



Talent feasibility report



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Foreword

It is with great pleasure that I present this report, which delves into the current talent landscape in India and provides valuable insights into the factors that drive decision-making processes pertaining to office locations. In a rapidly evolving business environment, understanding and adapting to the changing dynamics of talent preferences is crucial for organizations aiming to attract and retain top talent.

The findings from KPMG in India's 2023 CEO Outlook revealed an interesting perspective on the future of work. According to the survey, a significant proportion of CEOs in India envision a future predominantly characterized by in-office work environments. While 54 per cent of CEOs in India anticipate the working environment to be an in-office model in three years, the global figure stands at 64 per cent.

As the trend of employees reassessing their work preferences in the post-COVID era gains momentum, it becomes imperative for organizations to gain a comprehensive understanding of the talent landscape in India. By staying informed and effectively addressing talent requirements and preferences, organizations can strategically position themselves to attract and retain the best talent, thus maintaining a positive business outlook.

To achieve this objective, we embarked on an extensive research endeavor, engaging in in-depth discussions with industry leaders and talent acquisition heads from organizations with a multi-city presence. Our research encompassed a wide range of sectors, including Technology, BFSI, Professional Services, Manufacturing, TMT (Technology, Media, Telecom), E-commerce, automobile, Infrastructure, and Real Estate. By considering crucial parameters from both an employer and employee's perspective, such as the availability of talent pool, quality of living, cost of living, ease of business, attrition, and compensation, we obtained valuable insights that shed light on the critical factors that inform decision-making processes related to office locations.

Throughout our study, numerous interesting and thought-provoking insights emerged, which we have highlighted in subsequent sections. It is our sincere hope that this report will serve as a valuable resource for organizations seeking to establish new offices, enabling them to make more informed choices that align with the evolving preferences of the talent pool.

I extend my heartfelt gratitude to all the industry leaders who graciously shared their valuable insights and precious time with us. Their contributions have greatly enriched the depth and breadth of this report. Furthermore, I would like to express my appreciation to KPMG in India and my dedicated team for their unwavering efforts in researching and crafting this paper.

I encourage readers to delve into the following sections, which provide a comprehensive analysis of the talent landscape in India. By leveraging the insights presented here, organizations can navigate the ever-changing dynamics of the workforce, enhance their talent strategies, and thrive in the evolving business landscape.



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**Partner and Head, People,
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KPMG in India

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Introduction

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India's employment landscape is undergoing a significant transformation. While we see Tier-1 cities being the most sought out cities for transformational roles, Tier 2 & satellite cities* are also emerging as new centers of talent. This transformation has led to the establishment of organisations beyond metro cities. This shift can be attributed to several factors :

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Talent pool

Tier -1 cities offer roles for specialised skillsets while Tier-2 and other satellite cities offer an increasing availability of a diverse talent pool. A study revealed that 54 per cent of employers express their intention to hire candidates from these cities

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Government support

The government has taken proactive measures to facilitate business development in India. The establishment of Special Economic Zones (SEZs) aimed at promoting the IT industry in non-Tier-1 locations have led to overall growth

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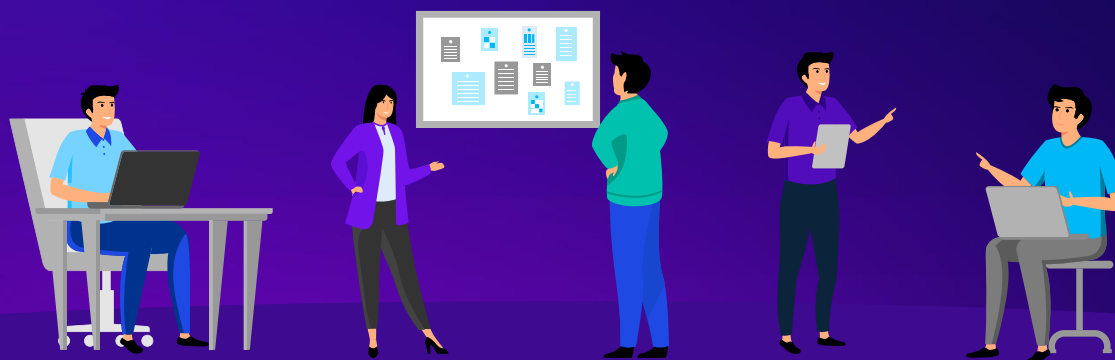
Working environment

