

Employee Management and Compensation

September 2022

**Delegation of German Industry and Commerce
In Sri Lanka (AHK Sri Lanka)**



Delegation der Deutschen
Wirtschaft in Sri Lanka
Delegation of German Industry
and Commerce in Sri Lanka

Employee Management and Compensation



1. Introduction

Employee management is based on ideas and procedures developed to increase worker motivation, productivity, and performance. Successful employee management can contribute to not only increased employee performance but also enhance the corporate reputation.

Compensation refers to the systematic approach to providing monetary value to the employees in exchange for the work performed by the workers.

The survey on 'Employee Management and Compensation' aimed to gather relevant data from the Heads of Human Resources of companies within the AHK Sri Lanka network with the objective to analyze the behavior of the companies in the current economic context, and further use the finding to align company-specific HR strategies and exchange knowledge with industry peers.

Before embarking on the survey, AHK Sri Lanka organized a focus group discussion with external stakeholders to identify specific areas that Companies would benefit from through deeper insights.

“None of us should ever be satisfied with what has been achieved but should always endeavor to do better.”

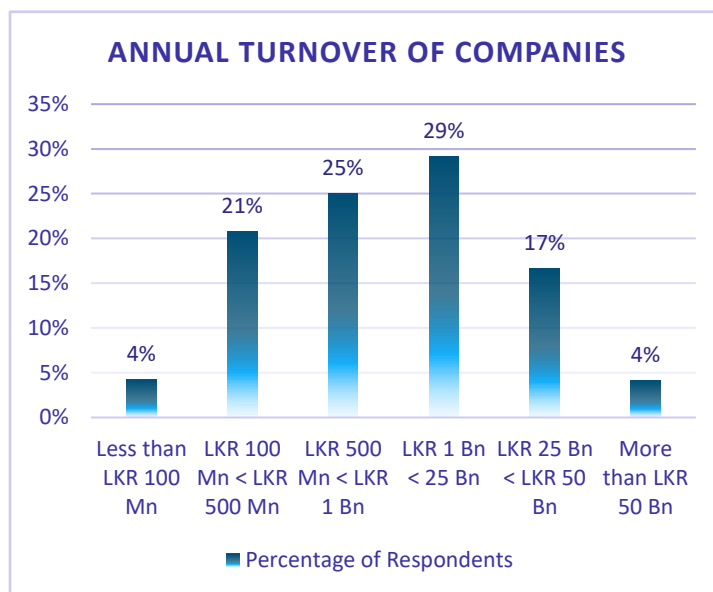
- Robert Bosch

2. Summary of Key Findings

The survey asked questions from German brands represented in Sri Lanka, to identify the relationship between nature of the business and the compensation schemes offered to its' employees. This section provides an overview and summary of key analytical points of the survey.

The sample population of the report included 24 representatives of German brands including market leaders in the field. The findings from the survey are elaborated and expressed in percentages.

The survey considered the relationship between the Annual Turnover of Companies and the average increase in employee salaries. In addition, the survey explored the mechanisms in recruitment in times of economic volatility, rewarding employees, and identifying challenges in the workplace.



A. Salary Increments

Key Finding:

Approx. 40% of the companies with an annual turnover of over LKR 500 Mn increased the salaries of the employees by 25%-50% in 2022.

Looking at the linkage between the annual turnover and salary increments, it was identified that approximate 40% of the companies with an annual turnover of over LKR 500 Mn increased the salaries of the employees by 25%-50% or more in 2022. Companies with an annual turnover of less than LKR 500 Mn (12.5% of total respondents) increased the employee salaries by 10%-25%.

