Interloop®

KNOWLEDGE LETTER

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COMPENSATION STRATEGY

INSIGHTS

Compensation is **transactional** and **individualistic** in nature. It caters to the **financial aspect** of a Total Rewards Strategy. Every organizations needs to create a strategy for compensation that goes with the preference of the new-age employees who are all **purpose maximizers** and **focus on learning and development** apart from focus on being **affiliated** with the organization.

Depending on the Employee Value Proportion of the organization, most of the organization keep a focus on their compensation strategy. Compensation in terms of the number of times an employees can earn if performing at **full potential** is a **motivating factor** for some organizations solely. However, for some organizations focusing on elements such as **development, environment and benefits**, how shall one place their compensation strategy stands to be a thinking point.

Knowing and understanding the objectives of the business to determine the **philosophy of the payout** is crucial to retaining and engaging the employees in their due course of association with the organization.

KNOWLEDGE LETTER

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COMPENSATION STRATEGY STARTER KIT!

1. NAVIGATING COMPENSATION IN A CHANGING WORLD

Organizations, attentive about their strategy will have focus on **compensation management solutions** and **pay communication strategies.** With umpteen focus on retaining and engaging the employees, rather than just re-calibrating their payroll. Organizations are also setting their compensation strategy bench-marked against the industry with greater transparency in the process. Since the pandemic, organizations now want to freeze the pay then indulge in pay cuts. Larger size organizations tend to offer **lesser variable pay** as compared to the smaller size ones. **Individual incentive bonuses** were on a rise in 2020 and continue to follow so. It might seems like the company's don't want to change their **bonus budget** in 2021. There is growing importance of compensation as a strategic aspect of business planning.

2. COMPENSATION PACKAGES THAT ACTUALLY DRIVE PERFORMANCE

When it comes to designing the pay of the executives, the best practices are -:

1. **Market** determines the compensation of the executives in the public companies and a little above the **midpoint** for private companies
2. Long-term incentives constitute a **major share** in most companies in the U.S., however, not in the Asian countries
3. **ESG measures** along with **human capital goals** are set for annual incentives for the executives
4. **Fixed pay v/s Variable Pay:** The latter has always been given more importance and linked with the strategic goals of the organizations.

3. HOW TO IDENTIFY – AND FIX – PAY INEQUALITY AT YOUR COMPANY

To identify if there is any pay inequality for "like for like" work among the workforce, carry out a **pay equity audit (PEA).** Apart from justifiable reasons such as work experience, credentials etc, identify the **operational gaps** in your organization. **Spot checks** should be carried out to understand the direction of the pay. For carrying out PEA, neat data in terms of all the requirements and sources is a must for an HR Professional. If the HR doesn't do it, the employees would carry out an audit by themselves to demand equitable pays for the same job done as illustrated by Google Employees discreetly.

4. THE COMPENSATION CONUNDRUM

Compensation Strategy needs to follow these 4 trends to be relevant:

1. **Rapid:** Due to uncertainty and rapidness in the compensation change and roll out, it's better to invest in the reward strategy more than compensation.
2. **Trends:** Transparency in formulating compensation strategy, AI revolution affecting skills of the people and henceforth, their compensation packages.
3. **New world:** Aligning the strategy to that of the new world in terms of ethics, fairness, diversity, collaborations, personal relationships is crucial.
4. **Constant Change:** Repeatedly revising the strategy does not always make an impact. Identifying gaps between the new world factors and implementation is essential.

LINKS FOR FURTHER READING

1. https://www.payscale.com/cbpr
2. https://hbr.org/2021/01/compensation-packages-that-actually-drive-performance
3. https://hbr.org/2020/11/how-to-identify-and-fix-pay-inequality-at-your-company
4. https://www2.deloitte.com/us/en/insights/focus/human-capital-trends/2020/new-compensation-trends-for-the-future-of-work.html

"Success is never owned, it is rented, and the rent is due every day."

