
<td>6.8%</td>
</tr>
<tr>
<td>Poland</td>
<td>5.6%</td>
<td>6%</td>
<td>8%</td>
<td>10.5%</td>
</tr>
<tr>
<td>Romania</td>
<td>6.8%</td>
<td>8%</td>
<td>10%</td>
<td>10.5%</td>
</tr>
<tr>
<td>Russia</td>
<td>10.5%</td>
<td>10%</td>
<td>12%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Average forecast salary increase 2016

<table>
<thead>
<tr>
<th>Country</th>
<th>Top Performers</th>
<th>Standard Performers</th>
<th>Low Performers</th>
<th>Market Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>4.7%</td>
<td>5.5%</td>
<td>8.3%</td>
<td>11.6%</td>
</tr>
<tr>
<td>Poland</td>
<td>5.5%</td>
<td>5%</td>
<td>10%</td>
<td>11.6%</td>
</tr>
<tr>
<td>Romania</td>
<td>8.3%</td>
<td>10%</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>Russia</td>
<td>11.6%</td>
<td>12%</td>
<td>14%</td>
<td>14%</td>
</tr>
</tbody>
</table>

Source: September 2015 Salary Movement Snapshot
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
- Retail/Wholesale
- Consumer Goods
- Life Sciences

MIDDLE EAST
- Life Sciences
- Consumer Goods
- High Tech

W EUROPE
- Retail/Wholesale
- High Tech
- Ins/reinsurance
- Life Sciences
- Transportation
- Equipment
- Mining & Metals

E EUROPE
- Consumer Goods
- Life Sciences
- Retail/Wholesale

ALL INDUSTRY
- High Tech
- Services
- Energy
- Mining & Metals
- Financial Services
- Transportation
- Equipment
- Services
- Retail/Wholesale
- Energy
- Ins/reinsurance
- Mining & Metals
- Financial Services

Source: Mercer EMEA SMS September 2015
PAST – PRESENT – FUTURE STATE

PAST
- One size fits all
- Competitive Pay
- Fixed employment costs

PRESENT
- Segmentation & differentiation
- Fair pay
- Flexible employment costs

FUTURE
- Personalisation
- Responsible pay
- 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

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”

FEEDBACK

Please take the time to fill out the feedback form at the end of this webcast so we can continue to improve. The feedback form will pop-up in a new window when the session ends.

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– Updated quarterly
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