

HRBP CLUB MEETING GDAŃSK

TRI-CITY SALARY SURVEY (BPO/SSC) &
THE GENERAL MARKET SUMMARY

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Invest
in Pomerania

We care more



ABS

INTRODUCTION

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New Products, Remuneration Audit & Custom Analyses, IPE Projects

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MERCER POLAND



HEALTH



MERCER

MAKE TOMORROW, TODAY

CAREER



BROKERAGE

- INSURED EMPLOYEE BENEFITS (LIFE, MEDICAL, ACCIDENT, TRAVEL)
- ADMINISTRATIVE SUPPORT OF ALLINSURED BENEFITS
- SOCIAL SECURITY CONTRIBUTION OPTIMISATION
- HEALTH IMPROVEMENT
- EMPLOYEE SURVEYS
- CLAIMS

BENEFITS CONSULTING

- BENEFITS SYSTEM DESIGN
- PENSION PLAN IMPLEMENTATION AND CONSULTING
- M&A CONSULTING

SALARY SURVEYS & PUBLICATIONS

- REMUNERATION SURVEYS
- CLUB AND BESPOKE SURVEYS
- MARKET PRICINGS
- GLOBAL AND REGIONAL PUBLICATIONS
- ONLINE TRAININGS

MOBILITY

- COST AND QUALITY OF LIVING
- HOUSING
- PERSONAL INCOME TAX
- SHORT AND LONG-TERM ASSIGNMENTS

REWARDS CONSULTING

- COMPENSATION SYSTEMS DESIGN
- CREATION OF JOB DESCRIPTIONS
- POSITION EVALUATION
- COMPENSATION ANALYSIS
- LABOR MARKET ANALYSIS
- SITE SELECTION



MMC SHARED SERVICES
IN WARSAW
+600 EMPLOYEES

AGENDA

1

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GENERAL MARKET TRENDS AND
HOT TOPICS FOR SSC SECTOR

3

CURRENT MARKET TRENDS
IN COMPENSATION & BENEFITS
IN BPO/SSC TRICITY AND ALL POLAND

4

MEETING FOR PARTICIPANTS:
TRI-CITY BPO/SSC SURVEY RESULTS
2018



MACROECONOMIC TRENDS



LABOUR MARKET IN POLAND

HOT TOPICS

EMPLOYEE MARKET
(ATTRACTING AND
RETAINING RIGHT
EMPLOYEES)

ZUS
(SOCIAL INSURANCE
INSTITUTION)
CAP?

**INCREASING MINIMUM
WAGE 2019 (2250 – 7%
INCREASE)**

**DECREASING
UNEMPLOYMENT RATE/
LIMITED EMPLOYMENT
PULL**

FOREIGN EMPLOYEES

GUS
(MAIN STATISTICAL
OFFICE)
SALARY MOVEMENT

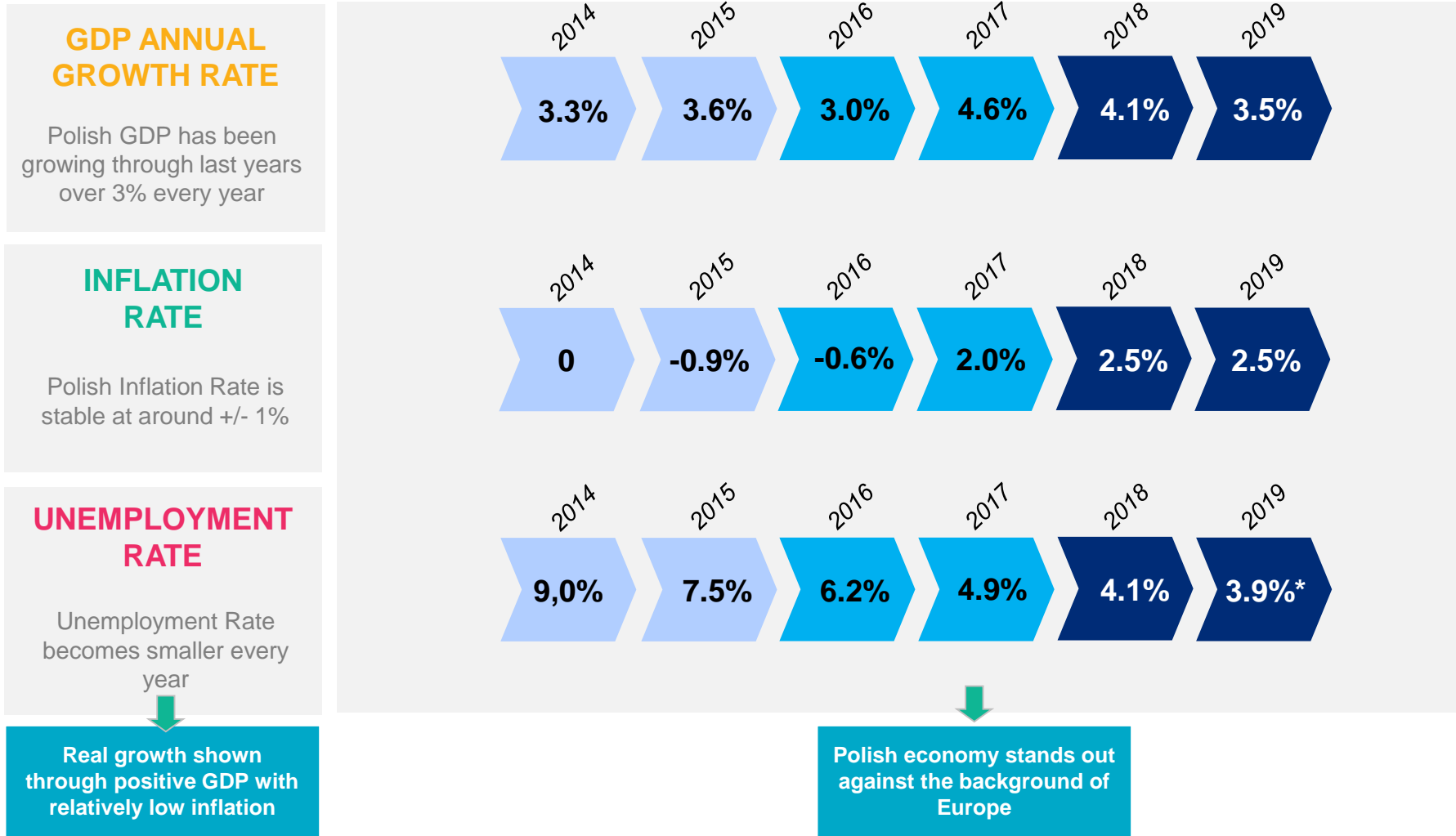
**SHARED SERVICES /
PRODUCTION / RETAIL**

**MORAWIECKI'S
PLAN:
PPK & PPE**

**DEMAND FOR
SPECIALISTS/ ENGINEERS
AND SKILLED WORKERS**

ECONOMIC INDICATORS, 2014-2019

POLAND PERSPECTIVE



Source: IMF, *Mercer GCPR 2018

3RD DRAFT OF PPK LAW

THE MOST IMPORTANT ASPECTS



THE ACT COMES INTO FORCE ON JANUARY 1, 2019

- July 1, 2019. for over 250 employees,
- January 1, 2020. for 50-250 employees,
- July 1, 2020. for at least 20 employees,
- from January 1, 2021. for other employers.



RELIEVED OF THE OBLIGATION IF OFFERS PPE

Contribution of at least 3,5% of remuneration and participation rate of at least 25% of the persons employed.



OBLIGATION TO CHOOSE A FINANCIAL INSTITUTION

In consultation with trade unions or employee representation, if there are no unions at the company.



THE BASIC EMPLOYEE CONTRIBUTION TO PPK

- Employee basic contribution – 2% (0.5% for income lower than 1.2 of the minimum wage)
- Employer basic contribution – 1.5% (up to 2.5% voluntarily).



