

SPECIALISTS' REMUNERATION ANALYSIS

Prepared for
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Specialists and the Labour Market Environment in 2013

The year 2013 proved very favourable to Specialists in terms of their employment. The data derived from Pracuj.pl shows that in the third quarter of 2013 the number of job offers for Specialists grew by 18.5%, as compared with the third quarter of 2012, and amounted to 95 thousand job advertisements. Sales Representatives and Customer Service Specialists were demanded most. IT Specialists and Specialists working in the pharmaceutical industry, which recently has been growing rapidly, were almost equally needed. Given the better prospects of employment, the question arises whether and how it affected remuneration. Despite favourable forecasts, the rate and range of pay rises in 2013 remained low. The average pay rise was 2.46% at the end of the year, which is 0.5% lower than the value declared in Q1 2013, and over 1% lower as compared with the value declared in 2012. When will we be able to see that the growing demand for Specialists translates into higher salaries. According to the surveyed entrepreneurs, the increase should be seen as soon as next year. The average pay rise planned for 2014 amounts to 2.95% which is close to the figure reported at the beginning of 2013.

Pay Rises and Salaries Broken Down by Regions

The highest pay rises for Specialists were reported in the Wielkopolska Province and amounted to 3.53% on average. The Wielkopolska Province is followed by the Małopolska Province, Łódź Province and Podkarpackie Province (where the average pay rise for Specialists ranged from 2.96% to 2.71%). The lowest pay rises were offered to Specialists from the West Pomerania Province, Mazovia Province, Podlasie Province and Pomerania Province. Interestingly, next year the situation for the Podkarpackie Province and Pomerania Province is expected to reverse. In the former, the employers plan to raise salaries by no more than 1.9%, whereas in the latter the figure amounts to 5%. This may be attributable to growing attractiveness of the Pomerania Province for investors, where many companies with substantial investment capabilities launch their operations. Simultaneously, lower pay rises expected in the east of Poland may be accounted for as a compensation of expenditure on restructuring and developing infrastructure of this region in 2013. For accurate data on average pay rises for Specialists working in the above regions see Table 1.

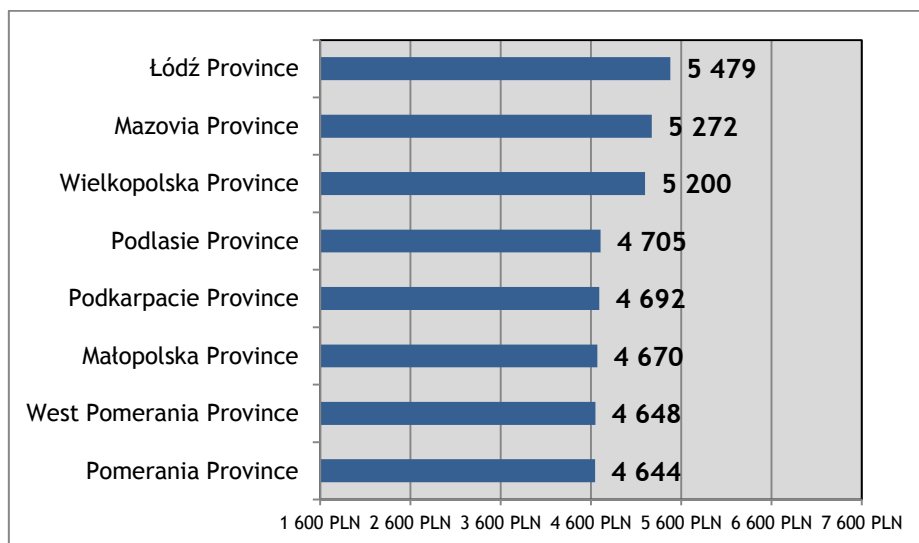
Table 1: Average pay rise for Specialists implemented in 2013 and planned for 2014 broken down by the region of employment

| Province | 2013 | 2014 |
|-------------------------|-------|-------|
| Łódź Province | 2.74% | 3.00% |
| Małopolska Province | 2.96% | 2.95% |
| Mazovia Province | 1.78% | 2.88% |
| Podkarpacie Province | 2.71% | 1.90% |
| Podlasie Province | 1.83% | 2.60% |
| Pomerania Province | 1.96% | 5.33% |
| Wielkopolska Province | 3.35% | 3.96% |
| West Pomerania Province | 1.65% | 3.00% |

