

Future of pay

March 2024



Agenda

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Foreword

Amid global economic and geopolitical shifts shaping the workplace of the future, India stands resilient, bolstered by strong fundamental metrics. With robust domestic demand and a promising digital economy, India continues to assert its presence on the global stage. While attrition rates are easing slightly, talent market continues to face significant skill gaps with only a fraction of new entrants possessing the requisite skills for employment. This underscores the urgency for rapid upskilling and reskilling initiatives to bridge the talent divide. Despite these challenges, there's cautious optimism in the business community fueled by projections of stable compensation hikes and government initiatives aimed at fostering economic growth.

While average pay hike percentages for India Inc remain flat vis-à-vis last year, there is a notable shift towards embracing a more comprehensive Rewards Value Proposition (RVP) to drive better ROI across all industries. Additionally, a culture of recognition is gaining momentum, cultivating an atmosphere of mutual respect and appreciation for collective contributions. Furthermore, organizations are increasingly prioritizing employee wellness, offering initiatives for physical and mental well-being along with new-age benefits.

As India's digital Human Resource journey picks up speed this year, digital adoption in Rewards is seeing an upswing to drive experience and efficiency. As large and mid-tier organizations increase adoption of such platforms, the Total Rewards function continues to evolve into a strategic design and decision support function as opposed to a transactional function.

At People Consulting, EY, we are committed to staying abreast of these developments and navigating the evolving landscape of Total Rewards, recognizing the need for comprehensive Rewards Value Propositions (RVP) to complement Employee Value Propositions (EVP) in attracting and retaining top talent within a fiercely competitive market. Our analysis reveals emerging trends in this domain, marking the onset of a transformative journey in Total Rewards practices nationwide.

As we unveil our "Future of pay" report for this year, we extend our appreciation to industry stakeholders and colleagues for their contributions. We eagerly anticipate engaging with industry experts and clients to discuss these insights and chart a path forward in the ever-evolving realm of talent management and compensation practices.



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01

Key themes



Unlocking the world of total rewards

This report delves into the complexities of Total Rewards, encompassing compensation, incentive frameworks, and the influence of modern benefits on employee well-being. Our objective is to provide organizations with the necessary insights to gain a competitive advantage in the talent market. The report will explore various themes, such as:



Economic Outlook

Navigating India's growth amid global uncertainties



Talent Trends

Uncovering latest talent trends in India reflecting a significant shift towards accommodating evolving employee expectations



Attrition vs. Retention

Provides key insights into attrition and retention; helps organizations craft strategies to lower attrition and increase workforce engagement



Compensation Trends

Intricate aspects of movement in compensation salary increments across different sectors and pay for performance



Incentive Innovations

Explores the market trends in both short-term and long-term incentive programs



Executive Compensation

Insights on market trends in executive and board compensation



Emerging Trends

Navigating the evolving landscape of Gig Workers, Innovative Wage Codes, and DE&I Initiatives



Key Focus Areas

Examines the evolving landscape of employee benefits amid a competitive job market



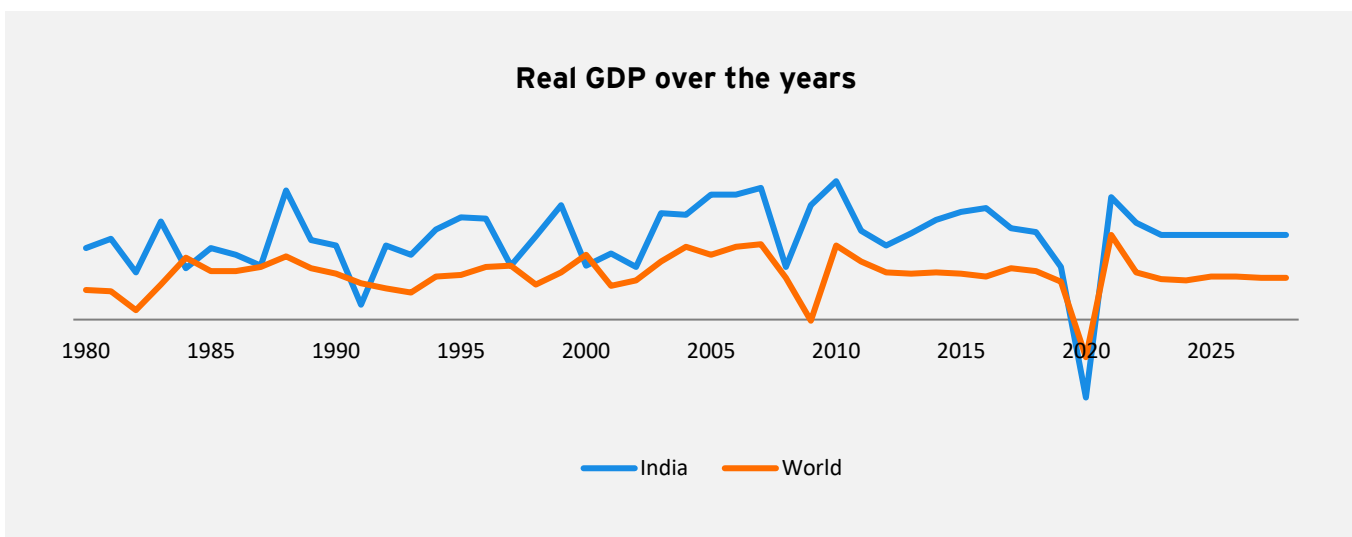
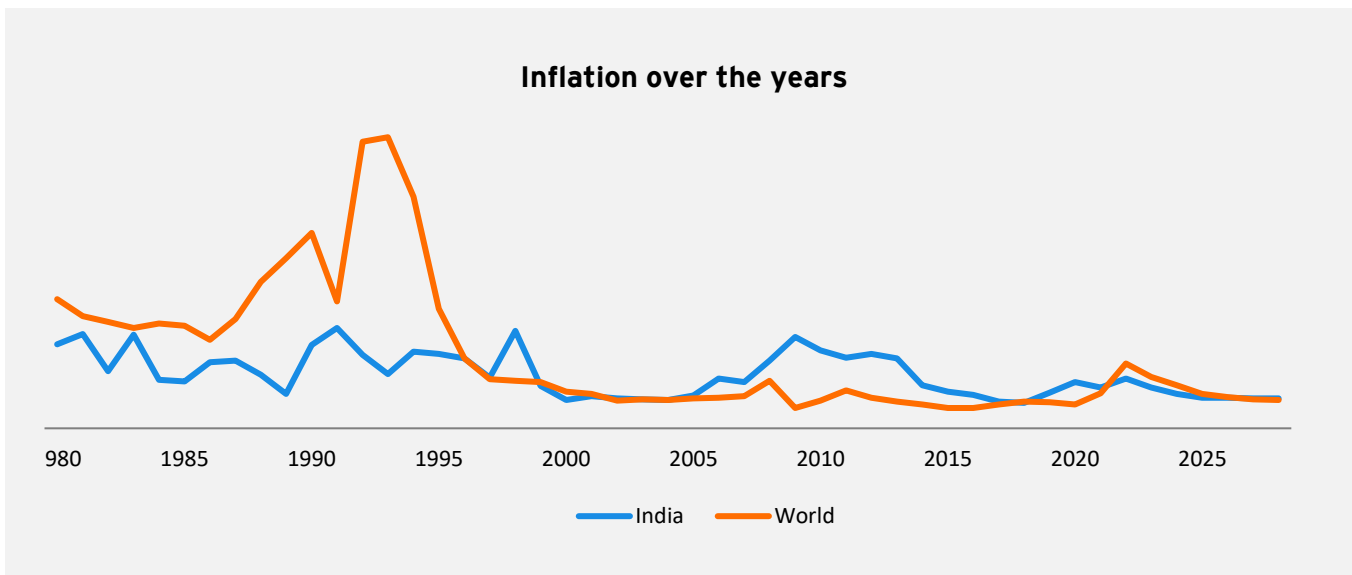
02

