

Total Rewards

India • Volume 1 • Issue 4

Q U A R T E R L Y

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Essar Group

AON Hewitt

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COVER STORY

Managing Rewards

How the Best Do it

Aon Hewitt's Best Employers in India 2011 study reiterated that a rewards program's success is determined not by how ahead of the market it is or how sophisticated it is. Instead, it is driven by more fundamental aspects, such as how aligned it is with an organization's business objectives and the aspirations of its people. And whether it can stay relevant amidst changing market conditions.

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The leading organizations...

Make it Relevant

Communicate Effectively

Differentiate & Recognize

Imbibe Good Governance

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View from the Top:

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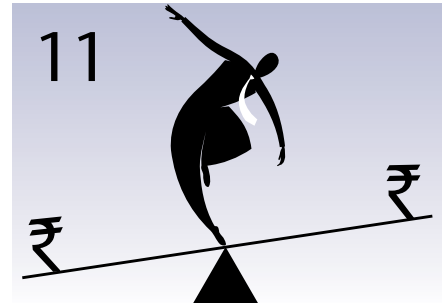
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Our expectation of the global economy and its impact on our prospects, as employers and employees, has taken a hit over the past three months. Most economists think a double-dip recession will hit advanced economies over the next six months, while its direct impact on businesses in the emerging economies like India and China is yet to be ascertained. This has definitely made us watchful.

I personally remain anxious with double-digit salary increases. The current volatility in the global economy, our domestic issues around interest rate increases, stubbornly high inflation, high fiscal deficit and the scams keeping the government and policy makers busy – all of these present to me a convincing logic for us to be conservative with our investments in salaries.

We, in our article on salary increases, share the highlights of the study conducted across 493 organizations and our view on how we expect organizations to keep a tight rein on salary increase projections for 2012.

In this tentative period, we thought it would be best for us to focus on what's helped organizations remain relevant to their employees and shareholders in both good and bad times. Our cover story shares five fundamentals from our Best Employers study that make rewards programs successful.

Connected to this is the issue of cost arbitrage, pay (dis)parity across levels and how Indian executive pay is becoming globally competitive. Our story titled 'In Search of Equality' tells us some revealing facts that we have chosen to ignore in our evolution of compensation.

I'm most excited to bring our interview with Adil Malia from Essar Group. I have personally been associated with the group for over four years and am truly fascinated with how much has been achieved in reshaping rewards and a genuine focus on Total Rewards as opposed to total compensation.

We hope you enjoy the read and look forward to receiving your comments and feedback.

Happy times ahead!

Sandeep Chaudhary

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In Search of Equality



If we compare the ratio of minimum wages of a graduate and a CEO in India, vis-à-vis a set of countries, India stands head and shoulders above all European, North American and Asian peers.

Are We the Most Capitalist Country in the World?

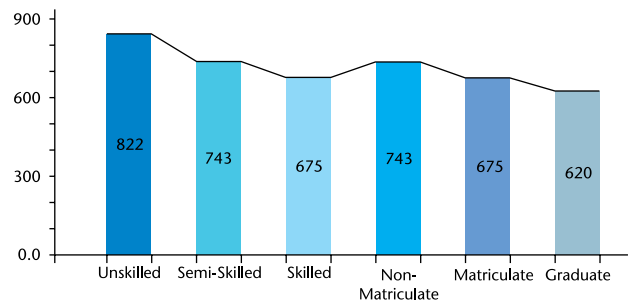
Say the word 'capitalism' and the immediate word associations are 'wealth', 'United States of America', 'the West'. To those among us who are more red than others, it probably also evokes words like 'disparity', 'rich-poor divide', may be even 'corruption'. Without getting into defining capitalism and associated economic theories, I wonder the word should also lead us to think 'India'. As someone who works on compensation issues, and primarily top management compensation, the inequality of earnings in India sometimes leads me to wonder if India is truly the most capitalist country in the world.

Much has been written and said about the gap in earning potential between the rich and the poor. Governments have screamed about 'inclusive growth' as a central theme to planning, organizations have talked about sustainability, regulators have demanded it. But the story and some of the figures that tell the story, remains the same. Some 2,500 years ago, Plato and Aristotle hypothesized that in a just society, no one possesses more than five times the wealth of another. In the past 2,500 years the ratio has steadily increased. Financier John Pierpont Morgan had famously suggested that ratio to be around twenty is to one. Later, others such as Drucker and J K Galbraith validated that number as an appropriate ratio for the lowest to the highest-paid employee in an organization.

It may be naïve to imagine that such ratios have any worth in the real world anymore. I cannot imagine any (civilized) organization, society or economy where the lowest-paid person earns only one-twentieth of the highest-paid. And so, as India grows richer as a country,

it is interesting to see how we fare, not so much in terms of accumulated wealth ratios between the rich and poor (after all, you can't really have a ratio when the denominator is zero!), but the wage ratio – which reflects the process of accumulating wealth. And the numbers present a fine picture of how far we seem to have moved from a socialistic model of economic development.

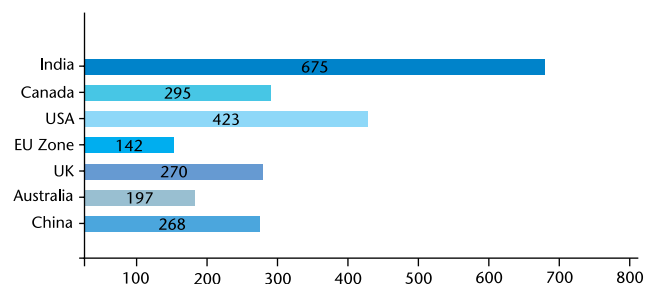
Minimum Wage to CEO Compensation – India



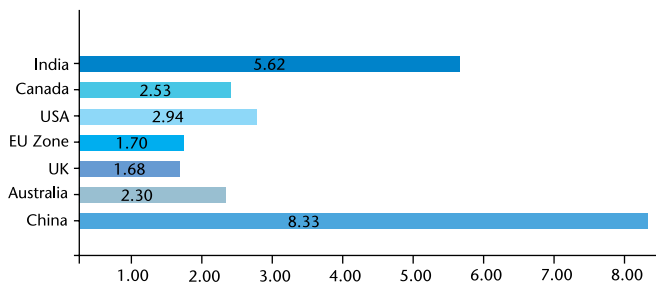
The chart above depicts the ratio between the average annual compensation of the CEO of a mid-size to large company in India and the minimum wages in the country across different categories of labor. Effectively the message is that, as a society, we seem to broadly accept the idea that in the organized sector the lowest wage is about a basis point of the highest.

The story gets even more interesting when we look at this ratio in relation to other countries that presumably have a far greater 'capitalistic' orientation. If we compare the ratio of minimum wages of a graduate and a CEO in India, vis-à-vis a set of countries, India stands head and shoulders above all European, North American and Asian peers. And before we get into any discussion on the justification or reasons for this, let's look at another data point – a comparison of wage ratios between the minimum wages of a graduate and an entry-level supervisor/manager in India as against the world. The Chinese got the gold, but we come up proudly with a silver medal on this one.

Graduate Minimum Wage to CEO Compensation – India and Rest of the World



Graduate Minimum Wage to Managerial Compensation – India and Rest of the World



It is unfair to expect individual businesses to rethink their approach towards managerial compensation. Instead, industry bodies need to spearhead a broader rethink.

Though not surprising (we all know there has long been a huge gap in pay levels), this data does make me jittery. There are two reasons for that. First, the way our data compares with the rest of the world, and second, the fact that there has been almost no effort by the government or businesses to change the order of things. In the 20 years since liberalization – when the Indian tiger was let loose – the nature of pay levels rose dramatically at some levels and broadly stagnated at others. Our data shows that the compounded average compensation growth at managerial levels was double the growth rate of minimum wages. This comparison is incomplete unless you also think of the significantly different base values for this growth. Progressively, as compensation growth rates diverged, the ratios naturally ended up looking as stark as they do when we compare India with the world. And therefore my second point, are we really thinking about it?

Let's take the US as a case in point. In the early half of this decade, pay ratios in the US were almost 50% higher than they are right now. But there has been much more discussion within businesses and the government, with outcomes such as the Dodd-Frank Act to actively measure in order to (hopefully) eventually curb the gap between the wages at the top and bottom end of organizations. In contrast, let's see what happened in India. In 2009, our government responded to the compensation related drivers to the financial crisis by 'denouncing vulgar executive pay', which obviously made for a good sound byte but never evolved into anything more concrete. To be perfectly honest, I think the industry would be rather nervous if the government began interfering with corporate compensation levels.

