

Association of European Businesses in the Russian Federation



# **SALARY SURVEY OVERVIEW**

**AEB HR Committee, Compensation & Benefits subcommittee**

# Agenda

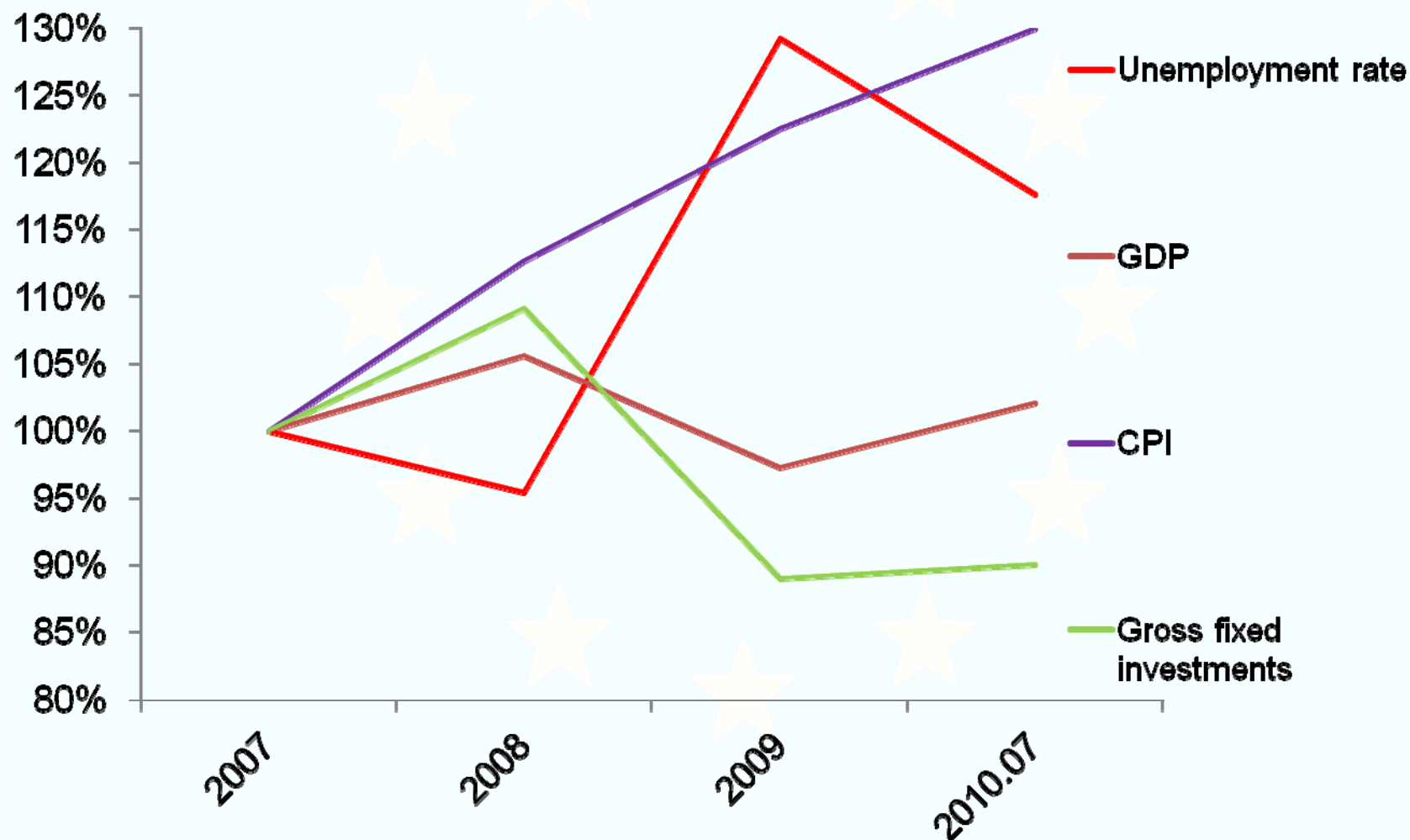


- General overview of the Russian labour market
- Compensation and benefits trends
  - Base pay
  - Variable pay
  - Overview of benefits
  - Non-material motivation
  - Regional specifics
  - Industry focus (FMCG, Financial services, Pharmaceuticals, IT)
- Panel discussions and Q&A session

# **GENERAL OVERVIEW OF THE RUSSIAN LABOUR MARKET**

# Russian economic development indexes

(based on the data of Russian Federal Statistics Service (Rosstat))



# Demographic situation in Russia



**Fall of birth rate in the 90<sup>s</sup>  
Shortened life expectancies**



**Demographic issues for the  
next 15 years (at least)**

Demographic situation had impact on  
employers' policy in respect of personnel in the  
economic downturn



Results:  
1. the most pessimistic expectations about the  
labor market have not been borne out  
2. planned HR "hard" measures were not  
implemented in full by the majority of  
employers



**In addition to high demand for experienced personnel we expect intense  
competition for "young talent" in two-three years time**

# Russian labour market today

## Continuous Improvement

### Focus on growth

- Focus on recruitment and retention
- Implementation of new HR tools for retention purposes
- Focus on HR brand

## Communication

### Interaction with employees on changes

- Internal communication for successful implementation of new processes
- Change management

## Performance

### Motivation for success

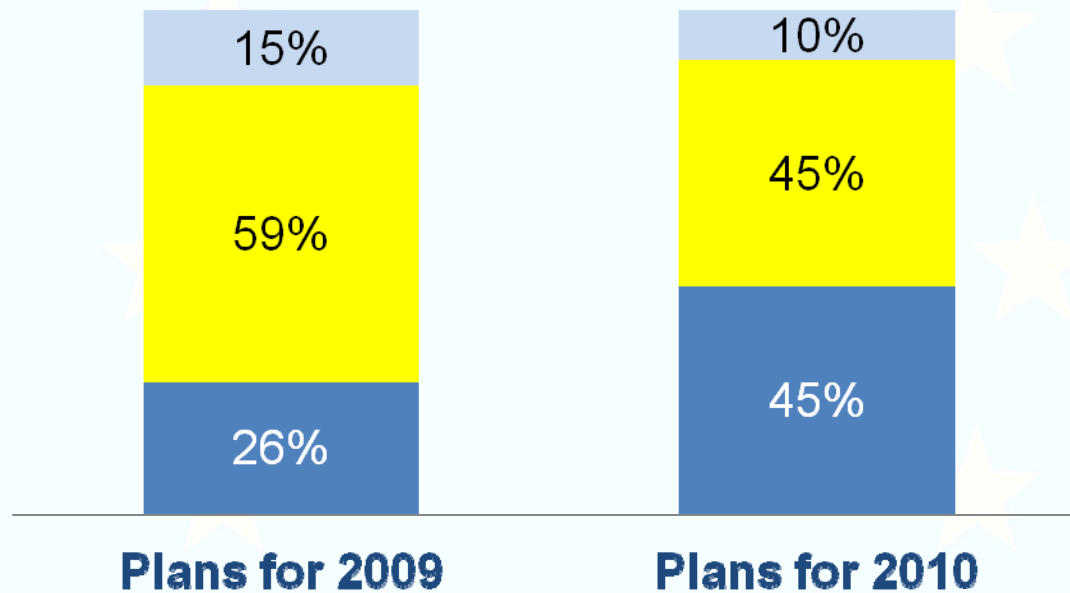
- Enhancing “pay for performance” principles
- Implementation of performance management system
- Focus on high performers and high po's

# **COMPENSATION AND BENEFITS TRENDS**

# Employment plans



■ Increase headcount   ■ Keep number of staff stable   ■ Reduce headcount

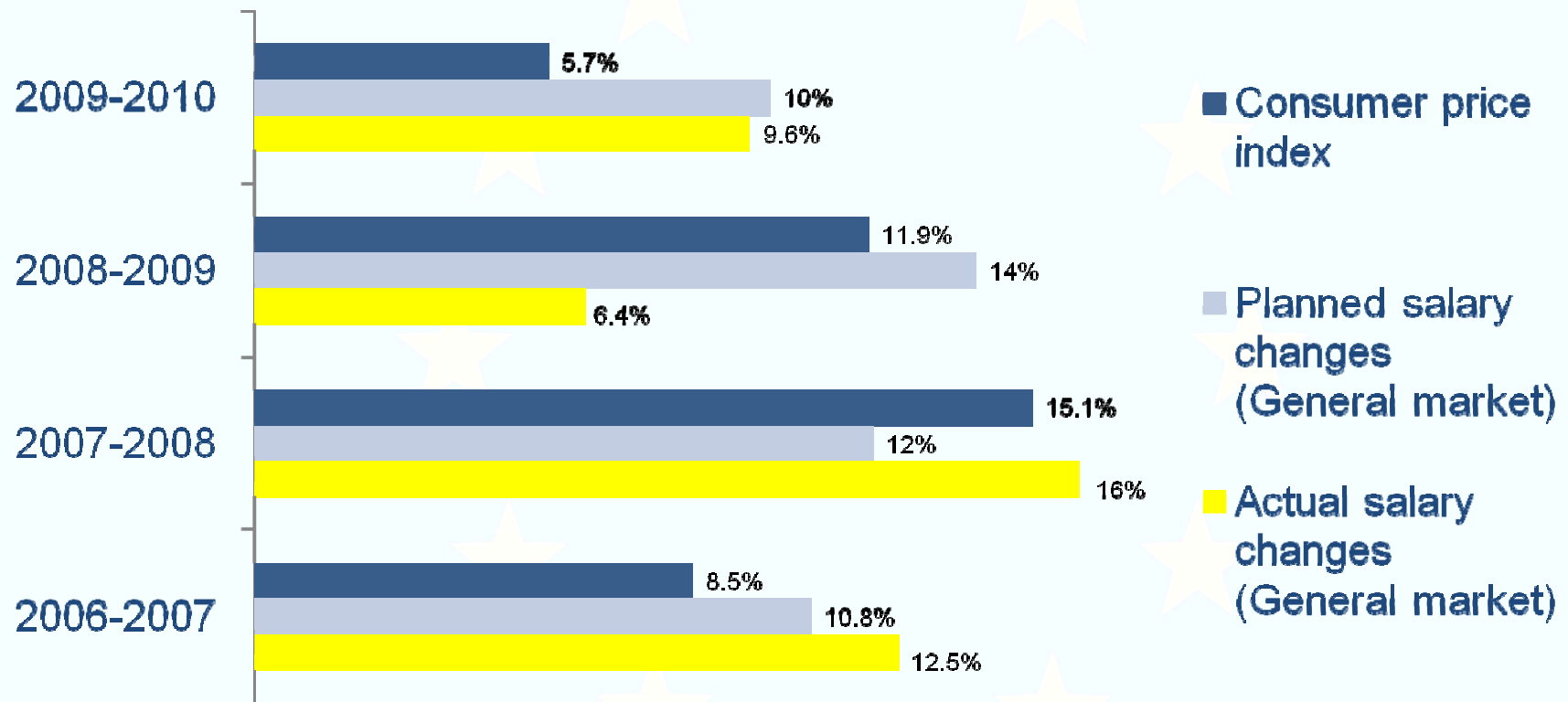


Source: Ernst & Young General Industry Compensation & Benefits Survey 2010/2011

**Average planned headcount increase for 2010 is 13%**



# Trends in consumer price index and increases of salary levels



Source: Ernst & Young General Industry Compensation & Benefits Survey 2010/2011

The data point is July of the respective year

**The increase of salary levels exceeded the inflation rate by 3.9% and partially compensates the fall in real earnings caused by the economic recession**

