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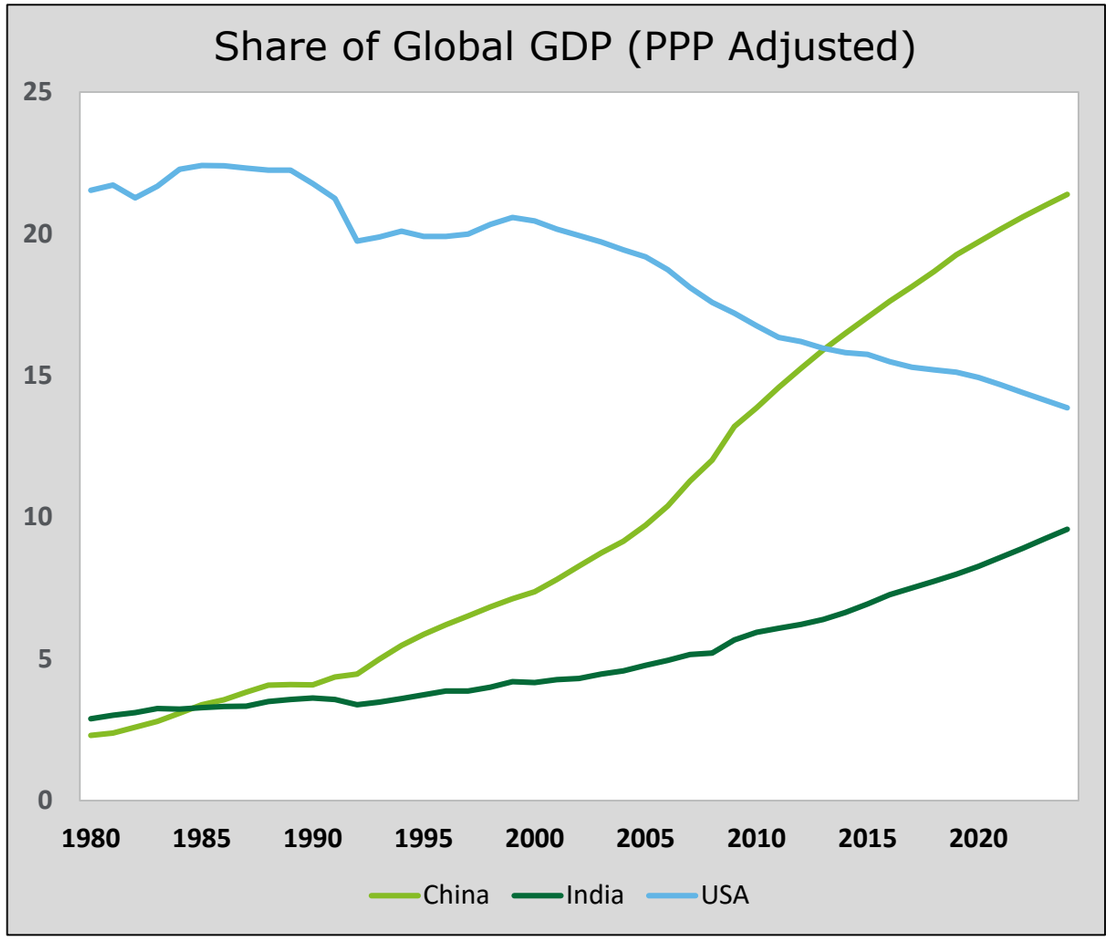
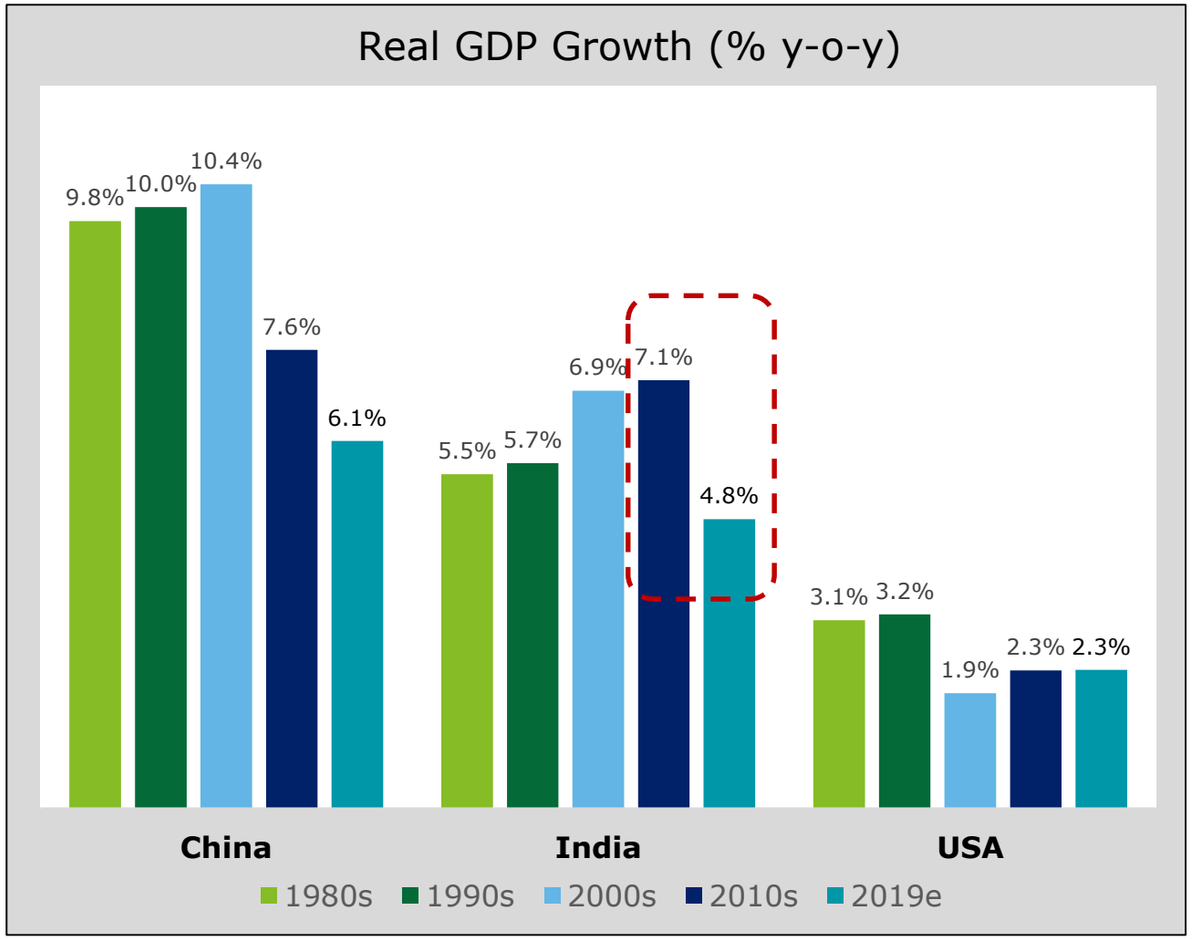
2020 Deloitte India Workforce and Increment Trends Survey

