STRAT-BOARD
YOUR GATEWAY TO HR SERVICES

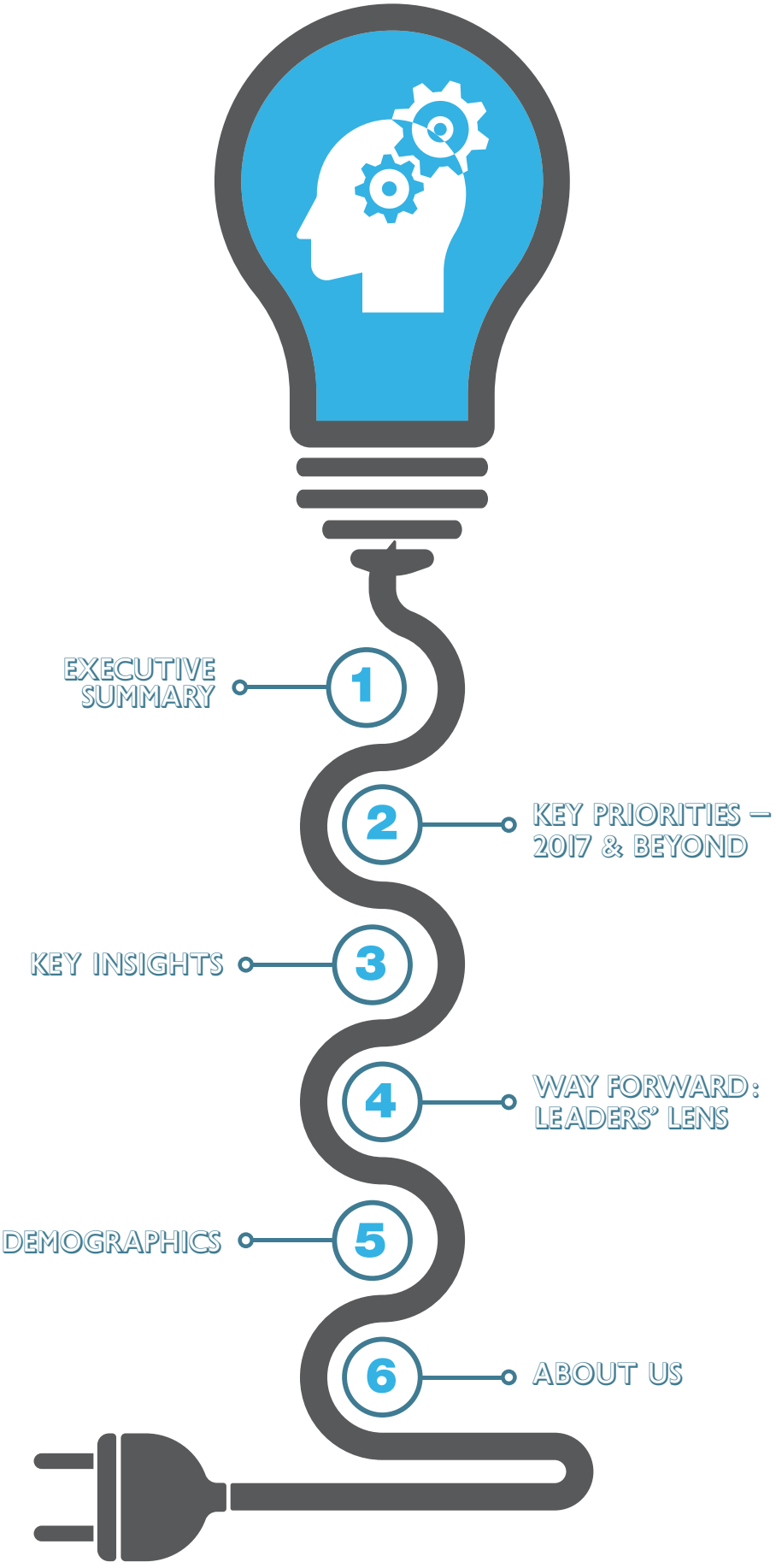
1927-2017 FICCI @90

REWARD PHILOSOPHIES INDIA 2017 & BEYOND

Re-thinking Reward Fundamentals



WHAT'S INSIDE?



EXECUTIVE SUMMARY

CONTEXT

Though substantial development has taken place in the area of **Total Rewards** - catalysed by new age workforce, technology and innovation - we still grapple with quite a **few fundamental questions and dilemmas,** which often remain unspoken and unstructured in approach.

FICCI in collaboration with Strat-Board presents this **unique study** on such core dilemmas, with a view to share collective insights and trigger change for long lasting impact for organizations and individuals.

The Survey touches variety of niche aspects of Total Rewards including Structure & Philosophy, Performance Pay, Frontline Compensation, Gender Pay Parity, Executive Compensation, Employee Wellness, ESOPs, Compensation Benchmarking and Key Priorities for 2017 & beyond.

We certainly believe that this study will not only trigger further debate and action on these crucial matters, but will also go a long way in shaping the Total Rewards Philosophy for the whole industry.

Key Participants: CHROs, HR Leaders, Generalists & Reward Professionals and CXOs, covering over 100 Corporates from diverse Industry segments, across small, medium and large enterprises.

