Salary Benchmarking for Success:

How Compensation & Benefits Shape Absenteeism, Attrition, and Tenure in the Philippines

17 PAGES

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Executive Summary

The pandemic and ongoing economic instability have led people to rethink how they use their time, energy, and connections. As a result, employees are seeking more value and fulfillment from their work, with compensation playing a significant role in how they perceive their personal value within an organization. In the Philippines, a projected salary increase of 5.5% in 2024 aims to address these concerns; however, managing attrition and absenteeism remains crucial for organizational success. This study focuses on the critical impact of compensation and benefits on employee behavior, particularly on absenteeism, attrition, and tenure.

The study highlights that while better pay enhances job satisfaction and reduces turnover, it also presents challenges, such as higher absenteeism among well-compensated employees. Implementing targeted strategies for different salary groups is crucial. For instance, stress management programs for higher earners and financial support for lower earners can improve overall productivity and retention. The report emphasizes the need for continuous, data-driven adjustments in compensation strategies, such as salary benchmarking, to address these complex dynamics effectively.

Methodology

Sprout conducted a comprehensive analysis utilizing data from online polls and its extensive database, focusing on salary ranges within the Philippines. Our aim for this study was to provide an in-depth understanding of salary trends and their impact on absenteeism, attrition, and employee tenure.

Our analysis focused on several key metrics:

Salary Percentiles:
We calculated salary statistics based on different percentiles to provide a comprehensive picture. Specifically:

- **Below the 25th percentile**: Represents the lowest salaries, where 25% of employees earn less than this amount.
- **25th to 50th percentile**: Mid-range salaries, where employees earn more than the bottom 25% but less than the median salary (50th percentile).
- **50th to 75th percentile**: Higher mid-range salaries, where employees earn more than the median salary (50th percentile) but less than the top 25% (75th percentile).
- **Above the 75th percentile**: The top salaries, where only 25% of employees earn more than this amount.

Headcount Growth:
We analyzed trends in the increase or decrease in the number of employees in a company.

Attrition Rates:
We examined the frequency of employees turnover.

Absenteeism Rates:
We evaluated the monthly average absenteeism rates by salary percentile.

Tenure:
We assessed the average length of time employees stay with the company, categorized by the same salary percentiles as above.

This study aims to provide a detailed and accurate perspective on salary trends within the Philippines, aiding organizations in making informed decisions regarding compensation and workforce management strategies.

Scope and Limitations

This salary benchmarking study analyzes compensation trends among employees in various industries within the Philippines. It aims to provide insights into how compensation and benefits influence employee behavior.

The study covers the entire Philippines, examining salary percentiles across four categories: below the 25th percentile, 25th to 50th percentile, 50th to 75th percentile, and above the 75th percentile. Key metrics analyzed include absenteeism rates, unproductive hours, expected workdays, active employee numbers, tenure, and attrition rates by salary percentile.

The study is based on data gathered from January 2023 to December 2023, which means it does not capture trends after this period. While the study covers various industries, it may not fully capture the unique dynamics of niche sectors. The study assumes that salary significantly influences employee behavior, while recognizing that other factors such as job satisfaction, company culture, and external economic conditions also play critical roles.

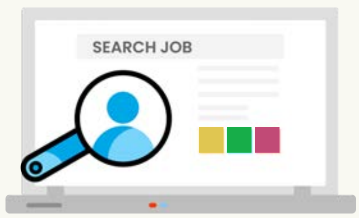
Key Findings

Exploring the Link Between Compensation Levels and Employee Absenteeism

- Employees above the 75th percentile have the highest absenteeism rate at 18.44%, possibly due to increased job responsibilities, which could hint a higher likelihood of burnout or higher-paid employees feeling more secure in taking a leave.
- The 25th to 50th percentile group has the lowest absenteeism rate at 10.03%, suggesting a more balanced work-life scenario and less pressure from work.
- Employees in the 25th to 50th salary percentile have fewer unproductive hours (20.88/month), suggesting better engagement, while those above the 75th percentile average 36.20 hours possibly due to flexibility work.
- The below 25th salary percentile has the fewest productive employees at 7,659, compared to over 13,000 in other percentiles, indicating higher turnover and job instability among lower-paid positions.

The Relationship Between Worker Compensation and Employee Tenure

- Employees in the bottom 25th percentile have the highest average tenure at 4.33 years.
- Average tenure decreases as salaries rise.
- 14.7 million workers earn low wages due to a lack of the necessary skills and qualifications required for higher-paying positions that demand greater responsibilities and experience.
- 72% of low-wage workers are the main earners for their households, relying on their low salaries to support their families.



