

# Annual India Salary Increase Survey

February 19, 2015

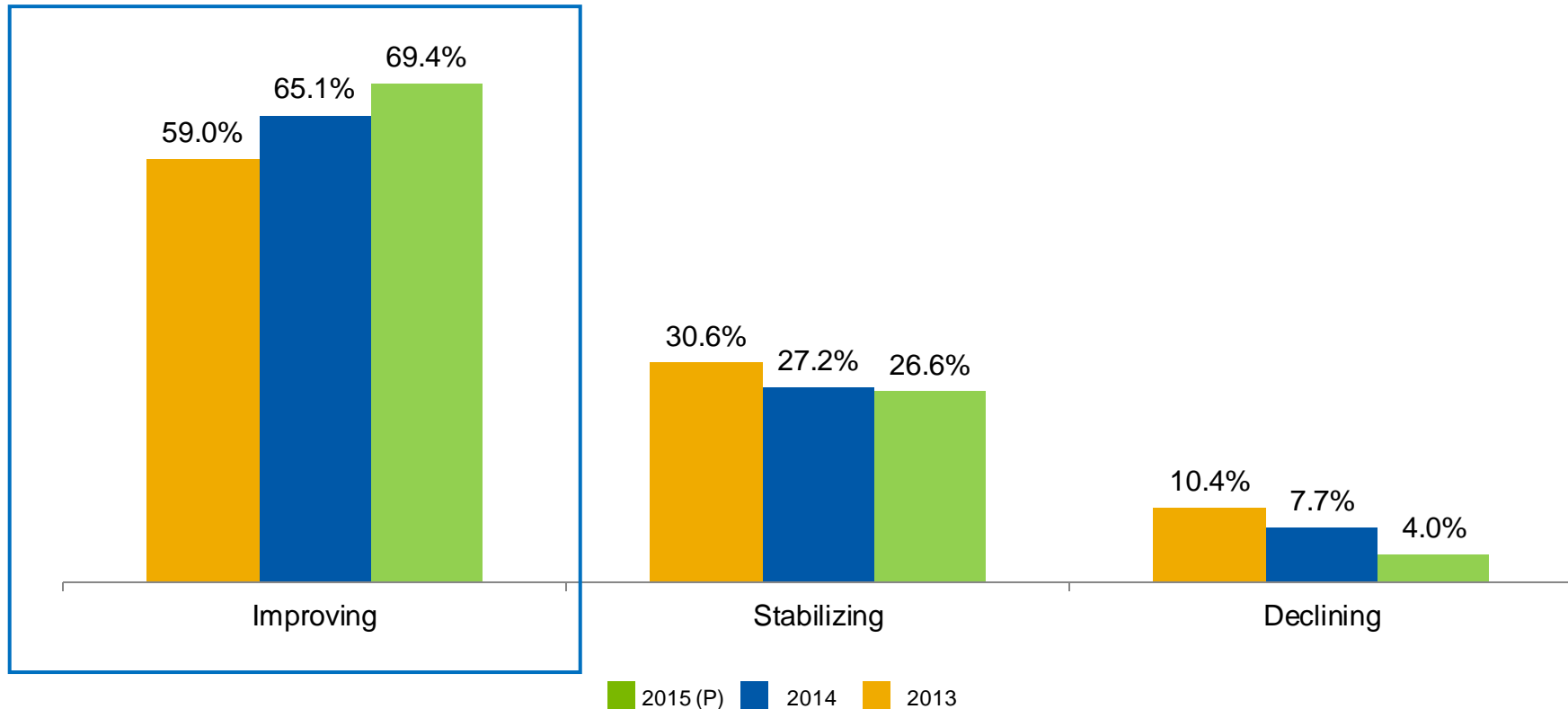
## About the study

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- 19<sup>th</sup> Annual Salary Increase Survey 2014-15
- Pan - industry survey with 580 organizations across 18 industries and 20+ sub classifications
- Focus on 5 different employee groups – Top & Senior Management to Manual Workforce
- Most comprehensive study on Performance and Rewards trends
- Covers trends on key talent management, performance distribution, pay mix, long term incentives and attrition
- Data collected during the period of December 2014 - January 2015

