



Human Resource Insights



Vineet Agarwal

President, ASSOCHAM &

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FOREWORD

Deepak Sood

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ASSOCHAM



The past year has brought about a tectonic shift in the way we hire and reward talent. The year has been marked with rising economic pressures and a struggle to keep afloat for most, while a few business segments did manage to flourish despite the circumstances. We are am happy to share this exclusive ASSOCHAM and AON report "Human Resource Insights", based on the recent flagship studies around Talent Transformation, Salary Increase Survey, and Executive Compensation.

The report carries some valuable insights around the future of jobs, new career paths, learning culture, and the evolution of leadership roles amidst the changing times. Additionally, it encompasses the results of the largest and longest-running Salary Increase Survey, which reveal sector-wise trends on increments and how organisations are transforming internal structures given the emergence of the remote working model.

The insights from survey covering more than 2,000 participating organizations will help stakeholders better understand trends around how organizations are remodelling their hiring processes, assessments, making use of AI and ML. Digital transformation has been at the helm of all planning, forecasting, and implementation strategies. This detailed report also covers the compensation strategy of organizations from across sectors and industries, along with an overview of global trends.

The insights included here reveal how organizations have been struggling and at times triumphed on their hiring processes and rewards strategy. It analyses companies' efforts to retain their top talent by linking pay to performance or re-designing long-term and short-term incentive Strategies. We hope this report acts as a valuable summary book for all readers, helping them with its case studies and examples on the subject to better strategize and plan for hiring talent and reward performance in future.

We wish the very best for team AON and ASSOCHAM for the success of Work Vision-2021 and trust this report meets the expectations of all stakeholders. We are confident that corporate leaders will find this insightful report valuable in carving out the rewards and talent strategy, taking a cue from the Global trends and India detailed Industry-wise highlights.

FOREWORD

Manoj Sharma

Chairman, WorkVision 2021

Co-Chairman, ASSOCHAM National Council of Industrial Relations,
Policies and Reforms & Senior Vice President & Head HR,
Adani Electricity Mumbai Ltd.



Organisations must adapt to the changing circumstances, and they must do so at a velocity and in ways never anticipated before. Entities that are unable to evolve with changing times struggle to maintain their legitimacy or access the requisite resources, often resulting in ceasing to exist or being absorbed by other organisations.

The unprecedented last year has been marked with tremendous shifts, as businesses across the globe were forced to adapt quickly to a much more dynamic environment. This transition is expected to continue over the remainder of 2021, requiring further reviews and revisits, especially to the HR change requirements.

I am delighted to acknowledge the ASSOCHAM-AON report, which encompasses summaries of the insights from three recently conducted human resource centric studies. This report covers all aspects around talent and rewards, from assessments to compensation and retention of talent.

I am confident that all stakeholders will find this report worth deep diving into, learning about benchmark strategies on all aspects against some of the large companies who have just not only survived the pandemic-induced downturn but are striving for excellence through such unprecedented times.

FOREWORD

Nitin Sethi
CEO – India & South Asia
Human Capital Solutions, Aon



No one could have predicted the extraordinarily challenging and remarkable year 2020 has become. Broadly speaking, Aon started this year with an optimistic mindset: trade wars were going to ease, global unemployment was low, and the macro-economic outlook was positive. Before COVID-19, the term 'future of work' was nebulous, intangible, hard to measure, rife with buzzwords and yet void of an end date. Many firms did not see future of work as a problem they needed to solve. However, the distress triggered by the pandemic caused the biggest catalyst to workforce change in the shortest amount of time in recent history. Around the world, organizations were forced to adapt to a future of virtual working more quickly than they could have imagined. As a leader of colleagues who focus on helping our clients make better decisions for their workforce, I had a front row seat to the fear, pain and pressure firms have been under. Of course, our first focus was on ensuring the health and safety of our colleagues and their loved ones. At the same time, we had to adjust to new working conditions and maintain productivity as best we could. I am proud of how our colleagues were resilient in the face of uncertainty and acted quickly to serve our clients' most immediate needs — from hosting frequent webinars for clients to conducting complimentary COVID-19 pulse surveys.

Recognizing progress has been too slow, we are heartened to see many companies considering improving diversity, equity and inclusion in their own organizations — and taking swift action to implement these plans. Through these efforts, we see companies acting on behalf of stakeholders, employees, investors, communities and suppliers. The days of shareholder primacy — the belief that a corporation's purpose, above all else, is to maximize profits for shareholders — are gone.

Against this landscape, this compilation documents three major surveys and provide insights on the salary trends being followed in 2021, the virtual ecosystem organizations are working in, the hot skills in the market, code of wages , trends in executive compensation and how the future of jobs and talent will look like post the pandemic and which areas are companies focusing on to grow and transform their workforce. Building a resilient and agile workforce is the future of work. And it is no longer nebulous, intangible and hard to measure. However, that does not mean it is easy to navigate and make informed decisions at breakneck speed. If 2020 has taught us one thing, it is that none of us know what new challenges the future will bring. What we can do is prepare our organizations to be resilient and agile – today – to respond nimbly to future crises from a position of strength.

It was a great pleasure to have served as knowledge partner to ASSOCHAM in the drafting of this Human Resources Insights Report. I most humbly thank all industry and institutional experts associated with the report for their contribution.



Aon's Research & Insights

Aon
Empower Results®

Content

I	Shaping Future Careers: Talent Transformation Study 2020 Asia Pacific and Middle East	3
•	Introduction	5
•	Designing Future Jobs	7
•	Uncovering new Career Paths	13
•	Guiding Talent for Success	18
○	Leadership Readiness	19
○	Learning Culture	22
•	Preparing to Succeed	24
II	Aon's India Salary Increase Survey 2020-21	28
•	Executive Summary	32
•	Salary Increase Trends	34
•	Performance and Pay Trends	43
•	Talent Management Insights	47
•	Mega Employers Practices	56
•	Code of Wages Implications	58
III	Aon 2021 Executive Compensation Survey Results	61
•	Executive Compensation Overall	67
•	Incentives: Short Term & Long Term	75
•	Pay Policies & Governance	82
•	Outlook for 2021 & Beyond!	84



Shaping Future Careers

Talent Transformation Study 2020

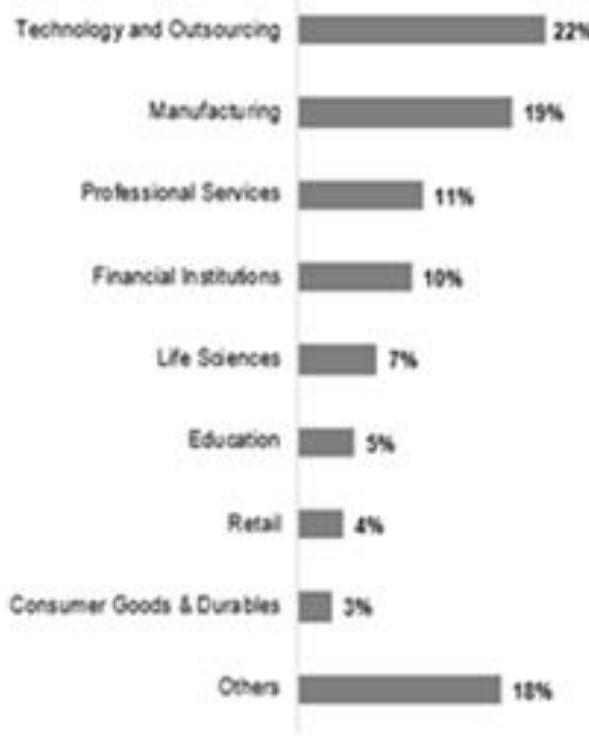
Asia Pacific and Middle East

Demographic Data

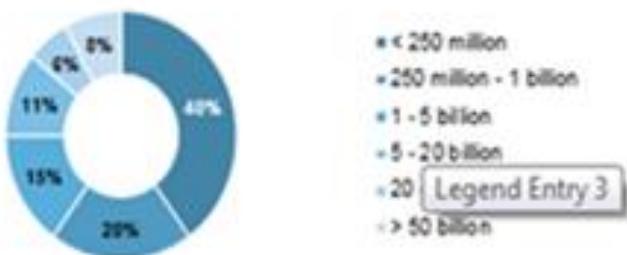
Respondents by region



Respondents by Industry



Respondents by Company Revenue 2019 (USD)



Source: Aon, survey of 663 organizations across Asia, Pacific and the Middle East, 2020

Introduction

“Customer Centricity is the purpose of Digital Transformation”

Aon's Talent Transformation 2020 Study surveyed 663 organizations across Asia, Pacific and the Middle East. Almost seven in ten organizations identified Customer Experience as the primary reason for organization's digital transformation journey.

Reasons for Digital Transformation and Focus Areas



Source: Aon

Somewhere along the transformation journey, organizations shift focus to internal factors such as effective processes and automation. Surprisingly, defining new culture norms was critical to only 15% of the participating organizations.

CEOs and CHROs not prepared

No wonder, research¹ today indicates that over 70% of organizations fail on the path to digital transformation. Augmenting technology investment helps organization get started and is the easy part; driving customer centricity through cross-functional disruptions has proved more difficult. Our research indicates that barely 1 in 4 CEOs and 1 in 5 CHROs feel fully prepared to drive transformation.

The need of the hour is to focus on inculcating a digital mindset, with a clear culture-anchored change agenda. With disruption in jobs, organizations need to reconfigure how they manage careers.

Priorities for talent transformation

We recommend three priority areas for successful talent transformation:

1. Shape job architectures to enable agile career paths
2. Assess behaviors to prepare talent for a digital mindset
3. Guide talent for success in current and future roles

Digital priorities are accentuated in a post-COVID era, and we are here to support you on your transformation journey.



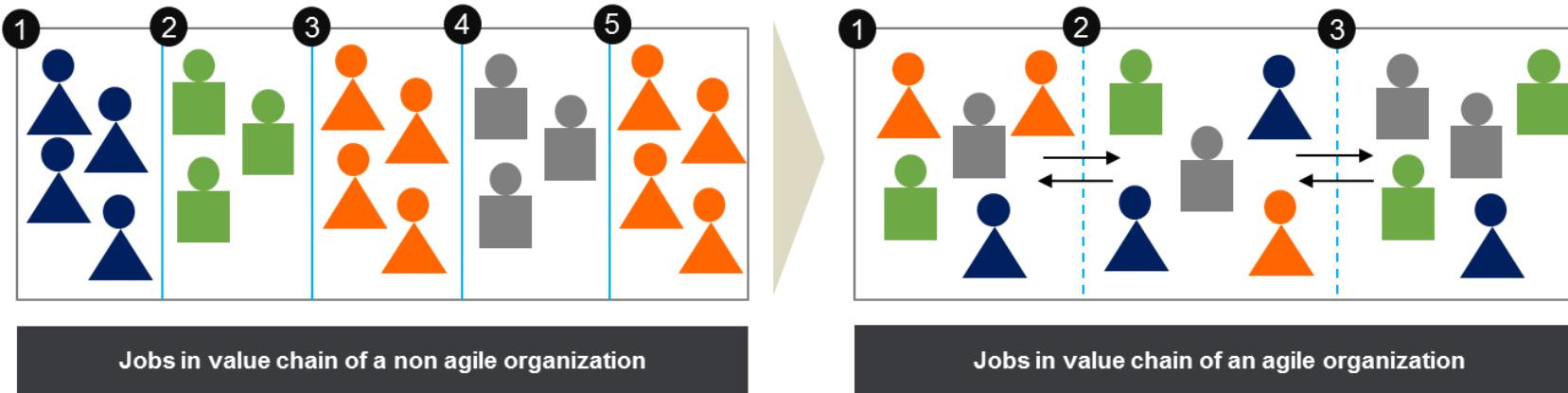
Tarandeep Singh
Practice Leader
Assessment Solutions | Aon
APAC and Middle East

¹ 1: <https://www.mckinsey.com/business-functions/organization/our-insights/the-people-power-of-transformations>

Designing Future Jobs

"As basic automation and machine learning move toward becoming commodities, uniquely human skills will become more valuable." Devin Fidler, Research Director, Institute for the Future

The Changing Nature of Jobs



Source: Aon

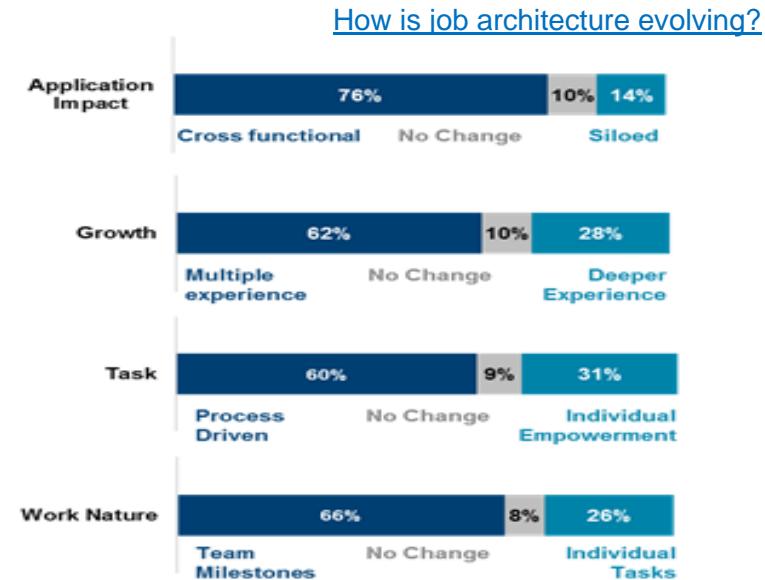
From business architecture to agile methods, organizations constantly try different approaches to move the organization forward and closer to their customers. With digitalization and rapid automation, we observe this shift and rise of design-level thinking across all jobs. Value chains have changed from traditional assembly-line team set-ups to multi-faceted broader teams that can work, experiment and learn fast.

Inculcating customer perspective widely across the organization shifts its focus from inside-out to outside-in, thus building an understanding of customers' experience through all interactions with the organization. This yields rich dividends to employees, customers and shareholders.

There are two clear shifts in job architecture.

Firstly, there is a shift towards cross functional application in contrast to siloed application.

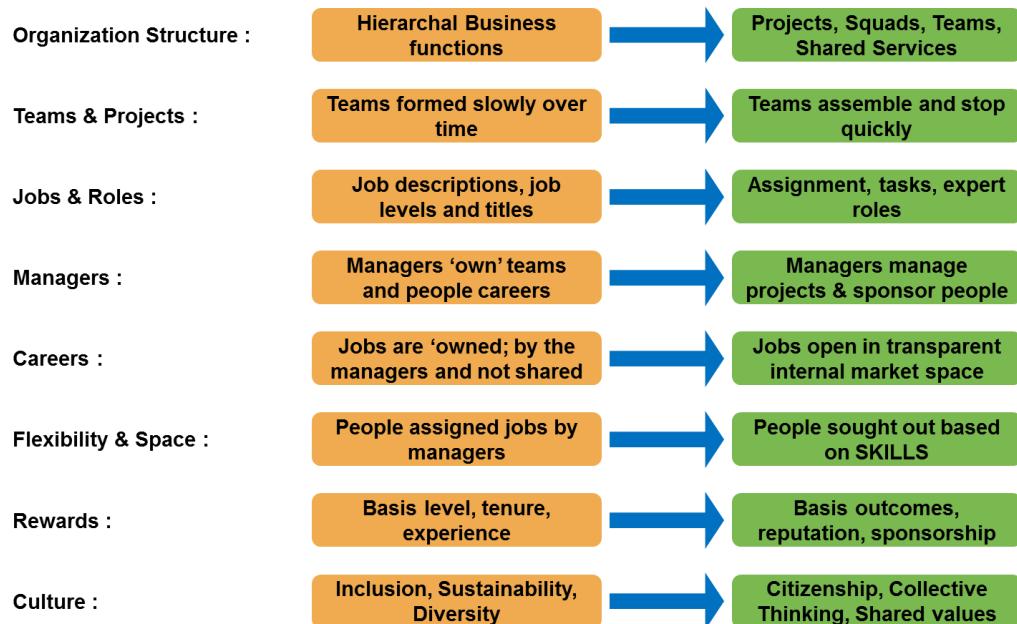
Second, career growth happens through multiple experiences in neighborhood jobs as against deeper experience in the same job family. At Aon, we see a clear shift from “Deep Specialist to “Generalized Specialists” or the emergence of “Craftsmen”.



Source: Aon

As job architectures evolve around Craftsmen, there is downstream impact on team structures and processes. Structures become project-based, teams assemble & disassemble quickly, and jobs linked to projects and assignments. Managers will need to relook their role as owners of careers, to orchestrators for finding the next gig as per the ever-changing demands of the open marketplace. Increased linkage of rewards to outcomes will drive short-term behavior changes, while a shift in culture will sustain the agile workplace.