THE WITHDRAWAL OF ASSETS FROM THE PPK

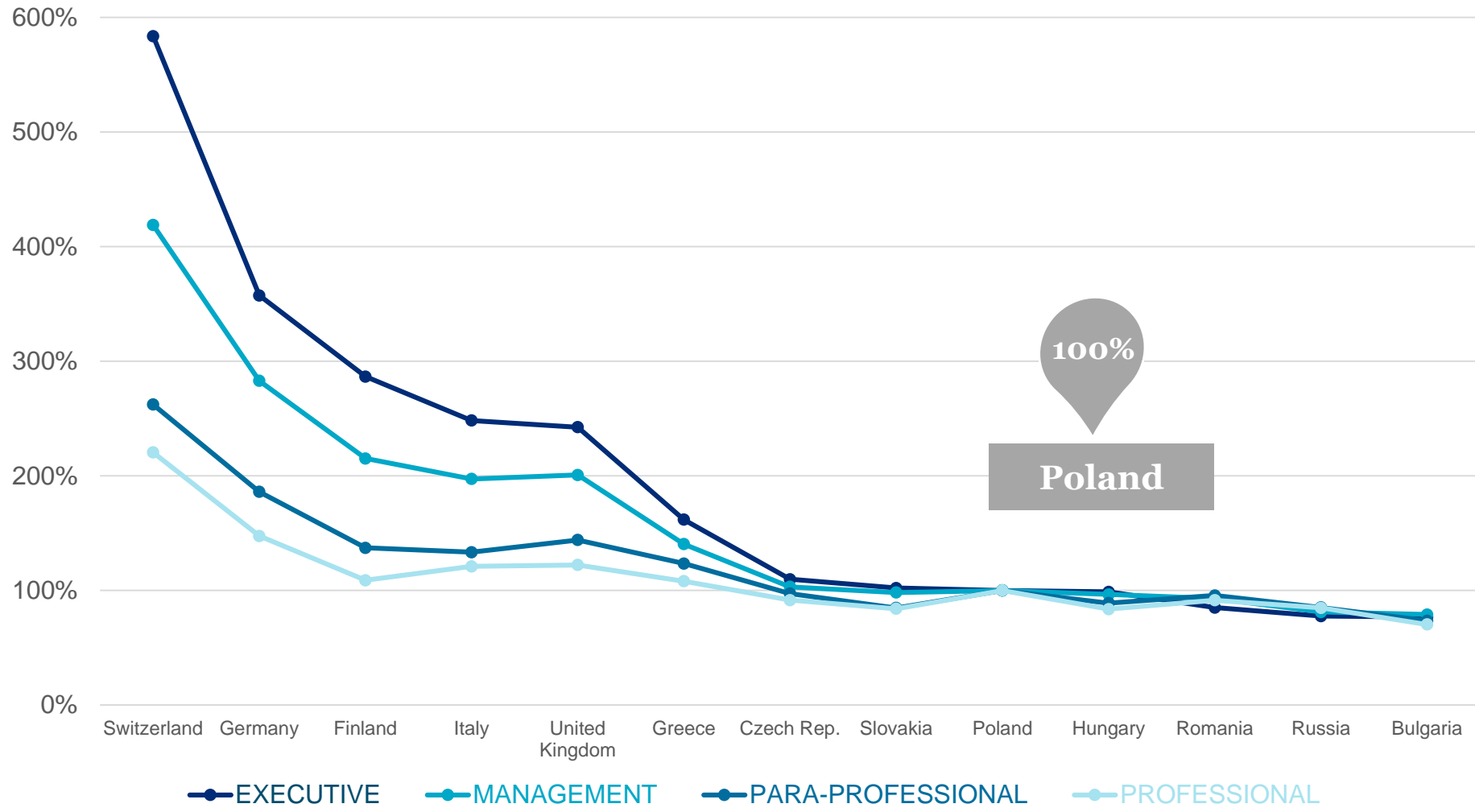
- After reaching the age of 60
- Maximum 25% as a lump sum
- Remaining 75% in the form of installments for at least 10 years
- 25% of the assets in case of serious illness
- PPK assets will be inherited

In the middle of July 2018
The Ministry of Finance presented the third
version of the draft
Act on Employee Capital Plans (PPK).

The draft includes a number of changes
being results of comments submitted to the
previous version including postulated by
Mercer **reduction of the minimum
participation** threshold in PPE as an
additional condition for exempting the
employer from the obligation to offer PPK.

In the current project, this threshold was
reduced from **50% to 25%** of employees

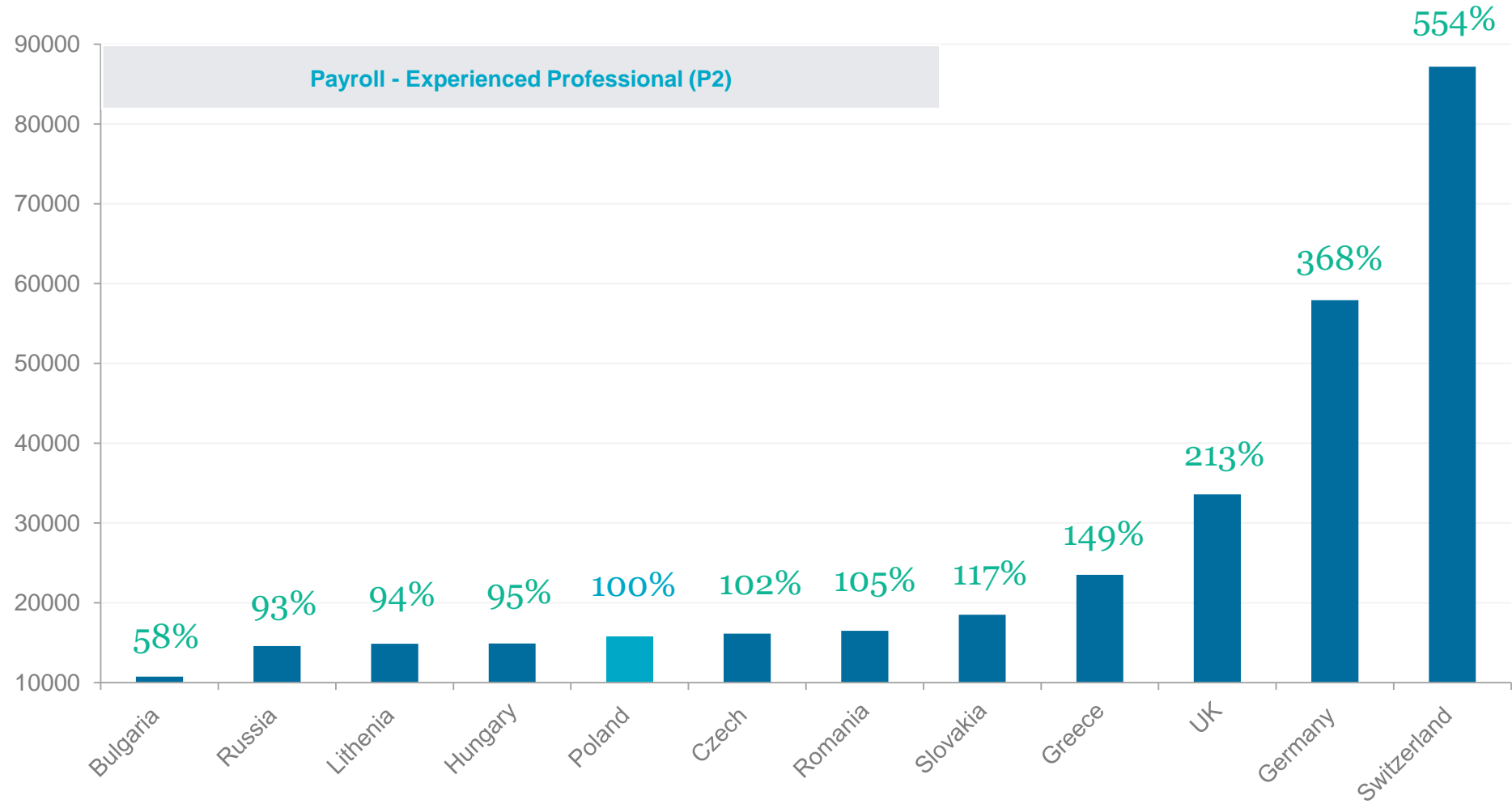
2018 POLAND VS. OTHER EUROPEAN COUNTRIES BASE SALARY



Source: Mercer TRS 2018

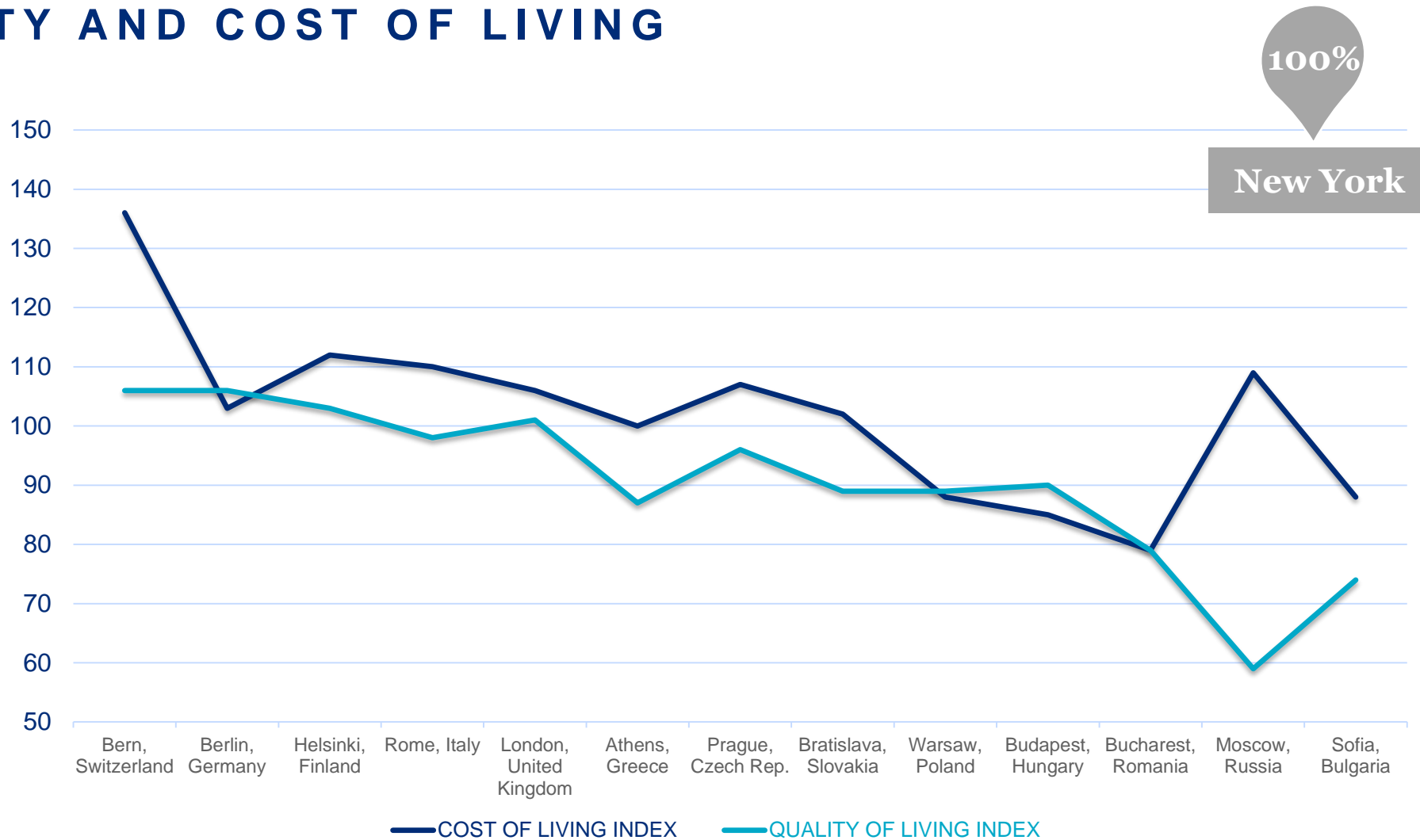
BASE SALARY DIFFERENTIALS

ANNUAL BASE SALARY COMPARISON (MEDIAN, EUR, OW)



Source: Mercer TRS 2018, PL SSC 2018

EUROPE QUALITY AND COST OF LIVING



Source: Mercer GHRM 2018

TALENT TRENDS IN SSC SECTOR 2018

LABOUR MARKET



In the last year the SSC sector recorded a 13% **increase in an employment rate** (including new positions increase of 30%). The largest increase was recorded in the Tri-City region – 21% increase in the number of jobs. Next are Łódź and Warsaw.