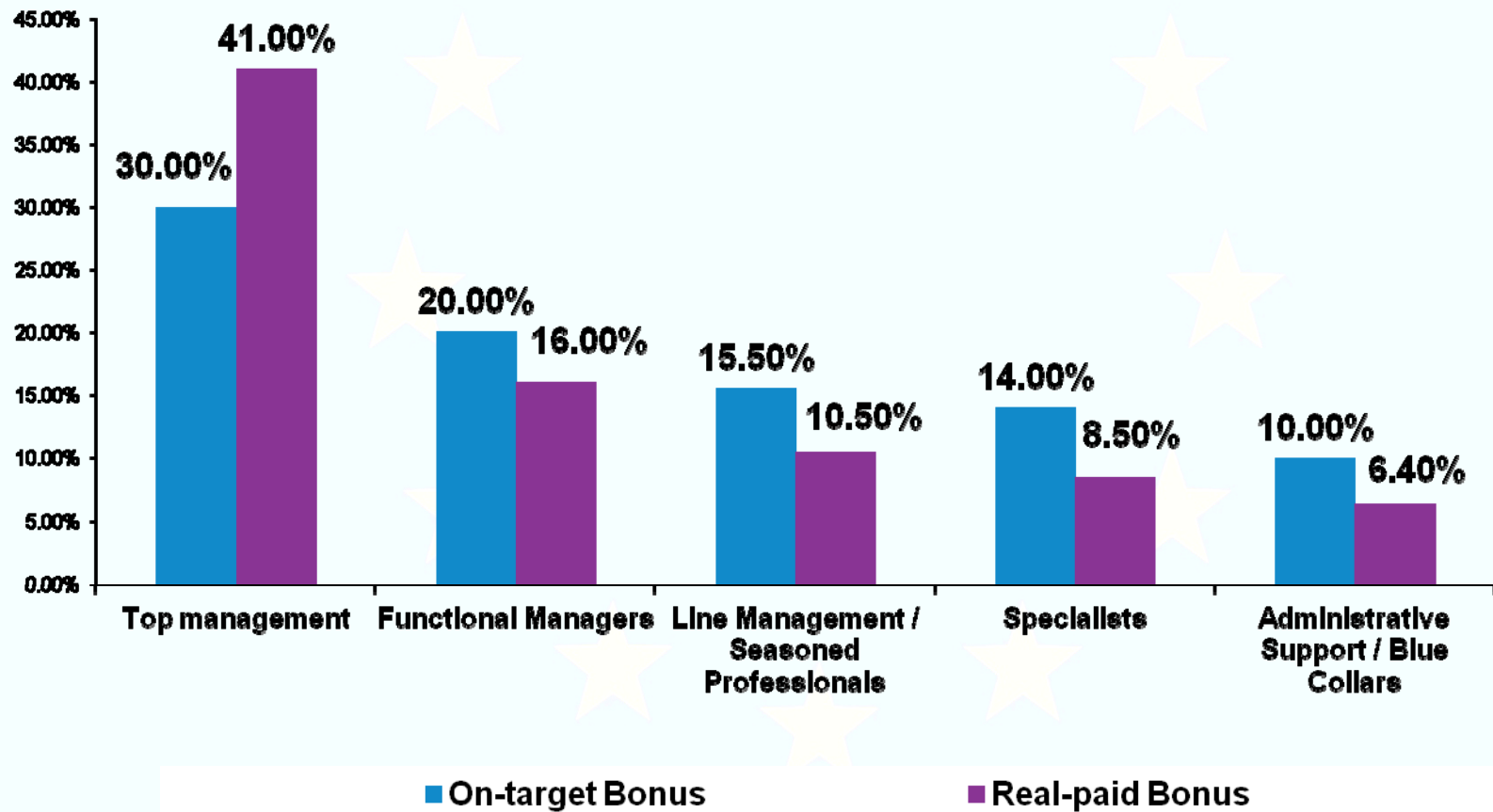
# Short-term incentives policy: general trends in Russia in 2010



- Majority of companies indicate that they use bonus (per cent of base salary) for sales (87%) and non-sales (92%) jobs.
- This year most often companies use company performance and individual results of employees for calculation of sales and non-sales jobs bonuses.
- 66.3% of participating companies state that they have a key performance indicators system in place, and it helps to assess the performance of each individual employee.
- In case of sales jobs companies use mostly «hard» financial indicators, such as revenue and profit, while, for instance, teamwork and client satisfaction indicators are used seldom.

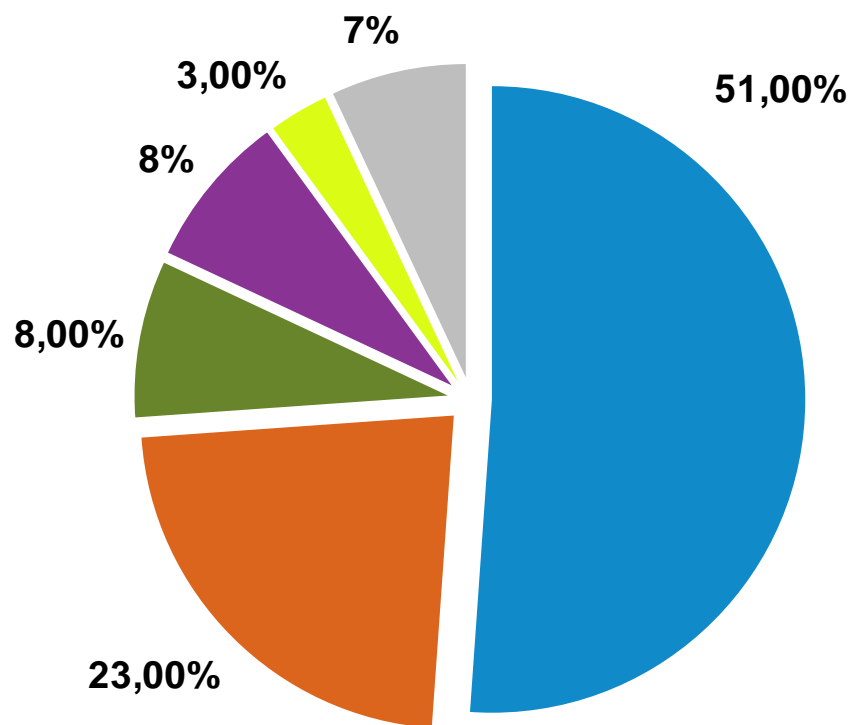
# Bonuses: policy and practice

## NON-sales jobs



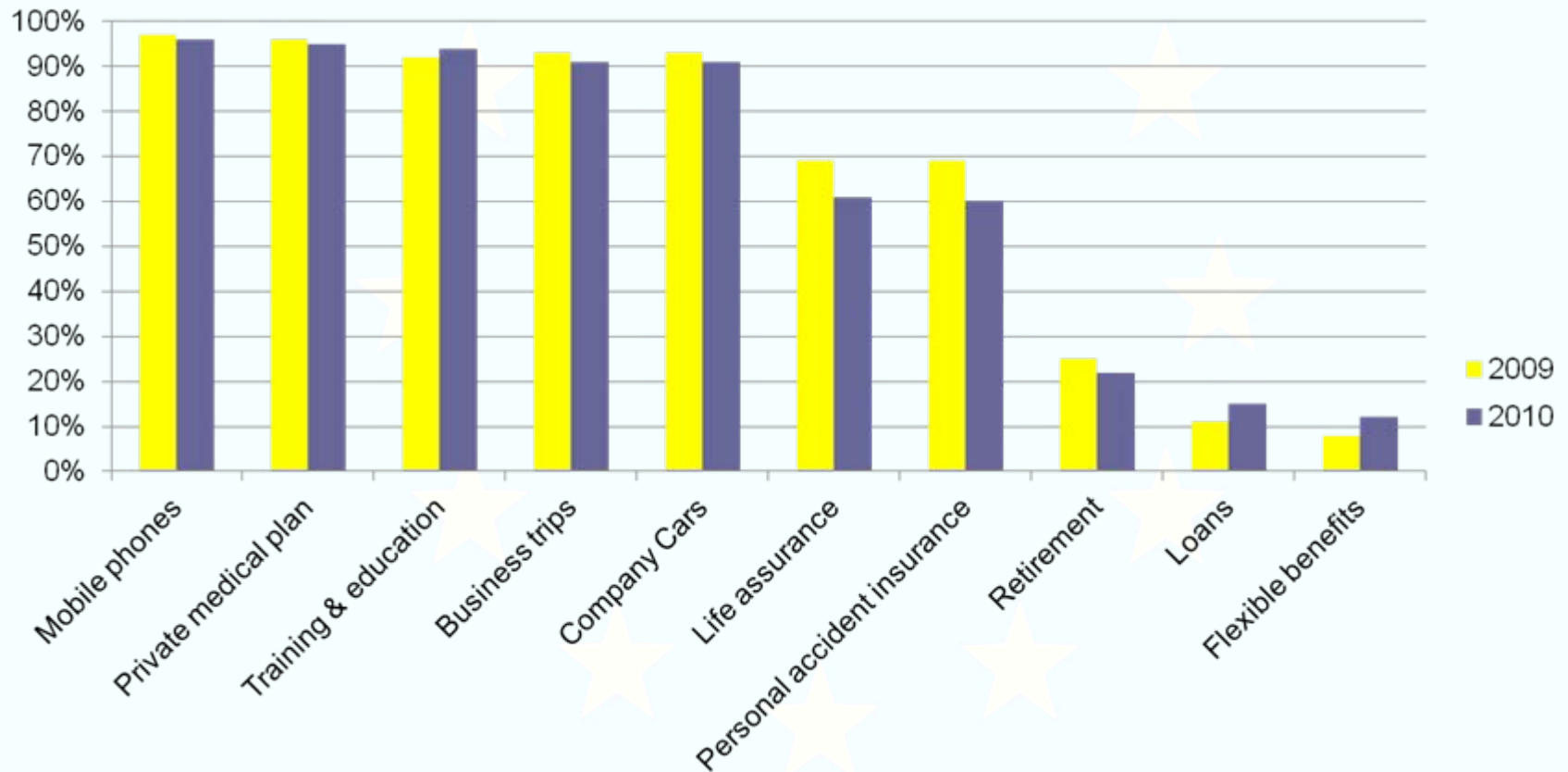
Source: Hay Global Variable Pay Survey

# Key performance indicators (KPI's) used in short-term incentive plans



- Financial - e.g. revenue, profit, sales
- Operational - e.g. Continuous improvement, efficiencies, productivity
- Employee - e.g. satisfaction, turnover
- Customer - e.g. satisfaction, retention
- Social - e.g. environment, safety, community
- Other

# Benefits prevalence 2009 vs. 2010



# Benefits trends

## 2009 vs. 2010



Benefits prevalence seems to be stable over time which has been confirmed by market data in Mercer surveys.

Most popular benefits as Mobile phones, Medical insurance and company cars have been provided at the same level over time.

Percentage of employees providing Life insurance and Personal accident insurance has decreased while the level of employers providing corporate loans has recovered after 2008-2009.

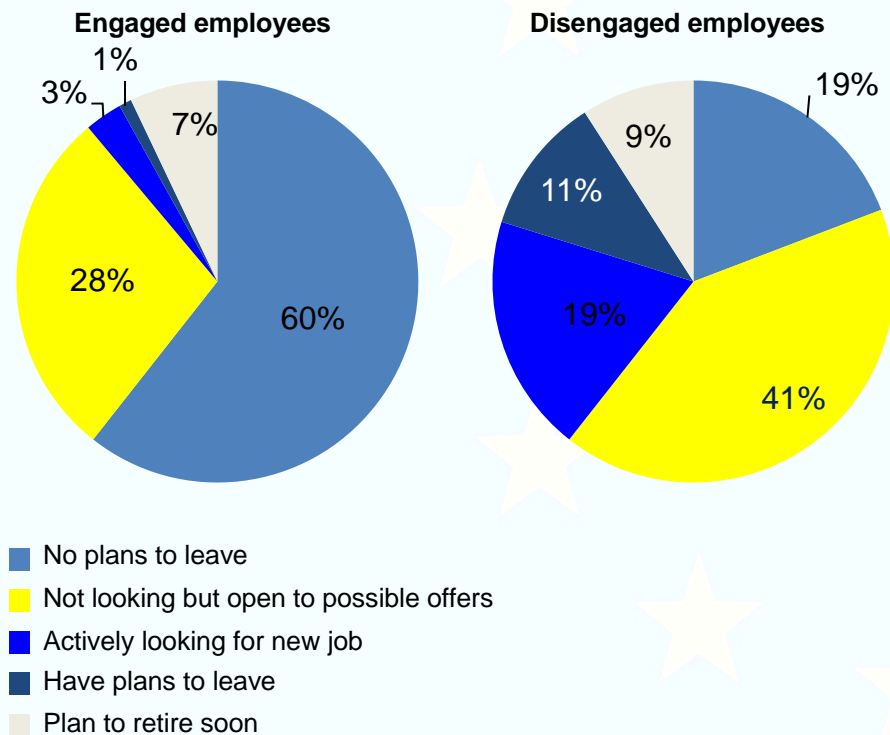
It also seems to be confirmed by market data that some employers looking for saving by optimization of the benefits design to employees needs and budget at the same time by providing flexible benefits.