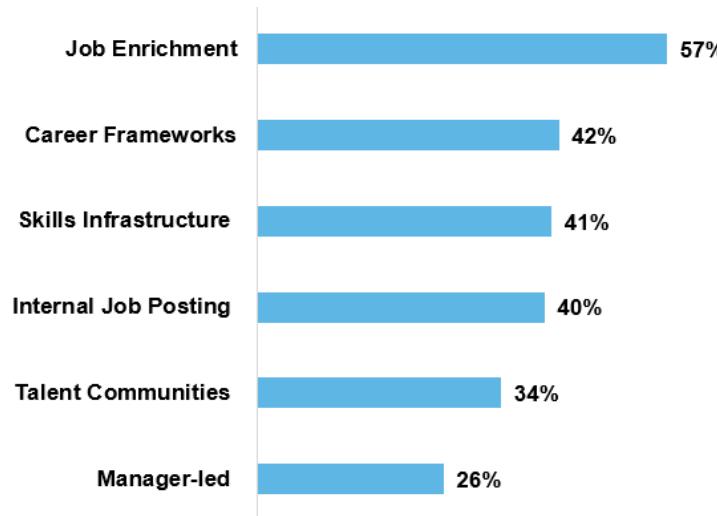
A New HR Configuration



Source: Aon

Our research explored how organizations are currently connecting talent future jobs. As the HR configuration changes quickly in an agile workplace, job enrichment continues to be the most frequently used method to connect talent with their future jobs. Although career frameworks are widely used, organizations will have to significantly evolve their philosophy with open market-careers.

How do you connect talent with the jobs of the future?



Source: Aon

Organizations will also have to cultivate talent communities internally and externally anchored around hot skills. These communities are drivers for knowledge exchange, as well as finding the next role in an increasingly fluid workplace.

As managers are critical success factors in career transitions, getting them onboard will increase effectiveness.

BOX: Future Jobs

Curators² in Retail: Personal shoppers were earlier restricted to high-value customers, but technology and analytics gives retail the opportunity for insight into all customers. Curators have their customers' pulse, understand their needs and deliver the right products online and offline for them to buy.

Philosophers³ in Banking: Banks are also hiring historians, anthropologists, design psychologists, engineers and lesser-known professionals like ethnographers -- those who study the science behind cultures. The expansion of skill sets is one way to make them 'understand' the softer side of banking.

² <https://www.forbes.com/sites/forbescommunicationscouncil/2017/07/27/five-jobs-that-will-transform-the-future-of-retail/#741baab30572>

³ <https://bfsi.economictimes.indiatimes.com/news/editors-view/know-who-an-ethnographer-is-banks-are-hiring-them-along-with-philosophers/76972137>

Product owners function as the CEOs of their digital products. They steer and track the development of their products and services, making decisions that help the fruits of their work create business value. They also orchestrate a team of diverse specialists, which assemble and dissemble as per workstreams.

Full-stack architects are generally experienced developers knowledgeable about different stacks—or structures—of large software systems. Full-stack architects can link the technical vision to business goals and build solutions that are technically sound and generate business value.

Rise of Chief Listening Officer: Someone whose job is to analyze communication about the organization both externally and internally. Internally they listen to the needs of the employees and stakeholders. Externally, they investigate how customers are responding to their brand.

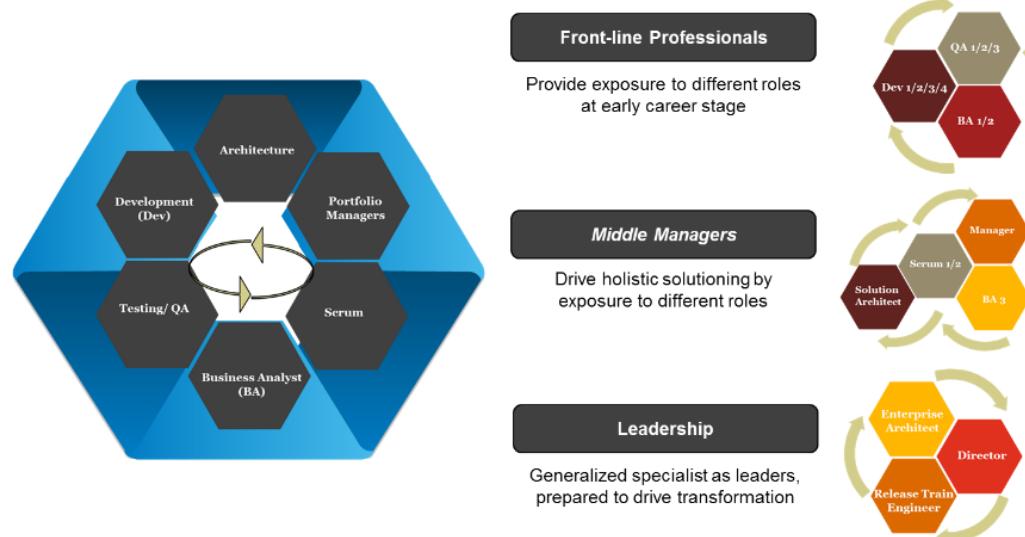
Case Study: New Job Architectures and Career Philosophy for Leading Global Software and Analytics Provider

A leading global software and analytics provider was dissatisfied with its existing talent pipeline. Its career path of business analysts, development engineers and quality assurance was creating deep specialists. However, when such talent entered the mid-level and senior-level roles, they were unable to drive strategic impact.

Through job analysis with a group of high performers, Aon identified the meta-competencies which differentiated the existing paths and contrasted them with those needed for emerging roles. We then redesigned the talent management approach to drive a shift in 5 paradigms:

- Performance review to potential assessment
- Grade promotion to role progression
- Technical focus to agile mindset
- Depth of experiences to cross-functional stints
- Organization ownership to employee ownership

With cross-function movements embedded from an early career stage, the organization is seeing increased readiness and availability of internal talent for roles such as solution architects, full-stack developers and portfolio managers.



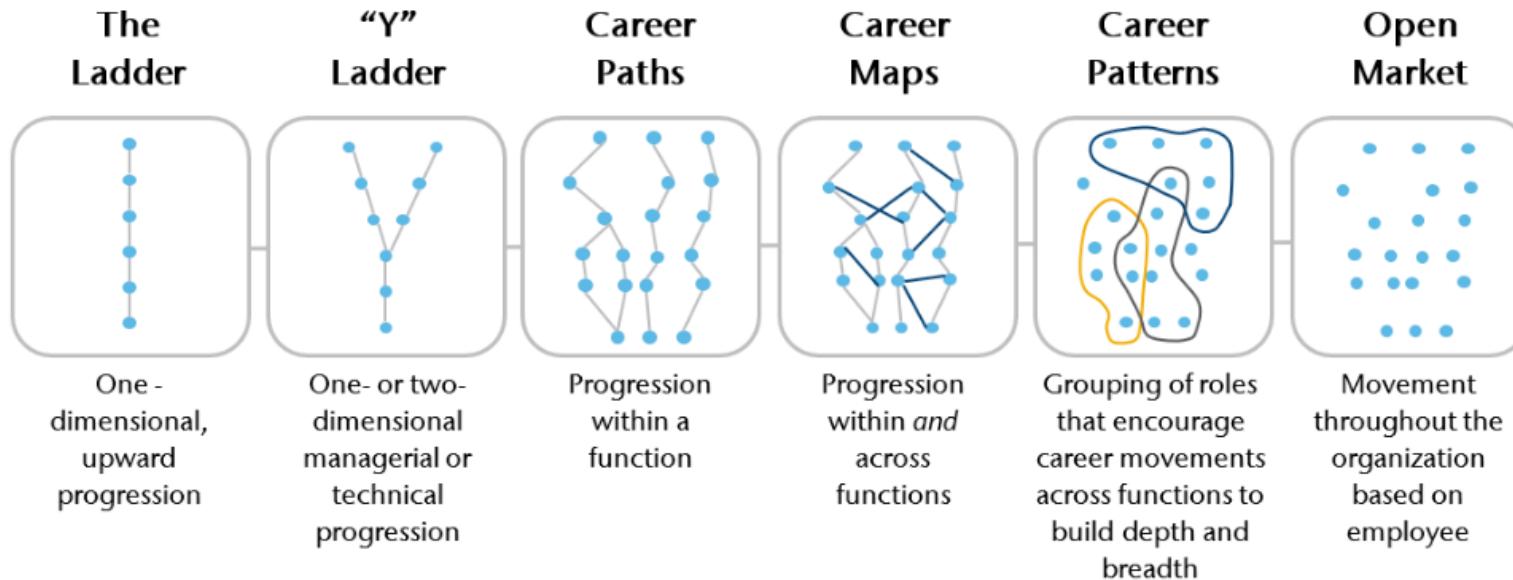
Source: Aon

Uncovering new Career Paths

"In today's era of volatility, there is no other way but to re-invent. The only sustainable advantage you can have over others is agility, that's it. Because nothing else is sustainable, everything else you create, somebody else will replicate." Jeff Bezos, CEO and President, Amazon

The rise of generalized specialists and the continuous disruption of roles makes our current approach to careers obsolete. Gone are the days of ladders and trails where organizations offered clear trails of vertical or lateral movement. The career development of the future looks more like rock-climbing.

Career Configurations



Source: Aon

HR leaders will have to grapple with challenges of hiring, engagement, performance and development in this new paradigm. As an example, customer centric or product centric organizations may require flatter, cohort-based structures. Accompanied by reducing numbers of levels and titles; wider pay bands can help to completely transform employee experience.

By shifting HR focus from control and structure to entrepreneurial ways of working, companies can promote a flexible, problem solving and team-oriented culture. In this open market, it's critical for organizations to take employee-centric career decisions. While half-life of skills decreasing rapidly, current performance and even potential, may not be a holistic consideration for career transition. The digital future will require a new set of skills, behaviors and ways of working.

Three critical factors for career paths of the future

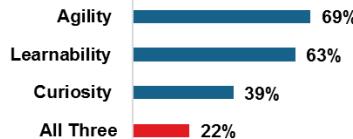
Aon's research into digital jobs has identified three critical aspects.

1. **Learnability.** It is important to continuously seek opportunities for self-improvement
2. **Agility.** It is important to be flexible in changing situations
3. **Curiosity.** Enables openness to change and novelty.

While organizations appreciate the relevance of these factors, a fraction of organizations measure all of them together.

Which of the following traits do you currently assess for as part of digital readiness?

Asia Pacific and the Middle East
(n=663)



Learnability

Seeking continual self-improvement



Agility

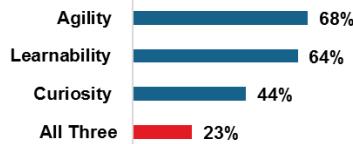
Flexibility adapting to changing situations



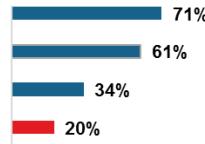
Curiosity

Being curious and open to change and novelty

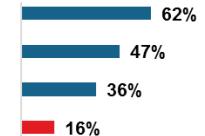
India
(n=365)



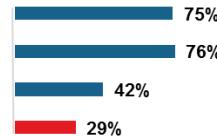
SEA
(n=157)



Middle East (n=55)



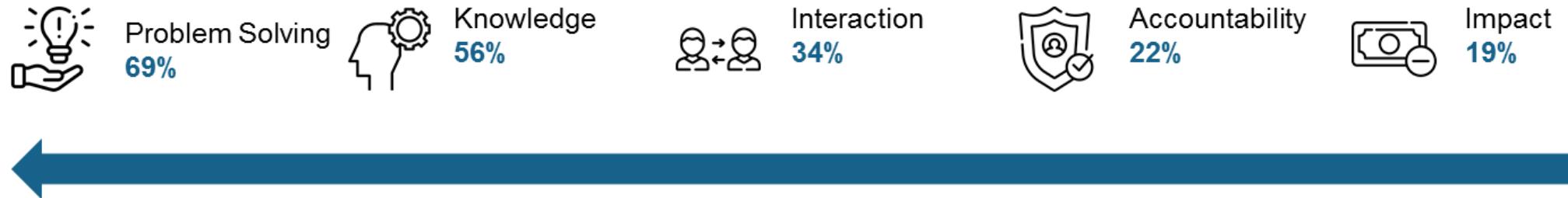
China
(n=59)



Source: Aon

In line with our observations on changing job architectures and the significance of Learnability, Agility and Curiosity for future success profiles, the participants in the research validated preferred talent qualities. An individual's ability to solve problems trumps knowledge on the job, which reaffirms an organization's intent to invest in learning. Being a team player and demonstrating accountability were other key characteristics to enable swift career mobility.

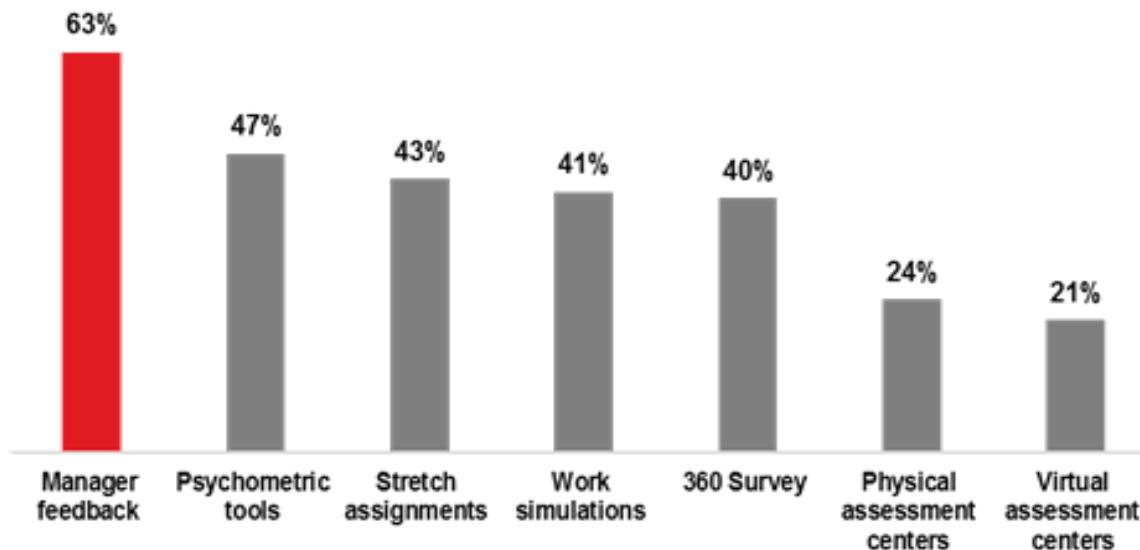
Which of the following factors are becoming more important for evaluating job worth in digital transformation? (pick top two)



Source: Aon

Manager feedback over the last decade has been the most widely used method to gauge future talent readiness. Rapid role evolutions now have most managers working as orchestrators of cross function teams, and the increasing diversity of skills and expertise mean the value of manager feedback for future readiness is limited.

How do you currently assess the future readiness of key talent?



Source: Aon

Stretch assignments and work simulations are effective when designed carefully. Psychometric tools and 360 feedback surveys may also offer some insights for future readiness. Given the degree of change, assessment centers may offer the best solution to measure behaviors for future readiness. When correctly established and run with a professional approach, assessment centers provide much more information about fit, skills, competencies and future readiness than almost any other method.

Case Study: Leveraging Assessments to Build an Agile Workforce at a Worldwide Investment Bank

A worldwide investment bank needed to change the way its technology team worked to be able to swiftly bring new products and services to market. The change would require adopting a less centralized, decision-making structure and new skill sets, including for new roles such as product owners, agile project managers, scrum masters and area team leaders.

To gain insight into the firm's current workforce, Aon partnered with the bank to create a development center to identify employees with skills and abilities to succeed in an agile model. The development center assessed for behavioral competencies and agility, provided a development report, and enabled managers to have personalized coaching and on-going development conversations.

Scaling to over 8,000 employees, the development center functions as a catalyst to larger workforce transformation. Insights from the development center data, inform the bank's approach to workforce transformation and building an agile organization.

Guiding Talent for Success

“Clearly, the thing that’s transforming is not the technology — the technology is transforming you.” Jeanne W. Ross of MIT Sloan’s Center for Information Systems Research

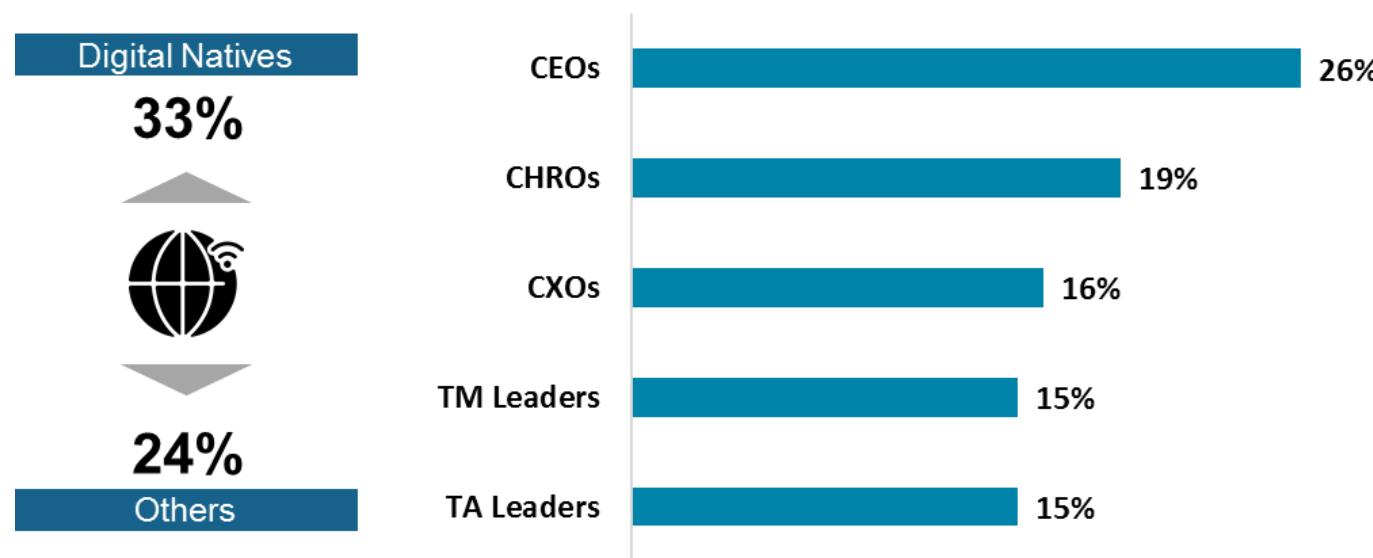
Successful transformation requires guidance across all levels of the organization. Leaders enable a cultural shift and are critical to success. We have observed various transformation projects which have not been successful, or which have been delayed, due to lack of preparedness. A learning culture continues to be the best way for organizations to drive future readiness across the organization.

