School of Business and Management
Christ University

A panel discussion that offered more confusion and less clarity

Professor Sathiyaseelan B wrote this case primarily to stimulate classroom discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation.

Version: 2024-06-19

Raghav, a recent MBA graduate in HR, was nominated to attend the Annual Rewards Conference of Aon India. The conference theme was focused on "Navigating Employee Compensation". As part of the conference, Raghav participated in a panel discussion on "Navigating Pay with increased regulatory scrutiny, shareholder activism, and Societal expectations."

The panel was composed of prominent personalities from different spheres of professional expertise that included Arti Ahuja, Secretary, Ministry of Labour & Employment, Government of India; Ramchandra Ruikar, a trade union leader from Indian National Trade Union Congress; Navneet Ratan, Partner Aon Rewards Team, and Debjani Ghosh President, NASSCOM.

Arti Ahuja: Good morning, everyone. Let me set the context around the increasing concerns around fair and equitable compensation for all employees, including executives.

The gap between executive and worker pay has grown in recent years. In India, the average CEO makes 211 times more than the average worker. This gap is unsustainable and unfair to most workers struggling to make ends meet.

The government is taking steps to ensure that all employees are paid fairly. One of the most important steps is to increase transparency in compensation practices. Companies should disclose the pay of their executives and other top earners. This would allow employees and the public to see how their money is spent and hold companies accountable for their pay decisions.

The government should also have the power to investigate and regulate executive pay. This would help ensure that companies are not paying their executives excessive amounts of money and are not using compensation to reward bad behavior.

Ultimately, all stakeholders must work together to ensure fair and equitable employee compensation. This includes the government, companies, and employees themselves. By working together, we can help to create a more just and equitable society for all.

Thank you for your time.

Note: The author gratefully acknowledges the valuable assistance of ChatGPT in structuring and refining the language.

Ramchandra Ruikar: Good morning, everyone. I thank my previous speaker for bringing up the issue of the growing gap between executive pay and worker pay. The gap between executive and worker pay has grown in recent years. There are several reasons for this ever-increasing gap. One reason is that companies increasingly use stock options and other forms of non-cash compensation to pay their executives. These forms of compensation are not subject to the same regulations as cash compensation, allowing companies to pay their executives exorbitant amounts of money without anyone noticing.

Another reason for the growing gap is that companies increasingly use performance-based pay for their executives. This means that executives are paid more if the company does well, but they are also paid more if the company does poorly. This can lead to executives being paid more even when they are not performing well.

The growing gap between executive pay and worker pay is a serious problem. It is not just unfair but also unsustainable. Not addressing this problem will lead to several negative consequences, including increased inequality, reduced productivity, and political instability. The gap is contributing to the growing inequality in India. This inequality makes it harder for people to climb the economic ladder and creates a more divided society. Workers who are not paid fairly are less likely to be motivated to work hard. This leads to reduced productivity and lower economic growth. The gap can also lead to political instability. When people feel that they are being treated unfairly, they are more likely to support radical or extremist political movements.

There are several things that we can do to address this problem. Companies can do more to close the executive and worker pay gap. They can pay their executives fairly and stop using stock options and other non-cash compensation to hide how much they are paying their executives.

The government also needs to take steps to address this problem. It needs to pass laws that regulate executive pay and ensure that workers are paid a living wage.

In addition to these measures, we also need to increase worker representation on corporate boards. This will give workers a say in how their companies are run and will help to ensure that their interests are represented.

Finally, we need to strengthen laws that protect employee rights. This includes laws that guarantee workers the right to collective bargaining, the right to a safe workplace, and the right to fair compensation.

We must work together to create a more just and equitable society. We need to ensure that all employees are paid fairly, regardless of their position or level of responsibility.

Navneet Ratan: Good morning, everyone. There are significant challenges companies face in setting employee and executive compensation.

One of the biggest challenges is attracting and retaining top talent. In today's competitive market, companies must offer competitive salaries and benefits to attract the best and brightest employees. This can be difficult, especially for smaller companies that have limited resources.

Another challenge is the need to be competitive in the global market. Companies operating in multiple countries need to ensure that their compensation packages are competitive with those offered by other countries. This can be difficult, as labor costs and other factors can vary significantly from country to country.

Finally, companies need to meet the expectations of shareholders. Shareholders are interested in seeing a return on their investment and may pressure companies to pay their executives high salaries. This can make it difficult for companies to balance attracting and retaining top talent and keep costs down.

There are several factors that companies need to consider when setting employee and executive compensation. These factors include the cost of living, the level of competition, the company's financial performance, and the shareholders' expectations. Companies must carefully weigh all of these factors to develop compensation packages that are fair to employees and shareholders.

Thank you.

Debjani Ghosh: Good morning, everyone. In my perspective, pay needs to be aligned with shareholder value creation.

Employees who are paid based on the company's performance are more likely to make decisions that benefit shareholders. This is because they will be motivated to increase the company's profits and share price.

There are several ways to align employee pay with shareholder value creation. One way is to use performance-based compensation. This means employees are paid a bonus based on the company's financial performance. Another way to align employee pay with shareholder value creation is to use stock options. This means that employees are given the right to buy company stock shares at a specific price. If the stock price increases, the employees can profit by exercising their stock options.

When employee pay is aligned with shareholder value creation, it can lead to several benefits for the company and its shareholders. For the company, it can lead to increased profits and share prices. For shareholders, it can lead to higher returns on their investments.

Ultimately, companies need to be accountable to their shareholders. This means that they need to make decisions that are in the best interests of their shareholders. When companies are accountable to their shareholders, it can lead to a more efficient and productive economy.

Thank you.

Raghav found the panel discussion very informative and thought-provoking. However, he was left confused by the contradictory messages conveyed by the panelists, all of whom were highly accomplished in their respective professional spheres.

On the one hand, the panelists agreed that compensation management is an essential function of human resources. They discussed the need to develop compensation systems that are fair, equitable, and aligned with the company's overall goals. On the other hand, the panelists disagreed on the best way to achieve these goals. Some panelists argued that compensation should be based on individual performance, while others argued that it should be based on factors such as job level and experience. Some panelists also discussed that companies should be more transparent about their compensation practices, while others argued that this could lead to increased employee dissatisfaction.

---X---