Economic outlook: global and
India



Continuing the global drag

- ▶ The ongoing global situation remains worrisome. According to the Organization for Economic Co-operation and Development (OECD) in its November 2023 report, global growth is expected to decrease from 3.3% in 2022 to 2.9% in 2023, further dropping to 2.7% in 2024. This projected rate is the lowest since the global financial crisis, excluding the initial year of the pandemic
- ▶ The optimism for the future is cautious, it is tempered by the emergence of new and the continuation of existing geopolitical conflicts, notably the ongoing Russia-Ukraine situation and crises in the Middle East
- ▶ Climatic conditions also pose a threat to the global economy. The drought in the Panama Canal will disrupt global trade to a larger extent. The imperative to address climate change is spurring investment in renewable energy and sustainable infrastructure, offering both economic and environmental benefits.
- ▶ Earlier, the IMF had projected a medium-term global growth in the range of 2.9% to 3.2% during 2023 to 2028. We expect some of the ongoing global conflicts to ease even if final resolutions may not be achieved. This would improve the supply side situation, including that of global crude.
- ▶ Moreover, international collaboration and cooperation are playing a crucial role in navigating global challenges, fostering a climate of inclusive and resilient growth across nations



Source: IMF Data Mapper, EY Economy Watch Dec 2023



Indian economy shows resilience



- India shines as a leading global growth engine in 2023, achieving a remarkable GDP growth of 7.6% in 2QFY24 and 7.7% in 1HFY24
- India ranks second among G20 nations with a 7.2% growth rate in FY2022-23, fueled by solid investment, domestic demand, and service exports



- Amid global economic challenges, India's unique inflation saw CPI rise to 5.6% in November 2023 from 4.9% in October, mainly driven by soaring vegetable prices



- India's 2023 G20 presidency highlighted its major role in global policy and growth, contributing 16% to worldwide expansion and reinforcing its international influence



- In November 2023, the OECD forecasted India's growth for FY24 at 6.3%, underscoring its strong economy in a tough global environment



- India's financial sector showed resilience against early 2023's global uncertainties, with employment surpassing pre-pandemic levels and progress in formalizing the dominant informal sector





Exploring sectoral opportunities as India emerges as the premier investment hub

India positions itself as a compelling foreign investment hub, poised to surpass China's growth forecast of less than 5% in 2024. By 2027, India will surpass Japan and Germany to become the world's third-largest economy with a GDP of over US\$5 trillion, according to IMF. Shedding some light on the growing sectors in India.

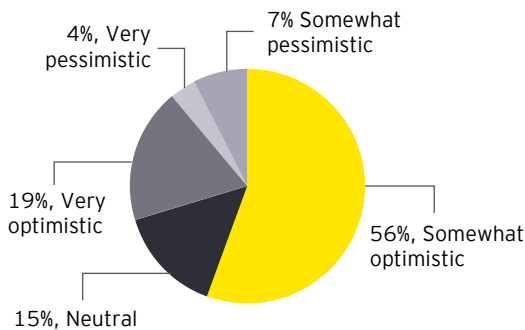
Renewable Energy	Automobile Sector (EVs)	Capital Goods Sector	Infrastructure	Healthcare and Pharmaceuticals
<ul style="list-style-type: none"> India is aggressively pursuing renewable energy initiatives, aiming for 450 GW of renewable capacity by 2030 The green industry in India is expected to add 3.7 million jobs by FY, particularly in renewable energy, environmental health and safety, solar energy, corporate social responsibility, and sustainability 	<ul style="list-style-type: none"> The Electric Vehicle (EV) market in India is forecasted to grow at a Compound Annual Growth Rate (CAGR) of 49% between 2022 and 2030, with expected annual sales of 10 million units by 2030 The automobile sector contributes 6% to India's GDP and 35% to the manufacturing GDP 	<ul style="list-style-type: none"> This sector includes sub-sectors such as electrical equipment, plant equipment, and earthmoving/mining machinery It is poised to benefit from the Indian government's focus on infrastructure development and initiatives like the Production-Linked Incentive (PLI) scheme 	<ul style="list-style-type: none"> Infrastructure sector is expected to reach \$1.4 trillion by 2025 The Urban Infrastructure Development Fund will allocate an annual budget of INR 10,000 crore to bolster urban infrastructure in Tier 2 and Tier 3 cities in India 	<ul style="list-style-type: none"> The hospital sector in India was valued at INR ~7,941 Bn in FY21 in terms of revenue & is expected to reach \$221.49b by FY 2027, growing at a CAGR of 18.24% The Indian MedTech Industry has grown substantially and is expected to reach \$50b by 2025

Source: Invest India



Additionally, Technology and Innovation are defining business expectations

Business Outlook for 2024



There are several new and emerging sectors in India that are gaining momentum and are not part of the traditional economic landscape. These sectors are often driven by technological advancements, changing consumer behaviors, and evolving business models.

Top 3 factors driving the business outlook

- 1 Digitization and automation
- 2 Market/Product expansion
- 3 Supply and demand of labor/employees

Global Capacity Centres (GCCs) <ul style="list-style-type: none"> In the coming three to four years, India's GCC count is expected to hit 2,000, leveraging its rich talent in AI, analytics, and digital tech GCCs are also branching into Tier-2 and Tier-3 cities, boosting economic growth. 	Financial Technology (FinTech) <ul style="list-style-type: none"> India has the highest FinTech adoption rate globally of 87% which is significantly higher than the Global average rate of 64% This sector is set to undergo major tech shifts, with DeFi emergence, AI-driven personalized finance and expanded blockchain
AgriTech and Food Processing <ul style="list-style-type: none"> The Indian food processing industry accounts for 32% of the country's total food market It is expected to attract \$33 billion investment and generate employment for 9 million people by 2024 The AgriTech sector in India is projected to reach \$24.1 billion by 2025 	Education Technology (EdTech) <ul style="list-style-type: none"> India's EdTech market is forecasted to reach \$10 billion by 2025, growing at an exponential rate by adoption of online learning, with a significant increase in users from both metropolitan and non-metropolitan cities



03

Talent outlook



Evolving talent trends are redefining India's work environment

In 2023, the talent trends in India reflected a significant shift towards accommodating evolving employee expectations and navigating the complexities of the post-pandemic workplace. These trends are likely to influence the job market and organizational strategies in 2024 as well.

