

Bonus Payments in the Indian Formal Sector: 2008-2014 Trends from Paycheck India data.

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About Paycheck India

[Paycheck India](#), a research initiative at the [Indian Institute of Management Ahmedabad](#), is part of [WageIndicator](#), an organization that collects and shares data about wages/salaries, labour laws and career in more than 70 countries. Paycheck India aims to bring transparency in the labour market by providing salary predictions for 1600 occupations in India through its *Salary Checker*, regular updates on statewise minimum wages, living wage calculation, public sector wages, labour laws and career advice.

About WageIndicator Foundation

The *WageIndicator* concept is owned by the WageIndicator Foundation, a non-profit organization. Its Supervisory Board is chaired by the University of Amsterdam/Amsterdam Institute of Advanced Labour Studies, the Dutch Confederation of Trade Unions (FNV) and LinkedIn. Started in 2000, the WageIndicator operates globally through a network of associated, yet independent, regional and national partner organizations. These include universities (Harvard Law School, Renmin University – Beijing, Macquarie University Sydney), media houses (Monster, UOL, Yellow pages, Zhaopin.com), trade unions (Confederation of Dutch Trade Unions - FNV, International Trade Union Confederation (ITUC), Hind Mazdoor Sabha (HMS), Trade Union Congress (TUC), employers' organizations and individual (legal, internet, media) specialists, with whom the WageIndicator engages in lasting relationships. The WageIndicator Foundation has offices in Amsterdam (where it is headquartered), Ahmedabad, Bratislava, Buenos Aires, Cape Town, Maputo, and Minsk. There are WageIndicator websites for 78 countries with local information on [Minimum Wages](#), [Living Wages](#), [wages by occupation](#), [Collective Bargaining Agreements \(CBA\)](#), and [Labour Laws](#). This report has been prepared by the Indian Regional Office of the WageIndicator Foundation and the Indian Institute of Management, Ahmedabad.

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Table of Contents

1	Introduction	4
2	Survey Design and Data Collection	8
2.1	Survey Design	8
2.2	Data Collection	9
3	Trends of Bonus Payments for Executives in India: 2008-2014	10
3.1	Trends in Bonus Payments in India: 2008-2014	10
3.2	Pattern of Public and Private Sector Bonus Payments in India	12
3.3	Pattern of Industry-wise Bonus Payments in India	14
4	Conclusion	18
	References	21

1 Introduction

A monetary payment made to an employee over and above the standard salary, usually in recognition of some good work or commendable performance, is termed 'bonus'. In other words, a bonus is an additional compensation given to an employee, in addition to the entitled wages and allowances. The basic objective to pay bonus is to share the profit earned by the organization amongst the employees and staff members. Organizations operate with multiple types of bonus payments, though Indian Labour Law has clearly defined the eligibility limits on who all can receive bonus (Dessler & Varkkey, 2012)¹.

In India, the criteria for bonus entitlement and the procedure for such payment to eligible employees working in an enterprise is detailed in the Payment of Bonus Act, 1965. This Act primarily provides for the payment of bonus to persons employed "*in certain establishments on the basis of profits or on the basis of production or productivity and for matters connected therewith*"².

The Payment of Bonus Act applies to every factory and establishment employing not less than 20 persons on any day during the accounting year. The establishments covered under the Act shall continue to pay a bonus even if the numbers of employees fall below 20 subsequently.

The key provisions of the Act are³:

- According to the Act, the term 'employee' means "any person employed on a salary or wage not exceeding three thousand and five hundred rupees per month in any industry to do any skilled or unskilled manual, supervisory, managerial, administrative, technical

¹ Dessler, Gary and Biju Varkkey 2012. Human Resource Management, 12/e, Pearson Publication

² The section is extracted from the Payment of Bonus Act, 1965, available at http://pblabour.gov.in/pdf/acts_rules/payment_of_bonus_act_1965.pdf (Accessed on November 9, 2014)

³ Retrieved from Laws relating to Wages, Payment of Bonus Act, 1965, from http://business.gov.in/legal_aspects/wages_1965.php (Accessed on November 8, 2014)

or clerical work for hire or reward, whether the terms of employment be express or implied" (Section 2 and 12). According to the press release dated October 20, 2014, the Ministry Of Labor has proposed that the wage ceiling needs to be increased to INR 18,000, instead of INR 10,000 per month and the bonus calculation ceiling under Section 12 from INR 3,500 to INR 6000 per month⁴.

