

A comprehensive report on compensation and benefits amongst
Cambodia's leading companies



ANNUAL PRIVATE SECTOR
COMPENSATION SURVEY
2013-2014 INSIGHTS COPY



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The report is intended to provide information to the buyer on market salaries and HR practices and may be used for internal company decision making and analysis. HRINC (Cambodia) Co., Ltd bears no responsibility for the decisions and/or further analysis made pertaining to the report. The data contained herein represents the data that participating companies have provided to HRINC (Cambodia) Co., Ltd where we have taken all reasonable effort to ensure data accuracy and transparency.

Further questions relating to the report can be sent to hrinc@hrinc.com.kh.

Acknowledgements & Introductory Remarks

This *Insight* copy of the *Cambodia Annual Multinational Sector Compensation Review 2013-14* provides a snapshot of some of the information and analysis contained in the full report.

We would like to thank all 37 companies that participated in this year's compensation survey. We would like to pay special thanks to those companies that have participated in HRINC's compensation reviews for many years. Their long-term support and cooperation help us to deliver a consistent, high-quality product every year. We would also like to welcome those companies that participated for the first time this year.

HRINC has been conducting annual compensation reviews in Cambodia for nearly a decade, with our first survey launched back in 2005. Since then, we have published nearly 30 compensation reports, including our flagship annual report on multinational companies, as well as sector-specific reports on organizations in telecommunications, microfinance, banking, hotels, garments and the not-for-profit sector. This long-term involvement in Cambodia gives us a unique understanding of compensation practices in Cambodia, and provides survey participants with confidence that their information will be handled with the utmost care and confidentiality.

This year's full report contains several exciting improvements.

For the first time, our total compensation tables provide a detailed breakdown of each sub-component of compensation, such as the average amounts provided for telephone allowance or medical insurance. This enables readers to gain a deeper understanding of market rates of variable pay, benefits and allowances at each Job Level.

In this year's full report, we provide clearer descriptions of the jobs typically found in each Job Level. This makes it easier for readers to glance at any page of the salary tables and have a good idea of which types of jobs are included in which Job Levels.

The Cambodian labour market is constantly evolving, in terms of size and sophistication. In such an environment, finding and retaining top talent will remain a challenge. Successful companies need to have a consistent and competitive compensation structure that reflects market trends and best practices. The *Annual Private Sector Compensation Review 2013-14* plays an essential role in helping companies to establish and maintain such a compensation structure.

The purpose of this compensation review is to benchmark salaries and total compensation for positions in the private sector. This benchmarking exercise:

- Allows you to compare different jobs within the organisation and similar jobs across different organisations
- Provides valuable information to help develop competitive compensation policies based on market trends in the areas of variable pay, benefits and allowances
- Equips you with useful information on some common HR practices and challenges, including salary reviews and increments, labour turnover and challenges in recruitment.

The full report of the *Cambodia Annual Multinational Sector Compensation Review 2013-14* is divided into 8 chapters, plus appendices. Notes pages have also been inserted for ease of analysis.

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1. Highlights of the survey

This chapter provides some highlights of the *Cambodia Annual Multinational Sector Compensation Review 2013-14*. It covers a range of interesting issues, including:

- Which job positions generally pay above the market average?
- Which sectors generally pay above the market average?
- How rapidly do salaries increase from one job level to the next?
- How do companies structure their total compensation?
- What recruitment and labour turnover challenges do companies face?
- What has happened to employment in recent years?
- What size salary increments are companies providing in 2013 and 2014?
- How do the salaries reported in this year's survey compare with last year's survey?

1.1. Best paying jobs

The table below compares the median Gross Monthly Salary paid at each Job Level across each Job Function.¹ The table displays, for a given Job Level, the extent to which the median salary for a particular Job Function (such as Accounting & Finance) is higher or lower than the median salary for the total market (across all Job Functions). Percentages highlighted in blue indicate the Function is at least **10% above** the total market (All Functions) median, while percentages highlighted in red indicate the Function is at least **10% below** the total market median.

The table highlights the following key points:

- Job Functions that tend to *pay above* the overall market in many Job Levels are **Human Resources** (Levels 5-8) and **Production & Maintenance** (Levels 4-9).
- Job Functions that tend to *pay below* the overall market in many Job Levels are **Marketing** and **Sales**.

Table 1: Median Gross Monthly Salary, % Difference between Function Salary and All Functions Salary

KESAR Level	Accounting & Finance	Admin	Cleaner, Driver, Guard	Human Resources	Legal	Engineering	IT	Purchasing & Logistics	Production & Maint.	Quality & Environ	Customer Services	Sales	Marketing
Level 1	--	--	--	--	--	--	--	--	--	--	--	--	--
Level 2	10%	--	--	-25%	--	--	--	--	--	--	--	0%	-30%
Level 3	2%	4%	--	-6%	-22%	0%	0%	2%	-9%	-14%	-25%	-1%	0%
Level 4	4%	-10%	--	-3%	--	--	-9%	16%	34%	--	10%	-2%	3%
Level 5	-2%	-10%	--	15%	--	15%	15%	14%	26%	20%	-1%	0%	-12%
Level 6	0%	5%	--	7%	--	5%	1%	0%	15%	29%	-9%	-4%	-4%
Level 7	11%	13%	--	24%	--	-6%	23%	14%	16%	4%	10%	-2%	6%
Level 8	0%	19%	33%	12%	--	-6%	-2%	-11%	10%	5%	2%	-27%	-19%
Level 9	--	-7%	0%	--	--	--	--	-6%	8%	--	-12%	--	--
Level 10	--	--	0%	--	--	--	--	-13%	-13%	--	--	--	--

¹ All jobs are classified into 10 KESAR Job Levels (with one the most senior and 10 the most junior) and 14 Job Functions (Accounting & Finance, etc.). Two hyphens (--) means there is insufficient data to display the results (for confidentiality reasons). See Chapter 4 for a full explanation of the methodology.

1.2. Best paying sectors

In this survey, participant companies are classified into three sectors according to their main activity:

- Automotive, Construction and Manufacturing
- Telecom, Trade, Distribution, Transportation and Logistics
- Financial & Professional Services.

The table below compares the median Gross Monthly Salary paid at each Job Level across these three broad sectors. The table displays, for a given Job Level, the extent to which a salary in a particular sector is higher or lower than the average salary for the overall market.

Percentages highlighted in blue are at least **10% above** the total market (all sectors) average, while percentages highlighted in red are at least **10% below** the total market average.

The table highlights that **no sector consistently pays higher or lower than the overall market** at all Job Levels. Positions in the Financial & Professional Sector tend to pay slightly higher than the total market in some Job Levels, while positions in the Telecom, Trade, Distribution, Transportation & Logistics sector tend to pay slightly lower than the total market in some Job Levels.