Leadership Readiness

While organizations can get a competitive advantage via technology may be ahead in the digital transformation journey, a commonly held myth is that leaders of 'Digital Natives' are significantly more prepared for transformation.

More so the preparedness of other C-suite leaders lags further behind with one in four ready to lead transformation. Within HR, talent management and talent management, the essential leaders who act as culture custodians, are also inadequately prepared.

Rate the readiness of the following individuals to drive digital transformation



Source: Aon

[Aon's Digital Leader Model](#)

3 Criteria of Digital Leadership

Our research narrows digital leadership to three criteria:

- Agile mindset
- Leading change
- Driving business

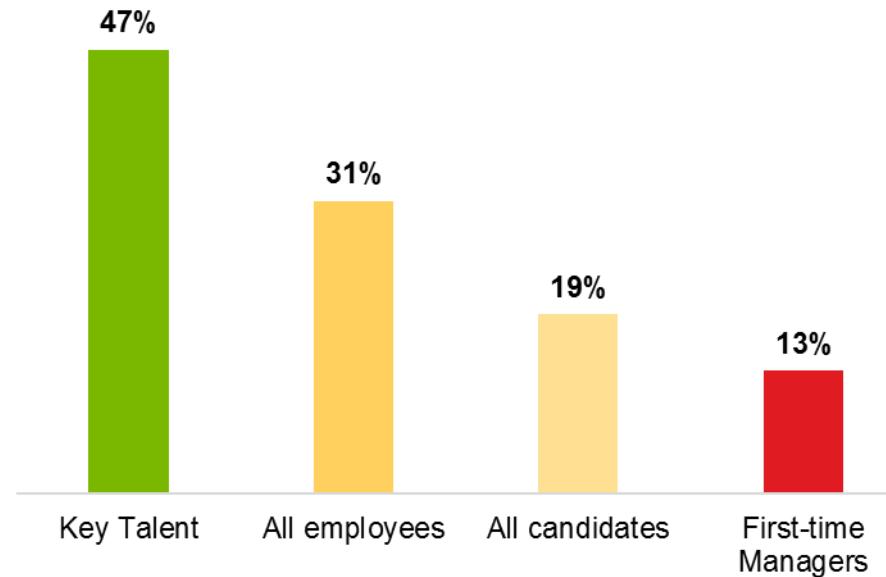
An agile mindset suggests that an individual will have the ability to learn, adapt to changes in their environment and seek new skills and experiences on the job. Flexibility, adaptability and resilience are needed across the workforce, but nowhere are those traits more important than in leadership.

Leading change is about steering people in a volatile work environment, promoting and inspiring collaboration, empowering team members to embrace change and drive their self-development, being self-aware and be willing to move into the role of a humble facilitator.

Driving business is about global networking, identifying and developing business opportunities, generating solutions and taking calculated risks, and ultimately driving business success.



Who do you currently assess for digital readiness?



Source: Aon

For any transformation to be successful, organizations must also focus on new culture norms to drive new beliefs, behaviors and decision mindsets. Assessing critical talent pools beyond leaders often provides employees with a starting point to initiate their development.

Focus on key talent is paramount, however lesser than one in two organizations assess them for future readiness today. Assessing candidate and first-time manager assessments help to significantly increase future readiness on new talent pools.

Learning Culture

How do you support talent during a transformation program?



Source: Aon

Results of digital readiness assessments can significantly improve the effectiveness of development plans. Mentorship, when done in the context of connecting with future roles, adds more value. Self-paced learning with a strong learning culture helps to acquire new skills and behaviors seamlessly. Over one in two organizations intend to link future-roles to aspiration, while two in three focus on clear development plans with focus on self-paced as well as group learning.

The basis of a strong learning culture allows talent to explore agile career pathways. A transparent process empowers talent to take charge of their own future readiness.

Case Study: Vodafone Future Jobs Finder

The Vodafone Future Jobs Finder is a free service which has provided career guidance and access to training content to over 350 million young people across 15 countries. It is the world's largest 'job navigator' for roles involving digital skills - and the only platform to use robust psychometrics for career mapping.

Aon designed a three-minute, emoji-based personality quiz to quickly identify a young person's interests, activities and work preferences. Their answers are instantly mapped to specific, digital roles in their chosen city, which match their personality and interests. Relevant interactive courses from digital training providers are highlighted, which can help each individual to enhance their skills and achieve their career goals.

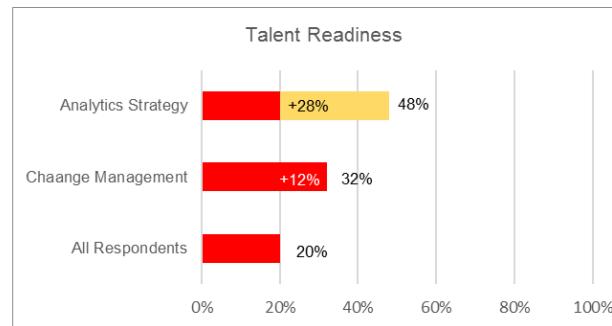
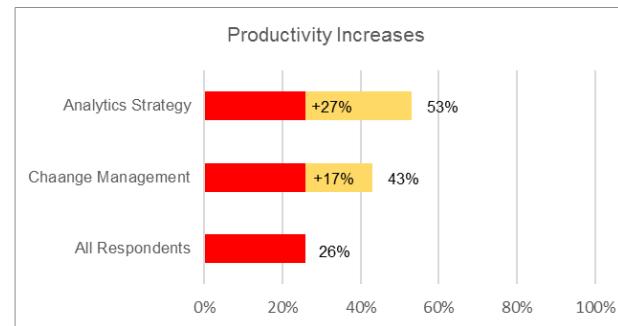
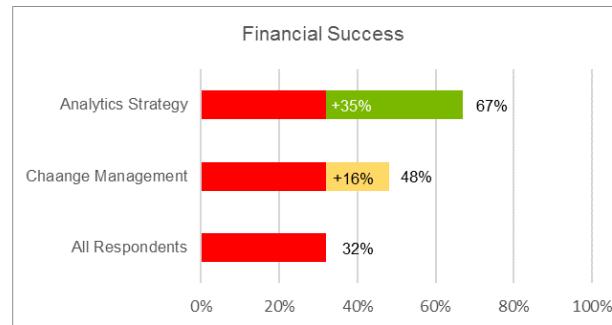
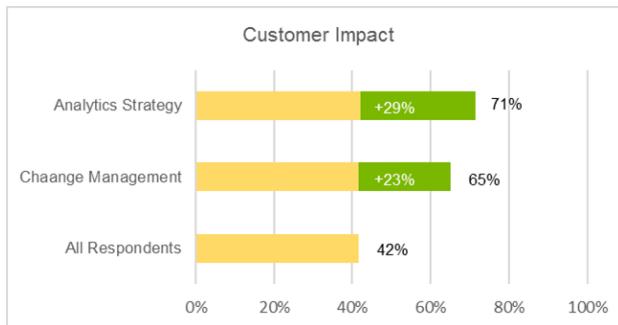
Vodafone's Future Jobs Finder is freely accessible via futurejobsfinder.vodafone.com

Preparing to Succeed

Lewis Carroll once said: "If you don't know where you are going, any road will get you there."

It is imperative that organizations on transformational paths have a clear change management agenda together with a sharp analytics strategy to gauge its success.

Change Management and Analytics are Critical



Source: Aon

Customer experience - the driver of digital transformation

With customer experience being the primary driver for digital transformation, 42% of organizations reported satisfaction in creating impact. This increases to 65% when compared with organizations conducting two or more change management initiatives. This rises further to 71% of respondents reporting satisfaction, where there was a proactive analytics strategy in place.

The financial and internal efficiency impact of transformation is yet to be strongly demonstrated across the participant set but change management and analytics strategy have undeniably an enviable role to play in success. Unfortunately, barely one in five organizations is currently satisfied with its talent readiness, even though focus on data analytics has brought the highest shift in satisfaction scores (140%).

Talent with agile mindset is critical for continuous customer delight and innovation, and lack of focus on measuring talent readiness puts an organization's digital strategy at risk.

Prioritize Talent Readiness

Successful talent transformation needs business vision, HR stewardship and seamless execution by talent specialists in the HR team. Most importantly, it requires buy-in and the involvement of employees. Research has repeatedly shown that careers and learning are key anchors to create this two-way momentum towards change.

Key Success Factors

	Purpose of Transformation	C-Suite Leaders, Chief Human Resource Officer
	New Job Architectures	Senior Business Managers, HR Business Partners
	Open-Market Careers	HR Business Partners, Talent Management
	Critical Talent Pools Readiness	Talent Management, Talent Acquisition
	Learning Culture	Senior Business Managers, Talent Development
	Change Management	Chief Human Resource Officer, Data Scientists
		Analytics

Source: Aon

How to deliver digital transformation

We recommend working through these questions to ensure you stay the course:

1. Is the purpose of transformation closely tied to increasing customer centricity? Do focus areas of transformation tie into that purpose?
2. Are we able to sense the new job architectures as we adopt agile ways of working? How does it impact HR strategy and employee value proposition?

3. Is the talent strategy geared to open market careers? How will jobs be valued in the future? Are we assessing talent just for future-jobs, or for future-readiness too?
4. How is leadership different in the digital world from leadership in traditional models? What are the other critical talent pools that need attention?
5. What are the support mechanisms for employees? Are we matching future jobs to preferences?
6. Do we have an analytics strategy to measure progress? What is the role of change management to drive engagement and productivity throughout the journey?

Aon's India Salary Increase Survey

2020-21



The largest, longest running and most comprehensive study on performance and rewards trends



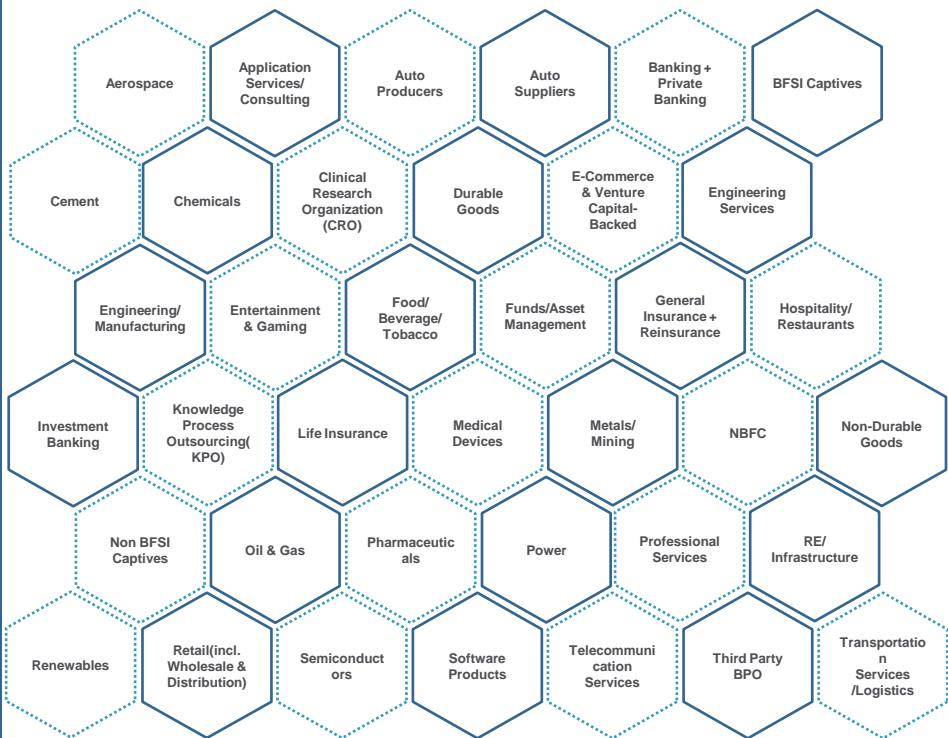
25th
Year running



1,200+
Organizations



38
Industries



ABOUT THE SURVEY

The report presents results of the 25th India Salary Increase Trends Survey. Aon's Salary Increase Surveys are the longest running, most participated in and most quoted piece of research across performance and rewards trends in India as well as globally.

The survey focusses on overall changes in compensation for 2020 and projections for 2021. With participation from over 1200 organizations representing 20+ primary and 30+ sub-industry classification, it covers submissions received during December and January.

The report covers insights on salary budgets, factors influencing pay decisions, performance and pay trends, key rewards challenges that organizations are facing, and measures organizations are taking to control escalating wage bills.

Coverage across more than 70 media and broadcasting houses across the nation

ET THE ECONOMIC TIMES

Business Standard

THE NEW INDIAN EXPRESS

mint

Hindustan Times

BusinessLine

NEWS18

ET NOW

DH DECCAN HERALD

BW BUSINESSWORLD

CNBC TV18

Forbes INDIA

ZEEBUSINESS

THE HINDU

moneycontrol

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**NOTE BY
THE
SURVEY
TEAM**

As business outlooks improve and economies open-up, this year's survey was critical for us to gauge the extent of recovery and the broader industry sentiment.

The study conducted across 1200 organizations, examines India Inc's response to COVID19 and other upcoming changes such as remote working and Code of Wages from a rewards and talent management perspective.

We would like to take this opportunity to thank the survey participants and hope that the report provides you with enough insights that can be used to manage and plan the upcoming salary cycle.



Roopank Chaudhary
Survey Director



Sushil Bhasin
Media & Marketing



Jang Bahadur Singh
Survey Manager



Chetan Pandey
Survey Team



Vishakha Kalra
Survey Team



EXECUTIVE SUMMARY

The 2021 Salary Increase Survey results have a lot of unique nuances. Salary freezes are sharply down and while India continues to project the highest increase in APAC, the projected number of 7.7% is still optimistically cautious – reasonably more positive than the 6.1% number for 2020 and yet factoring in the uncertainty around COVID-19, complete business recovery and geo-politics. The increase covers the expected inflation rate in India but also needs to account for the impact from the labor code changes as India Inc awaits more clarity on that front. Performance differentiation continues to be driven hard yet companies have taken a more mature view towards performance given the external, uncontrollable shocks the pandemic brought in its wake. Attrition has been at an all-time low as employees have preferred stability and job security in a difficult year, and while some movements for better pay have continued, companies are clearly looking at restoring work life balance and providing health and wellness support to engage and retain people.



Roopank Chaudhary
Partner, Chief Commercial Officer



Forecast

88% companies intend to give salary increases in 2021, as compared to 75% companies in 2020



Salary Increase

2020 (Actual): 6.1%

2021 (Projected): 7.7%

Sectors with highest projected increases:

E-Commerce & Venture Capital, Hi-Tech/Information Technology, ITeS, Life Sciences

Sectors with lowest projected increases:

Hospitality/Restaurants, RE/Infrastructure, Engineering Services



Sectoral View



Variable Pay

2020 (Actual): 13.2%

As a % of Fixed Pay



Attrition

Overall Attrition: 12.8%

Voluntary Attrition: 10.0%

Numbers reported are including 0s and in %

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1. Salary Increase Trends



88% organizations to give a salary increase in 2021, as compared to 75% in 2020

“

We expect the increment dynamics for 2021 to play out over a longer period of time given the uncertainty and potential impact of forthcoming changes.

We expect organizations to review their compensation budgets in the second half of the year once the exact financial impact of the Labour Codes is known.

