

Key Drivers of Reward Market in Russia

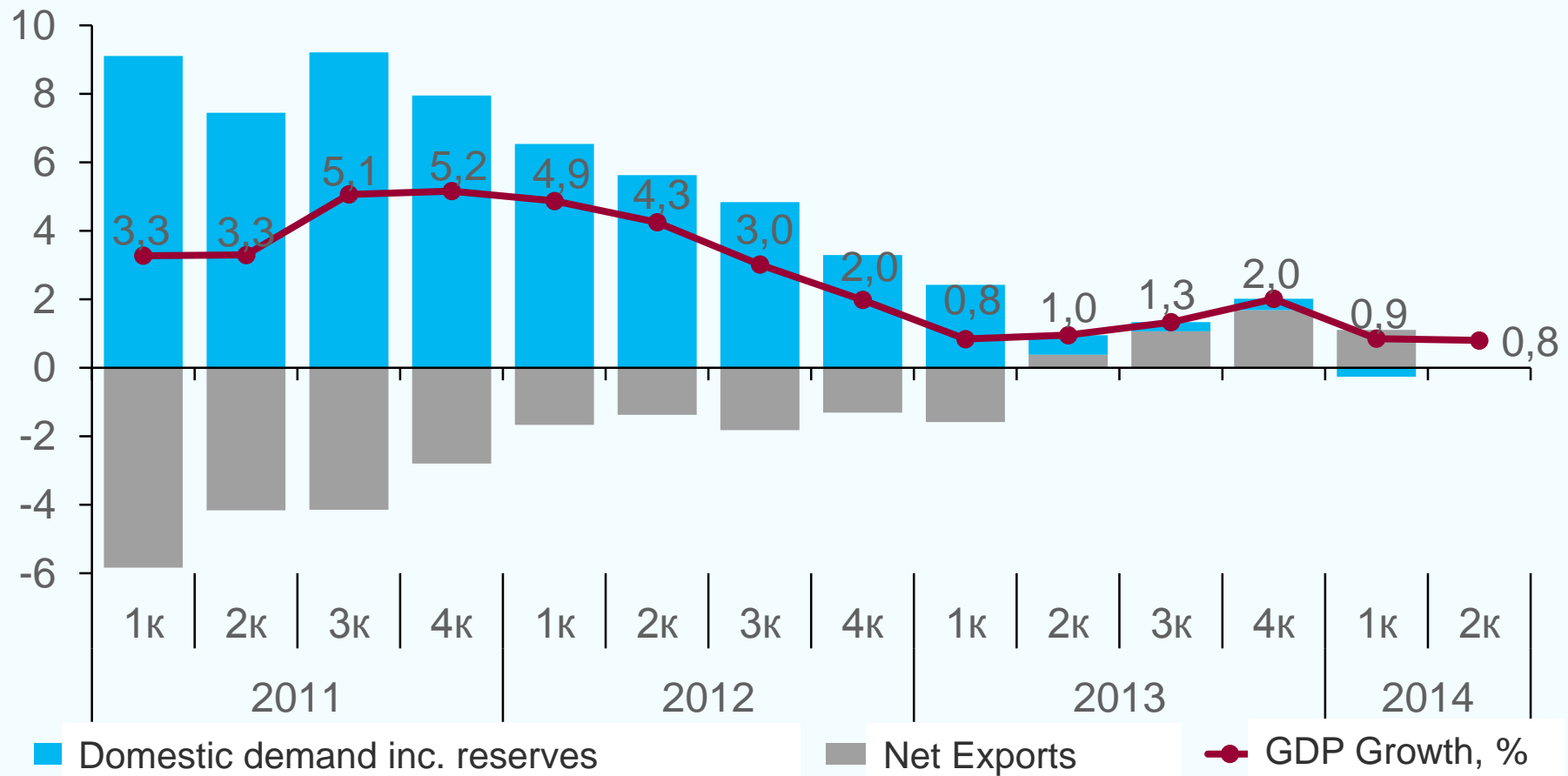
Prepared for AEB

Hay Group Russia

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During the last 4 years we observe that GDP is going down and this year it will hit the floor



Life in a changing (and volatile) economy

The market is changing under the pressure of the economic changes and it becomes volatile, with many organizations dealing with:

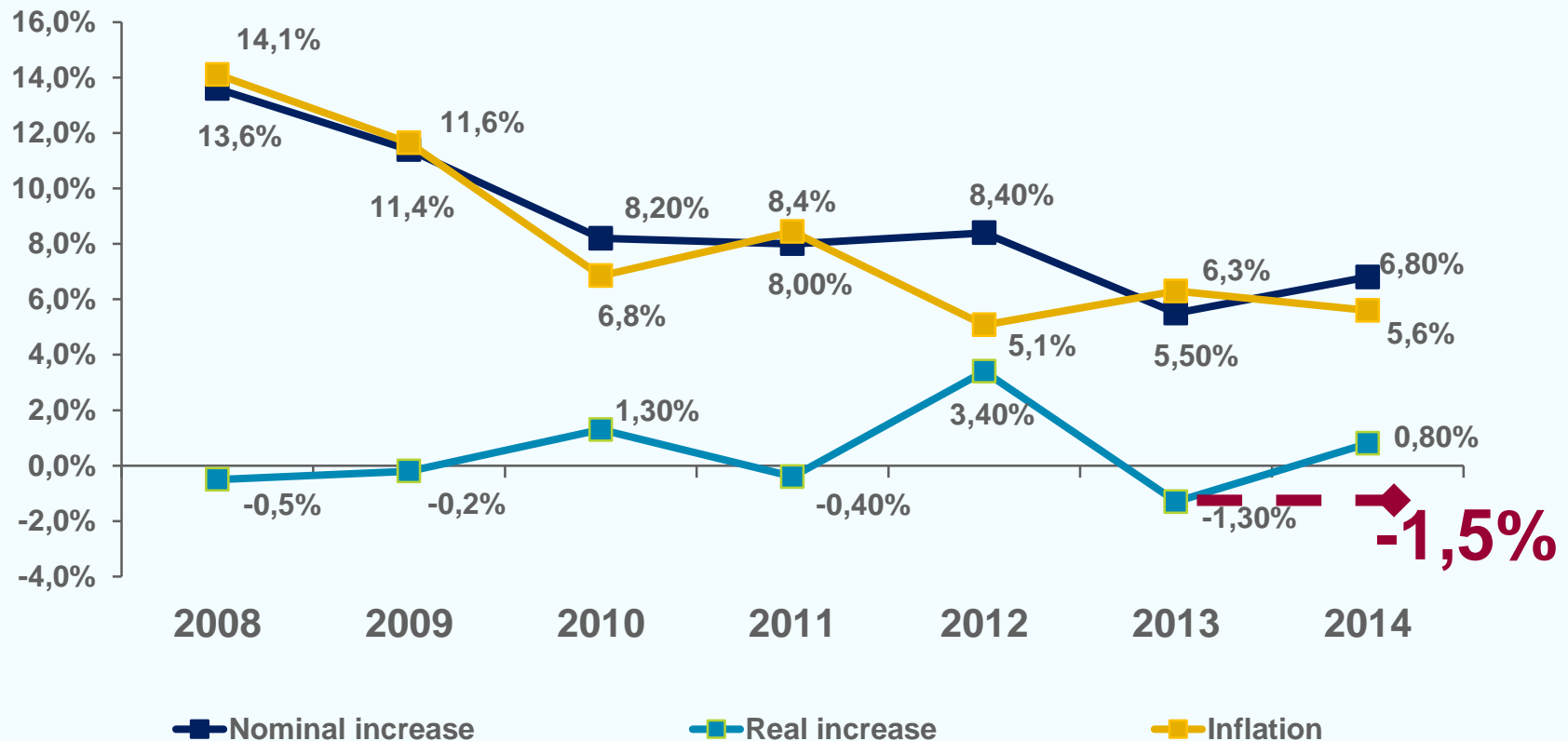


- Limited budgets for salary increases
- Uncertainty with revenue and financial expectations
- Employees demanding their contributions be recognized – financially & non-financially
- Adapting to a changing (and new) workforce – the millennials are here!





