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## News release

*Date* 21 February 2017

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### **Higher salary increases in the private sector in 2017 than initially estimated, according to the PwC study HR Barometer**

The average salary increases budgeted in the private companies for 2017 are higher than those initially estimated, according to the data of the PwC study HR Barometer (which is an update of the information included in the yearly HR surveys undertaken by PwC – PayWell and Saratoga).

Companies that took part in the HR Barometer study indicated an average salary increase of 4.5% for 2017, compared to 3.8% estimated in April 2016. The highest average salary increase was reported in the Retail&Distribution sector (5.6%), while the lowest was in the banking sector (2.5%). With the exception of the banking sector, the salary increases budgeted for 2017 by the private companies are higher than those initially estimated (i.e. in April 2016) for all sectors analysed in the survey.

“The Government’s decision to increase the minimum wage, both in 2016, as well as in 2017, had a major impact in the economic sectors where there is a high percentage of employees paid with the minimum wage. That is the main reason why Retail&Distribution companies reported the highest average wage increases, as well as why the highest salary increases were recorded for the blue collar segment, compared with the market average for all staff (5.9% compared to 4.5%). Such measures generate also risks for the business sustainability, especially in situations where the increase in salary costs is not correlated with the organizational performance. In this context, it is necessary for organizations to create the proper contexts to enable the increased performance of the employee and, at the same time, to define proper programs for recognition and reward” stated Horațiu Cochei, Senior Manager, Leader of the Human Resources Consulting Team of PwC Romania.

As for salary increases in 2016, these have also proved to be higher than initially planned (4.2% compared to 3.9%).

Also, the data of HR Barometer 2017 indicate an increase in the termination rate for labor contracts compared to last year (20.7% versus 18.7%).

“The increased dynamic of the labor force is also a phenomenon that puts pressure on wages, with companies having to adapt their budgets and salary policies to attract the employees they

need in order to meet their business objectives. More than that, counterbalancing such dynamics has also an impact on the HR processes and activities – for example, the increase in the termination rate for labor contracts has also led to an increase in the external recruitment rate (24% in 2016, compared to just 18.7% in the previous year). In other words, the volume of recruitments from outside the organization increased compared to previous year. As such, it is advisable for measures adopted at organization level (such as salary increases) to be linked with similar measures undertaken within the HR function (ensuring the alignment with the general business strategy of the firm, the flexibility and the alignment of policies and practices, the streamlining of the specific processes) in order to provide a substantial contribution to the organizations' performance" stated Nicoleta Dumitru, Manager, Human Resources Consulting Services, PwC Romania.

### **About the PwC HR Barometer study**

The HR Barometer study was undertaken by PwC between January and February 2017, on the basis of the information provided by 59 participant companies from 5 economic sectors – banking, pharma industry, retail and distribution, technology and BPOs, as well as industrial production.

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