



**Europhia Consulting has conducted its second global salary development survey to give a detailed overview of salaries, financial, and non-financial benefits in the logistics and supply chain sector. Overall, around half of the employees in the logistics industry seem to be satisfied with current salary levels with only 11% of the employees not satisfied at all. However, some regional differences between Asia and Europe exist. This article will share and discuss the key outcomes of the survey.**

This survey forms the fifth module within the global logistics HR survey series conducted by Europhia Consulting. Almost 2,000 Logistics and Supply Chain professionals from over 35 countries participated in this survey. The key results from the report indicate the following:

1. With 73% dissatisfaction, it is clear that participants from Asia are far more dissatisfied about salary levels than participants from Europe and the US.
2. Women in Asia continue to earn far less than men. The gender gap in Asia shows a pay difference of more than 34%, whereas in Europe this is less than 6%.
3. Pay satisfaction increases for higher paid jobs against those in lower paid positions.
4. Europeans seem most reluctant to take a wage cut for a challenging new job. Americans and Asians are more open to a salary reduction in order to take on a more challenging role if they perceive this to be beneficial to their overall career planning..
5. Key secondary benefits which employees across all regions appreciate are a variable bonus scheme, and a healthcare program. One big difference is that participants from Asia do not list pension plans as an important secondary salary benefit whereas participants from the US and Europe do.

There is a wide age distribution in respondents, with 71% of the respondents aged between 25 and 44 years with the largest group of respondents in the category aged 35-39. The number of women participating in this survey was 25%, which is a good reflection of the gender ratio within the industry. Furthermore 74% of the participants holds a Bachelor degree or higher.

## 1. Pay Satisfaction per Region

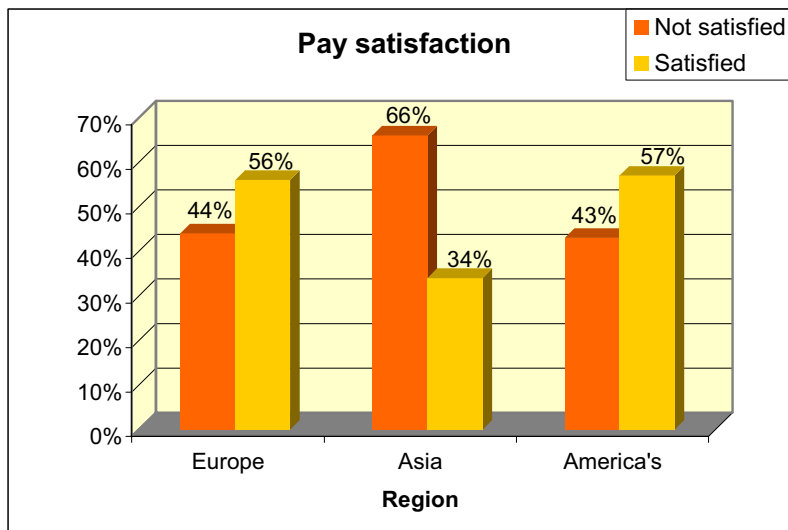


Figure 1: Pay satisfaction across regions.

Overall the average salary in Europe and North America is more than double compared to the logistics professionals in Asia. These differences can be largely explained by the fact that Europe and the US are developed markets while most countries in Asia are still emerging markets.

When asked about pay satisfaction two thirds of the employees in Asia are dissatisfied with their salary while for Europe and the America this is around 43%. This is in line with Europhia Consulting's 2007 International Logistics Salary Survey, which also showed Asian participants to be the least satisfied with their salary level.

Pay dissatisfaction is a characteristic part of developing markets. Whilst most Asian countries still experience significant growth, this is not transferring quickly enough to the working classes even though wage levels are increasing. This is also reflected in the results of the question where the respondents were asked how much they would expect their salary to increase if they were to switch to another company. Whereas in Europe and America respectively 54% and 63% of the respondents expect an increase of at least 10%, this is 76% in Asia. Of the Asian respondents, 35% indicate they would want to make a salary jump of over 20% if they switch jobs whilst for Europe this is 10% and for the America's 8%.