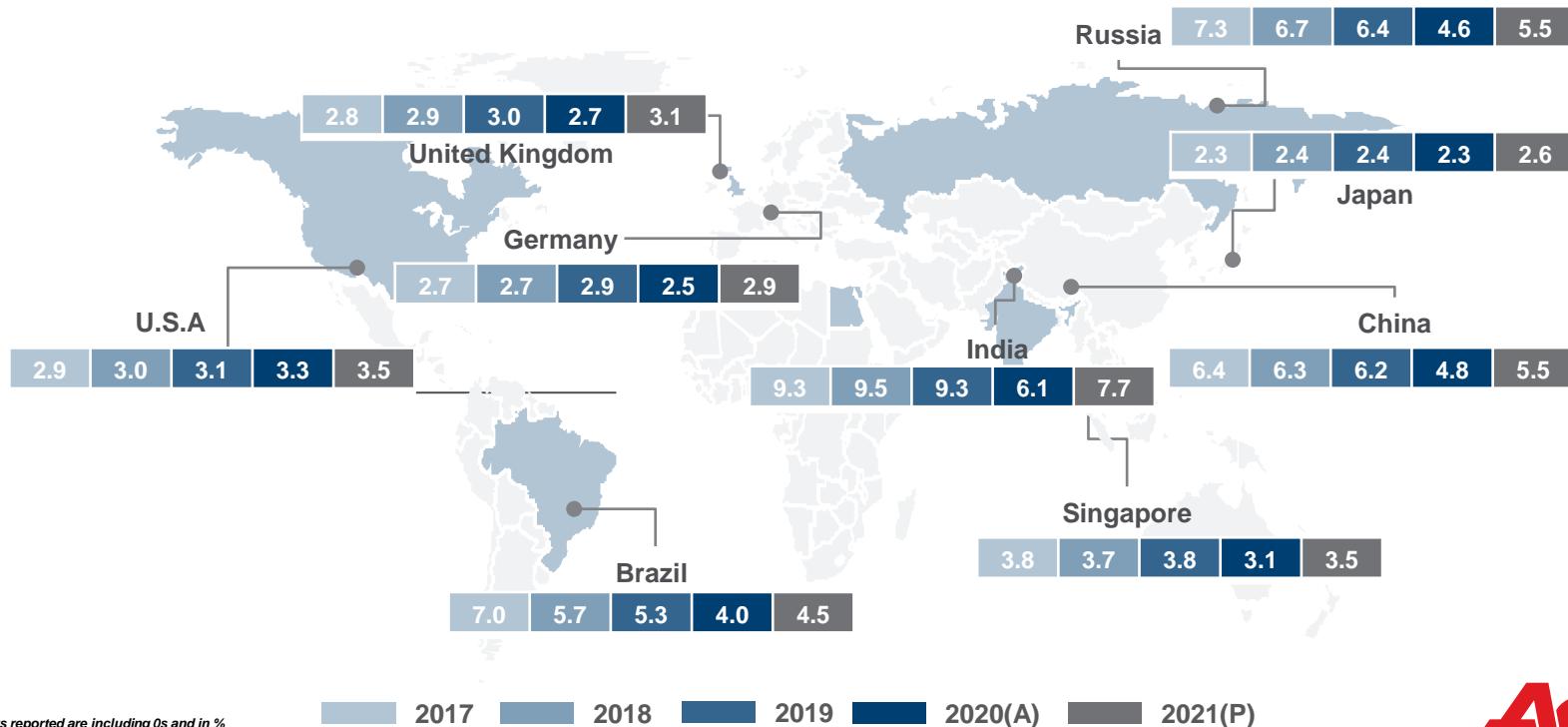
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Nitin Sethi
CEO, India & South Asia

Global Salary Increase Trends

Despite being on one of the most adversely affected countries during the pandemic, India Inc. is projecting the highest increases across the globe.

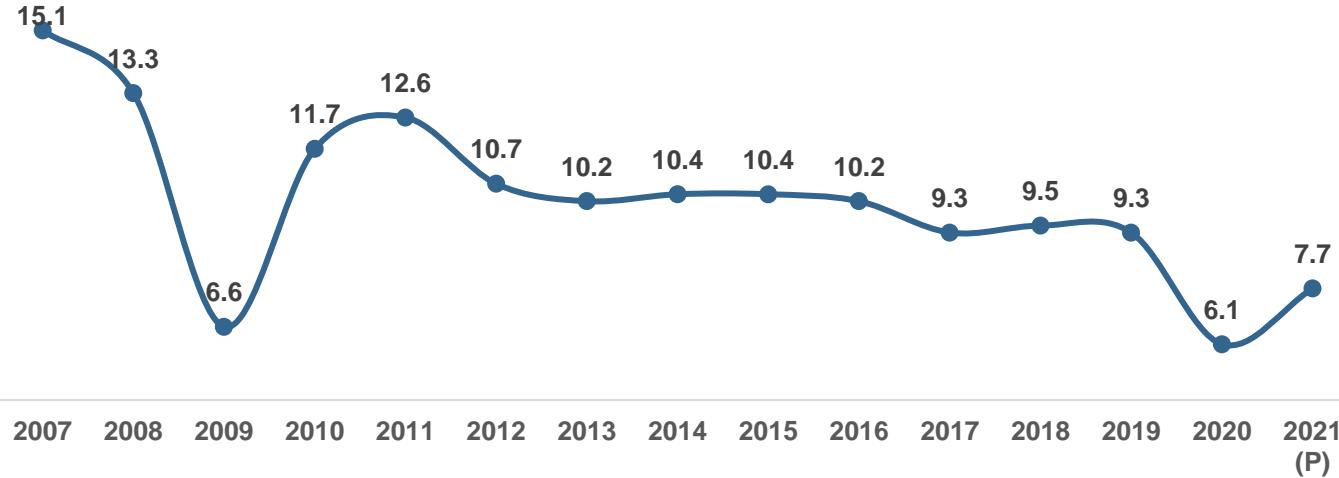


Numbers reported are including 0s and in %

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India Salary Increase Trends

2020 saw the lowest salary increases in a decade with multiple sectors reeling under the impact of the pandemic, yet 2021 is seeing a resurgence with the projected numbers showing signs of recovery



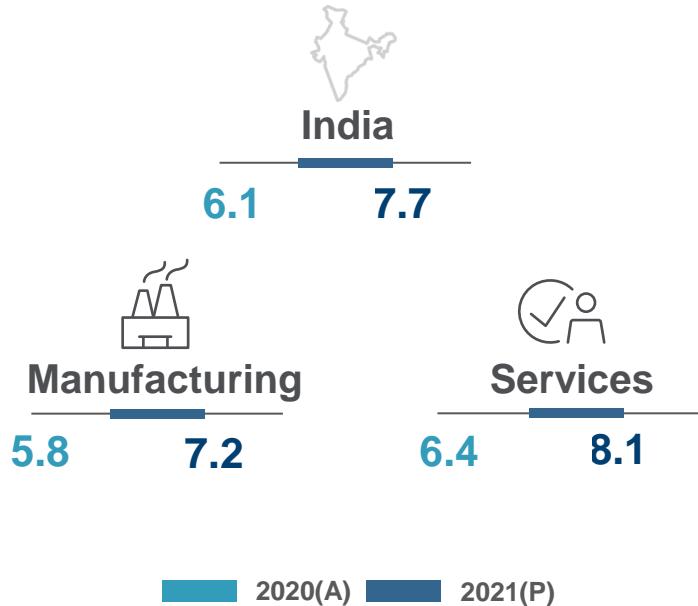
India projects a higher salary increase in 2021, showing resiliency and expecting recovery. At the same time, the projected numbers are also reflective of the uncertainties related to the looming labour code changes.

Numbers reported are including 0s and in %

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India Salary Increases

The bigger picture



Numbers reported are including 0s and in %

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“

The highest-paying sectors in 2021 continue to be the ones from last year – Information Technology, Information Technology Enabled Services, Life Sciences, E-commerce and Venture Capital-Backed and Fast-Moving Consumer Goods.

It's notable that the sectors that were adversely impacted by COVID-19, such as Retail, Hospitality and Real Estate, are projecting healthy increases in the range of 5-6%. Such numbers reflect their intent to stay relevant and to control attrition, which had increased for these industries last year.

”



Roopank Chaudhary
Partner, Chief Commercial Officer

Industry Wise Increment Numbers

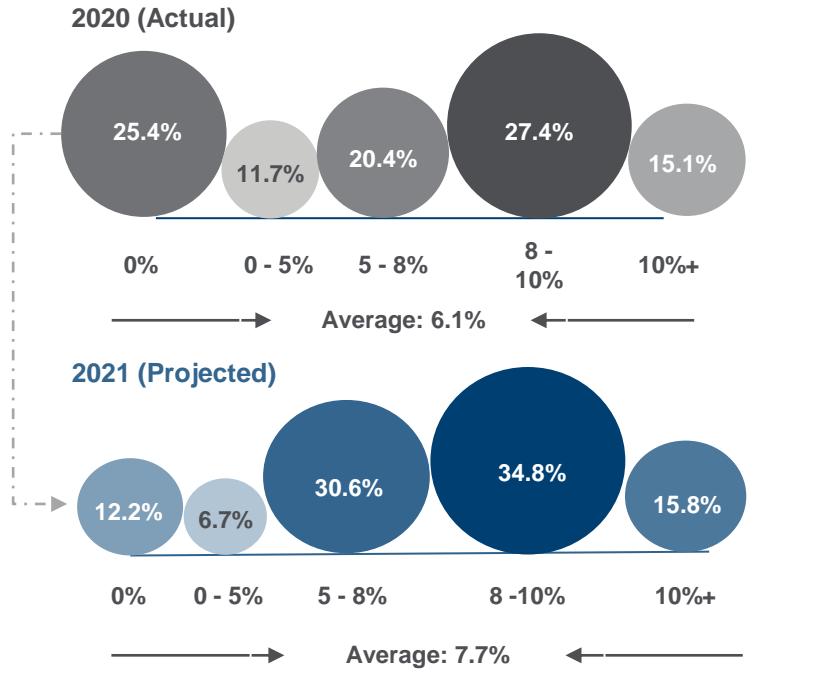
Represented as 2020 (Actuals) / 2021 (Projections)

	E-commerce & Venture Capital-Backed 8.3 10.1		Cement 4.8 7.6		Energy (Oil/Gas/Coal/Power) 3.5 5.9
	Hi Tech/Information Technology 7.8 9.7		FMCG / FMCD 7.0 7.6		Retail (incl. Wholesale & Distribution) 2.1 5.9
	ITeS 7.8 8.8		Automotive/Vehicle Manufacturing 4.2 7.0		Telecommunication Services 4.8 5.8
	Entertainment & Gaming 6.8 8.1		Transportation Services/Logistics 3.6 7.0		Engineering Services 3.6 5.8
	Chemicals 7.2 8.0		Financial Institutions 5.3 6.5		RE/Infrastructure 2.7 5.6
	Lifesciences / Pharmaceuticals 7.9 8.0		Aerospace 4.5 6.0		Hospitality/Restaurants 1.4 5.5
	Professional Services 5.8 7.9		Engineering/Manufacturing 4.8 6.0		<i>The industries represented here are a sample set of the industries covered</i>

Numbers reported are including 0s and in %

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Sharp Reduction in Number of Companies Going for Zero Increments



We see an upward movement from 2020 to 2021 on account of fewer organizations planning no increments, thus pulling up the average.



Salary Freeze Scenarios Across the Globe

While India has some of the highest increases, the salary freeze continues for 12% of the companies, which is second only to Middle East/Africa



Americas

20% 9%

2020 2021



Europe

20% 10%

2020 2021



Asia/Pacific

21% 10%

2020 2021

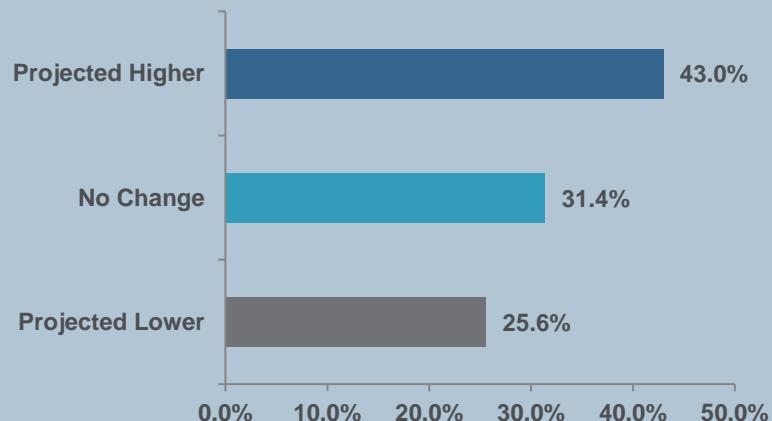


Middle East/Africa

26% 15%

2020 2021

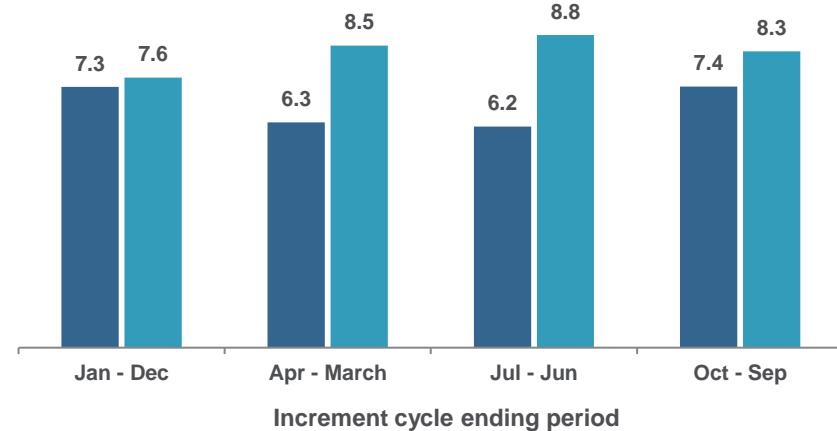
Salary Increase Trends



An improved business outlook meant majority of the organizations projected a higher increase with respect to 2020, with an average projected salary increment of 9.0%.



Increment Cycle Timing Dictated Increases for 2021



Organizations whose increment cycles overlapped with the COVID-19 peak to play catch-ups in 2021 projections



Numbers reported are including 0s and in %

Reasons for Lower Budgets in 2021 Increment Cycle



Concerns over fluctuating economic conditions



Organization is under-going cost reductions



Market Sentiment



Current pay levels are over market

Reasons for Higher Budgets in 2021 Increment Cycle



Strong expected company performance



Pay freeze implemented in FY 2020-21 has now been revoked



FY 2019-20 budgets were reduced due to economic conditions



Competitive talent pressure



2. Performance and Pay Trends

“

Lower budgets have restricted ability of organizations to differentiate as aggressively as previous years. This is to ensure reasonable increases for average performers as well in an exception year, while continuing to recognize high performance.

We are also seeing increase in the percentage of employees classified as high performers, naturally leading to lower appetite for pay for performance multiplier.

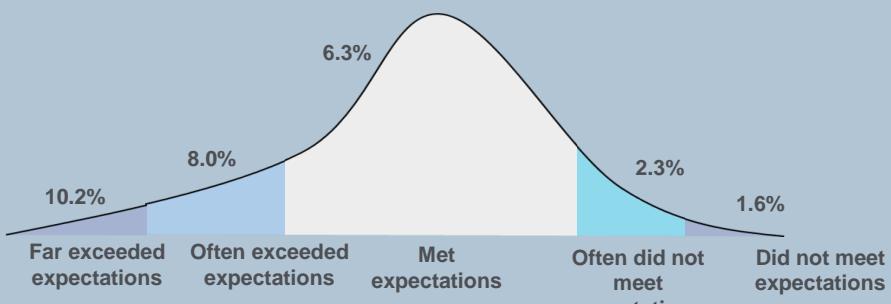
With projected increases to be higher in 2021 (7.7% versus 6.1% in 2020), we are likely to see higher ‘pay for performance’ multiplier.

”



Navneet Rattan
Director

Performance Bell Curve 2020



Organizations turned more socialistic, showcased by a lower differential for the year as compared to the previous cycles

Does it Pay to be a High Performer in 2020?



In a tough year, the organizations reduced the population size for below expectations rating category

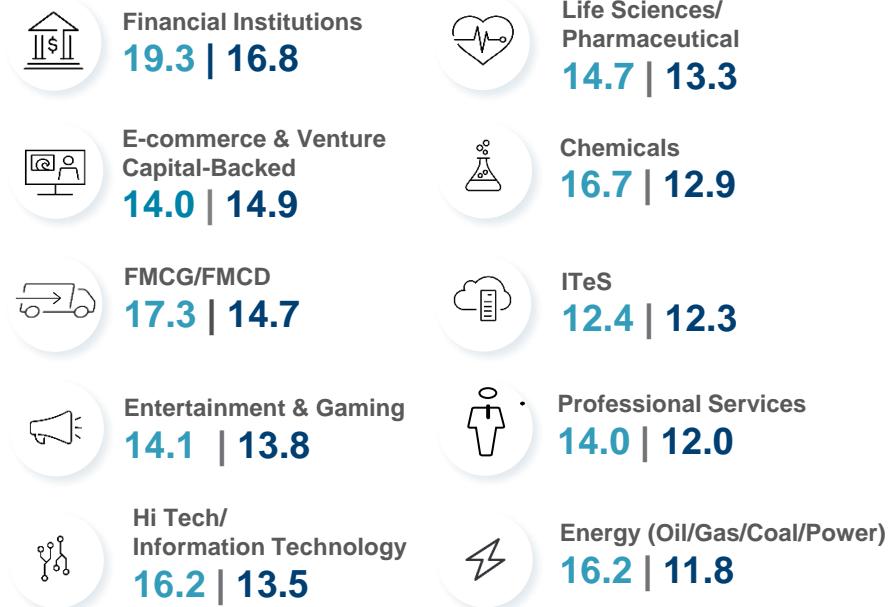
Variable Pay Numbers



Numbers reported are including 0s and in %

Top 10 Industries

Represented as 2019 / 2020



Lower Bonus Payouts For Top Management in 2020

A weak business performance across industries in a pandemic year had the greatest impact on top management incentives. This is on account of 2 reasons:

1. Linkage of Variable Pay Programs to business performance is higher at the Senior Levels and with business performance being below par, the same is trickling down causing an impact on the bonus payouts;
2. Organizations have exercised discretion while making bonus payouts and have looked at minimizing the impact at the Junior Management levels

Variable Pay across Levels of Management

Average variable payouts as a % the fixed pay



Numbers reported are including 0s and in %

3. Talent Management



“

Paying top dollars for hot skills alone won't help! Identifying roles most-significantly impacting business value is key to prioritizing staffing and hiring of such talent.

