Skills Retention through Management of Rewards: Going Back to Basics

Staff retention has grown to be a common and vexatious challenge to organizations in Botswana both large and small. The challenge for many a leader is how to keep the employee motivated and committed in light of the lure of greener pastures, and income erosion. Staff retention is manifested in low employee turnover and absenteeism.

According to Guthrie (2001) the introduction and maintenance of *High Performance Work Systems* (HPWS) will ensure staff retention. HPWS are according to Delery and Shaw (2002) characterized by careful selection, training, appraisal, compensation and job design. Through HPWS, an organization can expect Human Resources Management (HRM) outcomes which support firm performance and these include employee satisfaction, motivation, trust, commitment and loyalty.

In Botswana inflation has risen by 4% points from 8.2% in January to 12.1% in May 2008 and is forecast to rise on the back of the rise in price of food and energy on the world market. This has an immediate negative impact on the employees' disposable income, and will result in more frequent demands for salary reviews by employees who are struggling to keep up with rising transport and food prices. The declining disposable income may also lead to the phenomenon of *job hopping* wherein an employee moves from one organization to another in the hope of cushioning their remuneration against inflation.

In this article I propose that organizations go back to the basics of Reward Management in order to mitigate the potential loss of skilled staff to competition. My contention is that failure to observe these basic principles will lead not only to loss of staff but to the insidious effect of the emotional withdrawal of staff following perceived breach of the psychological contract. I will also pose questions relating to vertical integration of Reward Management, the internal and external equity of same and then suggest practical ways on how organizations can mitigate skills loss to competition.

Does the remuneration and reward system encourage the achievement of business goals?

This question addresses vertical integration between strategy and HRM philosophy, policies and practices with specific reference to Reward Management. It also begs the question of horizontal fit among the HRM systems, which is the extent to which the various elements of the HRM system reinforce one another and send a coherent and consistent signal regarding the type of behaviors valued in the organization. An example of poor fit is the payment of individual performance incentives while management encourages team work.

Are employees remunerated in accordance with the contribution they make to the business?

Two key issues must be addressed prior to answering this question and these are; how do you measure and track the employees' contribution, and how will the incentive be paid, for example will it be granted as a bonus or will it be built into the individual base pay?

Does our remuneration and reward system reflect the responsibilities associated with specific positions?

This element addresses the question of internal equity or fairness of grading and salaries. Equity is achieved through the introduction of a job evaluation system and the consequent salary structure. In Botswana the common systems in use are the Paterson and Hay Job Evaluation systems. While these systems have their inherent weaknesses and strengths both address the issue of ranking jobs in relation to their importance to the organization.

The costs associated with the introduction of job evaluation and salary structuring ought to be viewed as investments in Human Capital and can easily be compared to the cost of replacing and training employees who have departed the organization owing to the perceived inequity of remuneration.

It is not enough that employees feel that they are paid equitably within and without the organization; they also need to see that the process of introducing such equity is done fairly. It is critical therefore that that employees be informed of impending job evaluation and salary structuring exercises and that they be involved in the writing of their position profiles and the grading of their jobs as members of the grading committee.

Does our remuneration and reward system ensure that we attract and retain suitable people?

Employees will naturally look outside their organizations in order to confirm their worth and generally to assuage the cognitive dissonance emanating from the decision to join a particular organization.

It is therefore critical that the organization establishes and defends a market pay position. The organization could for instance decide to pay at the 50^{th} or 75^{th} percentile. Establishing a pay position compels it to periodically go out and check competitor pay practices.

Best practice reward management architecture

Best practice does not mean an airy fairy reward management system but one that is internally consistent and coherent and addresses the organizations operational problems and supports the organization’s competitive strategy.

The nuts and bolts of such architecture ought to be rooted in basic tenets which include ensuring internal, process and external equity of the remuneration practice. This also requires greater consultation and employee involvement.

The inflationary challenges will spawn new language in the reward management space including salary indexing, salary pegging, cost of living adjustments, and dip stick salary surveys. The calls for collective bargaining at the organizational and industry levels will become more strident. Management therefore should prepare for the challenges ahead by taking the initiative and introducing frameworks and platforms for frequent negotiations with employees in respect of salary adjustments.

Organizations also ought to actively solicit the employee’s voice on Reward Management through feedback surveys and incorporate the results in decision making in order to show care towards employees and their perceptions. This will ensure employees’ commitment and the expending of discretionary effort which in turn translates into improved business performance.