Employees in the bottom 25th percentile have the highest average tenure of 4.33 years.

How Salaries Influence Job Retention and Turnover

- Employees below the 25th percentile have the highest attrition rate of 14.23%, indicating financial strain and job dissatisfaction.
- Employees above the 75th percentile have the lowest attrition rate at 7.26%. Higher salaries enhance job satisfaction, significantly reducing turnover.

Introduction

Compensation today goes beyond numbers on a paycheck; it plays a critical role in enhancing employee satisfaction, boosting productivity, and fostering retention. Employees measure their pay against the value they bring to the company and what others in similar roles are earning. Perceived discrepancies can cause disengagement and turnover. Employers in Southeast Asia must understand this deeply because economic uncertainties complicate salary expectations and retention strategies.

In 2024, an Aon survey predicts that salaries in certain Southeast Asian countries will increase despite economic slowdown concerns. The survey indicates that while salaries in Singapore and Malaysia are expected to remain steady at 4.0% and 5.0% actual salary increase respectively, the median salary in the Philippines is anticipated to rise by 5.5%.

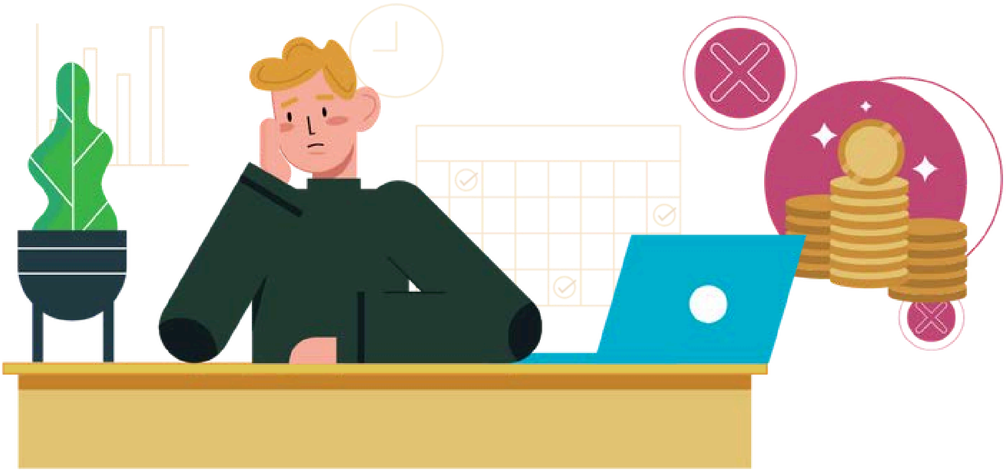
The data also reveals variations in attrition rates and salary increases across different countries in the region:

Country	Attrition in 2022	Attrition in 2023	Actual Salary Increase 2023	Salary Increase Expected 2024
Indonesia	15.9%	15.1%	6.0%	6.5%
Malaysia	14.9%	16.2%	5.0%	5.0%
Philippines	18.0%	17.5%	5.2%	5.5%
Singapore	19.6%	16.5%	4.0%	4.0%
Thailand	15.4%	14.0%	4.7%	4.9%
Vietnam	15.2%	13.8%	7.5%	8.0%

Despite the slight increase, the projected salary hikes show resilience against economic uncertainties. Attrition rates in Southeast Asia have dropped in 2023 but remain in double digits, indicating ongoing challenges in talent strategy and a persistent talent supply-demand gap. The Philippines experiences the highest attrition rate in the region at 17.5%, while Vietnam boasts the lowest at 13.8%. The elevated attrition rate in the Philippines can be attributed to several key factors, including a shift in workforce dynamics, increased job burnout, and the pursuit of better opportunities amid high inflation.

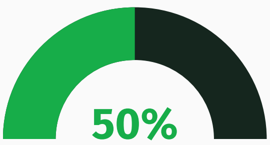
Voluntary turnover and attrition have increased, reaching 15.9% in 2023 compared to 14.2% in 2022. Common reasons for leaving include better pay and growth opportunities, relocation or family migration, and flexible work arrangements or work-life balance. In a recent LinkedIn survey we conducted, we found that 81% of employees do not feel that their current pay level influences their future tenure, and 55% believe their company is not investing in their growth.

Additionally, compensation levels are directly linked to absenteeism rates. Employees who feel undercompensated are more likely to be disengaged, leading to higher rates of absenteeism. Our LinkedIn survey found that 65% of employees feel underpaid for their skills and value, 71% think company salaries don't align with industry trends, and 83% believe their compensation affects their attendance.



