Trend Related To Compensation among Different Industries

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Abstract: The basic objective of this paper is to understand the key compensation and benefits trends across sectors in the Indian private market along with the fluctuations in the projected scenario and that of the actual environment. There is no less number of studies which explains the trends of the compensation policy that is been prevailing in different industries and at different levels of the management which is acting as a gap which can be bridged through this study as it fills the gap of unwavering prevailing among the minds of the employees and the students. This study suggests that for the purpose of retaining the existing employees of the companies and to attract outlying talented people, the managers are increasing the level of annual increment rate and the annual variable pay rate. The insurance policy that is been provided by the employer during the years is showing that the companies are now focusing on the retention of the existing employees and also these things will attract the new talents into the company. The study is been conducted for analyzing the trends in Indian industries, but the results, in overall, can be implemented in any part of world because of the level of universal attribute of the results. This study is completely based upon the secondary sources of data such as the reports, newspapers, journals, websites, magazines, etc. In totality, 35 sources of data are evaluated for cumulating and analysis of the data. The results of the study are useful for the managers because it will help them in understanding the predominant pay drifts that are trailed by their current industry and other enterprises. Also, the management students will get the direction to choose their respective industry to enter for better exposure and compensation.

Keywords: Compensation trends, IT sector, ITeS sector, Retail Sector, HR trends, Levels of Management.

JEL Classification: - J3, J5

Type: Conceptual Study

I. INTRODUCTION

India is a country that is much analyzed and observed one and is leading to stand on the tip of the economic sovereignty. India is a country of youths, as considered by UN, which is taking the pathway of the economy to the dreams of great leaders, which was to make India a country of youths, as considered by UN, which is taking the pathway of the economy to the dreams of great leaders, which was to make India a fundamental and definitive capital. A vital main impetus for the advancement and upper hand of each organization is the advancement and upper hand of each organization is the actual scenario and that of the actual environment. There are numeral of manufacturing and the service segments in the economy and various organizations in every class. Compensation information of any of the said segments’ companies when all is said are private in nature and restricted to the HR offices, which keeps any organization to embrace a nitty gritty view on the basic and incremental changes. This limits any person to comprehend compensation trends in any organizations that could be from anywhere from either manufacturing or service sectors [7]. So, with this perspective, the author made the objectives for this study to feature the compensation patterns winning in various industries of the market and furthermore the pay slant at various levels of the management is likewise been taken into the thought or the extent of the study. Also, this study includes the implications in light of the reason that no to fewer studies are there to feature such patterns for making awareness to the workers and the management students for their anticipating future.

II. GAP ANALYSIS

Many of companies have a thinking to keep the compensation policy of the company secret from their employees [8]and also, the diversified knowledge of the compensation prevailing in the industry is also not been shared with the employees. Such practices keep the
employees unaware of the compensation environment that is prevailing in the same industry and even in the same company within which that employee is operating. But, if the broader perspective is taken into the consideration by the managers, then, it will be clear to be understood by them that the awareness of compensation policy of the company for different levels of management will motivate the employees to work better for the company to reach at that level [9]. But, the managers follow the narrow perspective for because of the reason that the most of the employees underestimate to get aware of the compensation of different levels of the company(20:8). Also, there is no to less number of studies which explains the trends of the compensation policy that is been prevailing in different industries and at different levels of the management which is acting as a gap which can be bridged through this study as it fills the gap of unawareness prevailing among the minds of the employees and the students.

### III. OBJECTIVES

1) To understand the key compensation and benefits trends across sectors in the Indian market
2) To provide a reference perspective to the compensation trends
3) To provide the potential HR trends for future

### IV. RESEARCH METHODOLOGY

**A. Sample and Procedures**

The reports of KPMG and other institutions were taken to collect the industry compensation trend and also for the data related to the current trends of compensation attributes of any individual, such as, insurance, variable pay, etc. At the later stage it was looked through the lenses of different industries. The compensation attributed trend among different levels of management is studied under this study. In totality, the compensation details are analyzed of 3 financial years starting from 2016. This study is completely based upon the secondary sources of data such as the reports, newspapers, journals, websites, magazines, etc. In totality, 35 sources of data are evaluated for cumulating and analysis of the data.