KEY FINDINGS

The results of the survey are a very clear representation of the realities we face today and the evolution from here. Some key outcomes for us to note and act upon are as follows:

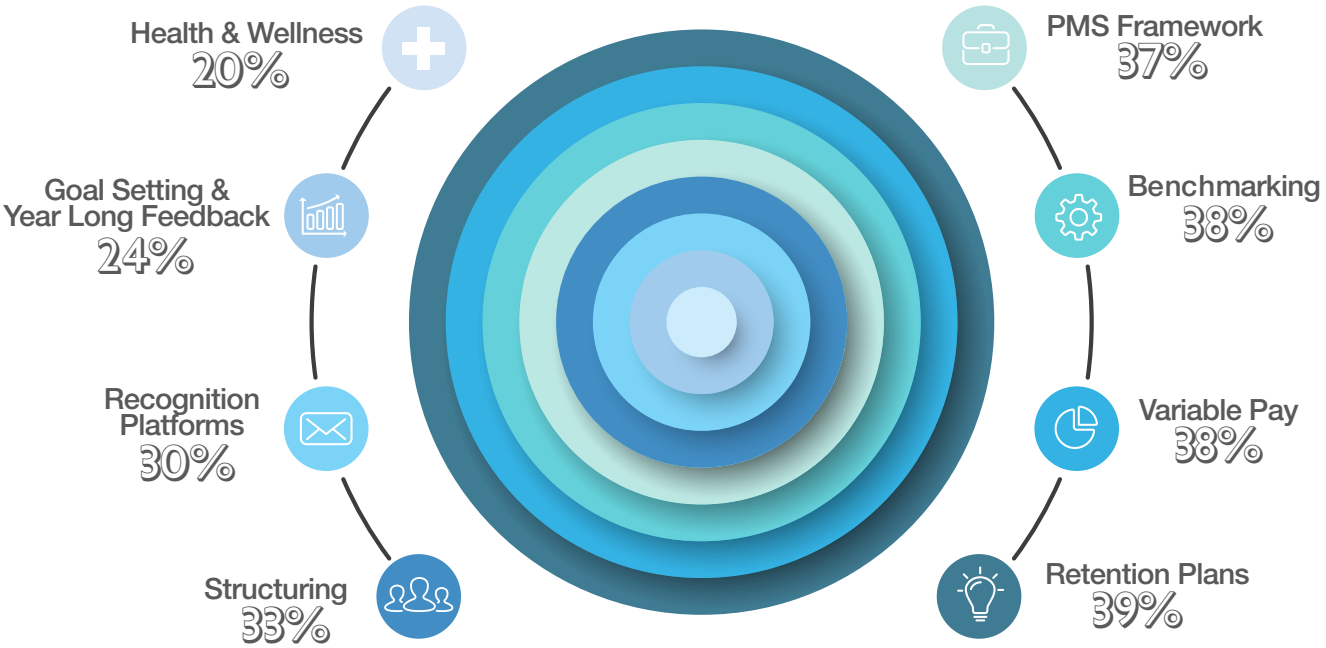
- **Hierarchy/ Levels still form the foundation for Total Reward structures however the new world of work may challenge the status quo -** Organisations with pure dependence on Hierarchy/ Grades may need to reconsider their rewards framework and align it either to a standard/ equal benefits philosophy across the organisation and/ or a role based approach.
- **Compensation remains a closely handled and individually delivered mandate (even for organisations with open cultures)** - Individuals have little to no clarity about where they stand commercially as compared to others in similar roles. It is pertinent to note that individuals now have access to a growing number of alternative market sources for comparison.
- **Majority of the organizations do not deploy reward-led long-term retention measures across the board** The focus remains largely limited to people in leadership/ critical roles. With growing choices in the hands of the employee and a growing backlash of attrition in most sectors, this may emerge as an important yet under-utilised aspect of retaining high performing employees across the organisation.

- **Variable pay and creating an inclusive rewards culture remains an element of focus for most organisations –** While majority of organisations yet struggling to find the right balance of variable pay opportunities specially for support staff, there is a clear indication to move towards a larger inclusive reward structure across the organization.
- **The Bell-Curve divide continues to grow –** A significant segment of the industry is looking for proven alternate methods and some are even experimenting with hybrid of existing methods.
- **GPP (Gender Pay Parity) is yet to become a reality in most of the organizations -** While a lot of conversations are happening on Gender Diversity & equality, majority of organisations are yet to start measuring it from the Total Rewards context.
- **Most corporates seem to not yet have a Joining/ Committed Bonus policy -** While most mentioned need to resort to the practice, organizations continue to deal with this in a controlled but ad hoc manner, more driven by approvals than policy.
- **Hiring freshers at higher salary than existing employees continues to be a challenge -** Organizations are adopting various measures to address this concern.
- **Organisations are now beginning to realise that salary reductions are a reality for continued non-performance across the board-** Though a large segment yet ascribe it as more of a frontline suitable alternative, some organizations seem to realise it as a cultural notion which needs to be challenged, but a nearly equal number would not prefer to resort to this.
- **There is dichotomy in approach when it comes to dealing with false tax claims –** Most organisations tend to not deploy punitive/ disciplinary measures to counter the same (unlike false reimbursement claims). Tax friendly pay structures continue to trigger this concern, and organisations and employees may face larger risks due to inadequacy of right measures.
- **While all organisations seem to be aligned on driving Employee Wellness -** This is yet an ad hoc aspect for many and remains a 'good to do' vs. 'really a need to do' element - The ROI or direct impact of wellness on Business and /or People strategy yet remains unknown to most.

KEY PRIORITIES – 2017 & BEYOND

Variable Pay, Retention plans, Benchmarking, PMS Frameworks, Compensation Structuring, Recognition Plans, Goal Setting & Year-long Feedback emerge as the highest priorities for organizations in 2017.

