Viewpoints

Q&A

Consistent performers are always rewarded by employers

While most industries are likely to hike salaries by an average of 10%, top performers stand to gain more, Arvind Usretay, Director – Rewards, India, Willis Towers Watson tells Nilanjana Chakraborty, ET Wealth.

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Q According to your report, the salary allocation for average performers has dipped by 1 percentage point to 27%. Do you think this is a step in the wrong direction?

A Employers are continuously looking for opportunities for rewarding top performing talent. Several companies are already investing in manager training, governance and robust processes to bring in a very strong linkage between performance and pay.

Q How are companies trying to retain top performers when increments are getting slimmer?

A The reasons why employees are attracted to an employer could be very different from the reasons why they stay. According to Willis Towers Watson's recent Global Talent Management & Rewards study and The Global Workforce Study, apart from pay, career growth, retirement benefits and physical work environment are the key factors that employees consider retention anchors. Therefore, it is most critical now that employers communicate the overall value proposition to employees, including compensation and benefits, career growth opportunities, work environment and the fun quotient at the workplace.

Q The report says that startups and smaller MNCs are likely to offer above average salary increases. Is this sustainable for the industry?

A Employers may use different strategies to engage and retain their talent. While some may look to pay higher than the market median to achieve their objective, others may lay stress on the overall employment proposition, including the experience, culture, etc. This is often a function of their overall philosophy and market dynamics. Sometimes startups and lesser known brands may have to work harder to attract and retain talent, but this is only a phase in their evolution, before they become better established and are an automatic choice for those seeking employment.

Q Employees of many companies, especially startups, have had to take pay cuts in recent times. How do you think this will pan out for the industry?

A Employers decide on the remuneration for any position based on a set of internal and external factors. They usually offer a mix of fixed and variable pay, depending on the internal philosophy and industry context.

What is being referred to as pay cuts, may actually be seen as low performance pay. Increasingly employers are looking to achieve a more objective linkage between performance and pay. In certain industries or specific instances, there may have been actual pay cuts (on fixed pay) because of less than desirable business performance. But this is likely to be a short term measure. No employer would choose to cut salaries if there was another option.

Expect a 10% salary increase in 2018

Salaries in India are projected to rise 10% in 2018, same as the actual increase in 2017, according to the Third Quarter 2017 Salary Budget Planning Report released by Willis Towers Watson.

Figure 1. **Projected and actual salary increase**

Year	Projected salary increase	Actual salary increase
2018	10.0%	-
2017	10.0%	10.0%
2016	10.8%	10.0%
2015	10.8%	10.4%

Q Does this mean the trend of startups spending lavishly on talent acquisition is a thing of the past?

A Startups more than others gain from individual contributions and brilliance. However across industry segments, acquiring high quality talent is never going to be a thing of the past. Employers will be willing to spend money for talent they believe can bring them disproportionate gains.

Q With the appraisal season around the corner, do companies need to introduce 360-degree appraisals where managers also get appraised by their direct reports?

