MERCER

TOTAL REMUNERATION SURVEY (TRS)

2020 UAE POST- SURVEY WEBINAR

5 October 2020

Dubai - Mercer

welcome to brighter

Mercer Financial Services Middle East Limited
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Agenda

1. **Welcome and Introduction**

   Ted Raffoul, Career Products Leader | MENA, Mercer

2. **The post-COVID-19 Recovery | An Economic and Political Outlook for MENA**

   Robert Willock, Director MENA, The Economist Corporate Network

3. **2020 Compensation and Benefits Trends**

   Carolina Vorster, Workforce Products Leader, Mercer

4. **Wrap up and Closing Remarks**

   Ted Raffoul, Career Products Leader | MENA, Mercer

Please submit all questions via Q&A button on Zoom

The presentation will be emailed out after the session

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Welcome and Introduction

Ted Raffoul, Career Products Leader | MENA, Mercer

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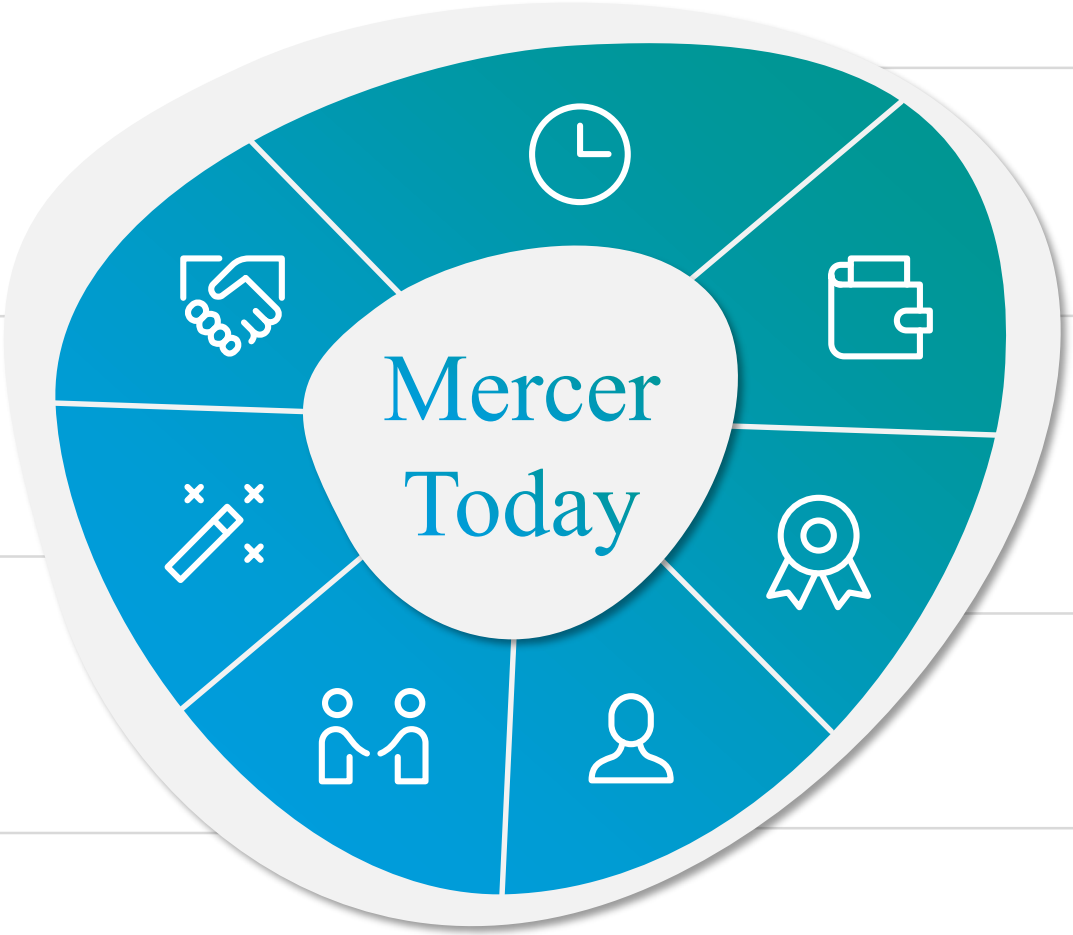
Mercer today

+80 year history

45K clients
Compensation & Rewards surveys

$4.53B
In revenue

35M incumbents
Compensation & Rewards surveys



92% fortune 500

86% FTSE 100

$11.5T Under advisement

$250B in Assets Under Management

+25,000 colleagues

The Mercer Advantage

Always bring a point of view

We are thoughtful and invested with our thinking, moving towards the opportunity together.

Boldly shape the future

We solve for future workforce and organizational needs, quantifying the economic and human impact at every step.

Deliver the whole firm

We unleash the full power of our diverse and global teams by bringing the combination of our people, strengths and capabilities to every challenge.

Execute well

We are relentlessly focused on working together to deliver results that make a positive difference for our clients, colleagues and communities.

Mercer Portfolio

Health

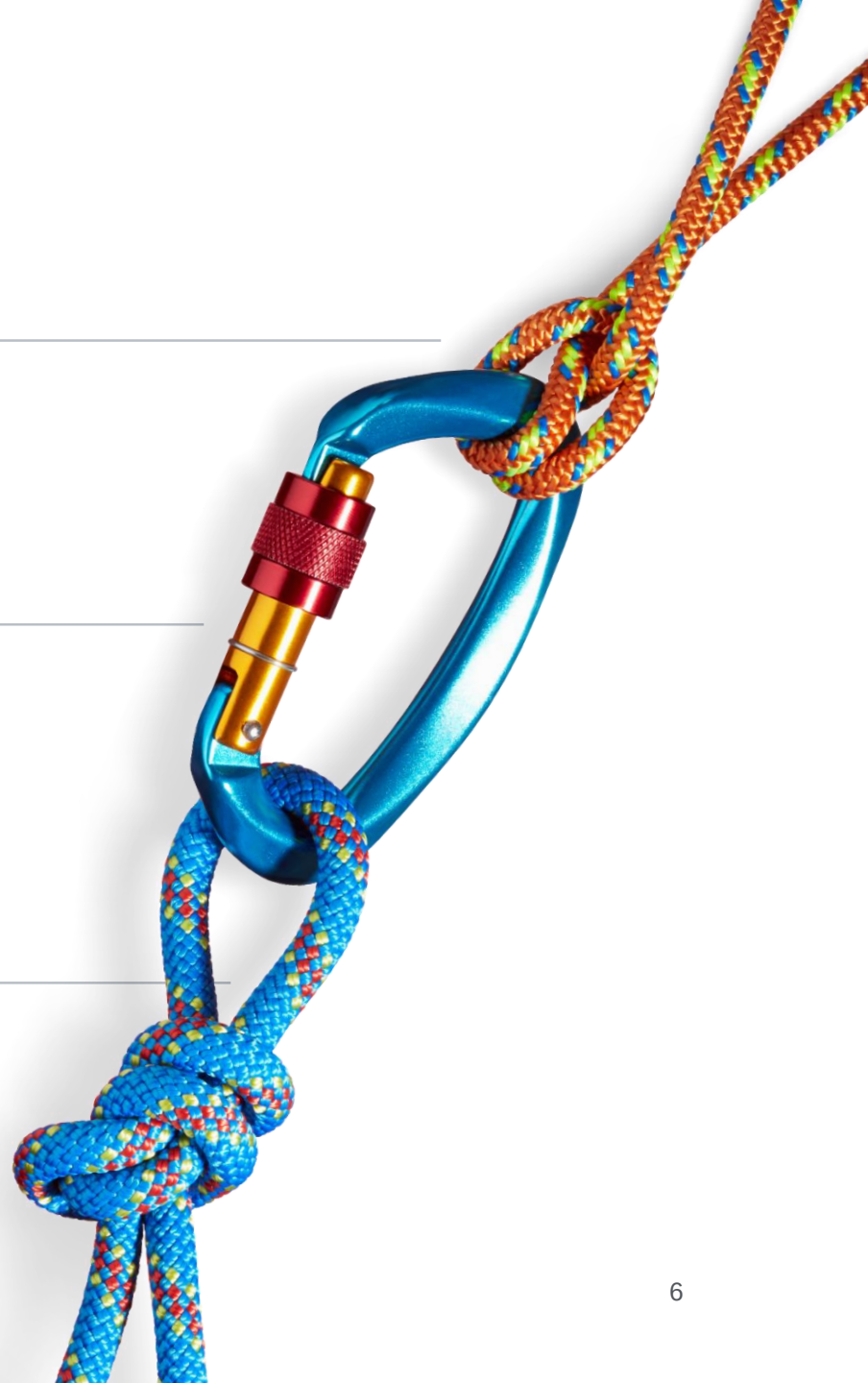
- Benefits exchange
- Benefit strategy, design, and financing
- Individual and voluntary benefits
- Benefits plan management and brokerage
- Specialty health and benefits
- Benefits administration

Wealth

- Strategic plan design, management, administration and investments
- Integrated DB risk management
- Financial well being
- Wealth management
- Flexible delegated solutions and advice
- Global and local actuarial consulting
- Endowments and foundations
- Environment, social, and governance (ESG) investing

Career

- Talent strategy
- Talent mobility
- HR transformation
- Executive rewards
- Workforce rewards
- Communication
- Digital



Mercer | Leader in Human Resource Services

TALENT STRATEGY

- Workforce Strategy and Planning
- Talent Assessment and Development
- Performance and Career Management

TALENT MOBILITY

- Mobility Strategy and Policy Benchmarking
- Provision of Expatriate Data
- Mobility Co-Sourcing and Services

HR TRANSFORMATION

- HR Service Model and Process Design
- HR Talent Assessment and Development
- HR Technology Optimization and HCM System Advisory/Deployment

EXECUTIVE REWARDS

- Board / Management Advisory Services
- Incentive Plan Design and Performance Measurement
- Governance and M&A Transaction Support

WORKFORCE REWARDS

- Total Rewards Strategy and Program Design
- Job Evaluation and Career Frameworks
- Data, Insights and Technology

COMMUNICATION

- Employee Communication associated with Health, Wealth and Career programs
- Change Communication associated with HRIS Implementations, Structural Changes and M&A Activity

The Post-COVID-19 Recovery | An Economic and Political Outlook for MENA

Robert Willock, Director MENA, The Economist Corporate Network

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Three themes to structure thinking for 2021

For 2020, the recovery in the second half will be modest

Corona crisis

Global economy shutdown only one of the G20 economies stand a chance of growth in 2020

Second-round effects unemployment and unrest, sovereign debt defaults, debt

Disruption in the rebound economic structure and market share up for grabs, long-term skills loss for the young, higher production costs

Don't forget...

US-China trade war and broader tensions getting worse; bifurcation is now a reality

Brexit still poses a big risk in Europe at the end of 2020

US presidential election crises usually help incumbents, but Trump looks to be fumbling it

China challenges: debt overhang, ageing, trade conflict, productivity

Crises bring change

Rollback of civil liberties: govts with authoritarian instincts are ↑ surveillance + more

Big state is back, factories requisitioned, companies nationalised, contracts ripped up: does this get unwound? Taxes?

Nationalism reinforced, but some populists are struggling

Urban exodus Remote working impact on travel and real estate

Picture looks grim: 2020 global GDP growth -5.2%

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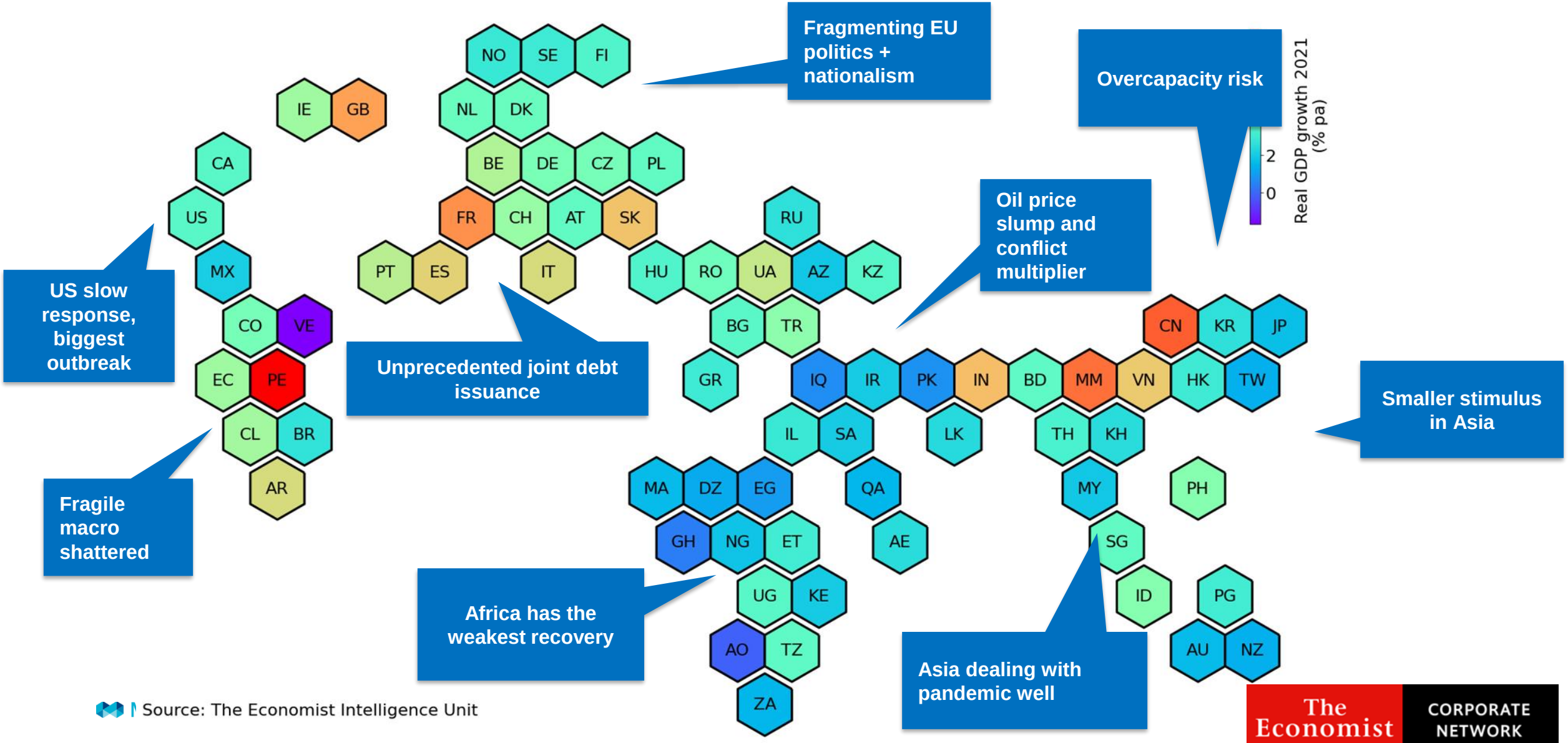
The Economist CORPORATE NETWORK

Europe leads the recovery in 2021 (but it had the deepest crash)