**How it is reflected
in the pay market
analysis?**

Pay Market growth is slowing down and companies are more adjusting salaries to the inflation rather than giving real increases

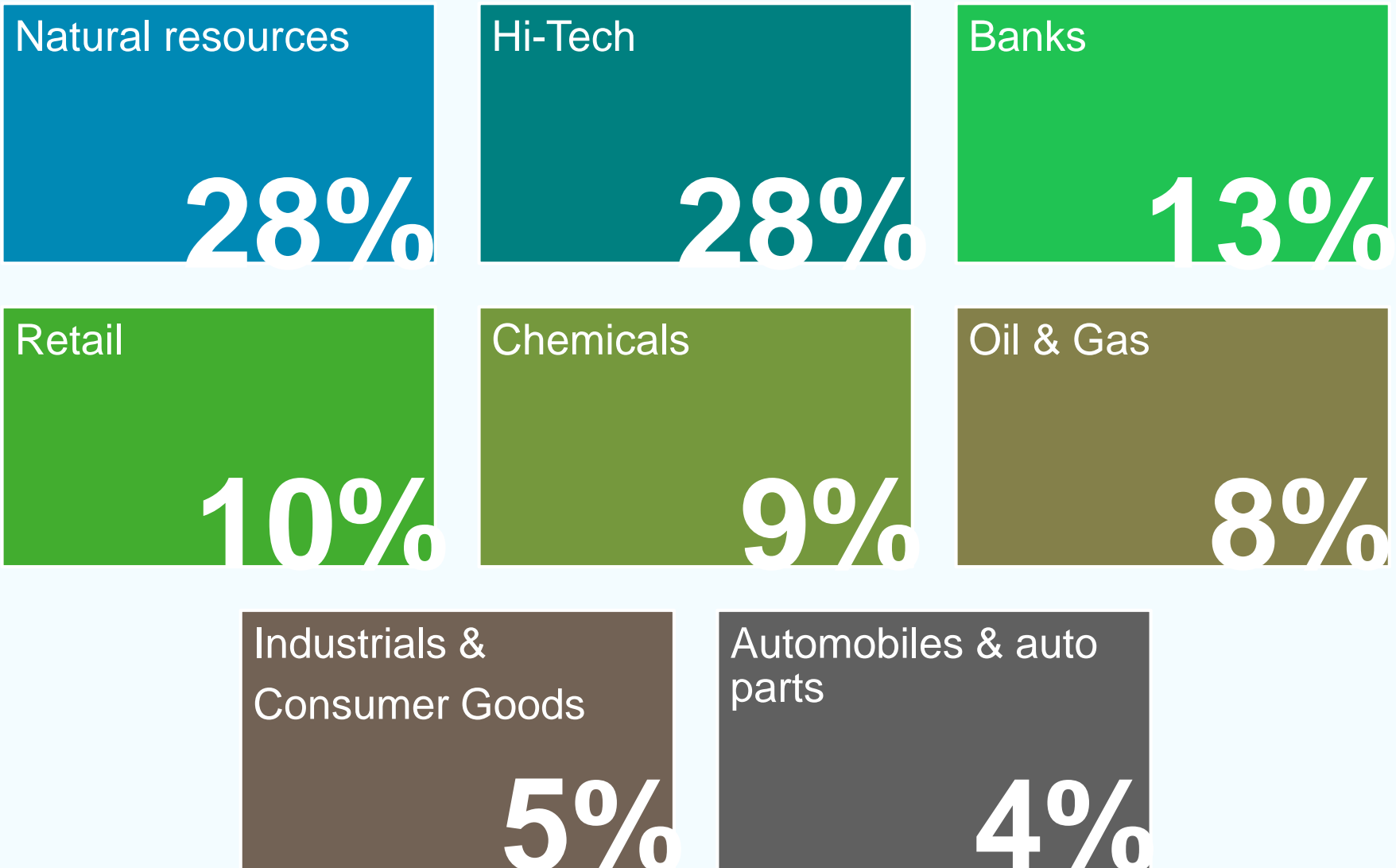
Nominal and real salary increases in 2008-2014



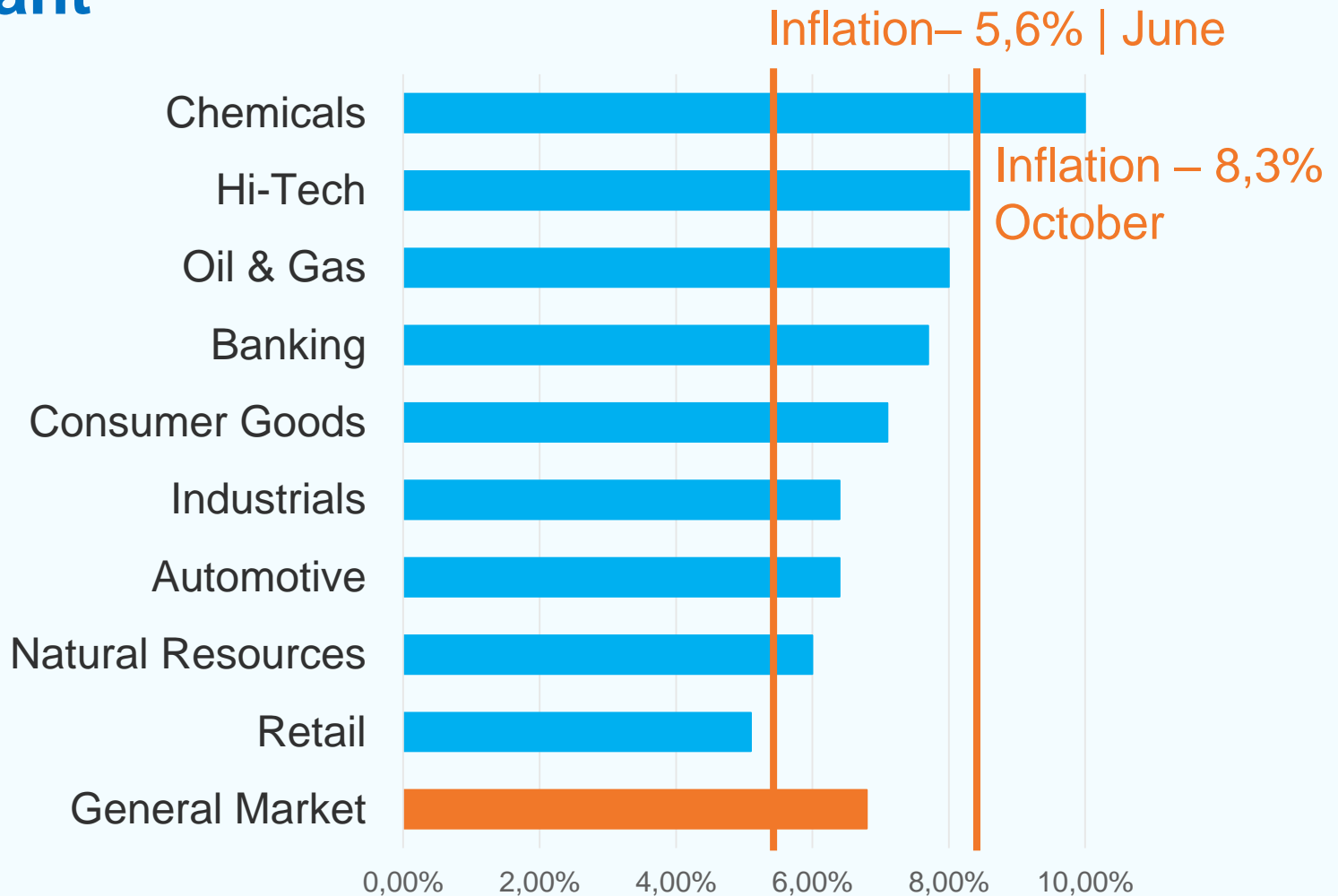
For the 1st time since 2009 we see that the number of companies that did not raise salaries increased

