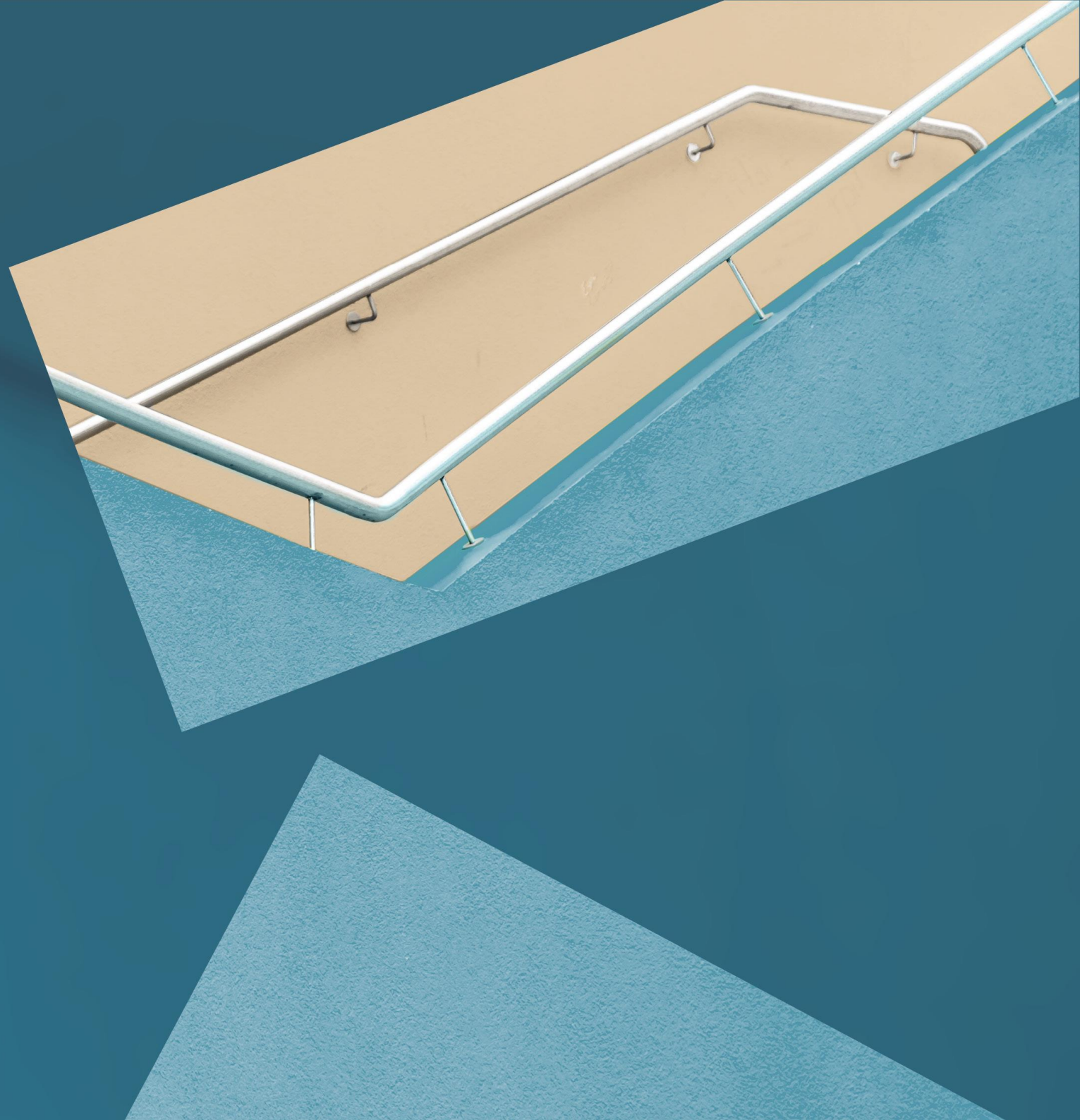


Webinar | October 2024

Salary Progression in Europe - Forecast 2025

Insights

Kienbaum



Your Speakers today



Fabio Ciarapica

Managing Partner

Italy 



Petr Hruska

Managing Director/Partner

Czech Republic 



Holger Jahn

Executive Director

Germany 



Hans Jonkers

Managing Director

Netherlands 



Andras Saghy

Managing Director

Hungary 

Data basis of the Kienbaum salary progression forecast 2025

Design of the study

Sample	1,258
Type of survey	Online survey
Type of study	Quantitative
Period	26/8/2024 to 23/9/2024
Countries	38

Europe

Austria	Poland
Belgium	Portugal
Bulgaria	Romania
Croatia	Slovakia
Czech Republic	Slovenia
Denmark	Spain
Finland	Sweden
France	Switzerland
Germany	The Netherlands
Hungary	Turkey
Ireland	United Kingdom
Italy	

North America

USA
Canada

South America

Brazil
Columbia
Mexico

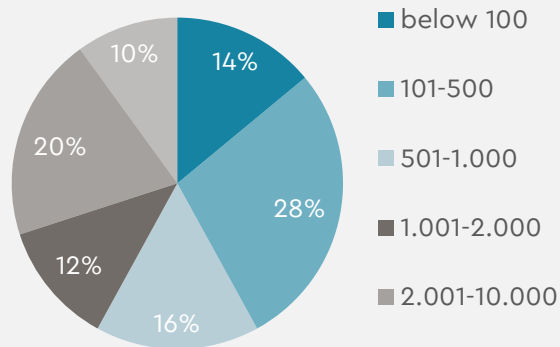
Asia

China (Peking & Shanghai)
India
Japan
Singapore
Soth Korea
Thailand
United Arab Emirates

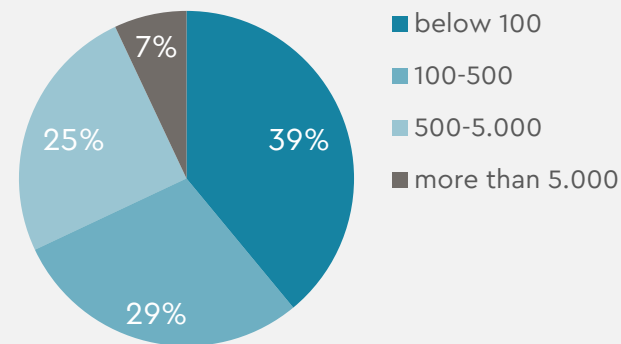
Afrika

South Afrika
Other
Australia

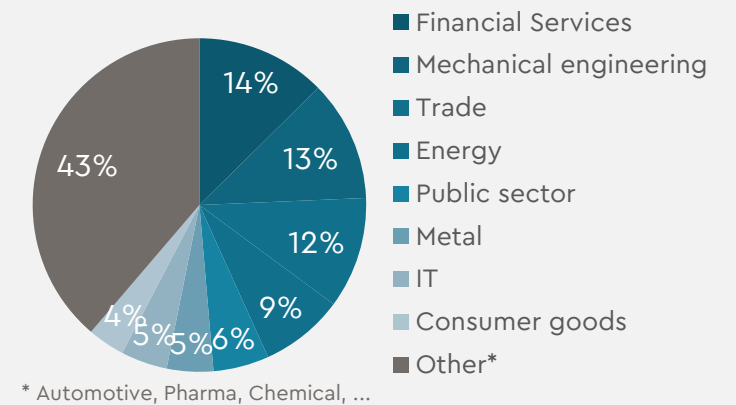
No. of employees



Size of the company (Mio. €)



Distribution by sector



Agenda

01 Introduction

02 Deep-dive country perspective

03 Wrap up & Discussion

Germany's economic slowdown is impacting the EU, but several countries and regions are still seeing solid growth

2024 CEO Outlook

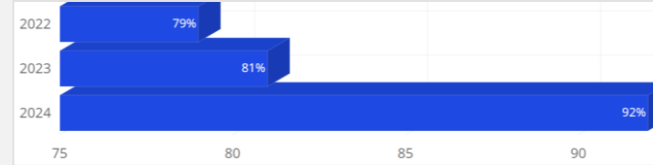
Business growth challenged by the pace of technology

Over the past decade, **CEO confidence in the global economy has declined** due to increasing complexities. While **72% remain optimistic**, this is a **significant drop from the 93% seen in 2015**.

