Insight beyond information

The FY22 Salary Increments Benchmarking Study

People Cost | Compensation Budgets | Pay Increments | Variable Pay Shares | Pay-to-Market Ratio

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Introduction

IMA's FY22 Increments Benchmarking Study aims to assess trends in salary increments and compensation budgets, by function and level of management, across companies. Over 220 organisations across a wide gamut of industries and of varying size and ownership participated in a survey on these issues, conducted in January 2021. The report provides data on parameters such as overall compensation budgets, share of variable pay and increments across levels/functions.

Compensation budgets and Increments data is presented for each function (sales/marketing/customer service, business/operations/manufacturing, finance/treasury, HR, shared services, facilities/IT/administration) and management level (C-level, senior management, middle management, junior management, blue collar workforce). Detailed data-splits are offered for each parameter by sector/sub-sector, revenue, ownership (foreign vs Indian), listing, domain (manufacturing vs services) and orientation (B2B vs B2C). Additionally, increments data is provided for talent groups (HiPos, top/average/low performers).

The report aims to offer actionable inputs for CHROs and other decision makers towards their own salary related decisions for the coming financial year, and covers the following parameters:

- **Total people cost:** As a percentage of total cost and total revenue for FY20 and FY21, and forecasts for FY22.
- **Compensation budgets by function**: How have compensation budgets changed in the last financial year? What is the expected change next year?
- **Variable pay shares by function and management level**: For FY21 (actual) and FY22 (anticipated).
- **Pay increments** (FY20, FY21 and FY22 (anticipated)) by:
    - Function
    - Management level
    - Talent group (high potentials, and top/average/low performers)

Methodology and Definitions

- Data was collated and distilled from responses from **~220 companies** to a questionnaire that was administered in January 2021.
- Respondents were grouped and the results are reported as follows:
  - ***Sector:*** 10 broad industry and 25 sub-sector groupings
  - ***Revenue:*** 7 bands ranging from <Rs 250 crores to >Rs 10,000 crores
  - ***Domain:*** manufacturing, services and both
  - ***Orientation:*** B2B, B2C and both
  - ***Ownership:*** Foreign MNC, Indian MNC and Indian pure-play (companies with no foreign subsidiaries/operations that exclusively/primarily serve the Indian market)
  - ***Listing:*** Listed in India, abroad, both; and unlisted companies
  - ***Financial year start:*** January and April (relatively few companies in our sample have other starting months)

- Function-wise data has been collected and standardised as follows:
  - Sales/marketing/customer service
  - Business/operations/manufacturing
  - Finance/treasury
  - Human resources
  - Shared services
  - Facilities/IT/administration
- Data is also reported for each employee/management level, which was defined as follows:
  - **C-level** includes the Chief Executive Officer, Chief Financial Officer, Chief Human Resource Officer, Chief Marketing Officer etc, i.e. individuals who run either the entire business, a major SBU or a functional area.
  - **Senior management** refers to executives who have 15 years or more of experience, or are placed above the Mid-Management level and report directly to the C-suite.
  - **Middle management** refers to executives with 8-15 years of experience.
  - **Junior management** refers to executives with 2-8 years of experience.
  - **Blue-collar staff** refers to shop-floor workers, and in the case of construction, to on-site labour.
- Talent groups are classified as follows:
  - **High potentials:** Medium to high on results and very high on potential.
  - **Top performers**: High to very high on results and medium on potential.
  - **Average performers**: Medium on results and low to medium on potential.
  - **Low performers**: Low to medium on results and low on potential.

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Glossary of Terms

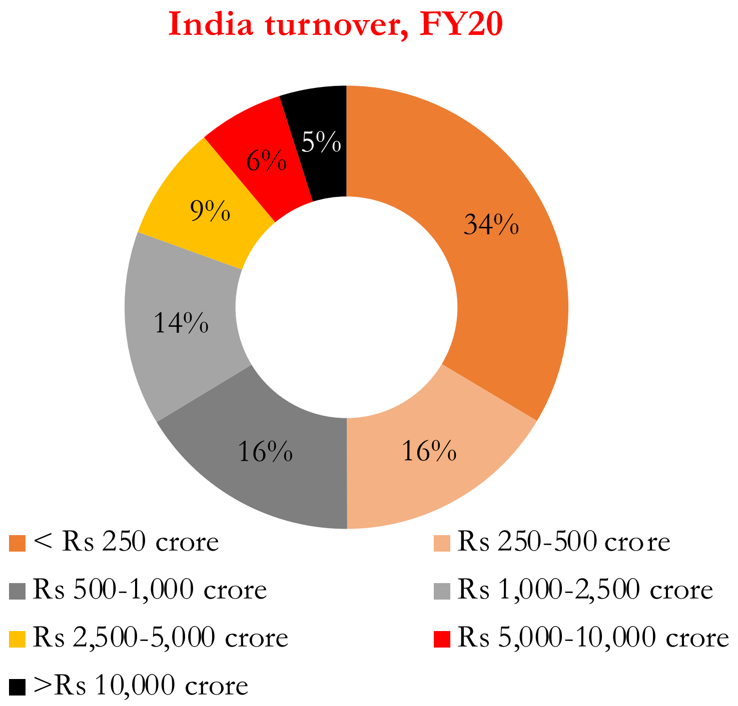
Statistical definitions/explanations

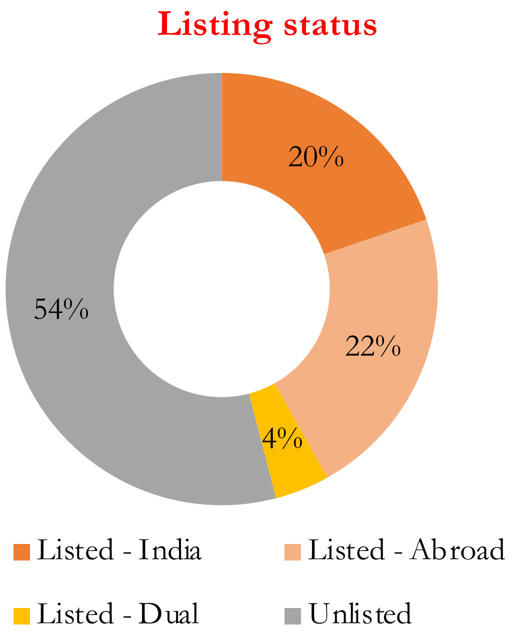
- **Mean:** a simple arithmetic average of values.
- **Median:** a level representing the 'midpoint' of the sample – exactly 50% of respondents will lie below this level, and 50% above. This is different from the 'mean' or simple average.
- **Percentiles:** a measure of how companies are distributed along a particular scale. Each percentile value measures the percentage of respondents *below* that level. For instance, the 25th percentile value for increments means that 25% of firms give their employees less than that value, while 75% will pay more than that value. The opposite holds for the 75th percentile.

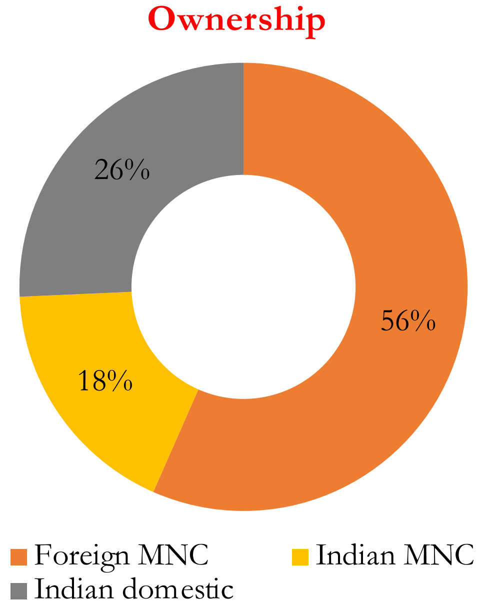
Specific definitions

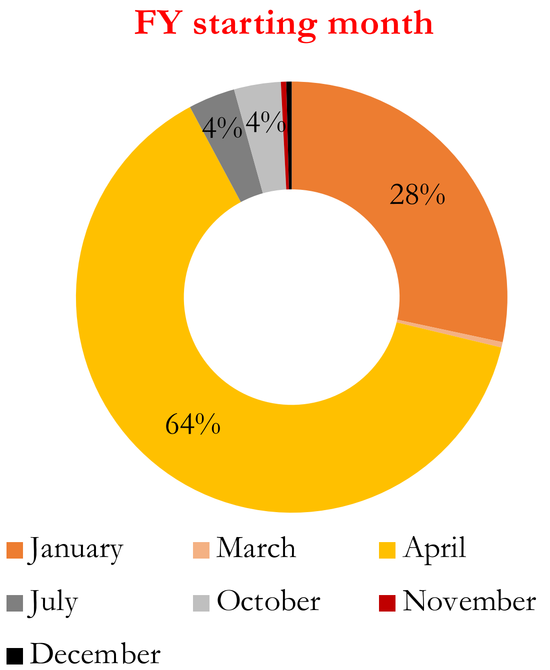
- **Variable pay:** includes performance-based pay and bonuses over and above the gross fixed salary, as well as the value of ESOPs exercised in a particular year.
- **Increments**: The increase/decrease in fixed salary over that of the previous year.
- **Midpoint-to-Market Delta:** A measure of the gap between average pay in a particular company and the market average. It is the (percentage) difference between the mid-point (the average of the highest and lowest salaries paid in a specific category/function) and the average market pay, within that industry sector/peer set for that category. This measure contains a degree of subjectivity, in terms of how the market average and the variance therefrom is calculated by individual respondents (there is typically no single, accepted figure for market average for any employee category). To that extent, data on this parameter should be considered suggestive rather than definitive.

Sample Demographics (1/3)



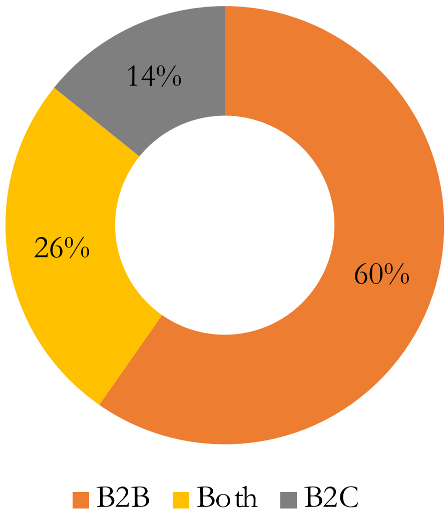




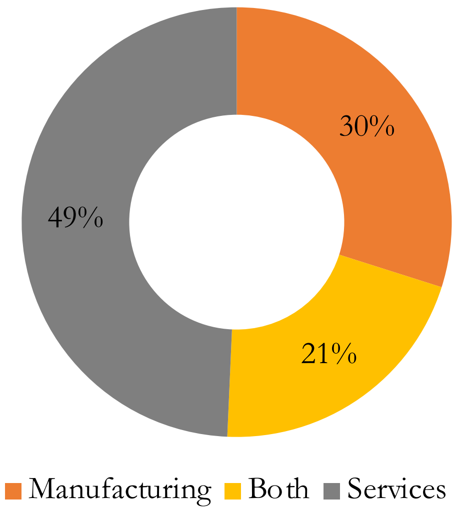


Sample Demographics (2/3)

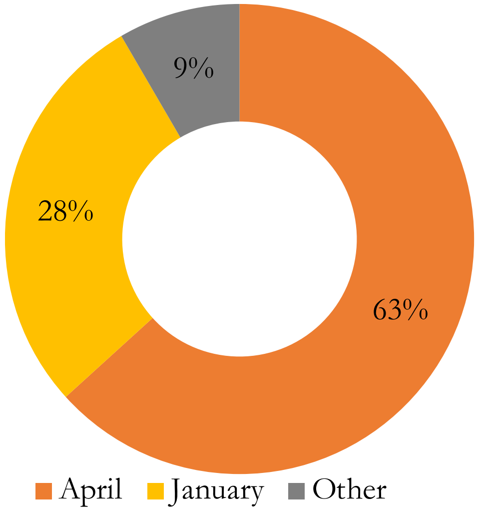
Orientation: B2B/B2C



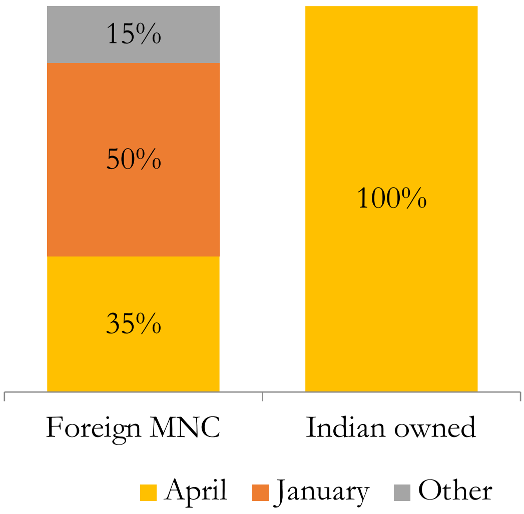
Orientation: Manufacturing/Services



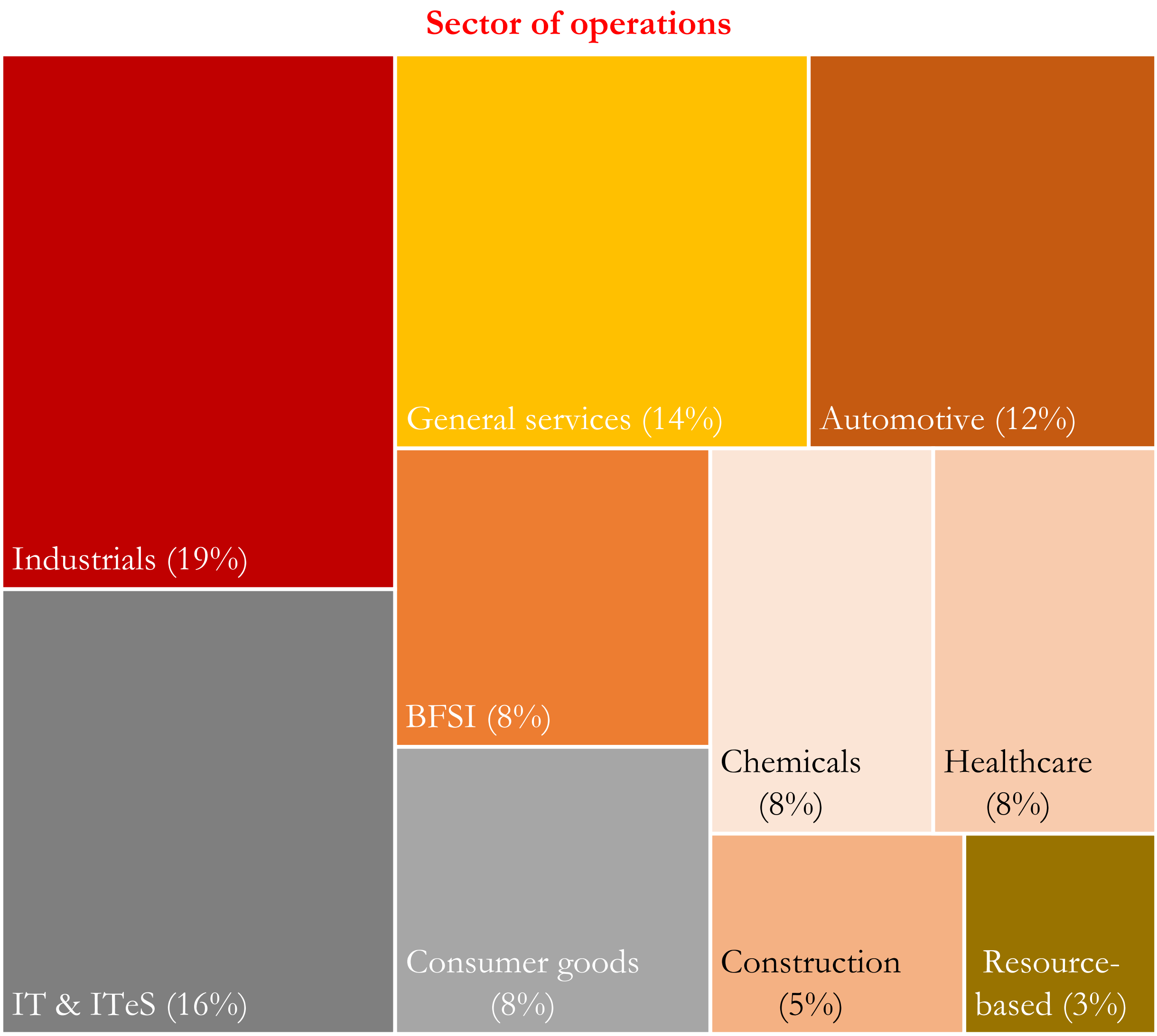
FY Starting month



FY Starting month: By Ownership



Sample Demographics (3/3)