The KPMG India's 2023 India CEO Outlook reveals that 54 per cent of CEOs in India, compared to 64 per cent globally, anticipate a significant shift in the working environment, with employees transitioning from hybrid to more in-office arrangements in the coming 3 years



Infrastructure development

Many cities are investing in infrastructure development projects to improve connectivity, transportation, and amenities. These improvements make these cities more attractive for businesses, offering better logistics, market access, and a higher quality of life for employees.



Source:
1. KPMG's 2023 India CEO Outlook, KPMG India., October 2023

2. Talent Availability in India's Tier-2 Cities, India Briefing, Manah Popli, October 2023

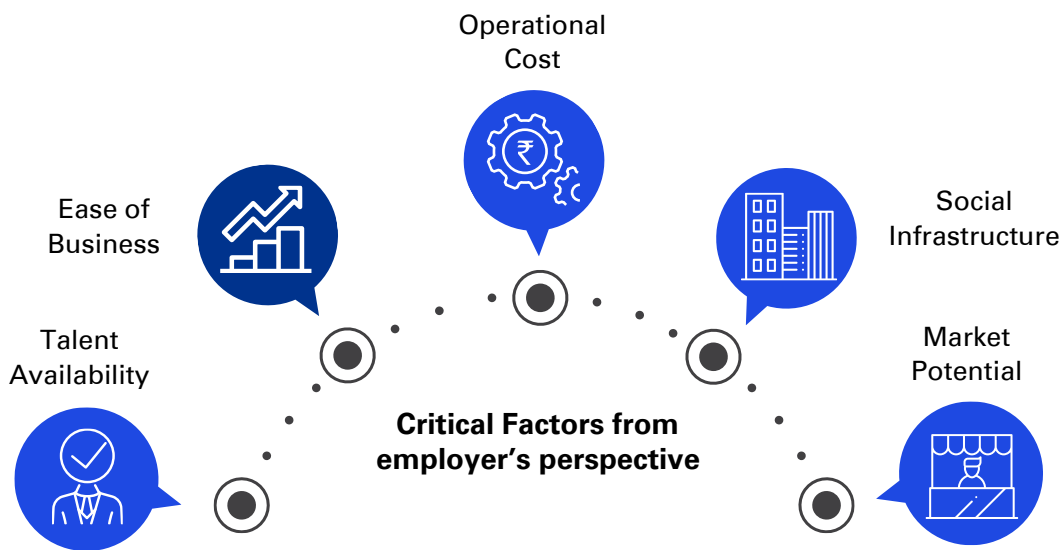
* Refer to appendix for bifurcation of cities



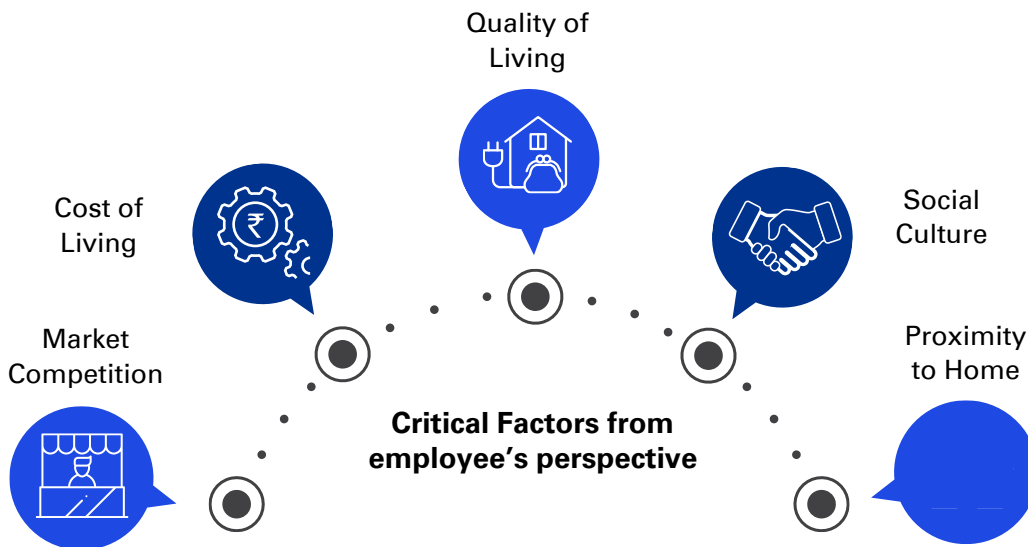
KPMG in India's view on talent landscape in India