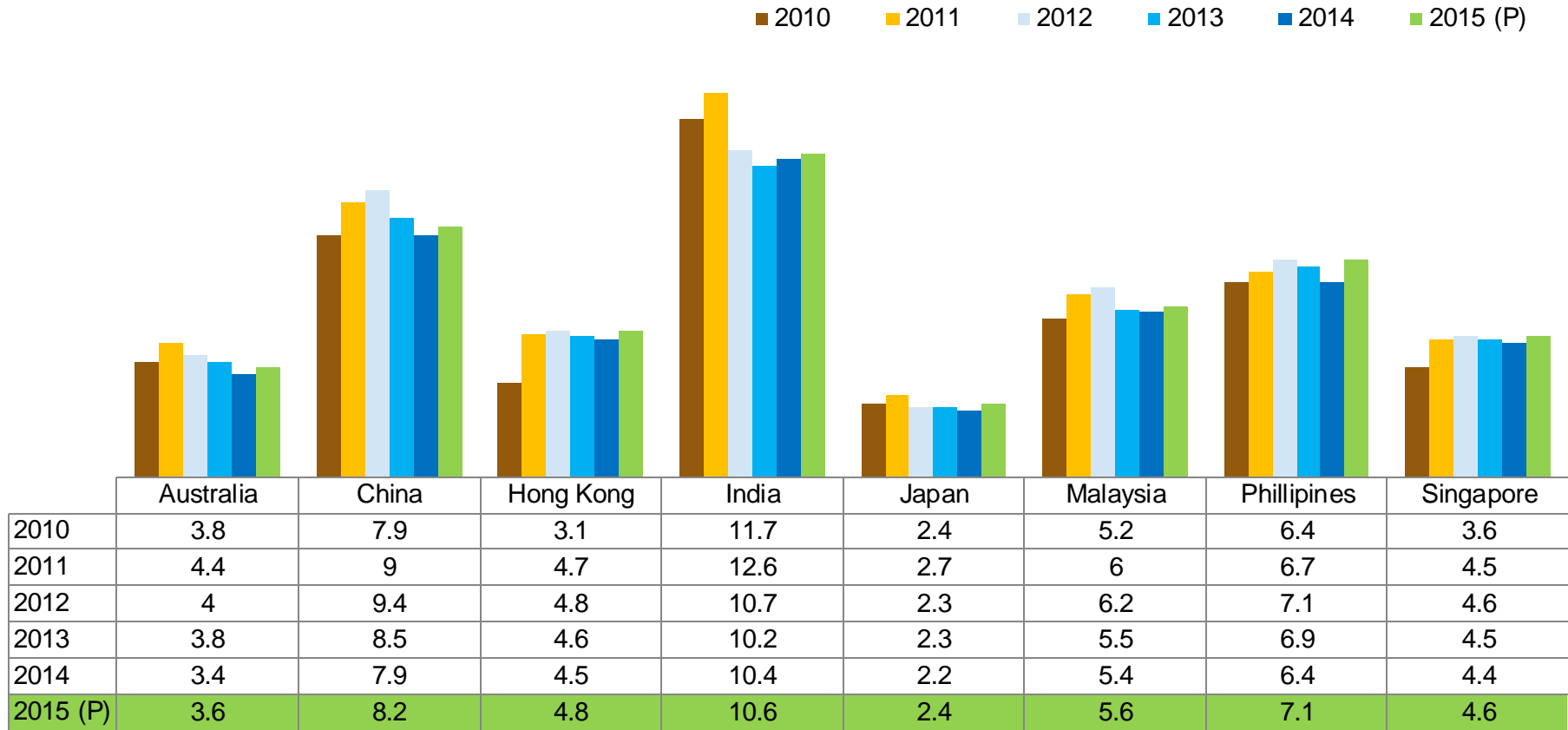
## India's business outlook

7 out of 10 organizations foresee an improved business outlook in 2015



- The Indian economy is showing signs of a growth turnaround
- Positive sentiment in the market driven by anticipation around a stable government pushing a pro-reform agenda
- Marginal recovery in global growth (especially the US economy moving from strength to strength), low oil prices in the Euro area impacting sentiment too

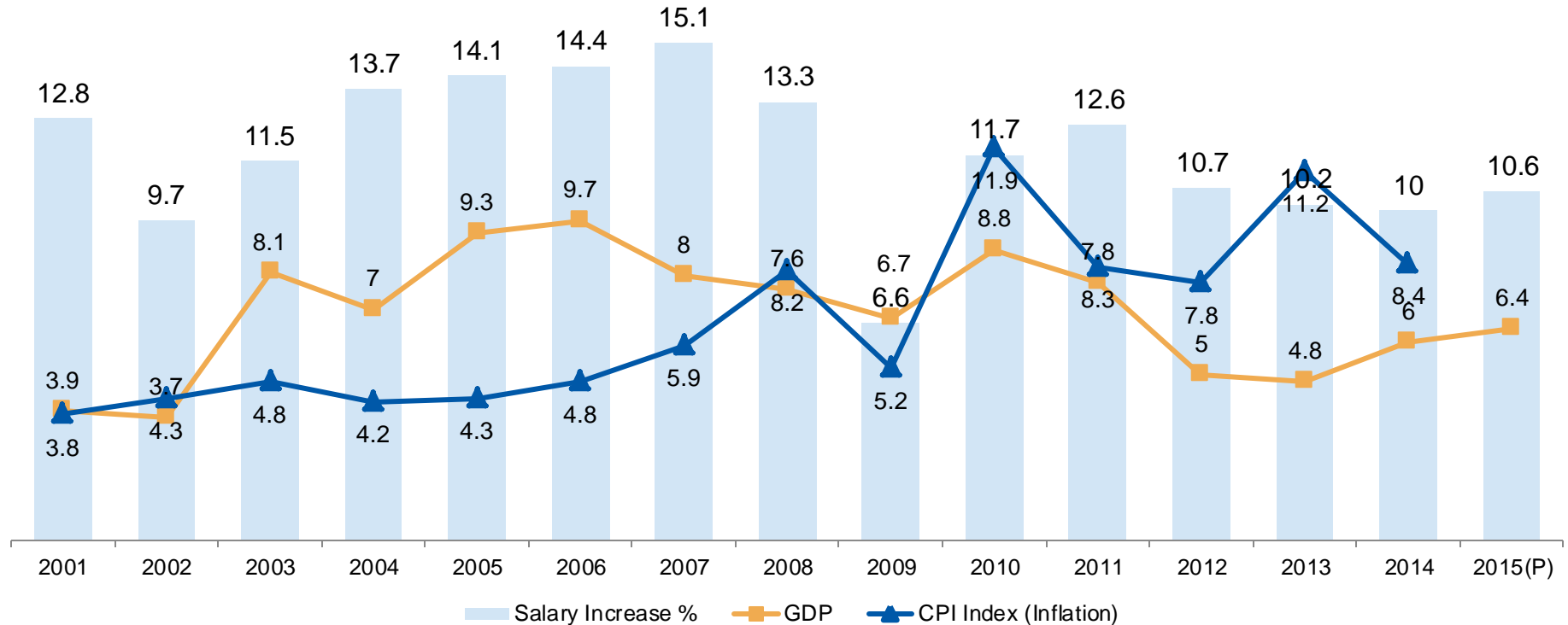
# Salary increase trends across APAC have seen an upward move



Figures in %

- India continues to lead the pack for Asia in salary increases
- Almost all leading APAC nations projecting a marginal to significant improvement in salary increases over the previous year

