2022 CEEMEA Inflation & Reward Actions Pulse Survey

Hungary

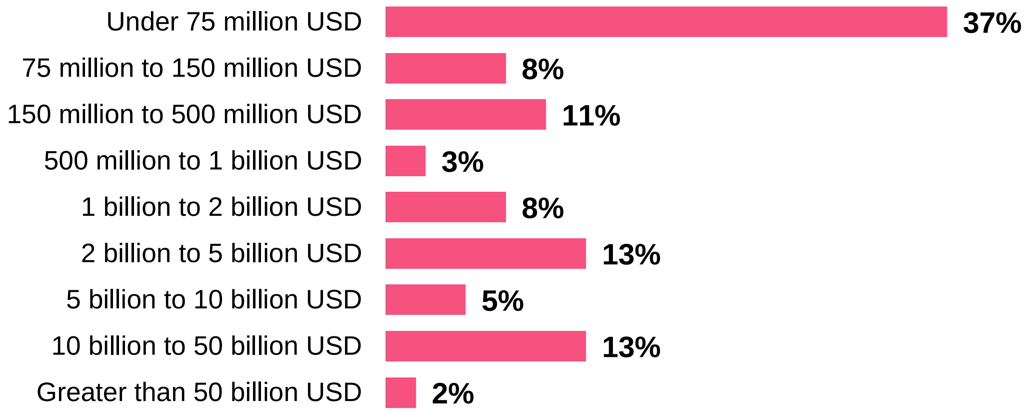
October 2022

About the survey - Hungary

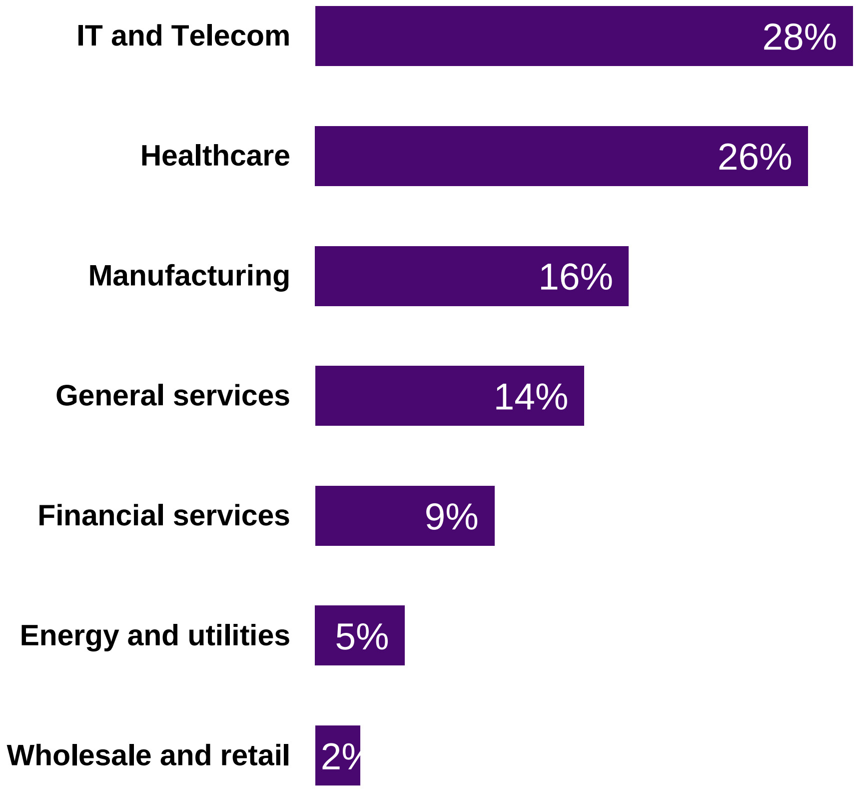
43 Respondents from Hungary completed the survey

Local company / group	Subsidiary of international company
7%	93%

Annual revenue in 2021



Industry



Source: 2022 CEEMEA Inflation and Rewards Action Survey Hungary

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 Hungary approach current challenges related to high inflation/tight labor market environment and increased attraction, retention issues.
- About one third of them have increased or are planning to increase salary for specific employee groups.
- More than 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

