



# KPMG in India's Annual Compensation Trends Survey 2017-18

People and Change  
Management Consulting

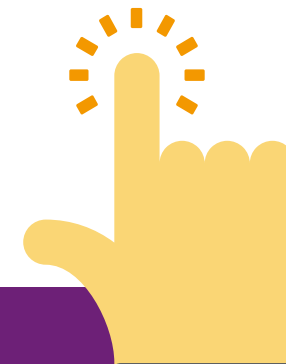
March 2017



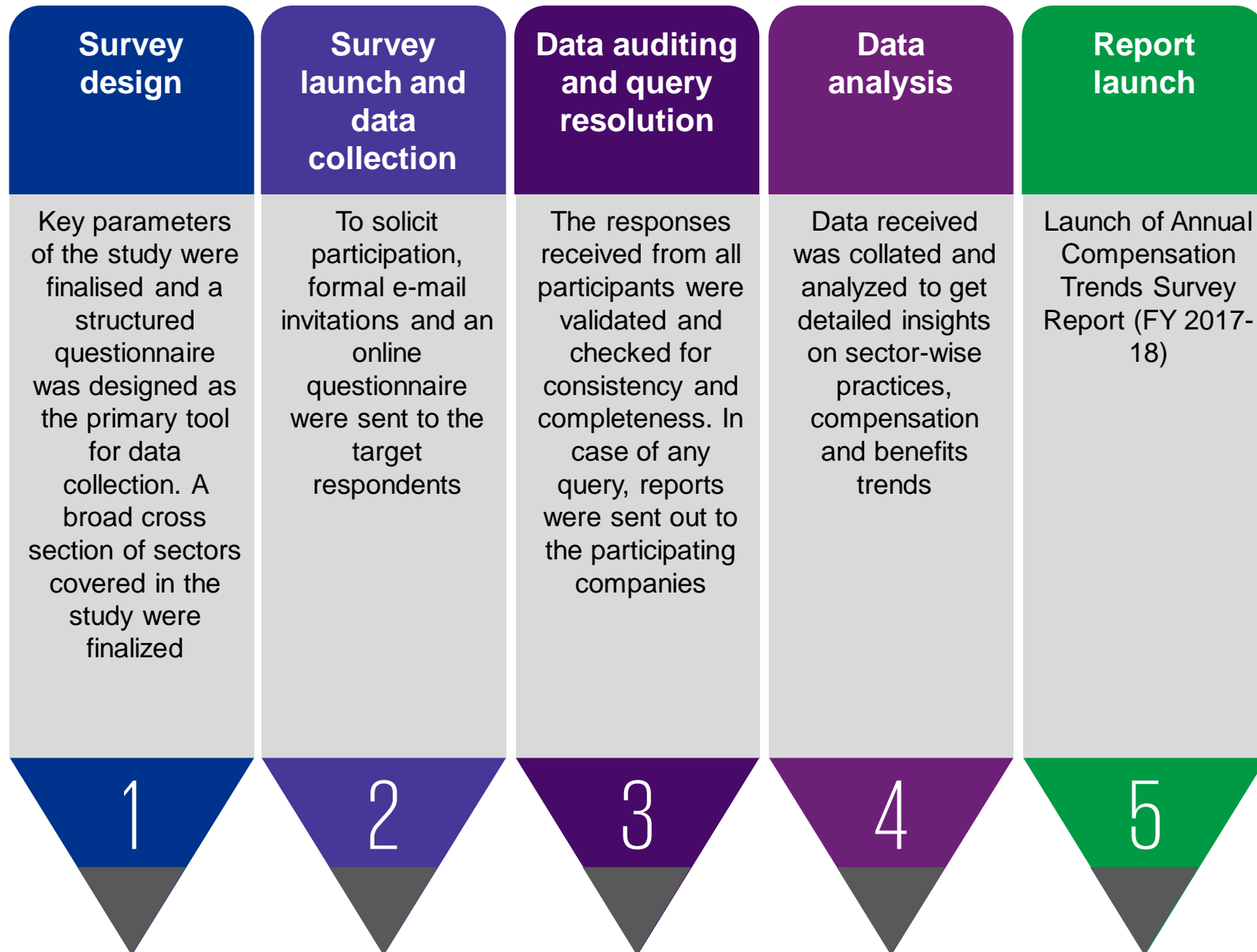
# About the survey

**KPMG in India's Annual Compensation Trends Survey aims to understand a wide range of current and emerging compensation trends in organisations across India and provide them with a reference point on key aspects such as increments, variable pay, benefits, employee attrition and retention, and potential future HR trends.**

**This survey analyses and brings together findings from 263 companies across 19 sectors.**



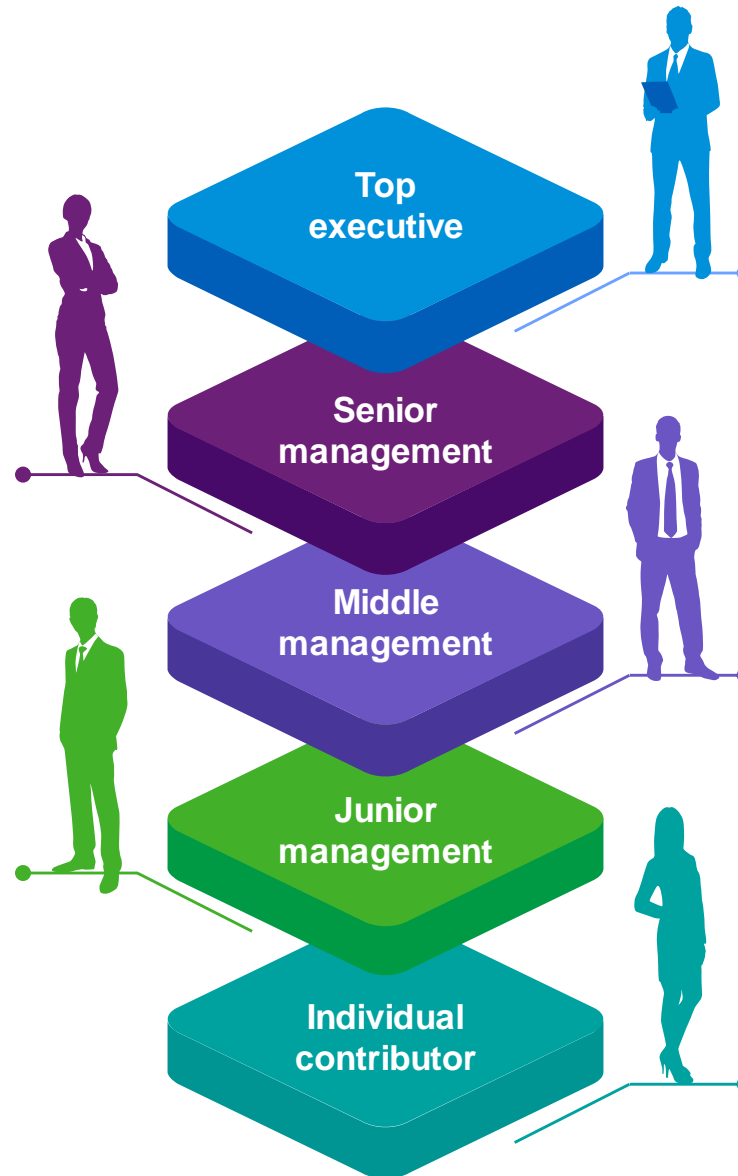
# Survey approach



# Definition of management

Executives who directly report to the top management and manage a wide range of functions but are not regarded as top management. This also includes direct reportees to different key functional and business heads

Includes supervisory staff usually involved in the day-to-day functioning of a small team (first level of people management responsibility)



The senior-most executives in the organisation (CEOs) coordinating between all the functions, providing leadership, overall direction and control of the company operations. Also includes key executives (direct reportees to CEO) within the organisation heading key functions and businesses, actively participating in developing company policies, who tend to work closely with the top executive (CEO) and the board of directors(if any)