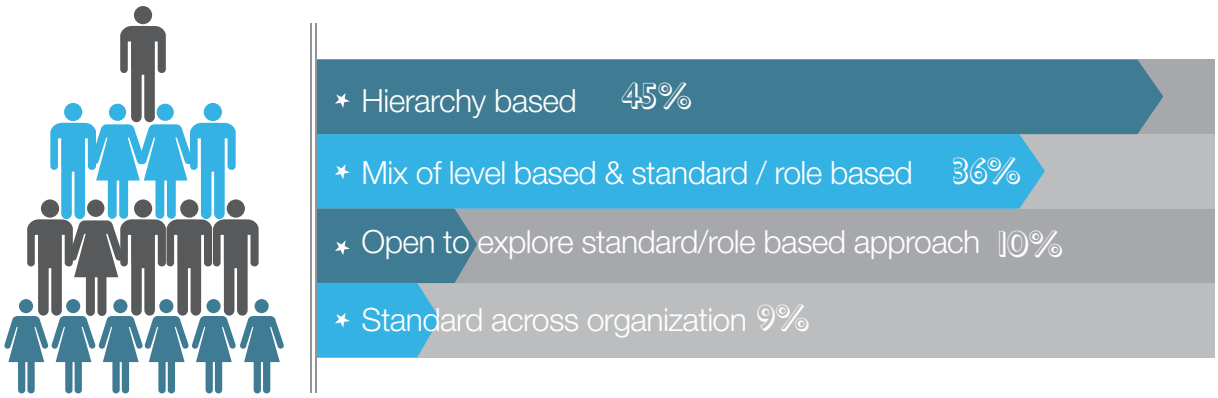
Governance, Analytics & Reporting remained the items of least focus for 2017 – This may need a little rethinking and calibration as the stakeholders are expecting much larger priority being given to these aspects.



NOTE: % of respondents for whom it is one of their top three priorities

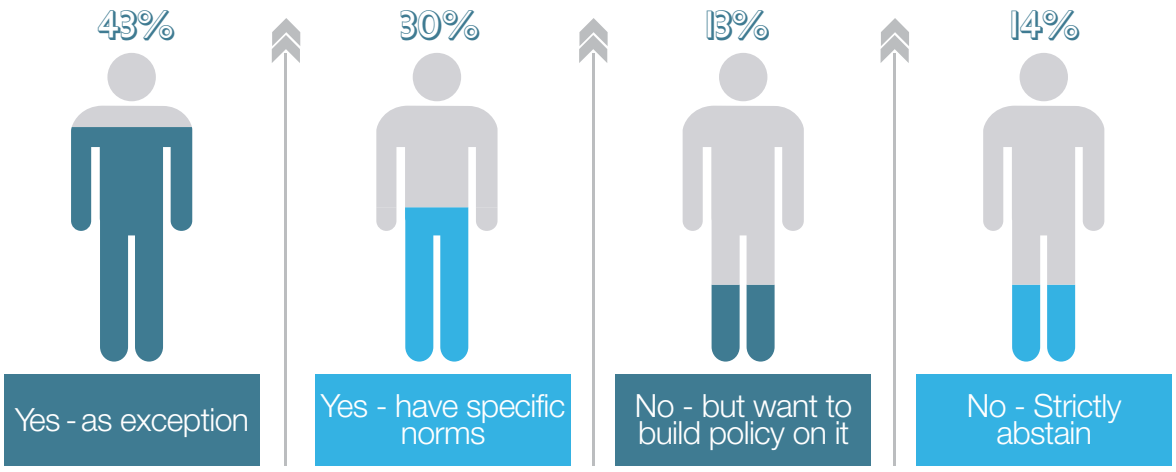
KEY INSIGHTS

Benefits & Rewards Structure: Hierarchy Based or Standard



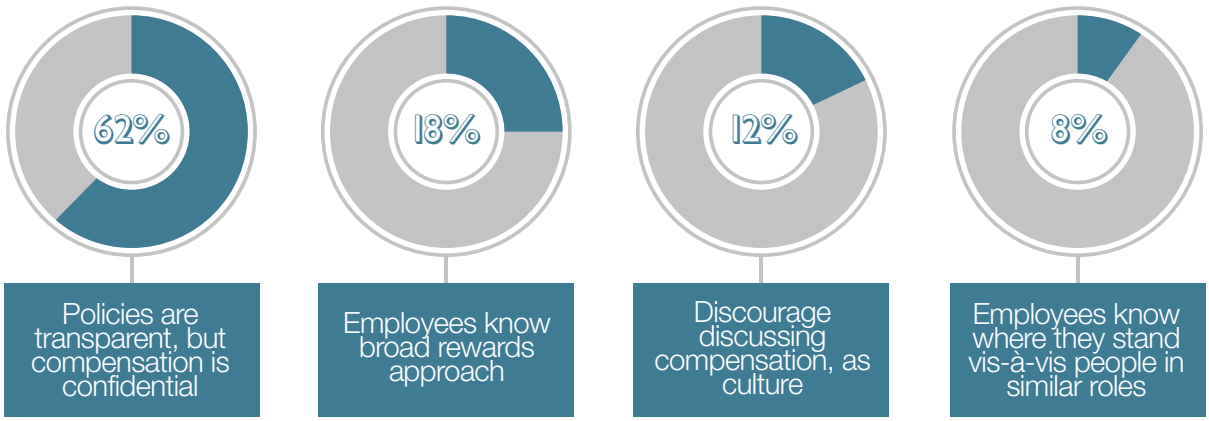
45% of the organizations surveyed continue to follow a pure hierarchy based Benefits & Rewards structure, and there are about 36% who follow a hybrid of level and role based structure. While not a large number, it is crucial to take note of a significant 19%, who have already moved/ are open to move beyond grades & hierarchy to a more standard benefits structure approach, and this could be a trend to watch.

Joining / Committed bonus to attract talent



73% organisations surveyed give out Joining/ Committed Bonuses, however, nearly 43% do not yet have a formal policy around it and treat these as exception. Interestingly, 13% organisations who do not offer Joining or Committed Bonuses are now looking at implementing a policy around the same. This means that nearly 85% organisations find Joining/ Committed Bonus as an essential tool in the kitty to win the war for talent. Interestingly enough, approx. 50% of Indian firms surveyed offer Joining Bonus only as an exception, whereas 50% of MNC firms surveyed offer Joining Bonus following specific norms around it.