**B. Measures**

Firstly, the prevailing scenarios of the compensation in different industries are mentioned and later, the projected estimates are mentioned. Further to it, the projected value of previous years is compared with the present situation of current year. This will check the authenticity of the projected estimates of the reports.

### V. PRACTICAL/SOCIAL IMPLICATIONS

The aftereffects of the study will be of the interest of the business managers as it will help them in understanding the predominant pay drifts that are trailed by their current industry and other enterprises. Additionally, the working employees can be benefited by this, as they will get the possibility of the common trends in various enterprises which will assist them with switching occupations inside the business or crosswise over ventures. It will likewise provide implications to the management students as it will assist them in identifying the relative industry they might want to enter in the wake of finishing their course from the college.

### VI. LITERATURE REVIEW

The compensation of different people in different organizations are different from one to one. According to one of the studies, the variances that all have reflected in the individual pay levels is been influenced by the years of education and the experience gained by the individual in the given field(s) [10]. Notwithstanding the significance of individual qualities, associations additionally give much exertion to connecting pay rates to employment (21; 30; 23; 5). After one records the relationship contrasts between employees and employment qualities, do the organizations vary in their compensation level and pay blend? According to one of the standard economic theories of competitive markets (human capital theory; compensating wage differentials theory, [11], such question will be responded with the answer "no". Businesses are viewed as value takers, implying that they should pay the "going rate" on the off chance that they are to be focused. In the event that they save money, they won't have the capacity to draw in an adequate number of qualified workers. On the off chance that they pay more, their greater expenses will drive them bankrupt. So, by these studies, it can be said that overall salary structures for the given management level somewhat remains equal in terms of pay-level. So, here is the need for the employees to switch the job for the job in industry that is paying comparatively better salary and which will justify the skills and competencies acquired by the companies in any industry. This can be understood better if one have the understanding of the trends prevailing in different industries and trends in different industries is been shown following:

#### A. Compensation trends in 2016-17

In the financial year 2016-17, 263 private companies among the 19 sectors were surveyed to know the exact trends that all are in flow in that financial year [12]. In that report, they also forecasted the prevailing factors in terms of the future perspective.

![Figure 1- Number of organizations from different industries participated in KPMG conducted in 2017. Adapted from People and Change](image-url)
The key findings that were found in that financial year was the average increment rate was 10.3% and also forecasted the rate of 9.7% for the next financial year, which shows that there will a decrease in the increment rate of 0.6% in the following year. The highest projected increment rate in the following year is 12.5% which belongs to the e-commerce sector, and the lowest number is 8.1% from the Logistics Sector. In the next year, the junior management has their chance to get better increment [12]. The variable pay that is considered as a percentage of total CTC (Cost to Company), was 15.0% in the FY 2016-17 on an average. The report forecasted the variable pay for the next financial year as 15.4%, which shows the growth in the percentage in the coming year. The highest projected variable pay in the following year is 20.7% which belongs to the Banking, Financial services and Insurance (BFSI) Industry or Sector, and the lowest number is 10.1% from the Energy Sector. Attrition can be characterized as the decrease in the quantity of workers through retirement, acquiescence or passing (10). According to the report of KPMG, the annual average rate of attrition in the selected industry is 13.7%. The highest attrition rate, i.e., 20.7%, is from e-commerce industry among all the surveyed 19 sectors or industries, and among the lowest is Energy & natural resources sector with only 8.1% in a year. As per the report, the said numbers of attrition rate are voluntary. This large number in the ITes sector shows that the employees that have left the organization must be having one of the following reasons [12]:

1. **Better pay**: According to the employee, they leave the company for better pay in other companies. Such employees accounts for 28.1% of the total.
2. **Better career opportunities**: According to the employee, they leave the company because they get better career opportunity from the other companies. Such employees accounts for 23.4% of the total.
3. **Personal Reason**: According to the employee, they leave the company because of their personal reasons such as marriage, health, children, etc. Such employees accounts for 19.6% of the total.