- An employee is entitled to be paid by his employer a bonus in an accounting year subjected to the condition that the employee has worked for not less than 30 working days of that year (Section 8).
- An employer shall pay minimum bonus at the rate of 8.33% of the salary or wages earned by an employee in a year or one hundred rupees, whichever is higher. Here it is not required that the employer has any allocable surplus in the accounting year. However, where an employee has not completed 15 years of age at the beginning of the accounting year, the minimum bonus payable is 8.33% or sixty rupees, whichever is higher (Section 10).
- In any accounting year, if the allocable surplus exceeds the amount of minimum bonus payable to the employees, the employer shall in lieu of such minimum bonus, be bound to pay maximum bonus equivalent to the amount which shall not exceed 20% of the salary or wages earned by employees (Section 11).
- In computing the allocable surplus, the amount set on or the amount set off shall be taken into account. In other words:(i) If, in any accounting year, the allocable surplus exceeds the amount of maximum bonus payable to the employees in the establishment, then the excess surplus is carried forward for being set on in the succeeding accounting year and so on up to and inclusive of the fourth accounting year for the purpose of payment of bonus; or (ii)

⁴ Retrieved from the report, 'Labour Minister Shri. Narendra Singh Tomar calls for 'balanced approach' towards laborers', Press Information Bureau, Government of India, Ministry of Labour and Employment (October 20, 2014) <http://pib.nic.in/newsite/PrintRelease.aspx?relid=110727> (Accessed on October 30, 2014)

If there is no or less allocable surplus in respect of that year, then such a shortfall is carried forward for being set off in the succeeding accounting year and so on, up to and inclusive of the fourth accounting year (Section 12.2).

- Where, in any accounting year, any amount has been carried forward and set on or set off, then in calculating bonus for the succeeding accounting year, the amount of set on or set off carried forward from the earliest accounting year shall first be taken into account (Section 15.4).
- All amounts payable to an employee by way of bonus under this Act shall be paid in cash by his employer within a month from the date on which the award becomes enforceable or the settlement comes into operation, in respect of any dispute regarding payment of bonus. But, in any other case, it shall be paid within a period of eight months from the close of the accounting year (Section 19a).
- However, the Government may order, upon receiving application made to it by the employer and for sufficient reasons, to extend the said period of eight months to such further period or periods as it thinks fit, such that that the total period so extended shall not, in any case, exceed two years (Section 19b).
- The Act also has provision where an employee may be disqualified from receiving bonus. This occurs if he/she is dismissed from service for: (i) fraud; or (ii) riotous or violent behavior while on the premises of the establishment; or (iii) theft, misappropriation or sabotage of any property of the establishment (Section 9).⁵

⁵Retrieved from Payment of Bonus Act, 1965, Legal Aspect, Business Knowledge Resource online, Government of India, http://business.gov.in/legal_aspects/wages_1965.php (Accessed on November 8, 2014)

The Statutory Bonus is payable only to employees who are eligible under the Act. But in practice, bonus, or its equivalent, is paid at different levels of occupational hierarchy, starting from the worker to executives, including top management. Outside those who are covered by the Act, only the top management of Public Limited companies are legally covered through a provision in i.e., The Companies Act 2013⁶. Many firms, which pay the equivalent of bonus, refer it to as "ex-gratia payment" or other similar terms.

This study focuses on understanding the patterns related to Executive Bonus payment in Indian firms. The segment of executives covered in the study includes roles such as Managers, Supervisors, Senior management, and entry-level professionals, i.e., all those who are at the higher levels of occupational hierarchy. Employees covered in the study are out of coverage of Payment of Bonus Act because the data has been collected through an online voluntary survey and is biased towards people having access to Internet⁷.

The Executive Bonus, we present in the study is a form of financial compensation made to the executives in exchange for their expertise, commitment, and contribution towards the organization. The bonus includes short term (annual, performance-based, etc.) as well as long-term (loyalty, stock options and shares) payments.