AI front and center as the urgency around adoption accelerates

Despite concerns, **76% of CEOs believe AI won't significantly reduce jobs in the next three years**. However, only 38% are confident their employees have the necessary AI skills, and **58% say generative AI is reshaping entry-level job requirements**.

CEOs three-year outlook on expected headcount growth from 2015 to 2024



CEOs are concerned about talent-related issues affecting future growth, with nearly a third worried about retiring employees and a lack of skilled replacements. In response, 80% believe in investing in skills development and lifelong learning in local communities. With this effort, **92% hope to increase their workforce over the next three years**.

Süddeutsche Zeitung



Exklusiv Konjunktur

"Growth and new investments are increasingly shifting abroad"

- September 23, 2024

Geopolitical upheavals, Chinese competitors, and deteriorating conditions are putting European industrial goods manufacturers under increasing pressure, according to a new study.



Which EU countries are leading in growth



France – Growth on Credit

Under President Macron, France has focused on boosting the economy and **attracting foreign investment**, now leading Europe in foreign investment. A key factor is the **reduction in corporate taxes** from 33% to 25%, making France more competitive.

Growth in Eastern Europe Strengthens the EU

Most Eastern European countries, including **Poland, Hungary, and Slovakia, are expected to grow by over two percent this year**. Achim Wambach, President of the Centre for European Economic Research, views the region's strong growth, low debt, and low unemployment as **key advantages for the EU**.

Spain - High Unemployment Despite Stable Economy

Spain's economy is **performing better than other major European countries**, with stable growth around 2%, driven **largely by tourism**. However, **unemployment remains a significant issue at 12%**, double the EU average, despite manageable new debt levels at around 3%.

WirtschaftsWoche



Euro inflation falls to its lowest level in three years - September 18, 2024

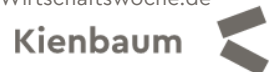
Declining energy prices are particularly responsible for the lower inflation rate. In contrast, prices for services are rising again.

KPMG 2024 CEO Outlook

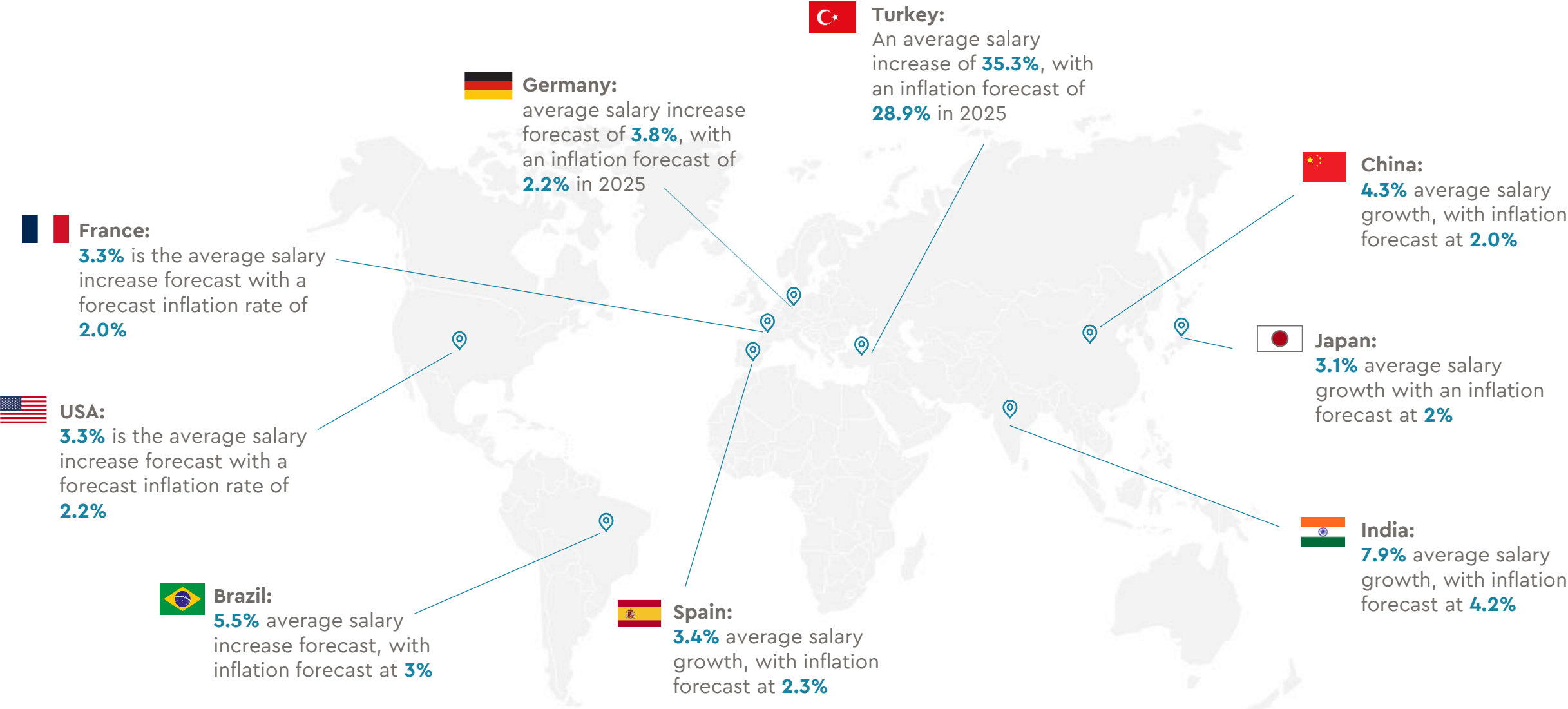
Welche EU-Staaten beim Wirtschaftswachstum vorn liegen | tagesschau.de