Executive Summary (1/2)

Compensation: Cost and Structures

- Over the last two years, people costs as a percentage of total cost has remained broadly stable at ~35.5%. In FY22, it is expected to be in a similar range.
- As a share of revenue, people costs are expected to decline slightly, from 25.6% in FY20 to 24.8% in FY22. This suggests that revenue is expected to rise faster than the overall pay bill.
- Wide variations exist in people costs by sector and size. At the lower end of the scale (25th percentile), the ratio is just 12% of total costs, but at the upper end (75th percentile), it exceeds 60%.
- As a share of revenue, these ratios are 8% and 40% for the bottom and top quartile companies, respectively.
- Function-wise compensation budgets, which grew mildly in FY21, are likely to expand sharply in FY22.
    - Sales/marketing/customer service will see the fastest growth (8%) followed by business/operations (7.4%).
    - Support functions like facilities/IT/admin and shared services will see smaller changes (~6%).
- Variable pay, as a share of CTC, is expected to rise across functions and management levels in FY22.
    - Expectedly, those in sales, marketing and customer service will earn more from variable components (19.2% in FY22) than will those in support functions like facilities, IT and admin (12.6%).
    - Level-wise, variable-pay ratios will remain the highest for C-suite executives (23%) while blue-collar workers will on average receive just 11% in this form.

Executive Summary (2/2)

Trends in Increments

- Across levels, increments are expected to range between 8.2% and 9.7% in FY22.
    - C-suite and senior management pay is expected to rise the least, by 8.2-8.4%.
    - Middle and junior managers are likely to see 9%+ increases, while for blue-collar workers, the average increase will be 8.7%.
- Function-wise, salary increments were in the 5-6% zone over the last two years, but are expected to be considerably higher (8-9.5%) in FY22.
    - Sales/marketing/customer services and business/operations/manufacturing will see the biggest hikes: 9.2-9.5%.
    - Finance and HR come next (~8.9%), followed by other support functions (8.1-8.6%).
- Increments by talent groups are expected to vary widely.
    - High potentials ('HiPos') will see the highest increments (16%), 2.1 percentage points more than top performers.
    - Average performers are expected to see a 7.1% hike, while low performers will get 2.2% in FY22.
- The salary midpoint-to-market ratio, which measures the gap between average pay in an organisation and the market average for that position, increased across functions, typically by about 1 percentage point in FY21. This means that companies in our sample increased their salaries by more than the market average in FY21.
    - Business operations had the highest delta (28.7%), followed by support functions (27.4%).
    - Role-wise, C-level positions have the highest midpoint-to-market delta of ~30% followed by senior management positions (28.6%).

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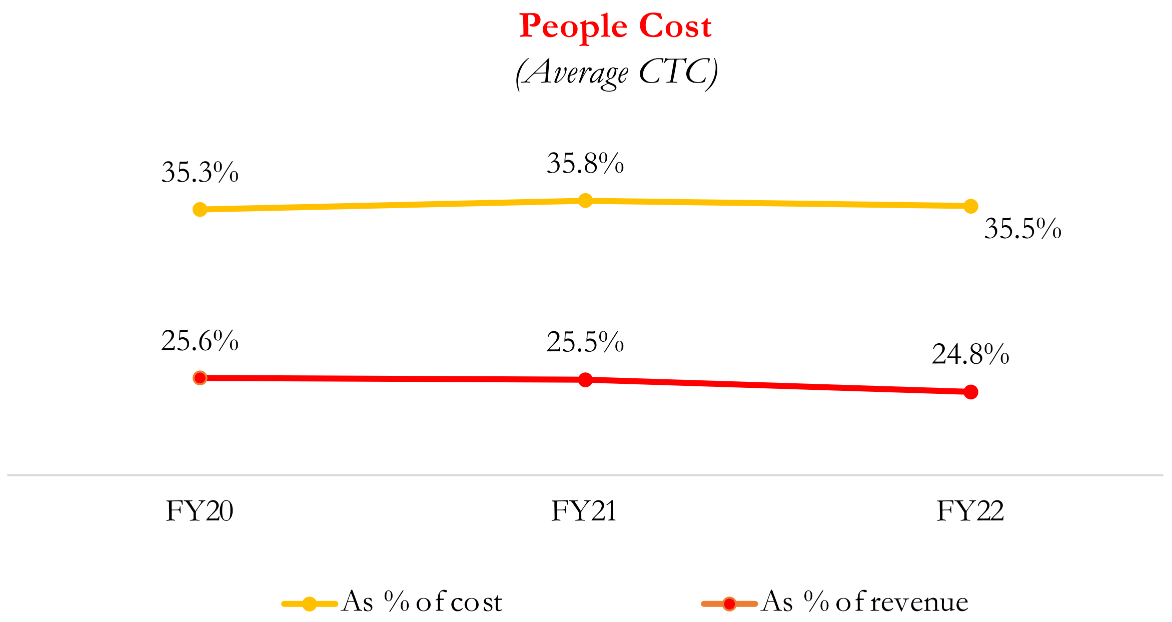
Compensation:
Cost and Structures

People Costs: Holding Steady

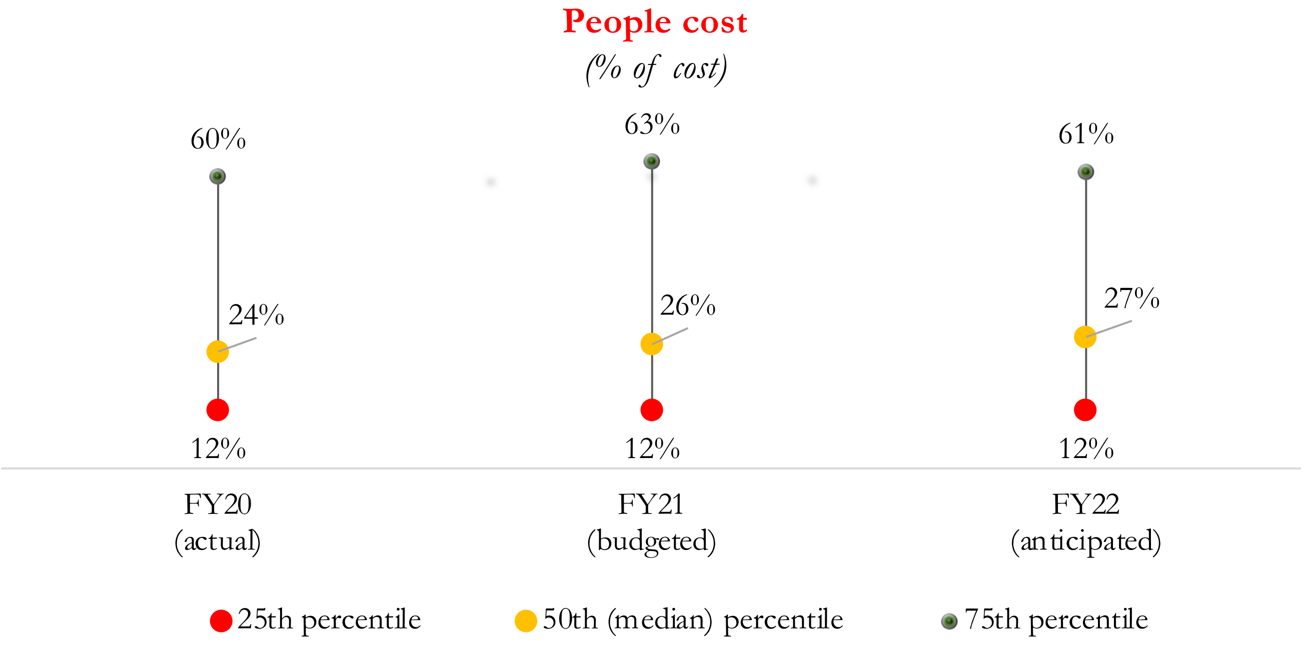
- Over the last two years, people costs as a percentage of total cost has remained broadly stable at ~35.5%. Expectations are that in FY22, it will stay in a similar range.
- As a share of revenue, the average company spent about one-quarter of the total on people in both FY20 and FY21. Going forward, there is a 70 basis points fall in this share, indicating that revenue is expected to rise faster than the overall pay bill in FY22.

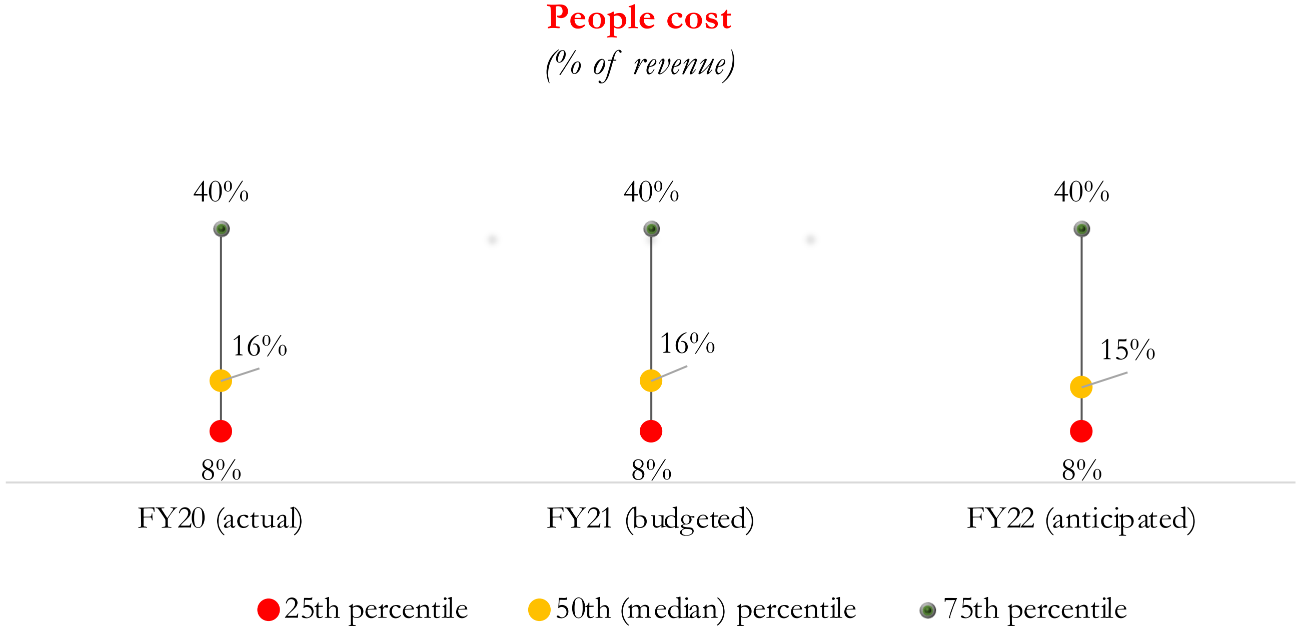


Please see the Annexure for detailed cuts – by revenue, sector, size, ownership, listing, orientation etc – of the data contained here.