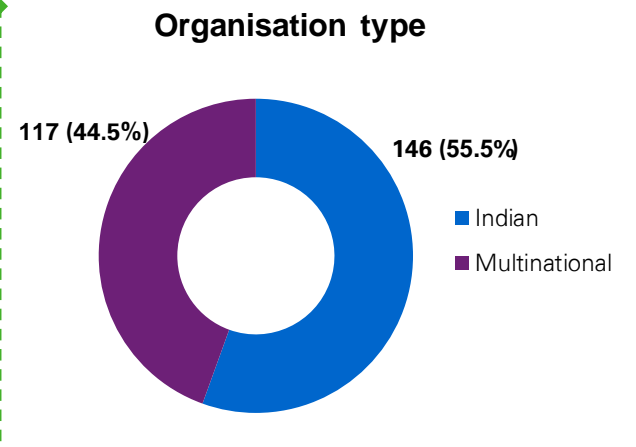
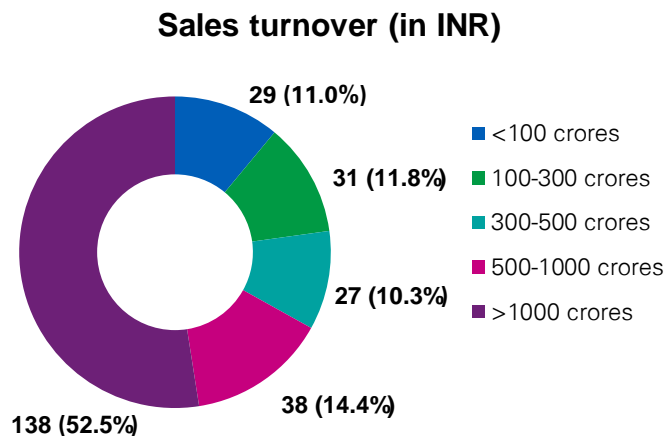
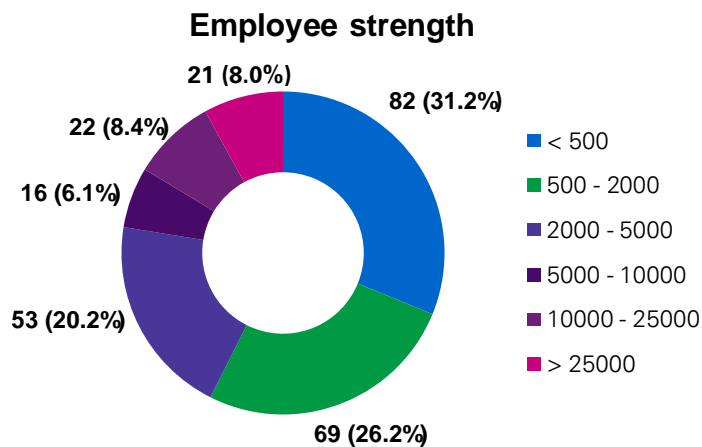
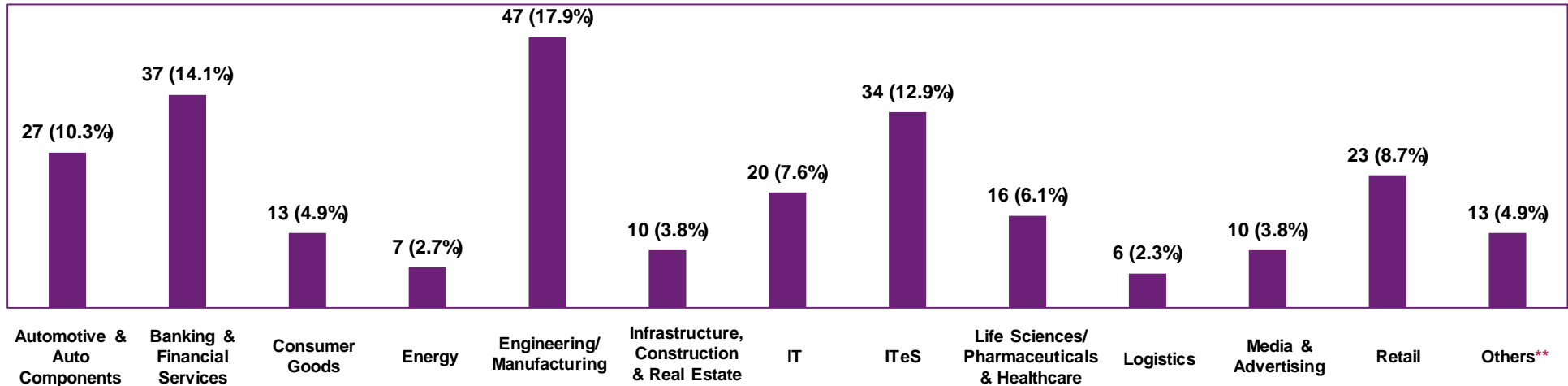
Includes executives with supervisory responsibilities for a sub-function, part of a business, etc. who directly report to senior management

Includes non-management staff who work as individual contributors reporting to the management

# Participant profile

Two hundred and sixty three organisations from 19 sectors participated in KPMG's Annual Compensation Trends Survey for 2017-18.

n = 263



\*\* Others include companies in Hospitality, Telecom, Entertainment, Education, Facility Management and Social Services sectors and a few conglomerates. Considering the limited number of responses from these sectors within the specified timelines, separate sector reports have not been published

# Executive summary | Key survey findings



9.7%

Average projected increment for the year 2017-18, a decrease of 0.6 per cent from 2016-17

The highest increment of 12.5 per cent is reported by the e-commerce sector, the lowest of 8.1 per cent is that of logistics



15.4%

Average projected variable pay across sectors, 0.4 per cent higher than that in 2016-17

The highest variable pay of 20.7 per cent is reported by the financial services sector, the lowest is that of energy at 10.1 per cent



13.4%

Average annual voluntary attrition across sectors

The highest voluntary attrition of 20.4 per cent is reported by e-commerce, while the lowest of 8.1 per cent being reported by energy sector

