

LABOR MARKET: Dramatic changes or no changes?

November 13, 2014





- All these puts significant pressure on almost any business nowadays
- These developments demand for improvements in companies' effectiveness and efficiency

But does it mean any changes for HR?

Presentation Overview

➔ Optimization of Organization Structure and Labor Costs Changes



➔ Hiring Intentions



➔ Salary Increase and Devaluation



➔ Bonus Scheme Changes



➔ Benefits Changes



Organization Structure & Labor Costs

Most companies are interested in conducting organization structure optimization in 2014.

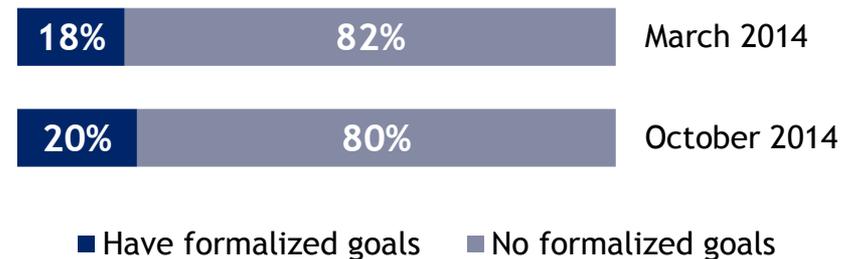


During 2014 percentage of companies having formalized goals for labor costs reduction has changed insignificantly.

Organization Structure Optimization (October 2014):

