

Presents



LATEST TRENDS IN **COMPENSATION & BENEFITS**

Wednesday, **March 06, 2019** | Karachi Marriott Hotel | 06:00 pm - 07:30 pm



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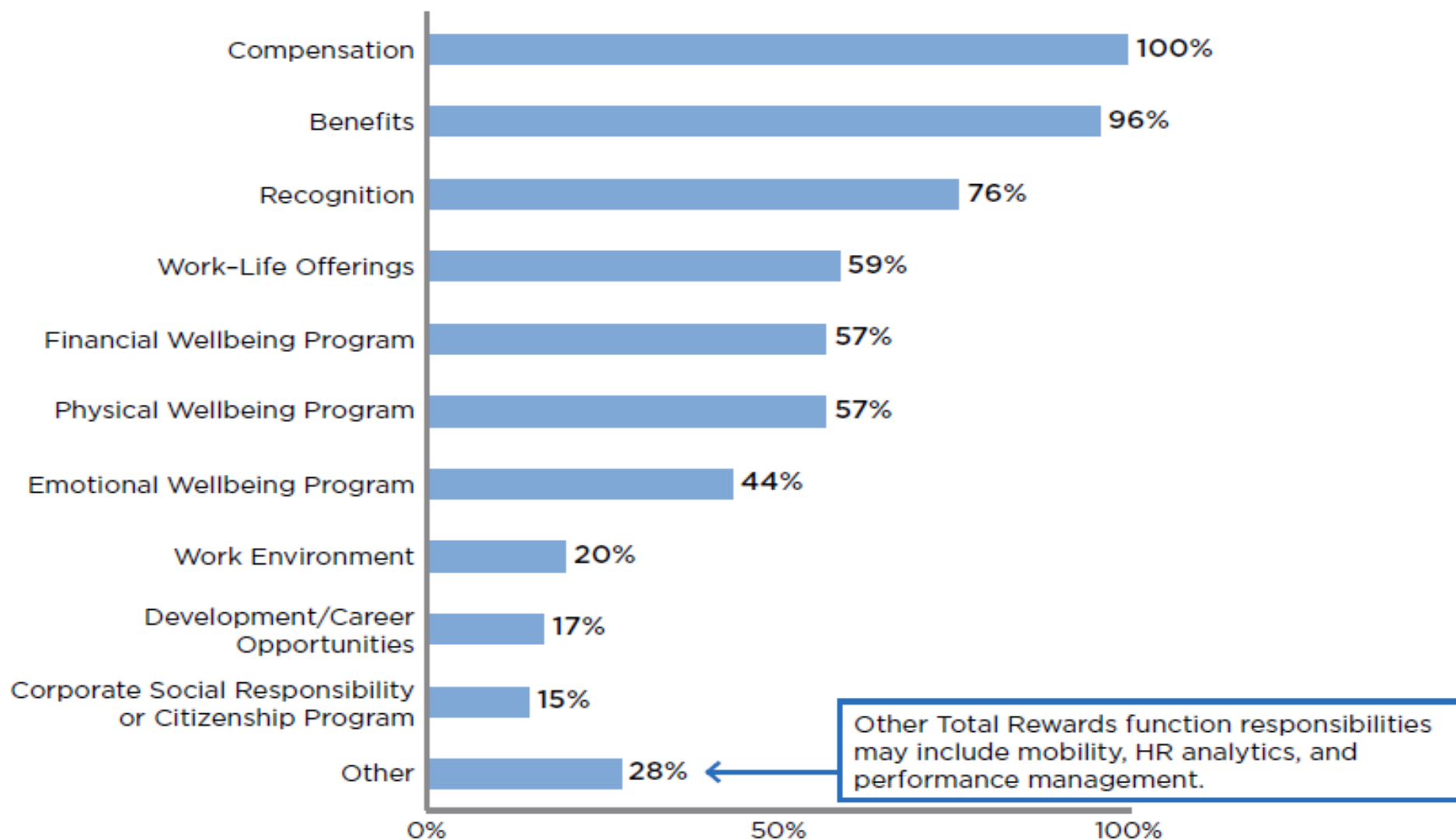
Latest Trends in the world of Total Reward

Agenda

- Compensation
 - Pay Transparency
 - Pay Equity
 - Pay Analytics
 - Critical Talent
- Benefits
 - Wellness
 - Financial Planning
 - Emotional Health
- Performance Management
- Disrupting Local Market

TOTAL REWARDS HAS A BROAD MANDATE

Responsibilities of Total Rewards Functions
Percentage of Organizations



n = 64.

Source: CEB 2017 Total Rewards Operating Model Benchmarking Survey.

BIGGEST MACRO TRENDS IMPACTING CHRO PRIORITIES

Macro Trend

Organizational Challenge

Impact on CHRO
Priorities for 2017

1

Big Data



How do we equip our employees with the tools and skills to make better decisions with data?

68%

of CHROs plan to prioritize **Improving the organization's talent analytics capabilities** in 2017.

2

"On-Demand" Consumer Expectations



How do we make it easier for our external and internal customers to work with us?

64%

of CHROs plan to prioritize **Innovating on new approaches to HR service delivery** in 2017.

3

Digital Disruption



How can our organization capitalize on digital opportunities to remain competitive?

57%

of CHROs plan to prioritize **attracting and retaining digital talent** in 2017.

PRESSURE OVER SUCCESSION IS INTENSIFYING

Top Talent Management Issues Where CHROs Feel Pressure from the Board

	Talent Management Issues	Percentage of CHROs
1.	Executive Succession	45%
2.	High-Potential Talent	26%
3.	Executive Compensation	24%
4.	Diversity and Inclusion	23%
5.	CEO Succession	20%

n = 106.

Source: CEB 2017 Future of HR Agenda Poll.

Questions Boards Are Asking About Succession

Succession Planning Approach



Are we confident we have a rigorous approach for assessing and developing leadership capability in our leaders? How can I help?

Current Bench Strength



How deep is our talent bench for key roles? How can we develop this talent faster?

Talent Pipeline Sustainability



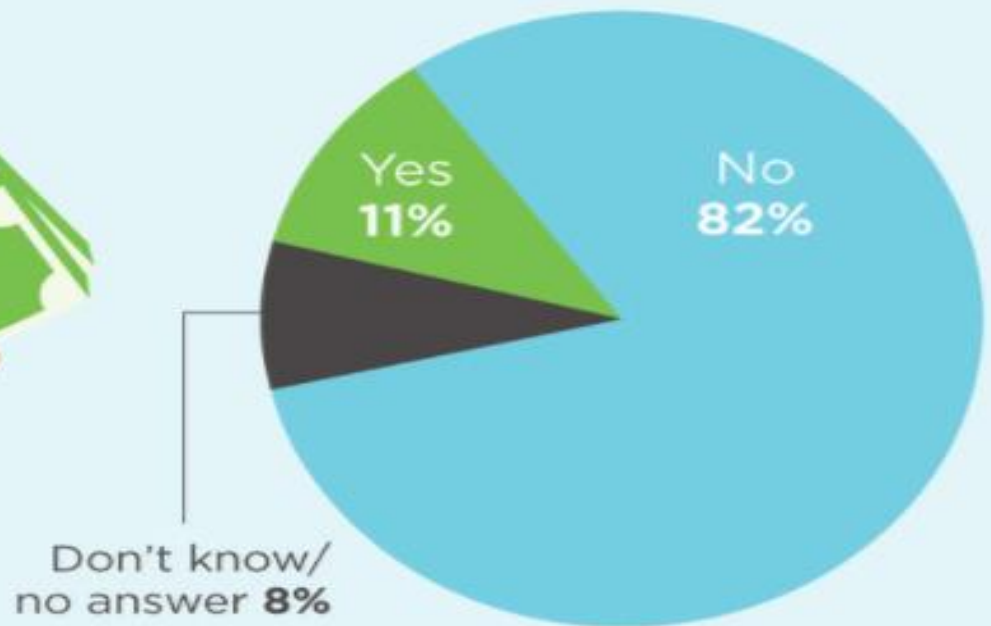
Where is the next group of executives coming from?

Evolving Trends in Compensation

Pay Transparency

Pros and Cons of **PAY TRANSPARENCY**

Does your company have an open salary policy?



What's the greatest benefit of instituting an open salary policy?

Increases productivity



Boosts recruitment and retention



Helps close the wage gap



Creates an atmosphere of trust



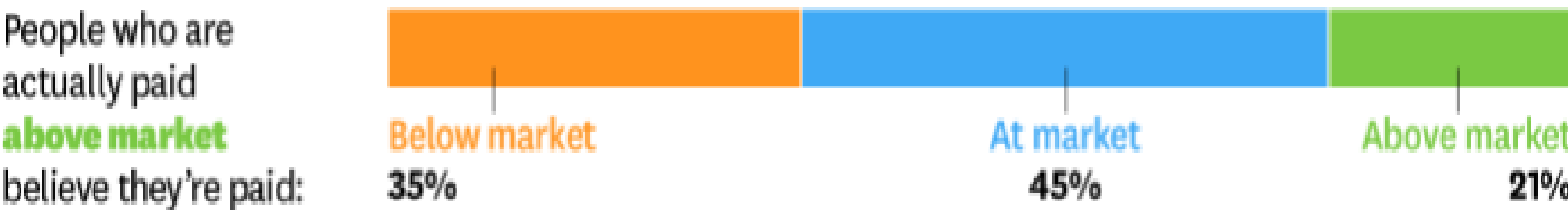
None – the potential consequences outweigh any benefits



Don't know/no answer: **7%**

What We Believe About Pay

A survey of 71,000 people shows that most can't identify how they're paid compared to the market.



Pay Equity

EMPLOYEES REPORT PAY GAPS

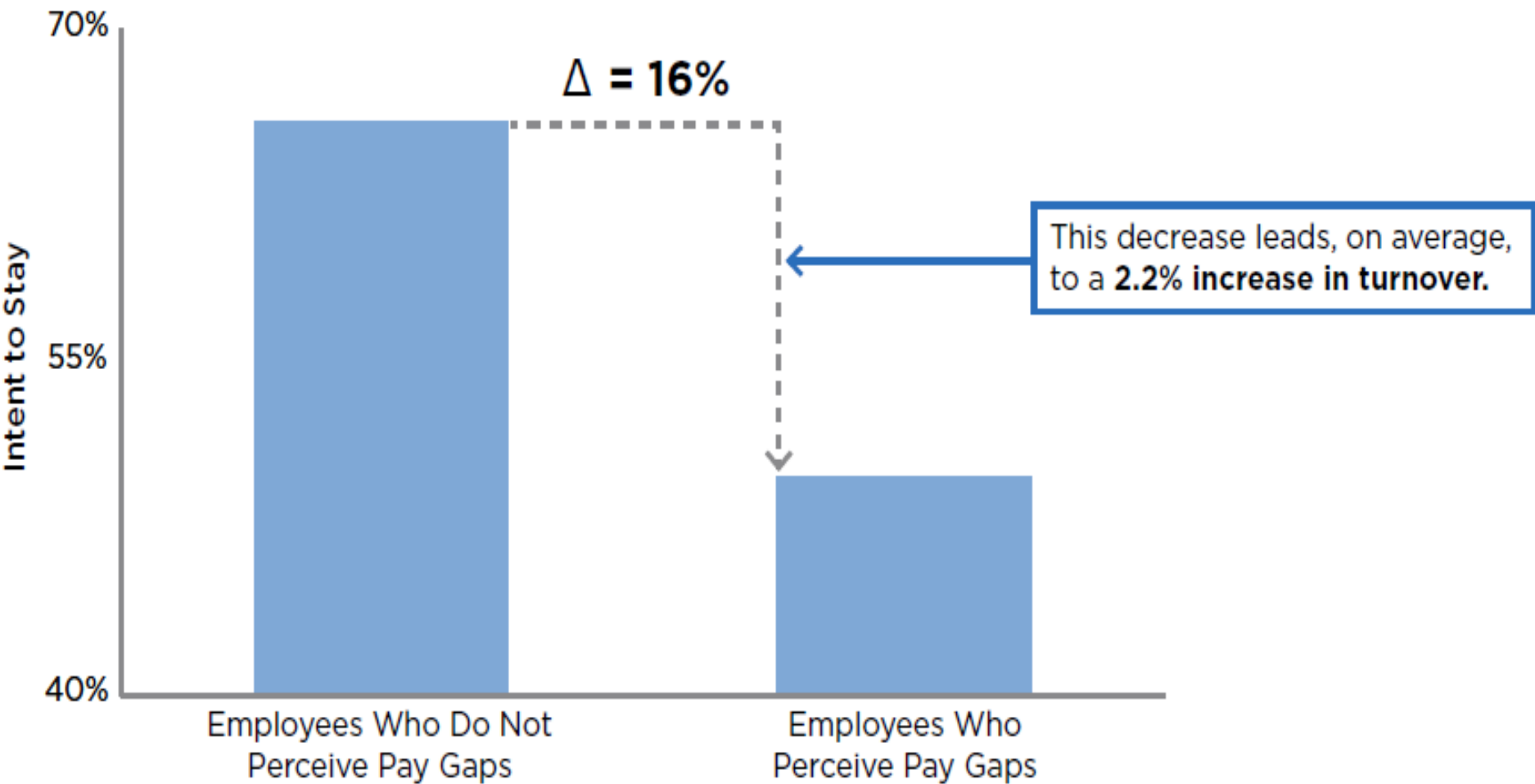
One in Three Employees Reports Pay Gaps



Pay gaps are defined as **unequal pay for equal work**: employees with differing personal characteristics (gender, race, age, etc.) being paid differently for comparable work when their other characteristics (experience, performance, etc.) are similar.