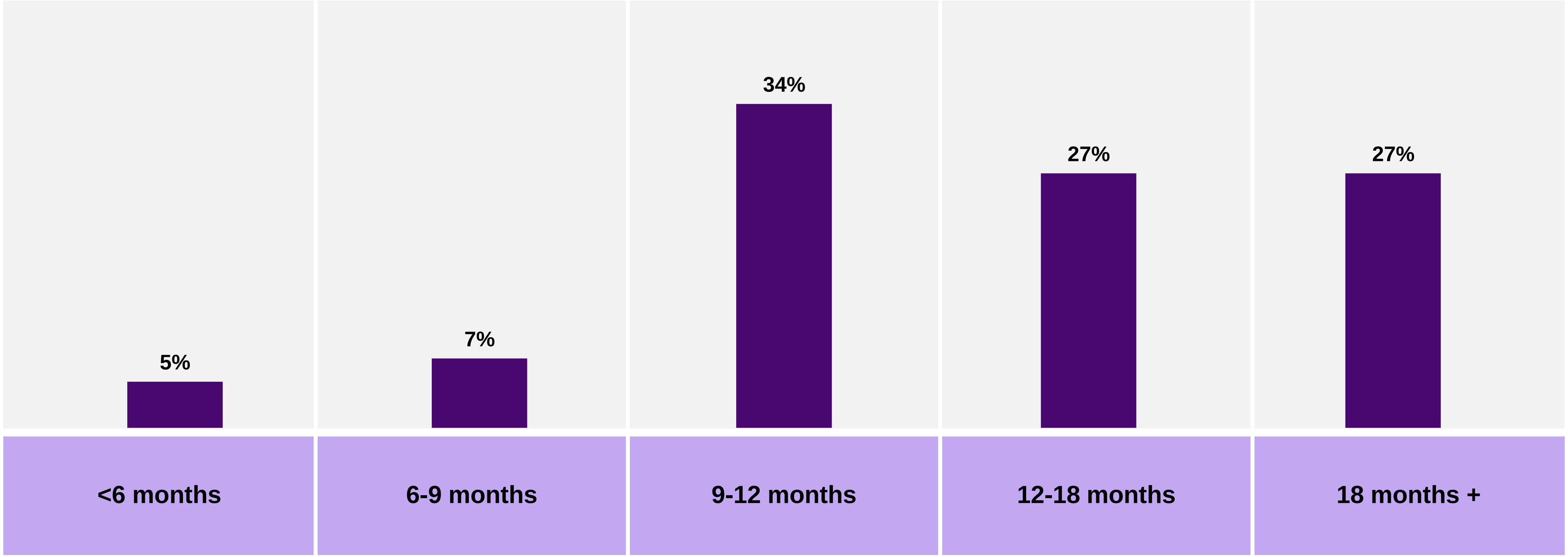
Inflation is high and expected to remain so	Attraction & Retention
▪ The annual inflation rate in Hungary is forecast to be of 13.9% for 2022, the highest level since 1998. ▪ The majority of companies expect high inflation to last over the next 9 – 10 months (see details on next page) ▪ Forecasts for 2023 show a very slight decrease to 13.3% for Hungary.	▪ Nearly 3 out of 5 organizations increased recruitment since the start of the year. ▪ Organizations continue to experience problems attracting or retaining: Talent with digital skills (77%), Professionals (74%) & Hourly Employees (57%).

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, Hungary

Two out of three respondents expect the high inflation to last over the next 6 to 18 months

