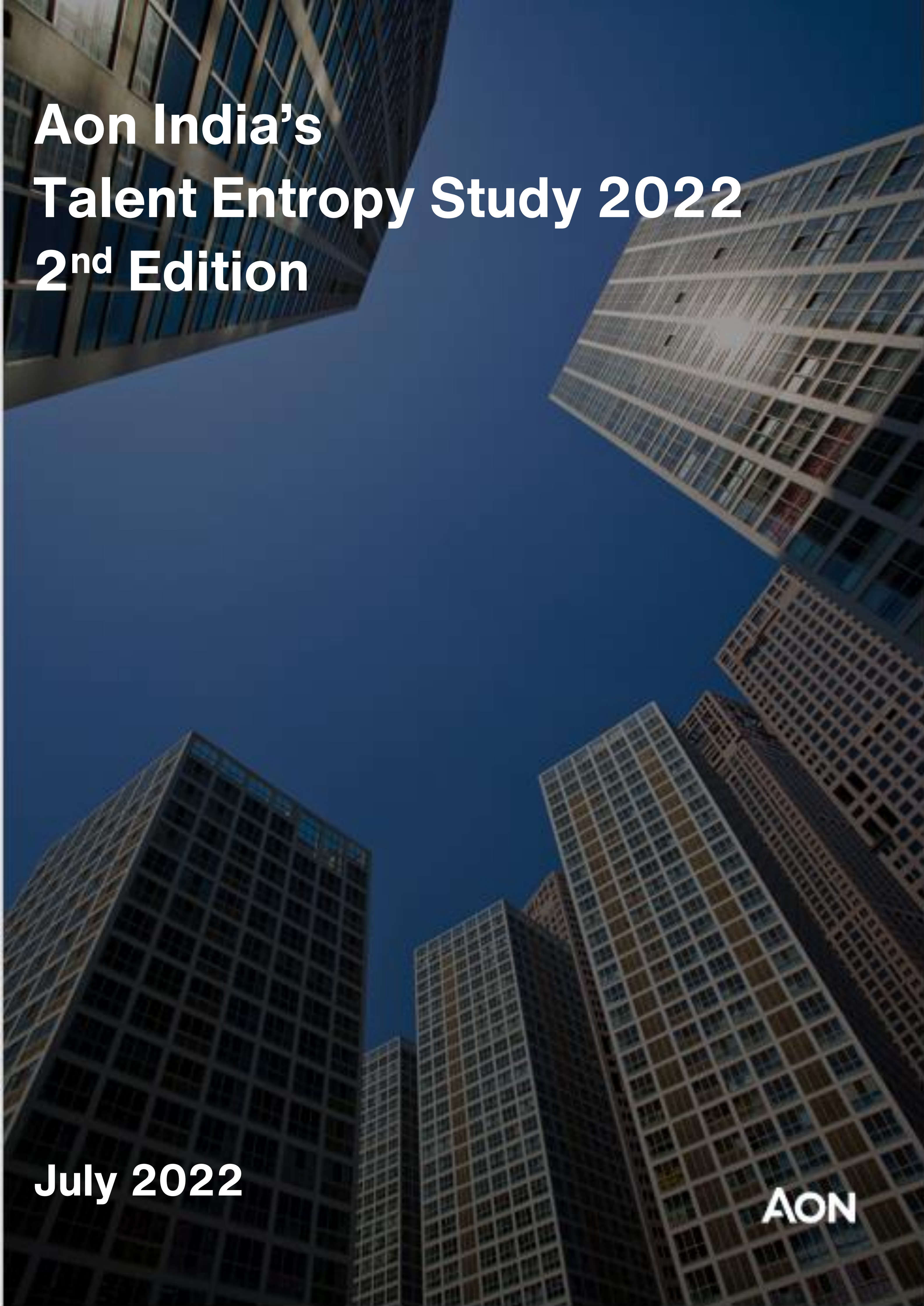

Aon India's Talent Entropy Study 2022 2nd Edition

July 2022

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About The Survey

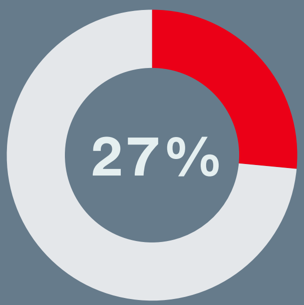
The report presents the results of the second edition of Aon India's 2nd Talent Entropy study. This is one of the most awaited and widely quoted piece of research across rewards and performance trends in India, as well as globally. The survey focusses on trends in talent management for 2022. With participation from over 300+ organizations representing industries that incudes sectors such as Hi-Tech/Information Technology, E-Commerce, Professional Services, Financial Intuitions, FMCG/FMCD,etc. the study provides a comprehensive view of current and emerging attrition, talent acquisition and skill premiums across the spectrum of industries.

The report covers submissions received during April and May, and the results compare talent management practices across the last 24 months as organisations respond to unique challenges posed by the ongoing "War for Talent". The themes explored include attrition trends, offer accept/reject trends, skill premiums/discounts among others across sectors. A few considerations to keep in mind while decoding the results

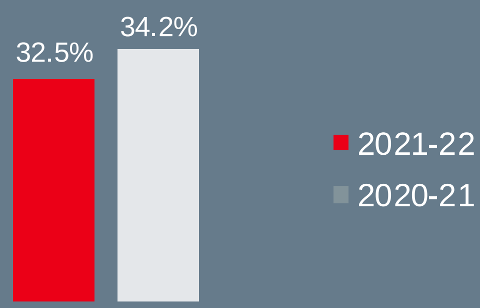
- All numbers that have been reported are including 0s.
- Number of Respondents (Ns) across each question in the survey are varying and hence the average across employee groups may not be equal to the overall analysis
- Data has not been represented across those questions wherein the number of respondents are less than 5
- Percentages will total more than 100% across certain analysis due to multiple responses shared by participants
- Attrition numbers have been annualised for the calendar year 2022-23.

Key Themes

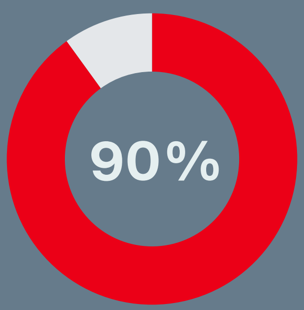
Amidst global uncertainty there is cautious optimism in the Indian IT/ITeS segment on the back of strong fundamentals



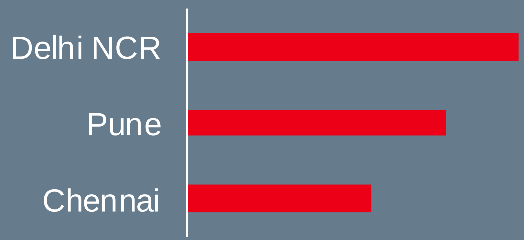
27% average attrition for niche skills confirms that war for Digital talent continues



A lower year-on-year Offer Decline Ratio indicates organizations are hiring better



90% of the sectors prefer cash-based retention bonuses & out of cycle corrections



These cities are leading the race to help with tech talent decompression

Highest Demand-Supply Imbalance occurs in the following skills:

- Cloud Development
- Full stack Development
- Cloud Architecture
- Data Analytics

EVP/Culture

Reassess Rewards Strategy

Re-look at Benefits Portfolio

Firms prioritise EVP and a revamped total rewards strategy in 2022

Foreword

A lot of what we see today seemed unthinkable a few years back. We see chaos all around us from political tensions, to economic uncertainties to profoundly impacted personal lives. Such scenarios demand individuals to show resilience in the face of challenges, empathy to understand and collaborate with others and finally the agility to adapt to a fast changing world.

As we release the second edition of the talent entropy survey, we focus on broader trends impacting corporate India from high attrition, scramble for digital talent while planning for a long term sustainability. There are headwinds that threaten to derail the COVID-19 recovery but also realisation that the path to safety for a firm depends on their ability to be agile and pivot at the right time using Digital technologies as a catalyst. History show that some of the most important disruptions such as the birth of Apple and Microsoft have followed immediate slow downs. Hence, it is important for firms to be able to re-innovate and disrupt their own business models to secure their future and start the next cycle of innovation. This survey helps clients looking for answers around how to build talent that ensures a sustainable future.

Nitin Sethi
CEO, India & South Asia, Aon

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Survey Team

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While India Inc, is coming out strongly after multiple waves of Covid, peaking attrition has been a persistent challenge which organizations are facing.

Would the talent availability derail ambitious growth plans which firms have set for themselves? Or would the dust settle and we're heading towards normalcy?

Global Economic Uncertainty and Implications for India

The Million-dollar Question On Everyone's Mind – Are We Entering A Recession?

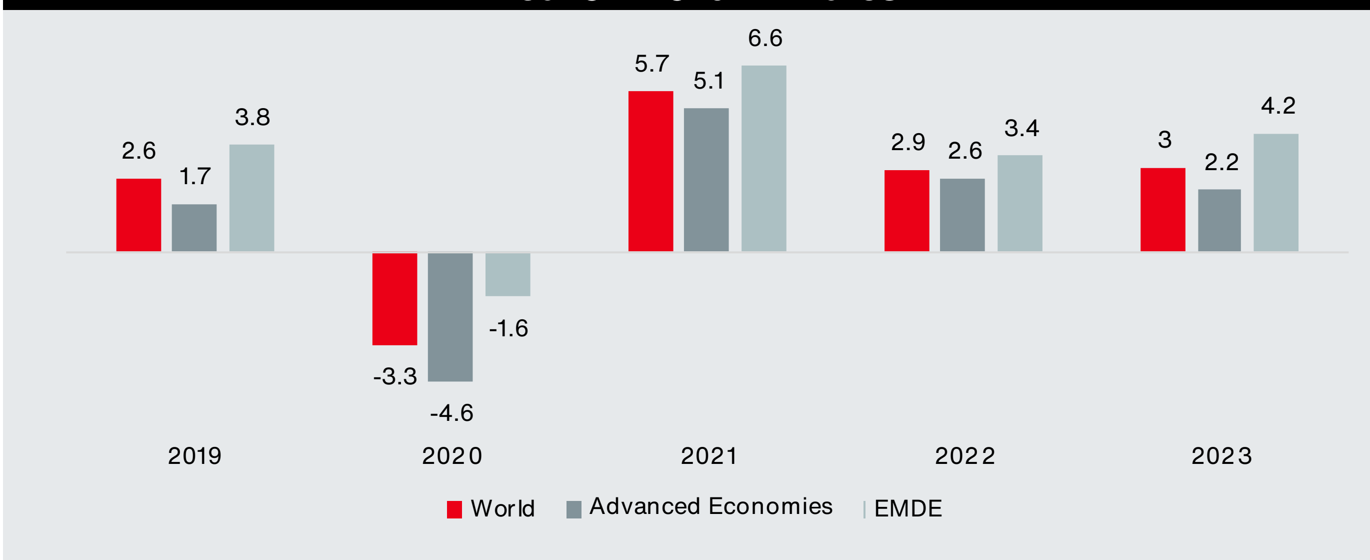
While there is economic uncertainty globally fueling concerns, the Indian IT/ITeS industry may not have an immediate cause for worry based on a strong demand pipeline and the BPO/KPO arbitrage model

A situation wherein we were dealing with a prolonged pandemic and high inflationary pressure has been made even more challenging with the political happenings in Eastern Europe. An increase in prices of commodities where supply has become constraint and the impact of relaxed monetary polices of governments has meant that inflation is at record highs. Another fallout of the frequent supply chain disruptions has been a dramatic drop in global export numbers.

A sectorial outlook though gives some confidence back to the industry. The commentary from technology product and services firms has spoken about growth and strong demand pipelines well into 2023. Financial services have used 2020 and 2021 to clean up books and get rid of NPAs while managing to meet analyst expectations on results.

FMCG/FMCD and manufacturing sectors have made massive investments in scaling digital capabilities. In the short term there are some challenges with high input costs expected to hit margins. In the long run the benefits of transformation and automation are expected to help ease margin pressures and increase growth.

Real GDP Growth Rates



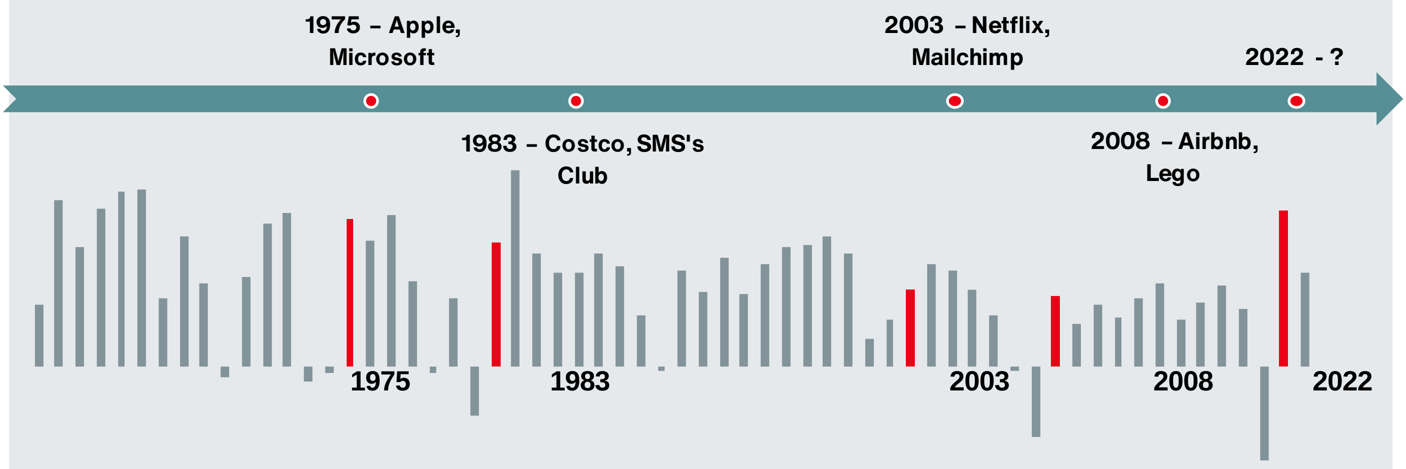
There is good news in "Retail" with numbers proving "Revenge Buying" is a real phenomenon especially on Digital channels. The sector is expected to grow at 5.2% year on year especially with the knock-on effect of ecommerce and luxury spending in segments such as furniture, appliances etc..

Almost six months into 2022, a sense of optimism has returned to the tourism sector, as travel demand finally shows signs of a significant uptick. International tourism increased by 182 percent in the three months of 2022 compared to the previous year. While that's still 60 percent below 2019 levels, the uptick in international arrivals gathered pace in March, pointing towards a strong second quarter leading into the summer holiday season.

In summary while there are continued supply side disturbances, inflation driven by highly accommodative monetary policies and the threat of inflation is real. The fact remains that 2022 is unlike any other in 2008 or 1970s where there was a collapse in the fundamental part of the economy.

The dollar remains strong a sharp contrast to the weakness that preceded the 1971 crisis, the balance sheet of financial services are also strong unlike 2022 and finally central banks of all major economies are playing a proactive role in controlling inflation gives optimism that we could ride out this phase.

In fact, this tough period could give a major impetus to further innovation and disruption. Historically every recessionary situation has fueled the next cycle of innovation. The 71-75 crisis gave birth to Apple, Microsoft, 2003 saw the rise of Netflix, 2008 saw Airbnb and so on. So as organizations reorganize and reassess business models to tackle current economic uncertainties, we might just witness the start of prolonged bull run a couple of quarters hence.