Economists, the world over, constantly scratch their heads over ways to minimize these imbalances – caps on corporate compensation is a disaster of an idea,

while the government exchequer would find it tough to manage higher minimum wages. Growing economies like India will constantly see organizations fight for talent, thus driving up compensation levels. Societies that have successfully balanced these differentials have done so on the back of more organized economic growth models. India is in the completely unique situation of rapid and somewhat unplanned growth coupled with enormous poverty and illiteracy in the midst of a vibrant and loud democracy. The responsibility, if not the accountability, therefore gradually needs to shift to businesses that want to operate in a sustainable macro environment. It is unfair to expect individual businesses to rethink their approach towards managerial compensation. Instead, industry bodies need to spearhead a broader rethink. We have to realize that in the long run inequality cannot create a successful economy. Rather than waiting for the government to take the initiative, organizations and business thinkers need to push thinking on controlling income disparities if we really want to experience sustainable growth.

Data Sources

- US Department of Labor
- UK National Minimum Wage
- Federation of European Employers (FedEE)
- Australian Fair Pay Commission
- Canadian Center for Policy Alternatives
- China People's Daily, Government Reports
- Press Information Bureau, Government of India
- Aon Hewitt Analysis



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2012



Salary Increase Budgets to 'Plateau' in 2012

Will India once again ride through the global market turmoil on the back of strong domestic fundamentals? Or, will a slowdown in the developed economies take the sheen off India's spectacular growth story? Given the current volatility in the global economy, it is no surprise that this question is keeping every regulator, policy maker, entrepreneur and manager worried.

With rising economic uncertainty on both sides of the Atlantic, business activity and confidence has been muted across the globe. India, Asia's third largest economy grew by just 7.7% in the first quarter of FY2011-12, its weakest in six quarters, fuelling fears of a domestic slowdown. Other factors such as a spate of interest rate increases, stubbornly high inflation and high fiscal deficit could take a further toll on India's growth rate. However, one can hope that there exists a certain level of 'decoupling' between the Indian economy and the western world – and therefore, the global slowdown might not fully impact India.

Organizations seem to be reflecting this inherent confidence on the basis of what we found in Aon Hewitt's Salary Increase Survey 2011-12, where the annual salary increase projection for 2012 ranged from 11.4% to 13.7% across industries, averaging at 12.8%. While most

Will India once again ride through the global market turmoil on the back of strong domestic fundamentals? Or, will a slowdown in the developed economies take the sheen off India's spectacular growth story? Given the current volatility in the global economy, it is no surprise that this question is keeping every regulator, policy maker, entrepreneur and manager worried.

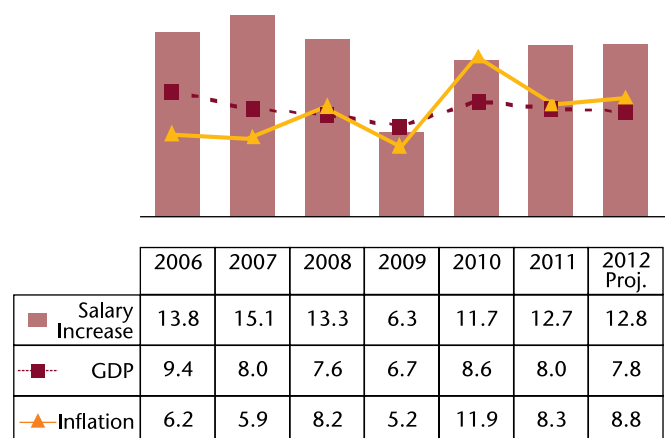
organizations maintained projections that were very close to their actual salary increases in 2011, others in industries such as automotive, metals and financial services, provided salary projections lower than actual increases in 2011. Regardless of this underlying sense of optimism, one can definitely expect organizations in India to keep a tight rein on salary increases in 2012, and perhaps even go down on their growth projections should the economy be more directly impacted by the global slowdown.

The Economics (or Lack) of Salary Increases

There has been a lot of debate over the last several years on the correlation between salary increases and macro-economic fundamentals like GDP and inflation (CPI). Our research thus far has revealed that while there is a weak positive correlation between salary increases and GDP, inflation is certainly not a lead indicator for determining salary increases in India, especially not for the managerial workforce. In fact, salary increases in India have been consistently higher than the inflation across the last decade, with the exception of 2009. This can be attributed to the fact that compensation budgets are clearly more dependant on other factors such as talent demand and supply, sector or industry performance, organizational performance, etc.

The above conclusions often lead us to the question – During a boom period, if salary increases are not indexed to inflation, then is it fair to expect organizations in India to consider inflation as a critical criteria during a downturn?

Impact of Macro-economic Indicators on Salary Increases



Source: Aon Hewitt Salary Increase Survey, EIU, CSO



Trends on Salary Increases Across Industries

- The FMCG sector, reliant on domestic consumption is experiencing confident, albeit moderate growth in the current fiscal and is **projecting a healthy 12-12.5% salary increment for 2012**. However, factors like double-digit inflation, high input costs, a fiercely competitive environment along with rural consumers 'trading down' consumption across categories due to price increases, are constraining the growth of the sector in the short-term
- The Indian pharmaceutical industry has shown impressive and consistent growth over the last few years and has become one of the sunrise sectors of the economy. The industry, currently valued at USD 12 billion, is poised to grow at a CAGR of 10-11%, with exponential growth of 20-25% in the clinical research segment. **Salary increase projections for 2012 are in the range of 13-14%**, powered by factors such as improvements in medical infrastructure, global cost advantage, availability of skilled manpower and huge potential to manufacture generics, with patents for many blockbuster drugs expiring
- Retail, the sector that accounts for 22% of India's GDP and 7% of India's workforce, is expected to grow to USD 785 billion by 2015 from USD 395 billion currently. Driven by factors such as population expansion, increasing wealth of individuals, current low per capita consumption, improvements in organized retail infrastructure, new growth opportunities in tier II & III cities and most of all, anticipation of the sector opening up to FDI in multi-brand retail, the sentiment in the sector is upbeat and **the salary projections for 2012 are a robust 12-12.5%**
- The technology and outsourcing sectors are **projecting salary increases in the range of 11-13% for 2012**; almost consistent with the increases paid out in 2011. Despite the issues in the traditional customer markets for the industry in the US and Western Europe, NASSCOM expects a revenue growth of 16-18% for India's USD 70 billion IT-BPO industry for this fiscal. Industry leaders however, are adopting a cautious approach, as a possible double-dip recession could have severe implications and could push down the growth of this sector to 10-12%, much south of NASSCOM's expectations
- With rising interest rates, inflation and high fuel prices, the automotive industry expects softened growth with sales to possibly remain depressed even in the coming festive season. The auto component sector is expected to grow moderately between 12-15% in 2011-12 as compared to 34% in 2010-11. Amidst bearish sentiments, **the sector has projected a 13% salary increase for 2012, almost 1% lower than the increase paid out in 2011**. However, from a long-term perspective, this domestic demand-driven industry would resume high growth rates
- The telecom sector seems to be struggling to sustain the hyper growth it had witnessed in the last couple of years. Factors such as slow growth in subscriber base, low tariffs, high operating costs, increased spectrum fee and increased competition are impeding the performance of the sector. Thus, **organizations have projected a cautious 11-12% salary increase for 2012**, an almost flat growth compared to 2011. However, from a long-term perspective, with rural teledensity as low as 34% and internet and broadband penetration around 1.6% and 0.9%, there is immense growth potential in the industry
- Banking and financial services sector is one whose fate is directly linked to the performance of corporate India and the global financial markets. With mixed market sentiments across all sectors, **the salary increase projections in the BFSI sector for 2012 are in the range of 11-12%**. These have remained consistent from 2011, except a 1% drop reported by fund management organizations and investment banks as compared to the increments paid out in 2011

It will be important for compensation managers to provide strong business justification to increase payroll costs in a situation where the revenue line might not be growing and the cost base could be subject to inflationary pressures.