# Employee engagement drives real performance

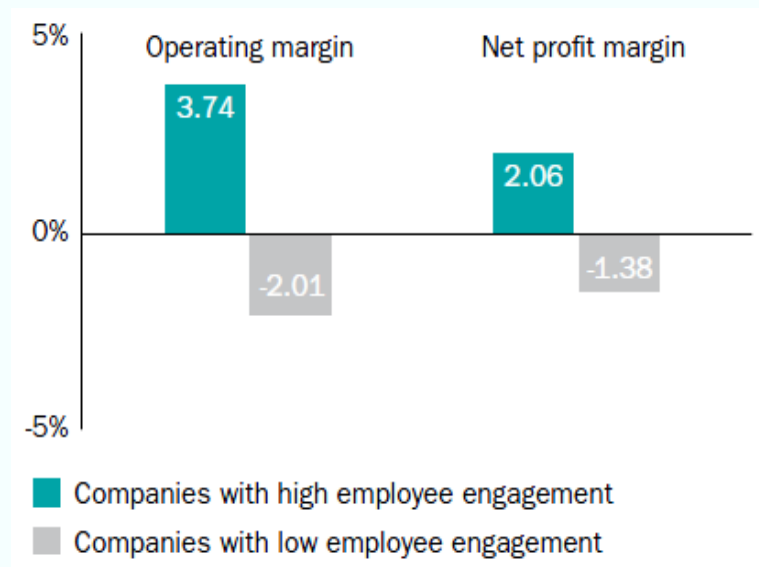


## Engagement impacts the organization in two ways

### How engagement impacts mobility



### How engagement affects financial performance: 3-year study



Source: Towers Watson Global Workforce Study-Russia 2010

# Engaging and retaining employees



- The top 5 drivers of engagement are primarily associated with the way leadership is steering the organization, the 'brand' image of the company, career opportunities and the use of clear goals and objectives
- Career development is 'head-and-shoulders' more important to retention than other factors in Russia. However pay, and leadership, also impact on the retention of employees.

Top Engagement Driver	Rank
Leadership	1
Image	2
Goals & Objectives	3
Career Development	=4
Performance appraisal	=4

Top Retention Driver	Rank
Career Development	1
Pay & Rewards	2
Leadership	3
Stress, Balance, & Workload	4
Employment Security	5

Source: Towers Watson Global Workforce Study-Russia 2010



# Remuneration in the regions of Russia

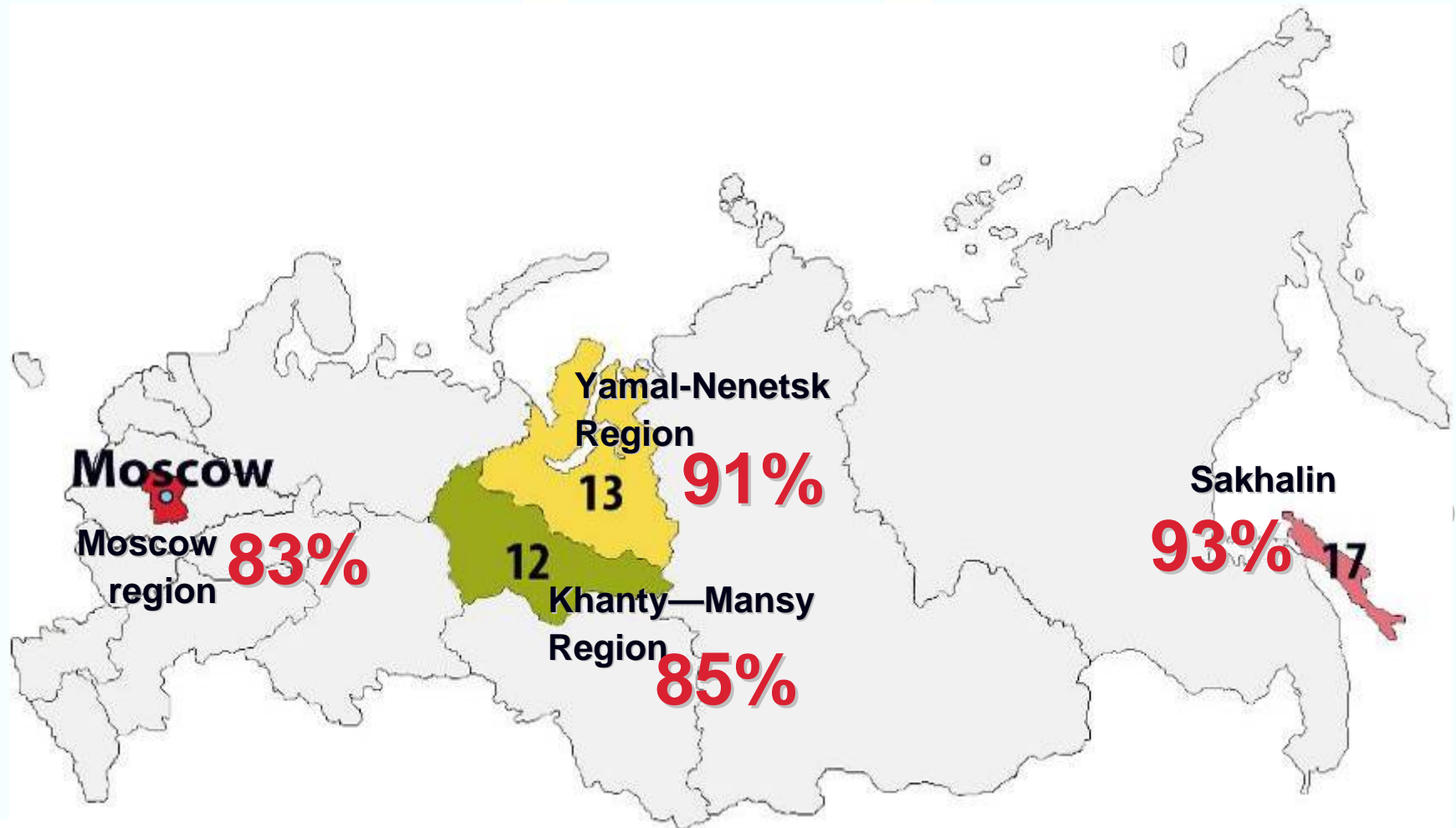


- Regardless region and employee category, companies forecast almost the same level of increase for 2010/11 and its about **10%**
- **17,3%** of participating companies indicated that they have difference in compensation and benefits policies for their regional offices



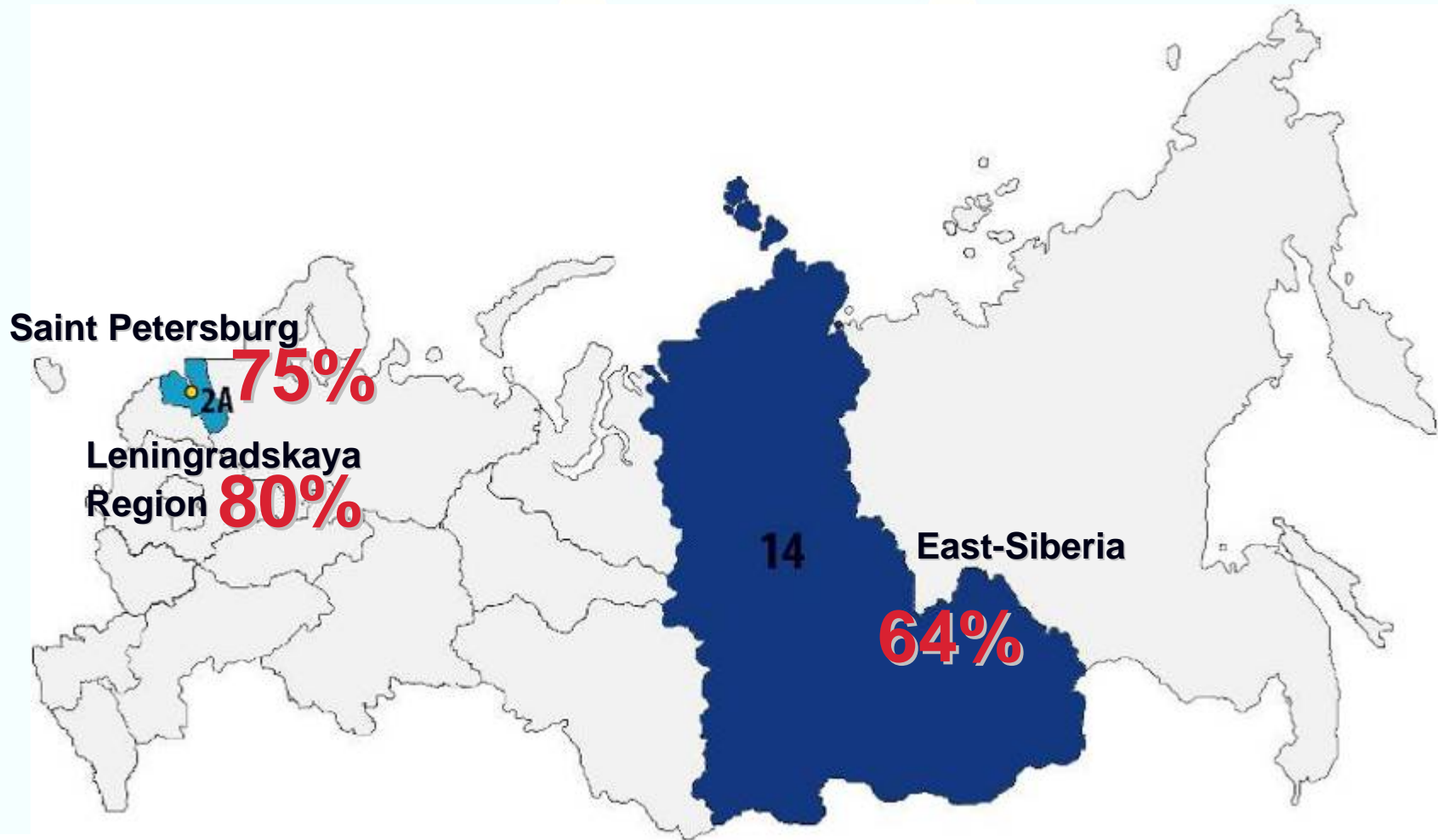
# Difference in pay among regions of Russia

