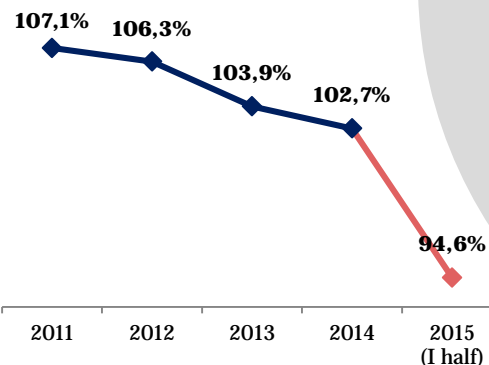
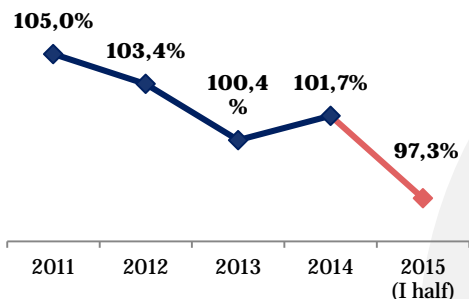


Remuneration policies in unstable market conditions: what has changed and future outlook



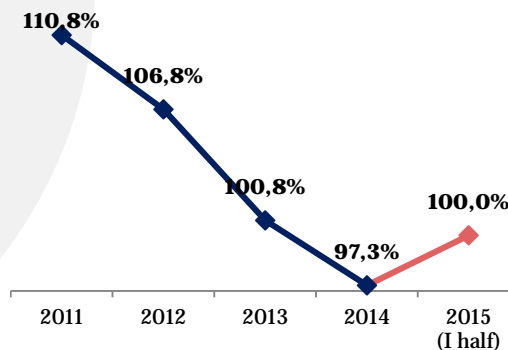
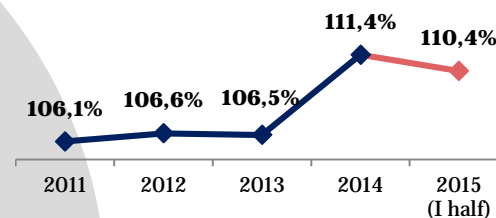
Key economic factors influencing the labor market