PERCEPTIONS OF PAY GAPS DRIVE TURNOVER

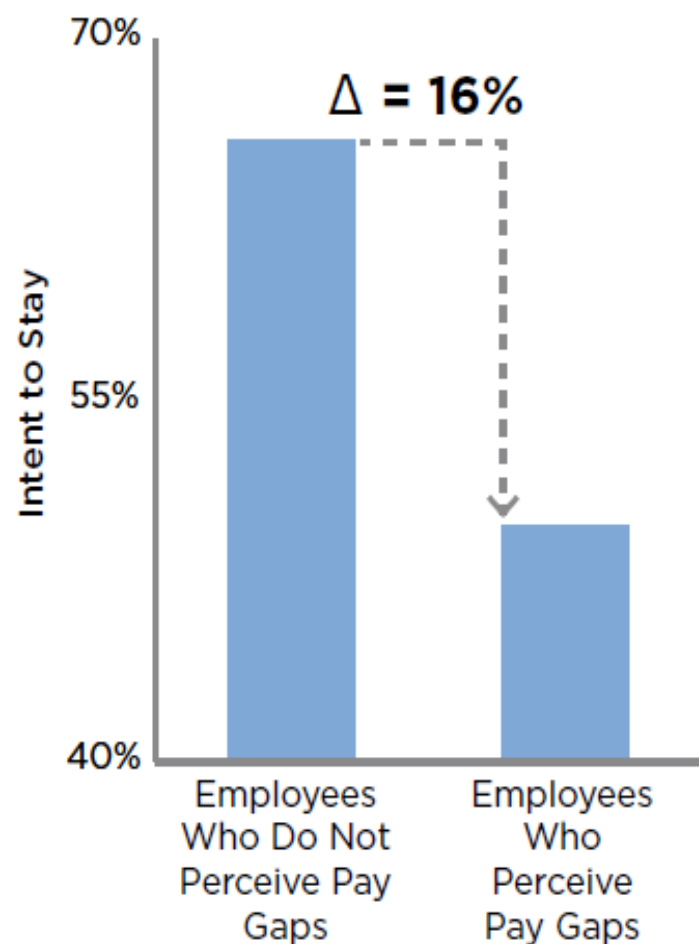
Perceiving Pay Gaps Substantially Impacts Employee Turnover at an Organization
Impact of Pay Gaps on Employee Intent to Stay



n = 21,189.
Source: CEB 2016 Q4 Global Labor Market Survey.

THE DANGER OF PAY GAP PERCEPTIONS

How Harmful to Retention Is Perceiving a Pay Gap?



$n = 21,189$.

Source: CEB 2016 Q4 Global Labor Market Survey.

Perceiving a Pay Gap (a 16% Decrease in Intent to Stay) Is...



...equivalent to perceiving a **56% decrease in manager quality**.



...equivalent to believing you could earn **30% more** doing the same job at another company.



...**50% worse** than experiencing a **pay freeze**.



...**20% worse** than experiencing a **reduction in benefits**.

EMPLOYEE PERCEPTIONS OF PAY EQUITY: KEY FINDINGS

1

Pay Equity Matters

- As the workforce becomes increasingly diverse, more and more employees are affected by pay equity issues.
- Governments, employees, and the public are continuing to pressure organizations to act.
- **One in three employees** believes their organization has pay gaps.

2

Employee Perceptions of Pay Gaps Harm Retention

- On average, employees who perceive pay gaps are **16% less likely to stay** at their organization.
- Employees are more likely to perceive pay gaps that affect them personally.
- Employees overestimate the size of gender gaps and believe race gaps are even larger.

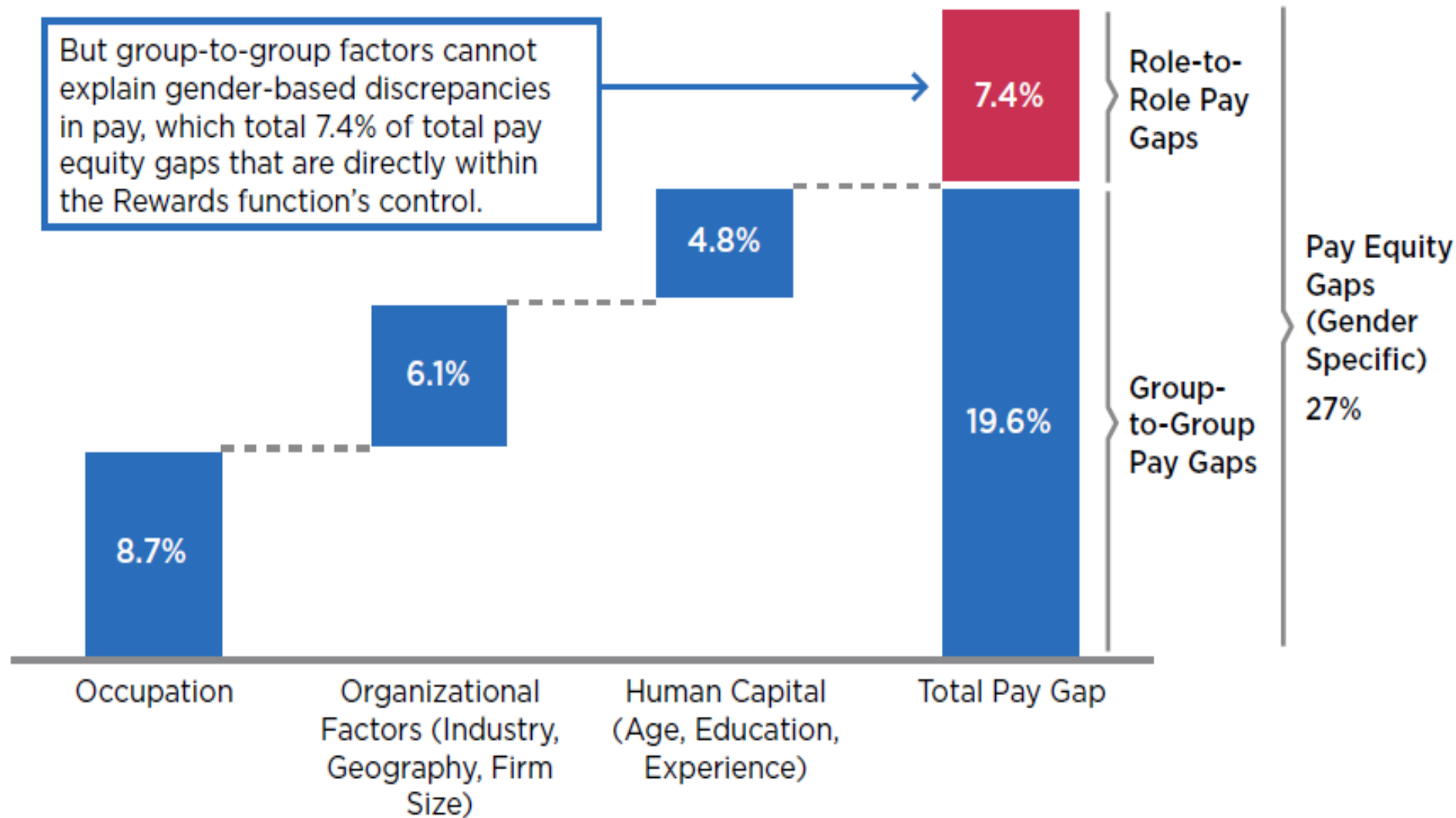
3

Current Efforts Are Insufficient

- Only **9%** of employees think regulations alone will close pay gaps.
- Only **14%** of employees think their organization is making a credible effort to close pay gaps.
- Employees are less likely to stay at organizations that they do not believe are committed to equality.

REWARDS MUST ADDRESS ROLE-TO-ROLE GAPS

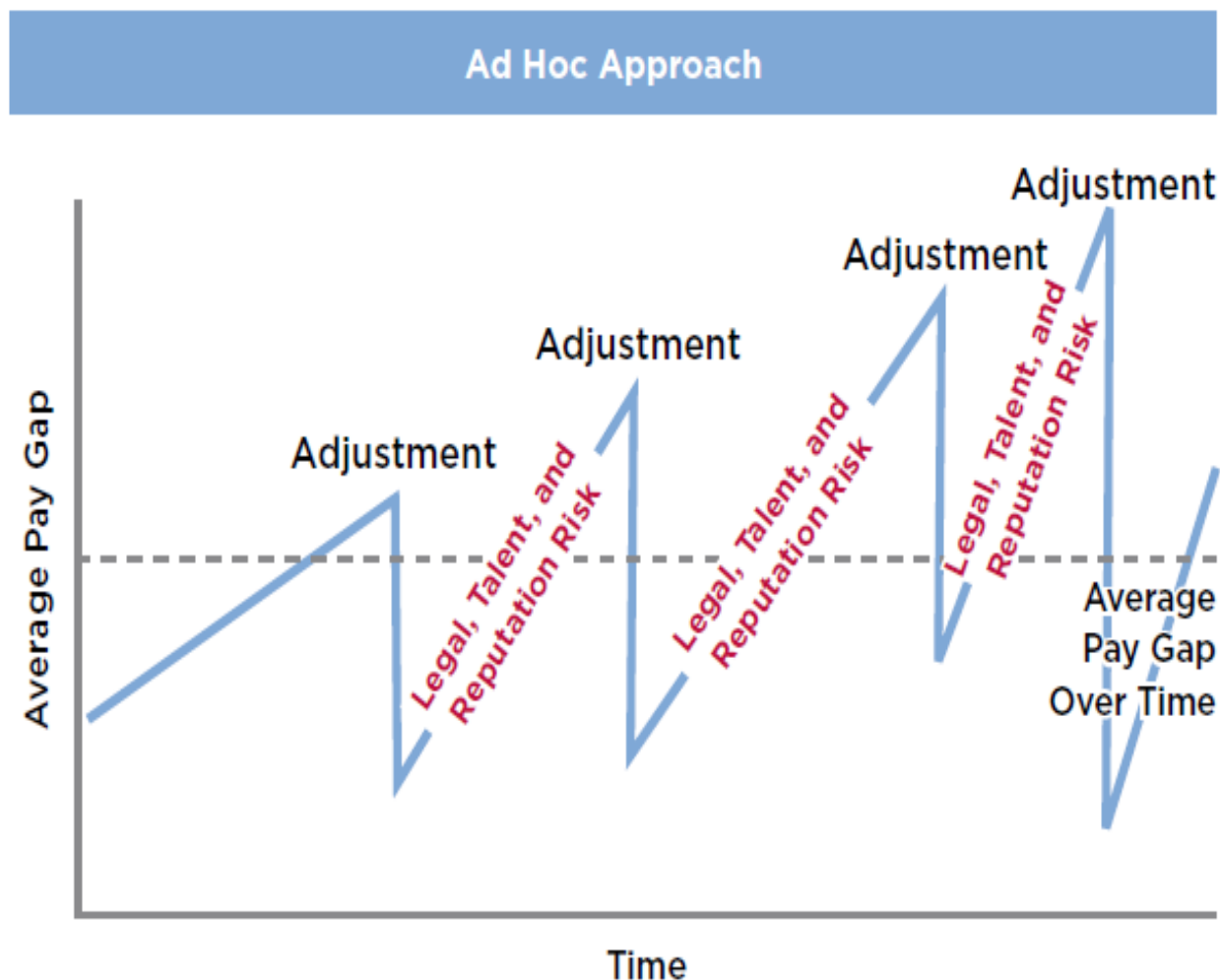
Factors Explaining Gender-Specific Pay Equity Gaps



LESSON 1: AD HOC IS UNSUSTAINABLE

Change in Role-to-Role Pay Gaps Over Time

Illustrative



Source: CEB analysis.