% INCREASE IN EMPLOYEE SALARY

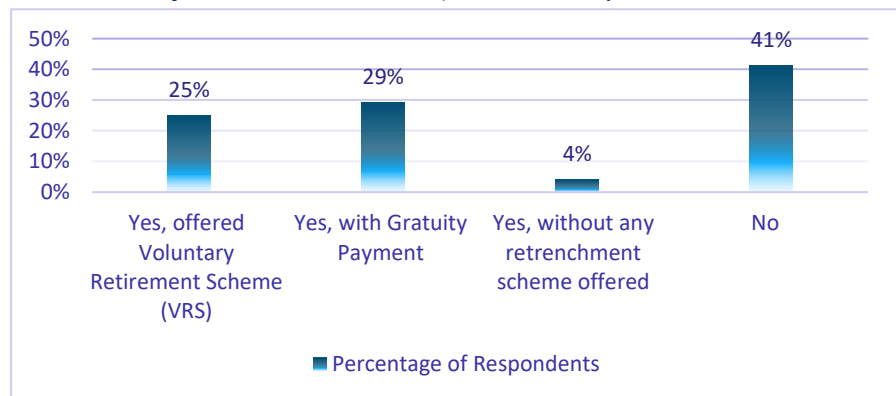
ANNUAL TURNOVER IN LKR	Increase of 5% - 10%	Increase of 10% -25%	Increase of 25% - 50%	Increase of 50% - 75%
LESS THAN LKR 100 MILLION		4%		
LKR 100 MILLION < LKR 500 MILLION	8.3%	8.3%	4%	
LKR 500 MILLION < LKR 1 BILLION	4%	4%	12.5%	4%
LKR 1 BILLION < 25 BILLION	8.3%	8.3%	8.3%	4%
LKR 25 BILLION < LKR 50 BILLION			12.5%	4%
MORE THAN LKR 50 BILLION		4%		
TOTAL	20.6%	28.6%	37.4%	12%

B. Employee Recruitment

When asked on the increase or decrease in employee recruitment in 2022, compared to 2021; 8% of the respondents indicated that the company has increased recruitment of new employees by at least 10%. However, 37.5% of the companies had **reduced recruitment of new employees in 2022 on average by -19%** compared to recruitment levels in 2021.

The reduction in new employee recruitment was attributed to **economic volatility in Sri Lanka** and repercussions of the **reduced business activity** since March 2022 (measured by Sri Lankas' Purchasing Managers' Index (PMI)).

In view of the economy volatility, 54% of the companies had laid off staff in 2022, with either gratuity payment or by offering a voluntary retirement scheme.