Table 2: Difference between Sector Median Salary and Overall Market Median Salary

KESAR Level	Automotive, Construction & Manufacturing	Telecom, Trade, Distribution, Transport & Logistics	Financial & Professional Services
Level 1	--	--	--
Level 2	-1%	-27%	16%
Level 3	3%	0%	4%
Level 4	4%	4%	0%
Level 5	27%	15%	-6%
Level 6	13%	-1%	-3%
Level 7	-2%	-16%	11%
Level 8	4%	-9%	12%
Level 9	20%	-6%	-8%
Level 10	-13%	-3%	7%

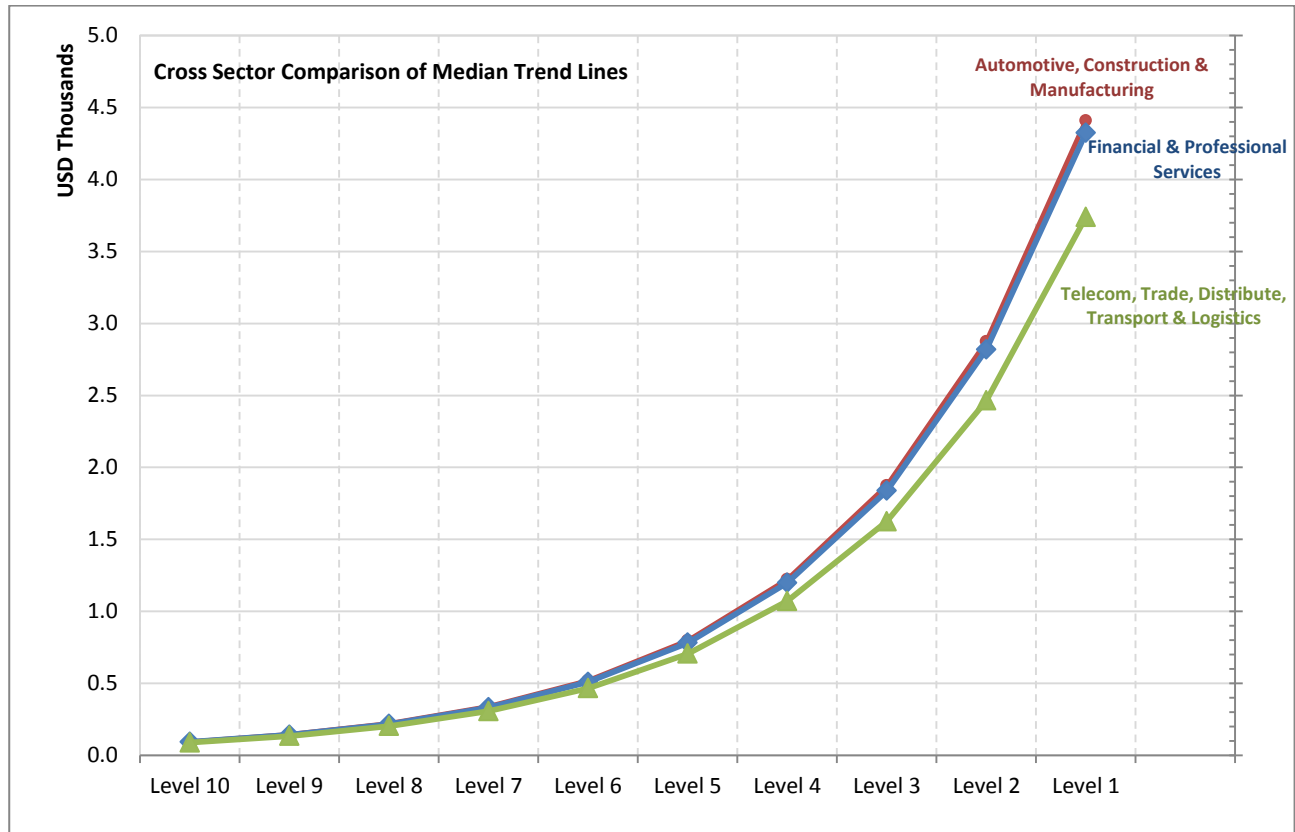
Sector comparisons can also be done using trend lines, which are based on regressed data derived from a mathematical smoothing of actual data. A trend line is a line of best fit – it takes into account the best relationship between Salary and Job Level based on the variation in the data.

In the figure below, trend lines for the Median Monthly Salary are shown for each Activity Sector:

- The steeper the line, the bigger the increase in median salary from one Level to the next for a particular Activity Sector.
- The bigger the vertical gap between the lines, the bigger the spread of median salaries at that Level.

Based on these trend lines, it appears that salary progression from one Job Level to the next is slightly flatter for the Telecom, Trade, Distribution, Transportation & Logistics sector, compared to the other two sectors.

Figure 1: Cross sector comparison, median trend lines, Gross Monthly Salary



1.3. How much do salaries differ from one job level to the next?

This section of the full report contains a chart which highlights that **median salaries generally rise sharply from one job level to the next**, especially at more senior job levels. For example, the median salary at Level 2 is nearly double (96%) the median salary at Level 3.

1.4. Structure of total compensation

The results of the survey indicate that **Annual Base Salary makes up a greater share of Annual Total Remuneration at higher Job Levels (81%-82%) than at lower Job Levels (56%-76%)** – and therefore other compensation components (especially Personal Cash Allowances and Benefits) constitute a smaller share at higher Job Levels than at lower Job Levels.

This year, for the first time, the report breaks down the components of total compensation into more detailed *sub-components*.

The full report provides detailed information on the breakdowns of each component of total compensation at each Job Level.

1.5. Recruitment challenges and staff turnover

Over the past few surveys, respondents have become increasingly positive about the supply of top talent in the Cambodian market. Nearly three quarters of respondents feel the *size of the talent pool* is expanding for entry-level professionals (university graduates), while respondents are significantly more positive about the supply of experienced professionals in this year's survey than last year's survey. Most respondents appear reasonably satisfied with the *quality* of the talent pools for all categories of staff, with a significant drop in the percentage of respondents who rate the quality as "poor" or "very poor".

Respondents experience different *recruitment challenges* for different types of staff. For example, meeting salary and compensation expectations is a big challenge for recruiting management staff but not for recruiting entry-level professionals or semi-skilled workers (for whom lack of technical skills and understanding is a bigger challenge).

Respondents indicate that on average, it takes nearly three months to recruit for a management position, two months to recruit an experienced professional and one month to recruit other types of staff.

The full report provides detailed information on participants' median staff turnover rates for calendar year 2012 and the first half of 2013.

1.6. Changes in employment

Participants were asked to provide estimates of their permanent staff (headcount) as well as their temporary/intermittent staff for the three years ending 2012, 2013 (forecast) and 2014 (forecast).

Regarding permanent staff, **females make up around 37% of all permanent staff** (males 63%), while **expatriates make up around 3% of permanent staff** (local Cambodians 97%).

The **median increase in employment of permanent staff is projected to be around 7% in 2013 and 9% in 2014**. These employment growth rates are higher than the rates in last year's survey.

1.7. Salary increments

The full report provides detailed information on the median salary increases that participant companies paid (or intend to pay) in 2012, 2013 and 2014.

1.8. Comparing salaries from 2012-13 and 2013-14 reports

The full report attempts to compare the salary results of the 2012-13 and 2013-14 surveys by analysing each company's average salary change in each job position between the two surveys (for the 22 companies that participated in both surveys). This provides another indication of salary movements over the past year.

2. Economic review and outlook

In 2013, the global economy has seen a slight shift in growth momentum from developing economies to advanced economies. This trend is expected to continue into 2014.

From the onset of the global recession in 2009 until early in 2013, the global economy was driven by strong growth in developing economies (including China, India and Indonesia), which helped to offset very weak growth in advanced economies (including the United States, Europe and Japan). Indeed, since the second quarter of 2008, advanced economies have lost around 7 million jobs, while developing economies have created around 44 million jobs.²

In 2013, there are signs of a moderate pickup in economic activity in advanced economies. Activity in the United States is gaining momentum – or at least this was the case until the US Government’s fiscal crisis in October. Japan’s economy is benefiting from an expansionary Government budget, while most countries in Europe are experiencing weak economic growth after years of recession. **Economic growth in advanced economies is expected to increase from 1.2% in 2013 to 2.0% in 2014** – compared to average annual growth of just 0.6% between 2008-12.³

At the same time, the situation for developing economies has become more mixed. Countries which rely on exports to drive growth are expected to benefit from an increase in demand for their exports in advanced markets. China will continue to lead the way with annual growth of around 7%, which is high compared with other countries but not with its own 10% annual growth over the previous decade. On the other hand, developing economies which rely on foreign investment are experiencing some financial stress, as investors move funds out of emerging markets. This may hold back growth in countries like India, Indonesia, Turkey and Brazil. **Growth in developing economies is expected to increase from 4.5% in 2013 to 5.1% in 2014.**

In its economic outlook published in early October 2013, the IMF forecast **global output to increase from 2.9% in 2013 to 3.6% in 2014**. A key risk to the outlook is the on-going uncertainty over the US Government budget. While the political crisis leading up to the 17 October debt ceiling was eventually resolved at the last minute, the possibility remains that the US political system will again become deadlocked over budget negotiations and debt limits in early 2014, which could push the US economy back into recession.

