

Paying Bonus in the current environment is giving free money

Author: Memory Nguwi . April 2017

We carried our research to find out what percentage of organisations paid a bonus in 2016. A total of 41 Human Resources Professionals responded, representing 41 organisations.

The findings are outlined below:

- 65.9% of the participating organisations paid bonuses in 2016 and 34.1% of the participating organisations did not pay bonuses.
- 39% of the participating organisations paid bonuses in 2016 because it is contractual.
- 29.3% of those who paid bonuses paid because their companies are performing, while another 29.3% of the participants said there was no particular reason for paying bonuses in 2016 and 9.8% said it is part of the NEC Collective Bargaining Agreement which makes it contractual.
- A large percentage of the participants (41.5%) factor in both company and individual performance when determining what to pay as a bonus.
- 36.6% of the participants said there is no link to performance when calculating bonuses for their employees, 14.6% of the participants factor in company performance and 7.3% consider other factors. • Most of the participants said they did not pay bonuses in 2016 because the company did not achieve its target and because of financial constraints.
- A total of 63% participating organisations are not planning to increase employee salaries in 2017. 25% are planning to raise salaries by 25%, and less than 10% are planning to raise salaries by less than 10%.
- Most employers did not adjust salaries in 2016
- 25% of the participants retrenched employees in 2016.
- A large percent of the participants (80%) believe that their companies are performing well but can do better, 15% believe that their companies are struggling to remain viable and 5% believe it is performing extremely well.
- The percentage of those who feel that their companies are struggling has decreased by 19.8% (from 34.8% in 2015 to 15.0% in 2016).
- The percentage of those who feel that their companies are doing extremely well has also decreased by 2.3% (from 7.3% in 2015 to 5.0% in 2015).
- Statistical analysis showed that there is no relationship between company performance and staff complement of an organisation.

These results show that a considerable number of companies are still paying bonuses that are not performance related. The main reason for paying bonuses even if companies are not doing well is, bonus payments to employees are contractual through individual contracts or through NEC Collective Bargaining Agreements. This practice is likely to put more pressure on companies to reduce costs, as the majority of them are already highly leveraged. This is likely to lead to further headcount reductions in 2017 in order to contain costs.

The only solution to tame this unsustainable practice is for government, labour and employers to be candid with themselves and acknowledge that businesses are in a tight fix therefore bonuses, especially those with no relationship to performance, are a luxury in the current environment. We urge businesses to adopt self-funding incentive schemes in place of guaranteed bonuses currently operating on the market. Overall companies must, at industry level renegotiate NEC Collective Bargaining Agreements and individual employee contracts to align them with current economic realities. NEC Collective Agreements and most individual employee contracts do not support business sustainability. For the full report – Annual Bonuses Survey Report, contact.

Memory Nguwi. Memory is the Managing Consultant of Industrial Psychology Consultants (Pvt) Ltd, a management and human resources consulting firm. Phone 481946-48/481950/2900276/2900966 or email: mnguwi@ipcconsultants.com or visit our website at www.ipcconsultants.com

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