Source: Pay Rise Analysis, Autumn 2013

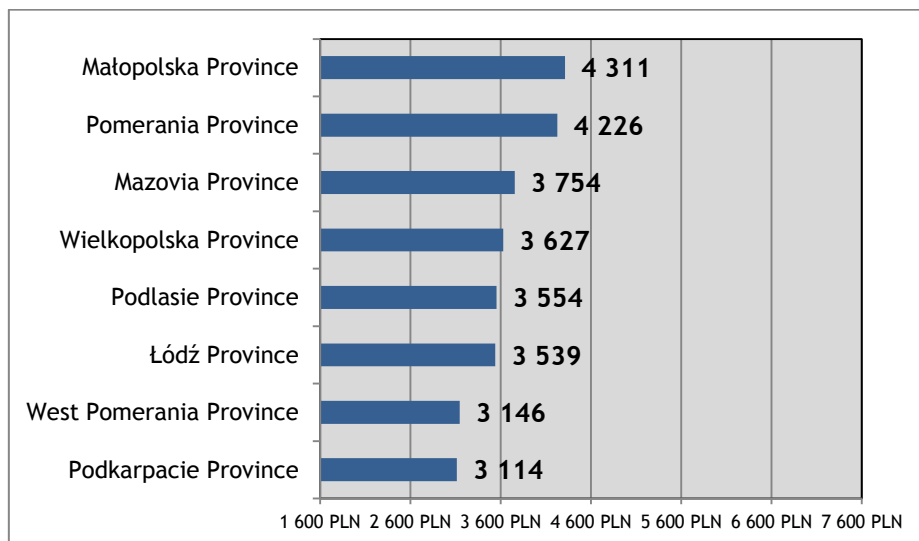
How were average salaries of most typical Specialist positions in most rapidly developing industries this year? The average monthly salaries for Sales Representative, Customer Service Specialist, IT Specialist and Laboratory Technician are shown on Charts 1 - 4. For clarity, the scale on axis of abscissae ranges from PLN 1600 (minimum total monthly salary) to PLN 7600 (upper threshold of presented salaries). The data used below is derived from Comprehensive Salary Survey by Advisory Group TEST Human Resources, Autumn 2013 edition.

Chart 1: Average total monthly salary of Sales Representative



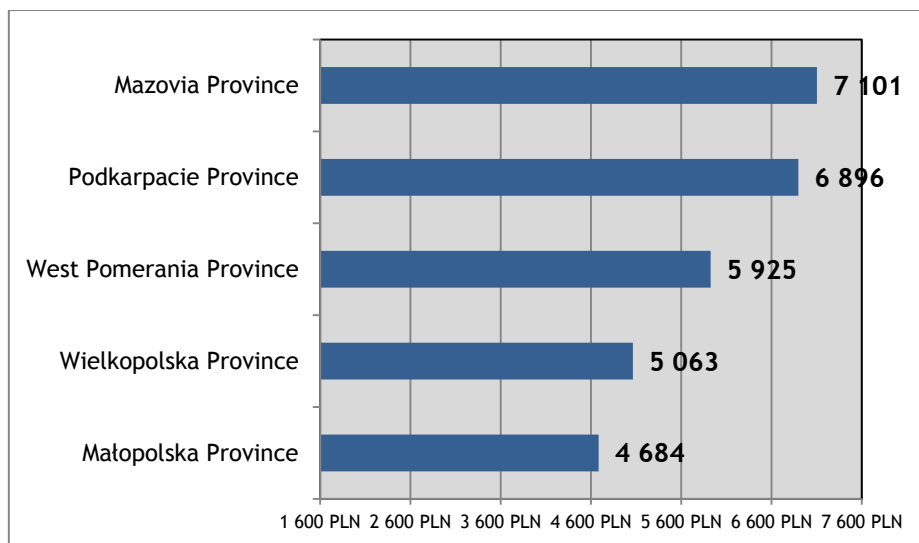
The discrepancy between upper and lower value of total monthly salary for Sales Representatives working in the above regions is slightly over PLN 800. The Specialists from central provinces of Poland earn most, while those working in southern and northern regions earn a bit less. Note that the differences are not substantial, deviating about PLN 250 above and around twice as much below the average value (PLN 4914).

