Not All Wage Inflation is Equal: Cyclical vs. Structural. Some wage pressures fade with time. Others reveal deeper cracks in how we plan talent.

	Wage Inflation (May 2023 to April 2025)		
			
AI Engineering	56%	52%	35%
Cybersecurity	8%	5%	12%
General (Mid Level)	10%	6%	12-37%
CISO/ Leadership	14%	10%	8%

AI Engineering:
Salaries surged by **+56% in North America**, **+52% in the UK**, and **+35% in India** – a structural rise driven by GenAI and automation investments.

Cybersecurity:
Wage increases remain modest – **8% (NA)**, **5% (UK)**, **12% (India)** – despite strong demand. Indicates undervaluation or slow hiring velocity.

General IT (Mid-Level):
India shows **wide variability (12-37%)**, likely project-based. UK and US remain flat at **6-10%**, suggesting commoditized skill sets.

CISO/Leadership:
Conservative growth: **14% (NA)**, **10% (UK)**, **8% (India)**. Raises tied to strategic value, not headcount scale.

Note: The insights on wage pressure are derived from Draup's proprietary labor market intelligence and cost modeling systems, which analyze over 500Mn job descriptions and compensation data across global locations. Additional context is drawn from published sources including BLS, the WTW 2024 Global Salary Planning Report, Mercer's research on inflation-linked pay adjustments

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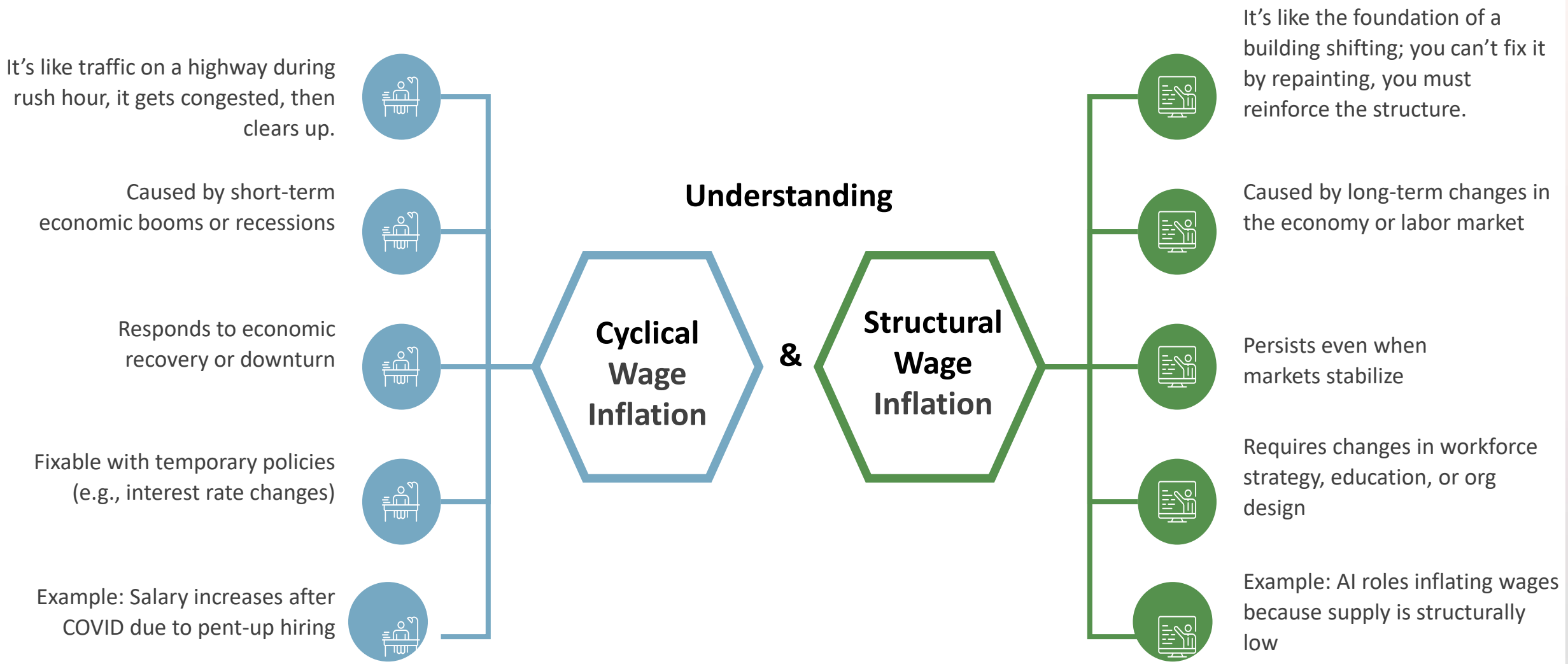