If the whole selected industries are analyzed on the basis of comparison of annual increment from present FY to the next following year, following scenario will be found:

![Graph showing actual and forecasted level-wise average increment percentage for 2016-17 and 2017-18. Adapted from People and Change Management Consulting report (p. 9) by KPMG, 2017](attachment:Figure3.png)

As given in the above graph, it clear to understand that it is showing a maximum decrease in the Banking and Financial Services sector from 9.6% to 8.6%. Along with this, it is projecting the minimum decrease in the Energy Sector from 9.3% to 9.1% [12]. Now, if the projections are analyzed from the perspective of the level of management in the company, it will be seen somewhat like the following graph:

![Graph showing actual and forecasted Percentage of Average Increments provided under different industries for 2016-17 and 2017-18. Adapted from People and Change Management Consulting report (p. 9) by KPMG, 2017](attachment:Figure2.png)

According to the report of KPMG, the junior management people will get the increment of 10.4% in the FY 2017-18. The maximum decrease in the annual increment rate is seen in the senior-management from 9.7% to 9.1% and the minimum decrease in the annual increment rate is seen in the middle management from 10.2% to 9.9% [12]. If the whole selected industries are analyzed on the basis of comparison of annual variable pay from present FY to the next following year, following scenario will be found:

![Graph showing actual and forecasted Percentage of Variable Pay provided under different industries for 2016-17 and 2017-18. Adapted from People and Change Management Consulting report (p. 10) by KPMG, 2017](attachment:Figure4.png)
It is projecting the least variable pay in the Energy Sector with 10.4%. It is also clear that Automotive and Auto Components Sector, Engineering/ Manufacturing Sector, Infrastructure, Construction & Real Estate sector and the retail sector are going to show their interest in the variable pay in order to retain and attract the talents in their organization [12]. Now, if the projections are analyzed from the perspective of the level of management in the company, it will be seen somewhat like the following graph:

![Graph showing variable pay percentage for different levels of management]

**Figure 5- Actual and Forecasted Level-wise Average Variable Pay percentage for 2016-17 and 2017-18. Adapted from People and Change Management Consulting report (p. 10) by KPMG, 2017**

It is very much clear to understand that at present the Top executive people gets the highest variable pay during the year, i.e., 22.8%. And according to the report of KPMG, the Top executive people will get the annual variable pay of 23.6% in the FY 2017-18. The maximum increase in the annual variable pay rate is seen in the Top executive level from 22.8% to 23.6% and the minimum increase in the annual variable pay rate is seen in the junior management from 11.2% to 11.3% [12].

**B. Compensation trends in 2017-18**

In the financial year 2017-18, 272 private companies among the 18 sectors were surveyed to know the exact trends that all are in flow in that financial year [13]. In that report, they also forecasted the prevailing factors in terms of the future perspective.

![Graph showing number of organizations from different industries]

**Figure 6- Number of organizations from different industries participated in the survey of KPMG conducted in 2018. Adapted from People and Change Management Consulting report (p. 5) by KPMG, 2018.**

The key findings that were found in that financial year were the average increment rate was 9.4% and also forecasted the rate of 9.6% for the next financial year, which shows that there will an increase in the increment rate of only 0.2% in the following year. The highest increment rate in the present financial year is 10.7% which belongs to the Professional services sector, and the lowest number is 8.3% from the Non-Profit Organization (NPO) Sector. In the next year, the individual contributors have their chance to get better increase [13].