	% of companies that increased salaries		Salary Increase, Ave
Executives/ Senior Management	84%		5,3%
Middle Management/ Seasoned Professionals	86%		3,4%
Supervisory/ Junior Professionals	79%		6,3%
Clerical/ Operational	72%		11,3%

How many companies froze their salaries this year ?



Though increases vary based on the sector, the difference is not very significant



Reference Date: June 01, 2014

**Will salary go up or
down next year?**

What companies plan for salary increase in 2015?

% of companies that plan to increase salaries

Salary Increase, Ave

**Executives/
Senior Management**

85%



6,0%

**Middle Management/
Seasoned Professionals**

88%



6,5%

**Supervisory/
Junior Professionals**

88%



6,5%

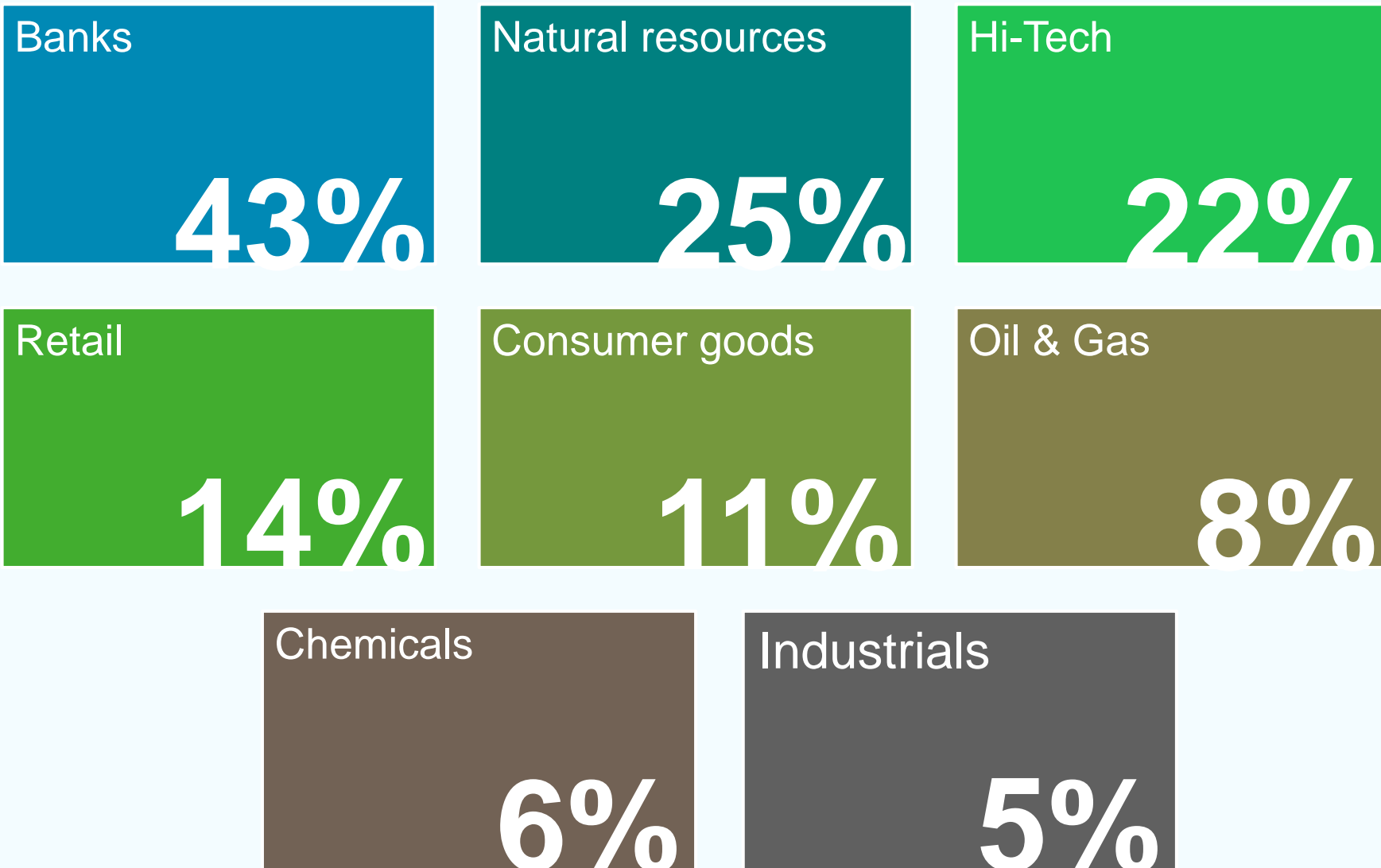
**Clerical/
Operational**

87%

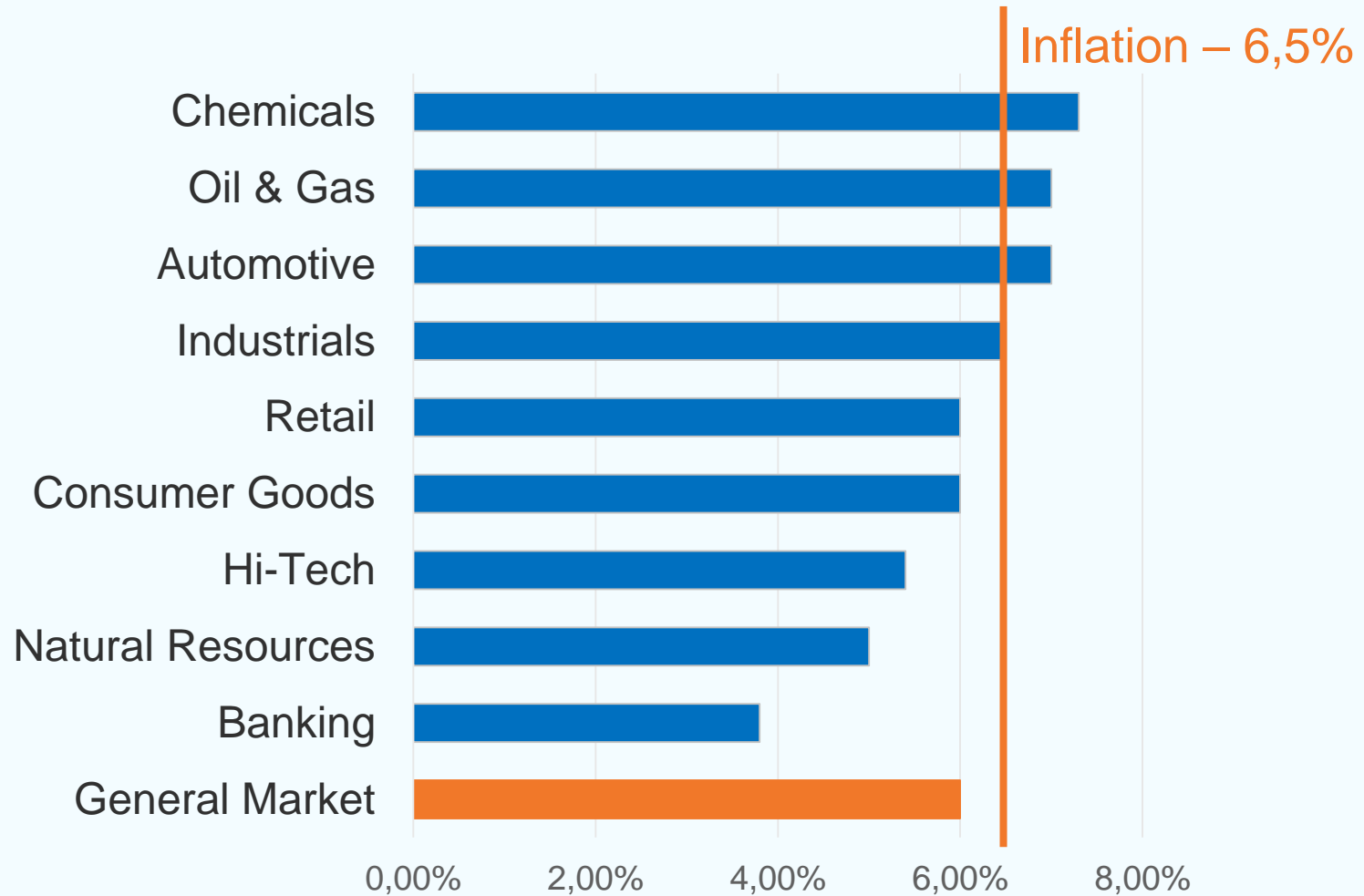


6,5%

How many companies plan to freeze their salaries in 2015?



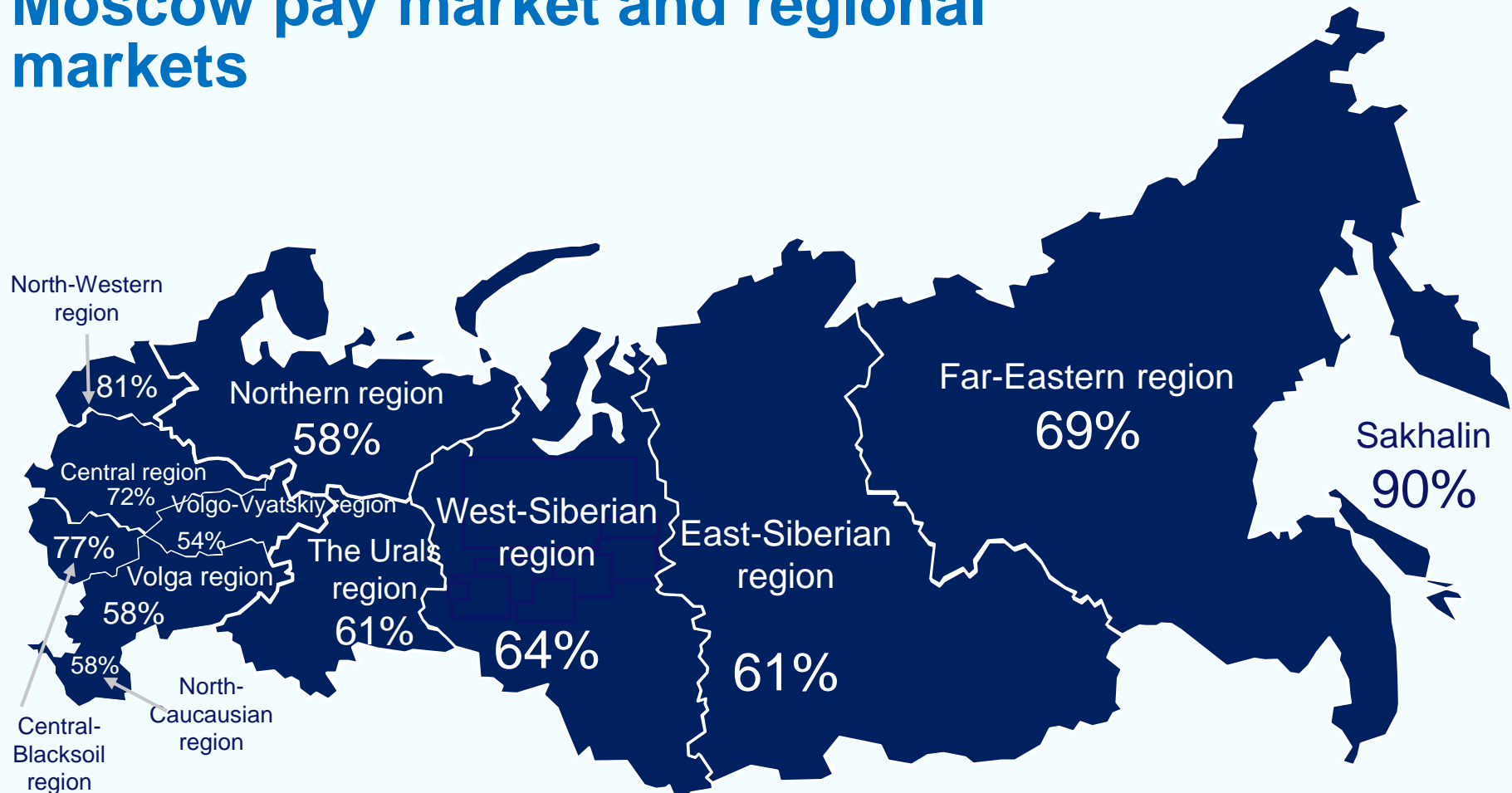
Base salary increase forecast in different sectors or 2015



The background of the slide is a solid blue color. Overlaid on this are several faint, semi-transparent elements: a large, stylized white figure of a person in a business suit, and various strings of hexadecimal code (A-F, 0-9) scattered across the surface.

