2022 CEEMEA
Inflation & Reward Actions
Pulse Survey

Czech Republic

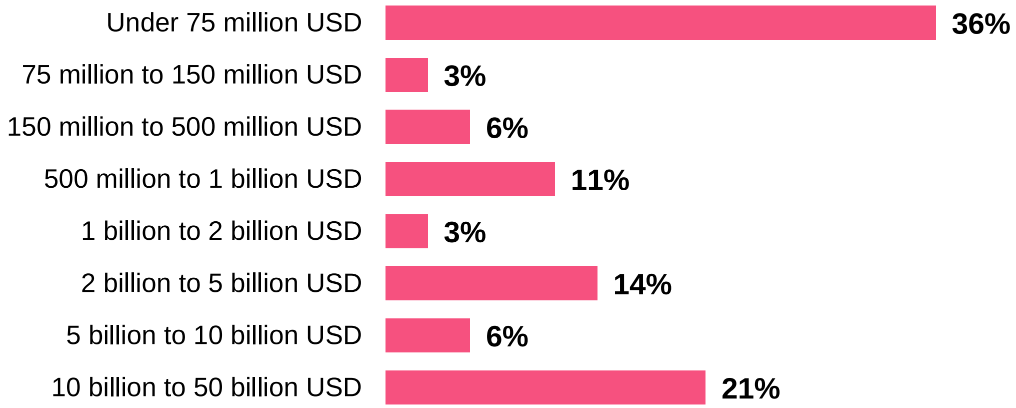
October 2022

About the survey – Czech Republic

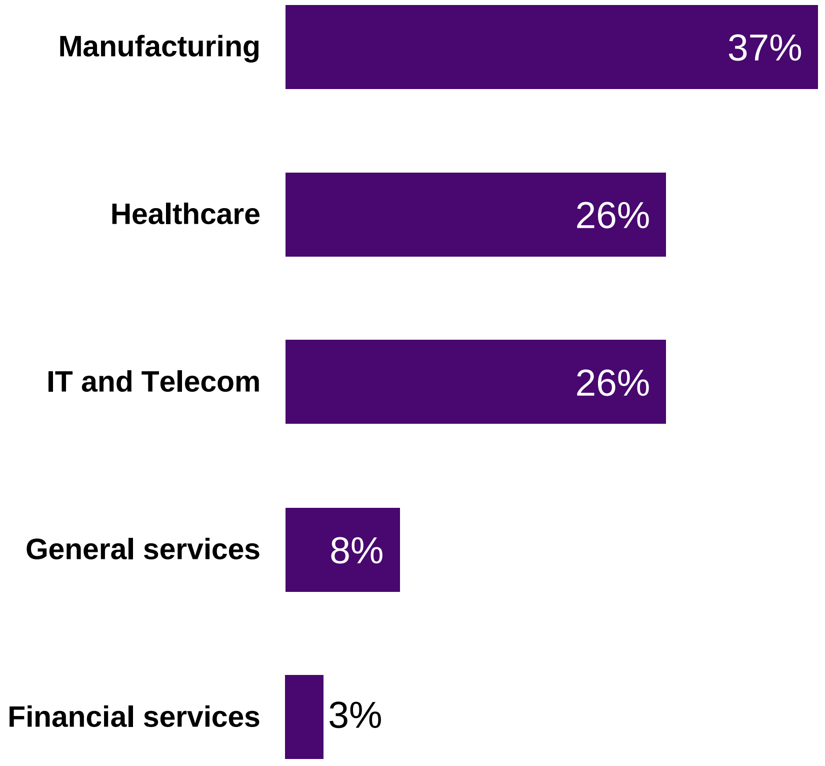
38 Respondents from the Czech Republic completed the survey