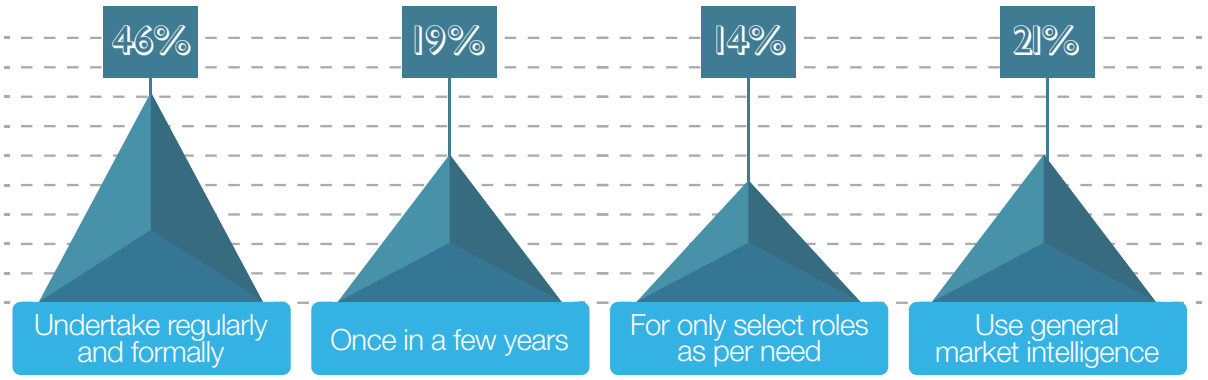
Transparency Levels in Compensation & Benefits



While most organisations encourage and drive Transparency as a culture - when it comes to matters relating to compensation, almost 92% of the organisations studied treat compensation as confidential. There are although 8% of the organisations which work on letting employees know where they stand vis-à-vis people in similar roles. This number may increase significantly in line with employee expectations coupled with external benchmark forums now available to individuals.
It is however pertinent to note that almost 88% organisations take measures to ensure that the compensation & Benefits philosophy is well understood by Employees.

It is also important to note that - none of the large firms (>5000 employees) surveyed discourage employees from discussing compensation aspects, while none of the smaller organizations (501-1000 employees) work on complete transparency in this aspect.

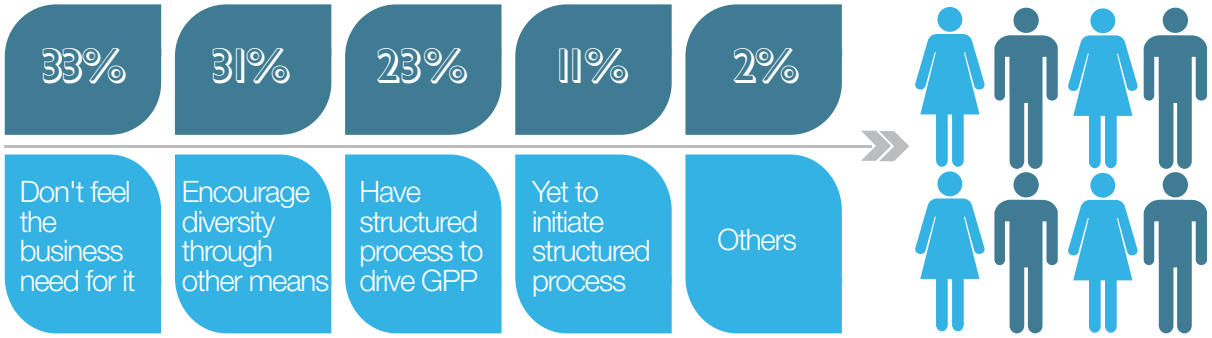
Compensation Benchmarking



46% of the organisations surveyed invest in formal Compensation Benchmarking on a regular basis. About 21% organisations are using general market intelligence data to stay competitive in the market.

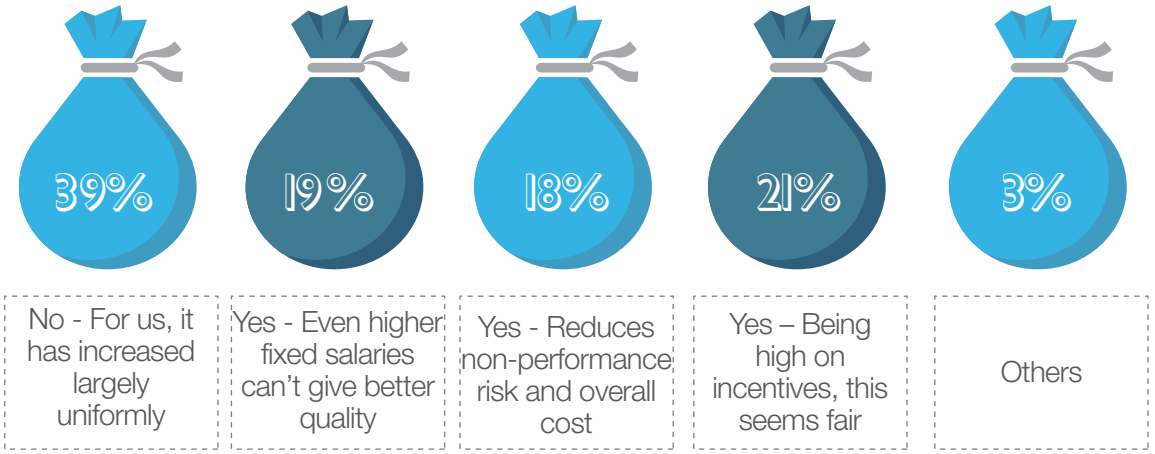
At least 50% of medium sized organizations (employee base >1000) regularly and formally benchmark their compensation & benefits. This number is almost 85% for large organizations (employee base >5000).

Gender Pay Parity (GPP) Approach



Gender diversity is seeping in as a key priority in organisations but the measurement of pay parity for the same is yet to find ground with most organisations. Although, 23% of the organisations claim to have started measuring and acting on this, another 11% seem to be open on starting the same. However, nearly 64% organisations don't immediately plan/ feel the need for a structured approach towards the same.

