

Experience of Private Organisations in India with Performance Related Incentives

Annex 2.5.2

Maruti Udyog Ltd	
Name/Eligible/Implementation	<ul style="list-style-type: none"> ➤ Supervisors and above. ➤ Productivity performance and reward system (PPRS) for technicians.
Amount Allocated	<p>Variable Pay consists of three parts:</p> <ol style="list-style-type: none"> 1. Business performance - Ratio of profit before tax/net sales 2. Collective performance <ul style="list-style-type: none"> ▪ Direct labour productivity ▪ Spares & accessories turnover ratio ▪ Quality improvement 3. Individual Performance <ul style="list-style-type: none"> ▪ Attendance ▪ Proper leave planning
Remarks	<p>The variable pay as a percentage of total pay is different at all management levels:</p> <ul style="list-style-type: none"> ▪ Junior - 10% ▪ Middle 1 - 15% ▪ Middle 2 - 20% ▪ Senior - 25% <p>Payment is made two times:</p> <ol style="list-style-type: none"> 1. In the middle of the year (during Diwali). 2. At the end of the year, the balance payment due to the individual according to his appraisal
Indian Petrochemicals Corporation Ltd	
Name/Eligible/Implementation	<ul style="list-style-type: none"> ➤ Non - supervisory staff ➤ Supervisory employees and above
Process of Measurement of Performance	<ul style="list-style-type: none"> ➤ An index is communicated to the union and performance linked incentive is paid if it is achieved. ➤ Key responsibility areas (KRAs) are decided mutually by supervisors and employees at the start of the year
Amount Allocated	<ul style="list-style-type: none"> ➤ A composite index is worked out on the basis of the following 4 indices: <ul style="list-style-type: none"> ▪ Capacity utilization ▪ Raw material utilization ▪ Energy utilization

	<ul style="list-style-type: none"> ▪ Manpower utilization ➤ It also has a linkage to the attendance of employees. ➤ It is paid on the achievement of KRAs set at individual as well as department levels.
Remarks	<p>The staff above the non supervisory staff is divided into seven job categories but is broadly classified into three levels:</p> <ul style="list-style-type: none"> ▪ Executive ▪ Manager ▪ Leader
Infrastructure Leasing and Financial Services Ltd	
Name/Eligible/Implementation	All permanent employees.
Amount Available for Distribution	It is a percentage of the net profits of the company for a financial year.
Process of Measurement of Performance	<p>The pay is determined on the basis of two variables which are allocated different weightages:</p> <ol style="list-style-type: none"> 1. Level: represents the hierarchy. 2. Performance: <ul style="list-style-type: none"> ▪ Individual- measured on a 4 point rating scale ▪ Group- as viewed by the head of department.
Amount Allocated	<ul style="list-style-type: none"> ➤ First allocations are made for directors and members of board committees. Balance is distributed among other employees in two components: <ul style="list-style-type: none"> ▪ Group- 40% Here, 70% is reserved for front office groups and 30% for support units: ▪ Individual-60%
Remarks	EWT (Employee Welfare Trust) holds 5% of shares of each group company of IL&FS. These shares are issued to employees and senior management members based on their performance.
Larsen & Toubro Ltd	
Name/Eligible/Implementation	<p>3P Model</p> <ul style="list-style-type: none"> ▪ Person ▪ Potential ▪ Performance
Amount Available for Distribution	<p>Taking into consideration the business performance on the basis of the following:</p> <ul style="list-style-type: none"> ▪ Economic value added ▪ Profit before dividend and income tax ▪ Sales ▪ Talent available ▪ Strategic goals <p>The corpus for distribution is decided.</p>