# Salary increase behavior not linked to GDP / CPI fluctuations

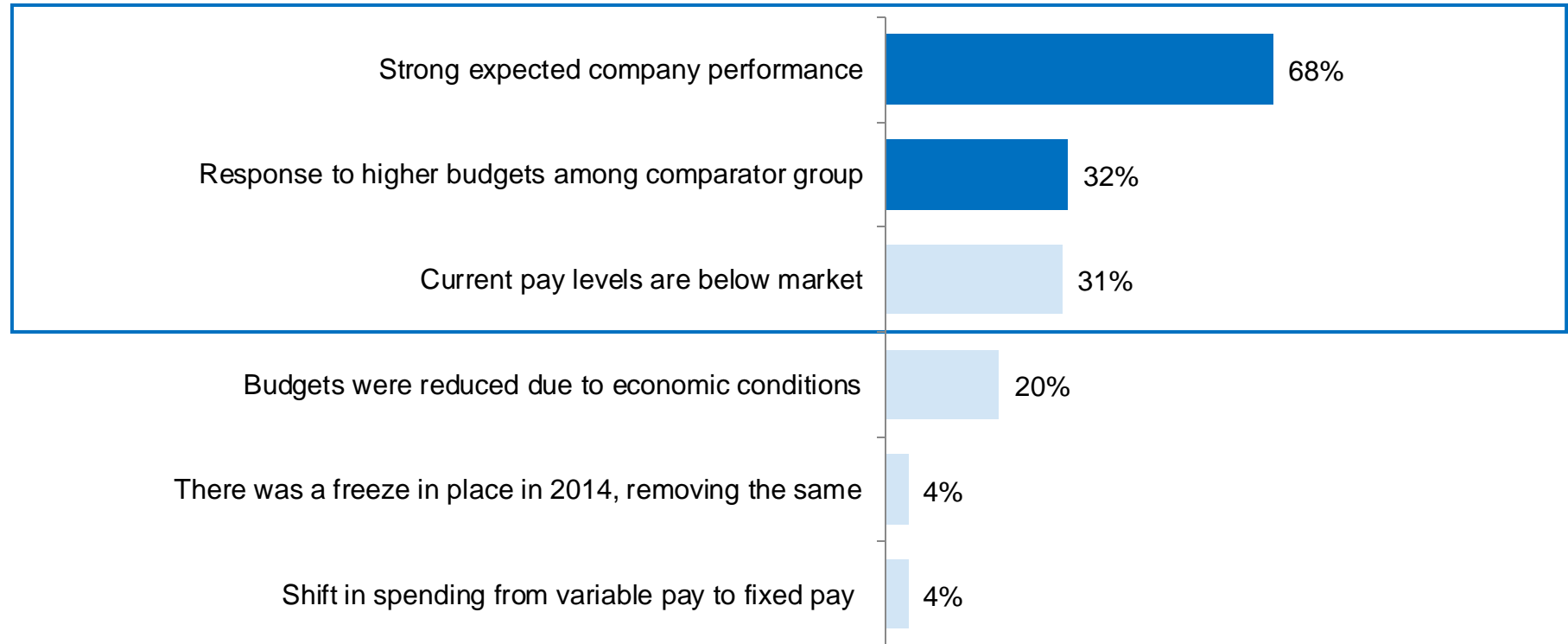


- The last three years have reflected a 'plateauing' of salary increases, as compared to the high double digit increases in the previous decade
- The correlation of salary increases with key metrics such as GDP and CPI has consistently been low

# 83% of the organizations have revised their salary budgets

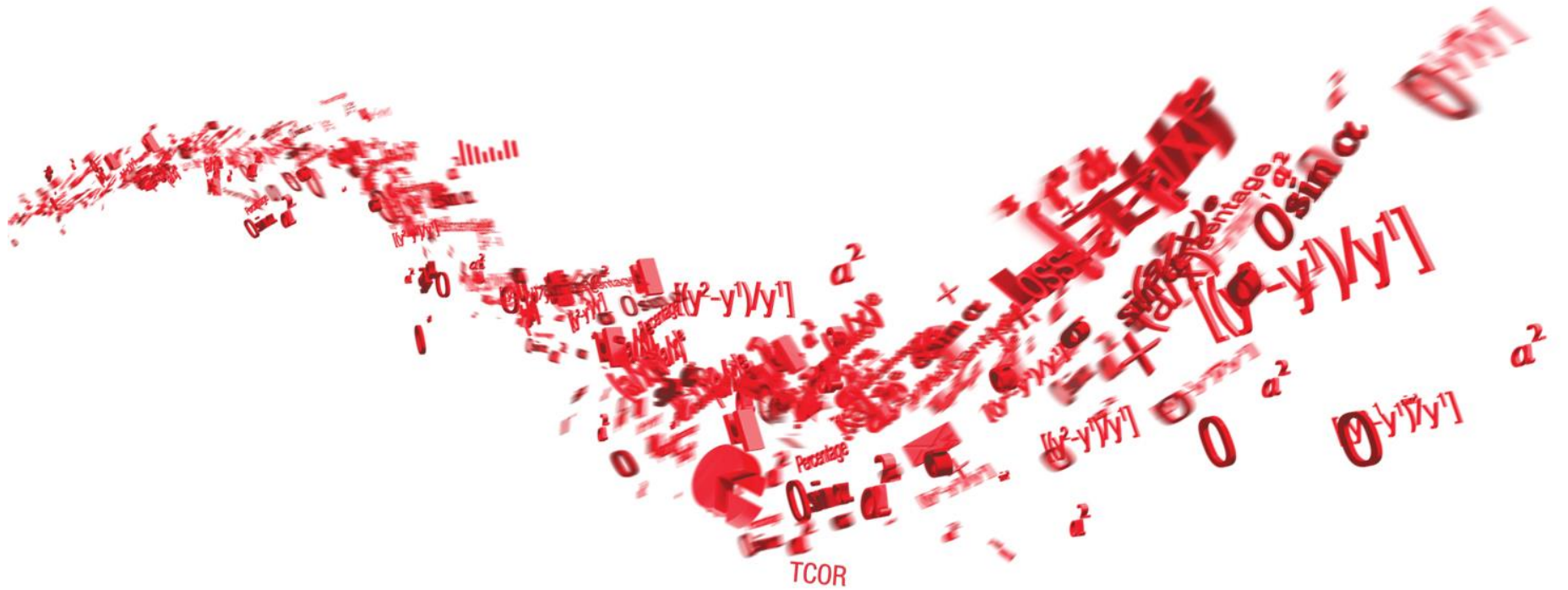
Expectations of stronger performance cited as a key reason