The Road Ahead

- Organizations will closely monitor the macro-economic developments and competitive activities over the course of the next few months. A cautious approach on salary increases can be expected, should the Indian economy display definite signs of a slowdown
- With limited compensation budgets, employers perceive a higher risk of losing critical talent. Thus, organizations are providing salary increases twice as high to top performers as compared to average performers to embed and showcase recognition and differentiation to top performers
- Increasing usage of variable pay with moderated salary increases will begin to represent the 'new normal'. An aggressive pay mix, with approximately 24-26% of total pay for top executives, down to 10-11% even for officers apportioned towards performance-based pay, could drive motivation for employees to be productive and provide employers with greater flexibility to compensate based on individual and organizational performance
- A highly volatile economy puts tremendous pressure on compensation professionals to ensure effective utilization of budgets and measurable outcomes from this investment. Thus, 'productivity' is the latest buzzword in compensation practices. Moving away from standalone compensation benchmarking to measuring productivity alongside compensation for a role is fast catching up as a trend amongst services sector organizations

Eventually, we believe that while organizations have been broadly optimistic at this point of time on their compensation growth estimates, boards and remuneration committees will demand far greater justification and supporting arguments for any salary increases and incentives, this year. It will be important for compensation managers to provide strong business justification to increase payroll costs in a situation where the revenue line might not be growing and the cost base could be subject to inflationary pressures. With increasing discussion in the media around job cuts and lower hiring requirements, the retention argument might not be as convincing at this point of time. We see an interesting season ahead for compensation and HR teams!

Data Sources

- Aon Hewitt Salary Increase Survey 2011-12
- IBEF Industry Reports
- FICCI Economic Overview Reports
- Mint, Economic Times
- CRISIL

About Aon Hewitt's 12th Annual Salary Increase Survey

Aon Hewitt recently concluded its 12th Annual Asia Pacific Salary Increase Survey. It secured participation from 493 organizations across 15 primary and 27 sub-industries. The data for the same was collected during the period of June-August 2011. The survey covered actual and projected salary increases for 2011 and 2012 along with other compensation practices such as variable pay, long-term incentives, compensation positioning, etc. for five employee levels, namely – top/senior management, middle management, junior manager/professional/supervisor, general staff and manual workforce.



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The Pinstriped Paradox

The swagger is still visibly missing in the stride of the Indian banker. However, the demeanor is far more relaxed, self-assured and composed. There is now a welcome respite from the frenzy of activity that engulfed their life in the last two tumultuous years. The financial debacles were followed by an aftermath of regulators crying hoarse, politicians and statesmen getting into the accusatory act, and the public and media at large making the 'devil in pinstripes' the biggest villain in recent times. The storms have passed (though, as we speak, the clouds gather again) but the winds of change still threaten to bring uncertainty and stress. Controversies still rage

For a long time, banking and strategy consulting have ruled the roost among campus offers. Rising salaries and generous bonuses have been an attracting force, but at the same time, raising eyebrows and concerns.

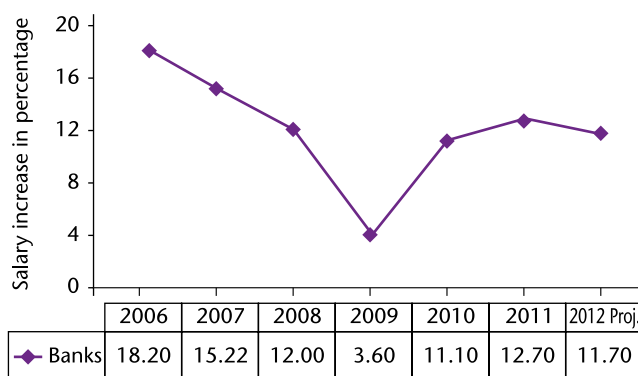
about the continually rising compensation levels in the banking industry which defy investor logic and free market mechanisms. Common belief would put forth no logic to such year-on-year (YoY) increases, and there is widespread indignation as to why no rationale exists to this phenomenon in the banking industry.

Entering the Banking Battleground

Compensation levels in the banking industry in India have been at the center of debate, and lately at the center of controversy, as this sector opened up after the early 90s to become a hot spot of critical talent. For a long time, banking and strategy consulting have ruled the roost among campus offers. Rising salaries and generous bonuses have been an attracting force, but at the same time, raising eyebrows and concerns.

Many bankers would argue that salary levels, increments and salary cuts are perfectly in sync with the business and market realities – hence, when business did well (2005-07), the numbers swelled; but when business dipped (2008-09), the annual salary increments dropped from a generous 15% and 12% in 2007 and 2008, respectively to a mere 3.6% in 2009, accompanied by rampant salary freezes and even pay cuts.

The Changing Fortunes of the Banking Sector in India



Source: Aon Hewitt Salary Increase Survey 2006-11

While that may be a plausible argument, many have wondered whether it is just free market forces and the need to compete for talent that push up salaries and allocate premium to some banking jobs, or, is there something more that brings a method to the madness?

Do economic realities, market dynamics, talent issues and business performance really shape how different functions get compensated? That's the question we set out to answer, armed with the data from the banking survey that we have conducted for the last 14 years in India. We decided to see if our hypothesis is validated by the numbers of the last few years.

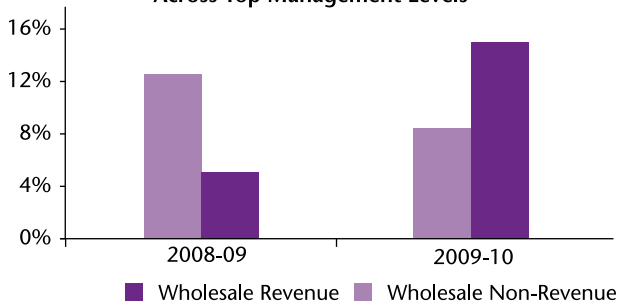
The Unsung Heroes – Time for Redemption?

The biggest divide that has existed for a long time in banking was between the front-office and support roles. The golf playing corporate bankers were the epitome of success and ambition as they cracked deal after deal, whereas the roles supporting their business were often said to have gotten a raw 'deal' on compensation. Credit, risk, compliance, audit and legal were all supposedly difficult control mechanisms which many in the front-office business believed slowed down the pace of disbursements.

For a large period before 2008, not surprisingly, salary increases at the senior levels in the wholesale revenue function (comprising all front end revenue generating roles in wholesale banking like corporate banking, transaction banking, financial institutions group, etc.) were double-digit, consistent and regular. Increments for similar levels in wholesale non-revenue (comprising middle and back-office functions like credit and risk) and also for overall support functions like legal, compliance, internal audit, HR, finance and IT were much lesser – single digits. The wholesale non-revenue function hovered around 80-90% of the wholesale revenue function in terms of the salary differential till 2009. Support functions overall remained around 80-85% of the wholesale revenue salary levels.

2008 changed the equation, and brought about some startling results. We all know that conservatism paid off during the recession, and, slow paced but compliant credit policies and painful but effective internal audit systems, came out as the proud survivors. Logically, post 2008-09, the demand for risk and credit professionals, compliance and legal heads, and

Year-on-year Salary Increase in Compensation Levels for Wholesale Revenue and Non-Revenue Roles Across Top Management Levels



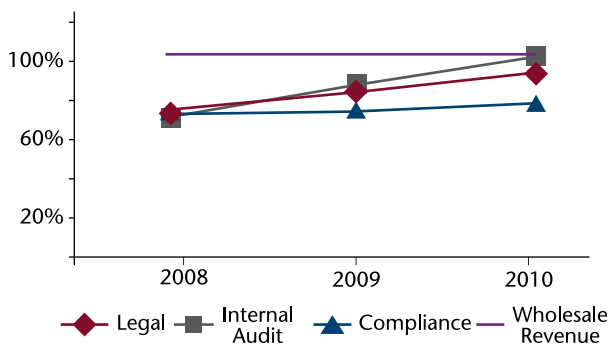
Source: The Aon Hewitt India Banking Study 2007-10

auditors has shot up, and given the relative scarcity of talent, the salary gaps between these support roles and front end sales roles should have likewise reduced.

Interestingly, the numbers spoke the same language. Post 2008-09, the YoY salary increases for wholesale non-revenue for senior levels went up as high as 15%, whereas wholesale revenue was still around the 8-10% mark. In terms of support functions, whereas the more neutral functions like HR and IT showed modest YoY increases, the more 'premium' senior roles in internal audit, compliance and legal, were moving along at 15-20% YoY.

Even on the differential analysis, the numbers held up. Wholesale non-revenue salaries had come up to 97% of the wholesale revenue salaries by 2010, while amongst the support roles, legal salaries reached upto 93% of the wholesale revenue salary levels (from 75% in 2008) and internal audit raced from 71% in 2008 to almost 100% of wholesale revenue salaries in 2010. It's evident that the compensation differential between revenue and non-revenue functions is reducing indicating the banks are rebalancing the focus between revenue generation and associated risk management.

Support Function's Salaries as a Percentage of Wholesale Revenue Salaries



Source: The Aon Hewitt India Banking Study 2007-10

Some Things Never Change. They Did...

While some of the banking businesses (in fact quite a few of them) took a hit and had to brave it out during the crisis, a few usual suspects saw salary levels and differentials being maintained, or back to pre-recession levels.