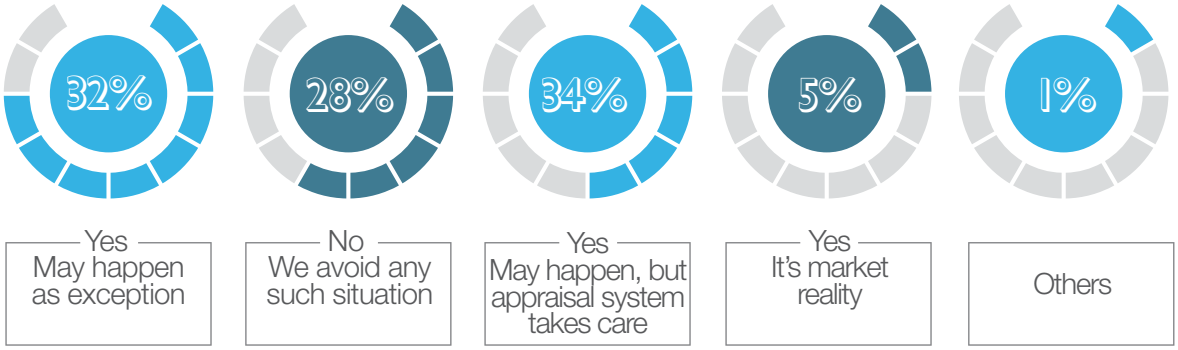
Fixed compensation for entry level roles have not increased as much as other roles : Views



58% of the respondents agreed that compensation for entry level roles has not gone up in line with the growth in other roles - though for differing reasons. 19% felt lack of correlation between higher compensation and quality, while others (21%) expressed an incentive driven culture as the reason for this.

Although a good 39% organisations claim to ensure appropriate increase in compensation of frontline roles over the years.

Fresh recruits getting higher pay than existing performing employees : Views



More than 70% of the organizations surveyed agreed to encounter situations where fresh recruits may get higher pay than existing performing employees, but only 34% claimed to have adequate means to correct these during appraisal cycles.

In contrast, 28% of the organisations indicated following a tightly regulated hiring to avoid any such situation. This, however, may pose some hiring challenges for these organisations in the current context of attracting talent.

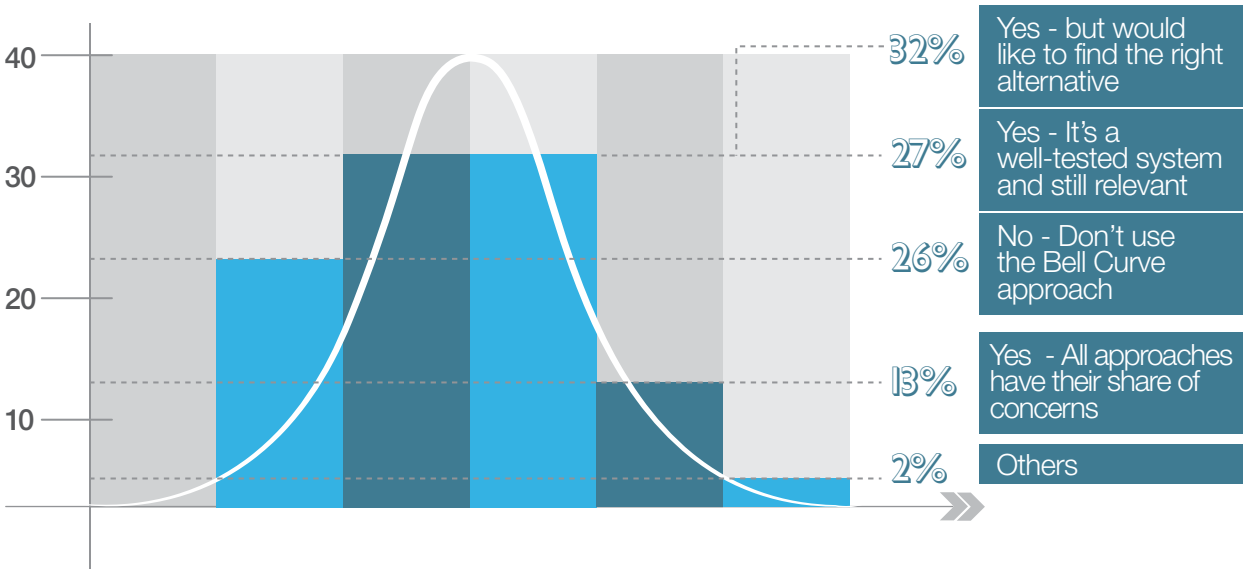
False proofs submitted for tax exemptions: Approach



Submission of false proofs remains a problem with almost all employers. 21% of the organisations surveyed claim to take strict disciplinary actions in these cases, while 79% still soft handle the matter with mostly refusing and asking to resubmit claims. There remains dichotomy of approach in the severity of handling business claims as against tax related submissions. More stringent, well defined corporate guidelines with properly framed consequences may need to be the way forward.

Only 14% small organizations surveyed (<500 employees) take strict disciplinary action on such cases whereas the percentage is almost 40% for large organizations (> 5000 employees)