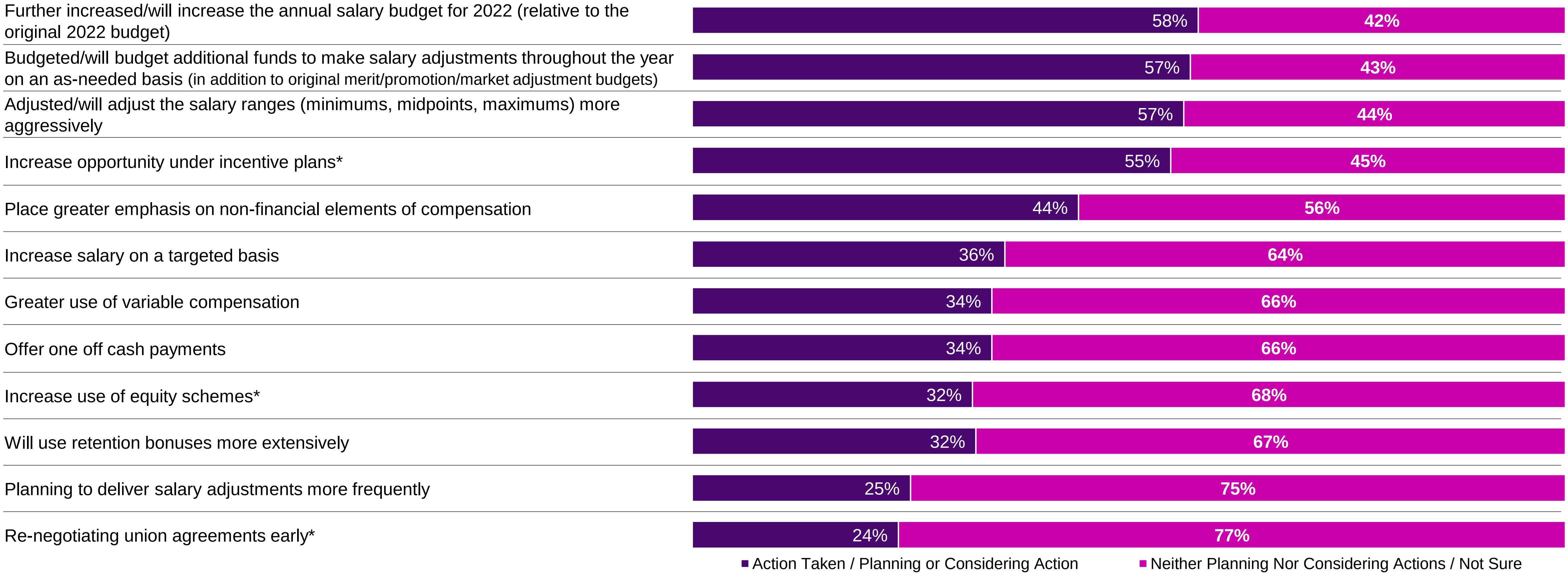
How long do you expect the current period of high inflation will last?



Source: 2022 CEEMEA Inflation and Reward Actions Survey, Hungary

Organizations are more likely to increase the annual salary budget or budget additional funds to make salary adjustments

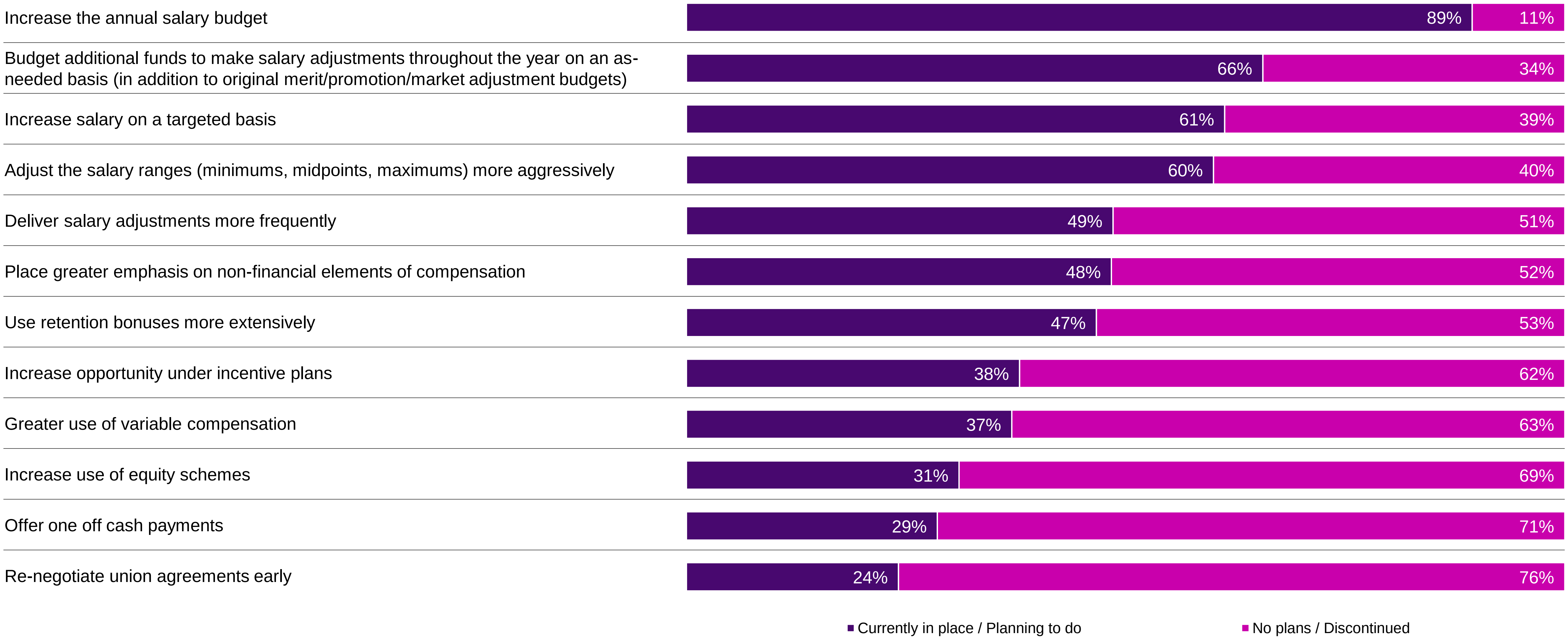
What approaches are you taking to address the impact of the competitive labor market and inflationary pressures on compensation management?