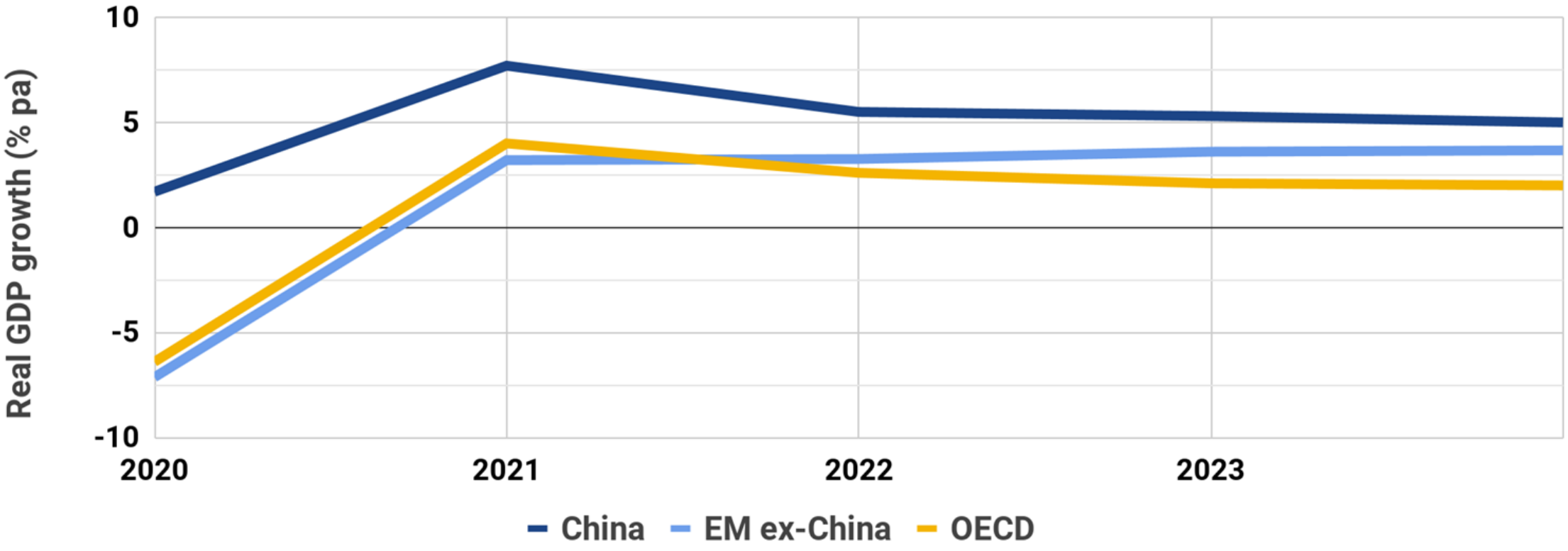
Source: The Economist Intelligence Unit

The Economist CORPORATE NETWORK

EM convergence goes into reverse for two years

Excluding China, emerging markets grow by less than the OECD until 2022

EM recovery hampered by borrowing costs, weak health systems and macro imbalances



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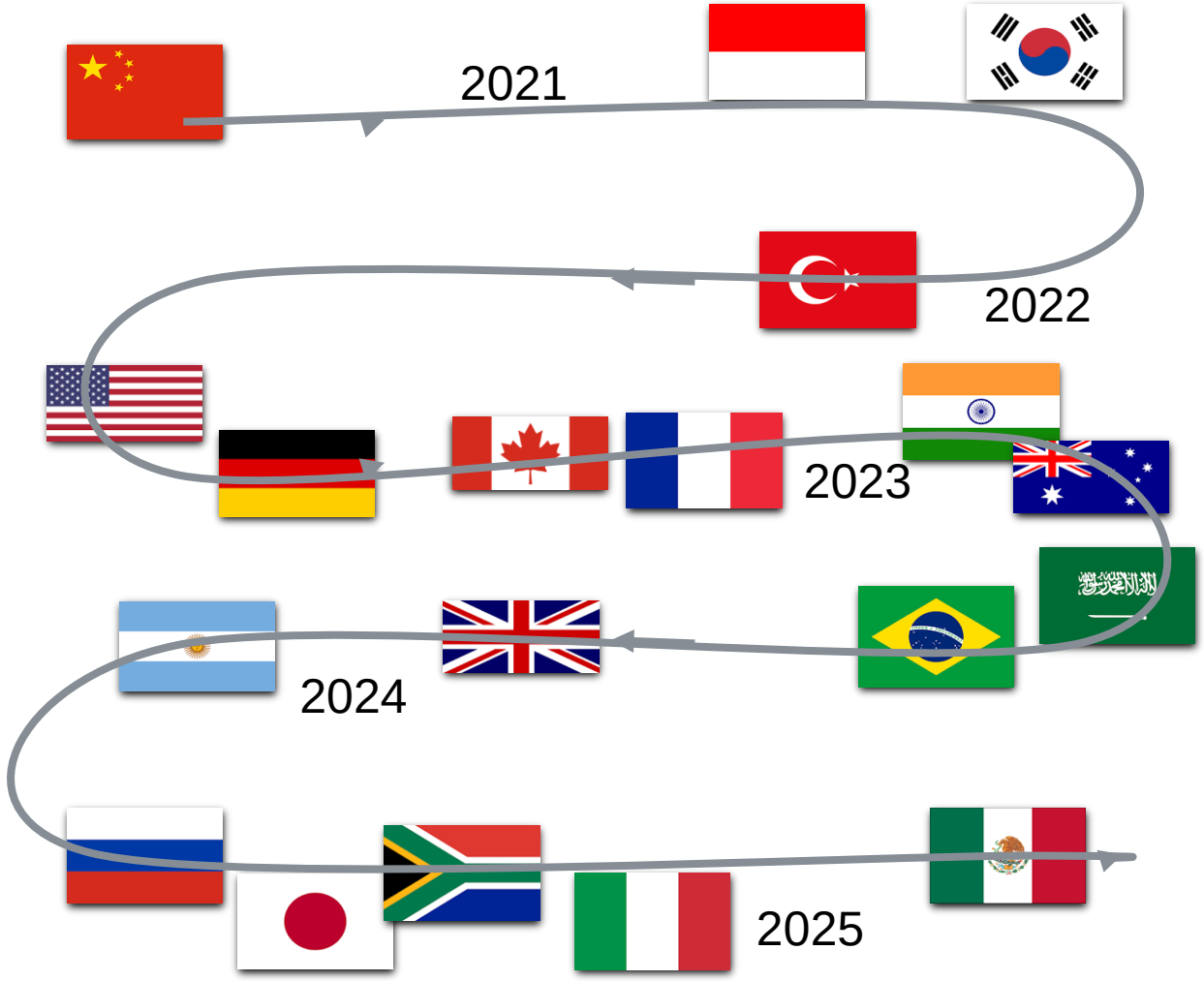
Overall recovery in US and China will beat Europe

In most countries GDP will not reach Q4 2019 levels until 2022/23



Pay attention to data in levels and expressed in quarter-on-quarter terms: the usual annual figures will be hard to interpret

Factors that will affect recovery

- fiscal space and commitment
- monetary policy flexibility
- sectoral composition (distancing compatibility, pent-up demand industrial v services)
- timing of initial and subsequent lockdown measures
- export market exposure
- demographics + labour market dynamics

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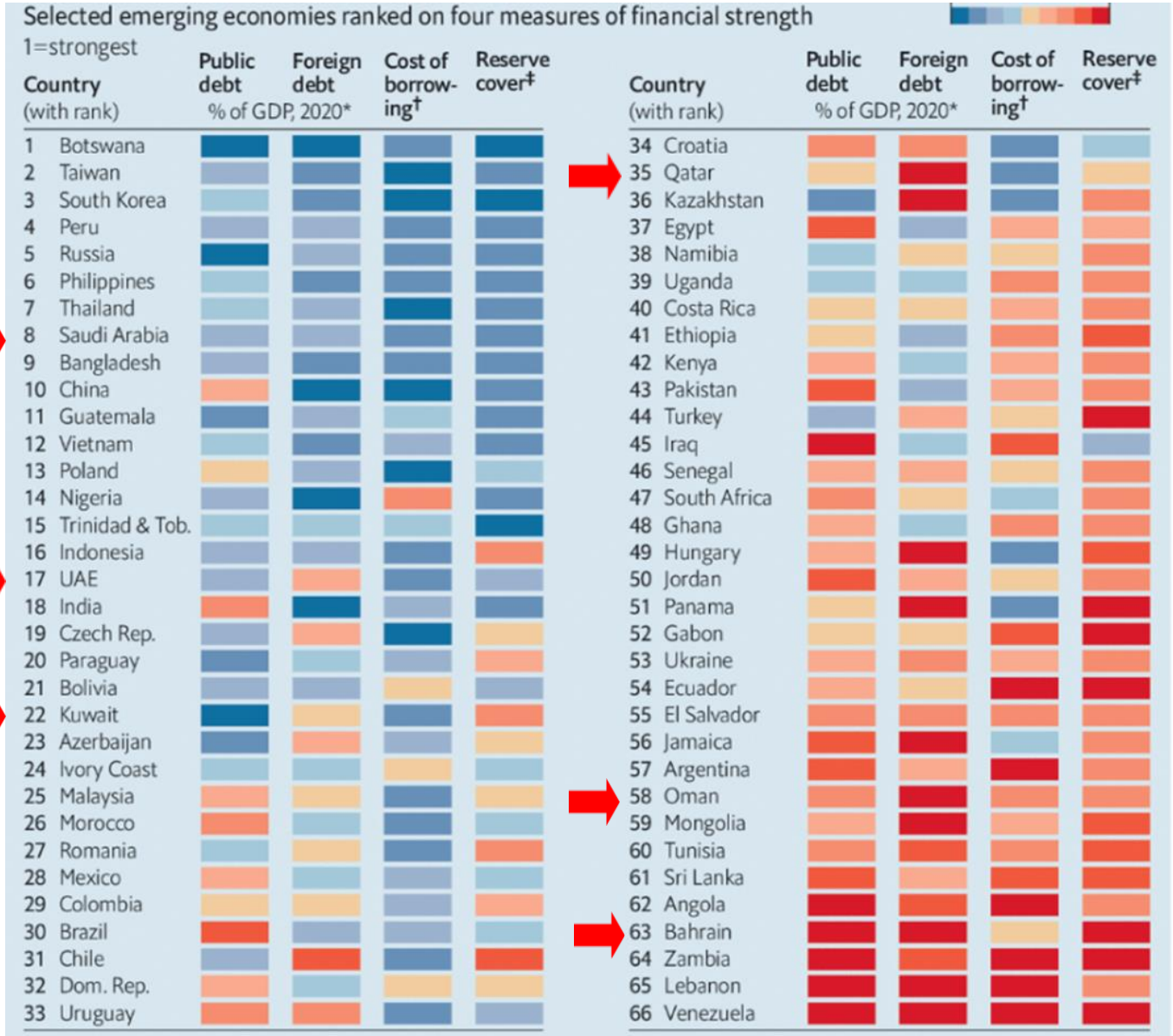
Emerging markets' (& GCC) preparedness



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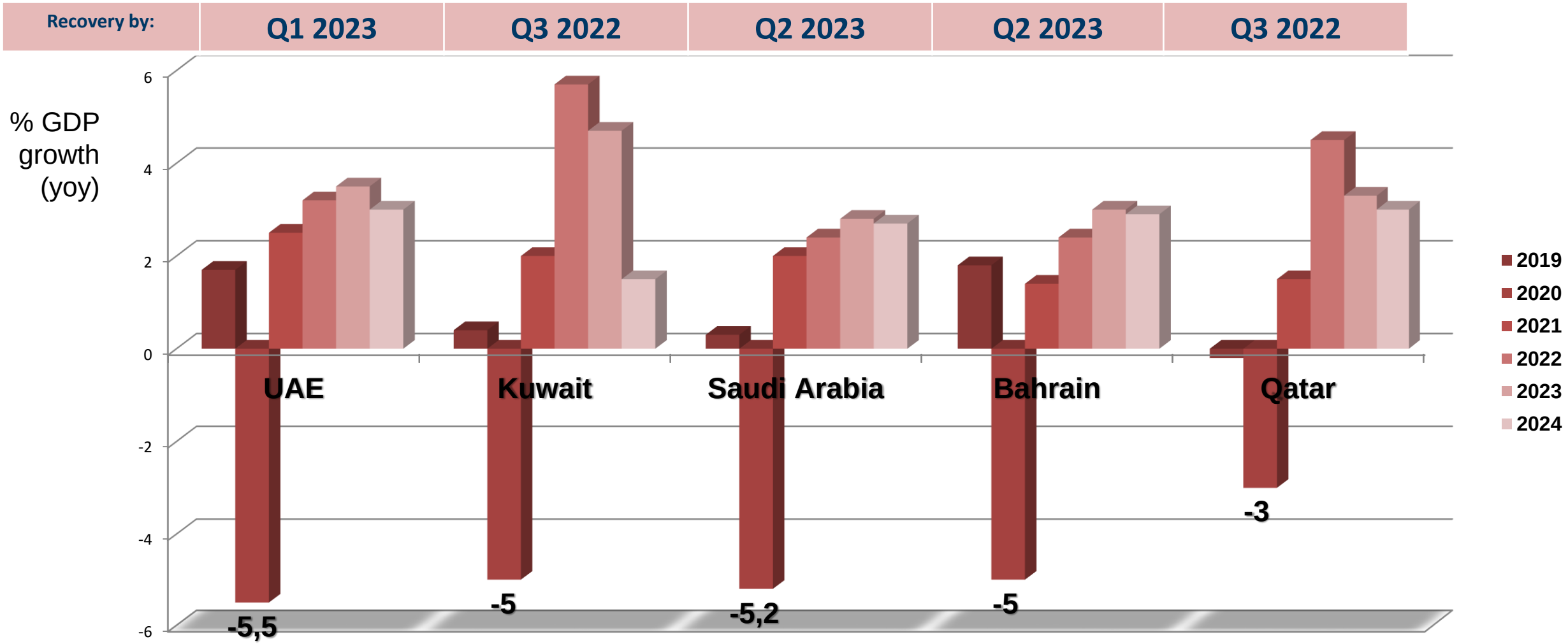
GCC GDP growth forecasts



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ME looking to reinvent supply chains

Resilience to disruptions and economic diversification loom large

Historic downturn in trade has jolted supply chains and ME companies rethinking their supply chain strategies

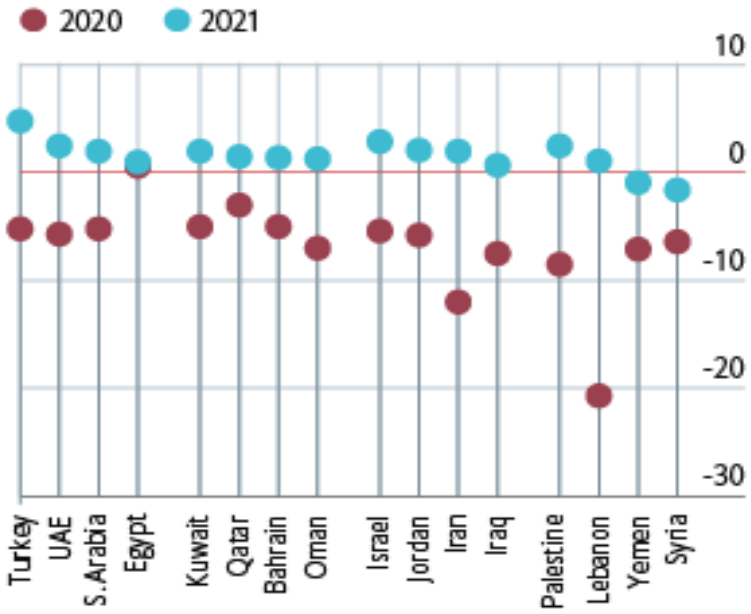
GCC trade volumes

(goods and services; % change, year on year)

Source: The Economist Intelligence Unit.

MENA economic rebound

(real GDP; % change, year on year)



Source: The Economist Intelligence Unit.

Renewed focus on building supply chain resilience by shortening and diversifying supply lines, while protecting links to crucial international suppliers and customers.