## Reasons for Higher Budgets (% of Org)



*Multiple Responses*

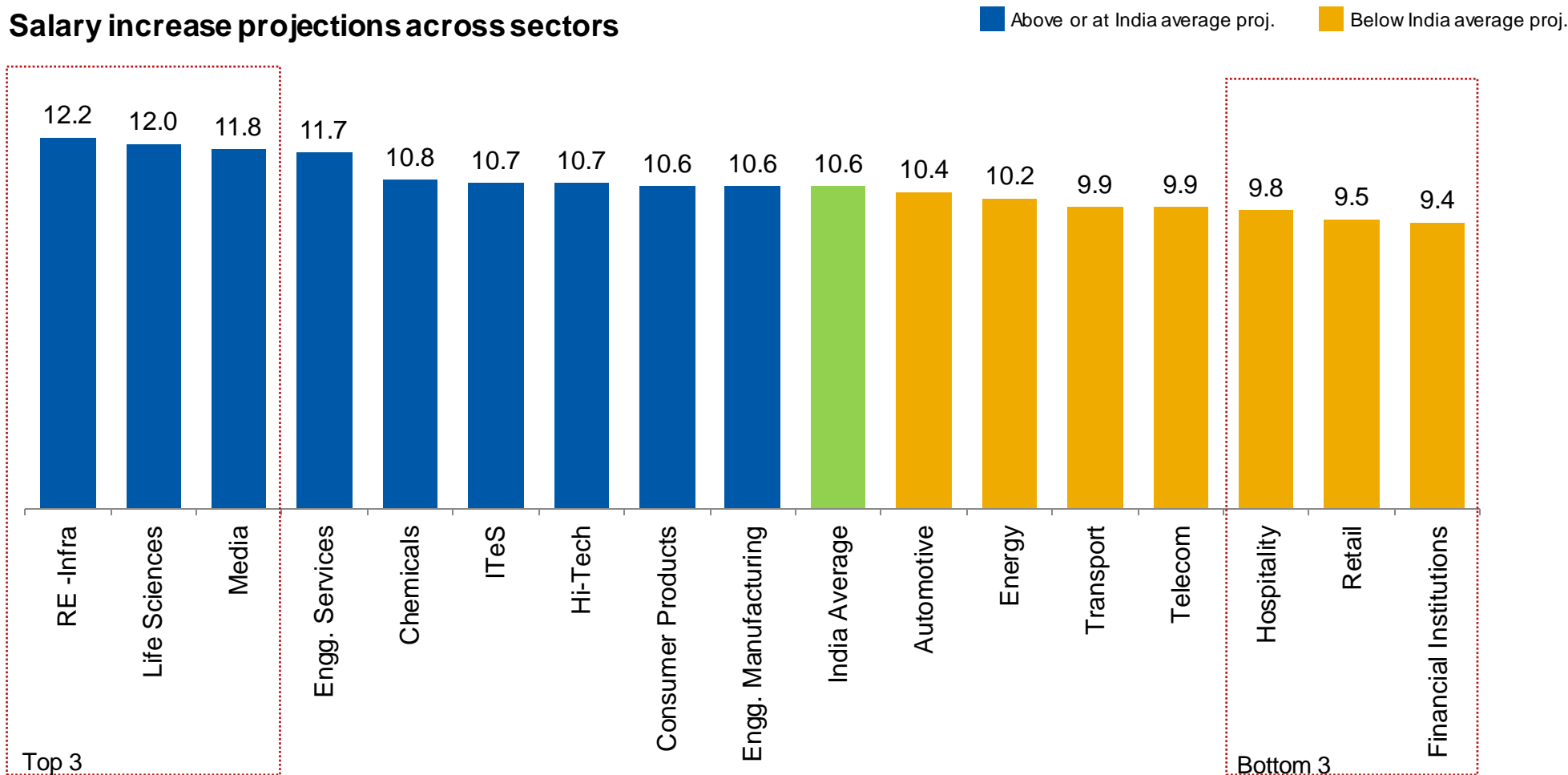
- Expectations of positive performance & market competitiveness have become key reasons for firms revising their compensation budgets this year