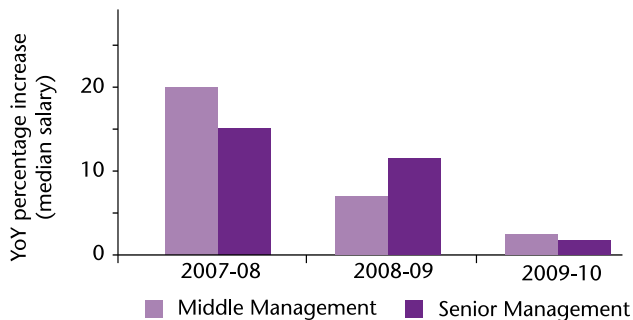
Treasury continued to dole out healthy salary increments throughout 2009-10, as was the case before 2007. 2008 did see a marginal dip in numbers and a flatter increment pattern, though not as stark as other revenue generating functions. The salary differentials for treasury, which were very high as compared to wholesale revenue in the period 2005-07, did suffer a bit and came down in 2008 and 2009, but seemed to have recovered substantially in 2010. Owing to the chunk of profitability it contributes to most foreign banks in India, and the technical skills and expertise required and hence, the talent dimension, treasury, as one would expect, remained consistent in its compensation cycles.

The number of High Net Individuals (HNI) in India seems to be growing at a dramatic pace, and bankers are not too far behind in cashing in on the (private) party. Private banking relationship managers, who manage portfolios and the wealth of these HNIs, have grown in stature, importance and logically, compensation. The skills to manage these 'high maintenance' clients, the ability to understand and outperform markets, and grow these huge sums of money continued to attract a premium in the market for a long time, as more and more banks focused on this seemingly profitable venture. However, this party seemed to have faded away in the last two years. As private banks (that began on the front foot) have struggled to make money due to intense competition, margin compression and the limited suite of products

Owing to the chunk of profitability it contributes to most foreign banks in India, and the technical skills and expertise required, treasury, as one would expect, remained consistent in its compensation cycles.

in the Indian market (which is still largely equity linked), the salaries reflected a downward sentiment. For the middle management levels, 2005 to 2008 were healthy growth years in terms of increase in salary. But 2009 saw marginal increases YoY and this has slipped further in 2010 to be almost flat, for senior management levels. So clearly, the sector is not as favored as it used to be, and business issues have somewhat applied the brakes on compensation levels.

Private Banking Salaries Show a Flat Trend After 2008



Source: The Aon Hewitt India Banking Study 2007-10

The Likely Losers – or Were They?

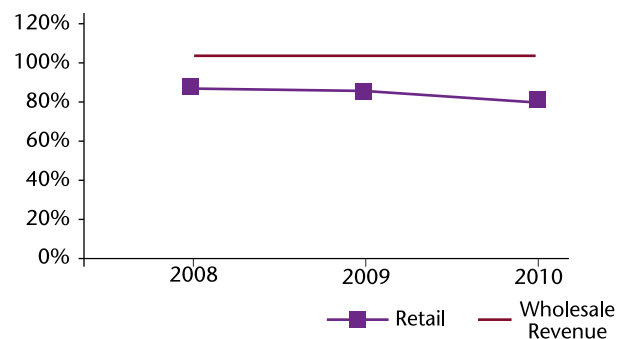
The part of the bank that seemed most affected as an outcome of the global financial crisis and its repercussions, was the retail bank. Post 2008, retail lending came to a standstill; liquidity was a big issue and banks scrambled to roll back all the optimistic business lines that catered to the mass market consumer. As unsecured lending was scaled down drastically, the strict focus on mortgage sales by most foreign banks (Indian banks too have a large portfolio in addition to other assets) and improving business performance has led to the demand of mortgage specialists. Retail collections and credit have a far more important role to play – Consumer banking needs still exist, and banks need to lend cautiously and collect effectively to justify these retail asset operations. Liabilities have now gained prominence again as consumers have returned to foreign banks, and at the same time, are thronging to secure fixed deposits given the incessant vagaries of the stock markets and attractive interest rates on offer by most banks.

The numbers showed a mixed validation. At the senior levels, from 2008-10 YoY salary increases have become flatter as compared to the period prior to 2008. Within retail banking, branch banking salaries have remained flat or even dropped YoY post 2008,

after having reasonably healthy increases from 2005 to 2007. Mortgage sales salaries have witnessed a fairly sharp increase post 2008, after having modest or flat YoY increases. Liability sales salaries have also zoomed up after 2009. On the support side, retail credit and collections showed decent salary increases post 2009, as compared to 2008.

The common belief, even prior to the financial crisis, was that salaries in retail banking were likely to be lower than those in wholesale banking. With the recession having taken its toll, the gap in salaries between retail banking and wholesale revenue should have widened, if anything. On analyzing the data, we see a myth being broken. And at the same time, a hypothesis being supported. Retail banking for senior level salaries were pretty much at 100% or slightly more of the wholesale revenue salary levels from 2005 to 2007. They dropped to 80-85% in 2008-09, and had slipped to 75% in 2010.

Retail Banking Salaries as a Percentage of Wholesale Banking (Revenue Function's) Salaries



Source: The Aon Hewitt India Banking Study 2007-10

So to begin with, wholesale revenue salaries were not that far ahead of retail salaries as we assumed them to be. And after the crisis, the gap has definitely widened.

The Market is Only a Reference Point

We have seen that there is some pattern and logic in how banking salaries move within the system, and also how the differentials and premiums stack up against each function. However, much as we may chide the 'war for talent' and how market data becomes a shopping ground to poach and 'swap' high profile bankers like a quasi IPL auction, the reality is not so glamorous, and rightly so. There are a lot of factors that go into determining salaries, differentials and premiums.

Banks will continue to be highly regulated (at least in the aftermath of the crisis) and roles that become critical from a regulatory framework and governance standpoint, may command a premium.

The bank's internal strategy around both compensation positioning as well as business focus, will be a key input. The bank may want to pay at the top of the market or may be happy to pay at a median level, and focus more on Total Rewards – i.e. role, responsibility, careers and work content. Which business it wants to focus on and which part of the bank may be more profitable, might be a second factor. Some banks pay higher in retail because their strategy is around mass market customers, whereas, some high-end corporate banks who have little or no retail presence, may not peg their retail bankers very high. Premiums may be attributed to either niche skills that are in demand in the market or roles that are likely to shape the future growth strategy of the bank. Newer and emerging areas in banking like SME, coverage bankers, investment advisory, project/infrastructure financing, etc. are likely to be 'hot jobs' and will attract some premium due to their role in the current scenario and future potential.

As we have seen, banks will continue to be highly regulated (at least in the aftermath of the crisis) and roles that become critical from a regulatory framework and governance standpoint, may command a premium. The prime example as we have seen are credit, risk, compliance, audit, finance and even legal. In the same vein, it may not be entirely surprising to see bankers in remote locations or semi urban areas ending up getting a premium, because the notion of financial inclusion



seems very real for most bankers to consider, and most of them are struggling to get this talent strategy in place.

Hence Proved – At Least Somewhat...

So in effect, while numbers may have many limitations and our analysis may have quite a few assumptions keyed in, the overall trends seem to be largely in line with what we hypothesized. While we started off with the common belief that the salary changes and sizeable functional differentials may not have much reasoning, the paradox that confronts us is that real business decisions, market realities, skills shortages and bank performances do play a large role in shaping rewards scenarios. The idea was not to make bankers either villains (a task that the regulators have anyways taken up) or heroes, but to just ascertain how salary levels, trends and differentials stack up, against sound business logic. The numbers won't always add up completely and even here, we can at best validate and support some points. If numbers and statistics indeed showed the true picture in a high definition mode, we might have predicted and averted the last financial crisis. We would also then be able to gauge the next one coming up as well, as many now believe to be the case given the recent financial issues in Europe and the impact of another global slowdown. The industry is definitely feeling the impact, but let's hope that there are sunny days ahead and the threatening clouds shall pass...



Roopank Chaudhary

India Head, Financial Institutions,
Aon Hewitt

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The leading organizations...



Managing Rewards

How the Best Do it

As organizations face intensifying competition in attracting and retaining talent, they are increasingly being called upon to define and articulate a rewards management strategy, which is unique, differentiated, market-competitive and aligned to the organization's talent objectives and business goals.

However, most organizations often fall into the trap of blindly following the 'hottest trends' in the market. While there are several advantages of adopting market practices, a disproportionate emphasis on the same often leads organizations to skip the basics and therefore, set themselves up for disappointment.

Aon Hewitt's Best Employers in India 2011 study (with representation from 200 organizations and 40,000 employees) reiterated that a rewards program's success is not determined by how ahead of the market it is, or even by how sophisticated the design is. Instead,

it is driven by more fundamental aspects.