Performance Appraisals: Using the Bell-Curve Approach

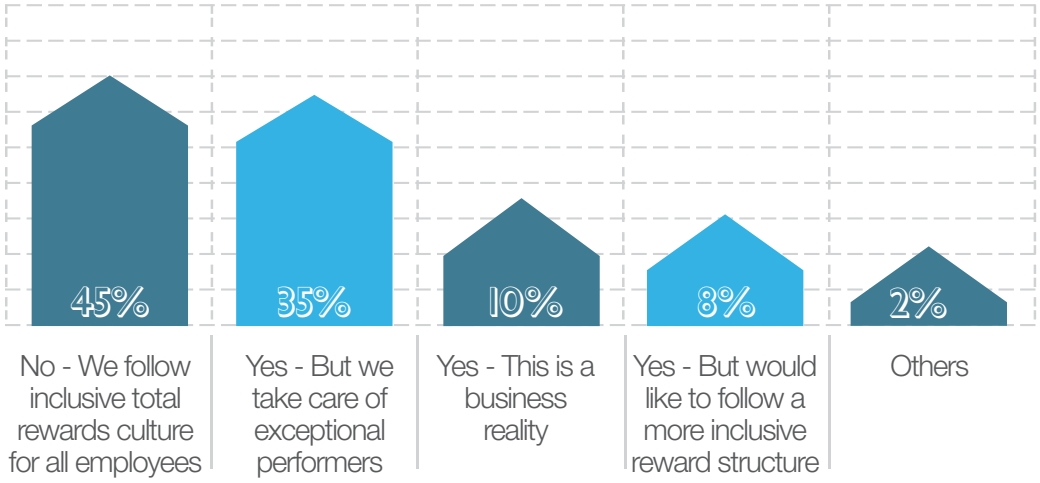


With so much talk around the relevance of Bell-Curve approach in the current context, almost 3/4th of the organisations continue to use it, with about 27% who still firmly believe in it and remaining either unsure (32%) about the right alternative system and some even indifferent (13%).Interestingly, only 16% of Indian firms surveyed find the Bell Curve still relevant for them, while the number is almost triple for MNCs (45%).

Alternatives followed by participating organizations not using Bell-Curve:

Budgets are allocated to respective function heads and they in turn distribute based on guidance from org.
Continuous feedback mechanism.
Management by Objective based Approach.
No performance ratings. We ask employees and managers to have an agreed goal setting.
Ratings have been removed. Managers provided qualitative criteria for assessing employees.
Ongoing forward looking strength based appraisal system.
Replacement Quotient and Performance Rating Matrix.
We use budget for each department and distribute among employees based on their ratings.

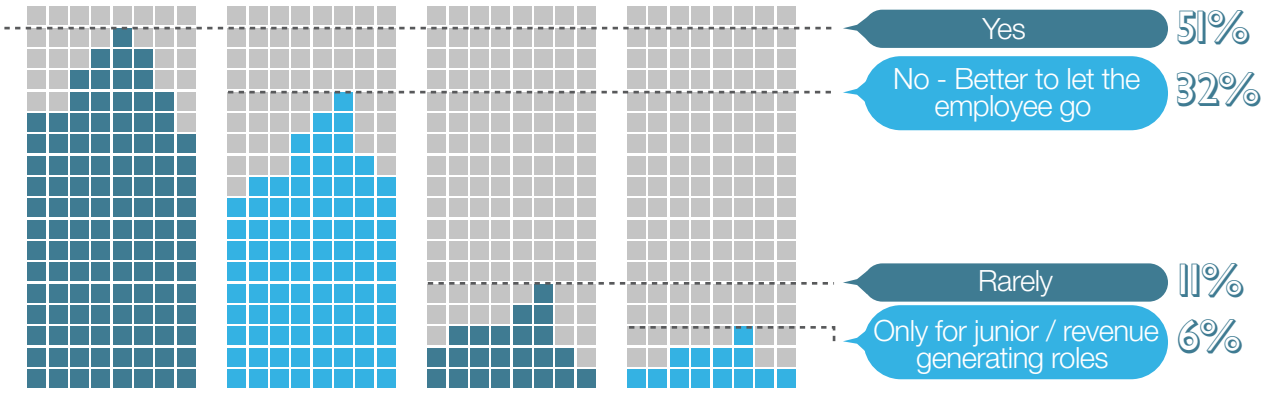
Total Reward opportunities are lower for supporting functions than revenue generating functions: Views



While 45% of the organisations surveyed follow an inclusive Total Rewards culture across functions, nearly 55% organisations agree that opportunities for support functions for Rewards may not be at par with revenue generating roles.

35% organisations however take out of turn measures for exceptional performers while 10% just manage this as a current reality.

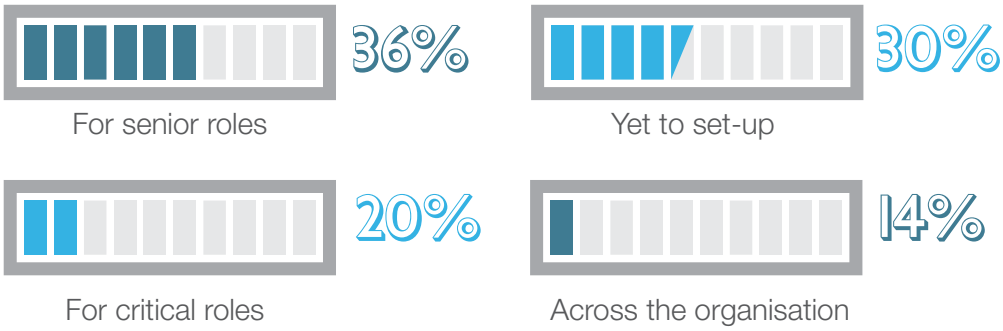
Affecting Compensation for non-performance: Practice



There seems to be a divided approach on this with nearly 51% of organisations feeling comfortable with this approach. Interestingly, 32% said they would rather have the employee go instead of reducing salary. 17% others are fine to adopt it in extremely rare circumstances or only for frontline/ revenue generating roles.

The true performance aligned compensation culture yet seems a mile away.