Here are the top talent trends in India as we head into 2024:

Workplace Flexibility



- ▶ Flexibility remains a significant priority, with employees desiring more control over where and when they work
- ▶ Hybrid work cultures is gaining importance as it helps enhance work-life balance, productivity, and satisfaction as a new-age benefit

Digitization



- ▶ India's technology industry, with a workforce of 5 million, has digital talent forming up to ~35-40%
- ▶ AI, Big Data Analytics, cloud computing and IoT rank as the leading tech skills facing a demand-supply mismatch exceeding 50%

Learning and Development



- ▶ At present growth rates, freshers will fulfill just ~20-25% of the digital talent needs by 2028, emphasizing the importance of reskilling and upskilling to bridge the digital talent demand-supply gap
- ▶ Over 80% of learning and development (L&D) professionals concur that reskilling current employees is more cost-effective than hiring new ones, highlighting the growing strategic role of L&D

High demand in specific sectors



- ▶ Unique hiring trends in various sectors, like formation of ESG teams in Banking and Financial sector
- ▶ The AI and NLP talent pool has grown almost double since 2020, but demand continues to outpace supply, especially after the advent of generative AI in 2022
- ▶ Demand for cloud computing skills, including hybrid/multi-cloud, infrastructure as Code, and containerization, is skyrocketing due to evolving organizational needs

Changing expectations among millennials



- ▶ Millennials and Gen Z account for nearly ~70-80% of India's technology workforce, emphasizing flexible work, autonomy, and socially impactful roles
- ▶ Both groups seek continuous learning, mentorship, and technology that fosters growth and aligns with their career aspirations





04

Attrition and retention trends



The talent environment is disrupted by a variety of forces, and employers and employees view the world through different lenses

Employer sentiment more influenced by cyclical factors

- ▶ Economic slowdown and inflation
- ▶ Geopolitical uncertainty, natural disasters and pandemic
- ▶ Fewer new job vacancies
- ▶ Underutilized office space
- ▶ Cybersecurity and emerging technologies

Cyclical forces

Structural forces created a new reality for employees

- ▶ Demographic shifts are reducing labor supply and changing preferences
- ▶ Cost of living
- ▶ Globalized labor markets and persistent skills change
- ▶ Flexible and remote work
- ▶ Generative AI

Structural forces

- ▶ EY Work Reimagined survey indicates that both employees and employers recognize the impact of economic slowdown on the likelihood of employees leaving their jobs. However, employers seem to overestimate this impact compared to employees' own perspectives.
- ▶ Interestingly, data shows a decrease in employee inclination to leave their jobs compared to last year, suggesting a drop from 43% to 34%. Despite this decrease, the current attrition rate remains higher than historical norms.
- ▶ Given this context and considering employees still hold a significant balance of power in the workplace, it is crucial for employers to have a pulse on employee sentiment. Focusing on wellbeing, reward preferences, and engagement is essential for retaining key talent and reducing unwanted attrition.





Attrition trends in India reflect the dynamic nature of the job market and the evolving preferences of its workforce

Attrition %



2022 Actual	2023 Actual	2023 Voluntary	2023 Involuntary
21.2%	18.3%	15.2%	4.2%

Sector	2022 (A)	2023 (A)	2023 (A)	
			Voluntary	Involuntary
E-commerce	27.7	22.4	18.9	4.6
Professional services	22.0	24.2	21.9	3.0
Information technology	22.1	23.3	18.3	6.3
Financial services*	28.3	24.8	21.4	6.0
Automotive	10.5	11.1	9.2	2.5
Media & entertainment	21.2	19.5	15.5	5.2
ITeS	23.5	21.8	18.5	4.3
Telecommunications	24.5	18.4	15.0	4.4
Chemicals	17.0	11.1	9.1	2.7
FMCG/FMCD	16.0	18.0	16.1	2.5
Lifesciences / Pharmaceuticals	19.6	15.2	12.2	3.9
Metals & mining	8.2	22.3	19.8	3.3
Engineering	9.8	17.0	13.2	4.9
Real estate/Infrastructure	10.0	20.9	15.9	6.6
Oil & gas	8.9	15.6	13.7	2.6

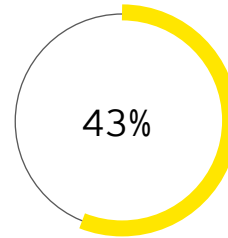
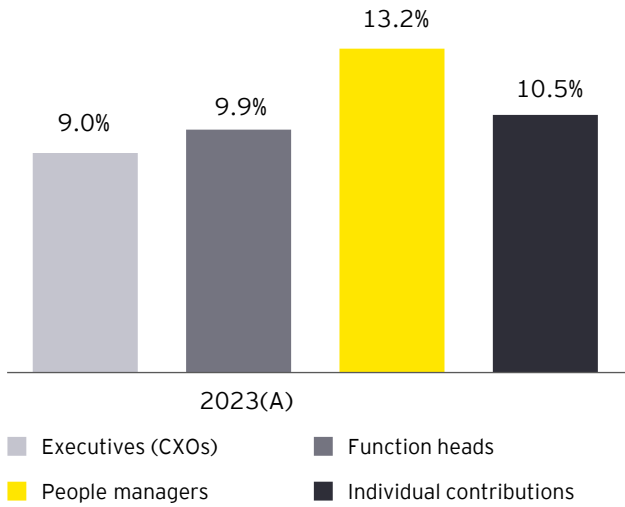
Key insights

- ▶ Attrition rates in India across sectors have been fluctuating, influenced by a combination of macroeconomic factors, global economic conditions, and internal corporate strategies
- ▶ A cautious sentiment has emerged, characterized by a moderated pace of hiring and a reduction in salary increments by 1-2%. Attrition rates exhibited indications of slowing down, bolstered by an improved availability of talent
- ▶ Strategic recruitment adjustments are anticipated to result in fewer job opportunities and a potential increase in involuntary attrition due to rightsizing efforts
- ▶ In the Technology sector, there are positive indicators of attrition rates improving. Some major players have reported a decrease in attrition rates during the second quarter of FY24 compared to previous quarters, signaling a concerted effort towards enhancing employee retention. One of the key reasons for the dip in attrition is the muted hiring observed in these sectors due to global economic slowdown.
- ▶ Global Capability Centers (GCCs) have higher attrition than product-based companies, but lower than services sector, highlighting the need for unique GCC retention strategies

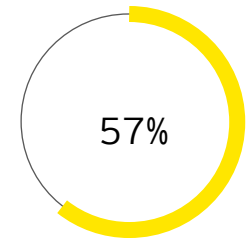


Addressing attrition requires a multifaceted approach that encompasses various aspects of the employee experience

Attrition across levels



Organizations are facing challenges in attracting talent



Organizations believe that flexible work options play a role in shaping your talent acquisition strategies

Top reasons for voluntary attrition



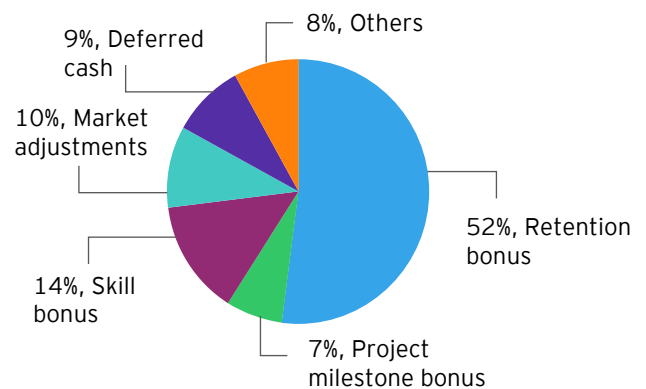


Organizations are evolving their talent retention strategies to ensure employees feel valued, engaged, and motivated