As illustrated in the model above, our attempt is to demystify the levers that leading organizations adopt to make their rewards program successful. Not only were these themes recurring but the absolute unwavering focus on many of these elements made them undoubtedly what we would call the pillars of success for effective rewards deployment.

Make it Relevant for Business

'Business partnership and alignment' has been a 'buzzword' in HR for a long time. However, as simple as it sounds, this fundamental principle is often forgotten as organizations end up with a multitude of expensive rewards programs, many of which do not support the business objectives. The Best Employers, however, not only align their rewards strategy with their overall business objectives and

employee aspirations but also constantly calibrate and ensure that rewards programs continue to stay relevant amidst rapidly changing business context and priorities.

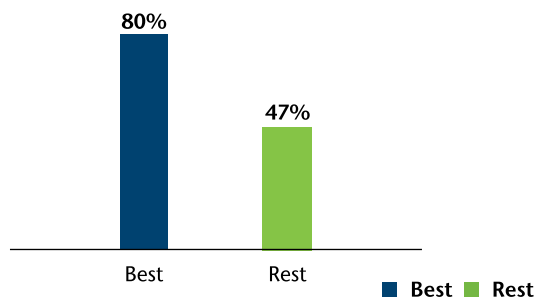
Aligning Rewards Philosophy With the Business Objectives

The Aon Hewitt study found that Best Employers place a much higher emphasis on strategic alignment with businesses in framing their rewards policy than the rest of the organizations. In fact, this is the second most important factor in their rewards strategy after pay-for-performance and ahead of other factors such as maintaining internal equity and market focus.

Principles	Rank@Best	Rank@Rest
Pay-for-Performance	1	1
Strategic Alignment	2	5
Internal Equity	3	3
Market Focus	3	3

*The top four aspects (by rank) that the current compensation philosophy emphasizes
Source: Aon Hewitt Best Employers in India 2011 study

HR Implements Efficient and Effective Programs to Reward People for Achieving Business Results



*Data represents percentage of CEOs that 'agree' and 'strongly agree' with the above statement
Source: Aon Hewitt Best Employers in India 2011 study

Focusing Employee Efforts in the Right Direction Through Variable Pay

Most organizations today have a variable pay plan in place. While the penetration in the leading organizations is deeper and the proportion of variable pay is higher at every level, the real differentiating factor is how the Best use variable pay as a critical lever to align employees' interests with that of the organization. At these organizations, the objectives of the variable pay plans are clearly articulated and aligned with business needs, strategies and stage of maturity. The Best Employers choose measurable metrics and goals that are easy to understand and provide employees' with a direct

line of sight. They are also more likely to choose a balanced mix of financial and non-financial measures (customer satisfaction, engagement, etc.) as compared to the Rest.

The Best are More Likely to Choose the 'Right' Performance Measures – Both Financial and Non-Financial

Statements	Best	Rest
Non-Financial Measures in Variable Pay Plans	40%	30%

*Data represents percentage of organizations
Source: Aon Hewitt Best Employers in India 2011 study

Staying Relevant in the Long-Term

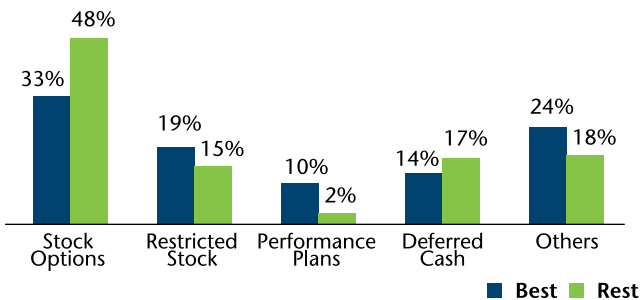
The Aon Hewitt study found a growing prevalence of Long-Term Incentives (LTI) in India, even though the pay mix continues to be conservative as compared to developed economies such as the US and the UK. LTI, in fact, has become a critical component of employee compensation today, with a higher prevalence at the Best (76%) as compared to the Rest (54%). Though very nascent, there has been a shift from Employee Stock Option Plans (ESOPs) to restricted stock plans linked to performance metrics. Additionally, there is a growing recognition that different LTI vehicles serve different objectives and hence, a shift towards a basket of LTI vehicles instead of a single-plan structure has been observed.

As we set out to look at what makes an LTI plan successful in an organization, we found three clear themes:

With the organization's focus to be among the top two players in all industries in which it operates, the overarching principle is to reward employees for their contribution and 'sustained superior performance'. Similarly, with a mandate to expand operations in new geographies, the organization promotes a high degree of mobility which is effectively enabled by streamlining rewards policies and practices across all businesses and markets. As reported by one of our Best Employers

- **Communication of LTI plans as a part of the annual compensation plan:** One way organizations have implemented this is by making the grant cycle annual, thereby ensuring that employees don't see LTI as a transient or 'add-on' rewards initiative but recognize it as a critical part of their annual compensation package
- **Independent and transparent decision making:** Organizations ensure that the grants are awarded by independent bodies such as compensation committees and more importantly, are based on clearly articulated performance metrics
- **Clear line of sight:** Organizations ensure that participants have a clear line of sight of how and the degree to which they can impact the metrics that determine the payouts. Metrics for a particular group are chosen in such a manner that the degree of influence is reasonably high for that particular group

Grants With Performance Conditions Gaining Popularity With the Best



* Data represents percentage of organizations

Source: Aon Hewitt Best Employers in India 2011 study

Make it Relevant for People

Even the best designed and well-executed programs can be ineffective if they do not cater to employee aspirations.

While defining their Total Rewards strategy, organizations usually consider external competitiveness, budget constraints and talent priorities driven by business objectives. However, they often ignore a critical differentiator – employee interests and preferences. The task of managing employee preferences is made even more challenging by the fact that organizations today have to accommodate greater diversity in their talent pool along with varying aspirations of employees. The Best Employers use multiple levers to tailor rewards solutions to meet employee preferences. The reported success of these programs in helping organizations attract and retain the best talent is increasingly making this one of the most critical levers.

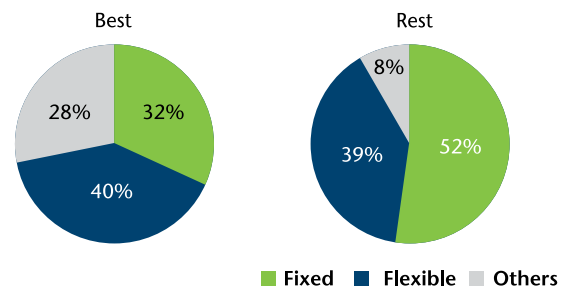
"In our organization, salary increase for high potentials is typically twice the regular salary increase. Additionally, variable pay can go up to 200% of base pay for these employees." As reported by one of our Best Employers

Making Flexible Benefit Programs Work

A flexible benefits program is a benefits delivery system that allows employees to make choices about how they prefer to receive some of the benefit items offered by the organization. It positions the organizations favorably from an attraction and retention perspective and enhances the value of the money spent. At the same time, it enables employees to cater to their hanging lifestyle needs, gives them access to a new or a wider range of benefits and provides them more value.

While organizations in the west have experimented with and in many cases, adopted flexible benefits as a part of their rewards strategy, organizations in India remain concerned about the cost, compliance and tax issues involved, besides the credible vendor support required to administer benefits such as insurance. However, leading organizations are now beginning to cautiously evaluate and experiment, bringing in some flexibility to their benefits programs.

Transitioning from Rationalized to Flexible Structures



*Data represents percentage of organizations

Source: Aon Hewitt Best Employers in India 2011 study

The Best Employers are more likely to leverage flexible compensation structures (either in isolation or in combination with fixed structures) to provide flexibility to their employees. The initiatives being adopted by these organizations include fixed structures for front line

Deploying TRO as a Tool to Maximize Rol on Compensation Spends

Total Rewards Optimization (TRO) ensures a fine balance between business objectives and employee aspirations effectively. It provides quantitative insights to align rewards with employee aspirations ensuring targeted spending by the organization. It uses conjoint analysis to understand what trade-offs employees are willing to make, and identify what is most important to them by asking them to make choices. By modeling employee preferences, organizations can identify the critical value drivers for them. This helps them learn what is nice to have, versus what is a must have, and how sensitive or receptive employees are to change. Putting employee preferences together with cost data can help organizations design, deliver and communicate new or existing rewards programs that maximize the value to the employee while ensuring that financial considerations are met.

employees and flexible for middle management and above, fixed basic salary along with a cafeteria approach for other components and flexibility on certain components such as car, housing and superannuation. Flexibility provided in rewards structures is mainly tax-related, followed by employee life stage or lifestyle induced.

