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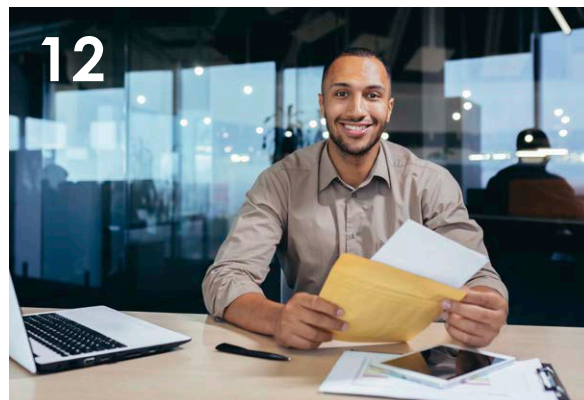
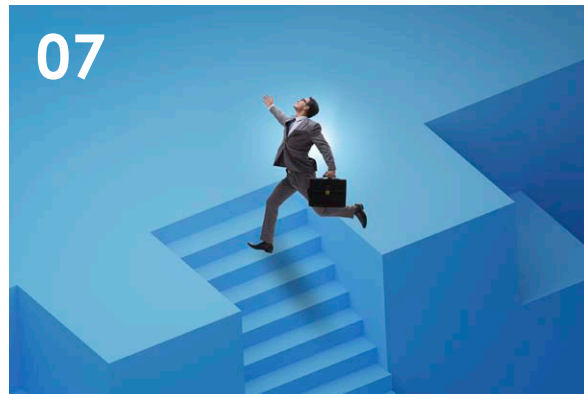
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## LETTER FROM THE EDITOR



### **We're at the end of another challenging year and we can see how taxing it has been on our employees.**

At the beginning of 2022, we were all overly optimistic as the pandemic seemed to be behind us, but then the new year brought other challenges – the war in Ukraine, rising global inflation and supply-chain interruptions. South Africa has also been faced with rolling blackouts, high unemployment and other socio-economic problems, which further impact economic growth.

Amidst these challenges, finding and retaining the right talent while simultaneously managing costs remains a perennial challenge for businesses of every size in every sector worldwide. The competition for talent is as fierce as ever, especially in the workplace post-pandemic.

Many organisations also lack the information required to make informed plans and decisions, for example, knowledge about returns on investment in human capital, staff productivity and employees' views.

### **WHAT DOES THIS MEAN FOR YOUR BUSINESS?**

Tackling these issues successfully involves adopting a more strategic approach, based on a powerful employer brand. With better information, companies can also identify the skills they need and where they need them, to realise their short and long-term plans.

A key step is to embed and integrate workforce planning into business planning from the start, rather than treating talent acquisition and retention as an afterthought. This demands strong board support on sourcing and management and close on-going collaboration between HR and the business. Put simply, managing and capitalising on talent is no longer a role that can – or should – be left to HR alone. Talent strategy and business strategy must go hand in hand, otherwise there is likely to be a big gap between what you aim to achieve and your ability to achieve it.

### **HOW DOES THIS IMPACT REWARD?**

Over the past decade there has been increased focus on aligning the reward strategy of the organisation with its longer-term business strategy. This has been amplified by the pandemic as organisations realised the need to be agile to cope with disruptors and ensure future sustainability despite adverse economic conditions.

Most organisations have documented their strategic reward objectives, and, in some cases, they have been communicated effectively with line managers and employees. The question remains as to whether the objectives are understood by everyone and if the link between the organisational goals and the reward strategy makes sense to all employees.

The reward strategy will inform the approach to the employee value proposition (EVP) and provides a best practice context and framework, a set of principles and a number of guidelines, all of which will guide HR and reward professionals in finalising a coherent and cohesive set of reward policies within the organisation. This should assist with communication and also contributes to good governance – a prerequisite for a comprehensive remuneration report.

***'Your work is going to fill a large part of your life, and the only way to be truly satisfied is to do what you believe is great work. And the only way to do great work is to love what you do. If you have not found it yet, keep looking. Do not settle. As with matters of the heart, you will know when you find it.'* - Steve Jobs**

The question often not answered, is how to measure success against the key goals and principles of a reward strategy. Companies are regularly faced with challenges out of their control, which impact their ability to achieve reward strategy objectives. It becomes increasingly difficult to be innovative in the reward arena, more so in a lacklustre economic climate. But the key to success remains in the alignment of employees to the business strategy.

Remchannel will be launching several new solutions, both technology and advisory capabilities during Q1 2023, which will help you to manage reward more effectively. We will ensure that these are communicated timeously and look forward to partnering with you in the new year.

We trust that 2023 will provide opportunities to revisit your reward strategy and full EVP plus a way to adopt a more agile approach to reward and the retention of your key talent.

**René Richter**  
MANAGING DIRECTOR : REMCHANNEL

# INCREASES & THE CURRENT ECONOMIC CLIMATE

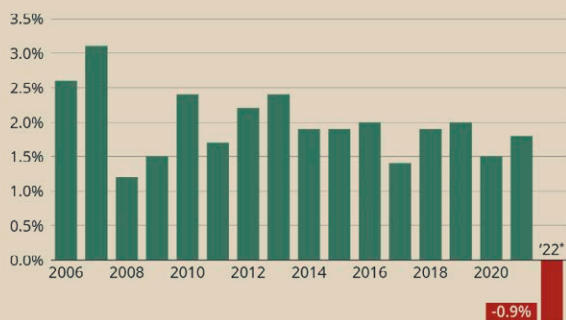
## The never-ending challenge



According to Statistics South Africa, there has been a slight increase in employment during Q3 2022. Although this is encouraging, it certainly does not mean that South Africa's employment rates will continue to rise. The industries that contributed to this increase are business services, construction, mining, transport and to a lesser extent manufacturing. The economic climate, contributing to employers being cost conscious, has had a major impact on percentage increases. Globally, inflation is eating into employees' disposable cash as shown in the graph below, published in 2022 by Statista.

