

EMPLOYMENT

Why net pay matters more than total package

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IN today's economic climate, one truth is becoming increasingly clear: employees are no longer evaluating job offers based on total package value. Instead, they are fixated on what lands in their bank account at the end of the month.

For many, especially within the Gen Z workforce, a difference of as little as R1,000 in net take-home pay can trigger a resignation. On the surface, this seems rational. But beneath it lies a growing structural problem, one that is quietly eroding both employee value and employer efficiency.

The shift: from total value to immediate cash

Cost-to-company (CTC) was designed to reflect the full guaranteed value of employment: salary, benefits, retirement contributions, risk cover, and more. But employees increasingly discount anything that is not immediately tangible. The result? a psychological shift where:

- Retirement contributions are seen as "lost cash"
- Medical aid is viewed as a grudge purchase
- Risk benefits are undervalued until they are needed

This creates a dangerous disconnect where employers are spending more, but employees feel poorer.

The invisible value loss

When remuneration structures are

rigid, employees are often locked into benefits that do not align with their life stage or priorities.

This leads to what can only be described as "invisible value loss," where money is being spent on benefits provided to the employees, but the perceived value is next to zero.

In this environment, a competitor offering slightly higher net pay, even with fewer benefits, can appear far more attractive.

Flexible benefits: the most underutilised retention tool in South Africa

South African remuneration structures typically fall into two categories:

- Basic Plus: A fixed salary offering with guaranteed allowances and employer benefits added on top
- Cost to Company (CTC): A total guaranteed cost, with benefits structured within it, and the balance left over becomes the cash salary

While CTC offers more transparency, it often fails in the critical area of flexibility. Without flexibility, CTC becomes just as rigid as Basic Plus and just as inefficient. However, when flexibility is introduced, everything changes.

Same cost. completely different employee experience. Consider three employees, each earning a CTC of R60,000 per month:

- Employee A (Gen Z)Prioritises cash flow and opts for minimal medical, retirement, and risk benefits

- (R8 000)→ Cash salary: R52 000
- Employee B (Mid-career, family-focused)Chooses higher medical and risk cover (R15 000)→ Cash salary: R45 000
- Employee C (Senior / pre-retirement)Maximises retirement and comprehensive medical cover (R20 000)→ Cash salary: R40 000

Same employer cost. Radically different outcomes.

Now consider a rigid structure. All three employees receive the same benefits mix, regardless of need. The effect can be experienced that one overpays for benefits they do not value, one is underinsured, and one sacrifices long-term security. This is not just inefficient. It comes down to a retention risk.

Are you overpaying employees without them feeling it?

Many organisations unintentionally inflate CTC over time through legacy "Basic Plus" models, whereby the company is carrying the additional costs on annual increases to medical aid and other risk benefits, like death, disability, and funeral cover.

Yet despite rising employer costs, employees often experience a lower net pay figure, reduced financial flexibility, and increased financial pressure.

The result is a paradox: Employers are paying more, but employees feel worse off. This is where dissatisfaction begins and where attrition follows.

The strategic imperative: flexibility

over cost The solution is not necessarily to pay employees more. It is to structure remuneration better.

Flexible benefits allow employees to align their benefits to their life stage and personal and financial requirements.

The benefits for employers are also exponential, as it unlocks a higher perceived value to employees without increasing costs. This also helps improve employee retention and engagement whilst providing a more efficient allocation of remuneration spend.

Perception vs reality: the new remuneration challenge

The workplace has evolved, but many remuneration structures have not.

In a high-cost, high-pressure economic environment, employees are making decisions based on survival, not optimisation. Net pay has become the dominant lens, whether that tells the full story or not.

Organisations that ignore this shift risk losing talent for marginal cash differences, while continuing to overspend on benefits that go unnoticed or unappreciated.

Because in today's market, it is not what you pay that matters most, it is what your employees believe they are getting.

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