Industrial production index



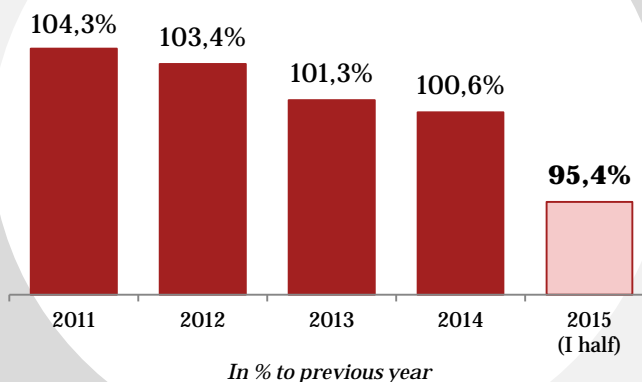
Retail trade turnover

Consumer price index



Capital investments

The decline in GDP growth



Relationship between labor productivity, profit per employee and salary increase

Revenue per FTE

RUB 13,480,000
 RUB 11,835,000

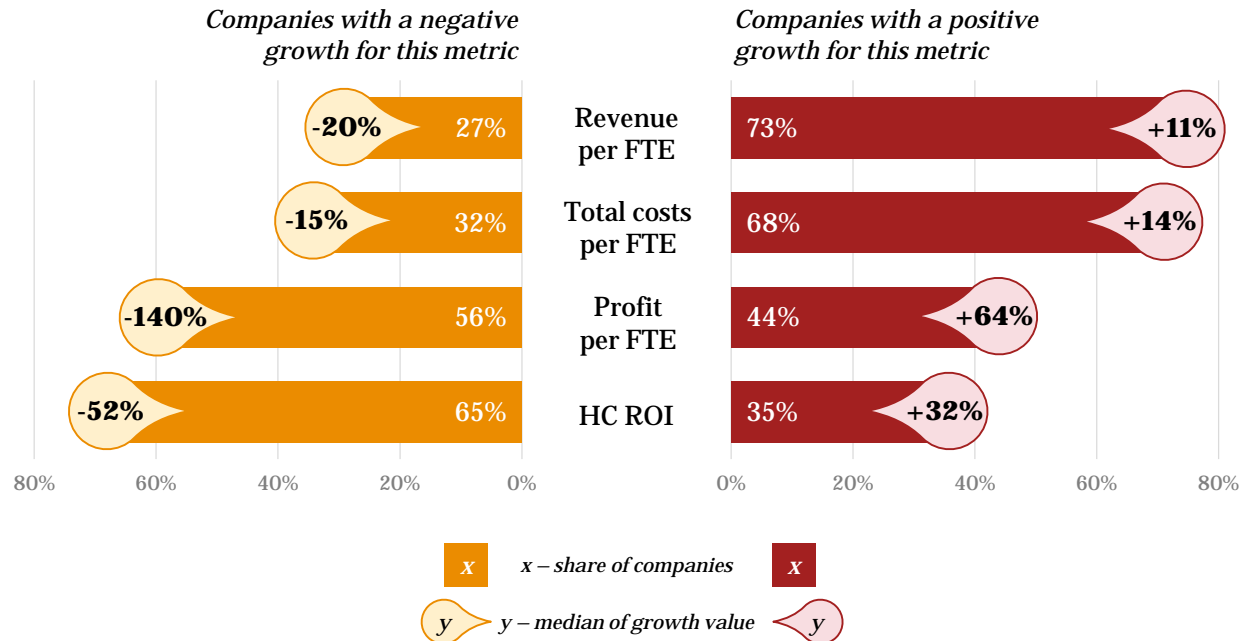
Profit per FTE

RUB 846,000
RUB 667,000

HC ROI

RUB 2.03
RUB 1.46

Key metrics for labor productivity



Compensation growth does not offset for price inflation and results in the drop of real income



Historical data analysis shows that the real wage growth has always been positive (except last 2 years).

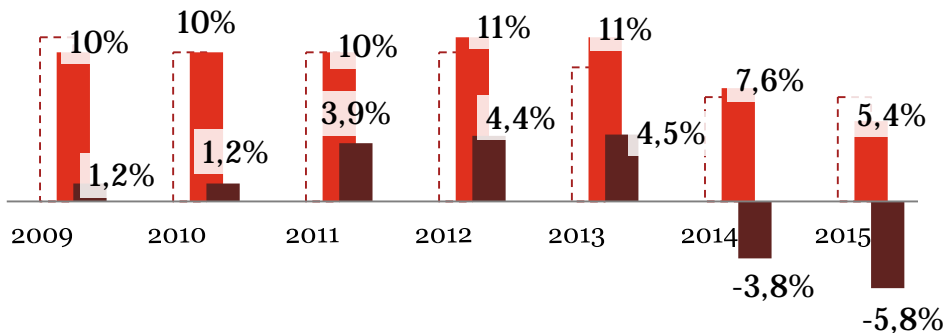
Planned salary review for 2016 (by results of the survey in 2015)

2015
40%
companies by 7%

2016
~40%
companies by 6%

Dynamics of the nominal and real growth of base pay

■ Planned salary review ■ Real income growth/downturn
■ Nominal income growth (taking into account inflation for the year*)