-Rory Vaden

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BUZZ AROUND THE MEDIA

Reminders in the HR Space for the month

INDIA INC ADAPTS TO AVERT LABOUR WOES

The second wave of the Covid pandemic has resulted in major labour shortage in the manufacturing sectors. It comes with high unemployment rates at the same time. For retaining of the rest of the workers who moved back to their hometowns during the lock down since they don't want to give up on their source of livelihood, companies are rolling out vaccination drives and making attempts to take care of their existing workers. As demand for health products go up, manufacturing should see more capabilities incorporated over time. **Read More Here.**

GOVERNMENT INCREASES MINIMUM WAGE OF CENTRAL SPHERE INDUSTRIAL WORKERS

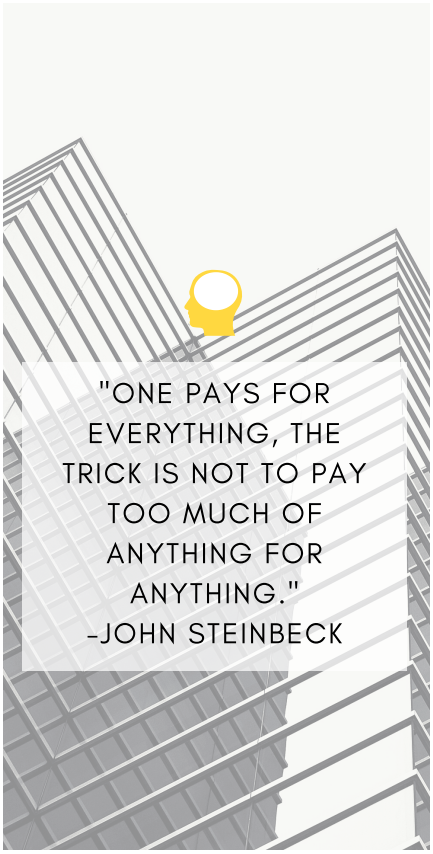
By revising the Variable Dearness Allowance (VDA), THE National Labour Ministry has marginally increased the pay for the central sphere industrial workers. It includes workers in the mining, construction, railways, oil fields, major ports or any corporation that is under the authority of the central government. The VDA is revised on the basis of average consumer price index for industrial workers (CPI-IW), a price index compiled by Labour Bureau. The changes will be based on the skill, town/city of the worker and can range to an increase of ₹105 to ₹212 per month. **Read More Here.**

VACCINATION FOR EMPLOYEES IS TOP-OF-MIND FOR MOST BUSINESSES IN NEXT 3-12 MONTHS

With 5-10% of the employee headcount being affected with the Covid 19, organizations are working around ways to improve the situation at their end. Although large organizations could take some measures post the first wave in regards to flexible work timings and remote office, smaller organizations are taking their time. Vaccination for employees is on the top of the mind for most businesses. 2/3rd of all respondents report that providing Vaccine Access will be their top-most priority over the next 3-12 months. **Read more Here.**

SWIGGY ANNOUNCES 4-DAY WORK WEEK FOR EMPLOYEES IN MAY

Due to second wave of Covid and extended mayhem, the company offers a sense of relief for its employees, in terms of providing a 4 day work week. The extra day is urged to be used for self care and supporting family. To recognize the efforts of all its employees and support them during this tough time, the company has set pandemic support mechanism, and an emergency support team. Apart from covering the expense of the hospitalization of the employees and their families, vaccination expense are also being taken care of! **Read More Here.**



JOBLESSNESS IN RURAL INDIA DOUBLES TO 14% IN ONE WEEK

People in the rural regions are facing unemployment in the both formal and informal sectors. Agriculture as well is facing a lull in employment. With people returning to their villages and hometowns and facing lock downs along with higher inflection of Covid cases, there are barely any options left for making a living. Unorganized manufacturing in rural and semi-urban India has largely come to a halt. Due to the demand crunch and payment delays in the MSMEs sector, the issue keeps getting worse with increase in the prices of the raw materials. Rural unemployment shot up to 14.34% in the week ended 16 May from 7.29% in the week ended 9 May, data from the Centre for Monitoring Indian Economy (CMIE) showed. **Read More Here.**

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Ideas that work !

DETERMINING THE IDEAL COMPENSATION STRATEGY!

In this hyper-customized environment, define where you stand on carrying out your compensation strategy.

01 IDEOLOGY

Do you value the job role more or the individual doing the job?
To optimize your compensation, the inclination should be towards valuing the job role more.

02 FOCUS

Do you want to give more value to Individual achievements or group/business unit achievements?
If you have a traditional approach, there would be more pay based on tenure of the employee, otherwise, performance outcome.

03 DIFFERENTITATION

Do you want to optimize your collective rewards and have a broad compensation play out or do you want to distinguish it as per the crtical few in your organization?

04 BENCHMARKING

Do you want to structure the pay as per the worth of the job role in the external market or have the job role be valued as per the internal equity?