Source: 2022 CEEMEA Inflation and Reward Actions Survey, Hungary

Increasing annual salary budget or budget additional funds to make salary adjustments is 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?

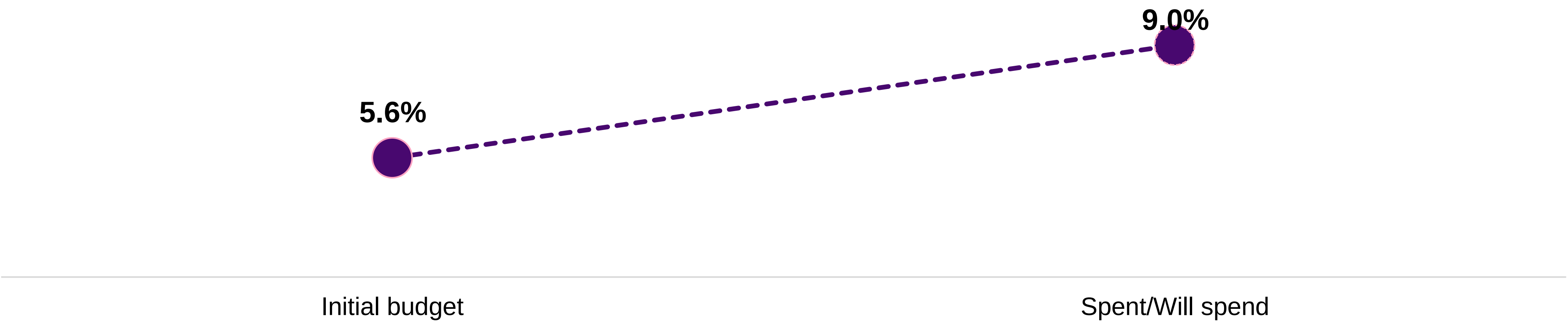


Source: 2022 CEEMEA Inflation and Reward Actions Survey, Hungary

The typical organization increased their annual salary budget by 3% 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 4.0% to 4.5% 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.