# Salary Increase Projections

# India takes an upward yet cautious leap at 10.6%

## Salary increase projections across sectors



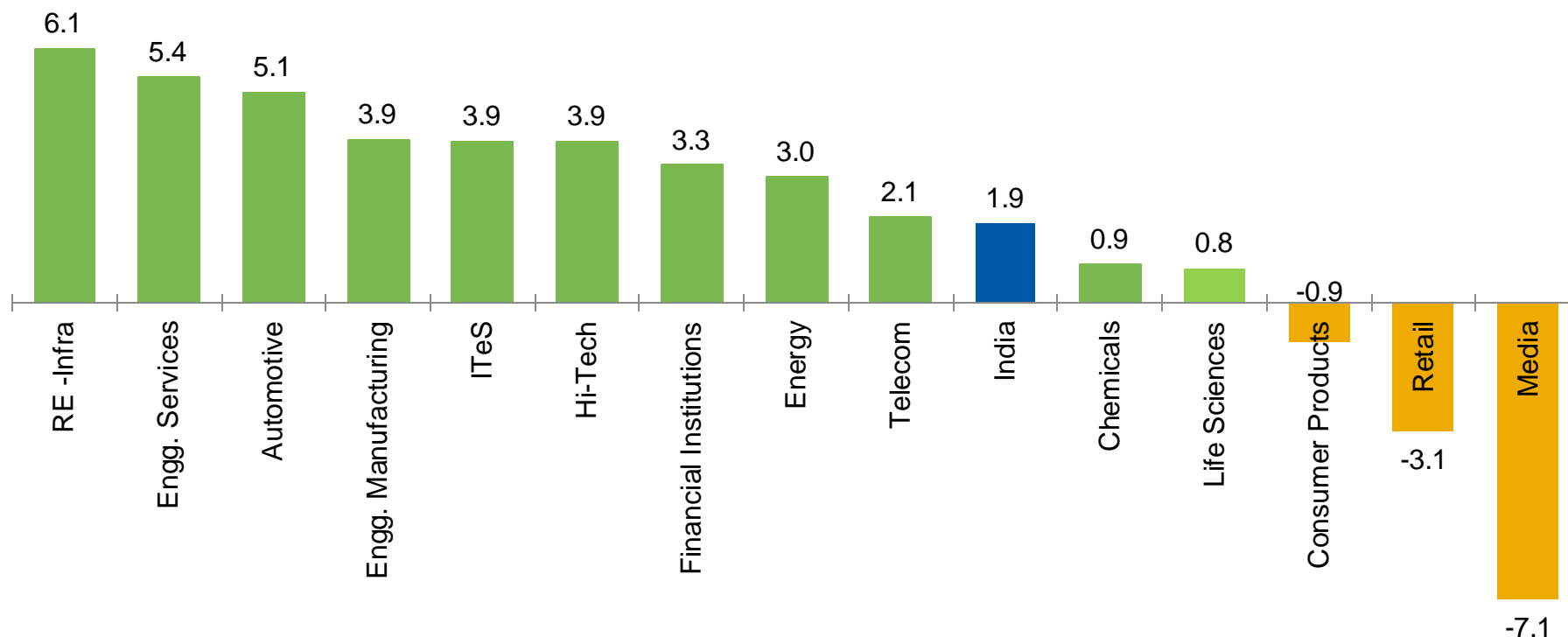
- Low dispersion in 2015 between the highest and lowest paying industries (2.8%), down from 5-7% earlier



## Comparing 2014 and 2015

All manufacturing industries projected a salary increase higher than actuals of 2014

In relative change terms, salary increase moved by 1.92 (i.e. in comparison to 2014, the 2015 projected increase is 1.92 % higher)



- In 2015, all manufacturing industries projected a salary increase higher than payouts of 2014. RE – Infra, Engineering Services and Automotive projected the highest movement
- Consumer Products, Retail and Media projections are lower than 2014 payout
- Hospitality and Transport projection numbers remained same as 2014

# The top 10 industries with highest projected increases for 2015

## And their ranks across the years

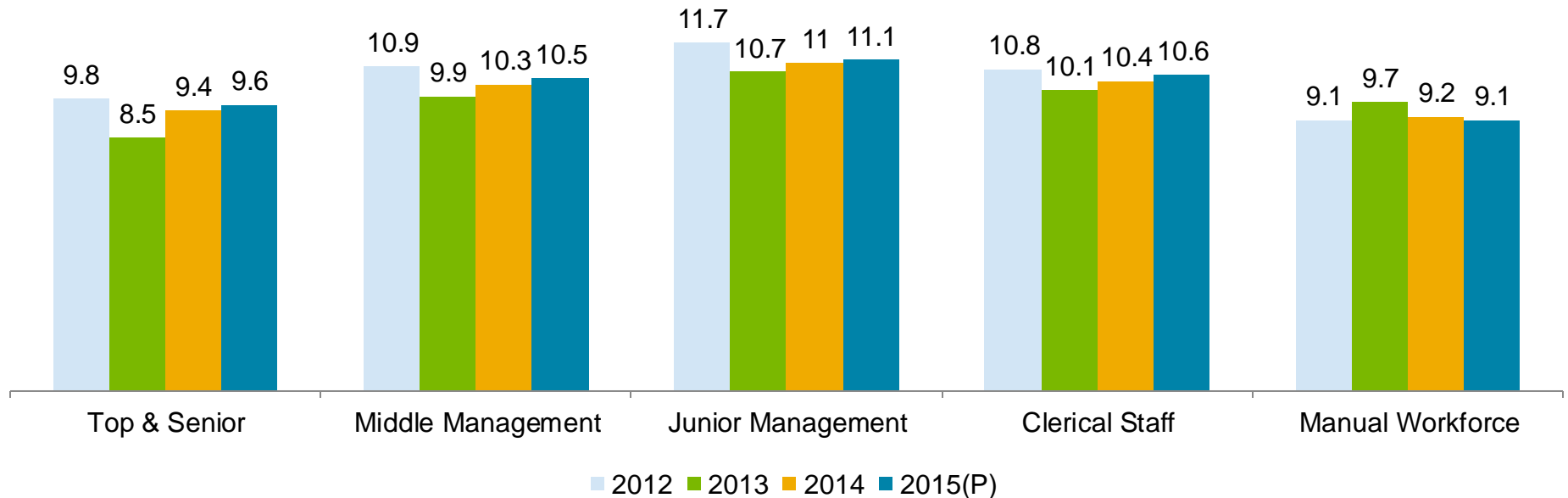
Industry	2015(P)	2014	2013	2012	2011
RE - Infra	1			5	1
Life Sciences	2	1	1	1	2
Media	3			9	
Engineering Services	4			4	4
Chemicals	5	2	6	8	7
Hi - Tech	6	4	7	5	8
ITeS	6	7	10		
Consumer Products	8	3	2	2	5
Engineering Manufacturing	8	4	7	5	
Automotive	10	8	5		

- RE-Infra, after a gap of three years is again reporting the highest increase. Life Sciences continues to project increases on the higher side
- Consumer Products and Engineering Manufacturing have gone down in their ranking with regard to increases
- Industries like Telecom, Retail and Financial Institutions that have traditionally given high increases, no longer feature in the top 10