Every downturn has created the next wave of disruptive global brands, hence it is important for firms to also use this opportunity to improvise business models and processes apart from protection of existing business.

As firms globally look for solutions on protecting margin and growth, these will be interesting times for India. The Indian IT/ITeS sector is highly dependent on global cues as firms look to increase outsourcing and automation. On cue the Indian Technology market is expected to increase 16% year-on-year hitting $227 billion in 2022, largely on the back of 17% increase in exports.

Further with sectors such as manufacturing, life sciences, oil and gas yet to fully unlock the potential of digital transformation means that this sector will continue to be on a high growth trajectory.

Even on the GIC front we see strong projections of growth as India is uniquely positioned against competing countries as it offers cost attractiveness and ability to scale that no other geography can match. The sector expects another 200+ GICs to be set-up in India in the next couple of years with revenue numbers touching $80 billion in the next couple of years.
Software industry dominates in terms of number of GICs in the country, while BFSI GICs employ the highest number of employees along with Software GICs despite only comprising of 7% of the total GICs in the country

Finally, despite hiccups the early-stage segment has seen continued activity. With the addition of 17 new Unicorns taking the total number of unicorns to 103. In addition, there are more than 50+ Soonicorns that are poised to take the overall number of unicorns above 150 in the next 18-24 months.

Trends supporting Indian IT/ITeS sector

Global Talent Pool Transformation

57% of employees indicate strong interest in remote global opportunities

Global Supply Chain Replanning

$3-5 Tn potential trade opportunity flowing out of China by 2030

Global Big Tech Regulation

>$1 Bn in fines levied by several countries in 2021

Digital Transformation Push

$2+ Tn spend on IT Services/Products globally

Ecommerce explosion

$13 Tn global market growing 20% CAGR

GICs are undergoing a paradigm shift in operating model – from siloed, process oriented, cost arbitrage and delivery focused model to digital, outcome oriented, value adding and strategic partner model

In Summary

As we canvass opinions across our client base, the broad sentiment is one of cautious optimism. While most clients say that there are no immediate concerns with strong demand pipeline at the same time if the current scenario turns into a prolonged slow down then it could increase recessionary fears.

The other major theme is how both the ability to protect margins and addition to top line through platform journeys or verticalization will be dependent on the success of individual digital transformation journeys.

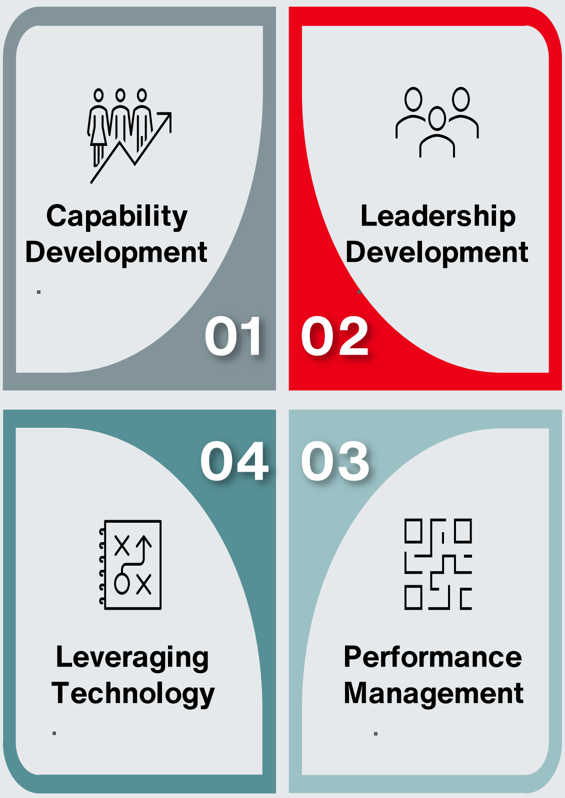
This focus on digital capabilities will mean that the talent market for such niche skillsets will continue to be difficult well into the next 12-24 months. Total demand for digital talent is expected to grow at ~30% CAGR to reach 2.3Mn by 2023. Currently there is 25-30% of unmet demand for digital talent.

This talent shortage has let to a war for this talent pool resulting in high attrition, difficulties in hiring and increase in talent costs. In such an environment short term rewards specific interventions alone may not be enough to retain and hire digital talent and organizations will have to focus on creating the right eco-system to be able build this digitally native talent pool.

Building an eco-system for the Digitally Native talent pool

- **Building a specialized knowledge pool**, skilling and reskilling employees
- **Providing continuous learning opportunities** through L&D initiatives
- **Sharing global working styles** like usage of Agile ways of working

- **Enhancing leadership** by grooming potential employees
- **Building an innovation mindset** to provide value to business
- **Succession planning** to ensure a strong leadership pipeline



- **Leveraging cloud solutions** to enhance employee experience
- **Incorporating leading technology** for talent acquisition
- **Robust HRIS systems** to ensure seamless employee experience

- Moving towards an **agile Performance Management System**
- **Incorporating real time feedback** and frequent conversations
- **Building robust career paths** in line with global career trajectories

Attrition Trends 2022- No Slowdown for Digital Skills

Has The Global Uncertainty Started Reflecting In Slow Down In Demand And Lower Attrition ?

The war for Niche/Digital skills rages on with firms still dealing with record high attrition and having to aggressively spend to buy talent

The last 18 months have been unprecedented for firms across the globe especially when considering talent management. We have seen firms struggle with "The Great Resignation" that has disrupted talent supply chain across the board. Employees have left existing jobs in droves moving to new firms, sectors or completely different domains.

A similar story has played out in India as well and at 21% overall attrition number we have witnessed a new record high being created. The only difference in India has been that the attrition has been less secular and has largely been driven by demand for Digital talent in IT/ITeS, Ecommerce, Retail and the start-up segments.

Even today 6 months into 2022 amidst a challenging global scenario the demand for this talent hasn't let up and that is reflecting in the attrition numbers for 2022 which have to the contrary gone up slightly for the Digital talent as compared to 2021 across sectors.

Reasons for high attrition

- **High demand for digital talent with supply shortages**
- **A weakened employee-employer bond and system fatigue**
- **Convergence at play with non-traditional also going Digital**
- **An E-Commerce and Start-Up sector boom**
- **Job change for salary corrections and better work-life balance**

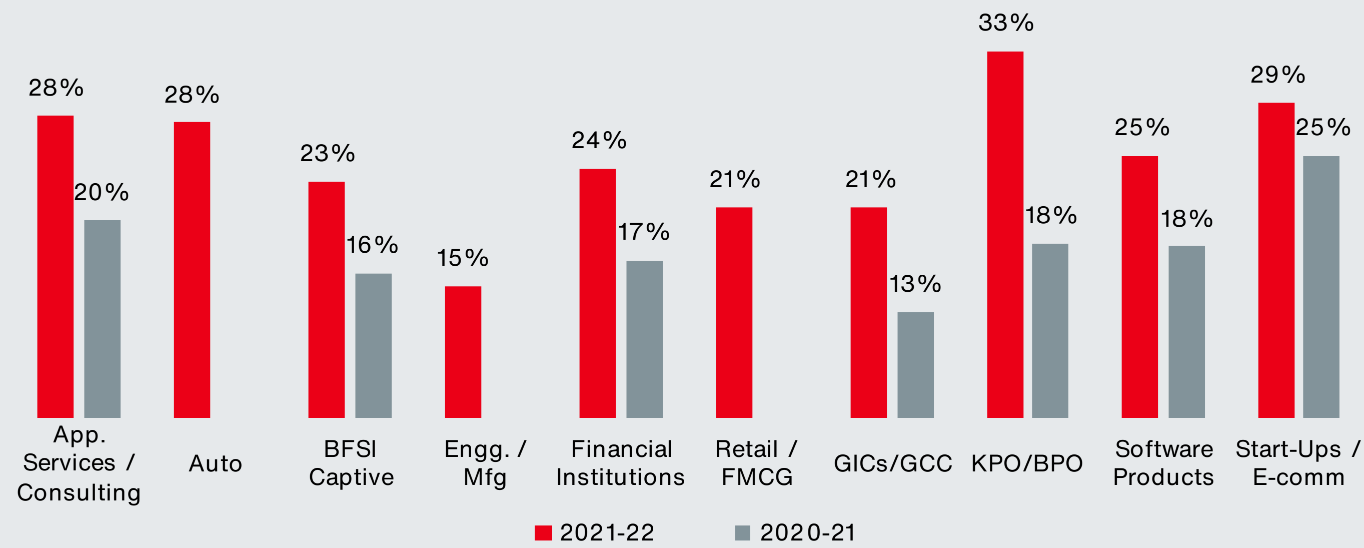
We continue to see high attrition numbers in 2021 for Digital Talent and there hasn't been any slow down in demand for this critical group.

There are a few trends that jump out as we double click the data-

- The KPO/BPO segment has seen the highest attrition in the digital skillset as they struggle to provide the breadth and variety of work available in a start-up/ecommerce set-up
- E-commerce apart from being a high churn industry due to the pace of work and focus on productivity has also seen an uptick an attrition owing to layoffs and employees moving to more established brands given the current concerns around funding for the sector in some quarters
- We also see very high attrition in non-native organizations such as Auto and FI given the lack of a supporting eco-system for this talent to thrive in.
- Traditional sectors that house majority of the Digital talent like App Services, Products continue to be preferred hunting ground for GCCs and eCommerce/Start-ups during this number higher for them

Based on the below it is safe to assume that the demand for Digital continues to be strong and is relatively untouched by fears of a slowdown.

Attrition Trends for Niche/Digital Skills



It is safe to assume that the demand for digital talent continues to be strong and is relatively untouched by fears of a slowdown.

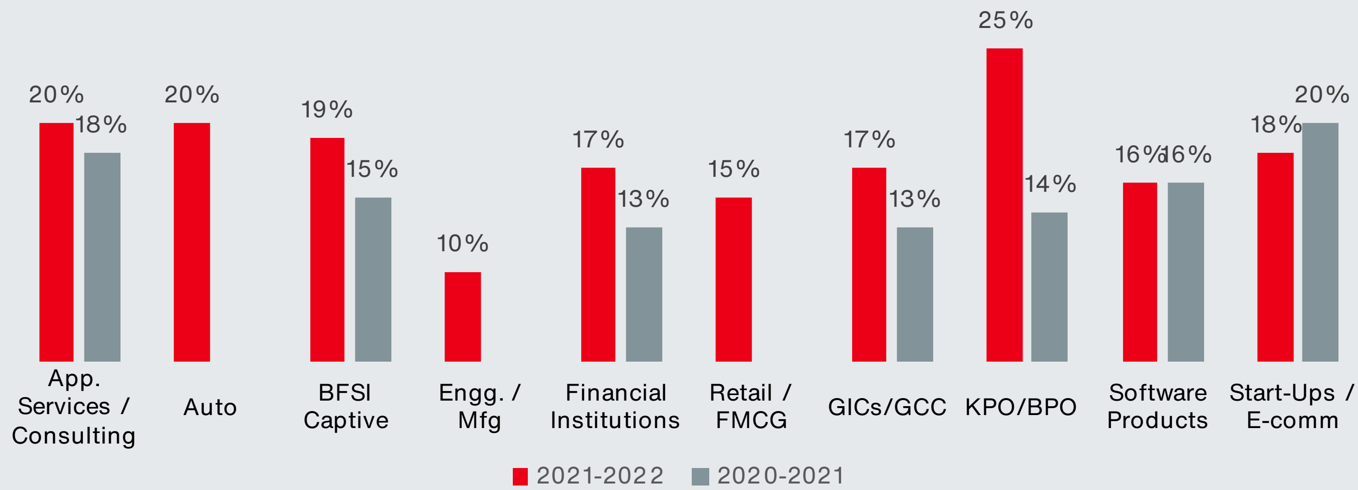
The story on Non-Niche talent is relatively different

- The KPO/BPO segment continues to lead the industry in attrition for non-niche talent especially as the Big 4 firms rapidly scale their Tax, Audit an Assurance practices.
- We see a decline in attrition in ecommerce and start-up sector as aggressive compensation and lower demand levels make it difficult for non-technology talent to move outside of existing set-ups.
- Application Services and Auto sector have also seen higher attrition in their sales teams on account of a resurgent demand scenario
- In all other remaining segments, we see attrition closer home to the traditional industry average numbers pre-pandemic.

An analysis of the attrition trends in Non-Niche skills reflects how unlike globally "The Great Resignation" is much more secular in nature in India. Hence, this phenomena can also be looked at as the "Great Technology Migration".

There is a stark contrast in talent demand and opportunities that exist for the technology & non-technology talent groups.

Attrition Trends for Non-Niche Skills



An analysis of the attrition trends in Non-Niche skills reflects how in India. "The Great Resignation" can also be looked at as the "Great Technology Migration".

As firms across the board struggle to control the outflow of talent, the focus in 2022 has shifted from reskilling and alternate working models to a rewards heavy approach.

Out of cycle increments and corrections continue to be the most preferred approach, retention bonus & deferred cash payouts have replaced other options like reskilling, better learning opportunities etc., as the second most used retention tool. Reskilling and accelerated growth opportunities have emerged as the 3rd and 4th most used retention options across sectors

Some interesting trends also emerge from a sectorial cut of the data- Increased equity participation is only being used as a tool in the software products and start-ups sector. Reskilling/up-skilling is of particular importance for digitally non-native sectors like Auto and GICs whereas start-ups are looking at it as the least preferred option given much shorter business cycle and pace.

One trend being reflected across all sectors is that out of cycle corrections are the most preferred retention measure for niche skills, closely followed by retention bonuses. However, Gig working model as an option and out of cycle promotions have emerged as the least preferred options across the board.

Clearly the approach from the industry in the short term is to throw money at the problem and it remains to be seen what impact this has in the long term.

Retention measures' preference order for Niche Skills

	App. Services / Consulting	Auto	BFSI Captive	Engg. / Mfg	Financial Institutions	Retail / FMCG	GICs/GCC	KPO/BPO	Software Products	Start-Ups / E-comm
Gig Working Model Adoption	7 2	5	7 6	7	6 7	7 2	6 8	5 6	8 7	8
Re-skilling / Up-skilling	4 2	3	5 2	4	4 2	5 2	3 3	4 2	5 5	8
Out of cycle increments/Corrections	1 2	1	1 1	1	1 3	1 2	1 1	1 1	1 1	1
Retention bonus (Deferred Cash)	2 5	1	2 5	2	2 5	2 5	2 1	3 2	2 2	3
Spot bonus (One time pay-outs)	5 5	7	6 8	6	8 8	7 5	7 7	7 6	6 8	7
Increase long term incentives / Equity	7 5	8	8 7	8	6 3	6 5	8 6	8 6	7 3	3
Accelerated growth opportunities	2 1	4	3 4	3	5 1	2 1	4 4	2 2	3 3	2
Out of Cycle Promotion	6 5	5	3 3	5	3 6	2 5	4 5	5 2	4 6	5

Rank in 2021-2022 (red) Rank in 2020-2021 (grey)

*Similar ranks show equal number of responses

Although we see firms take a more aggressive approach for digital talent in 2022, with the exception of out of cycle increments, a more traditional approach is taken for non-niche talent.

