

Remuneration the scapegoat

Keen to lower your organisation's turnover and increase retention rates? This article explores the role of remuneration in employee attrition.

Traditional rites of passage in an employee's last day in the job; the morning tea send off, the leaving card, hands shaken, farewell speeches, and last but not least 'the exit interview'. The employee shifts uncomfortably in her seat, as the HR/Line Manager launches in with the opener, 'So Jane, why is that you've decided to leave us? Jane responds, well rehearsed, - "well actually I'm leaving for a better offer". A recent analysis of 'reasons for leaving' provided during exit interviews, revealed that over 20% are attributed to "higher salary". The other common reason given is 'career opportunities' (which loosely translated usually means 'higher salary'). Sure there's more to a 'career opportunity' than money, but most employees relish the extra earning opportunity that career development presents.

With skill shortages continuing to fuel supply and demand issues in the marketplace, retention of key employees is as critical as ever. Addressing 'reasons for leaving' and analysing exit data is a worthwhile pursuit for organisations. But, how do you know that you're getting to the heart of the matter?

While pay and benefits is often cited by employees as the primary reason for leaving, a number of industry studies suggest differently. When you dig behind the scenes, the most common reason for people leaving their jobs is the relationship (or lack of) that they have with their immediate manager or supervisor. Pay and benefits is often way down the list of *real* reasons for people leaving.

Why then do we feel compelled to continue to make a counter-offer and why has remuneration become a scapegoat? Because in many instances, it's difficult for the employees to articulate the real reason for leaving. They can hardly say, "I can't stand working with you any longer," or "I have no respect for you as a manager and I hope I never have to see you again". After all who's going to be giving a reference?

So how can you, as an employer, tell whether you have a genuine issue with remuneration and competitive positioning within the market? Below are some suggestions to assist with this.

Get to grips with the pull versus push factors. Learn what your existing employees really think!

First, differentiate between 'push' and 'pull' factors. More attractive remuneration may indeed serve as an incentive to join a new organisation (pull factor), but what was the driving consideration that made the employee look at the market in the first place (push factor)? The answer is likely to be linked to some form of dissatisfaction – which may, or may not, have something to do with remuneration.

While most organisations conduct exit interviews, staff satisfaction surveys are actually more useful in addressing retention. After all, it is difficult to fix an employee's problem an hour before they leave your premises for good. The key is to proactively survey your employees on a regular basis focusing on the 'push factors'.

This can be done in a variety of ways from a simple confidential form-filling exercise, to a sophisticated electronic system. If pay and benefits consistently crops up as an issue for your *existing* employees, this is a strong indicator that the issue is likely to be a genuine one.

Probe the 'I've had a better offer' statement.

If you are concerned with the frequency with which remuneration is being cited as an exit reason, make it a priority to delve deeper into the issue at exit interviews.

Structure exit interviews to focus on key questions designed to give the information you need about base salary levels, benefits provided, performance pay, and specific satisfaction indicators such as pay processes and communication. In addition, structure questions around the most common 'push

factors'. Ask employees for the contributing reasons behind their decisions to leave. Tease out the factors that they have not offered, and spend the time on the interview that it deserves.

This depth of information will give you the specific data you need to confirm whether remuneration is indeed the genuine issue behind turnover.

Don't wait until the last day to hear about your employee's reasons for leaving.

If you genuinely wish to retain an employee, arrange to interview them immediately they resign to do your fact finding. This will give you the opportunity to understand and seek ways of addressing the 'real' reasons behind the employee's decision to leave.

Do your homework. Find out how you compare against the market.

Participate in annual remuneration surveys to ensure that your base salary levels and incentive programs are competitive in the markets from which you recruit.

Also keep a 'weather eye' on the market for any supply and demand issues that emerge. This will give you ongoing confidence and a degree of comfort with the organisation's remuneration approach, and prove whether remuneration is a significant issue behind turnover.

Be proactive about 'getting it right'.

Put policy in place to strategically address remuneration. When this has been done – stick to it! There are clear advantages to being well informed and proactive in remuneration management. These include controlling fixed salary costs, managing and eliminating adhoc management practices and making a positive impact on retention objectives.

Build credibility into the exit process.

If you really want honesty from your employees at a time when they feel least inclined to provide it, invest time and resources in building credibility into the exit process. Existing employees need to know that the organisation treats the exit process with confidentiality and respect. It takes some strong processes and management to overcome the instinctive mistrust of the exit interview. However, consider it an investment in your fight for retention and getting past remuneration as the easy scapegoat behind attrition.

In conclusion, there are a variety of ways in which you can test the validity of claims that remuneration levels are unsatisfactory. Don't fall into the trap of assuming that remuneration is a major issue when employees use it as an excuse for leaving, otherwise you run the risk of raising salary costs without making a positive impact on retention objectives.