Impact: Ad hoc adjustments will not hold over time and leave organizations open to increasing legal, talent, and reputation risk. For each individual ad hoc adjustment, the Compensation team will have to:

- **Build** the business case for pay equity,
- **Attain** buy-in,
- **Deprioritize** other projects,
- **Request** funding for adjustments, and
- **Hire** a vendor, or **create** an internal team.

LESSON 2: PERCEPTIONS HAVE A PRICE

One in Three Employees Perceives Pay Gaps



$n = 21,189$.
Source: CEB 2016 Q4 Global Labor Market Survey.

The Effect on Retention of Employees Perceiving a Pay Gap Is...



...equivalent to a **high-performing employee** being rated as **meets expectations or lower**.



...equivalent to an employee believing he or she could earn **30% more** doing the same job at another company.

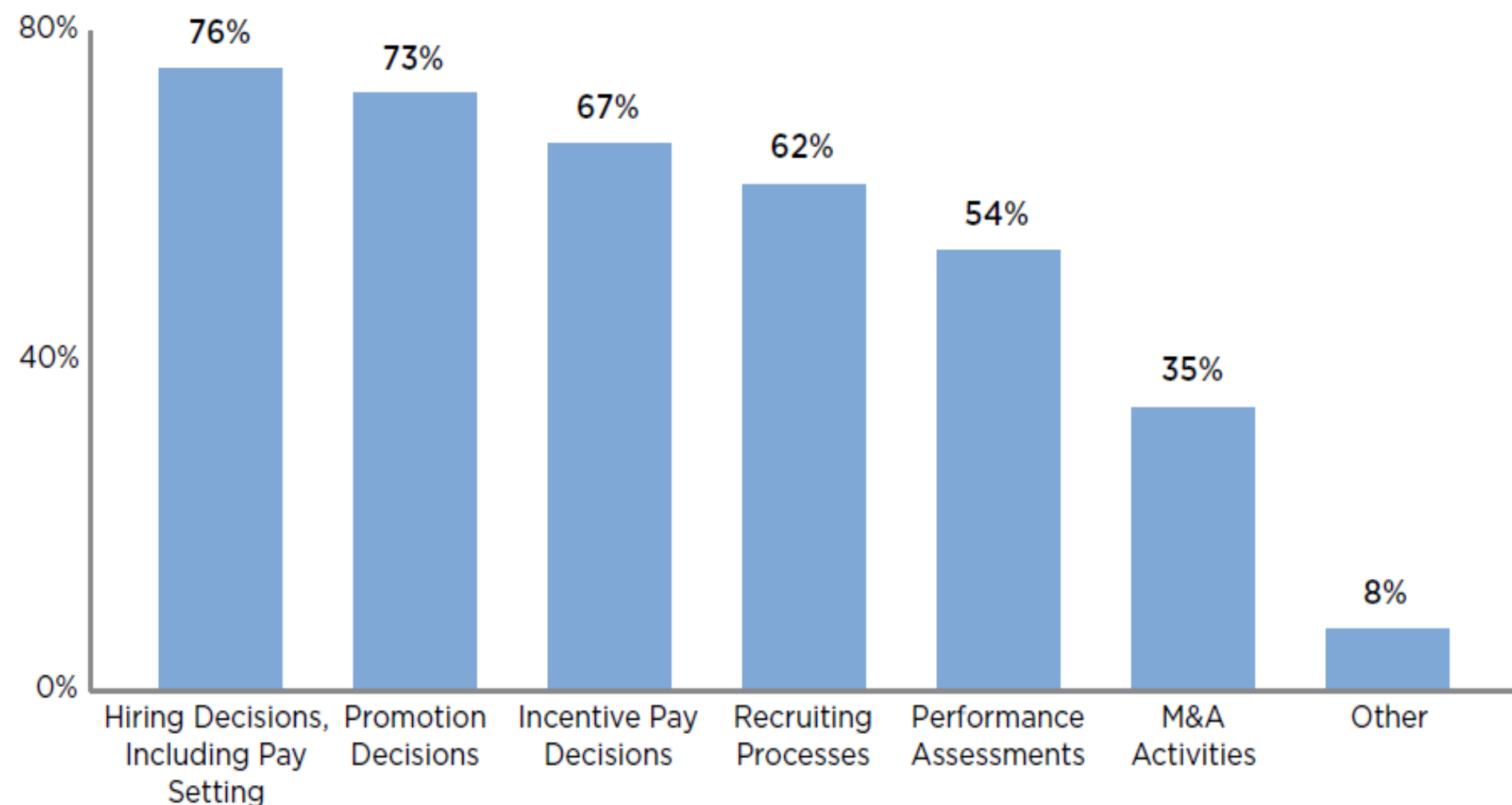


...**50% worse** than experiencing a **pay freeze**.

$n = 21,189; 9,686$.
Source: CEB 2016 Q4 Global Labor Market Survey; CEB 2016 Pay for Performance Employee Survey.

LESSON 3: TALENT PRACTICES CREATE GAPS

Practices That Contribute to Pay Gaps
Percentage of Organizations Selecting

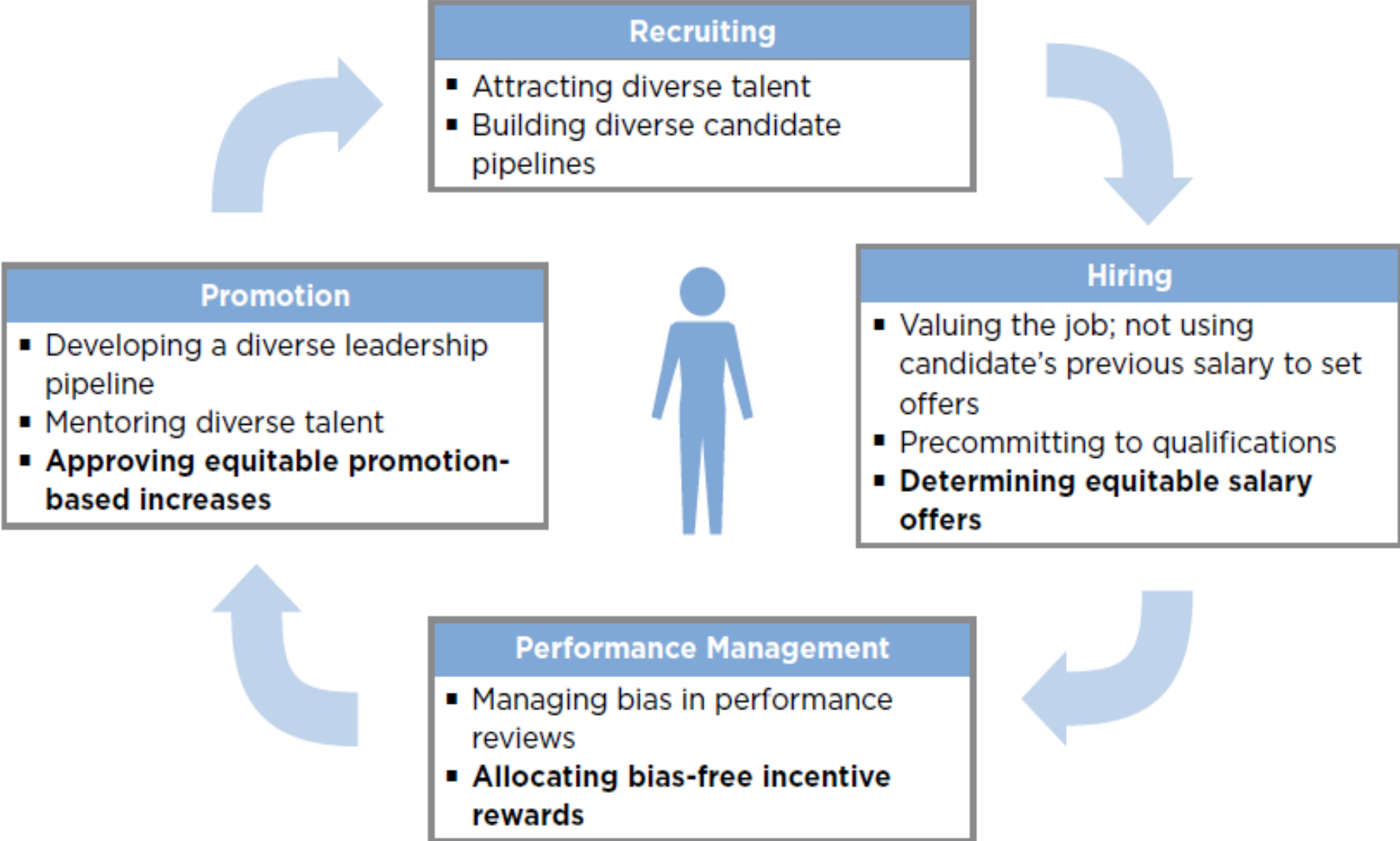


n = 78.

Source: CEB 2017 Pay Equity Benchmarking Survey.

ADDRESS REWARDS BIAS IN TALENT LIFE CYCLE

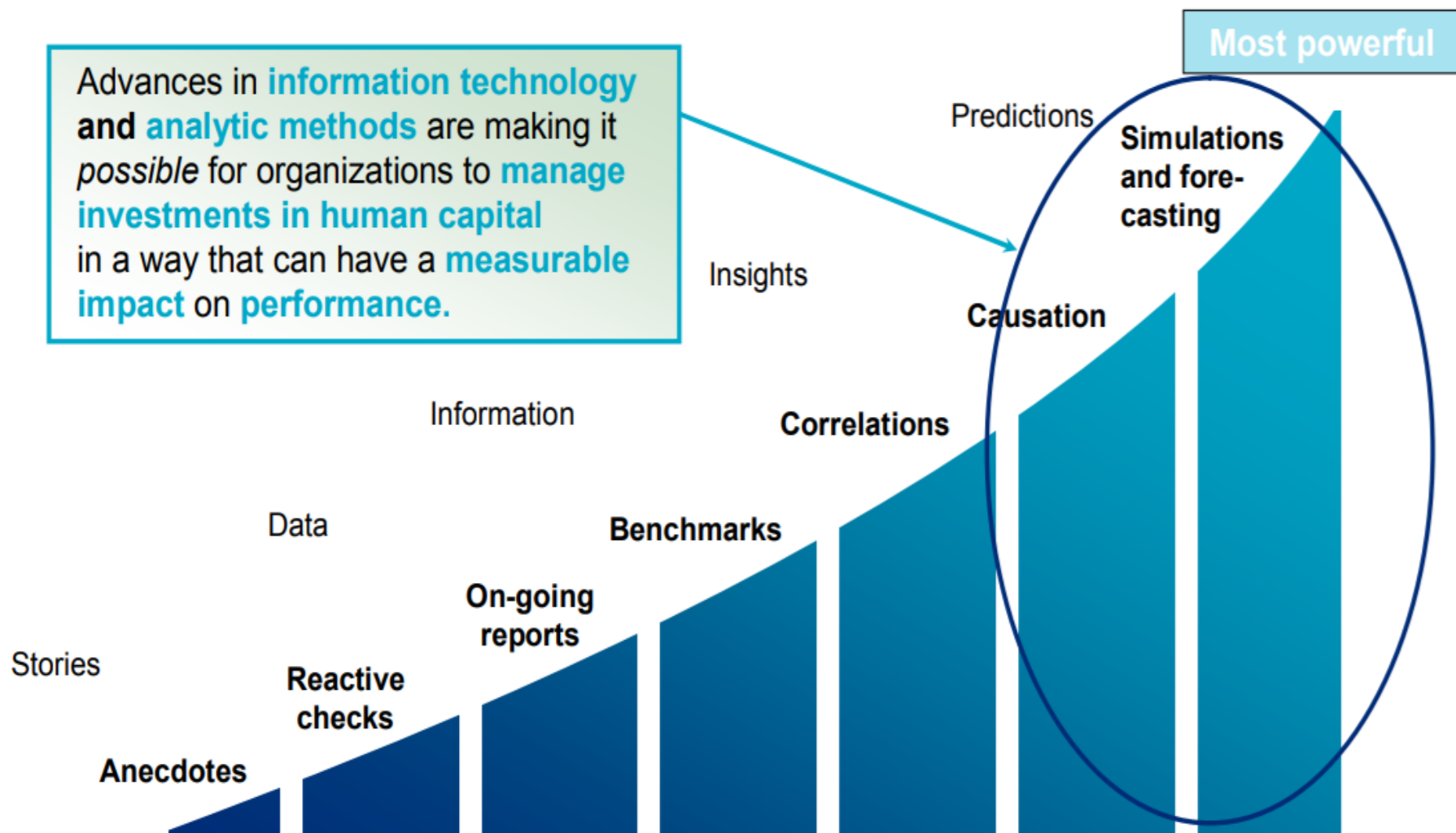
Compensation Aspects of the Talent Life Cycle