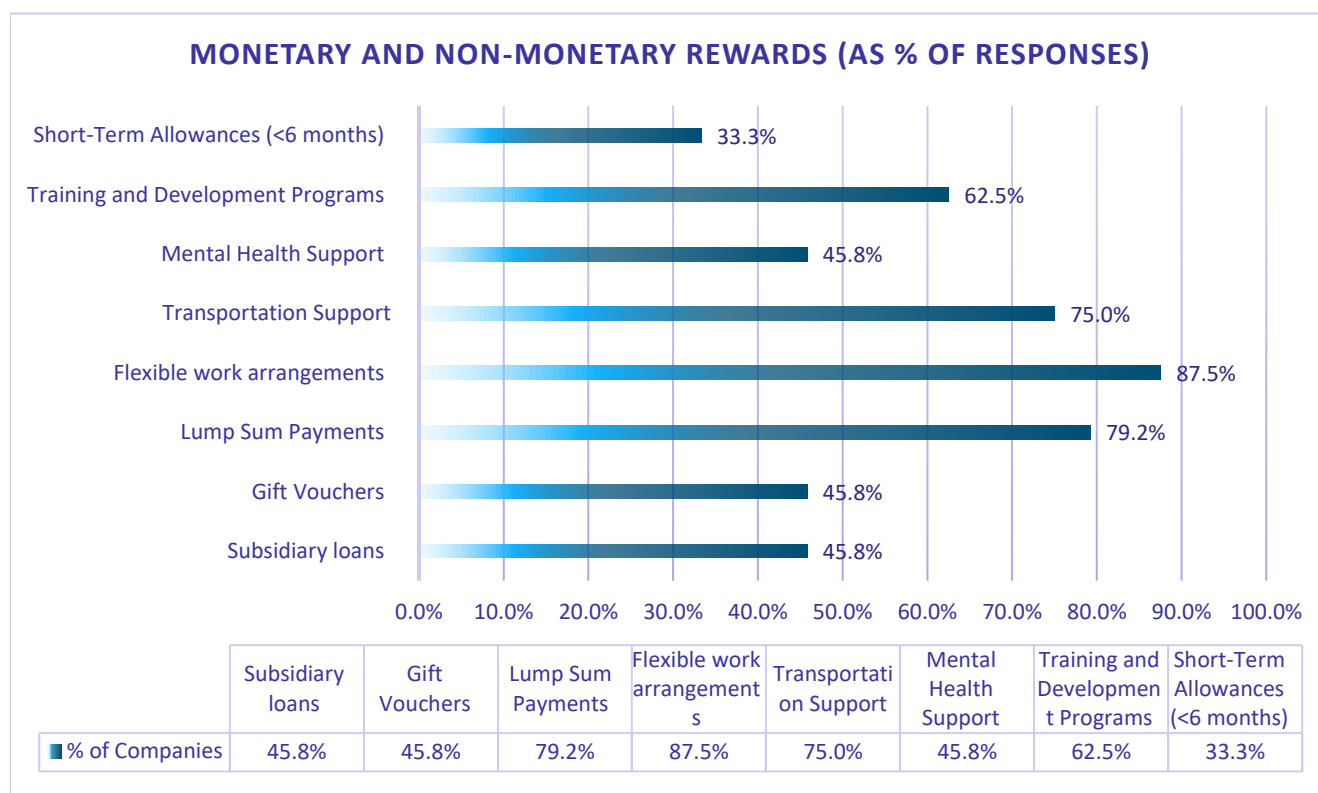


C. Monetary and Non-Monetary Rewards

Key Finding:

There is an emerging trend whereby employers prefer the use of non-monetary rewards as opposed to monetary rewards such as subsidiary loans and voucher payments.

Many companies have embarked on providing employees with non-monetary rewards such as flexible work arrangements, mental health support, and training and development programs. In light of the rising inflation, both in Sri Lanka and globally, 79.2% of the companies have also provided lump-sum payment to employee to ease the financial burden employees might face in Sri Lanka.