⁶ Retrieved from The Companies Act, 2013, Government of India, <http://indiacode.nic.in/acts-in-pdf/182013.pdf> (Accessed on December 20, 2014)

⁷ The details of the survey are mentioned in section 2.1 of this paper.

2 Survey Design and Data Collection⁸

2.1 Survey Design⁹

This paper uses data of individual salary earners from India. The data has been collected from the continuous and voluntary Paycheck India web survey (www.paycheck.in) that is posted in [English](#) and [Hindi](#). The questionnaire is uploaded on the website and the survey is answered through a process of non-controlled self-selection, whereby some individuals complete the questionnaire, others do not. *“The survey has detailed questions about earnings, benefits, working conditions and employment contracts, as well as questions about education, occupation, industry and household characteristics”*. More importantly, the survey includes questions about employees receiving bonus from their organization and about the types of bonus they have received (Tijdens, Zijl, Klaveren, & Steinmetz, 2010), (Guzi & Pedraza, 2013)¹⁰.

In 2000, the WageIndicator project (www.wageindicator.org) started as a paper-pencil survey for establishing a website with salary information for women’s occupation in the Netherlands. By mid-2011, it developed into an online data collection tool hosted in over 70 national websites with job-related content, labour law and minimum wage information, collective bargaining agreements, public sector wages, and a free and crowd-pulling [salary checker](#) presenting average wages for occupations. The WageIndicator project is assisted by world-renowned universities, trade unions and employer’s organizations. Its international staff consists of some 100 specialists worldwide. Being an online volunteer survey, the data is biased towards those people who have access to the internet and

⁸ This section ‘Survey Design and Data Collection’ is common to all papers that use Paycheck.in salary data. This section describes the methodology of survey and data collection from <http://www.paycheck.in/main/career-tips/research-publication>

⁹ Retrieved from [Wage Indicator Publication](#) (Accessed on April 21, 2012)

¹⁰ Detailed information about WageIndicator project, the web survey, the questionnaire and a description of variables can be found on Wage Indicator website www.wageindicator.org

are inclined to complete the questionnaire. Because of this limitation, the data captures only the organized sector in India.

2.2 Data Collection¹¹

The data for this survey was collected through an online survey questionnaire by the WageIndicator's Indian website, [Paycheck India](#). A total of 31,602 people (26,792 men and 4,810 women) from across India responded by completing the online questionnaire over four years: 2008-2014. These included both male and female respondents from different age groups, varied industries, and various hierarchical positions in their respective occupations. All binary responses are measured as *yes* or *no* for persons who have received a bonus. *Yes* has been coded `1' and *No* `0'.

¹¹ *ibid*

3 Trends of Bonus Payments for Executives in India: 2008-2014

Bonus is an integral part of the Executive or 'non-worker' compensation mix in India. In this paper, we have considered five types of bonus paid to the respondents, and have analyzed the trends in bonus payment between 2008 and 2014. The five types are:

- **End-of-Year Bonus** - Paid to employees to reward their contribution to the organization, and mostly linked to the annual performance of the company/firm.
- **Festival Bonus** - Paid during different festive occasions, often irrespective of performance. It is to express gratitude for their hard work, contribution and loyalty.
- **Performance Bonus** - Paid according to the employees' individual performance on the job, and varies according to experience, seniority and level in the occupational hierarchy.
- **Profit-share Bonus** - A part of the company's profit for that year, it aims to show how employees' expertise and hard work keeps the company in the pace of progress.
- **Other Annual Bonus** - All other types of bonus have been included in this category.

3.1 Trends in Bonus Payments in India: 2008-2014

Analysing the Paycheck Data collected during the above period for bonus payment reveals an interesting pattern existing in the Indian labour market for the non-worker category.