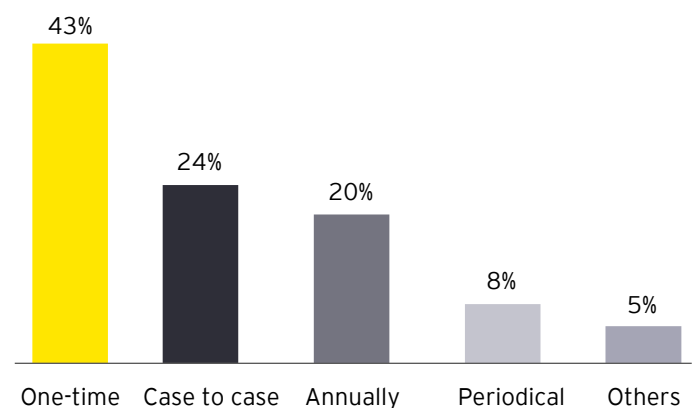
Retention strategies

- ▶ **Financial well-being support**
 - ▶ Financial education and planning services: Providing access to financial planning services, including retirement planning, investment advice, and budgeting workshops
- ▶ **Personalized employee experience**
 - ▶ Customizable benefits packages: Allowing employees to choose from a diverse offering of benefit options that best meet their personal and family needs
 - ▶ Individual career trajectory: Offering personalized career development plans that align with each employee's aspirations, skills and interests
- ▶ **Enhanced use of technology for engagement**
 - ▶ AI-driven HR platforms: Provide personalized learning and development recommendations, career coaching, and wellness advice
 - ▶ Employee engagement apps: Implementing mobile applications that facilitate instant recognition, feedback, and social connection among team members
- ▶ **Remote and hybrid work options**
 - ▶ Hybrid work models: A blend of in-office and remote work for flexibility
 - ▶ Remote work infrastructure support
- ▶ **Recognition and reward systems**
 - ▶ Instant recognition platforms: Immediate recognition and rewards for achievements
 - ▶ Peer-to-peer recognition programs: Encouraging employees to recognize their colleagues' efforts and contributions, building a supportive work environment

Retention tools used by organizations



Frequency of retention bonus



Skill premium

- ▶ Companies use skill premiums, higher salaries for employees with unique, high-demand digital talents, as a key retention tool
- ▶ The average skill premium across organizations hovers around 18-20%
- ▶ Top digital skills: 1. AI/ML/NLP 2. Blockchain 3. Cloud computing 4. Cyber security 5. Data Science and BI



05

Total rewards: increments, incentives and executive compensation



Salary growth trends and movements across different sectors

Salary Increment %



	2022 Actual	2023 Actual	2024 Projected
	10.4%	9.6%	9.6%
Sector	2022 (A)	2023 (A)	2024 (P)
E-commerce	14.2	10.5	10.9
Professional services	13.0	9.7	10.0
Information technology	11.6	10.3	9.8
Financial services	10.9	10.4	10.1
Automotive/Vehicle manufacturing	10.3	10.4	9.7
Media & entertainment	10.3	9.6	9.0
ITeS	10.3	9.5	9.2
Telecommunications	10.3	8.9	9.3
Chemicals	9.9	9.4	9.7
FMCG/FMCD	9.8	9.2	9.5
Lifesciences / Pharmaceuticals	9.6	9.3	9.6
Metals & mining	9.6	9.0	9.2
Engineering	9.5	10.1	9.9
Real estate/Infrastructure	9.3	10.0	10.0
Oil & gas	9.0	9.1	9.5

Key insights

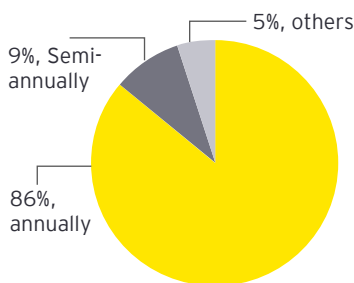
- ▶ In 2022, certain technology sub-sectors, like cloud platforms and consumer technology, experienced notable growth. However, there is a projected decrease across all technology sub-sectors by 2024, potentially due to market saturation following rapid digital transformation in previous years
- ▶ E-Commerce, after a peak increase of 14.2% in 2022, is expected to drop to 10.9% in 2024, possibly due to pandemic-driven shifts in consumer behavior or intensified online competition
- ▶ A rise from 9.7% in 2023 to 10% in 2024 in professional services suggests a rebound as companies invest in post-pandemic strategy alignment or navigate global business complexities
- ▶ The financial sector shows a slight decline in projected growth from 2023 to 2024, indicating potential headwinds or consolidation after previous growth phases
- ▶ Media and entertainment sector witnessed a decrease from 9.6% in 2023 to 9.0% in 2024, possibly due to the shift towards digital streaming platforms or increased demand for personalized content, impacting traditional revenue channels

Note: Financial services sector is inclusive of Fintech companies

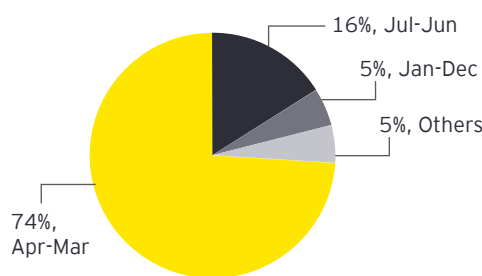


Adapting performance management to navigate the evolving talent landscape..

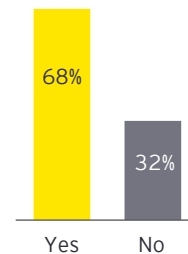
Pay cycle frequency



Pay increment cycle



Mid-cycle promotion



Top five considerations when recommending a salary increase budget

- 1 Current salary increase budget
- 2 External market positioning
- 3 Economic conditions like change in cost of living, inflation rate, etc.
- 4 Current financial outlook of the organization
- 5 Pay philosophy

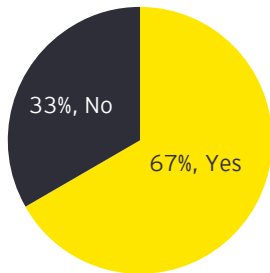
Key insights

- ▶ April sees the highest number of salary increments coming into effect, coinciding with the commencement of the new financial year
- ▶ Most organizations finalize their decisions on salary budgets between October and February for the upcoming year
- ▶ Although companies are more frequently facilitating internal job postings to meet employees' career goals, these lateral moves often do not result in a salary increments in most cases
- ▶ Even in cases where a lateral movement accrues an increment, it does not surpass the promotional increment
- ▶ To handle fluctuating talent landscape, many organizations opt for salary adjustments apart from merit or promotional increments

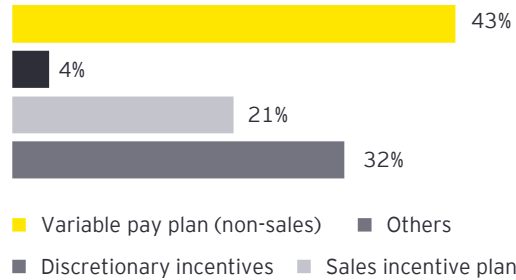


As businesses adapt to dynamic market conditions, short-term incentives emerge as a pivotal strategy, driving employee motivation and fostering performance excellence

Eligibility of Incentive plan



Types of incentives plans offered in the organization



Key insights

- ▶ Executives (CXOs) typically get the most variable pay, but their projected salary increases for 2024 are lower than those in 2023
- ▶ Most employee levels are experiencing decreased variable pay percentages for 2024, except for the lowest-paid tiers, which might see a slight uptick

