

SALARY HIKE IN INDIA - 2016

Indian economy has emerged as the fastest growing major economy in the world. Going by official statistics, Indian economy is likely to achieve around 8 percent growth in the current financial year on the back of robust private consumption, which has benefited from lower energy prices and higher real income.

With the sustained relatively fast economic growth, stable macroeconomic framework and supporting government policies & institutions for growth has helped the country to achieve a competitive self-sustaining, job-creating business model that promote creation of employment opportunities.

Though India's GDP growth rate has risen gradually to 8 percent in 2015-16, parts of the economy is still being hit by the global growth deceleration, capital market uncertainty and deflation pressures. Thus, the companies are demonstrating cautious optimism and indicating that their position on demand and investments could change depending on the global scenario which pushes the companies to be neutral to moderately optimistic about the industry outlook.

In relation to the annual salary hikes, we at Omam Consultants reiterate that in the Indian industry, increment trend is predominantly dependent on factors such as - current business scenario, profitability, paying ability, culture and industry benchmarks.

As an annual practice, the recent cross industry salary hike study conducted at Omam Consultants indicates that the employees in India are expected to get an overall average salary increase of 10.60 percent, little lower than last year (11 percent in 2015).

Amongst the industries surveyed the projected salary increase ranges from 9 percent to 12.20 percent overall, with relatively higher increases for FMCG (12.20 percent) & Pharma (12%) sectors.

The overall projected increase indicates a sense of optimism across the industry with most of the companies looking for the business environment to improve. Hence, despite the dip in the overall business growth, the companies are keeping the salary increase budgets for Year 2016 more or less in-line with actual increase passed on in the Year 2015.

Though the average salary increase in India is projected at 10.60 percent it does not mean that everyone will get the same increase. Most of the companies have recognized the contribution of top talent hence the projected increases are arrived-at basis the individual performance which they think will play a significant role in creating a competitive environment. The companies are considering individual performance as the differentiation factor of salary hikes. This means, that the top performers and key talents are likely to get substantially better salary hike. The projected increase based on the individual performance ranges from 0-20 percent against the figure of 5-15 percent last year.

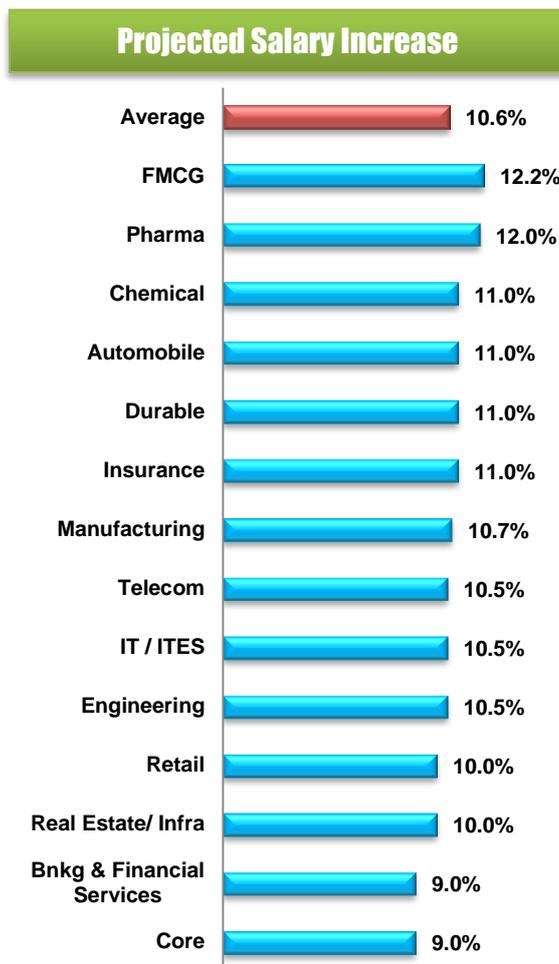
In terms of the levels - as per the prevalent trend, employees in Junior Management level are going to receive the highest increase while the increase at the Senior Management level is going to be below the overall industry average.

Amongst industries, the FMCG (12.20%) and Pharma (12%) are expected to offer maximum average salary hikes while both Core and Banking & Financial Services Sector are expected to offer the lowest average salary hikes (9%).

With overall average increase of 11% - Chemical, Automobile and Consumer Durable sectors are the ones offering Good pay hikes.



Engineering, Real Estate/ Infra and Manufacturing are the prominent sectors where salary hikes in 2016 are expected to be higher (0.5%+) as compared to last year while Banking & Finance is the industry which shows maximum dip (3.5%) in terms of the average salary hike when compared to last year.



Prominent sectors where salary hikes in 2016 are expected to be higher than the overall average expected salary hike of 10.60% are – Manufacturing, Insurance, Consumer Durable, Automobile, Chemical, Pharmaceutical and FMCG.

Startups and companies in early stages like the Ecommerce will continue to provide maximum increments in order to retain and attract talent. The salary increase for this industry is projected to be around 15 percent.

In the ITES, Engineering, Telecom & Manufacturing the salary increases will be at par with the overall industry average.

Attrition rate is another input to understand the competitiveness of various sectors in the Indian Industry.

Reflecting the competitive environment for top talent, majority of the companies stated that they're actively taking measures to retain top talent. Targeted salary increases, performance pay and enhanced talent management programs are the most common retention measures taken into consideration while arriving at the salary hike decision for employees.

According to the recent study conducted at Omam the average industry attrition rate in India has dropped to 16 percent which is the lowest since the industry have

observed since Year 2009 during the slowdown.

In the Manufacturing, Engineering, Automobile & Core sector, the overall attrition is comparatively low while overall attrition is still as high as 25 percent for IT/ ITES sector followed by Retail and Financial Services.

While attrition has been controlled to a larger extent, the key talent attrition is still a big challenge for the companies. As a result the companies are focusing on developing separate retention plans and policies for their key talent.

Job Satisfaction, Organizational Climate & Culture and Compensation & Benefit are the key parameters highlighted by the participants resulting in attrition.