Nishchae Suri, head of consulting firm Hewitt's Associates Talent and Organization Consulting Analytics practice in Asia, says "Despite all the high salary hikes in Asia, compensation doesn't seem to be having the desired impact. The overall employee satisfaction with current compensation stands at 46 percent. This means that, apart from the absolute, there are aspects which need serious attention. Focus needs to be on making pay more transparent by making it competitive and aligning it to job performance."

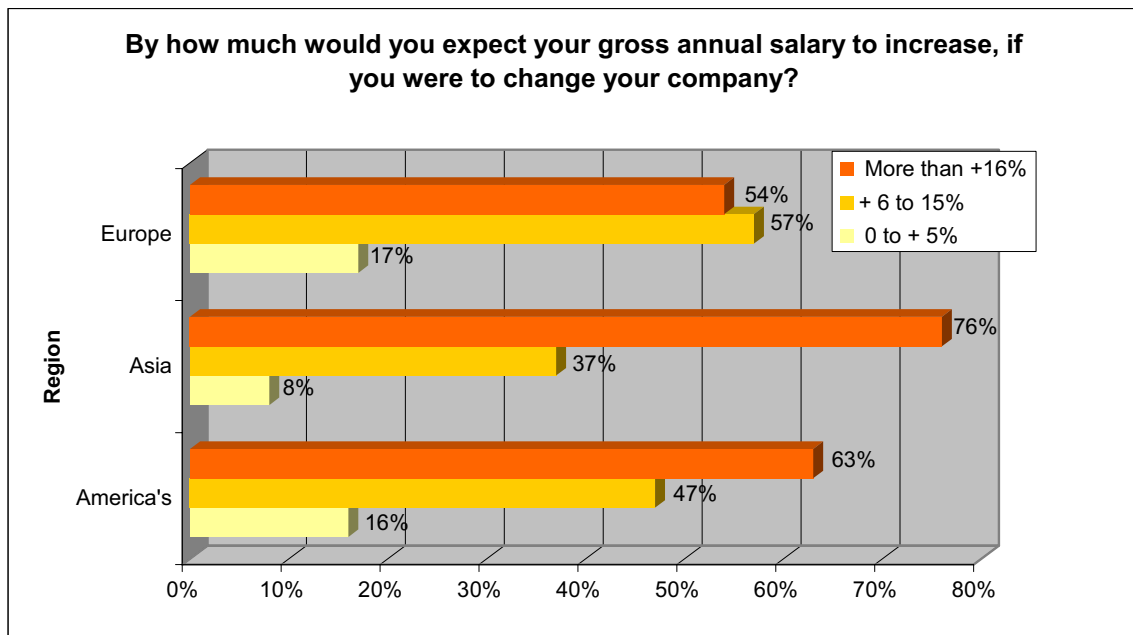


Figure 2: Expected percentage of salary increase in a job switch

## 2. Salaries and the Gender Gap - Regional Differences

The overall survey results have indicated that women are paid 23% less than men. Asia shows the biggest difference (34%), followed by the Americas (20%) with the lowest differences in Europe (6%), which seems to be on the right track to bridging the gender gap when it comes to salaries. Europhia Consulting's recent report on 'Women in Logistics' is consistent with these findings and confirms that salary wise there remain significant differences between men and women.

The results are also in line with a study released April last year by the American Association of University Women Educational Foundation. Although part of the pay gap can be attributed to the number of hours worked, occupations and parenthood, gender discrimination remains definitely a factor. However, the researchers do suggest that women themselves may be partly to 'blame' for the gap because "Women expect less and negotiate less pay for themselves than do men."

According to a study by Stephanie Seguino from the University of Vermont the cause of pay differences, especially in developing countries, lies in the fact that jobs for women are concentrated in unstable, low paid dead-end manufacturing jobs—a phenomenon mirrored in service and agricultural sectors of developing economies. The types of jobs that many women hold, particularly those in export sectors, do not possess the characteristics that would allow them to achieve equity.

