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The big pay turnaround: Eurozone recovering, emerging markets falter in 2015

- Global salary rises up compared to last year
- But workers in key emerging markets will experience real wage cuts
- Increase in Europe driven by previously struggling countries such as Ireland and Greece

Latest data from global management consultancy Hay Group reveals that salaries are increasing at a faster rate than last year despite disappointing growth in several key emerging markets.

Struggling emerging markets

Salaries across the globe are set to rise by 5.4% on average for 2015 – compared to 5.2% last year. But this average masks a significant slowdown in emerging markets like Brazil, Russia and Ukraine, which have been the key drivers of growth in recent years.

Workers in these countries can expect to see salary rises of 6.1%, 6.8% and 6.8% respectively. However, with inflation (predicted to be 6.5%, 7.5% and 10.7%), employees will experience real wage cuts of 0.4%, 0.7% and 3.9%.

Signs of hope in Europe

Salaries in Europe have been buoyed by the improving performance of economies that have struggled recently. Most notably, Greece and Ireland are set to see salary rises of 1.3% and 1.4% respectively, a real wage growth of 2.5% and 1.1% – compared to 0.8% and 0.2% last year, as both countries return to economic growth.

Across the region, salaries are expected to rise by 3.1%. And with low inflation (predicted to be 1.5%), employees will see real average wage growth of 1.6%.

It is also good news in the UK for employees who will start to see a recovery in wage growth. While salary rises of 2.5% are the same as last year, with lower inflation (predicted to be 1.7%) employees will experience an increase in real income (0.8%) for only the second time since 2009.

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Turkey is forecast to experience the largest increase in Europe with pay rises up to 9.0% but workers will still feel a squeeze on income with inflation predicted to be 8.9%.

Ben Frost, consultant at Hay Group, comments: “This year’s global forecast shows pay rises rising at a higher rate this year compared to last. However, this conceals stark variations from region to region and country to country. Each market has its own complexities and organizations must understand the detail if they want to attract and retain the best workers. The big turnaround is between Europe and the emerging markets. Real pay is now rising in many European markets, but in key emerging economies, which have been the boom area of the last 10 years, real wages are falling.”

Continued pressure in Latin America

Wage rises in Latin America are being eroded by high inflation. Despite employees across the region being forecasted to receive the highest salary increases of 9.7% on average, with inflation predicted to be 10.7%, workers will see an average real wage cut of 1.0%.

Venezuela is set to suffer the most significant cut in real income across the globe. Despite salary increases of 40.3%, when accounting for predicted inflation (64.4%), employees will receive real wage cuts of 24.1%.

Highest salary growth in Asia

In Asia, salaries are forecast to increase by 6.8% – down 0.2% from last year – but with relatively low predicted inflation (3.7%), employees are set to experience the highest growth in real income across the globe (3.1%). The largest increases are forecast in Vietnam (11.4%), Indonesia (10.0%) and China (8.0%). And, even when inflation is factored in, real pay rises are 6.6%, 4.4% and 5.7% respectively.

The high pay rises in this region reflect the ongoing war for talent, both for experienced managers and new graduates from the best universities. In China, it is also the result of pressure from the government to create a burgeoning middle class – which means minimum wages are rising across China’s second and third tier cities. And in Vietnam, workers are benefitting from the country’s higher than average GDP growth.

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Stable North America

Pay rises in North America are forecast at 2.8% – up 0.1% compared to last year and with inflation predicted to be 2.1%, employees will experience a real income increase of 0.7%.

Strong growth in the Middle East and Africa

Despite broader economic and political turmoil, salaries in the Middle East and Africa are forecast to rise by 5.6% and 6.9% respectively, a real growth in income of 2.9% and 2.0% as inflation is predicted to remain relatively low.

Ben Frost concludes: “To make low salary rises stretch further, workers who are performing well may receive higher than average pay increases, while it’s likely that poor and average performing workers will receive little if no increase. However, a business is nothing without its people and, during periods of low growth, organizations must think creatively about how they motivate and reward their employees.”

Ends

Please note: this study should be credited to ‘global management consultancy, Hay Group’, and not ‘Hay’ or ‘Hays’, which are separate and unrelated organisations.

For further information

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Notes to Editors

About the study

The data was drawn from Hay Group PayNet which contains data for more than 16 million job holders in 24,000 organizations across more than 110 countries.

It shows predicted salary increases for 2015 and compares them to predictions made at this time last year regarding 2014. It also compares them to inflation rates from the Economist Intelligence Unit.