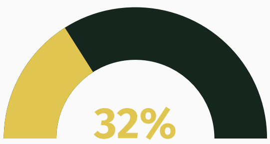
These trends in compensation are expected to continue in 2024, posing significant talent challenges for employers in the Philippines, particularly in attracting and retaining key talent. For employees to stay long-term with an organization, here are key factors that employee want from their employers:

Top Drivers of Employee Retention



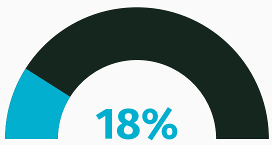
50%

of employees want better compensation and benefits



32%

of employees want a nurturing work environment



18%

of employees want career growth

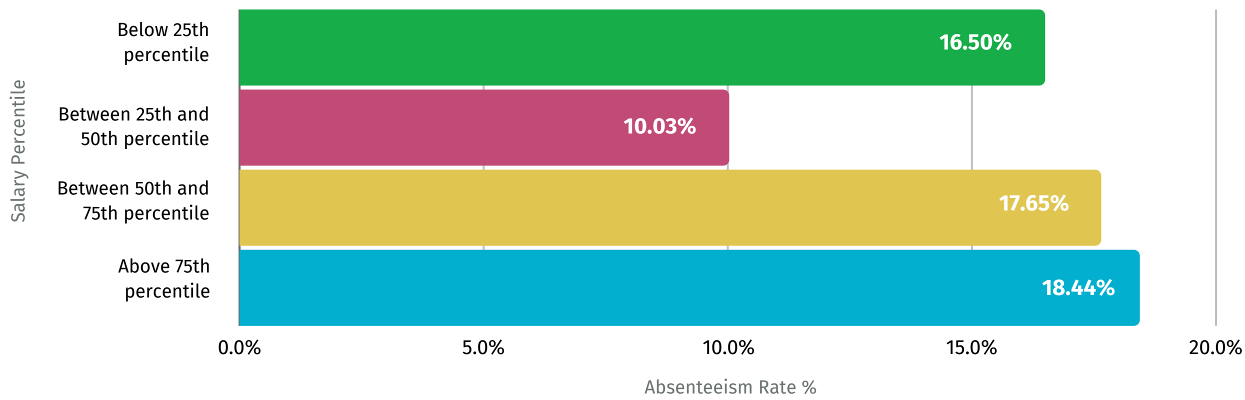
Salary benchmarking can play a crucial role in addressing these challenges. By comparing salaries against industry standards and competitors, companies can ensure their compensation packages are competitive. This helps in attracting top talent, retaining employees, reducing absenteeism, and enhancing employee satisfaction.

Discussion of Findings

The salary percentile data offers valuable insights into how different salary levels impact absenteeism, attrition, and employee tenure. These findings will allow businesses to uncover significant trends, helping them make informed workforce management strategies.

This discussion will look into the relationships between compensation and absenteeism, attrition, and employee tenure, shedding light on how various compensation strategies can affect employee behavior and company stability.

Monthly Average Absenteeism Rate by Salary Percentile



High Absenteeism in Low Salary Brackets: Employees in the lowest salary bracket (below the 25th percentile) exhibit a high absenteeism rate of 16.50%. This high rate may indicate issues such as financial stress and job dissatisfaction among the lowest-paid employees. Given that 66.5% of Filipinos live paycheck to paycheck without savings, financial stress significantly impacts employee mental health and job performance. Financially stressed employees are 55% more likely to be distracted by their finances at work, leading to absenteeism, decreased productivity, and higher healthcare costs due to stress-related illnesses.

Our recent State of Financial Wellness report uncovered that over 90% of employees experience financial stress, particularly among those without sufficient emergency funds. Most of these workers are aged between 20 and 30, highlighting the financial vulnerability of younger employees in lower salary brackets.

