



How are wage levels of the workforce changing in Cambodia?

6 MAY 2016, BOREI ANGKOR HOTEL, SIEM REAP

SANDRA D'AMICO, MANAGING DIRECTOR

WWW.HRINC.ASIA

Agenda

Brief Economic Context

Employers Survey

- *Starting Salaries*
- *Wages Today*
- *Labour force perspectives and HR Challenges*
- *Are minimum wages in the garment sector impacting other sectors?*
- *HRINC Insights on compensation strategy (extra)*



HRINC Vision:

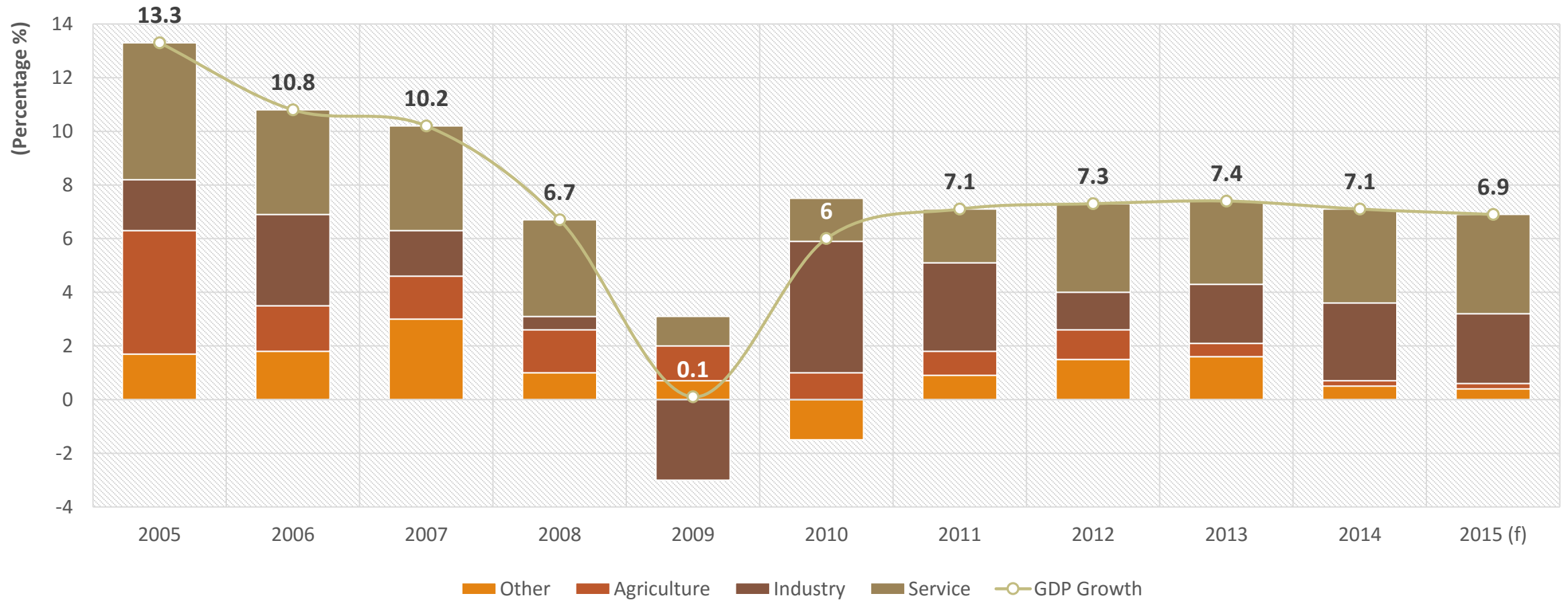
To be the most valued knowledge and most respected
respected professional services provider that all business
business knows, will add positive and lasting value.
value.

Economic Context

**HRINC CONSULTING: DATA DRIVEN INSIGHTS THAT DRIVE
EMPLOYEE ENGAGEMENT AND BOTTOM-LINE PERFORMANCE**

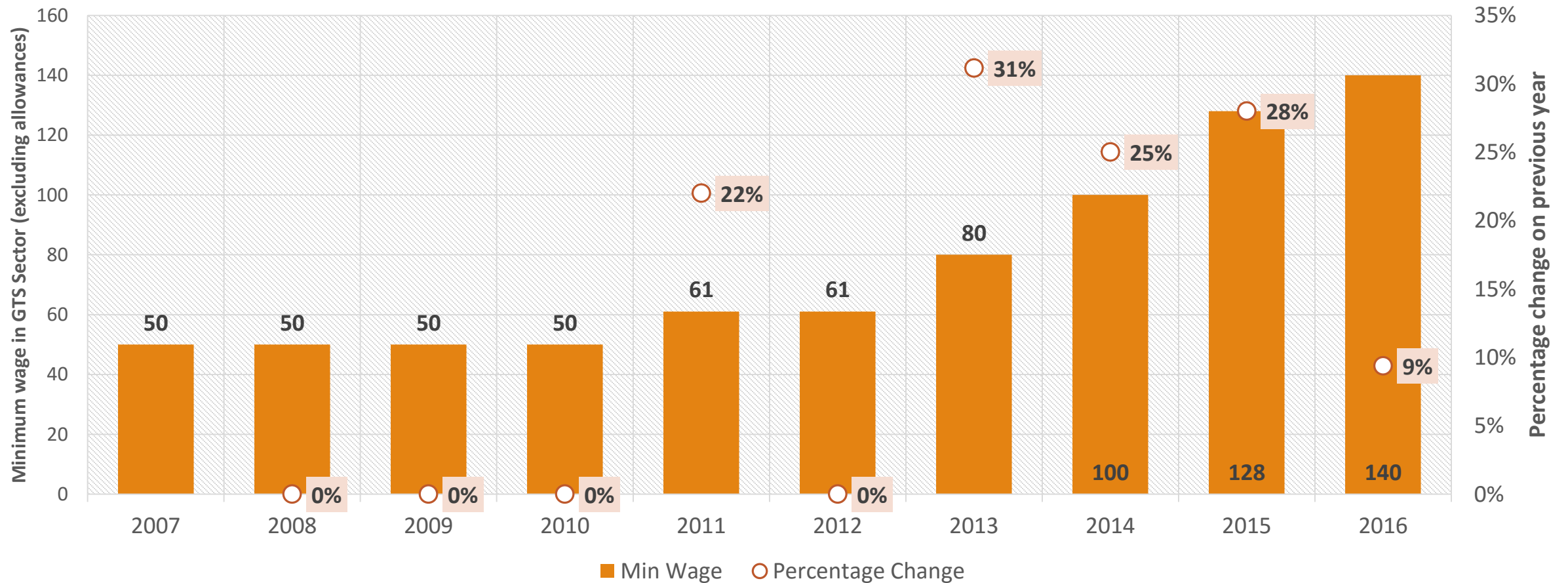
AN INTERESTING GLOBAL PERIOD THAT IS NOT PREDICTABLE

Cambodia Growth: Slowing but in the global context, steady. Together with Laos and Myanmar we are the fastest growing in the region



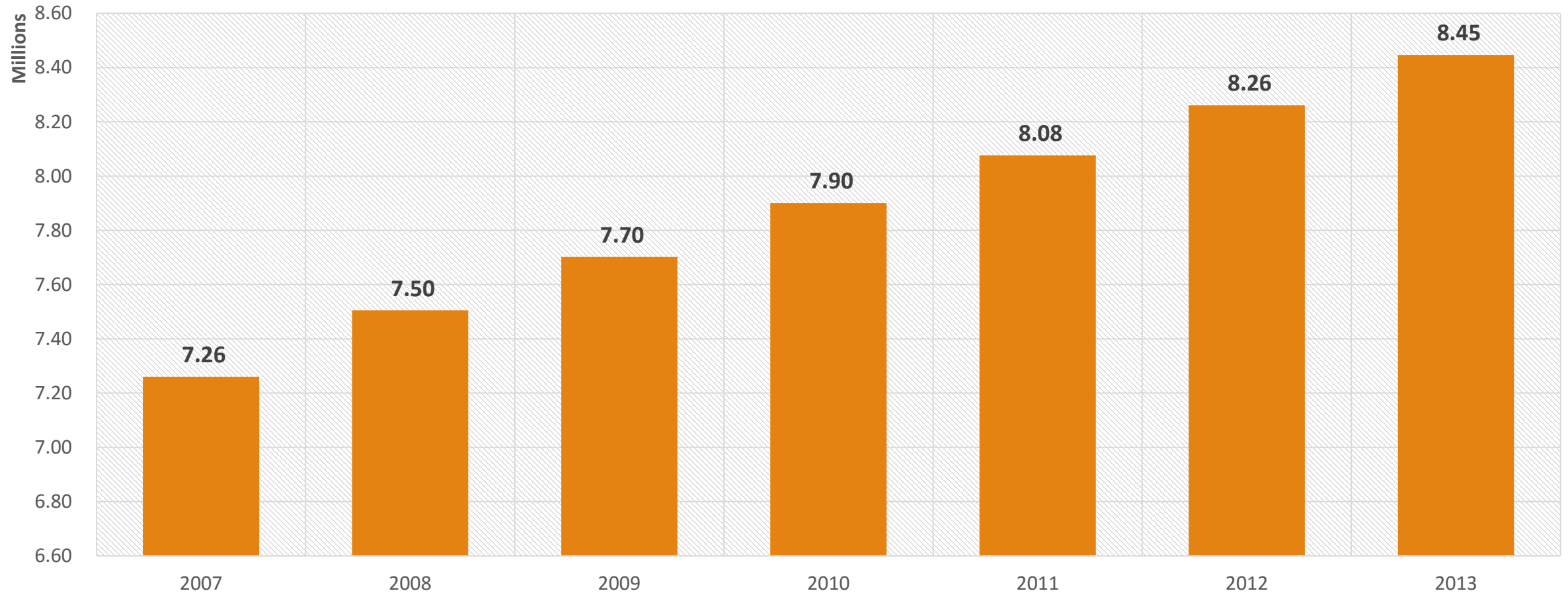
Source: NBC

Minimum wages in the Garment, Textile and Shoe sector have changed rapidly in recent years



Source: Various Government Notifications

The Cambodian workforce is more than 50% of population today of around 15 million. A young, dynamic labour force, however rapid aging will be experienced...



The Cambodia Tourism sector has an optimistic future

POSITIVE SIGNALS AND OPPORTUNITIES

Airport infrastructure and flights changing

Increasing tourists

World Economic Forum to be hosted in Cambodia

Integrated into global networks – can do more but requires industry to move to sharing information

Industry and Employer branding – so important

- *National level for industry branding*
- *Company level for employer branding*

Work environment – more than just compensation when it comes to work force

Marketing and online media

CONSTRAINTS

Political climate and perceptions

Ability to deliver customer service value

Availability of training for the sector

Possibility/existence of price wars – pricing of rooms, labor etc.

Where does HRINC think minimum wages will go in the future?

Minimum wages will continue to adjust in line with market inflation and will be negotiated annually.

- *Current minimum wages are “high” but allow also to incentivize Cambodian workforce to work in Cambodia.*
- *Availability of labour force, is an important investment attraction need.*

Discussion on country wide minimum wages? Are employers and industries ready?

Social security will add additional pressure on the budget line. Target implementation 1 May 2016.

- *Estimated rate 2.6% shared equally between employer and worker contributions. 1.3% each.*
- *In patient and outpatient treatment including maternity benefits*
- *Will start in garment sector and then move progressively by end of year to other sectors.*

Pension fund to be introduced in the next 3 years

Skills and productivity challenges remain pertinent



HRINC Vision:

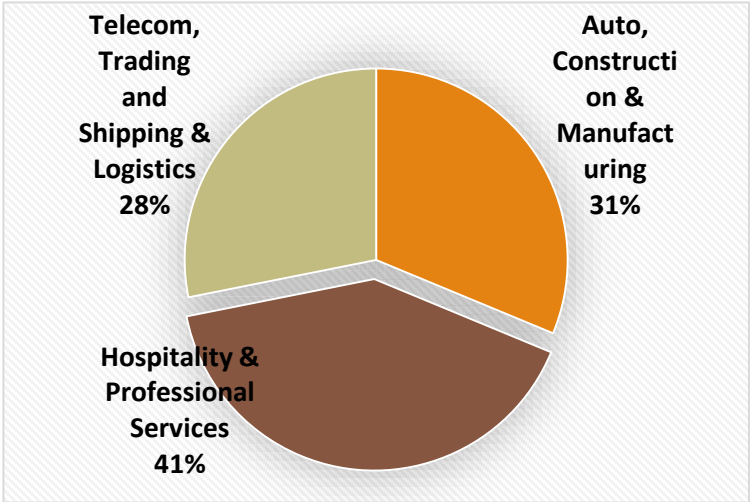
To be the most valued knowledge and most respected
respected professional services provider that all business
business knows, will add positive and lasting value.
value.