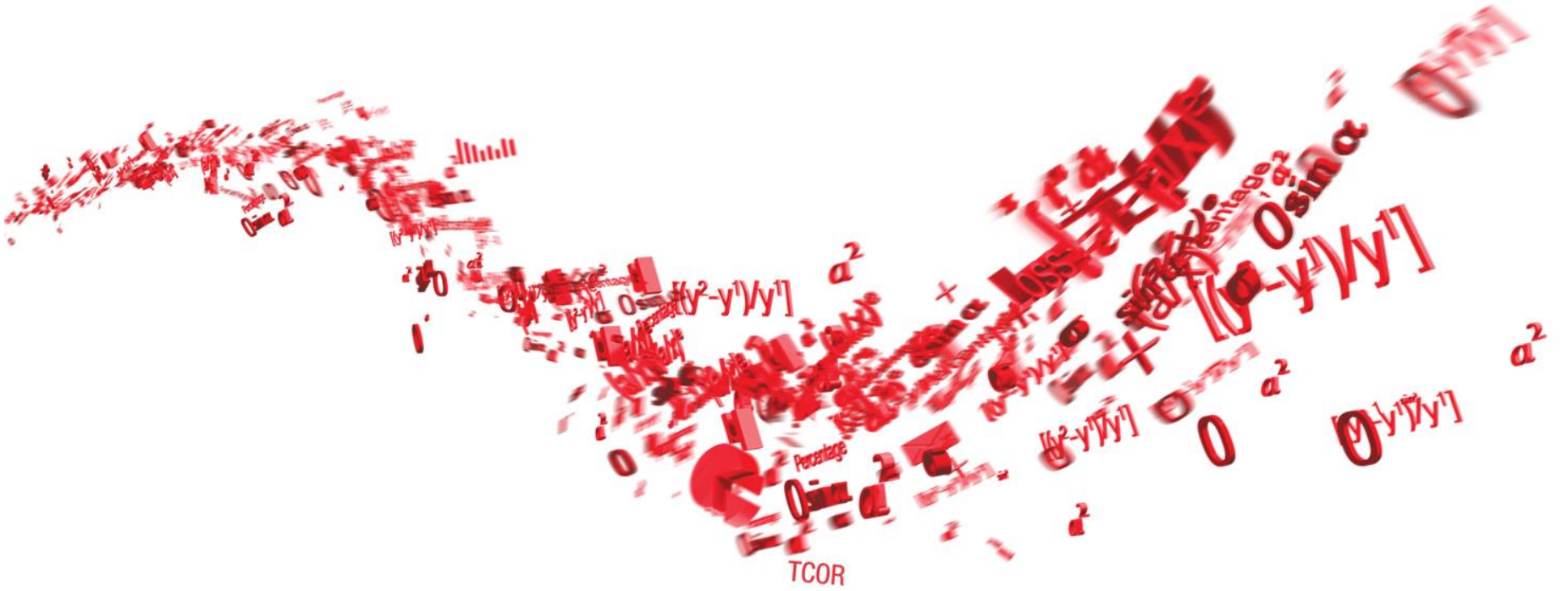
## Salary increase by levels of management

Top & Senior management roles, expect higher increments than 2014

### Salary Increase numbers by levels of management



- Top & Senior management salary increase figures have gradually fallen from 2008 – 2013; in 2014, this phenomenon changed
- 2015 witnessing a similar trend, although, increasingly ‘Pay at Risk – Variable Pay and LTI’ is becoming a key components of pay for these levels
- Salary increase numbers for Junior management, Clerical staff and Manual workforce has largely remained in the same bracket

