

Salary survey: Sad wage increases mean retention strategies need to get creative

SA employers will be looking for new ways to keep staff happy as average wage increases over the next rolling 12-month period are only expected to reach 5.4%, which is below inflation.



Image source: Rabia Elif Aksoy – [123RF.com](https://www.123RF.com)

This is according to René Richter, managing director of Remchannel (a member of the Old Mutual Group), discussing findings of the bi-annual 2022 Salary and Wage Survey, who says that salary budgets are potentially no longer sufficient to meet evolving employee demands.

Rising costs due to escalating inflation exacerbated by increasing fuel prices and food shortages due to the Russia-Ukraine war has created a perfect storm for employers as workers return to the office. The South African Reserve Bank increased the repo rate by 50 basis points last Thursday, the steepest increase since 2016 which takes the bank's key rate to 4.75%.

Richter said the overall average lift to payroll prediction was 5.24% on a total guaranteed package basis across industry sectors for the next 12 months compared to South Africa's benchmark Consumer Price Index (CPI), which held steady at 5.9% in April, according to Stats SA.

"The historical average CPI for 2021 of 4.5% presented a more positive view in terms of the differential, but we need to be guided by the current information, which shows a worsening of the gap between increases and CPI," the survey noted.

The pressure on salaries presents a new challenge to employers as they look to retain and attract talent while remaining competitive. This is as they continue to deal with the effects of the Covid-19 pandemic that has prompted millions of workers locally and abroad to rethink work and its role in their lives.

The Great Resignation continues

This negative outlook comes amid continuing global phenomenon dubbed the 'Great Resignation', referring to a US-led trend of workers quitting amid the Covid-19 pandemic, opting instead for stimulus packages. However, it has sparked similar movements worldwide, including in South Africa, as workers seek better opportunities and flexibility.

According to the Survey, 36.4% of the labour turnover resulted from resignations over the past 12 months. "Resignations continue to be at the highest levels of all the termination categories that we have seen over the past 10 years, despite the pandemic and the economic uncertainty," says Richter.

"The total sample of employees covered just over 618,000 people. This means at an average turnover rate of 17.7%, just under 40,000 employees resigned from 82 companies."

Richter said this untenable situation would force employers to reconsider their employee value proposition and retention policies if they are to retain their brightest staff.

Reasons for resignation include the following breakdown:

- 19% indicated that they left for better pay
- 53% indicated that they're leaving for a better working environment, improve career opportunities, or avoiding a toxic environment citing bullying or harassment
- 20% said they were leaving for greater work-life balance or to avoid burnout and/or stress
- 8% indicated that they are emigrating

Richter noted that while more than half of participant companies didn't measure the replacement cost of labour staff turnover, the figure was staggering. "Assuming that most are professional staff at an annual salary of R600,000 and that conservatively costs 1x annual salary to replace these workers, it would have cost these companies a staggering R23.9-billion," she said.

When the attraction and retention of critical skills are perhaps the most difficult challenge facing organisations, the survey finds that human resources professionals have experienced the highest turnover.

"This impact on this crucial business function could be why the resignations are at a high percentage. Sales and marketing professionals were second in line, which could be attributed to the greater focus on marketing to ensure organisational growth," says Richter.

Flexibility is the new employee benefit

Additionally, Remchannel conducted a snap survey to understand how employees feel about returning to the office after the state of disaster implemented by the government was lifted in South Africa. "The results reveal a clear desire for a work-life balance, including working from home. The survey found that most of the participants (70%) had implemented a hybrid working model and had not attempted to return to a pre-Covid office model.

However, the survey clearly indicates that 35% of employees are not happy to be back at the office and 28% resist returning to the office model, even if it is a hybrid model. It found that organisational culture and key elements such as improved communication, trust and empowering workers quickly became a prerequisite for employees.

"No longer are staff thinking about the consequences of terminating employment, especially if their skills are in demand," said Richter.

“ Most employees also believe that their productivity has improved working from home. This is the second-highest selection made by the participants in this survey and is directly influenced by the number one reason, 'less time spent travelling to/from work'. ”

Fear of contracting Covid is relatively low on the list of concerns of returning to the office.

On the other hand, employers believe that while the pandemic forced a flexible model, it is not sustainable. The single biggest reason cited by employers in this survey is the loss of culture and working relationships between team members, followed by challenges onboarding new staff.

"While these are certainly valid concerns, perhaps the question should be how the flexible work model can be adapted to overcome these challenges. Organisations should invest in exploring what critical competencies employees will need to collaborate digitally, and they should be prepared to alter and improve employee experience strategies to remain competitive," concludes Richter.

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