Local company / group	Subsidiary of international company
16%	84%

Annual revenue in 2021



Industry



Source: 2022 CEEMEA Inflation and Reward Actions Survey, Czech Republic

Executive summary

- Concerns about possible global recession coupled with tight labor market and inflationary pressures in some economies led us to conduct a recent Inflation and Reward Actions Pulse Survey across CEEMEA.
- This study provides insights on how organizations in the Czech Republic approach current challenges related to high inflation/tight labor market environment and increased attraction, retention issues.
- The large majority of the participating companies have increased or are planning to increase salary for specific employee groups. Most commonly these organizations are targeting increases at employees of highest performance, highest retention risk or with hot skills.
- Over half of respondents have adjusted or are planning to adjust salary ranges.
- Attraction and retention pressures force organizations to place greater emphasis on non-financial elements of compensation and extensive use of sign-on/retention bonuses.

Inflation, attraction & retention issues push organizations to rethink compensation programs

These actions are being undertaken amidst scrutiny from stakeholders

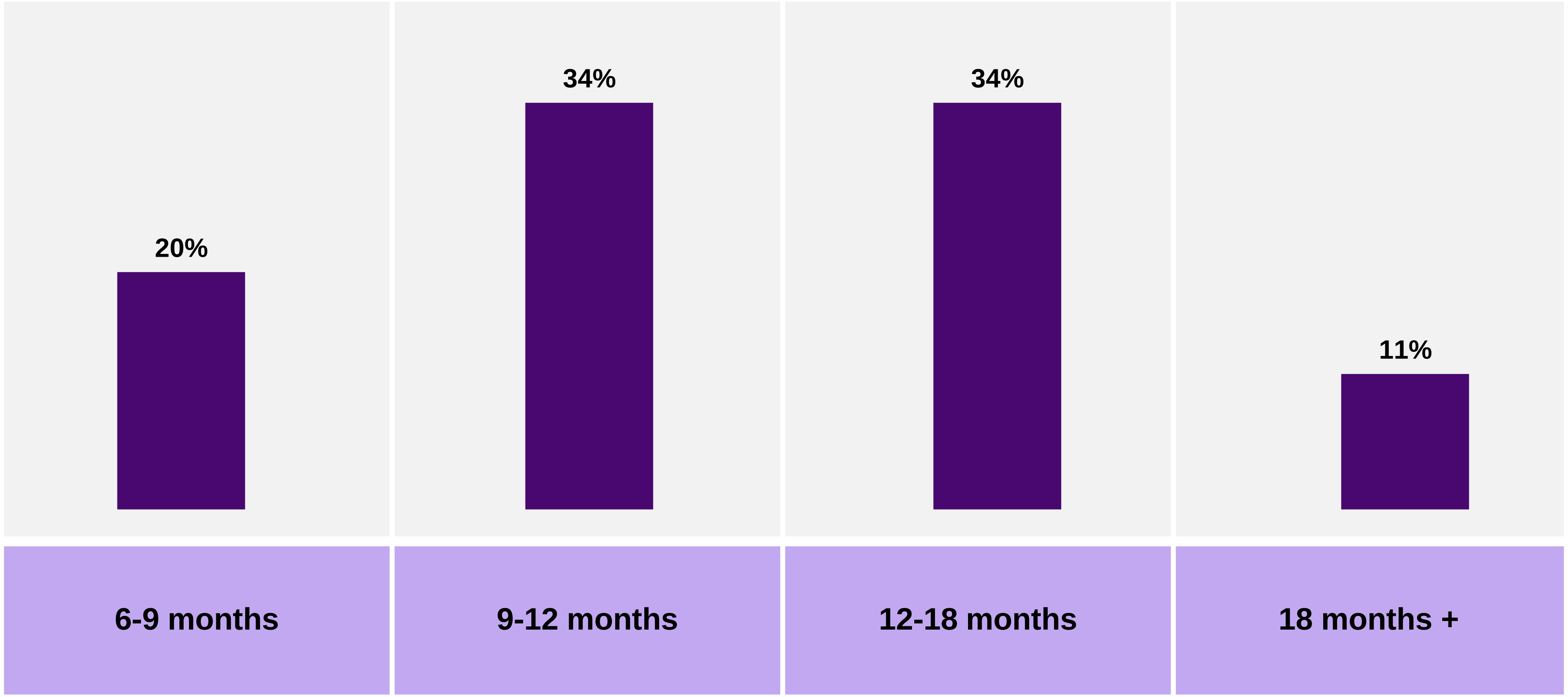
Inflation is high and expected to remain so	Attraction & Retention
▪ The annual inflation rate in the Czech Republic is forecast to be of 16.3% for 2022, the highest level since 1995. ▪ The majority of companies expect high inflation to last over the next 9 – 10 months (see details on next page) ▪ Forecasts for 2023 show a decrease to 8.6% for Czech Republic.	▪ 1 in 3 organizations increased recruitment since the start of the year. ▪ Organizations continue to experience problems attracting or retaining: Talent with digital skills, Professionals & Middle Management/Senior Professional.