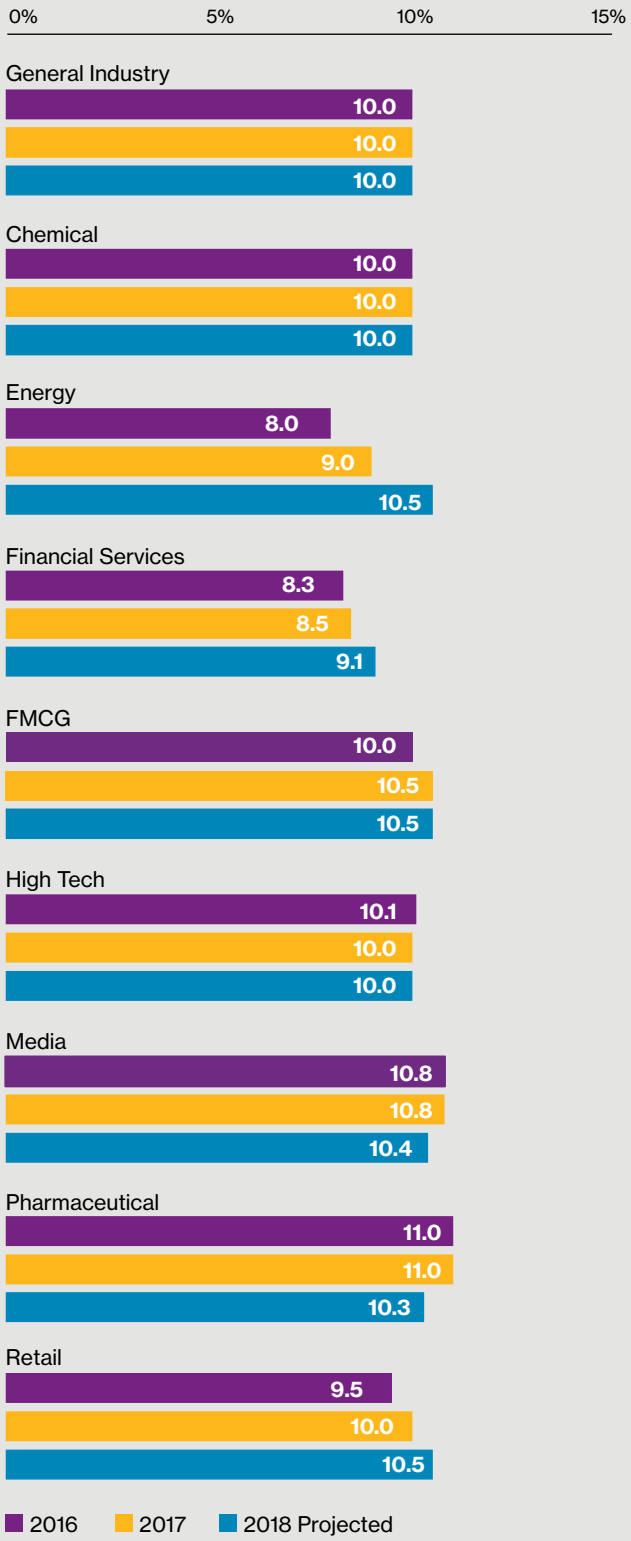
A Several progressive employers already have the practice of asking for 360-degree feedback in place. Typically, these would include anonymous qualitative feedback from peers, direct reports, indirect managers and increasingly clients. This is very helpful in getting to understand the areas where individuals are good at and opportunities to develop further.

Q How useful is the bell curve model of employee appraisal? Is there a better alternative?

A This was a raging debate till some time ago. Every HR conference would be talking about this. Yet, if you looked at the overall universe of employers, a very small percentage of them would have actually moved away from it. Some big brands might have moved early and there was a lot of press around it. It does not necessarily mean that most employers have decided not to have bell curves. Most certainly the trend is to introduce more frequent performance discussions between managers and their teams, instead of one annual conversation.

The end objective is to differentiate between average, good and exemplary performance and reward it suitably. Any system that can help companies achieve that is a great alternative. To me, the missing link is actually

Figure 2. **Industry specific salary increase budget**



* 39% the salary allocation for top performers in 2017, up from 38% last year.

* 27% is the budget set aside for average performers, down by 1% from last year's budget.

* 2-3% is the range of salary increase designated for average performers in the mid-management. It goes up to around 15% for top performers.

* 10% is the average salary increase for the junior management's salary. But it might have a wider range.

Note: The survey was conducted in July 2017. Over 4,000 sets of responses were received in Asia Pacific, in which about 300 companies participated in the India market.

the preparedness of the manager to have objective performance conversations with their teams. In several instances we find that managers are not equipped or trained enough to give feedback. Before looking at any alternative system, this could be an area of focus for employers.

Q Going forward, which sectors are expected to give above or below average increases in salary? Are there any steps employees can take to improve their odds?

A According to the Third Quarter 2017 Salary Budget Planning Report released by Willis Towers Watson, Media, FMCG are marginally higher than the average of 10%. But one needs to keep in mind that there is always a range, where top performers will stand to get higher increases over average and low performers. In certain industries like media the increase may have been driven by the increased demand for digital skills and the lack of availability of such talent.

There is no short-cut to improving one's odds. Solid and consistent performers are always rewarded by employers in various ways, not only through compensation. This includes recognition, learning and career growth opportunities, etc. In certain industry sectors, adding new skills can help employees gain in the short term.

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