Reskilling & upskilling talent, accelerated growth opportunities still remain the top measures to counter attrition in some industries. Out of cycle increments and corrections continue to be prominent across the board for non-niche talent as well.

Among other trends we observe from our data:

- Increased equity offerings is being used as a measure in the Engineering and Manufacturing sector for non niche talent, as well as the start-ups sector,
- Reskilling/up-skilling is still of particular importance for digitally non-native sectors like Auto and GICs whereas start-ups do not view it as a viable option due to their dependency on high pace resulting in shorter business cycles,
- Gig working model as an option and have emerged as one of the lease preferred options followed by out of cycle promotions.
- Spot Bonuses (One Time Payouts) tends to be a tool used more for talent attraction than retention.

There is some breathing room available as organizations try to balance their investments across both their portfolios.

Retention measures' preference order for Non-Niche Skills

	App. Services / Consulting	Auto	BFSI Captive	Engg. / Mfg	Financial Institutions	Retail / FMCG	GICs/GCC	KPO/BPO	Software Products	Start-Ups / E-comm
Gig Working Model Adoption	7 5	4	7 6	7	2 5	2 4	6 7	7 1	5 3	6
Re-skilling / Up-skilling	4 2	2	2 3	1	3 2	6 2	3 3	3 1	3 3	7
Out of cycle increments/Corrections	2 4	1	1 1	2	1 3	1 2	1 1	1 5	1 1	1
Retention bonus (Deferred Cash)	1 1	2	4 5	3	6 5	2 4	2 1	3 1	2 1	3
Spot bonus (One time pay-outs)	6 7	5	4 8	7	7 8	7 4	7 6	5 5	7 7	8
Increase long term incentives / Equity	7 6	5	7 7	6	8 4	7 4	8 4	8 5	8 6	4
Accelerated growth opportunities	3 3	8	3 4	4	3 1	1 1	4 4	1 1	4 5	2
Out of Cycle Promotion	5 8	5	4 2	5	3 5	2 4	5 4	5 4	6 8	4

Rank in 2021-2022 Rank in 2020-2021

*Similar ranks show equal number of responses

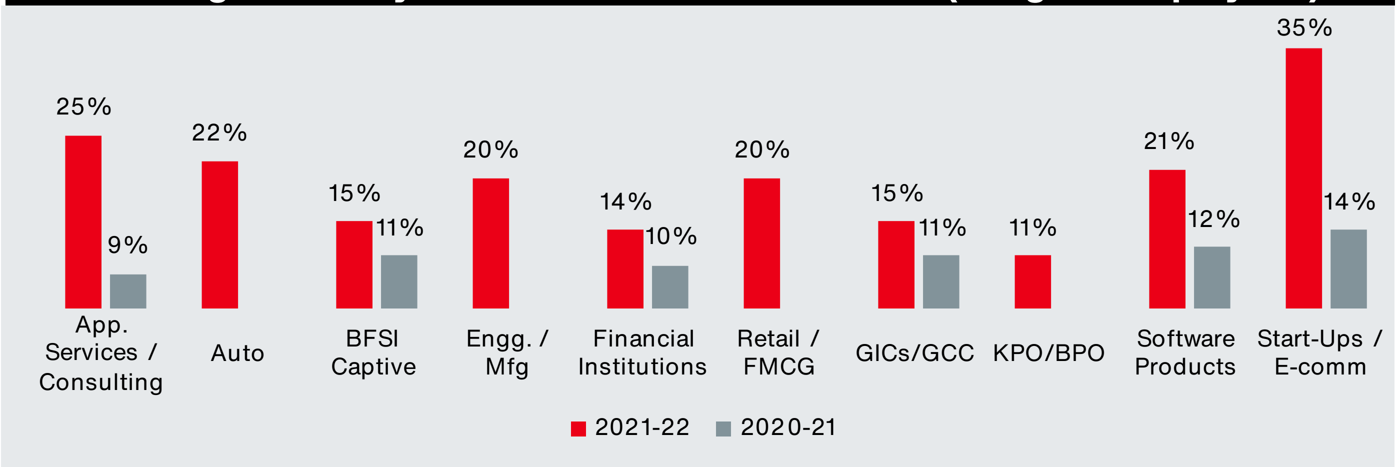
Off-cycle Corrections Being Leverage Extensively To Stem Attrition

On average we see organizations consider over 20% of their Digital talent as critical with an average increase greater than 9% over 2021.

Sectors such as E-commerce & Start-Ups have seen a sharp curve up to 35%, almost double as compared to 2021 to reinforce talent retention. The steep rise for Start-Ups can be attributed to deep pockets, combined with a low condensed talent population.

Application Services & Consulting see an increase of out of cycle corrections by 3 times to counter high attrition rates.

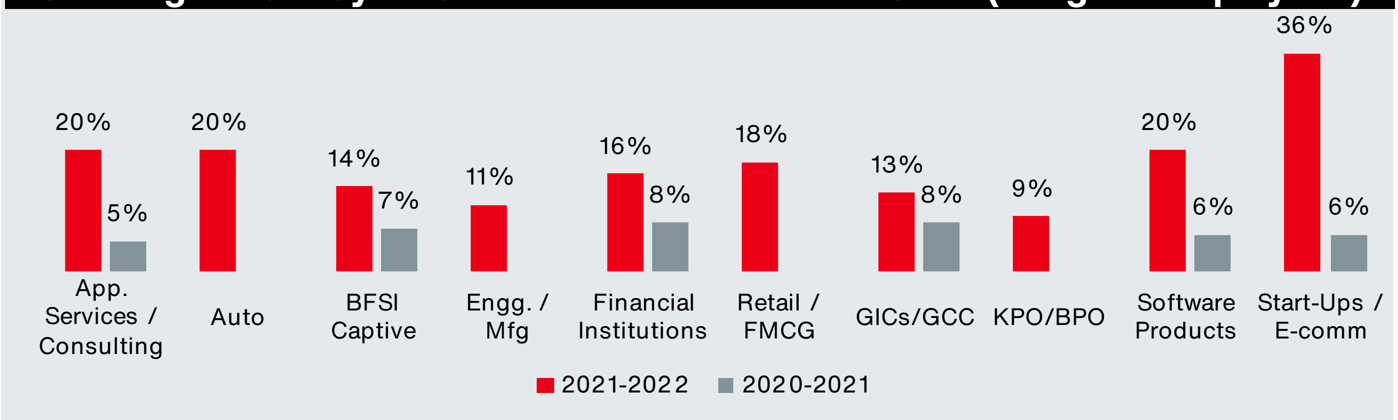
Coverage of Off-Cycle Corrections for Niche Skills (%age of employees)



The Talent Philosophy for Non-Niche Talent remains consistent with that of Digital Talent with sectors like Start-Ups & E-commerce, Software products, Financial Institutions, and Consulting having a steep incline in average corrections as compared to 2021.

Sectors like Application Services, and Financial Institutions attribute most of their investments to counter attrition among their Sales personnel.

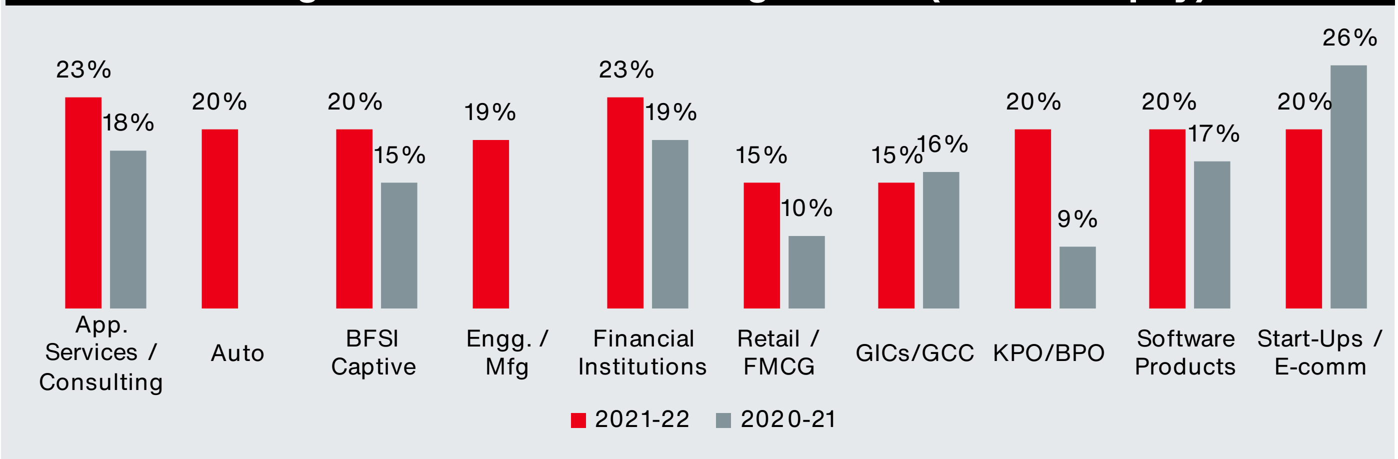
Coverage of Off-Cycle Corrections for Non-Niche Skills (%age of employees)



On an average we are seeing digital talent see corrections in excess of 20%, an average increase of greater than 5% over 2021.

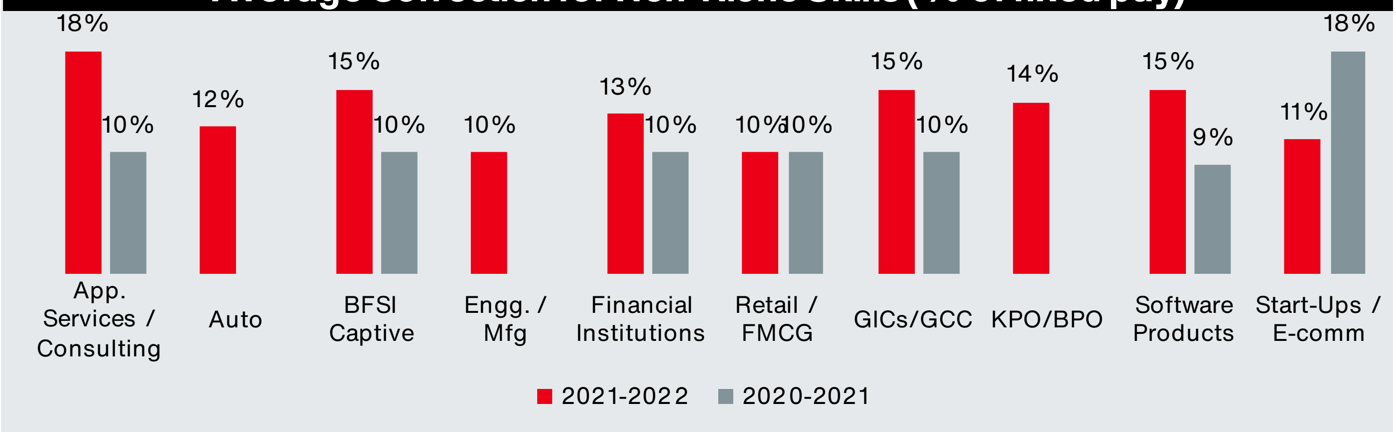
Sectors such as KPO/BPO and IT Services which have struggled the most with attrition have given out some of the highest corrections. Interestingly start-ups have seen a decline in the average correction as the theme of constraint funding shows an impact in off-cycle corrections too.

Average Correction for Niche/Digital Skills (% of fixed pay)



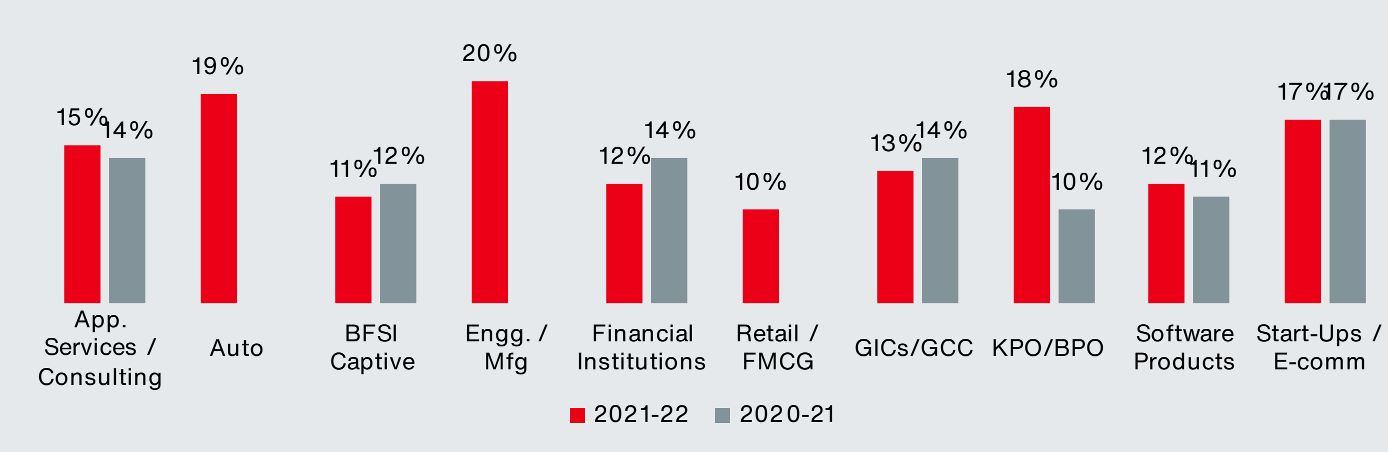
The story on Non-Niche talent is similar with relatively higher increases being observed across most sectors as compared to the 2021. Start-up sector continues to show a reduction in increases and is among the sectors giving out the lowest increases. Sectors such as Application services and software products with high attrition have also made investments in their sales and talent acquisition teams.

Average Correction for Non-Niche Skills (% of fixed pay)



Retention Bonuses (Deferred Cash) has emerged to be the 2nd most prevalent measure to counter attrition across industries.
On an average we are seeing digital talent see corrections in excess of 20%, which mostly remains consistent with their trends from 2021.
The KPO/BPO sector has struggled the most with attrition resulting in the highest increase in corrections, almost doubling their numbers from 2021.

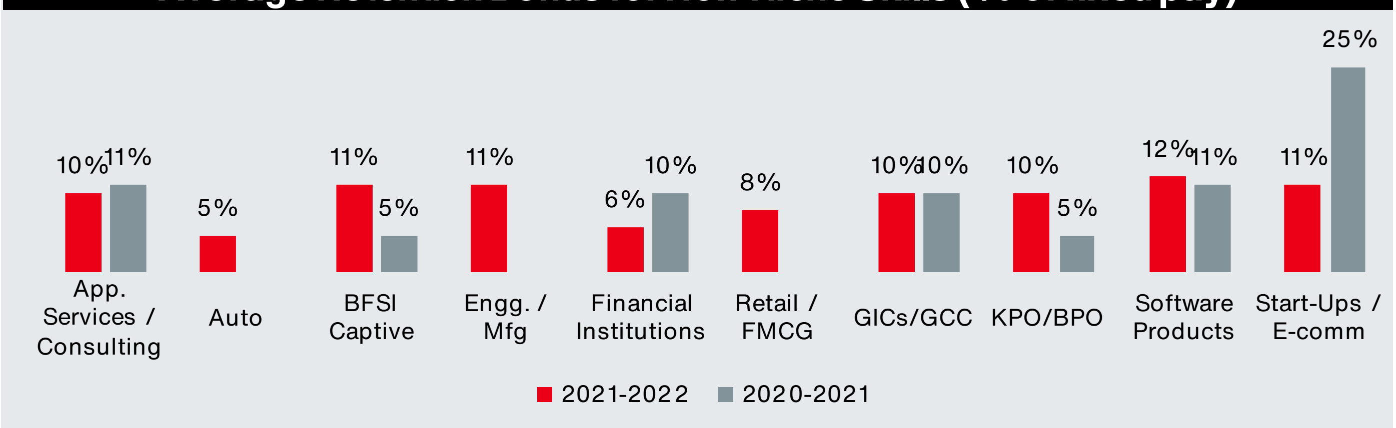
Average Retention Bonus for Niche/Digital Skills (% of fixed pay)



The trends in retention bonuses for Non-Niche talent remain similar to 2021 in most sectors, with 5% lesser talent seeing corrections as compared to Digital Talent.
The KPO/BPO sector shows a high increase in using Retention Bonuses to drive retention for their Non-Niche Talent as well.