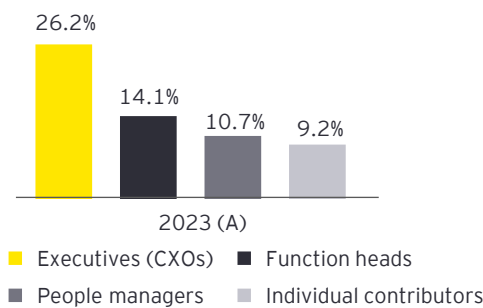
Variable Pay % 2023 (A)

Variable pay highlights

Average variable pay-out as a percentage of total fixed pay

15.05%

Variable pay across levels



Variable pay pay-out multiplier by performance

1.3X Outstanding performer

1.1X Exceeds expectations

1X Meets expectations

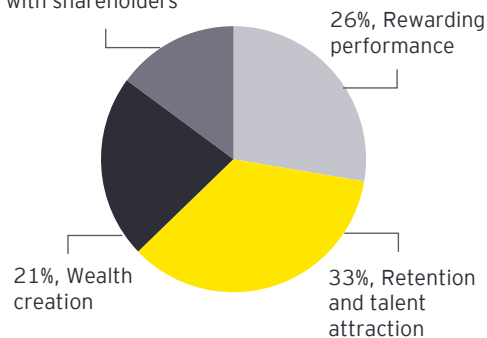
0.3X Does not meet expectation



LTIPs are becoming increasingly diverse, flexible, and strategic in their design and implementation..

Objective of LTIP

14%, Alignment of interest of employees with shareholders



Key insights

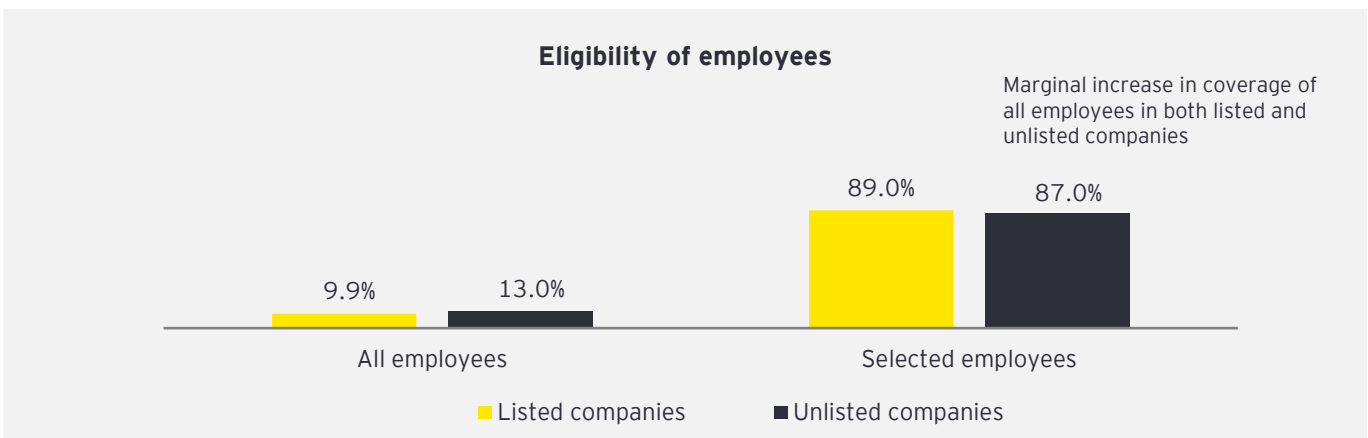
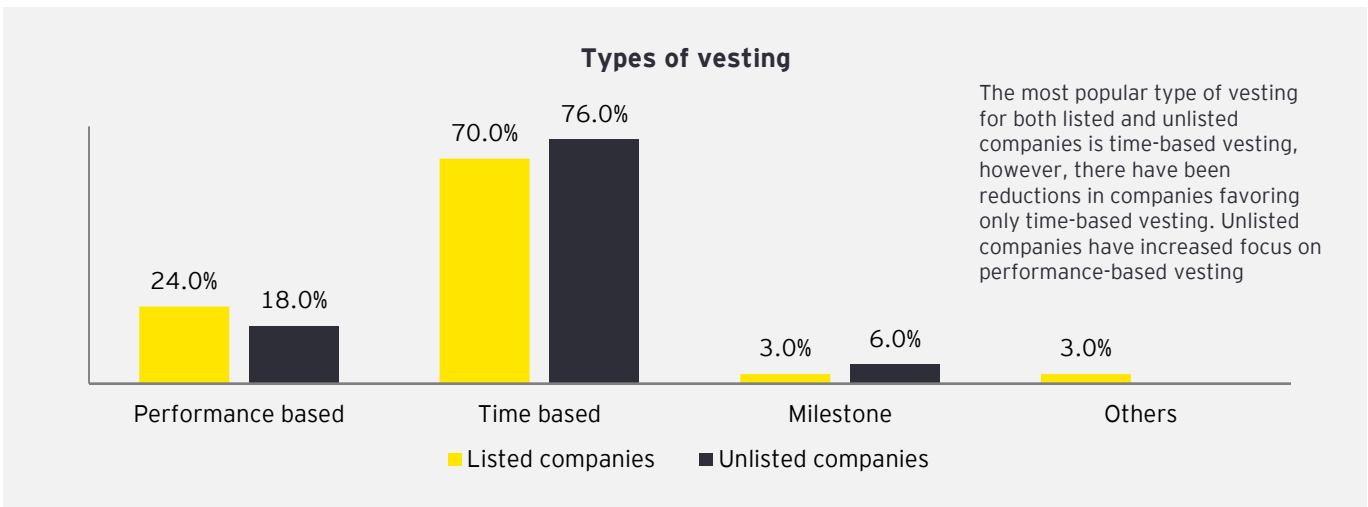
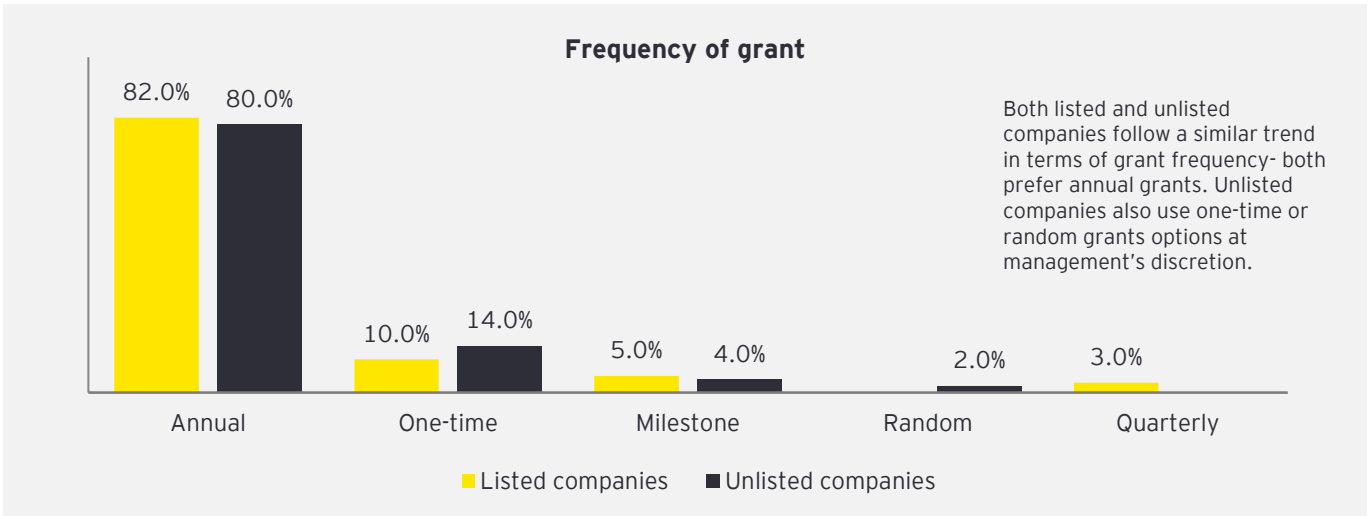
- ▶ Organizations have been creatively revamping their long-term incentive plans (LTIPs) in recent years, making compelling adjustments to better suit their workforce and align with strategic goals
- ▶ It indicates a readiness among companies to tailor LTIP components creatively, ensuring these incentive schemes not only meet the unique preferences of their workforce but also align seamlessly with the company's strategic goals
- ▶ Among LTIP, the top trends are as follows:
 - ▶ Expanding LTIPs beyond senior management to include a broader base of employees, particularly for equity-based schemes
 - ▶ LTIPs are not only rewards for high performance but also used for talent attraction and wealth creation
 - ▶ The proliferation of LTIPs, especially in digital enterprises and startups, with increased frequency, incentivization, and coverage
- ▶ While retention remains important, there's a greater emphasis on rewarding the performance and wealth creation
- ▶ Shift from cash rewards to stock incentives, with around 26% of companies focusing on LTIPs for performance rewards in FY23, as per the EY LTIP report
- ▶ Organizations are updating their LTIPs to include performance and milestone-based vesting to align employees' interests with organizational goals