The full report provides further information on the global and Cambodian economies, as well as a comparison of labour and other business costs in nine major cities in the Asian region.

² PwC, *Global economy watch*, October 2013.

³ Unless otherwise stated, economic statistics in this Chapter are sourced from International Monetary Fund (IMF), *World Economic Outlook Database*, October 2013.

3. Profile of the sample

3.1. Overview

This chapter analyses the characteristics of the survey sample, in terms of:

- Number of **participant companies**
- Total number of positions surveyed (**data points**)
- **Sectors** in which the survey participants operate
- **Size** of survey participants (in terms of employee numbers)
- **Types of enterprises.**

The table below provides an overall summary of the size of the survey samples from 2011-12 through to 2013-14. The table highlights that **the size of this year’s sample – in terms of total number of positions surveyed – is similar to last year’s sample.**

Table 3: Size of Survey Samples: 2011-12 to 2013-14

	2011-12	2012-13	2013-14
Number of participant companies	31	48	37
Total number of positions surveyed (data points)⁴	4,936	14,257	14,277

Of the 37 participants in this year’s sample, 22 also participated in last year’s survey and 15 are new to the survey this year. Consequently, readers should be careful when comparing the results of this year’s survey with last year’s survey.

In the sections that follow, detailed characteristics of the 2013-14 sample are compared with those of the 2012-13 sample. This highlights how the two samples differ, which will assist readers in interpreting differences in salary and total compensation information between the two surveys.

3.2. Participant profile by sector

This year’s report classifies participating companies into three sector classifications:

- Automotive, Construction & Manufacturing
- Telecommunications, Trade, Distribution, Transportation & Logistics
- Financial & Professional Services.

In last year’s survey, participants from the telecommunications sector comprised a fourth sector.

A complete list of participants, and the sectors to which they have been assigned, is provided in an appendix.

⁴ A “data point” refers to one employee’s salary. The total number of data points gives the total number of salary data analysed. To ensure that no single participant dominates the survey results, HRINC employs its own “data cleaning” methodology to reduce the impact of large participants. (See Chapter 4 for details of this methodology.) As a result, the number of “cleaned” data points used in the salary analysis (8,203) is lower than the number of raw data points provided by participants (14,277). As explained in Chapter 4, however, these 8,203 cleaned data points still represent the full range of 14,277 positions.

The figures below show each sector’s share of *total participant companies* and *total cleaned data points*. Each sector’s share of this year’s sample is broadly similar to what it was last year. Most participant companies are in the Telecom, Trade, Distribution, Transport & Logistics sector, while most data points are from participants in the Financial & Professional Services sector.

Figure 2: Sector comparison, 2012-13 versus 2013-14

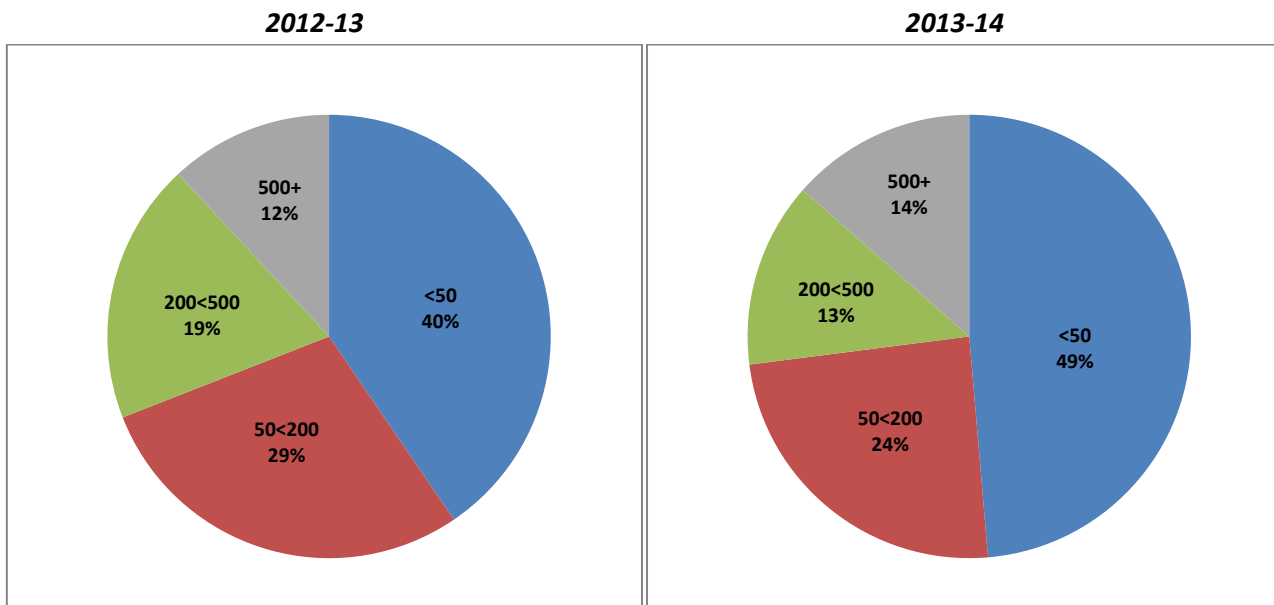


3.3. Participant profile by size (data points)

The figure below displays the participating companies according to their size (number of data points they provided). It shows the percentage of total participants that provided data points in each size category.

The sample contains a mix of small, medium and large employers. Compared to last year, the sample this year has a slightly higher representation from smaller companies (49% of participant companies provided fewer than 50 data points this year, compared with 40% last year).

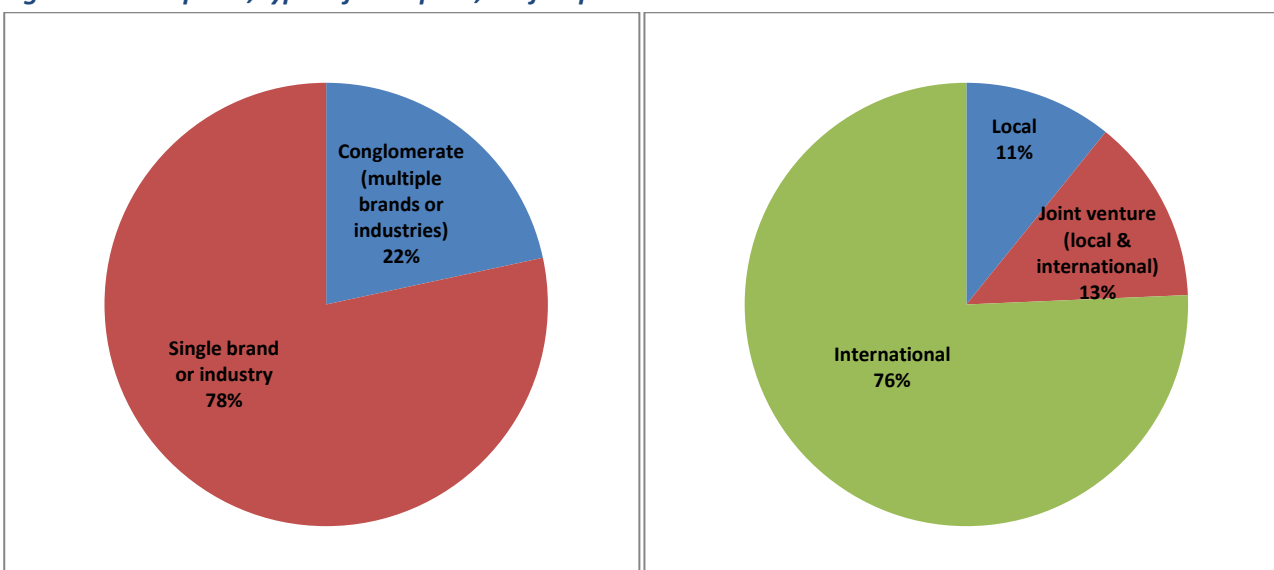
Figure 3: Participant companies by size (data points), % of total participants