The necessity for research and understanding trends: **Employer Survey**

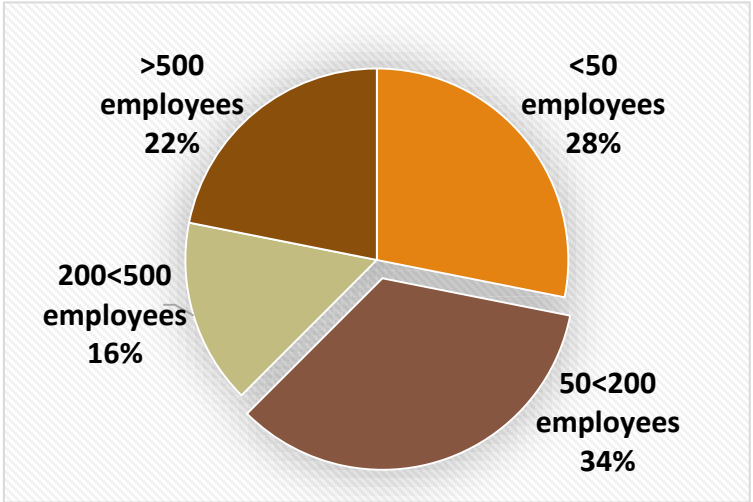
**HRINC CONSULTING: DATA DRIVEN INSIGHTS THAT DRIVE
EMPLOYEE ENGAGEMENT AND BOTTOM-LINE PERFORMANCE**

Local leading and international companies participating in the survey, represent key economic sectors, an even distribution of employee size.

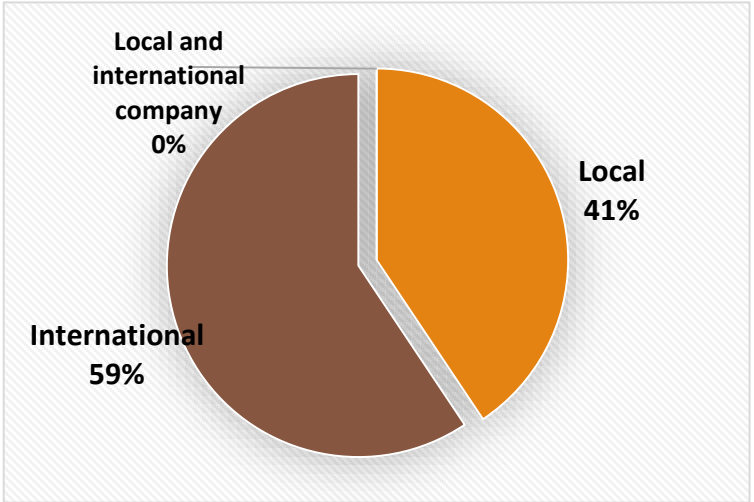
SECTORS REPRESENTED



EMPLOYEE SIZE

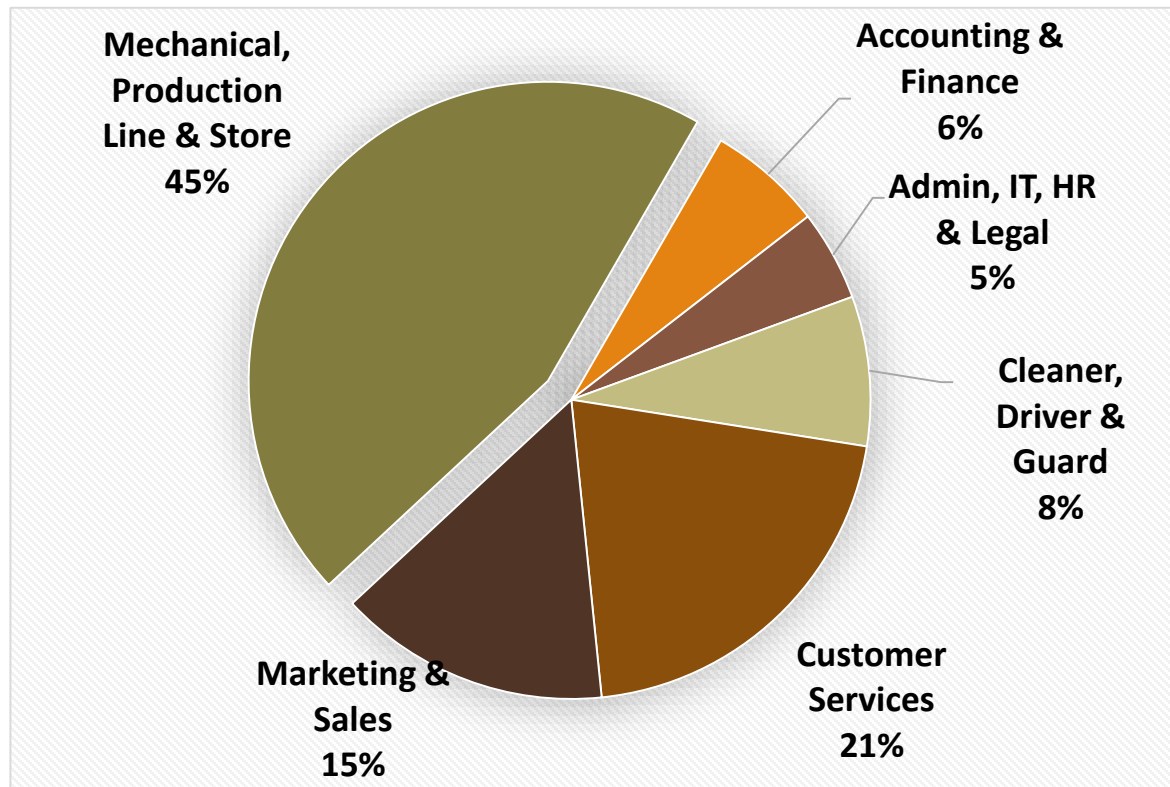


TYPE OF COMPANY

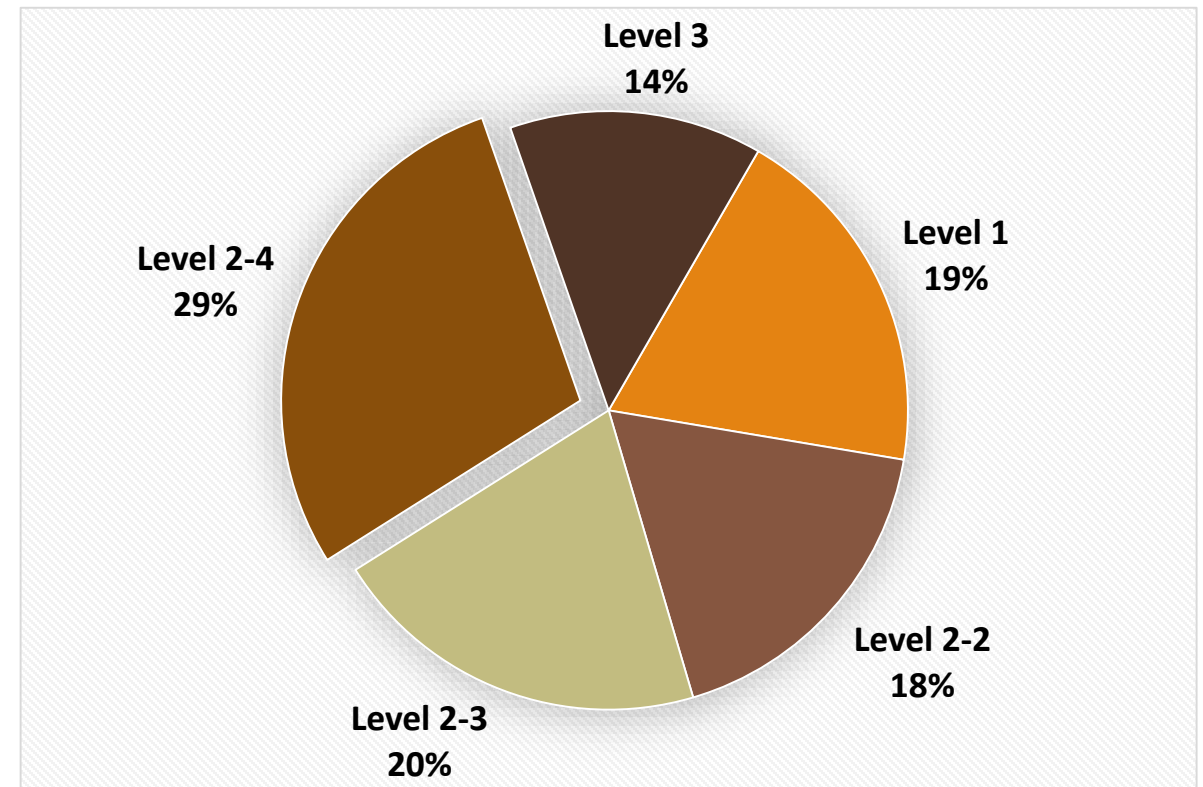


The employers survey represents around 5,500 employees working in 6 job functions and 5 job levels

