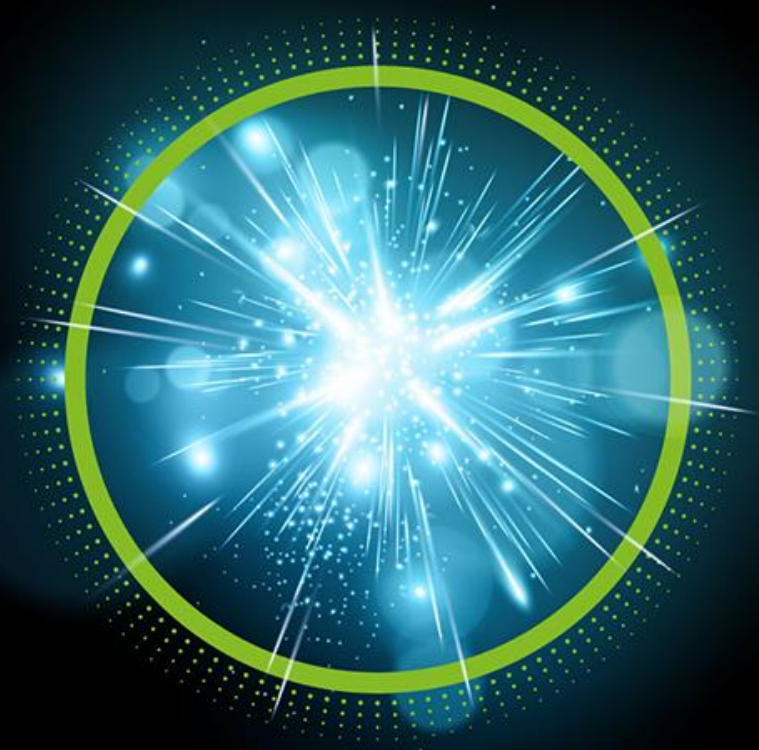


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Rewards

November 2023

Current Environment for Rewards

How are current economic and workforce trends influencing the world of Total Rewards?

Uncertainty remains for the Global Economy and labor

Broader global economic trends and behavioral shifts in the labor market are forcing organisations to consider how to utilise rewards to adapt to increasing change and disruption

Future of Globalisation

Globalisation was based on accurate predictions of supply and demand

Disruptions have damaged the ability to manage global supply chains (this includes trade wars, pandemic, Russia - Ukraine war and Israel – Hamas war)

Real wages are declining as a result of an ongoing cost of living crisis. Changing worker expectations and concerns about the quality of work are becoming more prominent issues globally

Global companies may look to:

- Reduce reliance on certain markets due to perceived risk
- Diversify supply chains and boost redundancy and resilience
- Focus less on low cost and high speed

Other factors...

Role of ESG and how a total rewards strategy can support societal impact and environment sustainability

Hiring in large numbers followed by layoffs

Recent headlines



World Economic Outlook shows economies facing high uncertainty^[1]

Economic forecasts reveal weaker growth amid an uncertain outlook with high downside risks



The largest job creation and destruction effects come from environmental, technology and economic trends.^[2]

The three key drivers of expected net job destruction are slower economic growth, supply shortages and the rising cost of inputs, and the rising cost of living for consumers.



Talent retention challenges remain ^[3]

Retaining talent remains a top operational priority from 2022 to 2023 (52% and 51% respectively) while attracting talent has decreased in importance, dropping from 40% in 2022 to 34% in 2023.

[1] International Monetary Fund, "World Economic Outlook shows economies facing high uncertainty," April 19, 2023

[2] "Future of Jobs Report 2023" WTW 30 April 2023

[3] "2023 Workforce Trends report" - Gallagher

Workforce expectations also continue to evolve

From remote work to broader expectations from employers, evolving workforce needs will require new and differentiated rewards approaches

Three top expectations ^[4]

	Global	Asia Pacific	Europe	North America
Flexible work arrangements	36%	34%	42%	22%
Focus on inclusion and diversity	33%	31%	32%	42%
Health and Well ness	22%	17%	20%	43%