People Costs: High vs Low Spenders

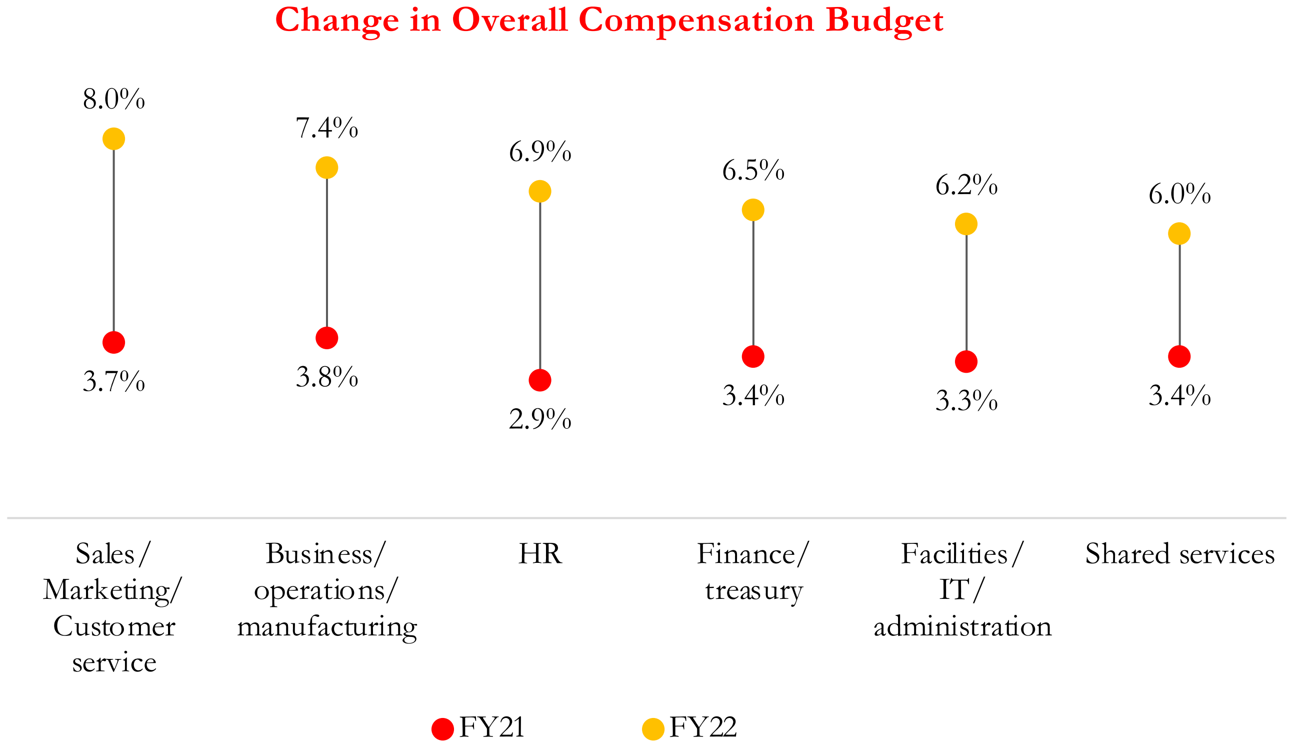
- Expectedly, people costs vary enormously across companies by sector and size. At the lower end of the scale (mainly in larger/industrial companies), the ratio is just 12% of total costs but at the upper end (in people-heavy businesses like IT), it exceeds 60%.
- Measured as a share of revenue, people costs for bottom-quartile companies are just 8%, but go past 40% in top-quartile firms.





Change in Compensation Budgets: By Function (1/4)

- After rising only mildly this year (FY21), overall, compensation budgets are expected to expand sharply across functions in FY22.
- Sales/marketing/customer service will see the fastest growth (8%) followed by business/operations (7.4%).
- Support functions like facilities/IT/admin and shared services will see the smallest change.



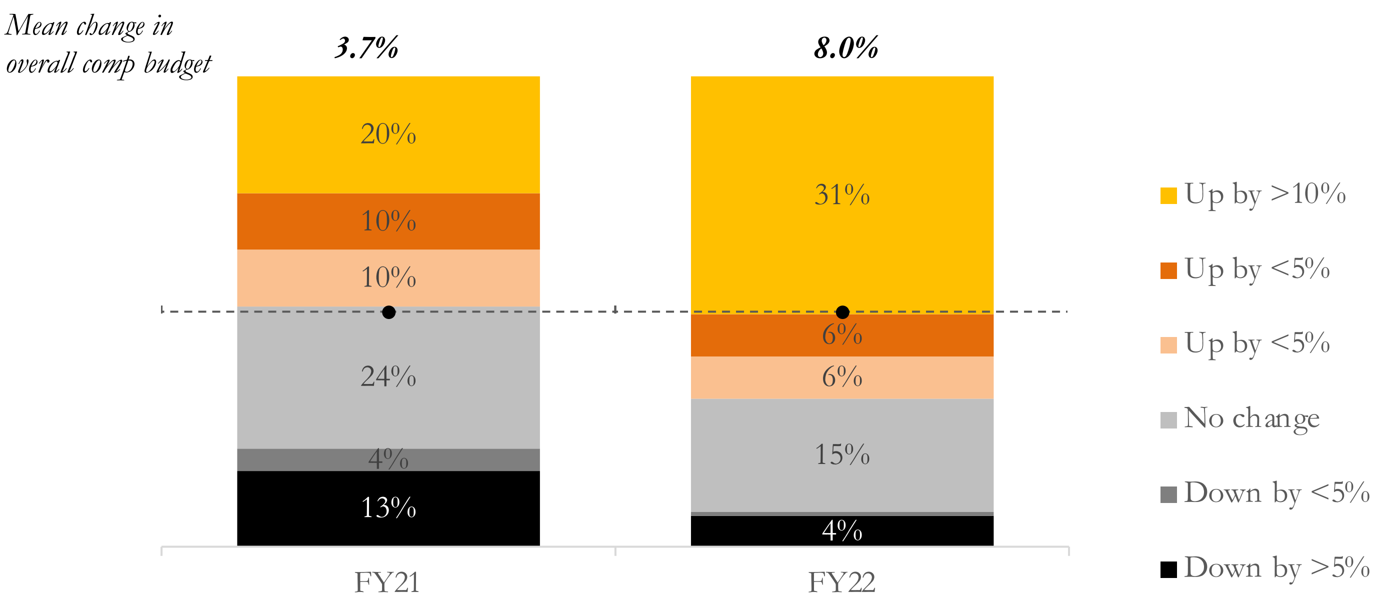
Please see the Annexure for detailed cuts – by revenue, sector, size, ownership, listing, orientation etc – of the data contained here.

Change in Compensation Budgets: By Function (2/4)

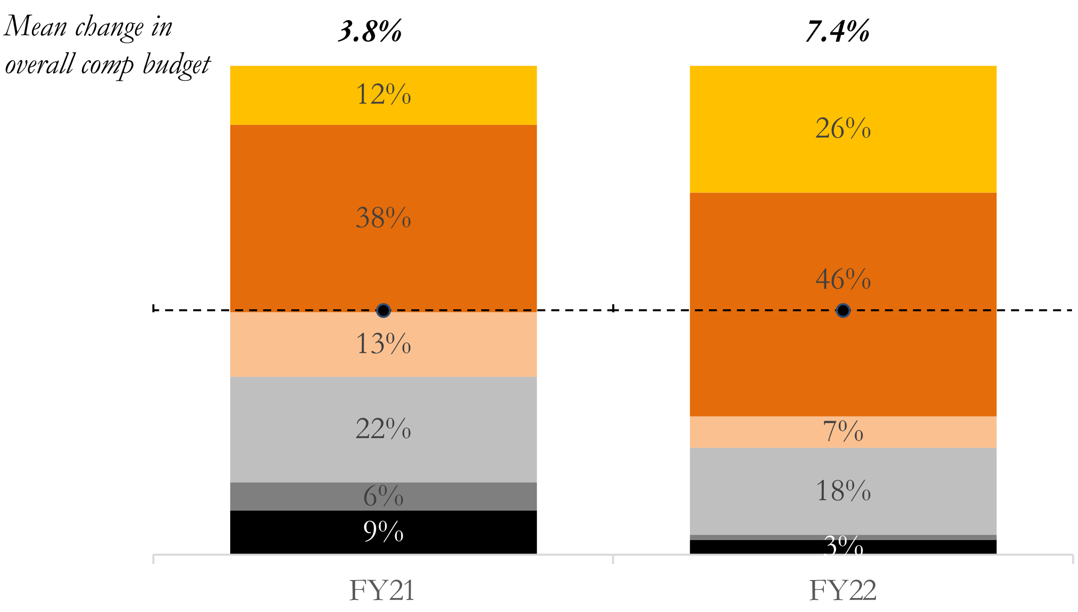
- About a third of companies (up from 20% in FY21) expect their overall compensation budget for sales, marketing and customer service to increase by more than 10% in FY22. Just 5% expect a decline in FY22 against 17% in FY21.
- 26% of companies plan to increase the compensation budget for the business, operations and manufacturing functions by more than 10% in FY22 and 46% by 5-10%. 4% of companies plan to cut their budget in FY22 against 15% last year.

% companies saying their compensation budget was/will be…

Sales, Marketing and Customer Service



Business, operations and manufacturing

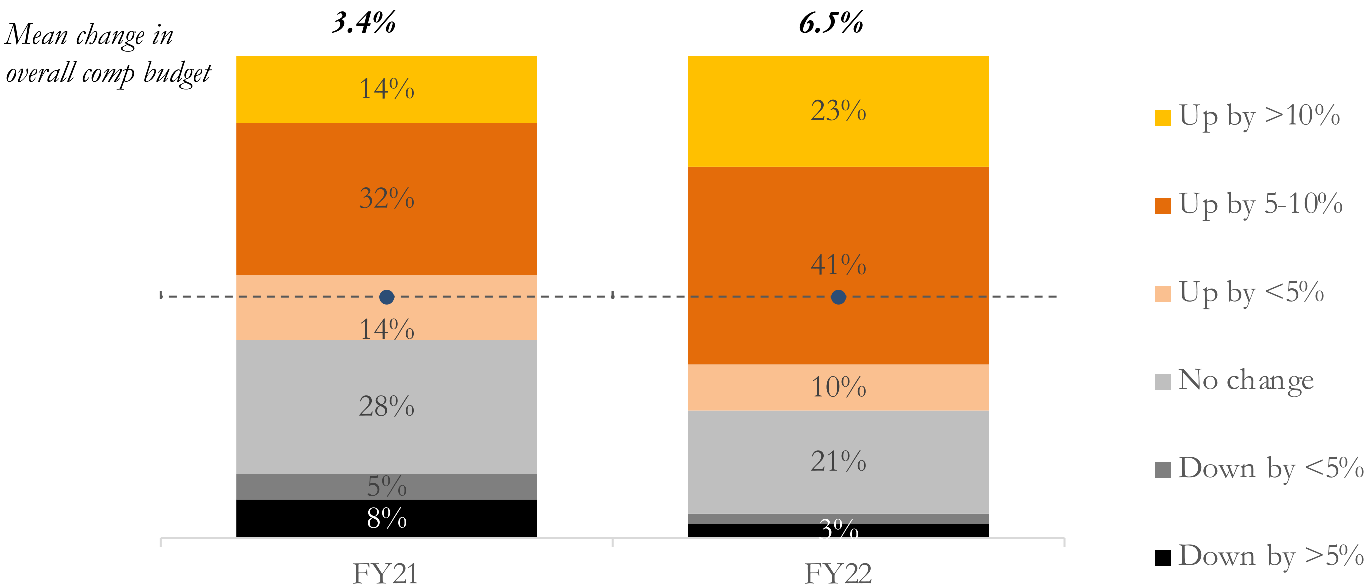


Change in Compensation Budgets: By Function (3/4)

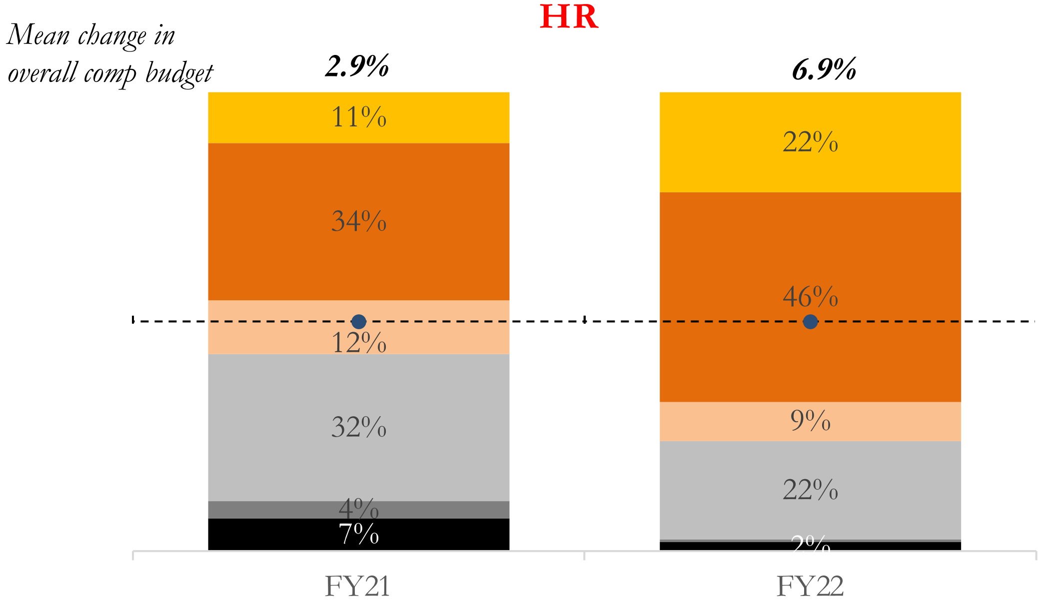
- Compensation budgets for finance and treasury are expected to rise at an accelerating rate in FY22, with 64% of companies (up from 46% in FY21) planning a 5%+ increase. 5% of companies will see a reduction in their budget in FY22 against 13% in FY21.
- Spending on HR will grow somewhat faster on average, with 68% expecting an increase of 5% or more. Just 3% expect to reduce their budget in FY22 against 11% last year.

