

» Kienbaum Forecast for Salary Increases 2012

Expected Salary Increases for 25 European Countries



Expected Salary Increases for 2012 in Western Europe

The Kienbaum Forecast for Salary Increases aims at serving as a guideline for our customers who face upcoming HR decisions. Regarding the salary review 2012, we provide you with an overview of the expected salary increases and rates of inflation in 25 chosen European countries.

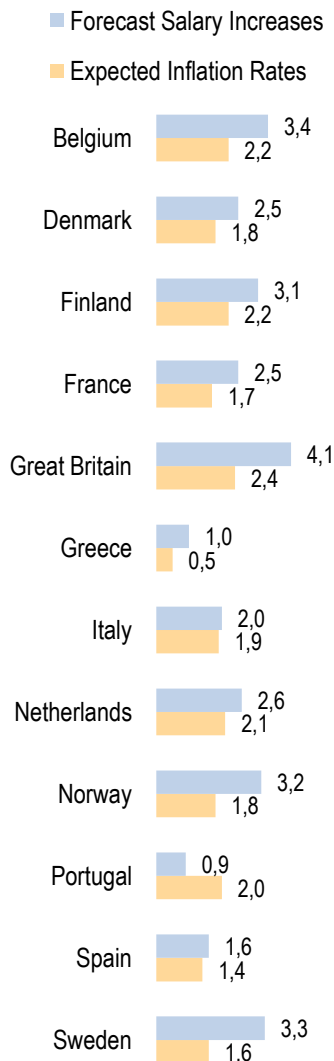


Figure 1: Inflation Rates and Salary Increases in Western Europe in %

This forecast is based on several years of experience in compensation consulting as well as the valuable input of our customers. This year's report on expected salary increases contains data of over 400 companies.

While the economy has recovered and, thus, regained its former strength after the financial and economic crisis, voices advising caution are presently getting louder. This new uncertainty is caused by news reports on national liquidity shortages, the need for more and more rescue packages and, finally, the decline in the creditworthiness of the USA.

On the other hand, announcements about falling stock market prices are currently accompanied by news reports on turnover and profit increases. This holds especially for companies in the manufacturing industry. However, a few service providers also spread this positive news. It remains to be seen to what extent the real economy is affected by the uncertainty on the financial markets.

The labor market situation is, due to the good order situation, tense. Thus, the lack of qualified personnel is a widely discussed issue in companies. The logical consequence in some of the select countries will be significant structural adjustments of salaries towards the top.

Therefore, the ties of key employees with the company will become increasingly important for a sustainable corporate success. In order to bind the key staff to their own company, remuneration policy instruments are made use of. Consequently, the distribution of shared profit will continue to increase at all levels.

The amount of the variable pay for 2011, which will be paid in the first half of 2012, is expected to be as high as the payments of 2010, paid in the first half of 2011.

Table 1: Forecast of Inflation Rates and Salary Increases in Germany, Austria and Switzerland in %

Region	Inflation Rate	Total	Top-Management	Middle Management	Specialists	Administrators	Workers
Germany	2,0	3,2	3,5	3,2	3,2	2,9	2,9
Austria	2,1	2,9	3,5	3,4	3,0	2,7	2,7
Switzerland	0,9	1,9	1,8	1,9	2,0	2,0	2,0

Sources:

Forecast Salary Increase: Kienbaum (2011)
Inflation Rate: WKO, OECD (2011)

Expected Salary Increases for 2012 in Eastern Europe

Comparing salary increases of Middle and Eastern Europe, there is traditionally a huge gap concerning the salary development. Partially higher rates of inflation and a slowly evolving accommodation to Western Europe lead to obviously bigger spreads within salary developments.

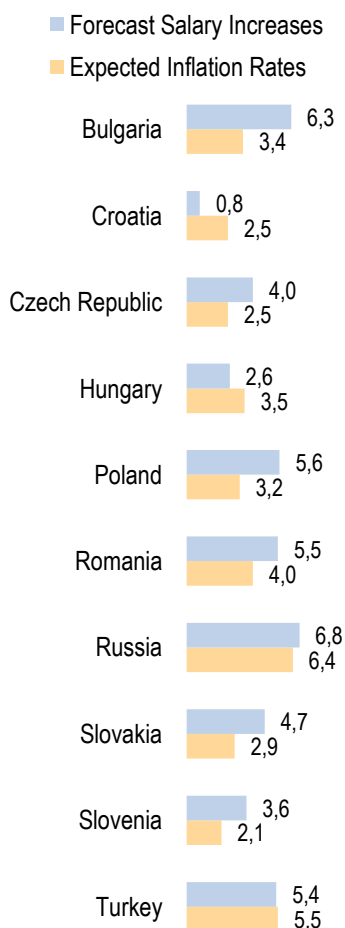


Figure 2: Inflation Rates and Salary Increases in Eastern Europe in %

Collective bargaining reflects a country's general atmosphere in an interesting way. Although actual increases can only be applied figuratively to the management and expert level, they are an indicator of the prevailing mood, which has built up over a long period of time and will influence the near future. Thus, it is worth taking a closer look at it.

In contrast to Germany and Austria, in most of the Middle and Eastern European countries collective bargaining takes place at company level. Trade unions negotiate with governments and employers primarily about minimum wages, which are of central interest in countries with a low wage level.

While the minimum wage level has stagnated in Croatia since 2009, it has been raised to over 5 % in Poland and to more than 6 % in the Russian Federation (close to 17 % in Moscow) this year. In Slovakia, the Czech Republic and Turkey, negotiations are ongoing. Essential claims on the part of the trade unions are the underlying cause. It should, however, be taken into consideration that the minimum wage in some of these countries is below subsistence level.

The atmosphere among the interest groups is very different in every country. Poland, on the one hand, sees itself as a strong and bold one. In Russia, on the other hand, the number of strikes has decreased. In Slovenia and Croatia the atmosphere is reserved, which is due to, regarding Slovenia in particular, the suffering economy and the tough bargaining of the previous year.

Currently, a great number of negotiations is taking place at company level in Hungary. Modifications of the tax system at the expense of employees have an influence on the net remuneration, which has more and more to be compensated by the companies.

For the first time, many of the Middle and Eastern European countries consider – at least to a certain degree - adjusting to the inflation rate of the public sector.

Whereas big countries, such as the Russia, Poland, Turkey or Romania, are of strategic importance due to their economic impact as business markets, countries such as the Czech Republic, Slovenia or Croatia rather exercise an additional function as market cultivation concerning an entire region. Attractive conditions for international investors are given especially in Romania, Bulgaria or Ukraine because of low-levelled labor costs. Picturing a prospering economy, Poland, Czech Republic, the Russian Federation and meanwhile even Turkey are seen more and more as markets with good prospects.

Thus, the focus of international companies is set on a systematized policy of remuneration, whose associated transparency contributes to a sustainable improvement in efficiency and internal flexibility. As an irrevocable base for both global and local decisions, policy of remuneration must be customized from the company's strategy to its image, to achieve sustainable profits.

Sources:

Forecast Salary Increase: Kienbaum (2011)

Inflation Rate: WKO, OECD (2011)