Moscow

guaranteed pay

5,4%

total pay

6,0%



Saint Petersburg

guaranteed pay

5,3%

total pay

4,0%

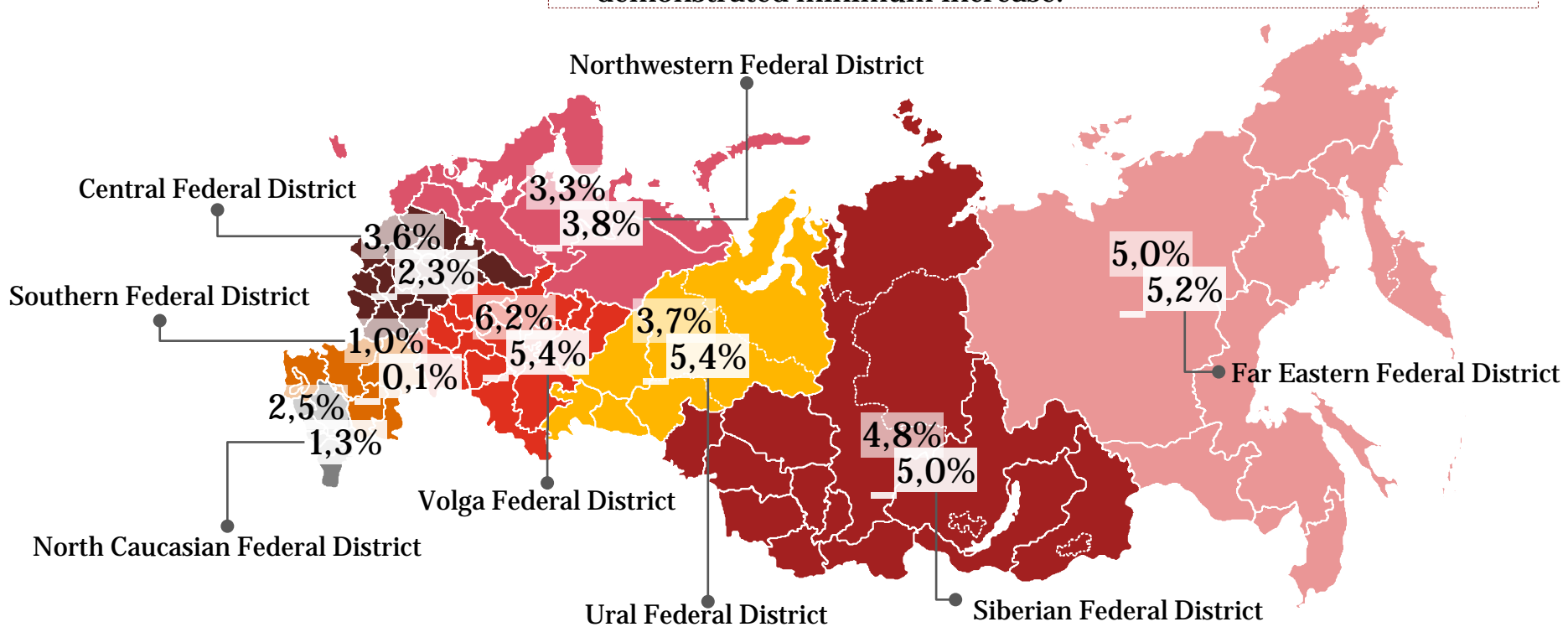
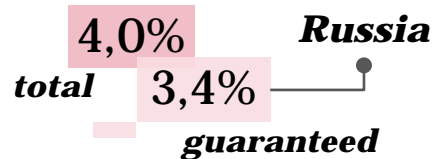


Regional labor markets show similar trends



Average increase of the guaranteed pay in Russia for the period was 3,4%, total pay average increase was 4%.

In the regions the picture is quite diversified: several regions (mostly to the east of Moscow) showed average increase in the base pay close to the one in Moscow and St. Petersburg, whereas others demonstrated minimum increase.



