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Remuneration reality-check

The economic downturn is putting paid to the spiralling salaries, three-to-six tier bonuses and incentive schemes that became the norm in the context of the longest economic growth period the world has known.

According to Sandra Burmeister, CEO of Landelahni Business Leaders, it boils down to a simple question of supply and demand: a shortage of skills leads directly to an increase in remuneration, often not sustainable in the long term. In a downturn or recession, an abundance of skills drives down salaries.

Overall, the skills shortage is easing, and remuneration packages are falling. Gone are the days of triple bonuses. Salaries are being frozen or in some cases even reduced, accompanied by the removal of retention bonuses and all other bonuses not directly linked to company performance. Linking bonuses directly to bottom line has the effect of focusing all employees on one common objective – a profitable and sustainable company.



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This will lead to a natural market rectification and an adjustment towards more sustainable pay structures.

However, these are short-term measures. The only way to drive down the remuneration spiral in the long term is for companies to balance supply and demand of skills though investing now in the development of graduates and young and mid-tier professionals. ■