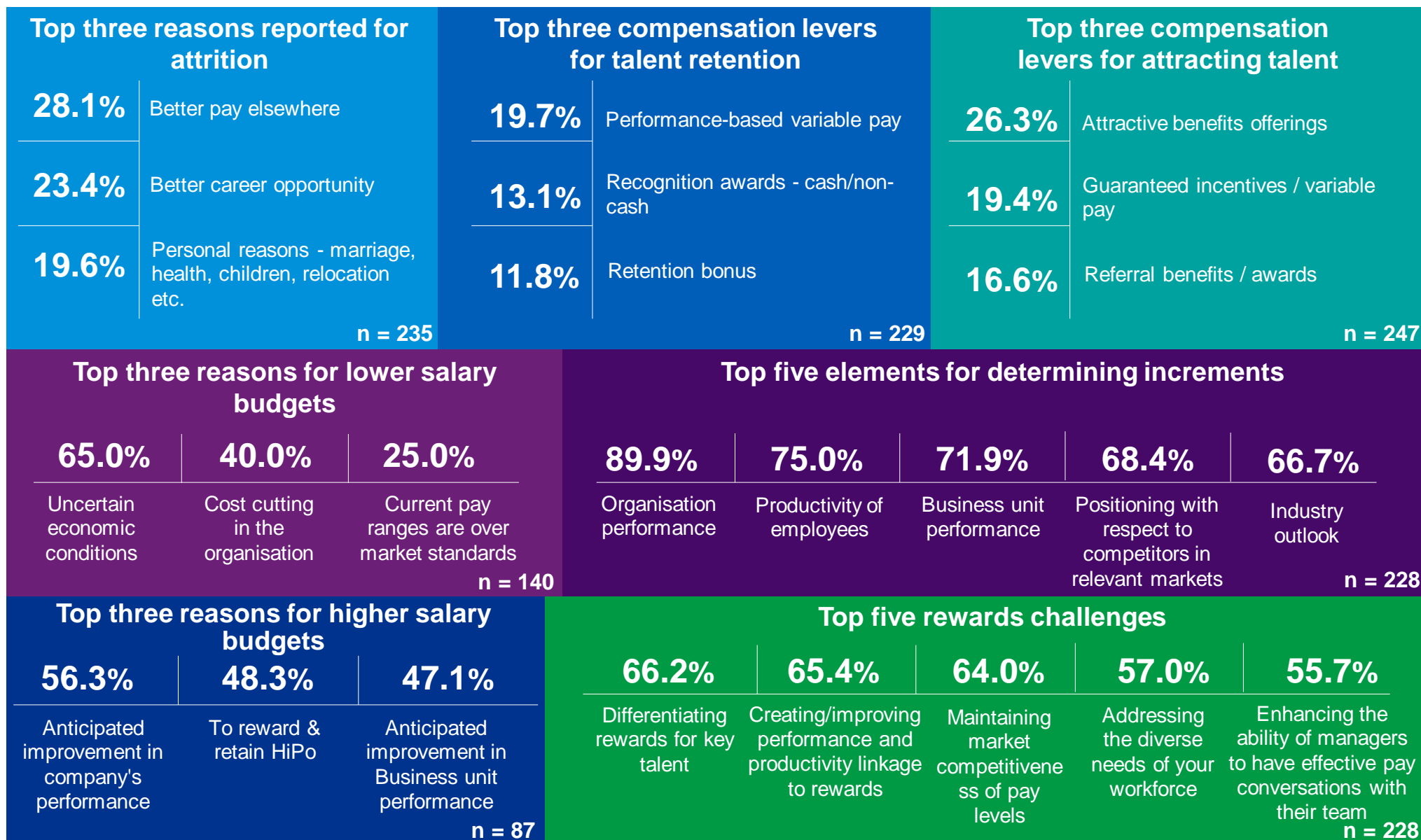


54.0%

Organisations identified 're-inventing PMS' as the most critical future HR trend

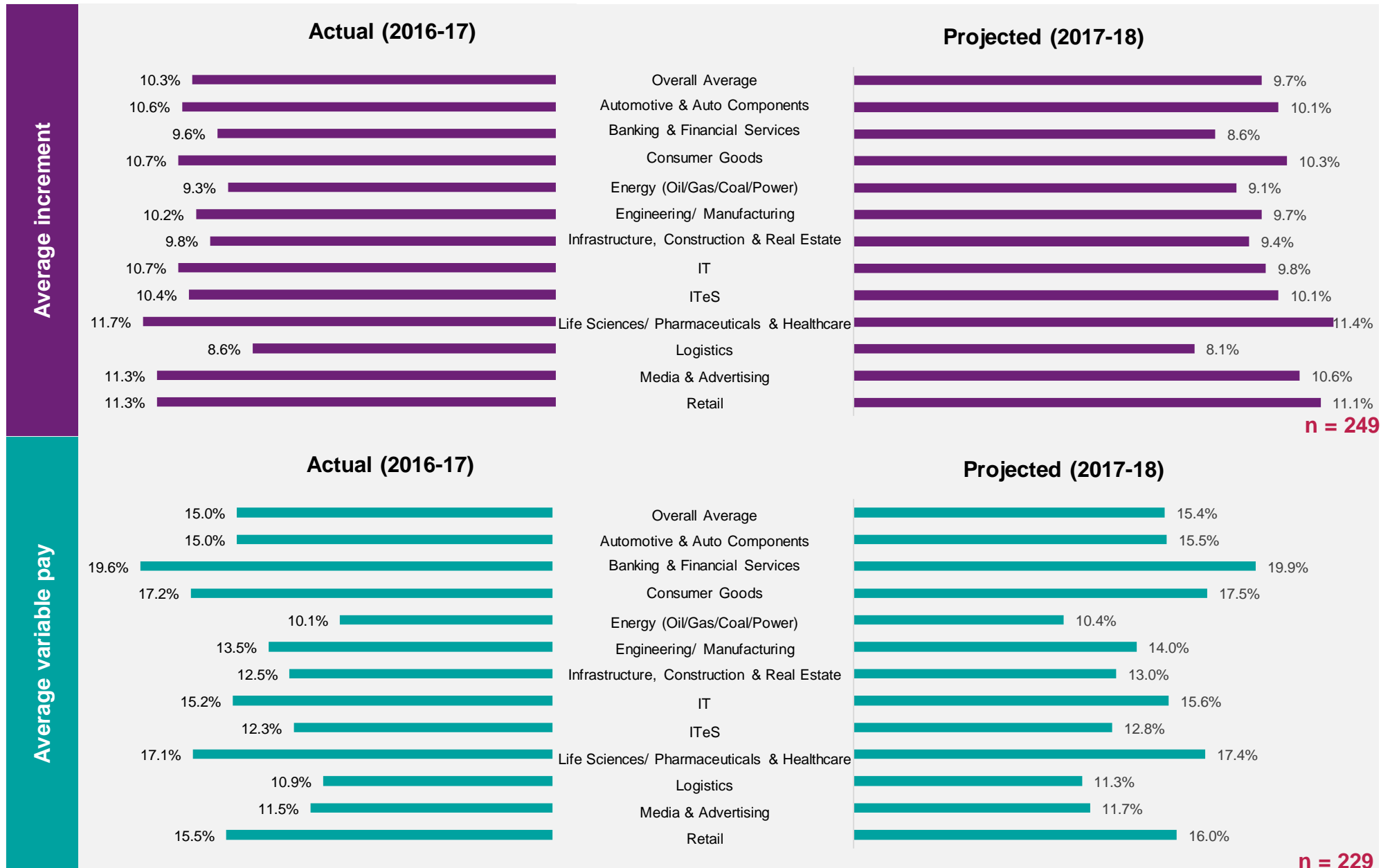
While 54.0 per cent of the respondents deem 're-inventing PMS' to be critical, only 46.0 per cent of them have confirmed that they are ready for this change

# Executive summary | Key survey findings



Percentages can sum up to more than 100 per cent due to multiple selections by a few organisations