3.4. Participant profile by type of enterprise

The figures below show the types of enterprises that participated in the sample, in terms of their ownership and their operational structure. A majority of participants are foreign-owned companies operating under a single brand or in a single industry.

Figure 4: Participants, types of enterprise, % of respondents



4. Methodology and report interpretation

4.1. Methodology

4.1.1. Job Analysis & KESAR Methodology

The survey is based on HRINC's KESAR analysis⁵, which is a job matching methodology tailored to the local Cambodian environment.

Each KESAR factor is defined, allocated a weighting of importance and then broken down into a set of criteria to clearly define what is being analysed. The KESAR factors and their criteria are:

- **Knowledge:** includes education, experience and practical knowledge
- **Environment:** includes the cultural and physical environments
- **Skills and Aptitude:** includes interpersonal, language and other key skills required to do the job
- **Responsibility:** includes the number of people being managed and the impact of the person's decisions on the company.

Each job position is analysed according to these KESAR factors and, based on the criteria weightings, is allocated a number of points. Depending on its total number of points, the position is allocated to one of 10 Job Levels (with 1 being the highest or most senior and 10 being the lowest or most junior).

Where possible, levels 4, 6 and 7 are further divided into 4A & 4B, 6A & 6B, and 7A & 7B. This is based on client feedback that greater differentiation at these levels assists with interpretation of the results.

Each job position is also allocated to one of the following Job Functions:

1. **Accounting & Finance:** positions related to accounting, finance, auditing and taxes
2. **Administration:** positions related to accounting, finance, auditing and taxes
3. **Cleaner, Driver & Guard:** cleaners, drivers and security guards (mostly in Levels 8 to 10)
4. **Human Resources:** positions related to human resources (recruitment, training, etc.)
5. **Legal:** legal, regulatory affairs and compliance positions
6. **Engineering:** engineers and technicians
7. **Information Technology:** IT-related positions relevant to IT support, whether web, LAN/WAN or infrastructure support
8. **Production & Maintenance:** positions related to the production of the company's core products and the maintenance of equipment and machinery, including production supervisors, machine operators and maintenance staff
9. **Purchasing & Logistics:** positions related to purchasing/procurement, logistics and warehousing
10. **Quality & environment:** positions related to quality control, including quality inspectors and quality control engineers
11. **Customer Services:** positions that interface with customers and product support relating to customer enquiries
12. **Sales:** sales positions
13. **Marketing:** marketing positions related to promotion of products and services
14. **Top Management:** senior general management positions (in Levels 1 to 3).

⁵ "KESAR" stands for Knowledge, Environment, Skills, Aptitude and Responsibility.

The KESAR analysis coupled with the functional division of jobs allows us to carry out the job matching based on 10 Job Levels and 14 Job Functions. Each company is provided with the final evaluation and the job analysis is confirmed with the company.

To improve readers' understanding of what kind of jobs fit into which Job Levels and Functions, the salary tables for each Job Function in section 5.1 of the full report are accompanied by a page which describes the jobs contained in each Level (in terms of common job titles, minimum education and experience, and typical responsibilities and duties). This will help readers to interpret the salary tables in chapters 5 and 6, as well as the total compensation tables in chapter 7.

It is important to remember that this report evaluates the nature of job positions, rather than people or formal titles. Any job titles used in this report are intended to be used as a guide only. In practice, persons with the same title may perform very different jobs and therefore be allocated to different Job Levels.

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4.1.2. Total Compensation

This year, HRINC's analysis of total compensation has been refined to move towards international benchmarks. The table below summarises the components of annual total compensation, as presented in this report.

Table 4: Annual Total Compensation: Components

#	Component	Definition
A	Annual Base Salary	Gross base salary received by employee each month (annualised)
B	Personal Cash Allowances	Fixed cash allowances provided to employee on a monthly basis for particular purposes (annualised). While the allowance is provided for a particular purpose, it is up to the employee how they choose to spend it. (That is, the fixed cash allowance is provided irrespective of how it is used by the employee.) Examples of personal cash allowances provided on a monthly basis include telephone usage, meals, accommodation, transportation, medical cash allowance and children/family support allowance.
A+B=C	Annual Guaranteed Cash	
D	Variable Pay	Cash received on an annual basis based, whether guaranteed or performance based. Includes variable incentives and bonuses (typically based on performance of individual/team or company profitability), guaranteed 13 th month cheque, and attendance bonus.
C+D=E	Annual Total Cash	
F	Long Term Incentives (LTI)	Found in selected sectors like MFI sector - long term savings schemes, company shares or ownership.
E+F=G	Annual Total Cash + LTI	
H	Benefits	Typically non-cash and provided through a third party provider or self-insurance where an employee claims back a certain amount. It differs from personal cash allowances in that it is a type of insurance. Examples include hospitalisation coverage, comprehensive medical coverage, medical claim-back policy (where employee can claim-back some or all medical expenses), and retirement plan (where typically employer and employee contribute regularly to a fund, to be accessed by employee upon retirement or departure from the company).
G+H=I	Annual Total Remuneration	
J	Work Allowances for Position	Typically a claim back for expenses incurred in the course of an employee performing their duties. It differs from the personal cash allowances in that it is recorded as a business expense as opposed to an employee allowance. Examples include claims back for telephone usage for business purposes (sometimes capped at a maximum amount), meal expenses incurred in the course of work, transportation expenses incurred (typically reimbursement of gasoline costs), and depreciation allowance (typically a fixed allowance provided for use of personal transportation in a position that requires frequent travel).
I+J=K	Employee Position Cost	

4.1.3. Confidentiality & data cleaning

When presenting salary and benefits information, HRINC's number one priority is to maintain the confidentiality of participating companies. It is absolutely essential that the salaries and benefits paid by a particular company are not disclosed or identified in any way.

HRINC's policy is to only present aggregated data in its salary survey reports. To ensure the confidentiality of all data, a minimum number of observations are required for statistics to be displayed for a particular job position:⁶

- Three companies must report a unique job position for the mean (average) to be displayed
- Four companies are required to display the median
- Five companies are required to display the 10th, 25th, 75th and 90th percentiles.

In the tables throughout this report, where there is insufficient data to display the statistics for a unique job position, two hyphens (--) are displayed instead.

In addition, to ensure that one company does not dominate the results for a particular job position, no company can represent more than 50% of data points for a job position. In situations where a company's raw data points represent more than 50% of the sample's raw data points for a position, that company's data points are reduced using HRINC's own data cleaning methodology based on percentiles. Using this cleaning methodology, a company's "cleaned" data points still accurately reflect, as much as possible, the variability of all of the company's original data points for that position.