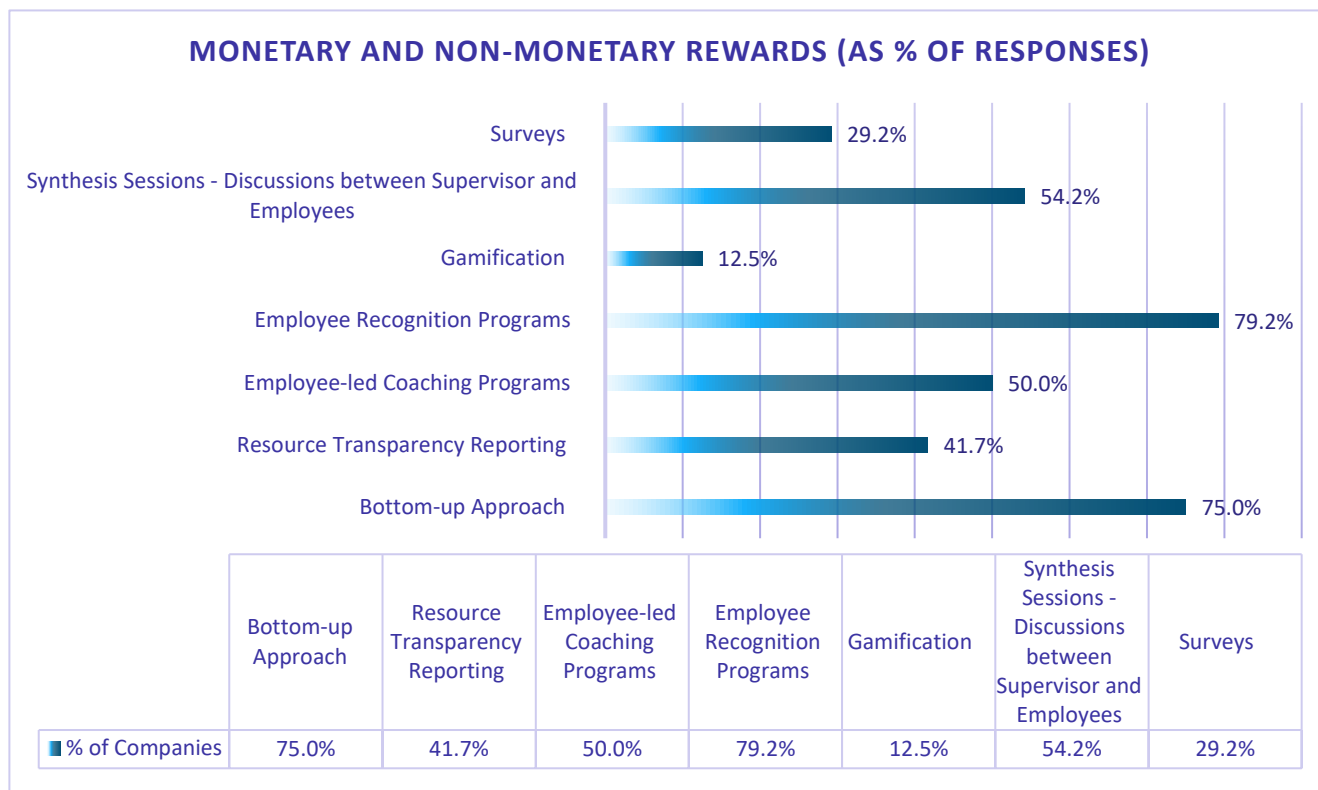
D. Initiatives in place to identify the challenges of the employees

Key Finding:

Several companies use bottom-up approaches and employee-recognition programs to identify the challenges faces by employee and deploy effective strategies to mitigate any adverse outcomes in the company.

Companies that aspire to sustain their competitive edge, both at present and in the future require human force to be motivated and well equipped with the knowledge and know-how to face the dynamic business environment. Employers require a nuanced understanding of what motivates employees and what enhances their performance in order to find the best outcomes in business.

According to the survey, several companies have used bottom-up approaches and employee-recognition programs to identify the challenges faces by employee and deploy effective strategies to mitigate any adverse outcomes in the company.