% companies saying their compensation budget was/will be…

Finance and treasury



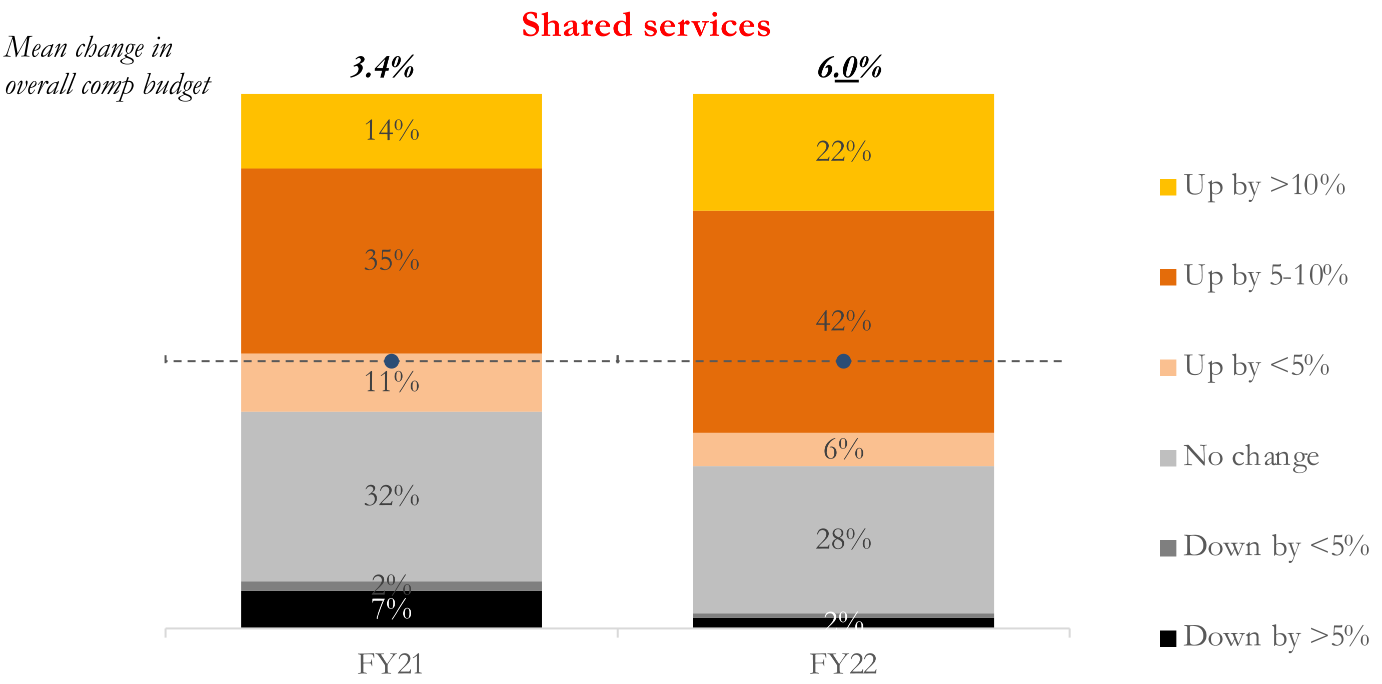
HR

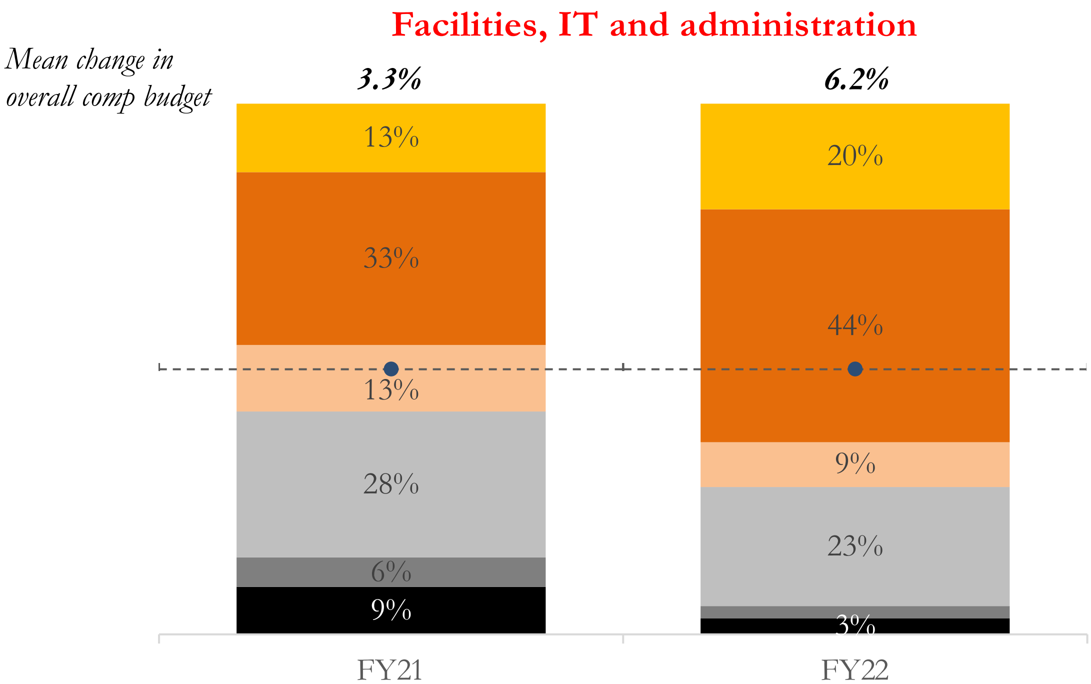


Change in Compensation Budgets: By Function (4/4)

- The patterns are similar for support functions like shared services, facilities, IT and admin, with over two-thirds of companies (compared to less than half) expanding their compensation budgets by 5% or more.

% companies saying their compensation budget was/will be…

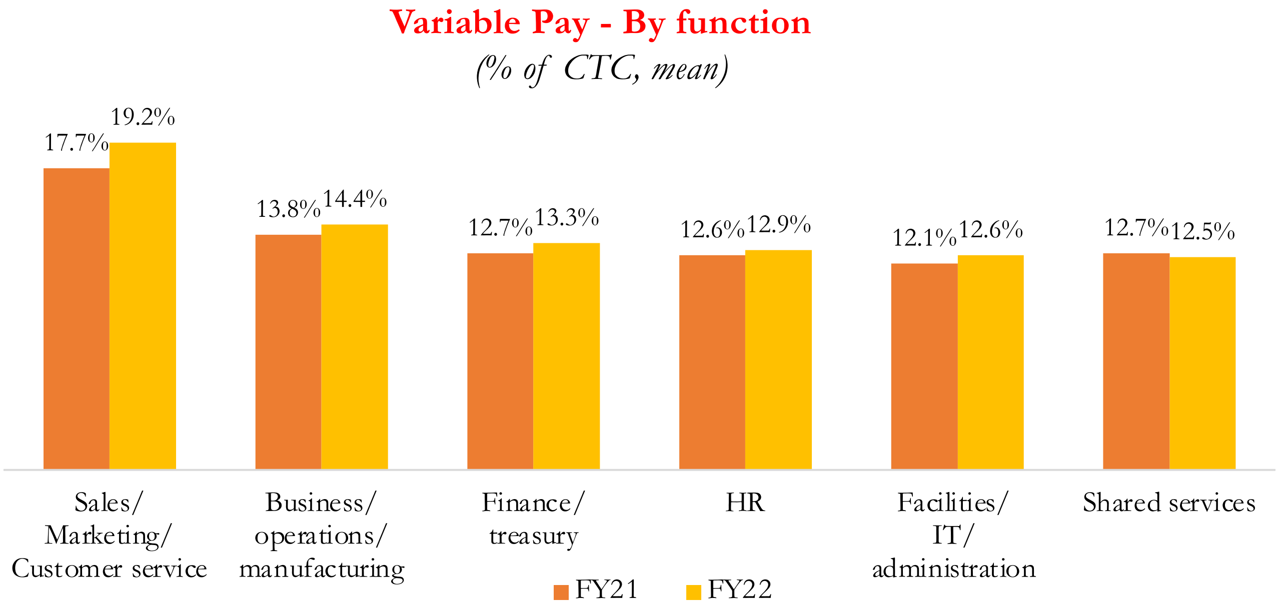


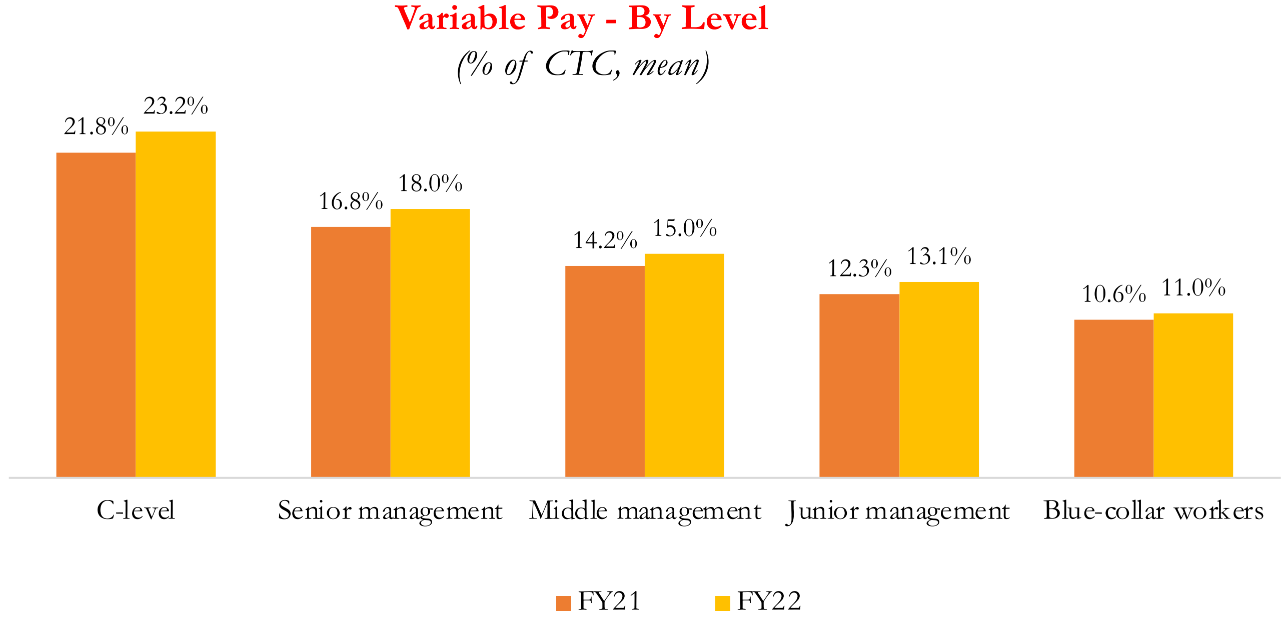


Variable Pay: On the Rise

Variable pay, as a share of CTC, is expected to rise across functions and management levels in FY22 compared to FY21.

- As would be expected, those in sales, marketing and customer service earn more in variable pay (19.2% in FY22) than support functions like facilities, IT and admin (12.6%). Further, the variable share for the former is up by 1.5 percentage points over last year as compared to half a percentage point for all other functions.
- Level-wise, C-suite executives earn the highest share (23%) as variable, while blue-collar workers receive just 11% in this form.





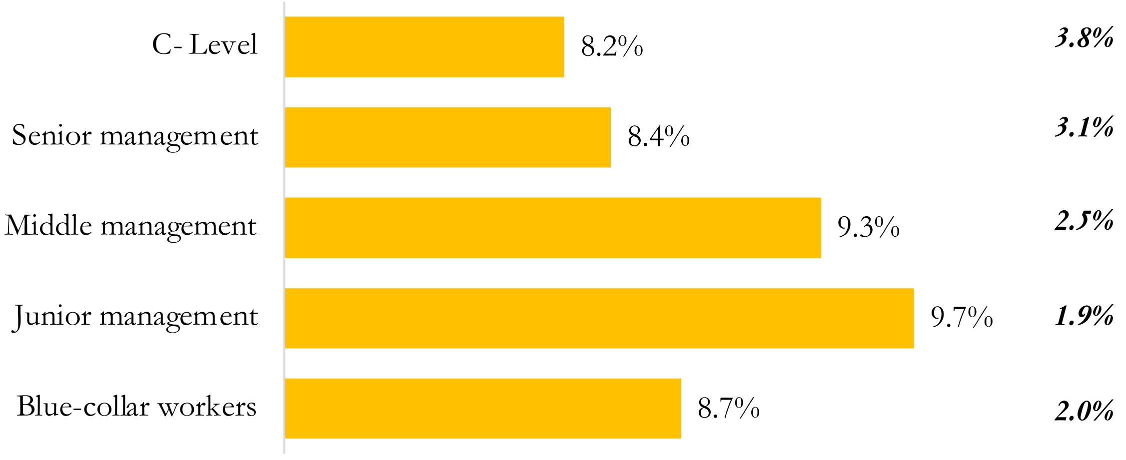
Trends in Increments

Planned Increments: FY22

- C-level and senior management pay is slated to rise by 8.2-8.4% in FY22. Last year, FY21, increments for this category was around 5%.
- Middle and junior managers are likely to see 9%+ increases, against 7-8% last year, while for blue-collar workers, it will be 8.7% against 6.7% last year.
- Across talent groups, high potentials ('HiPos') will see the highest increments (16%), 2.1% more than top performers. The differential between HiPos and bottom performers is a yawning 13.8 percentage points.