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How Wage Inflation Behaves Differently Across City Tiers: A Scientific Lens

Use MSI and TVC as *leading indicators*; Wage Inflation is the *lagging confirmation* that the market has already moved.

Quantitative Metrics	Core Question It Answers	Typical Calculation / Data Inputs	Scale & Benchmarks	How to Interpret
Market Saturation Index (MSI)	How crowded is this city for a given skill?	**MSI = (Active job postings for target roles ÷ Total experienced talent in city) × 100** Sources: Last 90 Days Draup Job Demand Data	0 – 100 Tier 1 hubs often 30 – 100; Tier 2/3 < 40	Higher MSI ⇒ firms hire from the same limited pool → bidding wars → faster wage inflation
Talent Volatility Coefficient (TVC)	How fast do people switch employers here?	**TVC = (Annual voluntary exits ÷ Average headcount) × 100** Sources: Draup's "months in current role" stats, Internal HR-benchmark voluntary attrition rates	0 – 100. Tier 1 digital hubs: 5 – 40%. Tier 2/3: 0-15%.	Bigger bubble on chart = faster churn. When **TVC > 40 %** the city is in high-mobility mode, amplifying wage spikes
Observed Wage Inflation (%)	How fast are actual pay packets moving?	**CAGR or YoY change in median base salary for a matched-basket of benchmark roles** Sources: Company-disclosed comp data through Draup Cost Modeling	• Low < **4 %** • Moderate **4 – 7 %** • High **7 – 10 %** • Hyper > **10 %**	Direct signal of pay pressure. When MSI & TVC are high, inflation usually breaks **8 %+**

Qualitative Metrics	Definition	Tier 1 Cities	Tier 2/3 Cities	Impact on Wage Inflation
Role Innovation Penetration	Proportion of emerging roles (GenAI, FinOps) in local market	**70–80%** of emerging role growth is metro-centric	**20–30%** of same roles currently present	**Tier 1**: New roles = no salary history = inflated offers. **Tier 2/3**: Later adoption = slower inflation initially.
Labor Market Transparency	Ease of accessing peer wage data via platforms, networks	High: Everyone knows what others make	Low–Moderate: Pay visibility is lower, market is opaque	**Tier 1**: Transparency accelerates wage escalation. **Tier 2/3**: Opaqueness = temporary wage stability.
Infrastructure Friction Factor	Efficiency of hiring, onboarding, L&D, internal movement	Low: Infra is well-oiled, quick action	High: Delays in hiring, training, internal fills	**Tier 1**: Frictionless hiring = fast inflation. **Tier 2/3**: Friction = slower inflation, *but* delayed response leads to spikes later.