Organizations now clearly see advantages of Remote Working in terms of cost and flexibility.

Retention measures which emphasize care such as Work Life Balance and Leadership Accessibility will be most effective as organizations are constrained on compensation budgets.

”

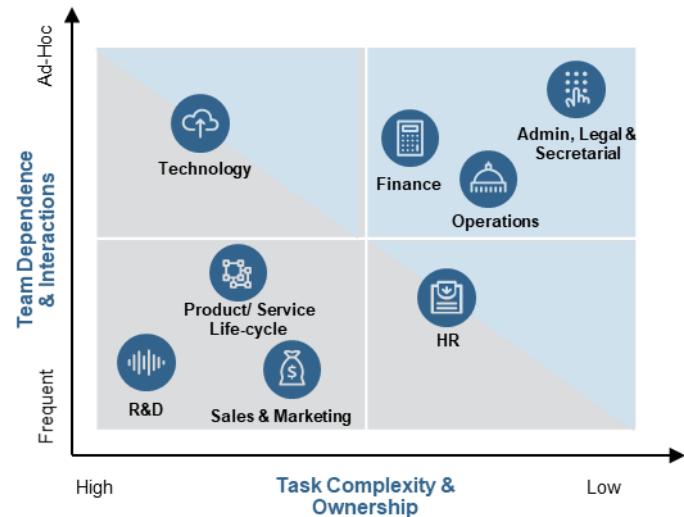


Pritish Gandhi
Practice Leader
Aon HR Learning Center

Possibilities Beyond Rewards in Work From Home Model

The Pandemic has underscored the success of the Work From Home Model

Jobs most likely to move to Remote Working model



Potential Impact on Mega-Employers across Sectors

	% of Total Population
Captive and Outsourcing	60-65%
Hi-Tech	50-55%
Financial Institutions	35-40%
FMCG and FMCD	25-30%
Engineering & Manufacturing	15-20%

Our studies indicate an existing 15-20% salary differential in Tier II/Tier III cities

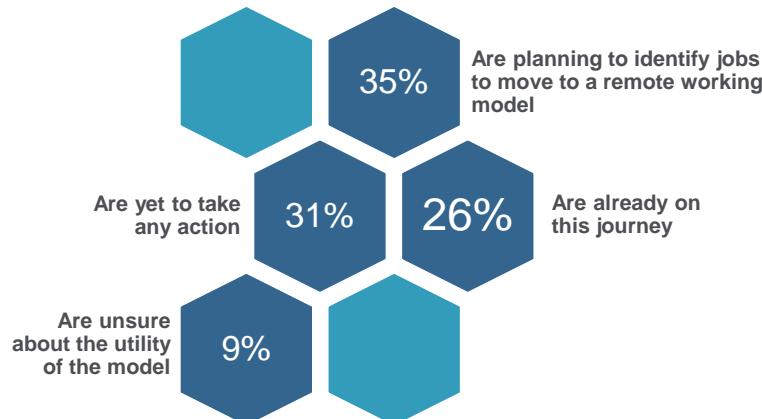


Remote working models could provide a big opportunity for companies to take the pressure off the big Indian cities and help companies tap into larger talent pools.

Remote Working Models, The Future is Now!

The Pandemic has Accelerated the Process of Remote Working and Employers are Embracing It

More than 50% of the organizations are actively evaluating jobs to be moved to the Remote Working Model



Mega Employers already have Remote Working Options and Others are Embracing it

Hybrid Model

34% Employers had a pre-existing option pre-Pandemic
16% Employers have added it post Pandemic
40% have added this or are considering it

Remote Only

27% Employers had a pre-existing option pre-Pandemic
10% Employers have added it post Pandemic
29% have added this or are considering it



The conversation about Remote Working has moved from the planning phase to the execution phase as organizations are focusing on building eco-systems and talent management frameworks to manage performance, rewards, careers for employees.

Hot Skills



In a world where competitive advantage is increasingly about a differentiated customer experience most value chains are undergoing are on the cusp of a digital transformation.

This need for capability in the Digital Stack has resulted in the creation for a high demand around digital skillsets and they figure prominently in our top skill list across industries.

Industries non-native to technology face the biggest challenge in attracting such talent and end up paying a premium to attract such talent from digitally native sectors.

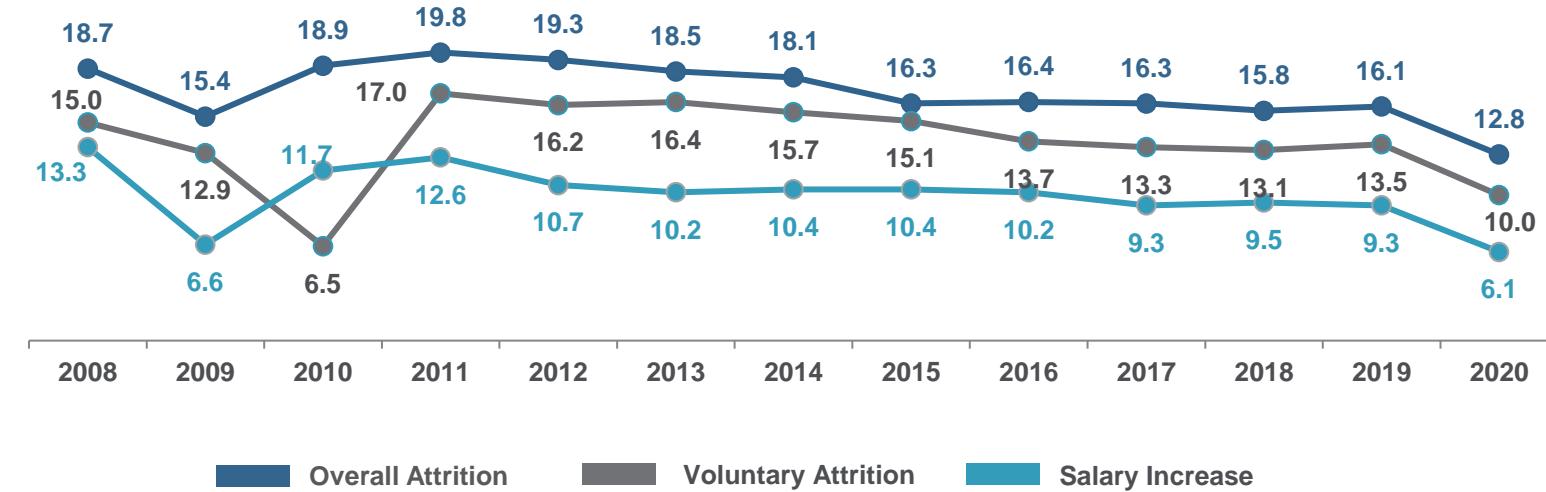
While the skill premiums area reflection of open market economics sooner rather than later such sectors will also need to invest in building an ecosystem to grow such talent from within to truly solve for the skill gap.

Hot Skills in the Market

Manufacturing and Services	Premium	Hi-Tech and Financial Institutions	Premium
 Material Sciences/R&D	21%	 Data Scientist	26%
 AI, ML & Robotics	14%	 Artificial Intelligence	17%
 Digital Marketing & Market Access	16%	 Digital Marketing & Market Access	37%
 Product Design & Engineering	18%	 Product Design (UI/UX)	22%
 Product Design & Management	11%	 Cyber Security and Risk	19%

Attrition and Salary Increase Trends

Lowest numbers recorded in over a decade



Lowest attrition was recorded in over a decade, despite a year with the lowest salary increase. Major contributors to this were that the employees took a cautious approach and wanted to stick with a well-established brand; with a large number of organizations implementing hiring freezes or hiring only for critical roles, the job opportunities were also limited.

Numbers reported are including 0s and in %

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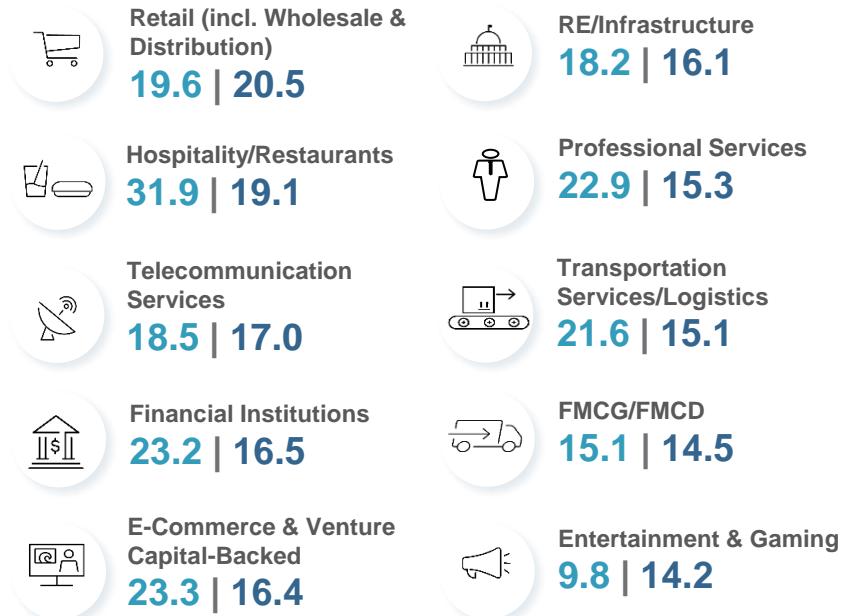
Attrition Numbers



Numbers reported are including 0s and in %

Industries that were Most Impacted

Represented as 2019 / 2020



Key Attrition Drivers



External Inequity
of Compensation



Limited Growth
Opportunities



Role Stagnation



Higher Education

Key Retention Measures



Work Life Balance



Recognition
Awards (Monetary/
Non-Monetary)



Fair & Equitable
Treatment in Rewards
for all Employees



Leadership
Accessibility

Hiring Status

Industries such as Hospitality/Restaurants, RE/Infrastructure, Engineering services which projected relatively lower increment numbers have also projected a likelihood of hiring freezes continuing from 2020.

Industries which are treading on the path of digital transformation or are growing aggressively have actively been hiring for key roles and skills, such as Financial Institutions and E-Commerce/Venture Capital-Backed.

Easing Up of Hiring Restrictions in 2021



4. Mega Employers



“

The mega employers have shown remarkable resilience in coming out post COVID-19. They have used the power of their brand to offset the need to provide market leading increases. In 2020-21, they extended a safety net to their employees witnessed in much lower attrition rates as compared to the market.

At the same time, the need to drive performance sharply over the years has also emerged with the Mega Employers driving much tighter bell curves vs. the others and then backing that differentiation with a stronger pay for performance program.

As I see the numbers coming in for 2021, I think the mega employers have a challenge of their own. Most of them are amidst a churn in their business models, undergoing transformation of sort.

The question that will put to them this year is do they drive equity or do they take advantage of a still soft employment market and double down on investments in high demand groups critical for their transformation.

”

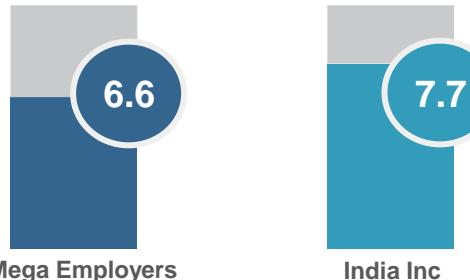


Anirban Gupta
Director

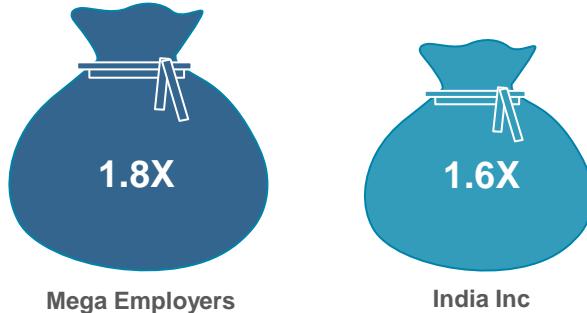


Have Mega Employers Weathered the Storm Better?

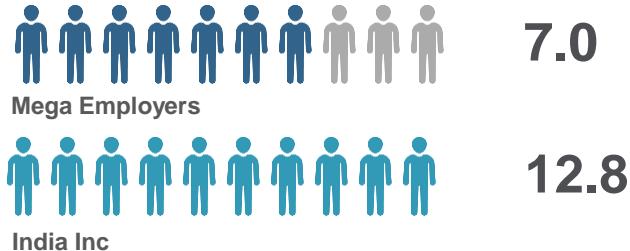
Salary Increase 2021(P)



Pay for Performance Differentiator (2020)



Attrition (2020)



Variable Pay 2020

As % of total fixed pay



5. Code of Wages



“

India will see extraordinary labour reforms being implemented in the form of new labour codes most likely by the start of next Financial year
1 April 2021.

Organizations may need to review their strategy around salary increments and budgets based on impacts arising out of Code on Wages in the short term and the impact of hybrid model of Working in the longer term.

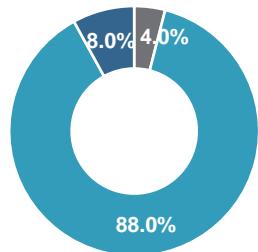
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Vishal Grover
Practice Leader
Retirement and Investment

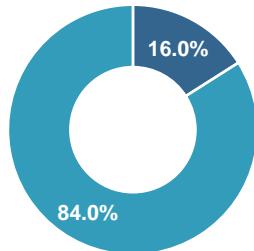
Potential Impact of Labour Codes on Salary Increments

Basic Pay to Gross (Fixed) Pay Ratio



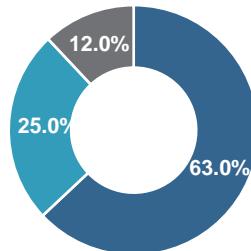
- 0 to 25%
- 25% to 50%
- >50%

PF Calculation



- PF on Full Basic
- PF capped up to 15,000

Leave Encashment

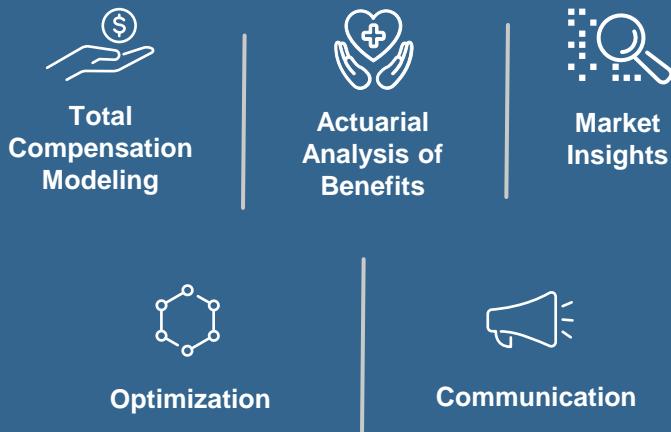


- No leave encashment
- On gross
- On basic

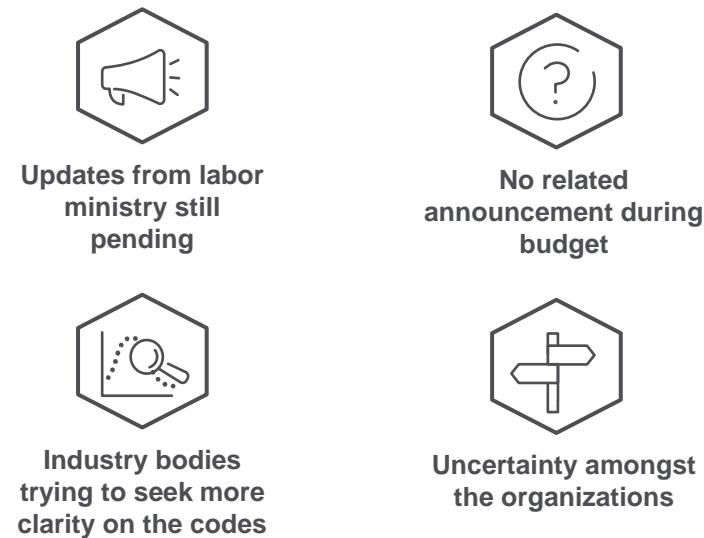


Our survey findings indicate that 92% organizations could be impacted by the changes in the labour codes, given their basic pay to fixed ratio is less than 50%. For such organizations, this may lead to an addition of an unknown "X" amount to the budgets this year.

Implementation Framework



What are we hearing?