Sueddeutsche.de/Wirtschaft

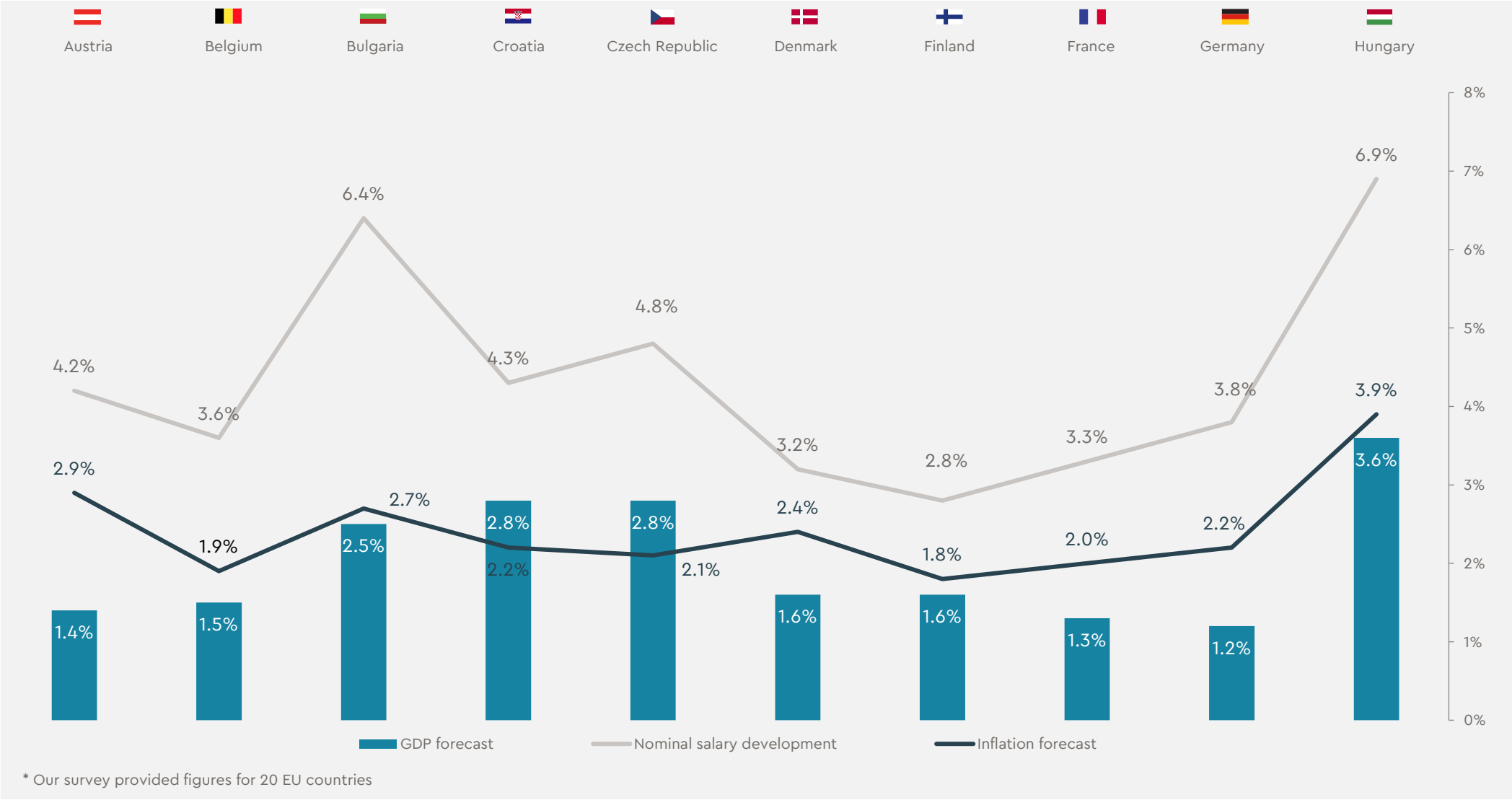
Wirtschaftswoche.de



Salary progression forecast from a global perspective



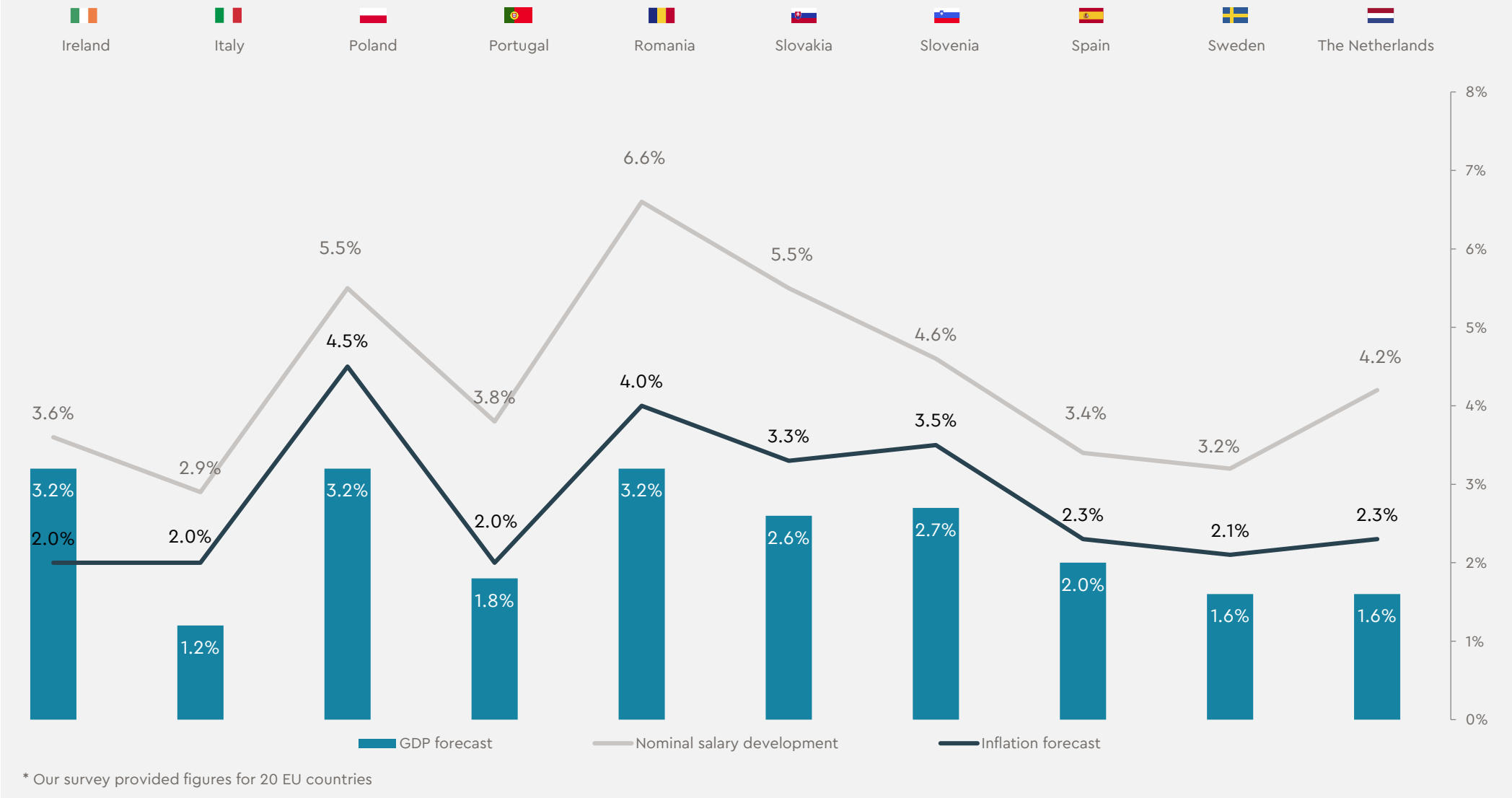
Salary growth in the EU countries* is expected to be between 2.8% in Finland and 6.9% in Hungary for 2025 (1/2)



* Our survey provided figures for 20 EU countries

* GDP forecast: European Commission (europa.eu): Winter 2024 Economic Forecast

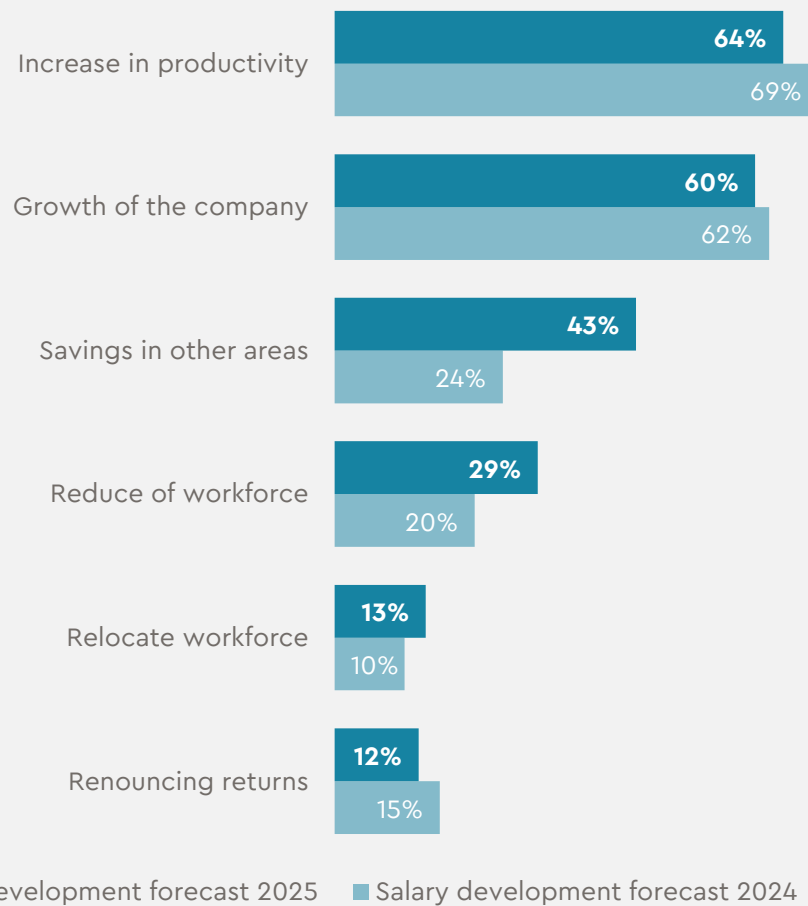
Salary growth in the EU countries* is expected to be between 2.8% in Finland and 6.9% in Hungary for 2025 (2/2)