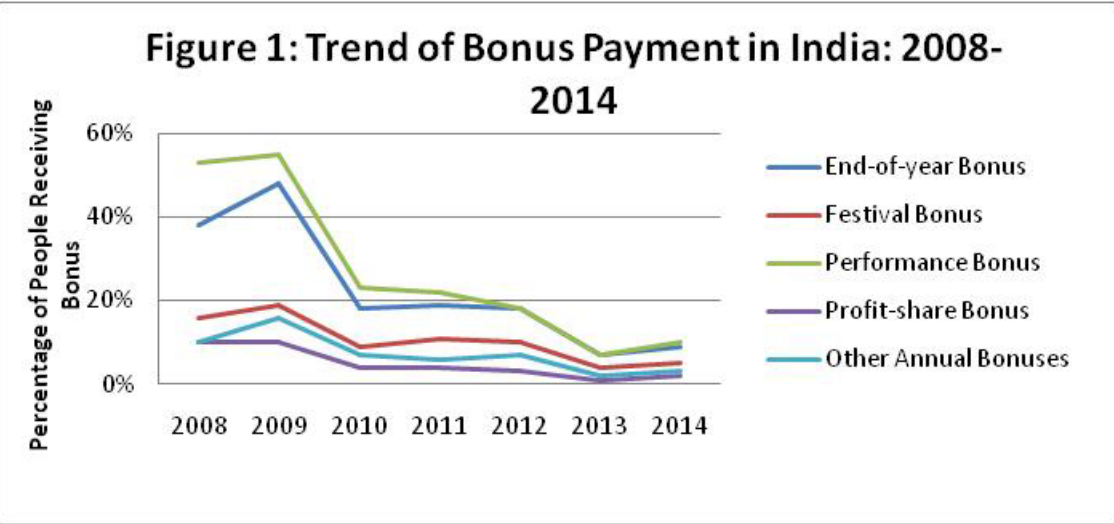
It is observed that in 2008, 38% and 53% respondents received the End-of-year Bonus and Performance Bonus respectively, making these the most popular forms of bonus payments that year. Festival Bonus (16%),

Profit-share Bonus (10%) and Other Annual Bonus (10%) saw a smaller share in distribution.

When we compared the pattern of bonus payments over time, we found that the overall percentage of employees receiving any kind of bonus payment has been constantly decreasing. In 2014, only 9% of employees received End-of-year Bonus, and only 10% received Performance Bonus. Employees receiving Festival Bonus, Profit-share Bonus and Other Annual Bonus also dropped in number, down to 5%, 2% and 3%, respectively. The year-wise pattern can be seen from Table 3.1, and the trend is graphically depicted in Figure 1. It can also be seen that while Performance Bonus continues as the most popular type of bonus payment, the Profit-share Bonus has always been the least popular form.

Table 3.1 Trend of Bonus Payment in India: 2008-2014

Type of Bonus	Year of Survey & Percentage of People Receiving Bonus						
	2008	2009	2010	2011	2012	2013	2014
End-of-year Bonus	38%	48%	18%	19%	18%	7%	9%
Festival Bonus	16%	19%	9%	11%	10%	4%	5%
Performance Bonus	53%	55%	23%	22%	18%	7%	10%
Profit-share Bonus	10%	10%	4%	4%	3%	1%	2%
Other Annual Bonus	10%	16%	7%	6%	7%	2%	3%



3.2 Pattern of Public and Private Sector Bonus Payments in India

Paycheck data reveals that the percentage of employees receiving any type of bonus payment in the Public Sector has been higher when compared to the Private Sector. An exception would be the Performance Bonus, which has been popular across both sectors. But the general trend of decreasing share of bonus as a proportion of overall compensation structure can be seen in both sectors.

The percentage of employees receiving various types of bonus in the Public Sector dropped considerably from 2008 to 2014: Employees receiving End-of-year Bonus dropped from 37% in 2008 to 18% in 2014; those receiving Festival Bonus fell from 25% to 12%; Performance Bonus from 52% to 14%; Profit-share Bonus 21% to 9%; and Other Annual Bonus 13% to 5%.

In 2006, the Indian Finance Ministry had approved a performance-linked incentive scheme for almost eight lakh employees for the Public Sector banks and allowed an incentive payment of up to 20% of total annual emoluments¹². This payment was regardless of the bank's performance. In 2014, a different trend was noticed: As per published records, employees of some top profit-making Indian PSUs complained about not getting their bonus payments. Some even stated that their performance-linked pay had been reduced by 40%¹³.