Recognition is Critical to Employee Satisfaction and Engagement ^[5]

- A lack of recognition is the #1 reason most professionals leave their jobs
- Organizations with formal recognition programs had 31% lower voluntary turnover than those without
- Organizations with sophisticated recognition programs are 12x more likely to have strong business outcomes
- 52.5% of professionals want more recognition from their immediate manager
- 41% of professionals want more recognition from their immediate coworkers

Recent headlines



How will Gen Z change the workplace?^[6]

Employers have made progress on work/life balance, workplace flexibility, DEI, social impact, and environmental sustainability in recent years. Gen Z and millennial employees may be less comfortable pushing for change if they are worried about job security. But employers whose actions show that they're committed to these issues will likely be better positioned to attract and retain talent now and in the future.



Employee preferences and aligning total rewards with evolving employee needs ^[7]

Success of tech companies hinges on understanding employee preferences, redesigning jobs and career frameworks, creating an environment where employees thrive and aligning total rewards with evolving employee needs.



Supporting employee well-being ^[8]

Thriving employees are seven times more likely to work for a company that prioritizes employee well-being

[4] "2023 BENEFITS TRENDS SURVEY" WTW, JUNE 21, 2023

[5] Natalie Wickham, "The Importance of Employee Recognition: Statistics and Research," Quantum Workplace, July 06, 2023

[6] "Deloitte Global 2023 Gen Z and Millennial survey"

[7] "Tech companies must adapt quickly to deal with new workforce risks" WTW, October 26, 2023

[8] Deloitte - "2023 Human Capital Trends Report: New Fundamentals for a Boundaryless World – Navigating the End of Jobs," January 9, 2023

Compliance and regulatory requirement

Legal frameworks and regulations greatly influence an organization's ability to design and implement effective total rewards packages

Tax and Social security

- Implications / reporting obligations for employees
- Withholding and reporting obligations for employers

Mobile employees

- Increased audit focus on income allocation and reporting
- Retirement benefits
- Stock rewards

Recent headlines



Secondment of employees between group entities constitutes taxable service for indirect taxes

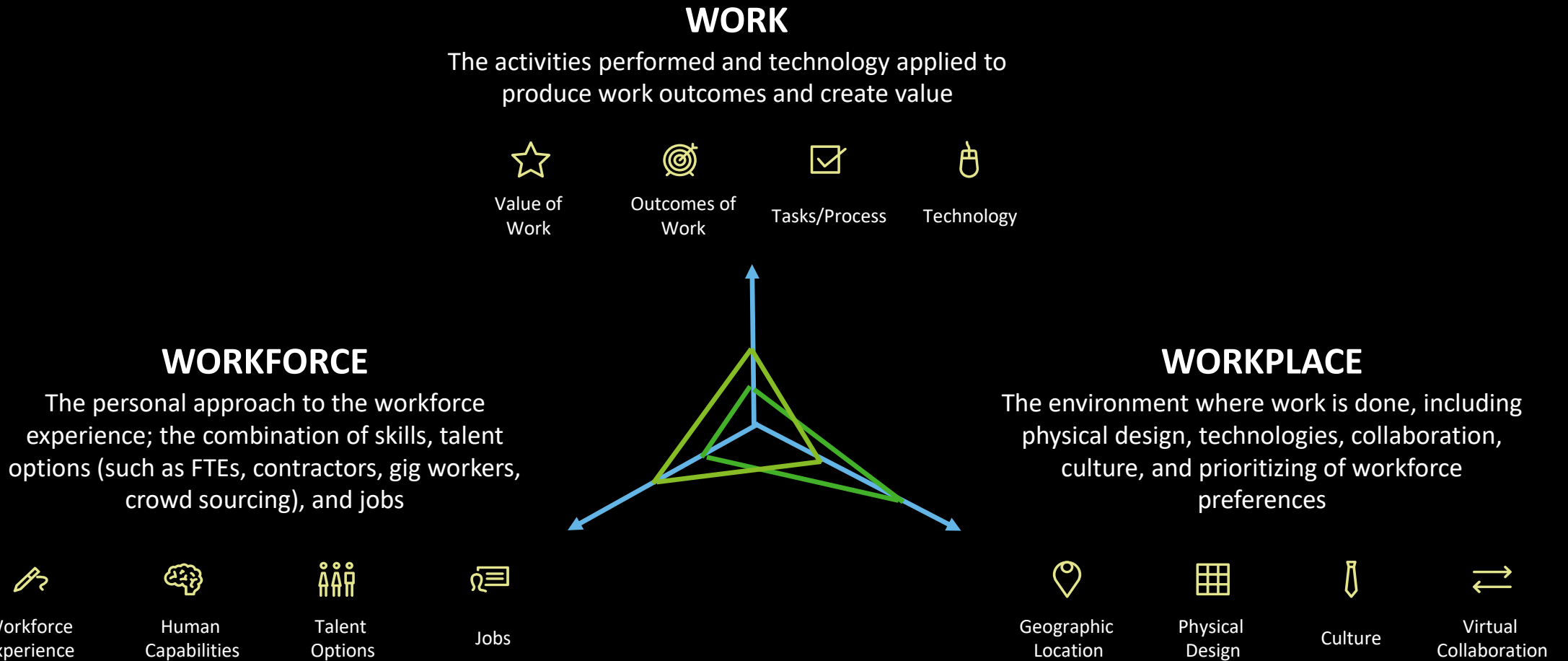
The SC held that foreign entities, seconding its employees to its Indian entity, provided manpower supply services or a taxable service.