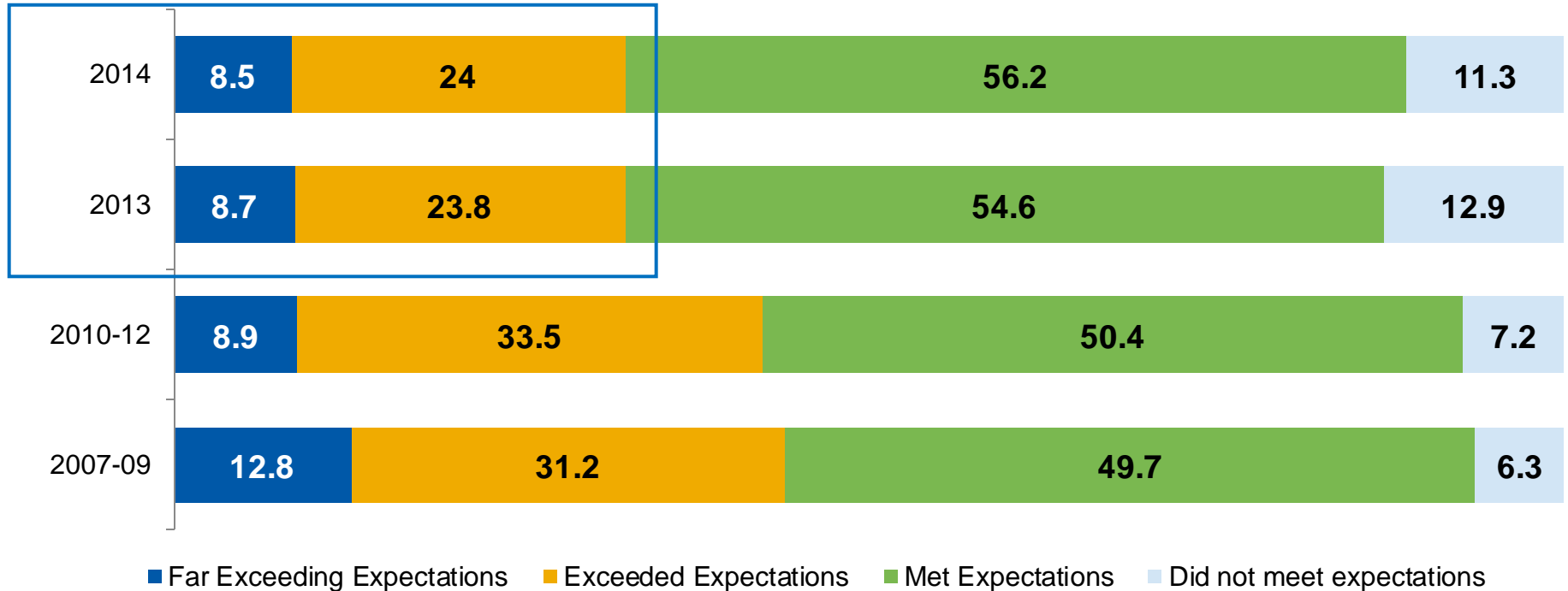


# Pay for Performance

# Employee distribution across performance rating scales

## Recognizing 'True' performance only

### Performance Rating Distribution expressed as %

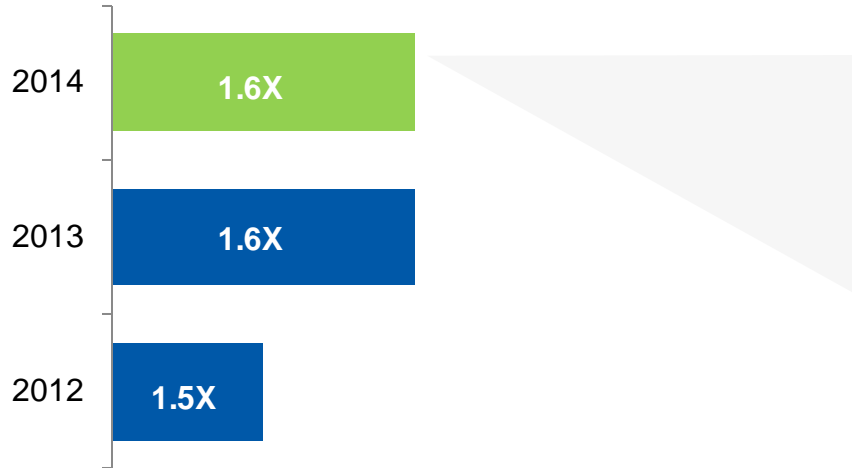


- Performance rating linked payout is becoming a norm; organizations have become increasingly stringent in doling out top ratings to its employees
- Employee distribution has become significantly sharper since 2007. Almost 68% of the population falls under 'Meets expectation and below' category. This proportion has increased by approximately ~20% since 2012

# Tighter alignment to performance in salary increases

Differential payouts for top performers is an industry wide practice now

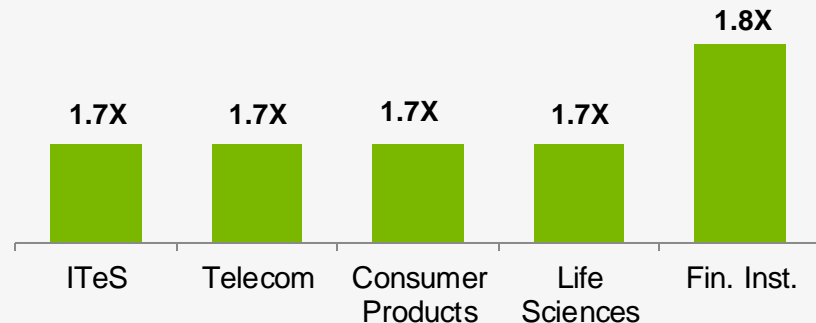
## Salary increase premium received by 'Top Raters' (as a ratio of avg. performers)