Pay Analytics

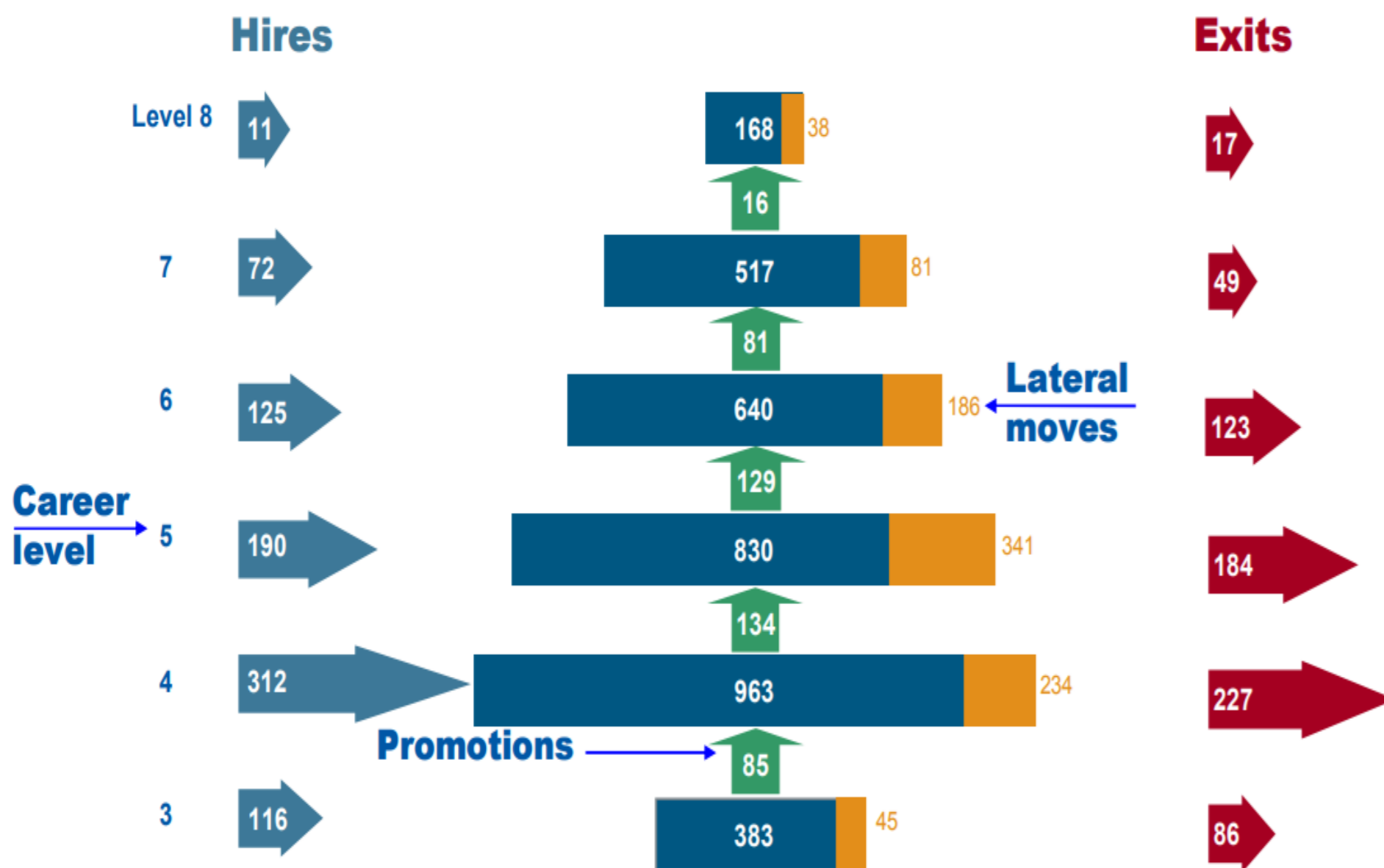
Companies moving up the analytics curve

In the broader HR community, companies are moving up the curve...but where is compensation?



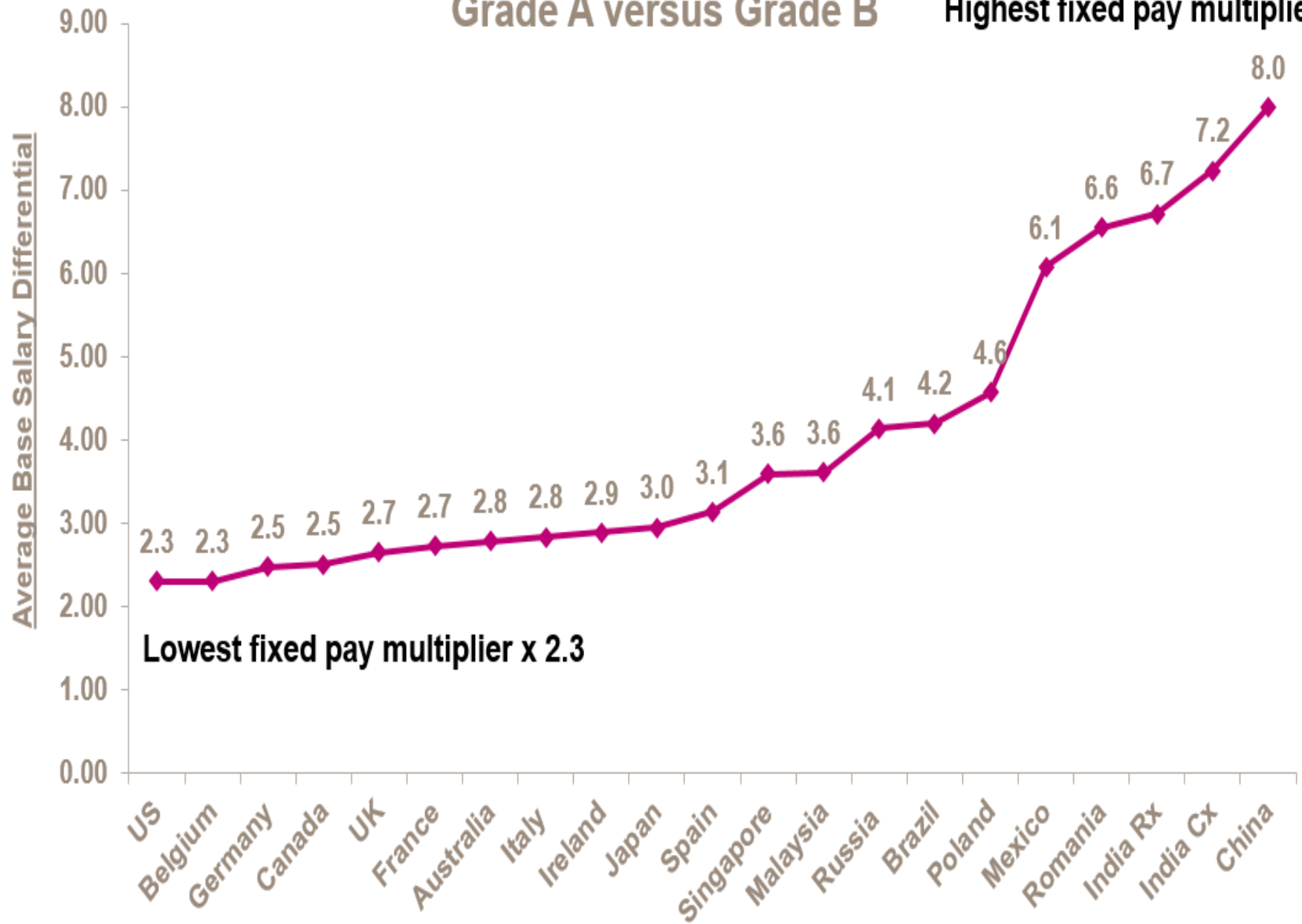
Analyzing career rewards

Internal labor market talent flows and rewards



Fixed Pay Multiplier – Grade A versus Grade B

Highest fixed pay multiplier x 8

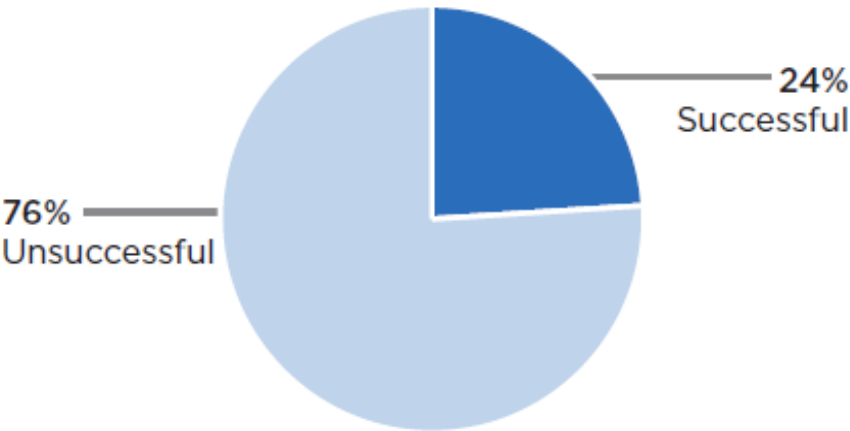


Managing Top/Critical Talent

HIPO STRATEGY SUCCESS

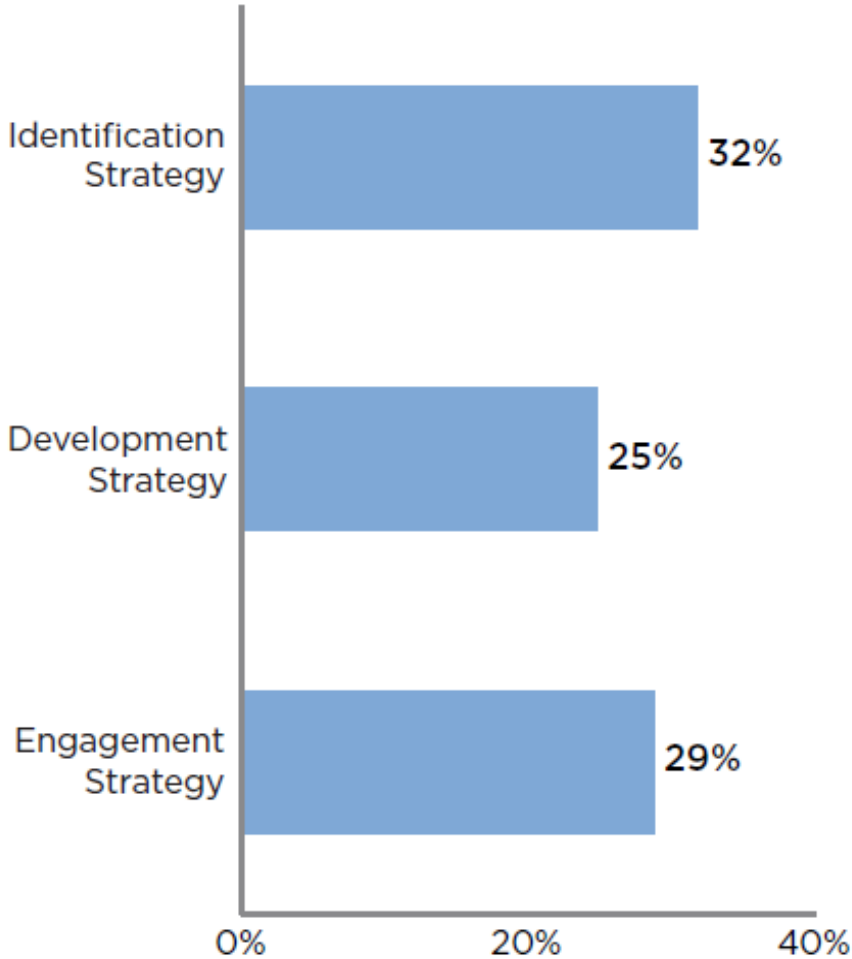


Percentage of HR Leaders Who See Their HIPO Strategy as Successful



n = 157 HR leaders.
Source: CEB 2016 HIPO Survey.