As the talent in India is growing significantly in every corner of the country, KPMG in India believes it has become necessary for organisations to be updated with the latest trends in the market and deep dive into the factors that influences their decision to choose their work locations

A study analysed internal company job postings on platforms like LinkedIn and job portals and found that in January 2023, active job postings in Tier-2 cities experienced a notable increase of 12 per cent. This data reinforces the growing importance of career opportunities in Tier-2 cities and satellite cities. This leads employers to branch out or establish their businesses beyond metro cities. Thus, employers need to carefully research and analyse business opportunities pan India.



The significance of these factors may vary depending on the industry, specific company goals, and the unique characteristics of each company



These factors impact employees' career growth opportunities, salary considerations, work-life balance, sense of belonging, and convenience of travel and transportation.

Source: Talent Availability in India's Tier-2 Cities, India Briefing, Manah Popli, October 2023



Our approach

In pursuit of the growing talent in India, KPMG in India, during the months of February and March 2024, conducted in-depth discussions with industry leaders across diverse sectors to gather insights into the critical factors influencing decision-making processes regarding establishing businesses in Satellite cities and Tier-2 cities.



Data collected from 40+ companies spread equally across 10+ sectors



One-on-one interactions with HR and business Leaders of leading firms



KPMG in India Research with analysis of published reports

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The study was carried out keeping in view the crucial factors from an employer as well as employee's point of view. Our discussions and research covered a variety of parameters which has been elaborated in the following:



Talent pool

The availability of skilled talent in various areas and factors important for different categories of working population

Quality of living

Factors such as safety, connectivity, cleaner environment, recreational activities, healthcare facilities, education, etc.



Cost

The cost of living for employees and operating cost of doing business for employers

Ease of doing business

Efficiency of the regulatory environment and administrative processes to support a business



Compensation and attrition

Understanding how these factors affect compensation and attrition basis locations

Talent pool

Significant transformations such as expansion and diversification are occurring in the talent market of India due to global economic changes, industries driving job growth, technological advancements, and evolving workforce expectations. Hence, it is crucial to understand the elements influencing talent pool and its availability.



As of 2023, India possesses a population exceeding 600 million individuals aged 18 to 35 with approximately 65 per cent of the population falling below the age of 35



This demographic advantage in India is projected to remain significant until 2055-56, with its peak expected in 2041 when the working-age (18-60) is anticipated to account for 59 per cent of the total population

As a result, India will continue to benefit from an extensive and remarkable talent pool spanning the entire country.

Our interaction with the leaders on factors determining the availability of unique Talent Pool in India were focused on:

Emerging Sectors

Employment Growth

Talent Pool Availability



India has demonstrated its resilience by achieving an impressive annual GDP growth rate of over 6 per cent, positioning it as the fastest-growing major economy



Encouraging signs of progress can be observed in the job market, particularly within sectors such as Automotive, Manufacturing, and BFSI, indicating a dynamic recovery



The projected employment rate in India for 2024 stands at 51.60 per cent. Consequently, organisations will need to explore opportunities in tier 2 and satellite cities to adapt to the evolving employment landscape in our country.