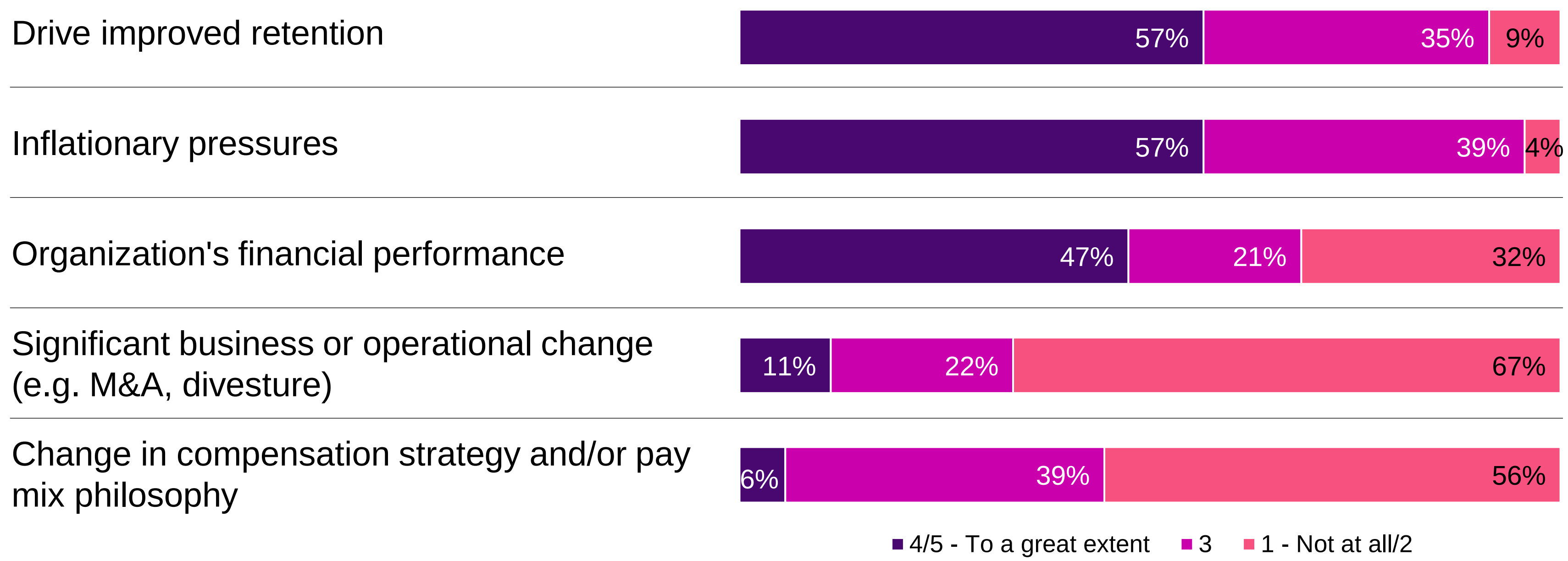
Note: Based on respondents shown on page 6 that have increased or plan to increase the annual salary budget for 2022 (relative to the original 2022 budget)

Source: 2022 Inflation and Reward Action Pulse Survey , Hungary

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?



Note: Based on respondents shown on page 6 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 Rewards Action Survey, Hungary