Overview of Results | March 2020

India, along with China, has led global economic growth for decades but that growth has fallen sharply





While the slowdown has been broad-based, it has primarily been led by the manufacturing sector on the supply side and both, private consumption and investment, on the demand side. Real GDP growth has been falling consistently this financial year and there are downside internal and external risks to real GDP growth forecasts.

Source: IMF, World Economic Outlook

Organizations have responded by decreasing salary increments

	Overall India Average Increment	Headcount Weighted Average Increment	Headcount Weighted Average Increment (Excluding IT/ITeS)
2019 Actual Increment	8.2%	7.3%	6.9%
2020 Projected Increment	7.8%	7.1%	6.8%

	2019 Actual Increments	2020 Projected Increments
FMCG/FMCD	8.2%	7.7%
Financial Services	7.4%	7.1%
IT	9.4%	9.2%
ITeS	8.9%	8.7%
Life Sciences	8.9%	8.4%
Manufacturing	8.2%	7.2%
Services	7.1%	7.1%

The 2020 projected average salary increment in India has dropped by 40 bps compared to actual salary increment in 2019. Adjusted for company size (measured via headcount), 2020 projected increment decreases to 7.1 percent implying that larger organisations are being more cautious with respect to increments. And while the 2020 projected increment is lowest in Services, the fall in increment is the highest in manufacturing reflecting the state of economic activity in the sector.