As a result of this data cleaning, the number of cleaned data points used in the salary and compensation analysis (8,203) is lower than the number of raw data points provided by participants (14,277). Nevertheless, these 8,203 cleaned data points still accurately represent the full range of salaries for the 14,277 positions.

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⁶ "Job position" refers to a particular Job Level in a particular Job Function (eg. Level 5 Accounting & Finance).

4.2. Report interpretation

4.2.1. Definition of Statistical Terms Used in this Report

Various statistical terms are used throughout this report. These terms are defined below.

Average (or Mean)	The sum of all data (salaries) reported divided by the number of observations in the sample.
10th Percentile	That data point (salary level) that is higher than 10% of all other data in the sample when ranked from low to high. In other words, only 10% of the salaries reported are lower than this amount.
25th Percentile	That data point (salary level) that is higher than 25% of all other data in the sample when ranked from low to high. In other words, 25% of the salaries reported are lower than this amount. This is also referred to as the first quartile (Q1).
Median	That data point (salary level) that is higher than 50% of all other data in the sample when ranked from low to high. In other words, it is the salary level that is ranked in the middle. This is also referred to as the 50th percentile.
75th Percentile	That data point (salary level) that is higher than 75% of all other data in the sample when ranked from low to high. In other words, 75% of the salaries reported are lower than this amount. This is also referred to as the third quartile
90th Percentile	That data point that is higher than 90% of all other data in the sample when ranked from low to high. In other words, 90% of the salaries reported are lower than this amount.
No. of Data Points	The number of actual data points across different companies whose data has been collected for the corresponding position
No. of Companies	The number of companies who have contributed data for the particular position.

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4.2.2. Interpreting Tables

The table below gives the percentiles, median and average of a hypothetical set of salary data expressed in dollars.

- 10th percentile means 10% of data points are below that point. For example, in level 5, the 10th percentile (10th P) is \$150. This means that at level 5, only 10% of the employees have a net salary below \$150.
- Similarly, in level 5, the 90th P is \$600. This means that at level 5, 90% of the employees have a net salary below \$600 (or 10% of the employees have a salary higher than this point).

In very simple terms, at a given job level, 10th P shows the ‘lower end’ of salaries paid for that job and 90th P shows the ‘higher end’ of salaries paid for that same job.

Table 5: Interpreting Data Tables (Example Data)

KESAR Level	10th P	25th P	Median	75th P	90th P	Average	No. of data points	No. of Institutions
Level 1	761	927	1,195	1,636	2,850	1,602	6	5
Level 2	630	750	945	1,350	1,486	1,013	13	9
Level 3	250	405	535	788	1,000	609	50	24
Level 4	154	320	450	510	600	435	233	38
Level 5	150	180	289	450b	600	324	176	42
Level 6	87	120	150	200	263	174	195	51
Level 7	55	65	75	90	150	91	1,645	57
Level 8	50	60	80	100	120	85	679	52
Level 9	50	50	60	85	120	73	665	50
Level 10	50	50	50	50	50	50	3,662	58



How is percentile data useful in HR policy?

Percentiles are used to set pay ranges according to the policy of the company. There are many factors that may impact how percentile data is used. It is important for HR professionals to have a good understanding of their company’s compensation strategy and policy to make recommendations. We have outlined very broadly some questions that need to be answered, before using the data or making decisions or suggestions. Each company may have a different set of criteria or way to make their decisions – it is important that the compensation policy and strategy be well defined and understood by everyone.

An ideal compensation policy or strategy will build on the following questions – not every company has the same strategy but we have outlined some core high level components to think about.

Ask yourself the following questions:

- **What are the key elements of our business strategy that will influence the compensation strategy?**

This may include some of the following questions: (1) *How do we want to position our company in the market? Do we want to be the best payer in the market?* (2) *Do we have any critical functions in our company that we may remunerate differently or need to treat differently?* (3) *Where are our staff located and how does that impact how we will remunerate the position?*

- **What are the elements of our compensation strategy?** Are we “paying for person”, “paying for performance” or paying for specific positions or functions?
- **What are the components of our compensation structure?** What are all the different parts of an employee’s total compensation, including benefits and allowances?
- **How will we transition to the new structure or update our current structure once we have made changes?**
- **How will we communicate our remuneration strategy to staff?**

A very basic example of using percentiles is provided below. It assumes the company already has a fully developed compensation policy and wants to position itself among the best payers in the market but within the market range (i.e. it does not want to pay higher than what the market is paying). The company wants to attract the best applicants at Level 5 – especially new talent in the market.

- For non-technical Level 5 positions, the company knows there is sufficient supply in the market. Therefore, the company positions its salary at the higher level taking the 75th percentile as a benchmark to position its salary levels.
- For technical Level 5 positions – which are assumed to be critical to this company’s success – the company knows that the market does not have sufficient supply of talent. It is very difficult to source personnel in the technical positions, so the company decides to position salaries at entry level at the 90th percentile.

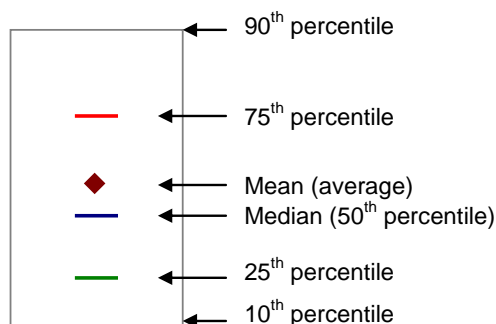
In practice, the decision-making process is not that simple and certainly further analysis needs to be done to ensure **internal equity amongst positions** in the company. However, the example does provide an indication of how you can use the percentile data. In the end, the proposals you make as an HR professional have to be **affordable** for the company as well as competitive so that your business can grow and maintain its competitive advantage. If a company is unable to provide the salaries it wants today, then it needs to put in place a long-term strategy to make sure it reaches its goals in the future.

4.2.3. Interpreting Box Plots

The salary data presented in table form is also presented in graphical “box plots” to assist in visual interpretation and comparison. *A box plot contains information about the range of salaries reported for a particular Job Level. It shows whether the range of salaries reported is large or small for a Job Level, as well as the average and median salaries.*

The figure below shows a box plot. The box represents the range of salaries from the 90th percentile down to the 10th percentile – and so the longer the box, the bigger the range of salaries. The percentiles – 75th, 50th (or median), and 25th – are represented by lines within the box. The average (or mean) is represented by a diamond.

Figure 5: The Box Plot



In the report, individual box plots for each Job Level are combined into a chart to show the range or spread of salaries at all Job Levels.

4.2.4. Interpreting Trend Lines

Trend lines show how salaries progress with an increase in Job Levels. In other words, as you progress up the career ladder and take on more responsibility, your salary increases. To produce a smooth trend line that is easy to understand, a mathematical “regression” model is used to fit a smooth curve through actual data points showing salary figures and Job Levels. This curve best represents the overall trend in those data points.

Trend lines can be a useful tool for HR Managers, because they provide a simple, clear picture of how salaries increase from one job level to the next. This enables HR Managers to get an overall feel for salaries in different Job Functions. Nevertheless, it is important to remember that trend lines are based on a mathematical equation, and do not show actual market salaries. Therefore, readers should be very careful in basing their company salary structures on trend lines, without referring to the actual salary tables.

In this report, section 5.4 presents trend lines for the median salaries in each Job Function.

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5. Salary data by Job Functions

The full report provides detailed salary information – both net and gross – for each Job Function.