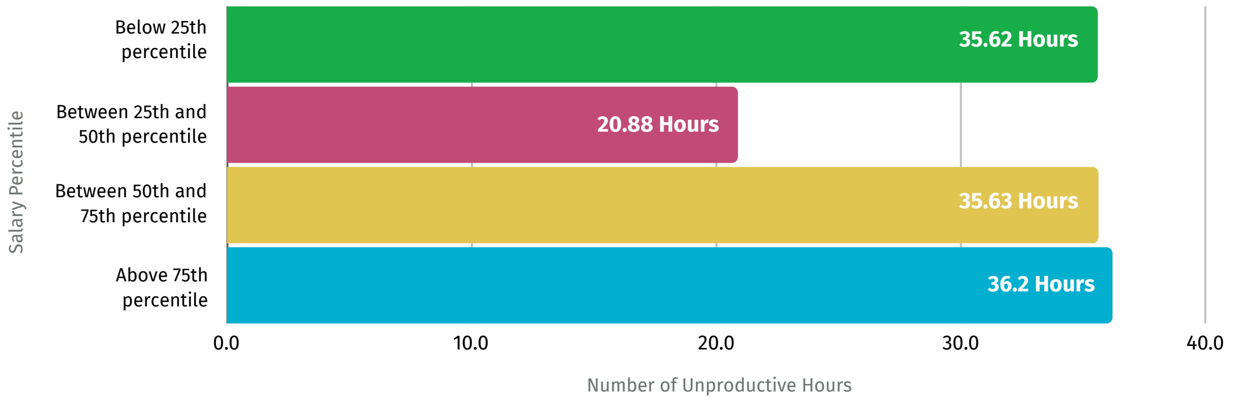
Middle Percentiles Show Lower Absenteeism: The group between the 25th and 50th percentiles has the lowest absenteeism rate (10.03%). This may suggest a more balanced work-life scenario, where employees might feel moderately satisfied with their salaries while being less pressured by their work.

Over 90% of employees face financial stress, especially those early in their careers without sufficient emergency funds.

Higher Salary Brackets Exhibit Higher Absenteeism: Interestingly, absenteeism rates rise again in the higher salary percentiles (17.65% for 50th-75th and 18.44% for above 75th). This could be due to several factors, such as increased job responsibilities which could lead to a higher likelihood of burnout, or higher-paid employees feeling more secure in taking a leave.

Actionable Insights: To reduce absenteeism, organizations might need to implement targeted strategies that address the specific needs and challenges of different salary groups. For lower-income employees, financial incentives or support programs might be effective, whereas for higher-income groups, addressing work-life integration and stress management could be key.

Monthly Average Unproductive Hours by Salary Percentile

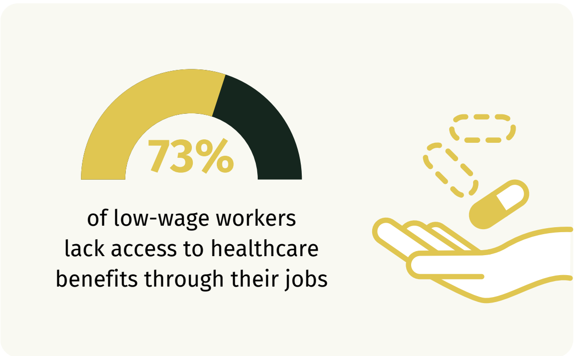


Unproductive Hours: The average number of hours employees were absent, late, or left early (undertime).

Increased Unproductive Hours in Higher Salary Percentiles: For the 50th to 75th salary percentile, high unproductive hours could be observed at 35.63 hours per month. This could be due to mid-level employees facing higher stress levels due to increased responsibilities. As a result, they may also experience burnout, leading to more frequent absences or late clock-ins.

Similarly, the highest unproductive hours (36.20) are observed with employees above 75th percentile, possibly due to several factors, including greater job demands, burnout, or a higher sense of job security that allows for more flexibility in taking time off. This indicates that higher pay does not necessarily correlate with higher productivity.

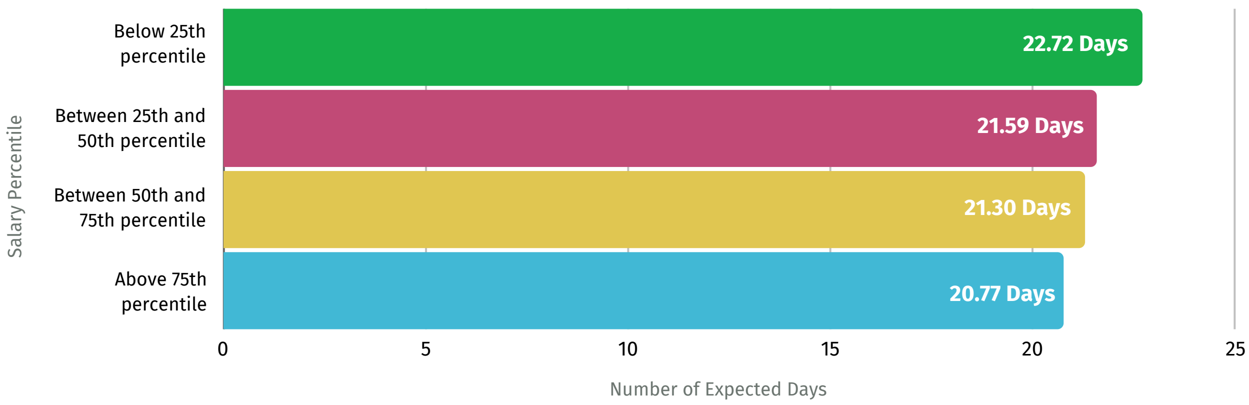
High Unproductive Hours in Lower Salary Percentile: Employees below the 25th salary salary percentile exhibit a high number of unproductive hours, averaging 35.62 hours per month. This could be attributed to several factors, including potential salary dissatisfaction, lack of engagement, or health issues affecting attendance and punctuality. Notably, 73% of low-wage workers lack access to healthcare benefits through their jobs.