2019 Actual Increments 2020 Projected Increments

IT Products is now the only industry cluster offering double digit salary increments

IT/ITeS

	2019	2020
IT Products	10.8%	10.4%
ITeS KPO and Captives	9.3%	9.0%
ITeS – Third Party BPO	7.9%	8.0%
IT Services	7.4%	7.4%

Financial Services

	2019	2020
General Insurance	7.9%	7.8%
Life Insurance	7.6%	7.7%
Mutual Fund	7.2%	7.1%
Banks	6.9%	7.1%
NBFC	7.3%	6.0%

Manufacturing

	2019	2020
Chemicals	9.5%	8.2%
Metals & Mining	7.6%	6.5%
Energy	9.5%	7.8%
Infra/EPC/Real Estate	7.6%	6.0%
Engineering Manufacturing	7.8%	7.5%
Automotive Producers	8.1%	7.3%
Automotive Suppliers	7.1%	7.0%

Services

	2019	2020
Hospitality	9.0%	8.3%
Life Sciences	8.9%	8.4%
Engineering Consulting	6.6%	7.1%
FMCG/FMCD	8.2%	7.7%
Retail	7.7%	7.0%
Telecom & Ancillaries	5.8%	6.2%

Sub-Industry with highest 2020 increment projection

Sub-Industry with lowest 2020 increment projection

2019 Actual Increments

2020 Projected Increments

Individual performance takes centre-stage in determining increment differentiation

Prevalence of different individual increment differentiation factors (% of Total)

90%
Individual Performance Rating

34%
Potential

33%
Management Level

27%
Current Vs Target Compensation

While last year's performance continues to be the key determinant for salary increments, 1/3rd of the companies use a forward-looking metric like Potential for determining increments

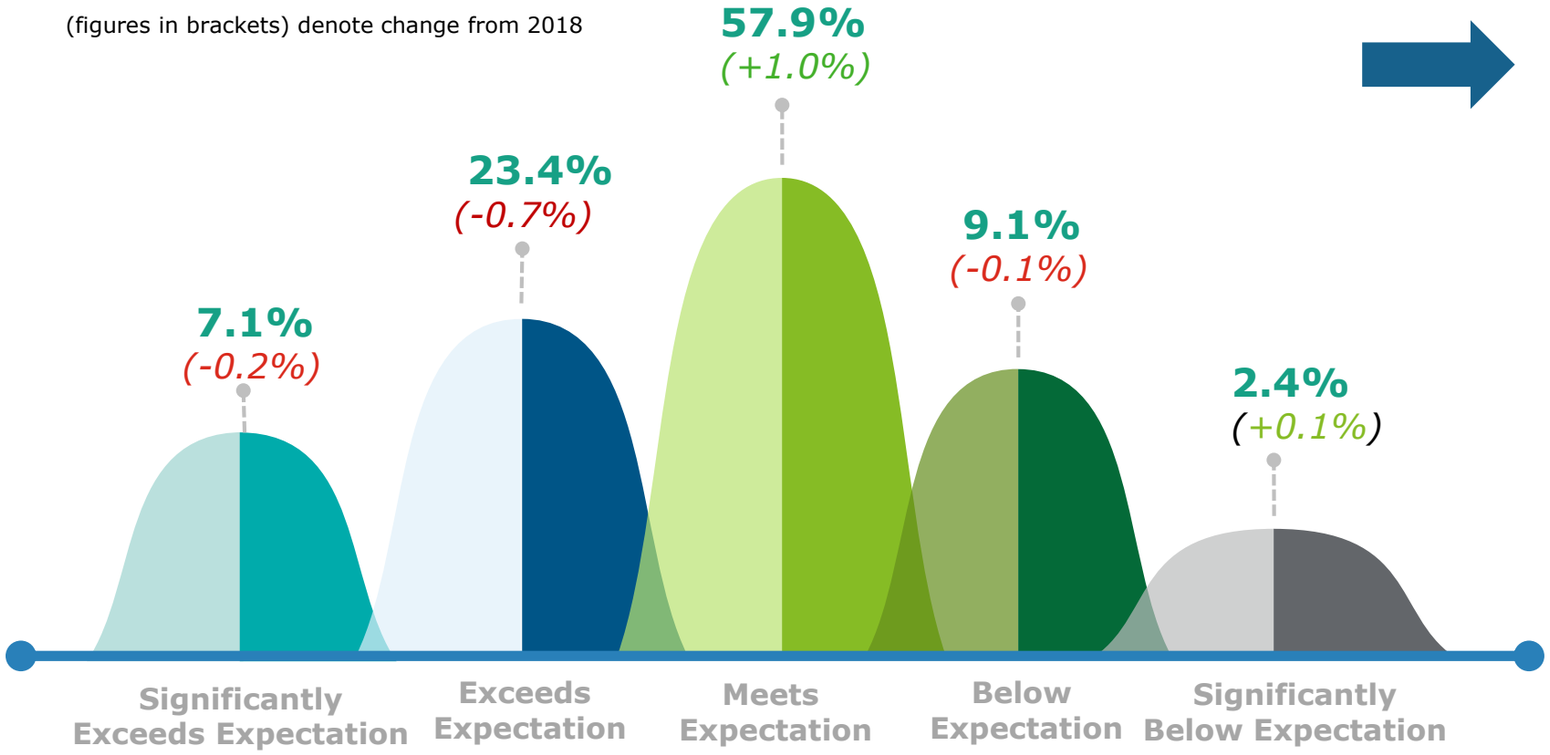
1 out of every 3 companies is also differentiating increment by levels of management. As increments reduce, grade-based differentiation is also likely to come down