Source: World Development Indicators, World Bank, World Bank, December 2023

Talent pool

Through our study of talent availability in different parts of the country, we observed a presence of unique talent pool in the following locations:

Industry	Locations				
IT	Bengaluru	Hyderabad	Pune	Navi Mumbai	Delhi
BFSI	Mumbai	Navi Mumbai	Pune	Bengaluru	Hyderabad
Telecom & Media	Mumbai	Navi Mumbai	Pune	Gurugram	
Professional Services	Mumbai	Gurugram	Bengaluru	Hyderabad	Pune
Manufacturing	Chennai	Pune	Gurugram		
E-Commerce	Bengaluru	Hyderabad	Gurugram	Mumbai	
Automobile	Chennai	Pune	Delhi/NCR	Gurugram	Ahmedabad
Infrastructure	Hyderabad	Delhi	Bengaluru	Mumbai	
Metal & Mining	Kolkata	Bhubaneswar	Raipur		
Oil & Gas	Ahmedabad	Jaipur	Guwahati		

High Talent Pool Available

Moderate Talent Pool Available

Thus, we see Mumbai, Delhi and Bengaluru attracting talent from diverse industries and having maximum concentration of talent while other cities like Hyderabad, Pune, Gurugram and Navi Mumbai rising to meet growing demands and serve as a potential hub for recruiters.

Further, basis our interactions with the industry leaders, we also perceived that the nature of work (which has a symbiotic relationship with the availability of talent pool) influences the decision criteria of organisations in the following manner:

Nature of Work



Hence, roles with high value are located near the headquarters which is mostly in Tier 1 locations whereas doer roles are placed in other parts of the country












Talent pool


As we see presence of unique talent pool across locations which also varies basis skillset, it gives employers the opportunity to leverage local talent and save costs


90%


of the companies, basis our interactions indicated that tapping into the talent pool of satellite cities has been highly beneficial for them as it enables them to widen their talent base and attract high-quality candidates who are seeking opportunities close to their families or support networks

We have seen how different factors are influencing employees' preference when it comes to their working location. However, different factors play prevailing role at different stages in their career trajectory. This is summarised in the table below:

Work Experience	1 st Priority	2 nd Priority	3 rd Priority
15+ years			
5-15 years			
0-5 years			

 Proximity to Home

 Market Competition

 Culture, Quality & Cost of Living



Market competition is considered by employers as it is a necessary factor for them as well to analyse while establishing a business. It enables them to make informed decisions, differentiate themselves, identify growth opportunities, and develop strategies to succeed in the marketplace

Employers should ensure that quality of living, culture and cost are also heavily analysed from employee's perspective as it would enable them make better business decisions and target employees accordingly which in turn will aid in retaining top talent for diverse roles in their business



Quality of living

With the increasing significance of quality of living as a crucial consideration for employees in the modern work landscape, where work-life balance and overall life satisfaction hold greater importance; we explored the multifaceted factors that define quality of living, including ease of connectivity, commute time, crime rate and safety, healthcare infrastructure, and air quality index.

Comparative analysis of cities basis the factors determining Quality of Living

City Name	City-wise ranking for different factors defining quality of living				
	Traffic Index	Safety Index	Healthcare infrastructure	Air quality index	Overall Quality of Living
Bangalore	4	5	6	7	5
Chennai	2	1	3	4	3
Delhi	5	3	4	2	4
Gurugram	3	2	1	3	2
Hyderabad	6	4	2	5	4
Mumbai	1	6	5	6	1
Navi-Mumbai	7	7	7	8	7
Noida	8	8	8	9	8
Pune	9	9	9	10	9

These cities have performed exceptionally well on factors promoting Quality of Living:



Chennai, Bengaluru, Pune and Mumbai have emerged as the safest city for women at workplace

With the advent of MTHL and UER 2, Navi-Mumbai and NCR are expected to see further improvement in Traffic Index



Indore, Surat & Navi Mumbai secured the firsts & third rank respectively in Swachh Survekshan 2023

During our interactions with the industry leaders, it was observed that while organisations acknowledge the importance of quality of living, the most crucial factors remains the ones with direct impact on business and strategic goals

6 out of every 10 leaders agreed that their approach to quality of living revolves around finding solutions that strike a balance between employee satisfaction and meeting core business requirements

Source:

- Swachh Sarvekshan 2023: Navi Mumbai Bags 3rd Cleanest City Title In Country,, Free Press Journal, Bhalchandra Chorghade, January 11, 2024
- Women find Chennai 'safest' for less crime, more jobs; Delhi enters 10 safe cities list, Money Control, Abhishek Sahu, January 04, 2024