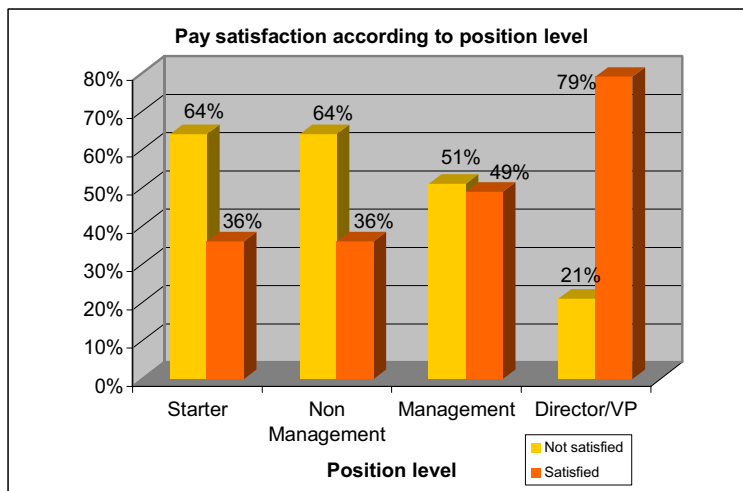
Europhia Consulting's own survey on 'women in logistics' did highlight that women are more positive today about opportunities to develop within the sector. This is an important basis from which to develop greater salary parity and gender equity.

### 3. Wage Satisfaction Increases at Management Level - Regional Differences

This survey also looked at the correlation between position level and salary of the participants. The conclusion is that the higher the position the more satisfied people are. Whilst only 36% of 'Starters and Non-Management' employees are satisfied with their salary, this increases to 49% at Management level. The highest satisfaction level is at 'Director/VP' level of which 79% are satisfied.

A Hewitt Associates study also found that the spending on variable pay as a percentage of total payroll becomes higher towards the top of the pyramid, so the closer you get to the top the more your income is tied to the performance of the company.

An article of The Economist of June this year on executive pay in Europe confirms that salaries at top level has certainly risen sharply over the past ten years. European firms had to compete globally for talent and at the top American-style bonuses and long-term incentive plans is now the norm. According to Hay Group, the median European executive still only earns 40% as much as his equivalent in America including bonuses and share programs.



Average working hours per position	
Starter	41.0
Non-Management	42.5
Management	46.5
Director VP	51.0

Table 1: Average working hours per position

Figure 3: Pay satisfaction according to position level.

Although there are substantial differences in salary between regions on all levels, the salary differences appear to be the largest in lower paying positions as shown in Table 2 below.

Position Level	Europe		Asia		The America's	
	Salary in Euro's	Last year increase	Salary in Euro's	Last year increase	Salary in Euro's	Last year increase
Starter	28,372	5.8%	7,430	4.3%	27,122	5.3%
Non-Management	42,951	7.7%	22,374	6.8%	47,119	5.8%
Management	71,770	6.7%	34,560	9.6%	65,864	5.9%
Director / VP	137,610	9.4%	98,104	10.0%	128,784	7.2%
Average	68,041	7.1%	32,844	8.6%	66,878	7.3%

Table 2: Average salary by position level and last years salary increase by position level per region.

Asia shows the highest average salary increase of 8.6%. This is in line with the 2007 salary survey of Hewitt Associates, which also reported the biggest salary increase in Asia followed by the Americas and Europe.

The same research also pointed out that significant variations in salary increases exist between Asian countries, with employees in the emerging economies receiving higher increases than their counterparts in more mature economies.

Within the regions, there are also differences between emerging and mature economies. Table 3 shows the average salary level in Euro's and the 2007-2008 salary increase at different organizational levels for some individual countries in Asia and Europe. The same trend can be observed on a regional level; while only small differences exist between the European mature markets of The Netherlands, Belgium and Germany, large differences can be seen between the mature market of Singapore and the developing market of India within Asia.

Position Level	The Netherlands		Belgium		Germany		Singapore		India	
	Salary in Euro's	Last year increase	Salary in Euro's	Last year increase	Salary in Euro's	Last year increase	Salary in Euro's	Last year increase	Salary in Euro's	Last year increase
<b>Starter</b>	32,723	3.5%	24,567	1.1%	40,667	2.7%	12,834	1.4%	3,100	3.0%
<b>Non-Management</b>	43,775	8.1%	40,053	5.8%	48,516	9.7%	26,092	6.5%	3,985	13.0%
<b>Management</b>	72,949	6.9%	69,691	5.8%	86,823	6.1%	41,603	8.2%	24,545	13.2%
<b>Director / VP</b>	118,124	9.1%	113,609	4.3%	137,010	8.9%	106,597	8.7%	77,149	8.7%
<b>Average</b>	65,817	7.4%	58,873	5.5%	80,315	7.7%	38,621	7.5%	24,632	14.1%

Table 3: Average salary by position level and last years salary increase by position level for several key countries.

