

It's time for fairer wages, but that alone is not enough to retain workers

By Trevor Yu

EMPLOYERS in Singapore have been urged to raise salaries in a fair and sustainable way in line with individual company performance. This is especially as inflation bites and economic headwinds persist. The National Wages Council (NWC) has recommended pay hikes for lower wage workers to narrow that income gap.

The NWC is recommending increments of 5.5 per cent to 7.5 per cent of gross wages or at least S\$80 to S\$100, whichever is higher – the highest range the council has proposed.

This recommendation should be interpreted in light of last year's recommendation, which is an increase of 1 per cent from last year. And that's because last year's figures were taking into account the continued challenging circumstances with managing the ongoing pandemic.

Overall, I feel that the guideline recommends a fair and sustainable amount. As inflation for the coming year is expected to be about 4 per cent to 6 per cent, the recommended increase is quite in line with the expected rise in prices for the coming year.

Given that fair and competitive pay help lay the foundation for productivity and harmonious relations between employers and their workers, the yearly NWC guidelines thus serve to emphasise the importance of pay fairness at the national level.

When it comes to the core economic and business issues like pay, we need employers, employees and governments to work closely together to find a balanced recommendation that would not only be perceived to be fair on the



Structuring pay and incentives, providing on-the-job resources, and designing work environments to drive experiences at work can eventually help companies retain valuable talent through the building of an engaged workforce.
PHOTO: ST FILE

part of workers, but also reasonable factoring the overall economic outlook of the nation, which directly impacts the business of employers.

The NWC with its representatives from government, employers, and employees is thus well-positioned to formulate such guidelines that balance key concerns from each of these stakeholders.

Raising wages amid employee engagement trends

Fair and competitive wages have always been one of the important components to retaining talent. A better salary or pay raise, however, is also not the only important factor to be considered.

A recent review of research on employee turnover by Alex Rubenstein and colleagues at the University of Central Florida suggests that training and promotional opportunities, non-cash benefits, as well as supervisory coaching, mentor-

ship, and learning opportunities, can be as important or even more important than pay levels in certain circumstances when it comes to talent retention. Furthermore, social and contextual factors like support from co-workers and supervisors and the nature of the job itself also should not be overlooked.

Increasingly, we are seeing data that points toward employees not quitting their jobs, but rather quitting their bosses, as turnover is especially likely due to feelings of being poorly supported at work and toxic work cultures.

Employers should thus not overlook the role of leadership and management skills when it comes to fostering strong supportive and collaborative relationships at work.

The skilled modern manager is particularly adept at serving as a bridge between employees and top-level decision makers, build-

ing a work culture that effectively emphasises the unique strengths and competitive advantages of the company.

Having these other incentive, social and job-based factors in place, together with fair wages, would be instrumental in helping employers who are grappling with staff turnover issues.

Evidence is also building that investments in employee engagement can prove increasingly crucial to employee retention in a relatively mobile current day workforce.

The key to such efforts would be to position employment relationships to offer work experiences that target the main psychological drivers that underlie work engagement – like psychological safety (ie. being able to freely share ideas or make mistakes), the perception one is doing meaningful work, and the confidence that one has the personal resources and ability to

do a good job.

Hence, structuring pay and incentives, providing on-the-job resources, and designing work environments to drive these experiences at work can eventually help companies retain valuable talent through the building of an engaged workforce.

Variable bonuses – an eye on equity and fairness

Variable bonuses are also an important component of most compensation plans. Universal societal norms generally endorse the belief that at least some proportion of job-based rewards and pay should be tied into one's performance and contribution on the job.

Thus, employees not only expect to be rewarded through variable bonuses, but they also understand that such bonuses should be tied to both their own as well as their company's performance.

This idea of variable bonus rewards features strongly in a flexible wage system, which takes into account multiple factors such as a company's business performance, individual productivity, and other contributions toward short-term goals like completed projects, workplace innovations, product launches, and secured contracts when determining how much bonus is warranted by the worker.

There are several other key considerations that should be taken into account if we want these pay plans to have their desired result on job satisfaction and eventually staff retention.

Whereas pay satisfaction may be influenced by the actual amount of salary that one earns, such satisfaction is also closely related to the types of comparisons that workers make, based on how their pay com-

pares against that of other workers.

Driven by underlying concerns to do with fairness and equity, employees are used to comparing their pay against others, within and outside of their current workplace, who either have the similar qualifications and experience or are engaged in similar jobs.

Hence, employers not only have to ensure that their own workers are being properly rewarded based on their current job responsibilities, but that their pay offerings are also properly benchmarked against similar jobs offered by other companies that hire the same talent.

A final consideration I would highlight is for employers to ensure that rewards, especially when it comes to bonuses, are perceived to be fairly distributed among their workers.

The principle of equity is again evident here where people expect to be rewarded with comparably equal amounts as others who have contributed to the company's success in the same way. Furthermore, the procedures like job evaluation, performance appraisal, and pay raise formulation used to determine pay levels should also be seen to be transparent and fair.

Overall, designing an effective compensation system capable of delivering on talent retention is a complex endeavour that should look beyond pay levels to accompanying factors related to leadership, social support, and job design.

The writer is associate professor of the division of leadership, management and organisation at Nanyang Business School, Nanyang Technological University