Compensation growth levels are differs depending on the industries and sectors

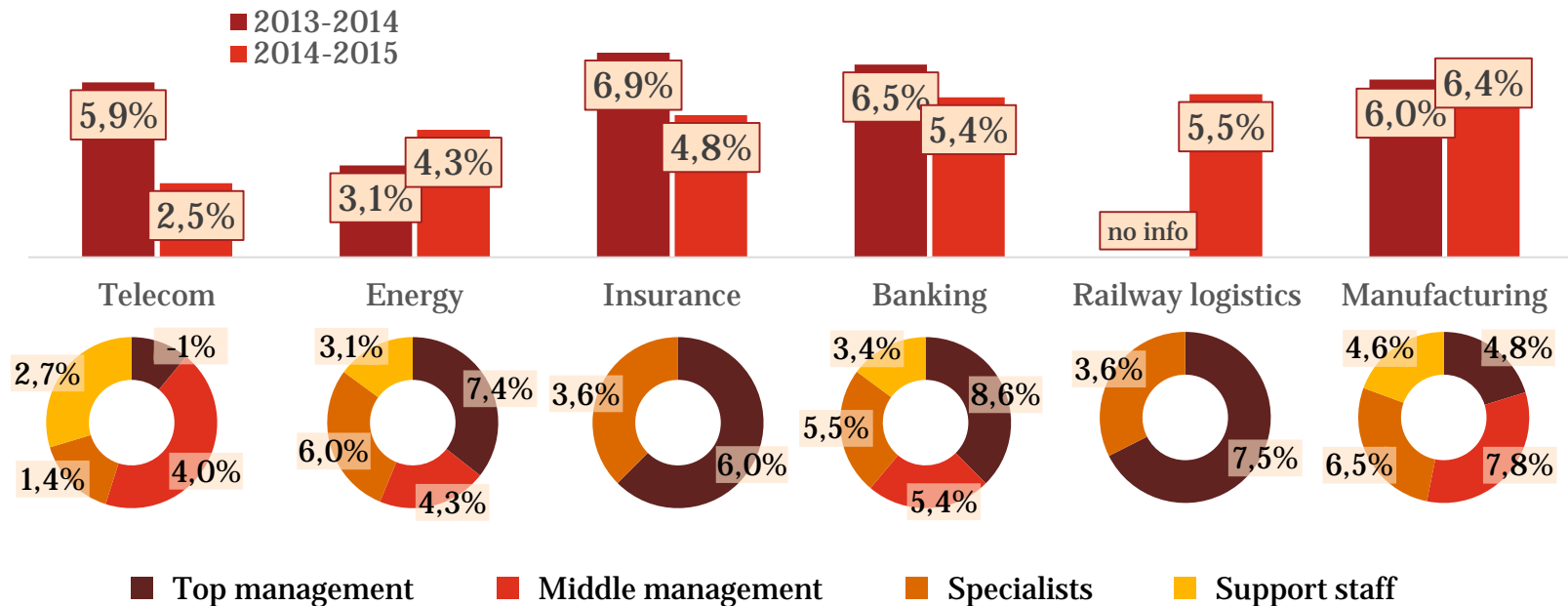


Growth dynamics of compensation level in manufacturing and energy sector remains steady.

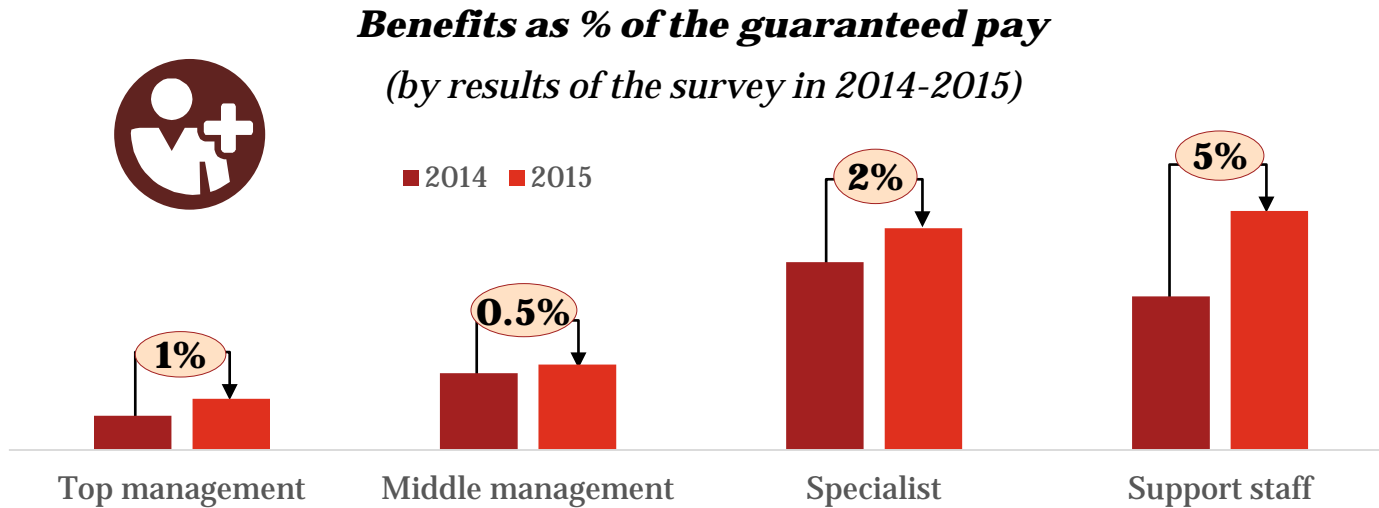
Compensation growth rate in telecom sector showed the highest decrease (mainly due to the negative growth of compensation for top management and very limited increase for other categories of staff).

The dynamics of compensation growth in insurance and banking sectors is positive – in two years compensation level grew on average by ~ 6%. Compensation of managers and specialists has changed unevenly – leaving specialists far behind, whereas positive dynamics was maintained mostly growth in top-managements' remuneration.