Organizations are attempting to address these challenges by **re-thinking their compensation programs** and through informal actions such as hiring higher in salary range, increasing workplace flexibility, targeted use of training, modifying and leveraging benefits.

Source: International Monetary Fund – IMF and 2022 CEEMEA Inflation and Reward Actions Survey, Czech Republic

Two out of three respondents expect the high inflation to last between 9 and 18 months

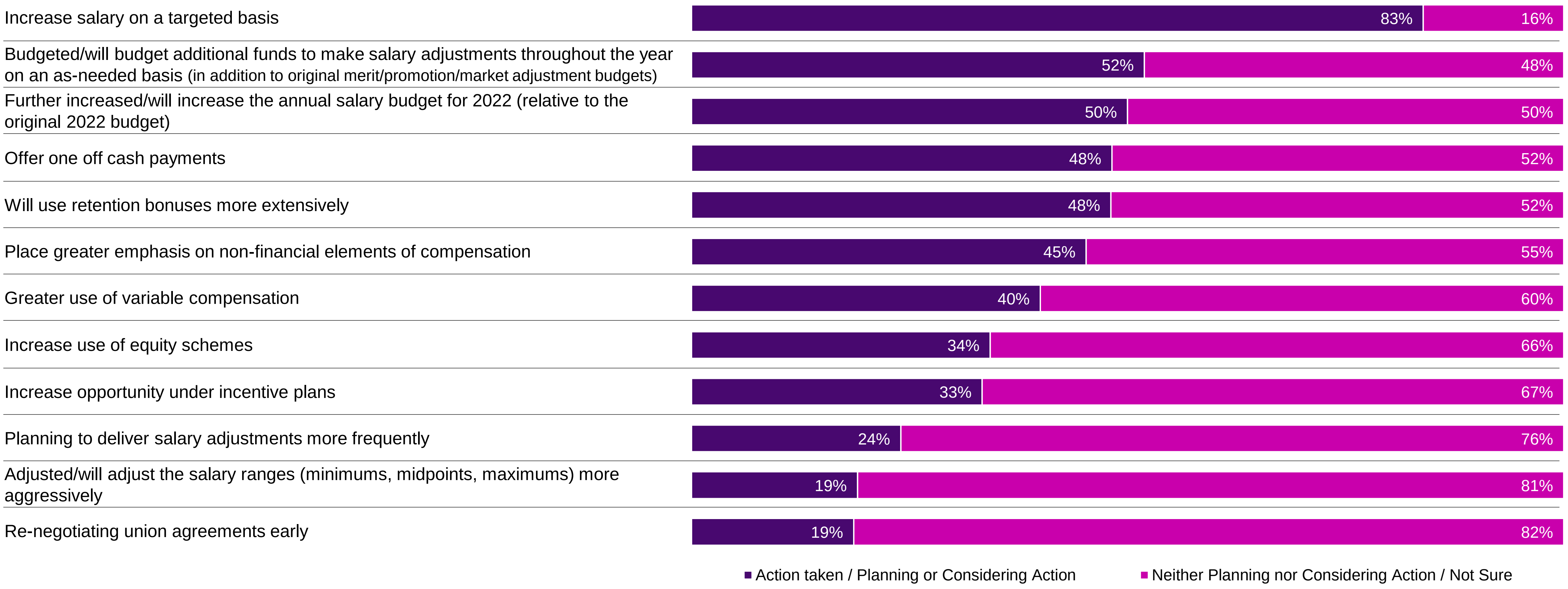
How long do you expect the current period of high inflation will last?