A drop in correction measures is observed in Start-Ups as compared to both Digital talent, & Non-Niche talent in 2021. This is due to budget constraints, where they are forced to prioritize Digital Talent to remain competitive

Average Retention Bonus for Non-Niche Skills (% of fixed pay)



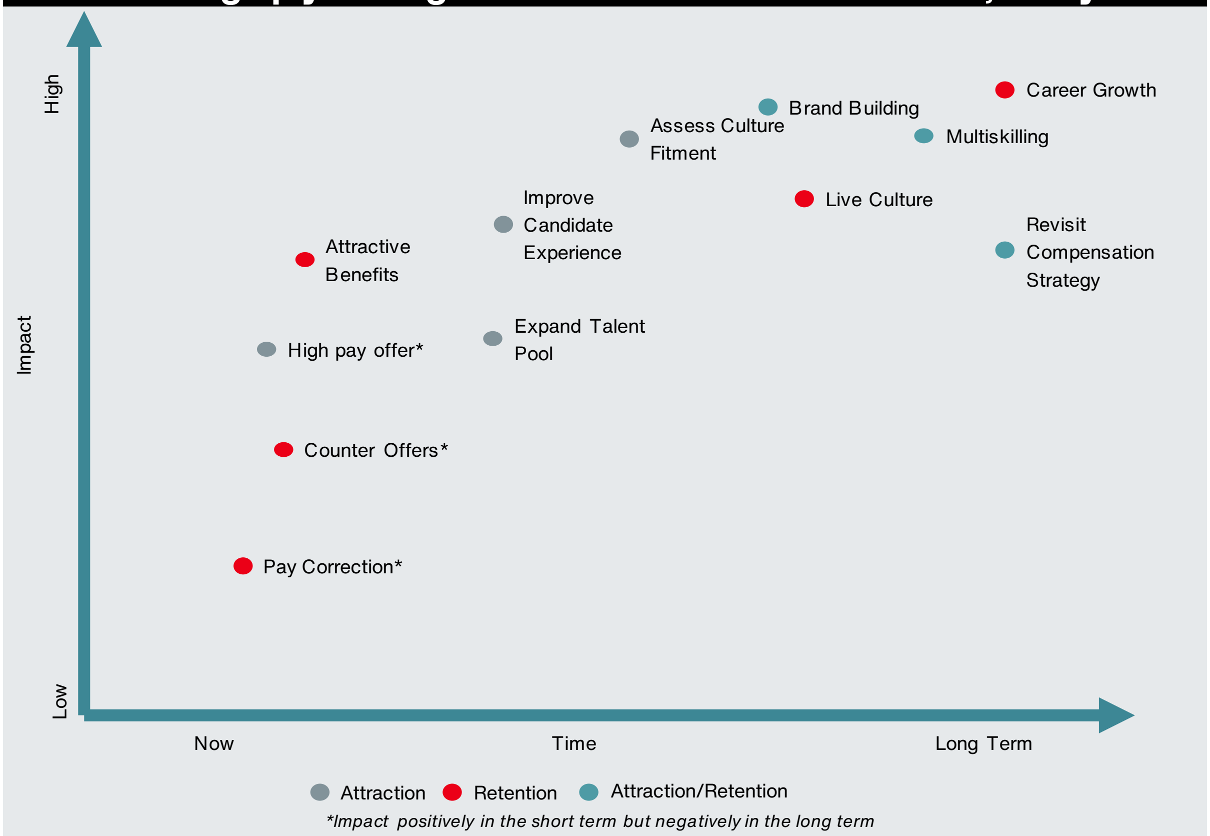
As organizations continue to solve for immediate business results there is danger of creating irreversible issues with respect to issues around talent parity, pressure on wage bill and fair price for jobs.

"The Buy Approach" tends to give better results in terms of Short-Term gains. Retention measures like attractive benefits, pay corrections, & counter-offers help stabilize the ship for the here and now.

However, our data shows that organizations that are successful take a Long-Term perspective and "Build to Last". Organizations that invest in Brand building, invest to build a robust culture usually enjoy gains in the long run.

Providing employees with good and transparent career paths with growth opportunities, supporting and encouraging horizontal growth leads to sustained success.

Setting up your organization for success tomorrow, today



Organizations must always keep the North Star of solving for future rather than relying on quick fixes. The jolts of the Great Resignation are still fresh and would take sustainable measures and investment in Human Capital. The war can't be won on cash alone.

Identifying the Most In-Demand Skills for 2022

Can Skill Frameworks Be An Answer To Differentiate Key Talent?

As business models see increasing complexity and competing priorities, rewards teams need to develop a framework to identify and invest in the right skills for the firm

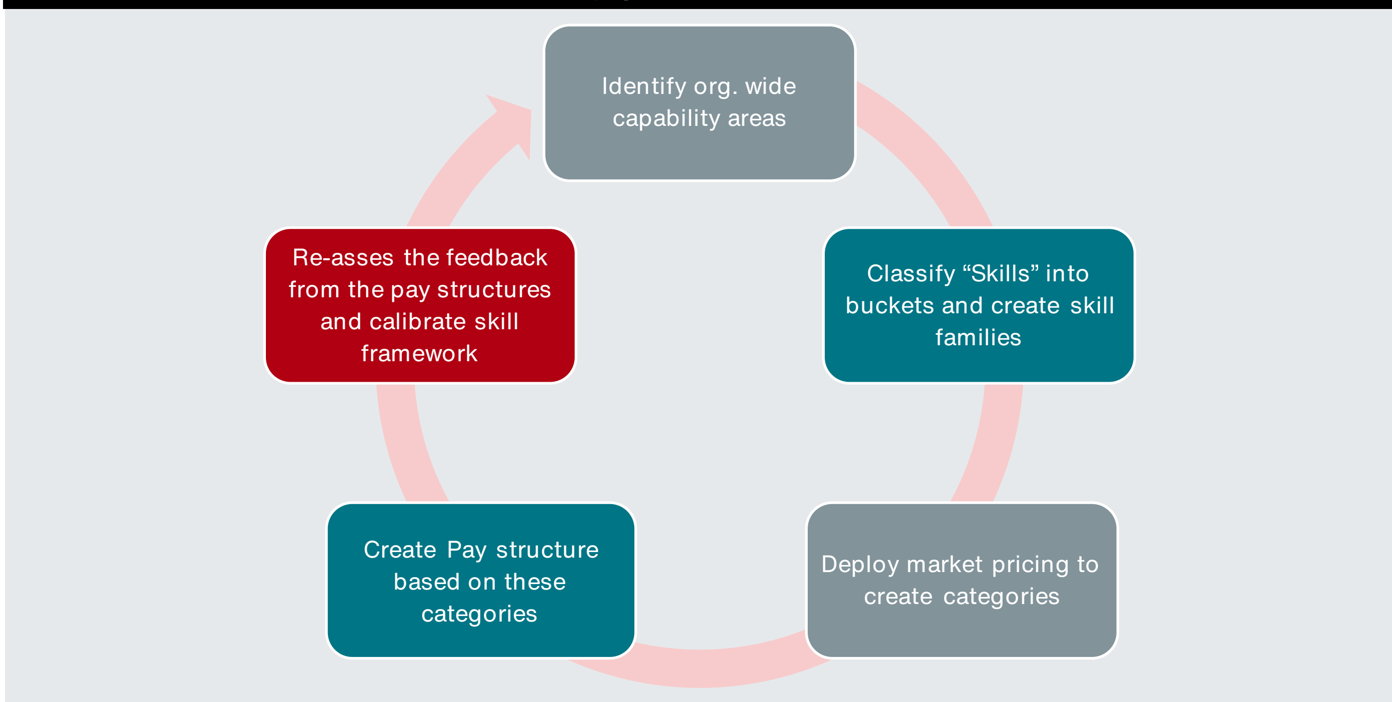
For a long time now, rewards professionals have experimented with approaches around skill-based compensation. A few have adopted "hot skill bonuses" while others have tried to create pay structures that rely on differentiated "premium" or "niche ranges".

Despite this there has been a constant noise around how we are always playing catch-up to the market. In the time it takes for business, acquisition teams and other sensing arms of the organisation to relay the feedback, the market has already moved.

Moreover, the skills are at the best of times a potpourri of technologies, skills, product and domain knowledge all put together. If you add to this the war for Digital talent and the need to fight a price battle, it means that this is proving to be a losing battle for most.

At Aon we have been helping clients in building robust skill frameworks for decades and are happy to share both an approach to managing skills and market pricing for the most in-demand technology and operations skills.

Aon's Skill Framework

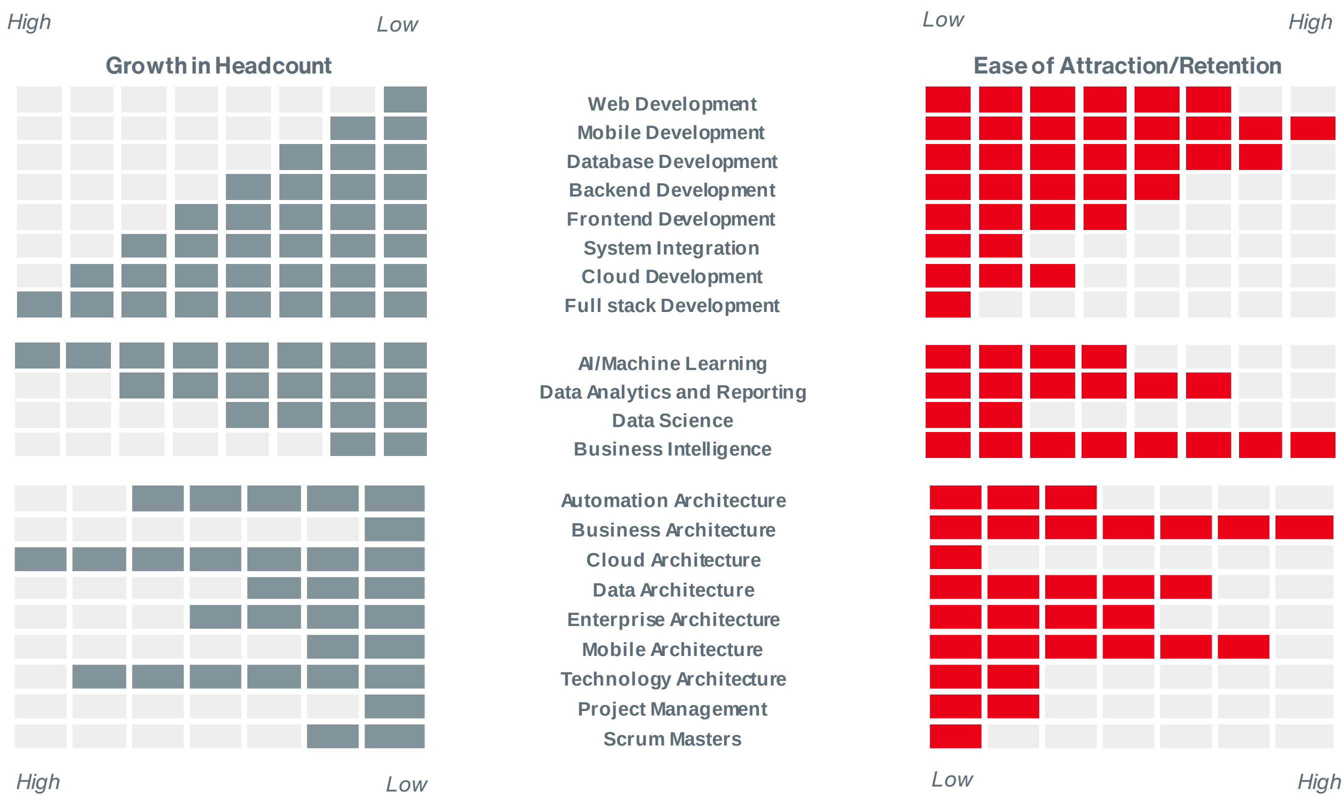


As firms across sectors and industries are on a path to digital transformation, we are seeing related skills like Cloud Development, System Integration, Cloud Architecture and Enterprise Architecture becoming extremely premium with a high demand accompanied with difficulties in talent acquisition.

The move to greater automation and platform creation has meant that along with cloud capabilities skills such as Automation Architecture, Full stack Development, Front End Development, AI/Machine Learning, Technology Architecture can also be put under the niche or difficult to hire talent.

There are also skills like Data Science, Backend development which while remaining difficult to hire are seeing slow down in demand and may rationalize soon from a cost perspective.

Engineering, Data Sciences and Architecture



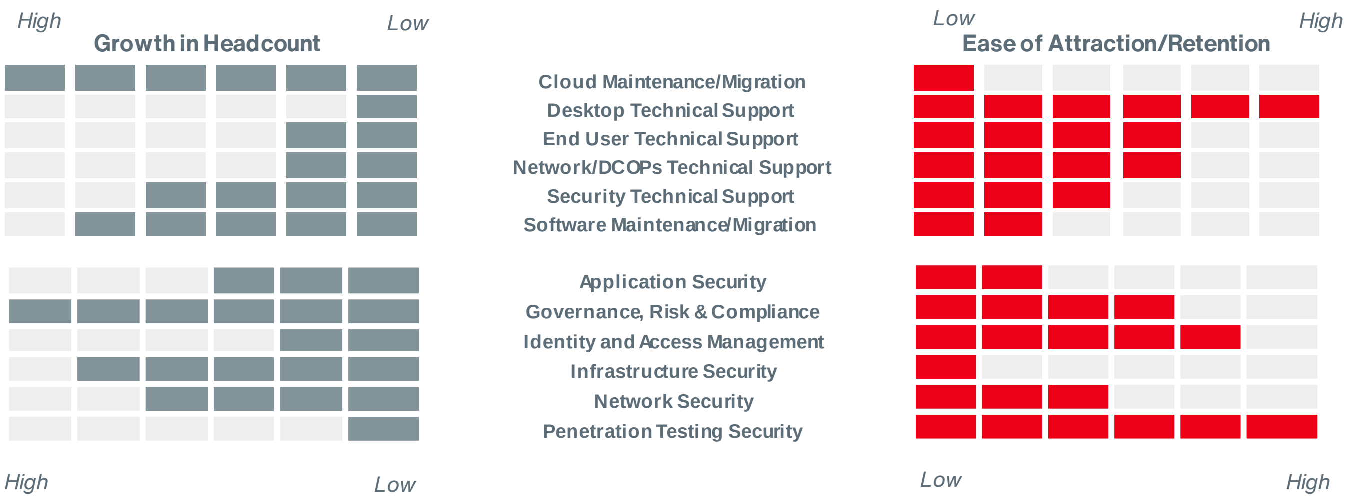
There is a clear demand-supply gap for the development skills, with Full Stack Development and Cloud Development emerging as the most in-demand skills.