Chart 2: Average total monthly salary of Customer Service Specialist



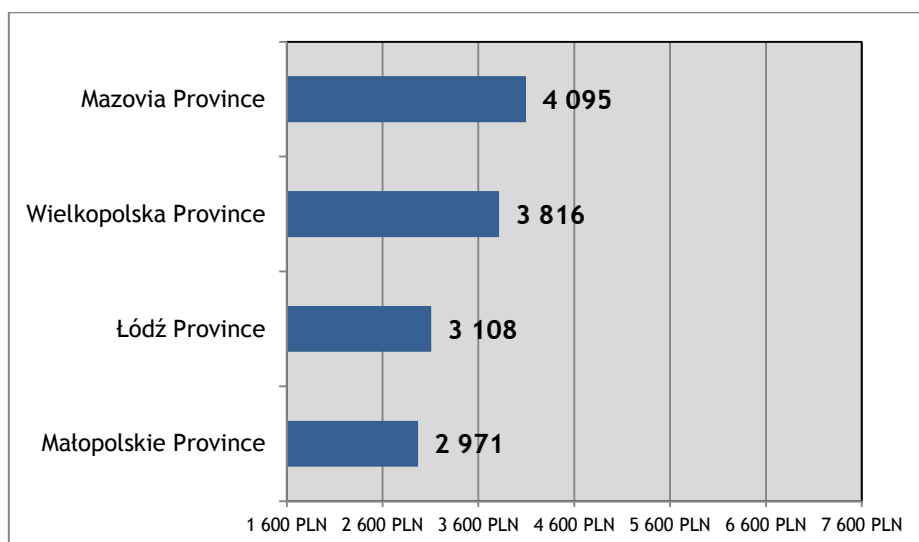
Customer Service Specialists earn on average PLN 3 659. This value is closest to the average value of remuneration in the Wielkopolska Province. The employees from Małopolska Province, Pomerania Province and Mazovia Province receive salaries above the average value. Conversely, in Podlasie Province, Łódź Province, West Pomerania Province and Podkarpacie Province the salaries are below average.

Chart 3: Average total monthly salary of IT Specialist



The highest salaries are offered to IT Specialists working in the Mazovia Province, while the employees of companies operating in the Małopolska Province are paid lowest salaries. The remuneration of IT Specialists in those provinces ranges from PLN 7101 to PLN 4864. What accounts for such wide discrepancies is the fact that different regions of Poland have different competitive edge of advanced technologies environment.

Chart 4: Average total monthly salary of Laboratory Technician



Unsurprisingly, Laboratory Technicians receive highest salaries in central regions of Poland, i.e. Mazovia Province and Wielkopolska Province, amounting to around PLN 4000 gross per month. Generally though, salaries appear to be balanced - the countrywide distribution of total salary of

Laboratory Technician has the form of standard normal distribution chart (similar number of people earn above and below the average).

Pay Rises and Remuneration Broken Down by Sectors

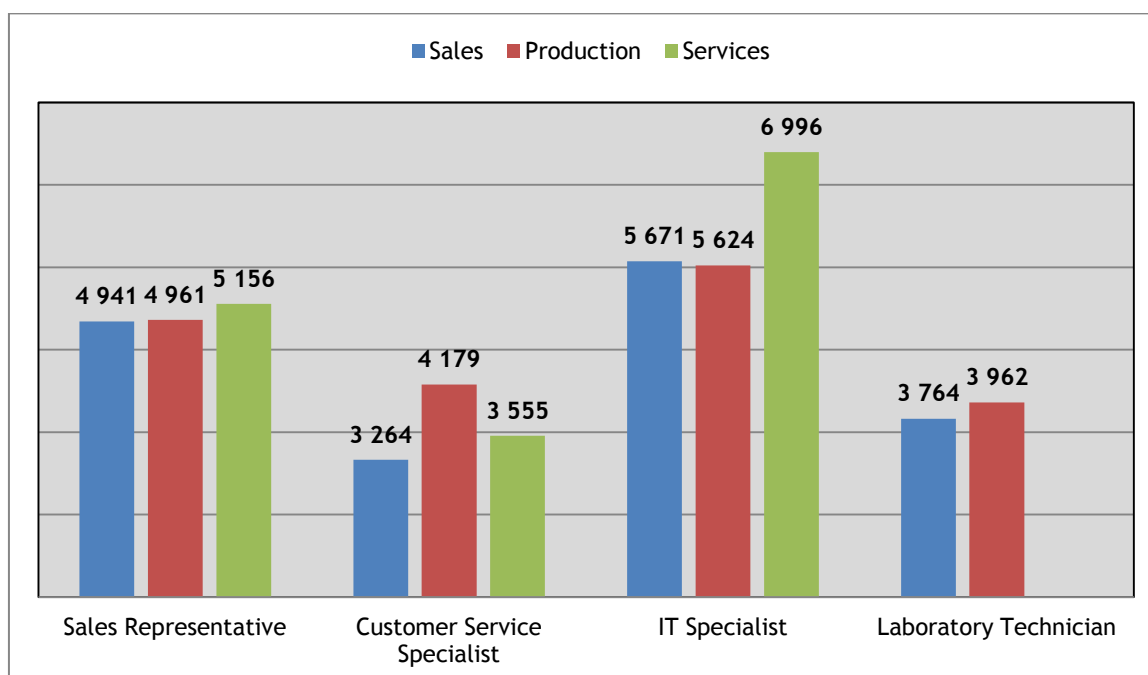
This year the greatest pay rises were offered to Specialists employed in the production sector and slightly lower to those employed in the services sector. The least favourable environment for pay rises was reported in the sales sector. Pay rises planned for the next year will go up in the two first sectors as compared to this year's figures. Though the situation in the sales sector is expected to deteriorate relative to the current period (average percentage of pay rises planned for 2014 will go down below 0.5%), the trend for remuneration is still upward.