In Figure 4, a benchmark is made between salary increases in Asia. While Sri Lanka reported the biggest increase in the region with 15.3% the lowest increase is reported in Hong Kong with 4.2%. The figure shows that booming economies in Asia like Vietnam, India and China report high salary increases for 2007 while mature markets like Singapore, Australia and Taiwan reported much lower increases.



Figure 4: Last year's salary increase for several Asian countries (Source: Hewitt Asia-Pacific Salary Survey 2007)

Salary developments in Europe also make clear that salary levels are not the same across the European landscape, as Mercer's 2007 Global Compensation Planning Report demonstrated. According to Mercer's Steve Gross "The European economic landscape is divided into the emerging

markets of the East and the more mature economies of the West.” Employees in Eastern European countries can expect to benefit from higher salary increases than their Western counterparts. He added, “demand for low-cost, well-educated employees is increasing in Eastern Europe. In particular, the need for skilled workers with marketing, engineering and IT expertise continues to drive up salaries.”

Differences exist as well in the Americas between the North and the South. The United States is one of the few countries where variable performance based pay is very common and the base pay has remained fairly stable the last couple of years. “Employers continue to be reluctant to increase their fixed pay costs, preferring instead to use variable pay to reward their employees,” said Mr. Gross. “To make the most of their base pay budgets, employers should consider segmenting their workforce—not just into high, middle and low performers, but also by geography, career level or function,” he added. “Defining each employee segment based on its contribution to business success enables organizations to reward staff appropriately, as they can apply premium, standard or discounted pay levels to the various groups.” In many South and Central American countries, pay increases are among the highest in the world. However, most of these increases are offset by high inflation rates which do not assist in increasing purchasing power, especially at lower wage levels.

#### 4. Pay-cut for a Challenge?

The survey also asked the participants if they were willing to take a pay cut when a new position would seem very interesting and promising. While the overall average is around 30% “yes”, 40% “no” and around 30% “not sure”, there are large regional differences.

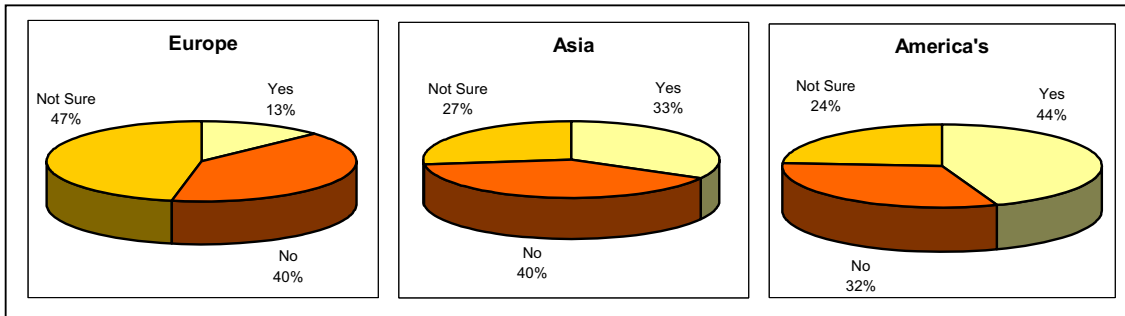


Figure 5: The percentage of respondents that is willing to take a pay cut for a challenging role per region.

The charts in Figure 5 above show that employees from the Americas (45%) are much more willing to accept a pay cut than employees from Asia (33%) and Europe (13%). This outcome is in line with Europhia’s previous report on “What drives logistics professionals?” which shows that salary does play an important role, but a good salary package alone is not sufficient to make employees join or stay with a company. “Career opportunities” was chosen in the number one spot for all the regions as reason for joining the current company and is a decisive factor for career choice.

What remains however is the question why Europe is the least flexible? Research shows that Europe differs historically from the other continents in work attitude, management style and job market flexibility from the Anglo Saxon countries. The differences between the regions could be due to the culture and value differences towards work-life, labor laws and regulations.