Looking Ahead – The future of rewards

How can employers reimagine their rewards programs to support their workforce more holistically and while achieving desired business outcomes?

Workforce evolution: pre to post pandemic

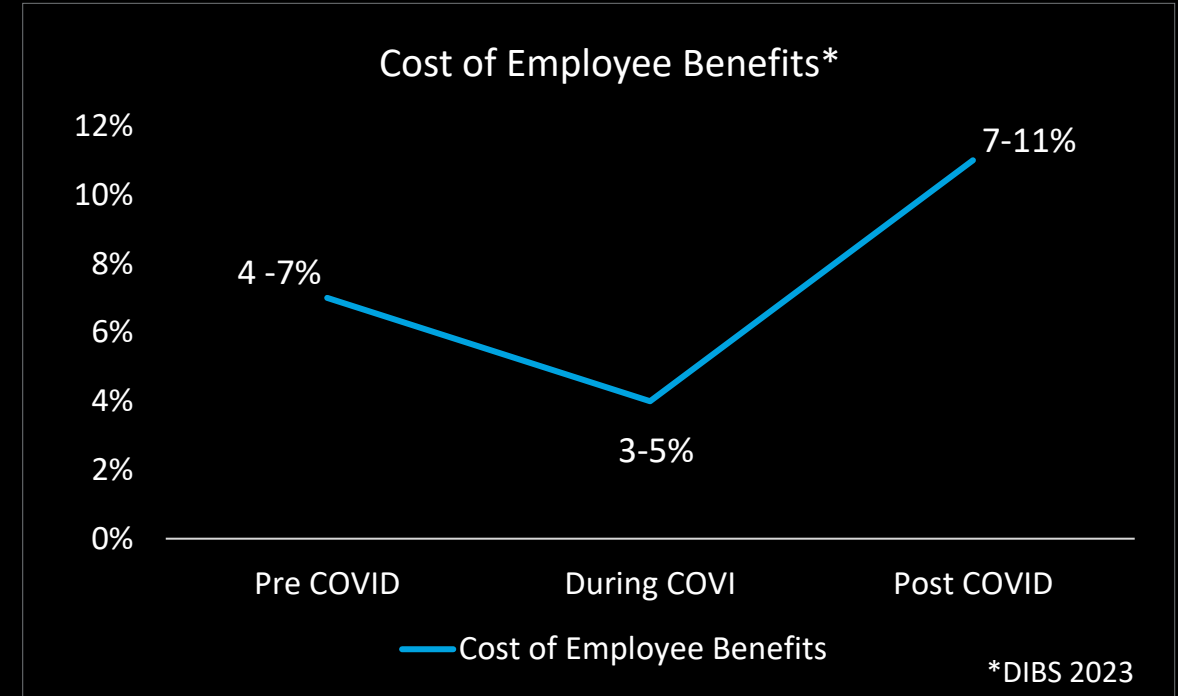
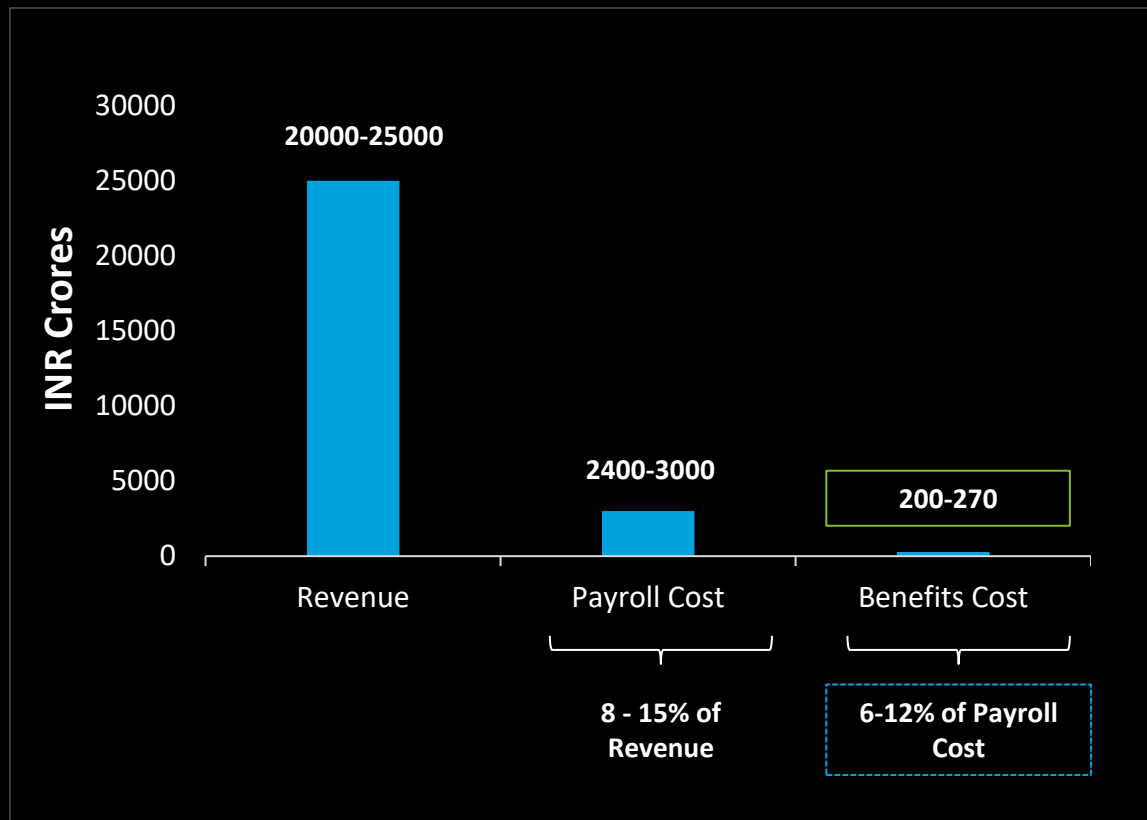
The impact of the pandemic has been profound on business operations, leading us to rethink how we approach work, the environment where work is done, and how we recognize the workforce that gets work done.



Cost of employee benefits

We have analyzed **Nifty 50** organizations to understand their **benefits costs as a % of payroll cost**.