Once again the percentage of employees in the Private Sector receiving any form of bonus declined between 2008 to 2014: Employees receiving End-of-year Bonus dropped from 38% in 2008 to 20% in 2014; those receiving Festival Bonus dropped from 14% to 10%; employees receiving Performance Bonus dropped from 52% to 23%; Profit-share Bonus dropped from 9% to 5%, and Other Annual Bonus from 10% to 8%. The

¹² Sourced from 'North Block caps bank staff bonus at 20%', Business Standard (March 25, 2006), retrieved on October 30, 2013, from http://www.business-standard.com/article/finance/north-block-caps-bank-staff-bonus-at-20-106032501061_1.html

¹³ Sourced from 'Employees of cash-rich ONGC, NTPC and Coal India cry for bonuses', India Public Sector, An insight into Public Sector Enterprises (April 8, 2014), retrieved on October 30, 2014, from <http://www.indiapublicsector.com/2014/04/employees-of-cash-rich-ongc-ntpc-and.html>

companies, which suffer losses, may choose not to pay any bonus to their employees, even though they might be following a tradition of paying bonus, for instance festival bonus.¹⁴ Some companies may also choose not to pay bonus to their employees even if the company performance is good.¹⁵

In 2008, Performance Bonus was the most prevalent type of bonus for both Private and Public sectors. But the data consolidated in Table 3.2 reveals that by 2014, End-of-year Bonus had evolved as the most important form of bonus for the Public Sector, while Performance Linked Bonus continued as the major form for the Private Sector. This shift shows the main differences in the ideology towards bonus payment. When it comes to bonus payment, the Public Sector concentrates more on corporate level performance and less on individual performance. It may either happen that a large number of employees (almost all) do receive the bonus, or that employees do not receive a bonus equivalent to company performance¹⁶. Contrarily, the Private Sector focuses more on individual performance, or other indicators including share price and department performance, among others. The trend for bonus payments for Public and Private sectors from 2008 to 2014 is depicted in Table 3.2.

¹⁴ Sourced from "No Diwali bonus for employees of The Hindu this year", November 8, 2014, retrieved on November 8, 2014, from Livemint from <http://www.livemint.com/Companies/dVoexLMXIVcJtKHEftE2hP/No-Diwali-bonus-for-employees-of-The-Hindu-this-year.html>

¹⁵ Sourced from "Bonus Squeeze hits employees at ONGC, NTPC, Coal India", April 7, 2014, Business Standard, retrieved on November 11, 2014, from http://www.business-standard.com/article/companies/bonus-squeeze-hits-employees-at-ongc-ntpc-coal-india-114040700479_1.html

¹⁶ Sourced from "Employees of cash-rich ONGC, NTPC and Coal India cry for bonuses", India Public Sector, An insight into Public Sector Enterprises (April 8, 2014), retrieved on October 30, 2014, from <http://www.indiapublicsector.com/2014/04/employees-of-cash-rich-ongc-ntpc-and.html>

Table 3.2 Trend of Sector-wise Bonus Payment in India: 2008-2014

Type of Bonus	Sector	Year of Survey & Percentage of People Receiving Bonus						
		2008	2009	2010	2011	2012	2013	2014
End-of-year Bonus	Public	37%	56%	21%	20%	18%	13%	18%
	Private	38%	42%	21%	19%	19%	15%	20%
Festival Bonus	Public	25%	24%	15%	13%	12%	8%	12%
	Private	14%	21%	10%	11%	10%	7%	10%
Performance Bonus	Public	52%	52%	25%	17%	17%	10%	14%
	Private	54%	56%	27%	24%	19%	15%	23%
Profit-share Bonus	Public	21%	28%	7%	8%	3%	3%	9%
	Private	9%	8%	4%	3%	3%	3%	5%
Other Annual Bonus	Public	13%	20%	13%	10%	8%	4%	5%
	Private	10%	16%	8%	6%	6%	4%	8%

3.3 Pattern of Industry-wise Bonus Payments in India

The percentage of employees receiving End-of-year Bonus was highest in the Commercial Services (43%) in 2008, followed by Manufacturing and Construction (38%), Trade, Transport and Hospitality (37%) and Public Health (36%)¹⁷. From 2008 to 2014, the overall percentage of employees receiving End-of-year Bonus has decreased in all the above sectors. However, in 2014, the percentage of employees receiving End-of-year Bonus in the Transport and Hospitality was the highest (27%), followed by Manufacturing and Construction (22%), Commercial Services (15%) and Public Sector, Health Care and Education (12%).

