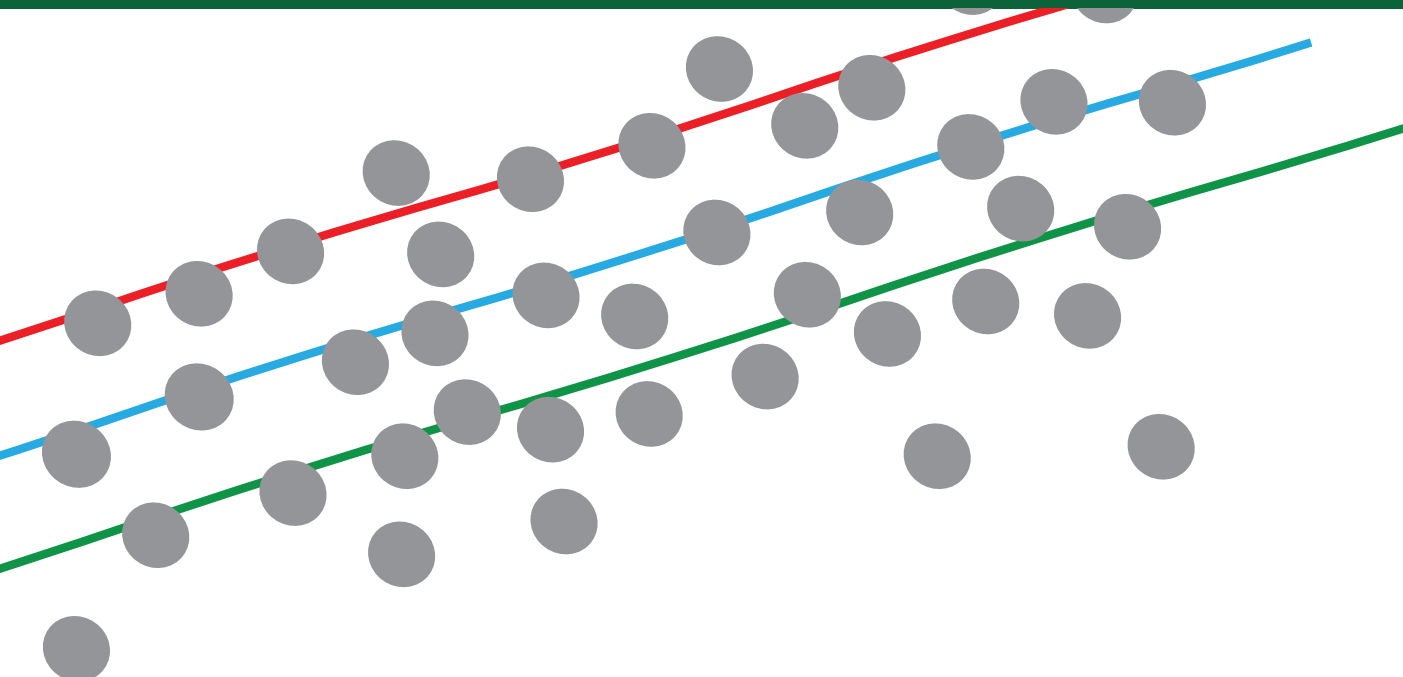


Planning Global Compensation Budgets for 2016



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111 Academy Drive, Suite 270
Irvine, CA 92617
(800) 627-3697
www.eri.com

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By Linda L. Cox, CCP, ERI Compensation Project Manager, with research assistance from Katie Sebastian

In this October 2015 edition of Planning Global Compensation Budgets, we wish to provide ERI readers with insight into updated compensation analytics based on recent predictions for the world economy and the effect on 2016 salary increase budgeting. We suggest consideration of key trends reported from the World Economic Outlook as published by the International Monetary Fund (October 2015):

"Global growth declined in the first half of 2015, reflecting a further slowdown in emerging markets and a weaker recovery in advanced economies. It is now projected at 3.1 percent for 2015 as a whole, slightly lower than in 2014, and 0.2 percentage point below the forecasts in the July 2015 World Economic Outlook (WEO) Update. Prospects across the main countries and regions remain uneven. Relative to last year, growth in advanced economies is expected to pick up slightly, while it is projected to decline in emerging market and developing economies. With declining commodity prices, depreciating emerging market currencies, and increasing financial market volatility, downside risks to the outlook have risen, particularly for emerging market and developing economies.