## Moscow Base Salary = 100%



# Difference in pay among regions of Russia

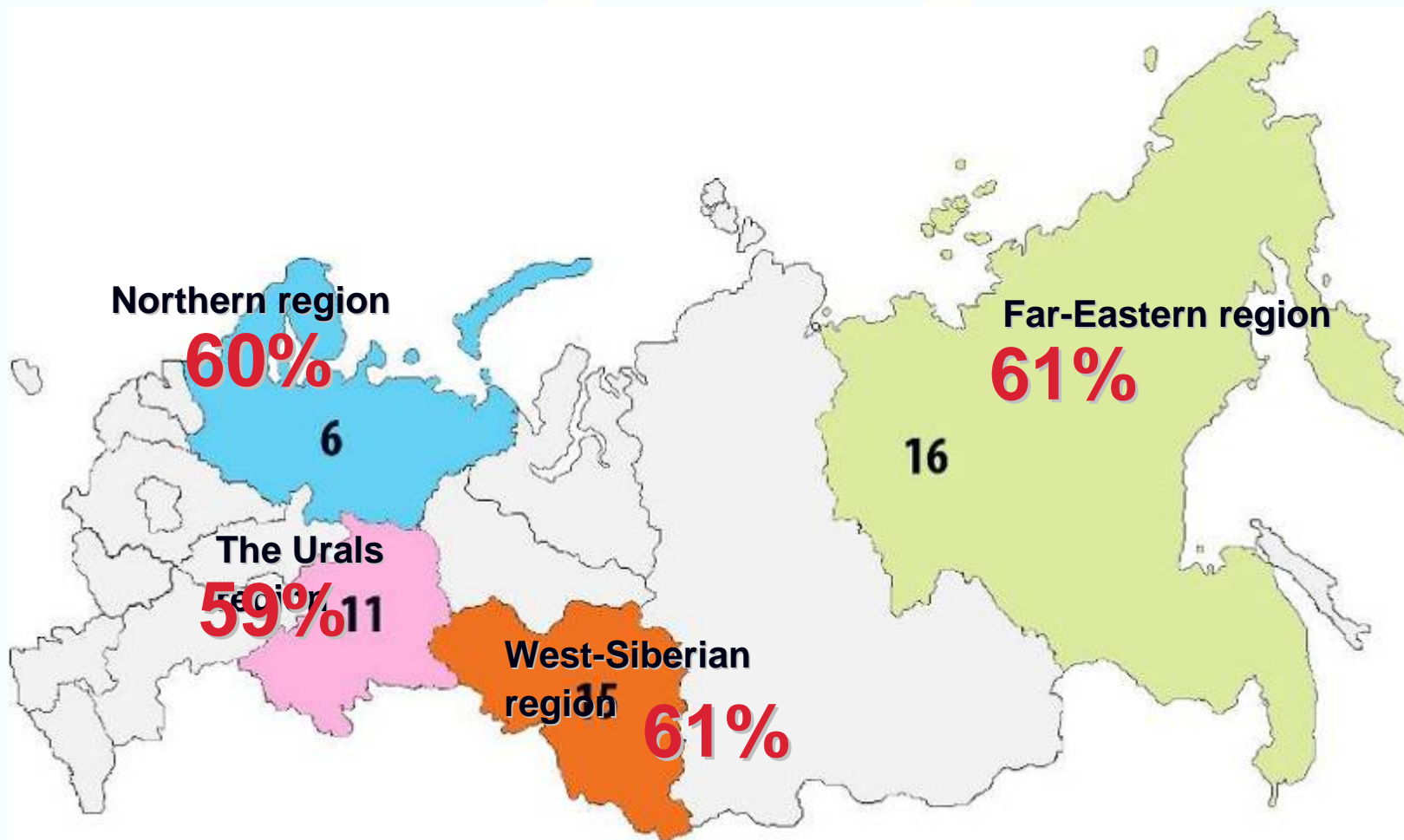
Moscow Base Salary = 100%



Source: Hay Group Remuneration Survey - Russia 2010

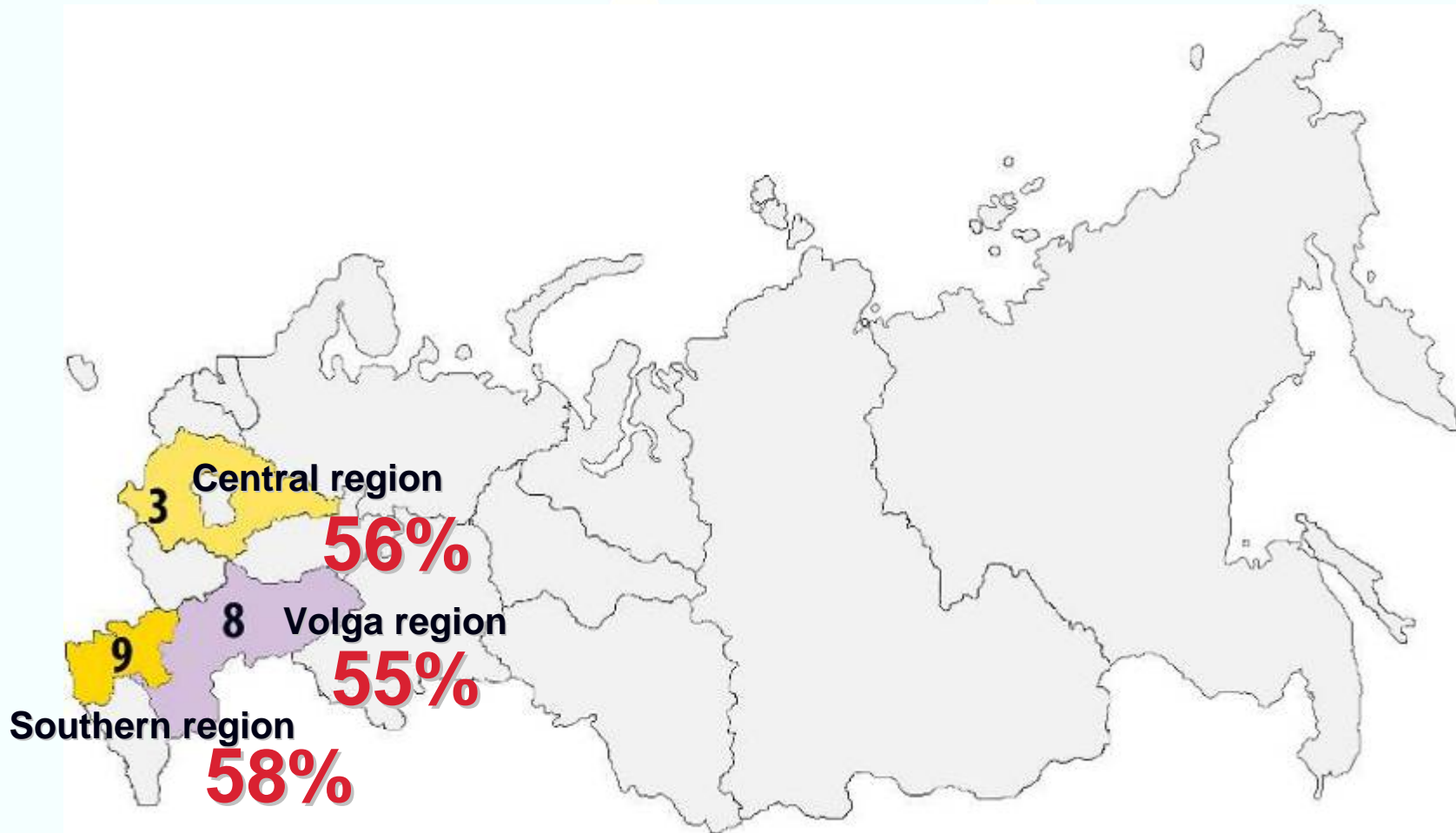
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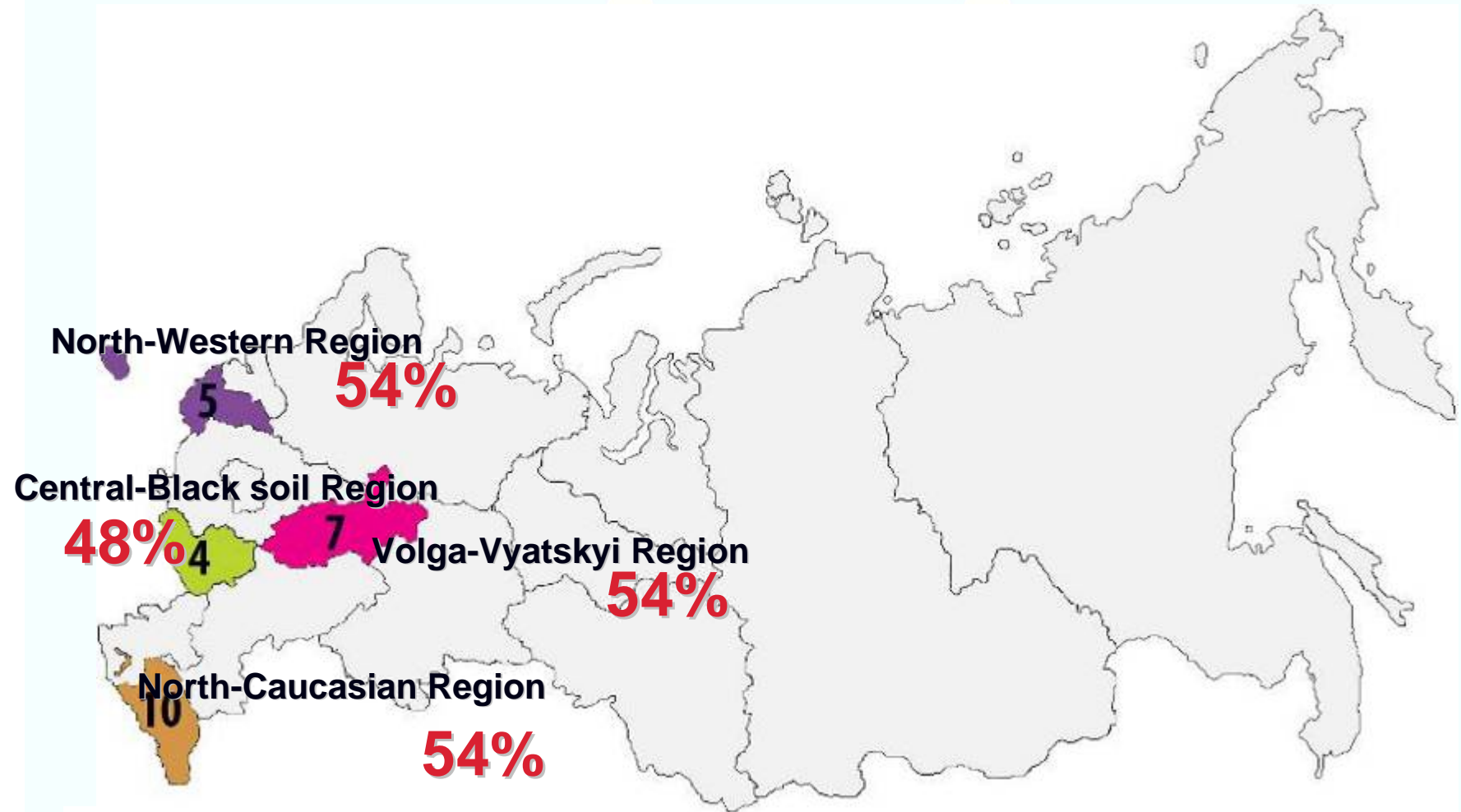
## Moscow Base Salary = 100%