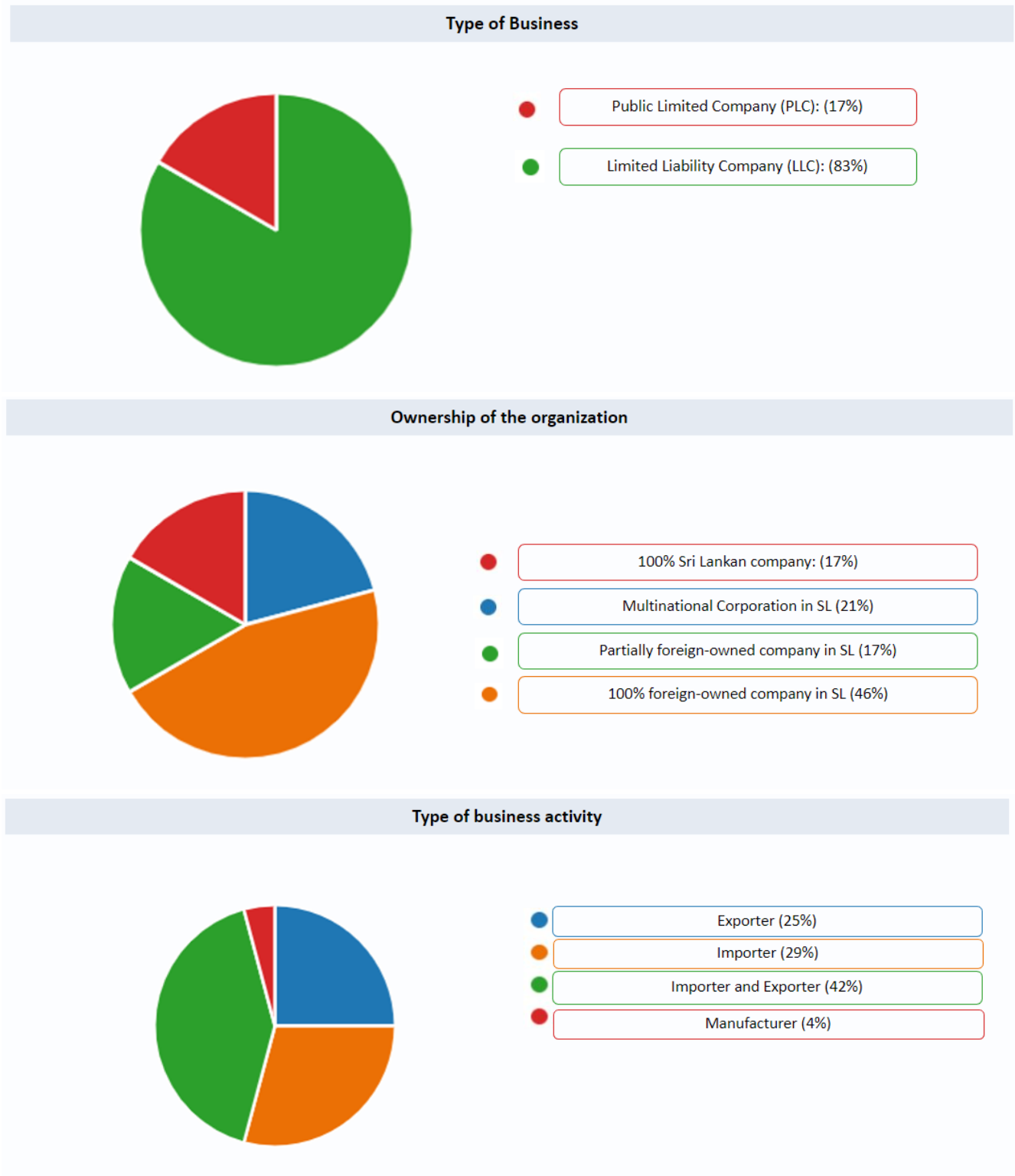
3. Conclusion

The survey affirms that companies are embarking largely on non-monetary rewards as an effective employee management and compensation strategy. Whilst salary increments in the range of 25% - 50% were evident among the respondents, most of the companies had either temporarily halted new employee recruitment or laid off staff with gratuity payments and under a voluntary retirement scheme (VRS).

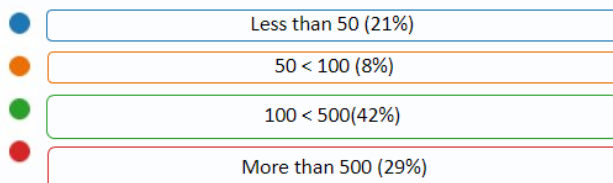
Employee management in this economic crisis has shifted and grown. Businesses across the board are all looking for creative ways to engage their workforce, reinforce productive and positive behavior, retain staff – all while allaying employee fears. Due to the limitations of the survey, factors of employee satisfaction, which can significantly influence the motivation of the employees and thus the strategy for employee management is not linked. As such, companies need to find effective mechanisms to identify problem areas within the employee force of the organization and implement effective remedy measures.