Global activity is projected to gather some pace in 2016. In advanced economies, the modest recovery that started in 2014 is projected to strengthen further. In emerging market and developing economies, the outlook is projected to improve. In particular, growth in countries in economic distress in 2015 (including Brazil, Russia, and some countries in Latin America and in the Middle East), while remaining weak or negative, is projected to be higher next year, more than offsetting the expected gradual slowdown in China."

International Monetary Fund. 2015. World Economic Outlook: Adjusting to Lower Commodity Prices. Washington (October), (p1.)

Projected 2016 Salary Increases by Country and Historical Trends

An analysis of updated projections of 2016 salary increases across 56 countries is provided in Table 1 to support multinational businesses in next year's salary increase budgeting. This table also includes the International Monetary Fund's update reporting 2014 actuals, as well as 2015 and 2016 projections for unemployment, growth in gross domestic product (GDP), and the change in the consumer price index (CPI). This latest update reporting 2016 salary increase projections is based on ERI Economic Research Institute's extensive database, plus global historical trends and projections. Data from governmental resources, publications, and over 25,000 companies was assessed in this review.

Table 1 - 2014-2016 Global Salary Increase Trends with Key Economic Indicators

	Unemployment Rate ²			Gross Domestic Product ²			Consumer Price Indices ²			Salary Increases			
	% Labor Force			% Change from Previous Year			% Change from Previous Year			% Change from Previous Year			
	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014 ⁵	2015 ¹	2016 ¹	
Americas	Argentina	7.3	6.9	8.4	0.5	0.4	-0.7	--	16.8	25.6	27.5	28.0	30.0
	Brazil	4.8	6.6	8.6	0.1	-3.0	-1.0	6.3	8.9	6.3	7.4	8.0	7.9
	Canada	6.9	6.8	6.8	2.4	1.0	1.7	1.9	1.0	1.6	2.9	2.9	3.0
	Chile	6.4	6.6	7.0	1.9	2.3	2.5	4.4	4.4	3.7	4.7	5.3	5.0
	Costa Rica	8.2 ³	8.3 ³	8.2 ³	3.5	3.0	4.0	4.5	2.3	3.1	6.1 ⁶	5.8	5.5
	Mexico	4.8	4.3	4.0	2.1	2.3	2.8	4.0	2.8	3.0	4.7	4.7	4.8
	Panama	4.1 ³	4.1 ³	4.1 ³	6.2	6.0	6.3	2.6	1.0	2.0	--	5.3	5.0
	United States	6.2	5.3	4.9	2.4	2.6	2.8	1.6	0.1	1.1	2.9 ¹	3.0	3.0
	Venezuela	8.0	14.0	18.1	-4.0	-10.0	-6.0	62.2	159.1	204.1	29.8	54.0	65.0
Asia Pacific	Australia	6.1	6.3	6.2	2.7	2.4	2.9	2.5	1.8	2.6	3.4	3.4	3.6
	China	4.1	4.1	4.1	7.3	6.8	6.3	2.0	1.5	1.8	7.9	8.0	8.0
	Hong Kong	3.2	3.2	3.1	2.5	2.5	2.7	4.4	2.9	3	4.5	4.4	4.5
	India	3.6 ⁴	3.7 ⁴	3.7 ⁴	7.3	7.3	7.5	5.9	5.4	5.5	10.2	10.8	10.9