Lower Unproductive Hours in Middle Salary Percentiles: Employees in the 25th to 50th percentile show a significant reduction in unproductive hours, averaging 20.88 hours per month. This suggests greater engagement or satisfaction, likely due to better job conditions, slight financial comfort, or more incentives that come with this salary range.

Actionable Insights: Unproductive hours may be effectively reduced by implementing targeted engagement and wellness programs. Job satisfaction can be boosted with recognition and development opportunities, along with stress management initiatives.

Monthly Average Total Days Expected Across Salary Percentiles



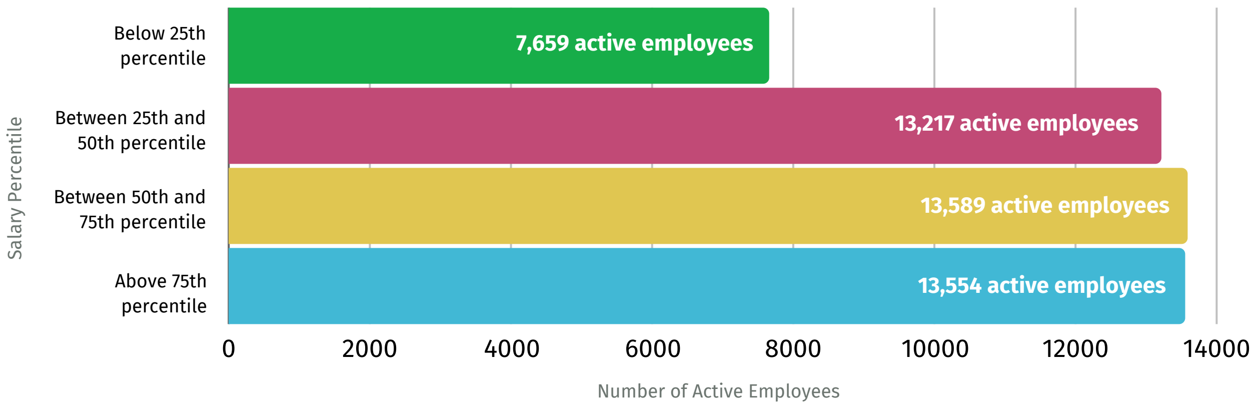
Expected Days: The anticipated number of workdays an employee is expected to be present or on-site every month.

High Expectations for Low Earners: Employees below the 25th salary percentile have the highest average on-site days at 22.72 compared to all salary percentiles, suggesting that lower-paid employees might face more stringent attendance requirements. This is potentially due to the nature of their roles, which may require consistent presence and less flexibility.

Greater Flexibility for Higher Salaries: Expected days decrease as salaries increase, showing more flexibility for higher-paid employees. Employees in the 25th to 50th percentile average 21.59 days per month, those in the 50th to 75th percentile average 21.30 days, and those above the 75th percentile have the lowest average at 20.77 days per month. Employees that fall within the highest salary range might have roles that allow for occasional remote work or flexible hours, leading to a reduction in expected days.

Actionable Insights: Revising attendance policies to offer more flexibility, particularly for lower-paid employees, could improve overall job satisfaction and productivity. Tailoring attendance expectations to specific roles rather than salary brackets could create a more equitable work environment.

Monthly Average Active Employees by Salary Percentile

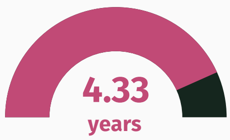


Concentration in Middle and Upper Percentiles: The middle and upper salary percentiles have the highest number of active employees, with 13,217 in the 25th to 50th percentile, 13,589 in the 50th to 75th percentile, and 13,554 above the 75th percentile. This indicates a workforce concentration in these brackets, likely due to a broader range of roles and stability in these pay scales.

Fewer Active Employees in Lowest Percentile: The lowest salary percentile has the fewest active employees, at 7,659. This may reflect a smaller workforce segment or higher turnover and job instability among lower-paid positions.

