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## **News release**

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# **The average wages in private sector increased by 6.4% in 2018, according to PwC's PayWell survey**

The overall private labour market salaries in 2018 were slightly higher than the planned levels. Nationwide, salaries increased by 6.4% higher than the planned adjustment (5.7%), according to the 20th edition of PayWell Salary and Benefits Survey conducted by PwC Romania.

Salaries increases, above overall market average, have been performed in *Industrial Products* (8.9%) and *Retail* (6.7%). At the same time, *Banking* (5.4%), *Leasing* (4.6%) and *Pharmaceuticals* (4.8%) registered lower than average increases, but they are still over the budgeted percentages.

In terms of staff categories, the highest wages increases were registered by blue collar staff - 7.7%. Looking across the organizational chart, management levels had the lowest salary increases, slightly below 6%.

Compared to the previous editions of the PayWell survey, the wage increases keep their upwards trajectory. The average increase was 3.7% in 2016 and 5.1% in 2017. All sectors performed increases higher than in 2017. However, Banking stands out with a more than double increase rate as compared to 2017 (5.4% versus 2.1%).

The accelerated increase pace is determined also by high levels of staff fluctuation. The average turnover rate was 17.4%, almost 4 percentage points higher than in 2017.

“Off the charts salary increases are one of the incentives used by companies in the fight against workforce deficit. Moreover, we see solid increase of wages for workers directly involved in production and leisure while the retail and financial services lag behind. The problems currently faced by the Romanian labour market have deeper causes and are the results of *brain-migration* and of the mismatch between the educational system and the needs of the labour market,” Daniel Anghel, Leader of the Tax and Legal Department, PwC Romania.

In terms of 2019 plans, the companies estimate a much lower increase, averaging 4.6%. Putting production at the forefront of growth, companies plan a 6.5% increase of wages for staff directly involved in production. All other staff categories are not planned to reach more than 5% increase in the coming year.

Considering the changes in contribution transfer, nearly two thirds of surveyed companies (63%) already increased the gross salary, while 20% used the compensatory bonus mechanism. Only 17% of the private companies surveyed had a mixed approach consider, meaning that they increased the gross salary for some positions, while the others were compensated with a bonus.



“The workforce deficit is pressuring the employers to find alternative methods, beside salary, to motivate both own staff as well as future colleagues. It is a race of flexibility among companies to become more attractive in the context of both a dynamic workforce era and ever changing needs of the new workforce generation”, Ionut Sas, Partner, Tax and Legal Department, PwC Romania.

Aside from the paychecks, slightly over half (53%) of the companies provide fix bonuses to their employees on various occasions. Companies active in the *Industrial products* and *Retail* sectors lead the fix bonus scheme rankings with 68% respectively 73% of them providing a fix bonus. Other sectors tend to prefer performance related bonuses on top of salaries.

The number of companies oriented towards offering *work - life balance* programs is higher than in 2017. In this respect, 55% have flexible office hours, half of the surveyed organizations involve their employees in CSR activities, while 26% offer subscription to online books libraries. This is how companies answer to the emerging employee requirements in order to secure staff retention.

“Private companies are increasingly under the pressure of the labour market. Scarcity of labour resources, at all levels, but in particular for manual workers, combined with raising competition from the public sector which benefited of significant increases, are bringing human resources and compensation budgets on top of the business agenda. HR and business executives have to invest in productivity enhancement programmes to be able to sustain their growth ambitions and be very creative about attracting, retaining and developing internally needed skills, as the labour market will be more and more challenging”, said Oana Munteanu, Leader of People & Organisation Consulting, PwC Romania.

### **About PayWell**

PwC conducted the survey during January and August 2018. The report surveys 97 companies and looks at the Banking, Leasing, Pharmaceuticals, Industrial products, Retail and Hotels sectors. Participation in the survey implies provision of information on salary levels and compensation and benefits policies currently in place within the surveyed organizations.

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