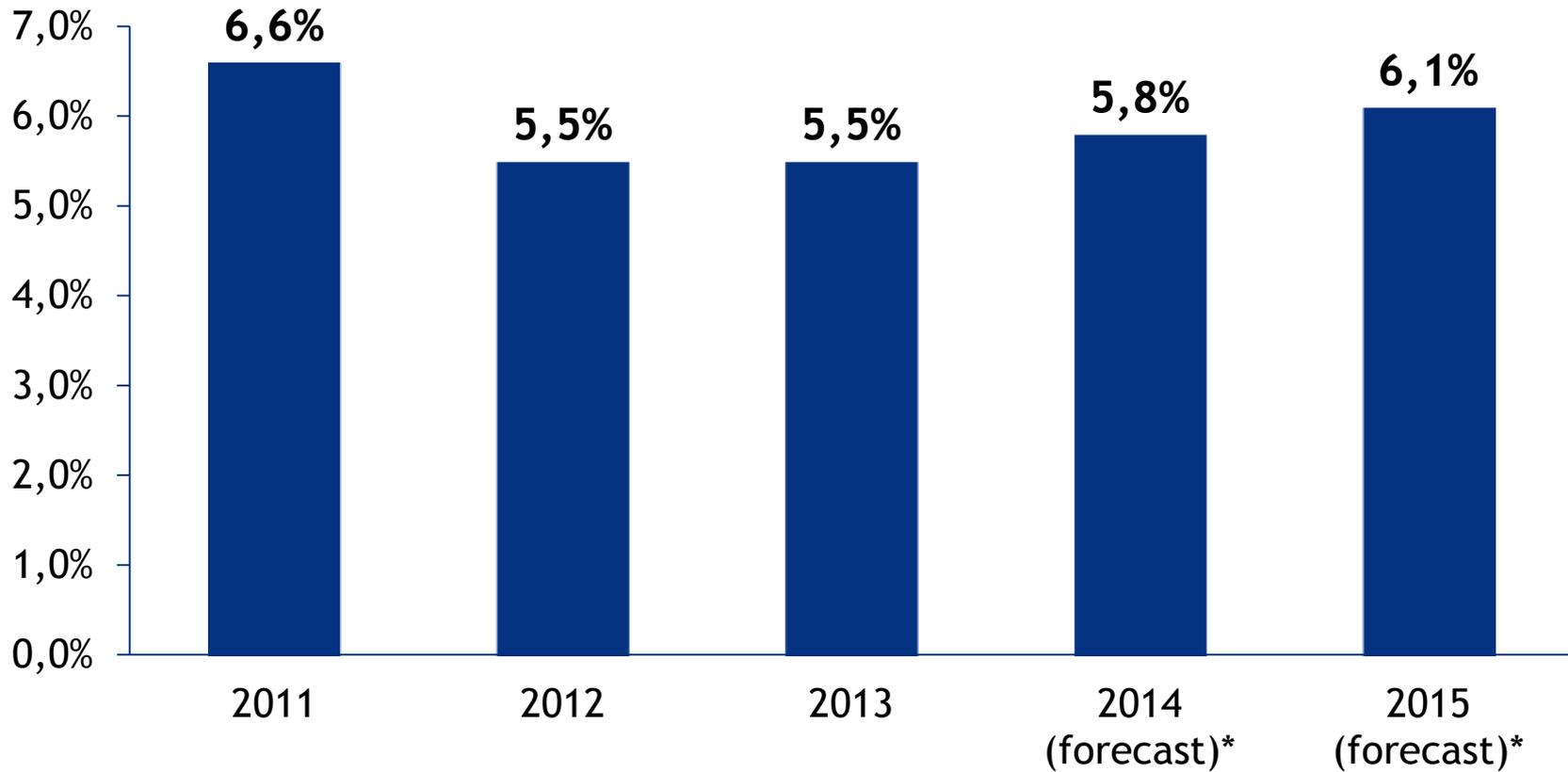


Formalized goals for labor costs reduction (March 2014 vs. October 2014):



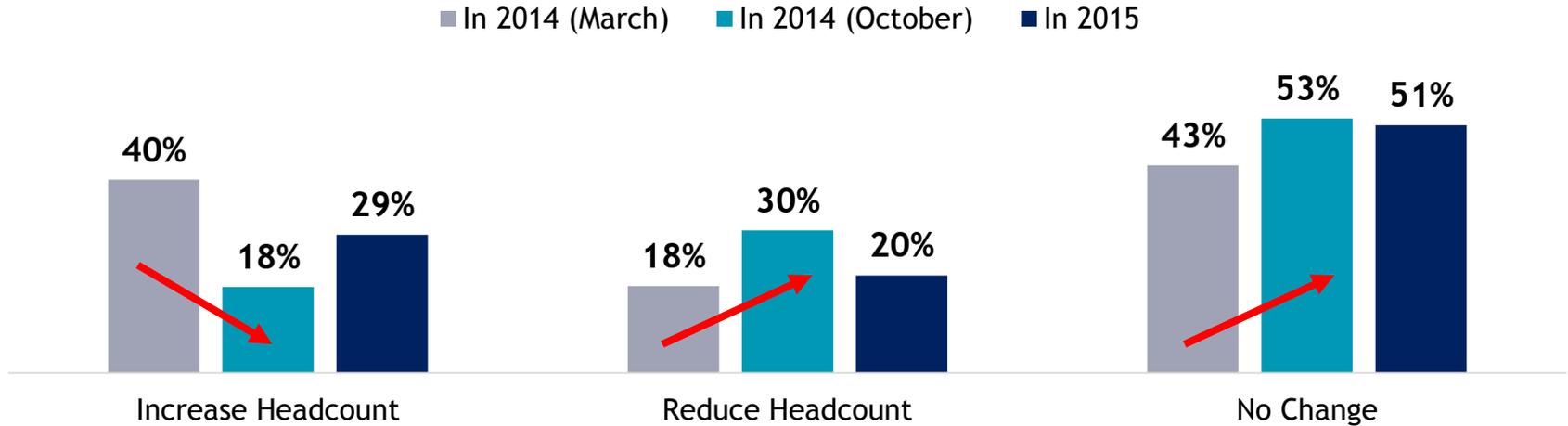
Source: C&B Trends in Current Economic Environment, March & October 2014