Source: 2022 CEEMEA Inflation and Reward Action Survey, Czech Republic

Organizations are more likely to increase salary on a targeted basis or budget additional funds to make salary adjustments

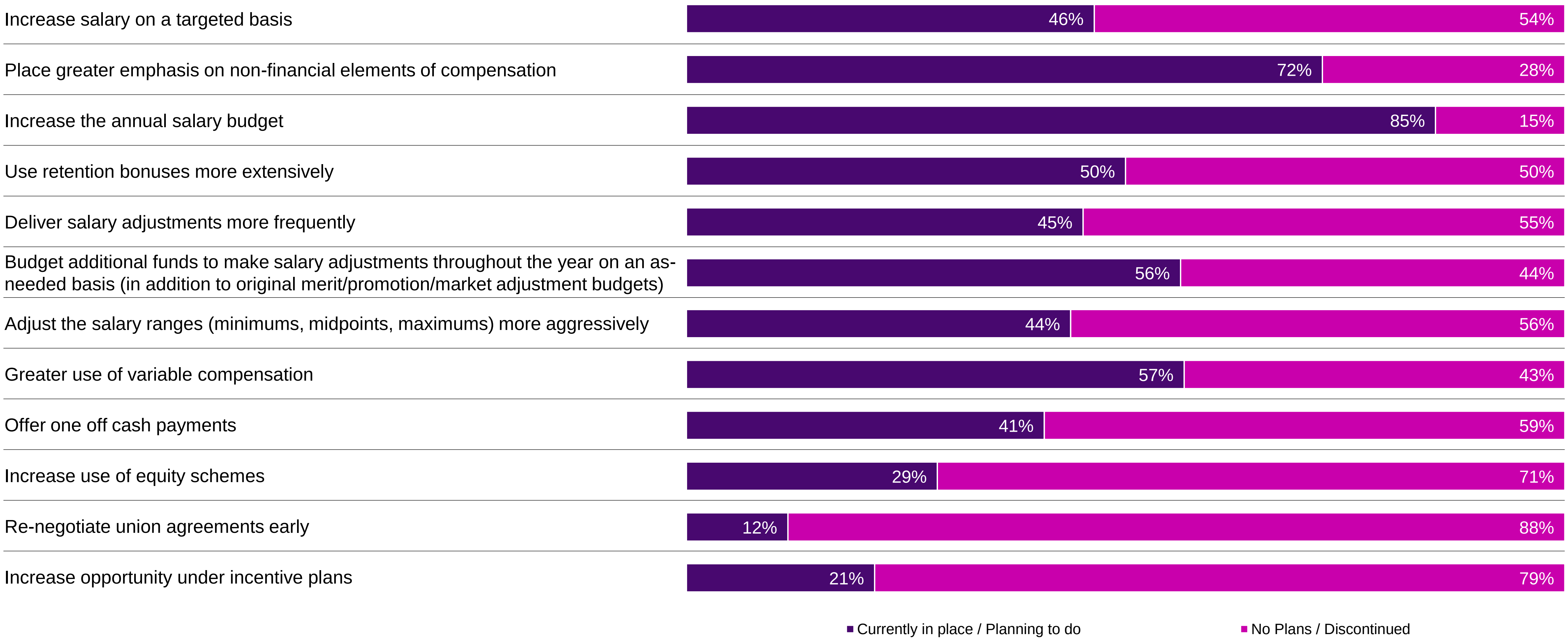
What approaches are you taking to address the impact of the competitive labor market and inflationary pressures on compensation management?



