

Section «Management»

Pay equity as a human resources retention factor in an era of global mobility

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Recruiting and selecting talented candidates is not sufficient for the success of a company - retaining competent staff is the key challenge for today's businesses. Employees are no longer confined to their working contracts – lifetime employment as it used to be the rule in the past is no longer practiced. Whenever employees feel bad treatment at work, pay inequity, stress or pressure, they tend to look for better career opportunities in another company. On top of it, the internet and social networking have made job search much easier and have facilitated the creation of a global workforce. The global competition for skilled employees has intensified, thus putting pressure on societies to strengthen their education, training and development programs in order to produce workforce of the highest caliber.

Thus, companies need to implement appropriate strategies in order to retain their staff. However, not all staff needs to be retained – some turnover is healthy for the company, especially if employees with below-average performance are leaving. What the company must do is identify their key staff and research the key motivation tools for those specific employees in order to implement appropriate strategies for their retention. Apart from that, companies need to constantly analyze the effects of introduced measures and to communicate openly all changes with the employees in order to obtain information of whether strategies that have been introduced have led to the desired effect.

One of the key factors for human resources retention is pay equity. This paper covers the notion of internal equity – whether employees consider that their colleagues from their company with similar responsibilities get the same salary as they do, and equity with the external market, i.e. whether employees consider that their colleagues from the other companies with similar tasks and duties receive equal salaries to theirs. Based on a research conducted in the banks in the Republic of Macedonia, almost half of the respondents feel external inequity, i.e. believe that employees from the other banks with similar responsibilities receive higher salary than them. When designing their compensation packages companies usually compare with the external market, trying to achieve balance between the package they offer and the salaries offered by their competitors. However, what they sometimes fail to achieve is offer equitable compensation packages within the company. Based on the research, one third of the employees feel internal inequity, i.e. consider that employees with similar responsibilities in their bank receive higher salary than them.

When employees feel inequity, they lack motivation, reduce the efforts and worsen their performance. Some employees would openly discuss their feeling of inequity and request a pay raise, while others will immediately try looking for a job where they would be paid as their colleagues with similar responsibilities.

In conclusion, in order to retain staff in the era of global mobility companies need to introduce competitive compensation packages while taking into consideration that employees

feel internal and external equity so that they would continue to achieve high performance thus help the company achieve its goals.

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