Aon 2021 Executive Compensation Survey Results

Our Presenters



Nitin Sethi
CEO | India and South Asia



Roopank Chaudhary
CCO | Financial Services Expert



Prashant Shukla
Solution Leader | Executive
Compensation and Governance



#AonRewards #AonSalaryTrends
#ExecutiveRewards #AonExecutiveRewardsSurvey

Aon's Executive Rewards Survey 2020-21

The top things to Know...

504



Organizations
Covered

10th



Year in
Running

59



Executive
Positions Covered

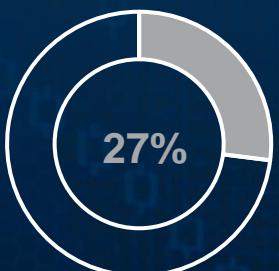
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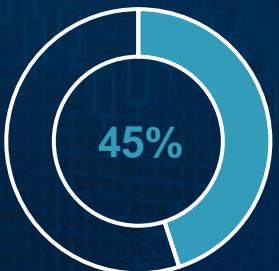
Industries
Covered



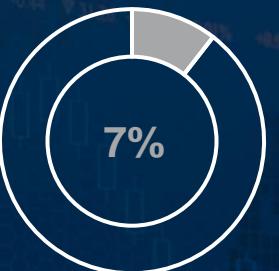
BFSI



Technology



Manufacturing,
Consumer, Life Sciences



Telecom, Realty,
Retail, Media &
E-comm

Comprehensive
Coverage of

Cash Compensation

Executive Benefits

Short-Term Incentive Plan
Structure

Long-Term Incentive Plan
Structure

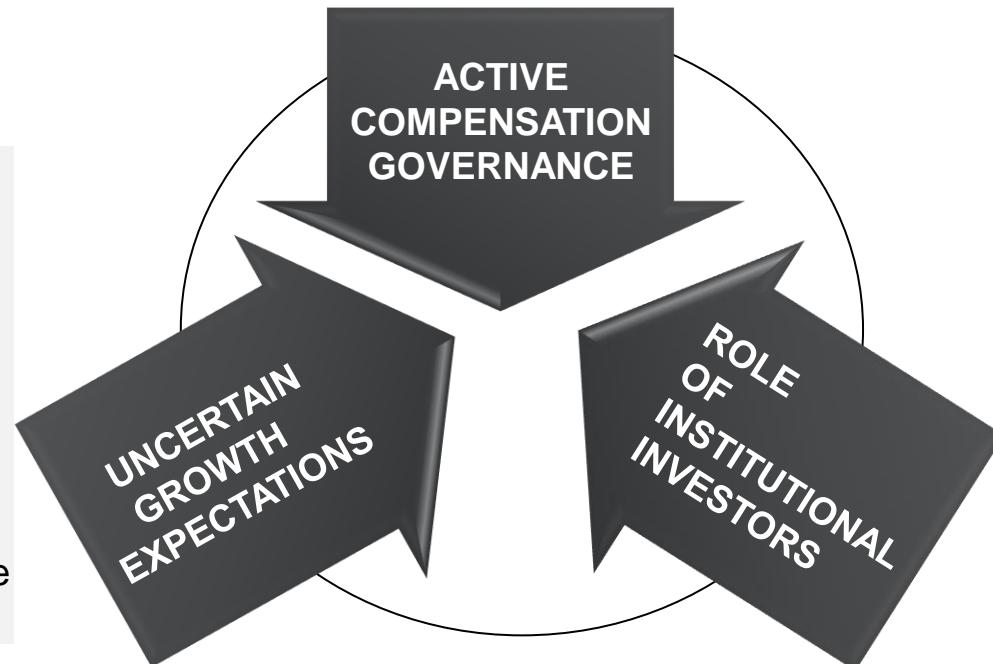
Severance Pay

Executive Rewards
Governance

Three Key Drivers will Likely Shape Changes in the Executive Compensation Landscape

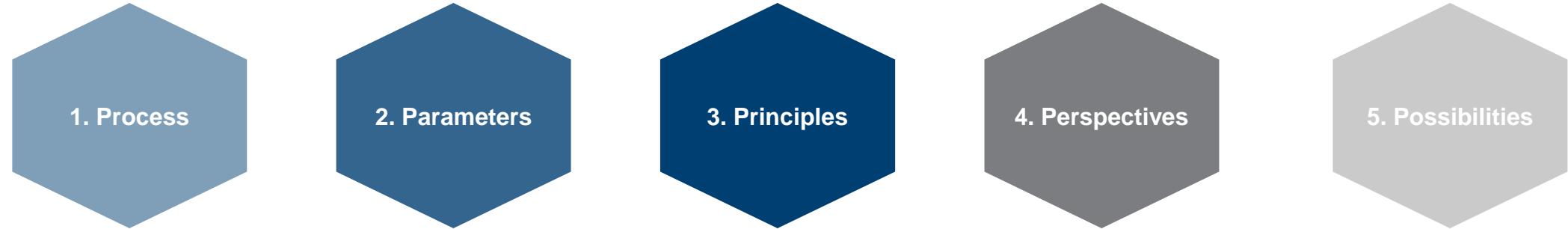
- Increased scrutiny and supervision of compensation practices from regulators and government
- Pressure on Boards for more active governance of executive compensation

- Markets are in a period of extended slow growth or recovery
- Sustainability of growth in uncertain markets
- Inability to plan or project business performance accurately beyond a certain time frame



- Concern from activist shareholders on the potential costs to shareowners in the form of dilution of value and voting power
- Proposals to vote against equity-linked proposals that do not align with certain criteria

Framework for Making Executive Compensation Changes in 2021 and Beyond



Formulaic to measured judgement



Performance FY 2021 outlook for FY2022 & impact to people



Performance, governance and stakeholders



Engaging shareholders and their advisors



How will our decisions unfold

Agenda

What we will be covering during our Discussion today?

Key Sections to be Covered

Section 1



Executive Compensation Trends

Section 2



Incentives

Section 3



Executive Pay Policies

Section 4



Future Outlook

Section 1: Topics Covered

1. Impact of COVID -19
2. CEO Pay trends
3. Pay at Risk
4. CXO Pay over the years

Section 2: Topics Covered

1. Short Term Incentives
2. Long Term Incentives

Section 3: Topics Covered

1. Malus and Clawback

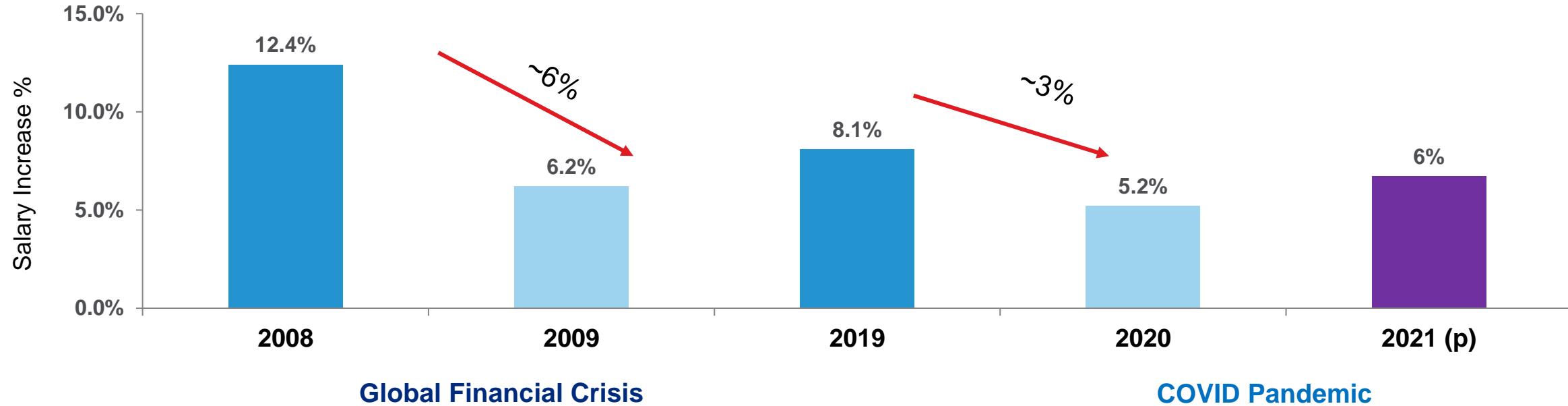
Section 4: Topics Covered

Future Outlook

Executive Compensation Overall

Impact of Economic Downturn on Executive Pay

How does it Differ from the Global Financial Crisis?



COVID-19's Impact on Executive Salary Increase Was Lesser Than Global Financial Crisis



We see lesser Impact on Executive Pay Increments because:

- Stronger government impetus on economic recovery
- COVID has acted as an accelerator for Digital-led businesses
- Executive pay framework are becoming more resilient by focusing on delivered business performance and shareholder return

CEO Pay Across India Inc.

Higher Revenue Responsibility comes with Higher Pay for CEO...

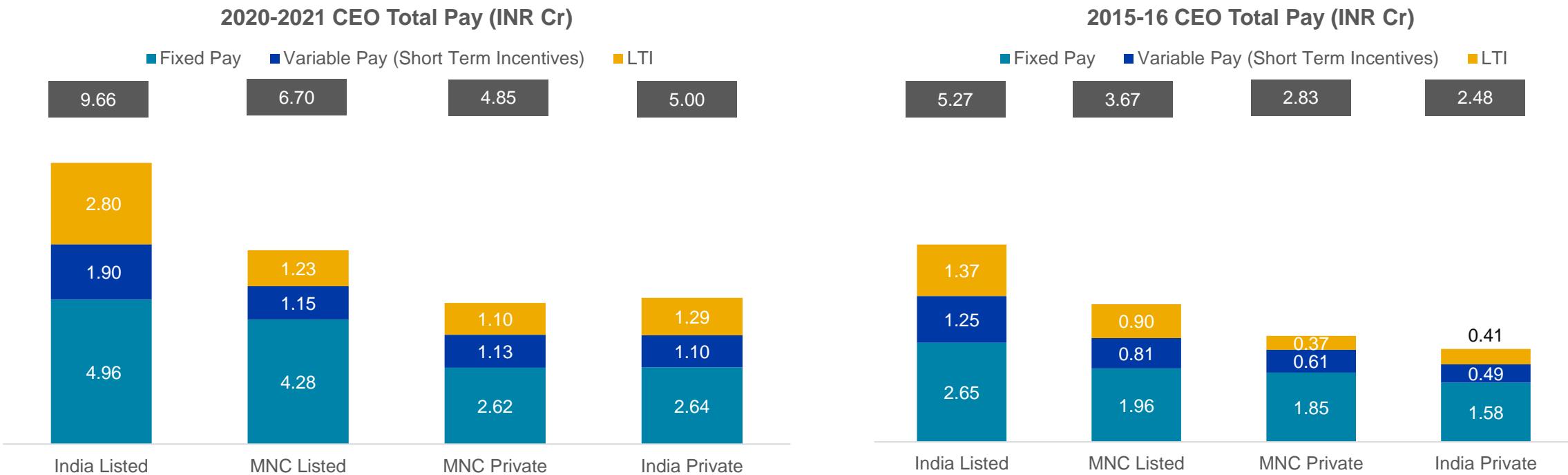


* Total Pay of CEO for Owner Promoter companies is shown above without any bifurcation into Fixed and Pay for Performance

*The values shown above are Average values

CEO Pay Across India Inc.

Pay Levels by Listing status and Heritage



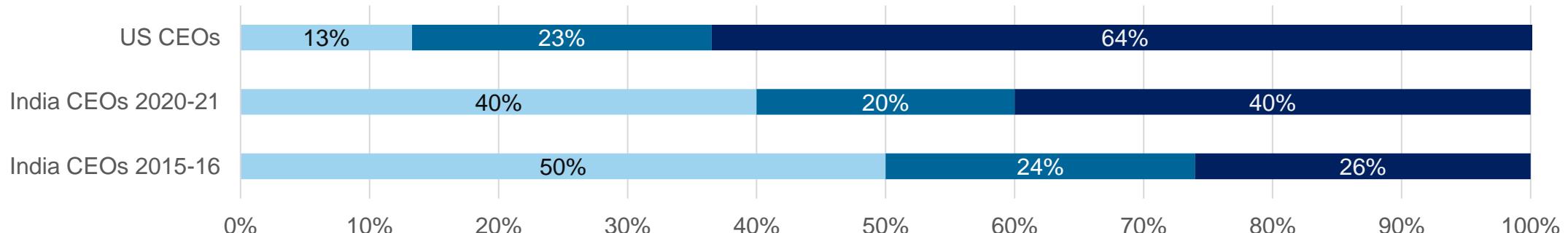
1. India Listed Organizations are more competitive on Total Pay compared to MNC companies Listed in India
2. Private Companies CEO Pay in India have caught up with the MNC Private Organizations in India

*The values shown above are Average values

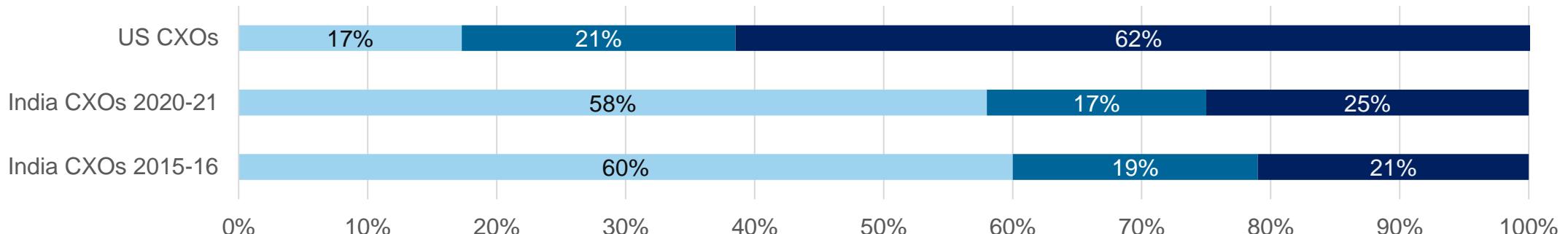
CEO Pay Mix Across India Inc.

Moving towards the Global Standard, hence more Linkage to Business Performance

CEO Pay Mix: India vs. US



CXO Pay Mix: India vs US



Pay at Risk for CEO has increased by **10%** compared to 2015-2016, making the compensation of India CEOs more aligned with the Global Standards of Pay at Risk. CXOs' Pay at Risk has been stable over the period, with the marginal Increase in LTI.

Guaranteed Pay



Job Value

Variable Pay



Performance Linkage

LTI



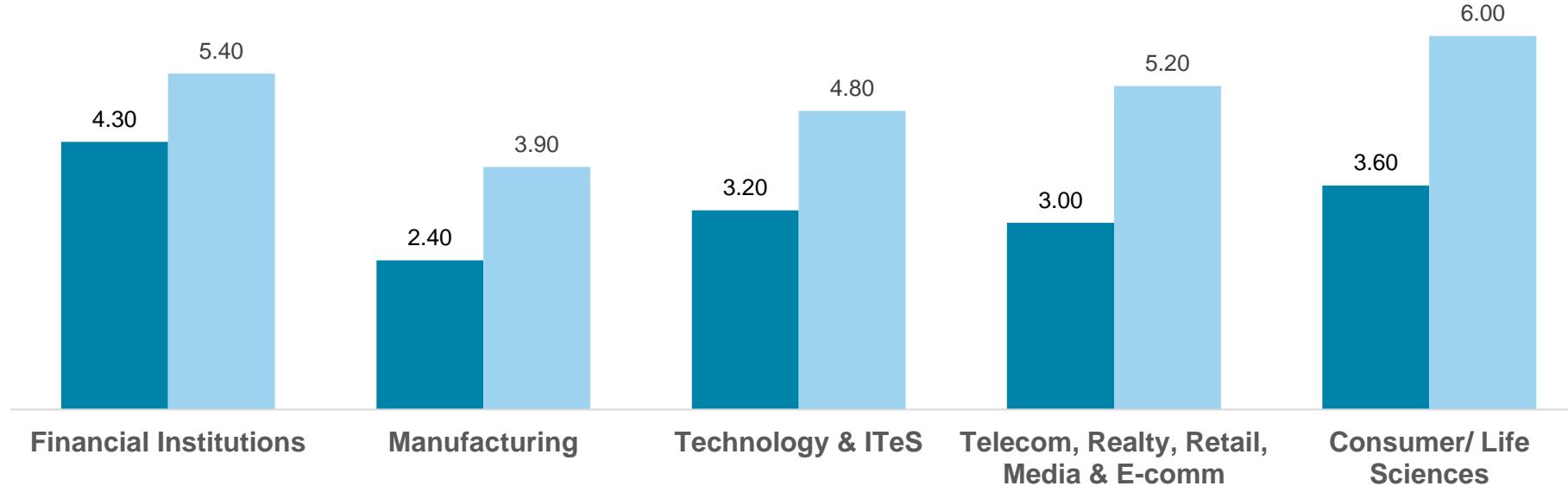
Long-term Motivation

CEO Pay Across India Inc.