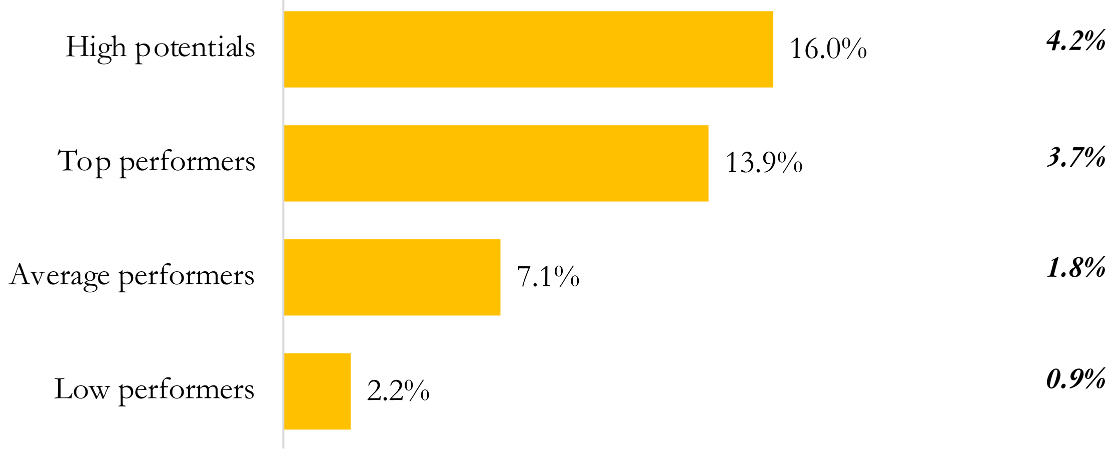
Increments by level *(FY22, mean %)*

Differential in increments, FY22 over FY21



Increments by talent group *(FY22, mean %)*

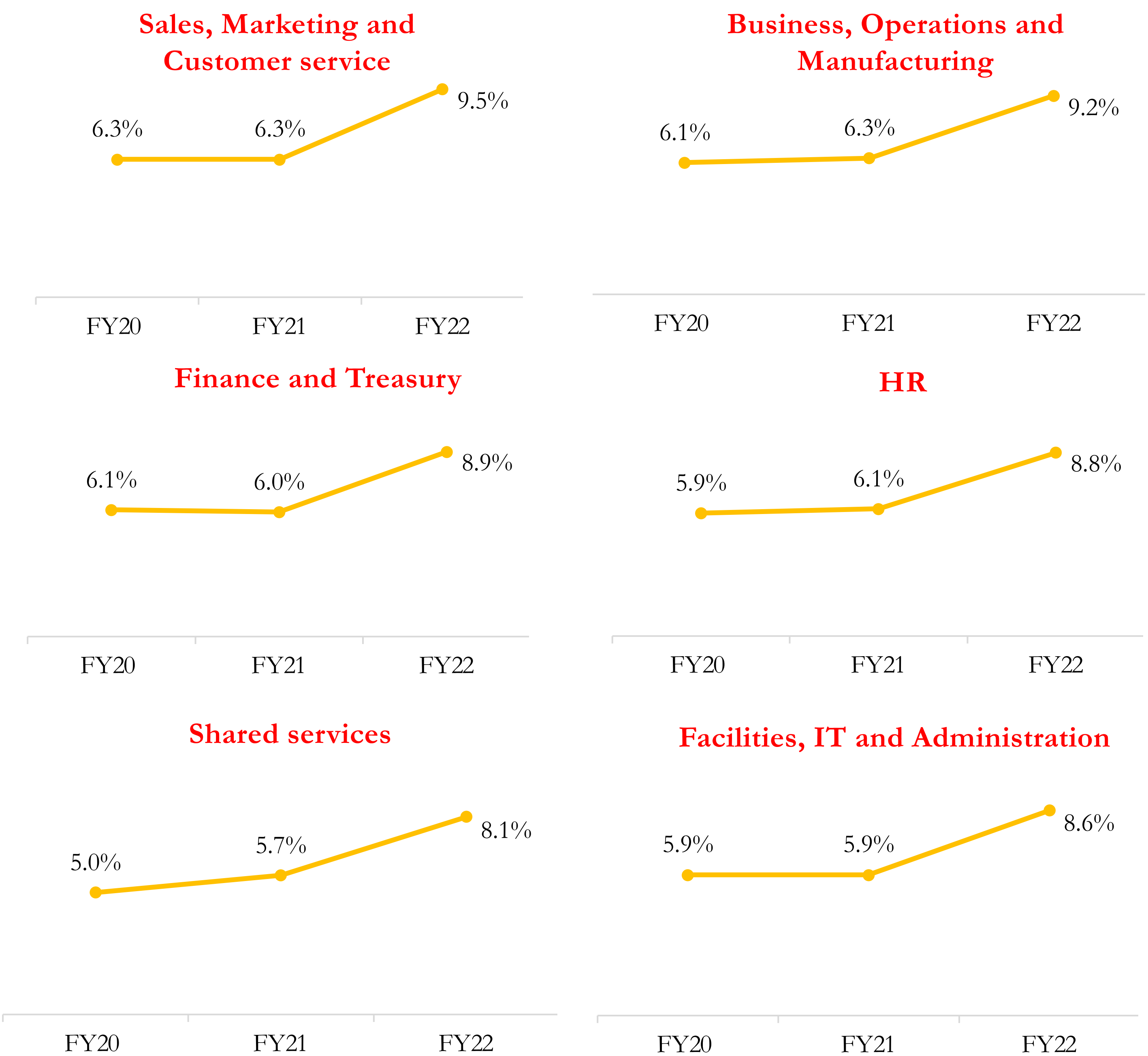
Differential in increments, FY21 vs FY22



Trends in Increments: By Function

- Across functions, salary increments were in the 5-6% zone over the last two years, but are expected to be considerably higher (8-9.5%) in FY22.
- The highest pay increases will be in sales/marketing/customer services and in business/operations/manufacturing.
- Finance and HR come next, followed by other support functions.

Change in pay (%, mean)

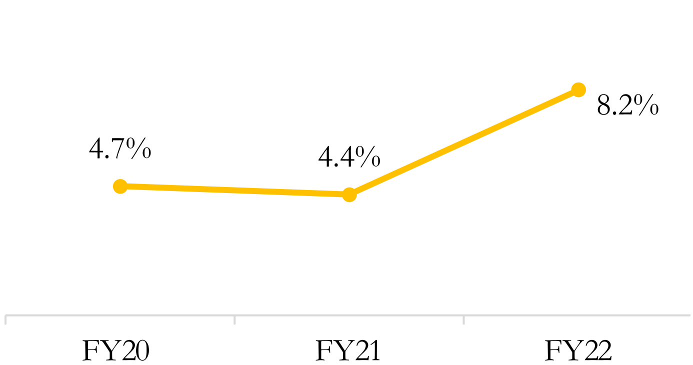


Trends in Increments: By Level

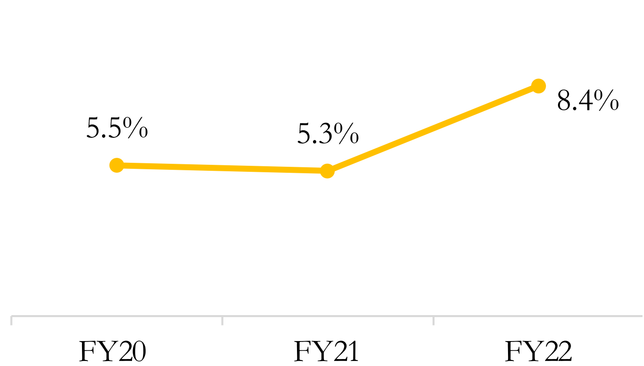
- CXOs and senior managers saw a mild fall in increments in FY21, while other levels saw an increase compared to FY20.
- Across levels, junior managers have and will continue to receive the highest increments, rising from 7.8% in FY21 to 9.7% in FY22.
- However, C-suite executives will see the *biggest change* between the two years – nearly 4 percentage points, compared to ~3 for senior managers and ~2.5 for mid-managers. Plainly, changes in pay at the higher levels are more closely tied to company performance.
- Blue collar pay will increase 8.7% in FY22 – up from 6.4-6.8% in the previous two years.

Change in pay (%, mean)

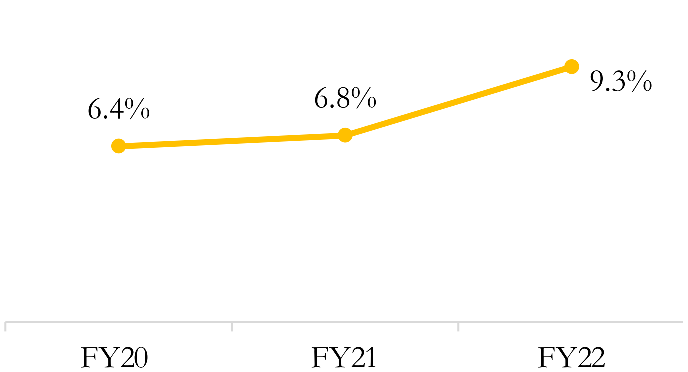
C-Level



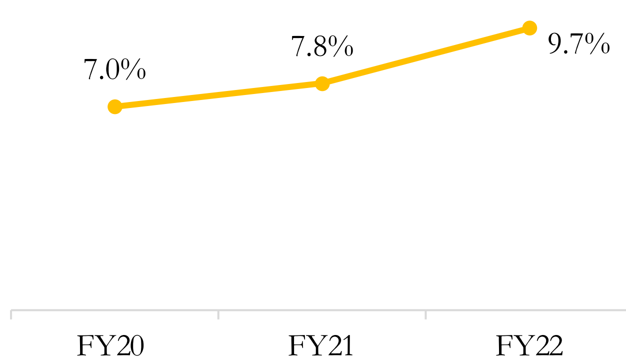
Senior Management



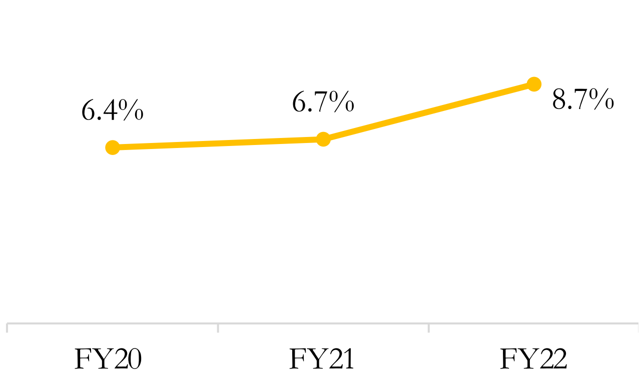
Middle Management



Junior Management



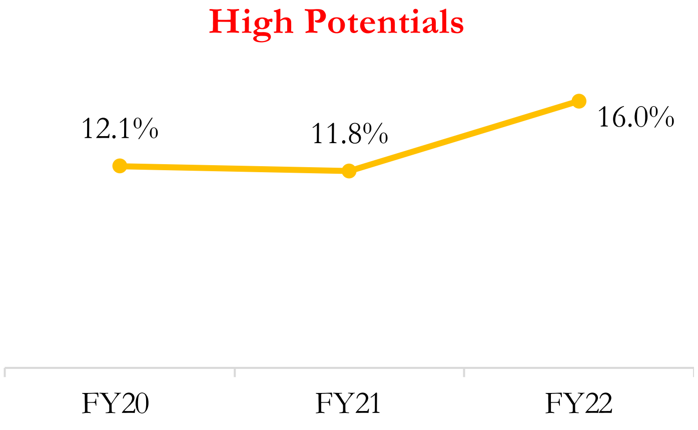
Blue-Collar Workforce

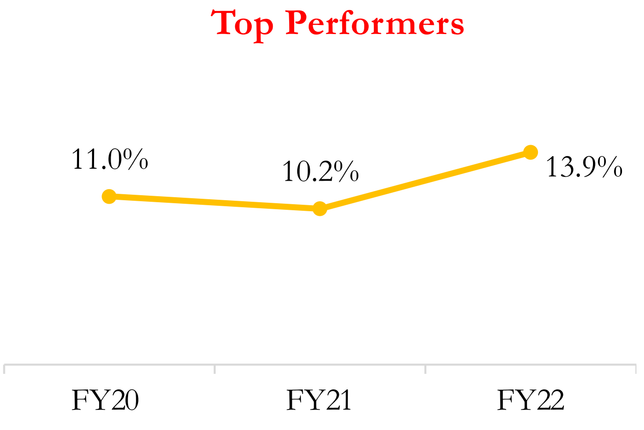


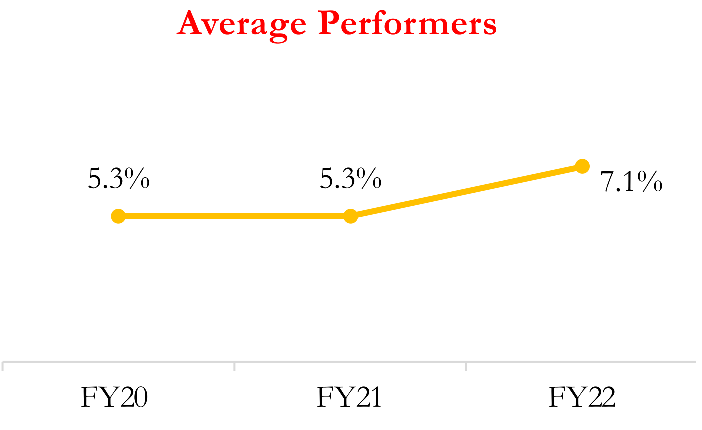
Trends in Increments: By Group

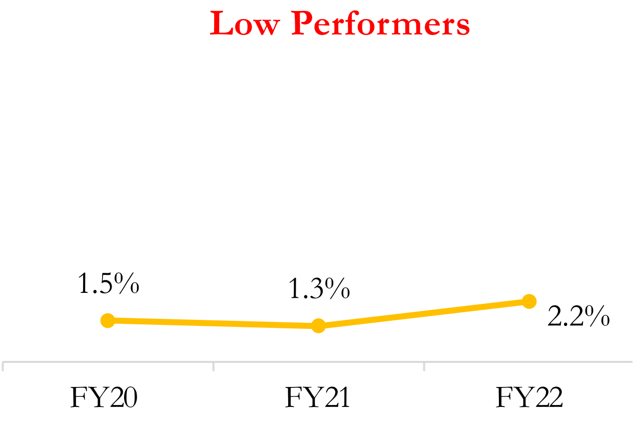
- Across talent groups, FY21 saw a year-on-year fall in increments, except for average performers whose increments surprisingly were unchanged from the previous year.
- FY22 will see much larger increases, particularly among HiPos (up 16%, a 4.2 percentage point increase over FY21) and top performers (13.9% and 3.7 percentage points).
- Average performers are expected to get a 7.1% hike, up from 5.3%, while low performers will get 2.2%, from 1.3% in FY21.
- The gap between HiPos and the lowest performers, in terms of increment percentage, widened from 10.5% in FY21 to 13.8% in FY22.

Change in pay (%, mean)









Increments, FY22:
By Sector and Function

- Across sectors, sales, marketing and customer-service employees will receive the biggest hikes (10.7% each) in the chemical and industrial sectors.
- For business, operations and manufacturing teams, consumer goods (10.1%) companies will give the biggest increases.
- Across all other functions, healthcare firms will offer higher pay increases than other sectors.

Change in pay (%, mean)

	Sales, Marketing, Customer Service	Business, Operations, Manuf	Finance and Treasury	HR	Shared Services	Facilities, IT, Admin
Automotive	9.5%	9.5%	9.2%	8.9%	7.7%	8.3%
Financial services	9.9%	9.1%	9.5%	9.2%	9.2%	8.8%
Chemicals	10.7%	9.3%	9.3%	9.3%	9.2%	9.7%
Construction	7.8%	8.3%	8.3%	7.2%	7.5%	5.9%
Consumer goods	10.1%	10.1%	9.3%	9.3%	8.8%	9.2%
General services	8.2%	8.3%	7.8%	8.2%	6.1%	7.7%
Healthcare	10.4%	9.6%	10.0%	10.0%	9.5%	10.1%
IT & ITeS	8.5%	8.5%	7.4%	7.4%	7.0%	7.3%
Industrials	10.7%	9.8%	9.9%	9.5%	8.7%	9.4%
Resource-based	8.9%	9.4%	8.9%	8.9%	6.3%	7.5%
Overall	**9.5%**	**9.2%**	**8.9%**	**8.8%**	**8.1%**	**8.6%**

Increments, FY22: By Revenue/Ownership and Function

- Increments are not strongly related (if at all) with company revenue. However, for most functions, smaller companies (Rs 250-500 crores) will be giving out the highest pay hikes in FY22. The exceptions are sales, marketing and customer service (where the highest increments are amongst companies in the Rs 5,000-10,000 cr revenue range) and shared services (Rs 1,000-2,500 cr).
- Ownership-wise, Indian domestic firms expect to give the biggest hikes across four of the six main functions. Indian MNCs will take the lead in the business, operations and manufacturing functions and foreign MNCs in shared services.

