

“While most employees will buckle down on their spending and hold onto their job until the situation improves, there will be some employees who have overextended themselves and are now in dire financial straits. These employees can be disruptive in the work place as they exert more energy on their financial crisis and lose focus on work. Financial pressure could also lead to higher incidences of fraud.”

Companies must look at retention rates as employee incomes are depleted

Recruitment specialist PAG, the Professional Assignments Group, says companies should have a close look at their retention strategies as high interest rates and rising inflation costs take their toll on disposable income.

The South African Reserve Bank has raised interest rates by 4% since mid-2006 and any gains in real income over the last year have been whittled away by rising debt costs and inflation. Debt costs are now at their highest in eight years at 10,25% of disposable income and household debt now stands at 77,5% of disposable income, according to official data released late last year.

As an example of the increasing financial pressure facing many South Africans, the cost to service a 20 year mortgage bond of R500 000 has risen from R4 800,00 in 2006 to R6 400,00 today.

Managing director of PAG, Lawrence Wordon, said this pressure puts considerable stress on employees which could in turn affect their productivity and result in them looking for better paying opportunities.

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“These employees can be disruptive in the work place as they exert more energy



Lawrence Wordon is managing director of PAG, a member of the Kelly Group and a comprehensive employment services provider. PAG has a countrywide network of 12 branches, sourcing permanent employees and contingency assignees as well as devising flexible staffing solutions for its clients.

It is a member of the Homecoming Revolution which seeks to attract expatriates back to South Africa.

on their financial crisis and lose focus on work. Financial pressure could also lead to higher incidences of fraud,” said Wordon.

He said the first thing employers should do is to ensure that their people are receiving market related salaries. “It is also a good idea to employ the services of a debt expert to either give seminars in debt management or, in extreme cases, to help consolidate the debt of individuals and decrease interest payments,” he said.

According to Wordon, another strategy might be to lessen the burden caused by other stressors in the work place. Companies could introduce more flexible working hours or virtual offices (working remotely through an internet connection) to better manage the frustration experienced and productive time lost from sitting in traffic during rush hours.

“Companies could also introduce commission or performance based incentives to allow employees to work their way out of debt,” he said.

PAG is a member of the Kelly Group, South Africa’s leading comprehensive employment services and outsource solutions provider. It specialises in the placement of financial, banking, management, IT and engineering talent. It also advises companies on a broad range of employment issues including retention strategies.

Professional Assignments Group may be contacted on (011) 269 8800. ■