# Difference in pay among regions of Russia

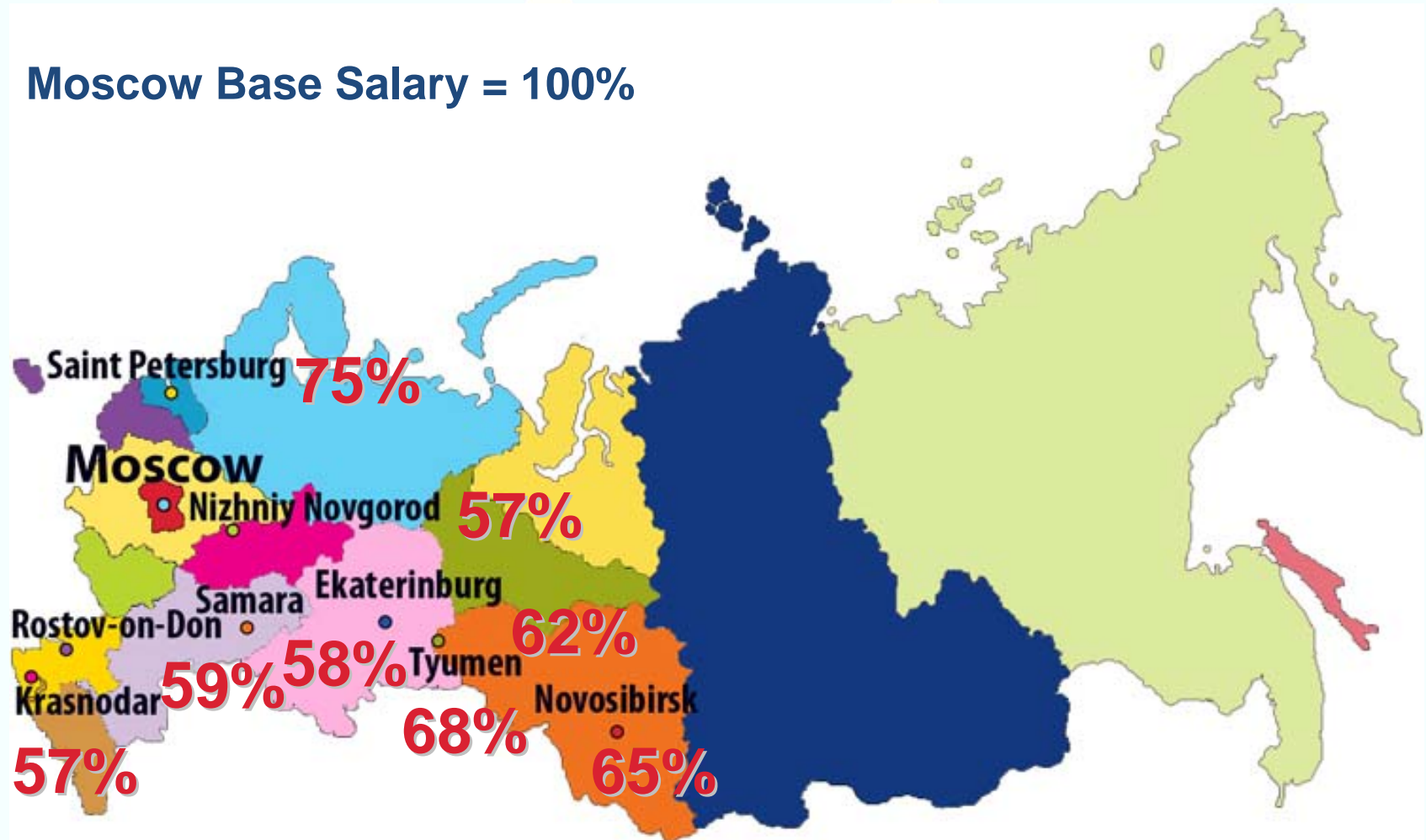
Moscow Base Salary = 100%



Source: Hay Group Remuneration Survey - Russia 2010

# Big cities of Russia: how close are they to Moscow?

Moscow Base Salary = 100%



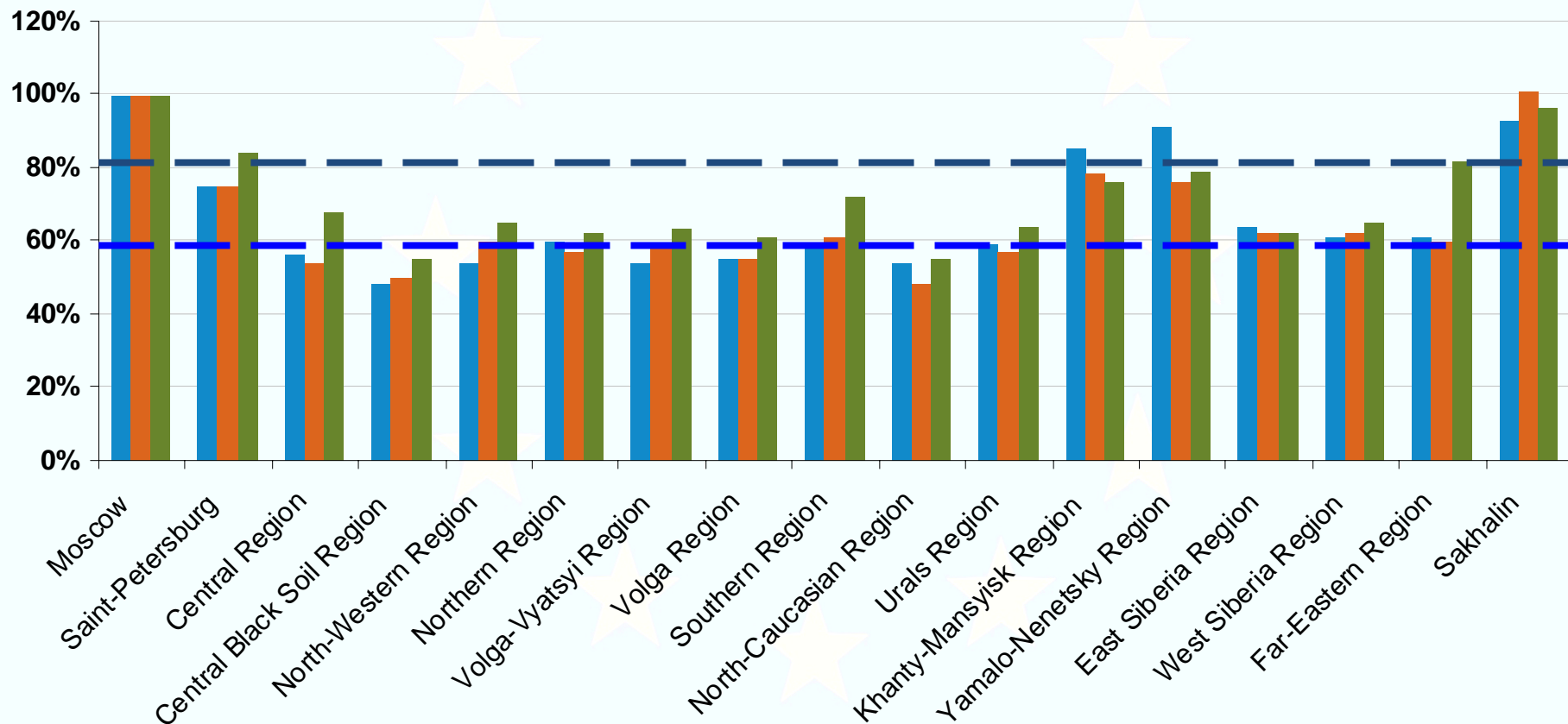
# Regional comparison: How much does the picture change?



■ 2010

■ 2009

■ 2008

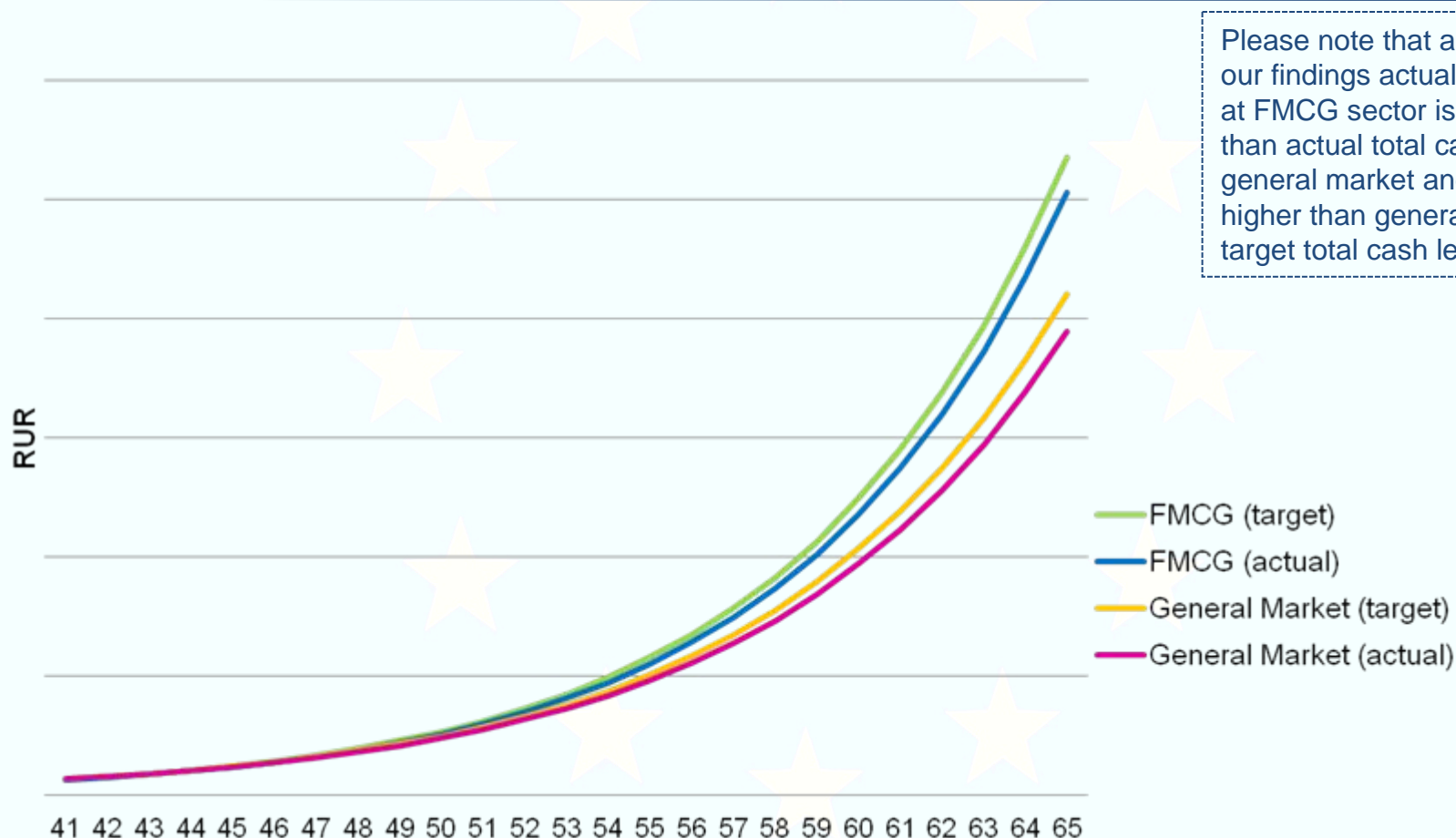




# INDUSTRY OVERVIEW

# Industry analysis

## Total cash – All Data

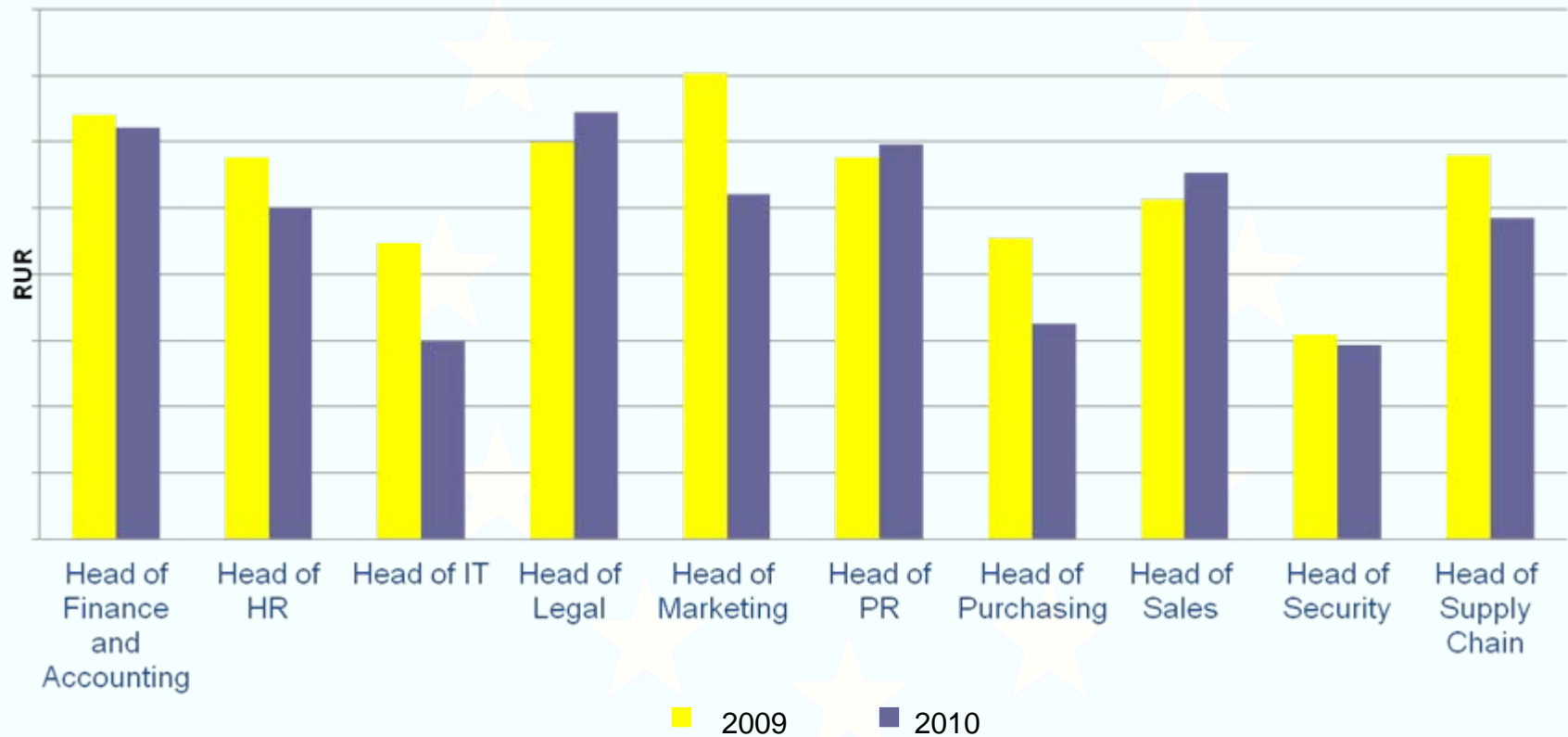


Please note that according to our findings actual total cash at FMCG sector is higher than actual total cash at general market and even higher than general market target total cash level.

