

## How do you decide what to pay an individual employee?

**Author: Memory Nguwi . October 2019**

Whatever amount you decide to pay a new employee or one who has just been promoted brings some level of 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 other factors such as 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 that, if you have a pay structure this assignment becomes very easy. A pay structure indicates 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 will 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. Do not get tempted. If a new employee refuses to accept the offer and demands 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, the midpoint of \$1,832 and maximum of \$1,832 – hypothetically. 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, 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 care 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 to pay this salary.

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 overrides it only in exceptional circumstances. 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 that 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 that employers give employees have nothing to do with the company or employee's performance. This is a tragedy considering the dire conditions businesses are operating under. It is one of the opportunities missed by many organisations to restructure their benefits structure to avoid leakages. A lot of employers are losing money through leakages directly linked to

each benefit or leakages of an administrative nature. The best way is to convert every non-cash benefit to cash and let the employee decide how best to use their money. Some payslips are two A4 size pages detailing and breaking down the package. What for? Give the employee one figure where all the necessary deductions are done. Whether you call the money housing, danger allowance etc. it is still a salary, so why all these names?

Setting the right remuneration levels for each employee in line with their current or expected value addition to the business environment is a game changer. It is prudent for the business to strike a balance between fixed and variable pay component. This will enable the business to survive the shocks that often come from a slump in business or the general business cycles. What is needed is to do an audit of the whole remuneration system to see if it is aligned with your business strategy and the general business trends. Once the audit findings are available it is easy to realign the remuneration packages with the current business environment.

Memory Nguwi is an Occupational Psychologist, Data Scientist, Speaker, & Managing Consultant – Industrial Psychology Consultants (Pvt) Ltd a management and human resources consulting firm. <https://www.linkedin.com/in/memorynguwi/> Phone 481946-48/481950/2900276/2900966 or email: [mnguwi@ipcconsultants.com](mailto:mnguwi@ipcconsultants.com) or visit our website at [www.ipcconsultants.com](http://www.ipcconsultants.com)

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