* Our survey provided figures for 20 EU countries
 * GDP forecast: European Commission (europa.eu): Winter 2024 Economic Forecast

In times of weak economies, savings and staff reductions to finance rising wage costs become increasingly important

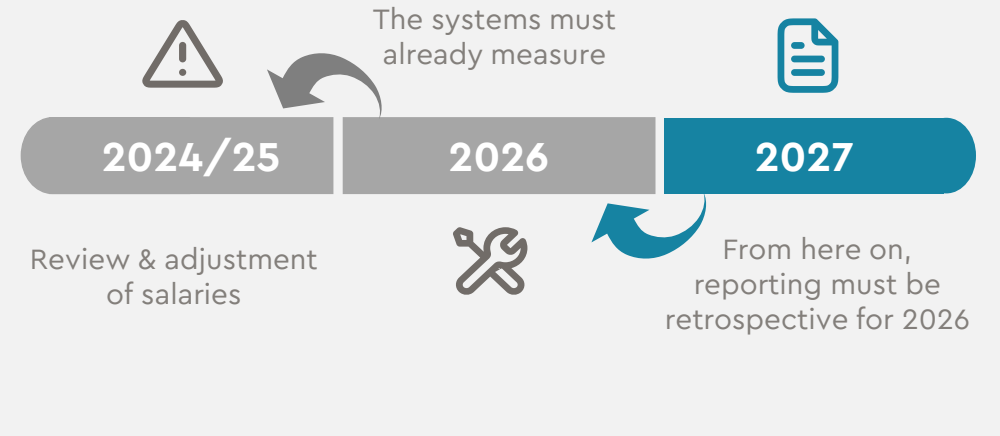
How are companies planning to finance rising wage costs?



- **Order of measures** mentioned by companies to finance rising wage costs **has not changed significantly** compared to the previous year
- **Compensate for rising wage costs primarily (but with decreasing proportion) through**
 - productivity increases
 - additional growth
- **Increasingly financing through**
 - savings in other areas
 - reduction of workforce
 - relocation of workforce

Overall companies plan to use about 16.5% on average of the total budget for structural adjustments e.g. before the background of upcoming Equal Pay legislation

Timing in the context of the EU Directive (EU/2023/970)



The directive must be transposed into national law by June 2026.

Measures for more wage transparency

-  Wage transparency for jobseekers
-  Right to information for employees
-  Gender pay gap reporting
-  Joint pay assessment

Measures for more rights in the event of pay discrimination

-  Compensation for employees
-  Burden of proof for employers
-  Sanctions including fines
-  Class action suit

Deep-dive – country perspective

Netherlands

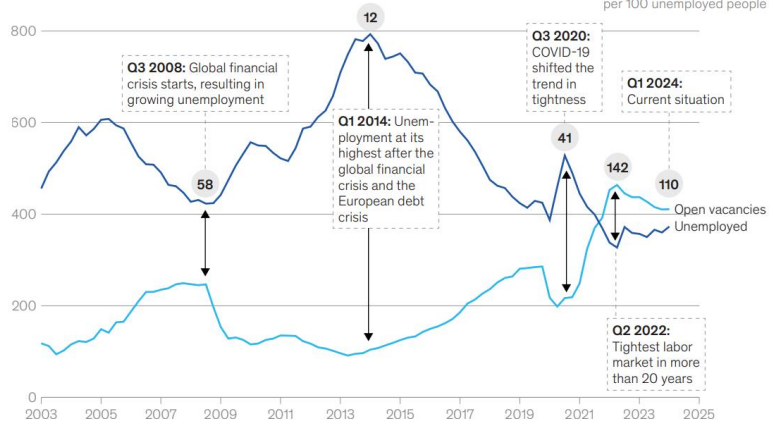
The Netherlands



Exhibit 4

There are currently more job openings than unemployed people in the Netherlands.

Job openings vs # unemployed people, thousands



Source: "Tension on the labor market," Centraal Bureau voor de Statistiek (Statistics Netherlands), accessed May 16, 2024

McKinsey & Company

Dutch economy in focus

Economic Bureau | 12 September 2024

One swallow does not make a summer

Aggie van Huissteling, Economist Netherlands, +31648365148

Jan-Paul van de Kerke, Senior Economist Netherlands and Eurozone, +31644294475

- Surprisingly strong growth in the second quarter finds no continuation in the quarters after
- High interest rates, weakness in manufacturing and reluctant consumers keep growth down
- Growth picks up more next year as rates are cut further, global trade picks up, and consumer demand increases
- We expect economic growth to average 0.6% in 2024 and 1.3% in 2025



Latest Europe World EU Policy Business Euroviews Next Green

Despite a steep drop in fuel prices, annual inflation in the Netherlands was still 3.5% in September, one of the highest in the eurozone.

Prices in the Netherlands were 3.5% higher in September than a year earlier, according to the final figures published by the Netherlands Statistics Office (CBS).

The pace of the price increase was, however, slightly slower than in August when annual inflation was 3.6%. In a monthly comparison, prices dropped by 0.5% in September, the first month-by-month decline since November 2023.

One of the main reasons for some easing in the prices was the drop in the cost of motor fuels, prices were 11.3% lower in September than a year earlier pulling down with them the costs for transport (-1.6%).

FINANCIAL TIMES

COMPANIES TECH MARKETS CLIMATE OPINION LEX WORK & CAREERS LIFE & ARTS HTSI

European Central Bank + Add to myFT

ECB lowers rates to 3.25%

Move follows fall in inflation to below Eurozone's 2% goal

Het Parool

Nederland Wereld Kunst & Media Columns & Opinie Sport

Achtergrond

The German economy sneezes, but the Dutch economy doesn't catch a cold – is the economic rule broken?

30. Sept. 2024

For decades, the saying has been: "When Germany sneezes, the Netherlands catches a cold," reflecting a long-standing economic wisdom – malaise in Germany also had major consequences here. Now the German economy is under the weather, but the Netherlands seems to be in better shape. How is that possible?



fd. Mijn nieuws Net binnen Beurs Krant Podcasts FD Persoonlijk Boeken

Industrial production shrinks by 0.5% in August

The production of Dutch industry in August was 0.5% lower than in the same month last year, according to the CBS (Statistics Netherlands) on Thursday. According to the statistics bureau, the decline was smaller than in the previous seven months.