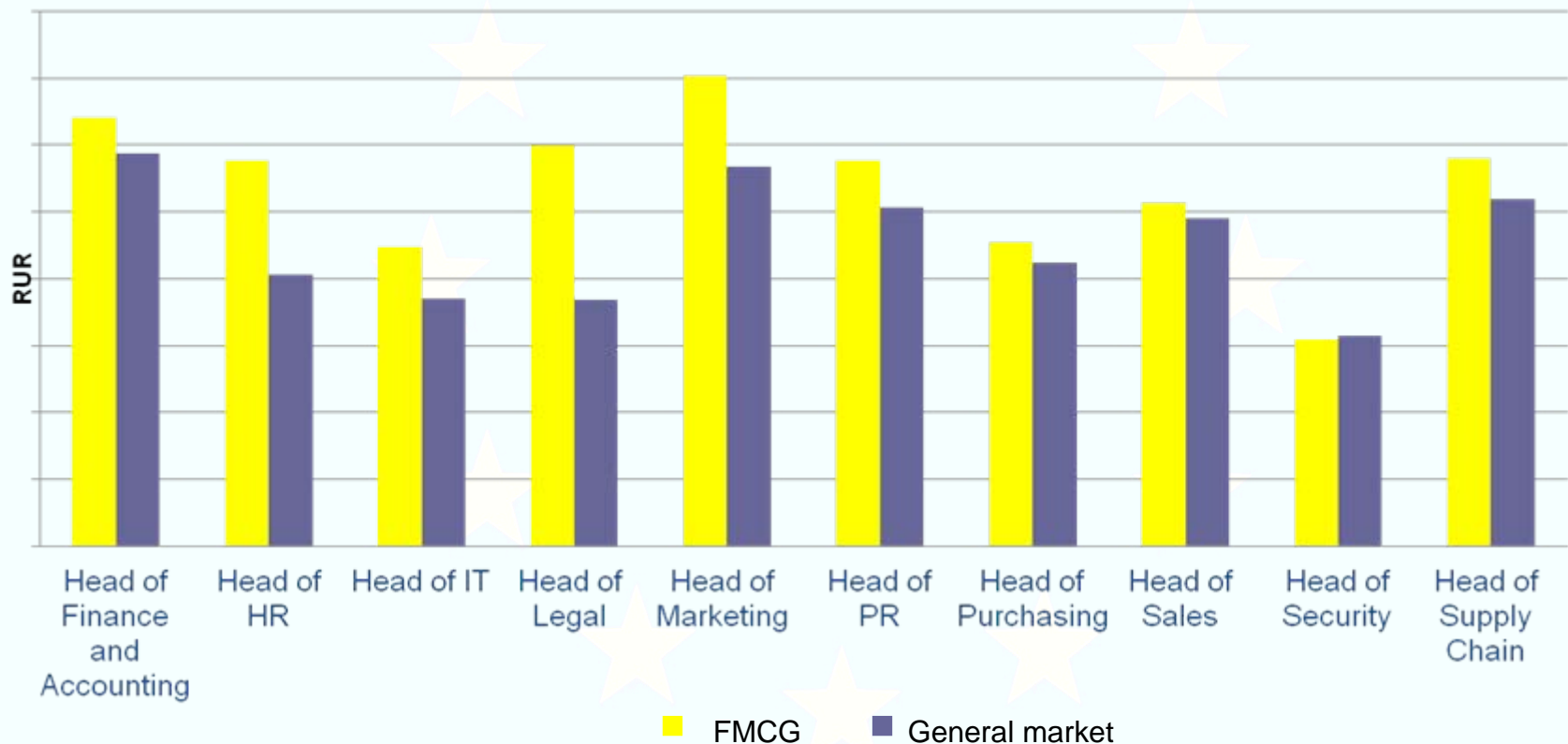
# FMCG 2009 vs. 2010 - Median

## Total cash target

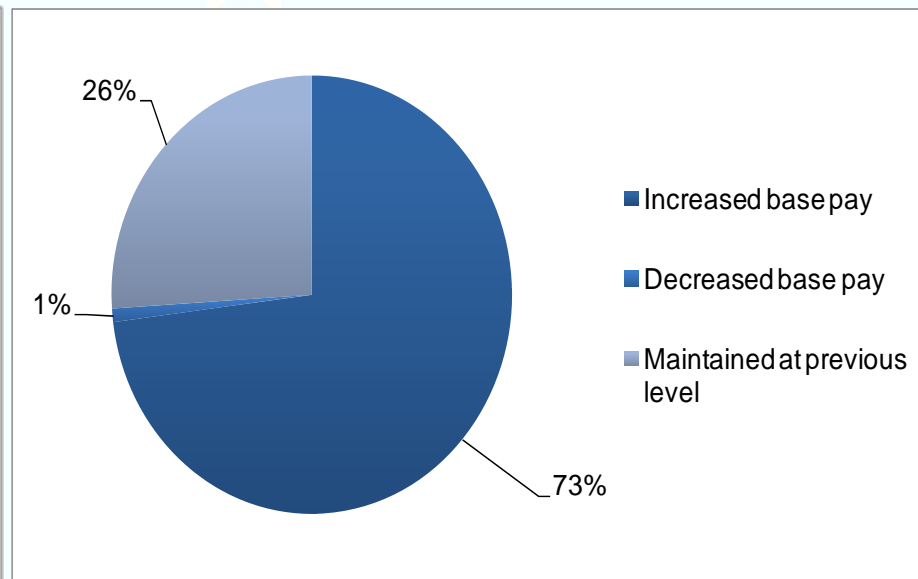
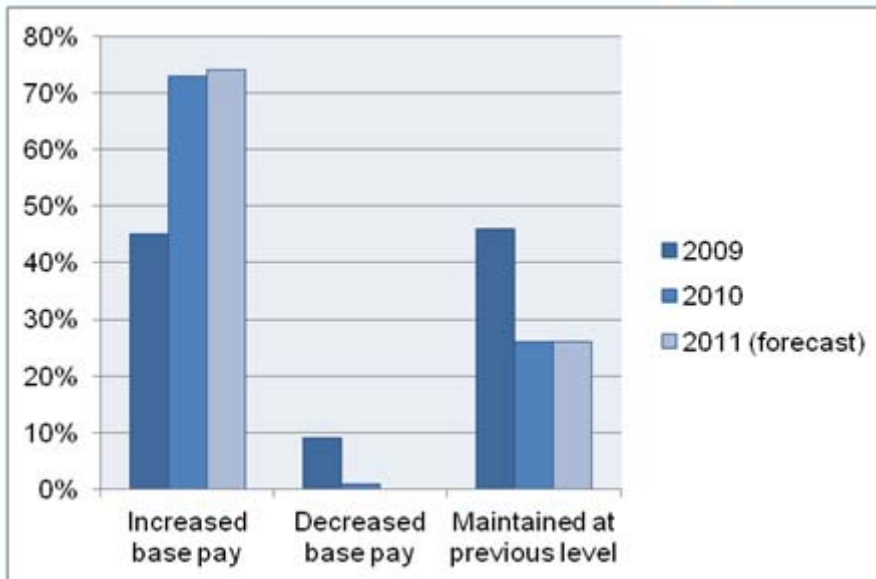
### Heads of Functions