Expect the region to invest heavily in trade-facilitating infrastructure and digital transformation, reinforcing position hub for international commerce.

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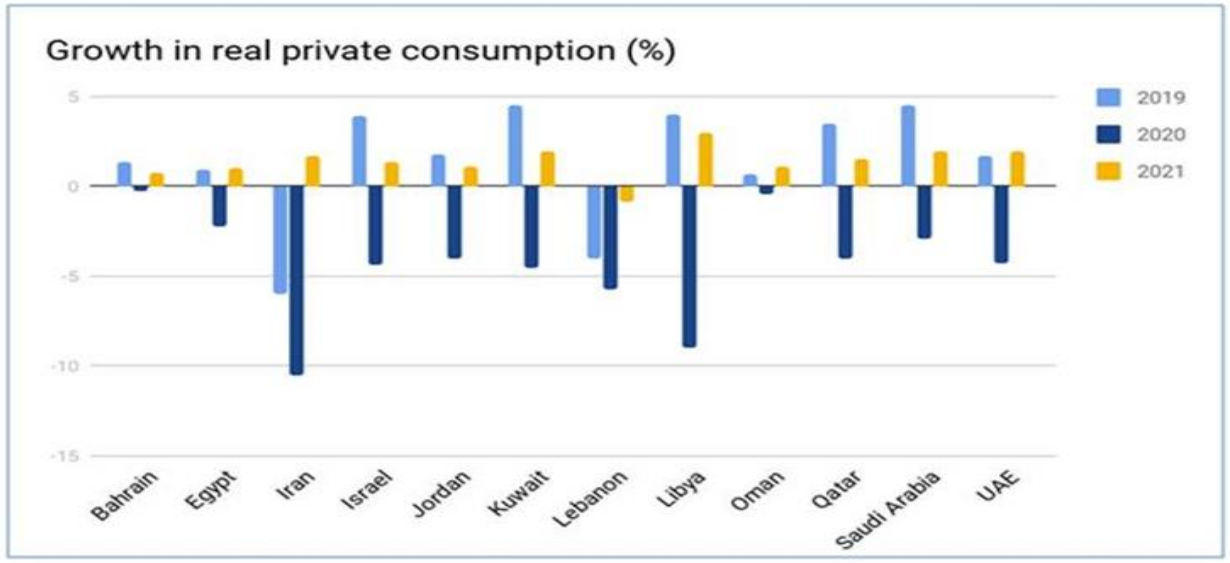
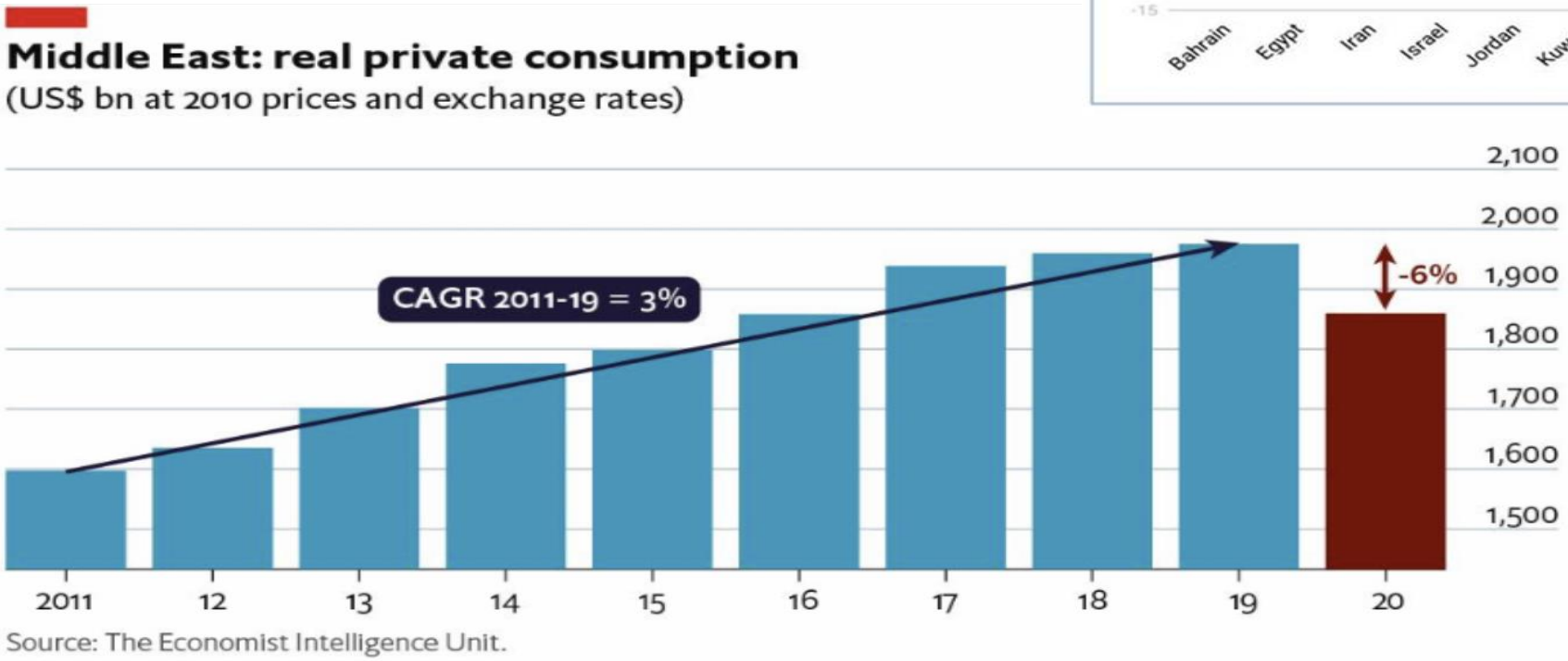
Impact on private consumption

Consumer confidence is down

- A rise in unemployment and pay cuts mean consumers are more cautious and are postponing big-ticket purchases.
- An expat exodus will change populations, demographics and spending patterns.





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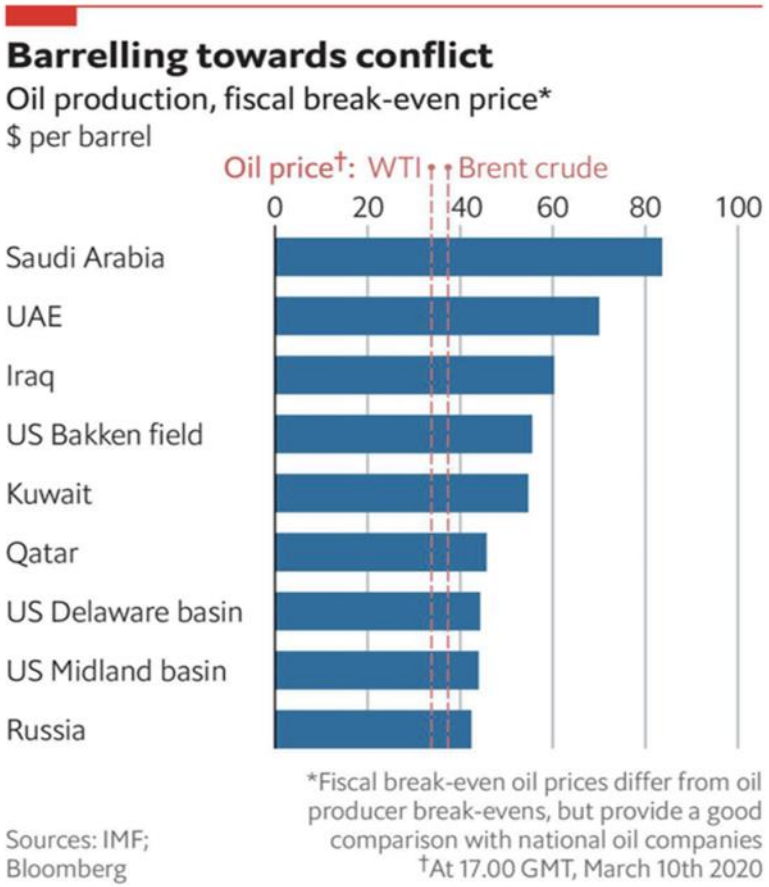
Oil market drama from geopolitics and covid-19

Oil demand won't get back to Q4 2019 until early 2023

The Economist



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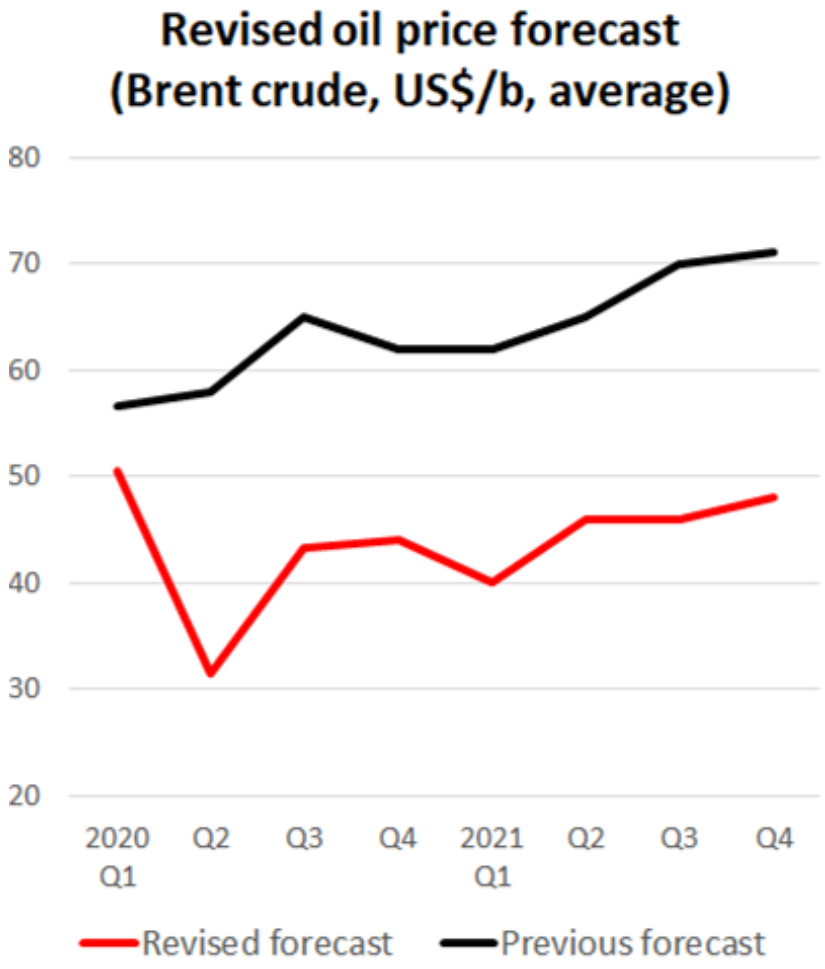
Oil price stuck below US$45/bbl until end 2021

Out to 2025 it should stay broadly in the US$50-60 range



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2020 Q2 average: US$32.4/b

- Demand is hit in OECD countries
- Consumption recovers in China
- Shaky, limited price-war agreement reached

2020 H2: forecast of $43.7/b

- Global storage capacity filled
- Consolidation in US shale industry
- Prospect for continued moderation in Russian and Saudi production

2021 and beyond

- Economic rebound as COVID-19 is contained globally

Downside risk: COVID-19 timeline slips

Upside risk: low prices help H2 demand, Middle East tensions escalate

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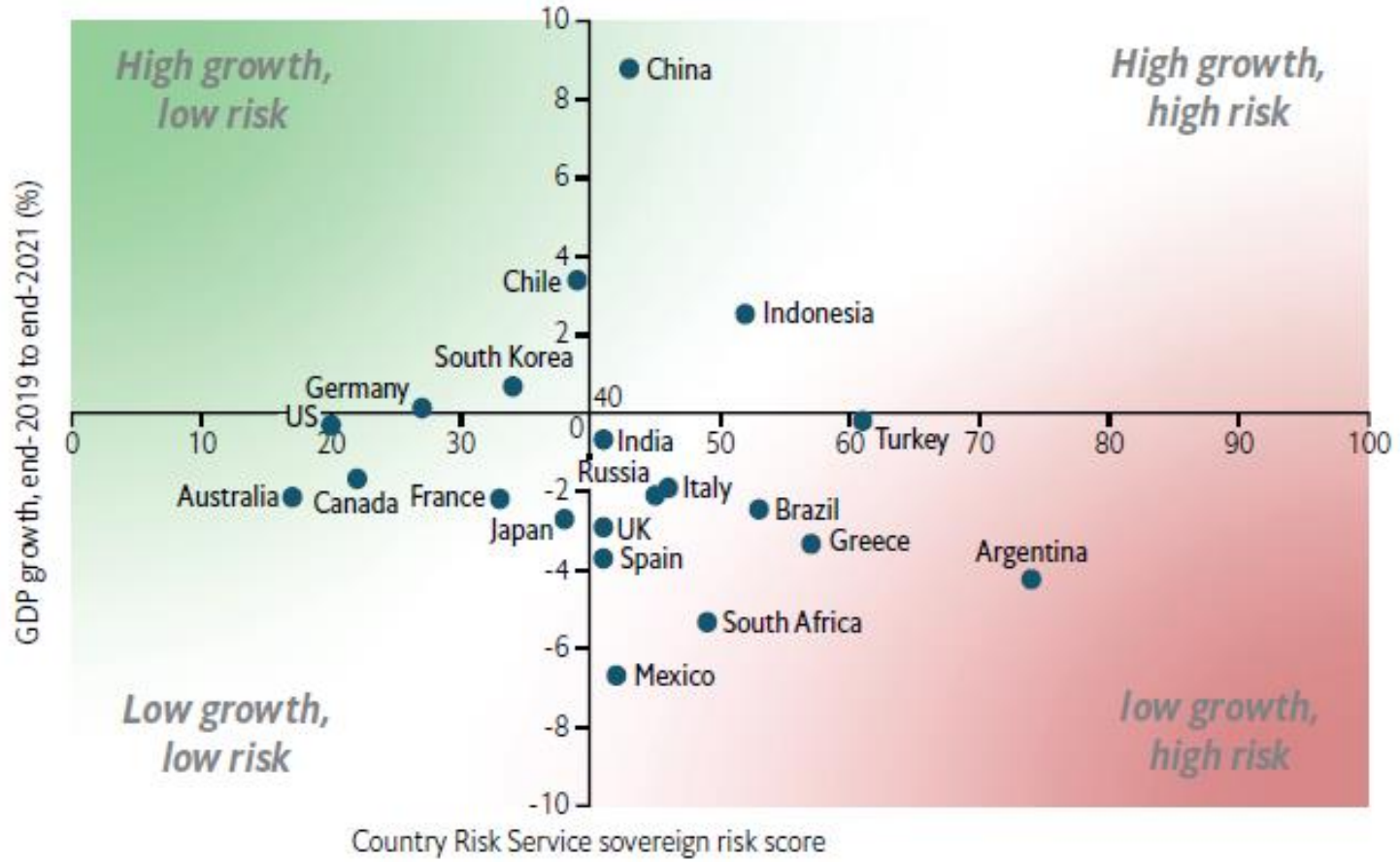
Investing post-covid: prepare for a bipolar world

The investment landscape has probably changed for good

Economic recovery prospects and sovereign risk



Notes. Sovereign risk score ranges from 0 (minimum risk) to 100 (maximum risk). A score of 40 corresponds to the boundary between a BBB and BB rating.

Source: The Economist Intelligence Unit.

Investment strategies need to consider the gap between the real economy and the financial economy, and risks if this delicate balance is disrupted

- No end to monetary stimulus in sight
- Watch for a backlash and political risk
- Prepare for a bipolar world

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Unprecedented central bank-financed debt: so what?

