

# Advanced Strategic Human Resource Management



## Session 21-22

# Types of Pay Structures

## Seniority-based pay

Human Capital Theory

### When to use

- Building trust & transparency
- Facilitating retention

## Incentive Pay

Rewarding employees for demonstrating successful job performance or meeting job objectives

### Types

- Individual Incentive Plans – piecework, MBO, behavioral encouragement, referral plans
- Group Incentive Plans – Team based incentive, Gain-sharing plans
- Company-wide Incentive Plans – Profit sharing, stock options

### When to use

- To encourage productivity
- To encourage goal-oriented strategic behavior

### When to use with discretion

- Unstable market conditions
- Performance assessment is subjective

## Person-Based Pay

Rewarding employees for acquiring job-related competencies, knowledge, and skills, rather than for demonstrating successful job performance

### Competency based Pay

- Pay for Knowledge – Post-PhD Increment
- Skill-based pay – Post-certification increment

### When to use

- Continuous upgrading of skills is needed
- There is need to improve product/service quality
- To build leaner organizations

### When to use with discretion

- Training is expensive
- No scope for using skills
- Cost-leadership strategy

Only 40% employees

- agree that their pay is fair
- have confidence in their manager's ability to decide pay

Only 19% of managers prefer to make pay decisions on their own

# IBM

- Salary decisions are tied to
  - employees' skills changes in recommended directions
  - what the market is paying for certain skills: localized and up-to-the-minute competitive pay rates
  - Projections on how skill demands might change over the next few years
- Machine-learning gives salary increase recommendations ranging from high to average to no increase.
- Final pay is the manager's decision.
- Less than 5% of managers disagree with AI recommendations,
- Managers who follow AI compensation recommendations have cut their attrition rates by 50%.

A European engineering company had guidelines for salary increases, but managers implemented them inconsistently. In 2010, the company gave its managers the ability to choose how to make pay decisions. It provided managers a salary increase tool with three tiers of manager involvement.

Managers could choose to:

- Rely solely on a precalculated recommendation.
- Use precalculated recommendations and make adjustments when necessary.
- Make independent decisions within a predetermined range.

Seventy percent of managers chose to rely solely on the precalculated recommendation. The 30% who chose to make independent adjustments were primarily managers with long tenure and management experience.

# AI Trends

## Amazon

- Amazon discontinued use of a recruiting algorithm in 2018
- The data used to create the algorithm were derived from the resumes submitted to Amazon over a 10-year period.
- The algorithm was taught to recognize word patterns in the resumes to arrive at relevant skill sets
- These data were benchmarked against the company's engineering department to determine an applicant's fit.
- The AI software penalized any resume that contained the word "women's" in the text and downgraded the resumes of women who attended women's colleges

- Algorithms run the risk of replicating and even amplifying human biases
- AI systems that are not ethically governed can promote exclusion and feel too intrusive—and even threatening—to those impacted by their decisions

## • Pay Transparency

## • Data Governance

## • Pay Audits — (e.g., *Compa-Ratio: salary/market rate*)

## • Algorithmic hygiene

# Wage Gap ?

**Gender Based Wage Gap: \$ 0.84 for every \$ 1 (16%)**

## **REASONS:**

- (1) Gender bias (\$0.98 to \$1)
- (2) Less negotiation
- (3) Career gaps (Pay penalty – 7% less on return after career gap)
- (4) Difference in work hazards
- (5) Flexibility in work conditions

<https://www.npr.org/2024/03/12/1237505064/equal-pay-day-women-gender-pay-gap>

**Executive Wage Gap: 320 times approx.**

## **FACTS:**

- (1) Between 1978-2019, CEO pay rose by 1,167%, while average work pay rose by 13.7%
- (2) CEO performance curve is heavily skewed
- (3) CEO pay curve is heavily skewed
- (4) CEO performance and pay curves do not match

# IT CEO PAY ZOOMS AS FRESHER SALARIES STAGNATE

A look into the paychecks growth of CEOs and freshers in the six biggest Indian IT companies by market capitalisation

	CEO Annual Pay		Fresher Annual Pay	
	2022	2012	2022	2012
Infosys	Rs 79.75 crore*	Rs 80 lakh	Rs 3.6 lakh	Rs 2.75 lakh
Wipro	Rs 64 crore **	Rs 5.1 crore	Rs 3.5 lakh	Rs 2.4 lakh
TCS	Rs 34 crore	Rs 8 crore	Rs 4 lakh	Rs 1.6 lakh
Tech Mahindra	Rs 29 crore **	Rs 1 crore ***	Rs 3.4 lakh	Rs 2.5 lakh
L&T Infotech	Rs 26 crore	Rs 1.63 crore	Rs 4.5 lakh	Rs 2 lakh
HCL	Rs 22 crore **	Rs 8.4 crore	Rs 3.5 lakh	Rs 3 lakh
Median	Rs 31.5 crore	Rs 3.37 crore	Rs 3.55 lakh	Rs 2.45 lakh