The chapter of the full report is structured as follows:

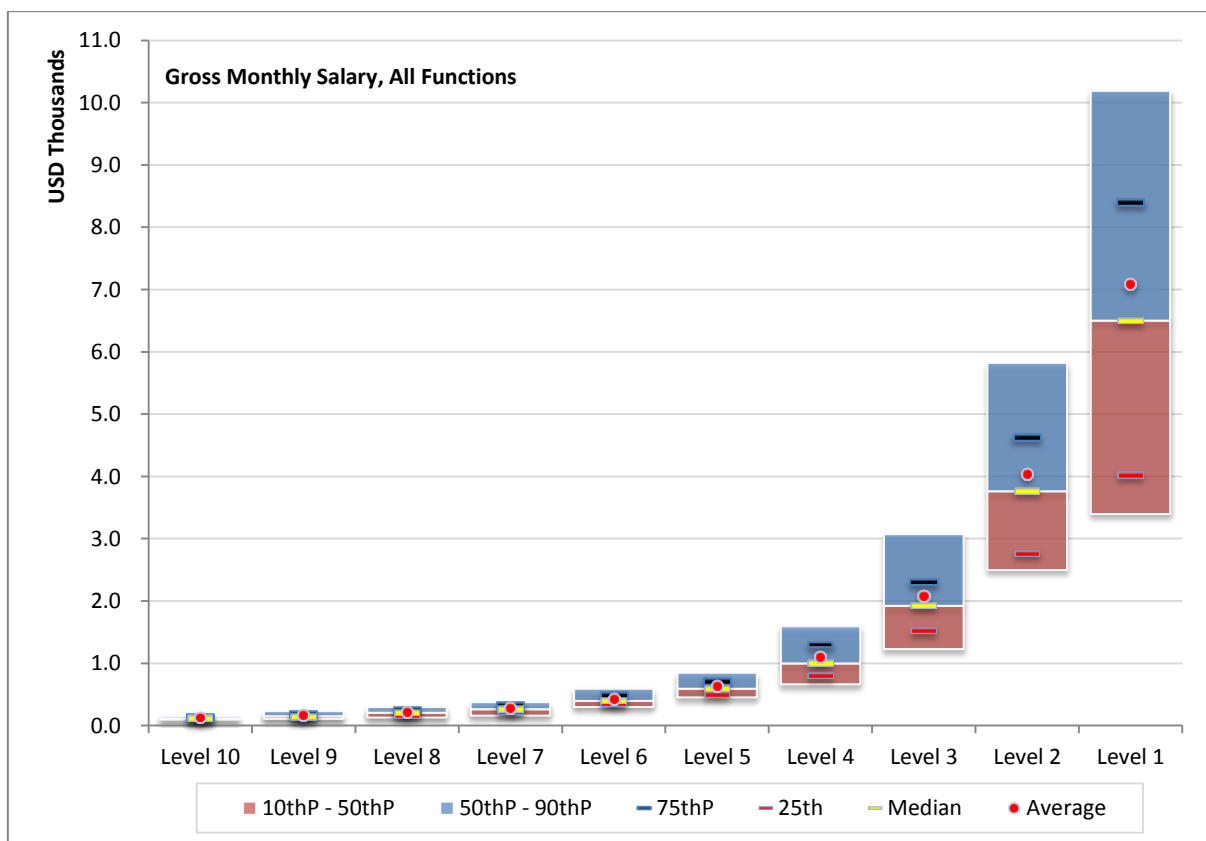
- Actual salary data according to Job Functions (All Functions and then each Job Function)
- Box plot diagrams of actual salary data for each Job Function
- Cross-functional comparison of actual salary data
- Cross-functional comparison of trend lines
- Relationship between salaries and experience (years in the position).

All salary information relates to **local Cambodian staff only**. No expatriates are included in the survey.

The figure below shows the market range of salaries aggregated across All Functions.

For each Job Level, the combined height of the blue and red boxes shows the market range of salaries from the 10th percentile to the 90th percentile. The red dot shows the average salary and the yellow line shows the median salary (50th percentile).

Figure 6: Gross Monthly Salary, All Functions



The figure on the next page presents trend lines for the median Gross Monthly Salary of each Job Function. Trend lines are based on regressed data derived from a mathematical smoothing of actual data. A trend line is a line of best fit – it takes into account the best relationship between Salary and Job Level based on the variation in the data.

- The steeper the line, the bigger the increase in median salary from one Level to the next for a particular function.
- The bigger the vertical gap between the lines, the bigger the spread of median salaries at that Level.

Based on these trend lines, it appears that median salaries increase relatively sharply (from one Job Level to the next) in Sales, Accounting & Finance, Engineering and Marketing. At the other end of the spectrum, the median salary progression appears flatter for Customer Services and Administration. In between these extremes, the following Job Functions have very similar median trend lines: Production & Maintenance, Purchasing & Logistics, Human Resources and Information Technology.

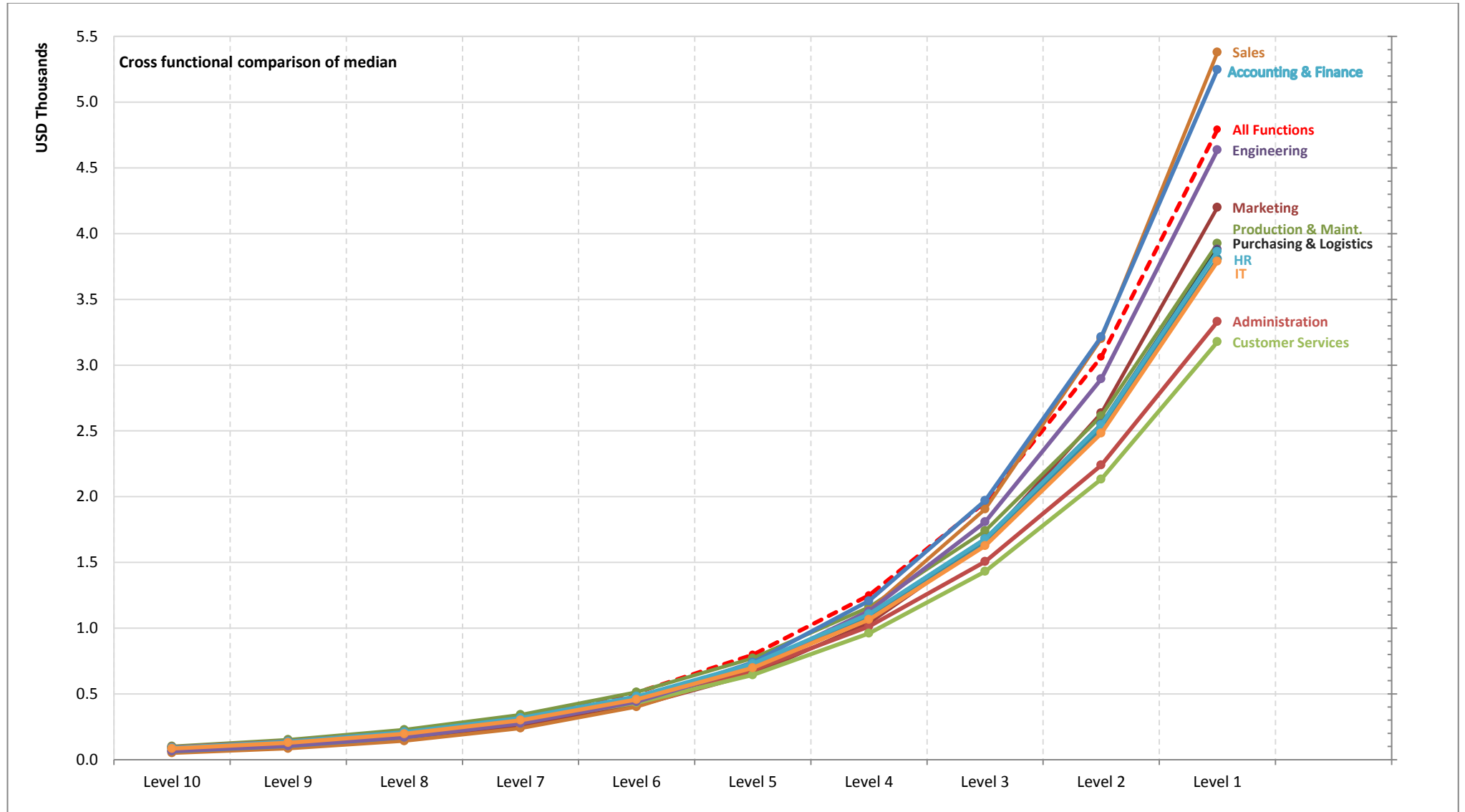
For readers who are particularly interested in trend lines, a supplementary report is available for purchase. This supplementary report presents the 25th percentile, median and 75th percentile trend lines for each Job Function and also for each Activity Sector (All Functions), as well as the regressed salary data that produces these trend lines. Please contact HRINC for further information.

