

Microsoft ‘nearly doubles’ salary budget to stave off resignations

Article

The news: In a plan to retain talent and compete with **Amazon**, **Microsoft** has promised to bump up employee compensation.

- An internal email leaked Monday indicates that although Microsoft has kept overall attrition below **10%** over the past year, it’s higher in some “pockets,” which the company is trying to address, [per](#) Insider.

- The same day, company executives announced plans to “nearly double” its employee compensation budget and increase stock compensation for some early to mid-career employees by at least 25%, [per](#) Bloomberg.
- The specifics are sparse. However, Microsoft said performance-based [stock and pay increases](#) for some employees will go into effect September 1.
- The company’s 3,500 data-center and retail employees recently received pay adjustments, with some cloud workers getting a 12.5% raise.
- Microsoft’s move follows a similar [announcement](#) by Google earlier this month in which the tech giant said it will be streamlining its performance review and promotion process, boosting employee salaries.

How we got here: Soaring [inflation](#), the rising cost of living, and the [Great Resignation](#) are some of the factors behind promises of higher compensation. In addition, Microsoft has to contend with Seattle-area rival Amazon to attract and retain local talent.

- In February, Amazon announced it would more than double its maximum base salary to \$350,000, up from \$160,000, for all corporate workers in response to the tight labor market, [per](#) CNBC.
- An internal Microsoft survey this year showed that 66% of employees think they’re getting a good deal in terms of compensation, [per](#) Insider.

A window of opportunity: Given reports of [layoffs](#) and [hiring freezes](#) at other Big Tech companies, as well as the industry’s stock market [plummet](#), Microsoft’s planned pay raises could give it an industry advantage.

- However, September is months away, enough time for Microsoft to experience the attrition it’s trying to avoid. Moving the effective date up could give employees more confidence.
- Given that talent is crucial to continued tech innovation, Microsoft could take bolder action and offer the industry’s highest pay rates for key roles to drive the tech needle forward.

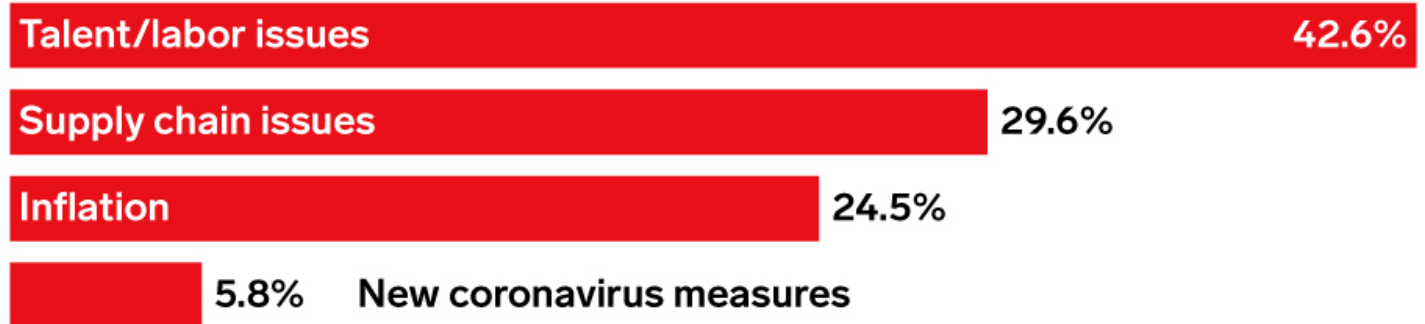
The bigger picture: While the pay raises could help Microsoft compete with Amazon in the near term, the longer-term outcome for Big Tech compensation is uncertain.

- Rapid industry growth during the pandemic prompted tech firms to add 80,000 jobs in the US during the first half of 2021, [per](#) Insider.

- However, as the pandemic wanes, it has triggered an economic fallout for tech companies. Salary boosts could prove unsustainable if the industry doesn't quickly regain its footing, possibly resulting in more [layoffs](#).
- In lieu of raises, companies can also consider more flexible [remote work](#) options to keep workers happy.

Potential Headwinds to Growth in 2022 According to US CMOs

% of respondents



Note: top 1 response out of a rank of 1 to 5

Source: Chief Outsiders, "2022 CMO Survey," March 2022

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