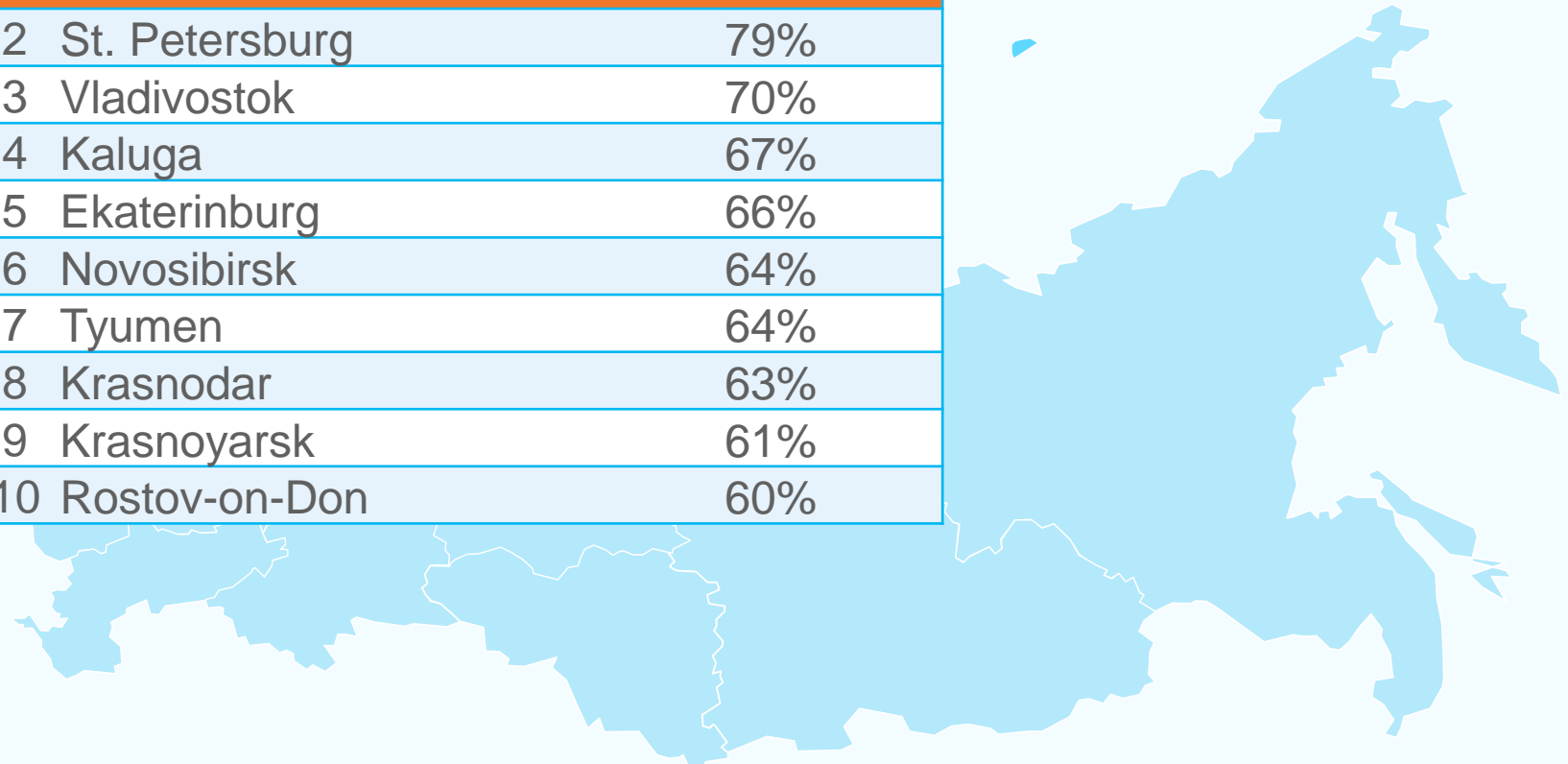
**The market is
diverse and this
may become even
more visible now**

There is still a significant gap between Moscow pay market and regional markets



The cities that are paying higher are the ones where we see economic development as well as higher concentration of business activity

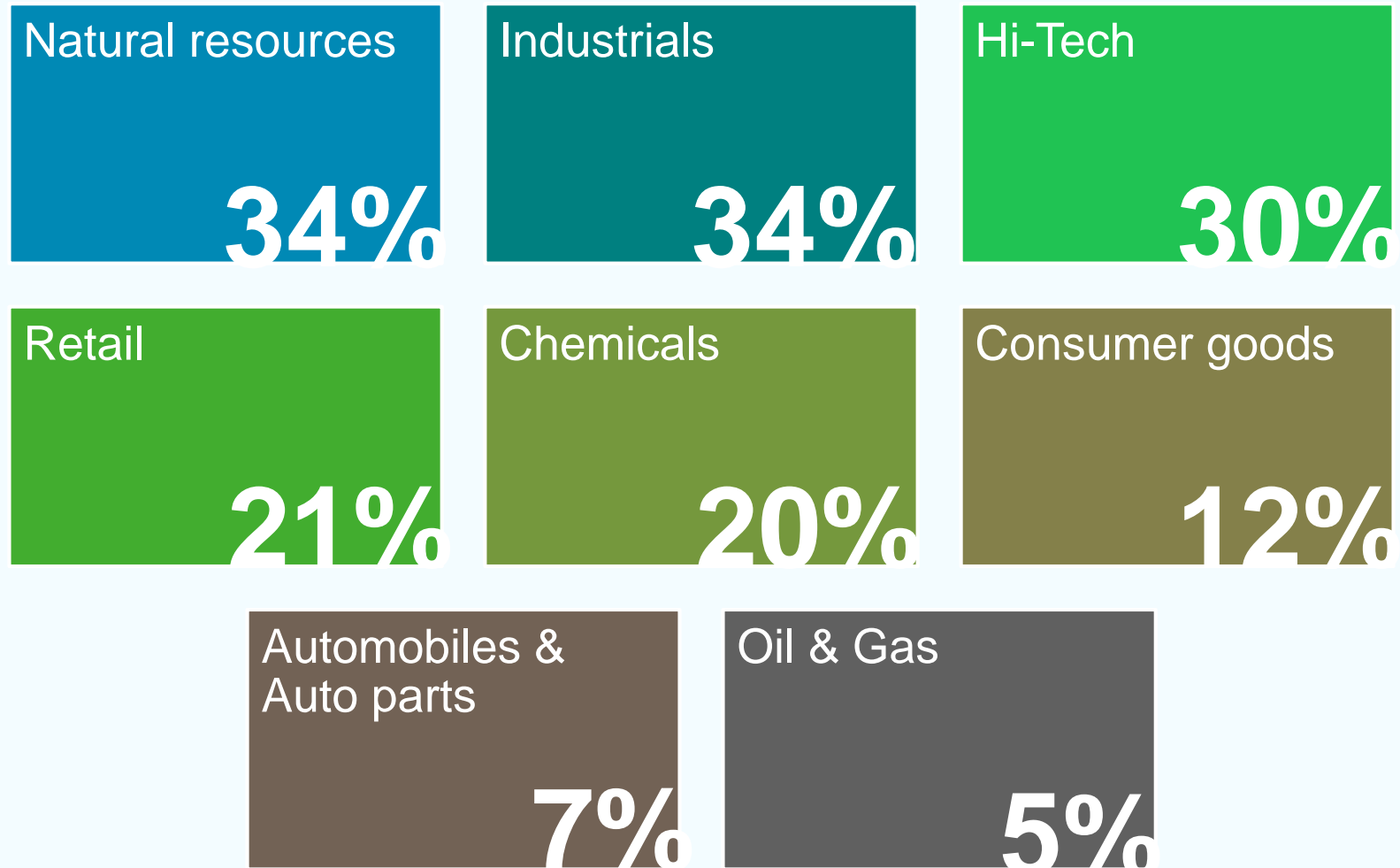
1	Moscow	100%
2	St. Petersburg	79%
3	Vladivostok	70%
4	Kaluga	67%
5	Ekaterinburg	66%
6	Novosibirsk	64%
7	Tyumen	64%
8	Krasnodar	63%
9	Krasnoyarsk	61%
10	Rostov-on-Don	60%



A stylized blue silhouette of a person in a business suit, standing with arms slightly out. The background is a light blue grid with faint, scattered alphanumeric characters (hexadecimal and decimal) in a darker blue. The overall aesthetic is professional and digital.

