

# SMEs need to learn lessons from the Great Resignation

Small and medium businesses can take important lessons from the Great Resignation being experienced by large enterprises that continue to face the exodus of professionals seeking more flexible and fulfilling work opportunities.



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This is according to René Richter, MD of RemChannel, speaking ahead of the release of its biannual *Salary and Wage Movements Survey* conducted in September which shows that the increasing costs of living, coupled with the inflexible working environments continue to push employees to seek greener pastures.

“While big corporations don’t fully appreciate the cost of replacing key staff, they often have some resources that can lessen the loss while they seek new staff. SMEs, however, often do not have the same resources and are more affected by the loss of key personnel in the business. Therefore, SMEs must be mindful of the trend of employees prioritising a wholesome work environment,” said Richter.

The “Great Resignation” refers to a US-led trend of workers quitting in large numbers amid the Covid-19 pandemic, opting instead for stimulus packages. However, it has sparked similar movements around the world, including SA, as workers seek more flexible working environments locally and overseas.

Richter points out that in the professional services environment, the 'Great Resignation' trend continues to be seen. In comparison to the March 2022 survey, the labour turnover excluding temporary staff has increased by 2.4 percentage points, and by 2.8 percentage points since September 2020.

The most concerning element is that the resignation rate is also increasing steadily. In comparison to the March 2022 publication resignations have increased by 2.1 percentage points to 38.5%, despite a depressed economic climate. Excluding academic staff of the participants in this survey, the sales and marketing turnover (28.8%) and human resources turnover (20.6%) are the highest among all the disciplines surveyed.

Richter said: "The changing world of work has increased the complexity of managing remuneration and in particular the employee value proposition (EVP). The power shift from the employer to the employee, in particular professional staff, has become increasingly evident in the resignation statistics reported in this survey publication."

The survey report notes that of even greater concern is the loss of institutional knowledge at senior levels in the organisation which is a trend identified in April 2022. From the statistics in this publication, 15.7% of top management and executives with 15 years and more experience leave their companies.

## The loss of core staff for SMEs

Nobesuthu Ndlovu, managing director of Old Mutual SME, notes that the core skilled staff of SMEs are usually the backbone of the SME and therefore the loss of their skills can have a severe impact on the small business.

"These are the people that usually know the business inside and out and were pivotal to some of its successes unlike large corporates that would have a whole finance, R&D, and distribution department where the loss of one employee is felt but does not mean the breakdown in the chain of operations," Ndlovu said.

"The loss of core staff for SMEs also usually results in SMEs outsourcing the services that they require due to not having the HR capability that can search, recruit, onboard and train. For large enterprises, there is a department, usually with a budget specifically dedicated for this. Recruitment costs aren't usually factored into running costs for SMEs," she said.

Ndlovu says that their Old Mutual SME customers have noted that they needed help with retaining their employees.



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"One of the reasons staff preferred large enterprises over SMEs, despite the flexibility and work-life balance that comes with SMEs, is their formal employee benefits such as pension and retirement, medical aid and GAP covers among others," she said.

"For SMEs this cost isn't always feasible or viable, but it is an important consideration to entice core staff. There are many ways in which SMEs could compete such as using the more flexible working environment that counters the larger salaries offered by corporate; a better company culture where employees' opinions matter and providing opportunities for training and development go a long way in the current context of the 'Great Resignation'."

Richter noted that it cost the large corporate participants in this survey an estimated R16.8bn to replace employees each

year. Such costs were an even bigger burden on SMEs.

“Should this not warrant measuring the costs of lost talent? These funds could most certainly be used to review the employee value proposition and make changes to critical areas which would improve the retention of critical skills in the organisation. It is, therefore, crucial to evolve with agility to ensure future sustainability and create growth and employment opportunities in South Africa,” the report concludes.

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