The variable pay that is considered as a percentage of total CTC (Cost to Company), was 15.4% in the FY 2017-18 on an average. The report forecasted the variable pay for the next financial year as 15.7%, which shows the growth in the percentage in the coming year. The highest variable pay in the present financial year is 20.7% which belongs to the Banking, Financial services and Insurance (BFSI) Industry or Sector, and the lowest number is 10.6% from the NPO Sector [13]. Attrition can be characterized as the decrease in the quantum of workers through retirement, acquiescence or passing (10). According to the report of KPMG, the annual average rate of attrition in the selected industry is 13.1%. The highest attrition rate, i.e., 18.5%, is from retail industry among all the surveyed 19 sectors or industries, and among the lowest is Automobile sector with only 6.6% in a year. As per the report, the said numbers of attrition rate are voluntary. This large number in the Retail sector shows that the employees that have left the organization must be having one of the following reasons [13]:

1. **Better pay:** According to the employee, they leave the company for better pay in other companies. Such employees accounts for 31.0% of the total.
2. **Better career opportunities:** According to the employee, they leave the company because they get better career opportunity from the other companies. Such employees accounts for 25.2% of the total.
3. **Personal Reason:** According to the employee, they leave the company because of their personal reasons such as marriage, health, children, etc. Such employees accounts for 17.4% of the total.

If the whole selected industries are analyzed on the basis of comparison of annual increment from present FY to the next following year, following scenario will be found:

![Graph showing average increments percentage]

**Figure 7- Actual and forecasted Percentage of Average Increments provided under different industries for 2017-18 and 2018-19. Adapted from People and Change**
Management Consulting report (p. 9) by KPMG, 2018.

It is projecting the minimum increase in the Auto components sector, Banking sector, Insurance sector, Consumer sector, Engineering and Manufacturing sector, IT sector, and the ITeS sector with the percentage change of only 0.1% from the present year number. The graph is also showing the negative projections in the Automotive sector, Infrastructure and Real estate sector, Life Sciences/Pharmaceuticals & Healthcare sector and the Telecom sector. The maximum increase shown in the graph shows that there is a chance to have an increase in the level of profit, in response of which the said industries will give an increment to their employees [14]. Now, if the projections are analyzed from the perspective of the level of management in the company, it will be seen somewhat like the following graph:

Figure 9: Actual and forecasted Percentage of Variable Pay provided under different industries for 2017-18 and 2018-19. Adapted from People and Change Management Consulting report (p. 10) by KPMG, 2018.

As given in the above graph, it clearly understands that it is projecting a highest variable pay in the Financial Services sector with 20.7%. Along with this, it is projecting the least variable pay in the Energy Sector with 10.6%. It is also clear that Insurance sector, Auto components sector, Consumer goods sector, ITeS sector, and Retail sector are going to show their interest in the variable pay in order to retain and attract the talents in their organization (15; 34). Now, following represents the projections of the perspective of the level of management:

Figure 10: Actual and Forecasted Level-wise Average Variable Pay percentage for 2017-18 and 2018-19. Adapted from People and Change Management Consulting report (p. 10) by KPMG, 2018.

Variable pay is the proportion of salary that the person gets for better performance in the organization. From the above graph, it is very much clear to understand that at present the Top executive people get the highest variable pay during the year, i.e., 21.3%. And according to the report of KPMG, the Top executive people will get the annual variable pay of 22.1% in the FY 2018-19. The maximum increase in the annual variable pay rate is seen in the Top executive level from 21.3% to 22.1% and the minimum increase in the annual variable pay rate is seen in the Junior management and the individual contributors from 11.2% to 11.4% and from 10.3% to 10.5%. The maximum change is 0.8% and the minimum change is 0.2%. From this, it can be analyzed that the lower level managers or workers get lower proportion of variable pay. By this, following statement can be made [15]:

“The proportion of variable pay is directly related to the level of management.”