Country	Region	2015 Salary Forecast	2014 inflation ⁱ	Salary Increase vs inflation ('Real' increase)	2014 Salary Forecast
Algeria	Africa	6.6%	2.5%	4.1%	6.4%
Egypt	Africa	10.0%	9.5%	0.5%	10.0%

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Morocco	Africa	4.5%	0.7%	3.8%	4.4%
South Africa	Africa	6.2%	5.9%	0.3%	7.0%
Tunisia	Africa	7.0%	5.8%	1.2%	6.0%
China	Asia	8.0%	2.3%	5.7%	8.6%
Hong Kong	Asia	4.0%	3.7%	0.3%	4.8%
India	Asia	10.5%	8.4%	2.1%	10.9%
Indonesia	Asia	10.0%	5.6%	4.4%	10.0%
Japan	Asia	2.0%	2.8%	-0.8%	2.0%
Korea	Asia	5.0%	1.5%	3.5%	5.0%
Malaysia	Asia	6.4%	3.1%	3.3%	6.0%
Philippines	Asia	7.5%	4.5%	3.0%	7.8%
Singapore	Asia	4.4%	1.8%	2.6%	4.0%
Thailand	Asia	6.0%	2.4%	3.6%	6.0%
Vietnam	Asia	11.4%	4.8%	6.6%	11.5%
Austria	Europe	2.7%	1.5%	1.2%	3.2%
Belgium	Europe	2.0%	0.7%	1.3%	2.6%
Bulgaria	Europe	4.2%	-0.4%	4.6%	5.0%
Cyprus	Europe	0.0%	-1.8%	1.8%	0.0%
Czech Republic	Europe	2.0%	0.6%	1.4%	2.0%
Denmark	Europe	2.5%	0.7%	1.8%	2.5%
Estonia	Europe	2.8%	1.3%	1.5%	3.2%
Finland	Europe	1.0%	1.0%	0.0%	1.9%
France	Europe	2.0%	0.7%	1.3%	2.5%
Germany	Europe	2.8%	0.9%	1.9%	3.0%
Greece	Europe	1.3%	-1.2%	2.5%	0.0%
Hungary	Europe	3.0%	0.3%	2.7%	3.5%
Ireland	Europe	1.4%	0.3%	1.1%	0.8%
Italy	Europe	2.7%	0.2%	2.5%	3.3%
Kazakhstan	Europe	7.8%	6.7%	1.1%	9.1%
Latvia	Europe	2.4%	0.7%	1.7%	2.4%
Lithuania	Europe	3.3%	0.3%	3.0%	2.6%
Luxembourg	Europe	3.2%	0.8%	2.4%	2.9%
Netherlands	Europe	2.3%	0.4%	1.9%	2.3%
Norway	Europe	3.2%	2.0%	1.2%	3.6%
Poland	Europe	3.0%	0.3%	2.7%	3.0%
Portugal	Europe	1.0%	-0.2%	1.2%	0.8%
Romania	Europe	4.6%	1.4%	3.2%	5.0%
Russian Federation	Europe	6.8%	7.5%	-0.7%	7.8%
Serbia	Europe	5.2%	2.5%	2.7%	5.2%
Slovakia	Europe	2.0%	0.4%	1.6%	2.5%
Spain	Europe	1.1%	-0.1%	1.2%	1.1%
Sweden	Europe	2.3%	0.0%	2.3%	2.7%

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Switzerland	Europe	1.4%	0.1%	1.3%	1.5%
Turkey	Europe	9.0%	8.9%	0.1%	7.7%
Ukraine	Europe	6.8%	10.7%	-3.9%	7.9%
United Kingdom	Europe	2.5%	1.7%	0.8%	2.5%
Argentina	Latin America	32.5%	36.5%	-4.0%	24.3%
Brazil	Latin America	6.1%	6.5%	-0.4%	6.1%
Chile	Latin America	5.0%	4.1%	0.9%	6.1%
Colombia	Latin America	3.5%	2.9%	0.6%	5.0%
Costa Rica	Latin America	6.0%	4.9%	1.1%	6.1%
Dominican Republic	Latin America	6.0%	3.3%	2.7%	N/A
El Salvador	Latin America	4.1%	1.2%	2.9%	N/A
Guatemala	Latin America	5.4%	3.8%	1.6%	5.5%
Honduras	Latin America	5.5%	6.2%	-0.7%	7.1%
Mexico	Latin America	4.8%	3.8%	1.0%	4.5%
Nicaragua	Latin America	6.1%	6.2%	-0.1%	7.6%
Panama	Latin America	5.4%	3.0%	2.4%	N/A
Peru	Latin America	5.5%	3.4%	2.1%	6.4%
Venezuela	Latin America	40.3%	64.4%	-24.1%	27.0%
Bahrain	Middle East	5.0%	2.9%	2.1%	2.3%
Iraq	Middle East	7.5%	3.3%	4.2%	N/A
Jordan	Middle East	6.0%	3.0%	3.0%	6.0%
Kuwait	Middle East	5.0%	3.0%	2.0%	5.0%
Lebanon	Middle East	6.7%	2.5%	4.2%	6.5%
Oman	Middle East	5.5%	1.5%	4.0%	5.0%
Qatar	Middle East	5.0%	3.2%	1.8%	5.0%
Saudi Arabia	Middle East	5.0%	2.9%	2.1%	5.0%
United Arab Emirates	Middle East	5.0%	2.2%	2.8%	5.0%
Canada	North America	2.6%	2.2%	0.4%	2.7%
United States of America	North America	3.0%	2.0%	1.0%	2.8%
Australia	Pacific	3.0%	2.9%	0.1%	3.5%
New Zealand	Pacific	3.0%	1.4%	1.6%	2.8%

ⁱ Inflation rates, Economist Intelligence Unit

About Hay Group

Hay Group is a global management consulting firm that works with leaders to transform strategy into reality. We develop talent, organize people to be more effective and motivate them to perform at their best. Our focus is on making change happen and helping people and organizations realize their potential.

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