	Indonesia	6.1	5.8	5.6	5.0	4.7	5.1	6.4	6.8	5.4	9.0	9.5	9.2
	Japan	3.6	3.5	3.5	-0.1	0.6	1.0	2.7	0.7	0.4	2.2	2.4	2.5
	Malaysia	2.9	3.0	3.0	6.0	4.7	4.5	3.1	2.4	3.8	5.4	5.9	5.7
	New Zealand	5.7	5.8	5.8	3.3	2.2	2.4	1.2	0.2	1.5	3.0	3.0	3.2
	Pakistan	6.7	6.5	6.0	4.0	4.2	4.5	8.6	4.5	4.7	13.1 ¹	12.0	11.2
	Philippines	6.8	6.3	6.0	6.1	6.0	6.3	4.2	1.9	3.4	6.4	6.8	6.7
	Singapore	2.0	2.0	2.0	2.9	2.2	2.9	1.0	0.0	1.8	4.4	4.4	4.5
	South Korea	3.5	3.7	3.5	3.3	2.7	3.2	1.3	0.7	1.8	5.1	5.0	5.1
	Taiwan	4.0	4.0	4.0	3.8	2.2	2.6	1.2	-0.1	1.0	3.8	3.5	4.0
	Thailand	0.8	0.8	0.8	0.9	2.5	3.2	1.9	-0.9	1.5	5.8	5.6	5.9
Vietnam	2.5	2.5	2.5	6.0	6.5	6.4	4.1	2.2	3.0	10.5	10.4	10.6	
EMEA (Europe, Middle East and Africa)	Austria	5.6	5.8	5.6	0.4	0.8	1.6	1.5	1.0	1.7	2.9	2.6	2.9
	Belgium	8.5	8.5	8.3	1.1	1.3	1.5	0.5	0.7	1.1	2.5	2.3	2.5
	Czech Republic	6.1	5.2	4.9	2.0	3.9	2.6	0.4	0.4	1.5	2.8	2.0	2.5
	Denmark	6.5	6.2	6.0	1.1	1.6	2.0	0.6	0.5	1.8	2.6	2.5	2.8
	Egypt	13.4	12.9	12.4	2.2	4.2	4.3	10.1	11.0	8.8	10.1	10.0	10.0
	Estonia	7.4	6.8	6.5	2.9	2.0	2.9	0.5	0.2	1.6	7.0 ⁶	2.8	3.0
	Finland	8.7	9.5	9.5	-0.4	0.4	0.9	1.2	0.0	1.3	2.6	1.5	2.5
	France	10.3	10.2	9.9	0.2	1.2	1.5	0.6	0.1	1.0	2.5	2.5	3.0
	Germany	5.0	4.7	4.7	1.6	1.5	1.6	0.8	0.2	1.2	2.9	2.9	3.0
	Greece	26.5	26.8	27.1	0.8	-2.3	-1.3	-1.5	-0.4	0.0	1.9	1.8	1.8
	Hungary	7.8	7.3	7.0	3.6	3.0	2.5	-0.2	0.3	2.3	3.5 ⁶	3.0	3.5
	Ireland	11.3	9.6	8.5	5.2	4.8	3.8	0.3	0.2	1.5	0.8 ⁶	1.8	2.1
	Israel	5.9	5.3	5.2	2.6	2.5	3.3	0.5	-0.1	2.0	3.3	2.5	3.0
	Italy	12.7	12.2	11.9	-0.4	0.8	1.3	0.2	0.2	0.7	2.6	2.8	2.9
	Jordan	11.1 ⁴	11.1 ⁴	11.1 ⁴	3.1	2.9	3.7	2.9	0.2	3.1	6.0 ⁶	6.0	6.2
	Luxembourg	7.2	6.9	6.8	5.6	4.4	3.4	0.7	0.3	1.6	2.9 ⁶	3.0	3.1
	Netherlands	7.4	7.2	7.0	1.0	1.8	1.9	0.3	1.0	1.3	2.7	3.0	3.1
	Norway	3.5	4.2	4.3	2.2	0.9	1.3	2.0	2.3	2.2	3.0	3.2	3.1
	Poland	9.0	7.5	7.2	3.4	3.5	3.5	0.0	-0.8	1.0	3.5	3.0	3.1
	Portugal	13.9	12.3	11.3	0.9	1.6	1.5	-0.2	0.6	1.3	2.0	1.8	2.0
	Qatar	0.3 ⁴	0.3 ⁴	0.4 ⁴	4.0	4.7	4.9	3.0	1.6	2.3	5.1	5.0	5.2
	Romania	6.8	6.9	6.8	2.8	3.4	3.9	1.1	-0.4	-0.2	4.7	4.6	4.5
	Russia	5.2	6.0	6.5	0.6	-3.8	-0.6	7.8	15.8	8.6	7.6	8.1	8.4
	Saudi Arabia	5.6 ⁴	5.5 ⁴	5.4 ⁴	3.5	3.4	2.2	2.7	2.1	2.3	5.0	5.0	4.8
South Africa	25.1	25.8	25.7	1.5	1.4	1.3	6.1	4.8	5.9	6.6	6.3	6.5	
Spain	24.5	21.8	19.9	1.4	3.1	2.5	-0.2	-0.3	0.9	2.3	2.4	2.5	
Sweden	7.9	7.7	7.6	2.3	2.8	3.0	0.2	0.5	1.1	2.7	2.6	3.0	
Switzerland	3.2	3.4	3.6	1.9	1.0	1.3	0.0	-1.1	-0.2	1.9	2.1	2.4	
Turkey	9.9	10.8	11.2	2.9	3.0	2.9	8.9	7.4	7.0	7.4	9.0	8.8	
Ukraine	9.3	11.5	11.0	-6.8	-9.0	2.0	12.1	50.0	14.2	7.5	18.0	12.7	
United Arab Emirates	3.6 ⁴	3.5 ⁴	3.4 ⁴	4.6	3.0	3.1	2.3	3.7	3.0	4.5	4.9	5.0	
United Kingdom	6.2	5.6	5.5	3.0	2.5	2.2	1.5	0.1	1.5	3.0	3.0	3.1	