# 2010 FMCG vs. General market - Median Total cash target Heads of Functions



# Financial Services: Salary Review

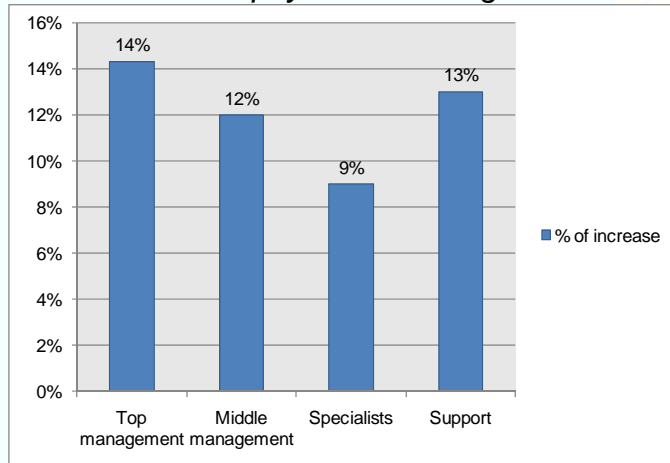


# Financial Services 2010

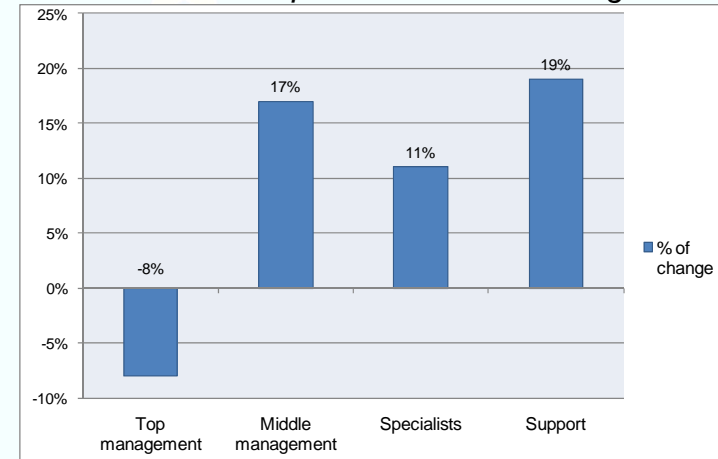
## Base Pay VS Total Compensation



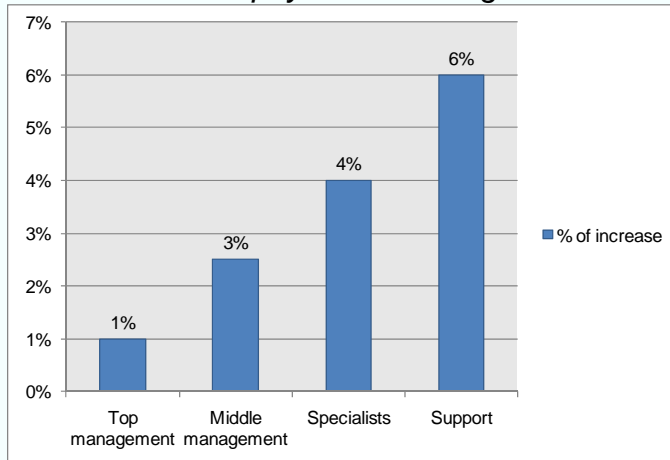
*Base pay 2010 - changes*



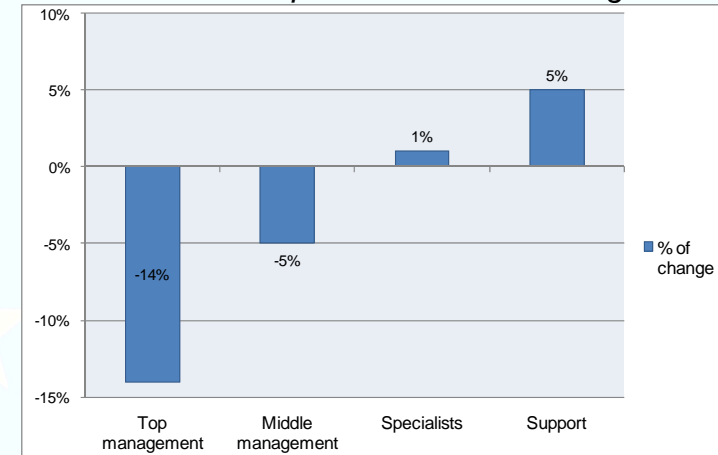
*Total compensation 2010 - changes*



*Base pay 2009 - changes*



*Total compensation 2009 - changes*

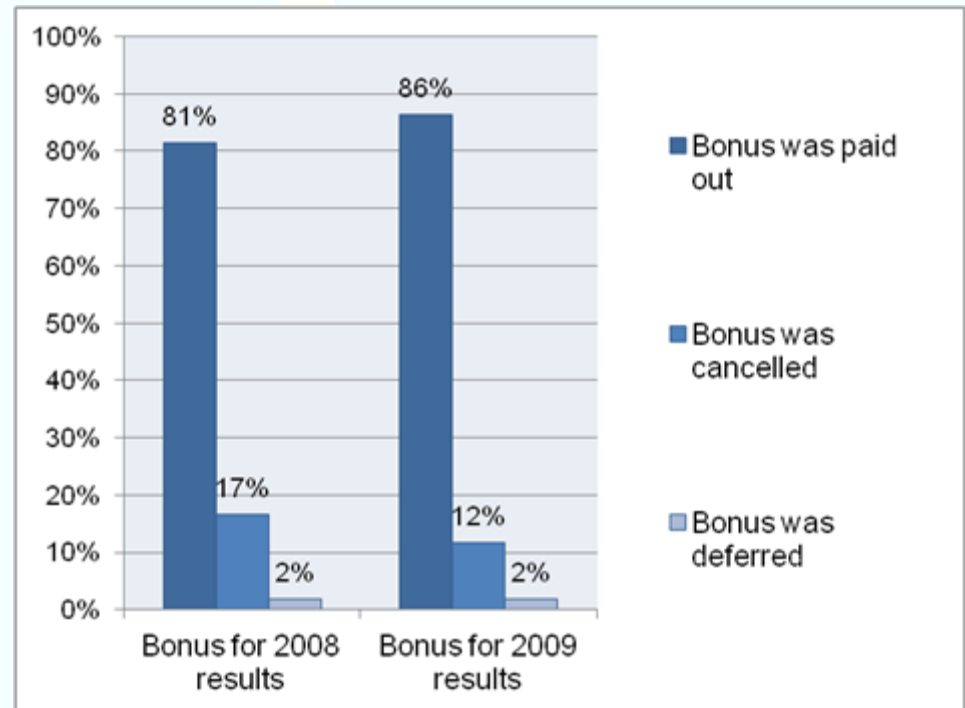


# Financial Services: variable pay



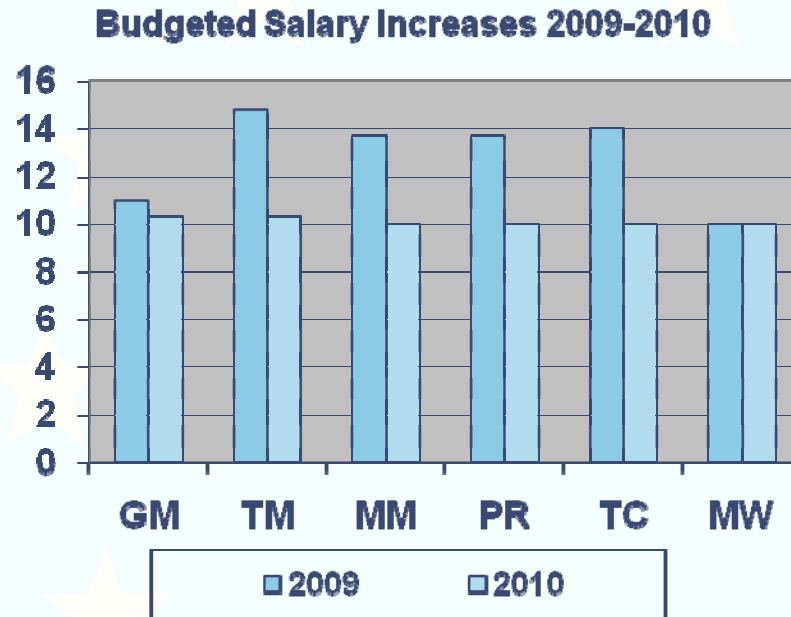
Payment of bonuses in financial organisations for 2009 results:

- Only 12% of companies cancelled bonuses for 2009 results
- 43% of banks where the bonus was paid out made payments in full measure



- The number of banks providing guaranteed bonuses (“premia”) decreased from 20% to 15%

# Pharmaceutical sector: Salary Review



GM – General Management      PR – Professionals  
TM – Top Management        TC – Technicians  
MM – Middle Management    MW – Manual Workers

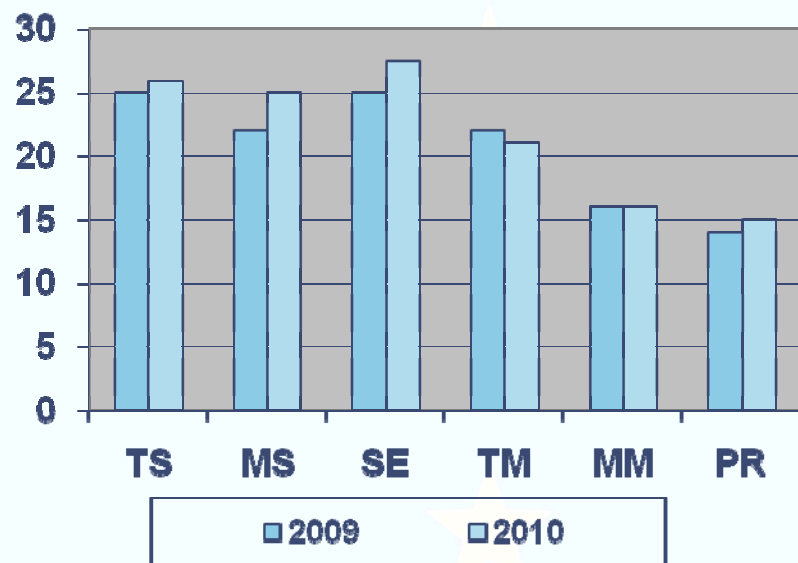
- 2011 projected median salary increase is 10% for all job categories

Source: Towers Watson Pharmaceutical Sector Compensation Report 2010



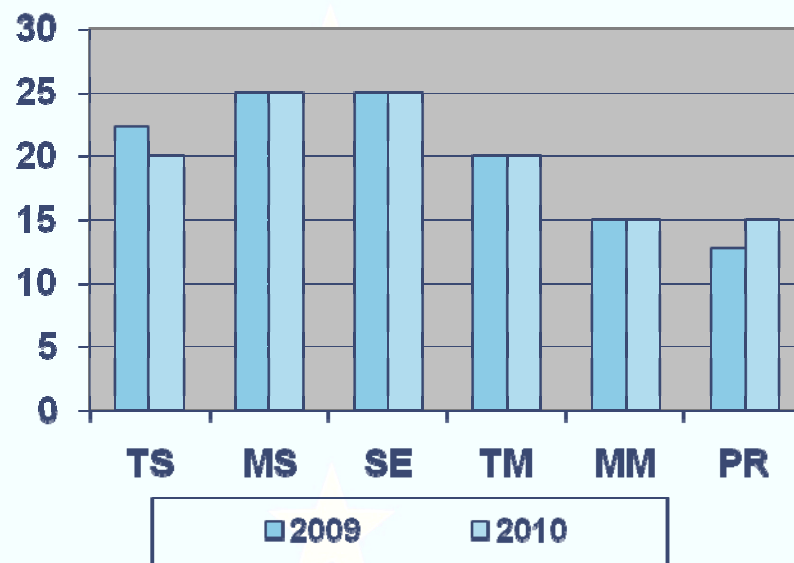
# Pharmaceutical sector: Variable pay

**Actual Variable Pay Evolution 2009-2010**



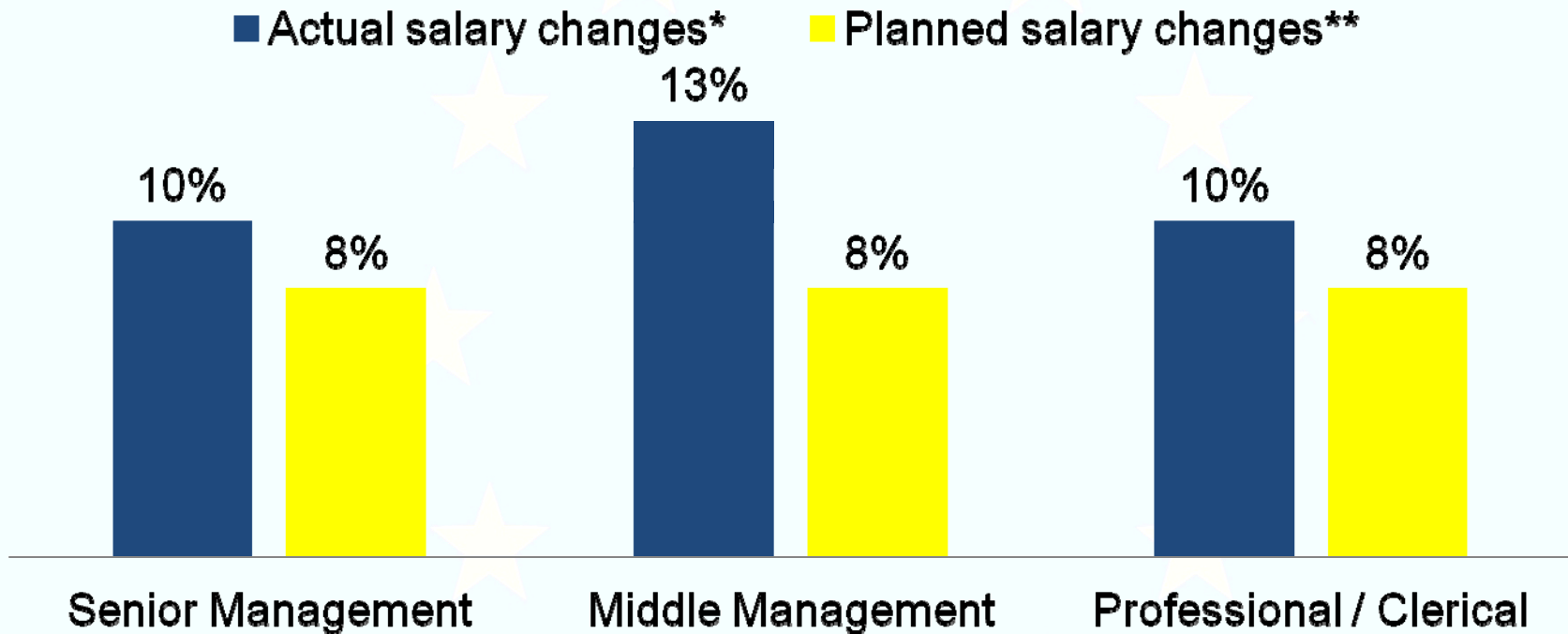
TS – Top Sales  
MS – Middle Sales  
SE – Sales Executives  
TM – Top Management  
MM – Middle Management  
PR – Professionals

**Target Variable Pay Evolution 2009-2010**



Source: Towers Watson Pharmaceutical Sector Compensation Report 2010

# IT sector: Salary review



\* for the last 12 months (from July 1, 2009 till June 30, 2010)

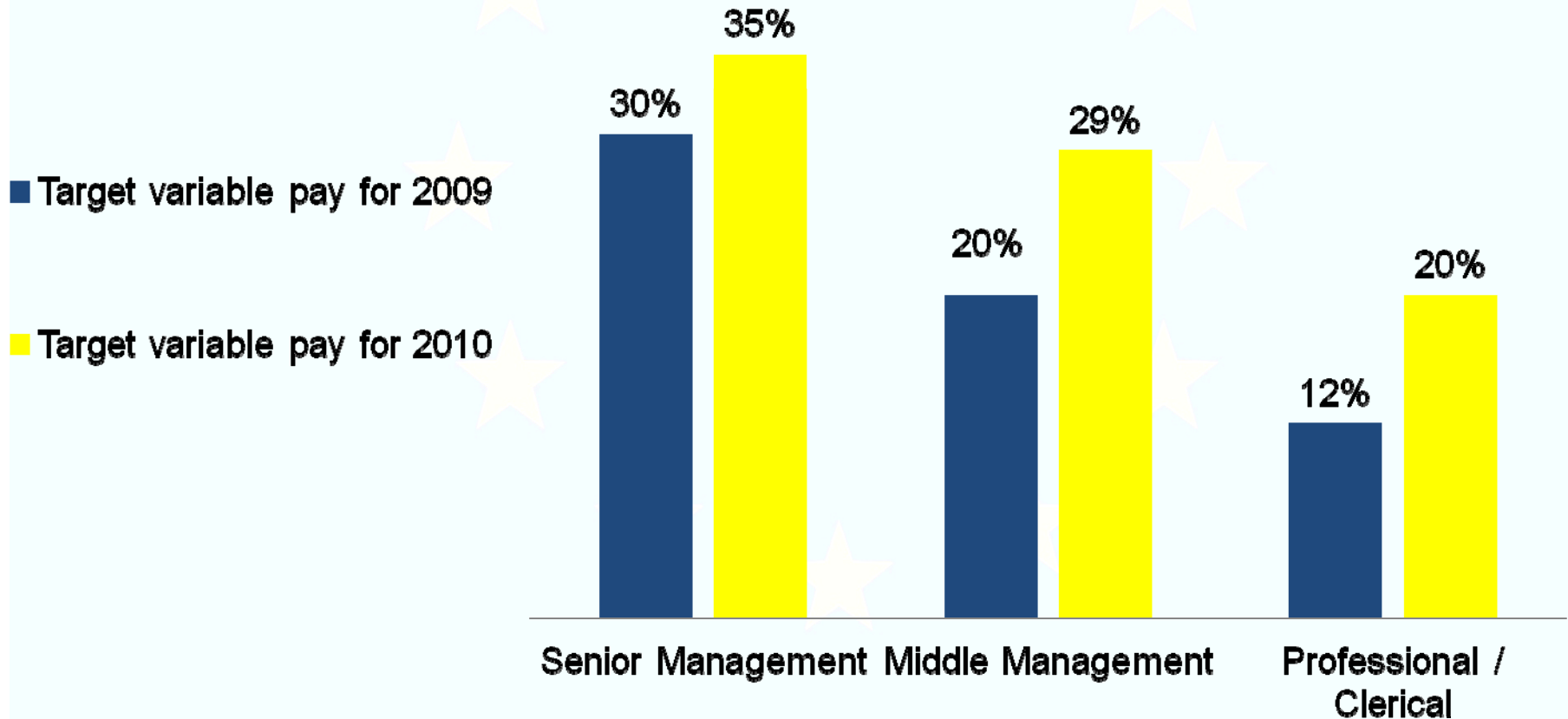
\*\* for the next 12 months (July 1, 2010 to June 30, 2011)