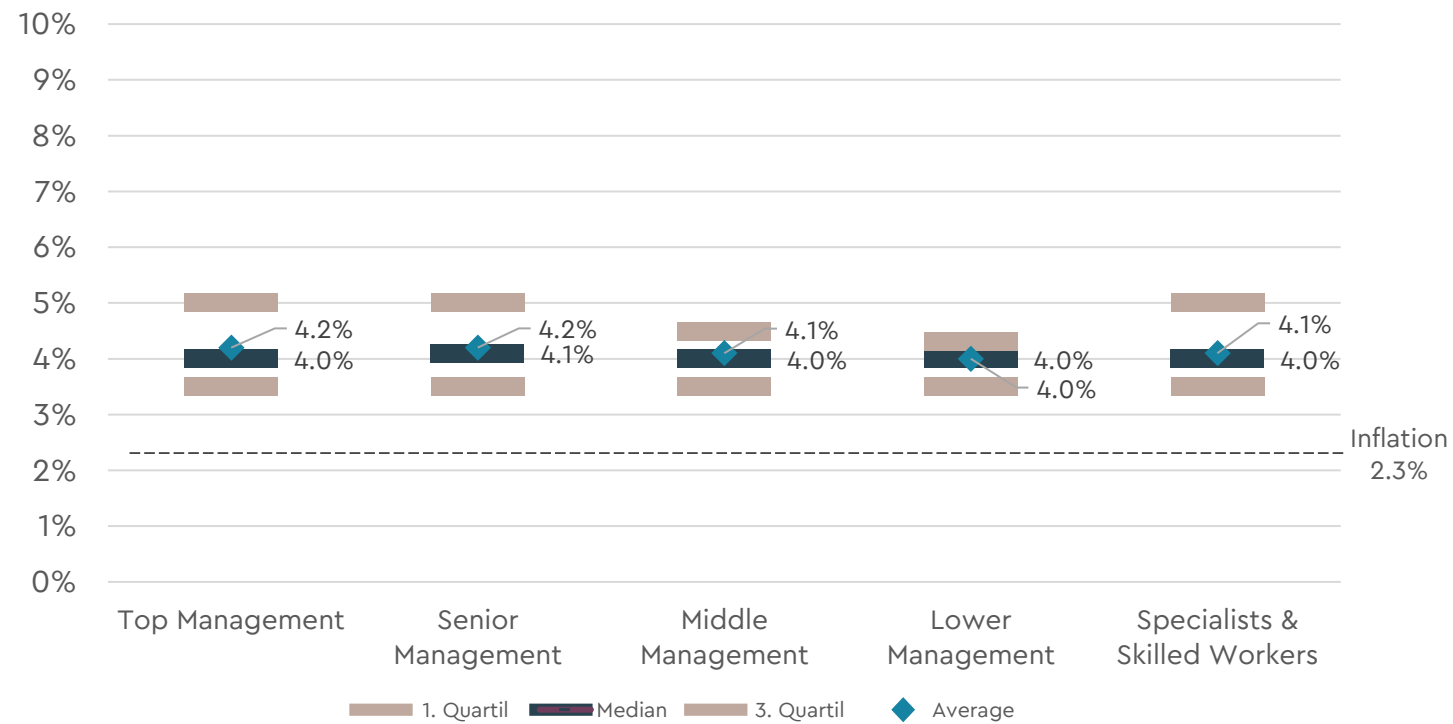
Almost half of all industrial sectors produced less in August than in August 2023. Among the eight largest sectors, the repair and installation of machinery noted the largest production decline.

The metal products industry showed the largest increase.

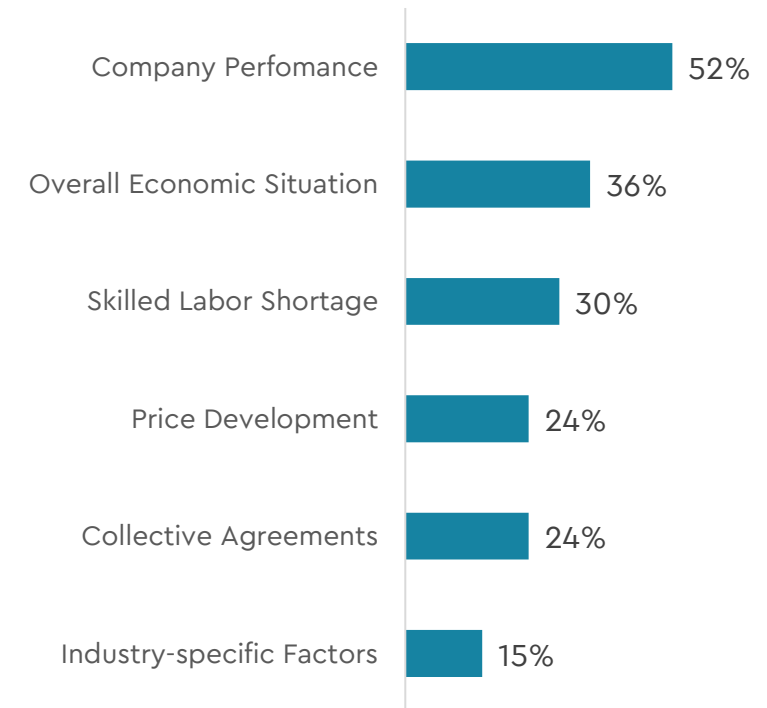
The projected salary development in the Netherlands is 4.2%



Projected Salary Development by Hierarchical Level for 2025



Drivers



Italy



CORRIERE DELLA SERA

Italians' low wages: why we are the only OECD country where they have decreased.

Generational Transition in Italian Companies between Tradition and Innovation

The delicate balance between valuing heritage and boldness in innovation during the generational transition in Italian companies.

From Talent Acquisition to Performance Management: How AI is Revolutionizing HR Teams

There is a growing gap between the skills of many HR professionals and the technology that is rapidly reshaping the industry. This gap presents a significant challenge but also an incredible opportunity.

- Sept. 2024



LO SCENARIO

Artificial intelligence, Italian C-levels among the most assessment-conscious

Wages Have Started Growing Faster Than Inflation: +3.1% in the Semester. Here's Why

After years of stagnation, driven by contractual agreements, the benefits are mostly seen in the industrial sector but also in private services, while the public sector slows down, awaiting contract renewals.

- July 2024



Economia

- Aug. 2024

Italy wages, 19 bn increase in last two years: impact of contract renewals



Italy | Salary Trends



GENERAL FIGURES

- Italy is in 21st place out of 34 OECD countries for average annual wages, equal to 44,893 euros.
- Italian real wages in the first quarter of 2024 are 6.9% lower than in the pre-pandemic period.
- Italy thus confirms itself as the country that has recorded the greatest decline among the major OECD economies.
- Nominal wages (i.e. remuneration per employee) in Italy are expected to increase by 2.7% in 2024 and 2.5% in 2025. According to the OECD, a partial recovery of purchasing power will therefore be possible.
- Total employment has increased in the last year, with an annual increase of 2% in May 2024. For the sake of completeness, however, it should be noted that the Italian employment rate remains below the OECD average.
- The first months of 2024 were notable for the renewals of important collective agreements, especially in the services sector.
- Gender gap: according to researchers, Italy is still behind OECD countries in terms of female and youth employment. The gender pay gap is 7.3%.
- The greatest difference in terms of pay gap is found among white collar workers (9.9%), the smallest among middle managers and managers (5.5%).
- 19.5% of the workforce is employed in "green-driven" occupations.
- In 2023, the highest paid in the market (CEOs) received approximately 9 times the lowest paid (workers).
- The average salary in the north still exceeds that of the south by around 9%.
- The highest paid sector is financial services, which is the one that has grown the most in the last eight years.
- Salaries at large companies have seen the least growth in the last year and also in the medium to long-term.
- In general, the private sector is made up of 1.2% of senior managers, 4.3% of middle managers, 38.5% of employees (white collars) and 56.1% of workers (blue collars).
- The general average gross annual salary (RAL, which includes only fixed salaries) for managers is 104,778 euros, the average for middle managers is 56,416 euros.