Table 2: Average pay rises implemented in 2013 and planned for 2014 broken down by sectors

| Sector | 2013 | 2014 |
|------------|-------|-------|
| Production | 2.18% | 2.50% |
| Services | 2.09% | 3.00% |
| Sales | 1.20% | 0.38% |

Source: Pay Rise Analysis, Autumn 2013 edition

Chart 5: Average total monthly salary for selected Specialist positions broken down by sectors



Source: Comprehensive Salary Survey, Autumn 2013 edition

The sample remuneration values presented on the chart above back up the claim about poor condition of the sales sector. The majority of Specialists working in this sector receive lowest salaries. The greatest discrepancies in salaries are reported in the service sector, where the differences in presented data amount to nearly PLN 3500 (discrepancy between average remuneration for IT Specialist and Customer Service Specialist).

Pay Rises and Salaries Broken Down by Industries

In the majority of industries, pay rises planned for the next year will be higher than this year's pay rises, with the exception of companies operating in the automotive industry and heavy industries. The greatest, nearly twofold rise in remuneration is expected for the Specialists employed in companies of the civil engineering industry. Specialists from electronic and electric engineering and FMCG industries may expect pay rises of 1.5% and 0.5%, respectively.

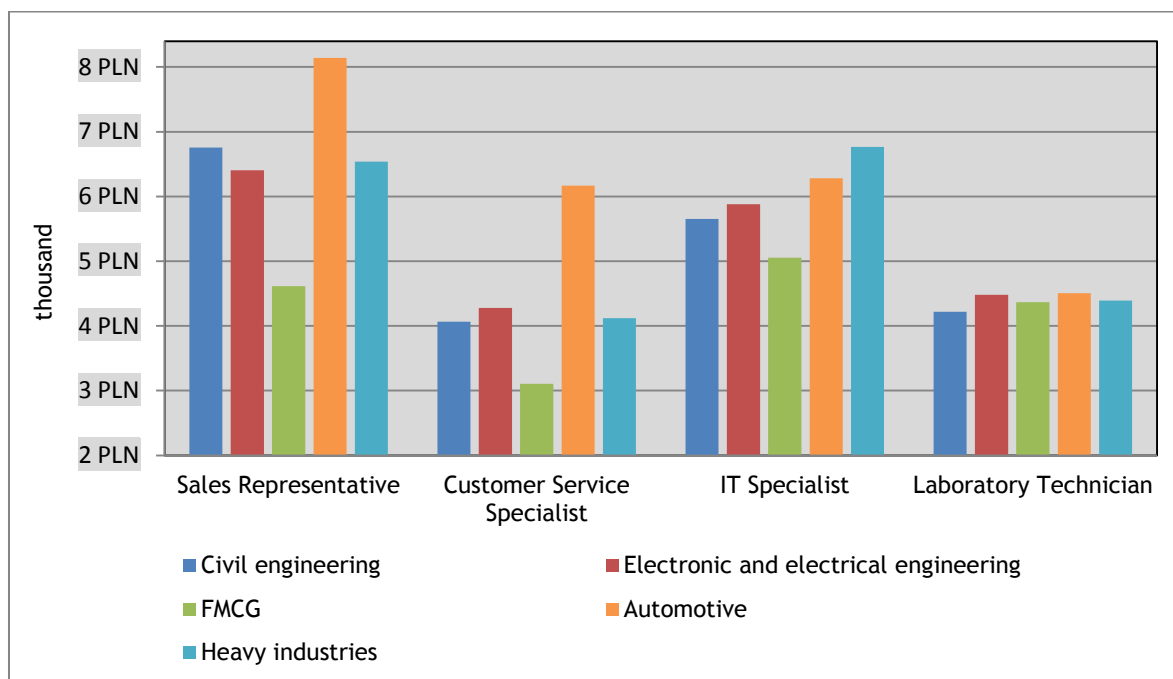
Table 3: Average pay rises implemented in 2013 and planned for 2014 broken down by industry