Organizations also focus on fairness of pay while deciding increment, i.e., they give a much higher increment to employees who are significantly underpaid in their current role

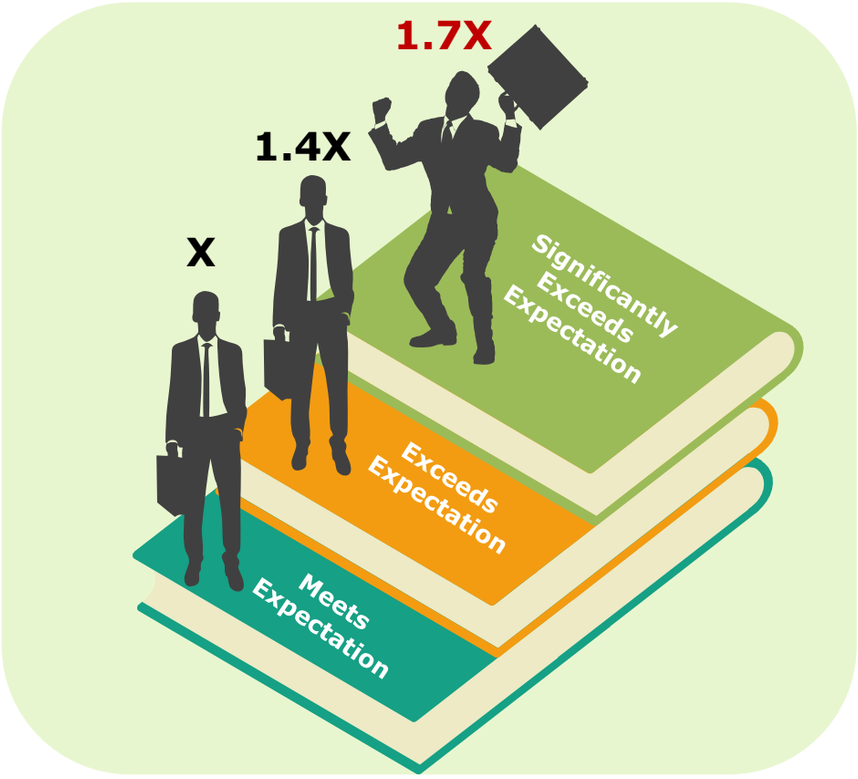
More employees are now being rated as “Average” or “Meets Expectations”

Overall India Population Distribution (2019 vs 2018)