SIX JOB FUNCTIONS



FIVE JOB LEVELS





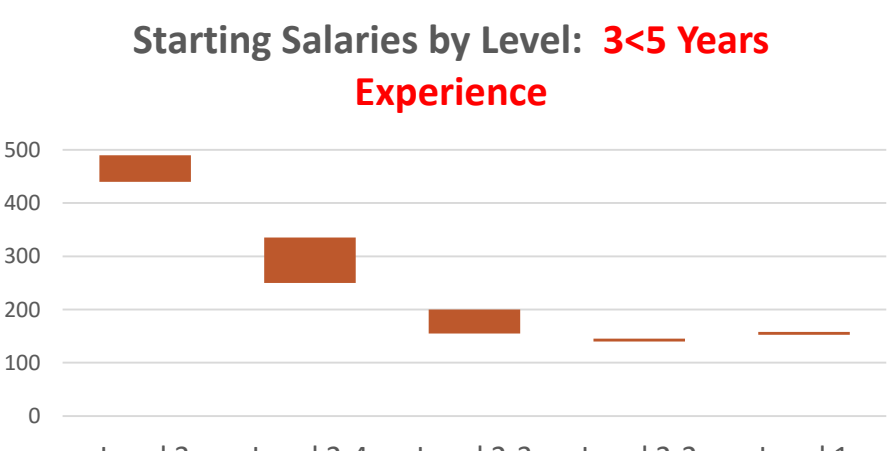
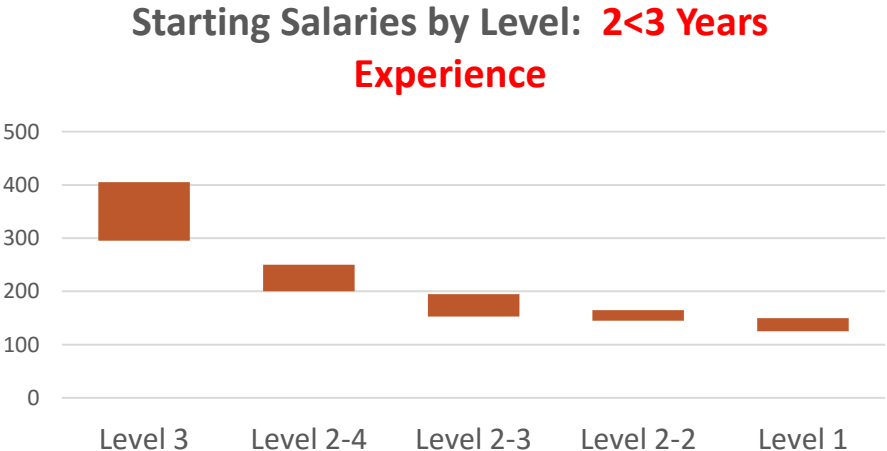
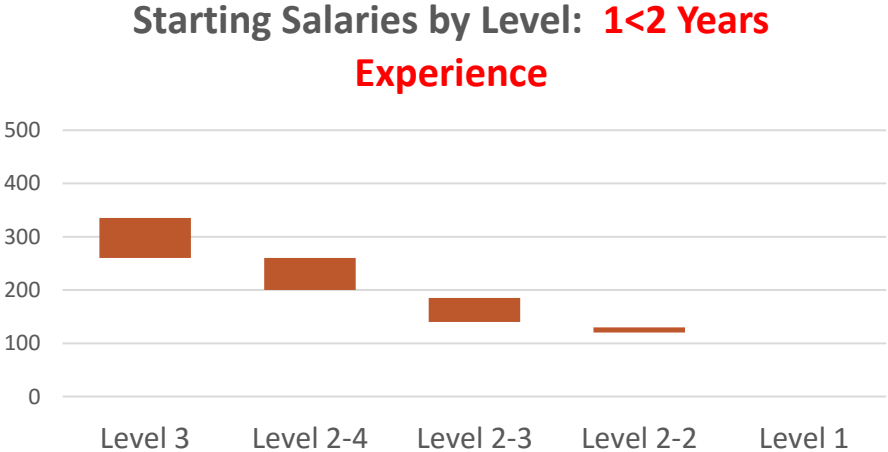
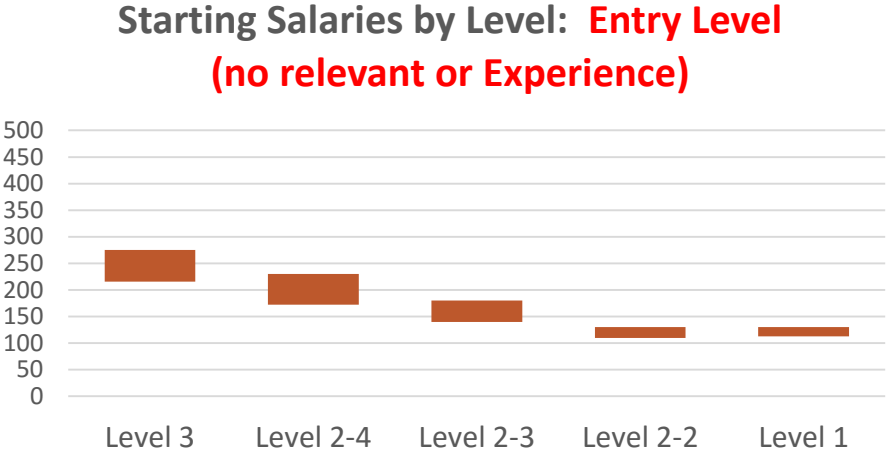
HRINC Vision:

To be the most valued knowledge and most respected
respected professional services provider that all business
business knows, will add positive and lasting value.
value.

Starting salaries

**HRINC CONSULTING: DATA DRIVEN INSIGHTS THAT DRIVE
EMPLOYEE ENGAGEMENT AND BOTTOM-LINE PERFORMANCE**

Starting min and max median salaries by relevant years of experience show a clear progression of salaries by level....



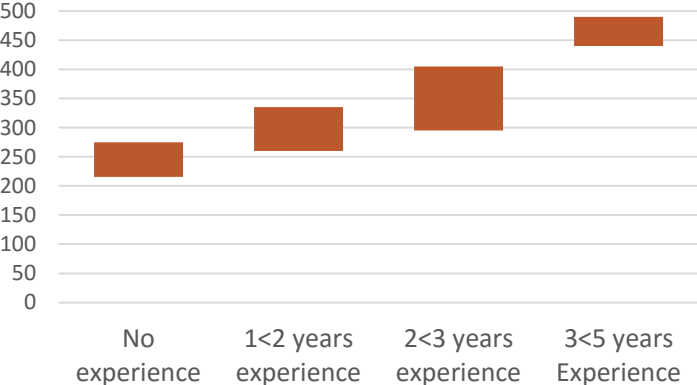
What the data tells us

Within years of relevant experience, there is a clear progression of salary by level...

A review by Level and years of experience is required to fully understand the data...

Starting Salaries by Level and years of experience: Flat progression of wages especially for lower levels. Less opportunity to earn more and progress...

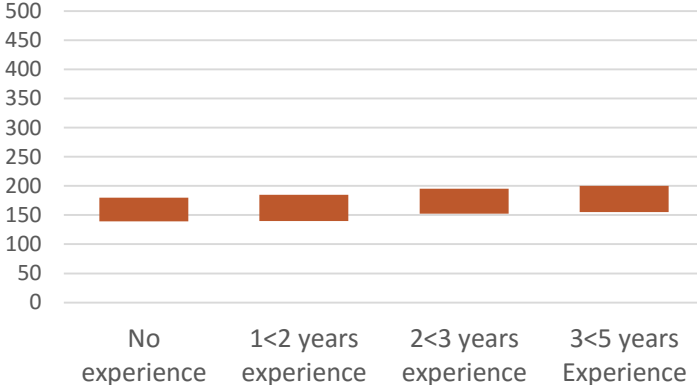
Starting Salaries Level 3



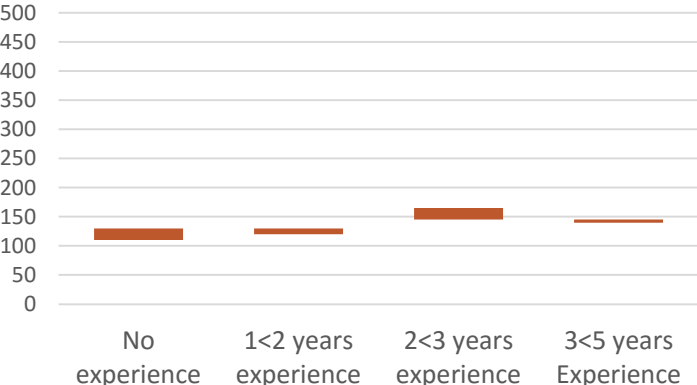
Starting Salaries Level 2-4



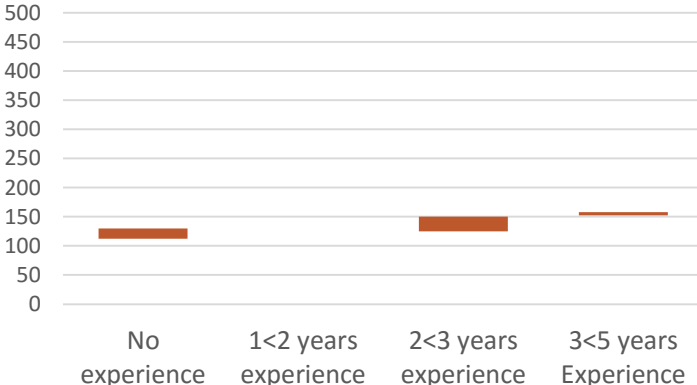
Starting Salaries Level 2-3



Starting Salaries Level 2-2



Starting Salaries Level 1



What the data tells us

The lower the level, the less “opportunity” to earn more, regardless of experience

- Flat progression of wages

A need to maintain overhead cost, but create opportunities for earnings, in particular for lower level workforce

Training, skills development and recognition incentives are important



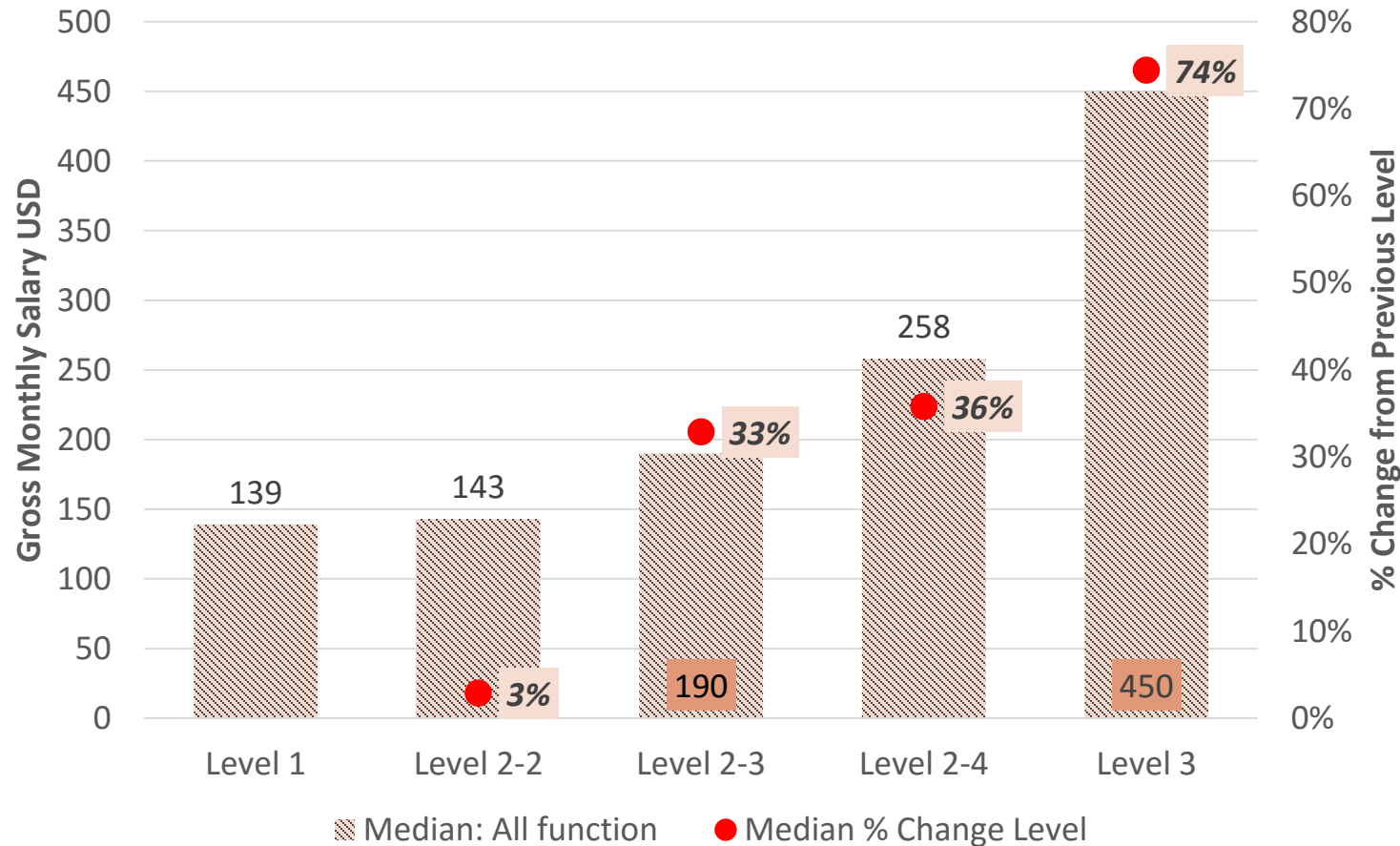
HRINC Vision:

To be the most valued knowledge and most respected
respected professional services provider that all business
business knows, will add positive and lasting value.
value.

What wages are being paid to the workforce today?

**HRINC CONSULTING: DATA DRIVEN INSIGHTS THAT DRIVE
EMPLOYEE ENGAGEMENT AND BOTTOM-LINE PERFORMANCE**

Significant wage changes in median monthly salaries as workers progress from one level to the next...