Mercer survey shows that 84% of SSC from Tri-City region plan to **increase headcount** in 2018 and 72% in 2019 (SSC General Market – 74% in 2018 and 66% in 2019).



2018 **voluntary turnover** rate for the entire SSC market is 14%, with the percentage being much higher for the Tri-City region – 20%.



Process automation and robotics



Change in the **culture of work on agile** – flexible working environment as a way to retain and attract the right candidates.



Shared services sector is at the forefront of the sectors declaring the highest remuneration growth in the **IT structures.**



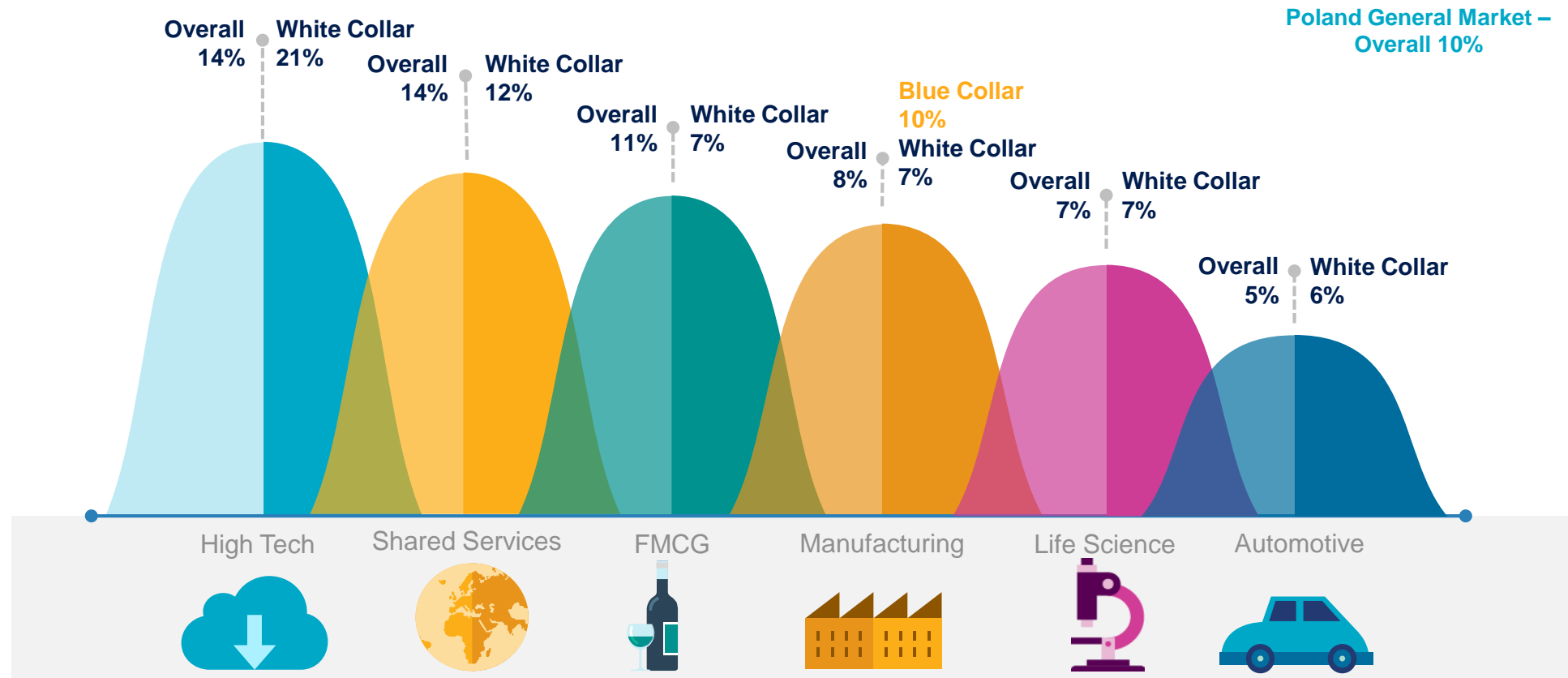
Flexible approach to the benefit packages – introduction of flexible benefits (61% of Tri-City BPO/SSC) and Well-being – to increase efficiency and employee engagement



Growth of **foreigners' population** in SSC – about 10% of the employees (Ukraine, Italy, Spain, India)