Extending Flexibility to Work Arrangements

Flexible work arrangements have transitioned from being a perk or benefit provided as-and-when-needed to a few employees to a deliberate talent strategy being deployed by leading organizations and offered to a significant portion of their workforce.

Flexible work arrangements range from working virtually (particularly from home), working part-time to working with flexible schedule or compressed work weeks. One leading organization, in fact, described it as the shift from 'work-life balance' to 'work-life integration'. Benefits range from the more tangible and immediate ones such as real estate cost savings, increase in employee satisfaction and productivity to more long-term benefits like enabling organizations to de-risk their talent strategy. With flexible work arrangements, organizations are able to hire diverse, geographically dispersed talent and bring back to the workforce a large fringe population of home-based mothers and retirees. Add to that, the benefits of business continuity, reduced carbon emissions and therefore, a greener, more environmentally sustainable organization and what you have is a clear competitive advantage.

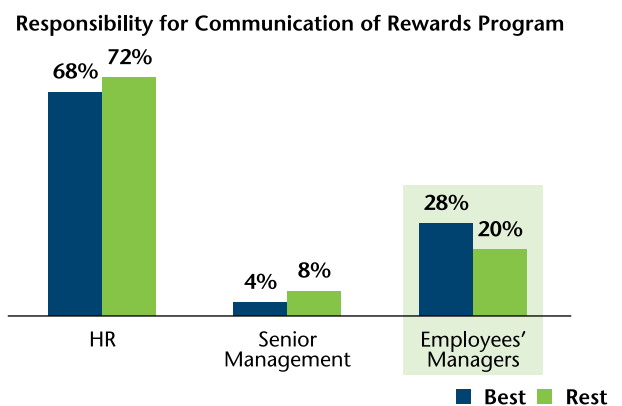
Organizations that have deployed this strategy have identified manager/team leader sensitization along with ensuring enabling processes as key success factors.

Communicate Effectively

Effective communication of rewards strategy is a clear differentiator for the Best Employers and is perhaps the single largest factor behind the success of rewards program. Organizations that invest in developing a

comprehensive and competitive compensation and benefits package, but not so much in explaining it to employees, do not fare better than their peers that provide fewer, but clearly understood benefits.

The Best Employers are more likely than the rest to enlist line managers to hold pay discussions with their people. This gives both employees and managers an opportunity to arrive at a consensus about how performance will be monitored and measured locally in relation to the organization's stated pay practices. These messages are then reinforced by both the HR and the senior management. In addition, face-to-face meetings with the manager ensure that employees understand that they have control over their own rewards and benefits.



* Data represents percentage of organizations

Source: Aon Hewitt Best Employers in India 2011 study

The Best Employers also employ a diverse mix of communication channels, depending on the intent of communication, ranging from face-to-face meetings and group meetings to town halls and communication through the intranet.

Differentiate and Recognize High Performance and Potential

Though not a new theme, differentiated rewards for high performing and high potential employees continues to

be one of the most prominent strategies adopted by organizations till date. This is further reinforced with the Best differentiating more aggressively than the Rest.

Differentiating Pay by Performance and Potential, a Business Imperative for Organizations

Over 70% of the Best Employers rank 'performance' as the first or most important overarching principle for their rewards program. Leading organizations further reinforce this performance culture by using differentiated and more aggressive rewards strategies for top and critical performers.

Leading organizations are willing to pay their top performing employees nearly twice as much fixed salary increase as compared to their average performing employees, clearly recognizing their contribution.

Salary Increase by Performance Ratings

Industries	Far Exceeding: Met Expectations (Salary Increase 2011-12)
Overall India	1.7 : 1
FMCG/D	1.8 : 1
Telecom	1.8 : 1
BFSI	1.8 : 1
ITeS	1.7 : 1
IT	1.7 : 1
Manufacturing	1.6 : 1

Source: Aon Hewitt Salary Increase Survey 2011-12

They are also increasingly recognizing and rewarding high potential employees, in addition to the high performers, through a host of approaches which include mid-year corrections, retention-linked bonuses, discretionary stock options and additional discretionary budgets during salary increment processes.

Differentiated Rewards Structures for High Potentials

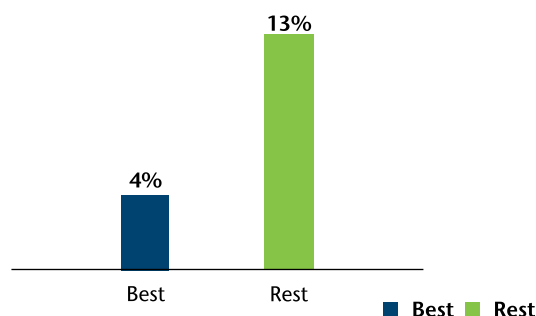
Statements	Best	Rest
Differentiated Rewards Structures for High Potentials	84%	70%

* Data represents percentage of organizations

Source: Aon Hewitt Best Employers in India 2011 study

The Best Employers are visibly more successful at retaining and ring-fencing their critical talent and building leaders from within, by additionally leveraging non-monetary levers such as capability building, exposure to senior management, global assignments and cross-functional mobility.

High Potential Attrition as a Percentage of Total Attrition

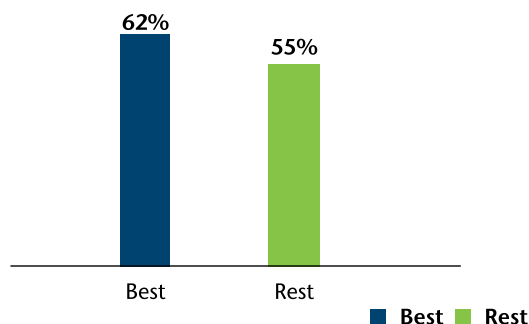


Source: Aon Hewitt Best Employers in India 2011 study

Encouraging and Reinforcing Desired Employee Behaviors Through Differentiated Recognition Practices

Recognition helps shape employee behaviors, engage employees and develop a culture of appreciation, which in turn drives gains in performance, productivity, profits and pride. While the prevalence of recognition programs is high among all employers (100% of the Best and 91% of the Rest), the Best clearly do a better job of designing and communicating the programs, leading to greater satisfaction amongst their employees.

I receive Appropriate Recognition for my Contribution and Accomplishments



*Data represents percentage of employees that 'agree' and 'strongly agree' with the above statement

Source: Aon Hewitt Best Employers in India 2011 study

Recognition programs are most effective when they are immediate, simple, transparent, objective, involve senior leadership and promote a widespread culture of

"We have an online portal for R&R, wherein employees can instantly appreciate people and also gift rewards points. There is a store to redeem points with shopping items through tie-ups with consumer brands."
As reported by one of our Best Employers

recognition – peer to peer, manager to employee, employee to manager and leaders to employees.

Imbibe Good Governance

Our study found that Best Employers pay more than just lip service to good governance and go beyond the statutory norms to ensure a credible and open decision making process for rewards.

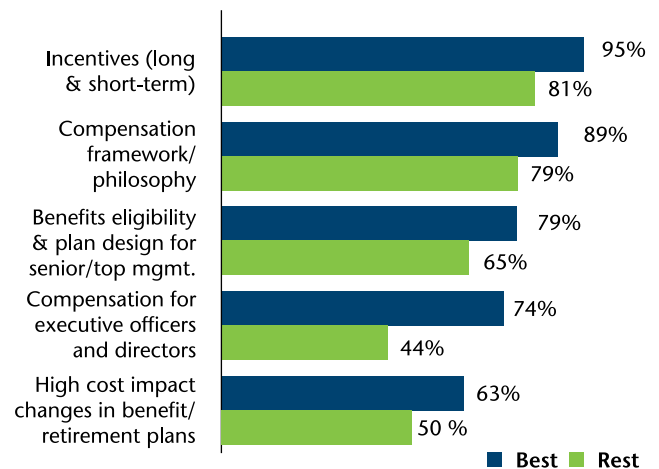
The study revealed that the compensation governance committees in leading organizations typically work at three levels, with the constitution and accountability varying at each level. The head of compensation and human resources are typically at Level 1 and are entrusted with the responsibility of program design, implementation and delivery, depending on the nature and expense of rewards program. Level 2 has cross-functional representation (CFO, COO and audit) and provides inputs on program design and mandate. The last level is typically the group or global compensation committee (depending on whether the organization is a part of an Indian conglomerate or an Indian subsidiary of a multinational), which mostly provides inputs on strategy, objective and productivity of the rewards program.