## Differentiation at Management Levels



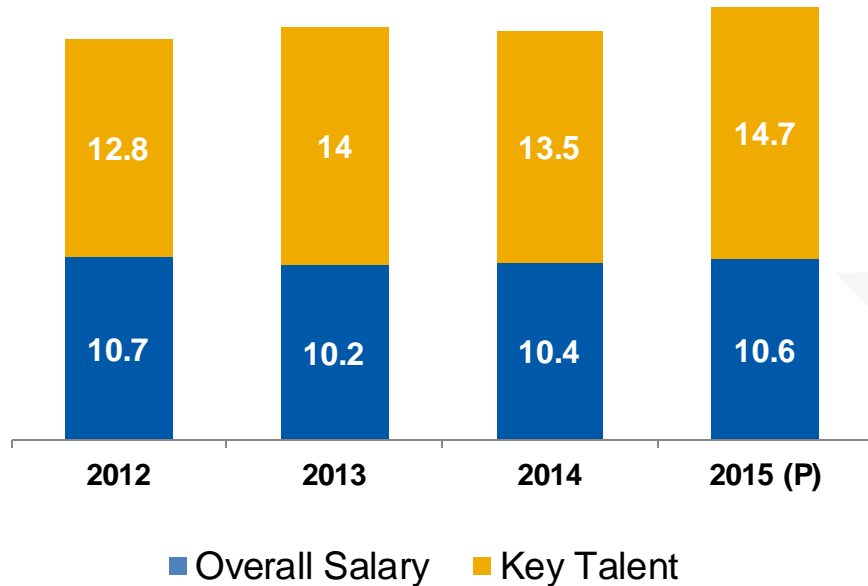
## Differentiation by verticals



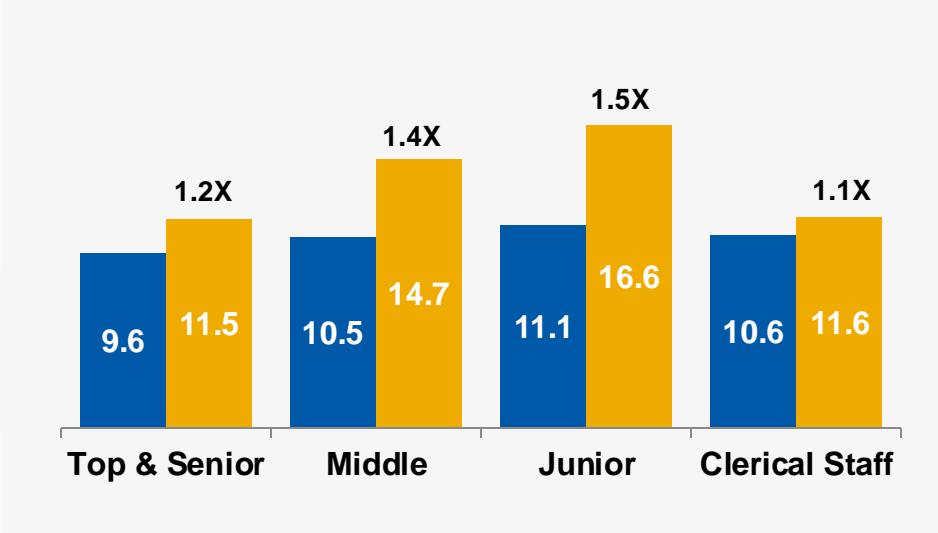
- The differentiation this year is observed at 1.6 times
- Financial Institutions has consistently registered the highest differentiation in the last 3 years

# Investment in key talent continues in 2015

## Key Talent vs Overall - Average Salary Increase



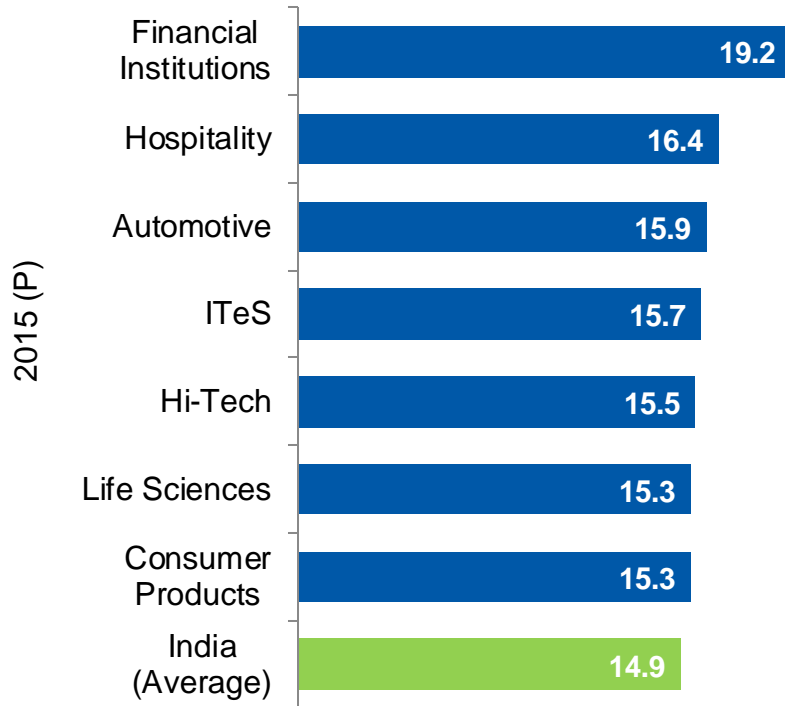
## Key Talent differentiation by levels of management



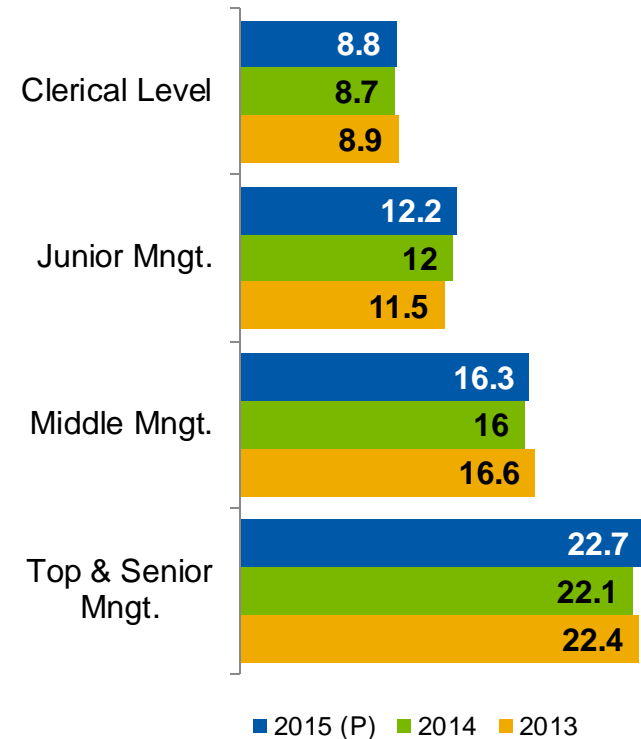
- Investment in key talent continues in 2015 with paying above the market continues to be a key strategy for retention of key talent
- Gap between salary increase awarded to key talent vs. others is widening y-o-y
- Salary increase differential of 1.4x in 2015 vs. 1.2x in 2012

# Financial Institutions lead the 'Pay at Risk' phenomenon

**Variable Pay as a % of Total Cost to Company (Sector)**



**Variable Pay as a % of Total Cost to Company (Management Levels)**



- 86 % of the organizations reported making a bonus payout in 2014
- Approximately 11% organizations speak of transferring salary increases from fixed pay to variable pay
- Top & Senior Management see 23% of their total compensation as variable and even at entry-levels 12% of the salary is variable



# Conclusion

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- Salary increase trends show far greater optimism in the country as compared to the same time last year – however it does not yet show a complete resurgence
- While India tops Asian markets on salary increases yet again, all Asian markets have shown an increase in projections
- The composition of industries giving high salary increases has changed compared to earlier years - this is on the back of resurgence in a few industries as well as the lack of increases provided by companies in these sectors
- The trend of more distinct differentiation based on performance and potential continues this year
- The incentive payout projected for FY 2015 has been distinctly higher than the previous two years
- Attrition levels have come down from the peaks seen in 2010 – 2012 period and remain at a moderately similar level as last year



Thank You!