What about bonuses?

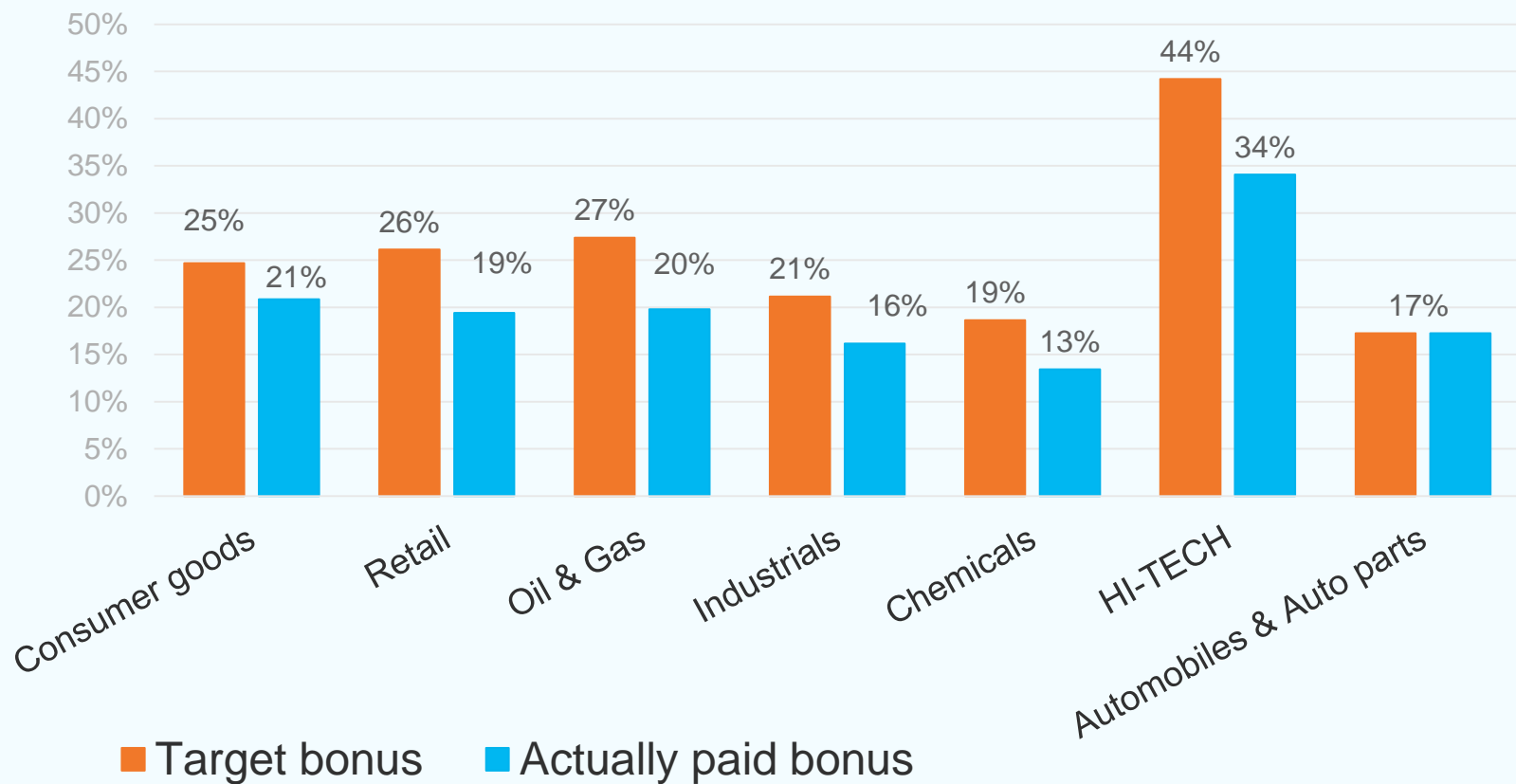
Difference between bonus eligible employees and employees who actually received bonus is getting bigger



There is a growing trend that **real payouts** are **getting smaller** than what companies are targeting for, because it becomes **more difficult** to **get** to the **results** (both company and individual)

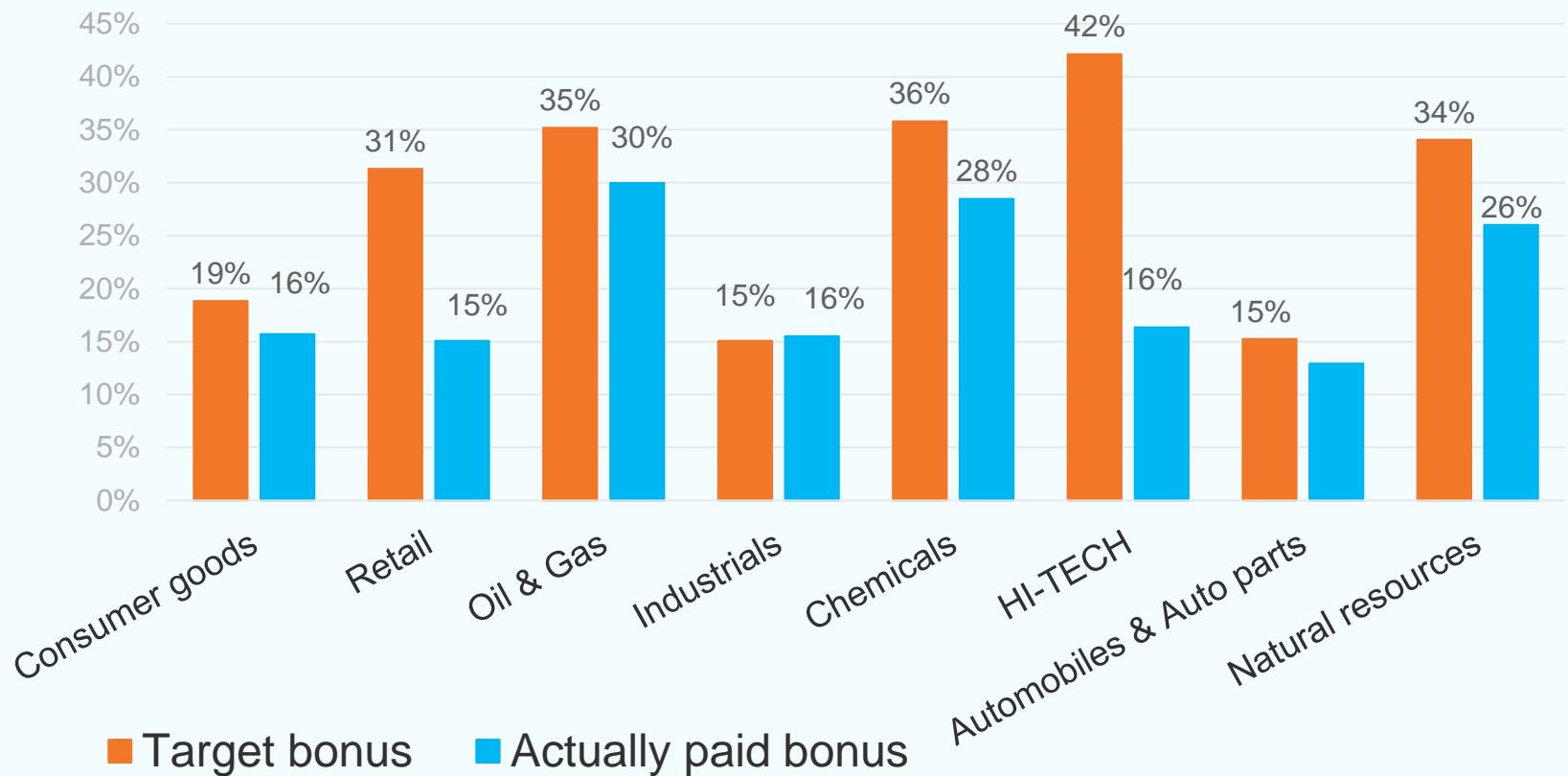
Target bonus and Actual paid bonus as % of base salary

