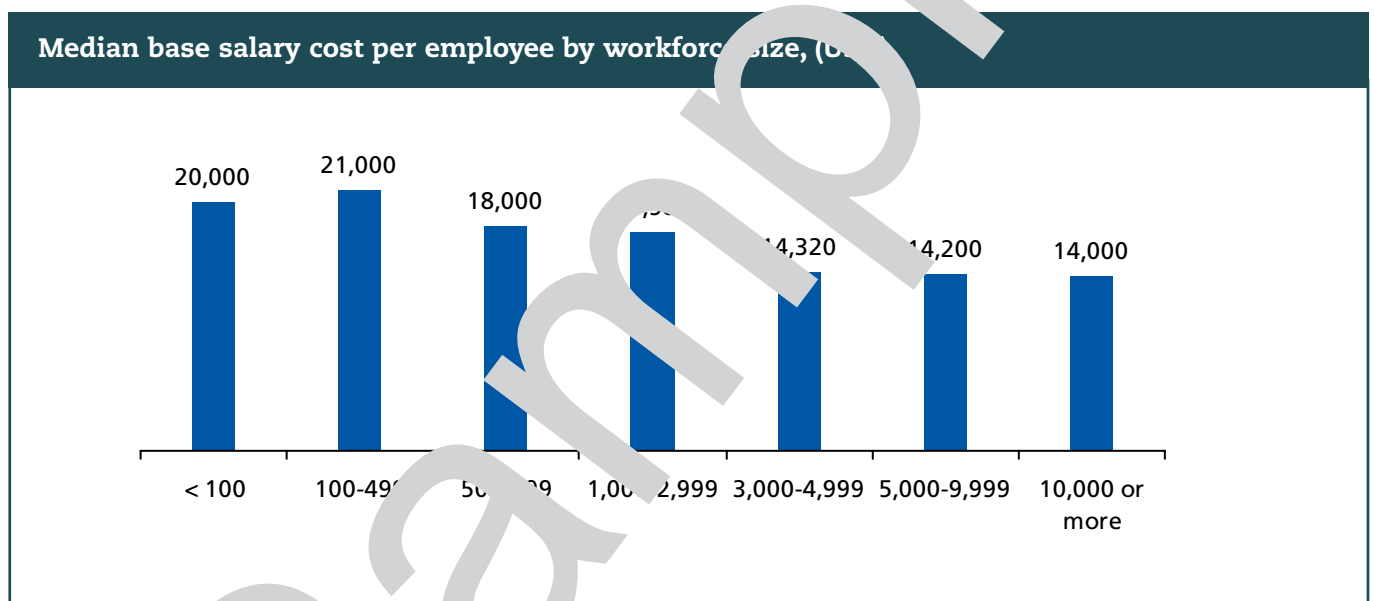


Compensation and benefits metrics

The compensation and benefit costs that are key factors in finding, motivating, developing and retaining the employees represent a significant and growing investment for an organization. The organisation must develop compensation and benefit plan that achieves a delicate balance. If the total compensation rates are too high, the profitability of the organization can be compromised. On the other hand, if the rates are too low, employee satisfaction may decrease and key talent may leave the organization. HR must develop compensation strategies that balance financial resources with employee expectations. This section is designed to capture the total costs in salary and benefits across the organization.

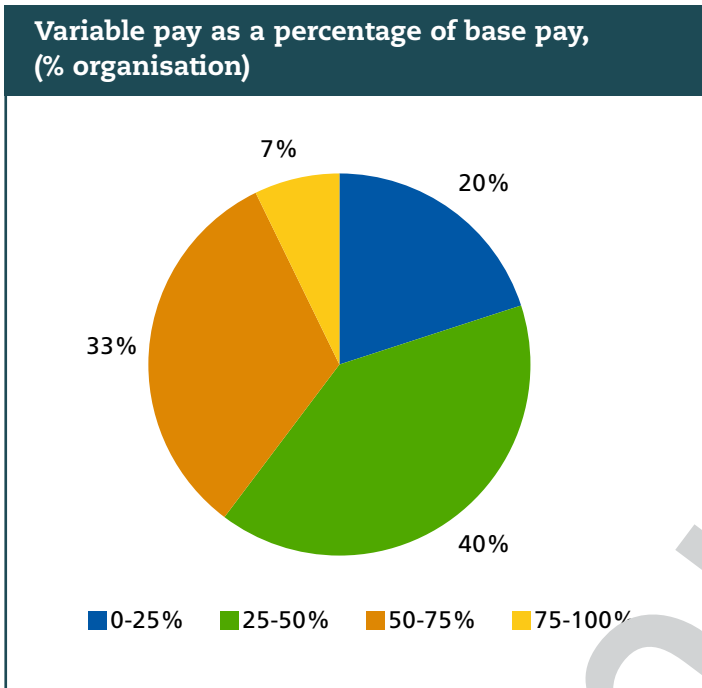
A company's compensation levels are determined by many factors such as the workforce size, revenue, labour market conditions, importance of skills to the company, market recognition of the company etc. The following graph provides information on the median base salaries cost by the workforce size of the respondent companies.