Process of Measurement of Performance	Measurement includes the following principles: <ul style="list-style-type: none"> ▪ Absolute rating ▪ Relative rating ▪ Forced distribution
Amount Allocated	Individuals are awarded on the basis of the potential they hold.
Remarks	The linkage between performance and pay is absent.
Gujarat Energy Training and Research Institute	
Amount Available for Distribution	<ul style="list-style-type: none"> ➤ Normal increment would be equal to the dearness allowance of the last year. ➤ Merit increment will be a percentage of the revised pay (basic pay+ dearness allowance)
Process of Measurement of Performance	Key performance areas (KPA) are identified by employees and confirmed by their supervisors in a goal sheet. At the end of the year, the employee does a self appraisal followed by appraisal from appraiser and then by a reviewing officer. Finally, the employee is given a rating after completing the appraisal process.
Amount Allocated	<ul style="list-style-type: none"> ➤ For each level of performance the merit increment would vary. ➤ For poor performance it will be zero but for outstanding performance it would be three times that for normal performance.
Adani Group	
Name/Eligible/ Implementation	General Bonus
Amount Available for Distribution	3 months salary of an employee
Amount Allocated	<ol style="list-style-type: none"> 1. Group (50%) -1.5 month's salary. Based on annual group earnings before income tax achieved 2. Individual (50%) - 1.5 month's salary. Based on achieving the targets set at the individual level
RPG Enterprises	
Name/Eligible/ Implementation	<ul style="list-style-type: none"> ➤ Salary Increments ➤ Performance Bonus
Amount Available for Distribution	<ul style="list-style-type: none"> ➤ It is based on the company's performance in achieving the target laid down for profit before tax. Pool available for distribution is a percentage of total basic + allowances. ➤ The percentage varies depending on the company's achievement of laid target. If it is greater than 110% then 20% pool available and if less than 0% then no pool available.
Process of Measurement of Performance	KRAs set for management teams and individuals. Based on the performance on KRAs, rating is given on a four point rating scale.
Amount Allocated	➤ Based on the ratings received the salary increments and bonus is paid.

	<ul style="list-style-type: none"> ➤ Those employees who are in the below 10% are counselled to perform better but if again they fall in bottom 10% then they are removed from the job.
Remarks	<p>The percentage of variable pay at different levels is as follows:</p> <ul style="list-style-type: none"> ▪ Middle - 10-15% ▪ Senior - 15-20% ▪ CEO - 20-25%
Apollo Tyres Ltd	
Name/Eligible/Implementation	Pace
Process of Measurement of Performance	<p>Performance measurement is based on three factors:</p> <ul style="list-style-type: none"> ▪ Individual KRA achievement ▪ Annual competency rating ▪ Corporate performance rating
Amount Allocated	<ul style="list-style-type: none"> ➤ The payout ratio is worked out on the basis of weightages of individual rating (given on basis of Individual KRA achievement and competency rating) and corporate rating. ➤ For each level of management the weightages for individual and corporate rating would differ. At the higher levels the corporate rating will hold more weightage. ➤ It is paid according to the volume of sales achieved.
Remarks	The percentage of variable pay at executive level is 7% and keeps increasing as one goes up in the management hierarchy. At the highest level i.e. of Chief is 30%.
BARCO Ltd	
Name/Eligible/Implementation	Commission Bonus
Process of Measurement of Performance	It is based on the goals laid down. They are both tangible and intangible in nature and pertain to individual and company performance.
Amount Allocated	It is paid according to the volume of sales achieved.
Remarks	Not more than 30% of the salary is variable at any management level.
Thomas Cook	
Name/Eligible/Implementation	<ul style="list-style-type: none"> ➤ Performance based variable bonus ➤ All employees except for union category employees, who are given productivity bonus negotiated with the unions
Amount Available for Distribution	The amount available is based on return on equity achieved and the degree to which the goal expectations are achieved.

Process of Measurement of Performance	The payout is dependent on the performance of <ul style="list-style-type: none">▪ Company▪ Business▪ Individual
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(Source: Table 9, Synthesis Report of studies on Formulating the Concept, Principles, and Parameters for Performance-Related Incentives (PRI) in Government, IIM Ahmedabad based on IIM Ahmedabad Study Workshop May 1, 2007.)