(figures in brackets) denote change from 2018



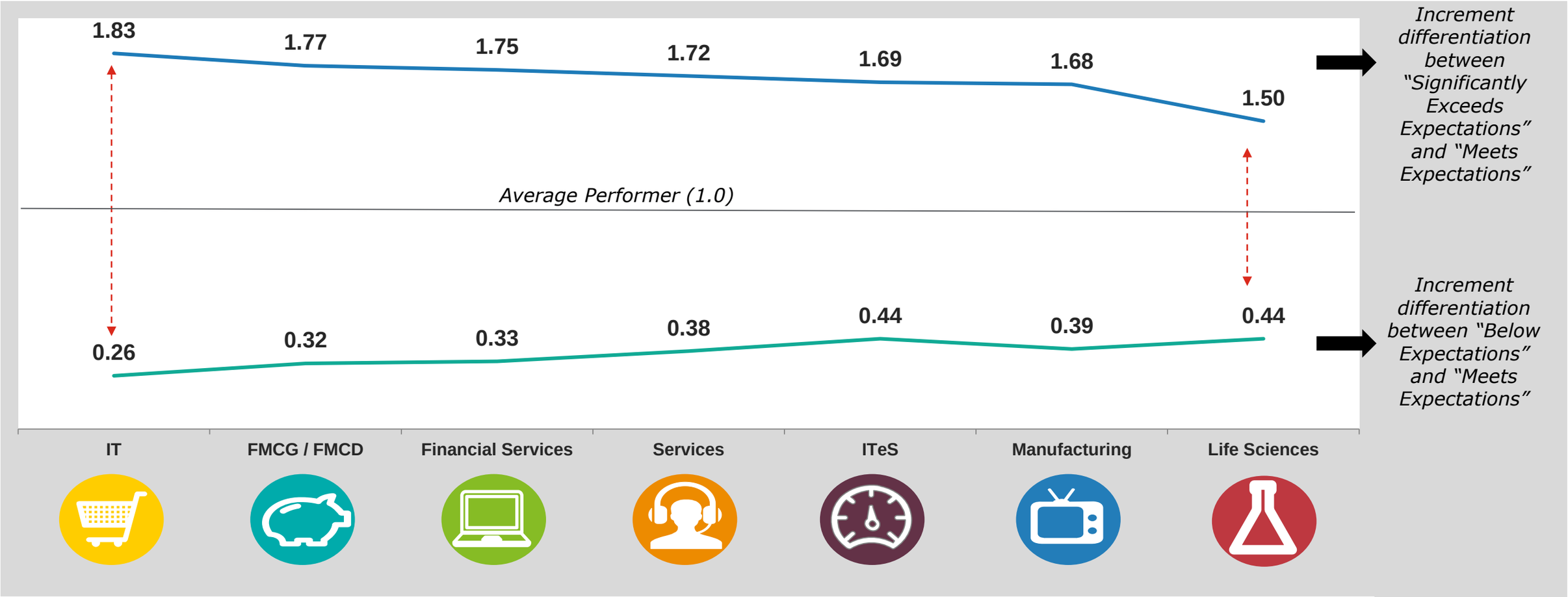
Performance Multiplier	1.7	1.4	1.0	0.4	0.1



To manage overall cost budgets, organizations reward top performers disproportionately. On an average, top performers get 1.7 times the pay increment given to average performers.

Performance Multiplier- *Multiplier for each rating is calculated by dividing the salary increment for each category by Meets Expectation category which is considered at to be at 1 or X. Significantly Exceeds Expectation performer will get 1.7 times the increment than average performer*

Performance based differentiation continues to be high in service based industries