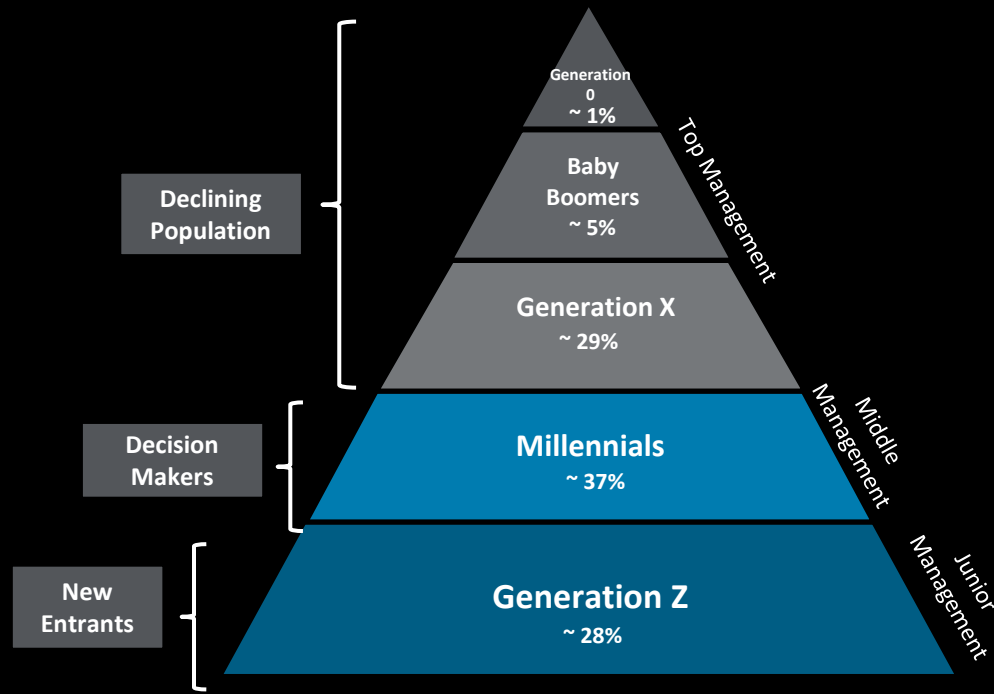
The graph below represents the same:



Benefit costs have seen an upward trajectory primarily due to the introduction of modernized benefits tailored to appeal to the preferences of the **emerging Gen Z and Millennial workforce**.

Intergenerational analysis

Changing Employee Preferences



As the Baby Boomer and Generation X demographics in the workforce decrease, there has been a **growing emphasis on modern workplace benefits and incentives**

What do our employee generations prefer?

Gen X: The Independent Generation

Autonomy, Life Insurance, Health Care Coverage, Competitive Compensation, Financial Planning Assistance