ECONOMY VS. SALARY TRENDS

In the OECD we are the only country where wages have fallen in real terms.

In recent years, companies have reinvested only 20% of their profits, with the rest going to dividends.

In 2023 the turnover of medium and large industrial companies was, also due to inflation, 34 percent higher than that of 2019. Added value also grew by 33 percent but the share of added value that remunerated the work fell by 12 points between 2020 and 2023 while that of net profit increased by 14 points

It therefore emerges that the shareholders, in the last four years, have favored themselves above all. They reinvested only 20 percent of net profits in their companies, the rest all went into dividends.

EXECUTIVE AND MANAGERS VARIABLE SALARY TRENDS

The average variable component of wages increased slightly, as did the number of variable earners.

The data of the annual global remuneration (RGA, which also includes any variable component) are significantly different from the RAL only for managers and executives.

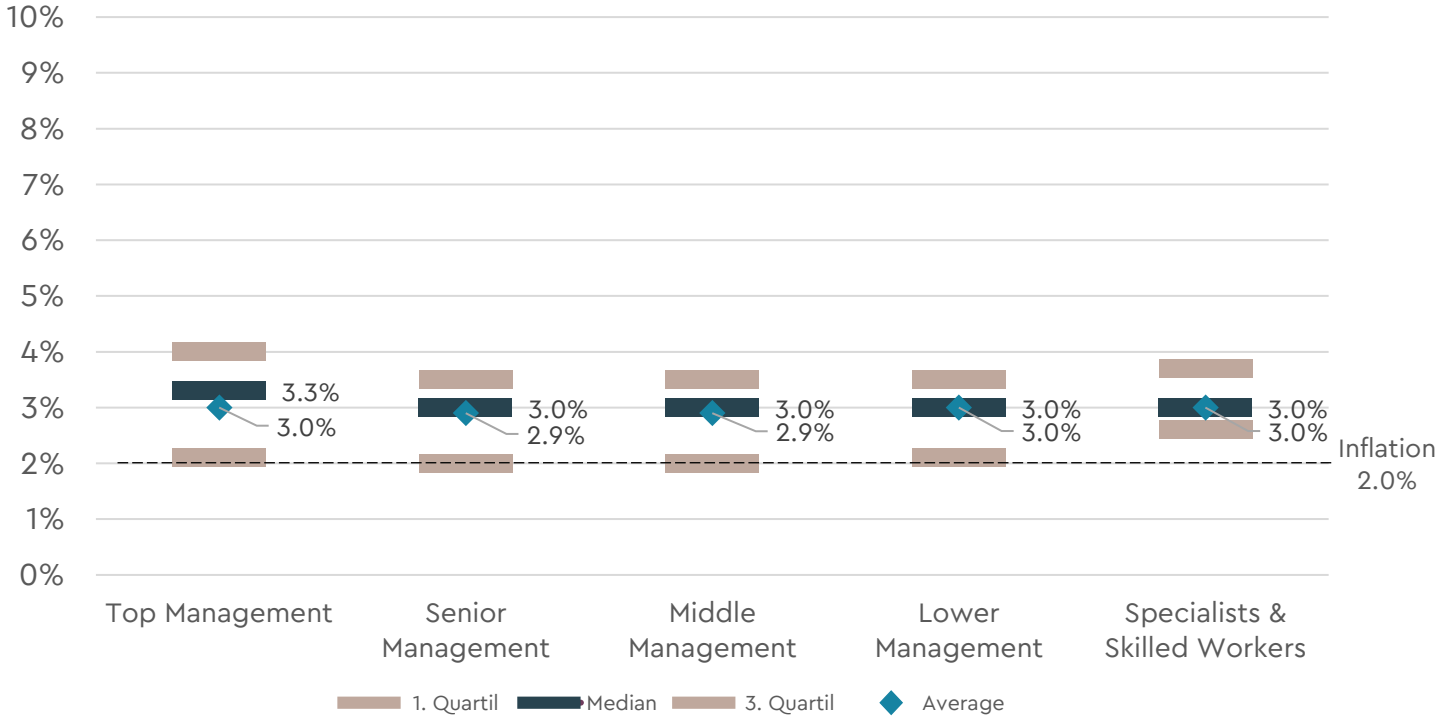
But the peculiar dynamics of the Italian scenario, characterized not only by family ownership but above all by the medium-small sizing of the vast majority of companies, means that managerial salaries still have little significant short-term variable parts (MBO) and even executive profiles of medium-large companies are not interested in long-term variable parts (LTI).

Medium-sized companies struggle to identify the correct KPIs and consequently bonuses are poorly connected to real performance management and are more discretionary.

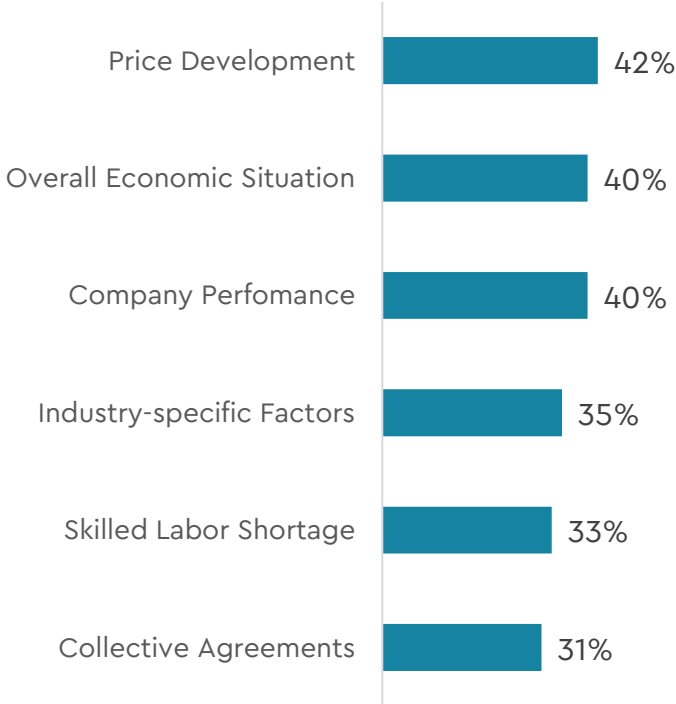
The projected salary development for Italy is 2.9%



Projected Salary Development by Hierarchical Level for 2025



Drivers



Czech Republic



Forbes

Unemployment in Czechia at 3.9 percent in September



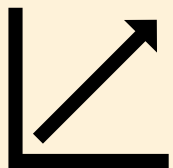
Unemployment in Czechia rose to 3.9 percent this September, which was 0.1 percentage point higher than in the previous two months, according to data published by the Czech Labour Office.

<https://forbes.cz/nezamestnanost-v-cesku-v-zari-stoupla-na-39-procenta-volnych-mist-pribylo/>

BusinessINFO.cz

VÁŠ ZDROJ OVĚŘENÝCH ZPRÁV, NÁVODŮ A RAD

The minimum wage will increase next year.



From January 2025, the minimum wage will increase by 1 900 CZK. The minimum wage in the Czech Republic will be 20 800 CZK, which is about 824 EUR. In Slovakia, it is 816 EUR.

<https://www.businessinfo.cz/clanky/revoluce-ve-zpusobu-navysovani-minimalni-mzdy-pristi-rok-naroste-o-1900-koron/>



Czech industry is on the rise again. Growth supported by new orders and increased production

Industrial production in the Czech Republic rose by 1.5% year-on-year in August, marking growth after five months of decline, according to the Czech Statistical Office (ČSÚ). Additionally, new orders increased by more than 10% year-on-year. Industrial production also saw a 1.8% month-on-month increase from July. Growth was primarily driven by the automotive sector, which recorded a 14.4% rise, along with gains in electronics and beverage production.

