



# Slovakia: Who gets paid well and whose HR management works

**PricewaterhouseCoopers (PwC) published its regular HR effectiveness surveys in the Slovak Republic focused on remuneration trends and HR management practice. According to its results, Slovakia's productivity is still competitive in the European context.**

## Salary developments and productivity

Based on PricewaterhouseCoopers' remuneration study PayWell 2008, Slovak salaries were growing by 7% and companies plan to increase them by 6% next year. Even by this faster pace of salary development, Slovakia is still characteristic by competitive productivity compared to Europe. Both productivity measures - Remuneration/Revenue at 12.8% and Remuneration/Total Cost at 13% are better than their European counterparts (20.9% and 21.9%).

Based on PwC's study Human Resource Benchmarking 2008, Human Capital Return on Investment (HC ROI) is much higher than the European average. If you invest 1 EUR into employees in Slovakia, you will get 1.42 EUR back, while in Europe this ratio is 1.03. Of course, this ROI is variable across different industries. The highest human capital returns are characteristic for utilities and banking sectors, while the lowest returns are in the electrical engi-

neering industry. The competitive position of Slovakia rests on a lower remuneration bill. The average remuneration in Slovakia (EUR 17,544) is less than half the European average (EUR 37,846).

## Sectorial and regional differences in remuneration

The best sector, in terms of market level of remuneration is the pharmaceutical industry, which stands 271% above the market (see Graph). The lowest market level is characteristic for Manufacturing and Insurance industries, which are only at 63% and 71% of market value.

Regional differences in remuneration are still prevailing. The Bratislava region is on average 6% above the Slovak market average level, Central Slovakia is only at 76% of the market. Western Slovakia is at 93% and East Slovakia at 77% of the market level. Thus, the total average difference between the Bratislava region and the Central Slovakia region is still 30%. These regional differences vary based on specific positions

and can get much wider, for some managerial positions even around 70%.

## Salaries per position

The table below shows the interquartile range of salaries per selected positions. In the category of top management there is a Base Pay range from EUR 5,760 to EUR 10,310 monthly and the Total Pay range is from EUR 7,503 to EUR 16,049. On the other side, Base Pay of manual workers ranges from EUR 428 to EUR 560 and the Total Pay ranges from EUR 466 to EUR 650. Thus, the high incentive ratio is 26, which means that the average salary of an executive is 26 times higher than the average salary of a manual worker.

## HR management in financially successful companies

In its regular HR Benchmarking study, PwC evaluates the effectiveness of HR departments at companies in Slovakia. It looks at the relationship between HR management and the financial results of the companies.

In its 2008 study, PwC tracked what financially successful and fast-growing companies do differently in their HR management

from other companies. They found that these companies were better at controlling costs and securing a higher return on their HR investments.

"These companies are able to get back SKK 3.0 for each crown invested into their employees, while other companies get only SKK 1.3 back," said Branislav Hunčík of PwC.

The study also examined what financial results were reached by companies with the best HR management conditions (the latter was defined as those whose HR strategy is formulated in a written document, whose HR director is part of the top management, and which regularly assess the benefits of HR management).

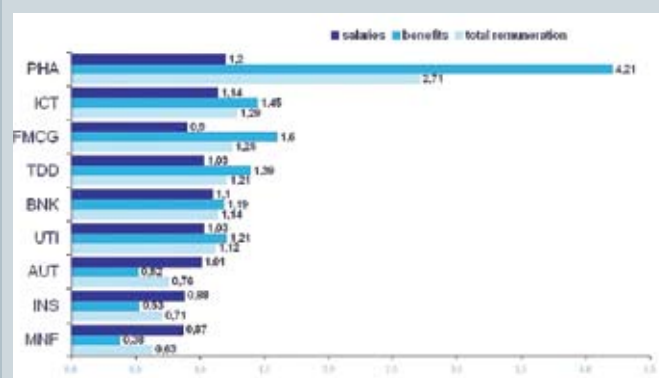
"These companies are interesting because while they show higher growth in turnover to other companies, they have 16 percent higher labor productivity and 49 percent higher profit per employee," Branislav Hunčík said.

In addition, companies that regularly assess the benefits of HR management reached a 112 percent higher profit per employee on average than companies without such regular assessments.



*Branislav Hunčík, Senior Manager, PricewaterhouseCoopers*

**Sectorial differences**



Position	Base Pay in EUR monthly	Total Pay in EUR monthly
Top management	5,760 – 10,310	7,503 – 16,049
Middle management	1,443 – 2,454	1,804 – 3,074
Specialists	935 – 1,479	1,103 – 1,766
Administrative employees	766 – 1,177	894 – 1,392
Specialized workers	533 – 793	634 – 951
Manual workers	428 – 560	466 – 650