Millennials: The Innovative, Socially Responsible Generation

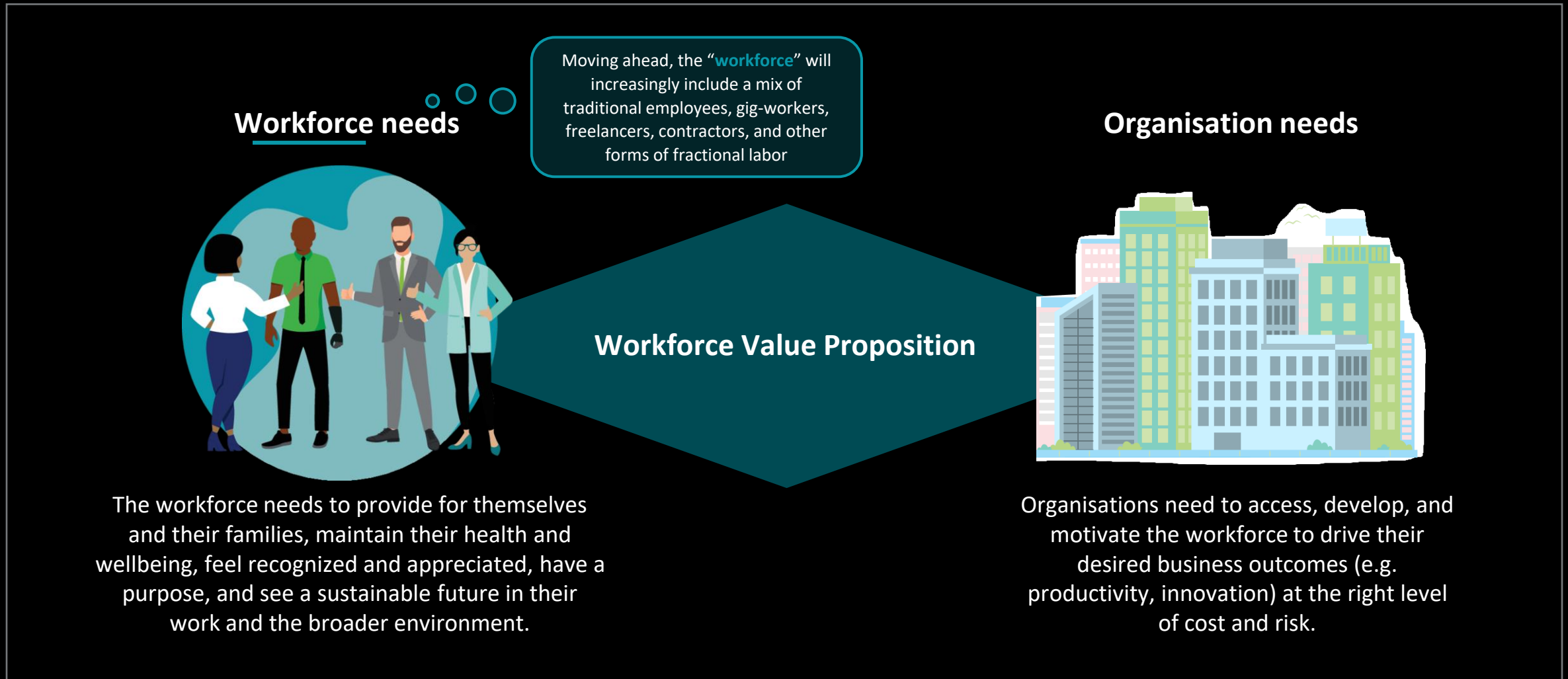
Innovation, Collaboration, Career Development Opportunities, Job Security

Gen Z: Self Reliant, Entrepreneurial Generation, Self Awareness