Similarly, for Data Science and Architecture, there is demand-supply imbalance, and we see the rise of automation and platform journeys defined by their skill demand

Digital Transformation, Automation And Platform Journeys Are Defining Skill Demand

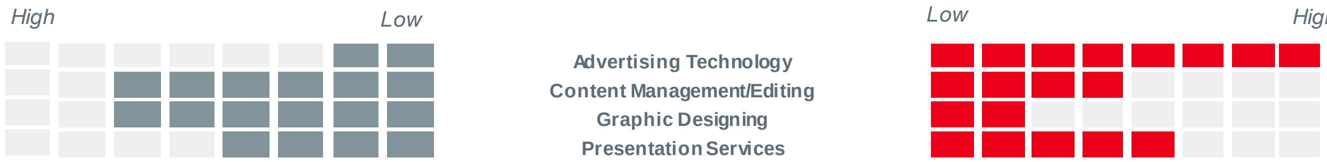
Similar to the themes in the Engineering skills, we see skills important for transformation or Cloud management such as Cloud Maintenance, GRC, Software Migration and Network Security continue to be important in the infrastructure and security space. We also see application security, important for platform building, enjoy a premium status.

Infrastructure Support & Security



An implication of the push to build platforms from GICs, Start-ups, e-commerce etc. has also been seen in sharp increase in demand for Graphic Designing capabilities. Also given the massive growth in the KPO/BPO segment skills like content management and presentation services are seeing an uptick in demand.

Advertising, Content and Editorial

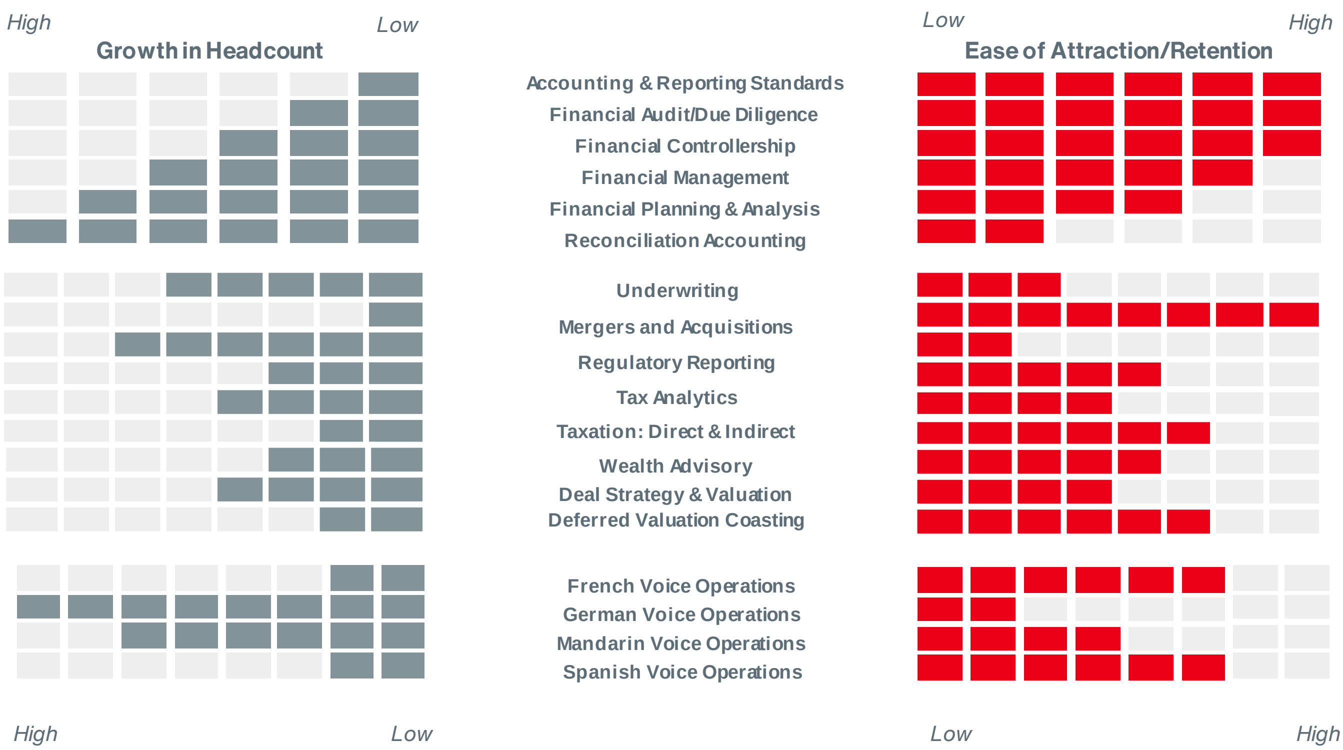


Along with the activity in the technology sector, we have seen a massive interest among firms setting up their GICs in India to drive better margins and run their financial shared services out of India.

This has led to a temporary increase in competitiveness for roles sch as financial planning, regulatory reporting, etc. Similarly, roles in the voice operations have seen individuals with proficiency in Mandarin and German command a substantial premium. These being tough to master languages whereas skills in Spanish and French are becoming commoditized.

A resurgent KPO and professional services segment is driving up demand for skills such as tax advisory, deal strategy and valuation, and mergers and acquisitions.

Finance, Assurance and Operations



FP&A and Reconciliations have been difficult skills to solve for. The ease of attraction and retention have lowered as these skills have seen massive convergence across industries and employees hopping jobs with gathering contextual understanding of a new industry on the fly.

Talent Acquisition Trends with a Focus on Digital Skills

Winning The War For Talent In The Short Term With A Focus Towards Buying Talent

Talent acquisition teams have had a tough time in 2021 as they have been asked to replace record attrition while trying to grow double digit

Talent acquisition has dominated many a board room discussions in the last 12-18 months. From the biggest global brands to the small start-up players all have spoken about talent supply-side challenges that has impacted growth plans in the last 12-18 months.

Recruiters have also had a tough time in not just back-filling for 20-25% of the organisation but also having to help build for double digit growth plans. This insatiable demand for hiring in 40% of the firm in a spate of a year has literally led to the proverbial "War for Talent".

Employees at their end have never had it so good. Skilled candidates have had multiple options and at times been able to pit one organisation against another to negotiate the best deal available for themselves.

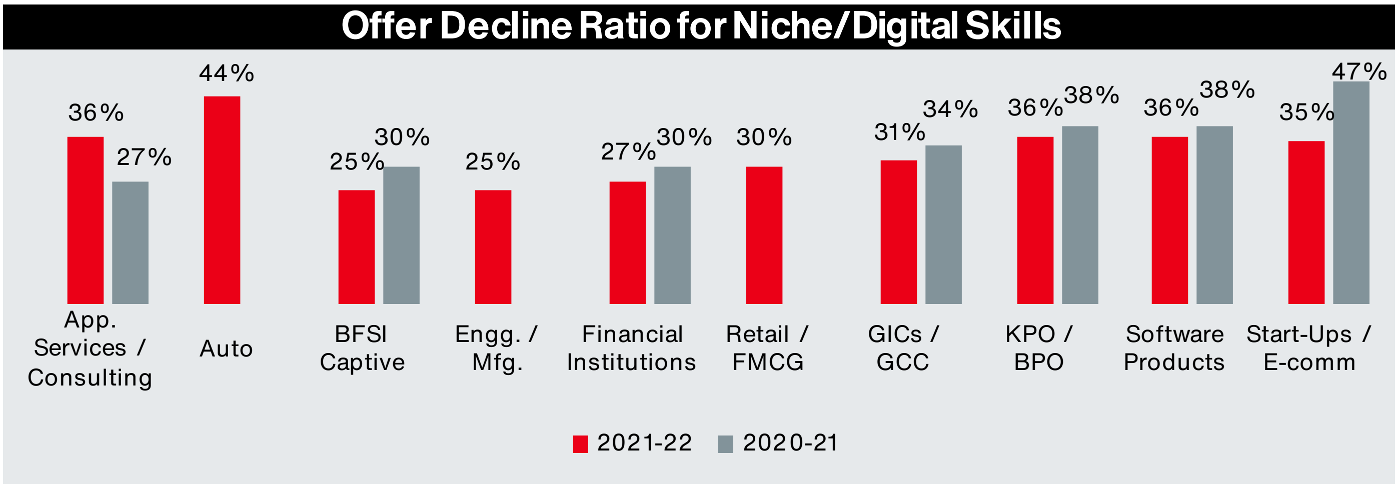
This scramble for short-term is resulting in salary compression with new talent coming in at a substantially higher cost. This buy approach may work in the short term, but a build approach and the campus route is necessary for a sustainable approach.

Top 5 Talent Acquisition Trends

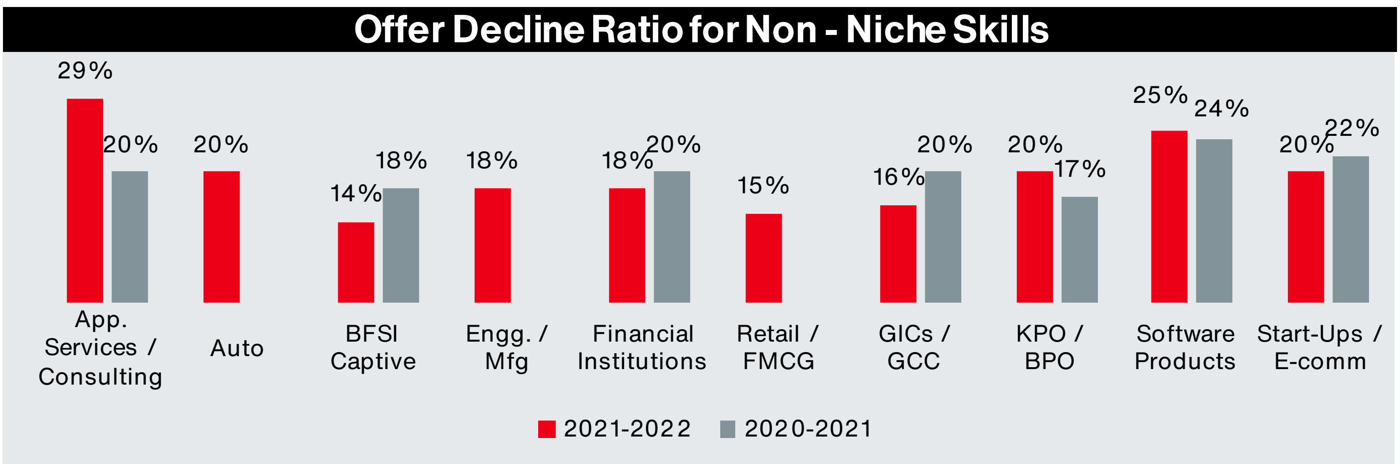
- **Technology for assessment and pipeline management**
- **Data analytics and AI to improve funnel and throughput**
- **Remote and hybrid working as supply amplifier**
- **Expanding and reinventing campus programs**
- **Acqui-hiring, mergers and acquisition for capability**

Talent moving to the best bidders have prevailed in 2021. However, 2022 is a little different in terms of expectations of candidates. Higher compensation remains one of the primary reasons, however, candidates are now looking at organizations from the lens of brand, term association, value and cultural alignment.

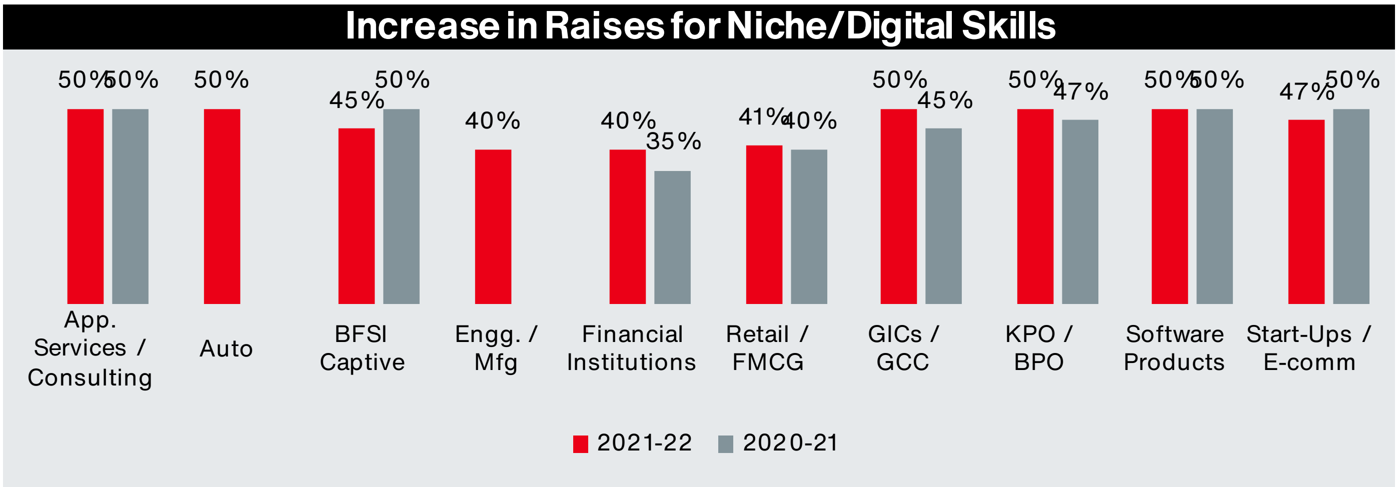
Candidate fatigue after long and rigorous interview processes have led to dissent and candidates dropping out at various stages.



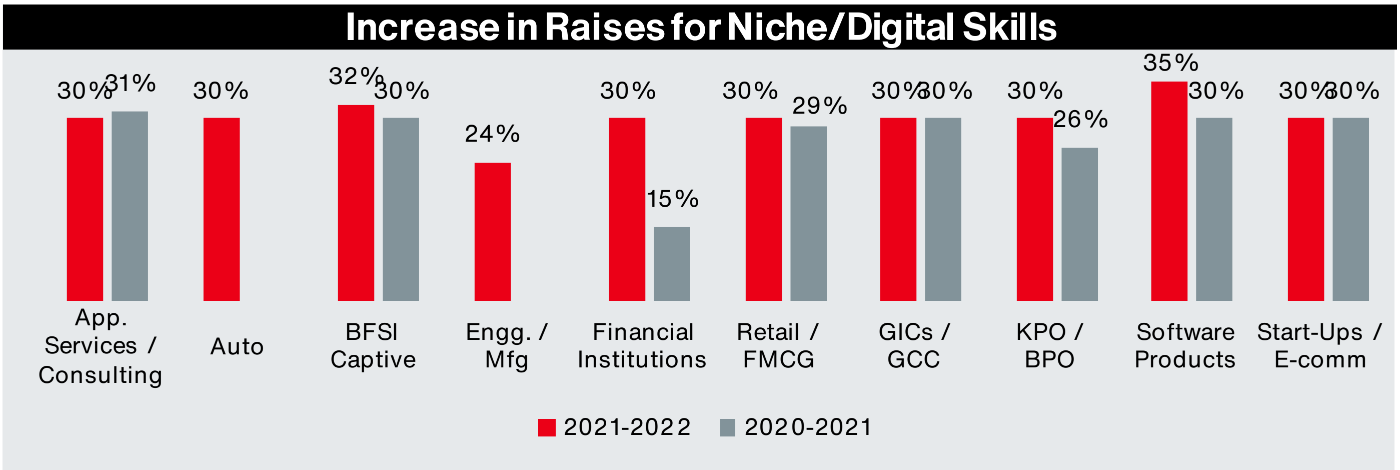
All these factors came into play reducing the offer decline rates for all sectors barring App Services/Consulting for digital skills. Tech based Start-ups have proved to be a lucrative option for tech roles, providing quality of work, flexibility in ways of working and higher salaries. The rates of offer declines have seen a sharp decline due to this. The offer declines have marginally lowered signaling the dust of the "Great Resignation" settling down. The story remains the same for non digital skills.