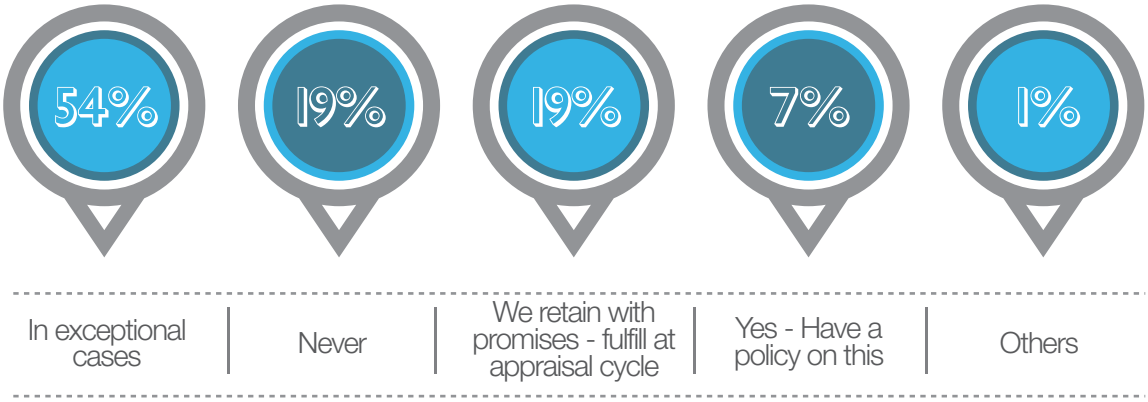
Using reward-led retention plan (ESOP / LTIP / Deferred Bonus)



Rewards for longer term retention of senior executives and critical roles seem to be a key tool for 56% of the organisations. Interestingly, another 14% even have longer term retention plans across the organisation.

However, 30% of the organisations are yet to start using ESOPs/ LTIPs or even deferred bonus as key drivers of longer term retention. Most of these organisations are smaller Indian firms (employee base <500).

Counter offers to retain exiting employees



Nearly 80% organisations - by design or compulsion - resort to counter offers to retain exiting employees, but only about 7% seem to have a formal policy on the same.

19% of the organisations who never as a policy make counter offers are mostly Indian companies and possibly operate in lower attrition sectors.

Employee Health & Wellness (H&W): Initiatives



Almost 100% of the organisations consider H&W as an important priority, with a clear intention to take effective measures. While 35% claim to have put elaborate H&W frameworks in place with sufficient resources, further 48% of the organisations surveyed have been taking occasional / ad hoc measures.

Of the 15% organisations that are yet to begin their journey, majority are small in size (< 500 employees).

Rising mediclaim costs: Coverage by organization



There is a clear divide among organizations on this aspect. While 30% organisations offer Mediclaim as pure benefit, another 28% treat this cost as part of employee CTC.
Another nearly 31% practice only base level coverage or even a fully employee funded plan being just catalysed by them.

Managing dependant parents' claims has been a matter of concern and a matter of dilemma for most organisations.

WAY FORWARD:
FROM THE LEADERS' LENS

KAMLESH DANGI
Group President -HR | UTI Mututal Fund

"Long term retention should be a need of your business model. If it is then it is imperative for businesses to retain its talent and enjoy the benefits of higher productivity, morale and stronger leadership talent pipeline. Each of these in itself can present a business case. Often HR presents a case of retention with only solution being more budget required for increments. HR needs to present the case more holistically with all other benefits associated with better retention and get CEO to be a principle sponsor for the proposal."

RAJESH MUNDRA
Founder & CEO I Truworth Wellness

"The deteriorating health vital trends and rising insurance claims are ringing bells for the Corporate Rewards team to be cognizant of the fact that Employee Wellness has now become a productivity tool with significant cost implications that needs to be managed with a structured approach and a long-term outcome oriented vision. In our experience of last 5 years a structured and outcome oriented wellness program sustained over a period of 3-5 years have been found to be significantly beneficial towards employee productivity and in reduction of the insurance claims. It's high time that corporates start addressing the Health and Wellness of the employees as an important reward component and productivity monitoring tool to insulate from the disruptions caused by absenteeism or 'presenteeism' and from ever growing insurance cost burden."

A SUDHAKAR
Executive Director-HR | Dabur India Limited

"The industry/businesses are facing severe crunch of talent at critical and senior leadership levels. In a scenario like this business will be severely affected in meeting their business goals if organisations do not plan effective retention strategies to address this important talent/ leadership imperative. In my view organisations can invest in technology/ infrastructure but it is leadership talent that can make a difference between successful and not so successful organisations "

SANJAY MUTHAL
Executive Director | RGF Management Search

"Gender Equality has emerged as a very significant socio-economical phenomenon. Western world always looked at the Gender Equality as a measurment of organistional and cultural philosophy. In Eastern part of the World including India,Gender biases have been deep rooted especially in families and societies. Women have always faced discrimination at home and so at work place. Gender Pay Parity looks exactly at that and addresses that. Its an important Metric beacause in todays World organisations need to become equal opportunty Employer. Diversity is an important value in the society and also in Corporations. This metric endeavours to correct discriminatory employment practices. Infact in some countires its mandatory to report Equal Pay and Gender Equality to Goverment Agencies."

MADHURA DASGUPTA SINHA
Head - Employee Experience I IDFC Bank

"Health and wellness initiatives are not just initiatives. It is a way of thinking that recognizes the importance of an individual and the family beyond just the professional identity. An employee's well being at a financial, physical and emotional level usually signals a great philosophy and great economics."

NAVNEET MUKUND

Director HR – Global Rewards CoE | India Total Rewards | DXC Technology

"I think that at senior management levels, prevalence of higher variable pay at target opportunities is on the rise especially due to some trends of reverse brain drain which started with e Commerce sector and which will only increase with changes in the H1B visa and similar short term international assignment rules with. However, I don't foresee much changes at junior and middle management levels. Hence, on an aggregate where the overall prevalence figures are more swayed by the abundance of data points ay lower and middle level, the picture may be more or less unchanged."