Change in pay (%, mean)

		Sales, Marketing, Customer Service	Business, Operations, Manuf	Finance and Treasury	HR	Shared Services	Facilities, IT, Admin
Revenue	< Rs 250 Cr	9.7%	9.1%	9.0%	8.7%	7.2%	8.3%
	Rs 250-500 Cr	10.2%	10.1%	9.6%	9.8%	8.1%	9.6%
	Rs 500-1,000 Cr	8.2%	8.3%	8.0%	8.0%	8.0%	8.4%
	Rs 1,000-2,500 Cr	9.9%	9.4%	9.2%	9.1%	9.6%	9.0%
	Rs 2,500-5,000 Cr	9.6%	9.3%	9.3%	9.0%	8.7%	8.4%
	Rs 5,000-10,000 Cr	10.5%	10.0%	9.0%	9.0%	7.5%	8.5%
	>Rs 10,000 Cr	7.5%	8.1%	7.5%	7.5%	7.5%	7.5%
	Overall	**9.5%**	**9.2%**	**8.9%**	**8.8%**	**8.1%**	**8.6%**

		Sales, Marketing, Customer Service	Business, Operations, Manuf	Finance and Treasury	HR	Shared Services	Facilities, IT, Admin
Ownership	Foreign MNC	9.5%	9.1%	9.0%	8.8%	8.4%	8.6%
	Indian MNC	9.5%	9.6%	8.6%	8.8%	7.5%	8.3%
	Indian domestic	9.6%	9.3%	9.1%	8.9%	8.0%	8.9%
	Overall	**9.5%**	**9.2%**	**8.9%**	**8.8%**	**8.1%**	**8.6%**

Increments, FY22:
By Sector and Level

- Sector-wise, the highest increments across positions in FY22 are expected to be as follows:
  - C-level executives: Chemicals
  - Senior management: Consumer goods
  - Middle Management: Industrials
  - Junior management: Healthcare and Industrials
  - Blue-collar Workers: Construction

Change in pay (%, mean)

	C-Level	Senior Management	Middle management	Junior management	Blue-collar workers
Automotive	8.4%	6.6%	9.4%	10.0%	9.3%
Financial services	8.1%	9.1%	9.1%	9.5%	8.3%
Chemicals	9.2%	8.4%	9.2%	10.0%	8.9%
Construction	8.1%	6.9%	8.8%	10.0%	10.0%
Consumer goods	8.6%	9.4%	9.7%	10.0%	8.4%
General services	8.7%	8.6%	9.5%	9.6%	7.5%
Healthcare	8.2%	8.6%	9.4%	10.1%	7.1%
IT & ITeS	6.9%	7.7%	8.3%	9.0%	8.5%
Industrials	8.7%	8.4%	9.9%	10.1%	9.9%
Resource-based	*6.6%*	*7.8%*	7.8%	7.8%	9.1%
Overall	**8.2%**	**8.4%**	**9.3%**	**9.7%**	**8.7%**

The numbers highlighted in red indicate a low sample size.

Increments, FY22:
By Revenue/Ownership and Level

- Level-wise, the correlation between revenue and increments is tenuous. That said, the highest expected increments across most levels are among firms in the Rs 5,000-10,000 crore range.
- Indian MNCs expect to pay out the highest increments across levels – except in the blue-collar group, where foreign MNCs will see bigger increases. Domestically-oriented Indian companies are the most conservative about pay hikes.

Change in pay (%, mean)

		C-Level	Senior Management	Middle management	Junior management	Blue-collar workers
Revenue	< Rs 250 Cr	8.6%	8.3%	8.9%	9.6%	8.6%
	Rs 250-500 Cr	8.9%	9.4%	10.5%	10.3%	8.5%
	Rs 500-1,000 Cr	6.8%	6.9%	8.0%	8.3%	7.8%
	Rs 1,000-2,500 Cr	9.0%	8.8%	9.5%	9.9%	9.3%
	Rs 2,500-5,000 Cr	5.9%	8.5%	10.1%	11.0%	8.0%
	Rs 5,000-10,000 Cr	10.3%	10.0%	10.5%	10.5%	11.9%
	>Rs 10,000 Cr	7.5%	7.5%	7.5%	8.2%	8.3%
	Overall	**8.2%**	**8.4%**	**9.3%**	**9.7%**	**8.7%**

		C-Level	Senior Management	Middle management	Junior management	Blue-collar workers
Ownership	Foreign MNC	8.1%	8.4%	9.2%	9.7%	9.1%
	Indian MNC	9.0%	9.0%	10.1%	10.0%	7.7%
	Indian domestic	8.0%	8.2%	9.0%	9.4%	8.4%
	Overall	**8.2%**	**8.4%**	**9.3%**	**9.7%**	**8.7%**

Increments, FY22: By Sector and Group

- Across most sectors HiPos are expected to get considerably bigger pay hikes than other talent groups. Those in the chemicals sector will see the biggest differential of all.
- Top performers will get bigger increases in the healthcare sector than in other sectors.
- Industrial companies expect to give higher-than-average pay hikes to average and low performers.

Change in pay (%, mean)

	High potentials	**Top performers**	**Average performers**	**Low performers**
Automotive	15.2%	12.3%	6.7%	2.6%
Financial services	15.4%	13.3%	6.4%	1.7%
Chemicals	18.1%	13.8%	6.8%	2.8%
Construction	10.6%	11.9%	6.3%	2.5%
Consumer goods	14.3%	12.5%	6.6%	2.0%
General services	16.1%	14.6%	6.9%	1.3%
Healthcare	17.8%	15.8%	7.4%	1.8%
IT & ITeS	16.5%	14.6%	7.2%	1.5%
Industrials	16.6%	14.6%	8.0%	3.2%
Resource-based	10.0%	12.5%	6.3%	3.1%
Overall	**16.0%**	**13.9%**	**7.1%**	**2.2%**

Increments, FY22: By Revenue/Ownership and Group

- As with function and level, the relationship between revenue and increments is weak when it comes to talent groups.
- The ownership-increment correlations are stronger, with foreign MNCs generally offering the highest increments. The one exception is with top performers, where Indian MNCs come out ahead.

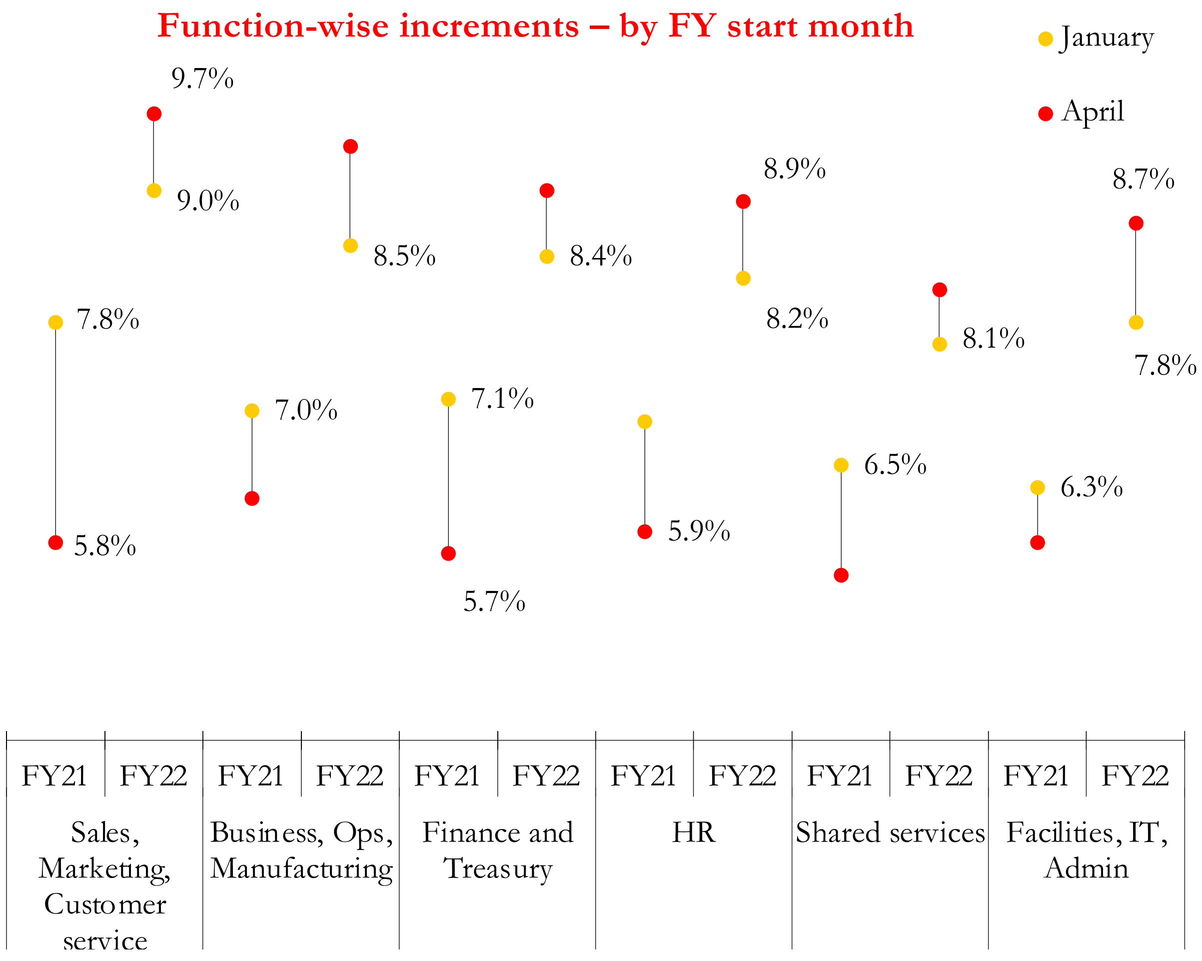
Change in pay (%, mean)

		High potentials	Top performers	Average performers	Low performers	Differential: HiPos to Low Performers
Revenue	< Rs 250 Cr	15.8%	14.0%	7.0%	2.5%	13.5%
	Rs 250-500 Cr	15.9%	14.2%	7.7%	2.5%	13.5%
	Rs 500-1,000 Cr	16.4%	13.6%	6.2%	2.2%	14.1%
	Rs 1,000-2,500 Cr	16.6%	13.9%	6.6%	1.7%	15.1%
	Rs 2,500-5,000 Cr	16.9%	13.4%	7.5%	1.6%	15.3%
	Rs 5,000-10,000 Cr	15.2%	15.2%	8.0%	2.0%	13.2%
	>Rs 10,000 Cr	13.9%	11.8%	7.5%	1.4%	12.5%
	Overall	**16.0%**	**13.9%**	**7.1%**	**2.2%**	**13.9%**

	Means, FY22	High potentials	Top performers	Average performers	Low performers	Differential: HiPos to Low Performers
Ownership	Foreign MNC	16.2%	13.7%	7.2%	2.4%	13.8%
	Indian MNC	15.3%	14.5%	6.4%	1.2%	14.1%
	Indian domestic	16.1%	14.0%	7.1%	2.3%	14.0%
	Overall	**16.0%**	**13.9%**	**7.1%**	**2.2%**	**13.9%**

Increments, FY21 and FY22: By FY Starting Month (1/2) V1

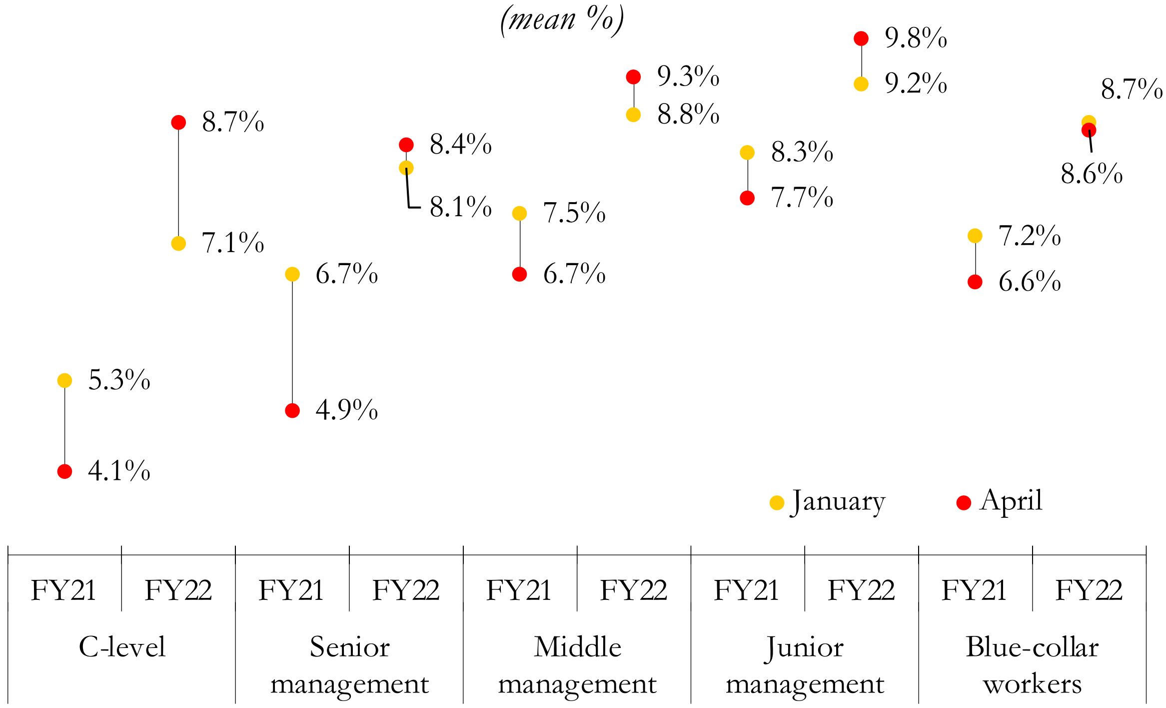
- Covid-19 and its fallout have had a visible impact on increment decisions with relation to both FY21 and FY22.
- By the time the pandemic hit India, January-starting companies – 100% of whom are foreign MNCs – had already made/implemented their increment decisions for FY21.
- As a result, across levels, functions and talent groups, the average increment paid out by Jan-start companies was meaningfully higher than those paid by April-start companies (a mix of foreign and Indian companies).
- The opposite is true of FY22: April-start companies are on average offering higher increments for most functions and levels.
- This suggests that, with business conditions improving and more on-ground information to work with, they are relatively more 'generous' with their pay hikes than their January-start peers.