05 OUTLINING

Do you want to define the guidelines of your pay policy and leave no scope of discretion for the managers or do you want to leave it in the hands of the managers to come up the best pay as per them?

06 BREAK-UP

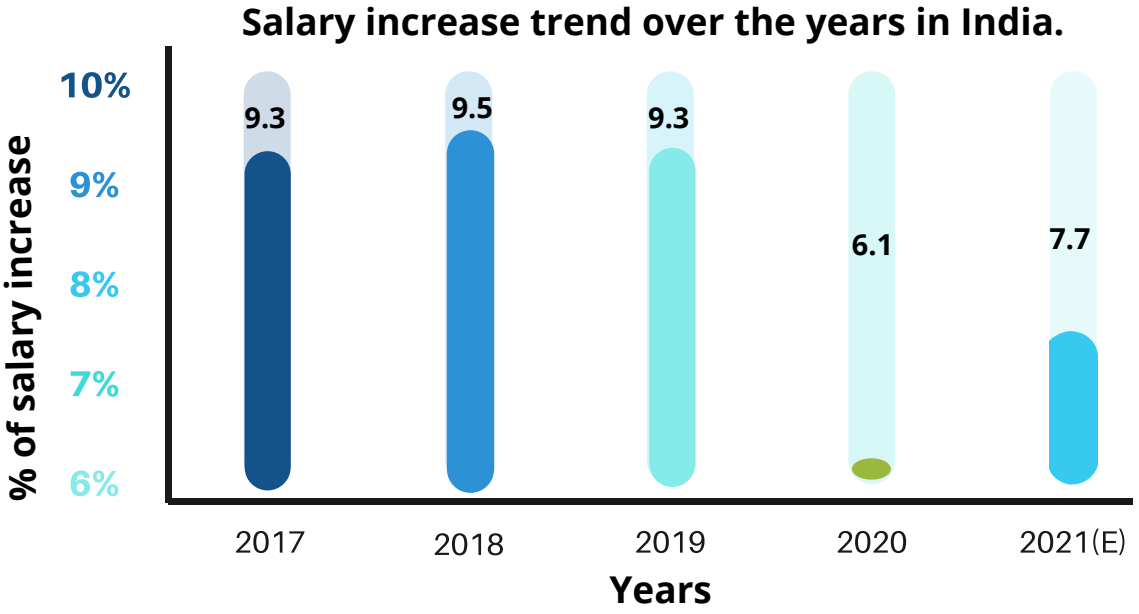
Do you want to have emphasis on your fixed pay or your variable pay when you formulate your employee value proposition?

Pay Break-Up

1. **Fixed Non-Merit Based Pay** — The most important component to keep the salary relevant. Eg- Keeping the fixed pay relevant as per the inflation in the country.
2. **Fixed Merit Based Pay** — As the outcome of the collective efforts of the organization and the team, the individual gets paid on merit. The merit is based on their contribution.
3. **Variable Individual Short Term Benefits** — Short Term Incentives that are extended to an individual such as Variable pay forms a part of this.
4. **Variable Group Short Term Benefits** — Short Term Benefits that are extended to all in the entire group or function of the organization such as incentives for the entire team if they reach the goals.
5. **Variable Long Term Benefits** — Benefits placed in the Long Term(greater than 12 months in being unfolded) such as equity participation forms a part of this.

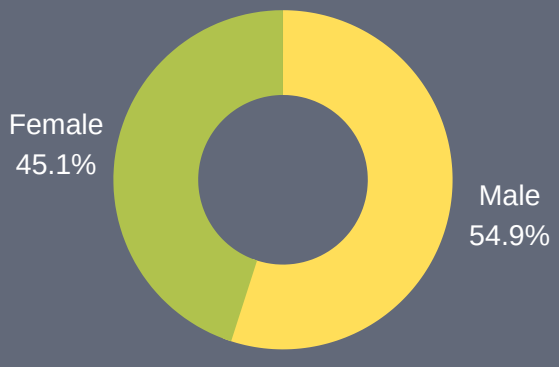
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Are you paying your employees fairly?









- For every $1.00 a man earns, a woman earns $0.82.
- India ranks third on the largest pay gap in the entire world.
- Due to Covid 19, the situation worsened for women as they have multitask work and managing the home.

Courtesy: payscale AON

NEW BRAND ASSOCIATION IN MAY 2021

AUDAX LABS

Zoho People Plus Implementation and Consulting

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for social distancing.
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+91 9773556979
resources@interloopconsulting.com
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