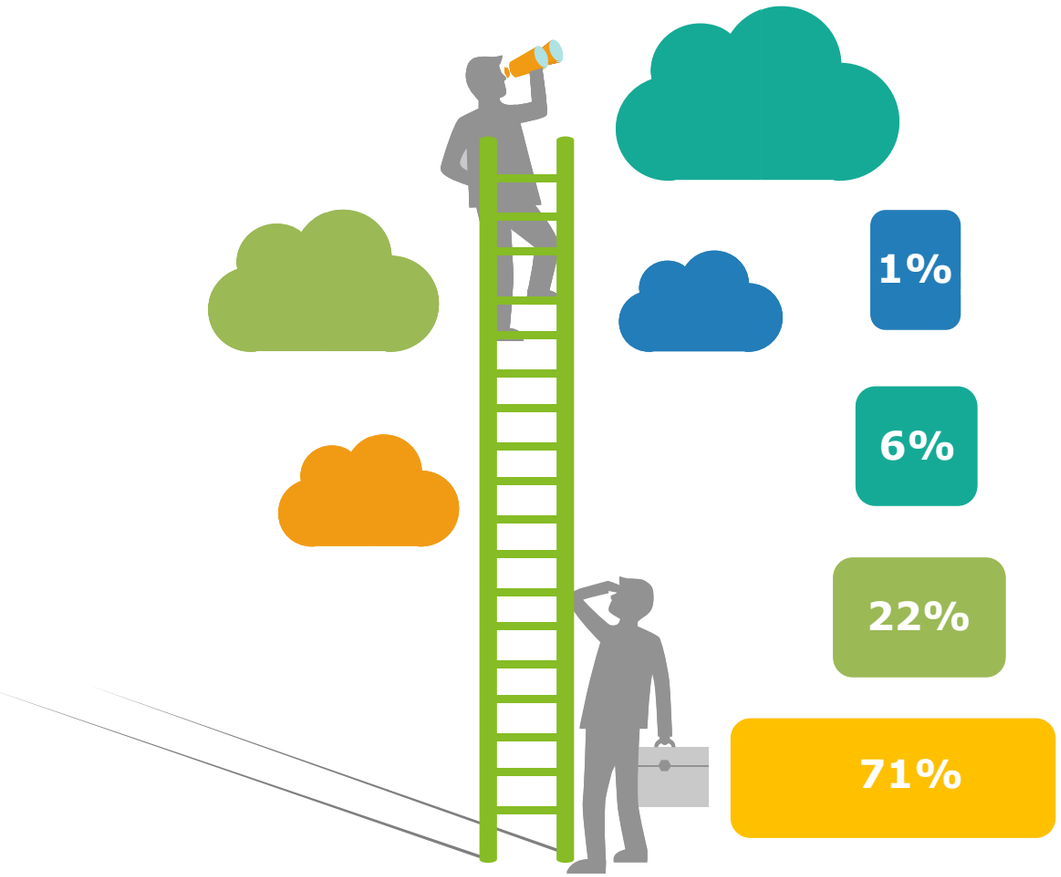


While all industries differentiate increments basis individual performance, service based industries tend to differentiate more than manufacturing based industries. IT Product companies use the highest range or the most aggressive differentiation curve, i.e. they offer the least increment if the employee is not meeting expectations and also the highest increment to top performers across industries.

Performance Multiplier- *Multiplier for each rating is calculated by dividing the salary increment for each category by Meets Expectation category.*
An employee rated "Significantly Exceeds Expectations" will get 1.7 times the increment that the average performer / receives.`

Top Management employees get 2/3rd of the Increment to Middle Management

Organization Pyramid for Overall India



2020 Projected Increment and Differentiation

	Increments	Differentiation*
Top Management	6.8%	0.66
Senior Management	7.2%	0.81
Middle Management	7.6%	1.00
Junior Management and Others	8.0%	1.16

While only 33% of the companies differentiate salary increments by levels of management, Top/senior management employees get two-thirds of the increment given to middle management employees in these companies to optimize cost. We must note that at these levels compensation is structured more through incentive programs.

***Differentiation-** Differentiation for each level is calculated by dividing it by Middle Management Level which is considered at to be at 1.0*

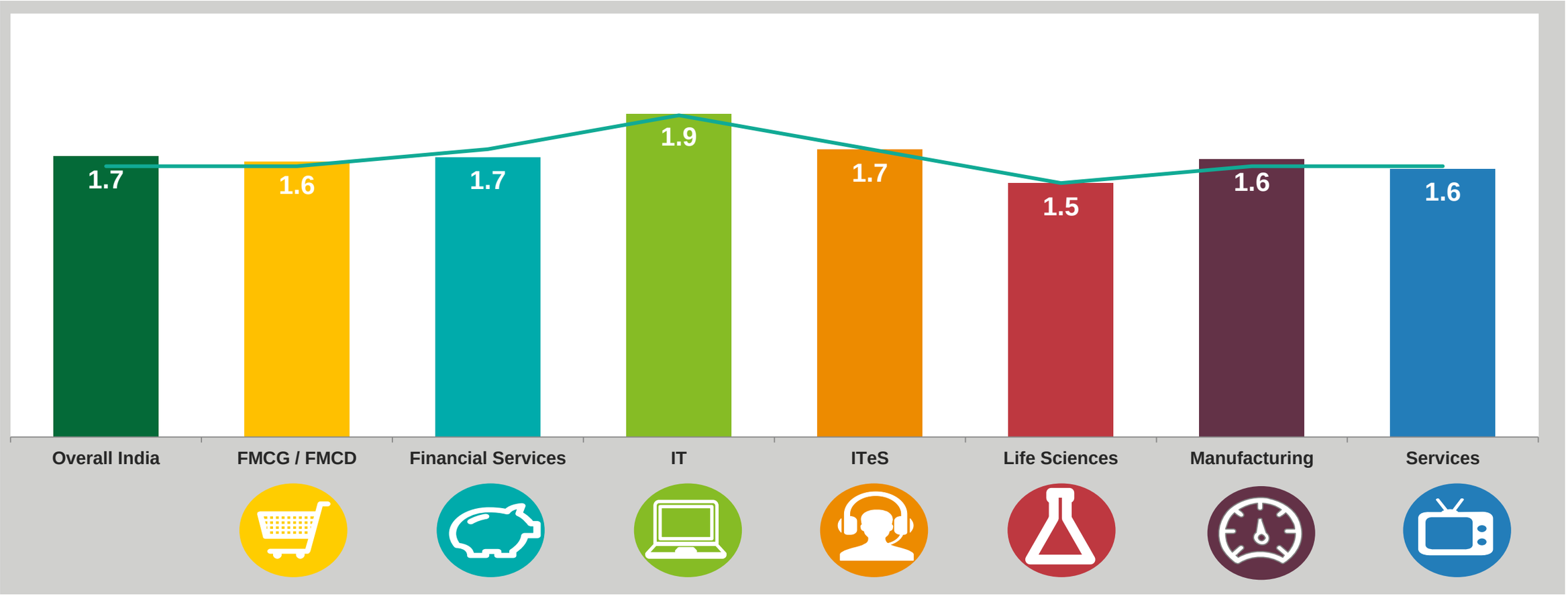
While top/senior management employees get a lower increment, not all firms differentiate increments by management level