Varying LTI practices in listed and unlisted companies

Types of share-based incentive plan for employees:

- ▶ The employee stock option plan (ESOP) remains the top choice for stock incentives among companies. Following closely are Restricted Stock Units (RSUs), which have gained popularity as discounted ESOPs, while Stock Appreciation Rights (SARs) have seen a decline due to pandemic-related cash constraints and market slowdown
- ▶ Approximately 71% of companies offer ESOPs, whereas only about 9% have adopted SARs. This could be attributed to SARs being favored by financially robust companies aiming to provide equity value to employees without dilution



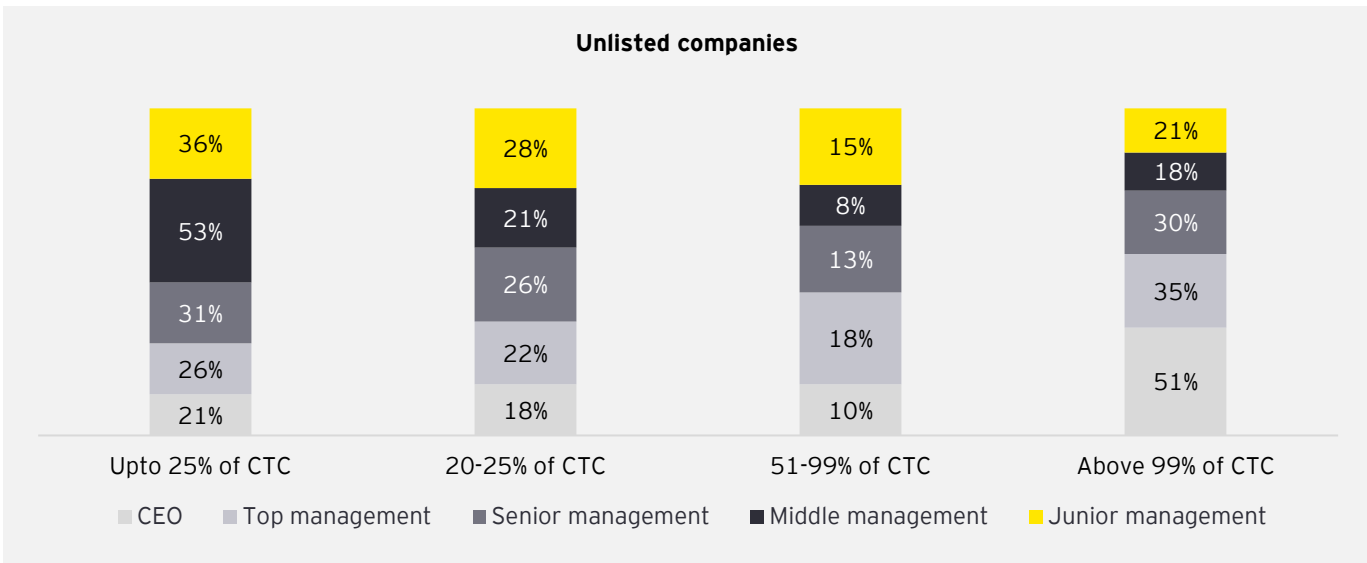
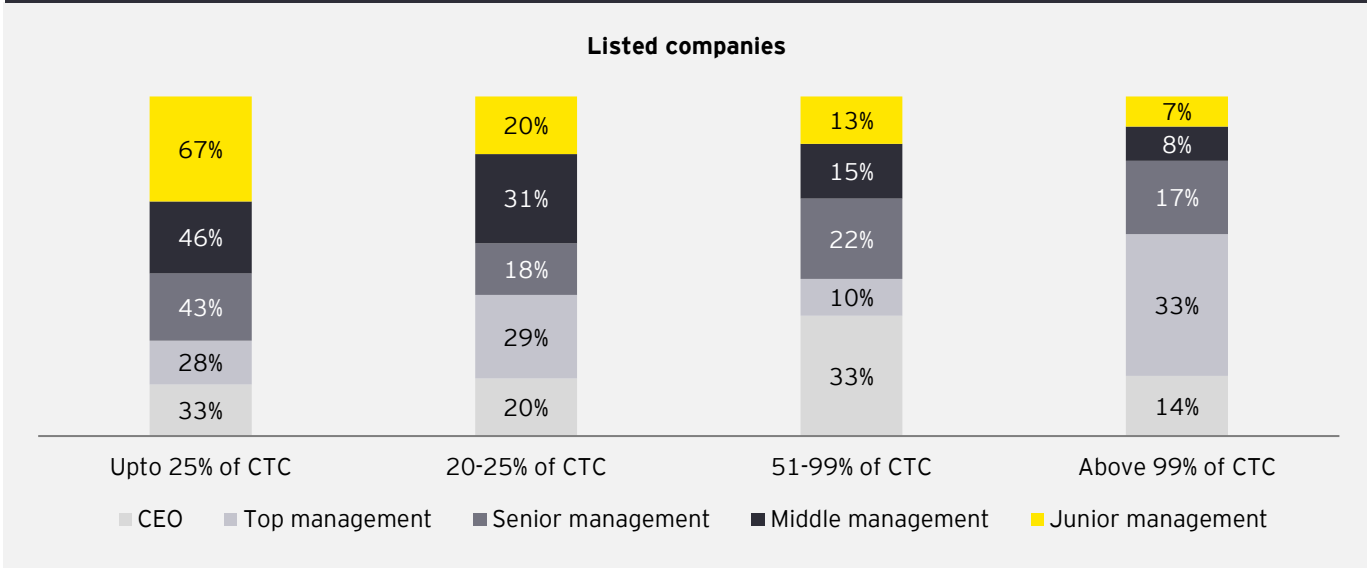


Executive compensation trends: Analyzing the balanced pay structure for CEOs

Key trends in executive compensation

- ▶ On an average, approximately 70% of CEO compensation is tied to performance
- ▶ LTIs become a more significant part of total rewards as one moves up the hierarchy, signaling that companies are focusing on retaining top-level talent by aligning their interests with the long-term success of the company
- ▶ Over the last 2-3 years, pay mix has been consistent, with fixed pay comprising 25-30% of the total compensation, short-term incentives accounting for 30-35%, and the remainder being attributed to long-term incentives (LTI)
- ▶ As companies acknowledge the significance of sustainability and ethical corporate conduct, they are progressively incorporating ESG (environmental, social, and governance) criteria into executive compensation frameworks
- ▶ There has been a noted increase in emphasis on establishing the appropriate board composition and enhancing compensation for Independent Directors. Overall, board composition plays a critical role in driving effective governance, risk management, and long-term value creation
- ▶ There's a stronger push to empower boards and nomination and remuneration committees (NRCs)

LTI quantum as per management levels



Source: EY LTI Report 2024



06

BUSINESS

SEARCH
WWW.