Unemployment Rate

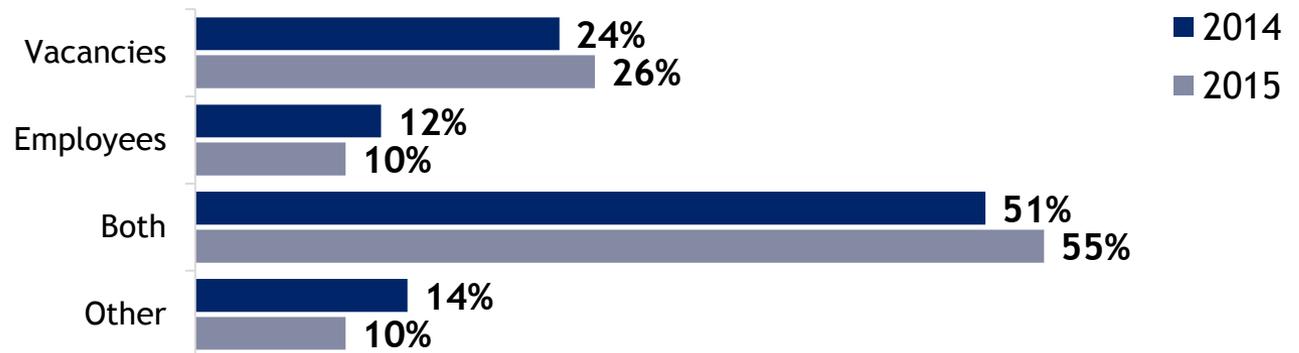


Source: Federal State Statistics Service, Ministry of Economic Development
*Effective on September, 2014

Companies' Hiring Intentions (1)



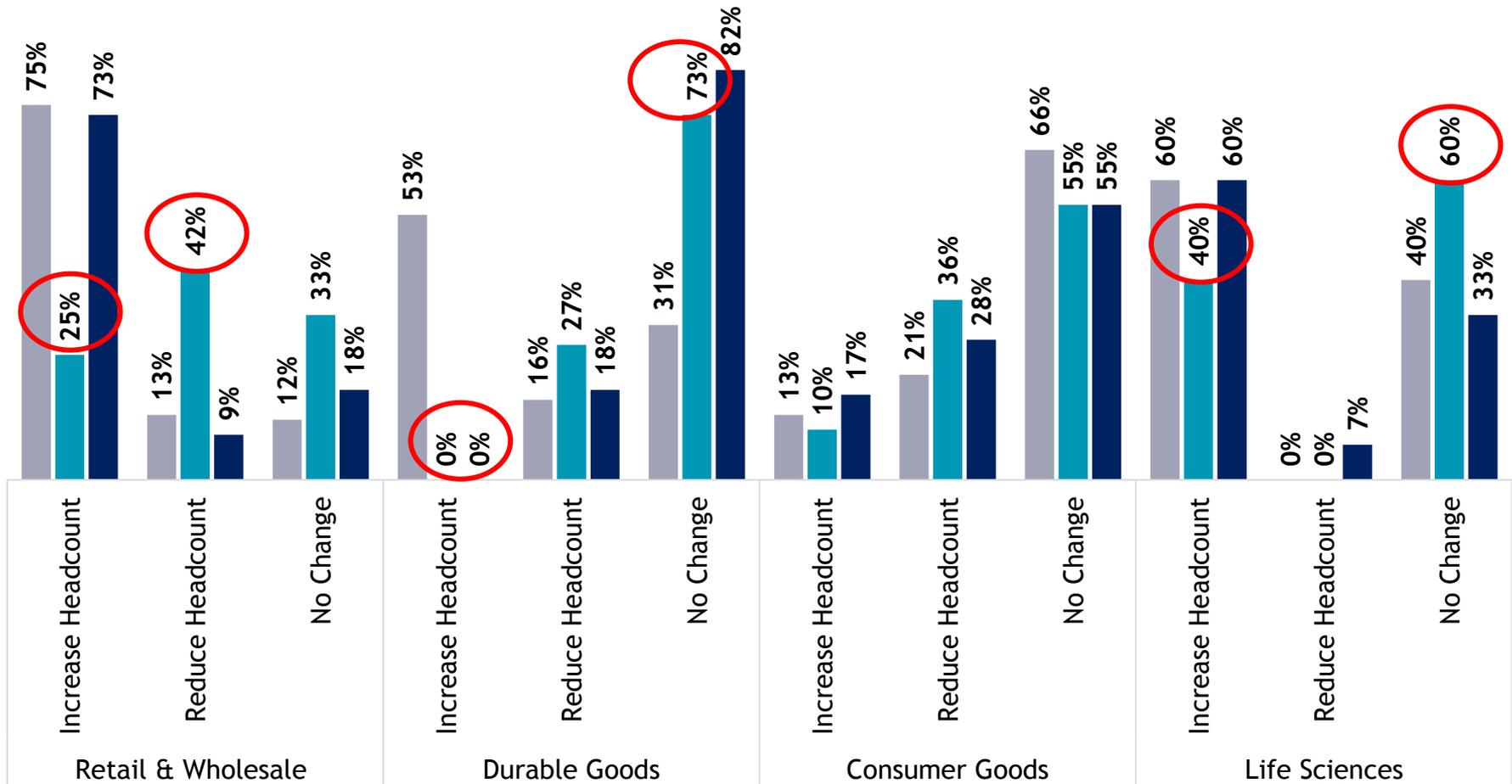
The reduction will cover:



Source: C&B Trends in Current Economic Environment, October 2014

Companies' Hiring Intentions (2)

■ In 2014 (March) ■ In 2014 (October) ■ In 2015



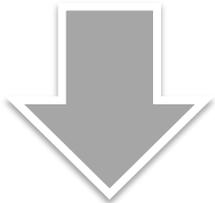
Source: C&B Trends in Current Economic Environment, October 2014

Hiring Intentions: 2014-2015



Companies that **increased headcount** in 2014, in 2015:

- intend to increase headcount - 86,5%;
- won't make any changes - 13,5%.



Companies that **reduced headcount** in 2014, in 2015:

- intend to reduce headcount - 50%;
- won't make any changes - 37,5%;
- intend to increase headcount - 12,5%.



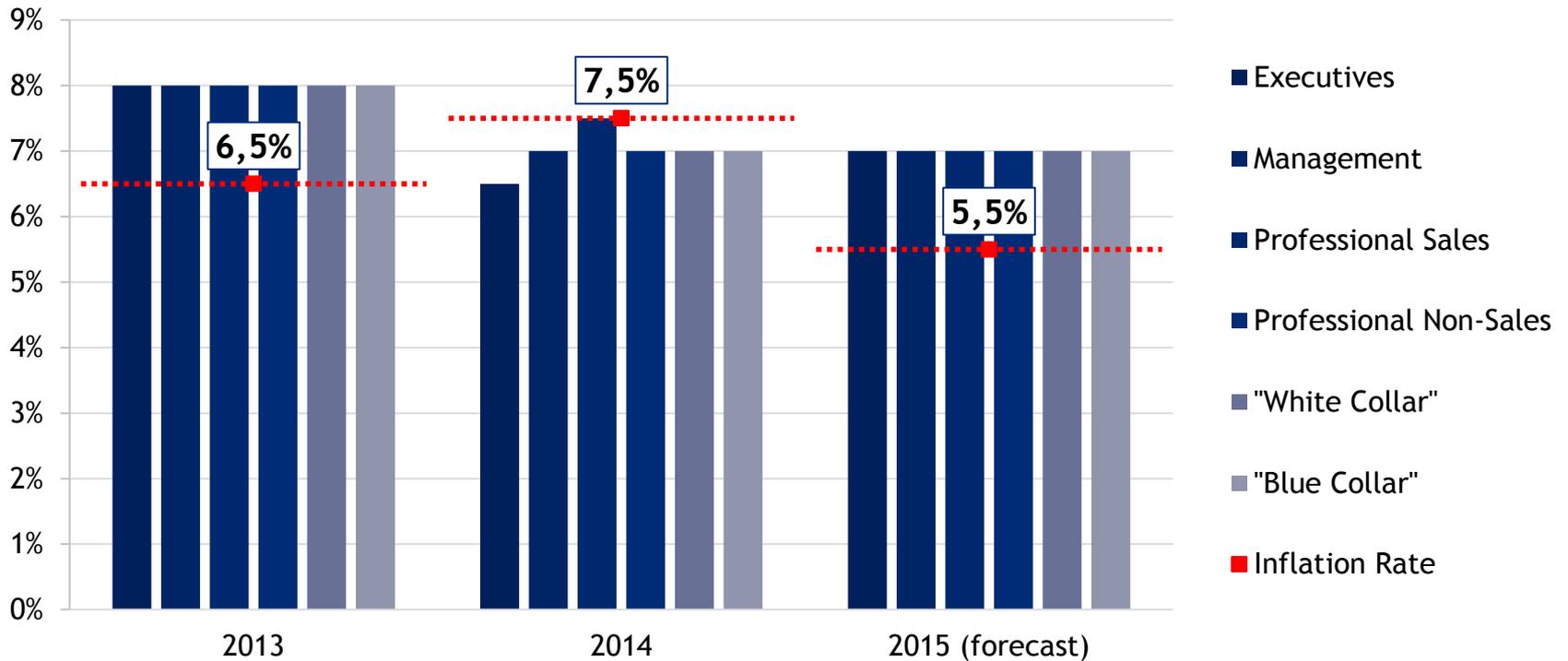
Companies that **made no change in headcount** in 2014, in 2015:

- won't make any changes - 72%;
- intend to increase headcount - 15,5%;
- intend to reduce headcount - 12,5%.

65% of companies that **are planning to reduce headcount** in 2014 or in 2015, **will not refuse a salary review** in 2015.

Source: C&B Trends in Current Economic Environment, October 2014

Salary Increase* vs. Inflation Rate



66% of companies stick to the percentage of salary increase planned at the beginning of the year level.

29% of companies reduced the percentage.

*Note: median

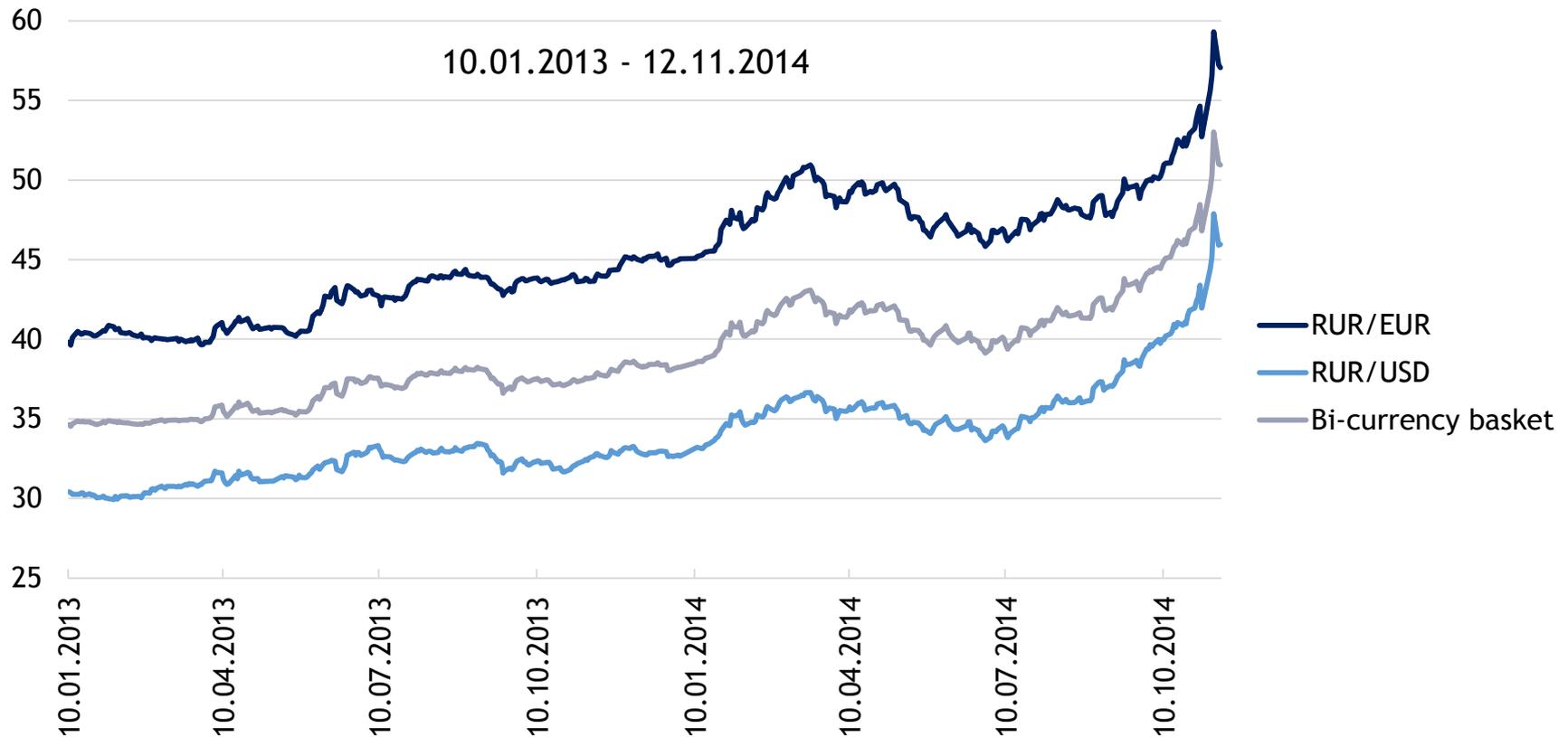
Source: C&B Trends in Current Economic Environment, October 2014; Total Remuneration Survey Russia 2013