Sales jobs



Target bonus and Actual paid bonus as % of base salary

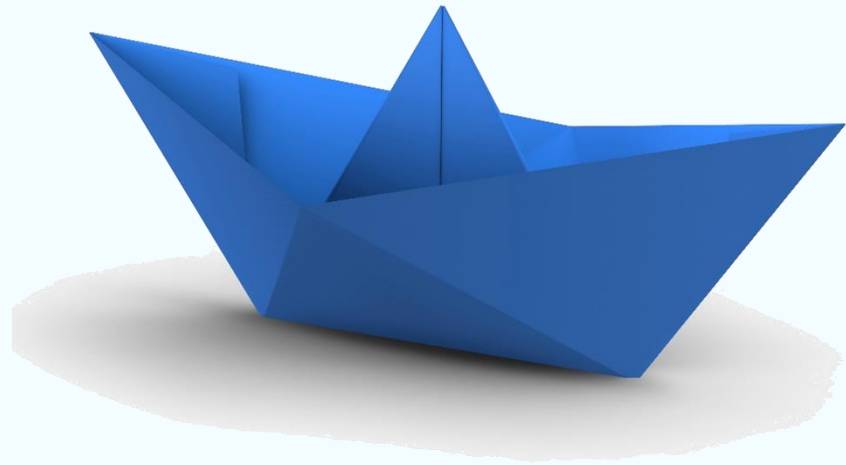
Non-sales jobs



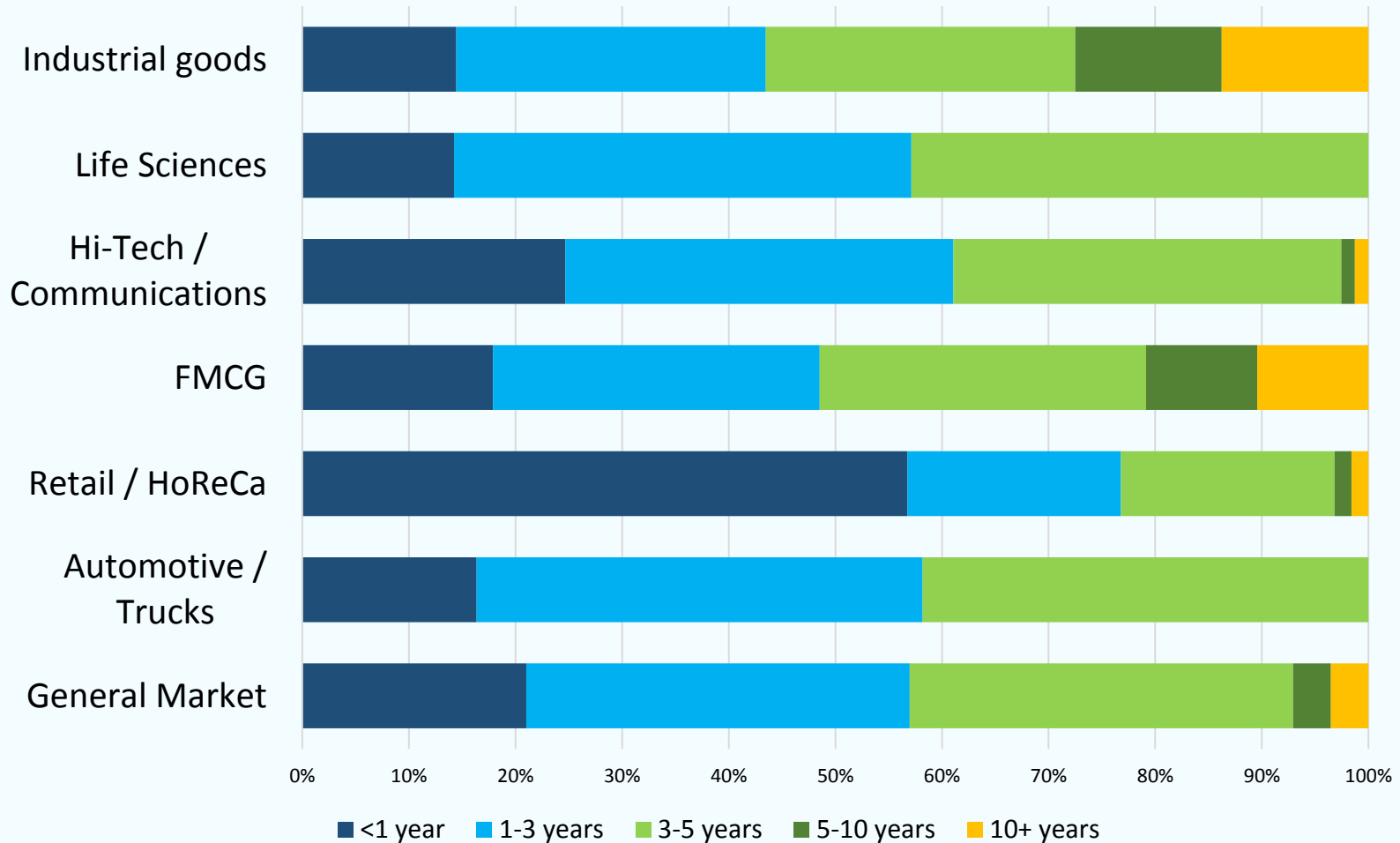
What is the **impact** on employees?



21% employees
left companies this
year



At risk are those employees whose work experience ranges from 1 to 5 years



So far volatility of political and economic situation
does not help to reduce employee turnover on the Russian labor market.

Companies continue to **optimize costs on benefits and allowances**

It's not enough to retain and motivate employees only by tangible rewards

So today is very important not only how much you pay, but also...

