

Show me the money

Why does money motivate so much?

By Warwick John Fahy

Show me the money!" was the catchphrase from the movie "Jerry Maguire", uttered by a sport star urging his agent to get him the best deal possible.

It could just as well apply to negotiations taking place in most human resources departments around China today as the hot job market has forced HR managers to stump up increasingly mind boggling jumps in salaries.

The courting season is upon us

As Chinese New Year approaches, companies are ironing out their red envelopes for the traditional bonus-giving season. Meanwhile, head-hunters are sharpening their pencils, spinning their Rolodexes and picking up their phones, as we enter the peak season for job changing in China.

Jumping ship has never been so easy, as even administration positions are being filled by head-hunters. When there is talk of doubling or even tripling salaries, people's estimates of their own marketability can reach fantastical levels. But this is not a fairytale. This is the challenge of retaining staff – not only top performing talent – in China today.

The 500 RMB cliché

How deeply is the "show me the money" mentality ingrained in today's labour market. Since 2005, Hewitt surveys have shown that the top reason people change jobs in China is a higher salary. This is different from most other countries, which usually place salary in the top five, but never at the top. As one general manager remarked with the common cliché, China is the only place a person can leave work happily on Friday and have a new job by the next Monday, all for an extra 500 renminbi. So why do people change jobs so easily in China?

China is still a developing country, and for staff at the lower end of the pay scale RMB500 can be a large percentage increase. But, given that there is no strong social security system and the immaturity of financial products like insurance and pensions, it is understandable why cash in pocket places high among motivations. Also, with the cost of living in first-tier cities continually rising, real estate especially, people feel they are underpaid no matter how high their own salary increases.

Major life decisions tend to be more of a family affair in China than in the West. When choosing degree courses, universities and careers, the family is consulted and often a parent will have the final say. Most older Chinese value the flexibility of money today. They will help their siblings save for the future. Cash from salary is often used to support real estate investments or help family members with seed capital for setting up small businesses or help send relations overseas for education.

Bubble talent markets

Red-hot market conditions are creating the culture of expected large salary increases. From a minimum of 25 percent up to 50 percent for middle managers and even 80 percent and above in hot sectors, today's job-hoppers are cashing in. After stock market and real estate bubbles, is there a human resources bubble in China?

How sustainable are these rapid increases in salaries before companies balk at the rising costs as employees offer diminishing returns in contributed value? If you ask any HR director around China, the answer will be, "no time soon". Companies focus their recruitment efforts on experienced talent to kick-start their expanding operations. The growth of China has simply demanded

immediate results from companies that are expanding. This is particularly the case for overseas-listed companies that rely on sizeable earnings contributions from China. They are not able to wait for their current staff to get up to scratch. The only way is to poach qualified managers with experience. This comes at a considerable price.

Bang for your buck in banking?

Following WTO liberalisation, foreign banks are now experiencing the talent bubble.

A training manager at a Singaporean bank noted that it was common for people to get a 60 to 80 percent increase in base salary for switching jobs. He cited how compensation was now very similar in corporate banking positions in Singapore and Shanghai. However, bankers in Singapore would bring in two to three times the income than their Shanghai counterparts. In a global economy, how long will such a big difference in productivity be allowed to continue?

No immediate change is expected, however, as banks view China as a developing market with great future potential returns and are willing to invest at this early stage to guarantee a slice of the biggest banking market of the future.

Although some banks are delaying their entry into China for this reason, most come. Entrants focus their recruitment efforts on poaching, as their internal talent development programs are not established or are not consistent and sustainable. This adds air to the bubble.

An assistant vice president at a global American bank in charge of compensation and benefits estimated that most staff motivations are 70 percent driven by salary and 30 percent by career development. New entrants into the China market sometimes offer to double or even triple key staff sala-

ries, she said. How can you counter this type of offer? It is hard to counter with money. Additional benefits like a medical plan are used, although most companies have similar offerings. Some banks provided flexible loans, mortgage subsidy payments and other ways to attract younger staff. Pensions for young people are not an attraction, as most are not willing to think about retirement plans so early in their career.

Frequent promotions are one way to retain. One bank promotes its staff every six months. The change in title is a motivating factor in China. It is hard to find a sales person's title on a name card anymore. Instead, business development executives, client engagement specialists and account managers abound.

Some companies are restricted by global titles policies, so they need to focus more on the staff career path. One key role for human resources is to communicate these other benefits to the staff in a very clear way so that they are aware of the intangible, non-financial benefits they are receiving. An excellent example is Coca-Cola, who internally market to their staff with eye-catching and attractive wall and elevator displays, reinforcing these intangible benefits. As their HR director said, "We consider staff our internal customers, and approach them as we would our external customers."

A head-hunter's recipe for retention

Yi Wei, an executive head-hunter, explained three areas people look at before considering a move: salary, job responsibility, and development. He recommends benchmarking with local salary conditions.

Salary is an easy number to get hooked on. Salary surveys, the density of companies in high-tech parks or economic zones and the general fascination with money in China all mean that it is easy to share and compare amounts. Companies can be broadly grouped into three groups: those that pay below-average, average or above-average salaries.

Once the word is out that you are paying below average or an average salary, your talent is vulnerable to poaching. Head-hunters will call and start courting – it's an easy sell. You are especially at risk if your company culture does not emphasise career paths and development plans.

Show me the road

Companies that offer variety and diversity for their staff have higher retention rates. Job rotations, overseas work assignments and increasing responsibilities are ways to turn their talent into committed employees. Multinationals are using overseas work placement and travel as a benefit to loyal productive employees.

Strong training and development is now seen as the most effective method to retain staff. Companies that invest in their people – IBM is one prominent example – are highly regarded as top employers and are able to attract key talent without paying the highest salaries.

Back to the bonus

So knowing that money is a great motivator, how can you use this in your retention plans? Some innovative companies are spreading annual bonuses into quarterly payments, which only get paid while the employee remains in the company. Other companies use monthly retention bonuses, which have to be repaid if the employee violates the contract.

In short, money is a good attractor, but by itself it simply is not enough to retain good personnel. People need to be motivated by the possibilities of a better future, not just a better bank statement come payday. Wishing you a Happy Year of the Pig!

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