The percentage of employees receiving Festival Bonus was highest in Manufacturing and Construction (27%) in 2008, followed by Public Health (23%), Commercial Services (16%) and Trade, Transport and Hospitality (10%). Festival bonus payments have shown a decline over the same time frame. In 2014, the percentage of employees receiving Festival Bonus was highest for Manufacturing and Construction as well as Trade, Transport

¹⁷ Bonus data for Agriculture sector in India has been excluded for this analysis in order to avoid deviations in results.

and Hospitality (13%), followed by Public Sector, Health Care and Education (8%), and Commercial Services (7%).

The percentage of employees receiving Performance Bonus was highest in Trade, Transport and Hospitality (58%) in 2008, followed by Commercial Services (53%), Manufacturing and Construction (47%) and Public Sector, Health Care and Education (44%). The share of Performance Bonus has decreased between 2008 and 2014. In 2014, the percentage of employees receiving Performance Bonus was highest in the Commercial Services, followed by Trade, Transport and Hospitality (20%), Manufacturing and Construction (20%) and Public Sector, Health Care and Education (8%).

The percentage of employees receiving Profit-share Bonus was highest in Manufacturing and Construction (13%) in 2008, followed by Trade, Transport and Hospitality (10%), Public Sector, Health Care and Education (8%) and Commercial Services (5%). In general, Profit-share Bonus does not seem to be very popular in the Indian labour market, and the percentage of employees receiving this bonus has reduced to an almost negligible share. In 2014, the percentage of employees receiving Profit-share Bonus was highest in Trade, Transport and Hospitality as well as Commercial Services (5%); it was not as popular with Manufacturing and Construction (4%) or Public Sector, Health Care and Education (1%) either.

The percentage of employees receiving Other Annual Bonus was highest in Manufacturing and Construction (15%) in 2008, followed by Trade, Transport and Hospitality (9%), Public Sector, Health Care and Education (8%) and Commercial Services (6%). Other Annual Bonus payments have also fallen over the same period. In 2014, the percentage of employees receiving Other Annual Bonus was highest for Manufacturing and Construction (8%), followed by Trade, Transport and Hospitality and Commercial Services (7%) and finally Public Sector, Health Care and Education (3%).

Though there has been a decline in the overall percentage of employees receiving bonus payments, there is another observable pattern. Though Performance Bonus was preferred by all industries across sectors during 2008, the focus shifted completely to End-of-year Bonus across industries by 2014. Also, general trend shows that bonus payments are highest for Trade, Transport and Hospitality sectors. Table 3.3 shows the trend of bonus payments for all four industries.

Table 3.3 Industry-wise Bonus Payments

Type of Bonus	Industry	Year of Survey & Percentage of People Receiving Bonus						
		2008	2009	2010	2011	2012	2013	2014
End-of-year Bonus	Manufacturing, Construction	38%	50%	23%	22%	22%	16%	22%
	Trade, Transport, Hospitality	37%	43%	16%	17%	16%	13%	27%
	Commercial Services	43%	53%	20%	21%	18%	13%	15%
	Public Sector, Health Care, Education	36%	39%	10%	11%	10%	6%	12%
Festival Bonus	Manufacturing, Construction	27%	28%	12%	15%	11%	9%	13%
	Trade, Transport, Hospitality	10%	15%	7%	10%	16%	11%	13%
	Commercial Services	16%	13%	8%	7%	8%	5%	7%
	Public Sector, Health Care, Education	23%	28%	8%	10%	10%	6%	8%
Performance Bonus	Manufacturing, Construction	47%	47%	24%	20%	18%	14%	19%
	Trade, Transport, Hospitality	58%	60%	22%	24%	14%	9%	20%
	Commercial Services	53%	57%	26%	24%	22%	15%	23%
	Public Sector, Health Care, Education	44%	49%	13%	18%	8%	6%	8%

Profit-share Bonus	Manufacturing, Construction	13%	7%	4%	4%	4%	3%	4%
	Trade, Transport, Hospitality	10%	10%	5%	4%	3%	2%	5%
	Commercial Services	5%	11%	3%	4%	3%	2%	5%
	Public Sector, Health Care, Education	8%	7%	2%	2%	1%	1%	1%
Other Annual Bonus	Manufacturing, Construction	15%	16%	8%	6%	8%	3%	8%
	Trade, Transport, Hospitality	9%	16%	6%	5%	3%	6%	7%
	Commercial Services	6%	14%	7%	6%	6%	4%	7%
	Public Sector, Health Care, Education	8%	20%	5%	3%	4%	3%	3%