VII. ANALYSIS OF THE FINDINGS

The report of KPMG that was made in 2017 which was for showing the present financial year, i.e., 2016-17, scenario of compensation practices of different companies of different sectors and also these reports represented the future financial year, i.e., 2017-18, projections. The key findings for the then financial year, i.e., 2016-17, were that:

1. Annual Increment Rate: 10.3%
2. Annual Variable Pay Rate: 15.0% of the total salary
3. Attrition Rate: 13.4%
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For the same key factors, they projected some numbers for the coming financial year, i.e., 2017-18, that all are follows:

1. Annual Increment Rate: 9.7%
2. Annual Variable Pay Rate: 15.4% of the total salary
   
   But in the report of KPMG for the financial year 2017-18 showed the following:
   1. Annual Increment Rate: 9.4%
   2. Annual Variable Pay Rate: 15.4% of the total salary
   3. Attrition Rate: 13.1%

As it is quite visible to understand that the annual variable pay rate that was projected by the KPMG report in 2016 for the financial year 2017-18 was the same as was actually present in that financial year. But in case of annual increment rate, the projections of the KPMG report of 2016 for the financial year 2017-18 proved as wrong. In previous report, they projected the annual increment rate of 9.7% for the financial year 2017-18, but in the next report they showed that 9.4% was the actual average annual increment rate. This means that whatever assumptions that the KPMG institution made while making the projections of average annual increment rate for the financial year 2017-18 was somewhat overestimated at the timing of making this report.

One of the possible reason can be that, the individual projections of any of the industries went wrong at that time. The report of KPMG for the financial year 2017-18 also forecasted the situations of the same factors shown before as:

1. Annual Increment Rate: 9.6%
2. Annual Variable Pay Rate: 15.7% of the total salary

   Again, for the next financial year, i.e., 2018-19, they have given the projections which are showing an increase in the percentage growth of the compensation package of the individuals working in their respective industries.

   Now, if the projections of the report of KPMG for the year 2016-17 was analyzed on the basis of the compensation package given to different managers working at different levels of management, following scenario will be visible:

   In case of Average Annual Increment Rate:
   1. Top Executive: 9.0%
   2. Senior Management: 9.1%
   3. Middle Management: 9.9%
   4. Junior Management: 10.4%
   5. Individual Contributors: 10.3%

   But, actually in the next report for the financial year 2017-18, they showed the following numbers for the same level of managements:
   1. Top Executive: 9.0%
   2. Senior Management: 9.1%
   3. Middle Management: 9.3%
   4. Junior Management: 9.9%
   5. Individual Contributors: 10.4%

   Here, there it is shown that the individual contributors were very much fortunate for the given financial year as they have been given the higher increment over and above to the assumed or projected increment rate. And also, in case of middle management and the junior management there is some variance in the both data. But opposite to the Individual contributors, they have been given less annual increment. In case of middle management, the projected number was 9.9% and the actual number came as 9.3%. The annual increment rate given in the financial year 2017-18 is far less than the previous financial year, i.e., 2016-17. The annual increment rate for the middle management in 2016-17 was 10.2%, whereas, the rate for the middle management in 2017-18 was 9.3%, which is showing the difference of 0.9%.

   In case of Junior management, the projected number was 10.4% and the actual number came as 9.9%. The annual increment rate given in the financial year 2017-18 is far less than the previous financial year, i.e., 2016-17. The annual increment rate for the middle management in 2016-17 was 10.8%, whereas, the rate for the middle management in 2017-18 was 9.9%, which is showing the difference of 0.9%. One of the possible reason can be that, the individual projections of any of the industries went wrong at that time. In case of Average Annual Variable Pay Rate:

   1. Top Executive: 23.6%
   2. Senior Management: 20.7%
   3. Middle Management: 15.5%
   4. Junior Management: 11.3%
   5. Individual Contributors: 10.8%

   By comparing the both the above given numbers, it will be clear to understand that every level management have got less variable pay as they projected a year ago. In case of top management, the projection was as 23.6% but actually they got 21.3% in the financial year 2017-18. In case of senior management people, the projection was 20.7% but actually they got 19.0% in the financial year 2017-18. In case of middle management people, the projection was 15.5% but actually they got 15.2% in the financial year 2017-18. In case of junior management people, the projection was 11.3% but actually they got 11.2% in the financial year 2017-18. In case of individual contributors, the projection was 10.8% but actually they got 10.3% in the financial year 2017-18. In this case, the maximum difference is shown in the annual variable pay rate of the top executives as there is a difference of 2.3% from one year to the next. One of the possible reason can be that, the individual projections of any of the industries went wrong at that time.

