

**THE IMPLEMENTATION OF** the recommendations of the seventh pay commission will make entry level government jobs more attractive than those in the private sector, according to an Aon Hewitt analysis shared exclusively with ET.



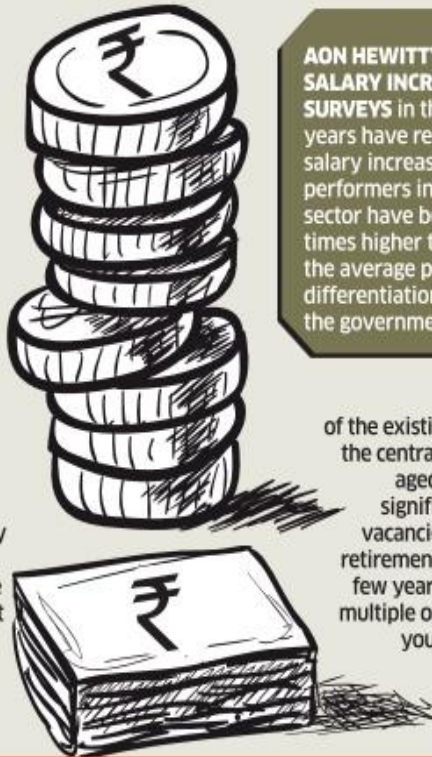
**THE ANALYSIS SHOWS** that compensation at entry levels in the private sector is under-indexed compared to that in the government. As a result, the 7th pay recommendations will result in competitive salaries in emerging vacancies in government sector, along with enhancing positive perceptions of a government job, leading to greater competition between the two sectors for talent.

**"GOVERNMENT JOBS WERE** already more lucrative than private sector at the entry levels and will, after the 7th Central Pay Commission, become even more so," said Anandrup Ghose, partner, Aon Hewitt. "The data shows that at an aggregate level private sector jobs will be at a discount of approximately 30% at entry levels and pay would be very similar at junior and mid management levels in government and private jobs," he said.

**ADVANTAGE YOUNGER WORKFORCE**

**COMMUNICATIONS, IT, AUDIT, ACCOUNTS,** infrastructure sectors have 25-30% of the sanctioned strength (2014) as vacancies. Such sectors with fairly fungible skills can lead to strong competition to attract young talent

**AT MIDDLE TO SENIOR LEVELS,** factors such as mild progression in salaries across levels and lack of significant differentiation in yearly increases on the basis of performance could continue to make the compensation proposition weak for tenured employees in the government sector. Besides, pay progressions become significantly aggressive in the private sector in the middle management levels, thereby rapidly increasing the gap with government jobs



**AON HEWITT'S ANNUAL SALARY INCREASE SURVEYS** in the recent years have revealed that salary increases for top performers in the private sector have been 1.5 to 1.7 times higher than that of the average performers, differentiation lacking in the government sector

**A MIXED BAG FOR SENIOR & TOP MANAGEMENT**

**AT THE SENIOR AND TOP MANAGEMENT LEVELS,** compensation is significantly in favour of the private sector firms, even without considering any long-term incentives in the form of equity based compensation. Such differences will continue to facilitate talent mobility from the government to the private sector

**HOWEVER, THE ANALYSIS LIMITS** itself to considering pay and allowances without adding in costed benefits beyond the retiral which can narrow the gap between the two sectors



**THE PAY MIX IN THE GOVERNMENT** sector & public sector firms is generally heavy on basic and DA components, an aspect that would significantly differentiate earnings in the form of retiral and pensions between the two sectors

**29%** of the existing workforce in the central government is aged 50-60 years. A significant number of vacancies arising out of retirements over the next few years could result in multiple opportunities for younger workforce entering the working population

**EXCERPTS FROM THE ANALYSIS**

**Salary\* Level Comparison**

**ENTRY LEVEL:** Private sector salaries 27% lower than in government sector

**JUNIOR MANAGEMENT:** Private sector salaries 2% higher

**MIDDLE MANAGEMENT:** Private sector pays 10% more

**SENIOR MANAGEMENT:** Private sector salaries 28% higher

**TOP MANAGEMENT:** Private sector pays at least 65% higher

(\* Figures represent total cost to company values excluding employee benefits beyond retiral and incentives)

**Salary** ↑