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Cost of living

In today's rapidly evolving economic landscape, the cost of living has become a critical factor influencing the financial well-being of individuals. It plays a pivotal role in shaping the lifestyle, aspirations, and overall quality of life for employees

Our interaction with the leaders and employees from different organisations highlighted cost of living being a crucial parameter from an employees' perspective. Employees also shared different parameters that they consider while relocating

Employees shared that while considering the cost of living in a city, their decision revolves around a couple of factors including residential rent and property indices, local purchasing power index and finally the overall cost of essentials comprising of prices of goods, utilities and transportation

Comparative analysis of metro cities basis the factors determining Cost of Living

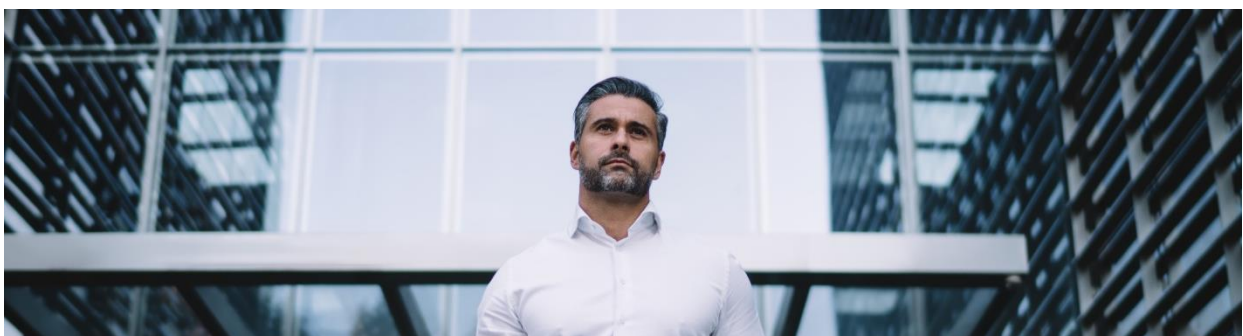
City Name	City-wise ranking for different factors defining cost of living			
	Cost of Essentials Index	Rent Index	Property Index	Local Purchasing Power Index
Bengaluru	Light Blue	Light Blue	Light Blue	Dark Blue
Chennai	Dark Blue	Light Blue	Light Blue	Light Blue
Delhi	Dark Blue	Light Blue	Light Blue	Light Blue
Gurugram	Light Blue	Dark Blue	Dark Blue	Dark Blue
Hyderabad	Light Blue	Dark Blue	Light Blue	Dark Blue
Mumbai	Dark Blue	Light Blue	Light Blue	Light Blue
Navi-Mumbai	Light Blue	Light Blue	Light Blue	Light Blue
Noida	Light Blue	Dark Blue	Dark Blue	Light Blue
Pune	Light Blue	Dark Blue	Dark Blue	Light Blue



Moderately Preferable

Mostly Preferable

Though cost of living expenses vary for different cities in India. 95 per cent of the leaders agreed this difference does not lead to a change in compensation in India.



Source: Current Cost of Living Index, Numbeo, January 2024

Ease of business

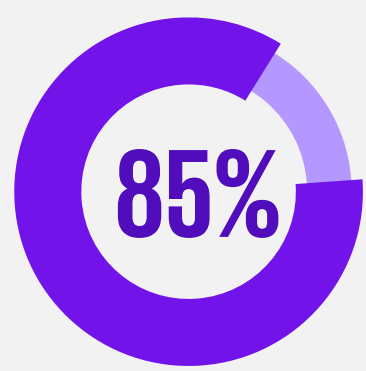
While discussing about the feasibility of expanding to different locations, various elements influencing the ease of business come into play. These elements include regulatory environment, market accessibility, infrastructure, workforce availability, and government support

Leasing rates can have a significant influence on the decision to set up an office in a new location, as it is the second largest expense after labour costs

Organisations look for business parks with an existing or flourishing ecosystem, the presence of hospitals and restaurants in proximity, and with good connectivity.



Unlike 2000s, the attractiveness of Special Economic Zones (SEZs) in the current market, where industry experts employ a cost-benefit analysis approach, is changing. These leaders shared their perspective, while tax rebates and simplified regulatory procedures are often considered crucial factors supporting SEZs, their overall appeal needs to be evaluated.



