KPMG

Remuneration Levels and Practices in the Consumer Market Sector

Introduction

The Consumer Market (CM) is part of the Non-Oil Sector that contributes an average of 90% of Nigeria's Gross Domestic Product (GDP). In recognition of the vital role of the human capital behind this contribution, KPMG has, for over a decade, consistently supported the CM with market data to promote informed pay decisions for attracting, retaining and motivating talent. KPMG conducts the Annual Consumer Market Remuneration Survey (CMRS or "the Survey") that features most of the key players in the CM, comprising Fast Moving Consumer Goods (FMCG), Telecoms, Cement and Pharmaceutical companies. KPMG also provides similar insights into other industries, such as Banking, FinTech, Insurance, Legal Services, Oil & Gas and Pension by providing access to robust and credible remuneration information in a professional manner, without compromising confidentiality.

This publication provides key highlights from the KPMG 2018 CMRS. We hope the findings will enable companies take better decisions in reviewing their reward strategies for 2019 and beyond. Other objectives of the Survey include:

- Enabling companies ascertain their market positioning
- Promoting sustainability via informed pay decisions
- Providing robust information on key HR / Rewards policies and practices
- Contributing to development of sound rewards practices.

Profile/Demographics of Survey Participants

- Thirty-seven (37) companies
- Turnover of between N1 billion and N552 billion
- Covers Non-Graduates to Executive Management
- 15 Job Families analysed per employee category
- Staff strength of 20 to 12,330 employees

Survey Methodology

Source of Data: We utilised annual payroll of incumbents and, in line with global standards, ensured the age of data was at least three (3) months old.

Valuation of Benefits: We adopted current market value of benefits or spending limits, amortising over the replacement period, where applicable. For Pension and Gratuity, we considered the annual employer contribution and benefit accrual, respectively.

Job Matching: We adopted the Whole-Job Classification Methodology in determining equivalent jobs/grades across the companies. The methodology is non-quantitative and matches jobs/grades based on job content and factors, rather than title. The job matching results formed the basis of benchmarking compensation across staff levels.

Pay Elements Covered

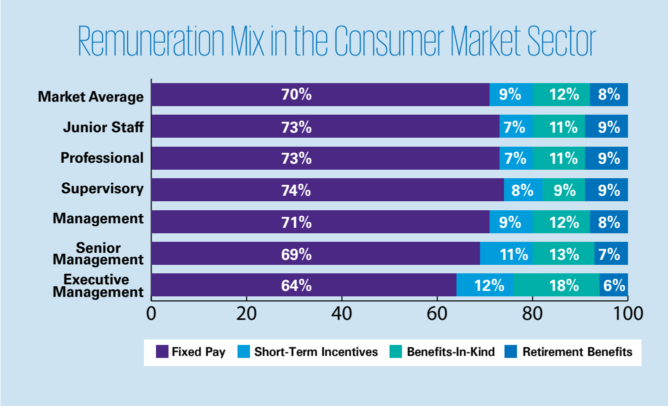
We adopted a Total Remuneration approach, as follows:

Pay Component Basis	Total Pay Basis
Fixed Pay (Basic Salary & Cash Allowances, including Monetised Benefits)	**Total Cash Compensation** (TCC = Fixed Pay + STI)
Short Term Incentives (STI: Pay-at-risk which changes directly with the level of performance or results achieved e.g. Profit Sharing, Bonuses & Equity-Based Schemes)	**Total Cost of Employment** (TCE = TCC + BIK + RB)
Benefits-in-Kind (BIK: Non-monetary programs used to supplement cash compensation e.g. Status Car, Medical, Mortgage Subsidy, Lunch, etc)	**Guaranteed Total Cost of Employment** (Fixed Pay + BIK + RB)
Retirement Benefits (RB - Income protection programs to provide post-employment benefits e.g. Pension and Gratuity Benefits)	

Summary of Survey Findings

Market Movement: The average salary review implemented in 2018 and companies' projection for 2019 was 10% of Fixed Pay. The review is mainly driven by the provisions of collective bargaining agreements and the need to cushion the effect of inflation on employees' purchasing power.

Remuneration Mix: As shown in the chart below, Fixed Pay comprises the largest portion of pay across levels. STI is higher at more senior levels, but generally low, when compared to leading edge practices that require STI to be about 100% of Fixed Pay at Executive levels.



Fixed Pay: Most of the companies strive to deliver competitive Fixed Pay, as this determines employee's monthly take-home. Given the current tax laws, there is no longer any material advantage to adopting several items of cash allowances.

Short Term Incentives (STI): STI Plans are designed to drive a high performance culture, align interests of employees and shareholders and support sustainable growth. Although most companies operate STI schemes, the schemes need to be reviewed to ensure they are effective in achieving the underlying objectives.