High debt burdens likely to lead to Japan- or Ital-ification

1. Big state is growing

- Fiscal stimulus is new king
- Massive bailouts also fuel phenomenon
- Monetary policy relegated to facilitating role
- Blurring between fiscal and monetary policy

2. How do we get out of it? (no good option)

- Austerity and repay debt: higher taxes (good luck with that!)
- Defaults or restructuring: likely for poor countries, not for rich
- Wait and hope...which is what is likely for OECD...hope that nominal growth can get above interest rates and slowly reduce real debt burdens

3. Inflation represents the main risk to the economy

- Jump in inflation would derail the whole system
- Inflation is low now, but no guarantee it'll stay this way
- Repeated lockdowns, stimulus or supply chain inefficiencies could ultimately fuel inflation

4. We're all Japanese

- Seen as an oddity post- financial bubble burst in 1990s
- High debt (240% of GDP)
- Low growth (despite Abenomics)
- Low inflation
- If can't innovate, get Italy instead

Any Questions?

Robert Willock

Director MENA
The Economist Corporate Network
robertwillock@economist.com

The Economist INTELLIGENCE UNIT

Compensation and Benefits Overview

Carolina Vorster, Workforce Products Leader, Mercer

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Total Remuneration Survey
Global Overview

5 top industries representation globally

by number of participating organizations

- **4.9K** Manufacturing
- **4.7K** Consumer Goods
- **4.0K** Hi-Tech
- **3.7K** Life Sciences
- **2.4K** Retail & Wholesale

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Source: 2019 Mercer Total Remuneration Surveys

TRS is the key to designing competitive pay packages around the world

- **39K** participating organizations
- **300K** Jobs at all level published
- **15mil** Incumbents around the world

140+ Countries where we collect and provide data

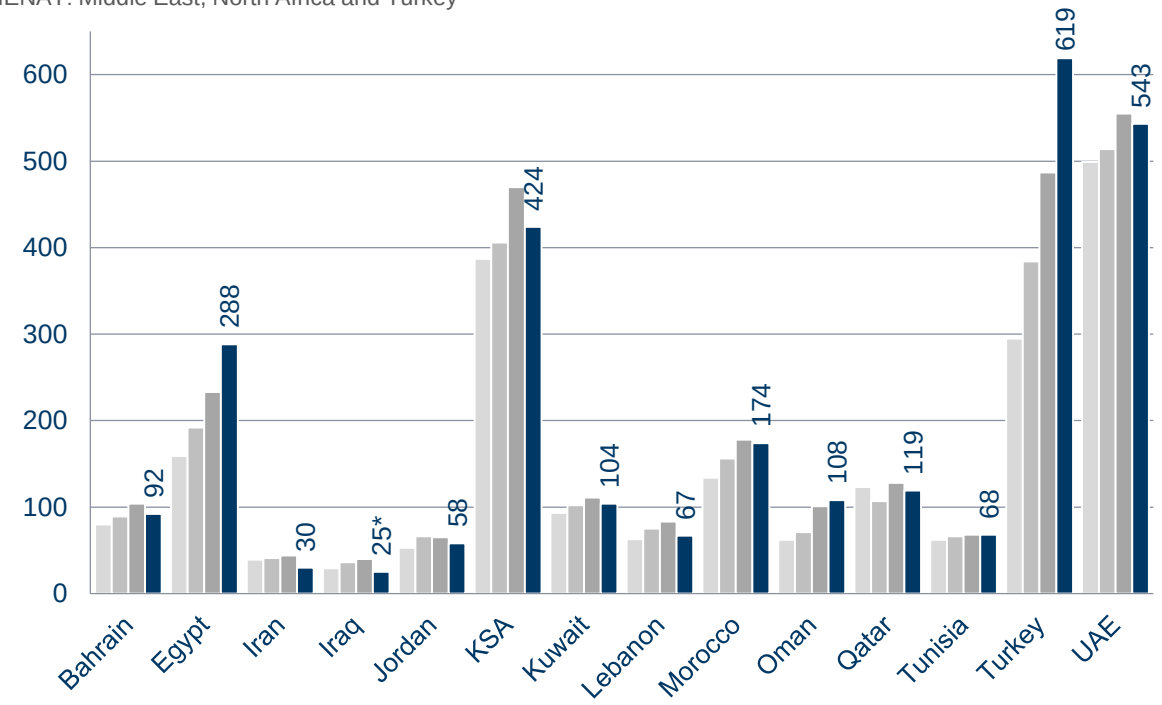
Total remuneration – the full picture

- Annual Base Salary
- Total Direct Compensation
- Total Guaranteed Cash Compensation
- Annual Total Cash Compensation
- Total Remuneration

Total Remuneration Survey (TRS)
Regional and UAE Overview

MENAT SURVEY PARTICIPATION – TRS (# OF ORGANIZATIONS)

MENAT: Middle East, North Africa and Turkey



ORGANIZATIONS	INCUMBENTS	JOBS
2,976	980K+	8,500+

2020 UAE SURVEY OVERVIEW

No. of organizations
543

No. of incumbents
124,763 (+9%)

No. of Jobs
1,620 (+6%)

No. of Combined Jobs
727 (+12%)

No. of Core Jobs
880 (+4%)

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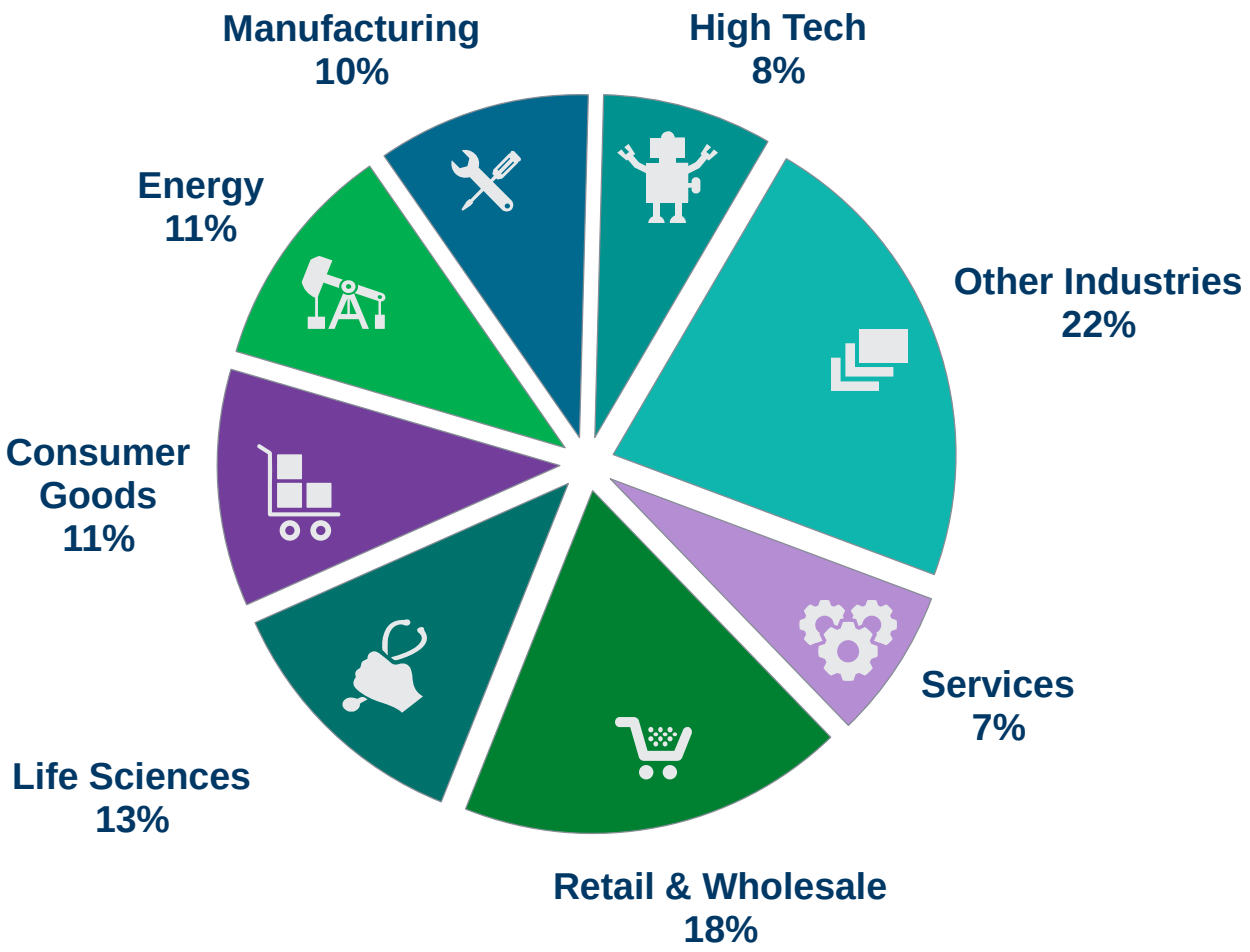
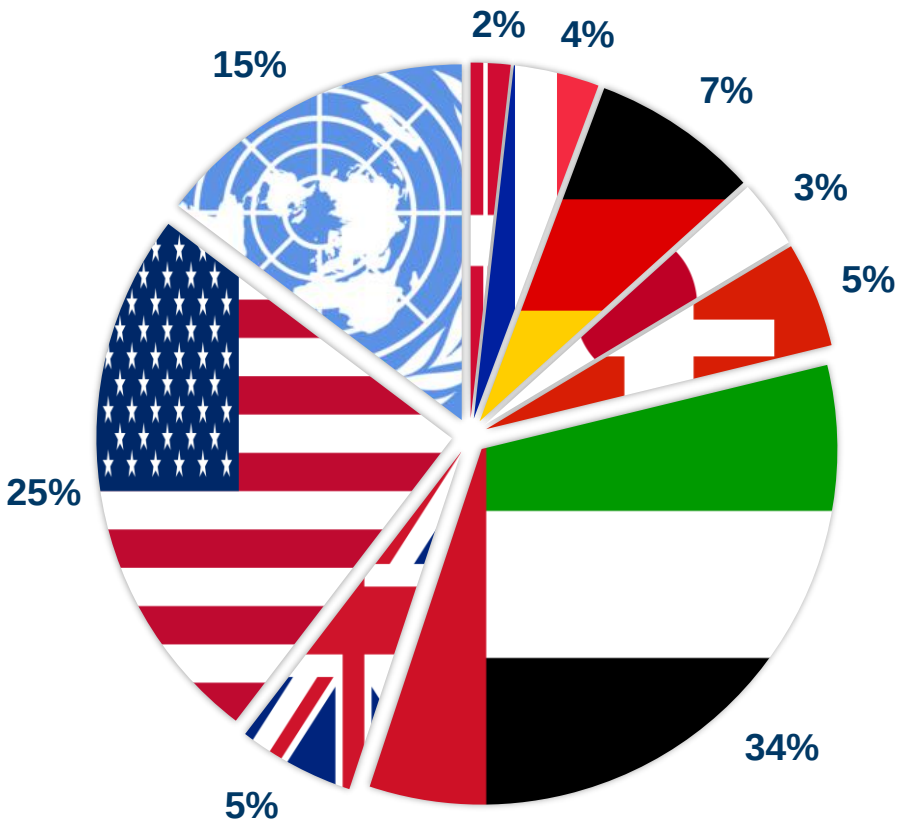
Source: 2020 Mercer Total Remuneration Surveys

2020 UAE Total Remuneration Survey

Demographics | Industry and Parent Nationality breakdown





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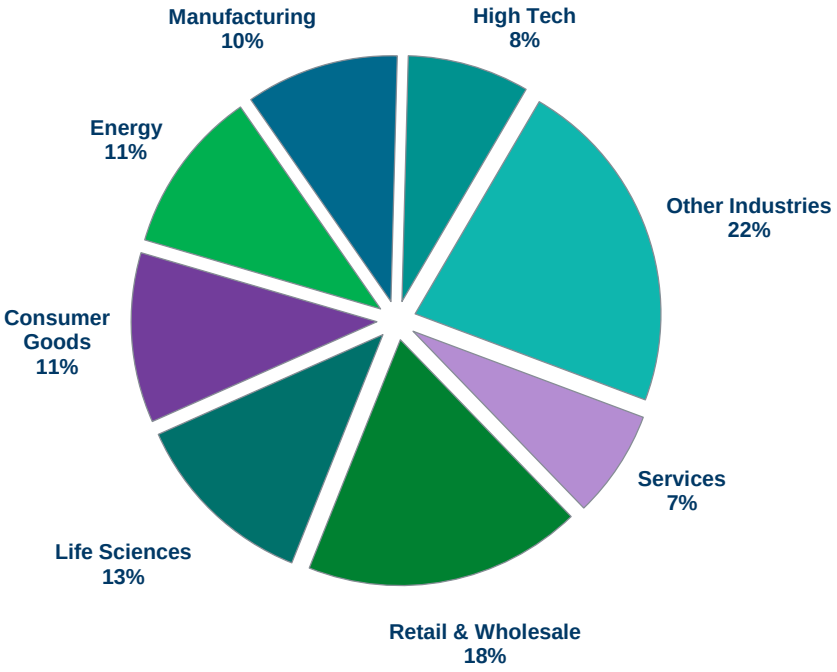
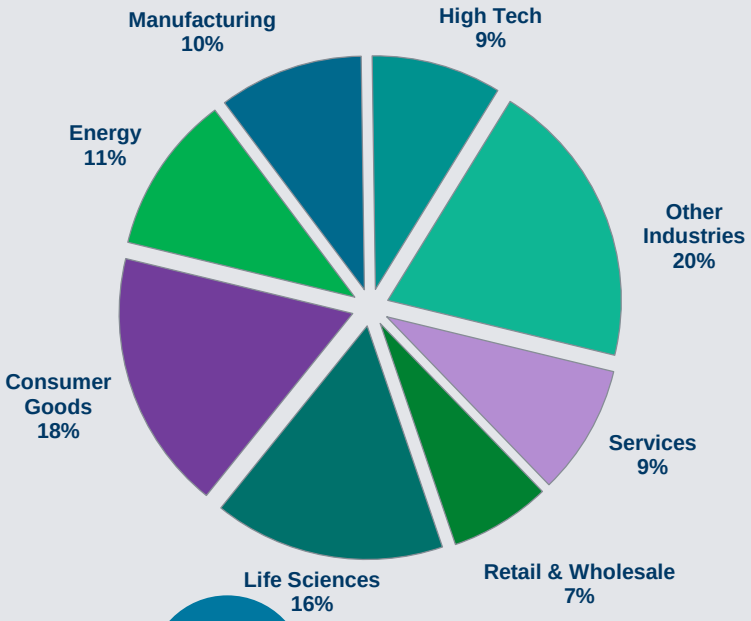
Source: 2020 Mercer UAE Total Remuneration Survey