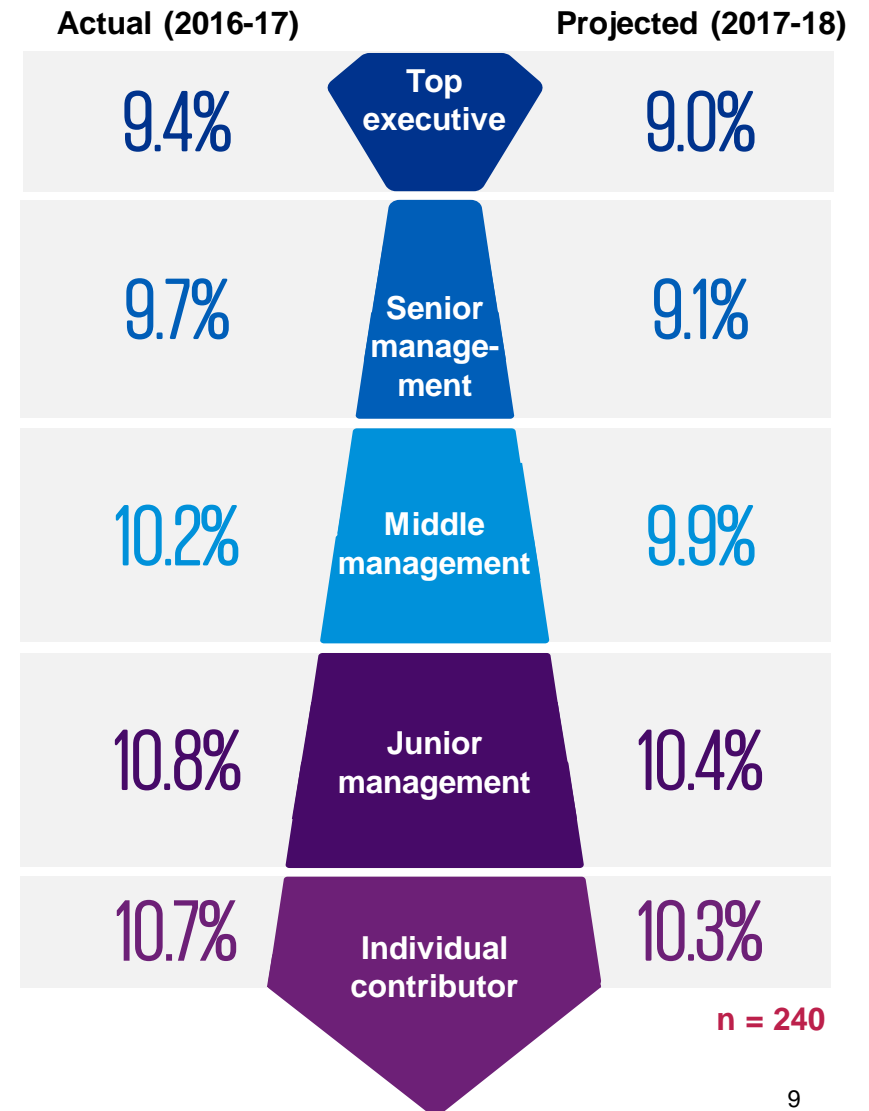
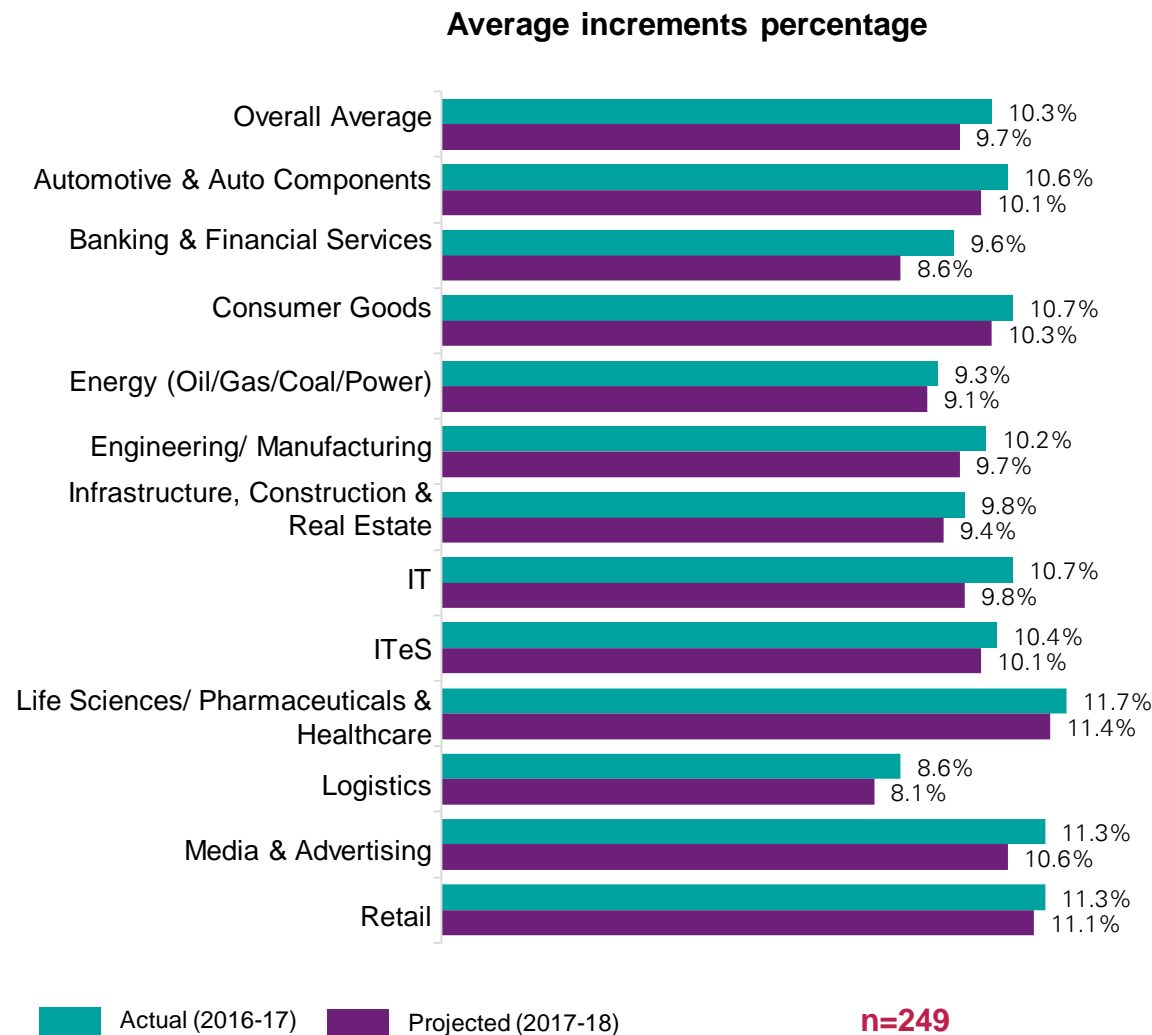
# Executive summary | Actual vis-à-vis projected





# Overview | Average increments

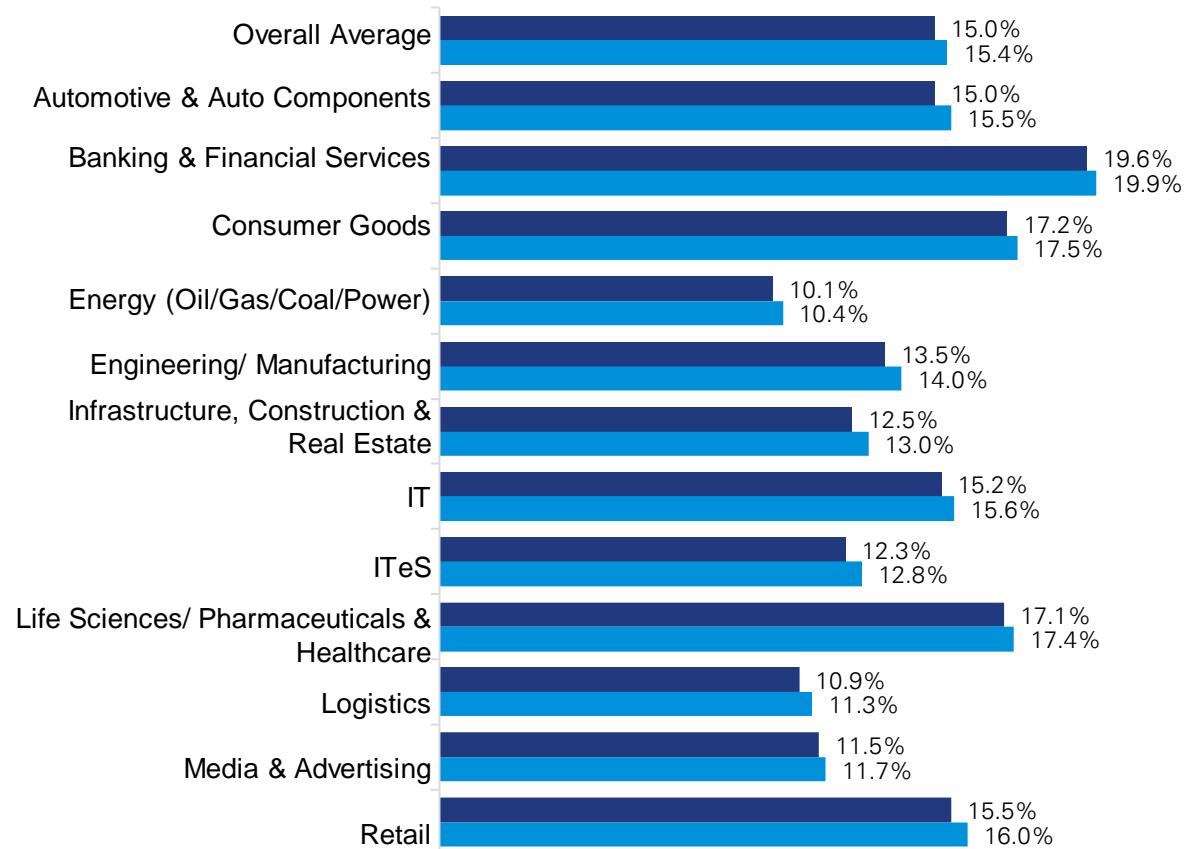
All sectors surveyed project a decrease in the average increments in 2017-18. The maximum decrease is being projected by the **Banking and Financial Services** sector, where **Financial Services** sector has decreased the increment from **9.7 per cent to 8.1 per cent**. The **Energy Sector** projected the minimum decrease from **9.3 per cent to 9.1 per cent**.