Ruble Devaluation



Ruble Devaluation

The Ruble devaluation is 9,4% in 2013 and 24,4% in 2014 (bi-currency basket)



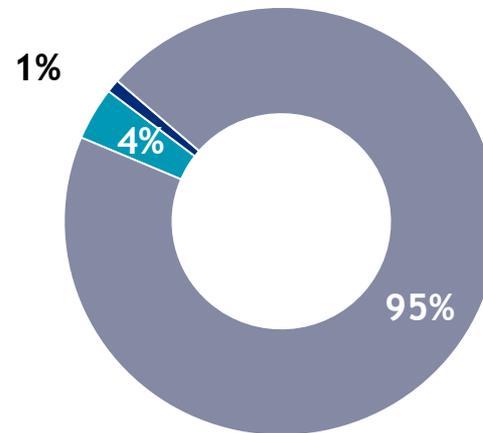
Source: Central Bank of Russia, effective on November 12, 2014

Ruble Devaluation: Companies' Reaction

Has your company provided/is planning to provide any additional allowances/adjustments related to the devaluation of the ruble?



- Bonus/allowance has been provided
- There is a plan to provide the bonus/allowance
- No



Typical measures: temporary individual adjustments, higher salary increase, additional allowances.

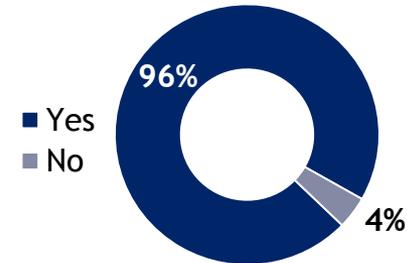
Companies have no intention to change remuneration currency for employees.

Source: C&B Trends in Current Economic Environment, October 2014

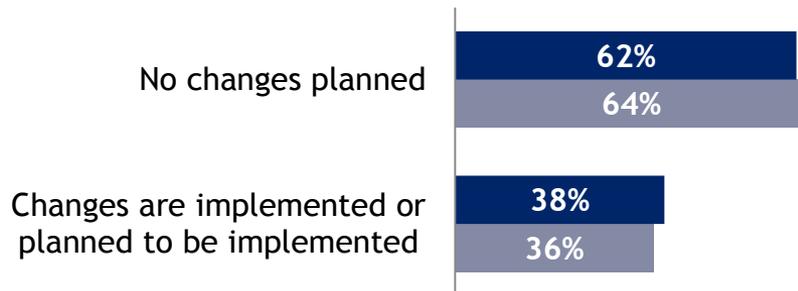
Bonus: Core Trends

Does your company plan any change in its bonus policy?

Bonus Prevalence



■ In 2014 (October) ■ In 2014 (March)



