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With 10% salary hike, a good year for employees of listed companies

Average salary may have grown fastest since at least 2014-15

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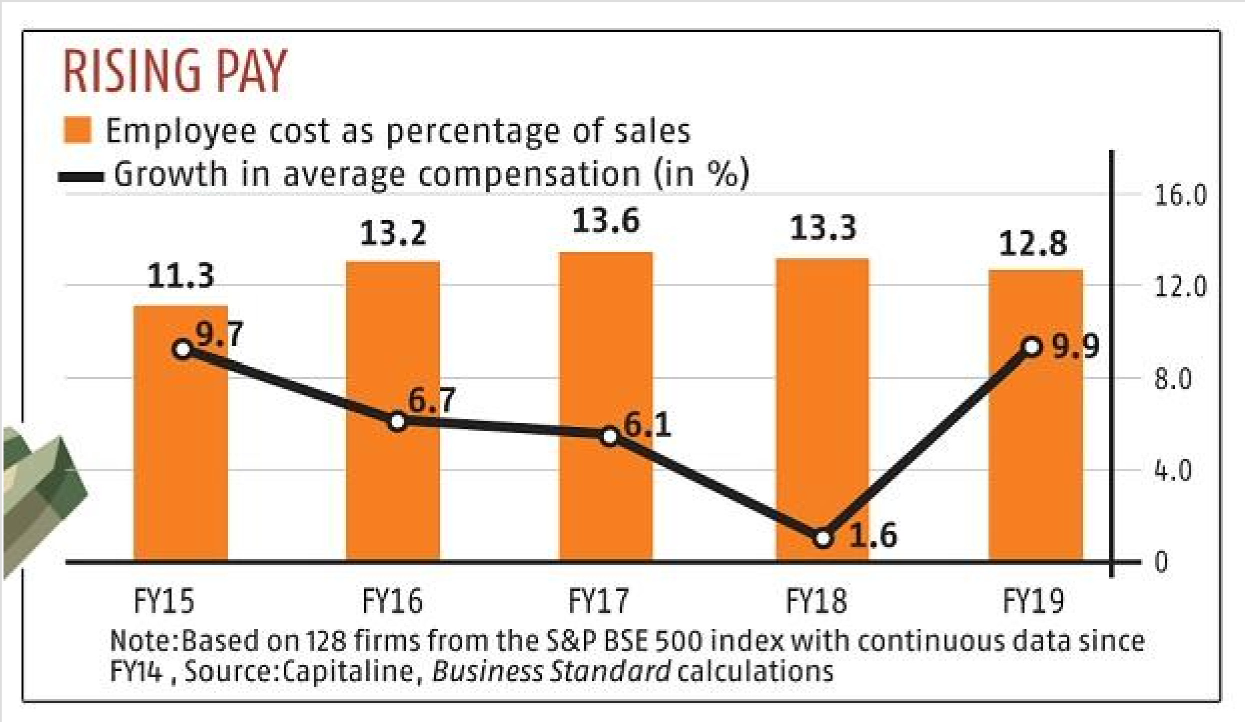
The average compensation of a listed-firm employee rose around 9.9 per cent in the financial year ending March 31, 2019 (FY19). This is the fastest pace of growth in at least five years. The addition of new employees, however, was slower than the previous year. It grew at 4.4 per cent, compared to 4.7 per cent for the previous year.

The analysis is based on 128 S&P BSE 500 companies for which continuous data is available since FY14. The average compensation is arrived at by dividing the total employee cost by the total number of employees. Not all companies report employee numbers uniformly. Some include contract labour in the total count. Others do not. However, the use of a constant sample since FY14 provides a broad indication of the trend in compensation.

The growth in compensation comes amid a 19.4 per cent rise in net sales for the firms in the sample. The sales growth is also the fastest in at least five years, and outpaces the growth in compensation. This faster rise in revenue for the sample meant that the share of employee compensation as a percentage of net sales fell from 13.3 per cent to 12.8 per cent in FY19. It has been declining for the second year in a row now.

The rise in sales was led by refineries, banks and information technology firms. Refineries and banks saw a double-digit increase in net sales. Employee compensation growth for these sectors was also in double digits. The information technology segment, which registered an 8.2 per cent increase in sales, saw a 5.9 per cent rise in average employee compensation.

Among key sectors, average employee compensation was marginally higher for the fast moving consumer goods sector (at Rs 20 lakh) than information technology (Rs 19.3 lakh) for companies in the sample.



Banks had an average compensation of Rs 12 lakh. It was Rs 10.9 lakh for finance companies.

Finance companies include non-banking financial companies (NBFCs). They are among the sectors which saw a fall in average employee compensation in FY19, of 7.9 per cent. The segment had been going through liquidity issues since the second half of the year. Key lender Infrastructure Leasing & Financial Services (IL&FS) failed to meet its payment obligations. This lead to a crisis of confidence in the industry, and firms have had difficulty in raising fresh capital. But established, marquee names had less trouble raising capital and doing business, which could be reflected in the overall profit growth for the sector. Reported net profit for finance companies in the sample actually rose more than previous years. But employee compensation for the sector was hit in the same period even as profits grew for some players.

This is different from the trend for the overall sample. The near-double-digit growth in average compensation was in line with corporate earnings last year. Operating profit for the sample rose 13.1 per cent. Net profit was up 12.8 per cent.

The gloom in the economy should not necessarily be seen to exist for all segments equally, said Rituparna Chakraborty executive vice-president at human resource solutions company TeamLease Services.

“In some sectors, hiring is on hold or there is not much traction from our perspective. There are other sectors which are consistently hiring,” she said.

There is a trend towards consolidation with more business going to larger firms, she said. Increased productivity meant that employee costs need not rise in line with an increase in the amount of business done.

Employers are probably sweating the employees more and paying them a little extra by way of compensation. The aim is to distribute the wages among the existing pool of employees rather than among fresh hires, agreed Amit Tandon, founder and managing director of Institutional Investor Advisory Services India (IiAS).

"Anecdotally, one feels that overall compensation paid by smaller companies could have actually reduced in the last financial year," he said.