4 Conclusion

Bonus continues to be an important component of the pay mix of employees. This is a practice of every organization to keep employees committed, motivated and dedicated towards their organizations. There are large number of studies that advocate the fact that, bonus is directly correlated with employees' performance and good work in terms of quality and quantity. Danish & Usman (2010) posits a view in his study that periodical salary increments, allowances, bonuses, fringes benefits and other compensations on regular and specific periods keeps their morale high and make them more motivated. Differentiation on average has a substantial and highly significant positive effect on individual performance (Kampkotter & Sliwka, 2011). According to Kahn & Sherer (1990), the bonus system in firms, generally appears to be directed toward a select group of high-performance managers: a high bonus premium for high performance levels is given to those who work at corporate headquarters in high-level positions and have low seniority. Also different sectors (Public and Private) practice the different compensation method to evaluate high performers and low performers. Hubbard (1994) in his study on banking sector came with the findings that, both higher levels of CEO compensation and a more pronounced compensation-performance relationship when interstate banking is permitted than when interstate banking is not permitted.

The compensation paid is expected to enable employees to perform well and result in good performance of a firm. Gibbon and Murphy (1991) state that his study supports Relative Performances Evaluation hypothesis - CEO pay revisions and retention probabilities are positively and significantly related to firm performance but are negatively and significantly related to industry and market performance. On the other hand, the need of bonus is also supported by many studies in the ground of lowering cost of an organization. The results of a study by Brickley.et.al (1987) support the

notion that these long-range managerial compensation schemes represent an improvement in contracting between managers and shareholders, which increase shareholder wealth. On the flip side, counter studies pose doubt on the positive impact of reward to an individual's performance and as a whole the performance of an organization. Intra-firm competition for wages or bonus payments may undermine cooperation and lead to sabotage extorts that negatively affects firm performance, Lazear (1989). In a study, Beneabou & Tirole (2013) say that the level and structure of managerial compensation reflect instead significant market failures. However, the subject of bonus payment for executive levels has rarely been empirically examined in the Indian context. Thus our study addresses an important gap existing in the areas of compensation studies and understanding the Indian Labour market for executives.

Paycheck data analysis reveals that there has been a general decline in bonus payments for executives in India, measured in terms of percentage of respondents receiving Performance Bonus, which was the most popular form of bonus payment in 2008, with more than 50% employees being rewarded with it, was substituted by End-of-year Bonus at the top position in 2014.

One of the reasons for the developments may be, while the public sector has focussed on corporate level performance indicators for bonus payment, the Private Sector at large, except for the IT industry, has started giving more importance to department/group achievements than to individual performance. The above finding in our viewpoint towards a larger structural change in the pay mixes in India. Emphasis on organisational performance as the driver for bonus can help in better teamwork and alignment of individual goals with the larger objectives, rather than people maximising for themselves.

In our view, the trend shown in Indian labour market included in this study, does not imply that individual performance is ignored or

substituted. Many firms have introduced tools that classify high and low performers, the bell curve or forced ranking being a popular tool. The relative position of the individual in performance ranking impacts annual pay raises (increments, which is outside bonus payments because of the long term implications on earnings, associated benefits and social security) and other bonuses like performance related bonus. (Blume et.al (2009), Dessler G & Varkkey B (2012))

While the findings of the study can be considered as an initial exploration about the structure of bonus payments, we find that the insights raise many questions for practice and theory. A general observation has been of decline percentage of employees receiving bonus payments over the years across industries, with focus shifting from Performance bonus to End-of-year Bonus. The trend is worth exploring further.

A Paycheck India study on Job Satisfaction has observed that satisfaction of employees with respect to allowances and approach to pay has declined over the years (Varkkey & Korde, 2013). In our view, the trend of bonus payments over years can also be one of the reasons for increase in the percentage of employees being dissatisfied with their jobs. However, the above aspect also needs to be explored further. Understanding the trends should help designers of compensation package, and individuals appreciate the evolving pay mix patterns better.

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