I fully understand the link between the job I do and how I am rewarded for it

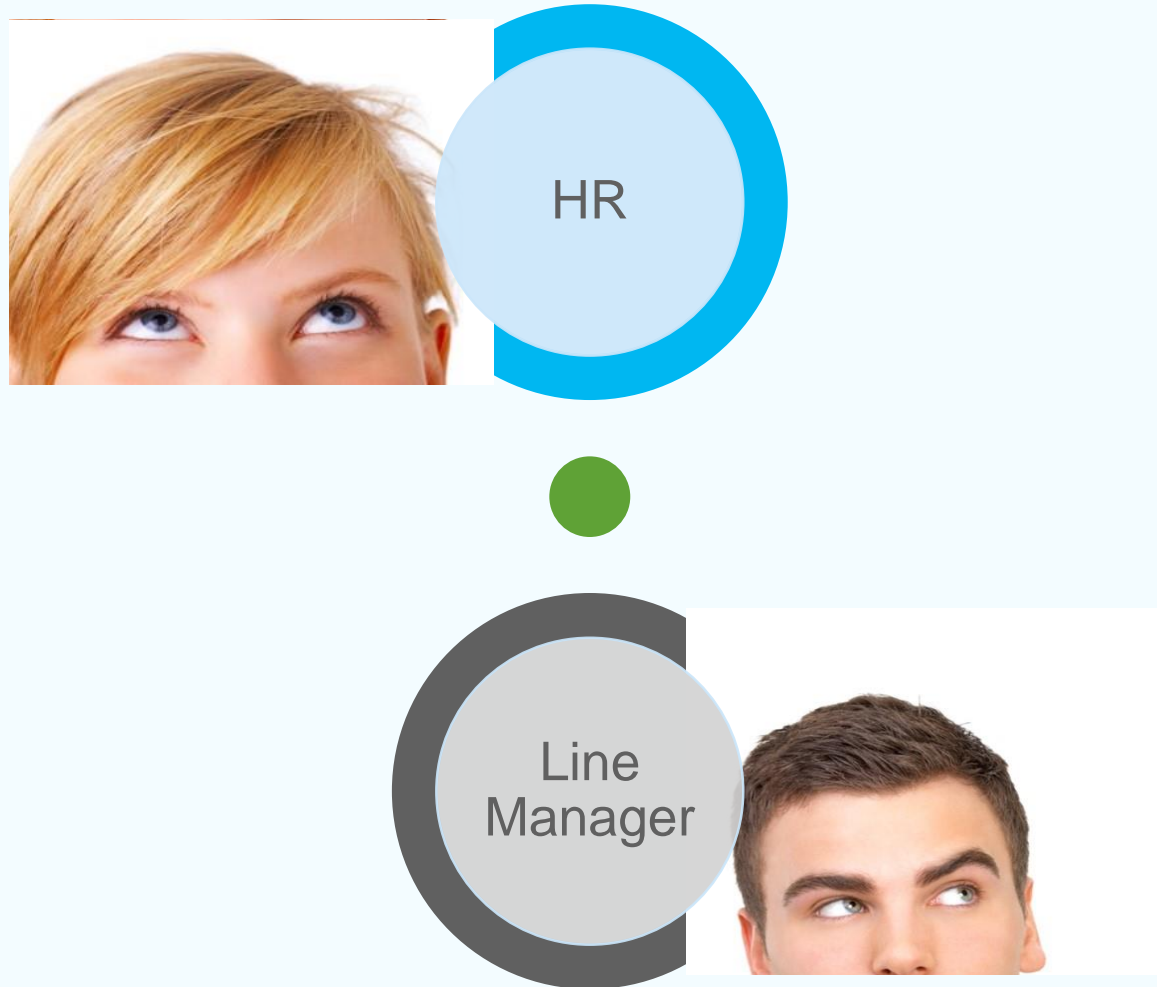
I understand, how my results are measured

I have all conditions to successfully fulfill my job (processes and resources)

I have enough authority in my job



And in the end it is a shared responsibility of...



Our Remuneration data for Russia



606 companies



1 044 149 salary data points



20 industry segments



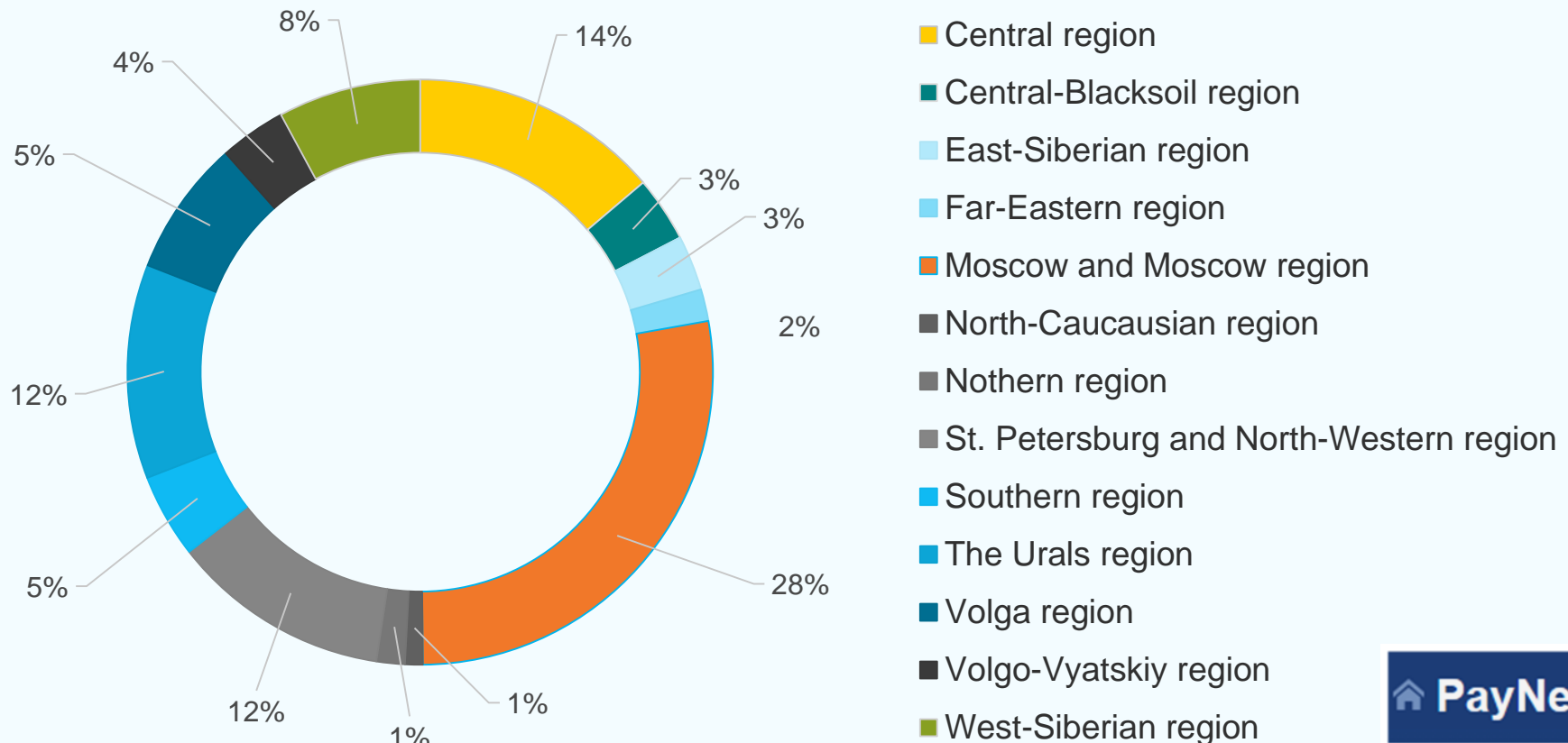
12 macro regions



10 biggest active economic areas



40 cities



Questions?

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