According to Robert Taylor from the Economic & Social Research Council wage flexibility is growing in Europe, with the shift from collective bargaining to individualized employment contracts with links between pay and performance. Although the number of members of labor unions in Europe might be declining, nevertheless they remain powerful. Europeans will need to revise their mindset on pay

flexibility. “Competitive conditions in product markets are more important than price movements or comparability in determining pay levels,” said Mr. Taylor.

## 5. Financial and Non-financial Benefits

Besides basic salary, the survey also looked at the importance of other financial and non-financial secondary benefits offered to the respondents. Some interesting differences exist between and within the different regions.

Ranking	Europe	Asia	America's
1	Pension Plans (72%)	Healthcare benefits (63%)	Healthcare benefits (75%)
2	Company phone (71%)	Variable cash bonus (59%)	Insurance (69%)
3	Expense reimbursement (60%)	Insurance (56%)	Expense reimbursement (61%)
4	Variable cash bonus (59%)	Expense reimbursement (56%)	Company phone (56%)
5	Company car (51%)	Transport allowance (43%)	Pension Plans (53%)

Table 4: Benefits that are offered to the respondents.

Ranking	Europe	Asia	America's
1	Pension Plans (57%)	Variable cash bonus (64%)	Expense reimbursement (64%)
2	Variable cash bonus (50%)	Healthcare benefits (63%)	Pension Plans (64%)
3	Company car (49%)	Insurance (55%)	Variable cash bonus (58%)
4	Company phone (43%)	Expense reimbursement (55%)	Shares or options (58%)
5	Expense reimbursement (42%)	Transport allowance (51%)	Healthcare benefits (56%)

Table 5: Benefits that are perceived as important by the respondents.

The “variable cash bonus” and “expense reimbursement” are the two benefits that appear in the top 3 for all the regions although the ranking varies between regions.

Receiving a company car and a company phone are typical European benefits. While in Europe, people in lower positions often already receive a company car; in the other two regions usually only top management will receive these benefits. Whereas in many European companies, many employees at supervisor and management level receive a mobile phone, in Asia and the US this is far less the case and ‘company related usage can be reimbursed by the company instead. This also explains why “expense reimbursement” is perceived more important in Asia and the Americas than in Europe.

While in Europe and to a lesser degree in the US, government and companies offer companies pension schemes to their employees, this is historically an employee's own responsibility in most of the countries in Asia.

Healthcare benefits are in the top 5 for Asia and America but not for Europe. This is probably due to the different ways healthcare in general is regulated in the different regions. In Europe, people simply expect a government regulated healthcare scheme whereas in the other regions this is often an employee's own responsibility.

## 6. Conclusion

Although this survey report focuses on remuneration packages, this is only one of several other key factors that attract and retain employees. It seems that some of these other factors are even more important because despite all the salary increases in Asia, dissatisfaction remains.

There is an opportunity for employers to make salaries more transparent and flexible by making it more competitive and performance based. Besides this, salary by itself will definitely not retain and attract employees. Europhia Consulting's 2007 'Global Logistics HR Survey' showed that other key factors such as "career opportunities", "management recognition" and "training and development" are more important to employees. Dissatisfaction with salary is a common excuse cited for staff turnover. However, it is very rare that salary alone causes an employee to leave.

While salary is only part of the bigger picture, it is important to regularly research industry salaries for benchmark purposes. An increasing number of organizations are ensuring their pay is competitive by closely monitoring market movements. Over 78.2% of participating organizations review their markets annually, using multiple sources of information to benchmark compensation, such as industry surveys and information through personal contacts.

A strong employee brand or other non-financial benefits can make up, to a certain extent, shortfalls in financial and other secondary benefits. Employees value the entire remuneration package of which salary is a component next to other factors such as "number and flexibility of working hours" and "number of leave days". They also appreciate factors such as "company culture" and "relationships with colleagues".

These developments give companies an opportunity to increase their 'employerability' and become more attractive by focusing on employee development and communicating this to potential employees without immediately increasing their HR cost.

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*Source: Europhia Consulting Global Logistics HR Survey Series. September, 2008.*

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