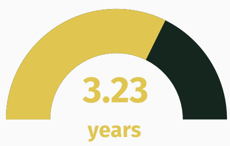
Actionable Insights: Given the high concentration of employees in the middle and upper salary brackets, likely driven by employers' preference for experienced and skilled workers, it is crucial for employers to focus on enhancing job satisfaction and career development opportunities for these employees to ensure their retention. Meanwhile, for lower-paid employees, improving job stability and offering better benefits can significantly boost retention rates and increase the overall number of active employees.

Average Employee Tenure by Salary Percentile



Below 25th percentile

Between 25th and 50th percentile



Between 50th and 75th percentile

Above 75th percentile

Decrease in Tenure with Increasing Salary: There is a noticeable decrease in average tenure as salaries increase from the below 25th percentile to the 50th to 75th percentile:

- 25th to 50th percentile has an average tenure of 3.33 years
- 50th and 75th percentile has a slightly lower average tenure of 3.23 years

This trend indicates that employees in these middle salary ranges might be more likely to leave their jobs after a few years, possibly in pursuit of better work environment, higher pay, or career advancement.

Slight Increase in Tenure for Highest Salary Bracket: Employees in the highest salary bracket (above the 75th percentile) have an average tenure of 3.45 years. Although still lower than the tenure for the lowest salary bracket, this is slightly higher than the middle salary ranges. This could suggest that higher-paid employees might have more incentives to stay longer, such as better job satisfaction, career development opportunities, or financial stability.

Highest Tenure in Lowest Salary Bracket: Employees in the lowest salary bracket (below 25th percentile) have the highest average tenure of 4.33 years. This suggests that employees with lower salaries tend to stay longer in their jobs. There are numerous reasons for why they stay such as:

Lack of Alternatives and Skill Limitations:

Low-wage workers often have limited opportunities for higher-paying jobs due to skill constraints. According to a GMA report, of the 49 million employed Filipinos, 14.7 million earn low wages because they lack the necessary skills. Limited access to education and training keeps them in low-wage positions as they can't easily acquire skills needed for better jobs.

Economic Conditions and Job Stability:

During economic downturns, low-wage workers are often hit the hardest, making them more likely to cling to their current employment. Job security in low-wage positions can be appealing, especially in uncertain economic climates.

Demographics and Personal Circumstances:

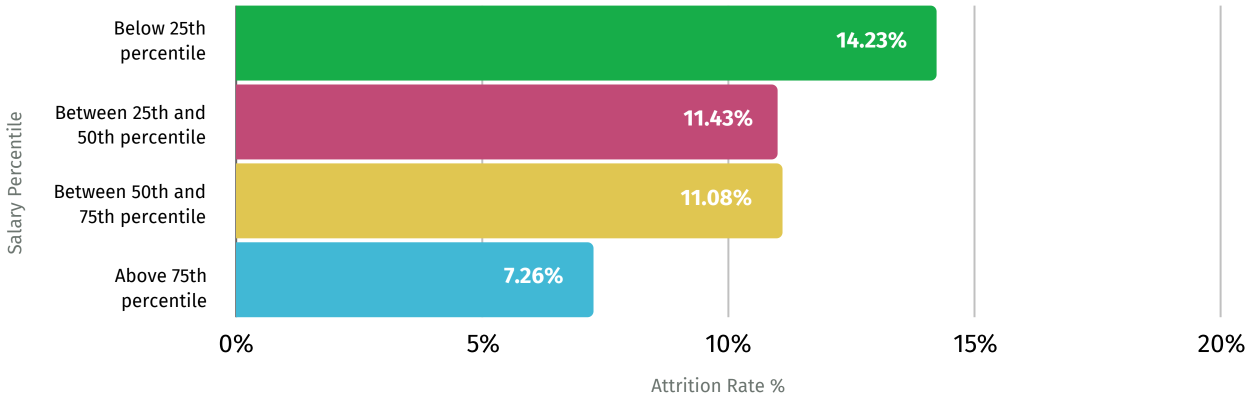
72% of low-wage workers are the main earners for their households, relying on their low salaries to support their families. This responsibility of providing for their families tie most workers to their current jobs.

Employer Loyalty and Benefits

Despite low wages, some jobs offer essential benefits like health insurance, which can be crucial for workers who might not have access to these benefits elsewhere.

Actionable Insights: The data shows a strong link between higher salaries and lower attrition rates. To reduce turnover, employers should consider enhancing compensation structures, especially for those earning below the median salary. Additionally, providing training and development opportunities can help employees, especially those in the lower bracket, gain the skills needed for higher-earning job positions, giving them chances for promotions and salary increases, which fosters greater job satisfaction and loyalty.