\*Proposed \*\* FY21 figures\*\*\* FY13 figure

Source: Moneycontrol research,  
TeamLease Digital, news reports

<https://www.moneycontrol.com/news/business/it-ceo-pay-shot-up-835-in-a-decade-while-freshers-salary-grew-45-8602591.html>

Bishakha Majumdar, Advanced Strategic Human Resource  
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# Drivers of Executive Pay

## Positions

### Agency Theory

Getting the Executive to assume ownership of the firm's long-term interests

### Tournament Theory

Lucrative compensations to keep executives motivated to rise

### Social Comparison Theory

Benchmarking with CEO pay elsewhere to create sense of equity

- Accountability – Stock Options
- Stability – Stock Options, Golden handcuffs
- Long-term security – Golden Parachutes, Platinum Parachutes
- Performance – Clawback Provisions

# Employee Engagement

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# Employee Engagement

A state of involvement and identification with the organization's activities, values and goals, leading to enthusiasm to further the organization's reputation and interests

## VIGOR

- energy and mental resilience while working
- willingness to invest effort in one's work
- persistence even in the face of difficulties

## DEDICATION

- being strongly involved in one's work
- experiencing a sense of significance, enthusiasm, inspiration, pride, and challenge.

## ABSORPTION

- Being fully concentrated and happily engrossed in one's work,
- time passes quickly and one has difficulties with detaching oneself from work'

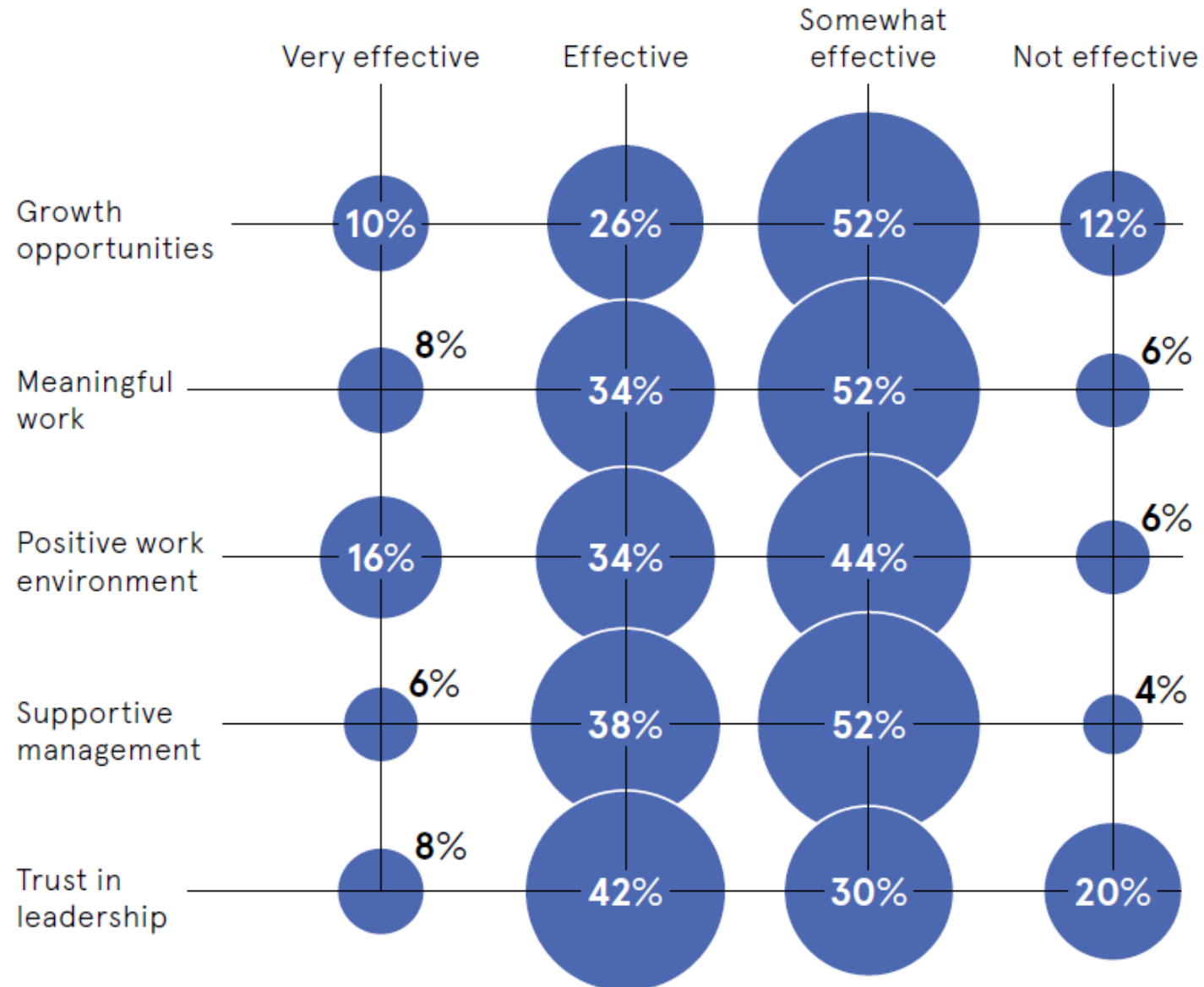


(Schaufeli & Bakker, 2003)