Percentage of HR Leaders Who See Each Aspect of Their HIPO Strategy as Successful



n = 157 HR leaders.
Source: CEB 2016 HIPO Survey.

KEY FINDINGS

DEFINING CRITICAL TALENT

78% of firms employ processes to identify critical talent, with 2-5% of the workforce reported as the most common portion identified as critical. Firms are equally split on how critical talent is defined. Approximately half of the firms consider the "individual", while the other half consider the "job function".

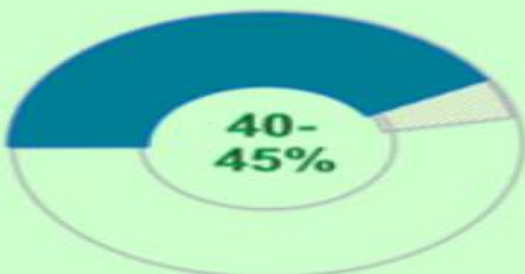
Criteria for defining critical talent:



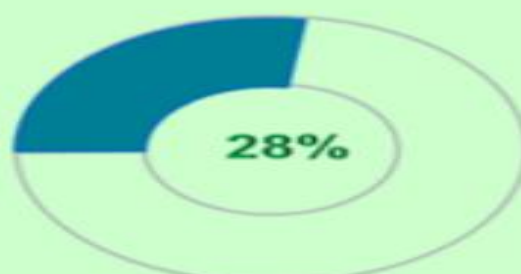
High potentials



High performers



Job-based criteria (e.g., hot jobs, organization hierarchy, job family/function)

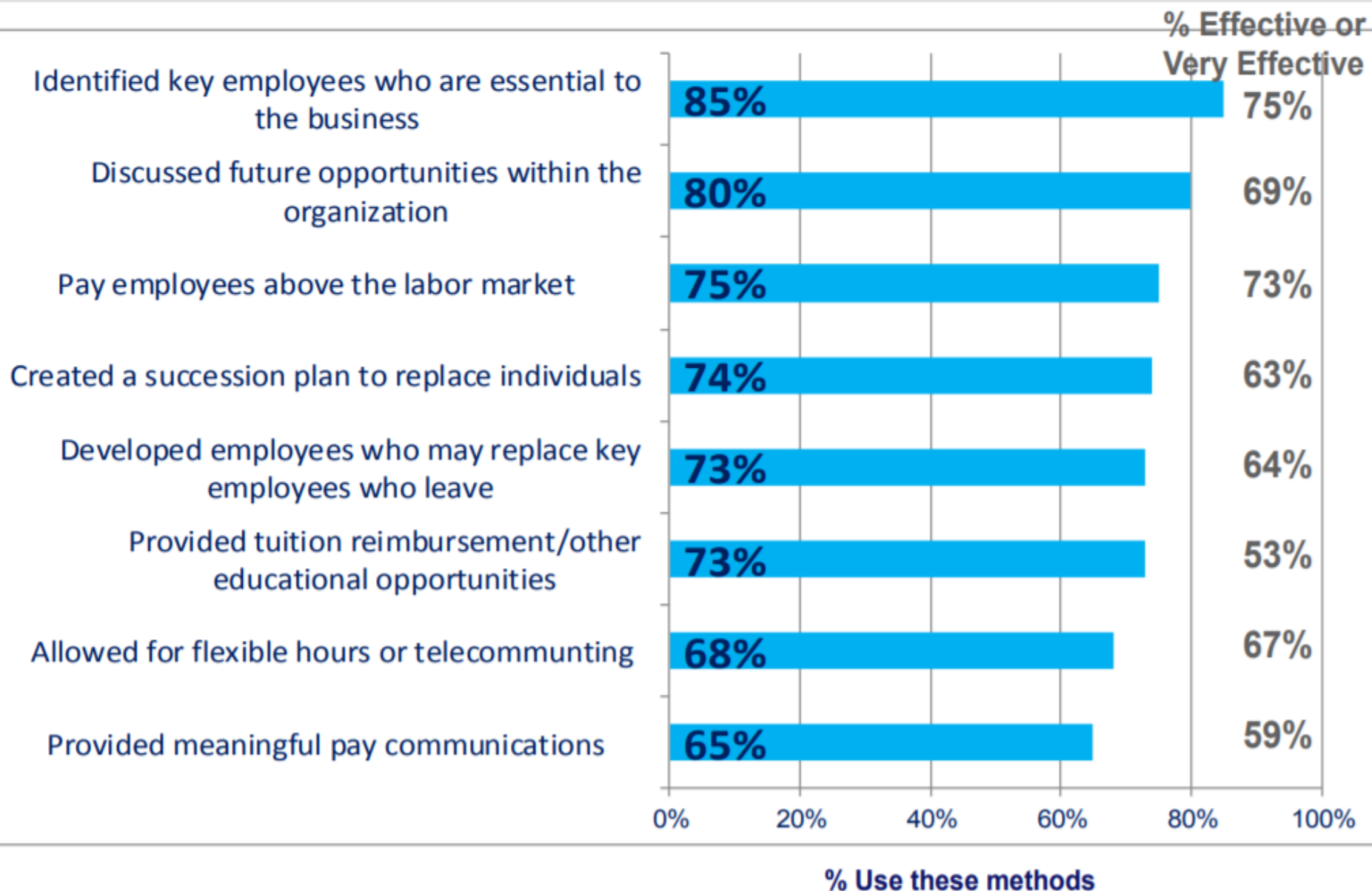


Competencies

Is retaining key talent a significant challenge?



Methods most often used to retain key talent



- Do you have a differentiated strategy to pay your top talent? (salary, bonus)
- How much differentiation do you have in PKR terms between your top performers vs bottom performers? Do you actually calculate?
- Do you have the concept of holding power in your organization?
- What PKR amount will make your top performers stay ?

Evolving Trends in Benefits

- Wellness**
- Emotional**
- Financial**

The world's **3.2 billion** workers are increasingly unwell

THEY FACE SIGNIFICANT ECONOMIC INSECURITY.

74%

Live on less than
\$13 per day

45%

Work in low-skill or
manual occupations

77%

Work in part-time, temporary,
"vulnerable," or
unpaid jobs

THEY ARE GROWING OLDER AND LESS HEALTHY.

18%

Of labor force over
55 by 2030

52%

Of adults
overweight or obese

9%

Of adults
with diabetes

76%

Are "struggling" or
"suffering"
in their physical
wellbeing

THEY ARE STRESSED, UNHAPPY, AND EVEN UNSAFE AT WORK.

