

Tracking Employee Promotion Practices across China, India, the United Kingdom and the United States

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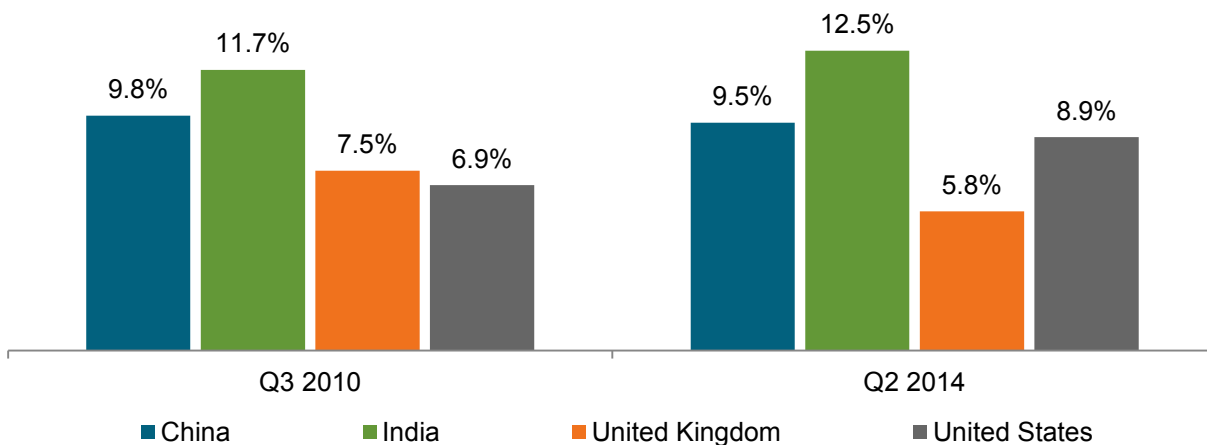
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Career paths are constantly on the minds of employees and employers alike. As a result, human resource departments are increasingly innovative in how they approach career progression. For example, dual career ladders separating management roles from individual contributor roles are now explored far more often and openly than in the past. Ensuring that employees fulfill career paths largely depends on promoting them to the appropriate levels and titles at the right time. Promotions make employees feel valued, keep people engaged, and reward staff for hard work through financial and other benefits.

Promotion and Salary Trends

One way we measure how often, and perhaps how effectively, companies create and move employees through career paths is by examining promotion rates. Using data from Radford's quarterly trends survey of technology sector companies, the following chart illustrates changes in promotion rates in key markets between Q3 2010 and Q2 2014. Perhaps not surprisingly, we see the biggest change in the United States (US), where promotion rates have jumped by three full percentage points over the past four years. In the US, steady GDP growth and declining unemployment rates mean companies are increasingly focused on retention. This is especially true in hot sectors like technology.

Average Percentage of the Employee Population Receiving a Promotion at Technology Companies

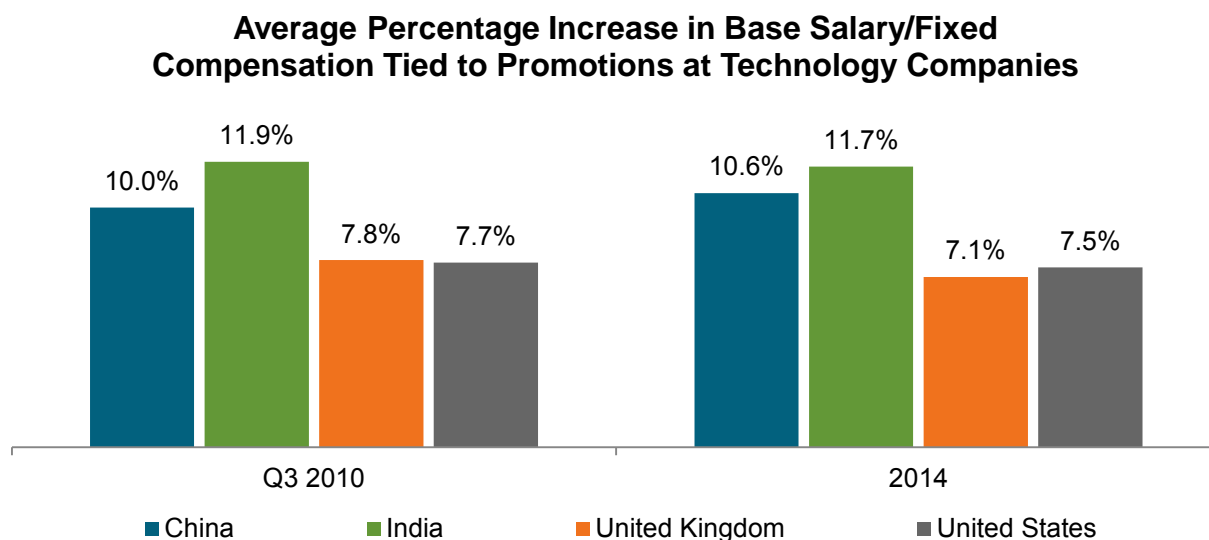


However, India is another market where companies are promoting employees at a higher rate than four years ago, and this is happening despite a slowdown in GDP growth. In the case of India, this trend is likely explained by a strong promotions culture— employees who produce results are promoted far more quickly and easily in India relative to most other countries. And as the chart above illustrates, India lead the pack in promotion rates in 2010 and 2014.

Meanwhile, the United Kingdom (UK) stands out as an outlier of sorts. The UK is the only country where promotion rates declined noticeably from 2010 to 2014, and the absolute promotion rate in the UK (5.8%) is well below other key markets. To compound the issue, not only are promotions scarcer in the UK today than four years ago, but average salary increases tied to promotions are also less generous than in the past. The average percentage increase in base salary related to a promotion in the UK fell from 7.8% in Q3 2010 to 7.1% in Q2 2014.

However, looking at our next chart below, employees in the UK can take some solace in the fact that average increases in base salary/ fixed compensation tied to promotions are also down in the US and India over the same period; China is the only country where we observe a slight uptick in average salary increases tied to promotions.

Taking all of the data below into account, we think it is important to note that the overall variation in average salary increase practices is very small between Q3 2010 and Q2 2014, suggesting a fairly stable approach on the part of companies over the past four years. It would seem to be the case that companies managed merit budgets over this period by carefully managing promotion rates vs. wildly adjusting the rewards associated with promotions.



Conclusion

In most key markets, the UK excluded, recent data from Radford shows that companies are once again investing more aggressively in their employees through promotions and associated pay raises. Whether motivated by culture or increased competition for talent, retention and career paths are clearly on the minds of employers. To us it is clear that companies understand the importance of rewarding employees' efforts, and are doing so more frequently than in previous years. Given that promotions and salary increases impact nearly every facet of an organization—from ensuring employees are motivated to maximizing and managing your overall compensation spend—we expect these trends to continue.

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