Increments, FY21 and FY22: By FY Starting Month (2/2) V1

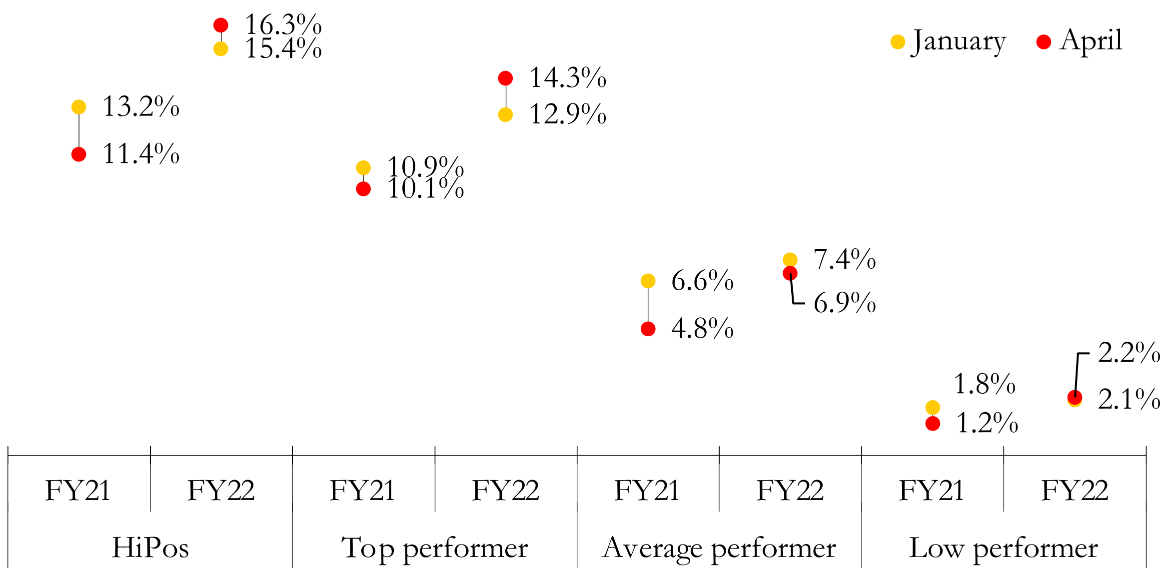
Level-wise increments – by FY start month

(mean %)



Talent group-wise increments – by FY start month

(mean %)

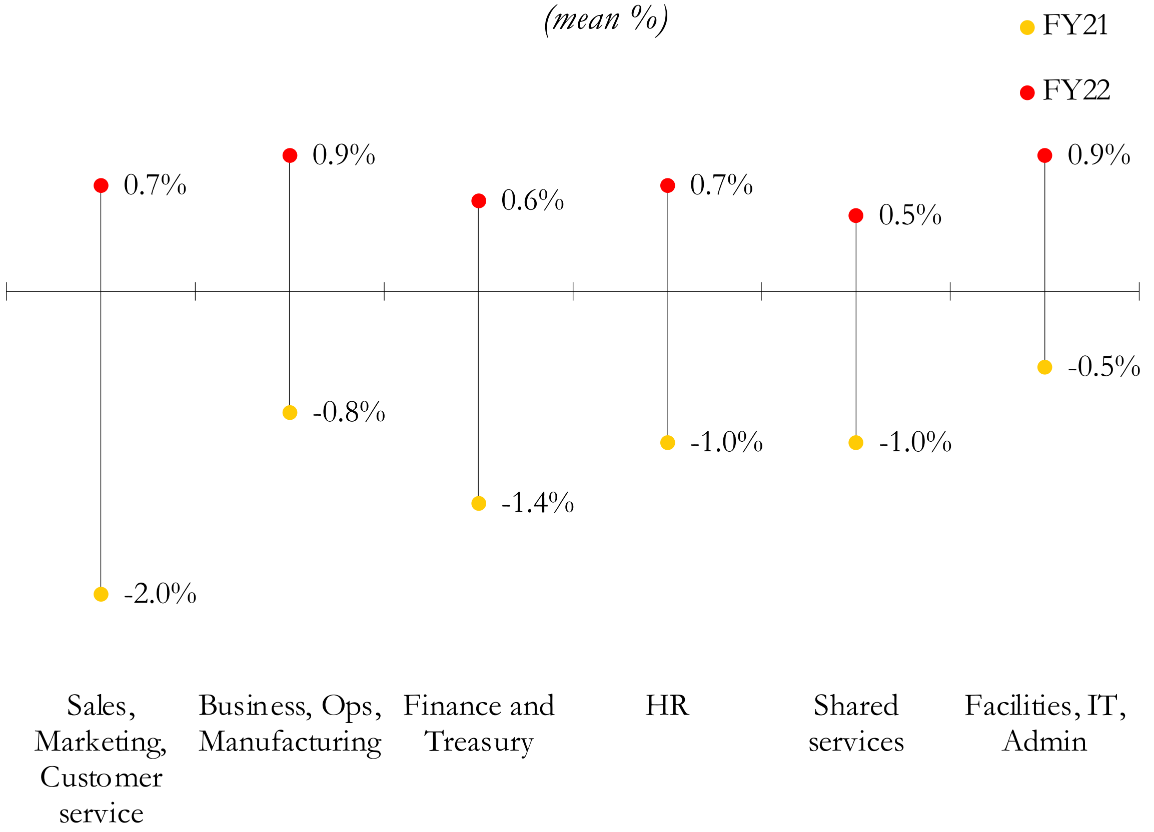


Increments, FY21 and FY22: By FY Starting Month (1/2) V2

- Covid-19 and its fallout have had a visible impact on increment decisions with relation to both FY21 and FY22.
- By the time the pandemic hit India, January-starting companies – 100% of whom are foreign MNCs – had already made/implemented their increment decisions for FY21.
- As a result, across levels, functions and talent groups, the average increment paid out by Jan-start companies was meaningfully higher than those paid by April-start companies (a mix of foreign and Indian companies).
- The opposite is true of FY22: April-start companies are offering higher increments (a positive 'April premium', compared to last year's 'January premium') for most functions and levels.
- This suggests that, with business conditions improving and more on-ground information to work with, they are relatively more 'generous' with their pay hikes than their January-start peers.

Function-wise 'April premium' – by FY start month

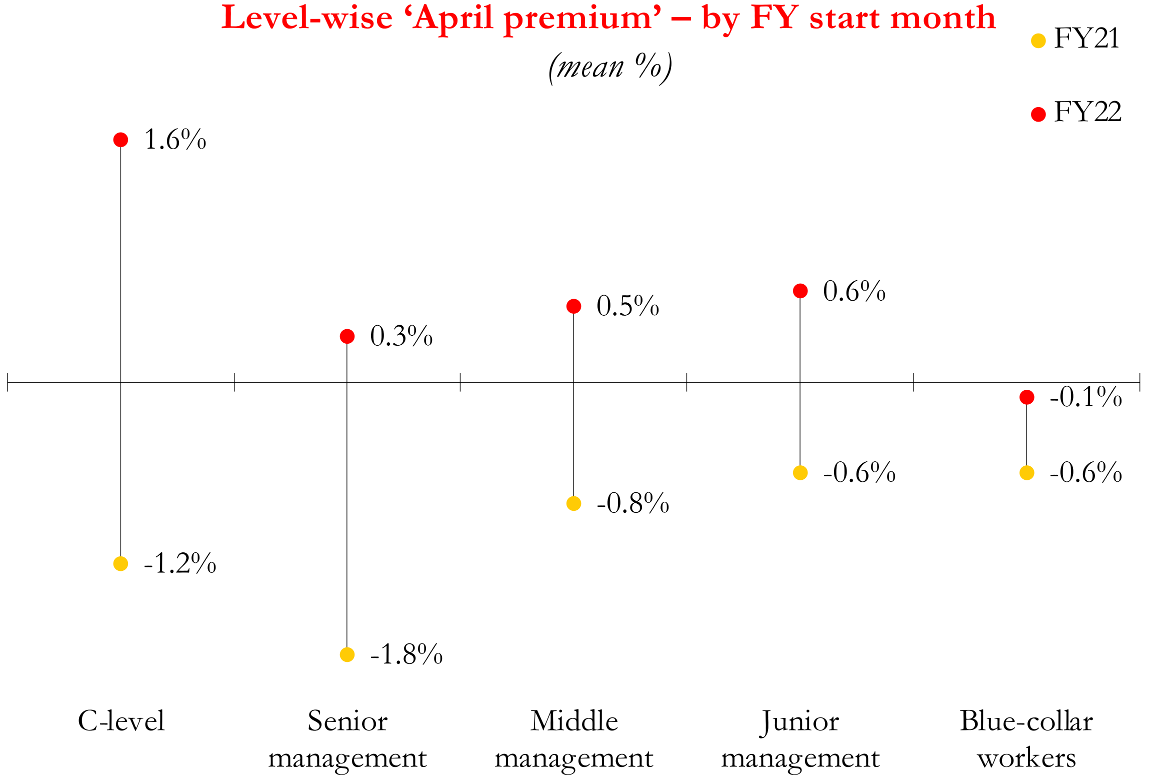
(mean %)



Increments, FY21 and FY22: By FY Starting Month (2/2) V2

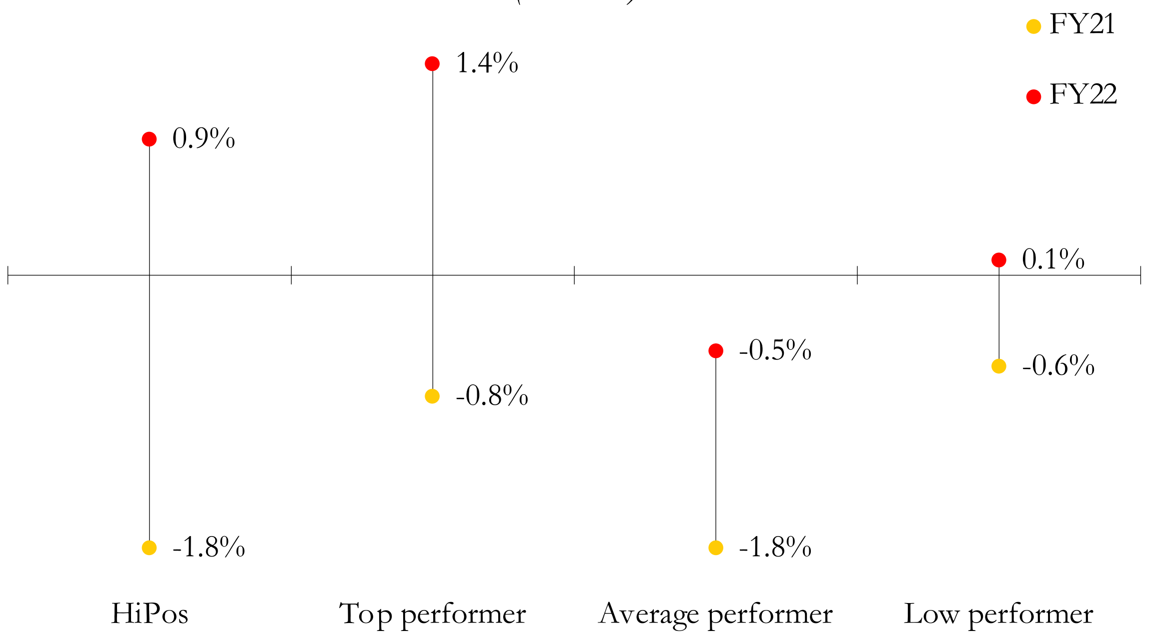
Level-wise 'April premium' – by FY start month

(mean %)



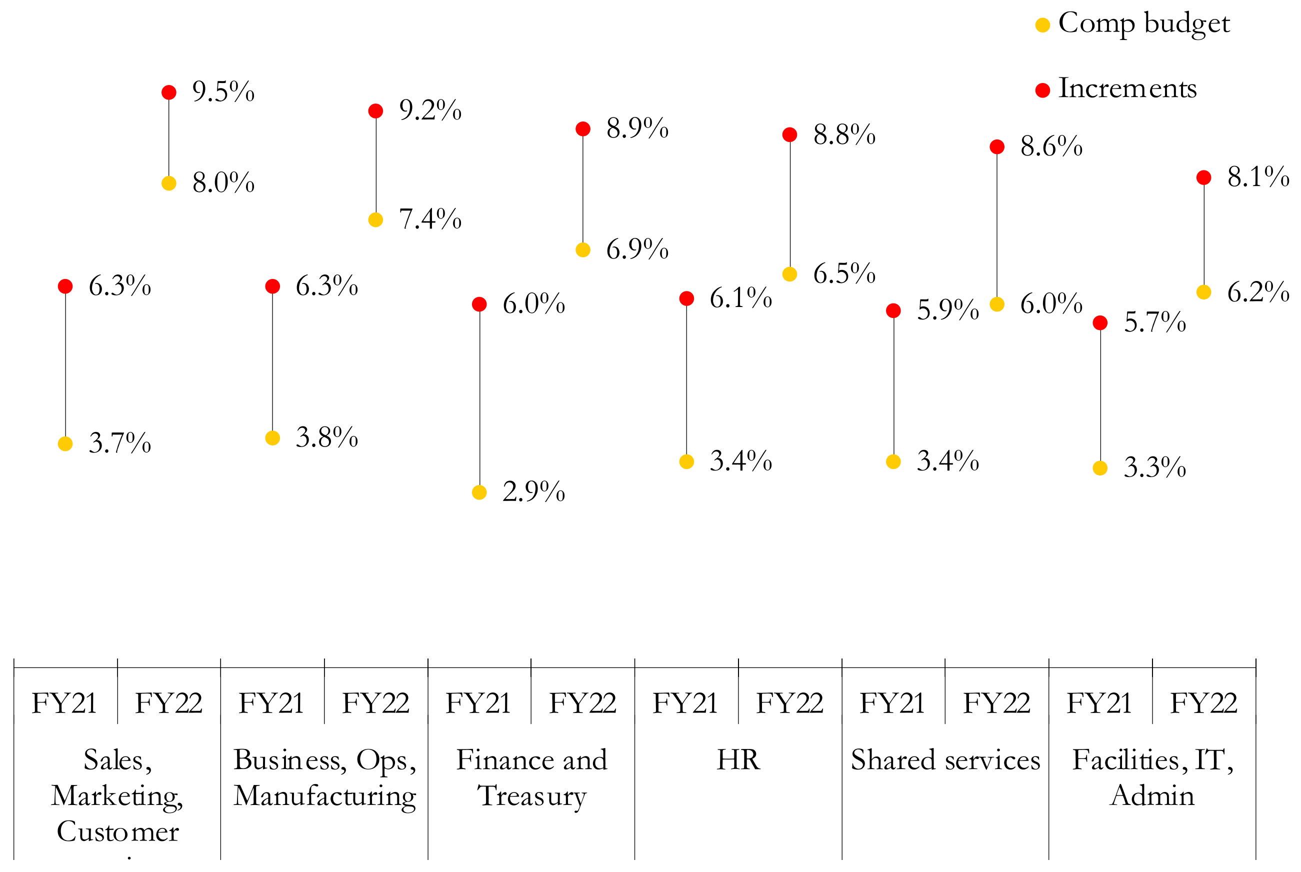
Talent group-wise 'April premium' – by FY start month

(mean %)