The increased scrutiny of compensation issues by shareholders and regulators is leading to a more thorough approach to decision making by compensation committees. Organizations want to provide their stakeholders with transparent disclosures, and build a sustainable compensation program for employees on the pillars of 'trust' and 'transparency'. Developing and delivering a rewards program that is 'cost-efficient', 'responsible', 'drives performance', 'promotes transparency' and 'delicately balances risk and rewards' is defined as mission-critical for compensation governance committees. There is thus, a visible shift in the approach of governance – from an outside view of 'are we competitive' to an inside view of 'are we productive'?

A typical charter for compensation governance committees in leading organizations suggests that the committee is not only responsible for both short-term and long-term incentive plans, but also plays a significant role in high cost and high impact decisions such as executive and directors' pay.

In addition, the committee acts as a watchdog against excessive risk or exposure and ensures compliance with major financial and taxation regulations related to compensation.

Compensation Governance Committee Charters



* Data represents percentage of organizations

Source: Aon Hewitt Best Employers in India 2011 study

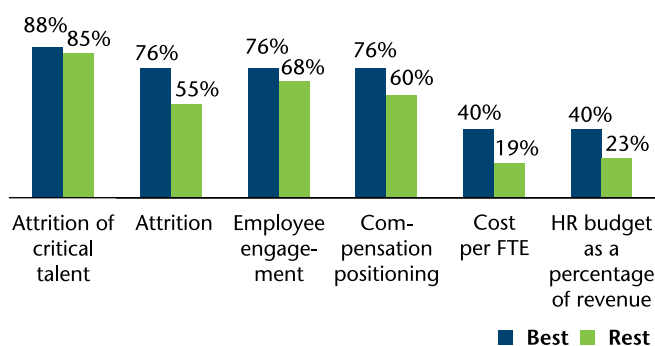
While HR and compensation committees continue to be in charge of compensation governance, organizations are increasingly roping in their internal audit and finance teams to monitor compensation, mitigate risks and measure returns. This collaboration for discussing and conducting due diligence around compensation practices and programs is another encouraging trend that shows how governance standards in leading organizations have come of age, with rewards management no longer being the domain of just the C&B experts.

Continuously Monitor and Measure Results

The cost of Total Rewards is usually one of the largest expenses for an employer and yet, is perhaps one of the most poorly managed. At the best organizations, however, compensation is not viewed as an expense but as an investment like any other with an expected rate of return. Therefore, ongoing evaluation and improvement of compensation programs emerged as a recurring theme among the Best Employers.

The leading organizations also displayed a keen focus on benchmarking and monitoring manpower and productivity norms across organizations including headcount and cost metrics, with the intent of translating the impact of human capital on business into something tangible and measurable.

With no one 'magic' set of metrics, organizations need to be selective about their measures and pick those that are relevant to their context and drive the desired rewards objectives. The Best Employers typically use a strategic mix of financial and non-financial metrics compared to an over-reliance on mostly non-financial measures among the other organizations.



* Data represents percentage of organizations

Source: Aon Hewitt Best Employers in India 2011 study

The Bottom Line: Building a Differentiated Rewards Strategy

The Best Employers in India 2011 study by Aon Hewitt highlights some common themes that reverberate across best-in-class organizations. In addition to these themes around alignment, communication, differentiation, governance and measurement, one underlying approach that weaved the strategy together for them was a clear understanding of what they wanted to focus on. Most of them were able to articulate their differentiators, just as their marketing counterparts are able to articulate their product USPs.

One of the reasons that many organizations are not able to do that is due to the complexity of their rewards program. Over the years, they have added program upon program under their 'Total Rewards' umbrella and have often given them equal weightage or focus.

Richard Kantor, leader of Aon Hewitt's Total Rewards Global Center of Excellence, in his article 'Transforming Total Rewards' presents an interesting concept. Amongst other things, he talks about how we can take the concept of catalytic mechanisms and apply it to the transformation needed in Total Rewards.

Most discussions about changes to the Total Rewards programs involve incremental thinking and relatively minor change. Transformation requires bolder thinking and more sweeping changes.

According to him, the key problem lies in the fact that most discussions about changes to the Total Rewards program involve incremental thinking and relatively minor change. Transformation requires bolder thinking and more sweeping changes. He urges organizations to consider the following as they set out to build a differentiated rewards strategy.

1. Don't just add programs, remove.
2. Create, don't copy. Make the programs relevant to your context.
3. Make use of money, but not only money.
4. Allow your mechanisms to evolve. This is a system/process; corrections will be required.
5. Build an integrated set. One mechanism is good, but many reinforcing ones are better.

Organizations that aim to truly leverage their biggest assets – their employees – to drive business growth need a winning rewards strategy customized to their goals and needs. They need not and should not have an equal focus on all elements of their rewards program. They need to identify the two or three programs that are their 'differentiators' and re-channelize their resources to invest in building a truly differentiated rewards strategy.



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View from the Top

Adil Malia

Group President, Human Resources, Essar Group

Adil leads the Human Resources function globally for the Essar Group. Prior to Essar, Adil was Senior Vice President – HR (South-West Asia) with Coca-Cola for 11 years. He has also been associated with Al Futtiam Sons, Marks and Spencer, GE Appliances and the Godrej Group.

Over his 33 years of global experience spanning geographies in India, South West Asia, the Middle East and the US, Adil has done extensive work in areas of HR, Strategic Leadership and Organizational Development in multi-cultural business environments with large MNCs and Indian organizations.

Adil writes for several business magazines. Some of his recent articles have appeared in the Wall Street Journal, the Economic Times and Human Capital Journal.

Q. Essar has successfully managed to transform its employer brand, which is perhaps a more daunting task than building a new one. What, in your opinion, are the key success factors that drive such an intervention?

A. The first and perhaps the most critical aspect in my opinion is finding a proper alignment for your organization's work culture. An organization must understand where it currently stands in relation to where it wants to go, and then identify the missing values, skills and behaviors that help close the gap. Only then can the organization bring its structure, training and development efforts and compensation approaches in proper alignment with the new work culture that it seeks to create.

How people and critical stakeholders perceive your employer brand is becoming increasingly critical. Leading organizations, irrespective of market conditions, have consistently focused and invested their resources in building a positive brand.

As you rightly said, the employer brand perception in the market is very difficult to transform because it is based on real-time experiences of its people and critical stakeholders – when they interacted or transacted with that brand. To change the emotional recall of those experiences is a challenge.

Essar undertook the journey of repositioning its employer brand along the time it started redefining its vision “to be a respected global entrepreneur through the power of positive action”. We see positive receptivity to the brand programs and initiatives from our existing people, potential employees and other critical stakeholders in the market.

Q. What role did rewards play in helping you reshape your employer brand?

A. Many organizations don't really understand what they are trying to accomplish with pay. Or how best to motivate employees. The danger is that they often jump to the latest trend in compensation without knowing where precisely they want to land. Firstly, let me eliminate this wrong belief that some employers have about 'people'. People are not mercenaries and therefore, compensation singularly cannot be your employer brand proposition. Reality is that people also have higher order needs along with their basic physiological and safety needs. The employer therefore,

has to continuously be mindful of these composite value propositions that the employees are seeking and endeavor to fulfill these expectations. To that extent, Essar's employer brand value proposition encompasses a wide range of segment-specific offerings which include, amongst other things, compensation, rewards, recognition, work-life balance, learning opportunities and multiple career growth alternatives.

Q. How have your people practices evolved to support the new 'global' entity?

A. Our HR practices have evolved significantly as a result of the organic and inorganic growth that Essar has recently witnessed. Some of the key practices operationalized, by taking into account the expectations of our employees in domestic and global operations, have been in the areas of performance, Total Rewards and learning and knowledge management.

eCompass, our performance and talent management initiative, is one such program being launched to manage not only performance but also learning, career and succession planning. Our internal mobility which earlier focused on domestic movements, supported by a local rewards structure, is augmented by our global mobility program that includes an exchange program called 'Confluence'. The focus is on reducing cultural polarization and realizing the prospects of cross-cultural learning. In addition, the short-term and long-term overseas assignment programs help foster individual development by providing an opportunity to work in different geographic locations and markets.

A new world needs new

programs and practices. I firmly believe that the future is not merely an extension of the present, it is a whole new paradigm! The human resources function therefore, has to constantly evolve and in many cases, take the lead in ushering the organization into its new phase.

Q. What are the key elements of your rewards strategy and how do you ensure that they are understood by current and prospective employees?

A. Compensation as a subject in most organizations continues to be a 'black box'. At Essar, we have tried to demystify our Total Rewards strategy. The three highlights of our rewards strategy are:

1. We are competitive in our compensation offerings; our 'median' is mark-to-market.
2. We recognize positive display of behaviors, reward performance and promote potential.
3. At the time of taking compensation anchored decisions, we are always mindful of the three 'P' of our compensation program, i.e., Position or the job, Profile of the person and Performance on the job.

