

India Inc doles out 6-13% salary hike

Bad year for many sectors prompts modest increase

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India Inc is increasing employee salaries by a modest 6-13 per cent this year. In sectors such as IT and telecom, which are facing a bad year, the wage hike is being pegged at around 7-8 per cent, while companies in recession-free sectors, such as the pharmaceutical industry, are offering increases of 12-13 per cent.

In addition to employee performance, a number of other factors, including company performance, industry norms, cost of living, inflation and demand for certain skills are taken into account while determining the pay hike.

Sanjay Pillai, Vice-President, Human Resource, Hyundai, said: "As a norm, we conduct regular studies within the company taking into account myriad parameters. The final increment is arrived at after careful evaluation of all these parameters. For example, the auto industry faces a shortage of paint technicians and maintenance engineers. Compensation for these categories could, therefore, be higher."

For real-estate players, this could be one of the worst years in terms of a wage hike. Real-estate watchers note that the slow movement in the sector has impacted wages.

Also, industry is moving from a conventional system of wage hikes to a more performance-based approach. Ashok Kumar Gupta, HR head, Raheja Developers, notes that, "wage hikes are low as few infrastructure projects are going on-stream. Companies are moving towards

Projected salary hikes across sectors in 2013*

		(in %)	
Life Sciences	13.1	IT Enabled Services	10.1
Pharmaceuticals	13.5	3rd Party Service Providers	8.9
Medical Devices	12.6	BFSI Captives	10.2
Consumer Durables	11.8	Other Captives	10.5
Engineering Design	11.5	KPO	12.2
Chemicals	11	Energy	10.1
Automobile	11	Retail	9.8
Engineering/Manufacturing	10.9	Telecom Services	9.6
Hi Tech	10.5	Financial Institutions	8
Consulting Services	9.6	Banks	8
Software Products	11.2	Life Insurance	8.7
Semiconductor	11.3	Funds/Asset Management	8.5
Hotels	10.4	NBFC	8.5
Securities	6.6	Infrastructure	6.1

*Based on an Aon Hewitt study done in February



performance-based pay, as in other sectors."

The hotel industry this year offered pay hikes of 8-10 per cent. Vinay Ravi, Director (HR), Hyatt Regency, says though there was considerable growth in tourism revenue, which reflected in hotel topline, inflation in food and energy bills took away a chunk of the revenue.

INFLATION-ADJUSTED

While companies give maximum weightage to market conditions while determining the salary increase, they also take into account inflation trends to balance the rising cost of living. LG Electronics, for example, gave a 12 per cent hike in January this year.

This was lower than last year's increase but higher than inflation. LG Electronics India Head for Human Resources Umesh Dhal said: "When we gave hikes, overall inflation was about 8 per cent and we ensured

our hikes were more to give our employees a breather."

According to Thammaiah B.N., Director, Kelly Scientific Resources, Indian corporates consider inflationary costs that add to the cost of living and, hence, pay hikes here are among the highest, especially compared with developed countries.

"Now, talent is also moving from lower-cost-of-living cities to higher cost cities and, hence, new lateral hires will be compensated for the extra cost," said Thammaiah.

VARIABLE PAY

At the same time, companies have increased performance-linked payouts without bringing down the fixed part of earnings. At General Motors India, for example, the variable pay ranges from 3 per cent, at the lowest level, to 30 per cent, at the highest.

"Compared with last year, the

payout has been lower, based on company performance," said P. Balendran, Vice-President, General Motors India. V.C. Agrawal, Group President-HR, RP-Sanjiv Goenka Group said the variable payout can be as high as 50 per cent of the salary. Experts agree that the salary hike during the current year will be amongst the lowest in recent times.

Ronesh Puri, Managing Director of Executive Access, a human resources search company, said: "It is a reflection of the current business environment. A number of companies have frozen recruitment and are treading cautiously on salary hikes."

(With inputs from Meenakshi, Bindu, Ronendra and Aesha in Delhi; Abhishek in Kolkata, Rishi Kumar and Naga Sridhar in Hyderabad; Ravikumar in Chennai; Shankar in Mumbai)

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