The offer decline rates might come across as a breather for organizations, but the kind of premiums candidates demand has grown over past year. This is true for both digital and non-digital talent, with App Services, GICs and Products having seen raises as high as 50% on previous/parallel offer in hand. E-commerce heavily rely on hikes as well as providing growth opportunities and LTI as effective instruments for attracting talent.



Non-Niche skills in Financial Institutions have doubled the raise offered over last year. Since the loan performance and profitability are improving, Finance Institutions are investing heavily in both Niche and Non-Niche roles. Digitalization in Supply Chains within Automobile Sector and industry moving to 5.0 has made it imperative for organizations to be competitive in terms of salary hikes.



As firms across the board struggle to minimize offer decline rates, the reasons for offer declines by candidates have seen to make a shift over the past year.

When it comes to niche talent, having better counteroffers was prevalent across most industries barring software product firms. Organizations tried hard to retain talent in order to win the talent war on the rewards front. This was to avoid contextual loss and huge costs of backfill which made organizations to go beyond.

However, the trend seems to shift in the Top 3 reasons for offer declines across Industry.

- Having better offer from another firm has become prevalent as more organizations have shifted their view to Buy strategy vis-à-vis a Build Strategy. Organizations are relooking their pay bands so as to accommodate both new hires and existing employees.
- The ripple effect of this is seen across industries such as App Services, BPOs and E-commerce and Start-ups.
- Low offers made have predominantly retained the rank across most sectors

Industries have not seen a huge shift in the reasons cited for offer declines, however there is a change in ranks from getting a better offer from another firm, to getting better offer at current firm. This indicates that organizations are trying to retain talent through better counter-offers

Reasons cited for Offer Declines – Niche Skills

	App. Services / Consulting (2021-2022)	App. Services / Consulting (2020-2021)	Auto (2021-2022)	BFSI Captive (2021-2022)	BFSI Captive (2020-2021)	Engg. / Mfg (2021-2022)	Financial Institutions (2021-2022)	Financial Institutions (2020-2021)	Retail / FMCG (2021-2022)	Retail / FMCG (2020-2021)	GICs/GCC (2021-2022)	GICs/GCC (2020-2021)	KPO/BPO (2021-2022)	KPO/BPO (2020-2021)	Software Products (2021-2022)	Software Products (2020-2021)	Start-Ups / E-comm (2021-2022)
Low Offer Made	3	3	3	3	3	3	3	1	3	3	3	3	3	3	3	3	3
Got a better counteroffer (existing firm)	2	1	1	2	1	2	2	1	1	1	2	1	1	1	2	2	2
Got a better offer from another firm	1	1	2	1	2	1	1	1	2	2	1	1	2	1	1	1	1
Poor candidate experience	7	9	5	5	6	7	9	5	6	4	6	6	7	6	9	9	7
Hiring process was longer	6	5	5	5	4	4	4	5	6	4	4	4	4	4	8	5	5
Work Culture not being a fit	7	4	5	9	6	6	7	5	4	4	6	6	7	6	4	7	4
Negative Social Media reviews	5	7	5	5	5	9	4	4	4	4	9	6	4	6	6	4	5
Pressure created to accept or decline the offer	7	7	4	8	9	5	7	9	6	4	8	6	7	6	4	5	7
Lack of quality of work	4	5	5	4	6	7	4	5	6	4	5	4	6	4	6	7	9

*Similar ranks show equal number of responses

Rank in 2021-2022 Rank in 2020-2021

The narrative continues to be the same for non-digital skills. After the dominant compensation-based reasons, quality of work has come out as one of the emerging reasons for offer declines in sectors like App services / Consulting, BFSI Captives, Engineering and Manufacturing and Retail and FMCG.

Negative reviews on online portals and social media have been alarming in sectors such as Automotive, and Software Products companies.

- Some interesting trends also emerge from a sectorial cut of the data – Spilling over the interview process even for Non-Niche roles have been sighted as a reason for offer declines. Post Pandemic stress has led candidates to explore short and quick processes.
- Higher focus on cash components has continued to be the reason for offer declines with getting better offers moved ranks in Retail and FMCG, and GICs vis-à-vis last year.
- Getting better offers from current firm has taken a back seat especially in Financial Institutions. The trickle effect of this being, more candidates hunting for jobs and bagging multiple offers at once.

Candidates are negotiating hard on salary numbers leaving organizations less leeway to fit candidates in pre-set comp bands.

Reasons cited for Offer Declines – Non-Niche Skills

	App. Services / Consulting	Auto	BFSI Captive	Engg. / Mfg	Financial Institutions	Retail / FMCG	GICs/GCC	KPO/BPO	Software Products	Start-Ups / E-comm
Low Offer Made	3 / 3	3	3 / 3	3	3 / 3	1 / 3	3 / 3	2 / 3	3 / 3	3
Got a better counteroffer (existing firm)	2 / 2	2	1 / 2	1	2 / 1	1 / 1	1 / 1	1 / 1	2 / 2	2
Got a better offer from another firm	1 / 1	1	1 / 1	1	1 / 1	1 / 2	1 / 2	2 / 2	1 / 1	1
Poor candidate experience	7 / 5	4	6 / 3	9	7 / 4	4 / 6	6 / 4	6 / 7	7 / 8	7
Hiring process was longer	9 / 7	8	4 / 3	6	4 / 7	4 / 6	4 / 5	4 / 4	7 / 6	4
Work Culture not being a fit	7 / 7	4	6 / 3	4	7 / 4	4 / 4	4 / 8	6 / 7	4 / 4	7
Negative Social Media reviews	5 / 5	4	5 / 7	7	5 / 4	4 / 4	4 / 9	6 / 4	4 / 4	5
Pressure created to accept or decline the offer	5 / 7	4	6 / 9	7	7 / 7	4 / 6	9 / 5	4 / 6	4 / 7	5
Lack of quality of work	4 / 4	8	6 / 7	4	5 / 9	4 / 6	6 / 5	6 / 7	6 / 6	7

*Similar ranks show equal number of responses — Rank in 2021-2022 / Rank in 2020-2021

Rethink Location Strategy to Increase Talent Access

Rethink Location Strategy To Increase Talent Supply And Leverage Hybrid Work Models

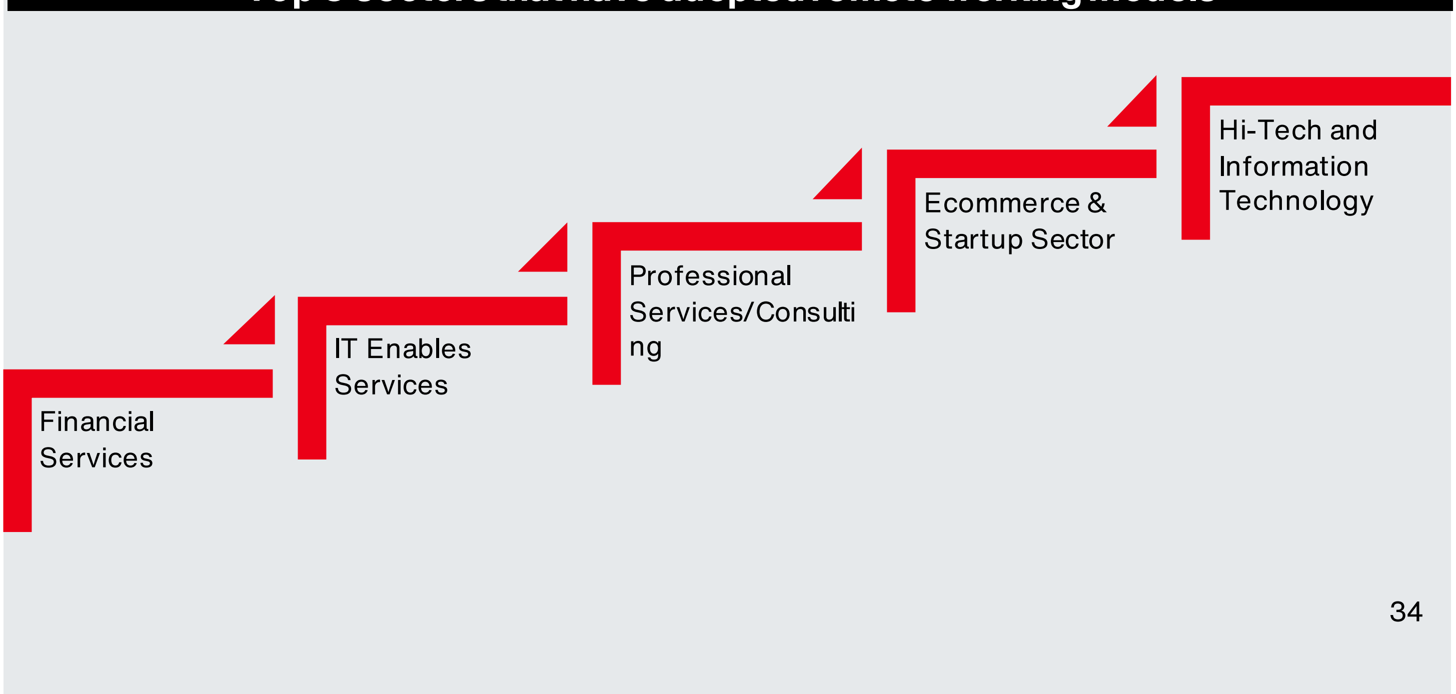
As talent supply remains constraint going beyond traditional hubs for talent is becoming a key imperative for organizations in 2022

A large portion on the war for talent has been about acquiring digital skillsets for both new age and traditional sectors. With supply struggling to keep pace with demand for these skills we expect the war for talent to continue to drive up people costs and attrition numbers

To solve for this, we expect companies to look for innovative models to expand talent pools and a key ingredient of this model will be the ability to deploy talent in remote working models by assessing talent in Tier II or non-traditional locations.

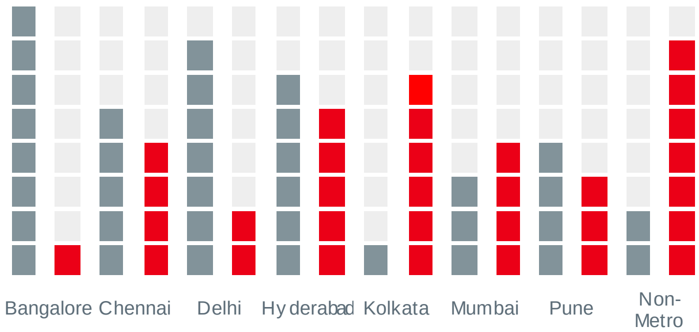
Over the years we have seen the emergence of cities like Mumbai as the hub for financial services talent whereas Bangalore has been known for technology talent. Now, while these locations promise supply, the markets in these locations have also become highly competitive thus increasing talent cost and uncertainty. Hence, it makes sense for business leaders to think beyond these hubs and decongest to de-risk the supply side of the business.

Top 5 sectors that have adopted remote working models

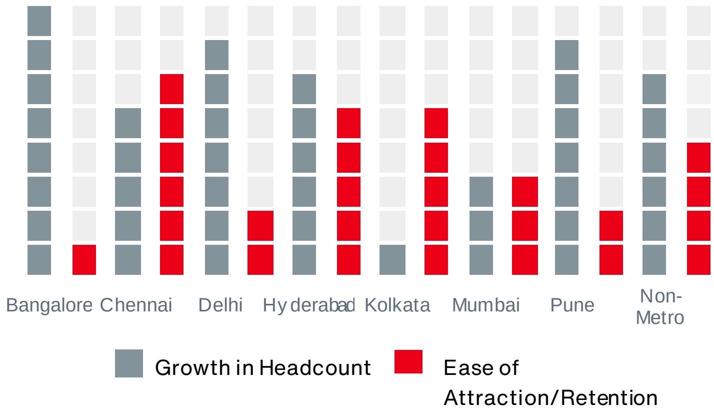


The Development and Engineering, Data Analytics are in significant demand across organizations which points to significant investment in the transformation journey across traditional organizations and a burgeoning growth focus within the early-stage organization. While Delhi and Bangalore continue to be the catchment area for best of talent, organizations can do better by moving away from the traditional strongholds and foray into cities like Hyderabad, Chennai and Pune

Development and Engineering

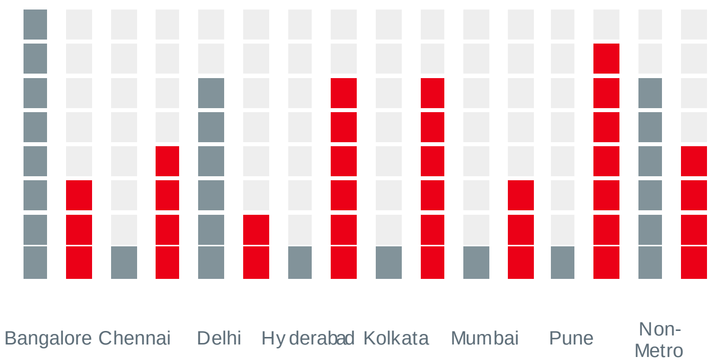


AI/ML and Data Science Engineering

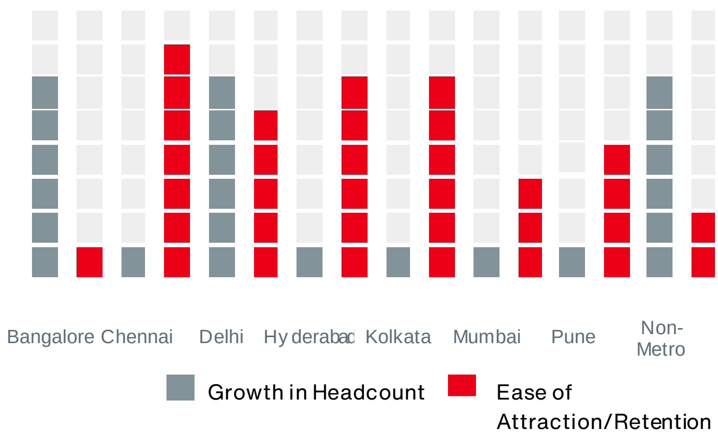


With remote working becoming popular among talent, organizations can bet on the newer locations for suiting their talent requirements. Kolkata, Hyderabad, Chennai and Pune are seeing an increase in popularity as talent rich areas. Non-Metros have always had a certain popularity in certain industry segments like KPOs but are also seeing a surge in talent availability from an engineering standpoint.