NETWORK

E-MAIL

GLOBAL

SYMBOL

MARKET LETTER

Emerging trends



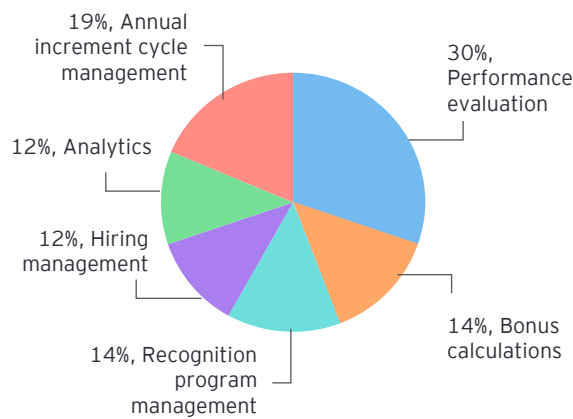
Redefining employee value: Emerging trends in total rewards



AI and automation

- ▶ **Automated reward systems and integration into HRMS systems:** customized rewards tailored to each recipient's preferences and automate the entire rewarding process, reducing manual effort
- ▶ **Benefits personalization:** By using AI algorithms, companies can tailor benefits packages to individual employee needs and preferences, increasing satisfaction and perceived value
- ▶ **Data-driven decisions:** Advanced compensation management software, AI, and machine learning algorithms are being utilized for tasks such as salary benchmarking, performance evaluations and incentive calculations

Rewards activities using AI



Gig economy

- ▶ **Economic impact:** The gig economy in India was projected to contribute significantly to the GDP, with estimates suggesting a potential contribution of about 1.25% by 2025
- ▶ **Workforce and sector focus:** A large portion of India's gig workforce was engaged in sectors like transportation, delivery services, maintenance, content creation, and IT, with 70% of organizations reporting that gig workers constituted less than 10% of their total workforce, a figure expected to grow
- ▶ **Future outlook and government response:** Apprentices Act, 1961, and NAPS, is set to enhance the skilled workforce through quality training and vocational skills development. This initiative supports the promising future of India's gig economy, backed by a young workforce and growing internet access



India's gig workers are expected to grow from 7.7 million to 23.5 million by 2029-30 – Niti Ayog

The four largest industry sectors—construction, manufacturing, retail, and transportation and logistics could alone account for over 70 million of the potentially ‘gigable’ jobs—unlocking the Potential of the Gig Economy in India Report





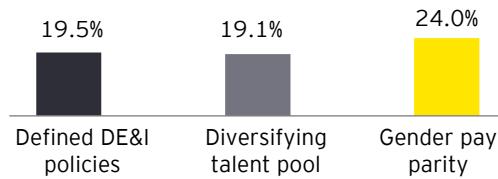
Redefining employee value: Emerging trends in total rewards (cont'd.)



Diversity, inclusion and equity

- ▶ DE&I initiatives have become a pivotal part of corporate strategy, with organizations increasingly recognizing their impact on employee well-being and corporate success
- ▶ The initiatives focus on:
 - ▶ Gender diversity
 - ▶ Age inclusion
 - ▶ Differently abled inclusion

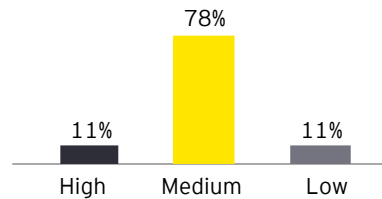
Top 3 DE&I initiatives



Environmental, social and governance

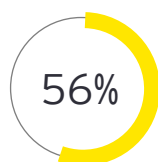
- ▶ There was an increasing trend towards ESG reporting among Indian companies. The number of companies publishing sustainability reports had been growing, with many adopting international frameworks like the GRI
- ▶ 60% organizations are already utilizing or on their way to utilize ESG policies
- ▶ The market for sustainable investing is expanding, with more mutual funds and institutional investors integrating ESG factors into their investment decisions

Prioritization of ESG considerations

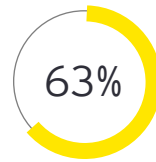


New labor codes

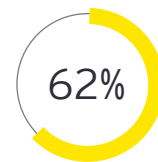
- ▶ The recent labor codes may influence compensation and benefits, workforce management, employee engagement, retention, in addition to compliance and risk management
- ▶ Employers must adjust their total rewards strategies to align with the updated regulations governing their workforce



Understand the key provision of the new labor codes



Yet to conduct an external review of its compensation practices for the new wage code regulations



Yet to take an action in restructuring their compensation practices








Key focus areas: compensation and new-age benefits



Revamping total rewards: key focus areas in compensation

Companies today face a variety of challenges and must prioritize when it comes to total rewards, which encompass all aspects of compensation, benefits, and non-monetary rewards offered to employees. These challenges and focus areas can vary depending on industry, location, and organizational objectives. Here are some major focus areas in compensation to manage total rewards in a more strategic manner:

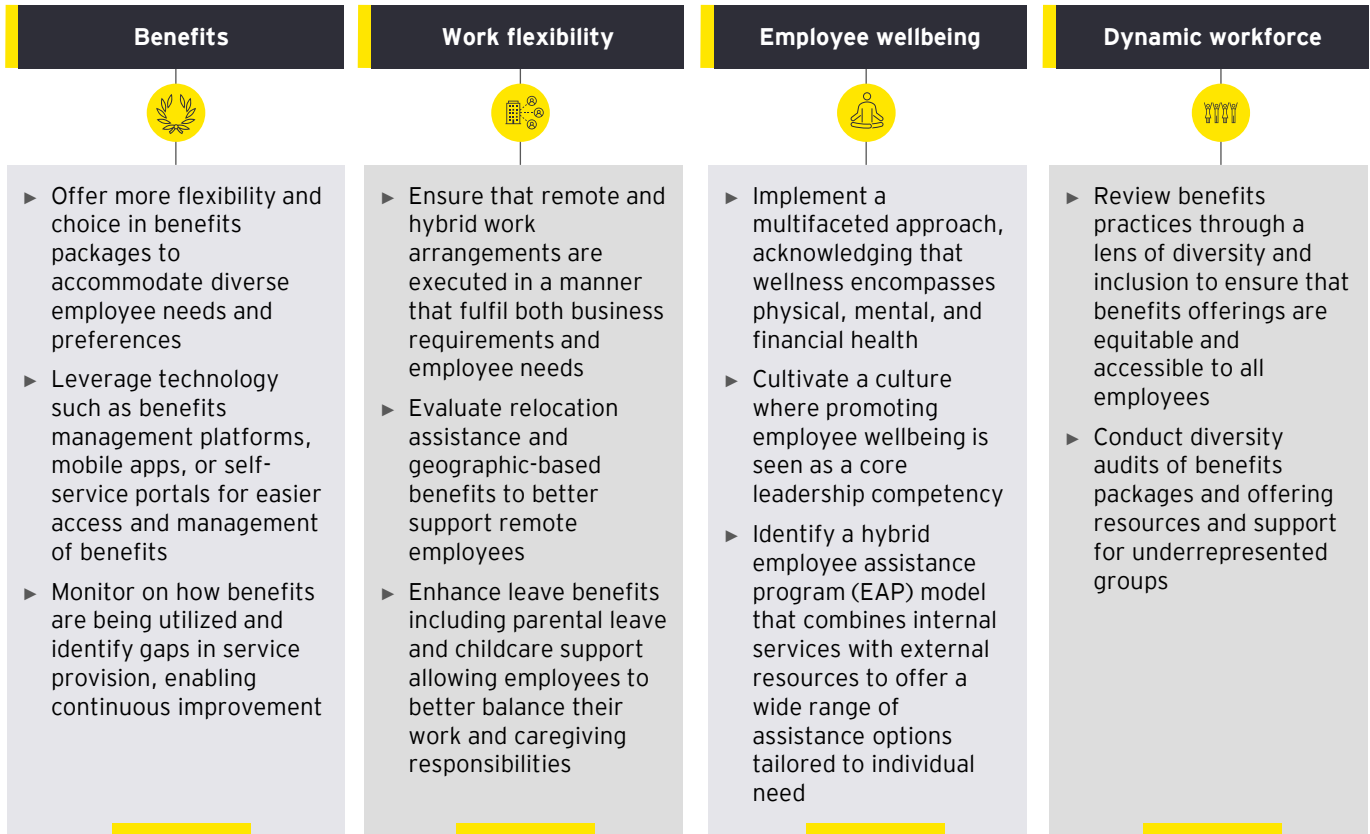
Total rewards philosophy	Performance based pay	Objectivity and fairness in pay	Globalization	Skill-based pay
 <ul style="list-style-type: none"> ▶ Develop a total rewards philosophy that embodies a comprehensive, employee-centered approach while maintaining competitiveness and cost-effectiveness ▶ Consider factors such as demographic differences, generational preferences, and individual motivations to tailor pay packages to the diverse workforce 	 <ul style="list-style-type: none"> ▶ Integrate pay with performance management to ensure that pay outcomes are directly tied to individual and organizational performance ▶ Include opportunities for skill-building and career advancement in performance management system, and align performance evaluations with employees' long-term career aspirations 	 <ul style="list-style-type: none"> ▶ Regular reviews of compensation practices and making adjustments as needed to address any inequities or disparities ▶ Implement transparent compensation practices, such as clearly defined salary ranges and promotion criteria, helps ensure fairness in pay decisions ▶ Despite a push for equal pay, the gender pay gap remains evident. Women still earn 17% less than men on average 	 <ul style="list-style-type: none"> ▶ Account for regional variations in cost of living and economic conditions by offering geo-differential pay to ensure competitiveness across global markets ▶ Customize compensation packages to align with local regulations, cultural norms, and workforce dynamics, while ensuring consistency with overall compensation philosophies and business objectives 	 <ul style="list-style-type: none"> ▶ Establish skill-based pay bands or tiers that correspond to different levels of proficiency in specific skills or competencies ▶ Premiums observed in the market for different categories of skills in comparison to generic/ vanilla skills <ul style="list-style-type: none"> ▶ Niche: 15% - 30% ▶ Super niche: 30% - 50%





Revamping total rewards: key focus areas in benefits and wellness

Companies are increasingly giving importance to benefits and wellness of employees to meet the expectations of the today's modern employee. Employers are aware of the impact these new-age benefits can have on employee recruitment, retention, and overall organizational success

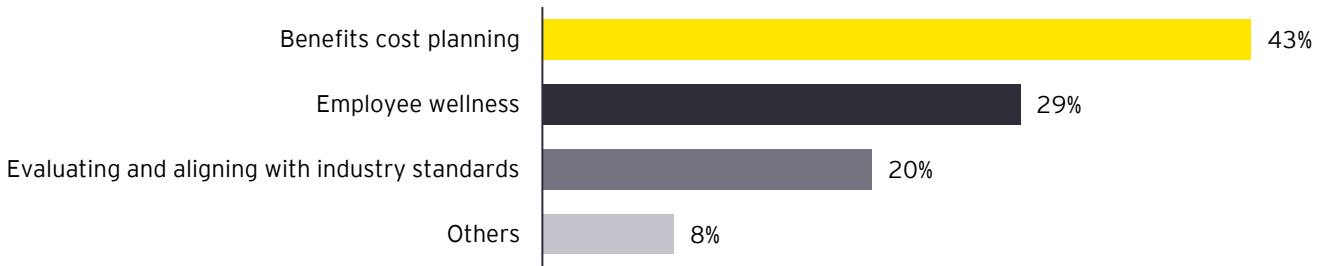




Revamping total rewards: key focus areas in new-age benefits

80% of the organizations emphasized the importance of “pay and benefits” and a need to move away from traditional employee benefits to cater to the changing expectations of the modern workforce

Top three areas of focus for employers on the benefits strategy



Physical well-being	Emotional well-being	Social well-being	Financial well-being
<ul style="list-style-type: none"> ▶ Fitness classes: offering yoga, pilates, or other exercise classes ▶ Gym memberships: providing access to on-site or off-site gym facilities ▶ Health screenings: organizing regular health check-ups and screenings ▶ Tele-medicine: fitness apps with discounted options for accessing online consultations ▶ Enhanced parental and family support, including leaves and insurance benefits ▶ Ergonomic workspaces: investing in ergonomic office equipment and offering assessments to ensure a comfortable working environment ▶ Health challenges: initiating fitness or weight loss challenges with incentives 	<ul style="list-style-type: none"> ▶ Stress management workshops: conducting stress reduction workshops and mindfulness training or meditation sessions ▶ Employee assistance programs (EAPs): Offering confidential support and access to counselors or therapists ▶ Flexible schedules: allowing flexibility to manage personal and emotional needs ▶ Peer support groups: creating groups for employees to connect and share experiences ▶ Introduction of "Bring your pet to work" days and providing pet insurance benefits ▶ Offering company-wide early time off on a designated day of the month/ quarter 	<ul style="list-style-type: none"> ▶ Employee resource groups (ERGs): encouraging formation of diverse employee groups ▶ Social club: creating clubs for common interests like book clubs or hiking clubs ▶ Community involvement: engaging in volunteer and community service activities ▶ Recognition programs: recognizing and rewarding employee achievements. ▶ Networking events: arranging events for employees to network ▶ Mentorship programs: establishing mentorship programs for skill development ▶ Use chatbots or interactive AI to connect at various milestones to gauge engagement 	<ul style="list-style-type: none"> ▶ Financial counseling: providing financial planning and counseling services ▶ Retirement planning: offering resources for retirement savings ▶ Debt management: assisting with debt reduction strategies ▶ Budgeting workshops: conducting workshops on financial planning ▶ Tuition reimbursement: supporting education and skill development ▶ Loan assistance: assisting with student loan repayment ▶ New baby fund: employees to receive a certain amount to cover expenses of a newborn



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