Benefits-in-Kind (BIK): The prevalent BIK items per employee category are shown below:

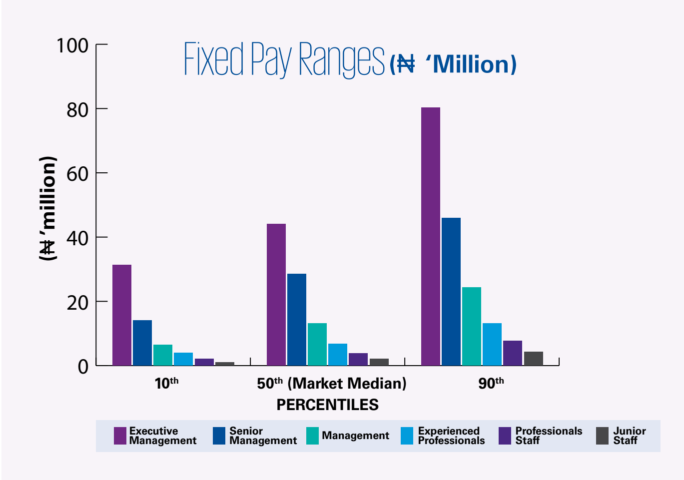
	Staff Categories				
Prevalent BIK in the industry	**Executive Management**	**Senior Management**	**Management**	**Supervisory**	**Professional**
Medical	✓	✓	✓	✓	✓
Professional Membership	✓	✓	✓	✓	✓
Lunch	✓	✓	✓	✓	✓
Status Cars	✓	✓	✓		
Vehicle Insurance	✓	✓	✓		
Mobile Phones	✓	✓	✓		
Club Membership	✓	✓			
Vehicle Maintenance	✓	✓			
Drivers	✓				
Vehicle Fueling	✓				

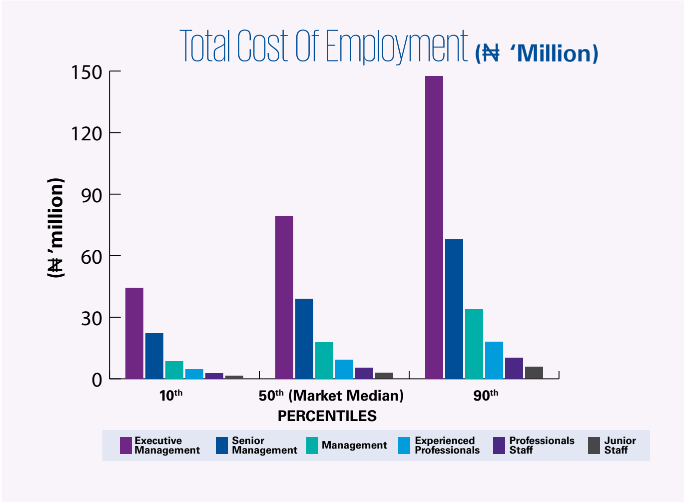
For non-graduates, the typical BIK items we observed are Medical, Professional Membership, Lunch, Company Products and Subsidised Employee Loans.

Retirement Benefits: All the participating companies operate pension schemes, in line with the requirements of the Pension Reform Act, 2014. In addition to pension, 41% of the companies operate gratuity schemes where benefits are based on terminal salary and years of service.

PAY RANGES

The pay ranges observed for Fixed Pay and TCE are presented in the charts below:





Pay Trends:

- *Sustainability:* More companies are assessing the size and efficiency of their businesses relative to market peers, in taking pay decisions, in order to ensure affordability and sustainability. KPMG provides information on revenue, profits, staff cost, cost-to-income ratio, return on equity, profit margin, etc. to facilitate an informed decision.
- *Monetisation of Benefits:* As part of the measures to manage exposure to escalating cost of benefits and the associated administrative burden, a number of companies have monetised their benefits, either by defining a spending limit or extending the replacement period for BIK items such as status cars and generating sets.
- *Downward Trend in Gratuity:* Due to funding and cost escalation issues, more companies are restructuring or terminating their gratuity schemes, most of which are defined benefits in nature (i.e. benefits are based on terminal salary). Some of the adjustments implemented include eligibility restriction, calculating the benefits based on annual salary and capping of years of service qualifying for benefits.

Conclusion

Across key sectors of the economy, KPMG is supporting businesses by providing valuable insights to enable them articulate winning and sustainable Rewards Strategies to attract, retain and motivate the talent required to unlock value for stakeholders. As a leader in Rewards matters, we continue to seek for ways to partner with companies to empower them for real change.

We also provide the following services:

1. Board Remuneration Committee Support
2. Change Management
3. Contract Personnel Recruitment and Administration
4. Country Briefing
5. Executive Resourcing and Workforce Assessment
6. HR Function Optimization / HR Transformation
7. Immigration Support Services
8. Incentive Schemes Design
9. Organisation Design for Performance
10. Remuneration Strategy, Compensation Benchmarking and Design
11. Payroll Outsourcing
12. Talent Management
13. Training Programmes
14. Workforce Optimization / Workforce Cost Enhancements

For more information on the full report, please contact:

Boluwaji Apanpa
0706 417 1642
Boluwaji.Apanpa@ng.kpmg.com

Nneka Jethro-Iruobe
0808 313 3012
Nneka.Jethro-Iruobe@ng.kpmg.com

Nike Yomi-Faseun
0803 402 1044
Nike.Yomi-Faseun@ng.kpmg.com

Adewale Ajayi
0803 402 1014
Adewale.Ajayi@ng.kpmg.com