Sector	Overall	Top Management	Senior Management	Middle Management	Junior Management and Others	Difference b/w Top & Junior Management)
Overall India	**7.8%**	**6.8%**	**7.2%**	**7.6%**	**8.0%**	**1.2%**
IT	9.2%	8.2%	8.7%	9.0%	9.3%	1.1%
ITeS	8.7%	7.9%	8.1%	8.5%	8.7%	0.8%
Life Sciences	8.4%	6.4%	7.0%	7.9%	8.7%	2.2%
FMCG / FMCD	7.7%	6.9%	7.1%	7.5%	7.8%	0.9%
Manufacturing	7.2%	6.0%	6.4%	7.0%	7.4%	1.4%
Financial Services	7.1%	6.3%	6.7%	6.9%	7.2%	0.9%
Services	7.1%	6.0%	6.2%	6.9%	7.2%	1.3%

Across industries, salary increments by levels of management follow a similar trend. Increments are higher at a mid/junior levels compared to top / senior management. However, not all companies differentiate increments by management level (for those companies we used 1 as the differentiating factor across all management levels).

Organizations adopting forward looking measures such as Potential to determine increments

Increment Differentiation for employees classified as High Potential



Considering performance is a backward looking measure, organizations in India are also using Potential to differentiate increments between employees. Majority of the companies use a combination of performance and potential, rather than using it as standalone metric. IT Industry differentiates increments the most for a high potential employee (1.9 times the increment for an average potential employee)

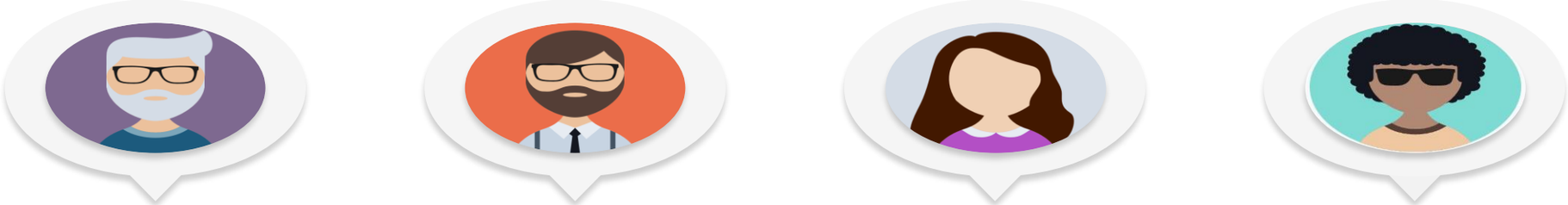
Differentiation- *Differentiation has been calculated by dividing increments for high potential with medium/average potential*

Still a long way to go before we achieve gender balance at the workforce in India

IT/ITeS and service based industries in general continue to lead from a gender balance perspective