Architecture



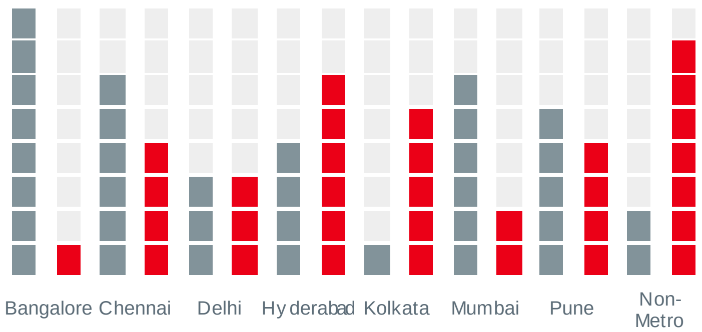
Project Management



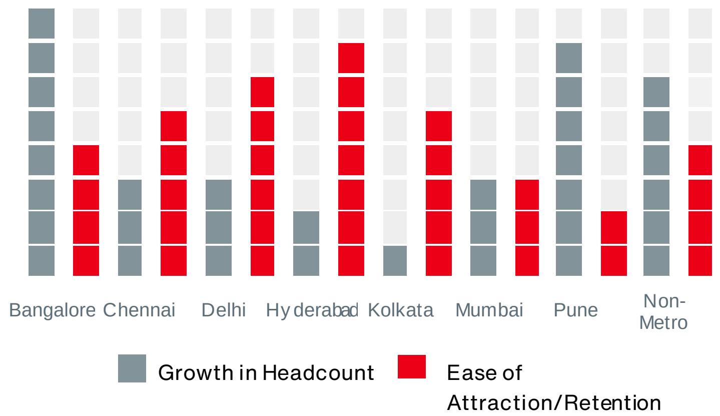
Location Strategy To Accentuate Talent Supply

Security and infrastructure continue to remain a focal point especially owing to the rise of remote working due to pandemic. It is interesting to note that non-metros and cities like Pune, Kolkata and Hyderabad are strongholds for talent pertaining to security and infrastructure; which can be attributed to the presence of KPOs and captives in such locations.

Security

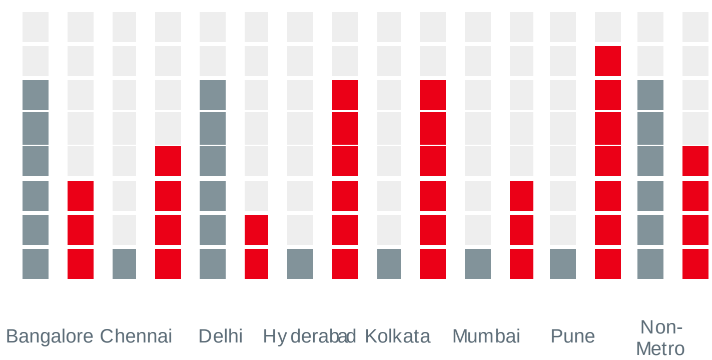


Infrastructure

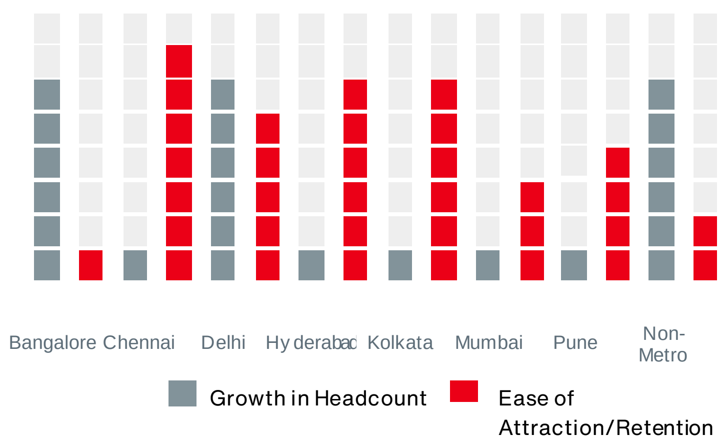


Finance/Accounting is a function that is essentially industry agnostic and is seen to be available across locations without being a significant challenge for organizations to hire talent in the space. Risk Management, which has been a part of captive setups, sees a significant talent availability in Chennai, Hyderabad and Pune. Bangalore and Delhi display a significant demand for these roles. However, the talent supply gap seems to be met by other locations.

Finance/Accounting

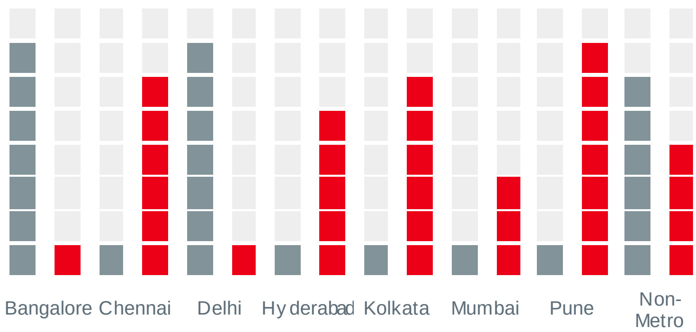


Risk Management

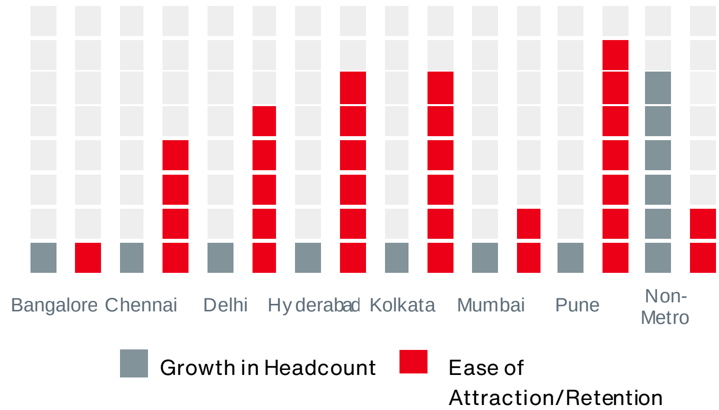


KPOs and professional services see a need for content services, a demand which is expected to increase owing to the setup of captives across India. It is interesting to note that content services is seeing an escalating spike in talent supply across locations, except for the Delhi – NCR region. Medical Ops continues to be a tenuous point for pharma organizations and sees availability in captive hubs like Delhi, Kolkata, Pune, etc.

Content Services

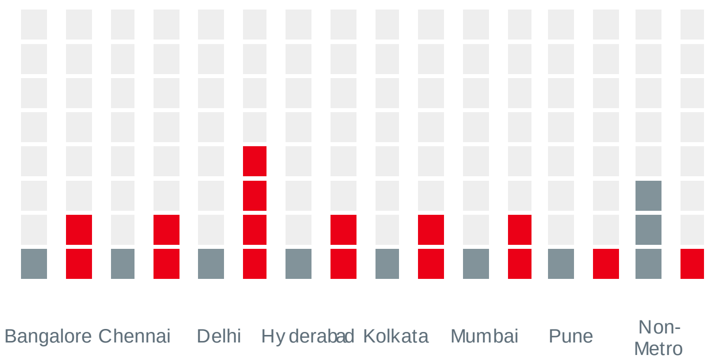


Medical Ops

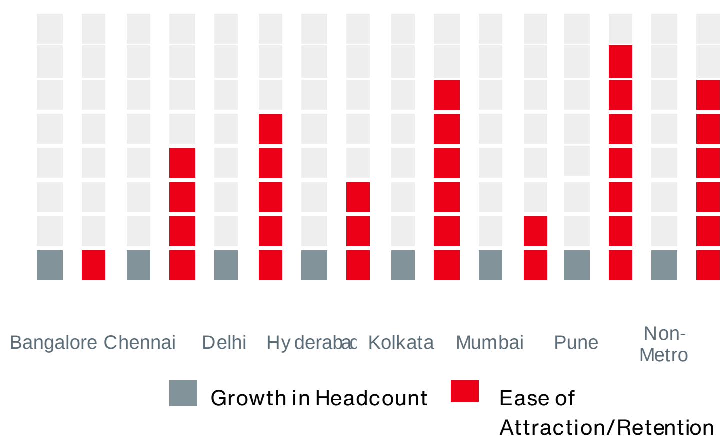


Retail Ops and Voice Ops is considered a captive necessity and is seen to be conveniently available in traditional bastions like Delhi Hyderabad, Kolkata, Pune and Non-Metros. With remote accessibility, these jobs are expected to see an increase in presence in Non-Metros which will only add to the talent availability for such job functions in days to come.

Retail Ops



Voice Ops



Reimagining EVP to Plan for Long Term Sustainability

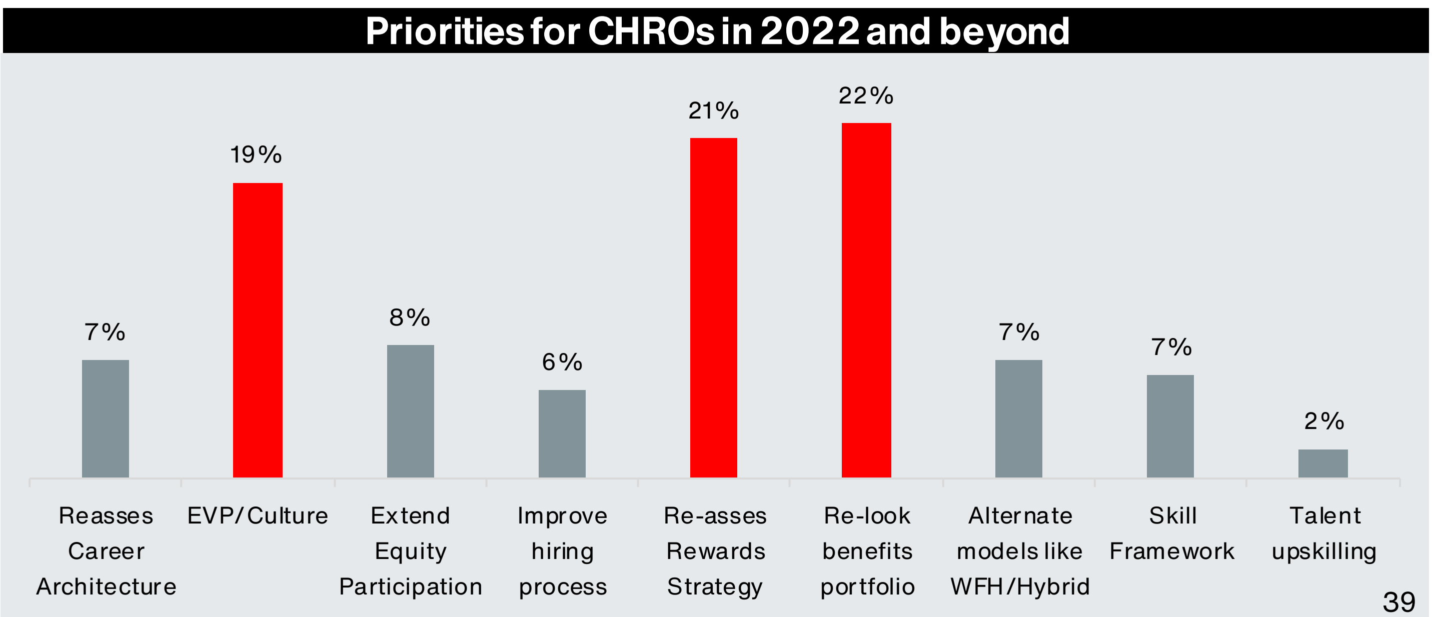
Looking Beyond Rewards For Long Term Sustainability

Today's employee base is extremely heterogenous which means firms need to segment and create customized experiences for employees to create stickiness

Organisations across the board realize that the current operating model is not sustainable in the long run. Research shows that short term cost focused approach has limited success in the long term. There is also a realization that organizations have over leveraged the cash component without enough focus on benefits, work environment and long-term employee growth for talent acquisition and retention.

Lately there is more realization around this, and companies have started looking beyond cash to explore ways to reassess rewards strategy in the form of talent market and positioning. Firms are also looking at benefits as a key differentiator, especially in areas such as financial security and wellness.

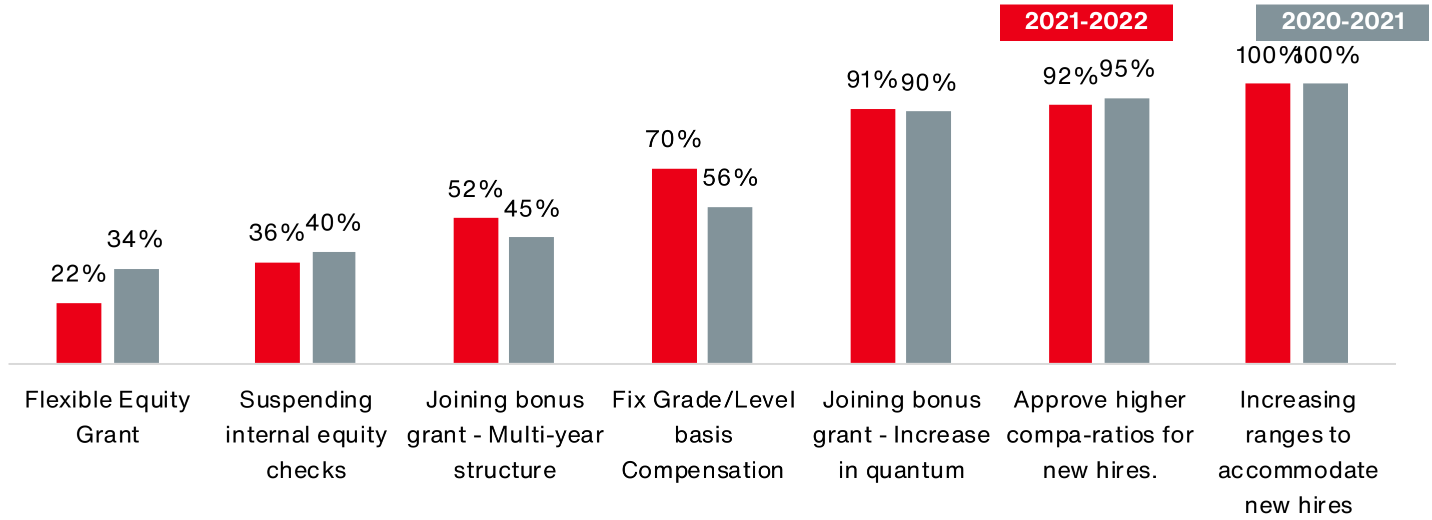
Organizations are also revisiting EVP/culture manifestation to improve brand perception and create stickiness with existing employees.



Rewards Philosophy As A Key Differentiator

To accommodate new hires most organisations, start by increasing new hiring ranges to improve affordability and at the same time they have shown flexibility to approve higher compa-ratios. Another prevalent practice was to restructure joining bonuses and increase in the quantum while the payout happens over multiple years.