Comp Budgets vs Increments

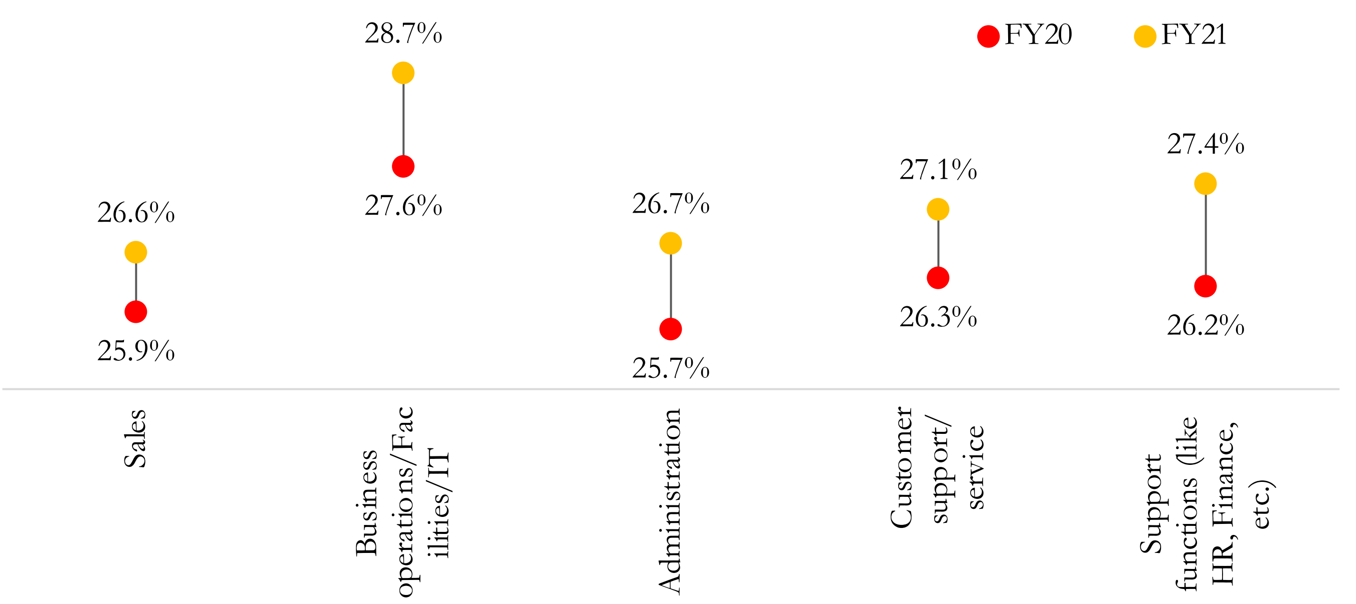
- A rough proxy for net hiring is the gap, if any, between changes in the function-wise compensation budget and the average increment paid out.
- If comp budgets are rising faster than increments – i.e. their aggregate 'people spend' is rising faster than average –pay it would seem to suggest that net hiring is going up.
- Conversely, if – as is/is likely to be true in both FY21 and FY22 – increments grow faster than the overall budget, it implies that the business is scaling back on headcounts.
- Notably, across functions, the gap between increments and budgets was much wider in FY21 (up to 3 percentage points) than it is projected to be in FY22 (1.5-2.6 pp). Moreover, the FY22 values are higher across the board on both counts, suggesting that the outlook for both hiring and pay increases is brightening.



How Does your Pay Compare with Market Averages? (1/4)

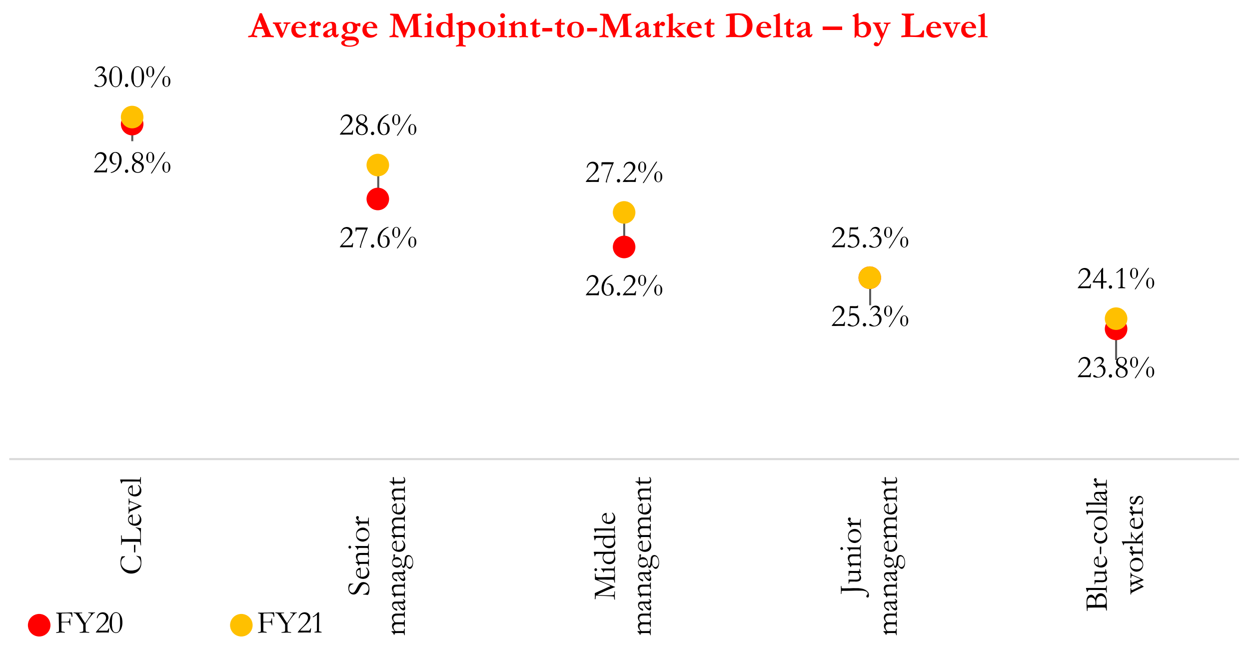
- The salary midpoint-to-market (M2M) ratio measures the gap between average pay in an organisation, and the comparable market average for similar roles/positions.
- A positive M2M ratio implies that, on average, a company is paying above 'market price' for employees, either by level or by function.
- Curiously, in both FY20 and FY21, our respondents report paying an average premium of 25% of more, across functions. In fact, this premium increased, by ~1 pp, in FY21.
- By definition, the majority of companies *cannot* be paying a 'premium over market' – except in a scenario where respondents in IMA's survey all happen to be above-average paymasters. This is not likely to be the case as the sample is believed to be representative of the organised sector, not upwardly skewed.
- A more likely explanation is that respondent companies are using varying interpretations of what constitutes the 'market average' for a given employee category.
- Given these variations, there is a need to interpret this data cautiously. The trends herein may be treated as suggestive rather than definitive.

Average Midpoint-to-Market Delta – by Function



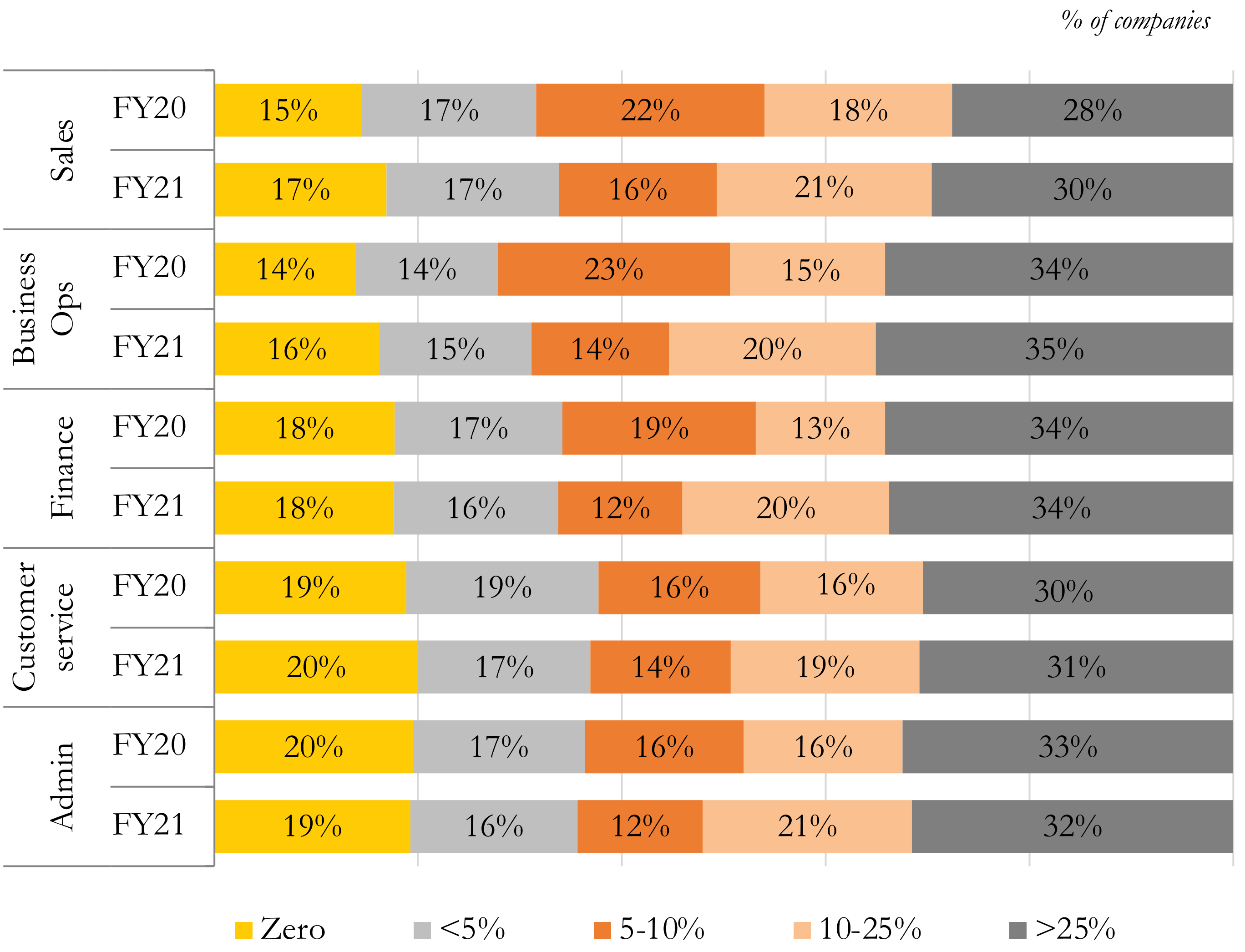
How Does your Pay Compare with Market Averages? (2/4)

- The reported premiums-over-market-price at the top and senior-management levels are even higher than the function-wise numbers – and rising.
- In FY20 and FY21, C-Level executives in our sample were on average paid ~30% over the industry averages.
- The premium, while still very significant, was somewhat lower (~24-25%) at the junior-management and blue-collar levels.



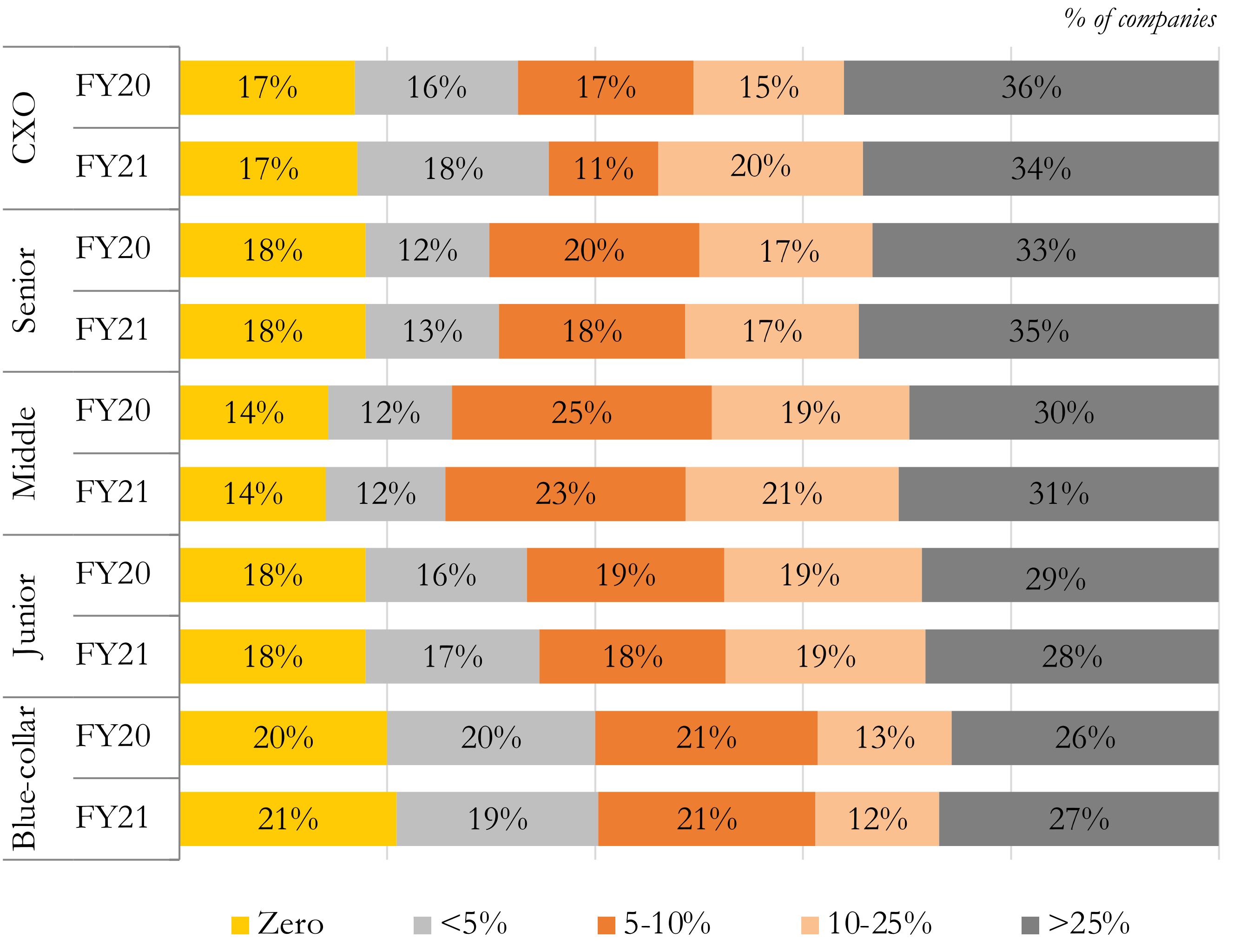
How Does your Pay Compare with Market Averages? (3/4)

- In FY21, across functions, over 80% of companies in our sample reported paying a premium over average market pay, and in over 30% of companies, this premium exceeds 25%.
- Depending on the function, between 28% and 39% of companies say they pay an M2M delta of 5% or less.



How Does your Pay Compare with Market Averages? (4/4)

- Even across levels, more than 80% of companies report paying a salary premium over the average market salary.
- 34% of companies report paying their CXOs 25% more than the market average in FY21; the comparable ratio for senior management in 35%.
- 44% of companies pay their middle managers 5-25% more than the market average, and another 31% pay a premium of over 25%.



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