38%

Suffer from
excessive pressure
on the job

24%

Are actively
disengaged at work

2.3M

Annual work-related
deaths

313M

Annual
work-related
accidents

FIGURE 1

ORGANIZATIONS WERE MOST LIKELY TO INCREASE WELLNESS AND HEALTH-RELATED BENEFITS

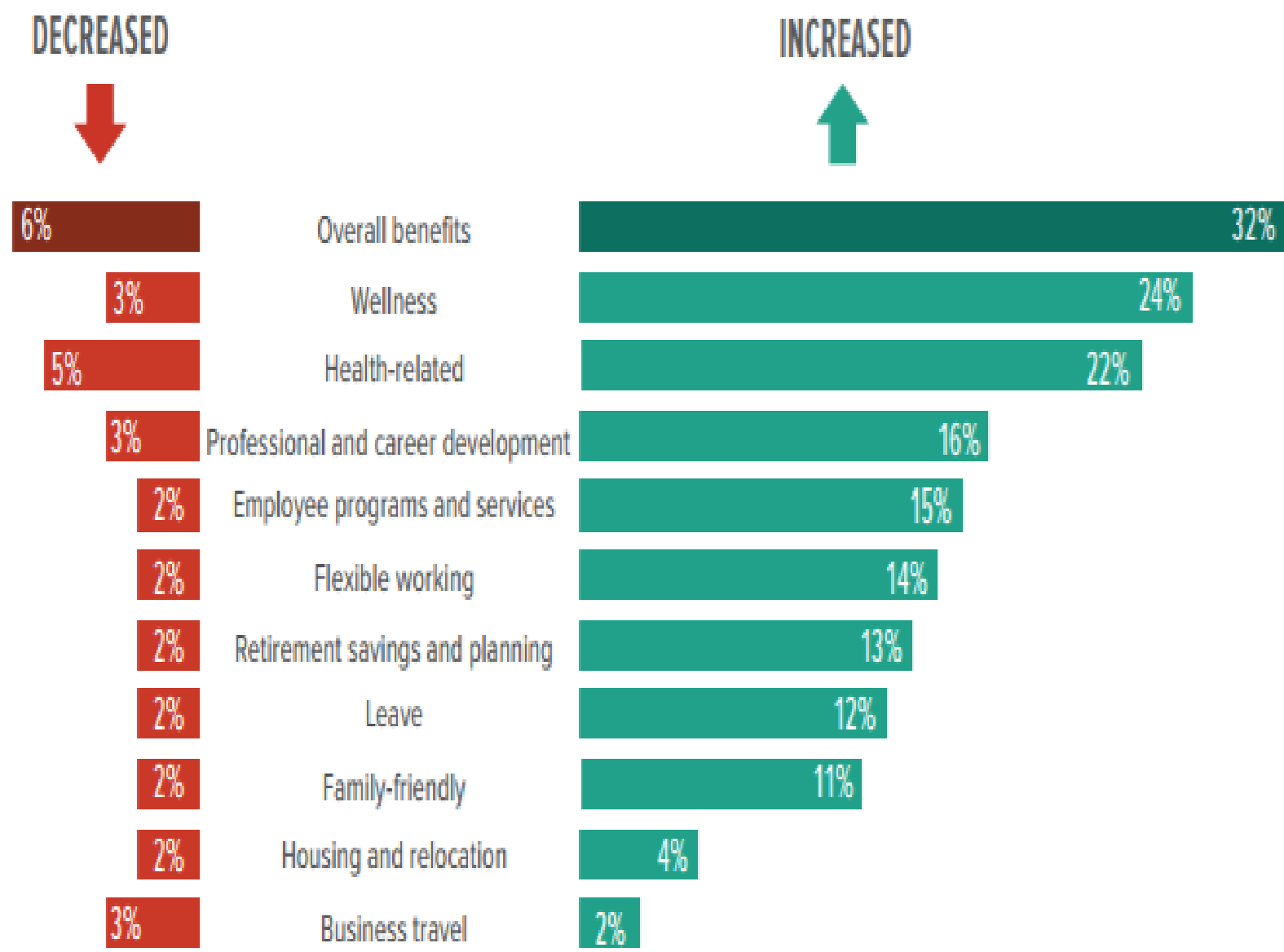
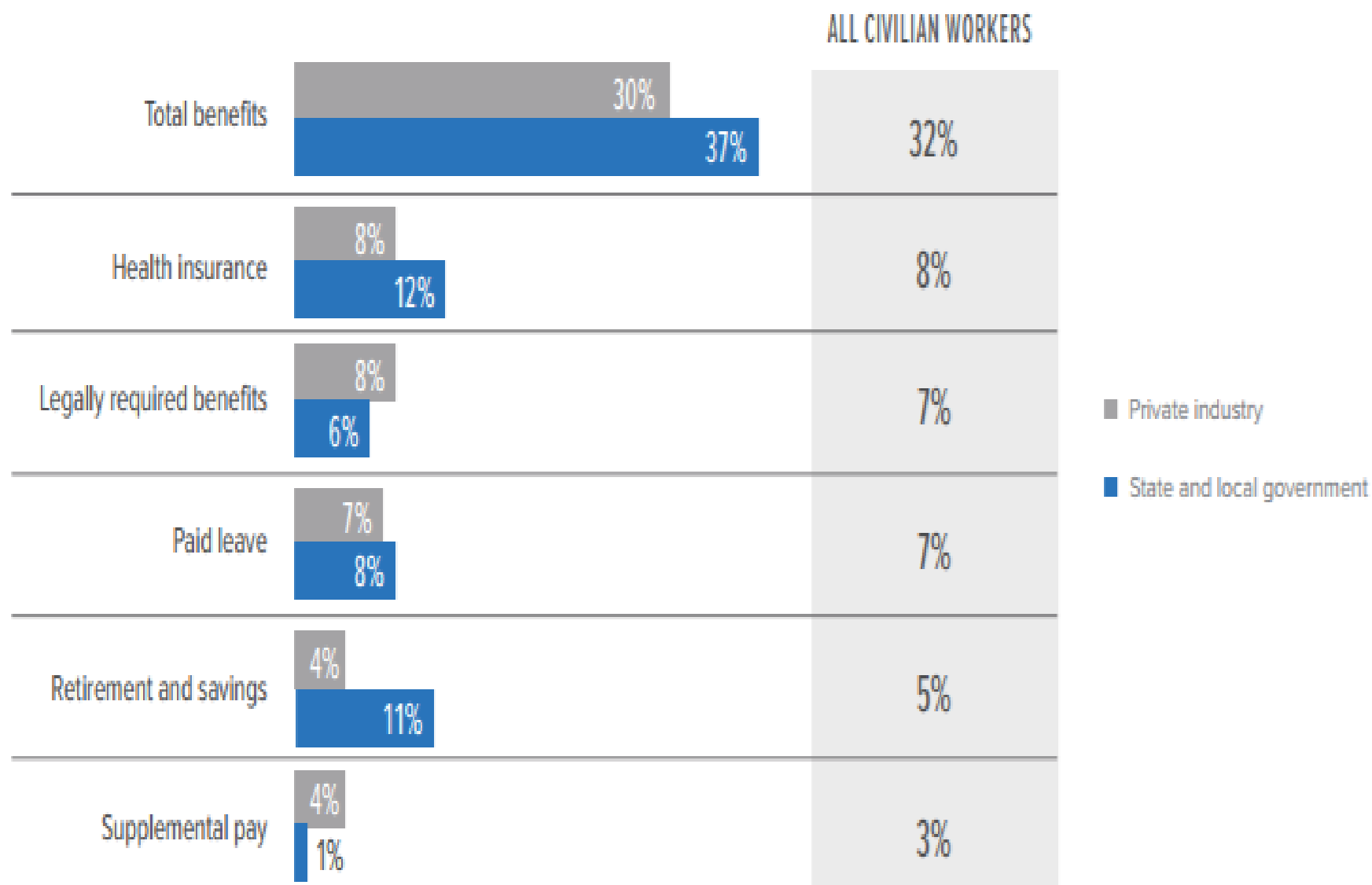
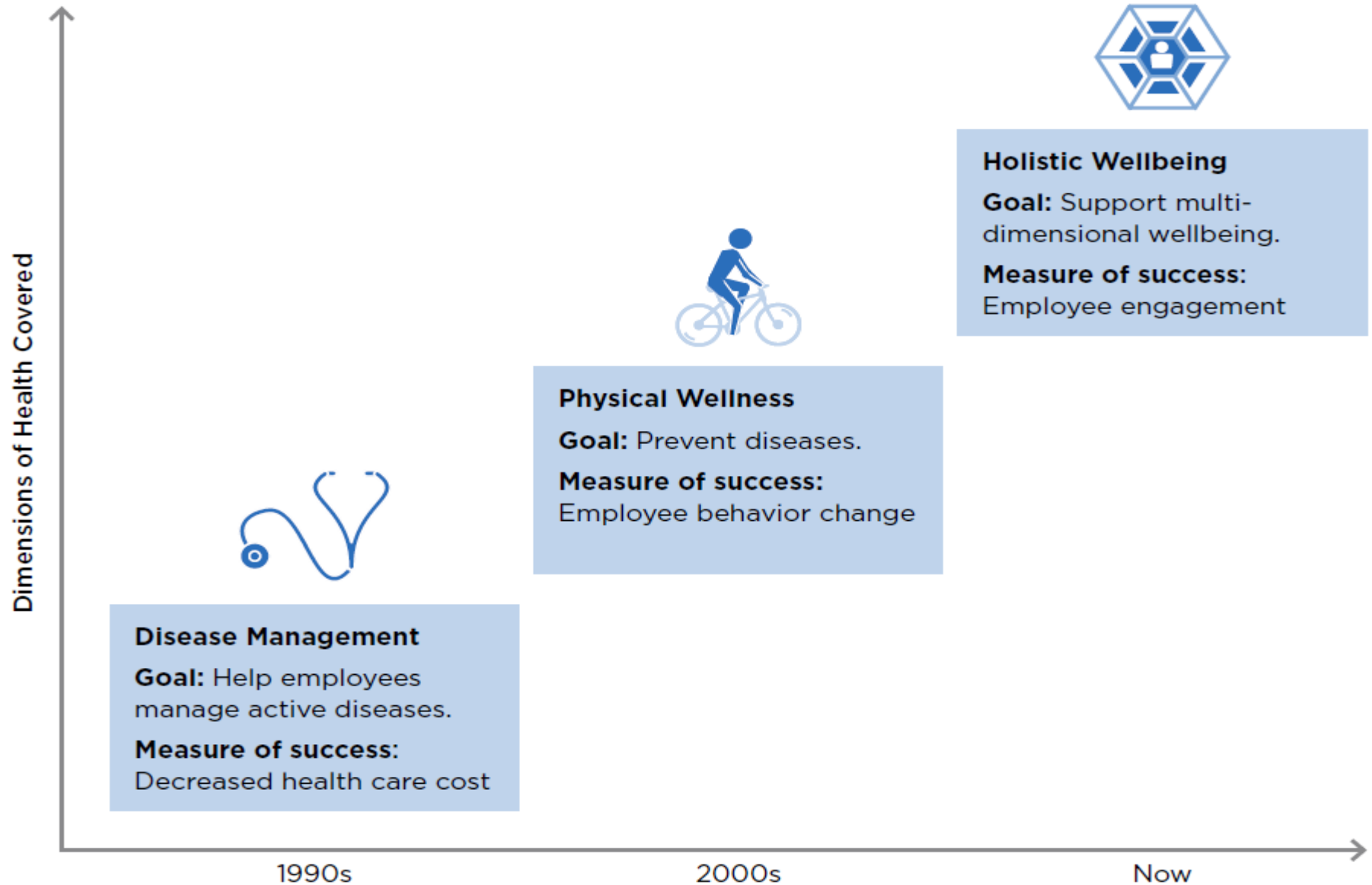