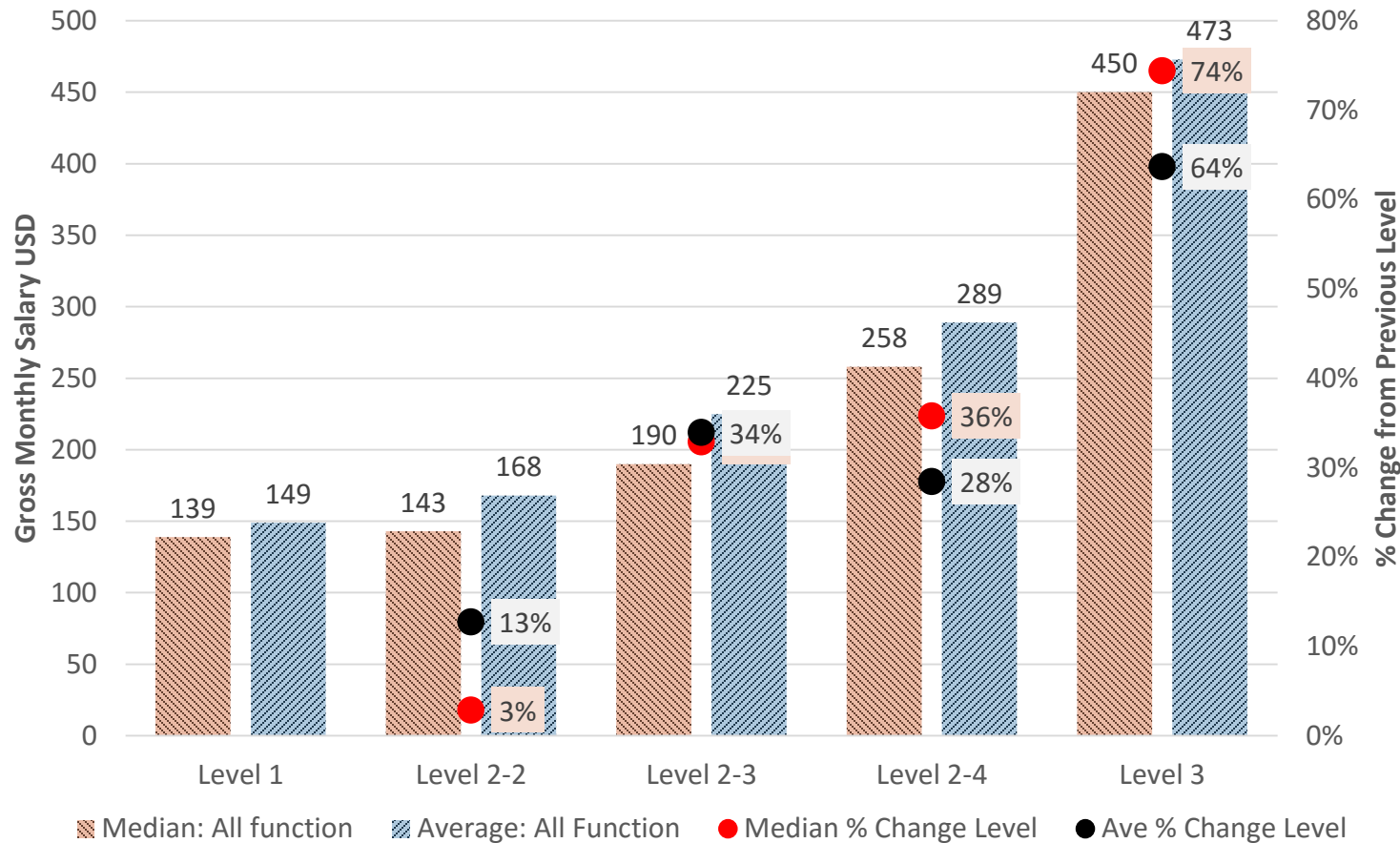


From level 2-3 upwards, median wages changes are in excess of 30%

At level 3, the median wage change is 74%.

Overall, median wages are higher than garment minimum wages....

Average wage changes show similar changes from one level to the next. Average wages are higher than median wages at all levels...



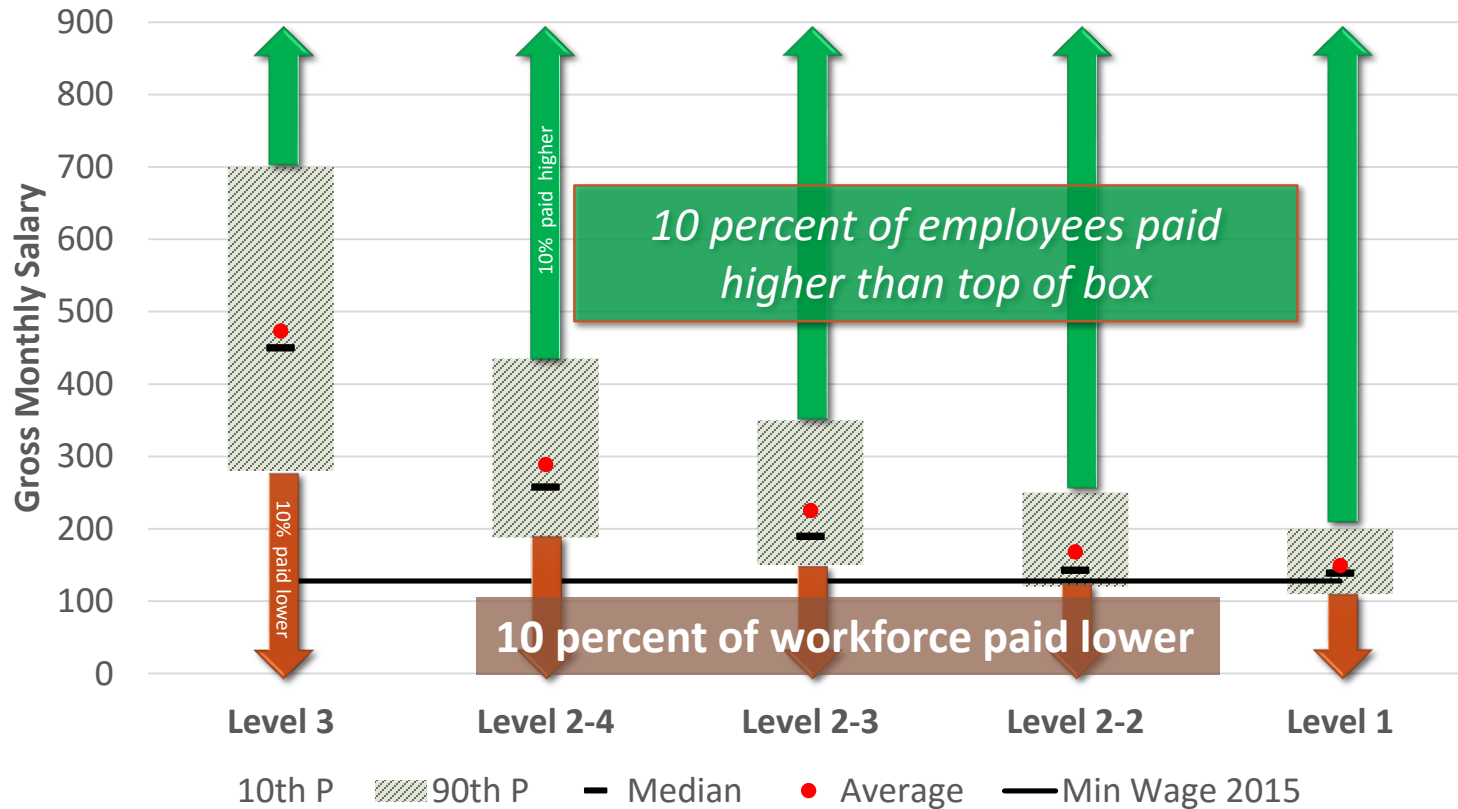
In 2015, the minimum wage was 128.

Private sector appears to be paying “substantially” higher than minimum wages on gross monthly wages overall....

...there are however sectors and professions, that pay or are paid below minimum wages levels in the garment sector...

Reviewing the spread of data at each level and identifying the minimum wage level, we clearly see that at level 1 and Level 2-2, there are wages being paid, lower than minimum wages

10thP - 90thP Spread: Total Sample



The bottom of the box, shows the 10th Percentile

- 10 percent of employees at this level, are paid lower than the bottom line of the box.

The top of the box, shows the 90th Percentile

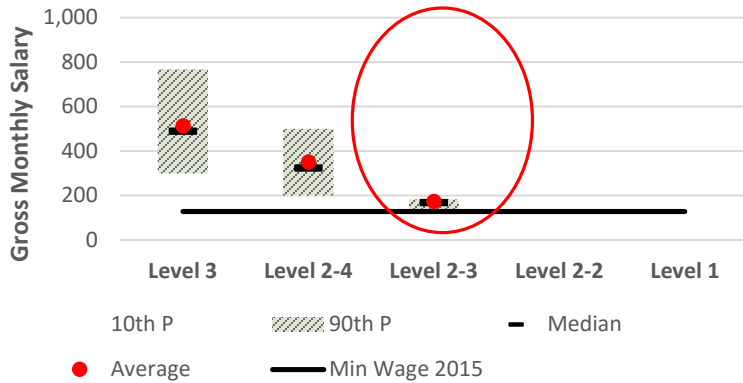
- 10 percent of employees at this level, are paid higher than top part of the box

The lower the level of worker, the smaller the spread of salaries paid.

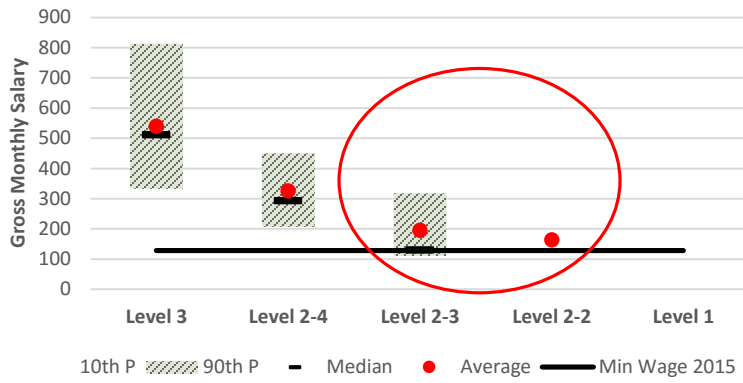
The closer the average and median are together, the more evenly distributed the data is.

- The higher the average is from the median, indicates that more of the salary data is high.
- The lower the average is from the median, indicates that more of the salary data is low.

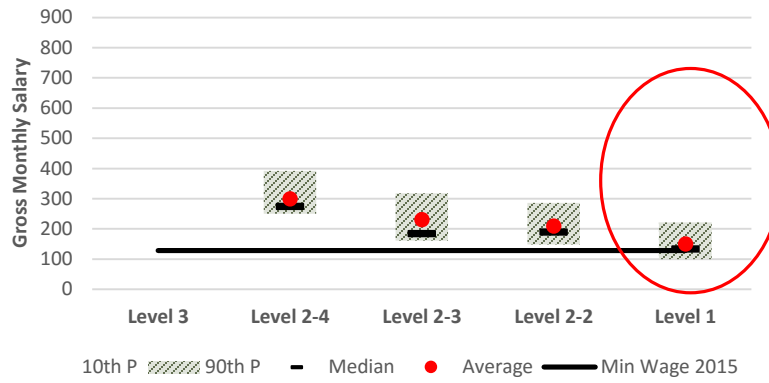
10thP - 90thP Spread: Accounting & Finance



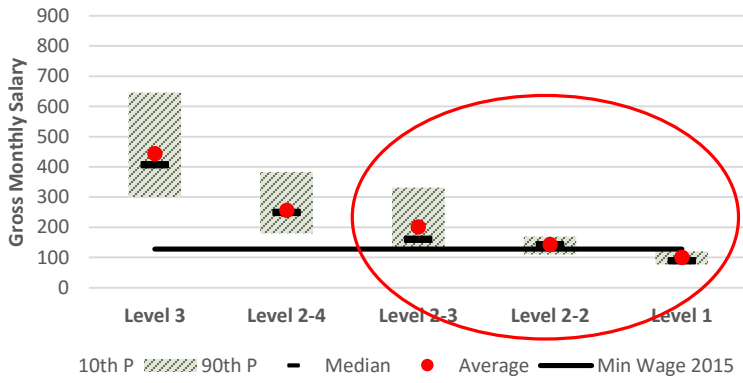
10thP - 90thP Spread: Admin, IT, HR & Legal



