

Strategic Compensation Survey November 2008

Survey Update

Survey conducted with 207 participants

Introduction

The 2008 Strategic Compensation Survey had 207 participating companies from different industry sectors. In this document we present the results of a November 2008 survey update that provides information regarding collective and individual salary adjustments applied between June and November, as well as forecasts for 2009, in light of the global financial crisis.



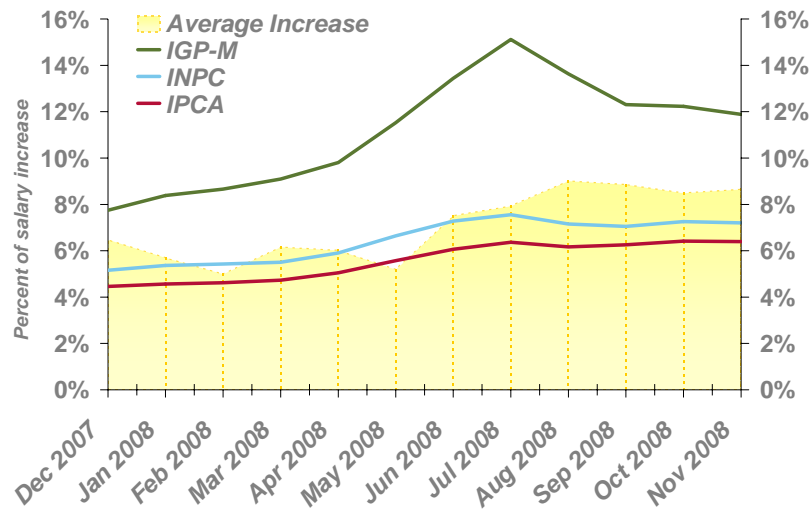
Collective Salary Adjustments

Figure 1 below shows general salary increases applied over the last 12 months in relation to inflationary trends during that period.

For collective agreements negotiated between June and November 2008, the scenario was still generally one of salary adjustments exceeding inflation rates, which resulted in actual gains for workers — especially when compared with the INPC (National Consumer Price Index), the main index used for salary negotiations.

NOTE: Sixty-nine percent of the companies include their executives in the collective agreements.

Figure1 | Collective Salary Increases vs. Inflation, per Major Inflation Indices



Figures 2 and 3 summarize collective agreements by month (June to November), both by the total market and the main industry sectors.

The column headed “% of linear agreements” (applying the same percentage for all employees) includes all the collective agreements without a salary ceiling for adjustments, as well as agreements applied linearly as a gratuity. The column headed “% of agreements that guarantee full inflation” shows the percentage of agreements with a salary ceiling. However, a gratuity equal to accumulated inflation during the period was granted for salaries above the ceiling

Figure2 | Collective Agreements — General Market

General Market

Month of Effective Date	# of Collective Agreements	General Salary Increases (Average)	% of Linear agreements	For non linear agreements (applied for above salary ceiling)	
				Average of salary ceiling for adjustments	% of agreements that guarantee full inflation
jun/08	10	7,51%	70%	\$4.413	0%
jul/08	19	7,93%	74%	\$4.609	40%
ago/08	16	9,01%	50%	\$5.135	75%
set/08	54	8,85%	57%	\$5.487	39%
out/08	18	8,49%	78%	\$4.153	50%
nov/08	73	8,65%	36%	\$5.252	34%

Figure3 | Collective Agreements — by Industry

Month of Effective Date	# of Collective Agreements	General Salary Increases (Average)	% of linear agreements	For non linear agreements (applied for above salary ceiling)	
				Average of salary ceiling for adjustments	% of agreements that guarantee full inflation

Automotive

jun/08	2	8,80%	50%	\$3.798	0%
jul/08	7	8,31%	71%	\$5.750	50%
ago/08	4	8,15%	50%	\$4.270	100%
set/08	13	11,09%	23%	\$6.445	40%
out/08	4	9,73%	25%	\$4.247	67%
nov/08	12	9,46%	50%	\$4.211	33%

Oil and Gas

jul/08	2	7,08%	50%	\$4.800	100%
set/08	17	7,25%	100%		
out/08	2	9,00%	100%		
nov/08	2	10,48%	0%	\$4.300	0%

Consumer Goods

jun/08	4	7,04%	100%		
jul/08	3	6,83%	67%	\$3.245	0%
ago/08	3	8,20%	100%		
set/08	8	9,04%	63%	\$4.383	0%
out/08	2	8,25%	100%		
nov/08	5	8,27%	80%	\$3.350	0%