Data Sources

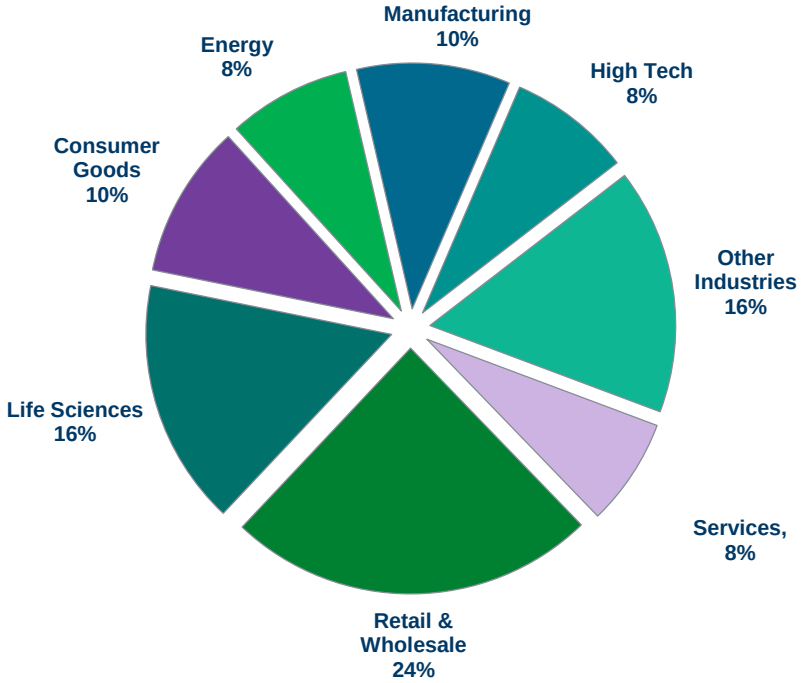
2020 UAE Total Remuneration Survey



2019 vs 2020 UAE Total Remuneration Survey
Company & Incumbent Stable Analysis



Special Edition Survey (COVID-19 Poll)



March-April: COVID-19 Lockdown restrictions

May: TRS Data Collection

August: Special Edition Data Collection

March	April, May	June, July	August

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Source: 2019 and 2020 Mercer UAE Total Remuneration Survey, 2020 Mercer Special Edition Survey

Salary Movements

2020, Actual increases (median, including zeros / negative responses)

COUNTRY	ALL INDUSTRIES	HIGH-TECH	LIFE SCIENCE	CONSUMER GOODS	ENERGY	SALARY FREEZE
UAE	**3.8%**	**3.0%**	**4.5%**	**3.5%**	**2.6%**	**19.4%**
Bahrain	3.8%	2.0%	4.5%	3.3%	1.9%	19.3%
Jordan	4.5%	2.5%	4.8%	4.5%	--	18.0%
Kuwait	3.0%	1.0%	4.5%	3.5%	1.5%	21.8%
Lebanon	4.0%	2.5%	4.8%	3.7%	--	16.1%
Oman	3.0%	2.0%	4.5%	3.5%	3.0%	16.4%
Qatar	3.0%	2.8%	4.5%	3.5%	1.0%	25.4%
Tunisia	6.8%	6.1%	7.0%	6.6%	5.0%	10.4%
Saudi Arabia	3.7%	3.9%	4.8%	3.3%	1.6%	16.7%
Egypt	11.8%	7.5%	13.5%	12.0%	8.4%	15.2%

Source: 2020 Mercer Salary Movement Snapshot, September Edition

Salary Movements
Insights from COVID-19 Poll

48.6%

organizations had their **2020 salary increases affected by COVID-19**

35%

of organizations **delayed** salary increases, most of them for 6 months

71%

stated salary **increase levels were different than originally planned** (incl. freezes)

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Source: 2020 Mercer UAE Special Edition Survey

Salary Movements

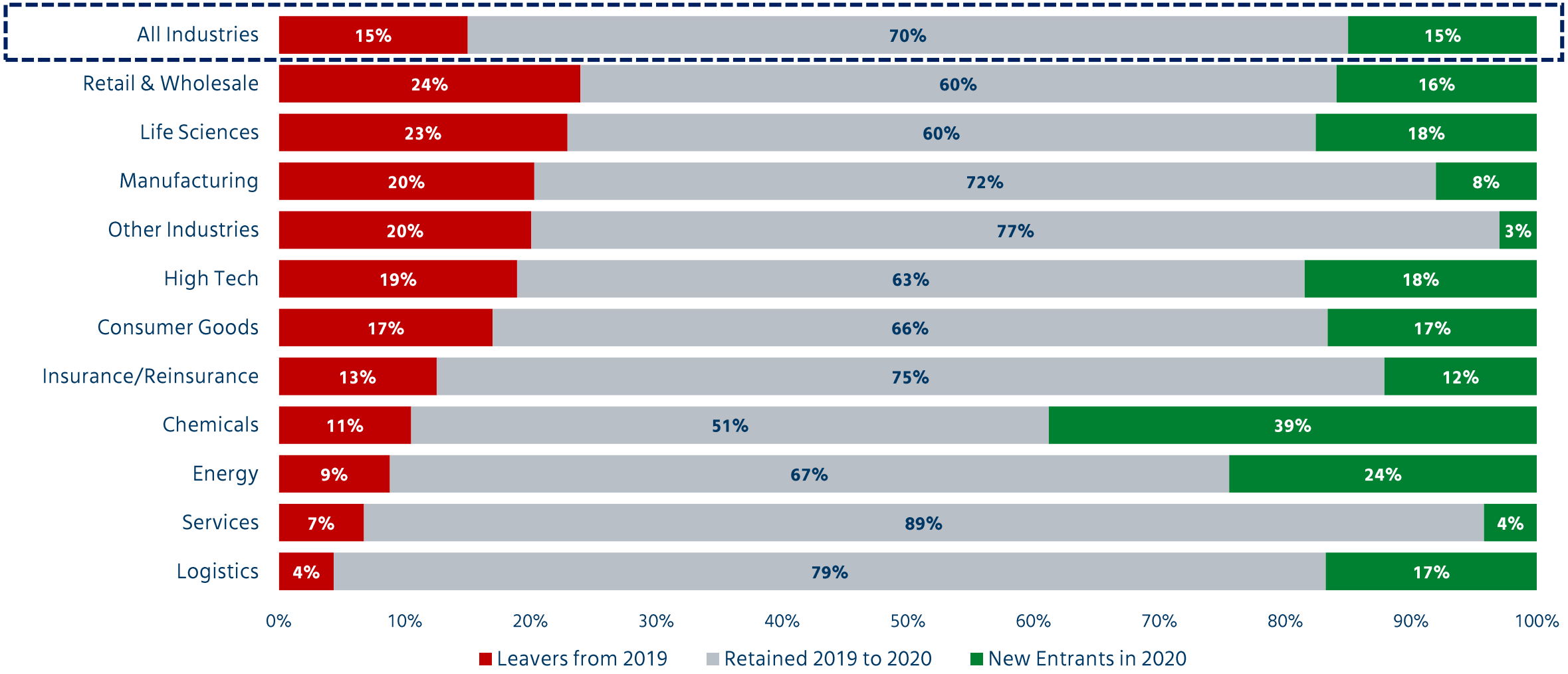
2021, Forecast increases (median, including zeros / negative responses)

COUNTRY	ALL INDUSTRIES	HIGH-TECH	LIFE SCIENCE	CONSUMER GOODS	ENERGY	SALARY FREEZE
UAE	**4.0%**	**4.0%**	**4.5%**	**3.8%**	**1.9%**	**13.4%**
Bahrain	3.0%	3.3%	4.5%	3.5%	0.8%	11.1%
Jordan	4.5%	3.6%	5.0%	4.0%	--	7.9%
Kuwait	4.0%	3.7%	4.8%	3.0%	1.0%	13.3%
Lebanon	4.0%	3.3%	5.0%	3.0%	--	7.0%
Oman	3.0%	3.5%	4.5%	4.0%	0.6%	13.0%
Qatar	3.9%	4.0%	4.5%	2.2%	2.2%	14.5%
Tunisia	6.5%	--	6.9%	6.5%	4.0%	11.1%
Saudi Arabia	4.0%	4.5%	4.6%	4.0%	1.2%	11.5%
Egypt	11.1%	12.2%	12.6%	10.2%	5.2%	13.7%

Source: 2020 Mercer Salary Movement Snapshot, September Edition

Headcount Variance 2019 to 2020

Company and Incumbent Stable Analysis | Industry



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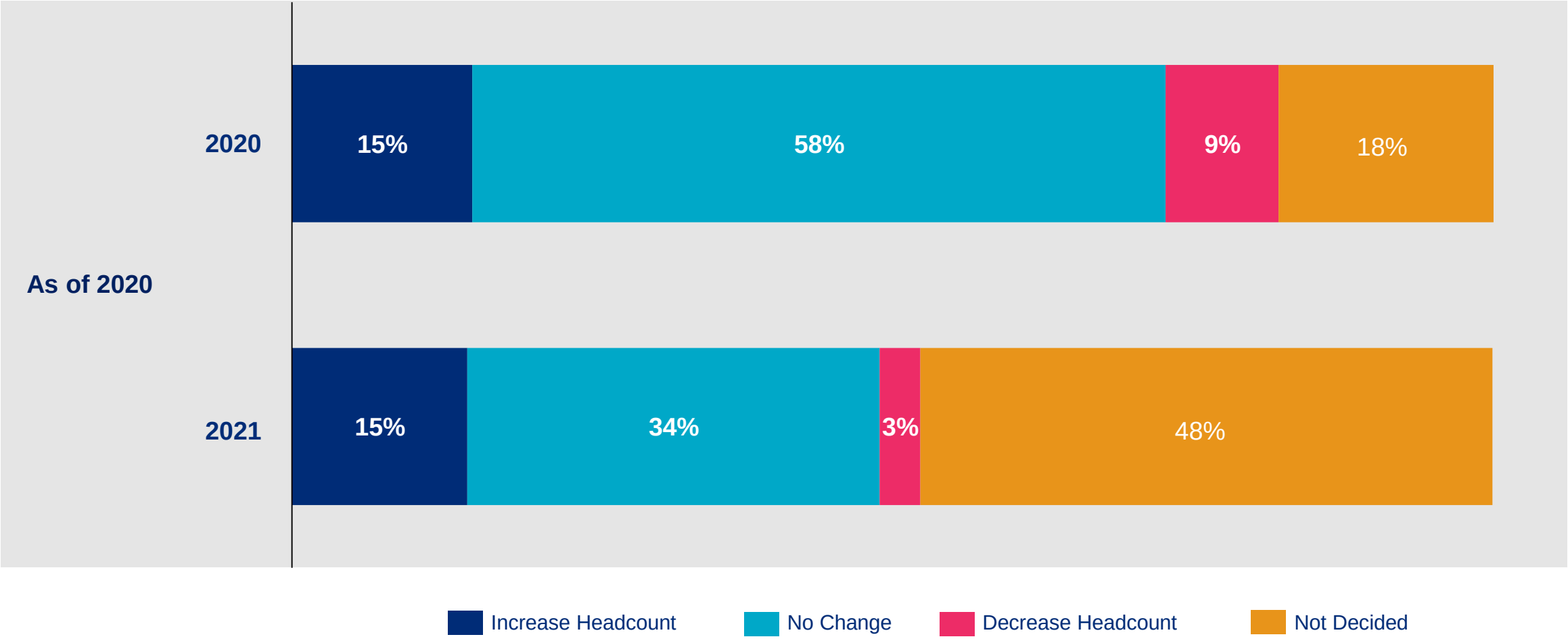
Source: 2019 and 2020 Mercer UAE Total Remuneration Survey

Hiring Intentions
Forecast (2020-2021)



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Source: 2020 Mercer UAE Total Remuneration Survey

Hiring Intentions
Slido Live Poll

1. What is your organizations hiring intentions for the remainder of 2020?

- Increase headcount
- No change to headcount
- Decrease headcount
- Not decided / Not known

2. What is your organizations hiring intentions for 2021?

- Increase headcount
- No change to headcount
- Decrease headcount
- Not decided / Not known

To join the polls:

On your mobile browser, type in **www.slido.com**
then enter #**UAETRS**

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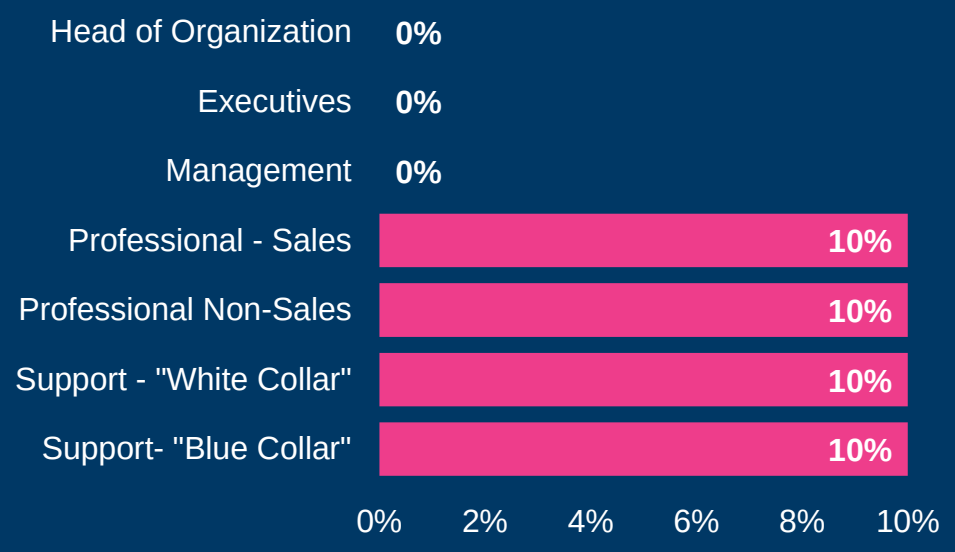
Headcount Movements
Insights from COVID-19 Poll

30%

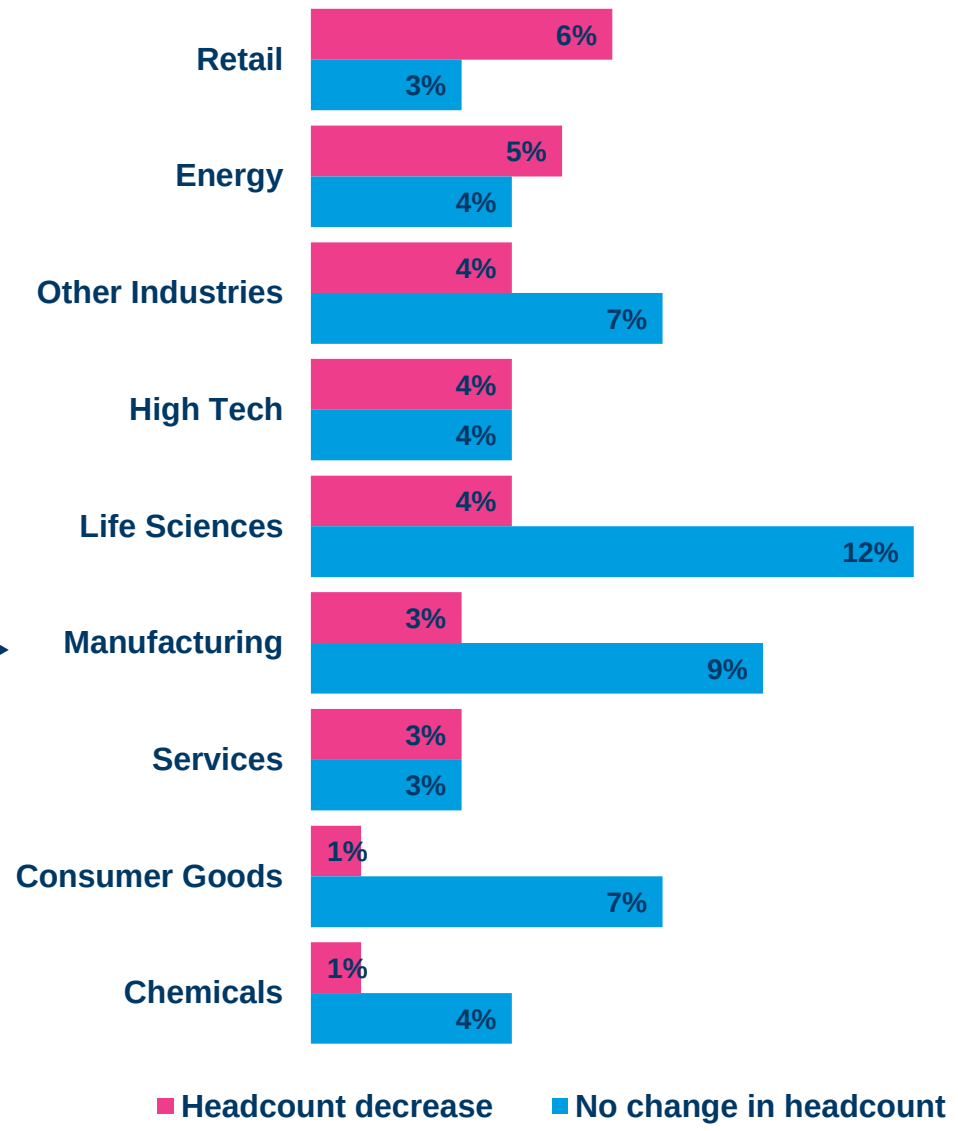
of organizations planned to decrease headcount due to COVID-19