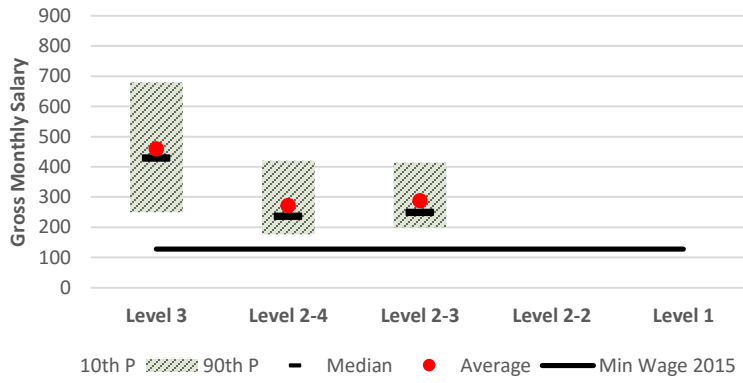
10thP - 90thP Spread: Cleaner, Driver, Guard



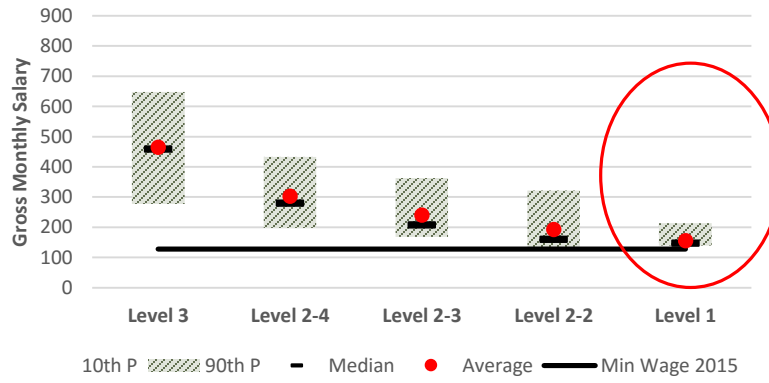
10thP - 90thP Spread: Customer Services



10thP - 90thP Spread: Marketing & Sales



10thP - 90thP Spread: Mechanical, Production Line & Store

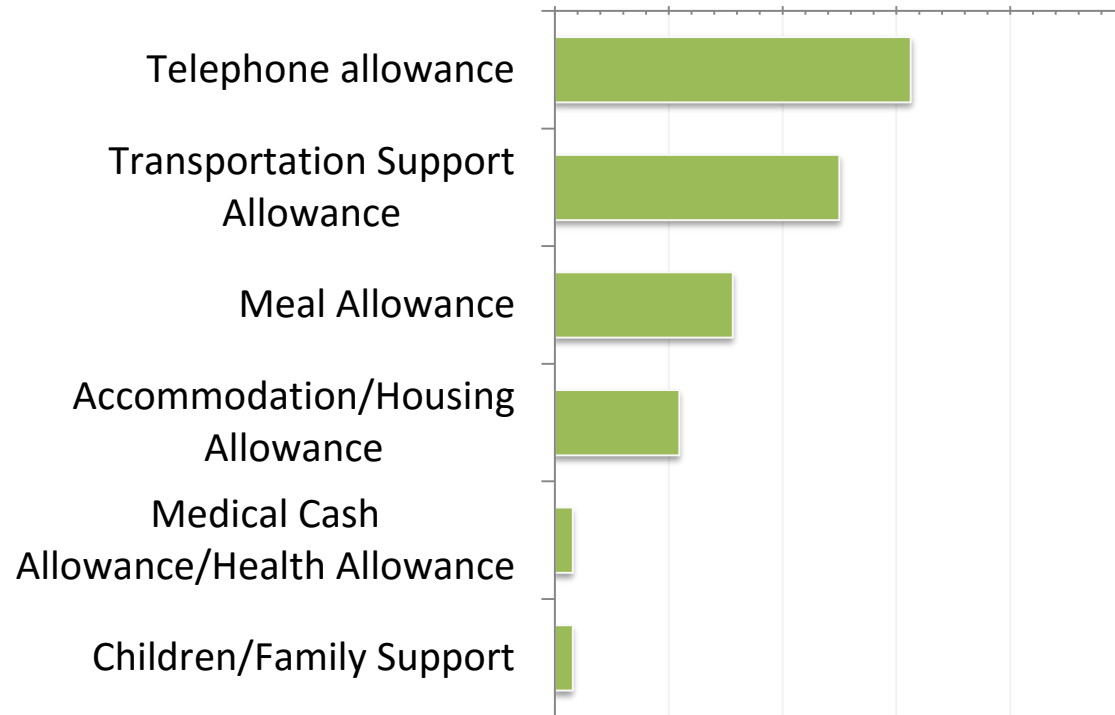


Identifying best paying and least paid jobs based on monthly gross salary using the median as a benchmark....

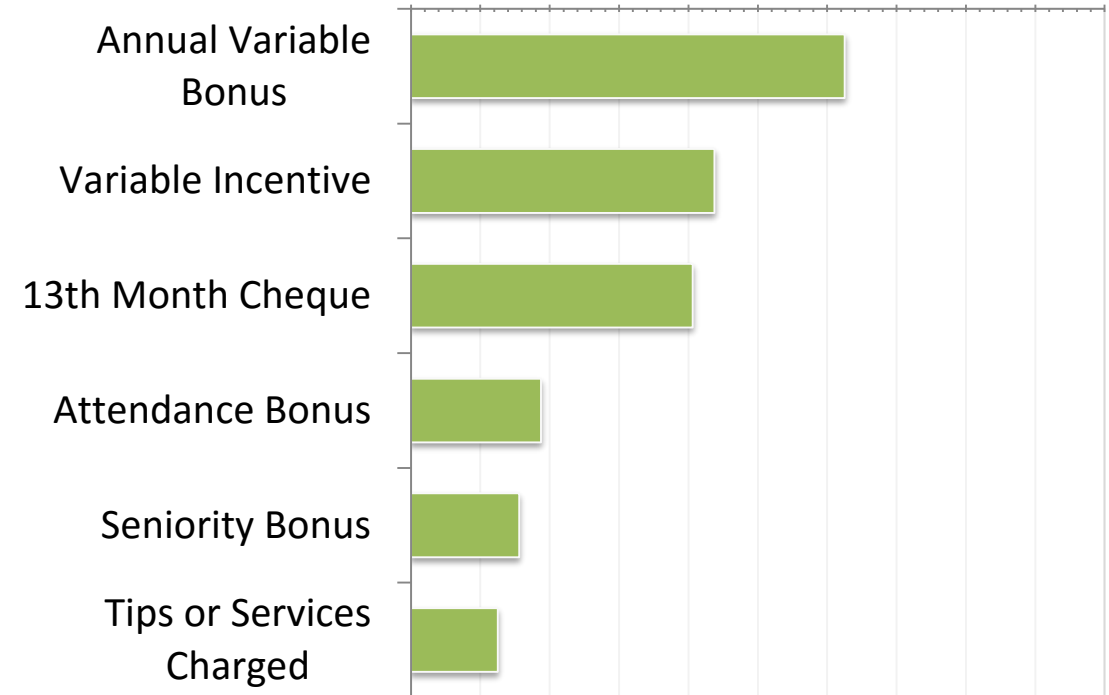
ISCO Level	All Functions Median	Accounting & Finance	Admin, IT, HR & Legal	Cleaner, Driver & Guard	Customer Services	Marketing & Sales	Mechanical, Production Line & Store
Level 3	<u>See report</u>	9%	14%	--	-10%	-4%	2%
Level 2-4	<u>See report</u>	26%	14%	6%	-3%	-8%	9%
Level 2-3	<u>See report</u>	-11%	-31%	-3%	-16%	32%	9%
Level 2-2	<u>See report</u>	--	--	33%	0%	--	12%
Level 1	<u>See report</u>	--	--	-4%	-35%	--	6%

A variety of different cash allowances and variable pay is used...

PERSONAL CASH ALLOWANCES (6)

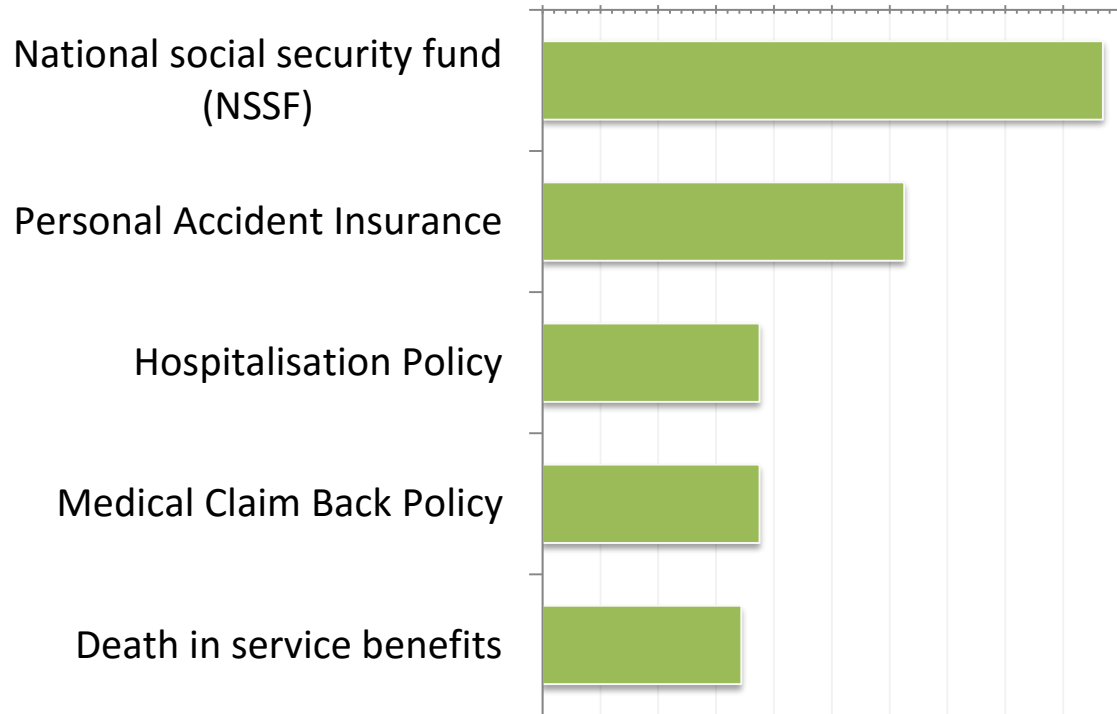


VARIABLE PAY (6)

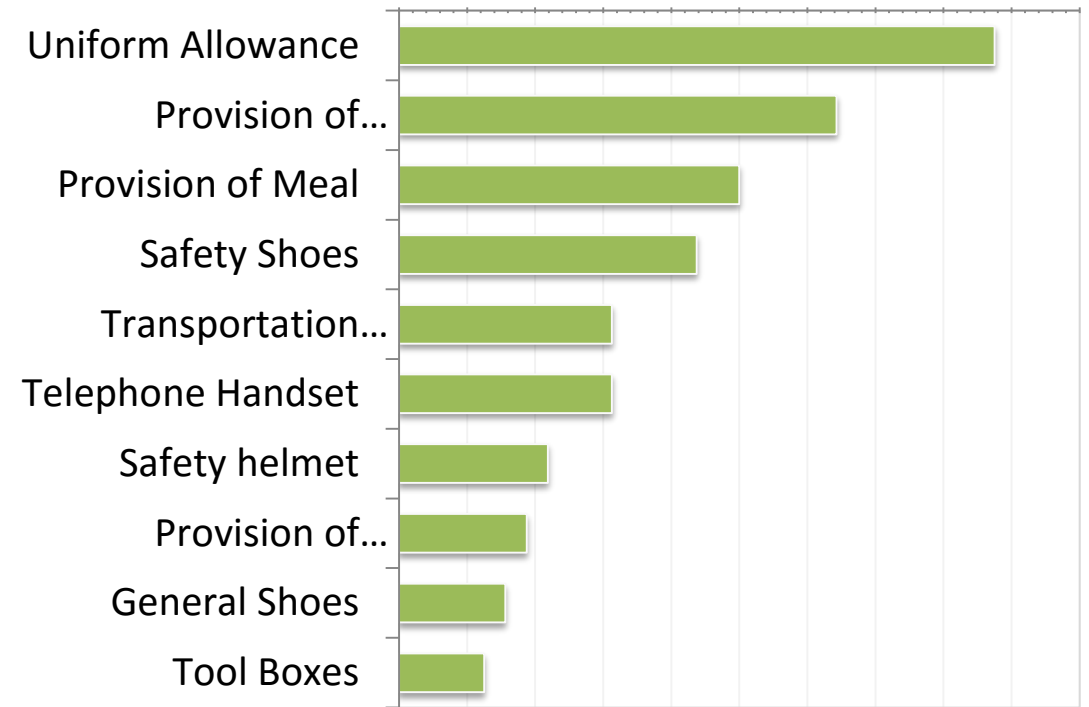


The developments of benefits provision is encouraging. Work allowances are presented as items specific to sectors and jobs resulting in total employment cost.