# Overview | Average variable pay

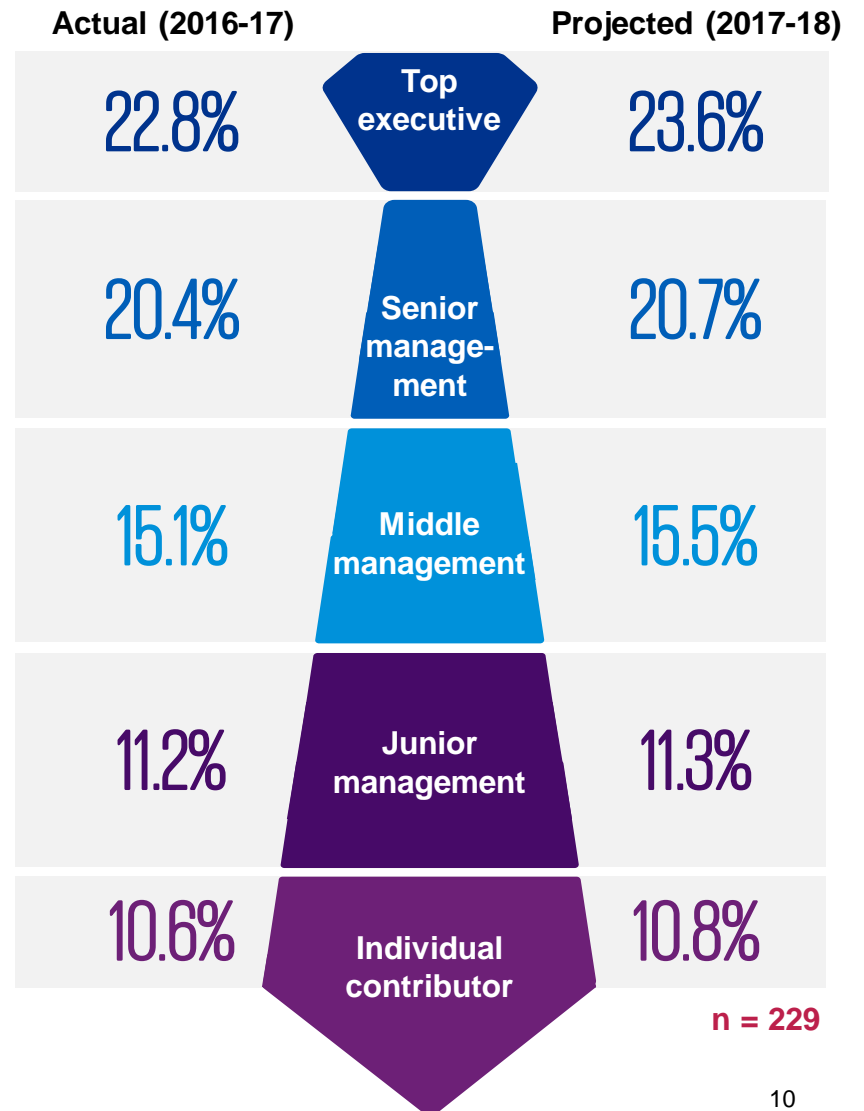
The Average variable pay projection has increased from **15.0 per cent in 2016-17** to **15.4 per cent in 2017-18**. This indicates that organisations are continuing to move towards paying for performance and variable pay holding a higher percentage in the CTC. The **highest variable pay** as a per cent of CTC is reported by the **Banking & Financial Services** sector and **lowest** by **Energy (Oil/Gas/Coal/Power)**.

Average variable pay (as a percentage of CTC)



Actual (2016-17) Projected (2017-18)

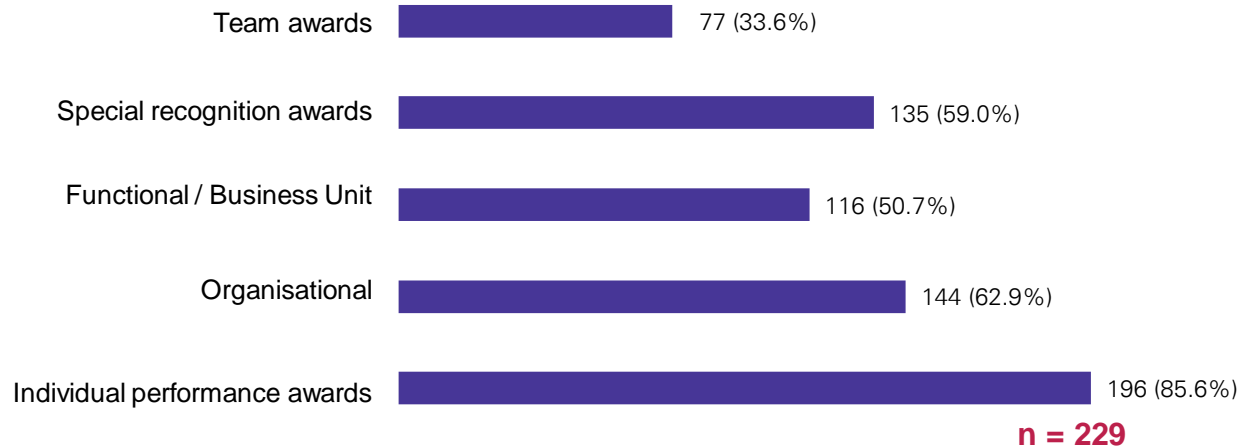
n=229



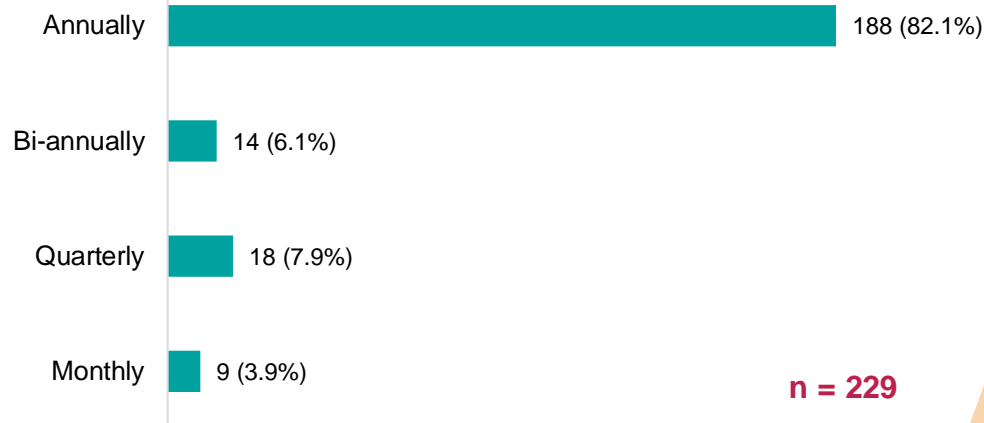
n = 229

# Overview | Prevalence and frequency of variable pay

## Prevalence of variable pay plans



## Frequency of pay out



Almost 91.9 per cent (229 of 249) respondents say they have a variable pay programme in their organisation. The most prevalent program being Individual Performance Awards commonly given to middle management to individual contributor cadres.