Source: Ernst & Young IT & Telecommunications Industry Compensation & Benefits Survey 2010/2011

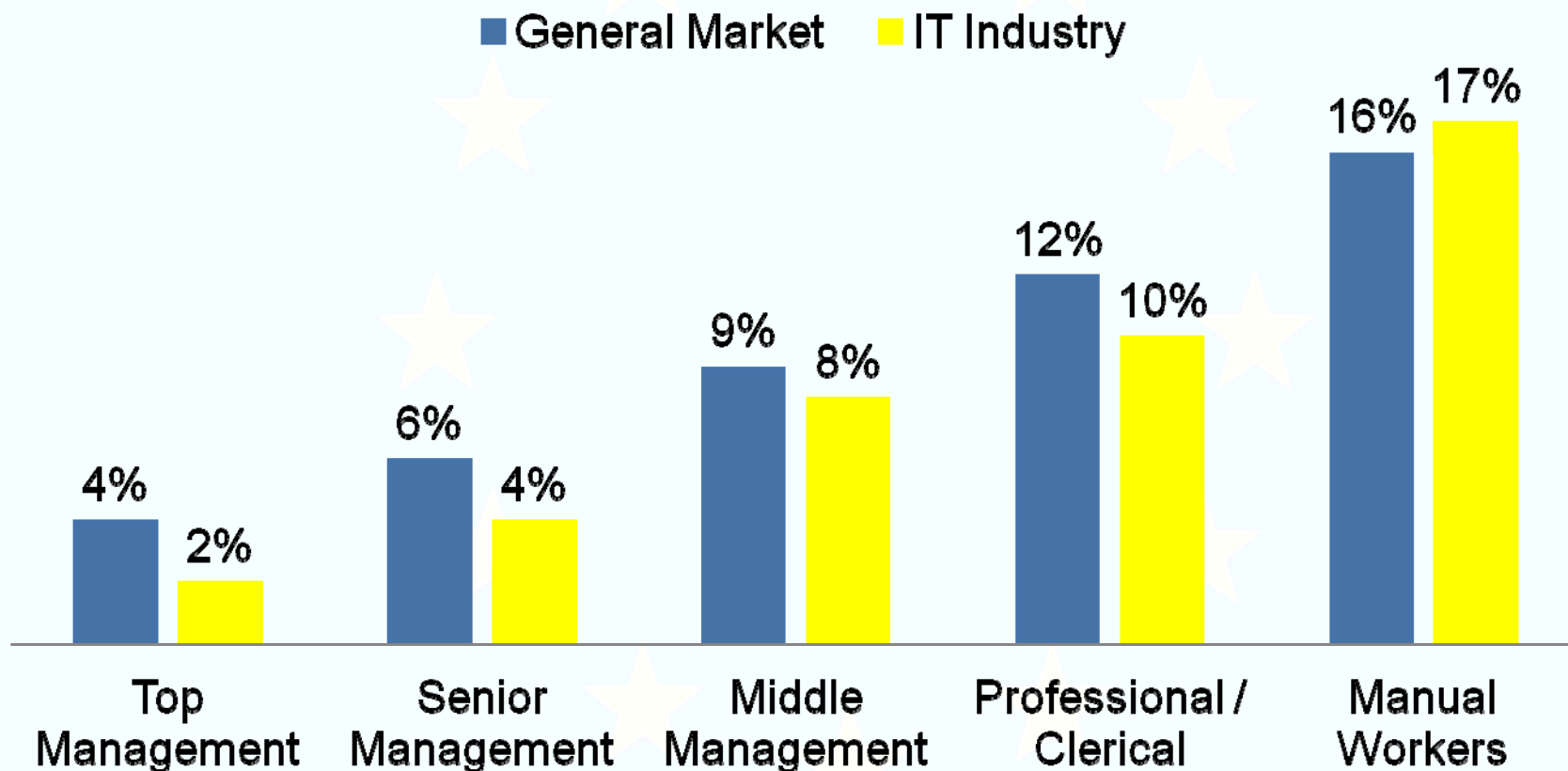
## IT sector: Variable pay



Variable pay as % of annual base salary



## IT sector: Turnover rate for 2009



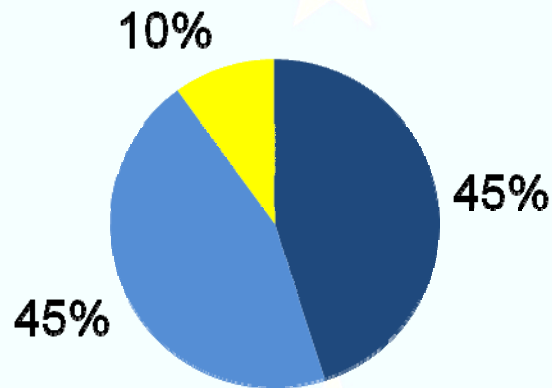
Source: Ernst & Young IT & Telecommunications Industry Compensation & Benefits Survey 2010/2011

# Employment plans: General market vs. IT Industry



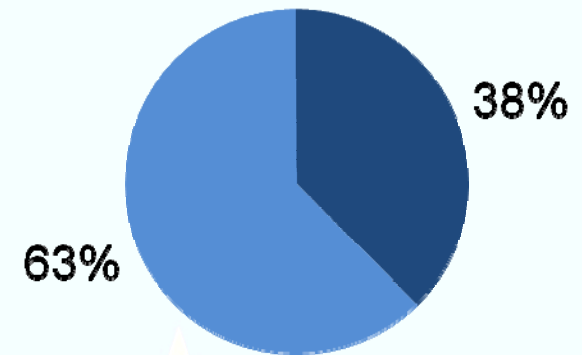
## General market

■ Increase headcount   ■ Reduce headcount



## IT Industry

■ Keep number of staff stable



## Average number of employees per HR specialist

115

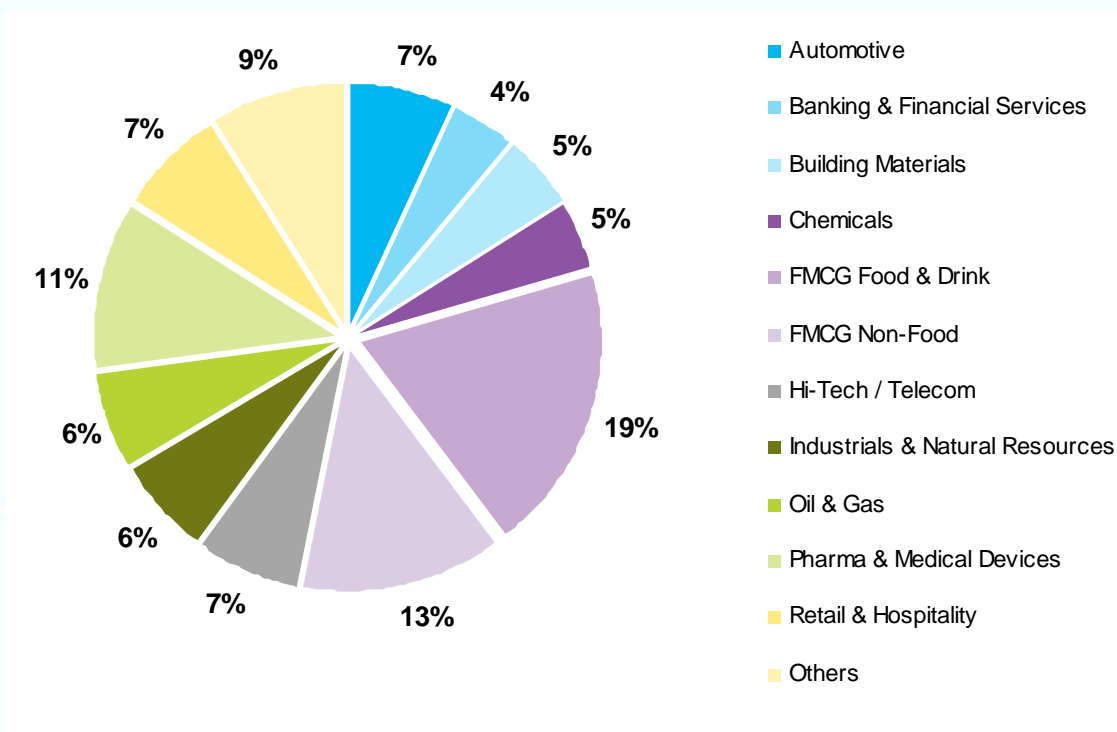
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# DESCRIPTION OF DATA SAMPLE

# Data source: Hay Group Remuneration Survey 2010



- Reference date: June 01, 2010
- Data from 270 companies
- 11 market segments
- 430 000 salary entries



# Data source:

## PwC Compensation Surveys 2010



### PwC Financial Sector Compensation Survey 2010

- 82 banks and financial organisations
- Data was collected as of 1 June 2010
- Moscow and other 47 cities are presented in the Survey
- Data was collected for more than 400 jobs in Moscow and about 80 jobs in regions

### PwC Compensation Survey of the biggest Russian Companies 2010

- 71 organisations from different industries (Oil&Gas, Energy, Mining, Production, Telecom, FMCG)
- Data was collected as of 1 June 2010
- Salary data on nine job levels (top, middle management and specialists) and 109 functions was collected.



# Data source: Towers Watson Pharmaceutical Sector Compensation report



40 participants (majority – companies with foreign participation)  
Median annual sales volume of ~ 6 Bln RUR and median total headcount of ~250.

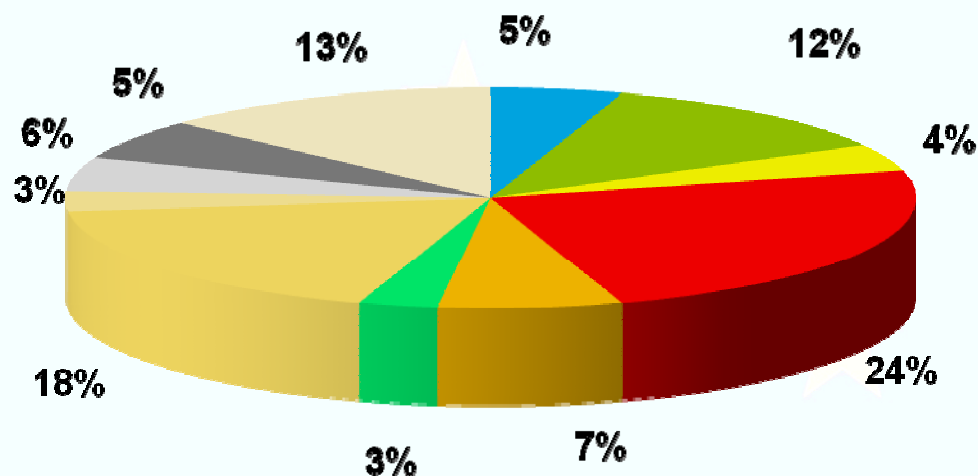
- Nationality of parent company:
  - European – 74%
  - US – 24%
  - Domestic – 2%.
- Type of operations:
  - Sales & Marketing – 90%
  - R & D – 26%
  - Manufacturing – 2%.
- Sector of activity:
  - Human Pharmacy – 95%
  - Biopharmaceuticals – 16%
  - Biotech – 13%
  - Clinical/Contract Research – 5%

# Data source: Ernst & Young Compensation & Benefits Surveys



Information is based on the results of the General Industry Compensation & Benefits Survey 2010/2011: **182 participants**

- 58% with a share of foreign capital
- 25% with annual sales volume of more than USD 1 billion
- 14% with headcount of more than 5 000 in Russia



- Pharmaceutical Industry
- Banking sector
- IT / Telecom
- FMCG
- Machinery/Automotive
- Chemical
- Production/distribution of equipment, construction, packaging
- Energy
- Insurance companies
- Retail
- Others

Thank you for your attention!