TOTAL REMUNERATION SURVEY 2018

VOLUNTARY TURNOVER RATE INDUSTRY DIFFERENTIALS

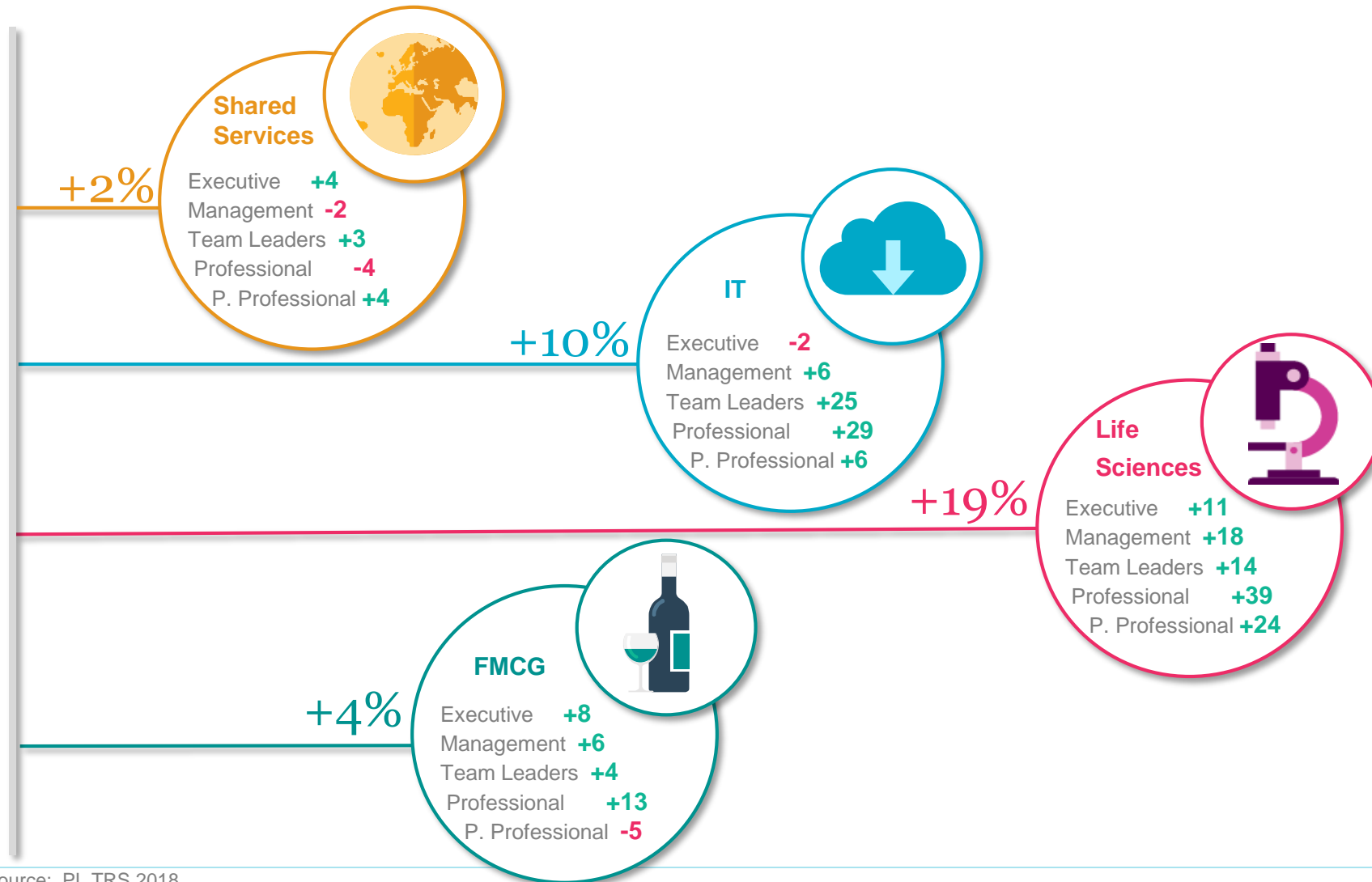


Source: PL TRS 2018

MERCER TOTAL REMUNERATION SURVEYS 2018

INDUSTRY DIFFERENTIALS

All Industry
Index 100

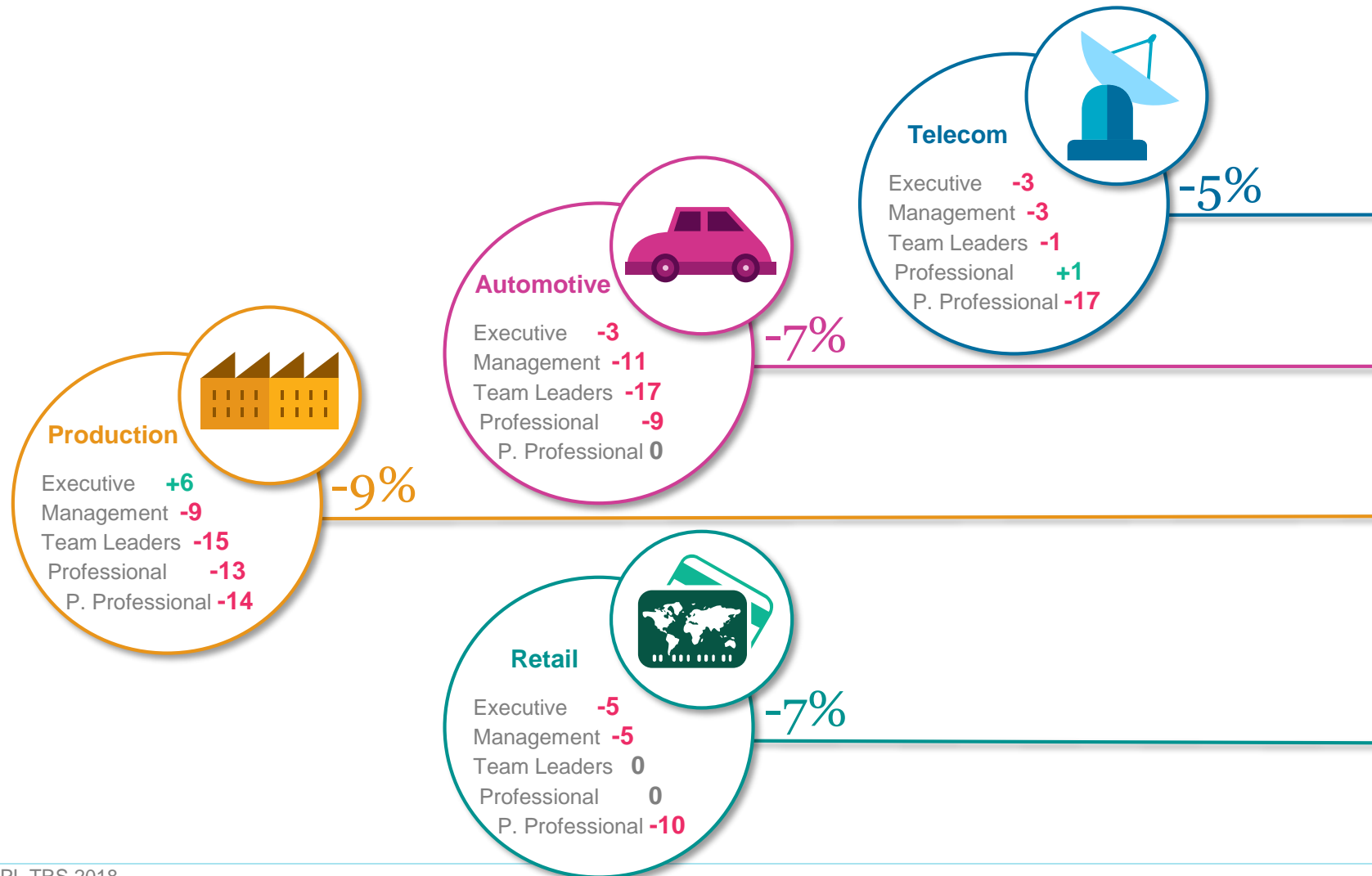


Source: PL TRS 2018

MERCER TOTAL REMUNERATION SURVEYS 2018

INDUSTRY DIFFERENTIALS

All Industry
Index 100



Source: PL TRS 2018

TOTAL REMUNERATION SURVEY 2018 VS TRI-CITY VS SSC BASE SALARY DIFFERENTIALS (REGRESSED DATA)

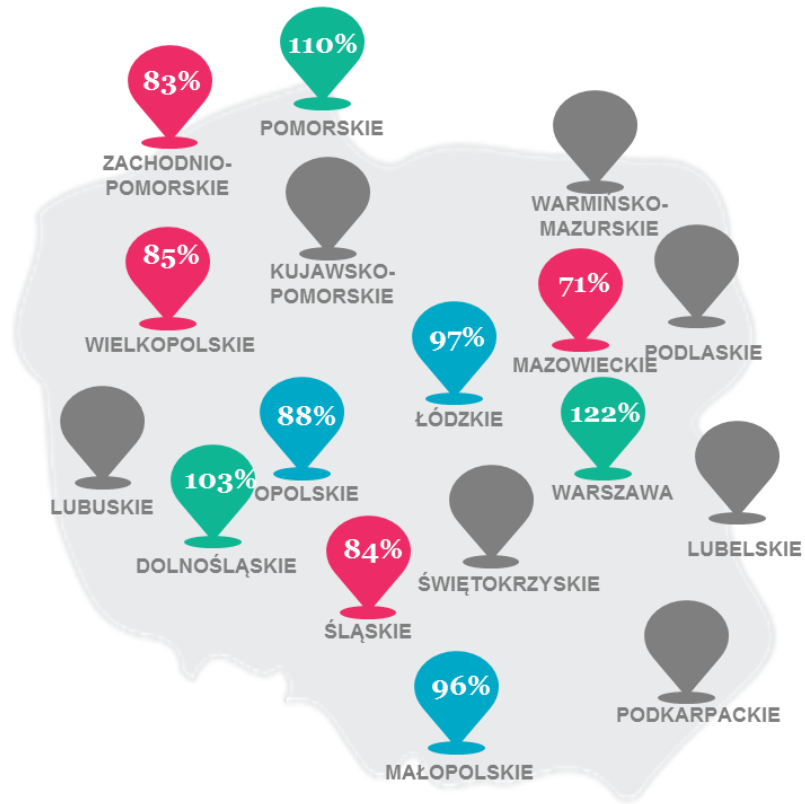
| | | PC | BASE SALARY DIFFERENTIALS General Market TRS vs SSC | | | PC | BASE SALARY DIFFERENTIALS General Market TRS vs BPO/SSC Tri-City |
|-------|--------------------|----|---|------------|--------------------|----|--|
| +2% | PARA PROFESSIONALS | 40 | 2% | -4% | PARA PROFESSIONALS | 40 | |
| | | 41 | 2% | | | 41 | |
| | | 42 | 2% | | | 42 | -6% |
| | | 43 | 2% | | | 43 | -4% |
| | | 44 | 2% | | | 44 | -2% |
| +1.3% | PROFESSIONALS | 45 | 2% | +8.3% | PROFESSIONALS | 45 | 1% |
| | | 46 | 2% | | | 46 | 3% |
| | | 47 | 2% | | | 47 | 5% |
| | | 48 | 1% | | | 48 | 8% |
| | | 49 | 1% | | | 49 | 1% |
| | | 50 | 1% | | | 50 | 1% |
| 2.6% | MANAGERS | 51 | 1% | 9.4% | MANAGERS | 51 | 15% |
| | | 52 | 1% | | | 52 | 18% |
| | | 53 | 4% | | | 53 | 12% |
| | | 54 | 4% | | | 54 | 10% |
| | | 55 | 3% | | | 55 | 9% |
| | | 56 | 3% | | | 56 | 7% |
| 1% | EXECUTIVES | 57 | 2% | EXECUTIVES | EXECUTIVES | 57 | 6% |
| | | 58 | 2% | | | 58 | 4% |
| | | 59 | 2% | | | 59 | |
| | | 60 | 1% | | | 60 | |
| | | 61 | 1% | | | 61 | |
| | | 62 | 1% | | | 62 | |

