HaRe Group newsletter: 12 April 2018

Subject: Responsive rewards, recruitment and retention

For many years, remuneration has been accepted as having low positive impact on employee engagement. The common factors of high positive impact have included:

- Organisation reputation, committed leadership and manager relationships
- Career and personal development
- Challenging and meaningful work with clear objectives
- Workload flexibility and environment

However, what if you found that the most ***attractive*** aspect of new employment is competitive ***base pay***? From a candidate's point of view, it's not just your reputation as a great place to work – a global priority is how much your organisation is prepared to pay. (*Source: Willis Towers Watson*)

Then, what if you found that ***base pay*** is also effective at ***retaining*** talented people? From your employees' point of view, the priority is probably not committed leaders – it's often how much your organisation is prepared to pay. (*Source: Willis Towers Watson*)

Of course, every business will experience variations around these priorities. Organisation culture will play a big part in the weight of remuneration in talent attraction and retention, but many employers seem to neglect the importance of financial compensation. In my clients' experience, most people care about how well they are paid, and if they believe their pay is unfair, they will often disengage and look for work elsewhere.

Salary stagnation may also be contributing to employee disengagement – while company profits and total people employed are growing well, increases in wages & salaries are still aligned with the CPI:

Annual trend data	2016	2017
• GDP	1.9%	2.6%
• Company profit* growth	20.0%	5.2%
- seasonally adjusted (sa)	26.2%	4.3%
• Total wages & salaries (sa)	1.0%	4.3%
• Employed persons growth	0.7%	3.3%
• Wage Price Index (Private)	1.8%	1.9%
• CPI (All Groups)	1.5%	1.9%
** gross operating profit*	*Source:*	*ABS*

Assuming that recruiting talented people and keeping good employees are required for organisational success, here are some attraction and retention principles for business leaders to consider:

1. Employees are reminded how well they are compensated every payday
2. It's important to keep base pay targets competitive with market sector rates
3. Internal pay relativities should also reflect the importance (value) of the work required
4. Differentiating pay levels in favour of the better employees is a worthwhile investment in retaining talented people
5. In all matters, communicate thoroughly and frequently

Most market leading organisations have developed remuneration systems based on market sector targets and employee pay differentiation. In many cases, they enjoy the ability to attract talented people and retain their best employees.

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