FIGURE 2

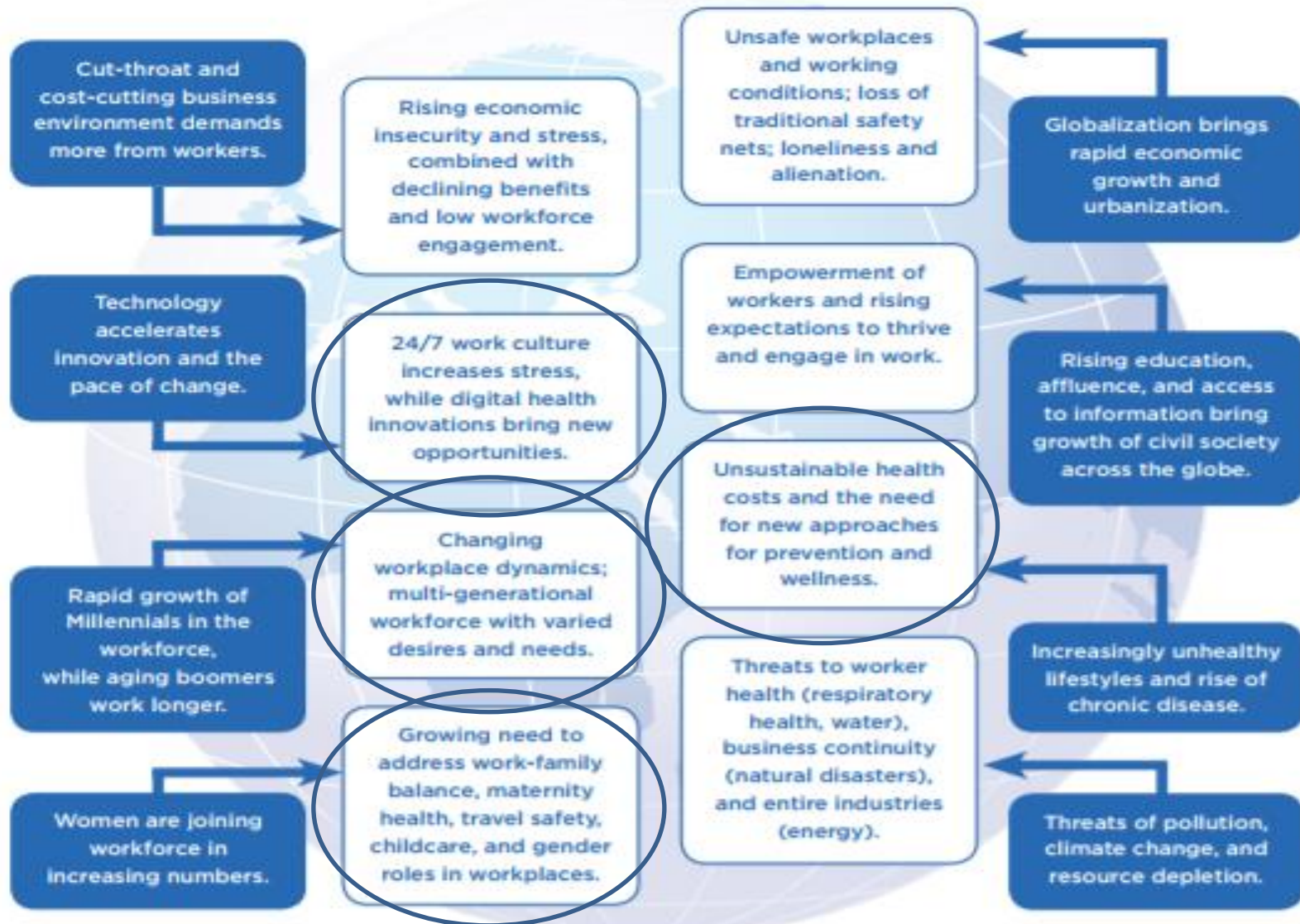
BENEFITS ACCOUNT FOR ONE-THIRD OF TOTAL COMPENSATION COSTS



EVOLUTION OF WELLBEING



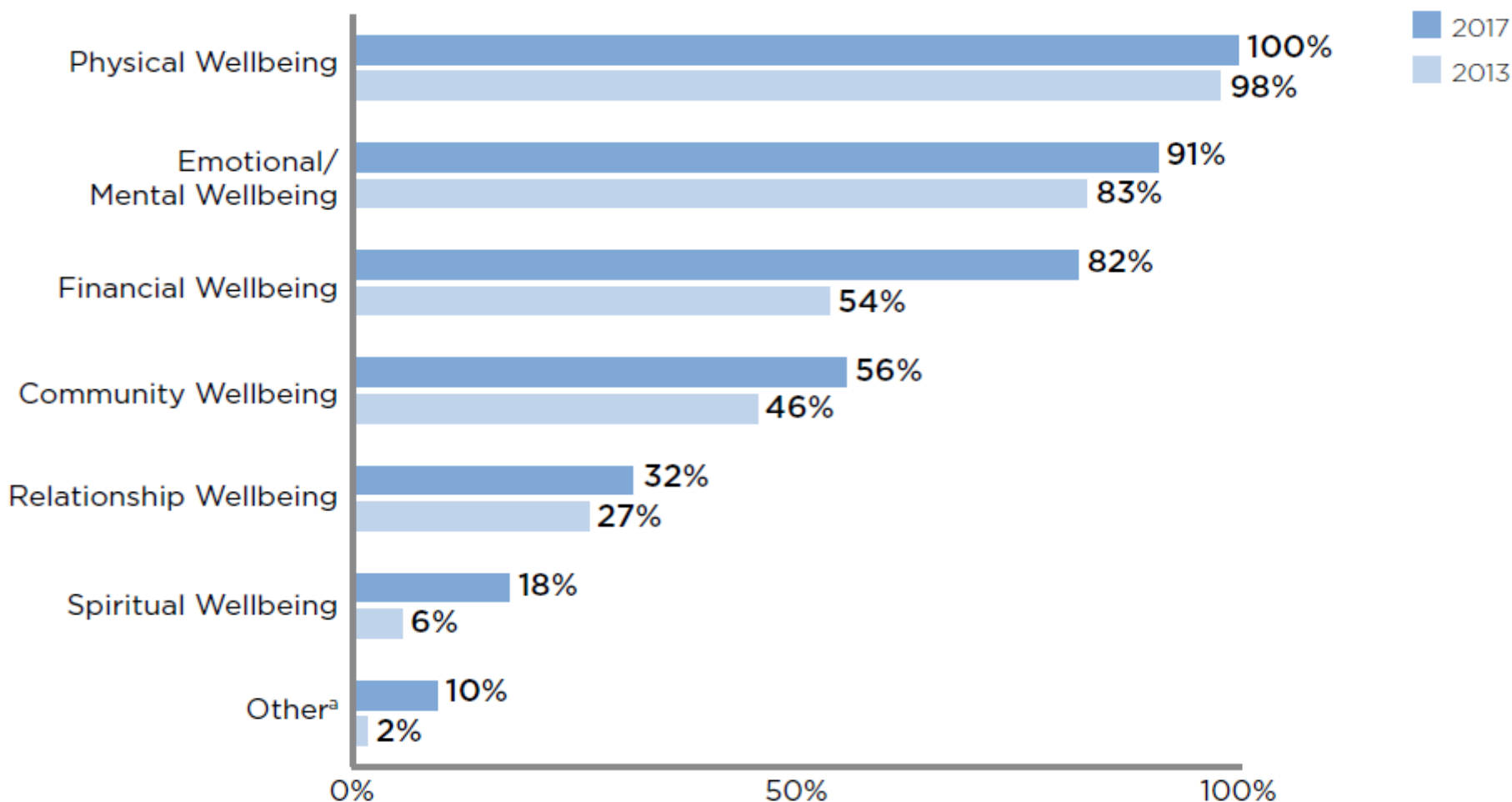
Global Trends Affecting Wellness at Work



Source: Global Wellness Institute

WELLBEING BECOMING MORE HOLISTIC

Wellbeing Strategy Components
Percentage of Organizations



n = 90.

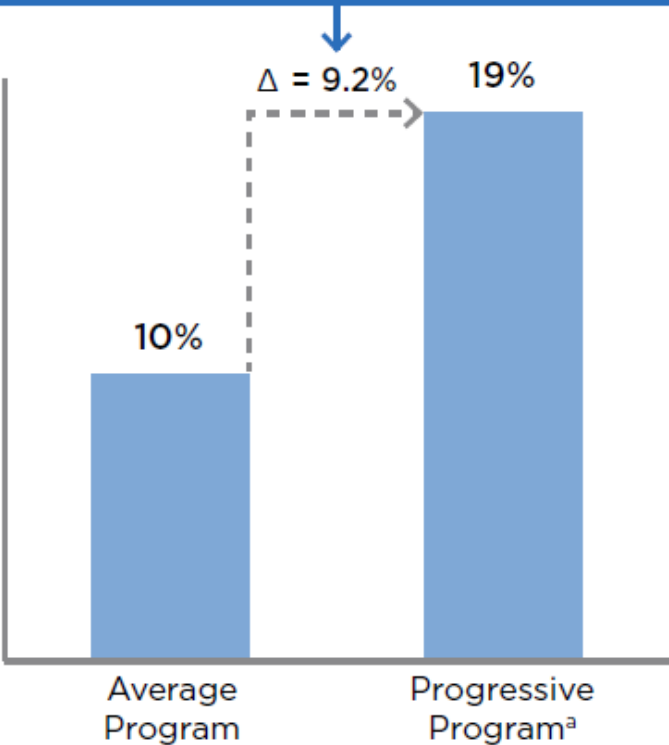
Source: CEB 2013 Wellbeing Benchmarking Survey; CEB 2017 Wellbeing Benchmarking Survey; CEB analysis.

^a Organizations that chose "Other" focus on supporting employees with their careers and social interactions as well as reducing absenteeism.

HOLISTIC WELLBEING IMPACTS ENGAGEMENT

Impact of Wellbeing Program on Employee Engagement
Change in Employee Engagement

Organizations can improve the impact of their wellbeing programs on employee engagement by up to 9.2% using the strategies included in this brief.



$n = 6,033$.
Source: CEB 2017 Employee Wellbeing Survey.
^aProgressive organizations use the best wellbeing strategies, as outlined in this brief.

This 9.2% Increase in Employee Engagement from Improving Your Wellbeing Program Is...



...three times the impact of providing vision and dental plans.



...twice the impact of matching employees' charitable donations.



...five times the impact of offering commuter benefits.



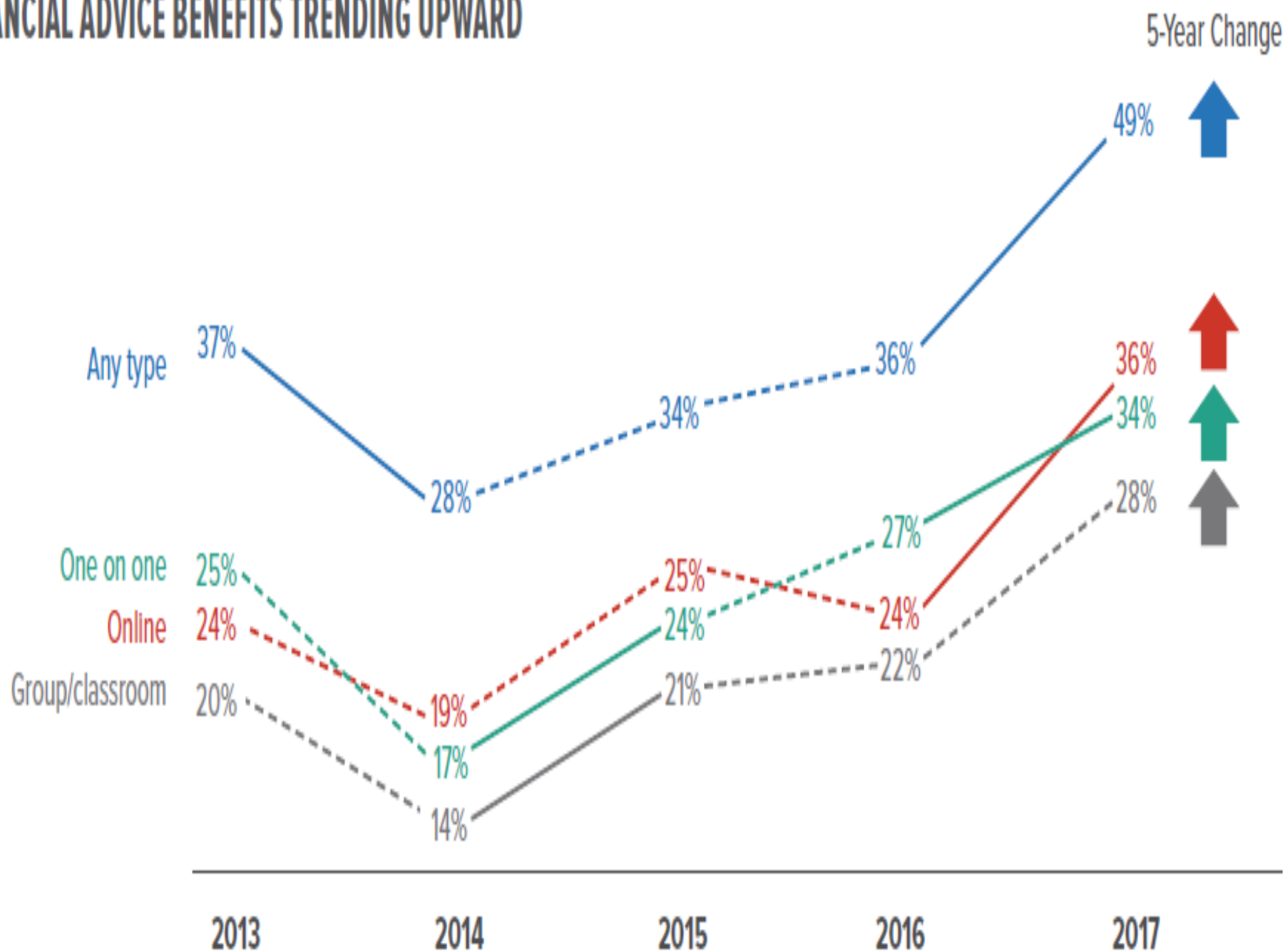
...comparable to the impact of letting employees choose their own hours.

$n = 7,248$.
Source: CEB 2015 Total Rewards Plan Design Employee Survey.

Financial

- More orgs are offering financial advice compared with 5 years ago
- Nearly half provide some type of financial advice, whether it is online, 1-2-1 or a group classroom format
- This can help employees improve their financial management skills, plan to manage debt, plan for future and alleviate stress and worry

FINANCIAL ADVICE BENEFITS TRENDING UPWARD



Emotional/Mental

- Do you measure Emotional Health?
- Do you know how many people suffer from Emotional stress in Pakistan?
- What is the suicide rate in Pakistan linked to emotional illness? How do we compare to other countries?
- Do you provide support for employees to seek counsel, help to manage issues? EAP?
- Do you measure how many suffer from depression, issues around emotional health in your companies?