Attraction and Retention Findings

Two in five organizations increased recruitment since the start of the year

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

42% Increased

44% Stayed the same

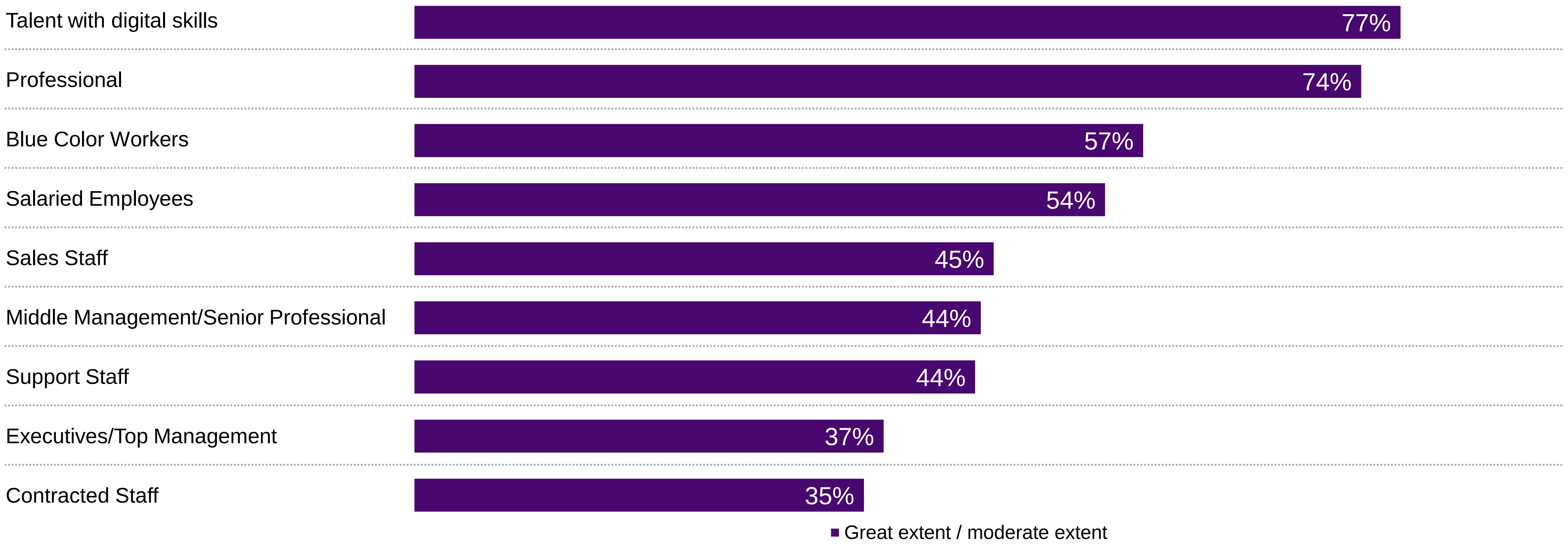
12% Decreased for some job roles

2% Decreased across the board

Source: 2022 CEEMEA Inflation and Reward Actions Survey, Hungary

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?

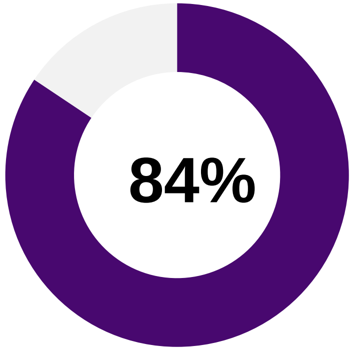


Source: 2022 CEEMEA Inflation and Reward Actions Survey, Hungary

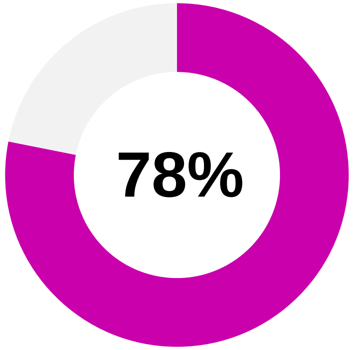
Over 4 out of 5 organizations hire people high in the salary range, increase workplace flexibility to address attraction & retention difficulties

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

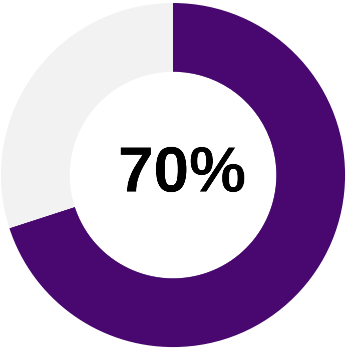
Hiring people high in the relevant salary range



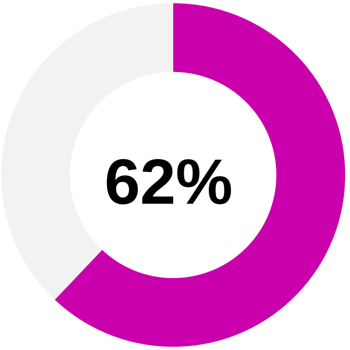
Increased workplace flexibility



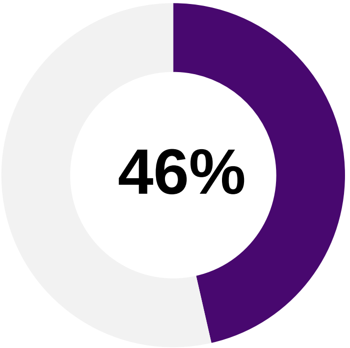
Use of retention bonuses



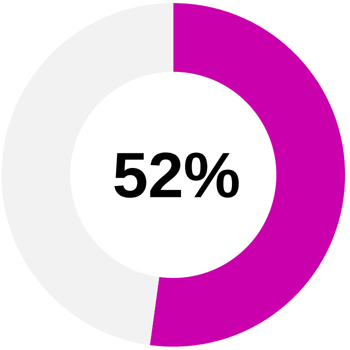
Increased/ targeted use of training opportunities



Sign-on bonuses



Use of spot rewards



Source: 2022 CEEMEA Inflation and Reward Actions Survey, Hungary; 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	71%	77%	83%	72%	74%	88%
Better Growth Opportunity	50%	45%	40%	22%	37%	35%
Work Life Balance	29%	32%	37%	28%	33%	35%
Better Health and Wellness Benefits	29%	18%	13%	17%	15%	18%
More Job Stability & Security	21%	14%	13%	17%	15%	18%

Source: 2022 CEEMEA Inflation and Reward Actions Survey, Hungary

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, Hungary

Thank you!