51%

of organizations did not plan a change to headcount due to COVID-19



Most organizations applied this decrease across all functions



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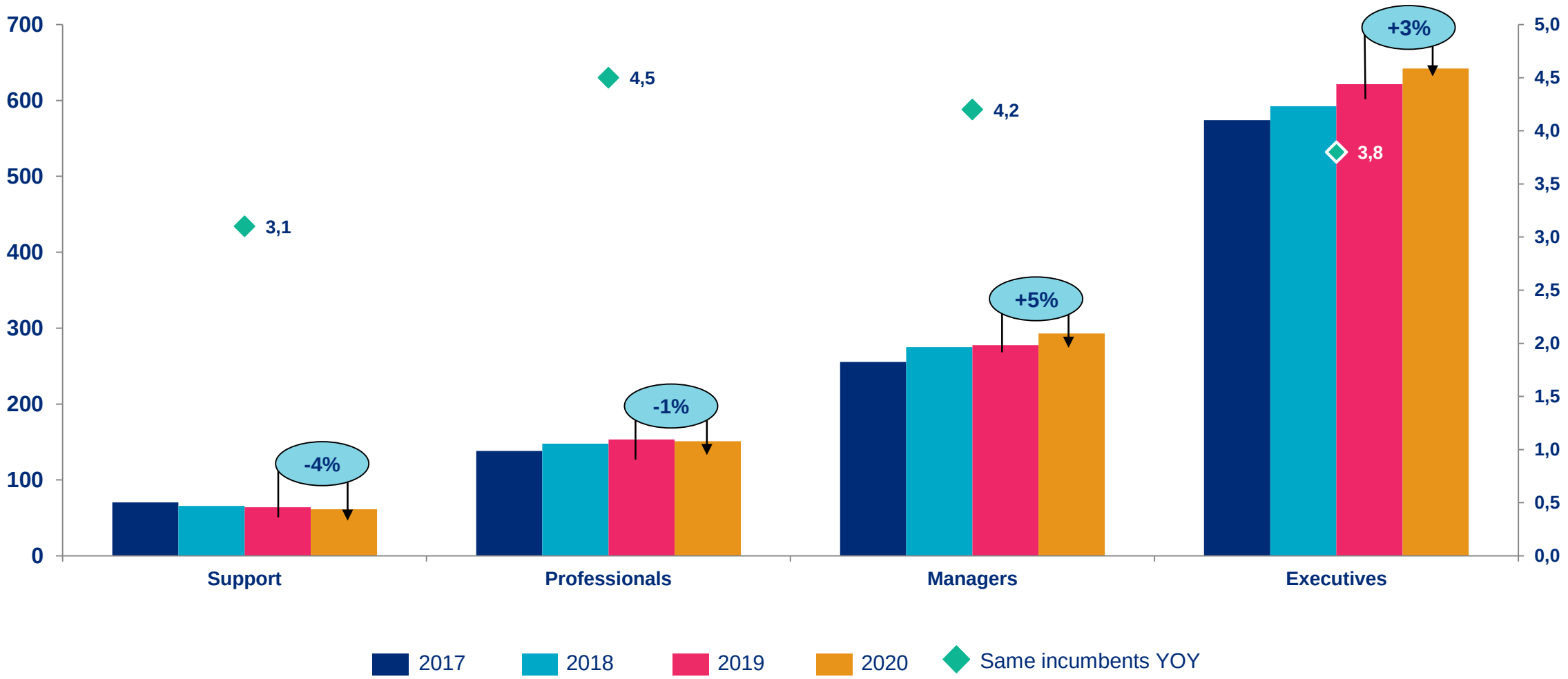
Source: 2020 Mercer UAE Special Edition Survey

UAE Base Salary

Median Base Salary 2017 – 2020, in ‘000 of AED



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Source: 2017 - 2020 Mercer UAE Total Remuneration Survey

Base Salary Reductions
Insights from COVID-19 Poll

9.9%

of organizations implemented **base salary reductions in 2020**

91%

of organizations say the salary reductions were **temporary**

What is base salary reduction based on?

63.6%	**Employee grade**
27.3%	**Pay level**
18.2%	All salaries decreased by same %
9.1%	Tenure
9.1%	Other factor

Median % of base salary reductions

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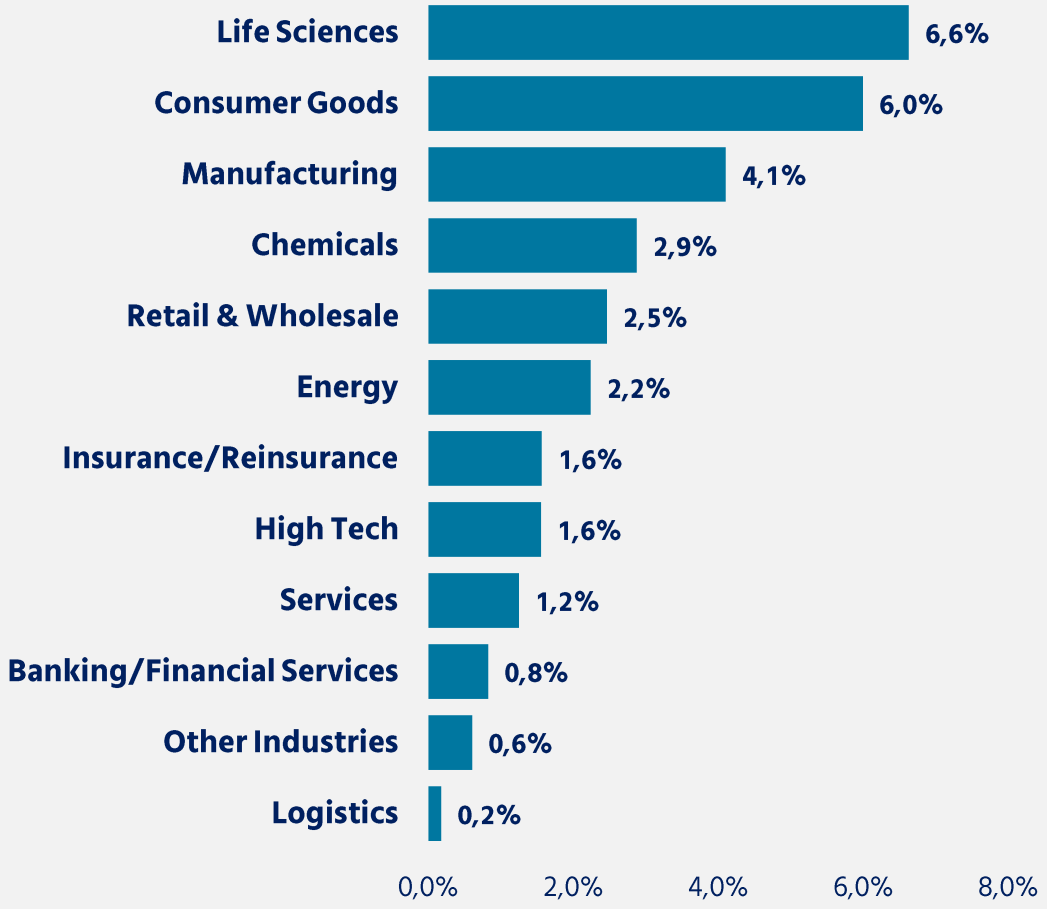
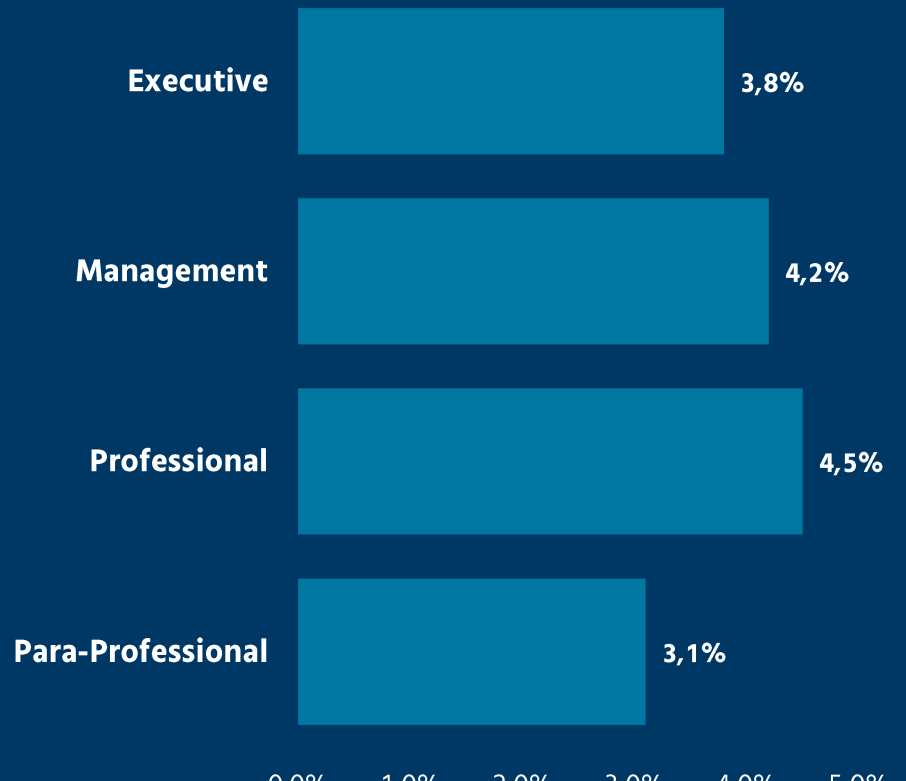
Source: 2020 Mercer UAE Special Edition Survey

Base Salary Variance 2019 to 2020

Company and Incumbent Stable Analysis | Industry and Career Stream





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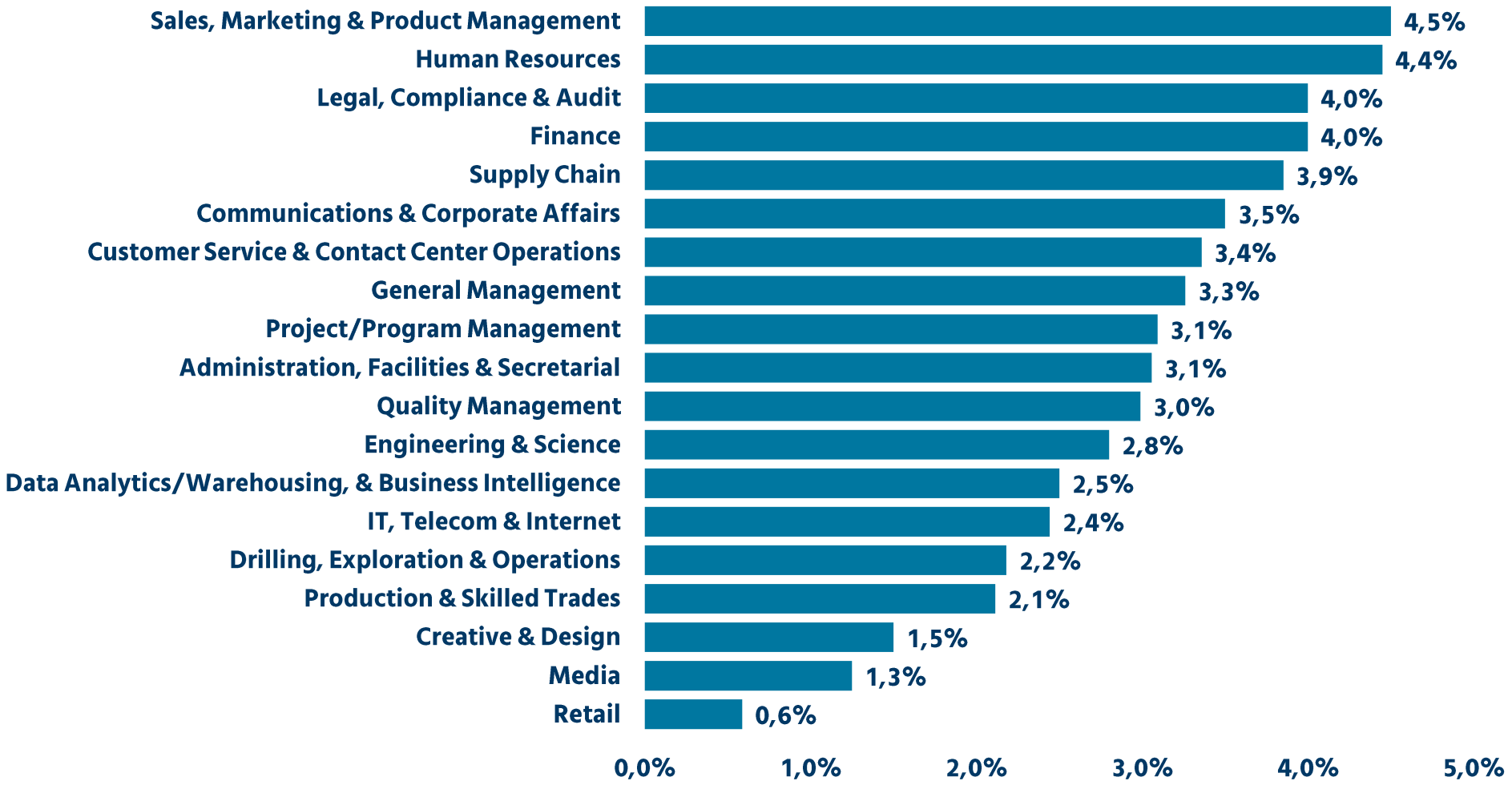
Source: 2019 and 2020 Mercer UAE Total Remuneration Survey

