Tough times call for a creative remuneration approach

With South Africa Inc facing strong economic headwinds, both the private and public sectors must take a radical, creative approach to remuneration, says Dr Mark Bussin, Executive Committee Member of the South African Reward Association (SARA) and chairperson for 21st Century.

“With economic growth officially in the 1 percent range, and closer to 0 percent in reality, employers and labour are going to have to face up to some tough decisions,” Dr Bussin says. “On the one hand, across-the-board increases are simply not sustainable but, on the other, the high performers in the company have to be rewarded and incentivised. In other words, our current way of thinking about wages has to change—and radically. Conditions are going to get tougher, at least for the next few years.”

As a result, reward will have to be more tightly linked to performance in order to ensure that companies receive value and bloated wage bills do not threaten their long-term sustainability. Over the past several years, wage demands have borne no relation either to the company’s health, the economy or workers’ performance. This, Dr Bussin argues, is simply unsustainable. In addition, companies will have to have the freedom to selectively reward the employees who have contributed to their growth or whose skills are particularly in demand.

At the same time, though, he readily accepts that those who are being paid less than a living wage—creating the unwelcome category of “in-work poverty”—need to be prioritised. However, this legitimate drive to pay workers a fair wage still has to be linked to performance. Achieving this will require an investment in training as well as focused management input. One way to pay for this special category of increases could be for highly paid executives to give up their automatic increases and bonuses. This would also be a powerful tool for building employee engagement and defusing some of the antagonism between management and labour that continues to hamstring commerce.

The fact that the President and other members of the executive, members of Parliament, members of the provincial legislative, judges and others government leaders agreed not to receive increases in the 2016-17 financial year is a good example that the corporate world has signally failed to follow.
“Similarly, in the public sector, we cannot go on granting automatic increases on demand. There, too, pay has to be linked to performance. Cutting the huge levels of fruitless and wasteful expenditure could actually be linked to pay-rises in the sector, giving everybody an incentive to curb this abuse,” Dr Bussin argues.

“In general, all parties—labour, management and shareholders—need to accept that they are in the same boat. If the company, or the country, for that matter, goes down, then everybody goes down with it. Simply put, we all need to do things differently, to think differently. “This will require political will on the part of leaders, but there is no alternative,” he concludes.

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