Monthly Average Attrition Rates by Salary Percentile



High Turnover in the Lowest Salary Bracket: The attrition rate among employees earning below the 25th percentile is significantly high at 14.23%, compared to 7.26% for those earning above the 75th percentile. This group experiences the most financial strain, which can lead to job dissatisfaction and a higher propensity to seek better-paying opportunities. In our Great Resignation report, we found that 67% of employees quit their previous jobs due to inadequate compensation, making financial dissatisfaction a key driver of turnover.

Decrease in Attrition with Increased Salary: Employees earning between the 25th and 50th percentile have an attrition rate of 11.43%, highlighting that having higher salaries compared to the lowest bracket can improve retention. However, this rate remains relatively high compared to those in the 50th to 75th percentile, where the attrition rate further declines to 11.08%. This further underscores the positive impact of higher wages. As salaries become more competitive, employees feel more valued and financially secure, significantly reducing their likelihood of leaving their jobs.

Lowest Attrition in the Highest Salary Bracket: Employees earning above the 75th percentile have an attrition rate of only 7.26%. This substantial decline demonstrates that higher salaries are highly effective in retaining employees. Competitive compensation enhances job satisfaction, loyalty, and a sense of being valued by the employer, leading to significantly lower turnover rates in this group.

Your Practical Guide to Effective Salary Benchmarking

Salary benchmarking is a crucial practice for organizations to ensure they remain competitive in attracting and retaining top talent. Here's a practical guide to help you conduct effective salary benchmarking:

STEP 1:
Define Your Objectives and Scope

Start by clearly defining the objectives of your salary benchmarking initiative. Identify the specific roles, job functions, and levels you need to benchmark, along with the geographic regions or markets relevant to your company. This will help you focus your efforts and gather data relevant to your goals.

STEP 2:
Gather Comprehensive Market Data

Use multiple reliable sources to gather comprehensive market data. These sources may include:

- Industry-specific salary surveys and compensation reports
- Online salary databases and benchmarking tools
- Professional associations and industry groups
- Government labor statistics
- Compensation consultants or third-party provider

Make sure that the data you gather is up-to-date, relevant to your industry and geographic region, and provides insights into base salaries, bonuses, incentives, and other compensation components.

STEP 3:
Conduct Through Data Analysis

Analyze the collected data to identify key trends, patterns, and insights. You can segment the data by factors such as job function, experience level, industry, company size, and geographic location.

Then, calculate relevant statistics, such as median, mean, and percentile ranges, to understand the market rates for different positions.

STEP 4:

Establish Salary Ranges and Pay Grades

Based on your analysis, establish salary ranges or pay grades for each position or job family. These ranges should reflect the market rates and align with your organization's compensation philosophy.

You should consider factors like internal equity, performance, and experience when determining the appropriate pay ranges.

STEP 5:

Develop a Structured Compensation Strategy

Formulate a comprehensive compensation strategy that outlines your approach to salary benchmarking, pay structures, and compensation management. This strategy should include guidelines for salary adjustments, promotions, and merit-based increases, as well as policies for addressing pay disparities or exceptions.

STEP 6:

Implement Regular Reviews and Adjustments

Recognize that salary benchmarking is not a one-time exercise. The job market and compensation trends are constantly evolving, and your organization should embrace change by conducting regular reviews and making necessary adjustments to your pay structures.

Establish a regular schedule for periodic salary benchmarking (e.g., annually or bi-annually) to ensure your compensation remains competitive and aligned with market conditions.

STEP 7:

Communicate and Train Stakeholders

Finally, effective communication and training are essential for successful salary benchmarking initiatives. Clearly communicate the rationale, process, and outcomes of your benchmarking efforts to stakeholders, including managers, HR professionals, and employees.

Also, providing training helps ensure consistent implementation and understanding of your compensation strategy.

By following these practical steps and embracing a proactive approach to salary benchmarking, your organization can reap numerous benefits, including:

- **Attracting and Retaining Top Talent:** Competitive and fair compensation practices help you attract and retain skilled professionals in a tight labor market, reducing turnover and associated costs.
- **Promoting Employee Satisfaction and Engagement:** When employees perceive their compensation as fair and aligned with market rates, they are more likely to be satisfied, engaged, and motivated.
- **Enhancing Organizational Reputation:** A reputation for fair and transparent compensation practices can strengthen your organization's employer brand and improve your ability to attract top candidates.
- **Mitigating Legal and Compliance Risks:** Regular salary benchmarking can help you identify and address potential pay disparities, reducing the risk of legal claims and ensuring compliance with relevant labor laws and regulations.

Empower Your Compensation Strategy with Sprout BenchMark and CLS

The talent market is more competitive than ever. To attract and retain top performers, you need a comprehensive and equitable compensation strategy. At Sprout, we understand the complexities of salaries and pay structures. That's why we offer two powerful solutions: Sprout BenchMark and Compensation Leveling Service (CLS).