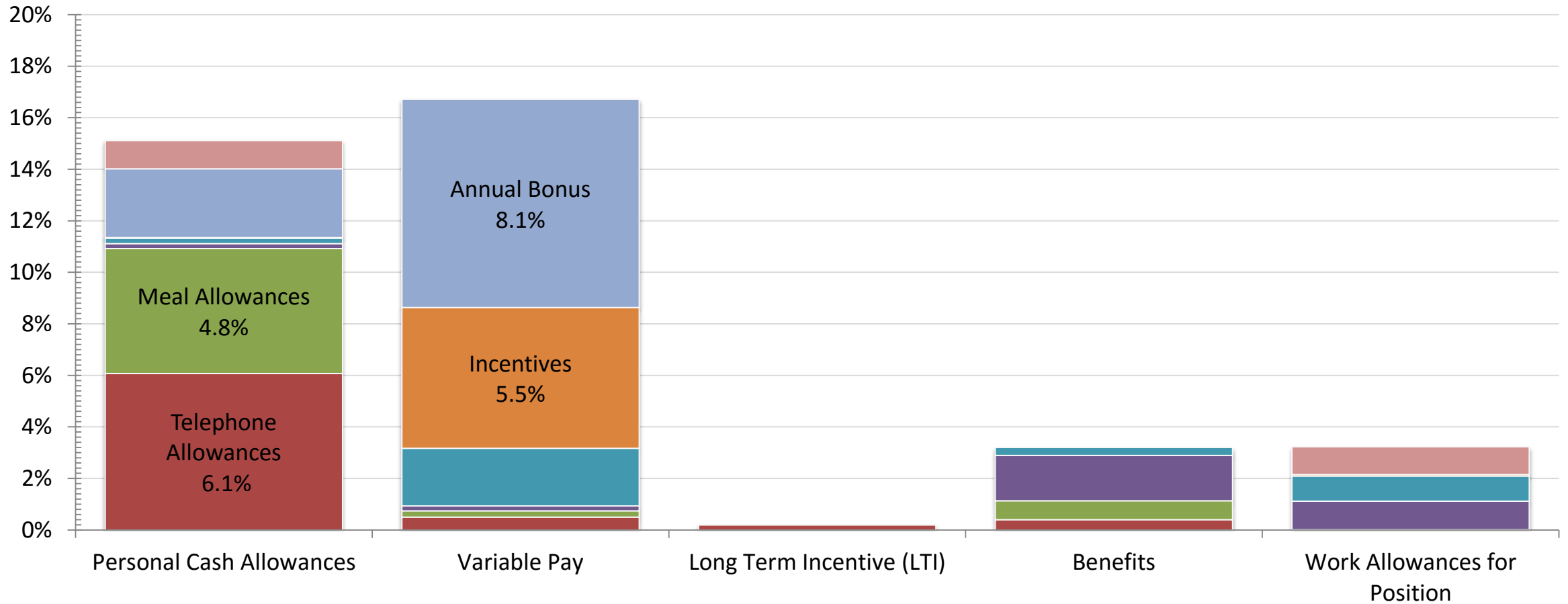
BENEFITS PROVISION (5)



WORK ALLOWANCES FOR THE POSITION (10)



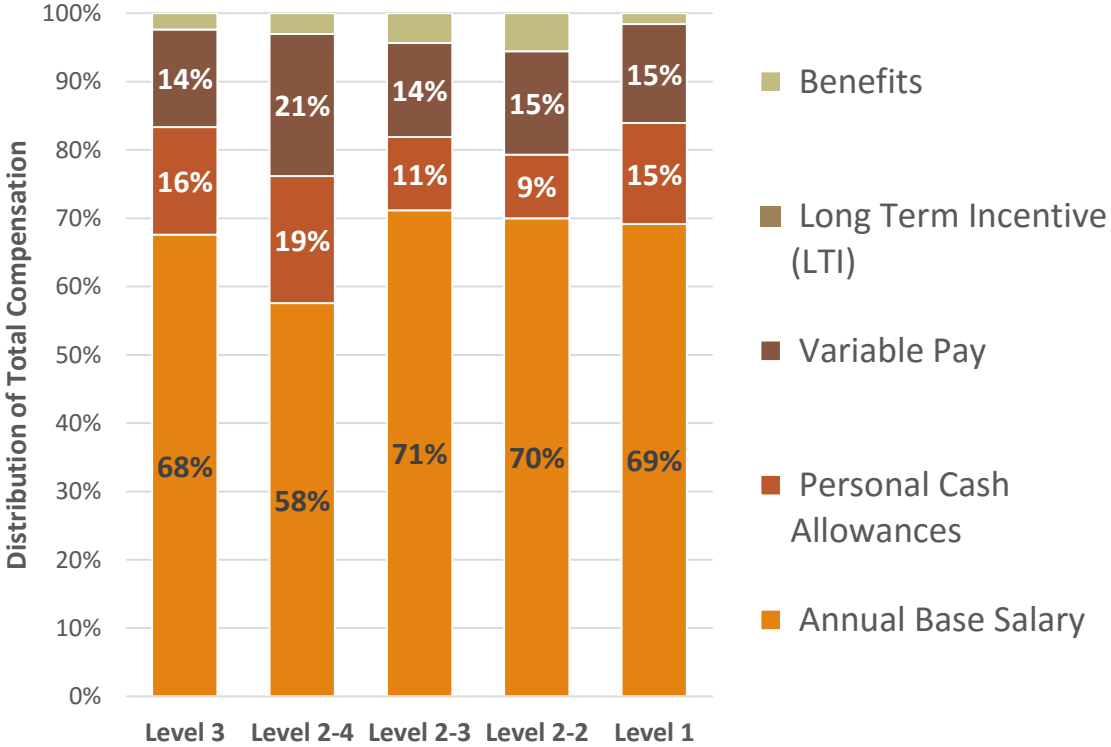
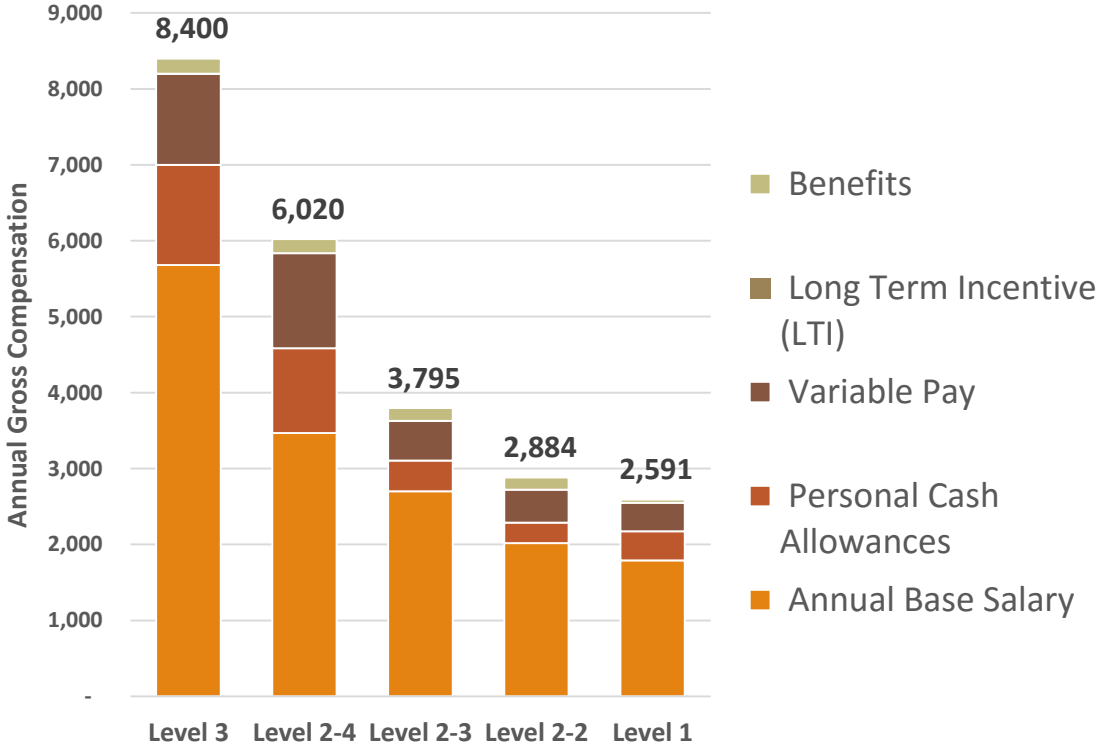
The contribution of allowances and variable pay is dominated by “obvious” provisions.



Total compensations shows competitive salaries amongst Cambodia's leading local and multinational companies

AVERAGE ANNUAL TOTAL COMPENSATION

DISTRIBUTION OF TOTAL COMPENSATION





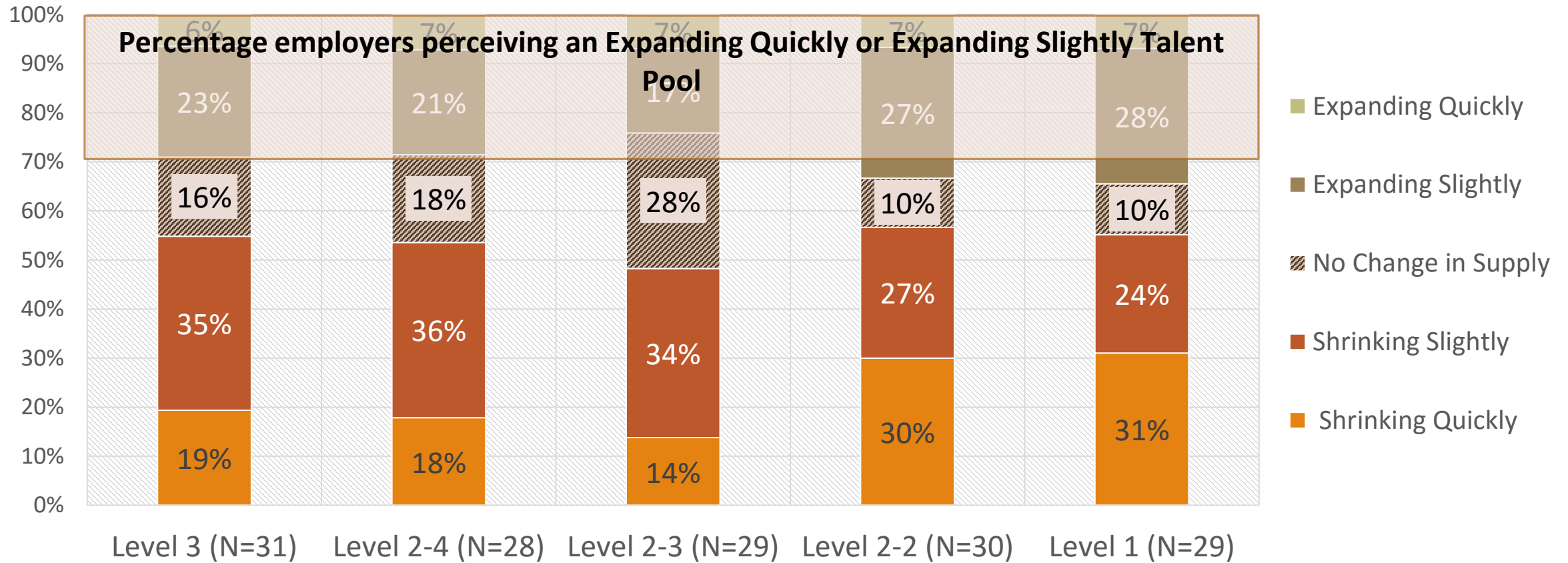
HRINC Vision:

To be the most valued knowledge and most respected professional services provider that all business knows, will add positive and lasting value.