Companies with larger workforces bear less base pay cost per the employee than companies with small workforces. This may be because:

- Smaller companies must compete with larger ones in the labour market to attract key skills. So they tend to position themselves at a relatively high base salary.
- The larger companies will have a broad-based hierarchical structure with more employees in lower career levels. In small companies, the ratio of employees in the higher career levels to the lower career levels will be relatively high. So the base salary cost per employee in the companies with small workforce will be higher.
- Companies with larger workforce sizes generally enjoy economies of scale and can provide their employees with other benefits at a lower cost. So they can afford to set a lower base salary and compensate their employees in terms of higher benefits at a lower cost to the company.

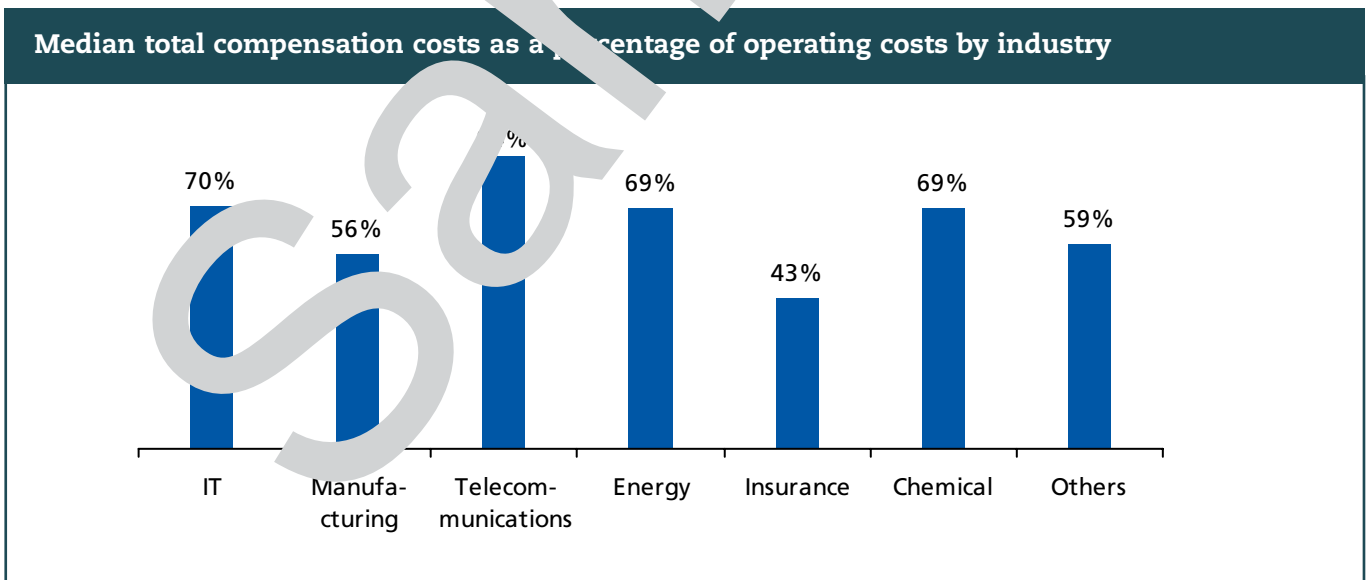
Pay composition: Fixed pay and variable pay



The relative percentage of fixed and variable pay provides insights into corporate pay strategy. A higher variable pay compared to base pay indicates the importance of performance. In recent years, companies have been considering performance-linked pay as a strategy to improve productivity.

The chart shows that 40% of the survey respondents' companies incur a variable pay cost amounting to around 25 to 50% of their base pay cost. One-third of the survey respondents have a variable pay amounting to more than 50% and less than 75% of their base pay cost.

Compensation costs



The compensation costs as a percentage of the total operational costs are highest in telecommunications industry at 84%, followed by Information technology industry.