Pharmaceutical

jul/08	1	8,00%	0%	\$3.500	0%
set/08	2	8,75%	50%	\$3.680	0%
out/08	1	8,00%	100%		
nov/08	6	8,41%	17%	\$5.702	20%

Chemical

jun/08	1	7,00%	100%		
set/08	8	9,00%	13%	\$4.647	57%
nov/08	21	8,95%	0%	\$5.672	57%

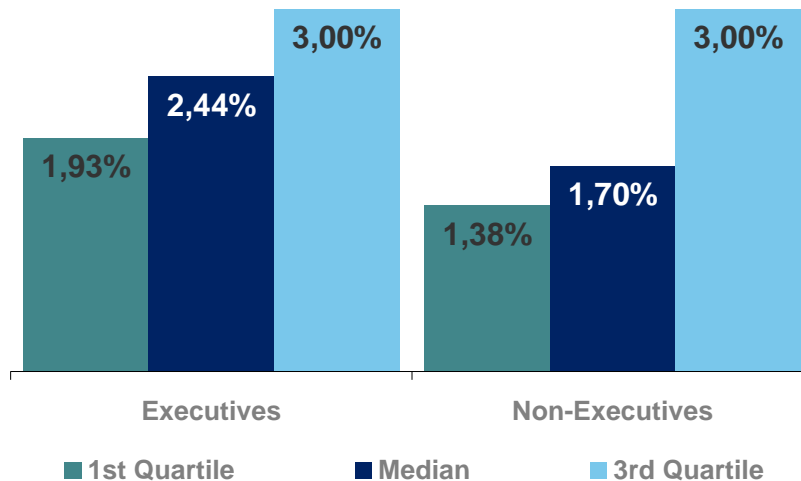
Energy

jun/08	1	6,80%	0%	\$7.000	0%
jul/08	2	7,28%	100%		
out/08	3	7,49%	100%		
nov/08	10	6,98%	90%	\$7.000	0%

Individual Salary Adjustments

Only 15 percent of the companies granted individual salary adjustments between June and November 2008, and all of them extended the increases to non-executives. Only two-thirds of these companies extended individual salary increases to executive levels. This is due to the fact that most companies concentrate individual increases in March and April, according to the Figure 4.

Figure 4 | Individual Salaries Adjustments

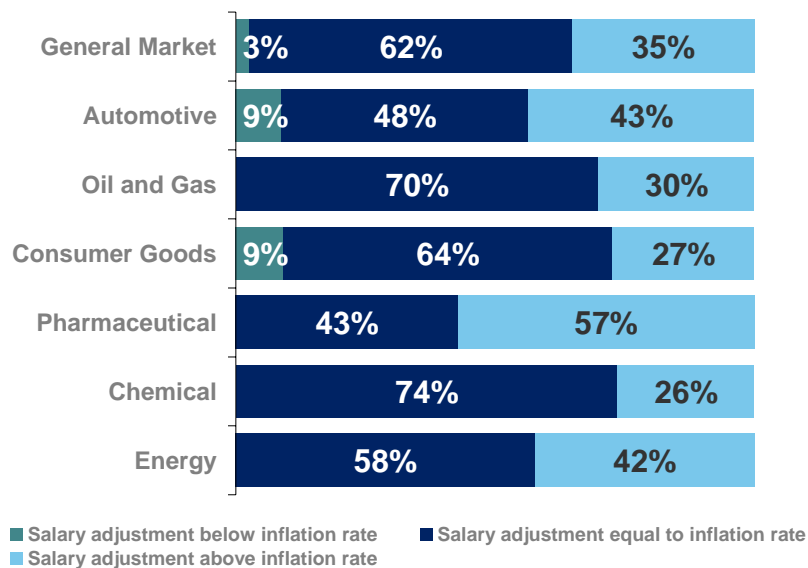


2009 Projections

In the last three years, surveys developed by Watson Wyatt pointed to collective salary increases with actual gains for employees of between 1 percent and 2 percent above the inflation rate for the period. We also noticed this trend in agreements negotiated in the second half of 2008.

However, due to the worsening global financial downturn, most companies (62 percent) expect negotiated salary adjustments in the next negotiation to merely keep up with inflation (100 percent of the INPC rate for the period).