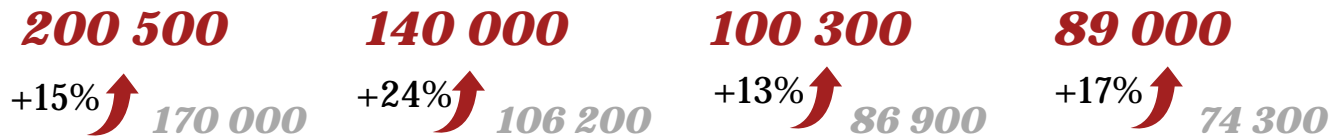
Analysis of guaranteed pay dynamics in 2013-2015



Overall companies across all the sectors showed growth in benefits



Benefits per employee (in RUR)

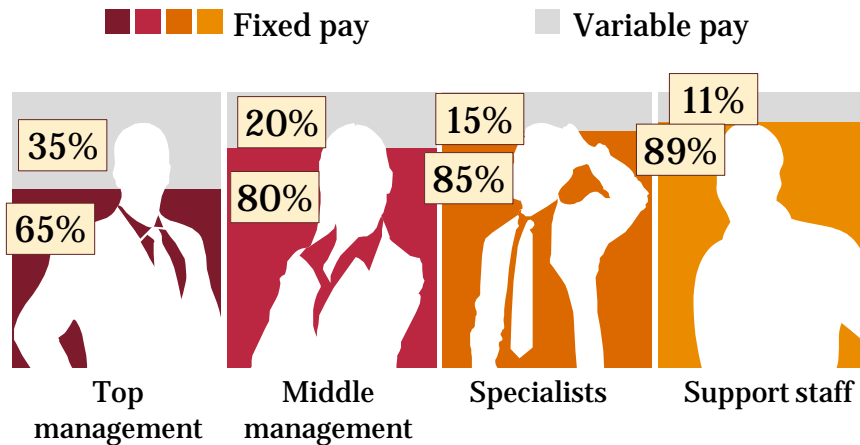


Medical insurance (annual premium paid by employer (in RUR))

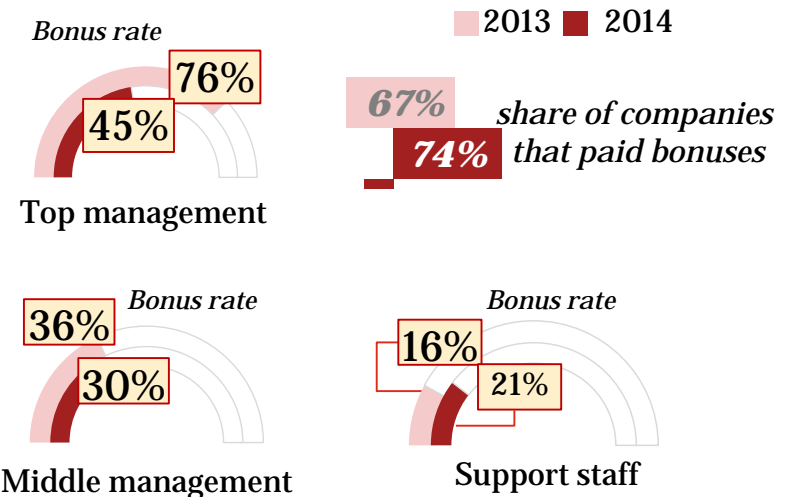


Compensation mix. Annual bonuses

Compensation mix by categories of employees



Payment of annual bonuses (as % of the annual salary)



Compensation mix analysis by job level showed that the higher the job the bigger is the share of bonus in total compensation.

According to the survey (PwC Business Breakfast, October, 2015) most companies (94%) do not plan to review compensation mix (only 6% of companies plan to increase the fixed pay).

Bonus for 2014 for top management was on average 45% (vs. 76% in 2013), for middle managers – 30% (vs. 36% in 2013), for support staff the size of the bonus amounted 21% on average (vs. with 16% in 2013).

Future outlook: what can we expect in the next 1-2 years ...?



Payment structure

Base pay

- 74% of are planning to provide salary increase in 2016*
- Most of the companies tend to have differentiated approach to salary increase



Bonus

- Most of the companies won't make significant changes in bonus policy
- Changes mostly cover periodicity, scale levels



Long-term

Actively implemented in *state* companies, *private* companies – unclear trends



Q&A session

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