

Incentives – do they really impact retention?

In this tight labour market, employers are reaching for anything that might improve their retention levels. They often see remuneration as the key, especially when employees say they are leaving for a pay increase.

Despite what employees might say, we believe remuneration is seldom either the cause or the cure for resignations. If you really want to retain your key, quality employees, the areas you should focus on are management skills and job satisfaction.

What most drives retention is a good relationship with your manager. Research shows that 64% of employees who intend to seek new jobs do so because of their relationship with their manager. However, no one initiative in isolation will improve retention; job satisfaction comes from a whole combination of factors.

Everyone gets job satisfaction from different things, but three key, universal elements for increasing someone's job satisfaction are:

- Interesting and challenging work
- Investment in employees' personal development
- Recognition of the employee's contribution

Recognition does NOT need to be financial.

In fact, remuneration in general is not the answer to retention, and incentives in particular don't affect retention. We believe you can have just as successful a business, and have as good if not better retention, without incentives.

You have to ask what business need an incentive would fulfil in your company. Incentives in isolation don't change people's behaviours. Good management changes people's behaviours. Good management has the biggest impact on retention.

Rather than focussing on incentives, employers should communicate a strong link between salary increases or promotions and what employees are there to deliver in terms of the company's business objectives.

We see many people who want to just throw more money on top of their already biggest business cost. Often there are very few performance measures in place.

Since the vast bulk of an organisation's remuneration spend is on fixed pay, the most effective way to reward people is with salary increases or promotions. Don't just add on incentives – they usually simply add more costs to your bottom line.

Conversely, holding people accountable for their performance and rewarding them for achieving their goals is one of the best ways to improve retention and incidentally, your bottom line.

And as with any HR strategy, we strongly advise against implementing incentives merely because they are in vogue. We recommend a much more holistic approach to reward for performance. If companies don't have a strong performance ethic and a strong performance discipline, then looking to incentives to drive retention is a step in the wrong direction.