Ranking

More than half of the workforce across sectors is a "Millennial"

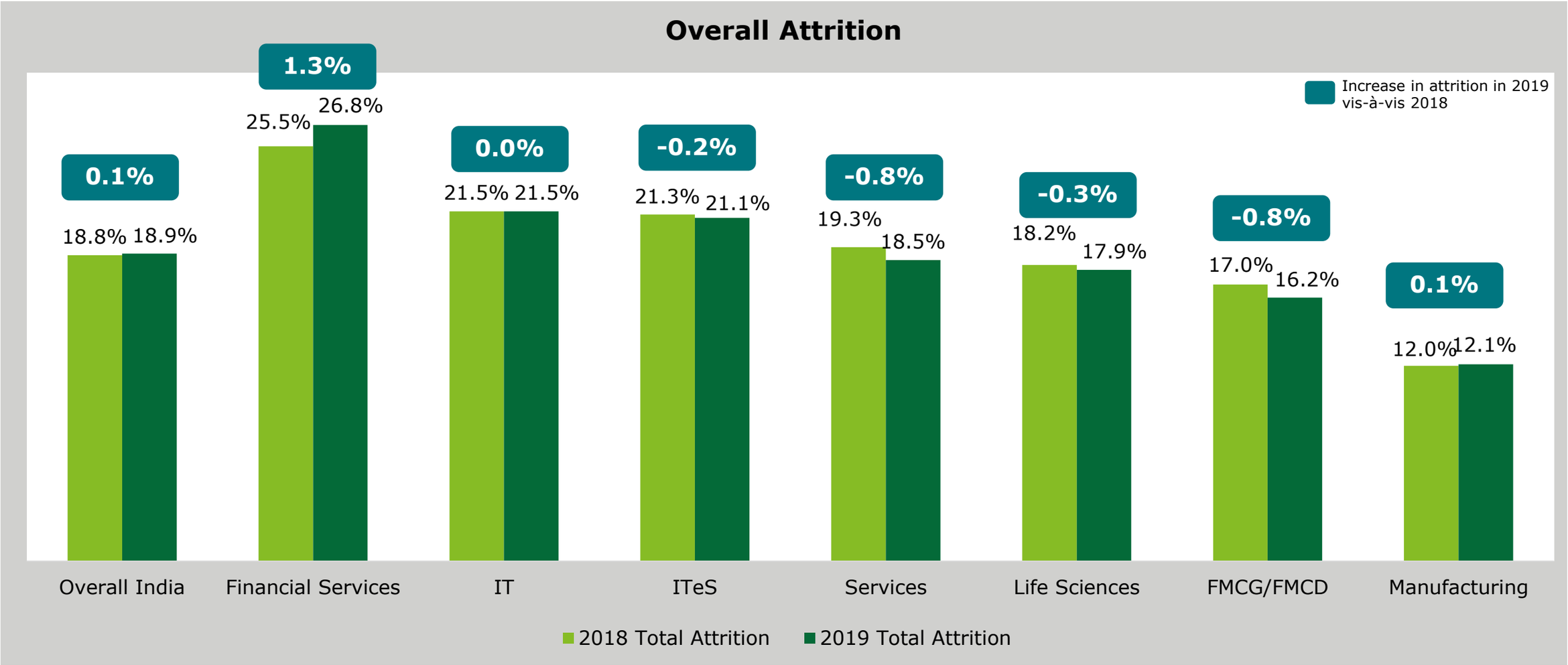


	Baby Boomer	Gen X	Millennials	Gen Z
Overall India	2%	23%	62%	13%
ITeS	1%	8%	70%	21%
IT	1%	16%	66%	17%
Services	4%	24%	56%	16%
Life Sciences	3%	18%	68%	11%
Manufacturing	5%	31%	54%	10%
Financial Services	1%	26%	64%	9%
FMCG/FMCD	4%	28%	63%	5%

Service oriented industries have a higher proportion of younger workforce as compared to the Manufacturing oriented industries.

Baby Boomer : 1944-1964 ; Gen X : 1965-1979 ; Millennials : 1980–1994 : Gen Z : After 1994

Total Attrition goes up with involuntary attrition forming 18% of the total attrition



Across Industries attrition has gone down but Financial Services and Manufacturing industries have seen an upward trend in attrition leading to an increase in overall attrition from last year

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Thank You