How We Quantify Wage Risk: A Multi-Factor Forecasting Methodology

Parameter	Definition	Why It Matters	Weight in Score	Calculation Method
Lagged External Demand	Job demand for the role 2 months prior	Rising demand predicts future attrition and compensation spikes	35	External Demand (from 2 months prior)/MAX
Compa-Ratio	Ratio of New Hire Offer to Avg CTC	Indicates wage compression/inversion when new hires earn significantly more than incumbents	30	(New Hire Offer / Avg CTC)/MAX(New Hire Offer / Avg CTC)
Internal Attrition	Voluntary exits during the month	High attrition = backfill pressure = hiring at higher market rates	20	Attrition / Max(Attrition)
Inflation Misalignment	Local CPI minus HQ Budgeted Raise %	Misalignment leads to unmet salary expectations and employee dissatisfaction	10	(ABS(Local CPI - HQ Budget %))/MAX(ABS(Local CPI - HQ Budget %))
Tier Score	Location intensity score (Tier 1 = 2, Tier 2 = 1)	Tier 1 cities have greater wage competition and faster-moving labor markets	5	IF(Tier = "Tier 1", 2, 1)/2
Raw Wage Pressure Score	Unscaled cumulative risk score	Summarizes the magnitude of wage pressure based on all above factors	—	((Demand/Max)*35)+(Compa*30)+((Attr/Max)*20)+(Inflation*10)+(Tier*5)
Normalized Score (0–100)	Rescaled wage pressure score	Enables comparison across different roles/time periods	—	Raw Score / Max(Raw Score) * 100

Strategic Forecasting Framework: End-to-End Wage Pressure Modeling

Weights				35		20				30			5				10		
Role	Month	External_ Demand	Lagged_ Demand	Lagged_ External_ Demand_ Normalized	Internal_ Attrition	Attrition_ Normalized	Avg_ CTC_ $	New_ Hire_ Offer_ $	Compa_ Ratio	Compa_ Ratio_ Normalized	Tier	Tier_ Score	Tier_ Score_ Normalized	Local_ CPI_ %	HQ_ Budget_ %	Inflation_ Misalignment	Inflation_ Misalignment_ Normalized	Raw_ Wage_ Pressure_ Score	Normalized_ Score_ (0-100)
Senior Software Engineer	May-24	5,596	4,965	0.86	45	0.56	29.7	23.2	0.78	0.67	Tier 1	2	1	7.1	4	3.1	0.72	73.65	79.44
Senior Software Engineer	Jun-24	5,552	5,219	0.90	32	0.40	29.5	32	1.08	0.93	Tier 1	2	1	7.4	4	3.4	0.79	80.44	86.77
Senior Software Engineer	Jul-24	3,308	5,596	0.97	39	0.49	28	30.9	1.10	0.95	Tier 1	2	1	7.9	4	3.9	0.91	86.12	92.90
Senior Software Engineer	Aug-24	3,777	5,552	0.96	57	0.71	29.6	34.3	1.16	0.99	Tier 1	2	1	8.3	4	4.3	1.00	92.70	100.00
Senior Software Engineer	Sep-24	5,646	3,308	0.57	63	0.79	27.7	31.5	1.14	0.97	Tier 1	2	1	7.1	4	3.1	0.72	77.25	83.33
Senior Software Engineer	Oct-24	3,780	3,777	0.65	75	0.94	29.3	34.2	1.17	1.00	Tier 2	1	0.5	6.5	4	2.5	0.58	79.97	86.26
Senior Software Engineer	Nov-24	3,416	5,646	0.98	54	0.68	29.1	27.2	0.93	0.80	Tier 2	1	0.5	6.1	4	2.1	0.49	79.15	85.38
Senior Software Engineer	Dec-24	4,534	3,780	0.65	70	0.88	31.8	27.3	0.86	0.74	Tier 2	1	0.5	8.1	4	4.1	0.95	74.52	80.39
Senior Software Engineer	Jan-25	5,771	3,416	0.59	37	0.46	28.5	32.6	1.14	0.98	Tier 2	1	0.5	6.6	4	2.6	0.60	67.91	73.26
AI Engineer	May-24	4,977	4,567	0.78	43	0.54	30.9	23.7	0.77	0.67	Tier 1	2	1	8.3	4	4.3	0.90	72.16	77.83