| Industry | 2013 | 2014 |
|-------------------------------------|-------|-------|
| Civil engineering | 1.13% | 2.68% |
| Electronic and electric engineering | 2.86% | 4.24% |
| FMCG | 1.69% | 2.11% |
| Automotive | 3.87% | 3.66% |
| Heavy industries | 2.43% | 2.09% |

Source: Pay Rise Analysis, Autumn 2013

Data collected by Advisory Group TEST Human Resources for the Autumn edition of Salary Survey 2013 shows that on average the greatest salaries are paid to the specialists working in the automotive industry, who are followed by the employees of the heavy industries. Interestingly, in those industries next year's pay rises are expected to be lower than this year. Such a phenomenon may point to the fact that relatively high remuneration in moderate/poor economic environment does not necessarily entail proportional increase in remuneration. The employees of FMCG industry are paid lowest salaries (pay rises projected for the next year are lowest as well). For remuneration earned on positions mentioned in this section see Chart 6.

Chart 6: Average total monthly salary for selected specialist positions broken down by industries



Source: Comprehensive Salary Survey, Autumn 2013 edition

Salaries and Pay Rises in Companies of Varied Headcount

Table 4: Average pay rises implemented in 2013 and planned for 2014 broken down by company headcount

| Company headcount | 2013 | 2014 |
|---------------------------|-------|-------|
| Up to 100 employees | 2.98% | 3.47% |
| From 100 to 500 employees | 1.96% | 2.59% |
| Over 500 employees | 2.77% | 3.04% |

Source: Pay Rise Analysis, Autumn 2013 edition

All companies, irrespective of their headcount, are planning to increase the rate of pay rises. The factor in question appears to be significant only when it comes to the average value of growth in remuneration. The greatest pay rises are offered by companies employing up to 100 people, and this tendency holds for 2013 and 2014. In larger companies, with over 500 employees, the pay rises planned for the next year are twice lower.

The average salary for Specialists working at companies with up to 100 employees amounts to PLN 5000. The remuneration at companies with headcount between 100 and 500 employees and above 500 employees ranges from PLN 4 522 (for the former) to PLN 4 674 (for the latter).

Salaries and Pay Rises in Companies of Polish and Foreign Capital

This year the average value of pay rises was similar for the companies with Polish and foreign capital. The pay rises planned for 2014 will be greater in the companies with foreign investment by 1% as compared to Polish companies. In addition, the source of capital has some bearing on pay rises dynamics. While Polish companies are planning to decrease the value of pay rises, foreign companies adopt a contrary approach.