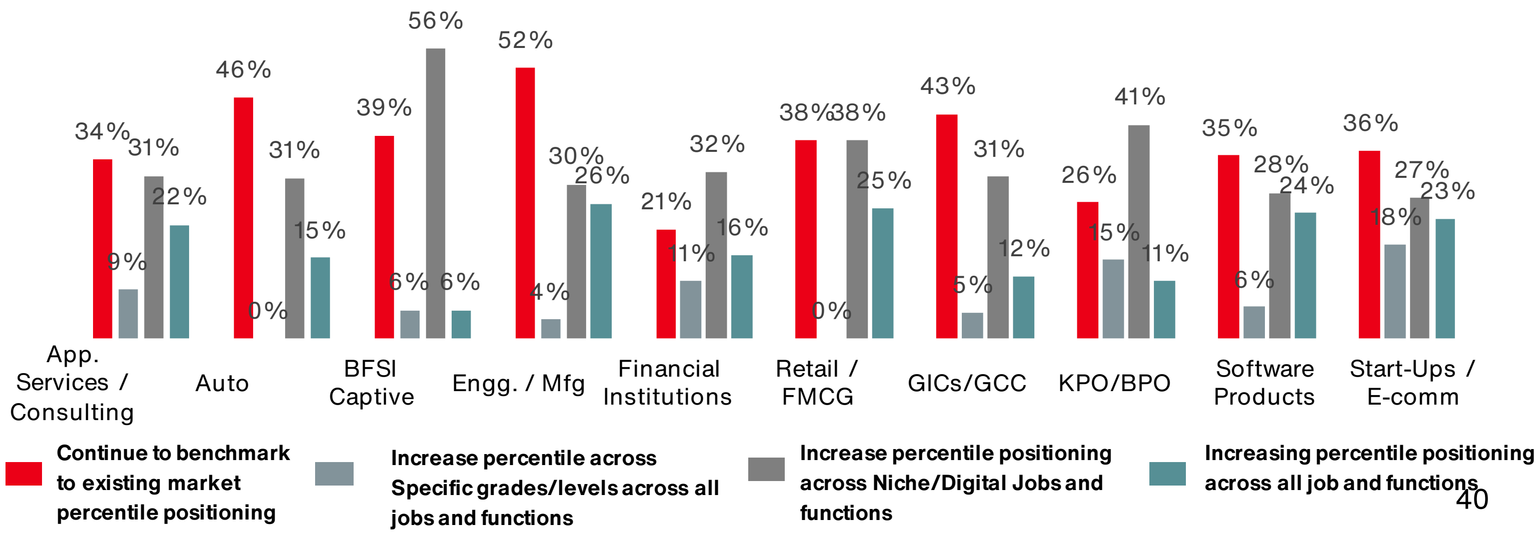
Reassess rewards for new hires



Across sectors more than 55% of the respondents have made adjustment to positioning either for new hires of for niche talent.

- Nonnatives such as BFSI Captives, KPO/BPO, Financial Institutions which are hiring digital talent at scale have seen the need to increase positioning for Digital talent significantly.
- Digital natives such as IT Services, Products and Start-Ups are the segments which have had to revisit their new hire philosophy the most to stem attrition

Reassess positioning in response to solve talent challenges

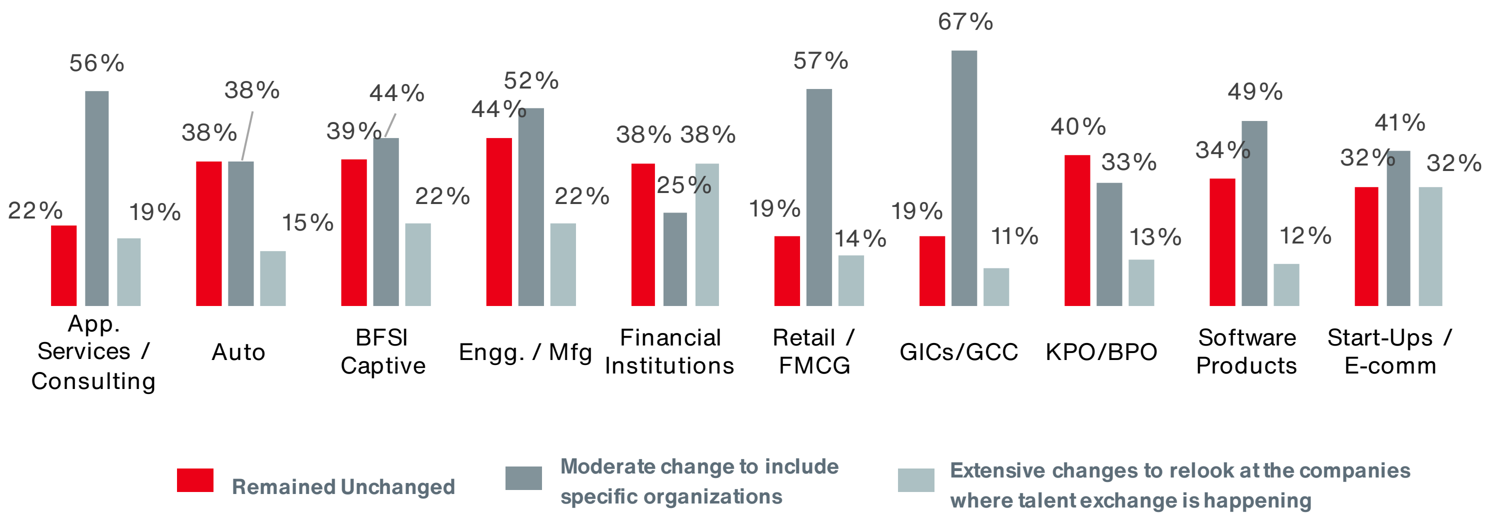


A noteworthy observation is that organizations across industry domains have either changed or are exploring change in comparator baskets.

While one of the factors can be the growth that organizations are keen on pursuing, as seen in the year 2021, but the change and its intent can also be ascribed to the dearth of talent in the traditional bastions especially for the niche and neo-niche talent.

While organizations across sectors have experimented with the peer basket, captives and engineering/manufacturing setups have seen a major change in this regard owing to higher attrition, better pay structure and a more aggressive pay mix especially catering to the younger talent demographics.

KPOs and BPOs were the forerunners in augmenting the pay positioning by choosing for a higher percentile for pegging their internal medians across levels and across functions. What is important to note is that the war for talent rages on.



The Guerrilla Warfare for talent has made it imperative for organizations to look at multiple levers of retention and attraction. Measures taken by organizations are a function of maturity and long-term vision. Rewards philosophy must evolve and be conducive to growth and scale.

Call to Action

While there is uncertainty, the market for Niche Skill is still hot, identify and ring fence your talent at the earliest

The buy model is not sustainable in the long run and firms will need to reassess critical areas of talent philosophy from EVP to Total Rewards

Remote and hybrid work present a great opportunity to increase the funnel, take advantage and look outside traditional locations for talent

Participants Profile

300+ participants across 20+ sectors

- 2020 Inc.
- 24-7 Intouch India Pvt Ltd
- 7 Eleven Corporate Services India LLP
- 75F
- AAM INDIA
- ABPL
- Accenture
- Accurio Health Private LTD
- ACG
- Acuity Knowledge Partners
- Adani Electricity Mumbai Ltd
- Advance Auto Parts
- Aegon Life
- Agoda
- Airbnb Capability Center
- Alation
- Align Technology
- Allianz Technology
- Allstate India
- Amazon
- Amdocs
- Analog Devices India Private Limited
- Angelique International Limited
- Antonywaste handling cell limited
- AP Moller Maersk
- API Holdings Pvt Ltd
- Arcadis GEC India
- Arctern
- Ashok Leyland
- ASICS India Private Limited
- AstraZeneca India Pvt Ltd
- AT&T
- Athena Health Technology Private Limited
- Aurigene Pharmaceuticals Private Limited
- Automation Anywhere
- Axalta Coating Systems India Pvt. Ltd.
- Axis Asset Management Company Ltd.
- Ayurvet Limited
- Basware India Private Limited
- Baxter
- Bain Capability Center
- BCG
- Bechtel India
- Behr-Hella Thermocontrol
- Bekaert Industries Pvt Ltd
- Berkadia
- BFL AF
- Binary Stream Software
- BITS Pilani Hyderabad Campus
- BlackRock
- Blue Yonder
- BNY Mellon

Participants Profile

300+ participants across 20+ sectors

- Boehringer Ingelheim
- Bosch Global Software Technologies
- Bread Financial
- Bureau Veritas
- Caparo Engineering India Ltd.
- Capgemini India
- Capgemini Technology Service India Ltd
- Caterpillar
- CavinKare Pvt Ltd
- Celona Networks Pvt Ltd
- Classis Travel and Tour
- Clifford Chance
- CNH Industrial
- Cognizant
- Colgate Global Business Services
- CommScope
- Continental Automotive Components (India) Pvt Limited
- Corning Technologies India Pvt Ltd
- Credit Suisse India
- Crimsonlogic India Pvt LTd
- CRISIL Limited
- Cvent India Pvt Ltd
- D J Sanghvi College of Engineering
- Dabur India Ltd
- Deloitte Consulting India Pvt, Ltd. (Offices of the US)
- Deluxe Entertainment Distribution India Private Limited
- Denali AI India Pvt Ltd
- Deutsche Bank Group
- Deutsche India Private Limited
- Diageo Business Services India
- Digital Harbor Pvt Ltd
- DTDL
- Eastman
- EC Group Datasoft Pvt. Ltd.
- Edelweiss Tokio Life Insurance
- EdgeVerveSystems Limited
- Egon Zender
- Enabl Engineering Private Limited
- Ensono
- Epiance Software Pvt Ltd
- Epsilon India
- Eptisa India Private Limited
- Ericsson India Global
- EXL
- Expleo
- EYGDS
- FAI First American India
- Ferns N Petals Pvt Ltd
- Ferrero India Pvt Limited
- FICO
- FIL India Business and Research Services Private Limited
- Fino

Participants Profile

300+ participants across 20+ sectors

- Flatworld Solutions
- Freecharge
- Freight Tiger
- GE Renewable Energy
- Genpact
- GEP Worldwide
- Giveplease Pte Ltd
- GlobalFoundries Inc
- Google
- Goto
- Grant Thornton (GT INDUS)
- Great West Global
- GRP Limited
- GSK Consumer Healthcare
- GSK GCC
- H5 Asia Pacific Pvt Ltd
- Harman International
- Hays Business Solutions Pvt. Ltd.
- HealthifyMe Private Limited
- Heat and Control (South Asia) Pvt Ltd
- HERE Technologies
- Hetero Labs Limited
- Hilti Manufacturing India
- Hilti Technology Solutions India Pvt. Ltd
- Hind Rectifiers Ltd
- Honeywell
- HPHDP
- Hudson's Bay Company
- Huron Eurasia India Pvt Limited
- ICE
- ICICI Venture Funds Management Co. Ltd.
- IHH Healthcare India
- Incedo
- Indag
- Indegene
- Indira IVF
- Indus Valley Partners Ltd.
- Infineon Technologies
- Infinera Corporation
- Infogain
- Infor India Pvt Ltd
- Infosys Limited
- InMobi
- Innovatia
- IntelliSmart Infrastructure Pvt. Ltd.
- Intuit
- Invesco India Private Ltd
- ION Exchange India Ltd
- IQVIA
- ITC Limited
- iWave Systems
- Jain Irrigation Systems Limited

Participants Profile

300+ participants across 20+ sectors

- JCAPCPL
- JCPenney
- JLL
- John Deere
- Joydeep Consulting Servcies
- Kelvion India Pvt Ltd
- KHS Machinery
- Kotak Mahindra Bank
- KPIT Tecnologies Ltd.
- L&T EduTech
- Lear Automotive India Pvt Ltd
- Lee Kum Kee Int'l Holdings Limited
- Lifestyle International Pvt Ltd
- LMW LTD
- Lowes India Services Private Ltd
- Lupin Limited
- Maersk
- Manhattan Associates
- Manipal Technologies Limited
- Marks & Spencer Reliance India
- MatchMove
- Materials info consultancy private Limited
- Mavenick Consulting Private Limited
- Mavenir
- MediaTek
- Mercedes Benz Research and Development India
- Meredith India Services Pvt. Ltd.
- Micron
- Midland Credit Management
- Miller Knoll
- Mindcrest India Pvt. Ltd.
- MiQ Digital India Pvt Ltd
- Mizuho Securities India Private Limited
- Mobis India Ltd
- Moody's Corporation
- More Retail
- Morningstar India
- Mphasis
- Murata Electronics India Pvt. Ltd
- Muthoot Microfin Limited
- Mxplayer
- Nasdaq, Inc.
- National Commodities Management Services Limited
- NetScout Systems
- Neuberger Berman
- NewGlobe Education
- Niche Consulting Services
- Novartis Healthcare Private Limited
- Novo Nordisk
- nurture.farm
- NVIDIA
- NXP

Participants Profile

300+ participants across 20+ sectors

- o9solutions
- Ocwen
- Olam Information Services Limited
- OneAssist Consumer Solutions Pvt Ltd
- Onmobile Global Limited
- onsemi
- OpenText
- Opus Consulting Solutions Inc.
- Panacea Medical Technologies Pvt Ltd
- Parker Hannifin India Pvt Ltd
- Path
- Patra Corp
- PayNearby
- Perceptiviti
- Persistent Systems Ltd
- Petrofac
- PlaceNet Consultants
- Premier Research
- Prodapt Solutions
- Publicis Sapient
- PwC Acceleration Center
- Qualcomm India Pvt Ltd
- Qualesce India Private Limited
- Quantela Inc
- Quantiphi Analytics
- Qube Cinema
- Quinnox Consultancy Services Limited
- Quotient Technology India Pvt Ltd
- Rambus Chip Technologies
- Randstad RiseSmart
- Rapido
- Regal India Pvt limited
- Religare Housing Development Finanace Corp. Ltd.
- Rio Tinto India Private Limited
- ROHM Semiconductor Indi Pvt Ltd
- Rx Propellant Asset Advisors Pvt. Ltd.
- SABIC
- Sakhatech Information Systems Private Limited
- Saks OFF 5TH
- Salesforce
- SAP Fioneer
- Sbi card
- SBI Foundation
- SBI General Insurance
- SCALENETWORK
- Schlumberger
- Scriptifi
- SE2 Digital Service
- ServiceNow
- Servier India Private Limited
- SiFive
- Signify

Participants Profile

300+ participants across 20+ sectors

- SJA Group of Companies
- SLK Group
- SNC Lavalin
- Societe Generale GSC Pvt Ltd
- Sopra Steria India
- Soroco
- Srei Equipment Finance Ltd.
- State Street
- Sterlite Power
- STL - Sterlite Tech
- Sunprime Energy Solutions Pvt. ltd.
- Swiss Re
- Tapclicks
- TaskUs
- Tata Consulting Engineers
- Tata health
- Tata Hitachi
- Tavant
- Tecnotree
- Texas Instruments
- The Smart Cube
- Toppan Merrill
- Toshiba Software India Pvt. Ltd.,
- Triveni Turbine Limited
- T-Systems
- TurboHire
- TurnKey Solutions Private Limited
- UKG
- Unisys India Private Limited
- United Airlines Business Services Private Limited
- Varroc Group
- Verifone India Technology Private Ltd
- Verizon
- Vistaar Systems Pvt Ltd
- Vitesco Technologies
- VMware, Inc.
- Vodafone Idea
- Volvo Group India
- Wells Fargo
- Wind world India Ltd (Enercon GmbH)
- Wipro Limited
- WNS Global Services
- WonderBiz Technologies
- Wood India Engineering & Projects Private Limited
- WPA World Class Services India Pvt Ltd
- WSP India
- Xiphias Software Technologies Pvt Ltd
- Yash Technologies
- Yes Securities
- Zaloni Technologies India Pvt. Ltd
- ZFWABCO

Thankyou

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