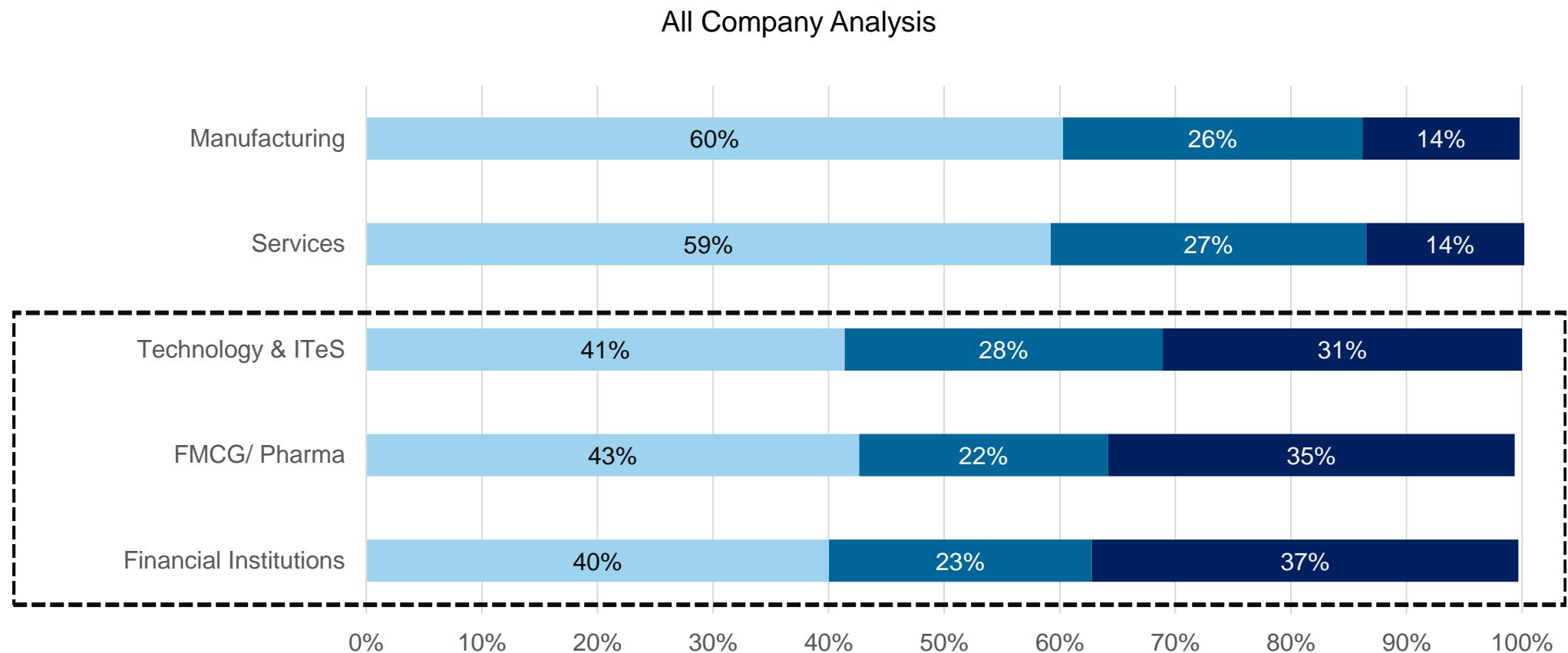
Financial Institutions and Consumer/Life Sciences lead the way

CEO Pay (Fixed Pay + Annual Variable) in INR Crores

■ 2015-16 ■ 2020-21



... With Approximately 60% of it 'At-Risk'



Guaranteed Pay



Job Value

Variable Pay



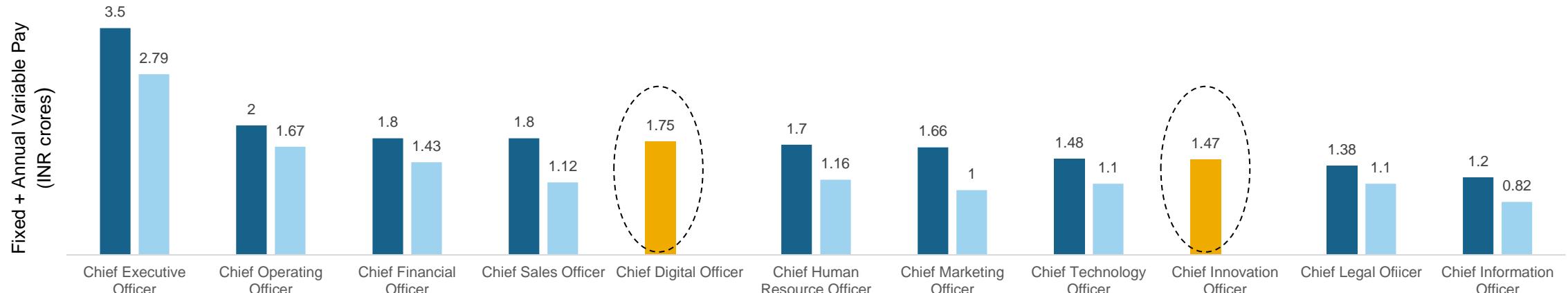
Performance Linkage

LTI



Long-term Motivation

C-Suite Compensation Across Functions



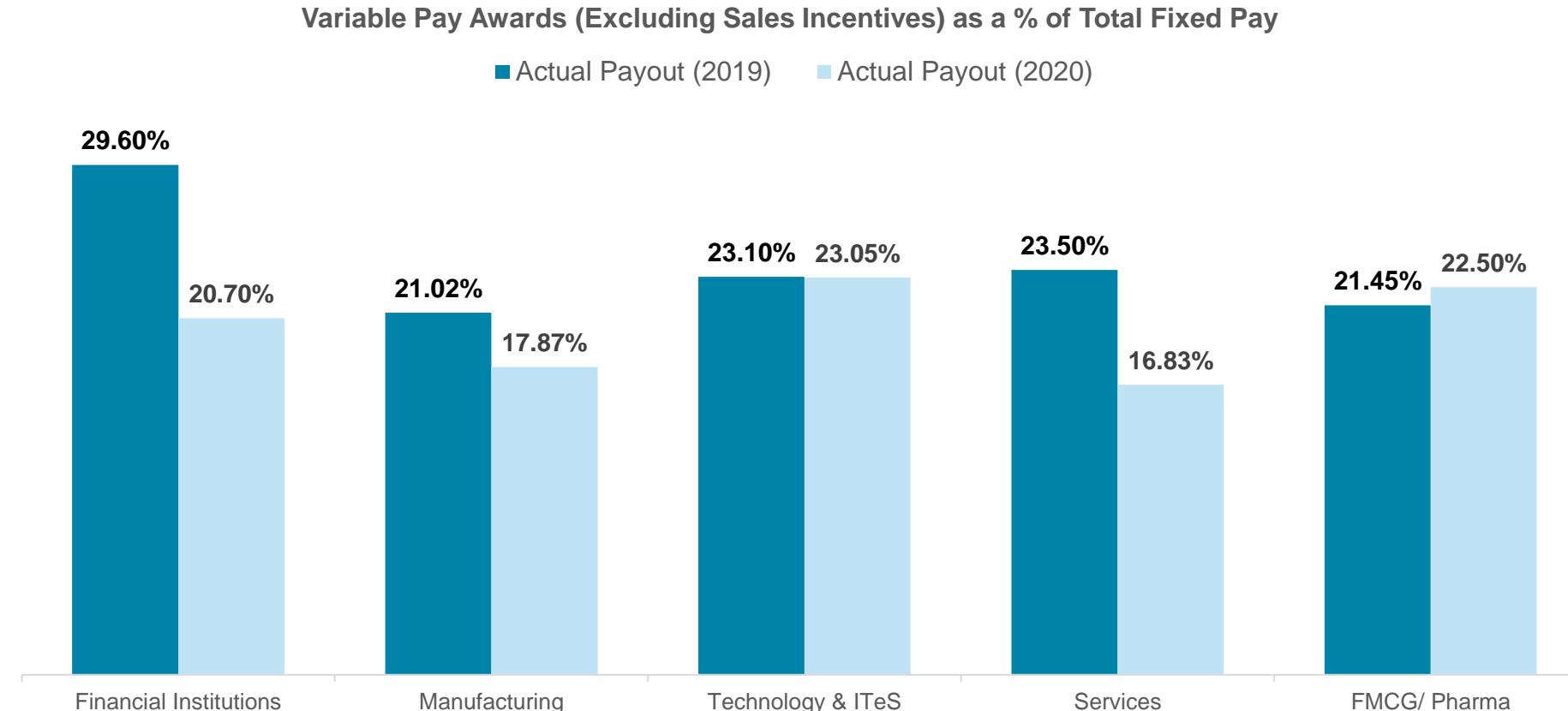
Roles	Rank 2015-16	Rank 2020-21	Change
Chief Operations Officer	1	1	↔
Chief Financial Officer	2	2	↔
Chief Sales Officer	4	2	↑
Chief Human Resource Officer	3	4	↓
Chief Marketing Officer	7	5	↑
Chief Technology Officer	6	6	↔
Chief Legal Officer	5	7	↓
Chief Information Officer	8	8	↔



Incentives: Short Term & Long Term

Variable Pay for Top Executives

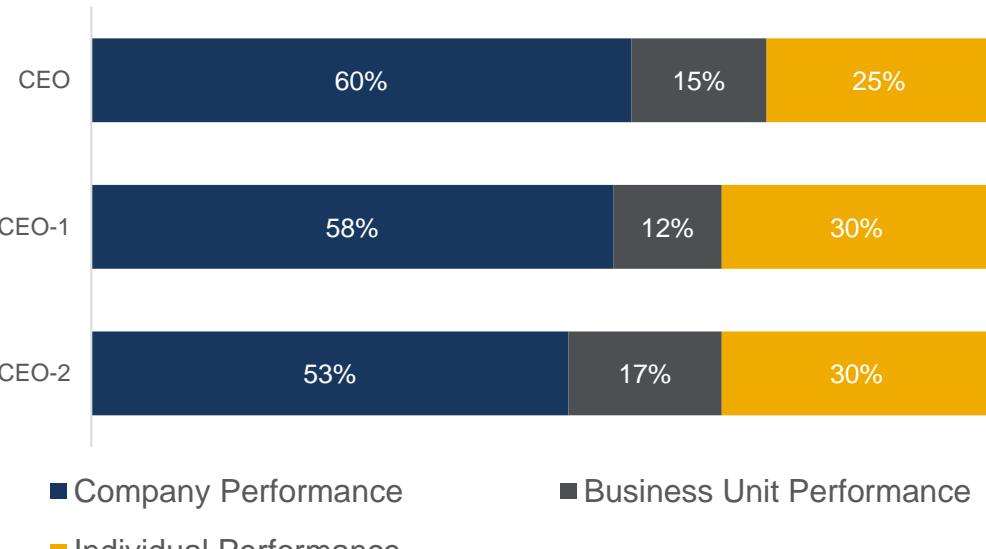
Financial Institutions and Services witnessed the largest drop....



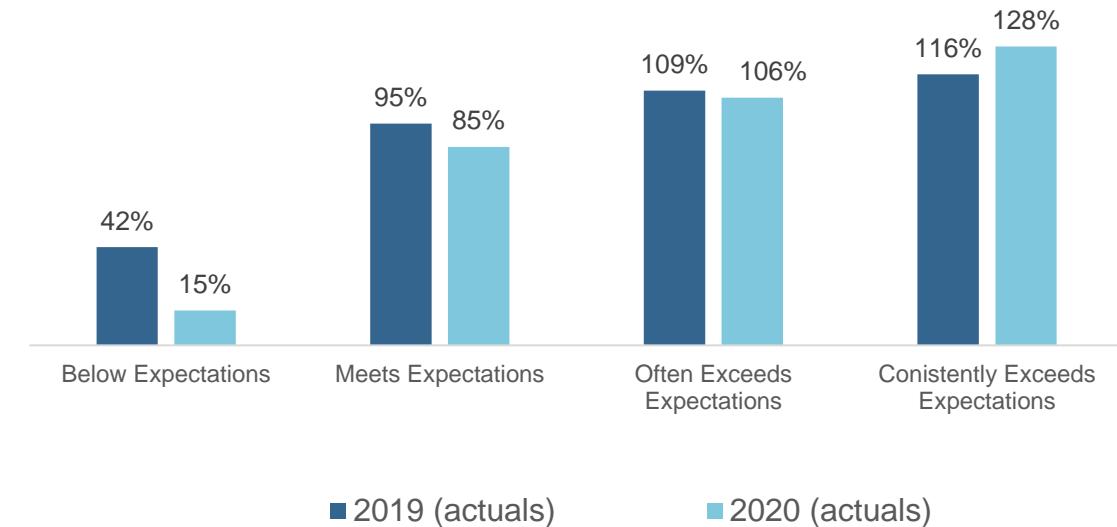
Short-Term Incentives Analyses

Pay for Performance Linkage

Weightages in STI Plan



Ratings VS Payouts for Top executives (Average)

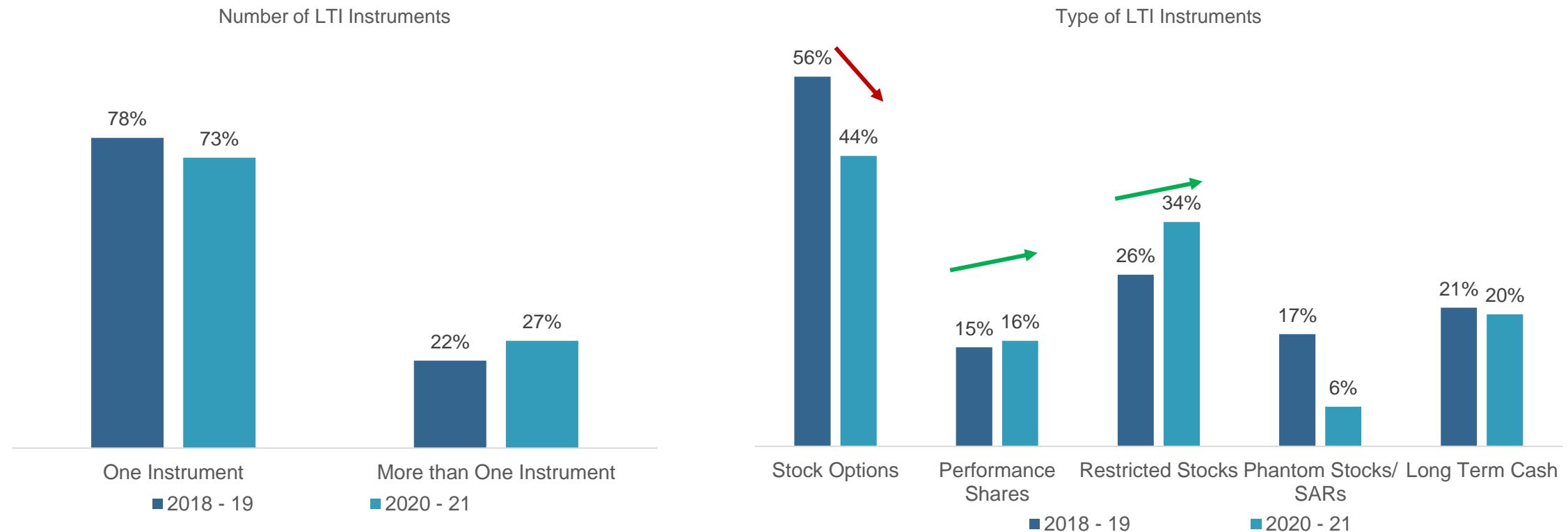


- CXOs and Function Heads are held responsible for a similar criteria as CEOs i.e. Collaboration and shared ownership of goals
- With reviewed targets and Performance metrics last year, companies disproportionately rewarded the Top Performing Talent against average performers payouts which were also revised in line with the targets



More than 'Options' on the Table

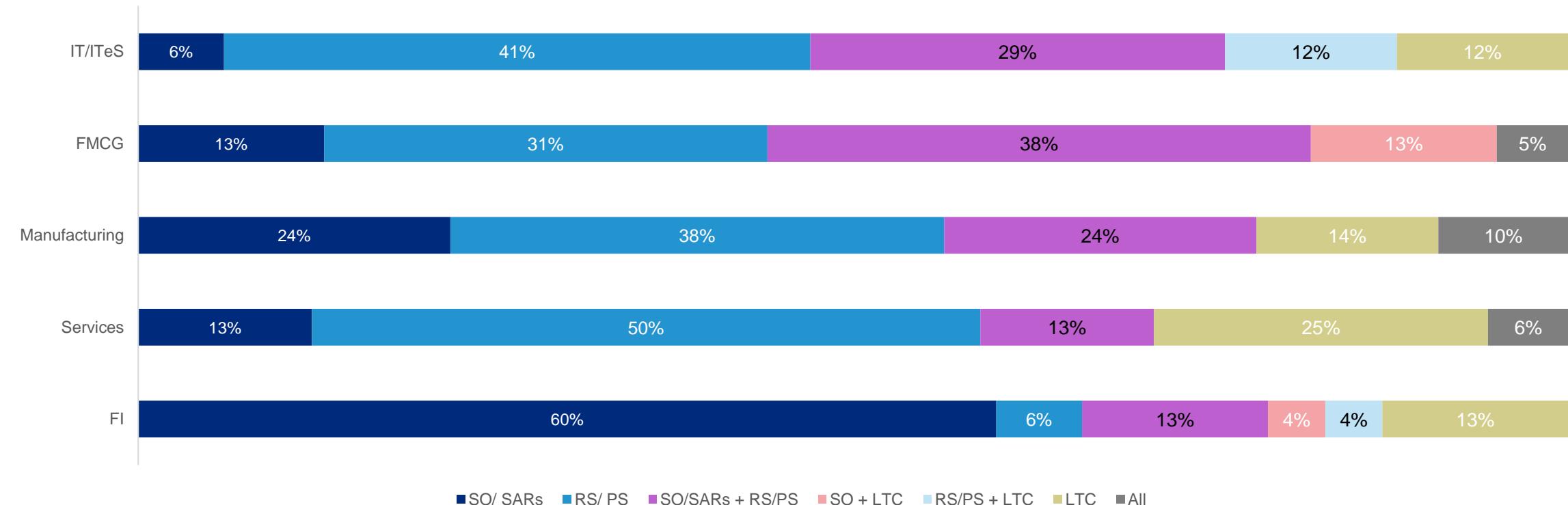
Organizations are using a mix of Long-Term Incentive instruments and moving towards Full Value Instruments