Most changes are focused on enhancing employees' effectiveness

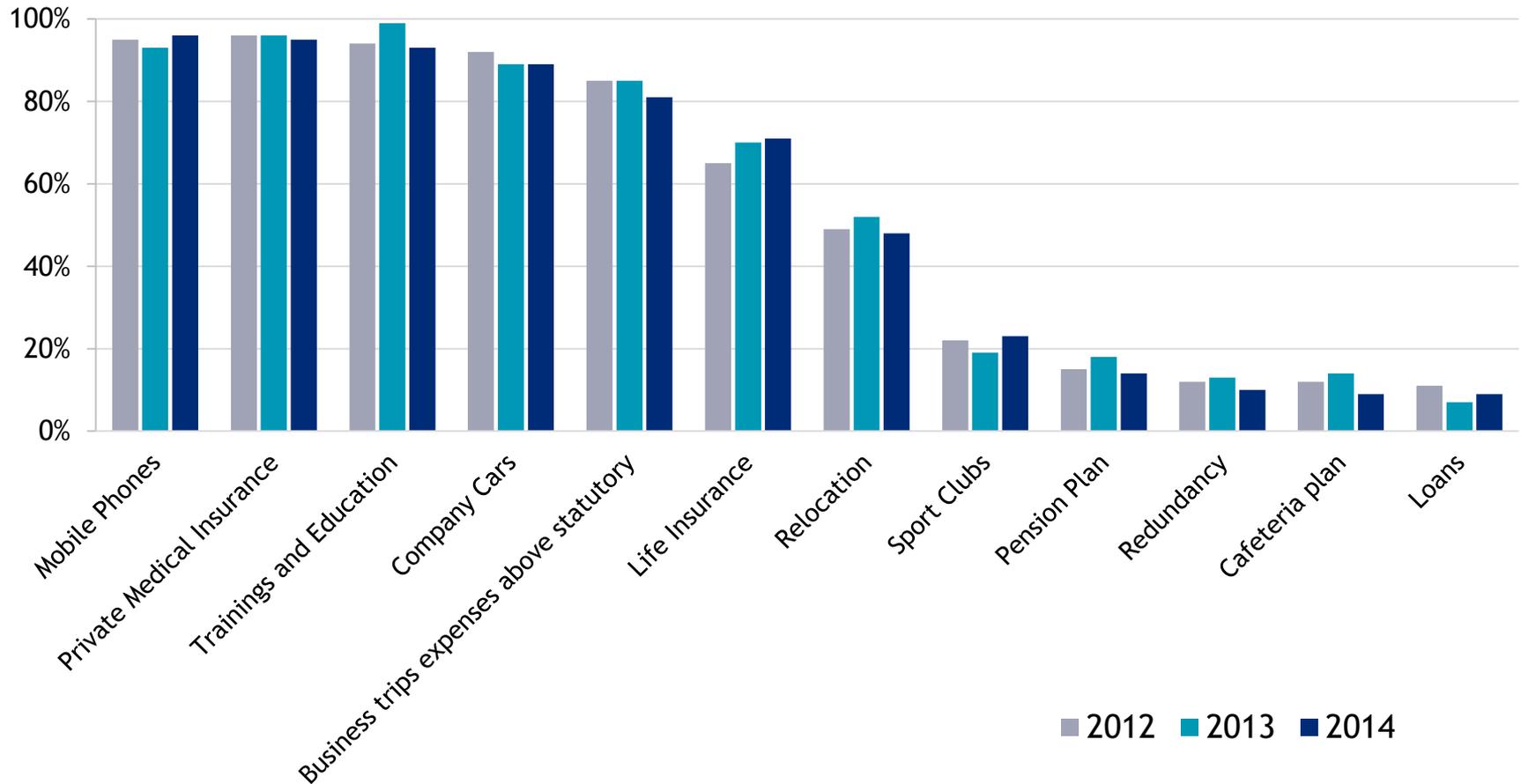
Core changes:

Target bonus %	↑
Bonus frequency	↑
Bonus payment threshold	↑

Source: C&B Trends in Current Economic Environment, March & October 2014; Total Remuneration Survey Russia 2014