Source: PL TRS, SSC 2018, Tri-City BPO/SSC 2018

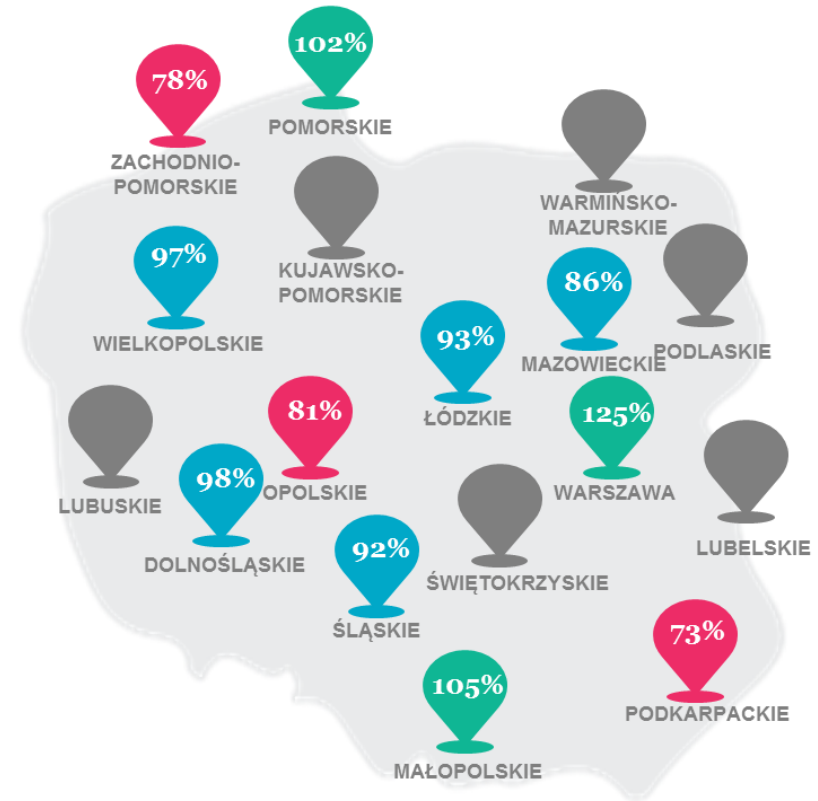
SHARED SERVICES SURVEY 2018

REGIONAL DIFFERENTIALS BASE SALARY

All Data = 100%



PARA PROFESSIONAL



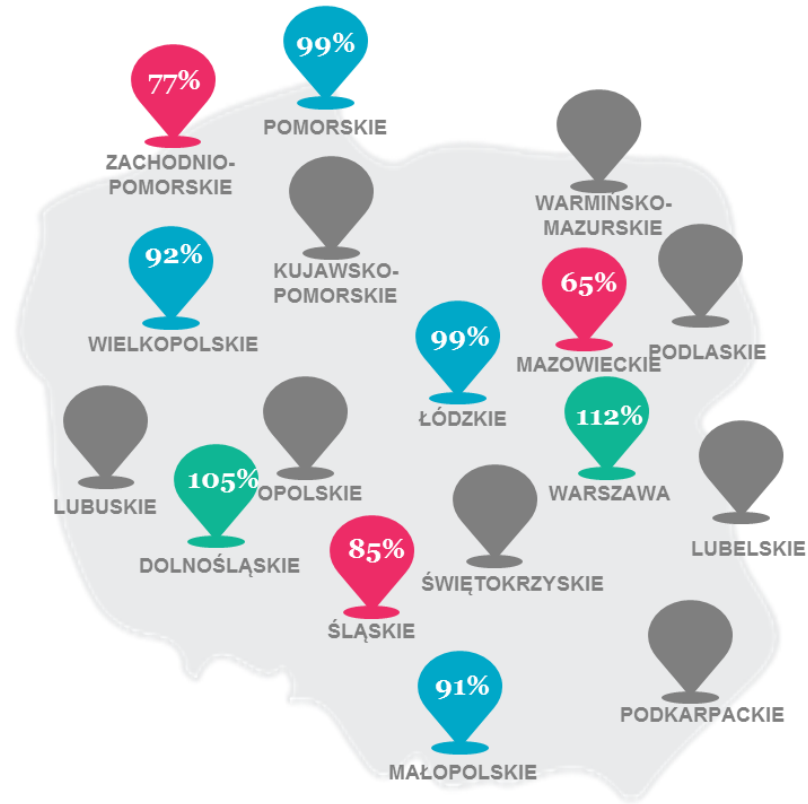
PROFESSIONAL

Source: PL SSC 2018

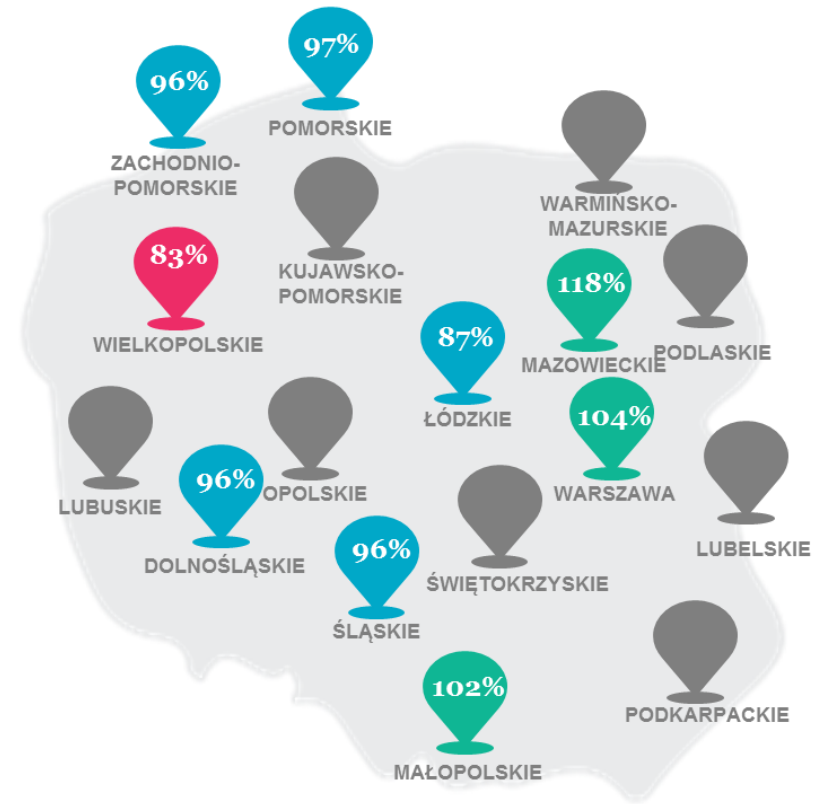
SHARED SERVICES SURVEY 2018

REGIONAL DIFFERENTIALS BASE SALARY

All Data= 100%



TEAM LEADERS

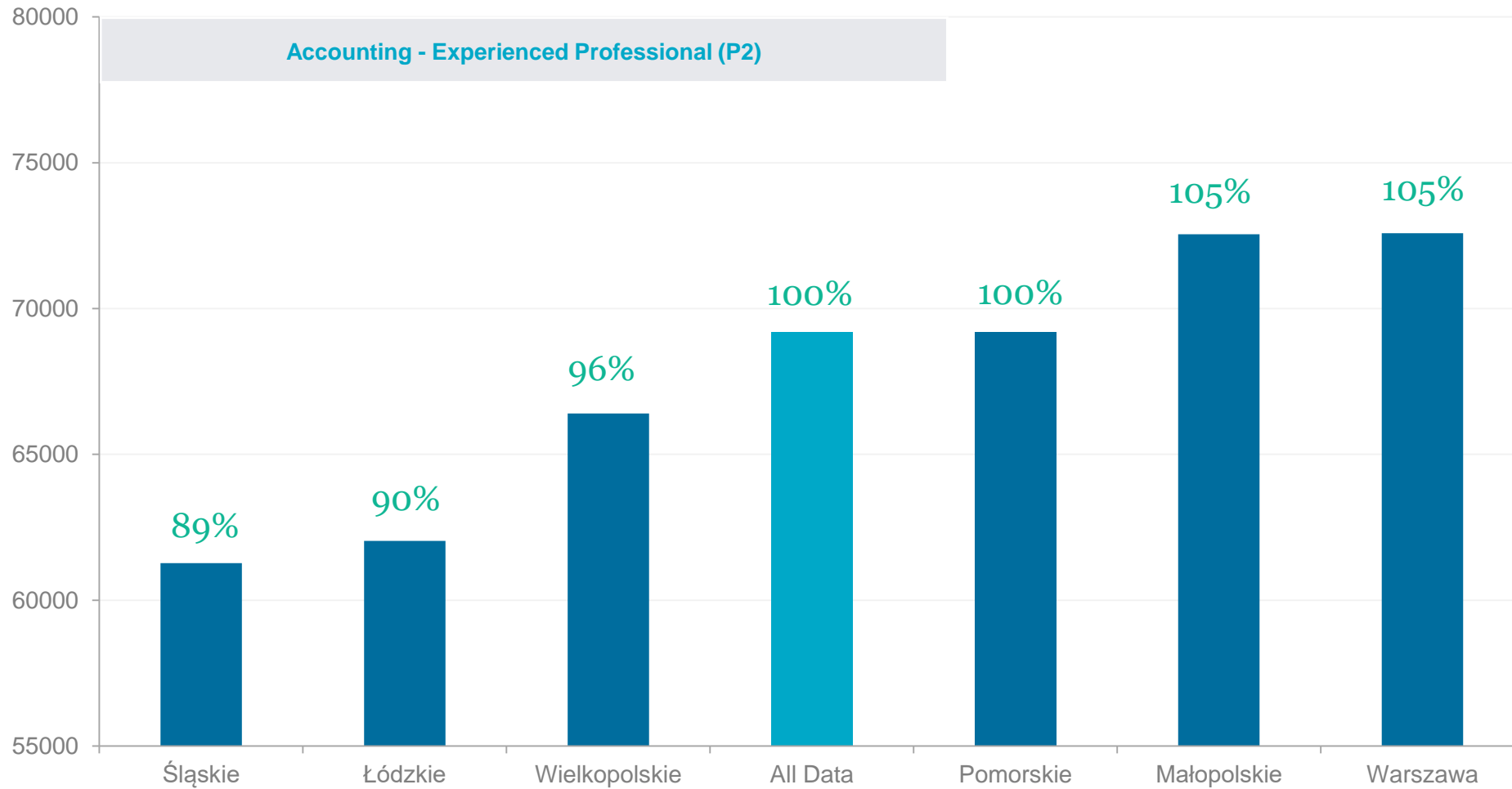


MANAGEMENT

Source: PL SSC 2018

BASE SALARY DIFFERENTIALS

ANNUAL BASE SALARY COMPARISON (MEDIAN, EUR, OW)