Figure 5 | Expectation for Next Collective Agreement Salary Adjustments

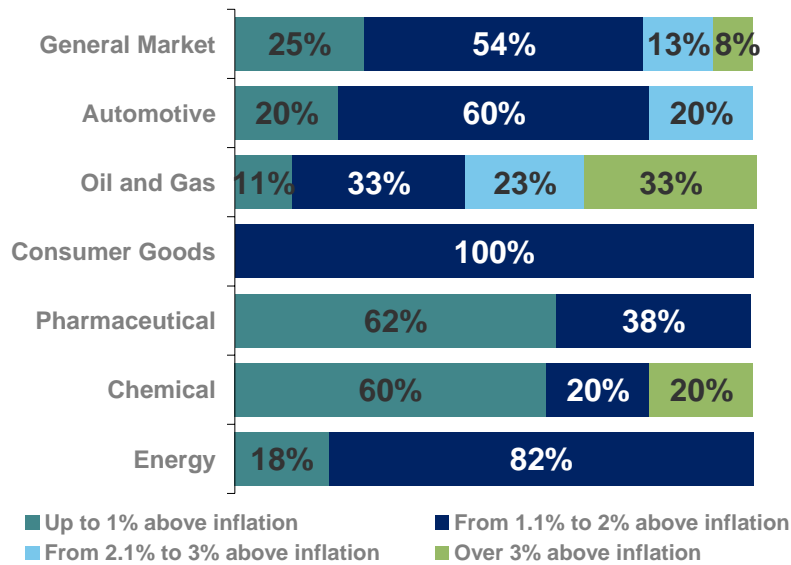


2009 Projections

Among the small number of companies that expect negotiated collective salaries to remain below inflation (3 percent), the majority believe that at least 80 percent of the increase in the Consumer Price Index or INPC accumulated in the period will be covered by pay increases.

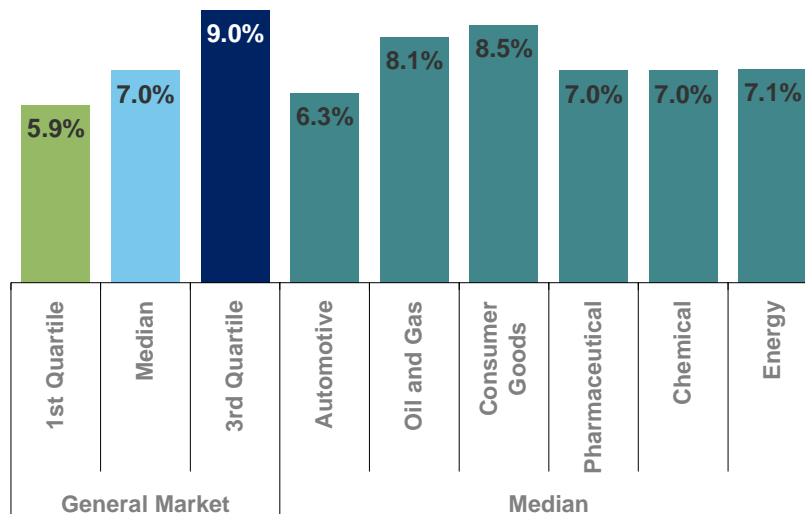
Those companies expecting salary increases negotiated in their next collective agreement to exceed inflation say those increases will be between 1 percent and 2 percent above inflation rates, as shown in Figure 6.

Figure 6 | Forecast for Collective Agreement for Companies expecting Salaries Adjustment Above Inflation



Not considering relevant movements in the workforce (hiring and layoffs), forecasted payroll increases are higher than the inflation target rate set by the government of 4.5 percent (IPCA inflation index) as shown in Figure 7.

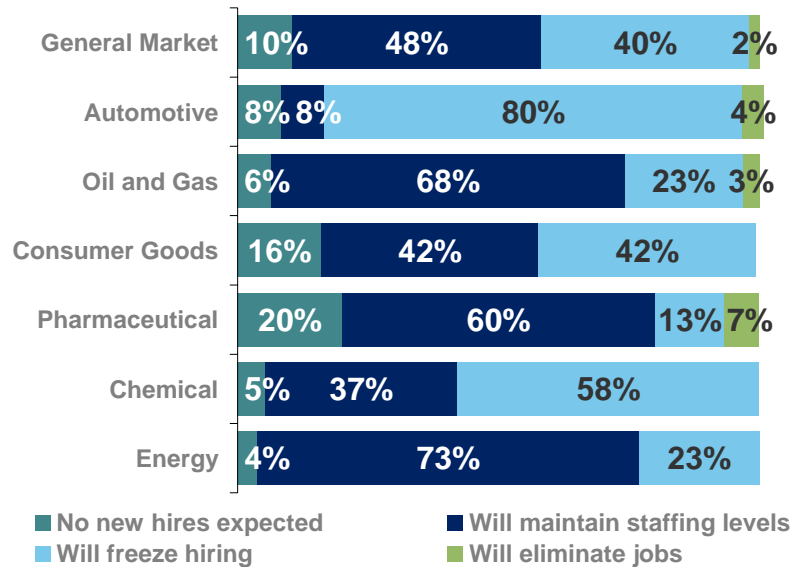
Figure 7 | Expectation for Payroll Increases