Sources:

1. ERI Economic Research Institute
2. International Monetary Fund. 2015. World Economic Outlook: Adjusting to Lower Commodity Prices. Washington (October)
3. International Monetary Fund. 2015. World Economic Outlook: Uneven Growth—Short- and Long-Term Factors. Washington (April)
4. World employment and social outlook: Trends 2015 / International Labour Office. – Geneva: ILO, 2015; updated January 20, 2015
5. "Global Salary Increases in 2014." Aon Hewitt Global Salary Increase Survey 2014/2015 (2014): Aon Hewitt. Aon, Sept. 2014. Web. Apr. 2015.
6. "2015 Global Salary Forecast." PayNet International. Global Management Consultancy, Hay Group, Dec. 2014. Web. Apr. 2015.

Key Observations

Americas

The United States and Canada are projected to implement 3.0% in salary increases in 2016. Canada's unemployment rate is expected to remain at 6.8% from 2015 to 2016. Unemployment in the United States is predicted to decrease from 5.3% to 4.9% from 2015 to 2016.

Two countries in South America are of particular interest. With CPI approaching 26% in Argentina in 2016, a 30% salary increase budget is projected. The situation in Venezuela is difficult to predict, with spiraling inflation at over 150% in 2015 and 200% in 2016. Purchasing power there continues to erode, as salaries cannot keep up with inflation.

Europe, Middle East, and Africa

As the economy and inflation gain strength in Western Europe, this will also have an effect of slightly stronger salary increases across key economies for 2016, along with a small reduction in unemployment.

Western Europe is projected to implement 2.9% in median salary increases (2.8% average) in 2016. Portugal is low at 2%, while the Netherlands, Norway, United Kingdom, and Luxembourg are high at 3.1%. Other large Western European countries, such as Germany, France, Spain, Sweden, and Italy, are projected to implement salary increases between 2.5% and 3.0%.

As Ukraine and Russia's inflation is predicted to aggressively decrease in 2016, salary increases may still not keep pace yet with inflation. Russia's 2016 salary increases are projected at 8.4% and the Ukraine at 12.7%.

Asia Pacific

Of the 15 countries reported, Asia Pacific is projected to have 6.4% average and 5.7% median salary increases in 2016. Japan is low at 2.5%, and Pakistan is high at 11.2%.

In 2016, China and India's salary increase rates are projected at 8.0% and 10.9%, respectively.

Summary

These latest projections indicate a continuation of salary increase budgets throughout a majority of the world between 2.5% and 5.0%. High inflationary countries, such as Argentina, Venezuela, and the Ukraine, require close observation and action, if needed, to ensure up-to-date compensation programs. The ongoing trend of modest to moderate salary increase budgets indicate multinational companies currently have the ability to attract and retain key employees within these budgets. In this environment, salary increase budgets should be distributed to fully recognize high performance while retaining at-risk employees. Salary increase budgets should be supplemented by other human capital programs, such as training and development, performance management, succession planning, short- and long-term incentive compensation, and/or employee benefits, to fully recognize, reward, and motivate reward key performers.

We suggest consideration of ERI Economic Research Institute's line of products for your global compensation needs:

- Salary Assessor
- Geographic Assessor
- Relocation Assessor
- Executive Compensation Assessor
- Occupational Assessor
- Nonprofit Comparables Assessor
- Global Salary Calculator

Please email Linda Cox, CCP, with questions or comments at linda.cox@erieri.com or call 1-800-627-3697 x 320. Visit <http://www.erieri.com> or call 1-800-627-3697 for more information about **ERI's Assessor Series** applications.



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