

The counter-offer cycle - creating an unsustainable conundrum for employers and industries



Despite an alarmingly high unemployment rate in South Africa, we are currently experiencing a critical skills shortage. This has been most noticeable in the ICT sector, given the rapid pace of digital transformation in the past few years. Yet, this skills shortage affects every industry, and the demand for experienced, specialised tech-centric individuals is much higher than the currently available supply. However, this shortage is not a problem unique to South Africa and its effects can be felt on a global scale. Digital skills are still fairly new, and while there are many individuals currently learning those new skills, they are not yet able to meet the increasing demand. This has resulted in job-hopping and companies counter-offering employees that tend their resignation for higher-paying jobs. As this cycle repeats itself every few months, it has created an unsustainable situation in which salaries for certain skills have become over-inflated. In the face of economic uncertainty and an impending recession, what can companies do to find the skills they need?

Shortage on a global scale

Complicating South Africa's skills shortage further is our so-called brain drain as skilled individuals leave the country in search of stability and better opportunities. Those that choose to stay are often the targets of headhunting, being poached by global entities capable of offering salaries that South African corporates simply can't match. In these scenarios, South African skilled individuals remain within the country but work remotely. The outcome? Highly skilled individuals who know that they have the upper hand right now in the job market. They know that they can go anywhere and demand just about anything,

salary-wise, and that they're going to have their demands met because companies seeking their skills simply have no other choice.

Chasing the money

Most disheartening, however, is the recent trend of highly skilled individuals leveraging job offers to force counteroffers from companies where they currently work. This is becoming particularly problematic in the fintech industry. Previously, it was possible to point out to a candidate that if their current company truly valued them, they wouldn't have to leverage another offer to get what they felt they deserved. Now that individuals know how in-demand their skills really are, they use that to their advantage and companies who are scared to lose the scarce skills they have often acquiesce to this manipulation and are forced to counter-offer. As a result, candidates are now exploiting this situation to get higher salaries without having to move.

A cycle of uncertainty and manipulation

In recruitment scenarios, this creates a massive amount of uncertainty and mistrust. Candidates might seem interested in new opportunities, but how can we tell whether they're truly interested, or they're just trying to force a counteroffer for more money or better benefits from their current employer? This type of manipulative counteroffer seeking behaviour has resulted in highly overly inflated salaries in relation to critical skill sets. Given the direction in which the global economy is headed, such salaries are unsustainable.

Lessons from Israel

Israel's tech industry should be taken as a prime cautionary tale. The sector is reported to have had a record year in 2021 as start-ups raised an eye-watering \$25 billion in funding between January and November. With its high salaries and exorbitant perks, industry observers warned of a bubble in the market caused by an investment frenzy and sky-high valuations. In 2022, the bubble burst and more than 3,000 high-tech employees have already been retrenched since March. The global financial crisis continues to take its toll on Israeli high-tech and many companies have parted ways with significant portions of their workforce. The same is likely to happen in South Africa if we continue on the same trajectory - at some point, things will have to even out, and those individuals earning salaries that are not market-related will be the most vulnerable when the bubble bursts.

Understanding the full impact

From a recruitment perspective, it's difficult to say exactly what is going to mitigate or prevent the vicious counter-offer cycle when candidates are focused solely on money. Working on a contingency basis, recruitment agencies suffer when the candidate they have been readying suddenly decides to accept a counteroffer from their current company. Candidates alone are not responsible for creating this untenable situation, and companies have an important role to play in rectifying the imbalance. It's not enough to focus on recruiting the right talent.

Shifting the focus

Companies need to pay more attention to retention, where they are aware that certain skilled individuals are difficult (if not impossible) to replace. Counteroffering is not an effective retention strategy, and organisations need to put more effort into creating the kind of working environment that people are reluctant to leave. It shouldn't be a case of offering people more money to stay, it should be a case of creating an environment in which they do not go looking for better opportunities in the first place. More emphasis needs to be placed also on internal skills development opportunities as recruitment is not the only way to acquire the necessary skills. It is an immediate solution to filling a particular vacancy and should be used in conjunction with other strategies that seek to widen the skills pool to the benefit of the company to rebalance the industry as a whole and address the counteroffer conundrum before the bubble bursts.