Benefits: Prevalence

There are **no significant changes** in benefits prevalence for the last 3 years



Source: Total Remuneration Survey Russia 2014

Benefits: Core Trends

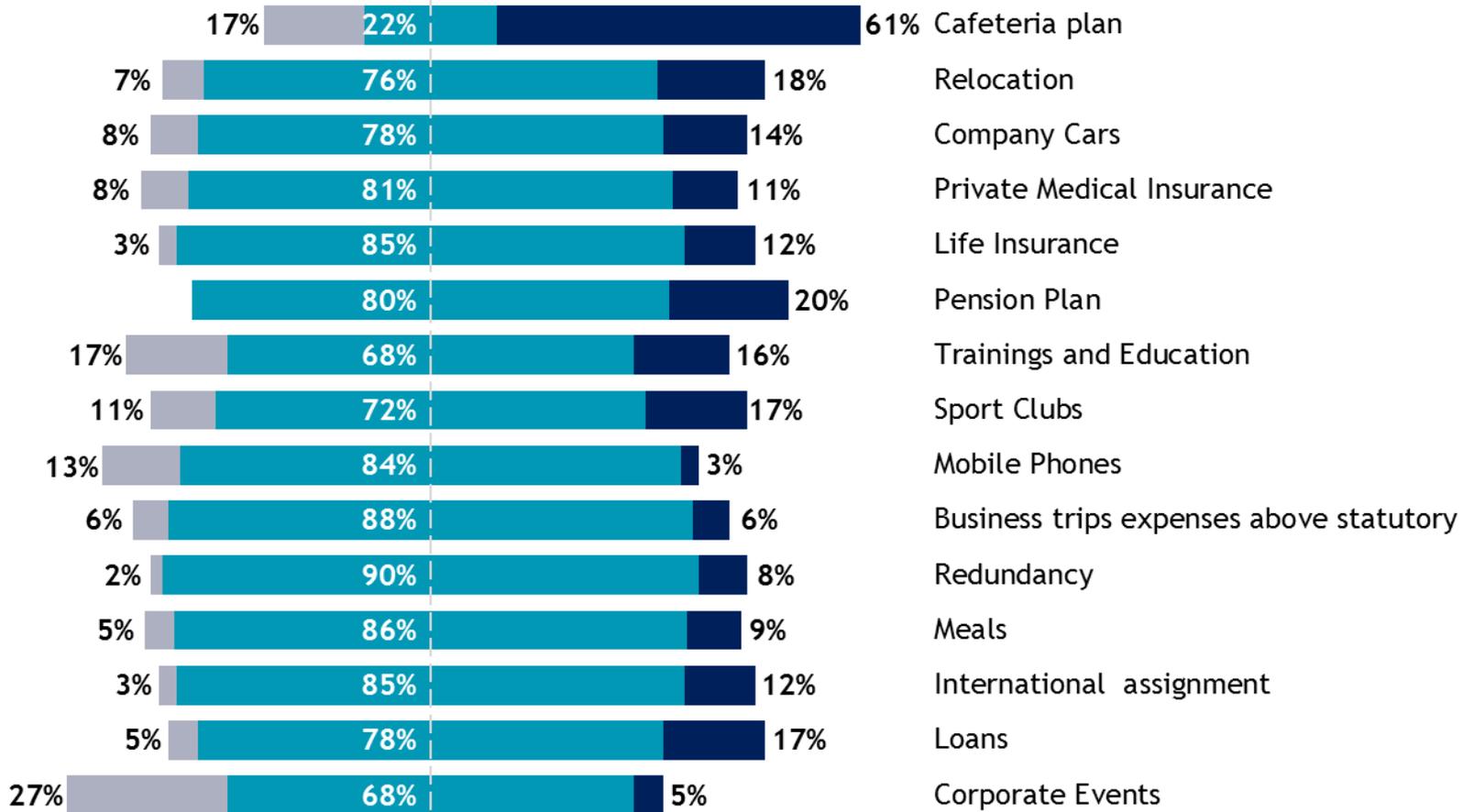
Does your company plan to change benefit plans?

March 2014: 8% / 64% / 30%*

October 2014: 38% / 30% / 55%*

*Total exceeds 100% as some companies indicated several options

- Plan to reduce or refuse
- No planned changes
- Plan to increase or implement

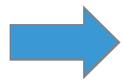


Note: among those companies providing the benefit or planning to implement it

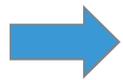
Source: C&B Trends in Current Economic Environment, October 2014

Core Trends

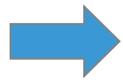
In the second half of 2014 we can observe the following key trends:



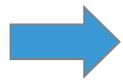
There is a growing number of companies that intend to reduce labor costs by means of **organization structure optimization** and **headcount reduction** (mostly - professionals). However the majority of companies intend to keep the headcount on the current level.



In the meantime **salary increase intentions** are kept on the **same level** announced in the beginning of the year.



The proportion of fixed and variable parts of the compensation (pay mix) is changing - the **variable part is growing**.



The majority of companies **review current benefits kit**; additional attention is paid to the flexibility of provided benefits.



Human Capital Solutions



MERCER