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Opinion – Human Resources

## **Do pay hikes pay off?**

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Hewitt Salary Survey 2008 revealed that India had the highest hike in Asia for the seventh consecutive year. With average hike at 15.2 per cent, ahead of that in China, it was steeper in high-attrition sectors.

Between 2006 and 2007 overall attrition rose from 14.4 per cent to 18.1 per cent. So doesn't money attract anymore? Likely not! This throws up more questions. Has money always gone to the performers? The pressure to retain employees is 'breeding mediocrity' with a narrowing difference between hikes for the best and average performers. Between 2001 and 2006, employees who 'far exceeded expectations' got a hike that was twice as much in percentage terms. In 2007, the differential dropped and ranged from 23.8 per cent to 68.9 per cent.

Can such steep hikes continue forever? Perhaps it will for some more time. But undoubtedly it has to plateau at some point. Besides, with the alarming signs of slowdown, industry is turning a bit sceptical. Recently Tata group chairman Mr Ratan Tata expressed concerns about rising input costs and said, "India cannot be immune to the recession which has hit the US and Europe." Wipro chief Mr Azim Premji took a heavy pay cut recently. Wipro's annual report for 2007-08 showed that Mr Premji's remuneration dipped 63 per cent to Rs 1.31 crore from Rs 3.58 crore the previous year. It remains to be seen whether this is an indication for the rest of the IT industry. Is money top priority for Indian workers? Although money is high priority in a dynamic growing economy like India, assuming it to be the number one priority and, consequently, concentrating one's energy and resources towards compensating the same, does not appear prudent. A recent survey on 'Employee Engagement' by *Business World* showed that, across regions, Indian workers identified three factors as important for motivation and job satisfaction: career development, challenging work and greater freedom.

In this respect, the wish-list of Indian employees matches with that of the top-three global demands. This finding is definitely a shift from the popular perception about the expectations of Indian workers. It's high time that HR strategists rethink and rework their retention strategy. There is certainly a need to offer something beyond just healthy pay packages. The HR challenge is to create a culture of ownership and greater engagement among employees. Today people look for involvement, empowerment, and global experiences. Talent development, leadership, career development and innovation are the key issues. And salary hikes should be backed by a scientific appraisal system to reward performers.

At a time when HR is coming of age — from a back-office maintenance job to a boardroom player, it needs to readjust its focus and realign it to the organisational strategy of sustenance and profitability.

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