85% of the leaders today adopt a comprehensive cost-benefit analysis to weigh the advantages against potential challenges and ensure that office locations align with the strategic goals and financial considerations in the current market climate.



Source: Seven reasons why location is important, JLL, Feb 2024

Compensation and attrition

Compensation as an important parameter when establishing or expanding business to tier 2 and satellite cities in India as it helps organisations remain competitive and address attrition, ensure equity and fairness, comply with labour laws, and create a positive work environment

City Compensatory Allowance or CCA has been a lever deployed by companies for its middle or lower-level employees to compensate for the higher cost of living in metropolitan or Tier-1 cities. In some cases, CCA has also been offered for employees working in Tier-2 and satellite cities as well. The pay scale of higher-level employees and top management already accounts for their high standard of living hence they are not offered CCA.

HR Heads state that CCA has been declining over the years and only few employers offer it. It is now adjusted in the basic pay itself. Hence, compensation range is more or less same for same roles across country. Thus, employees are offered packages within the same range across all of their branches in order to avoid differentiation.



80%

We observed through our interactions that 80 per cent of the companies support their employees with relocation allowances and also have tie-ups with established restaurants, gyms, clubs, etc. as a part of employee well-being practices which makes the move smoother for employees and also helps in controlling attrition rates.

7/10 leading participating firms across sectors share that maximum attrition occurs in Tier 1 cities like:



This can be attributed to better job opportunities specifically for transformational roles

Our study revealed that as there is no differentiation in compensation range across cities, employees tend to opt for cities having low cost of living as it reduces the financial pressure on individuals. Upper management or employees with critical roles are seen to migrate to metro cities. Hence, this reemphasises the distribution of growing talent across our country.



Summary



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Basis our study, we noticed that metro cities continue to be dominant when it comes to Talent Feasibility. However, satellite cities are also gaining momentum and evolving as promising locations for both employers and employees.



Apart from **Mumbai, Delhi NCR, Bengaluru, Hyderabad and Chennai**, we see cities like **Navi Mumbai and Pune** attracting diverse talent across India for critical skill sets



While **Chennai, Bengaluru, Pune and Mumbai** have emerged as the safer city for women at workplace, **Navi Mumbai, Chennai, and Pune** are amongst the safer ones to live in



While **Chennai, Hyderabad and Delhi** offer the lower cost of living index than the others, **Bengaluru, Gurugram, and Pune** offer the maximum local purchasing power to the residents



While **Navi Mumbai** ranks high in terms of traffic index, with the inauguration of MTHL and Metro and the upcoming airport, Navi Mumbai is expected to see a remarkable development in connectivity





Summary



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Basis our study, we noticed that metro cities continue to be dominant when it comes to Talent Feasibility. However, satellite cities are also gaining momentum and evolving as promising locations for both employers and employees.



Indore, Surat & Navi Mumbai secured top 3 rank in Swachh Survekshan in 2022 and 2023



Navi Mumbai, Chennai and Hyderabad offer highly competitive commercial leasing prices promoting ease of doing business



Satellite cities have a lower attrition as compared to Tier 1 cities which mitigates business continuity risk and minimises the cost of backfill



Satellite cities offer a better cost of living index as compared to Metro cities which coupled with the accessibility of talent for transformation roles enhances its attractiveness as an alternate commercial hub



Navi Mumbai, Pune and Bangalore have a better quality of Living when compared with other metro cities in India

Therefore, organisations looking at establishing or branching out to different locations should factor in availability of talent essential for its value chain, physical and social infrastructure, ease of doing business, the needs of the talent with respect to cost and quality of living.

Appendix

Cities mentioned in our report have been categorised in the following manner:

TIER 1 CITIES

Mumbai
Delhi
Bengaluru
Hyderabad
Pune
Kolkata
Chennai

TIER 2 CITIES

Bhubaneswar
Jaipur
Raipur
Guwahati
Indore
Chandigarh
Kochi
Thiruvananthapuram
Ahmedabad
Vadodara
Surat

SATELLITE CITIES

Navi Mumbai
Gurugram
Noida

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