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Utrecht Work Engagement Scale-9 [UWES-9]) – Shortened version

# Are Organizations Effective in Engaging Employees?



# MERCER 2018 REPORT



## Indian Employees...

- Are **proud to work for their company**
- **Feel a strong sense of motivation and excitement**
- **Have optimism about their company's future**
- **more than 1 in 4 would consider leaving their organization in 2 years**

# Measuring Engagement



## ENGAGEMENT SURVEYS

- Annual, bi-annual
- Standardized and/or customized tools
- Comprehensive



## PULSE SURVEYS

- Frequent (monthly, etc.)
- Standardized and/or customized tools
- Comprehensive/targeted

**Common Measures:** Engagement, Employee Net Promoter Score, Satisfaction, sentiments on drivers of engagement, etc

## Willis Towers Watson Targeted Pulse Survey Template Library

Pay & Benefits	Career Modernization	Change Readiness	Corporate Function Effectiveness
Culture Assessment for M&A	Cyber Risk Culture	Engagement	Exit
Inclusion & Diversity	Initiative Check	Merger Monitor	Onboarding
Performance	Progress Check	Safety Culture	Sentiment

## Overall Mood Score

# 4.2 / 5



GREAT

Keep up the good work.

+ 2%

### Sentiment distribution

72%

Positive

13%

Neutral

15%

Negative

Sameera | Developer | 06 Mar, 2020



### What's the one thing or process you wo implemented here?

More communication & accountability in **team**

Steve | Designer | 06 Mar, 2020

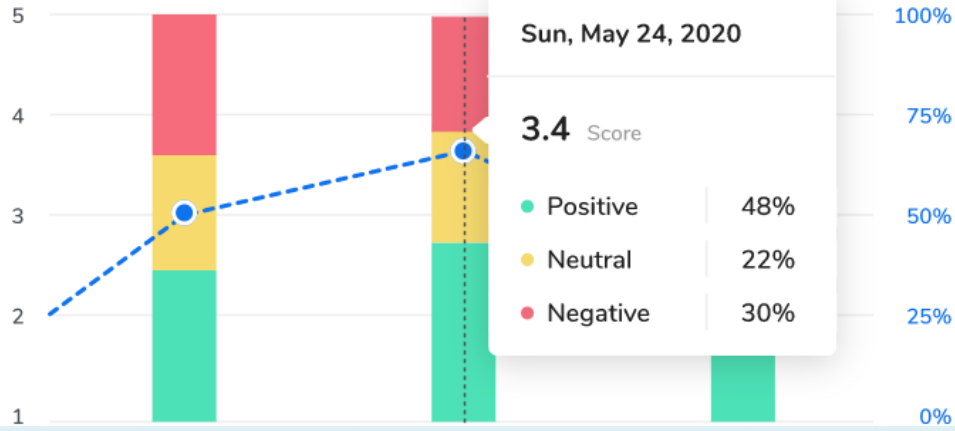


### What's the one thing or process you wo implemented here?

There can be a **fun team session** so that people who with their team get to know there team better

## Mood Score Overtime

Last 3 months



Segment	Score	Change	User	Sentiment
Designation is Manager	4.5	10.0% ↑	72/85	Positive
Designation is Director	3.1	No change	34/41	Neutral
Department is Sales	4.6	12.0% ↑	69/88	Positive
Location is New York	4.4	8.0% ↓	21/26	Positive
Designation is Developer	3.6	6.0% ↑	102/114	Neutral
Designation is Accountant	3.2	20.0% ↑	93/102	Neutral
Location is Los Angeles	4.1	14.0% ↑	51/89	Positive
Designation is Designer	3.6	20.0% ↓	220/321	Neutral
Location is Ontario	4.8	12.0% ↓	135/152	Positive

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# AI-Enabled Engagement Surveys

- Rapid, automated design and administration of surveys, reminders
- Response time, bounce rate
- Automated quantitative and qualitative analysis of data using NLP
- Trend analysis, industry analysis, predictive analytics
- Action planning, pre-built action plans
- Assessment

<https://leena.ai/about-us>

<https://www.merit.com/what-we-do/workforce-and-careers/talent-strategy/allegro-pulse-survey-platform.html>