Sprout BenchMark: Your Ultimate Salary Benchmarking Tool

Sprout BenchMark provides a detailed breakdown of salary statistics alongside standardized job descriptions. It equips you with the knowledge to make informed decisions that win the war for talent.

Here's what sets Sprout BenchMark apart:

- **Easy-to-Use without Compromising Data Richness:** Effortlessly access and analyze comprehensive salary data, ensuring a seamless user experience.
- **Reliable Salary Data and Job Insights:** Draw from a vast array of trusted sources, providing accurate and up-to-date salary data, as well as valuable job insights specific to your industry and location.
- **Ensures Faster Growth than Competitors:** By leveraging Sprout BenchMark, you can stay ahead of the competition by offering attractive compensation packages that attract and retain top talent, driving your organization's growth.

Sprout CLS: Tailored Compensation Solutions for Your Unique Needs

Sprout BenchMark gives you the data, **Sprout CLS** helps you turn it into action. Choose a customized pay plan that fits your unique needs and goals. Sprout CLS offers tailored compensation solutions designed to meet your organization's specific needs and goals. Here's what sets us apart:

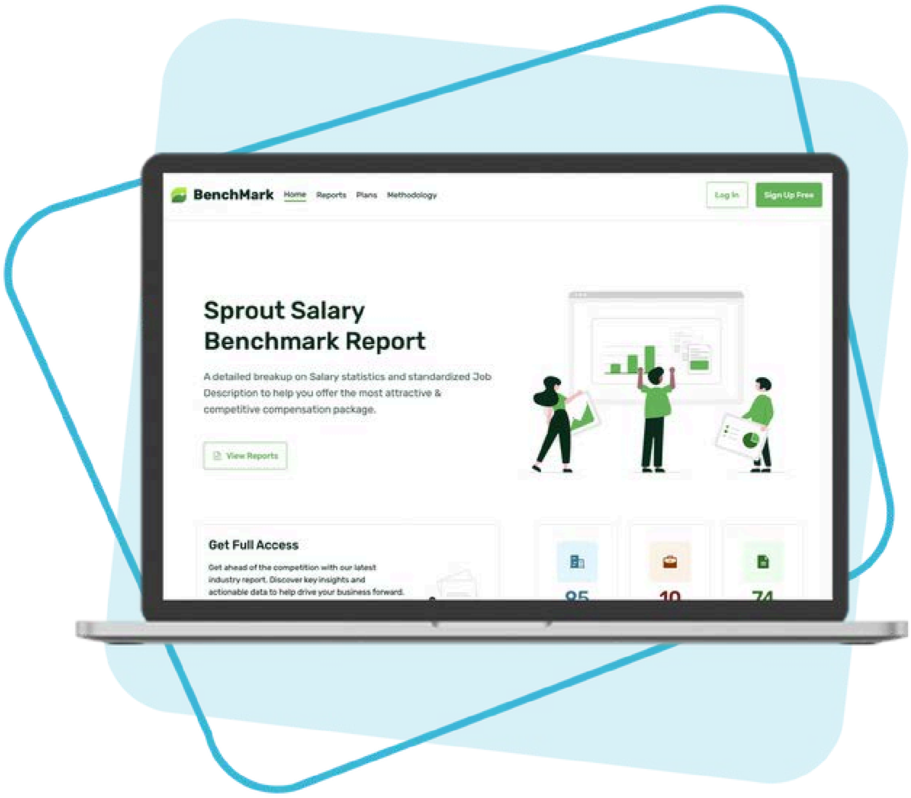
Custom Research and Niche Job Role Identification: Our dedicated team conducts extensive research to identify and understand the nuances of niche job roles within your industry, ensuring accurate and relevant compensation recommendations.

Fair Pay Structures without Breaking Your Bottom Line: We balance fair compensation practices with financial sustainability, developing competitive and equitable pay structures aligned with your budget.

Maximize Your Salary Benchmarking Data and Turn Them into Actionable Insights: We leverage BenchMark data and compensation best practices to provide actionable recommendations tailored to your business needs.

Unlock Your Competitive Edge Today Through Salary Benchmarking

At Sprout, we believe that a well-designed compensation strategy is the foundation of a thriving and engaged workforce, one that attracts and retains top talent.



With Sprout BenchMark and CLS, you gain the tools and expertise necessary to empower your organization through fair and competitive compensation practices, driving success and fostering a positive workplace culture.

Empower Your Workforce. Build a Winning Culture. Get Started with Sprout Today!

Contact us today to learn how we can help your business gain a competitive edge.

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