

How do you decide pay for new employees?

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Whatever amount you decide to pay an employee new or one who has just been promoted bring risk to your business. The risk is that the individual may fail to deliver while you have tied the organisation into a high-cost structure. The euphoria of getting a new person on board sometimes works against good principles of salary structuring and administration. In practice, it has not been easy for most organisations to get rid of non – performing employees due to inability to provide credible evidence of non-performance and due to political considerations. Is there a best way to set salaries for new employees?

In order to minimise the risk of overpaying or underpaying there are a number of checks and balances that you need to undertake. The first one is if you have a pay structure this assignment becomes very easy. Pay structures indicate the minimum, midpoint and maximum salary for each grade. The minimum per grade represents the minimum salary or risk you are prepared to carry when paying someone whom you are not sure how they are going to perform. Organisations with credible pay structures always start here. We know there are some new employees who will claim they have the experience and have been performing in their previous roles so they would want more. Don't get tempted. If a new employee refuse to accept the offer and demand a salary close to the midpoint of the grade here is what you do. Let me illustrate this with an example. On the market Accountants can fetch a minimum of \$1,606 and midpoint of \$1,832 and maximum of \$1,832. When employing the Accountant who falls into this particular grade I will offer them \$1, 606 and if they refuse this offer and demand \$1 832, and I desperately need them here is what I will do; I will offer them \$1 606 as fixed basic salary and offer them an extra \$226 which will fall away if they prove that they cannot consistently meet the performance standards. The fact that 100% of what people earn in Zimbabwe is fixed, requires that executives exercise extreme caution when deciding what to pay individual employees. Once you commit to a fixed salary, you cannot easily reduce it and you have to honour your commitment.

The second point to note is that new employees and inexperienced employees must always start at the minimum of the grade. This rule does not apply in all cases but has a few exceptional circumstances where the rule can be violated. Good performers must be paid around the midpoint and very few top-grade performers qualify to be paid at the top of the salary range. Administering your pay in this way ensures that you do not overpay people who do not deserve such pay or underpay people who deserve more. In our pay structure and salary audits we normally find a lot of financial resources are wasted in paying people who do not deserve such earnings in relation to their contribution to the business.

One of the biggest challenges in how remuneration is administered in Zimbabwe is that over and above the basic salary, all the costly benefits employers give employees have nothing to do with the company or the employee's performance. This is a tragedy considering the dire conditions businesses are operating under.

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