Source: PL SSC 2018

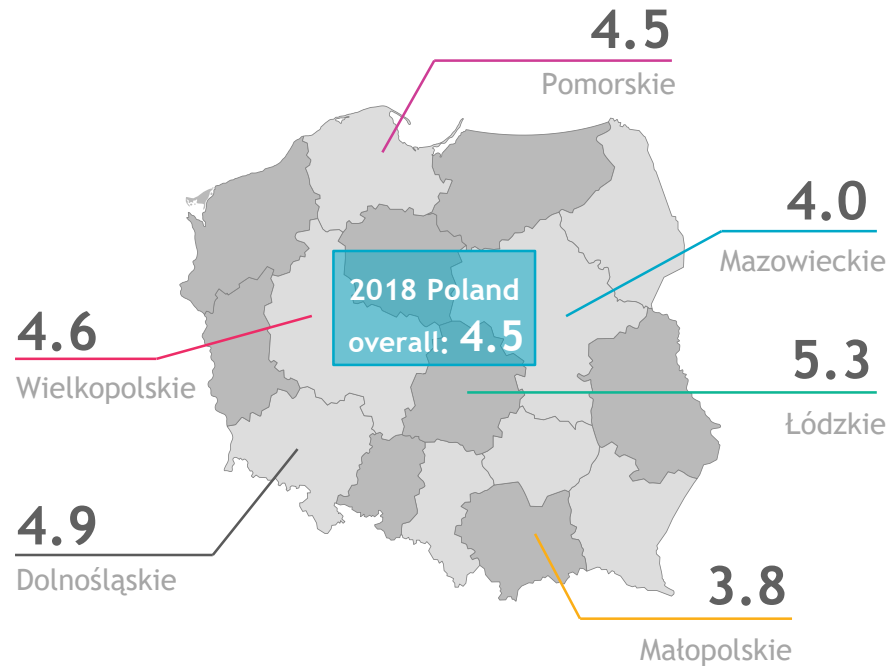
SALARY MOVEMENT

POLAND MERCER SURVEYS VS. GUS

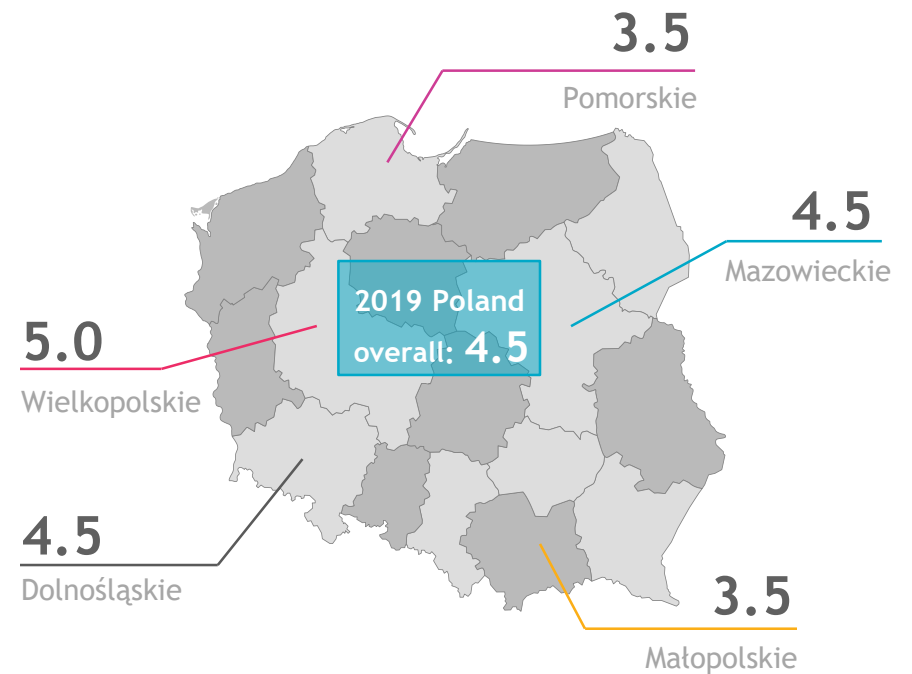
| | POLAND | MANUFACTURING | FMCG | HIGH-TECH | PHARMA | SSC | GUS |
|------|--------|---------------|------|-----------|--------|------|-------|
| 2008 | 6.5% | 9.3% | 6.1% | 8.0% | 5.9% | - | 10.1% |
| 2009 | 4.7% | 3.7% | 5.0% | 3.4% | 5.5% | - | 4.4% |
| 2010 | 3.9% | 4.0% | 3.7% | 3.4% | 4.4% | - | 3.3% |
| 2011 | 4.0% | 4.4% | 4.0% | 4.1% | 4.0% | - | 5.0% |
| 2012 | 4.0% | 4.1% | 4.0% | 4.2% | 4.2% | - | 3.4% |
| 2013 | 4.2% | 4.1% | 4.0% | 4.2% | 4.0% | 3.6% | 2.8% |
| 2014 | 3.1% | 3.4% | 3.0% | 3.1% | 3.5% | 3.1% | 3.4% |
| 2015 | 3.2% | 3.3% | 2.6% | 3.3% | 3.0% | 3.2% | 4.2% |
| 2016 | 3.0% | 3.0% | 2.9% | 2.9% | 2.5% | 3.4% | 4.2% |
| 2017 | 3.5% | 3.4% | 3.0% | 3.7% | 3.0% | 3.2% | 5.5% |
| 2018 | 3.5% | 4.0% | 3.6% | 5.5% | 3.3% | 4.0% | 7.2%* |
| 2019 | 4.0% | 4.0% | 4.0% | 4.0% | 4.5% | 4.4% | |

Source: *GUS – comparison of July 2017/2018, Mercer Surveys Policy&Practice Reports

BUDGETED SALARY INCREASE FOR 2018 AND 2019 MEDIAN (E2)



Median salary increase **when promoting** to more senior level is **15%** up to Senior Management level in BPO/SSC industry.



Source: PL Spot Poll E2 2018

SALARY INCREASES 2018, 2019, 2020











SSC AND TRI-CITY BPO/SSC SURVEY



Source: PL SSC, Tri-City SSC 2018

SHARED SERVICES SURVEY- ACTUAL SALARY MOVEMENTS 2018

THE HIGHEST INCREASES

| | | |
|---|---|-----|
|  | General IT Infrastructure Systems Administration P1 | 18% |
|  | General IT Infrastructure Systems Administration M2 | 15% |
|  | Recruiting M3 | 10% |
|  | Recruiting P3 | 10% |
|  | General IT Infrastructure Systems Administration P2 | 9% |
|  | General Project Management P2 | 9% |
|  | General Corporate Finance Management P2 | 8% |
|  | Recruiting P2 | 8% |
|  | Procurement P1 | 8% |
|  | Payroll M2 | 7% |

PARA PROFESSIONALS

PROFESSIONALS

MANAGERS

EXECUTIVES

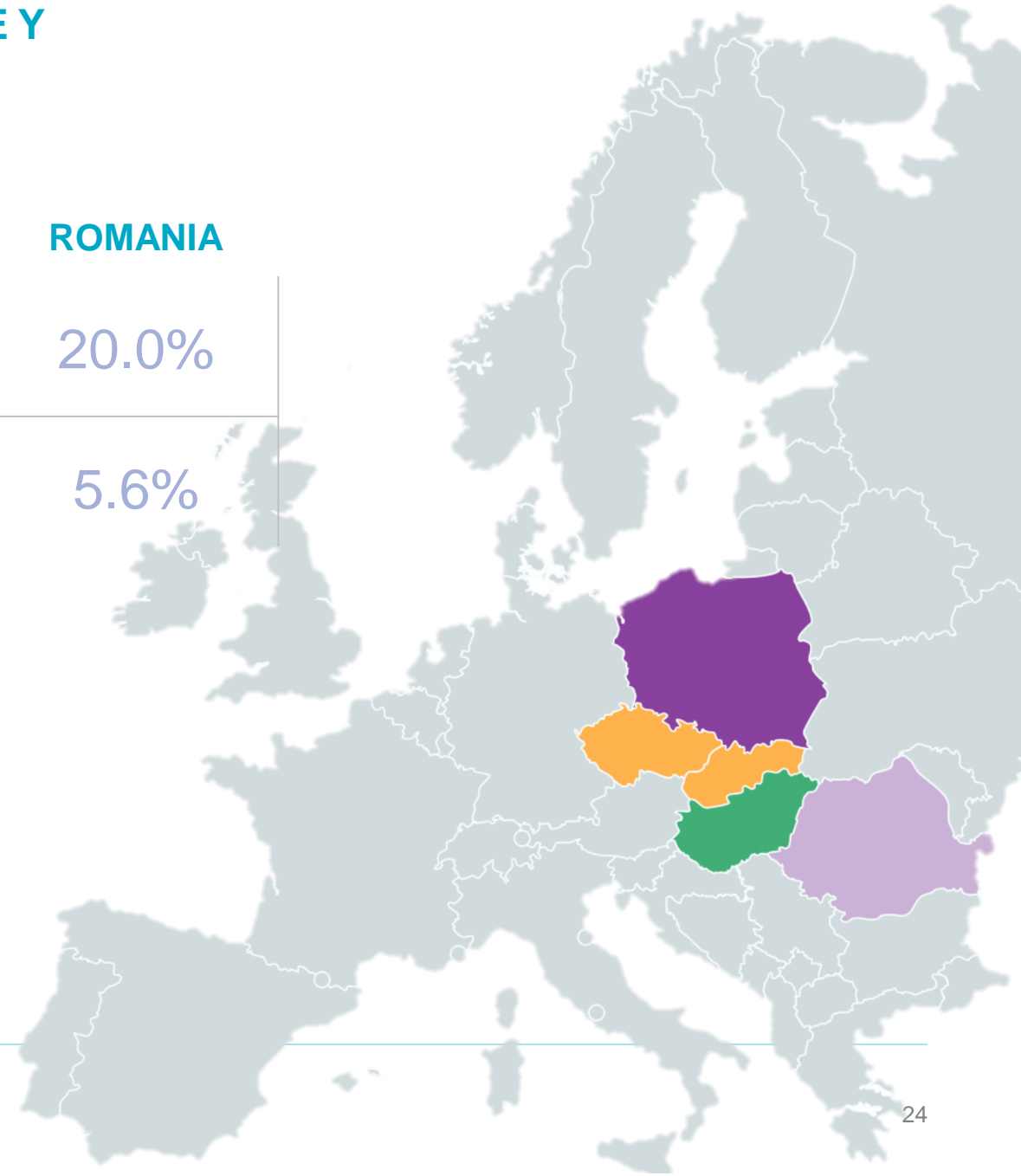
| PC | Change In Base Salary (Regression) |
|----|------------------------------------|
| | SSC |
| 41 | 5% |
| 42 | 5% |
| 43 | 4% |
| 44 | 3% |
| 45 | 2% |
| 46 | 2% |
| 47 | 1% |
| 48 | 0% |
| 49 | -1% |
| 50 | -1% |
| 51 | -2% |
| 52 | -3% |
| 53 | 0% |
| 54 | 0% |
| 55 | -1% |
| 56 | -1% |
| 57 | -1% |
| 58 | -1% |
| 59 | -2% |
| 60 | -2% |
| 61 | -2% |