The average pay out as a per cent of CTC is seen to increase in ascending order from individual contributor to top executives.



Percentages can sum up to more than 100 per cent due to multiple selections by a few organisations

# Overview | Performance management



The most prevalent frequency of performance review is reported to be **Annual** for most organisations surveyed. However, a few sales organisations review performance **Bi-annually**



Where organisations report **quarterly** frequency of PMS, the salary hike is **annual (sales and non-sales)**

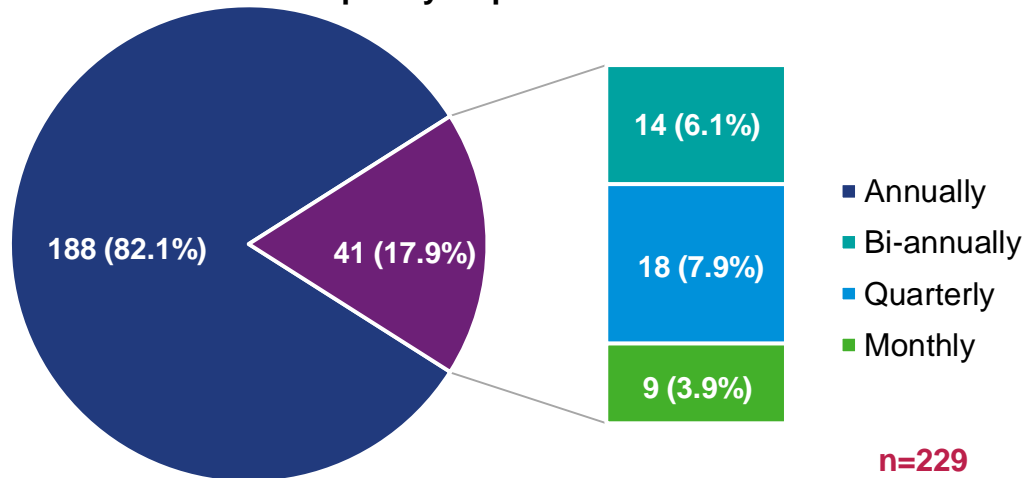


Almost all organisations reported using a **threshold** for including new joiners in the performance cycle, with 203 of 227 (89.4%) organisations keeping it at **six months**



Few organisations have moved to a process of **continuous performance evaluation** including continuous feedback mechanisms

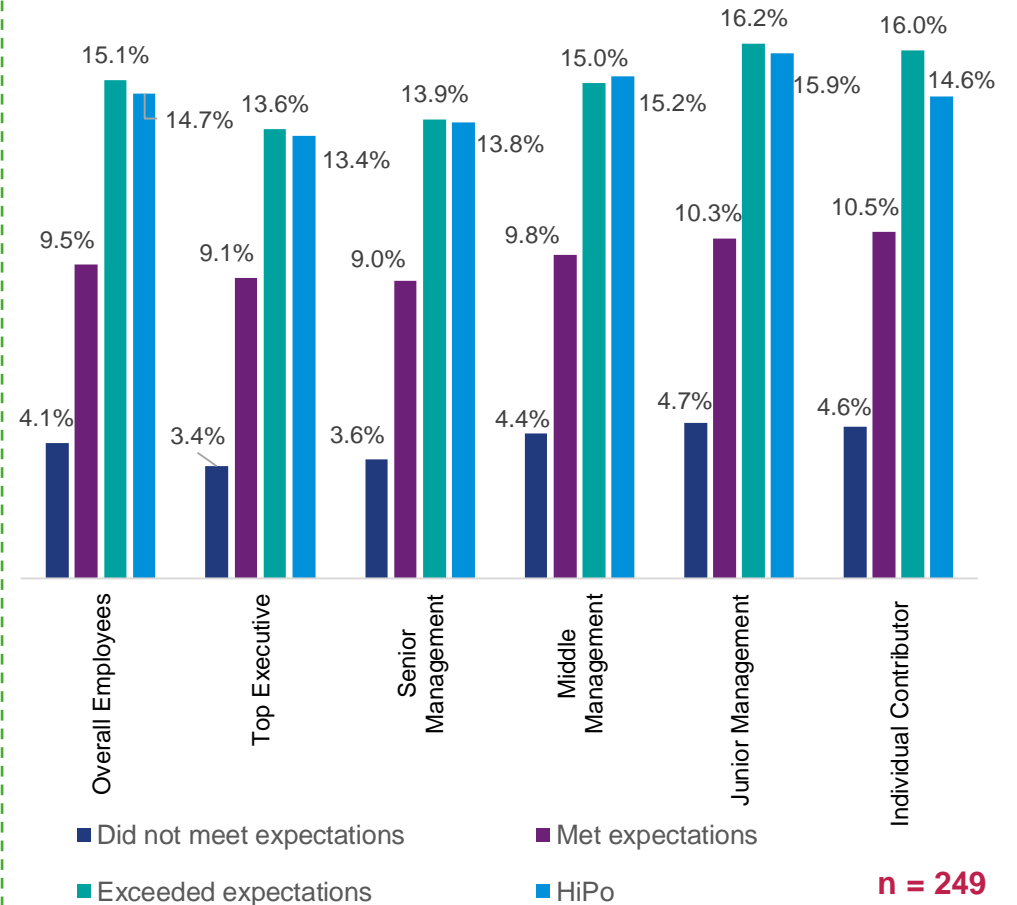
Frequency of performance review



Almost **77% (173 of 225)** respondents identify high potential (HiPo) employees and offer them an average hike of **14.7%**.

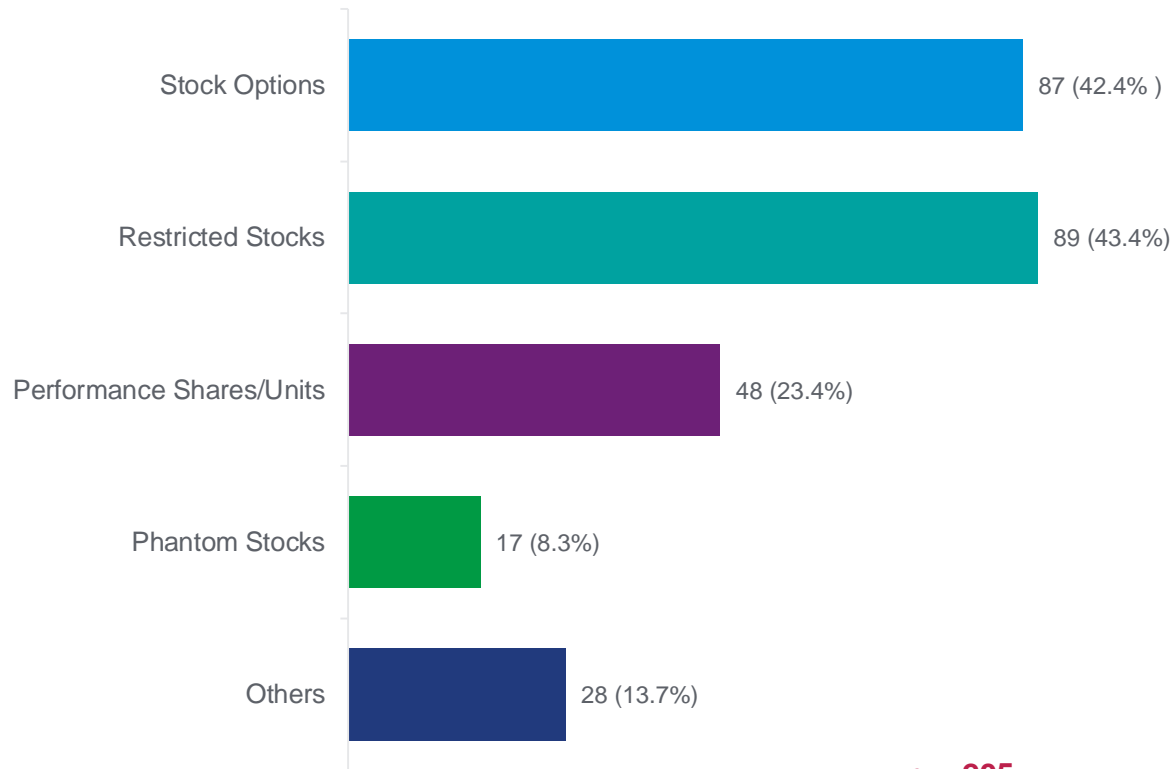
Only **12% (30 of 249)** respondents have reported giving an off-cycle salary hike.