1. India Inc is seeing a gradual increase in the number of instruments used to deliver LTI, on account of different instruments serving different objectives like retention, reward and driving performance

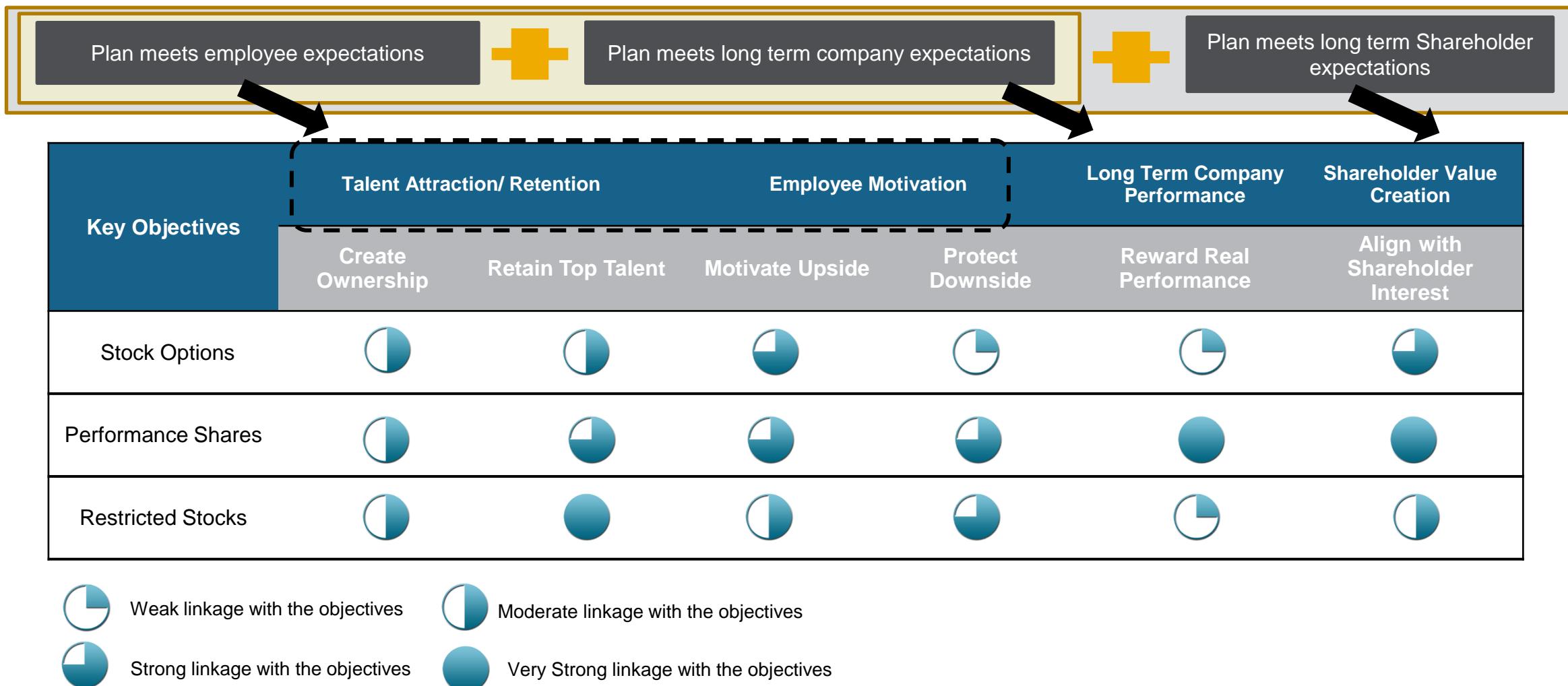
Full Value Instruments Lead in all Sectors except FI

Organizations are using a mix of Long-Term Incentive instruments and moving towards Full Value Instruments



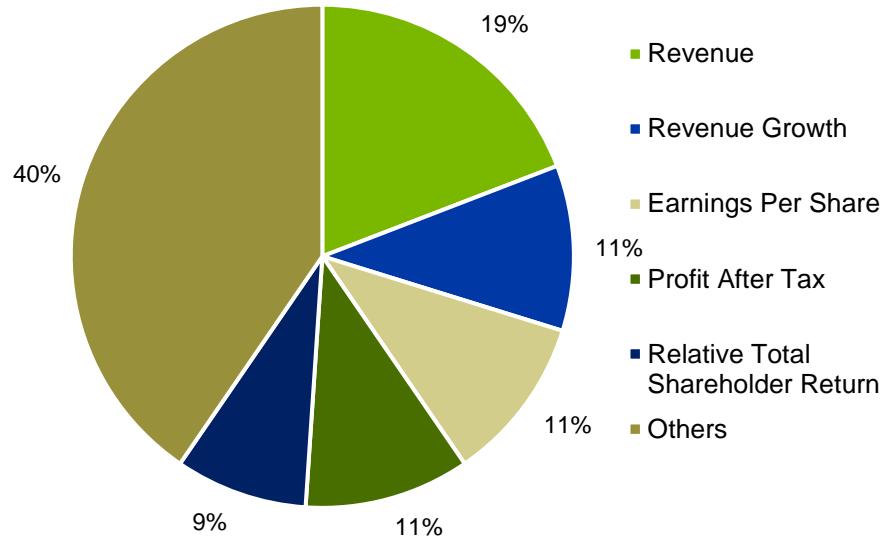
Most sectors have already moved to full value instruments based plan while Financial Institutions are still carrying the legacy plans which are heavy on Stock Options

Different Long-Term Incentive instruments serve different Objectives

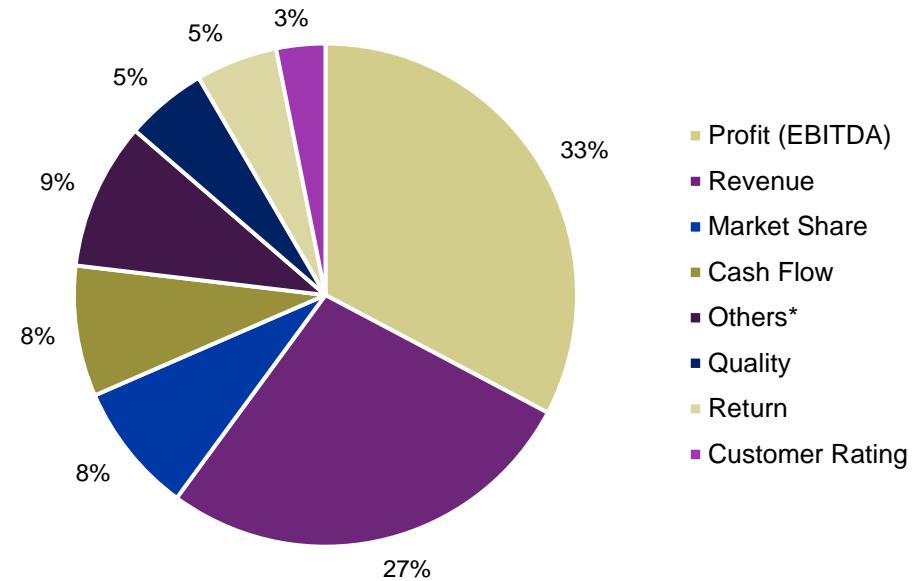


Comparison of Key Performance Metrics Used in Long –Term Incentive (LTI) Vs Short –Term Incentive (STI) Plans

Performance Metrics – LTI in PSUs
(N=14)



Performance Metrics - STI (Annual Bonus)(N=38*)



- Primarily internal financial metrics focussed on growth and profitability are utilised for PSUs
- 30% of the companies with PSUs have an overlap in terms of the metrics being used for both LTI and STI
- The metrics are chosen basis the business objective and the targets are set accordingly for both Long-term and Short-term incentives

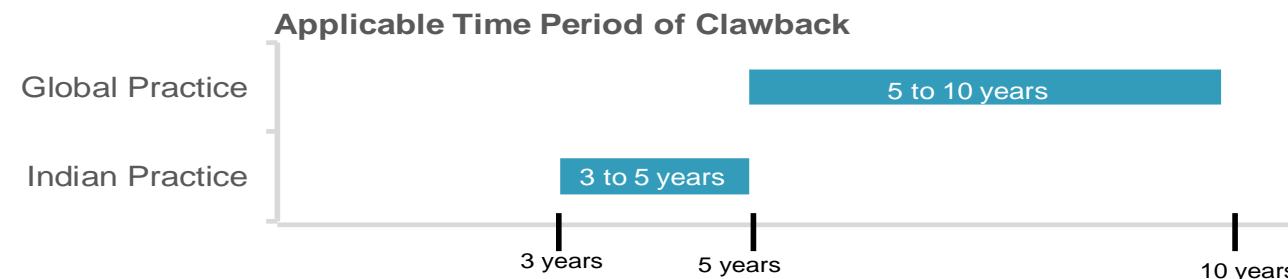
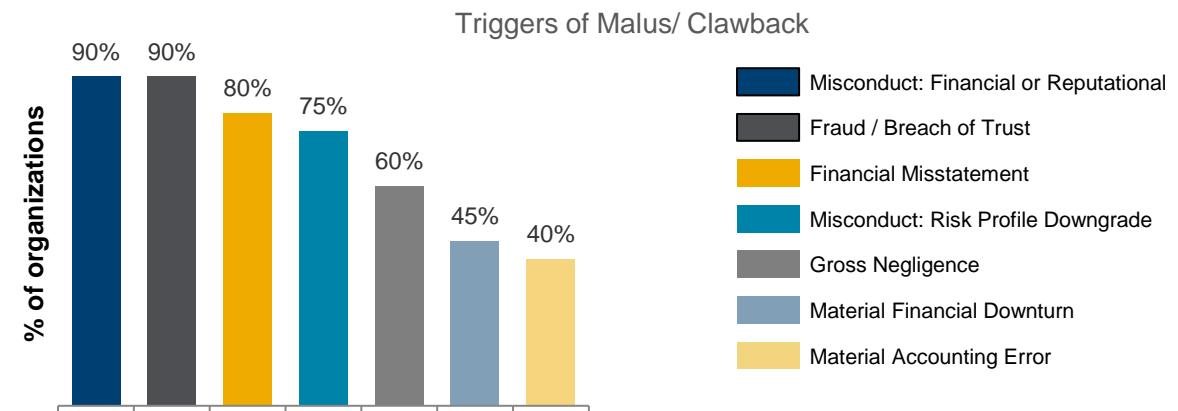
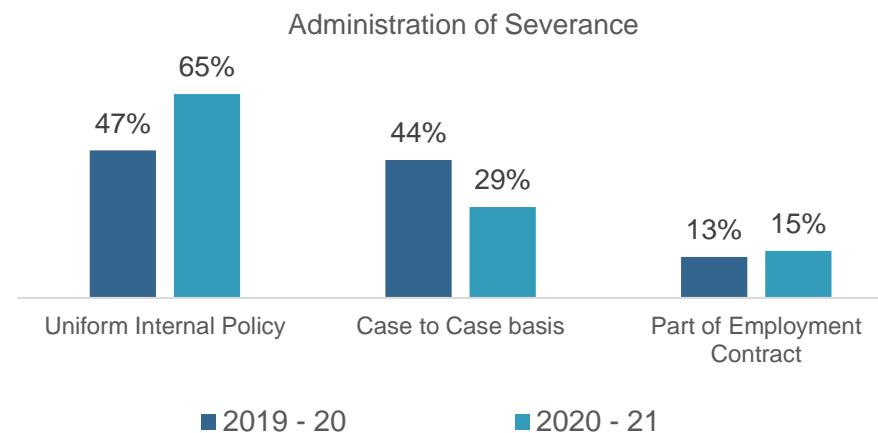
Other Performance Metrics for PSUs : EBIDTA, New Business Revenue, Free Cash Flow, Total Shareholder Return, Net Sales, Market Share, Earnings Before Interest, Tax; Return on Capital Employed, Return on Invested Capital

Other Performance Metrics for Annual Bonus : Safety, ESG, Digital transformation

Pay Policies & Governance

India Inc. following the Global trend of formalized Governance practices

Companies slowly but steadily focusing to have uniform and structured Governance practices



- 1. India Inc is acknowledging the importance of formalized governance practices; leading to a noticeable increase in companies having a uniform internal policy for administering severance
- 2. 10% of participating organizations in 2020-21 now have a formalized Malus/Clawback practice; however, in most cases, the Board/ NRC's discretion is applied in the events leading to deterioration of financial or reputational position of the company
- 3. Regulated sectors like Banking are mandated to have Malus and Clawback provisions owing to high risk exposure
- 4. Malus is more prominent as challenges regarding enforceability of Clawback have been a barrier to its utilisation as a governance tool





Gazing The Crystal Ball Outlook for 2021 & Beyond!

Key Themes that'll Drive Exec Pay Decisions in 2021 & Beyond

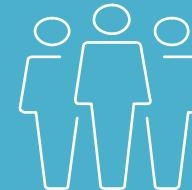
Increase in Pay at Risk



LTIPs would become more layered



Greater Focus On Governance



Say On Pay : Shareholder Activism





About Us

Executive Compensation at Aon



About ASSOCHAM

The Associated Chambers of Commerce & Industry of India (ASSOCHAM) is the country's oldest and most agile apex chamber, always evolving with the times ever since it was set up in 1920. The ASSOCHAM reaches out to and serves over 4.5 lakh members from trade, industry and professional services through over 400 associations, federations and regional chambers spread across the length and breadth of the country. It has built a strong presence in states, and also spread its wings in the key cities of the world.

With a rich heritage of being led by stalwarts of independent India, like JRD Tata, Nani Palkhivala, H.P. Nanda, L.M. Thapar, A.N. Haksar and Raunaq Singh, among others, the ASSOCHAM has shown the ability to transform itself to the contemporary Corporate India and of late has emerged as the 'Knowledge Chamber', leveraging the country's strength in the knowledge - led global economy. Be it education, health, manufacturing, banking-finance, international trade, energy, human resource, science and technology, entertainment or the rural landscape comprising agriculture and rural infrastructure, the ASSOCHAM has well-established National Councils in each of the segments, chaired by well-known industry leaders, academicians, economists, and independent professionals. These councils deliberate extensively and share their inputs with the government.

ASSOCHAM is working hand in hand with the government, institutions of importance and national and international think tanks to contribute to the policy making process even as it shares vital feedback on implementation of decisions of far-reaching consequences. ASSOCHAM is truly an institution of eminence, ever contributing to the task of nation building.

ASSOCHAM National Council on Industrial Relations, Policies and Reforms

The council, as an important arm of ASSOCHAM while discharging its functions and aligning to the chamber's vision and mission, deliberates on the issues and concerns which emerge from time to time by way of policy suggestions and recommendations which are broadly covered under its purview. The council closely works with relevant ministries at central and state level and align to their mandate of industrial policies and program towards- growth of productivity, employment, human resources, competitiveness etc. The council through its advocacy outreach program- establishes and promotes national and international best practices, assists regulators and authorities in setting up and advancing the standards, sensitizes to the government and stakeholders to adopt policies which are the best for sustainability of human resource and corporates. Also, the council creates knowledge awareness, caters training and development needs in various formats across country and suitably recognizes to the extraordinary contribution and efforts of professionals.

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About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

About Human Capital Solutions

Aon's Human Capital business provides leaders with a powerful mix of data, analytics and advice to help them make better workforce decisions. Our team, spanning 2,000 colleagues in more than 30 countries, includes the firm's rewards, talent assessment and performance & analytics practices.

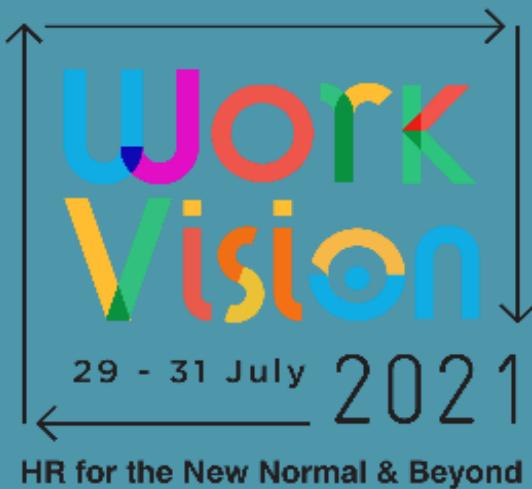
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Empower Results®





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