



Impact of COVID-19 on Accumulated Leave Balances, Salary & Other Components – Version 2.0

Background

We will soon embark on a financial year end and thereby let us look back at what our study of impact on Accumulated Leave Balances, Average Salary & Other Components affected by Covid and thereby impacting the actuarial valuation data for the experiences of companies during the periods March 2020 to March 2021 and March 2021 to December 2021.

Any impact of Omicron variant would come through in our 2021-22 study.

This article is a follow on from our study in 2020 at the height of the first wave of COVID-19. This can be found [here](#).

PART A: March 2019-2020 vs March 2020-2021

Our base information is cross industry over a two-year comparative data, namely, FY 2019-20, and FY 2020-21. The data consists of 1,800+ companies covering approximately 1,900,000 employees in each period.

Valuation date	March 2020	March 2021	% Change
Employees Count	1,896,187	1,896,328	+0.01%
New employees	395,169	309,322	-21.72%
Total Monthly Salary (INR)	74,344,280,251	84,679,275,946	+13.90%
Total Accumulated Leave Days	107,568,934	107,472,789	-0.09%

Key Highlights

At an aggregate level growth in salary for continuing employees was almost the same for both Mar '19-20 compared to Mar '20-21 at around 15.5% p.a.

At an aggregate level, there has been a slight improvement in the attrition rate, possibly showing the sharp drop from March to Sept 2020 had started to level off.

63% of the employees have an increase in accumulated leave balances in 2021. For continuing employees, the time to March 2021 saw a slightly slower growth in the balances when compared to the earlier year.

Nearly 25% continuing employees received no salary increase in 2021. As compared to only 7% in 2020. A clear indicator of the effect COVID-19. From those who did get an increase, aggregate salary increased about 20% for continuing employees.

Employee Movement



At an aggregate level, the proportion of new joinees has reduced by about 5% i.e., to 16% in 2021 from 21% in 2020

There has been an improvement in the average attrition rate by 3% i.e., to 15% in 2021 from 18% in 2020

Changes in employee count is showing that 2020-21 was mostly about replacement hiring

79% of employees continued from April 2019 to March 2020 whilst 84% of employees continued from April 2020 to March 2021

Salary Movement

-  1 Proportion of employees receiving no increment has increased significantly in 2021, with nearly 25% got no increment in 2021.
-  2 However, from those getting an increase, the average salary increased 21% as compared to 19% the year before.
-  3 It is seen that the proportion having salary reductions decreased a little.

Pattern in Accumulation of Leave Days

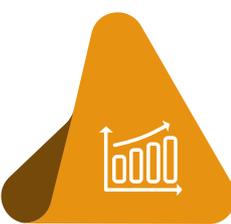
At an aggregate level, the total accumulation of leave days in FY2019-20 and FY2020-21 is almost the same (as indicated in the beginning of the article)



At an aggregate level, the accumulated leave balances have increased for continuing employees from 2020 to 2021



Sector-wise, the accumulated leave balances have increased across almost all sectors



It is essential for employers to make well-informed workforce decisions with contingencies. As work from home continued in 2021 as well, employers and employees are identifying the need to adopt new practices such as “paid time off”.



PART B: March 2021 to December 2021 - Updates

We have briefly analysed similar information for a more recent period. Given the need to look at common companies and continuing employees, this period includes data from 330 companies.

Valuation date	December 2021
Employees Count	920,277
New employees in period	237,204
Total Monthly Salary (INR)	33,287,611,464
Total Accumulated Leave Days	34,102,204

Key Highlights

At an aggregate level growth in salary for continuing employees was around 8%. This could be due to our analysis being 9 months and not coinciding with increment cycles. It could however also be an indication of increases reverting closer to longer term rates or even the effect of the 2nd wave.

At an aggregate level, the attrition rate was higher than the year to March 2021. However it is probably not significant enough to say if was the great resignation trend or not.

Opening up of restrictions around Diwali and Xmas 2021 may explain that less people have increases in their balances compared to before. 57% of the employees have an increase in the accumulated leave balances. However, the aggregate increase in total days accumulated increased by 17%.

A further sign of improvement is that 10% of continuing employees received no salary increase, as compared to nearly 25% in the year to March 2021. From those who did get an increase, aggregate salary increased about 11% for continuing employees.

Looking forward to next year and beyond

The medium to long term impact of COVID-19 is still not clear. This will depend very much on individual companies' circumstances and their responses to emerging from the pandemic. Early signs seem to suggest things are on the way back to some normalcy.

Having a technically thorough analysis of the potential possible implications that might occur, will help companies to understand their financials better and help in decision making while engaging in discussions with auditors.

If you have any queries about this article or would like to discuss about any employee benefits related matter, such as actuarial valuations and related advice for Pension Scheme, Gratuity and Leave schemes, or ESOP's please get in touch with us.

Disclaimer

- The data used is the final actuarial valuation data, on which formal actuarial valuation reports were issued.
- It has been assumed that validation checks were already performed on the respective data.
- The data has been considered at an aggregate level. Hence, the experiences at an individual level might differ.
- The analysis has been conducted using unique identification code for individual employees. No personal identifiable data has been used during the process.



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