2009 Projections

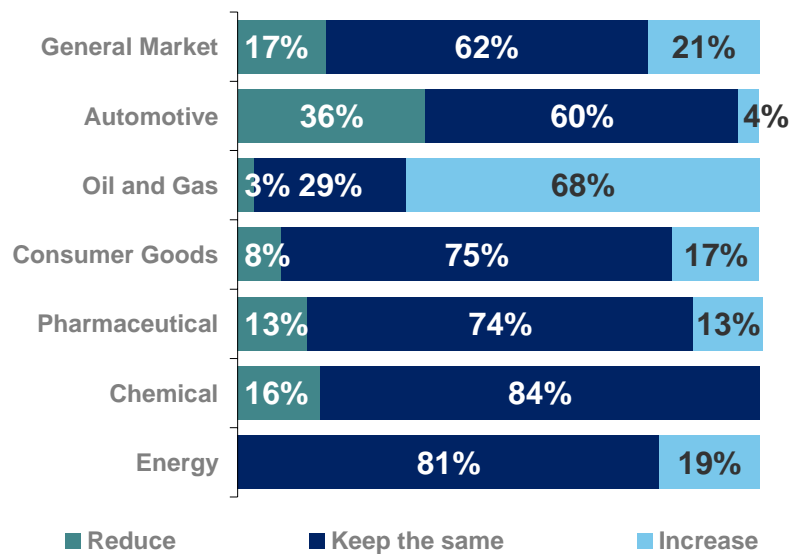
While more developed economies have tended to suffer a stronger impact from the global financial crisis, we noted that HR professionals in Brazil so far have been optimistic about maintaining current staffing levels as well as hiring new employees in 2009 (Figures 8 and 9).

Figure 8 | Expectations Regarding New Hires



Following the global trend, the automotive industry is expected to show the largest reduction in its workforce, while the oil and gas industry offers the best opportunities for job growth.

Figure 9 | Expectations Regarding the Workforce



2009 Projections

Figure 10 Companies expecting to reduce their workforce (percentage reduction)

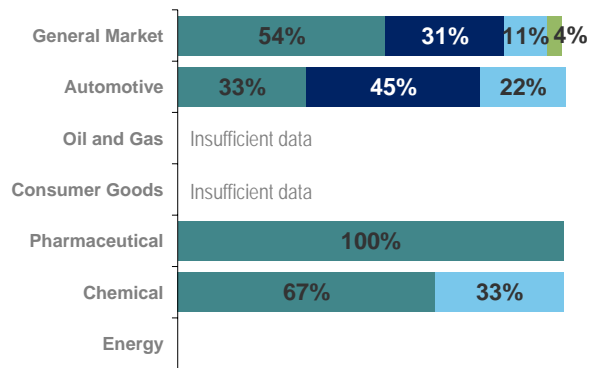
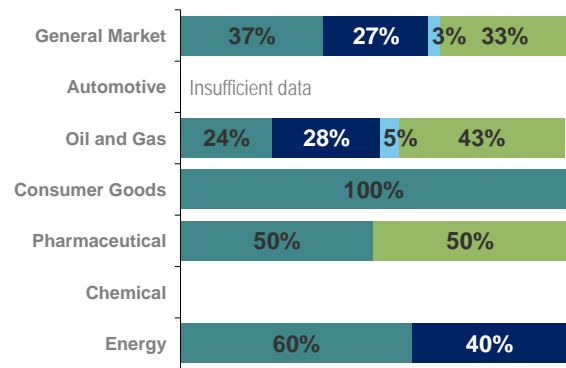


Figure 11 Companies expecting to increase their workforce (percentage increase)



■ From 1% to 5% ■ From 6% to 10% ■ From 11% to 15% ■ Above 15%

Conclusion

It is important to observe that 2009 expectations were reported by companies still feeling the impact of the world financial crisis at the end of 2008. Companies are waiting to see how the crisis unfolds in the first few months of 2009 to adjust their plans accordingly.

What seems certain is that the market will be more conservative, and both collective and individual salary increases will tend to be lower than in the last few years.

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