Annexure 1:

Questions from the Survey

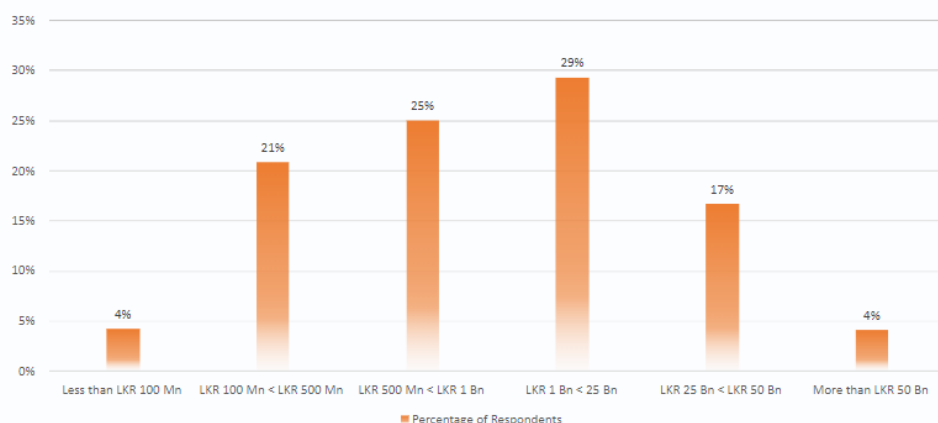


Number of employees working at the company in Sri Lanka



Sri Lankan operations' annual turnover for 2021

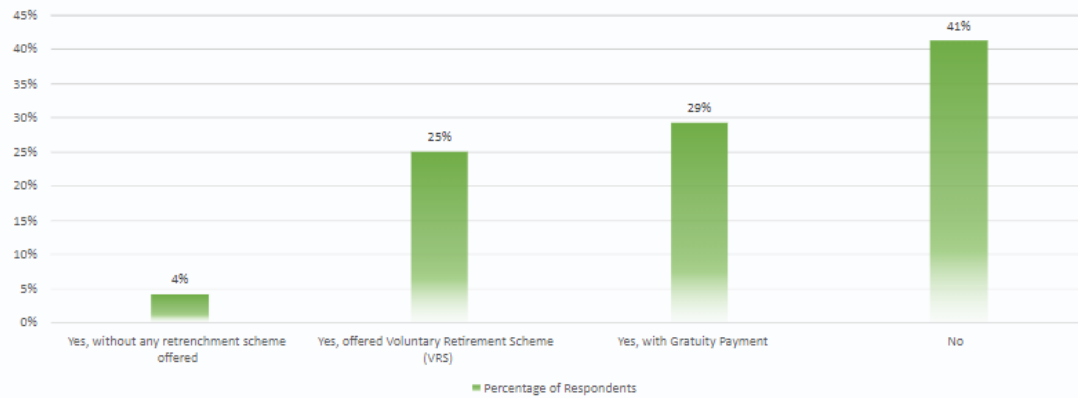
ANNUAL TURNOVER OF COMPANIES



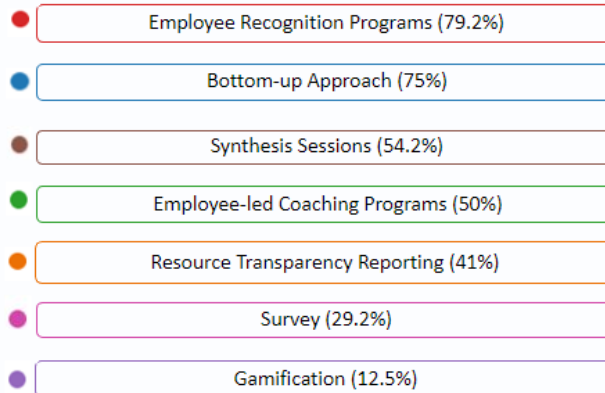
Average increase in employee salaries in 2022, compared to 2021

% INCREASE IN EMPLOYEE SALARY				
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In view of the economic volatility, were any employees laid off in 2022?



Initiatives in place to identify the challenges of the employees in the organization to identify the challenges faced by employee and to deploy effective strategies to mitigate any adverse outcomes in the company



Monetary (i.e., salary increments, allowances) and non-monetary rewards (i.e., mental health support) provided to the employees in 2022?