Relationship between salary and experience:

It is a common view that persons who have been in their current position for many years generally earn a higher salary than persons who have been in that same position for only a short time. For example, we would expect that someone who has been a Call Centre Supervisor at a company for five years may earn a higher salary than someone who has just been promoted to Call Centre Supervisor at that company. While this is not always the case for all companies and all types of positions, it is a commonly observed characteristic of the Cambodian labour market.

In the full report we measure the extent to which salaries rise based on the number of years in the position. This is a new feature of our report.

Figure 7: Cross Functional Comparison, Median Trend lines, Gross Monthly Salary



6. Salary data by Activity Sectors

The full report breaks down the salary data into three broad sector categories:

- Automotive, Construction & Manufacturing
- Telecom, Trade, Distribution, Transportation & Logistics
- Financial & Professional Services.

Salary information is presented for each Job Level across all Job Functions combined. As with earlier chapters, both net and gross salaries are shown. Job Levels 4, 6 & 7 are not split into A & B due to the limited number of participants in each sector.

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7. Annual Total Compensation

The full report presents a detailed breakdown of each component of Total Compensation at each Job Level.

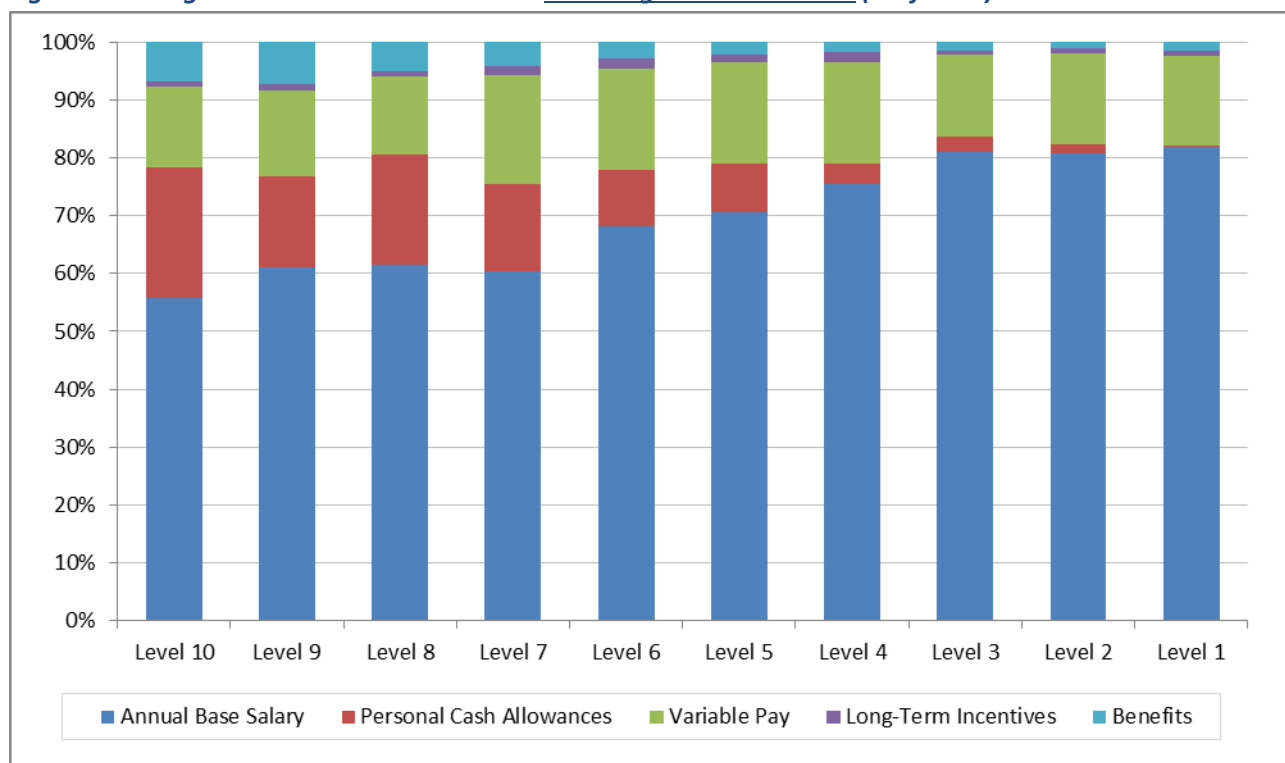
Whereas the previous chapter presented information on Monthly Salaries, this chapter looks at the broader measure of total compensation.

The broad components of total compensation are presented in the following format:

Annual Base Salary (A)	+ Personal Cash Allowances (B)	= Annual Guaranteed Cash (C)
Annual Guaranteed Cash (C)	+ Variable Pay (D)	= Annual Total Cash (E)
Annual Total Cash (E)	+ Long-Term Incentives (F)	= Annual Total Cash + LTI (G)
Annual Total Cash + LTI (G)	+ Benefits (H)	= Annual Total Remuneration (I)
Annual Total Remuneration (I)	+ Work Allowances for Position (J)	= Employee Position Cost (K)