Our compensation programs are not designed in isolation by compensation specialists. While they anchor it, the CEOs continue to be a part of the process at the design stage, its application and its actual implementation. In fact, we have a special committee called the 'People's Committee' which is the ultimate counsel responsible for the approval of all compensation and rewards offering and it comprises of various business CEOs and function heads selected on rotation basis.

Q. If you were to define two rewards program as being your 'signature' programs, which would they be? Do share with us what in your opinion differentiates them.

A. One of the distinct rewards program at Essar is the 'Long-Term Incentive (LTI)' program that we have introduced this year. The purpose of this program is to ensure retention of senior management associates as well as engaging and rewarding them for building long-term value for the group. The LTI program covers two schemes, i.e., Employee Stock Options (ESOPs) and Stock Appreciation Rights Scheme (SARS). The prominent feature of this program is the alignment of people performance to business results as any eligible associate, who has been granted ESOPs/SARS, will be able to encash value only if his/her business has actually created value i.e., the positive difference between valuation in the year of grant and valuation at the end of pre-decided period.

The other unique offering to our employees is the value proposition and differentiated rewards that we offer to our high performers and high potential employees under a program called 'GenEssar'. A customized Total Rewards plan is developed to plan their career moves and aligns individual aspirations to organizational opportunities. From a compensation perspective, a differentiated reward structure is developed to keep them motivated and this includes benchmarking the compensation at a higher percentile to the market and offering a retention bonus.

Q. The spiraling cost of Total Rewards and an increased focus on productivity have forced organizations to scrutinize and

evaluate the effectiveness of their rewards program. What in your opinion would be the most effective measures that organizations could use to determine the Rol on their compensation spend?

A. Unless leaders in organizations really understand the spiraling cost implication of their Total Rewards program, they will tend to make their organizations cost ineffective and their rewards program unviable. There are many cost elements in the Total Rewards program which are hidden and may not be obvious on the face of it like paying for 'deferred benefits' in a pension program compared to 'defined contributions'. It therefore, becomes a mandate for compensation specialists to continuously scrutinize and communicate to the leadership, the real cost implications of their offerings. In volatile markets, it is better to structure as many elements of Total Rewards into the variable bucket. The Total Rewards architecture becomes a critical output of your people: business alignment process. Such variable costs become due for payment either on 'use and pay basis' or on enhanced performance and contribution basis. There are several measurements to determine the Rol on compensation spend, but the most effective is the one that determines Rol on total spend on human capital. This measurement is to be approached holistically rather than using linear metrics (like revenue or profit per FTE) to determine returns on compensation spend for an enterprise. This can be mathematically expressed as:

Revenue-Non-People Cost/Total Investment in People (Total Rewards)

Rol on human capital in its true nature monitors the core of sustainable profit i.e. bottom line performance improvement in combination with a managed investment in people.

Q. Rising raw material costs, delayed infrastructure projects, slow decision making by the government, increasing interest rates and the looming fear of a double-dip in the economy are beginning to cloud the growth outlook in India. How do you see this impacting compensation at Essar both in the short and long-term?

A. The purpose of business is value creation. And value creation does not happen in the short run. It has a reasonably long-term perspective to it. However, economic sustenance of business is directly linked to the prosperity of the economy in which it thrives. Economies are generally in one of the four stages – zooming, booming, glooming or dooming. The growth outlook of the economy in which the business operates and also the sector in which your business exists, have a huge implication on the quantum and architecture of compensation programs.

We, as an organization, are always mindful of the growing labor costs as a push factor on the one hand, and the prevailing talent market pull factors on the other. Drawing a mature balance between the two positive and negative vectors that influence one's compensation strategy, is the only way we are able to insulate ourselves.

For more information, please write to us at totalrewards@aonhewitt.com

Upcoming Insights

Salary Increase Survey
Phase 1: June-September
Phase 2: November-March

One of the most exhaustive studies in the area of performance and rewards in India. The study measures actual and projected salary increases, variable pay and performance data across employee categories.

India Total Compensation Measurement™ (TCM) Survey
April-October

The survey serves more than 7,000 organizations in over 40 international markets. The survey provides access to competitive pay data as well as plans design features.

Variable Compensation Measurement (VCM) Study
May-August

Aon Hewitt's VCM survey is the only annual broad-based study capturing unique plan characteristics for cash and special recognition.

Executive Compensation Study
August-December

This is a first-of-its-kind study launched in India by Aon Hewitt. The study provides organizations with access to rich analysis of data and practices in executive compensation.

International Assignee Policies and Practices Study
December-February

A comprehensive study capturing details of International Assignment Policies and Practices. The study focuses on different types of compensation approaches and their applications.

Short-Term International Assignment Study
January-March

NEW

The first-of-its-kind study in India by Aon Hewitt, focused on capturing policies and practices followed by organizations in India for Short-Term International Assignments.

Campus Compensation Study (CCS) November-December

NEW

The study will provide organizations with trends in compensation for MBAs and engineering colleges across the country.

Attrition and Retention Study India
January-March

NEW

This study will help organizations understand and benchmark attrition rates across levels, functions, employee tenure and performance.

India Telecom Forum
October-February

One of the flagship studies in the telecom sector that captures cash and benefits information across 170 positions.

SIAM Automobile Forum Compensation Survey
October-January

A study of all auto manufacturing organizations covering compensation data across levels and functions of management. It also serves as a platform for sharing best practices.

India FMCG Forum
June-December

The forum brings together all major MNC & Indian FMCG organizations to benchmark their positions, levels and benefits across the industry.

Clinical Research Forum
November-January

The study covers leading clinical research organizations providing robust and comprehensive information on cash compensation, benefits and industry trends.

India Pharmaceutical Forum
July-December

The study covers leading pharmaceutical organizations providing robust & comprehensive information on cash compensation, benefits and industry trends.

IT Industry Study
June-September

Launched in 2001, this study provides robust and comprehensive information on cash compensation, benefits and industry trends.

ITeS Industry Study
June-October

A comprehensive study that covers 500+ positions across 60+ job families. The study also includes detailed benefits and compensation best practices benchmarking across domestic and international businesses.

Indian Semiconductor & EDA Forum (ISEF) July-September

Aon Hewitt brings together Rewards/HR Managers of leading semiconductor & EDA companies in a forum for conducting a comprehensive, co-sponsored rewards benchmarking survey.

McLagan – Banking & Financial Services Insights

India Banking Forum Study
May-October

A study for all major Indian and MNC banks to come together to share and benchmark their positions and levels across the industry.

Capital Markets Forum Study
March-September

A benchmark study conducted for large MNC & Indian institutional securities firms covering equity capital markets, debt capital markets and investment banking job families.

Investment Management Forum Study
June-October

A flagship study in the asset management sector covering key job families like fund management and sales.

Private Banking Forum Study
June-September

A study covering large Indian & MNC private wealth management organizations to benchmark key roles across functions.

Life Insurance Forum Study
October-March

A study of the largest life insurance players in India covering positions across all channels of distribution and key corporate functions.

Retail Broking Forum Study
November-February

A study covering Indian & MNC retail brokerage organizations to benchmark positions across sales, PMS and other functions.

Private Equity Forum Study
October-January

A study of private equity players covering key positions across fund management roles.

NBFC Forum Study
November-March

A study of large NBFCs covering 100+ unique roles.

For more information, please write to us at totalrewards@aonhewitt.com



Maximize the Effectiveness of Your 360° Feedback Survey

The burden of administering Multi-Rater® surveys often detracts from the benefits that an organization could reap from the process.

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Prefer a Better Way to Understand Salary Trends for 2012?



Announcing Aon Hewitt's 16th Annual India Salary Increase Survey (SIS) 2011-12.

**What will be the range of salary increase projections, given the tighter budgets?
How will the economy and job market impact projections for 2012?
Will variable pay budgets continue to remain strong?**

To know more about performance and rewards trends in India, participate in Aon Hewitt's 16th Annual India Salary Increase Survey 2011-12 (SIS 2012).

SIS, our flagship survey, covers 500+ organizations across 20 industries and reports trends across five employee levels – senior/top management to manual workforce. The survey provides insights into compensation philosophies along with the actual and projected salary increase trends across sectors. The survey also helps identify market trends around variable pay awards, long-term incentives, attrition rates and compensation budgets across industries.

All participants will receive a complimentary copy of the report.
Let us together understand what's on the cards for 2012.

To confirm your participation for the SIS 2012, write to us at totalrewards@aonhewitt.com with the subject line "SIS 2012"