SUCHITRA RAJENDRA

CHRO & VP HR | Pepsico India Region

"In some cultures across the globe, salary points are pegged to the role and with minimal inflation the individual salaries are standard across that job band/level and are known to all within the organization. Even in India, most people in public sector, government and organizations like UN know the salary of their colleagues since it is linked to the job title and the increments are linked to time in role vs differentiated highly due to performance. In large professionally run organizations including MNCs the salary is determined by 2 vectors, both the job responsibility as well as the supply of the talent. So this means that within a job responsibility there is a range of compensation that the individual can earn. This is further influenced by the performance of the individual over the time he or she is in the role. So in highly performance based organization like PepsiCo, the salary increase of a high performer vs an average performer can be differentiated by as much as 2.4 times. Over time this impacts the persons compensation position. Since we want our employees to understand where they are in the range we transparently share their pay position, while keeping individual compensations confidential. We believe this gives the right level of confidence to the employees that the culture is meritocracy and fair at the same time. Organisations, that have not yet embarked on the journey of bringing transparency in employees' compensation can begin by making communicating clearly the fundamental principles behind determining compensation of an individual and its increase over time. Once the trust is established that the principles used by the company are fair and transparent, they can further build upon it by sharing individual specific positioning"

ADITYA KOHLI

Senior VP: Bharti Airtel

"With organisations moving away from traditional hierarchies, towards becoming more agile, lean and networked. I see four significant changes that will lead to a substantive rethink in the way organisations define Rewards Philosophies. The Big Four are:

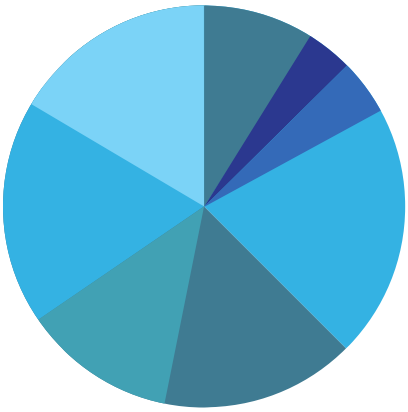
ONE: **Shift from "Stability to Mastery"**. The rewards philosophy that encouraged stable growth, tenure will need to give way to disruption, encourage building skills and proficiency.

TWO: **"Standard and Scalable"** to **"Segmented and Differentiated".**

THREE: **"Beyond just compensation, to Total Rewards"**. The workforce is no longer satisfied with good quality work, how do organisation help drive Purpose, Growth and an overall sense of wellbeing.

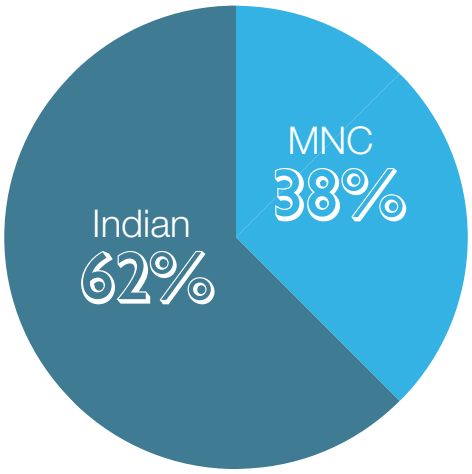
FOUR: **Managing Performance (Individual) to Managing Cultures (Team).** Today most organisations are calibrated to identify, groom and reward individually talented employees. The future organisation's success will stem from building a work culture that celebrates agility, network and collaborative teams."

DEMOGRAPHICS

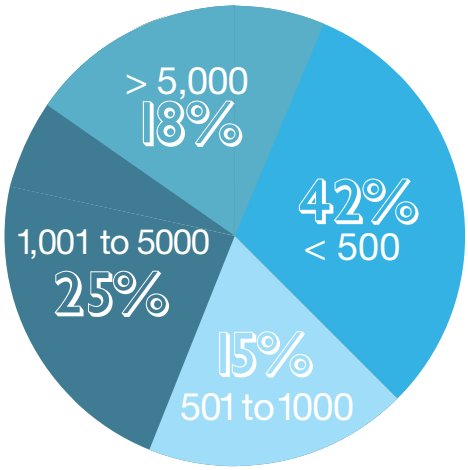


IT / ITES & Telecom	15%
Business Services	17%
Manufactuirng & Infrastructure	14%
Banking / Financial Services	12%
Healthcare / Pharma	12%
Automobiles / Transportation	7%
Consumer Goods / Durables	10%
Other Industries	13%

Industries



Organizations - Indian/ MNC



Organization Size (Workforce)

ABOUT US

ABOUT FICCI

FICCI is the voice of India's business and industry. Established in 1927, it is India's oldest and largest apex business organization. It serves its members from the Indian private and public corporate sectors and multinational companies, drawing its strength from diverse regional chambers of commerce and industry across states, reaching out to over 2,50,000 companies.

ABOUT FQF

FICCI Quality Forum (FQF), a specialized training and consulting division of FICCI set up to sharpen the competitive edge of the client and partner organizations, has been serving Indian Industry for over two decades through advisory services and capacity development initiatives in various dimensions of Quality, Environment including HR.

FQF has been a pioneer in providing learning solutions ranging from accredited courses on various management system standards on Quality, Environment and related aspects.

ABOUT STRAT-BOARD

Strat-Board is an HR Services Platform, which serves the crucial need of selecting credible partners for the full spectrum of HR requirements.

The Platform is currently serving hundreds of progressive organizations to find better, match-made and credible service providers, for contemporary as well as niche HR requirements - enabling optimum choices, coupled with substantial saving in time, efforts and cost.

Strat-Board also works with various industry bodies and institutions in furthering the awareness and adoption of leading HR practices.

CORE TEAM

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NOTES

Note:

This study has been carried out by FICCI in collaboration with Strat-Board Services, as part of Total Rewards Strategy Summit – 2017 (26th May, 2017, New Delhi), by conducting an opinion survey structured for the purpose.

The Report is based on responses received from the Reward professionals, CHRO's, HR leaders and CXOs and may reflect a combination of practices in their respective organizations as well as personal views. The objective is to look at a larger inference from the overall responses and not to study / represent thoughts of any particular respondent / organization.

The explanation provided in the report are given based on the responses and should not be construed as advice or endorsement of any kind from FICCI or Start-Board Services.

This survey, results and the report are the proprietary property of FICCI and Strat-Board Services.

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