Source: 2022 CEEMEA Inflation and Rewards Actions Survey, Czech Republic

Increasing salary on a targeted basis and greater emphasis on non-financial elements of compensation are the changes most likely to last beyond 2023

Do you anticipate these changes to be temporary or are you considering implementing these programs for 2023 and beyond?

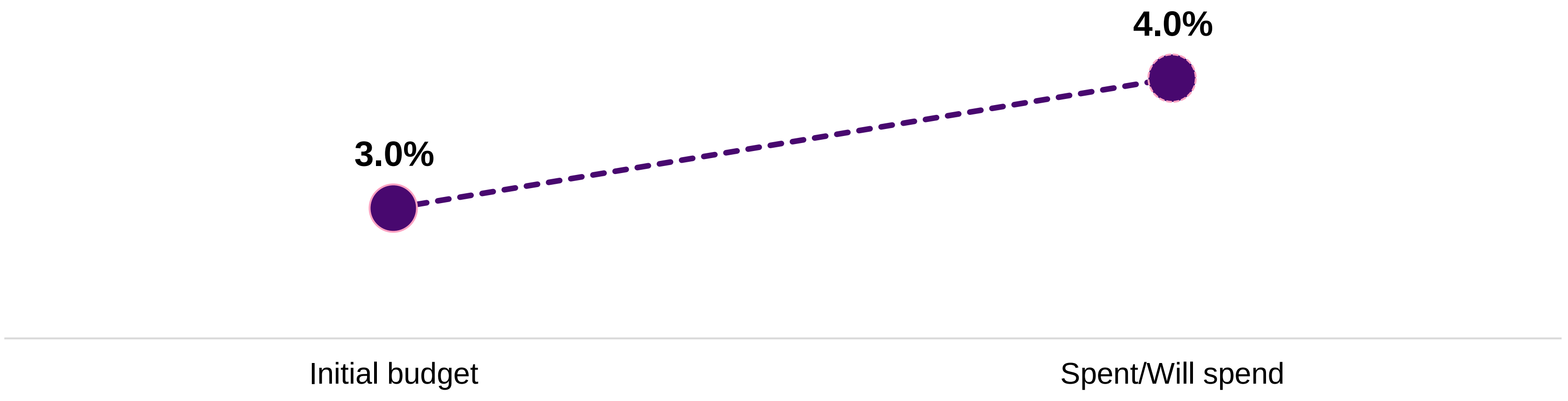


Source: 2022 CEEMEA Inflation and Reward Actions Survey, Czech Republic

The typical organization increased their annual salary budget by 1% of payroll

Further increased/will increase the annual salary budget for 2022 (relative to the original 2022 budget)

Typically, the budget (as % of payroll) is:



If merit/salary review has already taken place for 2022, the actual total budget spent was typically 3.5% of payroll

NB: This slide was developed based on responses collected during the summer of 2022. WTW is closely monitoring the evolution of responses that relate to increases in salary budgets as organizations draw closer to taking their final decision before year end.

Note: Based on respondents shown previous page that have increased or plan to increase the annual salary budget for 2022 (relative to the original 2022 budget)

Source: 2022 CEEMEA Inflation and Reward Actions Survey, Czech Republic

Highest performers, colleagues identified at retention risk or having hot skills are most likely to take priority for targeted salary increases

Increase salary on a targeted basis

Groups that are taking priority for targeted salary increases*

Highest performers	60%	Support Staff	20%
Colleagues identified as retention risk	60%	Talent with digital skills	20%
Colleagues identified as having rare/hot skills	60%	Salaried employees	20%
Professional	40%	Contracted Staff	10%
Middle Management/Senior Professional	30%	Hourly employees	10%
Sales Staff	30%	Specific business unit/divisions	10%
Lowest paid	30%	Specific geographies	0%
Executives/ Top Management	20%		