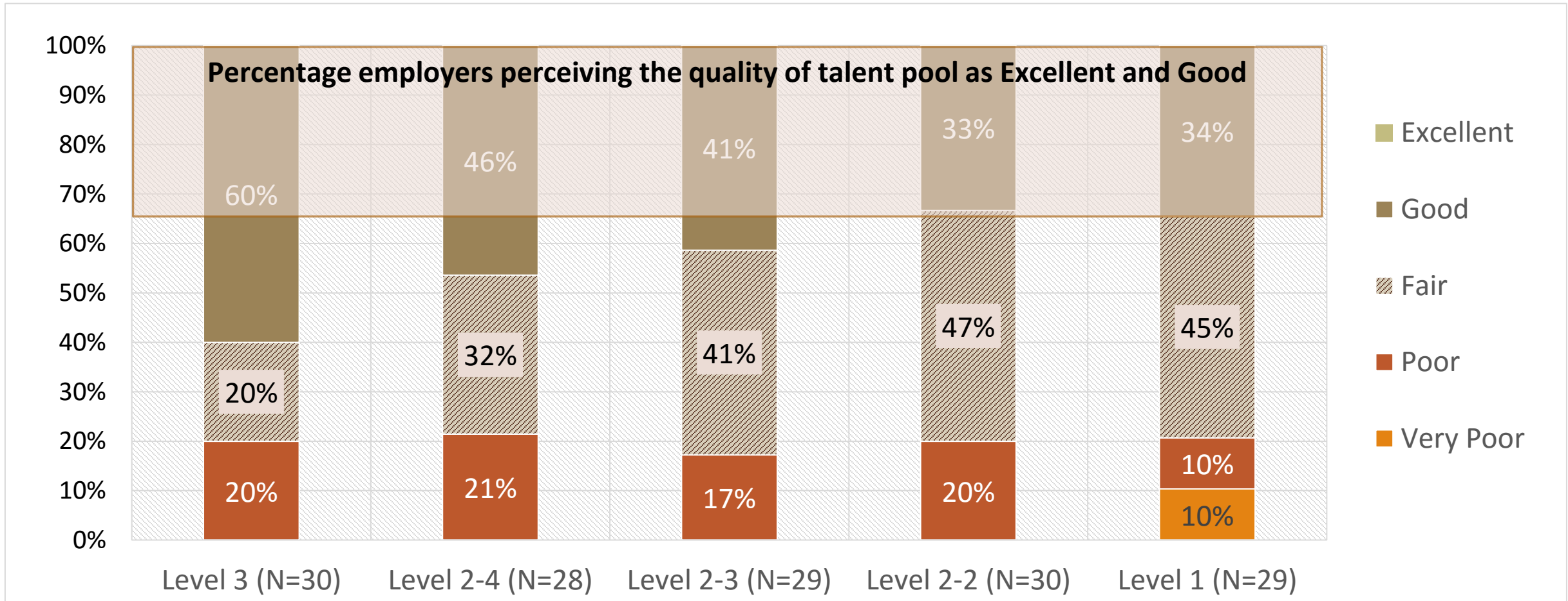
Labour force perspectives and HR challenges

HRINC CONSULTING: DATA DRIVEN INSIGHTS THAT DRIVE EMPLOYEE ENGAGEMENT AND BOTTOM-LINE PERFORMANCE

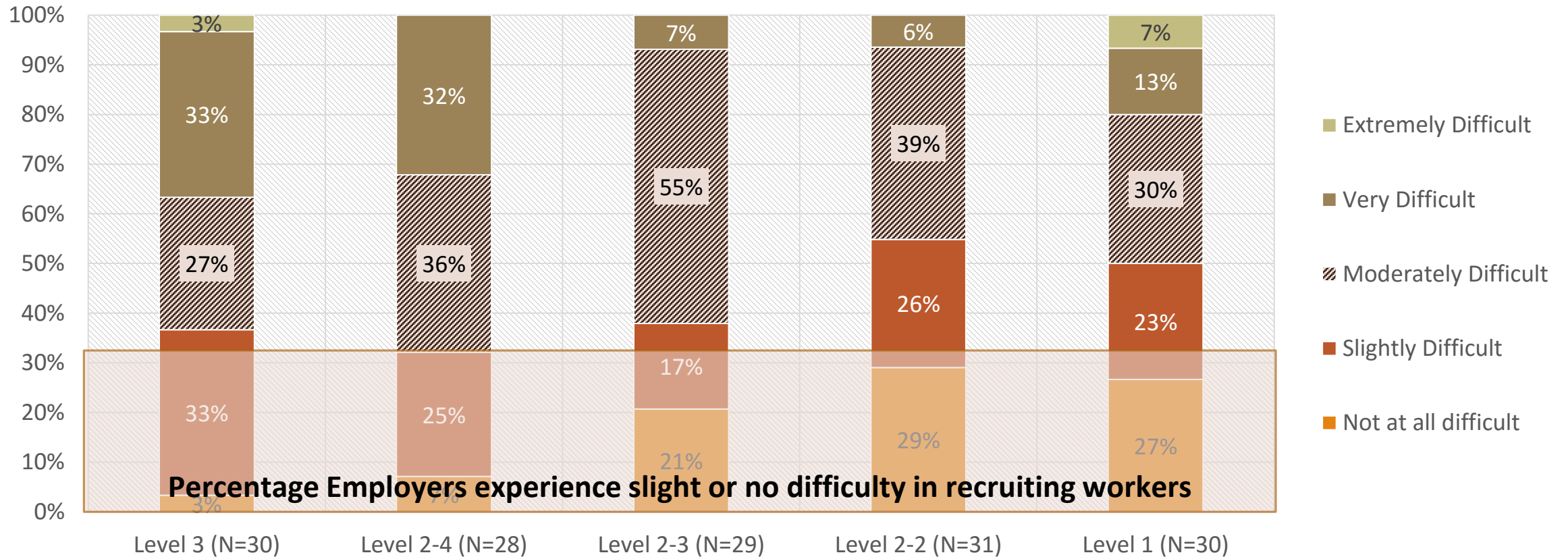
Size of Talent Pool: Employers perceive the talent pool to be shrinking mostly. It is necessary from a sourcing and talent management perspective to be visionary and creative as to the business needs.



Quality of Talent Pool: Overall, the talent pool is fair. The more unskilled the levels, the poorer the quality of the talent pool.



Ease of Recruitment: Finding talent, remains mostly moderately to very difficult.



Summary of talent pool and implications for sourcing and workforce planning

SUMMARY OF LABOUR MARKET

Overall, the talent pool appears to be shrinking

The talent pool quality can be described as mostly fair and poor

It remains difficult to recruit the right skills and attitudes

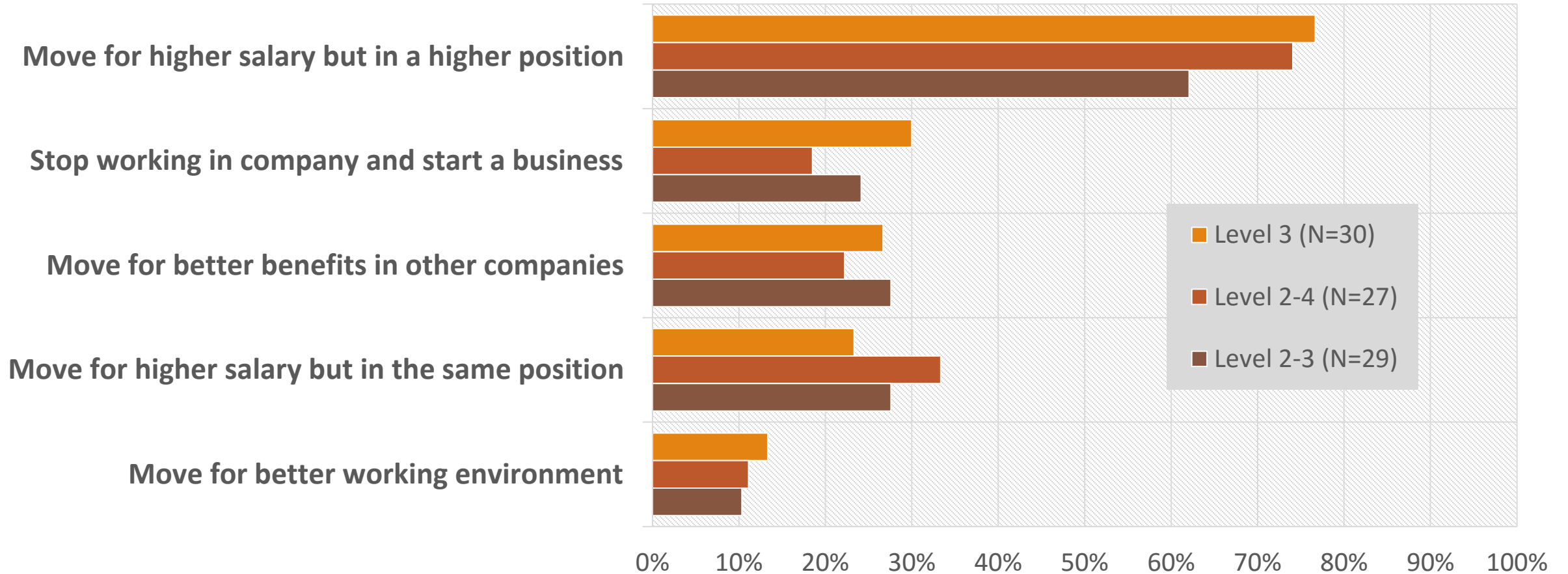
IMPLICATIONS FOR WORKFORCE PLANNING

A need for...

- *Clear strategic workforce plan is needed*
- *Labour market knowledge is essential*
- *Planning in advance and expand sourcing strategies*
- *Need structured skills induction programs*
- *Need to link workforce planning to wage changes as employees become more skilled*

The unseen costly budget line: Turnover.

Turnover in 2015 (f) 16% down from 24% in 2014.



Perspectives that are not impacting turnover, are as important to monitor as they signal developments in the labour and economic environment.