Average Increment by performance rating



# Overview | Long term incentives (LTIs)

Percentage of organisations granting LTIs



n = 205

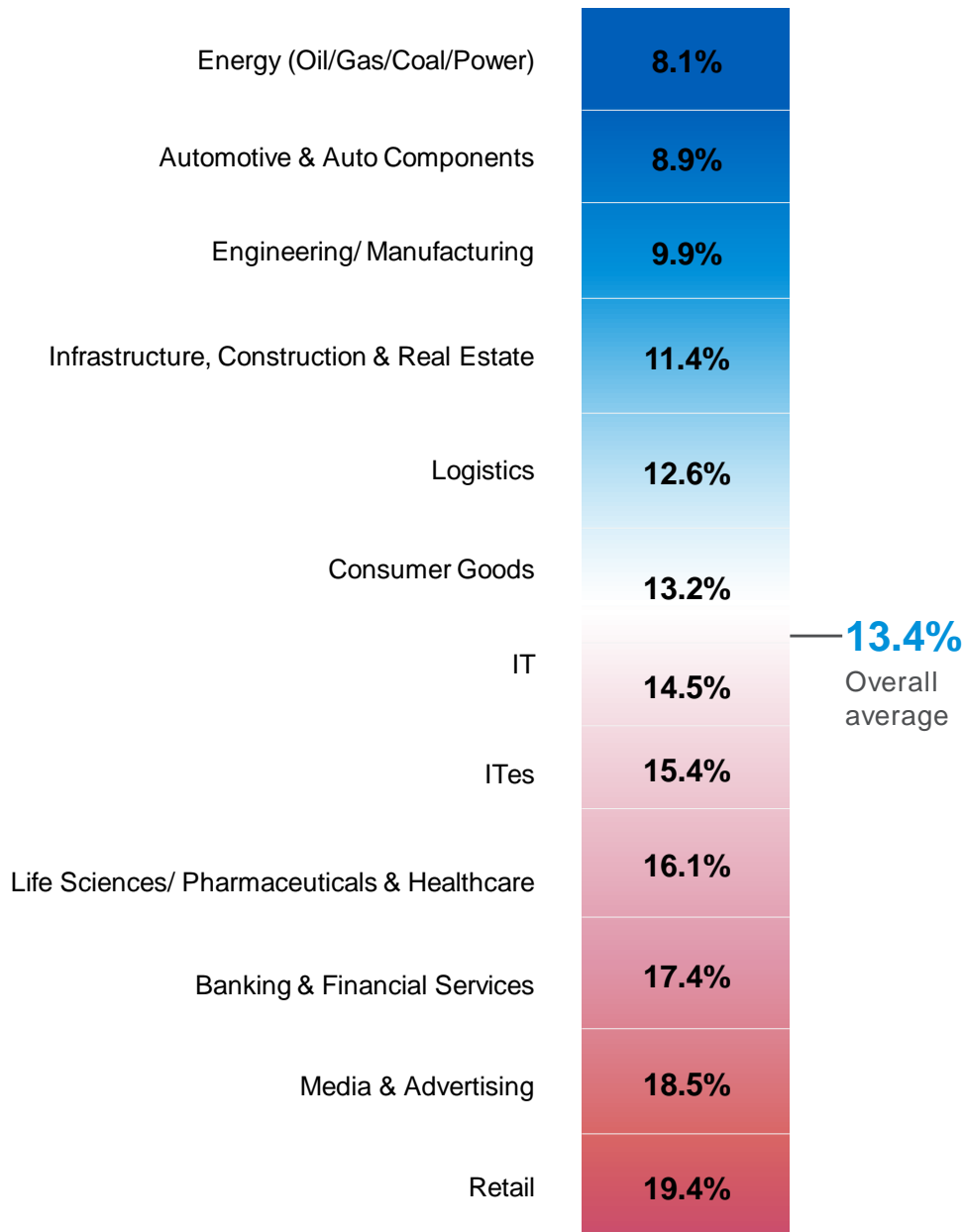
Out of 205 respondents who answered this question, 122 (59.5%) organisations give some form of Equity compensation to their employees.

Stock Options and Restricted Stocks are the most prevalent form of LTIPs used across sectors according to our respondents. Coverage under LTI Plans is prevalent more in Top Executive and Senior Management Levels across sectors



Percentages can sum up to more than 100 per cent due to multiple selections by a few organisations

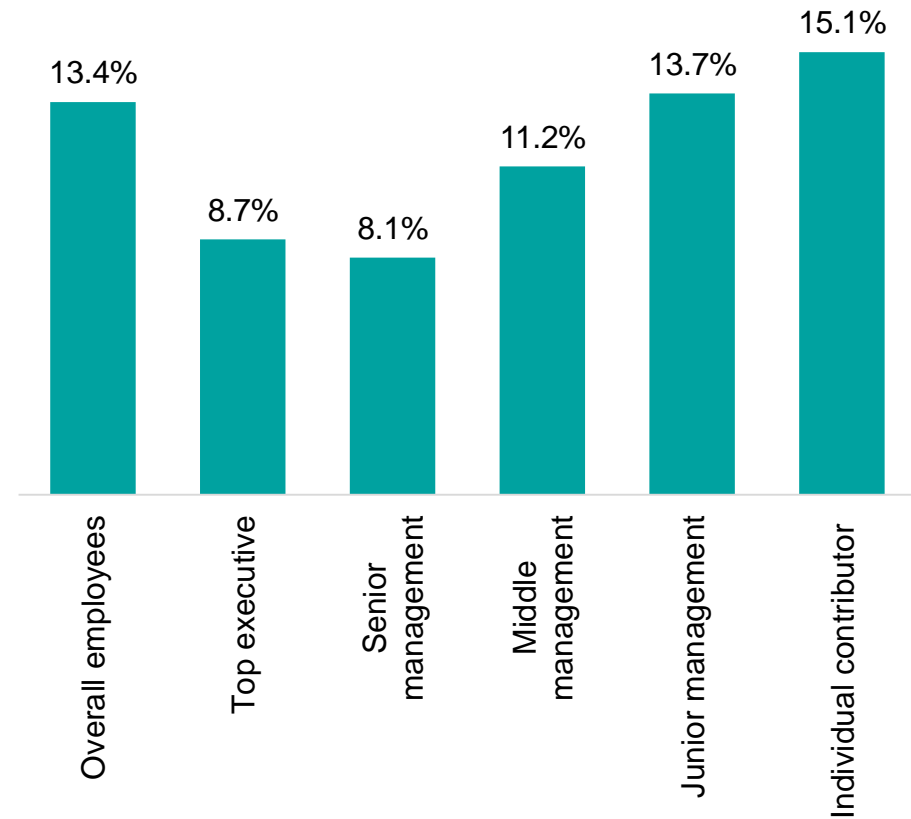
# Overview | Average voluntary attrition (2016-17)



The average annual voluntary attrition appears to have drastically gone down from 16.5 per cent to 13.4 per cent.