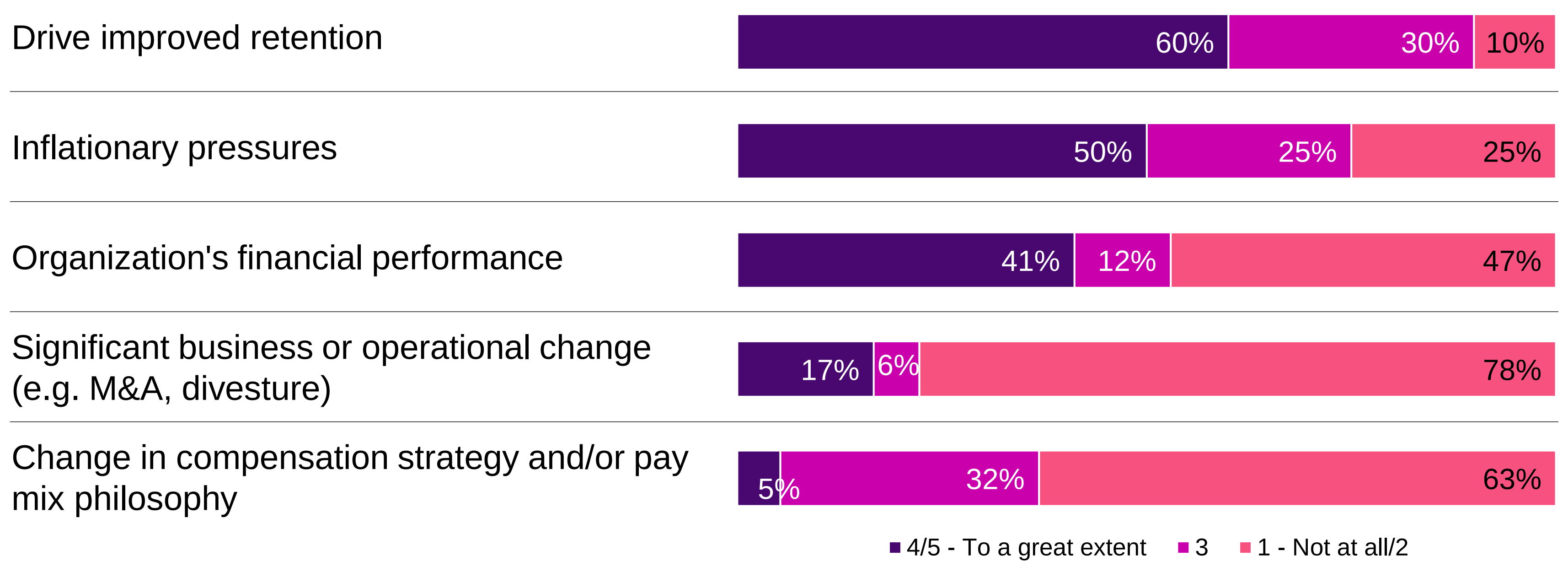
* (n=10)
Note: Based on respondents shown on previous page that have increased or plan to increase salary on a targeted basis

Source: 2022 CEEMEA Inflation and Reward Actions Survey, Czech Republic

Driving improved retention and inflationary pressures are the primary reasons for budgeting for salary increases

Budget for salary increases

To what extent are the following **primary reasons** for budgeting for salary increases?*



* (n > 16 but less than 25)

Note: Based on respondents shown on page 13 that have budgeted or plan to budget for salary increases *(i.e. increase the focal annual salary budget, budget additional funds to make salary adjustments throughout the year on an as-needed basis, deliver salary adjustments more frequently, adjust salary ranges more aggressively, increase salary on a targeted basis)*

Source: 2022 CEEMEA Inflation and Reward Actions Survey, Czech Republic

Attraction and Retention Findings

One third of organizations increased recruitment since the start of the year

Compared to the **start of the year** has the hiring/recruitment activity at your company:

32%
Increased

55%
Stayed the same

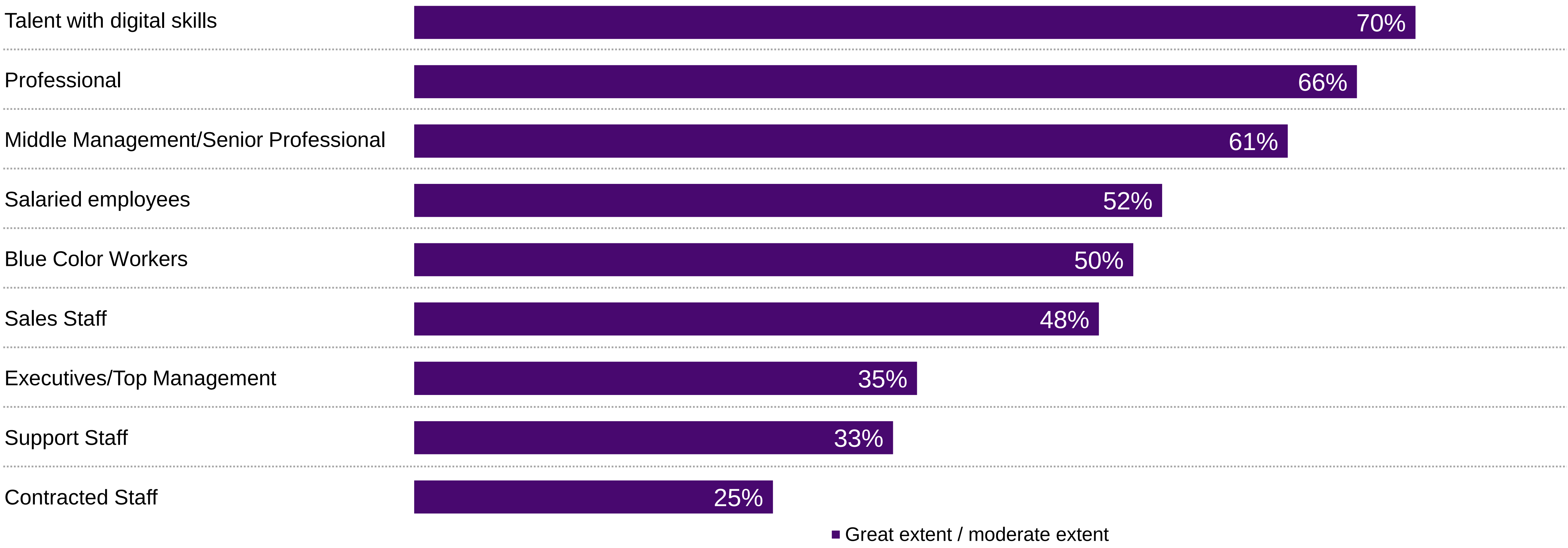
5%
Decreased for some job roles

8%
Decreased across the board

Source: 2022 CEEMEA Inflation and Reward Actions Survey, Czech Republic

Organizations are more likely to experience problems attracting or retaining talent with digital skills and professionals

