

Good Bye to Annual Salary Increases

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Zimbabwean companies to a large extent have now realised that increasing fixed remuneration like basic salaries and allowances is a risky affair. The majority of companies are on the brink of collapse as a result of poor judgment when it comes to managing remuneration. Others have adjusted salaries haphazardly resulting in unsustainable wage bills. Others have not necessarily increased salaries but have increased headcount haphazardly resulting in the same net effect; a wage bill that is not sustainable.

The biggest challenge facing many organisations is changing the mind-set of both management and employees; especially the Unions. I am not sure anyone normal will ask for a salary adjustment in this current environment. Unfortunately unreasonable people are everywhere and they are found in abundance in formal organisations. It is surely abnormal for an employee or workers committee or union to ask for an adjustment to their salaries when they have not been paid for months and in some cases for years. Why would normal people waste company resources and time trying to bargain for something that they know does not exist now and even in the short to medium term. The reality on the ground for many companies is that, across the board, salary adjustments are not going to happen anytime soon.

The preoccupation for management and workers should be survival and more importantly preserving the few jobs available. For Unions the preoccupation should be to find ways to avoid retrenchment. This should be the top priority. However, in cases where your company can afford the adjustment; you must proceed with caution. Here is the reason why? Companies that are currently performing are unlikely to sustain higher wages when people are being retrenched in other companies. Yes they may afford now but in the long run the wage bill will become unsustainable. Zimbabwe is one of the few countries in Africa where wage movements bear no relationship to key economic indicators at national level. There is no relationship between wage adjustments and economic indicators such inflation, GDP growth and productivity (check 2009 to 2016).

This is misguided for a country that is struggling to even pay civil servants and catastrophic for individual companies. It is the highest level of irresponsibility for any leader or executive to borrow in order to pay wages. There are companies that are borrowing to pay salaries hoping that their goods or services will be bought by simply paying employees. If you are in charge of any organisation and all the value you are creating is being consumed by employees through salaries you must close the company in shame. In the current economic circumstances and in the foreseeable future, it's not ideal to adjust salaries upwards at all. What you need to do is to negotiate salaries downwards if they are unsustainable. If this is not possible, negotiate with your Unions or employees such that if there is going to be an extra payment it must be based on performance and must never be part of a fixed base salary. If your company is doing well, pay employees a once off bonus or incentive. This ensures you are not adding a fixed cost which you may not be able to carry into the future. My advice is, any salary adjustment upwards must be reserved for internal promotions and grade changes. The usual annual salary increase is not possible for most organisations. It is important to go beyond the basic salary when looking at what drives your wage

bill. There are so many hidden staff costs that employers are unaware of. Get rid of unnecessary allowances in order to save your business. This is the sad reality that employers and employees find themselves in; dealing with an abnormal situation. If things were normal we would be talking about normal things, unfortunately we are not in a normal situation.

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