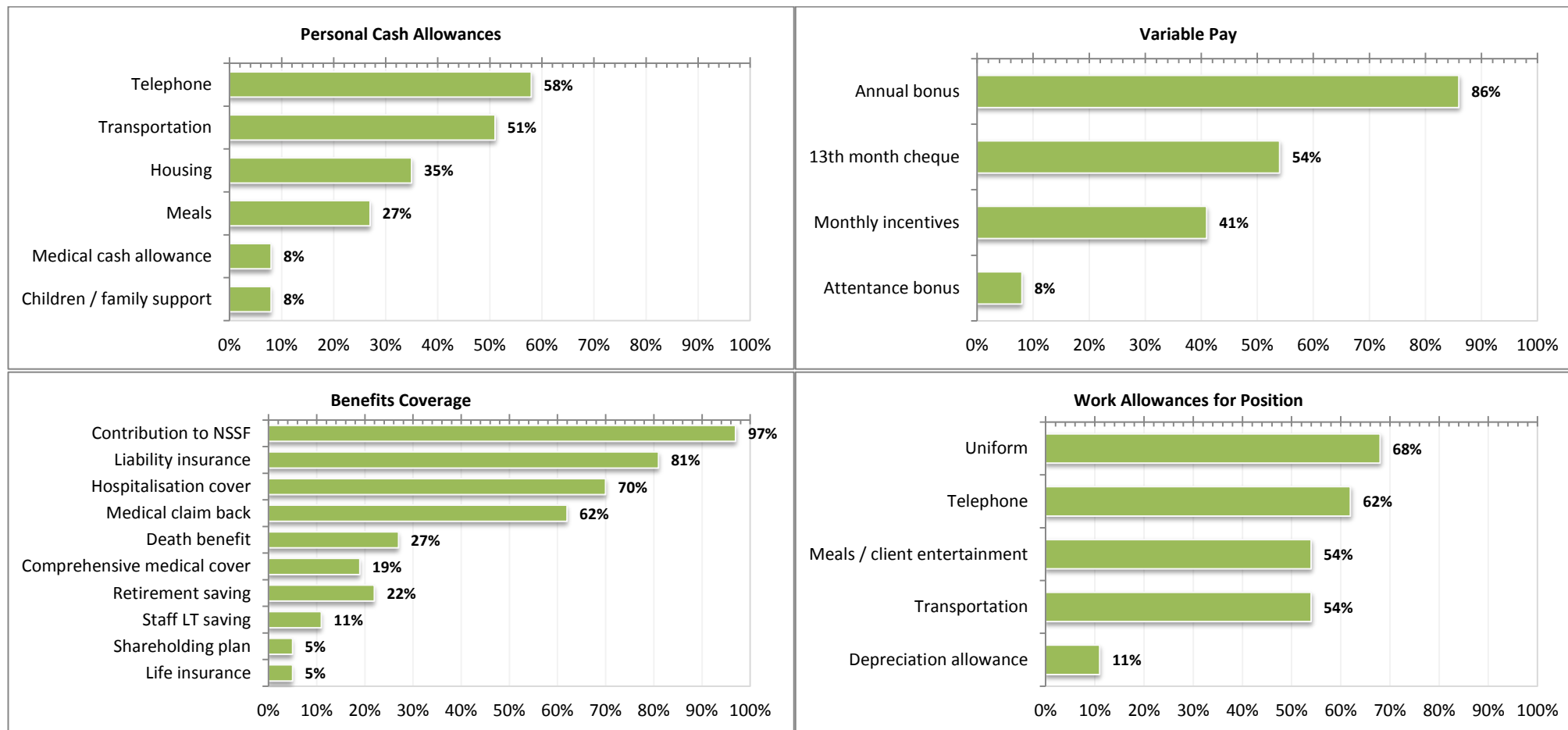
The figure below shows, for each Job Level, each component’s percentage of Annual Total Remuneration. It highlights that Base Salary makes up a greater share of Total Remuneration at higher Job Levels than at lower Job Levels. Correspondingly, other compensation components constitute a smaller share of total Remuneration at higher Job Levels than at lower Job Levels.

Figure 8: Average Annual Total Remuneration excluding work allowances (% of Total)



This page provides details on the percentage of participants that provide the various forms of non-salary compensation to at least some of their employees.

Figure 9: Provision of compensation, percentage of participating companies who provide



8. HR practices and challenges

The full report outlines some of the HR practices and challenges that are common in the private sector, relating to:

- Staff numbers (changes in employment)
- Variable pay
- Salary increases
- Recruitment challenges
- Staff turnover and time taken to recruit
- Future HR challenges
- Emerging and innovative HR practices.

Appendix: Glossary

Term	Description
10th percentile	The data point (=salary) that is higher than 10% of all other data in the sample when ranked from low to high.
13th Month Cheque	Additional month of salary provided to staff at a specific time of the year. It is not an incentive bonus for performance but forms an integral part of the salary package.
25th percentile	The data point that is higher than 25% of all other data in the sample when ranked from low to high. This is also referred to as the first quartile (Q1)
75th percentile	The data point (=salary) that is higher than 75% of all other data in the sample when ranked from low to high. This is also referred to as the third quartile (Q3)
90th percentile	The data point (=salary) that is higher than 90% of all other data in the sample when ranked from low to high.
Average (Mean)	The sum of all data (salaries) reported divided by the number of observations in the sample. This is also referred to as the Mean.
Box Plots	Graphic which contains information about the range of salaries reported per job level.
Data Point	A single data observation. Each data point refers to one employee's salary.
KESAR Methodology	Job analysis methodology developed by HRINC which is based on five main criteria : Knowledge, Environment, Skills, Attitude and Responsibility
Labour Turnover	The percentage of employees who leave the company during the year. It is calculated as: Number of leavers during the year divided by Average number of employees during the year, expressed as a percentage.
Mean (Average)	The sum of all data (salaries) reported divided by the number of observations in the sample. This is also referred to as the average
Median	That data point (salary level) that is higher than 50% of all other data in the sample when ranked from low to high. In other words, it is the salary level that is ranked in the middle. This is also referred to as the 50th percentile
Respondent Companies	Companies that responded to specific questions in the survey questionnaire.

Appendix: Participating companies

Company	Sector
British American Tobacco	Automotive, Construction & Manufacturing
Cambodia Beverage Company	Automotive, Construction & Manufacturing
Camko Motor	Automotive, Construction & Manufacturing
Cambodia Brewery Limited	Automotive, Construction & Manufacturing
HONDA	Automotive, Construction & Manufacturing
Jardine Schindler (Cambodia)	Automotive, Construction & Manufacturing
Mitsu	Automotive, Construction & Manufacturing
Yamato Konpo International	Automotive, Construction & Manufacturing
ACLEDA Bank	Financial & Professional Services
ANZ Royal Bank	Financial & Professional Services
Hong Leong Bank Cambodia	Financial & Professional Services
HwangDBS Commercial Bank	Financial & Professional Services
PEAK Cambodia	Financial & Professional Services
Phnom Penh SEZ	Financial & Professional Services
PWC	Financial & Professional Services
RHB Indochina Bank	Financial & Professional Services
Alliance Pharma Cambodge	Telecom, Trade, Distribution, Transport & Logistics
APL	Telecom, Trade, Distribution, Transport & Logistics
Bayer Cambodia	Telecom, Trade, Distribution, Transport & Logistics
Damco Cambodia	Telecom, Trade, Distribution, Transport & Logistics
DHL Express (Cambodia)	Telecom, Trade, Distribution, Transport & Logistics
DKSH	Telecom, Trade, Distribution, Transport & Logistics
Dynamic Pharma	Telecom, Trade, Distribution, Transport & Logistics
Herbalife (Cambodia)	Telecom, Trade, Distribution, Transport & Logistics
Huawei Technologies (Cambodia)	Telecom, Trade, Distribution, Transport & Logistics
Maersk (Cambodia)	Telecom, Trade, Distribution, Transport & Logistics
Mobitel	Telecom, Trade, Distribution, Transport & Logistics
OOCL (Cambodia) Limited	Telecom, Trade, Distribution, Transport & Logistics
Rep Office of DuPont (Thailand)	Telecom, Trade, Distribution, Transport & Logistics
Rep Office of JT International Tobacco Services Singapore	Telecom, Trade, Distribution, Transport & Logistics
Rep Office of Levi Strauss	Telecom, Trade, Distribution, Transport & Logistics
RMA Group	Telecom, Trade, Distribution, Transport & Logistics
Sanofi Cambodia	Telecom, Trade, Distribution, Transport & Logistics
Smart	Telecom, Trade, Distribution, Transport & Logistics
Total Cambodge	Telecom, Trade, Distribution, Transport & Logistics
Wuerth Cambodia	Telecom, Trade, Distribution, Transport & Logistics
Zuellig Pharma	Telecom, Trade, Distribution, Transport & Logistics

The full report of the Cambodia Annual Multinational Sector Compensation Review 2013-14 is available for sale.

To order your copy of the report, please contact:

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