Base Salary Variance 2019 to 2020

Company and Incumbent Stable Analysis | Job Family



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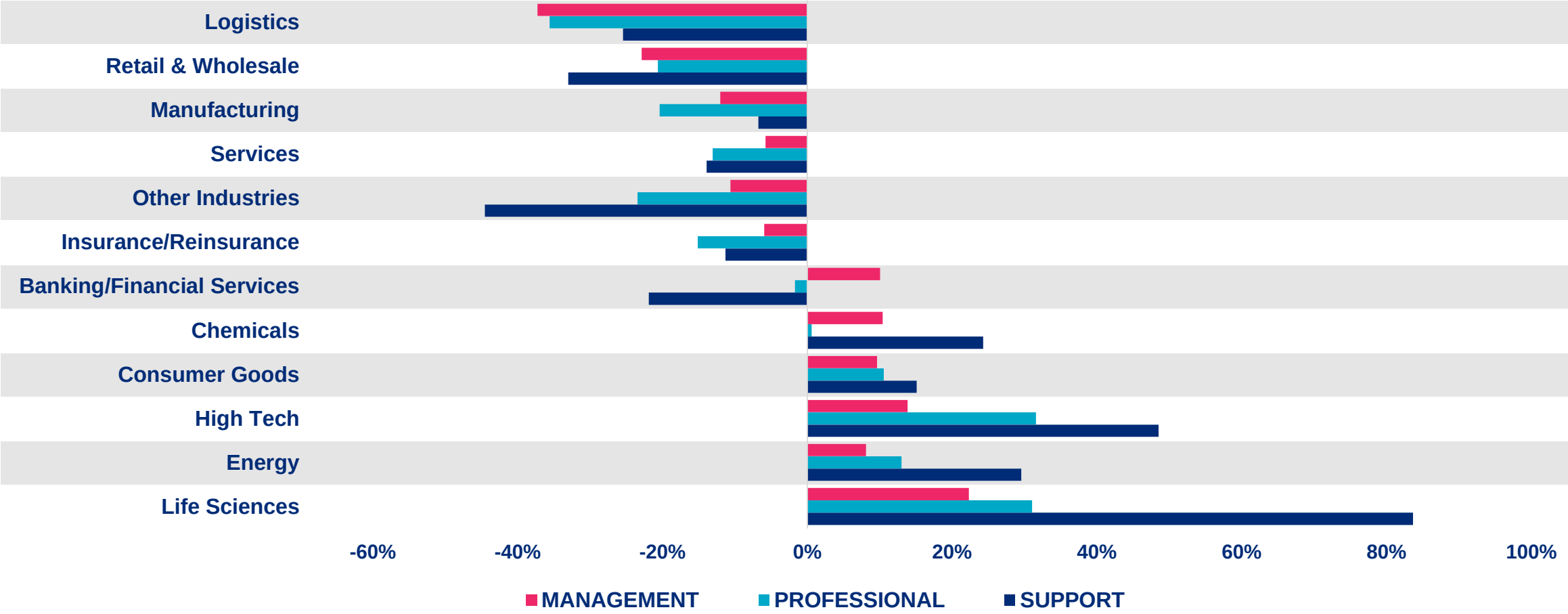
Source: 2019 and 2020 Mercer UAE Total Remuneration Survey

Guaranteed Cash
Industry vs General Market



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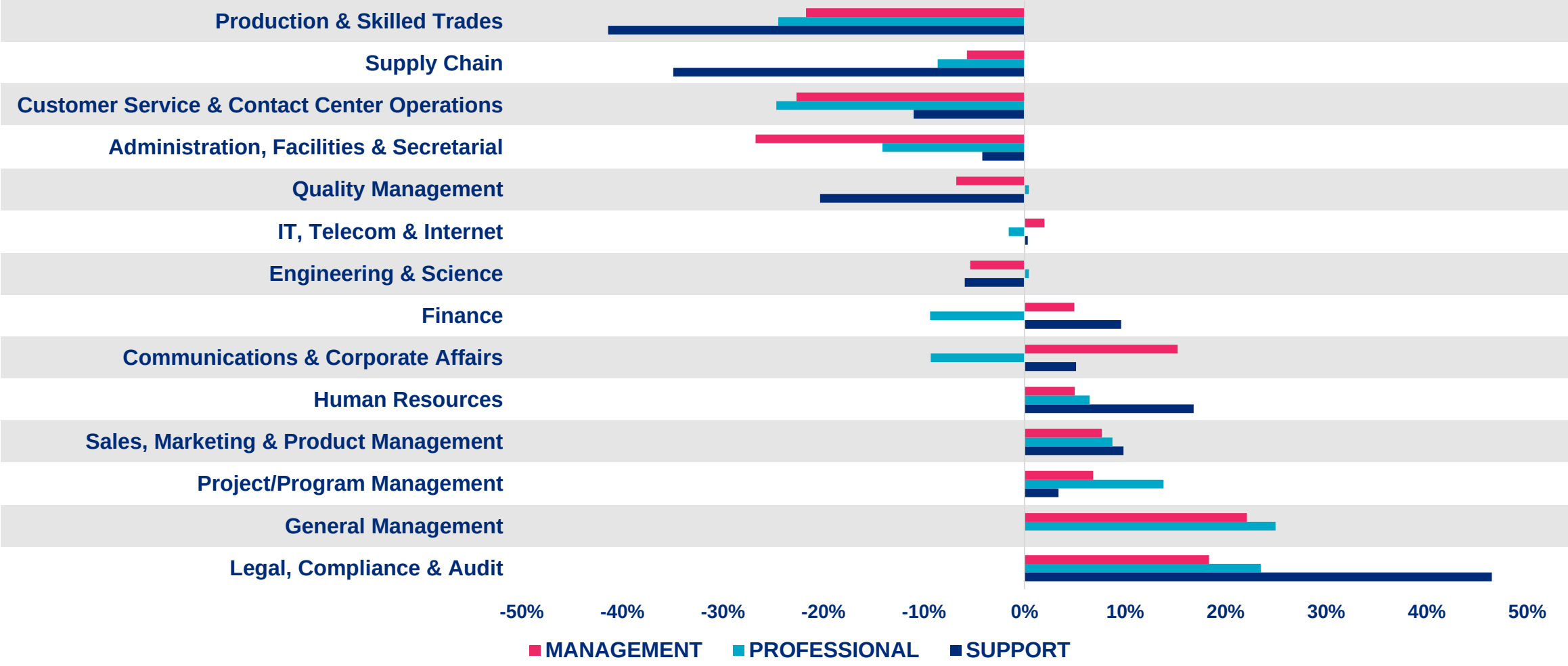
Source: 2020 Mercer UAE Total Remuneration Survey

Guaranteed Cash
Job Families vs All Families



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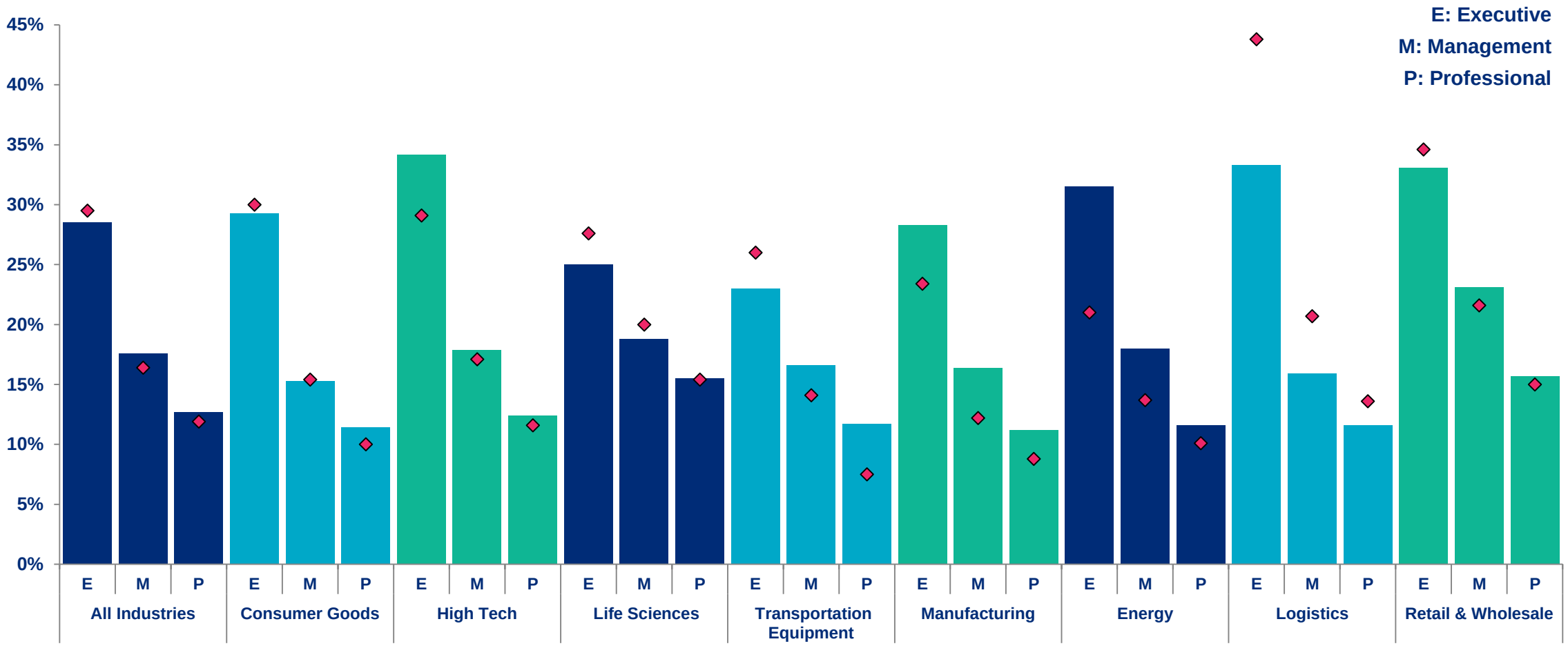
Source: 2020 Mercer UAE Total Remuneration Survey

Short-Term Incentives

2019 Performance Year | Target and Actual % by Industry



STI target % STI actual %

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Source: 2020 Mercer UAE Total Remuneration Survey

Short-Term Incentives
Insights from COVID-19 Poll

17%

of organizations forecast **2020 performance year variable bonus/short-term incentives budget** to be **lower than the actual paid out 2019 bonus**

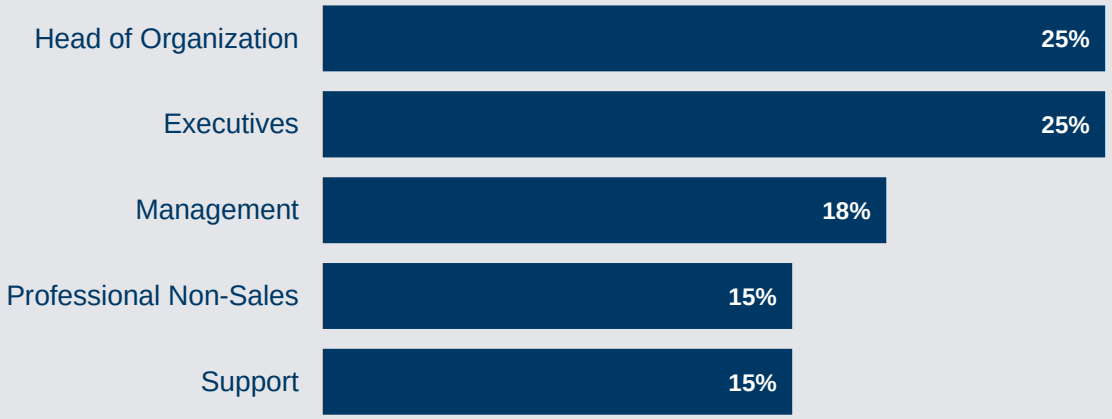
51%

of organizations forecast no change to the **2020 performance year variable bonus/short-term incentives budget, compared to 2019 actual payout**

33%

of organizations are considering **adjusting variable bonus/short-term incentives policy for the 2020 performance year**. The most prevalent elements to be adjusted are: Redefining KPI's, Reconsidering Eligibility and Relooking at the payout rate

Forecasted variable bonus/short-term incentives target as a percentage of base salary for the performance year 2020



Source: 2020 Mercer UAE Special Edition Survey

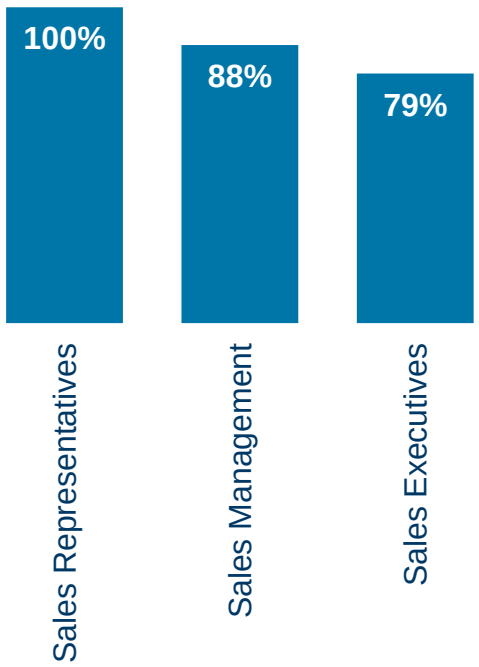
Sales Incentives
Insights from COVID-19 Poll

Sales Incentive Policy:

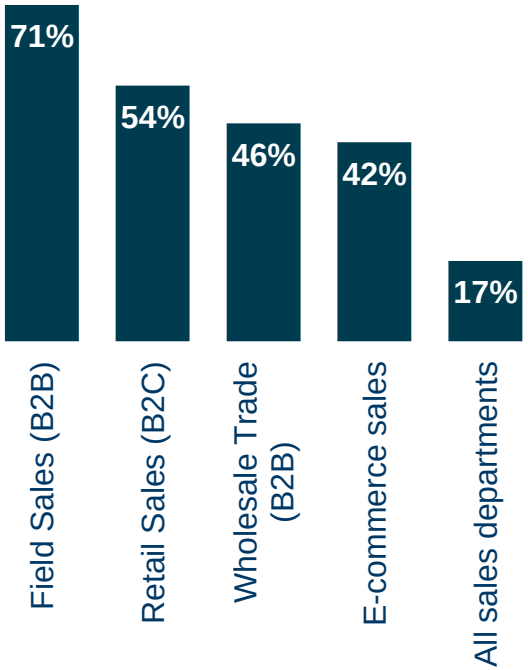
31%

of organizations adjusted or are considering **adjusting** their **sales incentive policy** because of the COVID-19 pandemic

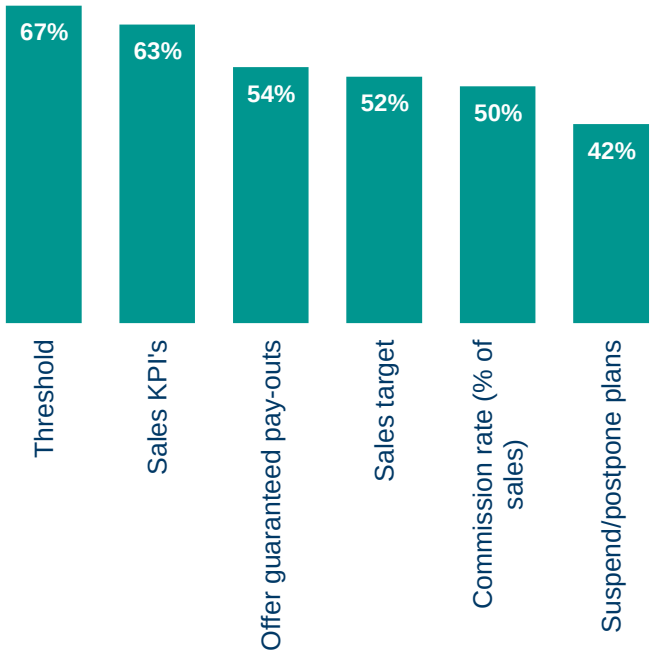
Employees affected by policy adjustment:



Departments affected by policy adjustment:



Elements affected by policy adjustment:



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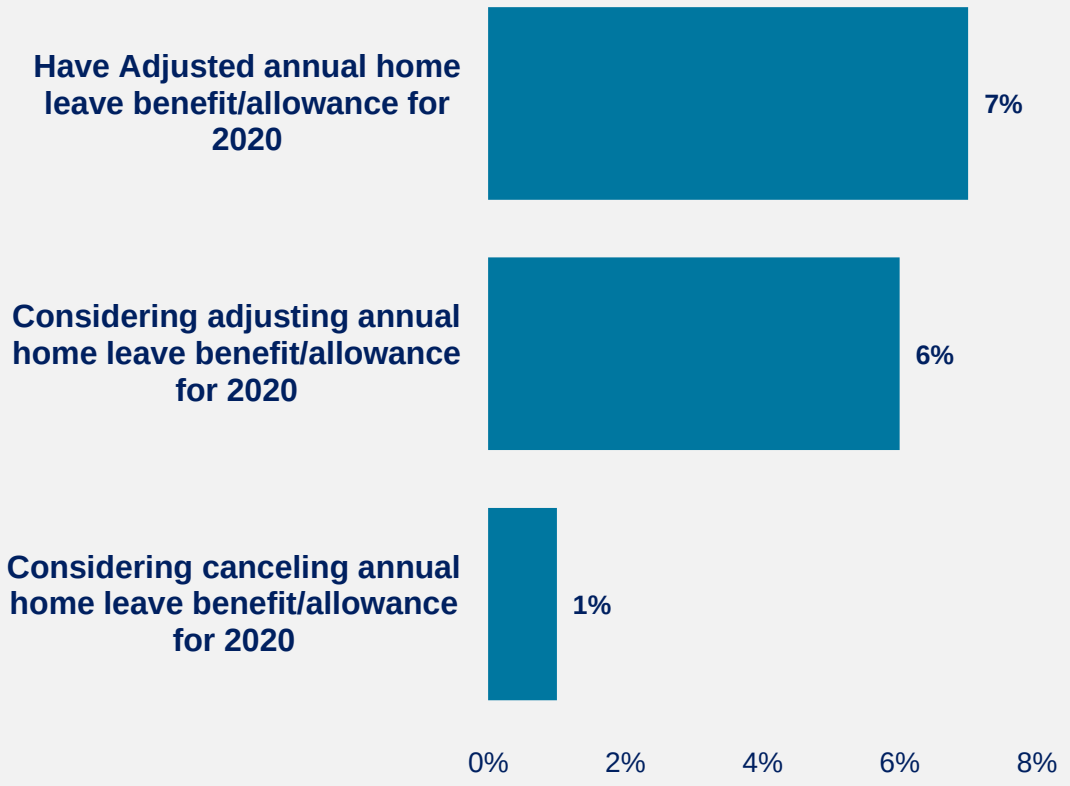
Source: 2020 Mercer UAE Special Edition Survey

Allowances and Benefits
Insights from COVID-19 Poll

2%

of organizations have **reduced Allowances** in response to COVID-19.
Of these: Half was on a **temporary** basis, and half was on a **permanent** basis

Impact on Flight / Home Leave Benefit:



MERCER

Source: 2019 and 2020 Mercer UAE Total Remuneration Survey

Remote Working Arrangements
Insights from COVID-19 Poll

66% of the organizations **implemented remote working policy in response of the COVID-19**

25% of the organizations had a **remote working policy already in place**, before COVID-19

of organizations will maintain current remote working policy until the situation has significantly improved
(the majority of the workforce is back in the office)

25% of the organizations say remote working increased the level of productivity

Top 5 work from home subsidies/tools provided by organizations

#1 Laptop	#2 Mobile phone	#3 Online learning	#4 Office setup cost cover	#5 Office furniture

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Source: 2020 Mercer UAE Special Edition Survey

Top functions/departments expected to become partially or fully remote once the pandemic is over

- All functions
- Accounting & Finance
- E-Commerce
- HR
- IT
- Legal, Compliance & Regulatory Affairs
- Marketing
- Product Planning, Development & Management

Remote Working Arrangements
Slido Live Poll

Due to COVID-19, has your organization implemented a permanent remote work policy?

- Yes
- No
- Yes, but on a **temporary** basis

To join the polls:

On your mobile browser, type in **www.slido.com**
then enter #**UAETRS**

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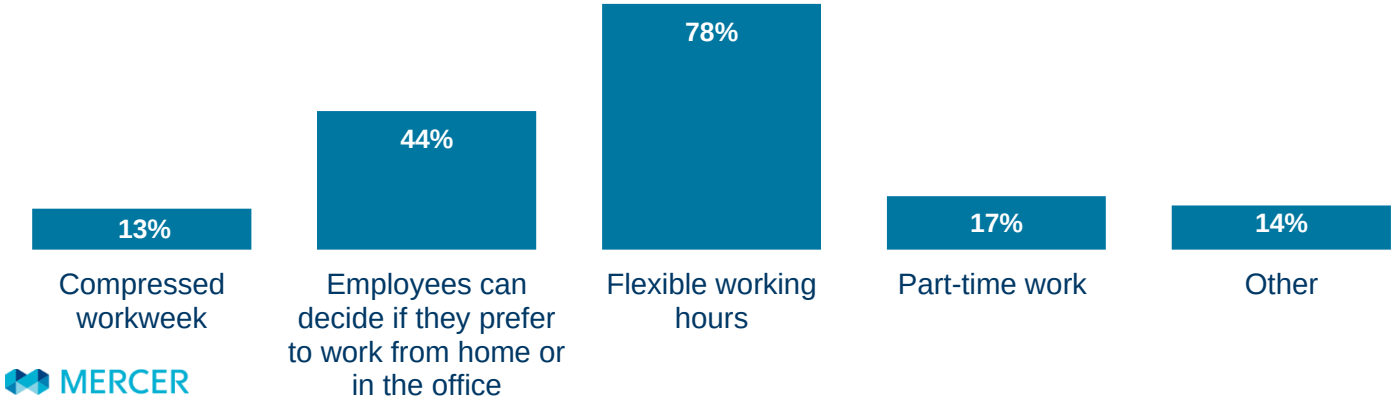
Flexible Working Arrangements
Insights from COVID-19 Poll

38% of the organizations implemented **flexible working in response of the COVID-19**

40% of the organizations had a flexible working policy already in **place before COVID-19**

of organizations foresee that employees will be more likely to use flexible working arrangements once the pandemic is over

Type of flexible working arrangements offered to employees



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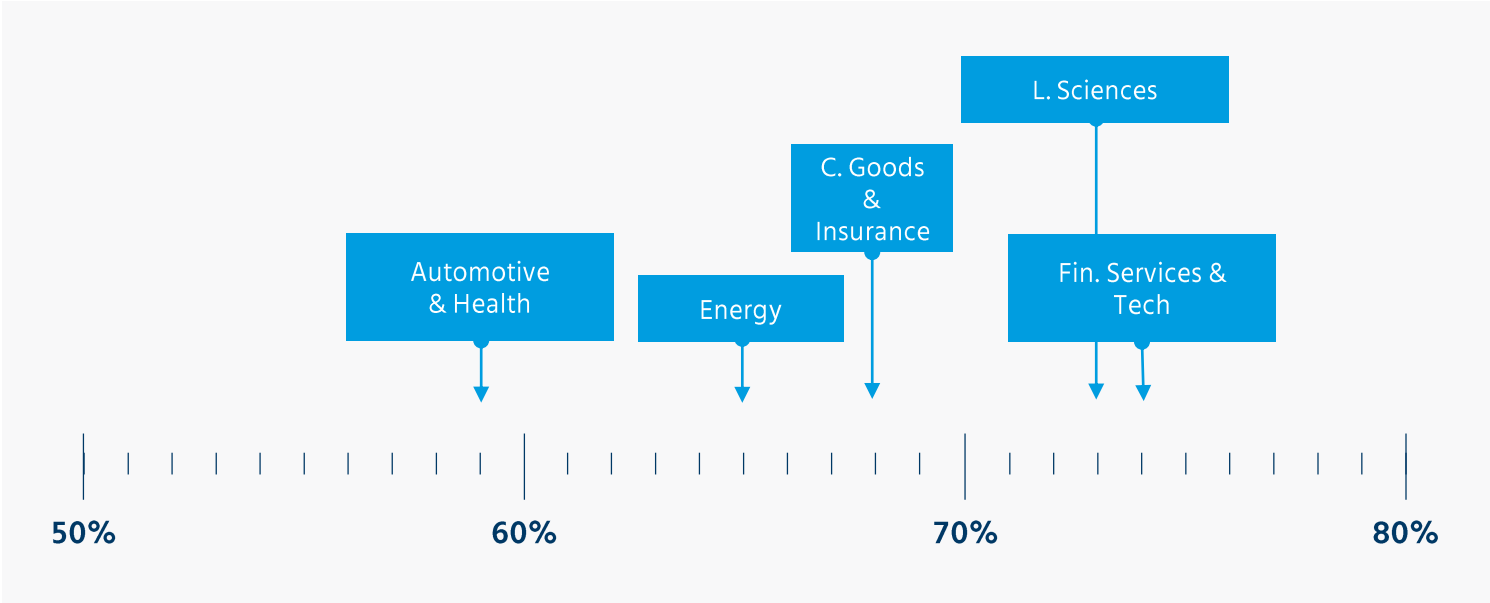
Source: 2020 Mercer UAE Special Edition Survey

Top functions/departments expected to be using flexible working arrangements more in the future

- All functions
- Accounting & Finance
- HR
- Legal, Compliance & Regulatory Affairs
- Marketing

Permanent flexibility - who's ready?

65% - "I feel trusted to work flexibly"



Only **15%** of all companies consider themselves industry leaders in flex

So what would make the most difference?

Training for managers in enabling flexible working	46%
Visible instances of career progression for flexible workers	46%
More trust between the organization and its employees	42%
Ability to measure and reward contribution	41%
Better technology to enable flexible working	39%
Training for individuals to make flex work	36%
Job redesign to enable flexible working	28%
Executive-led mandate	13%

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Source: 2020 Mercer 2020 Global Talent Trends Study

Wrap up and Closing Remarks

Ted Raffoul, Career Products Leader | MENA, Mercer

4

Total Remuneration Survey (TRS)

What you receive

Data Collection

Comprehensive job catalog
Mercer Job Library is a globally consistent catalog for Mercer's compensation and benefits surveys, providing one catalog and job analysis approach for virtually every existing job.

Online data submission
Mercer Data Connector moves the entire data submission process online, which means it's faster, easier and more enjoyable for clients to participate in our surveys. It is the first component of the Data-as-a-Service portal that revolutionizes online data acquisition.

Deliverables

Special Edition report
Only in 2020, available in dozens of locations globally, keeps HR professionals up to speed with both temporary and permanent modifications to compensation and benefits practices as companies respond to the COVID-19 pandemic.

Online access
The survey results are delivered through Mercer WIN® which allows you to create custom statistics tailored to your needs, based on peer groups, revenue size, total employees, and more. Analyze data across markets simultaneously, create unlimited peer groups, refine the market, compare your data vs. the market, combine jobs, export to Excel, and much more! All of that at no additional cost!

Predefined reports
For your ease of use Mercer has prepared a set of predefined reports, including Policy and Practice reports including Benefits section, which you can directly download from MercerWIN.

Elements

Full data package
Mercer's TRS offers full package including policy and practice report - a summary of organizations' remuneration policies, salary budget forecasts, compensation mix by employee groups, short-term and long-term incentive practices, as well as benefits.

Market regression & actual market data by job
Market analysis by position class (Mercer's International Position Evaluation (IPE) methodology for job evaluation) for each of the major components of total remuneration. Market analysis by job including all remuneration values, helping you determine which jobs are more competitive within the market

Even more relevant data
With the aggregated roll-ups, relationships between jobs becomes clearer – with data that best reflects your jobs and labor markets. From deeply specialized industry roles to combinations of related jobs within the broader talent pool

Industry Surveys and Supplements
Middle East Reports

Energy Industry Survey

-Iraq –Oman – Saudi –UAE - Egypt

Engineering, Construction and Real Estate Survey

-Saudi –UAE - Egypt

Insurance Industry Supplement

-UAE

Life Sciences Industry Survey /Supplement

Iraq – Syria – Yemen – Iran – Jordan – Kuwait – Lebanon – Oman – Qatar – Saudi – UAE - GCC – Levant -Egypt

Mercer Oilfield Services Report

-Iraq – Kuwait – Oman –Saudi – UAE -Egypt

Regional

-Middle East Telecommunications Survey

-Housing and Schooling Policy in GCC

Restaurants Industry Survey

- Saudi

Participants Dashboard

Offered to All TRS participants, at no additional cost

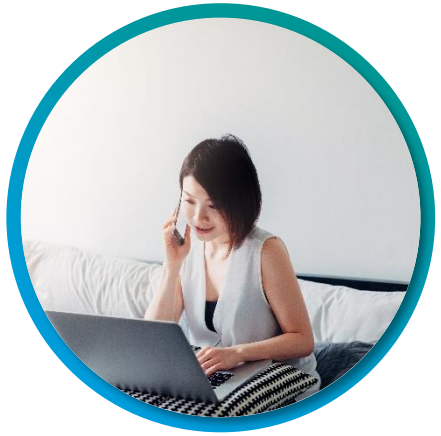
- Quick overview of your organization to help you understand;
  - What is the overall market positioning?
  - How are the job families paid compared to the market?
  - What is diversity by gender?
  - How competitive is you New hire pay?
  - How is the Remuneration mix of the organization as compared to the market?

Mercer Learning
Higher-Performance HR of the Future

Reward training

Global Mobility training

Strategic Partnering for HR

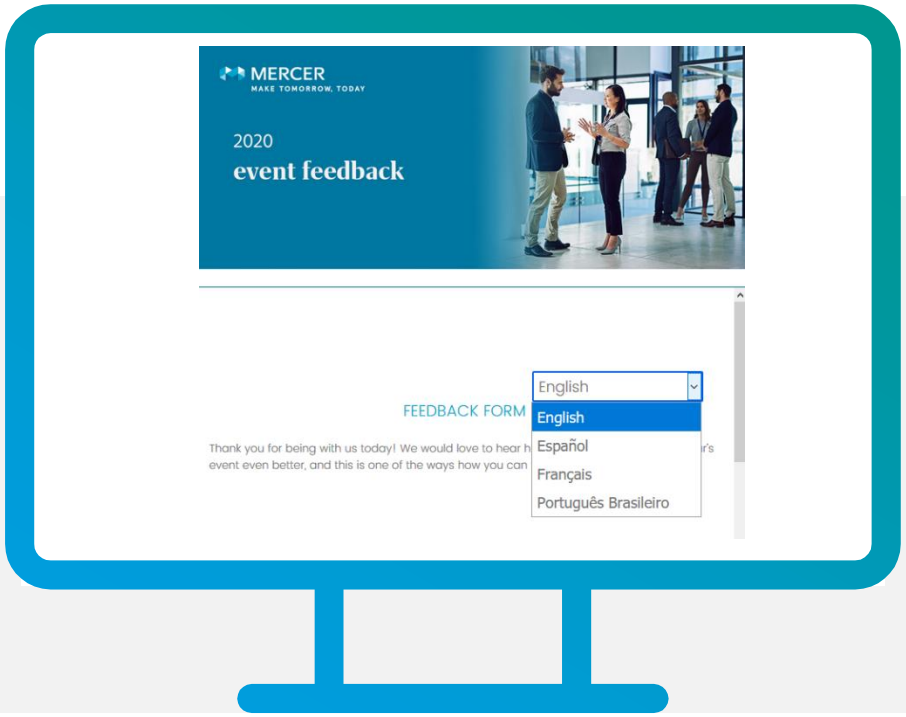


Online training

International Position evaluation

Don’t forget feedback

Thanks for being with us today! We would love to hear how we could make future events even better, and this is one of the ways for you to tell us.



It’s simple, go to:

www.imercer.com/feedback

welcome to

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