Peer Pressure

Moving to a new workplace closer to primary place of living

Move to new emerging industry (new industry all together)

Stop working (exit labour force all together)

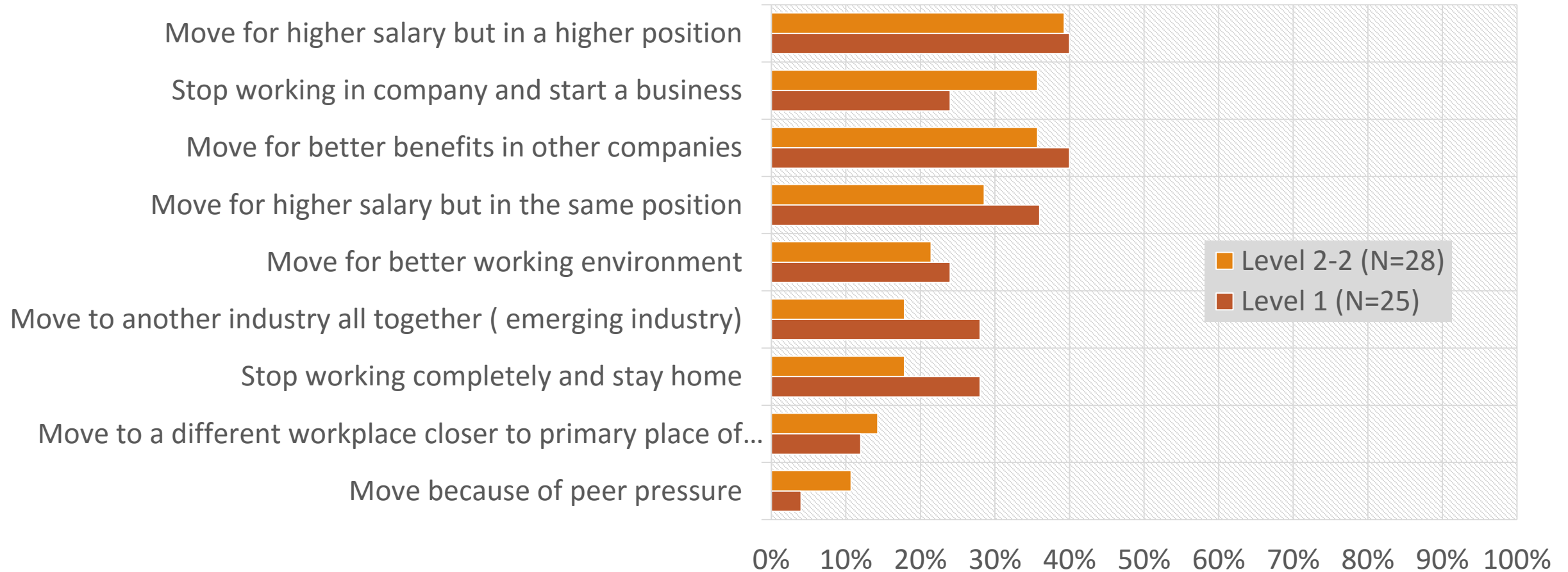
HRINC Consulting Insights

“Optimal turnover is not the lowest turnover for a company – turnover can be a good thing, and brings in fresh perspectives and new energy.

Optimal turnover produces the highest long-term levels of productivity and business improvement.”

HRINC and Workforce.com

The highest turnover rates are prominent for Level 1 and level 2-2 workers. Employer views on turnover remain similar to those of more





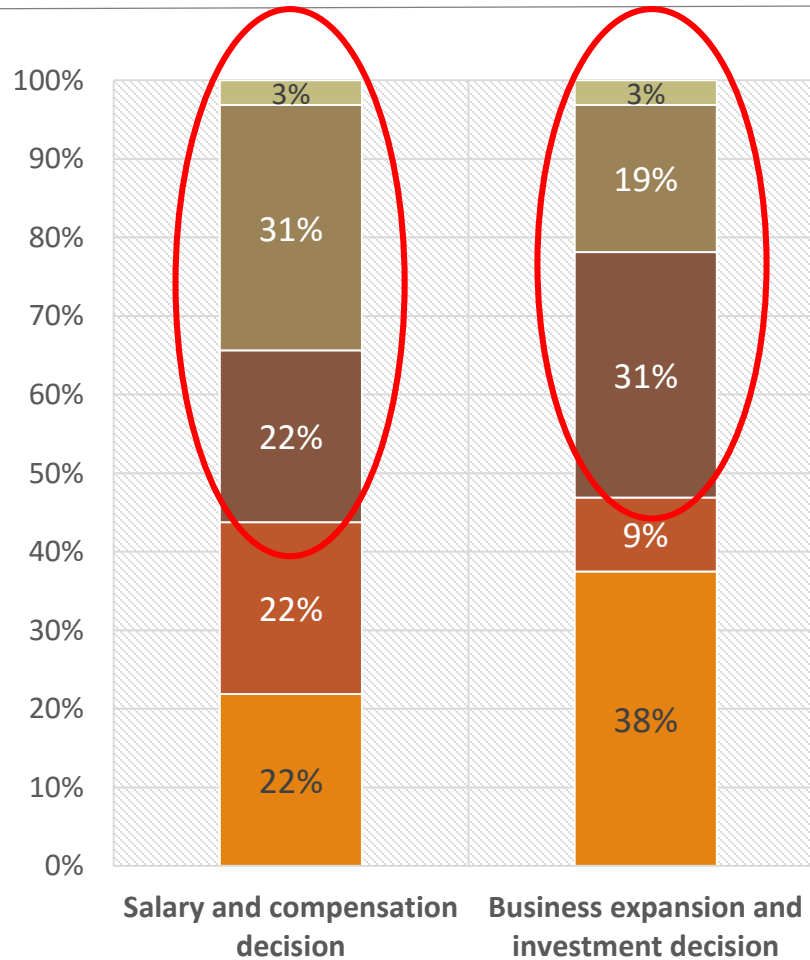
HRINC Vision:

To be the most valued knowledge and most respected professional services provider that all business knows, will add positive and lasting value.

How are minimum wages in garment sector impacting business and employee negotiation positions?

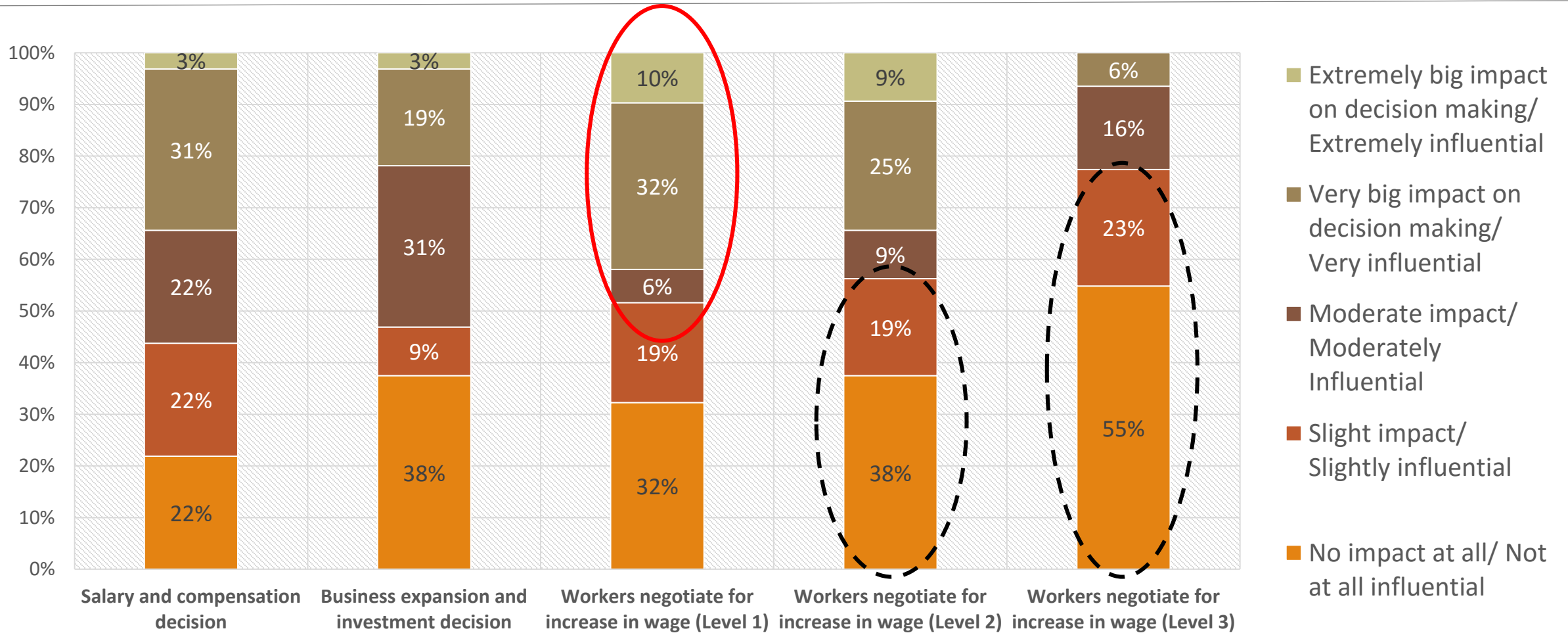
HRINC CONSULTING: DATA DRIVEN INSIGHTS THAT DRIVE EMPLOYEE ENGAGEMENT AND BOTTOM-LINE PERFORMANCE

Business Decision Making: Nearly 60% of employers state a mostly big or moderate impact on salary and compensation decision and around 55% say a very big impact and moderate impact on business expansion and investment decisions...



- Extremely big impact on decision making/ Extremely influential
- Very big impact on decision making/ Very influential
- Moderate impact/ Moderately Influential
- Slight impact/ Slightly influential
- No impact at all/ Not at all influential

Employee negotiation position: Nearly 50 percent of employers mention that minimum wages have an extremely big and very big impact on level 1 workers whereas for Level 2 and 3 workers, the impact is less pronounced.





HRINC Vision:

To be the most valued knowledge and most respected
respected professional services provider that all business
business knows, will add positive and lasting value.
value.

Managing the wage structure

**HRINC CONSULTING: DATA DRIVEN INSIGHTS THAT DRIVE
EMPLOYEE ENGAGEMENT AND BOTTOM-LINE PERFORMANCE**

Compensation is only one part of your employer brand and value proposition and consists of more than just salary.

Base salary

- Recruit talent
- Balance wage growth with skills and job scope
- Monitor turnover
- Don't go into a price war
- Offer "more than just salary"
- Sell total compensation and employer brand

Cash Allowances

- Keep over time to a minimum
- Enhance cash provision
- Balance administration
- Difficult to manage if variable e.g. attendance bonuses
- Use practically and strategically

Variable Pay

- Needs to motivate specific behavior
- Target 15 – 25% of salary to be variable pay, or additional income – think big, start small
- Should not substitute learning and training

Long Term Incentives

- Use for retention purposes
- Can be as simple as a saving schemes or as complex as employee profit sharing or ownership





Benefits

- Becoming increasingly important
- Workers becoming more aware

Recognition, Acknowledgment and Respect

- Employee awards and recognition
- Long service awards
- Social activities for life-work balance.
- Self-esteem building – is not only relevant for professional p

Compensation, needs to be linked to your total HR strategy and total HR offering

HR Strategy	HRINC Consulting Insights HR Management and Governance Framework					HR Operations & Infrastructure	
Strategy	 Employee Engagement					HR Structure	Policies, Procedures and Compliance
Culture 	Engagement Strategy & Diagnostics	 Total Compensation**			Performance Management	Goal Setting	Employee Relations
Organisational Design**	Engagement Action Plans	Compensation	Benefits	Recognition	Coaching	Performance Appraisal	Employee Comms
Change Management	Competency Framework	Workforce Planning	Employer Brand	Candidate Sourcing	On boarding	Employee Development	HR Technology**
Metrics and Analytics	Talent Assessment	Succession Planning	Candidate Assessment	Internal Mobility	Management Development	Leadership Development	HR Budget**
		Talent Management		 Talent Acquisition	Learning and Development		



Thank you: Q&A

WWW.HRINC.ASIA

WWW.HRINC.COM.KH

HRINC@HRINC.COM.KH AND SALARYSURVEY@HRINC.COM.KH



HRINC Vision:

To be the most valued knowledge and most respected professional services provider that all business knows, will add positive and lasting value.

HRINC Mission:

We build engaging and lasting partnerships. We deliver extraordinary services...
...that enable our clients, our business and our people to grow and innovate.

HRINC Consulting **HRINC Outsourcing** **HRINC Training** **HRINC Recruitment**
Understanding Organisation Understanding Business Understanding People Understanding You

HRINC Consulting: Data driven insights that drive employee engagement and bottom-line performance.



HRINC Vision:
To be the most valued knowledge and most respected professional services provider that all business knows, will add positive and lasting value.



HRINC Consulting: Data driven insights that drive employee engagement and bottom-line performance.

HRINC HR Product Series	HRINC Compensation Series	HRINC Labour and Economic Studies
HR Processes Audit	Annual compensation survey	Education sector
HR Compliance Audit	Industry compensation survey	Labour force diagnostic and reviews
Organisation Development Review	Annual workforce survey	Workforce reviews
Employee Satisfaction Survey	Compensation benchmarking	Sectorial labour force diagnostics
Employee Engagement Survey		
Policy and procedure development		

HRINC Consulting **HRINC Outsourcing** **HRINC Training** **HRINC Recruitment**
Understanding Organisation *Understanding Business* *Understanding People* *Understanding You*