AI Engineer	Jun-24	4,273	4,321	0.74	72	0.90	31.9	28.7	0.90	0.79	Tier 1	2	1	8.8	4	4.8	1.00	82.45	89
AI Engineer	Jul-24	4,116	4,977	0.85	69	0.86	30.6	26.5	0.87	0.76	Tier 1	2	1	6.3	4	2.3	0.48	79.54	85.80
AI Engineer	Aug-24	5,449	4,273	0.73	72	0.90	27.2	28.4	1.04	0.91	Tier 1	2	1	6.2	4	2.2	0.46	80.52	86.86
AI Engineer	Sep-24	4,048	4,116	0.70	72	0.90	28.8	33	1.15	1.00	Tier 1	2	1	7.7	4	3.7	0.77	85.37	92.09
AI Engineer	Oct-24	4,425	5,449	0.93	62	0.78	29.3	26.7	0.91	0.80	Tier 2	1	0.5	7.5	4	3.5	0.73	81.80	88.24
AI Engineer	Nov-24	4,439	4,048	0.69	45	0.56	31.7	25.7	0.81	0.71	Tier 2	1	0.5	7.3	4	3.3	0.69	66.11	71.31
AI Engineer	Dec-24	3,742	4,425	0.76	68	0.85	29.9	27.8	0.93	0.81	Tier 2	1	0.5	7.1	4	3.1	0.65	76.82	82.86
AI Engineer	Jan-25	5,841	4,439	0.76	73	0.91	27.1	25.9	0.96	0.83	Tier 2	1	0.5	7.9	4	3.9	0.81	80.50	86.83
Embedded Systems Engineer	May-24	3,372	3,011	0.52	54	0.68	27.8	33.2	1.19	0.96	Tier 1	2	1	6.7	4	2.7	0.56	71.15	76.75
Embedded Systems Engineer	Jun-24	4,270	2,988	0.52	55	0.69	30.1	28.8	0.96	0.77	Tier 1	2	1	8.5	4	4.5	0.94	69.29	74.75
Embedded Systems Engineer	Jul-24	5,771	3,372	0.58	80	1.00	29.2	29.5	1.01	0.81	Tier 1	2	1	7.2	4	3.2	0.67	76.45	82.47
Embedded Systems Engineer	Aug-24	5,482	4,270	0.74	78	0.98	30	32.2	1.07	0.86	Tier 1	2	1	8.8	4	4.8	1.00	86.25	93.04
Embedded Systems Engineer	Sep-24	5,226	5,771	1.00	69	0.86	30.7	26.6	0.87	0.70	Tier 1	2	1	7.2	4	3.2	0.71	85.23	91.94
Embedded Systems Engineer	Oct-24	4,620	5,482	0.95	46	0.58	29.2	29.1	1.00	0.80	Tier 2	1	0.5	8.5	4	4.5	1.00	81.25	87.65
Embedded Systems Engineer	Nov-24	4,925	5,226	0.91	45	0.56	30.6	30.2	0.99	0.79	Tier 2	1	0.5	6.9	4	2.9	0.66	75.81	81.77
Embedded Systems Engineer	Dec-24	4,699	4,620	0.80	71	0.89	27.3	34	1.25	1.00	Tier 2	1	0.5	6.2	4	2.2	0.50	83.27	89.82
Embedded Systems Engineer	Jan-25	4,510	4,925	0.85	51	0.64	31	27.5	0.89	0.71	Tier 2	1	0.5	8.4	4	4.4	1.00	76.49	82.51

Working Model Here

When Internal Mobility and Reskilling Fail, Wage Pressure Rises

Lack of internal mobility programs	*Top performers exit → roles backfilled at premium*	**25–30%** wage premium to replace mid-level engineers externally (Draup benchmark)
Static career paths	*Employees don't see growth → attrition climbs*	Internal applicants **50%** more likely to stay >18 months than external hires (LinkedIn)
Delayed reskilling response	*Too late to upskill → forced to hire scarce skills externally*	GenAI prompt engineer: **$50k salary vs $28k** reskilling cost internally (Draup model)
No proactive role-forecasting	*Missed emerging roles → urgent hiring at inflated wages*	**3–6-month lag** between role emergence (Prompt Engineer, FinOps) and first internal training push
Unused skill adjacency insights	*Talent goes underutilized → org pays for skills it already has*	**40%** of data analysts can be reskilled into junior ML roles in <4 months (Draup benchmark)
Overreliance on external hiring	*Replaces one problem with another → wage benchmarks rise across teams*	Backfilling with external hires increased avg team wage by **18%** in one BU case (internal audit)