Performance Management

Accenture

Adobe

Coke

eBay

Amazon

Deloitte

Google

Microsoft

Netflix

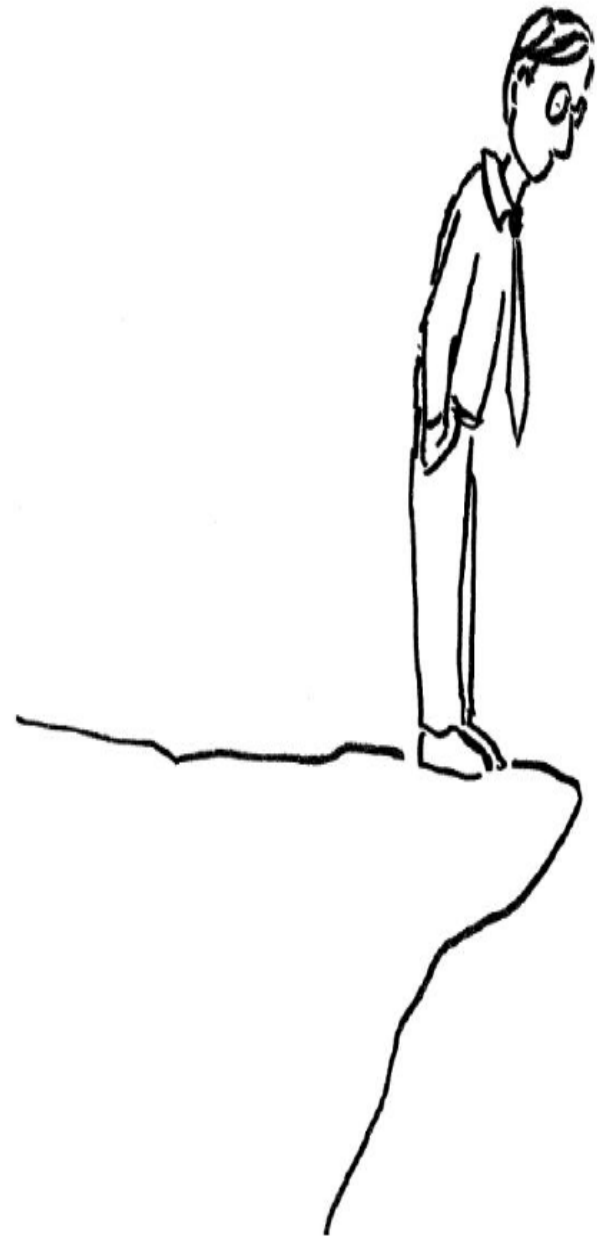
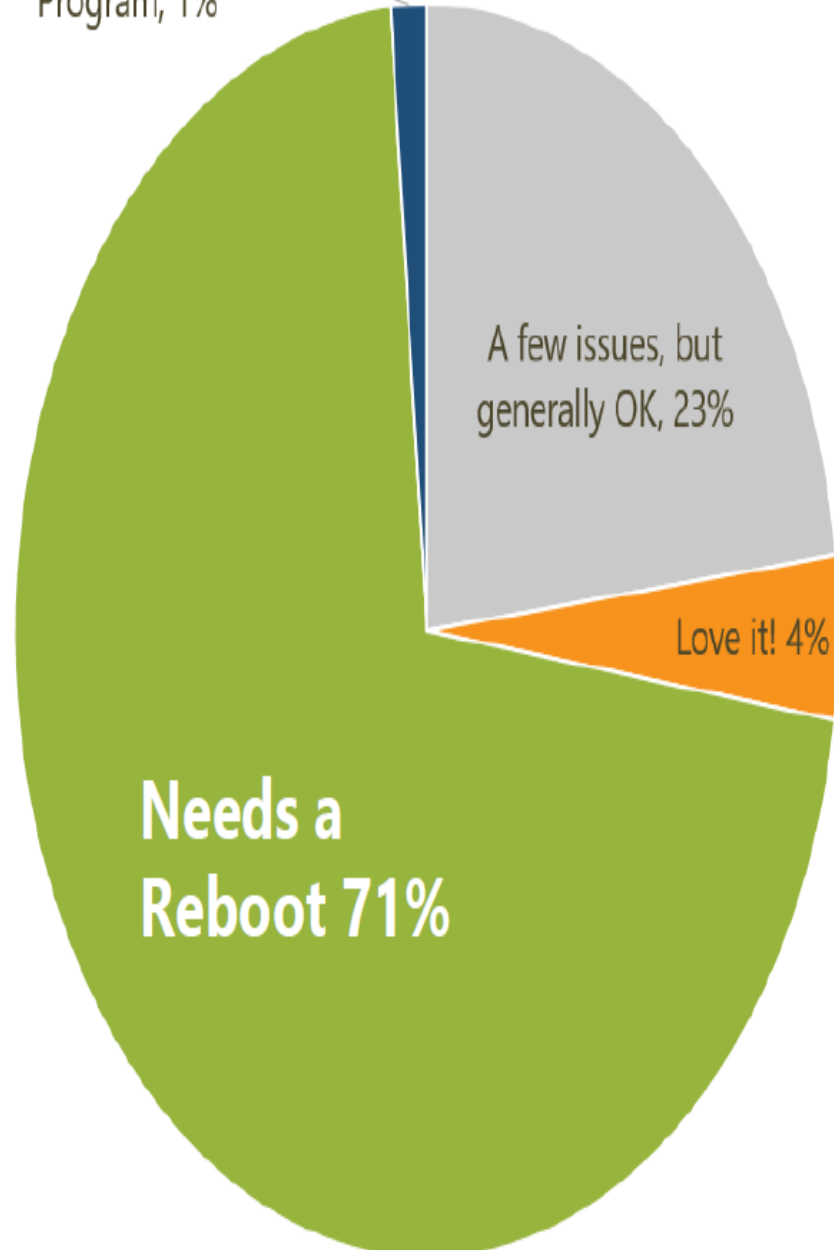
General Electric

We don't have a PM
Program, 1%

A few issues, but
generally OK, 23%

Love it! 4%

**Needs a
Reboot 71%**



three common goals

①

Develop
People

- Individual development
- Coaching & mentoring
- Retention of top performers
- Leadership Development

②

Reward
Equitably

- Pay for contribution
- Promotion & advancement
- Total rewards

③

Drive
Organizational
Performance

- Goal alignment
- Strategic communications
- Culture development

more than 60% of employees
say performance review
systems rarely or never lead to
improved performance

4 out of 5 U.S. workers are
dissatisfied with their job
performance reviews.

only 13% of managers and
employees and 6% of CEOs thought
their year-end reviews were
effective

46% said that annual
performance reviews are not an
accurate appraisal of an
employee's work

fewer than 1 in 4 HR executives
believe that their current PM system
reflects true employee performance.

From his book **Out of Crisis:**

Deadly Disease #3 - Evaluation of Performance, Merit Rating, or Annual Review



"The performance appraisal nourishes short-term performance, annihilates long-term planning, builds fear, demolishes teamwork, nourishes rivalry and politics... it leaves people bitter, crushed, bruised, battered, desolate, despondent, dejected, feeling inferior, some even depressed, unfit for work for weeks after receipt of rating, unable to comprehend why they are inferior. It is unfair, as it ascribes to the people in a group differences that may be caused totally by the system that they work in."

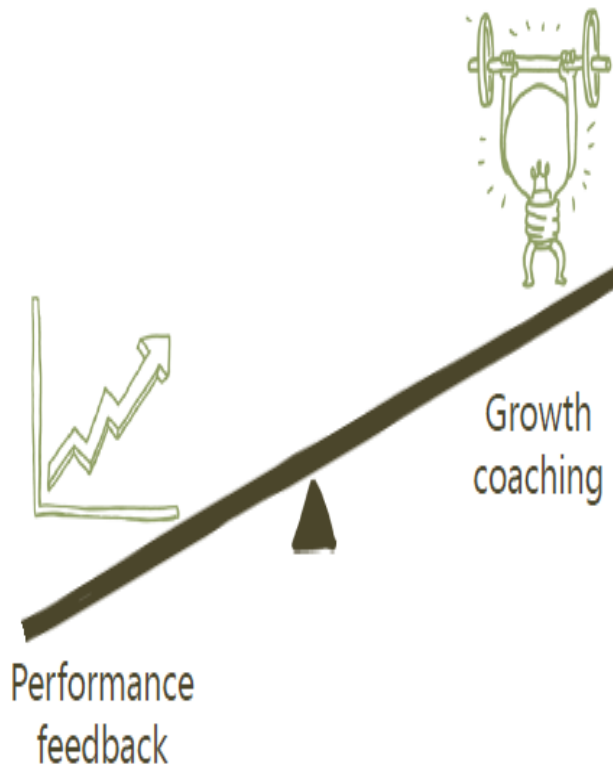
- Dr. Edwards Deming

Change your focus!

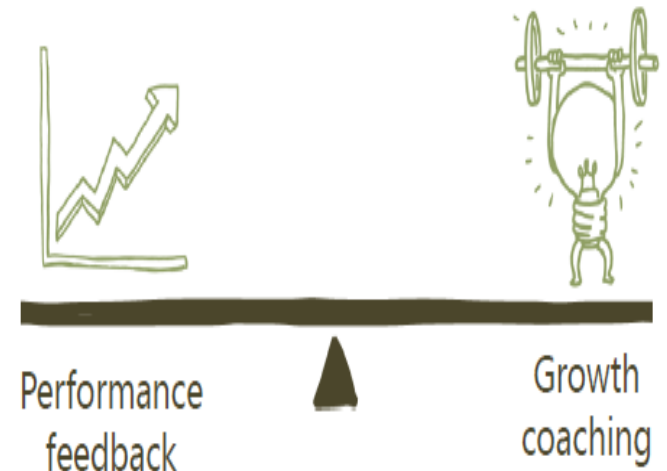
- create a growth mindset culture...

from

to



→
"growth" mindset

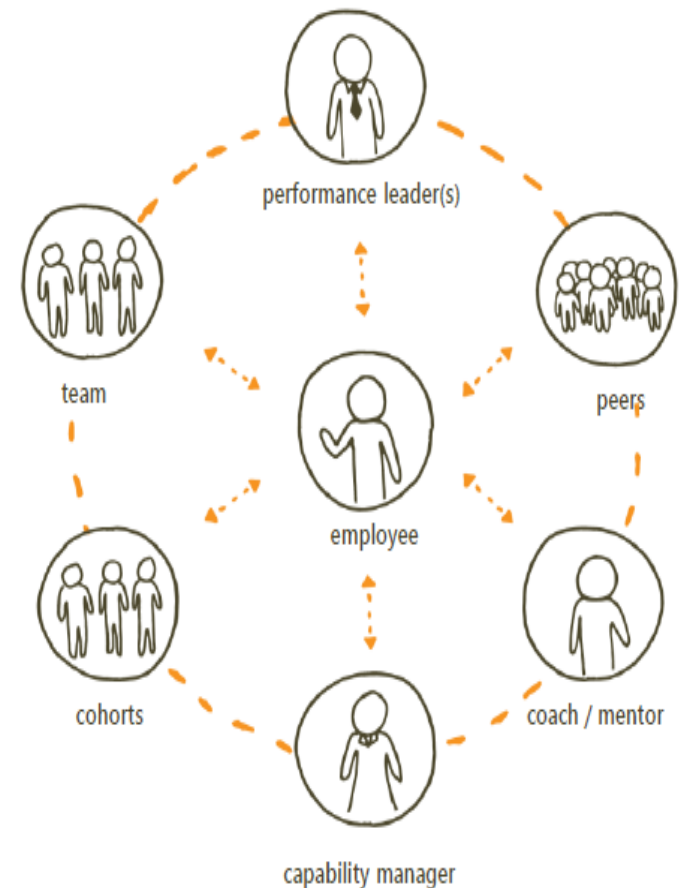
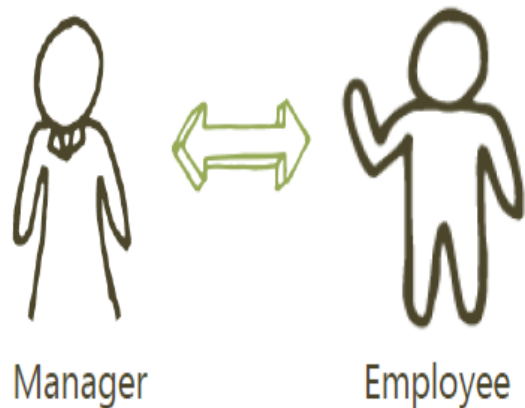


Welcome more voices!

- create a coaching culture

from

to



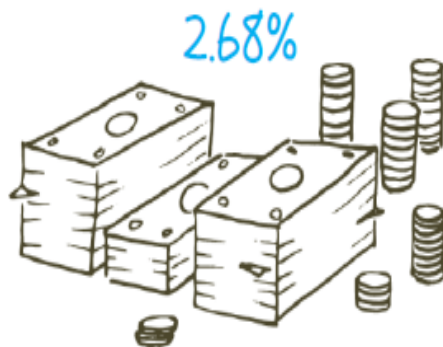
Get real with rewards!

• create a culture of recognition...

from

to

A focus on annual merit increases



TOTAL REWARDS



BASE PAY

MARKET

- Tied to role
- Benchmark annually



EQUITY

CONTRIBUTION

- Ownership mentality
- Retention Stickiness



EXPERIENCES

CONTRIBUTION

- Menu of options
- Individual identified



RECOGNITION

BEHAVIOR

- Reinforce culture
- Frequent and peer-driven

Disrupting the Market

Opening the Pakistani Market

- Launching an online tool where you can check how your pay compares to others e.g glassdoor
- Answer a few questions and find out what the market pay for the job you do
- Intent is to increase salary transparency, demystify pay scale for jobs
- Company culture, policies should not stop people from knowing more about pay in the market

Opening the Pakistani Market

- We are building a robust framework through which your pay will be compared with other similar jobs in the market
- This is the first step, we will be able to use this information and provide deep market insights into the pay trends in Pakistan
- It will help elevate reward practices in the market
- Pay Transparency, Pay Equity, HIPOs, Pay Analytics

Thank You