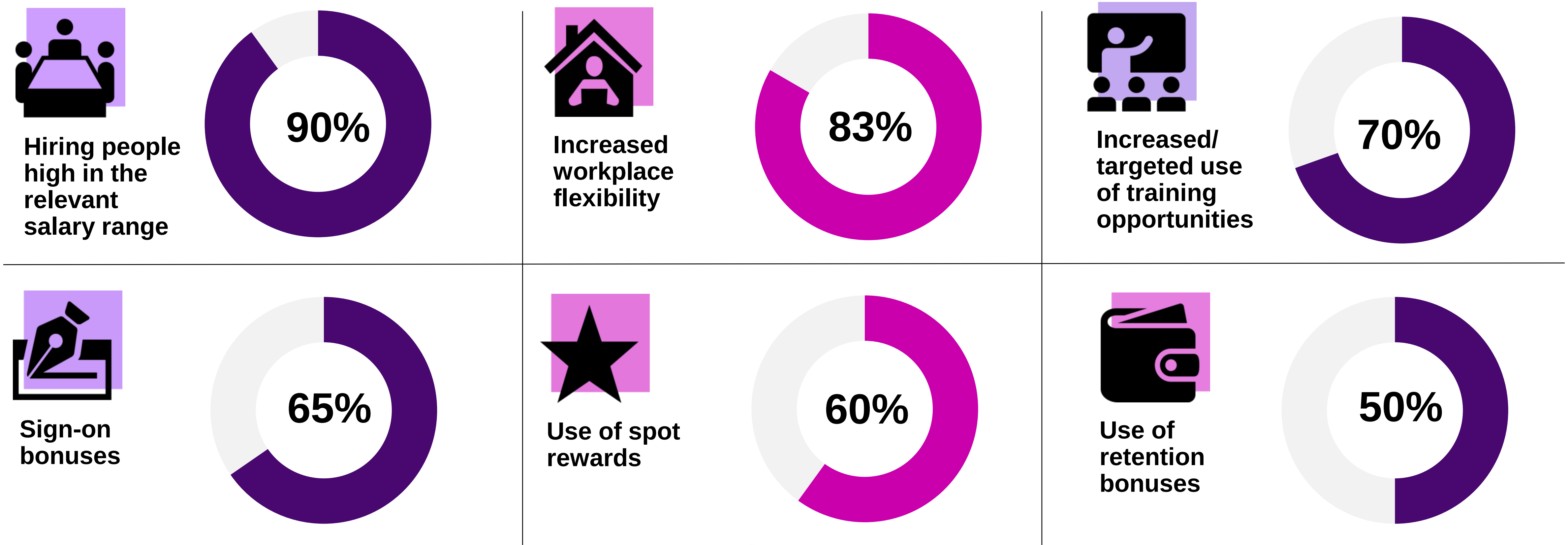
To what extent is your organization currently experiencing problems attracting or retaining employees in the following groups?



Source: 2022 CEEMEA Inflation and Reward Actions Survey, Czech Republic

Over 4 out of 5 organizations hire people high in the salary range, increase workplace flexibility to address attraction & retention difficulties

What informal actions do managers at your organization take to address the attraction, retention of these employee segments in their department?



Source: 2022 CEEMEA Inflation and Reward Actions Survey, Czech Republic; Note: percentages indicate “taking action”

Better pay and better growth opportunity are the main reasons employees leave

Work life balance is also a commonly cited reason for leaving

What is(are) employee's main reason(s) for leaving your organization over past 6 months?

	Executives/top management	Middle management/senior professional	Professional	Sales staff	Support Staff	Talent with digital skills
Better Pay Opportunity	62%	76%	85%	67%	74%	67%
Better Growth Opportunity	62%	72%	65%	38%	58%	53%
Work Life Balance	38%	28%	27%	24%	26%	20%
Educational Opportunities	8%	4%	4%	0%	5%	7%

Source: 2022 CEEMEA Inflation and Reward Actions Survey, Czech Republic

Actions for companies to consider

Refine and enhance the organization’s reward philosophy

Revisit reward levers and determine the purpose and eligibility of each within the context of the broader career and employee experience

Optimize reward spend

Conduct Total Rewards Prioritization/Optimization exercise to define optimal reward spend and increase employee retention and attraction

Review market data and update salary structures

Analyze pay relative to market, also confirming areas of pay pressure (hot in demand roles) and determine where salary structure ranges have not kept pace with actual pay increases

Enhance manager capability and accountability in work and rewards decisions

Educate managers on the full set of monetary and non-monetary programs to enable their autonomy in driving talent retention

Source: 2022 CEEMEA Inflation and Rewards Actions Survey, Czech Republic

Thank you!