SHARED SERVICES SPOT POLL SURVEY

JULY, 2018

| | POLAND | CZECH REPUBLIC/ SLOVAKIA | HUNGARY | ROMANIA |
|-----------------------------|--------|-----------------------------|---------|---------|
| OVERALL VOLUNTARY TURNOVER | 16.0% | 10.8% | 17.0% | 20.0% |
| FORECASTED SALARY INCREASES | 4.5% | 3.6% | 4.0% | 5.6% |

*median



SHARED SERVICES IN THE WORLD

TOP 5 COUNTRIES

1. USA 2. INDIA 3. PHILLIPINES 4. POLAND 5. CHINA

EUROPE

1. Poland
2. Spain
3. UK
4. Germany
5. Portugal



ASIA

1. India
2. Phillipines
3. China
4. Malaysia
5. Indonesia



AMERICA

1. USA
2. Canada
3. Brasil
4. Mexico
5. Costa Rica



AFRICA/ MIDDLE EAST

1. Saudi Arabia
2. South Africa
3. Egypt
4. Turkey
5. Morocco



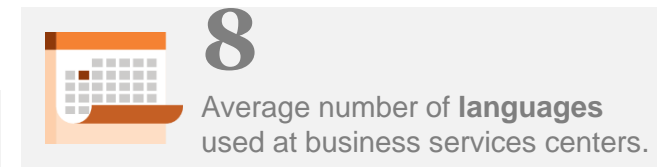
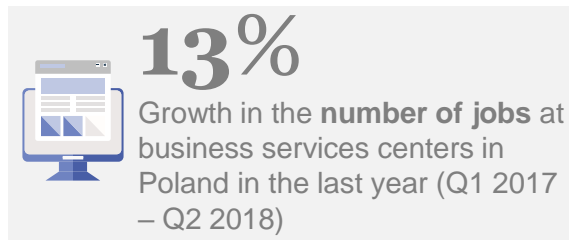
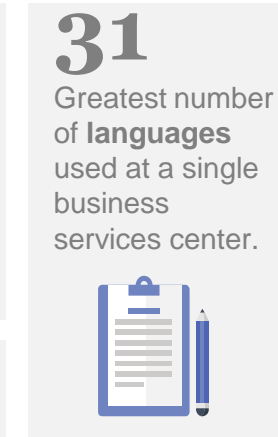
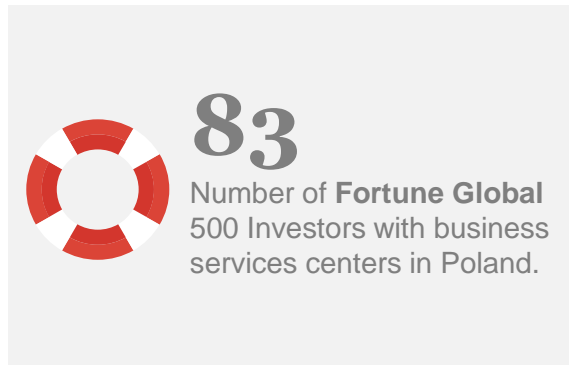
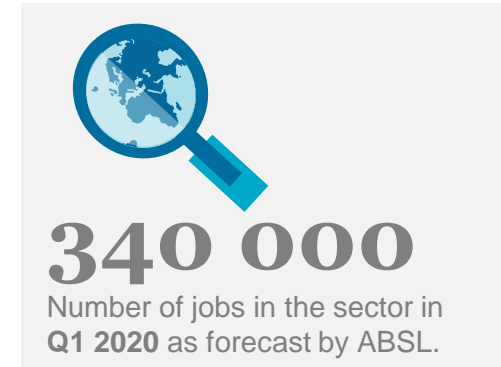
COUNTRIES WORTH ATTENTION