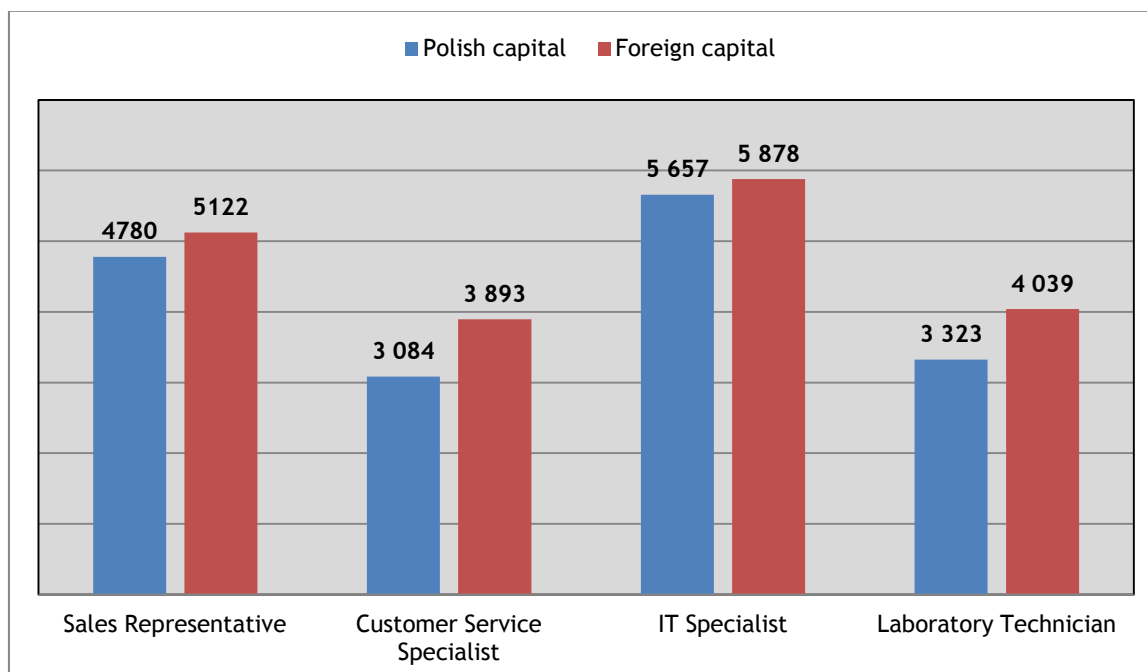
Table 5: Average pay rises implemented in 2013 and planned for 2014 broken down by company capital

| Source of capital | 2013 | 2014 |
|-------------------|-------|-------|
| Polish | 2.33% | 2.19% |
| Foreign | 2.51% | 3.17% |

Source: Pay Rise Analysis, Autumn 2013 edition

The differences in specialists' salary in companies with Polish and foreign capital were examined based on sample positions presented on Chart 7. Noticeably, Polish companies pay less than the foreign ones. Globally (for all specialists), the average difference in salary amounts to PLN 470. In selected samples the discrepancy is not so significant. For example, Sales Representative employed at the Polish company earns on average PLN 350 less per month than the same specialist employed by a foreign company, which represents a difference of 7%. The average salary of IT Specialist in Polish and foreign companies differs only by 4% (PLN 221). However, there is a difference of around 20% in the salaries of Customer Service Specialists and Laboratory Technician, which is PLN 809 and PLN 716, respectively, for the benefit of foreign companies.

Chart 7: Average total monthly salary for selected specialist positions broken down by companies with Polish and foreign capital



Source: Comprehensive Salary Survey, Autumn 2013 edition

In-work benefits

It often happens that in-work benefits are a bargaining chip when negotiating salary. Some employees find benefits equally or more attractive than higher remuneration. Others treat them as a mere supplement to their salary. Whatever your point of view is, benefits allow employers to build a positive and long-term relations with their employees. This year, the employers most willingly offered all kinds of allowances - every second Specialist received such benefits (53%). Usually such allowances included allowances for sport activities, education allowances and retail certificates (>/= 30% indications). Less popular were commutation allowances and allowances for accommodation costs. 16% of specialists received additional business tools which in general included a mobile phone, followed by a laptop and a company car (or car allowance). This year every third specialist was offered other benefits not included in the above typology. Most frequently it was external training - offered by the greatest number of companies participating in the survey. Other benefits included insurance and long-term benefits. For information on percentage values see Table 6.

Table 6: In-work benefits for specialists in 2013

| Type of benefit | Benefit | Occurrence [%] |
|-----------------|---|----------------|
| Business tools | Mobile phone | 28 |
| | Laptop | 16 |
| | Company car or car allowance | 5 |
| Allowances | Fitness allowance | 36 |
| | Allowance for education - post-graduate courses, MBA, foreign language courses etc. | 32 |
| | Retail certificates | 30 |
| | Additional health care benefits | 24 |
| | Allowances for leisure and culture | 21 |
| | Meal allowance | 18 |
| | Commutation allowance | 6 |
| | Allowance for accommodation costs | 3 |
| Other benefits | External training | 64 |
| | Additional insurance | 29 |
| | Long-term benefits (stock options, shares) | 4 |

Source: Comprehensive Salary Survey, Autumn 2013 edition