<https://forbes.cz/cesky-prumysl-opet-na-vzestupu-rust-podporily-nove-zakazky-a-zvyseni-produkce/>



Macroeconomic Forecast

Economic growth in the euro area will remain subdued this year but could accelerate to 1.3% next year.

The Czech economy stagnated last year. **Gross domestic product** fell by 0.1% but is forecast to grow by 1.1% this year and 2.7% next year.

Annual inflation is expected to be close to **2%** over the forecast horizon. Real wages will rise thanks to continued strong labour demand and a fall in inflation.

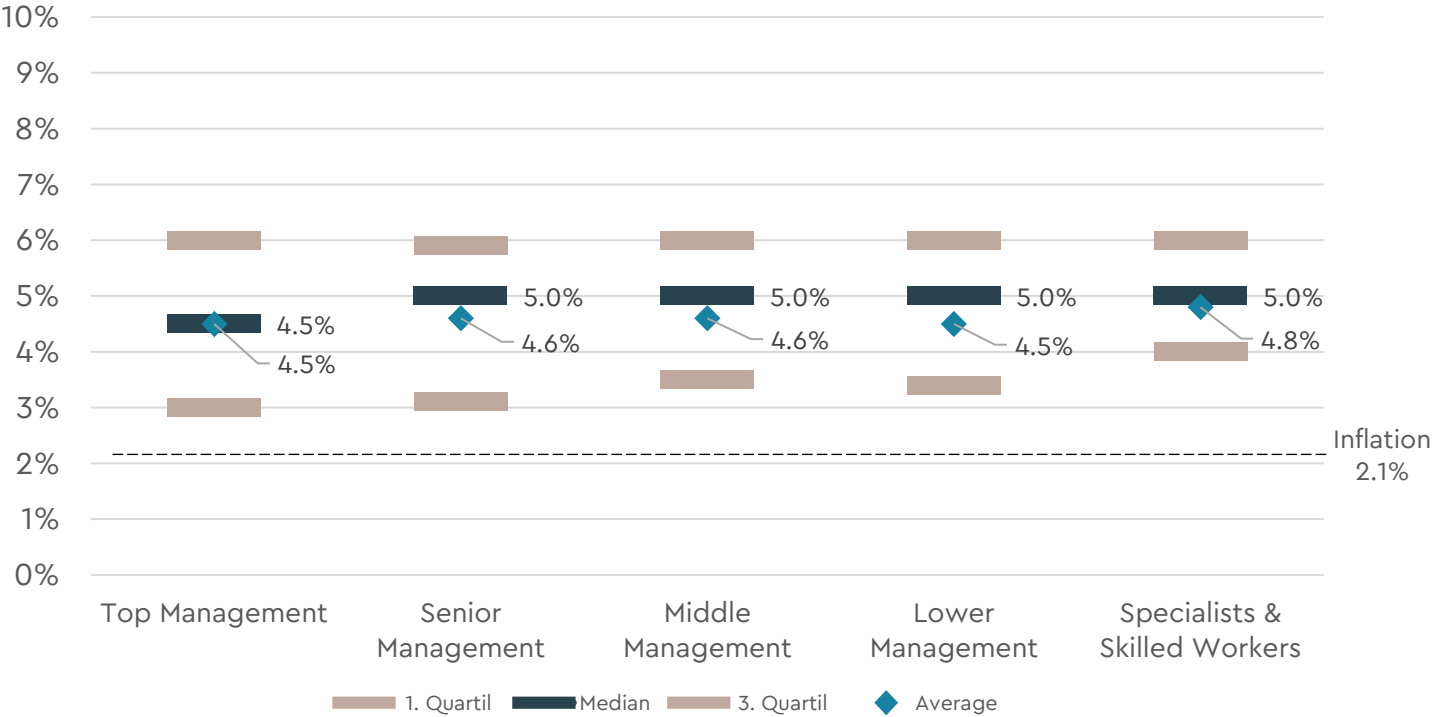
<https://www.mfcr.cz/cs/rozpocetova-politika/makroekonomika/makroekonomicka-predikce/2024/makroekonomicka-predikce-srpen-2024-56806>



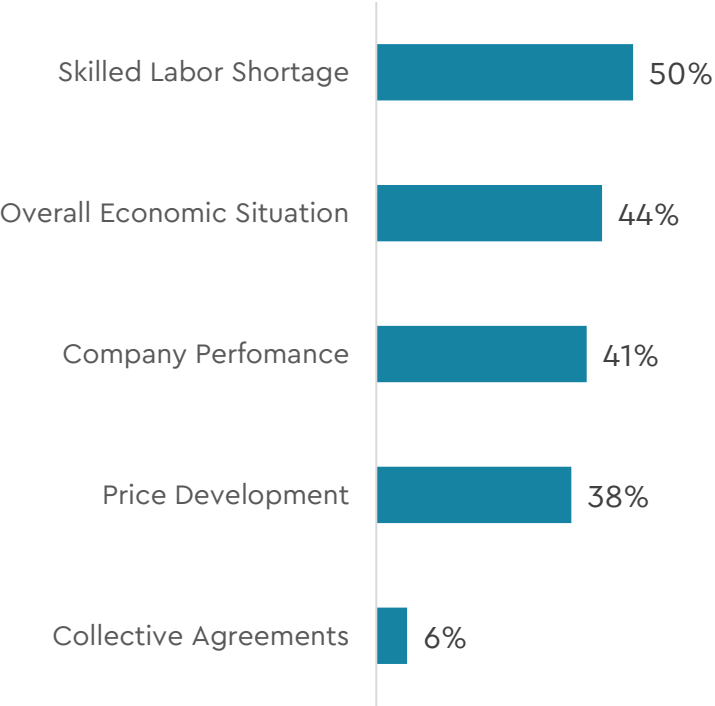
The projected salary development for the Czech Republic is 4.8%



Projected Salary Development by Hierarchical Level for 2025



Drivers



Hungary



Real wage growth in Hungary remains elevated

Wage growth accelerated again in July as wage outflows in the corporate sector increased. We still see latent inflation risks stemming from the tight labour market and strong real wage growth, but this is more of a story for 2025



Table 1. Growth has slowed

Annual growth rates, %, unless specified

	2021	2022	2023	2024	2025
Real GDP	7.1	4.6	-0.9	2.4	2.8
Private consumption	4.6	6.5	-2.9	3.5	2.6
Government consumption	1.8	3.0	1.6	1.7	1.8
Investment	5.8	0.1	-11.3	-0.7	5.4
Exports	8.3	12.6	0.4	2.7	4.4
Imports	7.3	11.6	-4.7	2.0	5.1
Unemployment rate (% of labour force)	4.0	3.6	4.1	4.2	3.9
Inflation (CPI)	5.1	14.6	17.1	3.9	3.4
Headline fiscal balance (% of GDP)	-7.2	-6.2	-6.5	-4.5	-3.4
Structural primary fiscal balance (% of GDP)	-5.1	-4.4	-2.2	0.2	0.5
Public debt (% of GDP)	76.7	73.9	74.2	75.4	76.1

Hungarian government plans significant minimum wage increase – Could EUR 1,000 become the new standard?

By 2027, the Orbán government intends to raise Hungary's minimum wage to 50% of the average wage. According to analysis, this ambition would require a significant rise in the minimum wage over the next three years.

Portfolio has analysed the government's plans regarding the future of the minimum wage and outlined the steps necessary to achieve this goal. It argues that meeting the 2027 target would demand a sharp increase in the minimum wage over the coming years, while average wage growth would need to be considerably more moderate.

More Skilled Workers Available on Labor Market



Q2-Q3 Hungarian Labor Market overview in 2024



This document provides a comprehensive overview of Hungary's labor market as of 2024, highlighting key statistics and trends in unemployment, employment, wages, labor costs, and demographic changes. The data reflects a relatively stable labor market with ongoing challenges in achieving full employment, managing wage growth, and addressing demographic shifts.