VIII. FUTURE HR TRENDS

1. Gamification: Gamification can be said as the technology, also strategy with a definite method [16], it is that tool of HR which uses the immense features of games in order to achieve the pre-determined objectives in the context of professional matter [17]. Its principle objective is to manage the level of commitment of the employees by the medium of useful games such as personalized feedback, scorecards, etc. [18]. 91% of the total respondents considers the gamification as critical and 15.2% of the total respondents believes that they are ready to implement the gamification techniques in their company.
2. **Robotic and Cognitive Automation:** This technology of HR is used to help tasks like running, formatting, and data management and validation; and distributing reports and spreadsheet-based tasks and replacing manual [19] 40.4% of the total respondents considers this technology as critical and 34.8% of the total respondents believe that they are ready to implement this in their company.

3. **Digital HR:** This trend in HR helps to bring together SMAC (social, mobile, analytics, and cloud) technologies, which embodies an innovative platform for enlightening the employee and the candidate’s experience [20]. 48.9% of the total respondents considers this technology as critical and 38.8% of the total respondents believes that they are ready to implement this in their company.

4. **Predictive Talent Analytics:** This technology helps in envisaging the performance of their employees, their attrition and the cost of using Big-Data analysis, so, by this it can be said that it will be proved as the future of talent hunting [21]. As per the words of TimesJobs.Com COO Vivek Madhukar “The ability to move from gut-based judgements to data-driven decision-making is what makes PTA the future of HR in India,” [21]. 45.5% of the total respondents considers this technology as critical and 33.1% of the total respondents believes that they are ready to implement this in their company.

5. **Re-inventing PMS:** By re-inventing the PMS of the organization, they will be facilitated by having regular discussions on the skills and the capabilities of the employees and also this will enable them to focus more on the concerned areas of work and this will help the employees to get the highest learning from the given work [22]. 57.3% of the total respondents considers this technology as critical and 51.1% of the total respondents believes that they are ready to implement this in their company.

IX. **CONCLUSION**

Compensation Survey plans to comprehend an extensive variety of present in different organizations crosswise over India and furnish them with a reference point on key areas of HR, for example, variable pay, increments, annual attrition rate and retention strategy, and probable imminent trends of HR. While doing this study, various actual condition of the various reference aspects of the HR are reviewed on the basis of the data that all were presented by the assigned companies such as Deloitte or KPMG Consulting group of HR. After analyzing each and every data particles particularly, it was found by the author that for the purpose of retaining the existing employees of the companies and also to attract outlying talented people, they are increasing the level of annual increment rate and the annual variable pay rate, which shows that they are more concerned towards the retention and attracting of the existing employees and the new talents into the organization. This all said scenario is visible by the presentation of data of attrition rate is decreasing from the present year to the next coming. This strategy of the company for reducing the attrition rate can be assumed form the data that all are provided by the company itself to the surveying company, i.e., in this case is Deloitte and KPMG. This is also evident that in the financial year 2015-16, the companies that were providing the insurance to the employees along with their family including their parents was 37.9%. But as the motion goes to the next year, it is also shown that the 55.6% of the total companies were offering the insurance policy to the employees along with their family including their respective parents. And, in the financial year 2017-18, it was shown that 56.9% of the total companies are now offering the insurance policy to their employees along with their family including their respective parents. This is all showing that the companies are now focusing on the retention of the existing employees and also these things will attract the new talents into the company so that company can have better talents in their company in order to take the company to the heights of new levels.

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