



## 2016 GLOBAL SALARY FORECAST

The future of pay: world sees biggest pay rise in three years

This year's forecast shows that for the majority of countries, real wage increases in 2016 are set to be the highest in three years. Workers globally will see an average real pay increase of 2.5% -as increases combine with historically low inflation to leave employees better off.

- Global salary rise highest in three years
- Real wages up 2.5%, as pay rises combine with low inflation
- Despite economic slowdown, Asian workers to see biggest real wage rise, with China forecast to see third highest real wage increase globally

### FORECAST REMAINS POSITIVE IN EUROPE

According to the Korn Ferry Hay Group forecast, workers across Europe are set to see an average salary increase of 2.8% in 2016, and with inflation at 0.5% will see real wages rise by 2.3%. Fueled by a low inflation environment, those in Western Europe will see a 2% increase in real wages compared to a 2.9% increase in Eastern Europe.

The outlook is positive in the UK, France and Germany. While salary rises will stay at 2.5% in the UK (the same as the last two years), low inflation means that real wages are to increase by 2.3% in 2016 -above the Western European average. Workers in France and Germany are also forecast to see real wage rises of 1.7% and 2.7% respectively. The picture is similar in Greece, where, despite economic issues, salaries are set to increase 2% (compared to 1.3% last year) with deflation leading to real wage rises of 3.4% expected in 2016.

Two outlier countries are excluded from the regional averages, due to specific political issues causing high inflation which impacts real wage increases.

Workers in Ukraine are forecast to see the biggest wage rises in Europe (11.5%), but due to high inflation (48.3%) real wages are set to drastically reduce by 36.8%. The outlook is similar in Russia as the impact of economic sanctions and falling oil prices hit the economy.

## 2016 Global Salary Forecast

Despite an average salary increase of 7%, with inflation at 14.5%, real wages are set to fall by 7.5%. This is significantly more than the 0.7% decrease in real wages seen last year.

Philip Spriet, Global Managing Director for Productized Services at Hay Group, said: "This year's global salary forecast shows that for the majority of countries, real wage increases in 2016 are set to be the highest in three years. Differing macro-economic conditions means there are stark variations globally but overall decent pay increases, coupled with extremely low (and in some cases, zero) inflation, mean that the outlook is positive for workers."

### HIGHEST REAL WAGE GROWTH IN ASIA

In Asia, salaries are forecast to increase by 6.4% - down 0.4% from last year. However, real wages are expected to rise by 4.2% - the highest globally. The largest real wage increases are forecast in Vietnam (7.3%), China (6.3%) and Thailand (6.1%). In fact, despite China's economic slowdown, coupled with plummeting stock markets and reduced exports, workers in the country are set to see an 8% salary increase in 2016 as employment rates continue to grow due to the increasing need for skilled workers and the sustained rise of the burgeoning middle class.

Seeing the benefit of being a part of the fastest growing major economy, Indian workers are also forecast to see the highest real wage increase they have seen in the last three years, at 4.7% compared to 2.1% last year and 0.2% in 2014.

### BUOYANT LABOR MARKET IN NORTH AMERICA

This upward trend can also be seen in North America, where the labor market is buoyant. In the USA, with low inflation (0.3%), employees will experience real income growth of 2.7%. Canadian workers will meanwhile see salaries increase by 2.6% and experience real wage growth of 1.3%. Across the continent, salaries will increase by 2.8% - the same as last year.

### ECONOMIC TURMOIL IMPACTING WORKERS IN LATIN AMERICA

Workers in Latin America are forecast to see the largest headline salary rises in 2016 at 11.4%. However, due to high inflation in the region (12.8%), they are expected to see real wage cuts of 1.4%. This is especially evident in Argentina and Brazil, as despite salary increases of 31% and 7.7% respectively, workers in Argentina will only see a 3.6% increase in wages and those in Brazil will actually see a real pay cut of 1.2% in 2016.

However, Venezuela is set to suffer the most significant cut in real income across the globe. Salary increases are high at 70%, but when predicted inflation is factored in (122.6%), employees can expect real wage cuts of 52.6%.

### STRONG GROWTH IN THE MIDDLE EAST AND AFRICA

2016 looks positive for workers in the Middle East and Africa. Despite plunging oil prices and economic and political chaos throughout the region, salaries in the Middle East and Africa are forecast to rise by 5.3% and 6.5% respectively.

Relatively low inflation means that workers are set to see real wage increases of 3.8% and 1.6%.

In the Middle East, Lebanon (11.5%) and Jordan (5.3%) are forecast to see the highest real wage increases, with the UAE set to see the slowest real wage growth (0.9%)- down from 2.8% last year. High inflation in Egypt means it is the only country in the region set to see a cut in real wages (0.4%).

Philip Spriet concludes: "Asia continues to drive growth in wages globally as companies look set to increase wages. However, the global labor market is in flux as the aging workforce in advanced economies begins to take hold. In emerging economies, upskilling workers is crucial for companies to maintain competitive advantage and those skilled employees can expect to see wages rise as talent shortages in certain regions drives salaries up."

Average real wages increases are based on 73 countries in Hay Group's database -excluding Ukraine and Venezuela, where political turmoil and high inflation have led to real wage decreases of 36.8% and 52.6%.

### ABOUT THE STUDY

The data was drawn from Hay Group PayNet which contains data for more than 20 million job holders in 24,000 organizations across more than 110 countries.

It shows predicted salary increases, as forecasted by global HR departments, for 2016 and compares them to predictions made at this time last year regarding 2015. It also compares them to inflation predictions for 2016 from the Economist Intelligence Unit.