Diversity, Inclusivity, Social Responsibility, Work-life Balance, Gender-Neutral Benefits, Flexible Work Arrangements, Recognition-Rich Culture

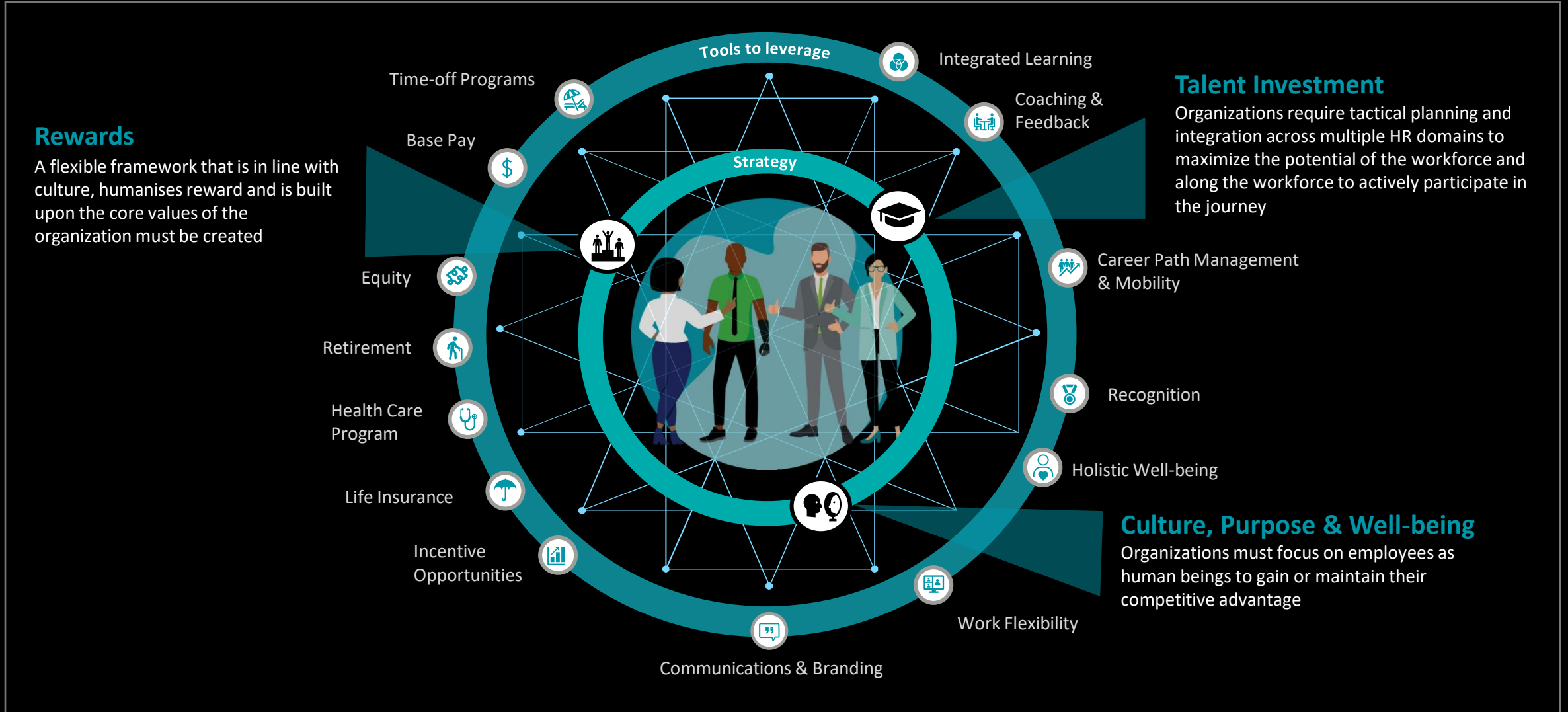
Bridging the gap through the Workforce Value Proposition