The highest attrition was reported by the retail sector, with e-commerce being on the higher side with an average voluntary annual attrition of 20.4 per cent.

**Average annual voluntary attrition by levels**



n = 256

# Overview | Insurance benefits



205 (81.3%)

Organisations provide life insurance benefits to employees

218 (86.5%)

Organisations provide accident insurance benefits to employees



250 (99.2%)

Organisations provide medical insurance benefits that cover employees, spouses and dependent children

140 (55.6%)

Organisations cover parents in addition to employees, spouses and children under their medical insurance plan

n = 252

Percentages can sum up to more than 100 per cent due to multiple selections by a few organisations

# Future HR trends(1/2)

## Re-inventing PMS



Organisations are largely re-thinking the way they look at performance management. They are experimenting with new approaches; however, an optimal new model hasn't yet emerged and many organisations are in the 'trial and error' phase.

Organisations are increasing employee satisfaction and reducing the threat stemming from the link between performance and pay by; giving more control to employees, creating more of a culture of feedback, having more regular conversations and setting clear expectations on the role of the manager and the employee.

**Criticality - 54.0%**  
**Readiness - 46.0%**

## Gamification

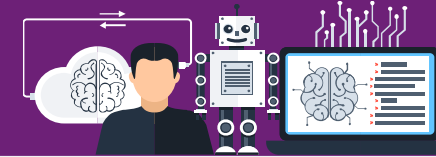


Companies integrate game mechanics in unique and compelling ways, all with the purpose of driving user engagement, increasing employee and customer satisfaction and retention. A well-structured gamification system utilises the cognitive drivers that people want to experience, creating novel ways of forming and extending relationships and encouraging long-term engagement and loyalty.

A few years ago, gamification in HR was only applied to a small number of isolated pilot companies, brave enough to test the waters. Now it is a widely recognised tool for various HR initiatives.

**Criticality - 24.0%**  
**Readiness - 21.5%**

## Robotics and cognitive automation



Robotics and cognitive automation promises to release bandwidth for higher value adding work, leading to reduced errors and cost reduction. Automation of business processes that are repetitive, rule-based, and voluminous is set to impact 'middle-income routine jobs', that are likely to be replaced by cognitive platforms and smart algorithms.

Cognitive technology is envisaged to enhance skills and expertise, unlocking the true value of human capital, despite projected scenarios of massive unemployment.

**Criticality - 37.0%**  
**Readiness - 30.0%**

Percentages indicate percentage of respondents indicating high criticality / readiness for each element.  
For example: 54.0 per cent of the respondents consider Re-inventing PMS as critical

n = 200



# Future HR trends(2/2)

## Digital HR



Digital is poised to disrupt HR and redefine the future of HR function. More and more organizations are looking to transform their HR services through the use of technology – enabled using new digital platforms, mobile applications and integrated HR systems.

More and more organisations are looking to evolve from the traditional HR operating model, developing strategy and vision for the HR target operating model to integrate digital solutions and achieve higher efficiency, effectiveness and increase the value add of the HR organisation.

**Criticality - 48.0%**  
**Readiness - 33.0%**

## Predictive people and talent analytics

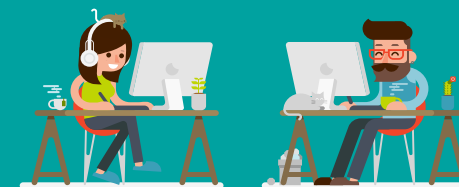


Organizations are extensively using analytics for data-driven decision-making – hiring and developing specialized analytics teams, deploying analytics offerings and solutions. Predictive analytics is an emerging trend in the field of analytics.

Predictive Analytics allows HR departments and practitioners to be more strategic in predicting talent for the future, identifying potential HR focus areas for driving growth and making the HR function more agile.

**Criticality - 41.5%**  
**Readiness - 27.0%**

## Gig economy



Gig economy has become a global trend characterised by temporary positions and on-demand contracts with independent workers. A large proportion of the workforce in the gig economy are independent contractors—they work for themselves.

This workforce brings a different set of values and a diverse approach to work. They possess a distinctive knowledge set that allows them to collaborate and manage their careers independently, rather than following a set career path. Organisations need to recognise these differences they bring in at work.

**Criticality - 24.5%**  
**Readiness - 20.0%**

Percentages indicate percentage of respondents indicating high criticality / readiness for each element.  
For example: 54.0 per cent of the respondents consider Re-inventing PMS as critical

**n = 200**

# KPMG in India's People and Change Advisory Services



# Our capabilities

We help clients implement progressive people strategies with an aim to achieve breakthrough business performance

 <h2>Organisation development</h2> <p>An approach to develop and re-develop organisations to achieve specific objectives</p>	 <h2>Workforce intelligence</h2> <p>A focus on strategic workforce planning, rewards and HR analytics</p>	 <h2>Talent management</h2> <p>A thorough approach to attract, develop and retain talent and capability to help deliver a competitive advantage</p>	 <h2>HR optimisation</h2> <p>A strategic transformation of HR functions through process, technology and operating model streamlining</p>	 <h2>Behavioural change management</h2> <p>A proactive structured approach to facilitate complex changes</p>
<h3>Our offerings</h3> <ul style="list-style-type: none"> <li>• Organisational vision, mission and values</li> <li>• Diagnostics for organisation's structure effectiveness and readiness for future</li> <li>• Organisation's structure benchmarks</li> <li>• Strategic organisation design</li> <li>• Role definitions</li> <li>• Critical workforce segmentation</li> <li>• Strategic workforce planning</li> <li>• Mergers and Acquisitions</li> </ul>	<h3>Our offerings</h3> <ul style="list-style-type: none"> <li>• Total rewards strategy</li> <li>• Compensation structuring</li> <li>• Compensation and benefits benchmarking</li> <li>• Job evaluation and grade structure design</li> <li>• Short and long-term incentive plan design</li> <li>• HR analytics and dashboards</li> <li>• Workforce analytics and modeling</li> </ul>	<h3>Our offerings</h3> <ul style="list-style-type: none"> <li>• Talent strategy</li> <li>• Performance management including KPIs</li> <li>• Competency modelling, talent assessments, HIPO identification</li> <li>• Leadership development, career paths and succession planning</li> <li>• L&amp;D solutions</li> <li>• Employee engagement and culture assessment</li> <li>• Employee value proposition</li> <li>• Talent analytics</li> </ul>	<h3>Our offerings</h3> <ul style="list-style-type: none"> <li>• HR audit and road map</li> <li>• HR vision, strategy and performance measures</li> <li>• Design HR service delivery model</li> <li>• Design HR process/maturity assessment and enhancement</li> <li>• HR technology an tools assessment/implementation</li> <li>• Design HR shared services and transition</li> <li>• HR capability building</li> <li>• HR due diligence</li> </ul>	<h3>Our offerings</h3> <ul style="list-style-type: none"> <li>• Business case and vision for change</li> <li>• Change risk analysis</li> <li>• Change strategy</li> <li>• Change leadership</li> <li>• Stakeholder management</li> <li>• Involvement strategies</li> <li>• Organisational integration</li> <li>• People transition and workforce effectiveness</li> <li>• Benefit realisation and sustainable performance</li> <li>• Communication and engagement</li> </ul>

# Our team

We are a trusted advisor in the Human Resources domain providing services to a multitude of multinational as well as Indian organisations operating in private, public, and government sectors. We focus on developing strategies, structures, systems, processes as well as building capabilities that can enable organisations to attract, develop, engage, retain and manage talent. We deploy leading methodologies to assist HR functions and business partners to align their strategies and enable organisations to focus on their people priorities while taking into account costs, capability, capacity, connection, and compliance-related considerations.

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- Mandar Ranade
- Sohan Tulpule
- Vivek Malekar

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