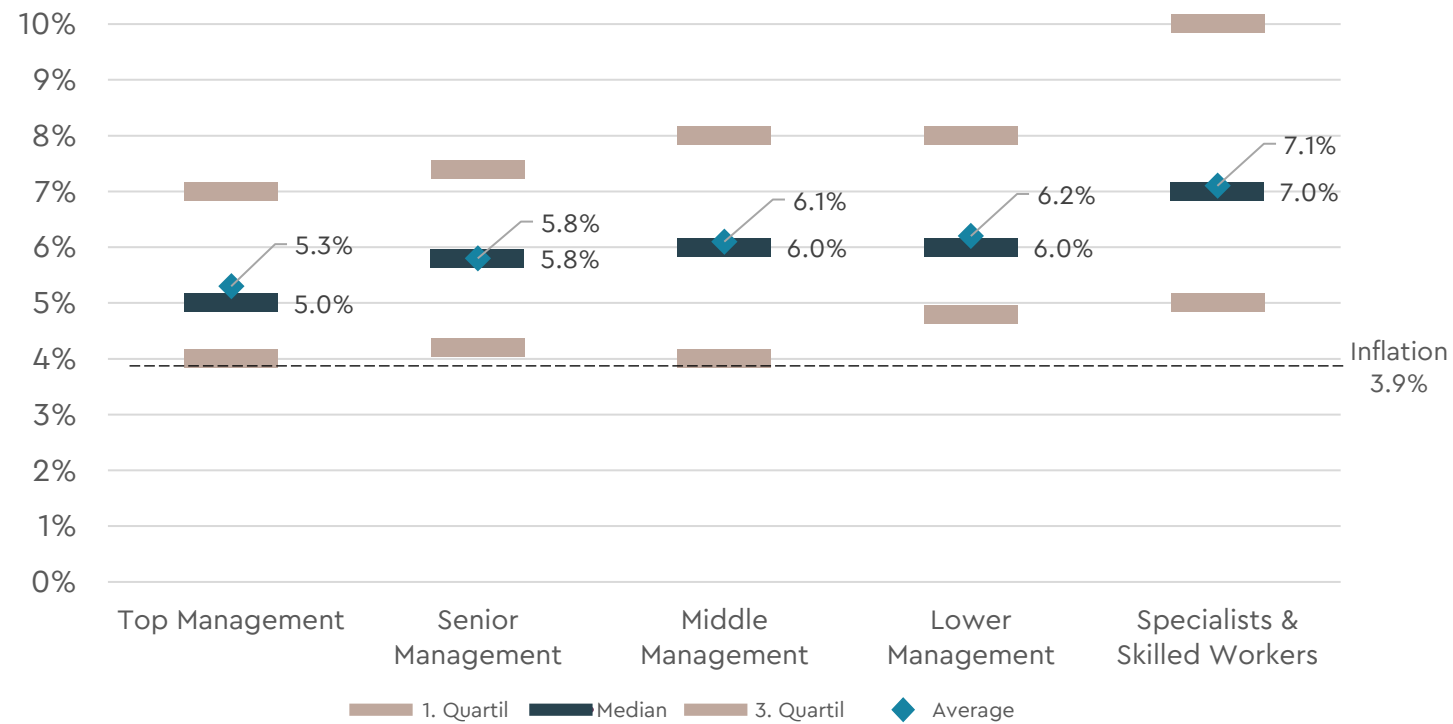
Unemployment Rate

Hungary's unemployment rate stood at 4.3% in June 2024, showing a slight decrease from the previous month's 4.4%. This is a relatively low rate compared to the country's historical peak of 11.8% and well above its lowest level of 3.2%. The current rate indicates a stable labor market, though it suggests that there are still challenges in achieving full employment.

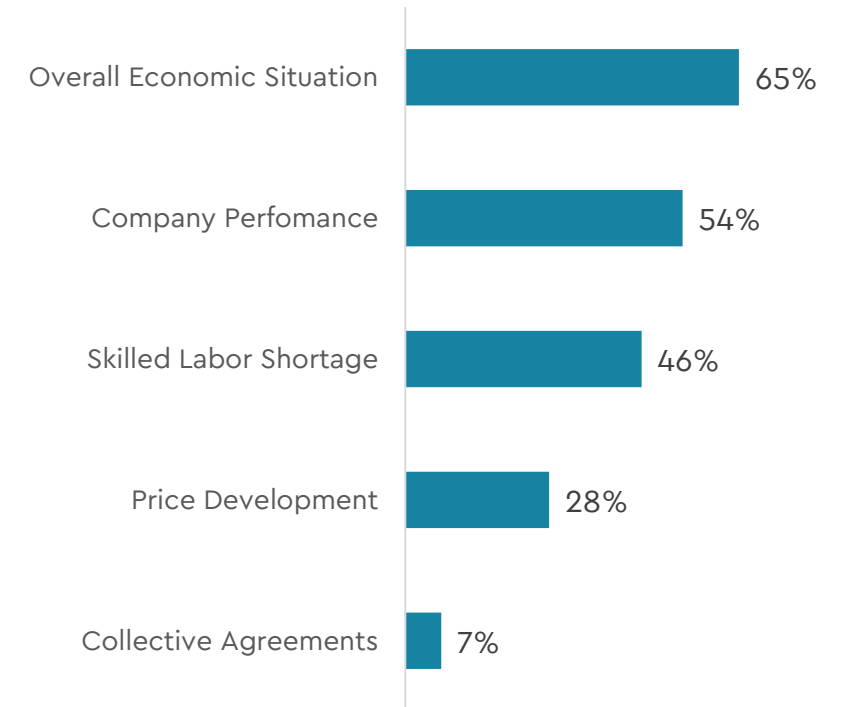
The projected salary development in Hungary is 6.9%



Projected Salary Development by Hierarchical Level for 2025



Drivers



Wrap up & Discussion

Conclusion and Q&A

- The **pressure on attractive salary development is slightly decreasing**, but it remains persistent.
- With declining inflation, the differences in salary adjustments **between the hierarchy levels** are becoming smaller again.
- The **shortage of skilled workers** is increasingly noticeable as a driver of salary development.
- Given the overall tense economic situation, companies are focusing less on growth and productivity increases. **Savings** and **staff reductions are becoming more significant**.
- In these times, **careful management of the available budget** for salary development is becoming more important. **Professional compensation management** is gaining importance.
- In EU countries, it is important to keep the topic of **equal pay** on the radar and to make effective use of the short time remaining until the EU directive comes into effect.



**Your
Questions?**

Thank you very much for your attention!

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Glossary

Notes on the study

Average salary development:

The assessment of the change in salaries provided by the study participants.

Real salary development:

The average salary development adjusted for inflation.

Mean value:

Statistical indicator for the average value, where the sum of all values is divided by the number of values.

Median:

Statistical indicator that divides the total amount of data into two equal halves, so that 50% of the values are less than or equal to this value and 50% are greater than or equal to this value.

Quartiles:

Similar to the median, quartiles divide the data into equal parts. Quartiles divide the data into four parts, each containing 25% of the data. Accordingly, 25% of the data is less than or equal to the lower quartile (uQ). The median corresponds exactly to the middle quartile, while the upper quartile (oQ) divides the data into the lower 75% and the upper 25%.

Inflation forecast:

The ongoing devaluation of money (purchasing power) due to changes in the amount of money in circulation and the quantity of goods in an economy. It is felt by consumers through price increases.

Sources of all inflation data in the study:

OECD (2024), Inflation forecast,
<https://www.oecd.org/en/data/indicators/inflation-forecast.html> (accessed on September 24, 2024)

IMF (2024), Inflation forecast,
<https://www.imf.org/external/datamapper/PCPIPCH@WEO/OEMDC> (accessed September 24, 2024)

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