In this new world, as the workforce has increasing influence and power, the connection between the workforce and organisations requires a re-evaluation. The Workforce Value Proposition (“WVP”) should be the connective tissue that links workforce needs with organisational needs.



Evolution from Rewards to Workforce Value Proposition

The future reward experience is a holistic, workforce centric experience embedded in all aspects of work, the workforce and the workplace that can be designed to meet both individual and organizational needs.



New ways to reward employees

Shift from Cash to Experiential Awards

Traditional monetary incentives are giving way to experiential rewards, reflecting a growing emphasis on meaningful and memorable experiences as motivators in today's workforce and consumer landscape.



OFFERING VALUABLE ASSETS: A Retention Measure

Organizations have started investing in valuable work-related assets which not only enhance the employee working experience but also work as an excellent retention strategy as these assets come with a clawback period. Furthermore, such experiences make employees feel valued and foster a sense of loyalty.

Examples

Apple Iphone, High-End Headphones, Tabs, Custom Bags (with Name Tags), High-End Credit Cards, Premium Watches

A WIN-WIN!



Despite this, leaders and employees are still grappling with gaining visibility of skills



Percentage respondents whose leadership has a view of the skill capital

Percentage respondents whose employees have a view of skills they need to develop

- **81 percent** respondents reported that their **leadership has partial or no view of the skill capital** in their organisation, without which taking cognizant decisions regarding hiring, training, internal movement etc. become increasing challenging.
- A paltry **19 percent** confirmed that their employees have **visibility of skills beyond their current role**.
- There is an emerging need for visualisation tools, like skills dashboards in order to stay updated on the skill visibility across the organisation.

Considerations for the Future of Rewards

Looking ahead, there are several trends and uncertainties around the future of rewards that should be considered by a modern Total Rewards Leader



Factors influencing change in rewards

- Changing landscape
- Workforce expectation
- Compliance and regulatory aspects



Key Focus Areas

- Total Rewards - Diversity, Inclusivity, Social Responsibility, Work-life Balance, Gender-Neutral Benefits, Flexible Work Arrangements, Recognition-Rich Culture



The Future “Workforce”

- Composition of the “workforce” (e.g., mix of traditional employees, gig-workers, freelancers, contractors, other forms of fractional labor)
- Rewards to meet the needs of this expanded workforce



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