

Indian CEO Pay Close to Global Peers' Earnings

Median pay at \$3.5 m, while global package totals \$6 m, according to an Aon Hewitt study. Economic growth, CEO demand are main reasons

Inching Up to the Big League

THE TRENDS

IN INDIA, CEOs of listed companies earn a median pay that is approximately **40%-50%** more than the overall median

IN ORGANISATIONS with a dominant shareholder/chairperson, CEO pay was close to **60%** less than those of independent chief executives

IN US, fixed pay is **20%-25%** of total pay

IN INDIA, like in Europe, **35%-40%** of pay is fixed



WHY CEO PACKAGES HAVE GROWN

CEOs MANAGE

Indian operations and expand global footprints of their companies

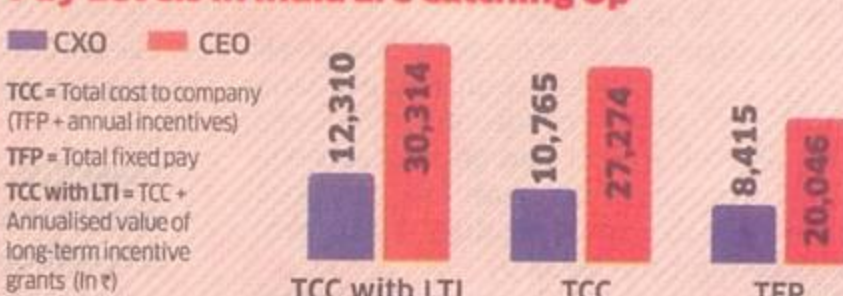
ORGANISATIONS AND

professionals are more willing to share growth and rewards

INDIAN TALENT

is globally recognised and appreciated

Pay Levels in India are Catching Up



SOURCE: Aon Hewitt Executive Compensation Survey, 2011
Figures in ₹ thousands

COMPANIES IN INDIA follow a **50-50** split between fixed income and incentives for senior executives



2010
PROFESSIONAL CEO pay in India was above **\$1 million** per year; sample size: 60 companies

2011
SAMPLE comprised over 160 organisations



Illustration: ARINDAM

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CEO compensation in India is inching closer to global executive pay, says a study conducted by HR consulting firm Aon Hewitt.

The median pay for a CEO in India on a purchasing power parity basis was at nearly \$3.5 million in 2011, in companies with more than \$2 billion in revenues. The package includes the fixed income, variable salary, benefits and long-term incentives, such as stock options. Globally, the figure is nearly \$6 million.

The study covered more than 160 organisations across the country, of which, 49 companies had more than \$2 billion in revenues. The study took into consideration economies from North America, Europe and the Pacific.

The reason for CEO salaries rising in India, according to the research, is the relatively steady 7% to 8% economic growth. Besides, demand for CEO talent far outstrips supply in the country. "The availability of leadership talent in India, especially that high up the ladder is still low, compared with evolved markets," says Anandrup Ghose, solutions leader-executive compensation and governance, Aon Hewitt.

"In India, CEO compensation has been growing steadily by 15% to 18% in the past few years," he adds.

A similar study on executive compensation in 2010 said annual CEO pay in India was frequently above \$1 million. The sample size then was about 60 companies, whereas in 2011, the survey saw participation from more than 160 organisations.

The current levels of CEO compensation (\$3.5 million) are more visible in sectors like financial services, telecom, ITes and pharma, says Ghose. "Sectors like financial services and ITes follow global policies while paying their CEOs in India, and hence their compensations match closely with their global counterparts. But in sectors like telecom, it is more because of the demand for the unique talent in the segment," he says.

HR consultants also attribute the increase in CEO compensation to factors such as the scale of

operations and role an Indian CEO has to play today. "CEOs in India today not only have to manage Indian operations, but are also responsible for expanding the global footprint of their companies," says Sanjiv Sachar, partner at executive search firm Egon Zehnder.

"More importantly, organisations today have no issues with professionals making money as long as they perform and give the desired results," he adds. This also means both organisations and professionals are more willing to share growth and rewards, which was not case earlier.

CEO compensations are also matching global levels because Indian talent is now globally recognised and appreciated, says Ronesh Puri, managing director, Executive Access.

Companies in India broadly followed a 50-50 split between fixed income and incentives for the senior executive population, according to the study. In fact, Indian compensation structures reflected a far greater alignment towards fixed pay compared with North American standards, where fixed pay represents approximately 20% - 25% of total pay and long-term incentives constitute the bulk of the pay delivered.

"Indian structures are possibly more aligned to European/British standards where 35% - 40% of pay is delivered through fixed and the rest through a combination of annual and long-term incentives," says Ghose. Since culturally, Asian countries have a preference for fixed compensation across all levels of management, it has, in some ways, protected these economies from 'compensation mishaps' such as pay cuts or low salary growth in the rest of the world, he adds.

The study also found a fair degree of uniformity in the approach towards benefits design across organisations - regardless of size or nature of industry. These include benefits like housing, medical and life insurance and club memberships. While there was significant variance in the value of the benefits being offered, almost all executives were covered under these policies. "Loans was the only area where there was a clear divergence based on the nature of company. While financial institutions were most prominent in advancing loans to their executives, only about 40% of all other companies provided this benefit," says the study.

"A lot of conversations are taking place around retirement benefits. It would be interesting to see if companies can accommodate such benefits in the overall pay structure and if it attracts talent. Since the majority of our workforce is below the age of 35, companies need to make their younger employees aware about how such benefits will help in the long run," adds Ghose.

Indian executives started touching the \$250,000 mark in 2002-03, which went up to \$500,000-\$700,000 by 2005-06, says Egon Zehnder's Sachar. He also says the gap between the fixed incomes of CEOs and CXOs seems to be narrowing. "Over the years, more money was added into CEOs' compensation by way of variable income." Although the growth in CEO/CXO compensation depends how many times the person has changed jobs, growth of the sector or company, CEOs' fixed income has gone up by 15% to 16%, while for CXOs, it has gone up by 12% to 15%.