IRELAND CZECH REPUBLIC HUNGARY SLOVAKIA ROMANIA

Source: SSON 2017

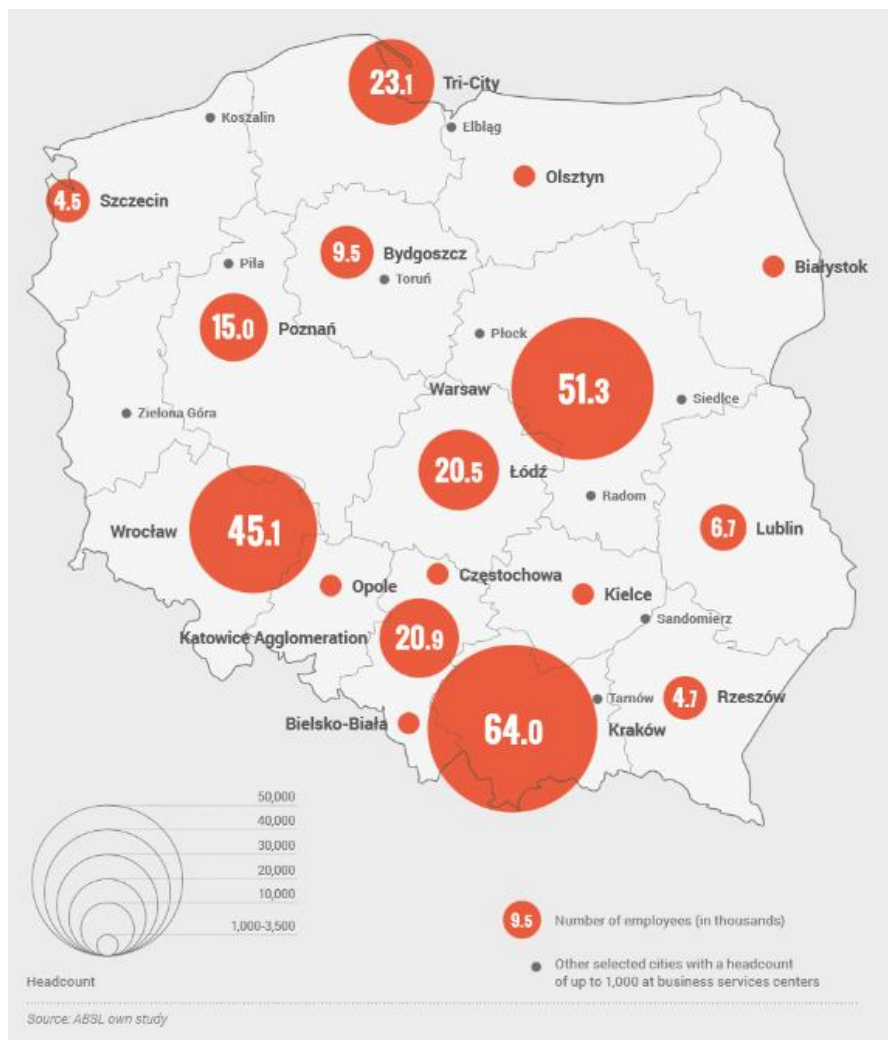
SHARED SERVICES CENTRES IN POLAND 2018

KEY CHARACTERISTICS

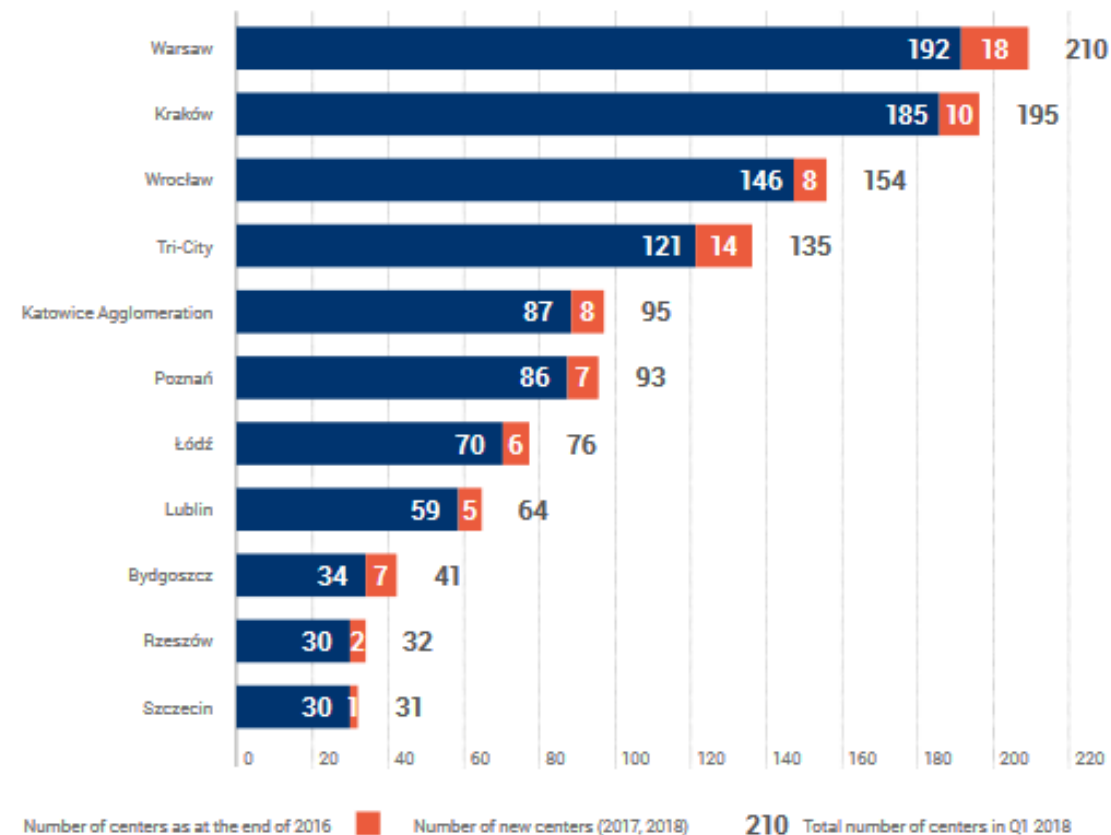


Source: ABSL 2018

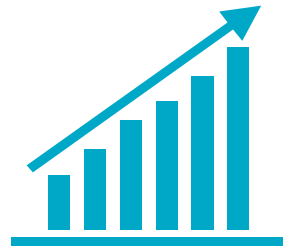
POLAND PERSPECTIVE SHARED SERVICES CENTRES – OVERVIEW



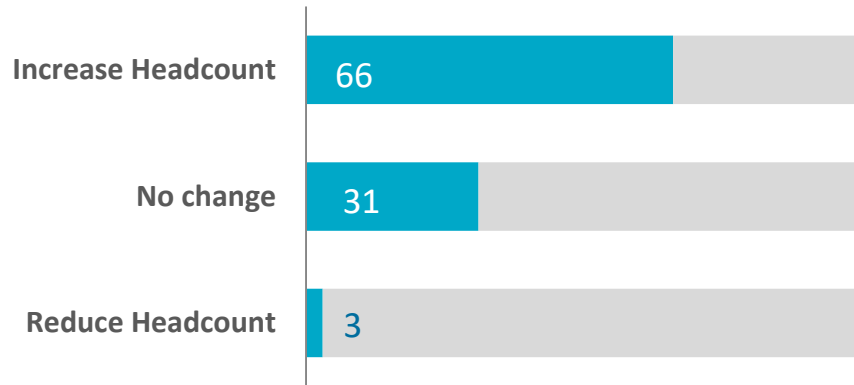
Source: ABSL



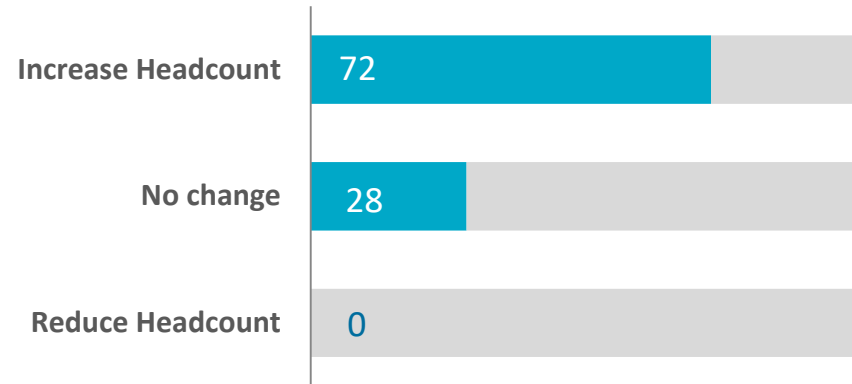
HIRING INTENTIONS 2019



Shared Services 2019

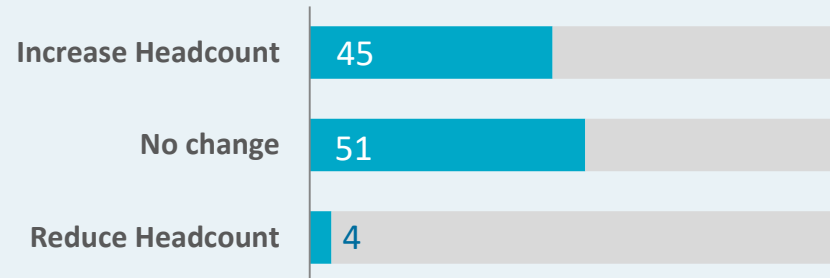


Tri-City BPO/SSC 2019



What is the situation in the general market?

Total Remuneration Survey 2019



Source: PL Tri-City SSC, SSC, TRS 2018

2018 POLAND – TRS & INDUSTRY SURVEYS BENEFITS COVERAGE BY SECTORS



| BENEFIT | TRS 2018 | SSC 2018 | Tri-City 2018 |
|--------------------------|----------|----------|---------------|
| Company Cars | 91% | 81% | 69% |
| Private Medical Benefits | 88% | 90% | 94% |
| Personal Insurance | 68% | 72% | 67% |
| Retirement | 20% | 15% | 0% |
| Flexible Benefits | 28% | 37% | 61% |

Source: PL Tri-City SSC, SSC, TRS 2018

SHARED SERVICES SECTOR POLAND

NON-CASH ELEMENTS OF REMUNERATION PACKAGE



- Flexible benefits
- Personal Insurance Benefits
- Pension plan
- Private Medical Benefits (for family members for free)
- Lunch vouchers/ card
- Transportation card
- Social fund, language classes paid by employer
- Discount for company products; Free use of company products
- Stock shares



- Safety Driving School
- Learning week
- Digital experience and state of the art technology used at work
- Health & well-being activities
- Bike to Work Incentive
- Sport trainings in office
- Office relaxation rooms
- Massages in the office
- Carnival Party



- Flexible hours / remote working based on manager's approval
- Permanent contract from first day (without trial period)
- Promotion/internal movement, several cities in Poland and abroad
- Employee Assistance Program
- CSR engagement
- Volunteering Day Off/ paid days off for volunteering
- Recognition system in which employees receive points from their manager for completed task/projects; point can be exchanged for rewards
- Loyalty program (like Payback)
- Additional holidays / Holiday bonus

SHARED SERVICES SURVEY 2018 RESULTS

TRENDS IN SHARED SERVICES MARKET



Starter Salaries

| 2017 | 2018 |
|-------|-------|
| 3 500 | 4 000 |
| +14% | |



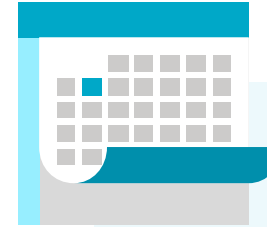
Overtime Work

Do you pay for overtime work?

| YES | NO |
|-----|----|
| 94% | 6% |

Time in Lieu Professionals
Cash Allowances Professionals

| | |
|-----|-----|
| 96% | 74% |
|-----|-----|



Additional Holidays

Do you offer additional holidays?

| YES | NO |
|-----|-----|
| 20% | 80% |

+2 days off

Source: SSC PL 2018

FOREIGN LANGUAGE PROFICIENCY ALLOWANCE SHARED SERVICES SURVEY POLAND

49%

differentiate between salaries depending on foreign language proficiency

N=93 organizations

64%

provide fixed amount bonus

VS

36%

provide bonus as percentage of monthly salary

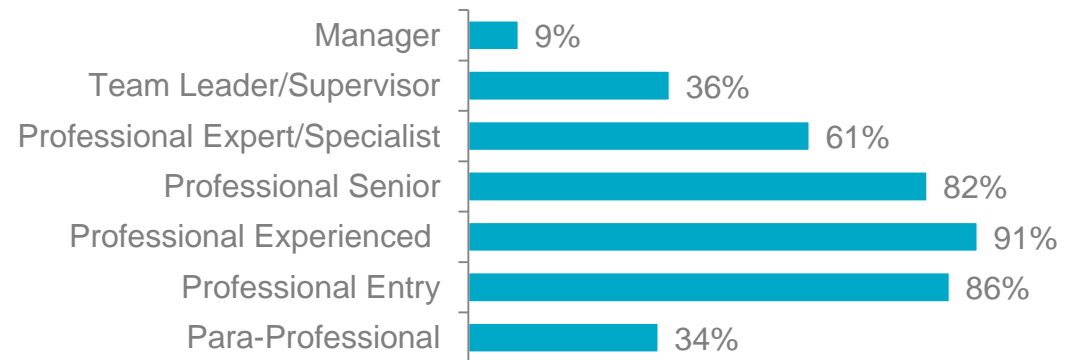
N=37 organizations, less common languages

1000 PLN

Amount of salary increase because of less common language

N=14 organizations, proficient

To which employees the policy applies to?



N=44 organizations.

Organizations were allowed to provide more than one answer, therefore the total may exceed 100%.

Source: SSC PL 2018

FOREIGN LANGUAGE PROFICIENCY ALLOWANCE TRI-CITY BPO/SSC SURVEY 2018

65%

differentiate between salaries depending on foreign language proficiency

N=17 organizations

47%

provide fixed amount bonus

VS

53%

provide bonus as percentage of monthly salary

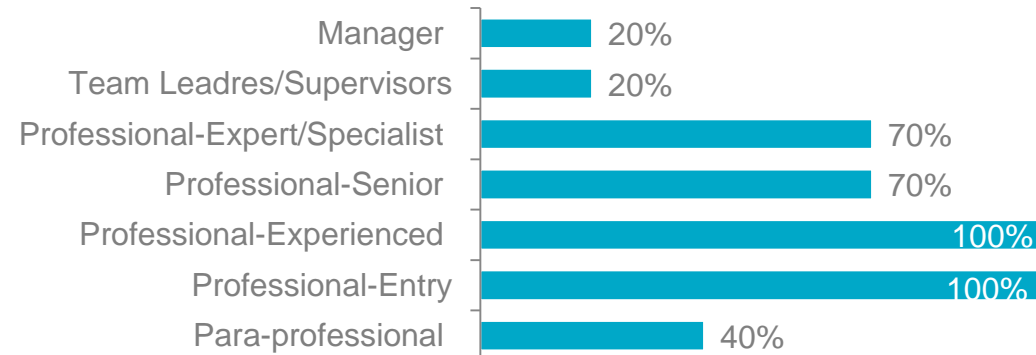
N=15 organizations

700 PLN

Amount of salary increase because of less common language

N= 5 organizations, proficient

To which employees the policy applies to?



N=10 organizations.

Organizations were allowed to provide more than one answer, therefore the total may exceed 100%.

Source: PL SSC Tri-City 2018



MERCER

MAKE TOMORROW, TODAY

Mercer (Polska) Sp. z o.o. Al. Jerozolimskie 98, 00-807 Warszawa zarejestrowana w Sądzie Rejonowym dla m.st. Warszawy w Warszawie XII Wydział Gospodarczy KRS: 0000043554, NIP: 525-21-41-429, REGON: 016094276 Wysokość kapitału zakładowego: 2 936 000,00zł, kapitał wpłacony w całości