## Global Wages Take a Hit As Inflation Eats Into Paychecks

Estimated global real monthly wage growth



\* 2022 estimate based on data from the first half of the year  
Source: ILO



statista

than durable goods and services as reported by Statistics South Africa.

**“The disposable income of our employees is decreasing due to the impact of rising inflation.”**

It's the first time in more than a decade that increases are lower than inflation, not only in South Africa but globally. Employees' salaries are simply not keeping up with rising inflation. CPI has always been one of the major considerations for employers in determining salary and wage increases, but since the onset of the pandemic the focus has shifted. Whilst CPI is considered by 80% of the participants in the October Salary and Wage Movement Survey, most of these participants also indicated that CPI would be used in conjunction with other measures. The top five factors are:

- **Company profitability/affordability (80.5%)**
- **Individual performance (65.9%)**
- **Market trends (63.4%)**
- **Guidance from salary surveys (61.0%)**
- **Company performance (53.7%)**

Some 53.8% of the participants indicated that COVID-19 is no longer a factor that they are considering when granting increases.

South Africa is no different to the global trend that emerged in 2022 where increases granted have been lower than inflation. This trend was reported in the Salary and Wage Movement surveys in April and October 2022. Traditionally, salary increases are between one and two percentage points higher than inflation. So, employees are most certainly getting poorer each year. They are feeling the pinch, particularly when buying non-durable goods such as food, drink, electricity, fuel and medicine. Annual inflation of these goods is in the double digits at 14.4%. This is much higher



The table provides a quartile analysis of the anticipated increases for the next 12-month period on a total guaranteed package basis.

This does, however, vary by industry sector. The FMCG/retail and consumer manufacturing sectors as well as mining are predicting salary increases that are on average 1.2% higher across all employee categories. It should, however, be noted that the overall anticipated increases range between 3% and 7.5% for the next 12-month period.

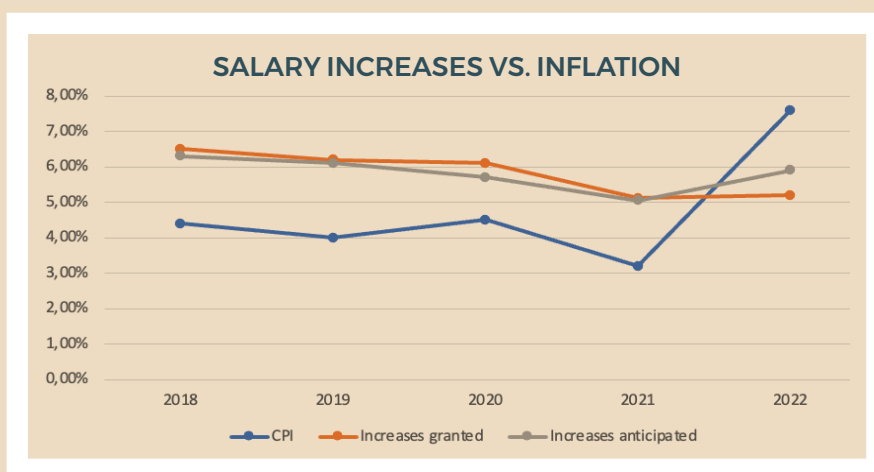
Anticipated total package increments for the next 12-month period				
Employee category	25th percentile	50th percentile	75th percentile	Average
Executives	5.00%	5.50%	6.50%	5.60%
Management	5.00%	5.50%	6.50%	5.71%
General staff	5.00%	6.00%	6.50%	5.78%
Unionised staff	5.00%	6.00%	6.00%	5.75%
<b>Overall</b>	<b>5.00%</b>	<b>5.50%</b>	<b>6.50%</b>	<b>5.70%</b>

**“Global trends clearly indicate that salary increases are below inflation as organisations plan for future sustainability and to protect jobs in an uncertain economic climate.”**



If one looks at the information graphically, tracking CPI relative to increase information is indicated as follows (see right). By mapping the relationship between inflation and increases, one can give some prediction to future increase trends.

As employers, we want to ensure future sustainability but at the same time our employees, especially our highly skilled talent, will be looking for opportunities to grow their disposable income if increases remain below inflation.



# WORKFORCE ANALYTICS

BUSINESS OUTCOMES ARE INEXTRICABLY  
LINKED TO PEOPLE DECISIONS



Business executives need deeper insight to make better decisions about their staff and to respond to market challenges. Forward-thinking leaders are increasing the sophistication of their workforce analytics to obtain this vital information and respond to market and people challenges. Leaders need to understand what drives business results, what will likely happen in the future and how they should respond. That said, COVID-19 could not have been predicted, but contingency plans to ensure that organisations can adapt quickly should always be built into workforce planning in case of disruptors. This means moving from standard metrics, reports and benchmarking to advanced analytic solutions.

**WORKFORCE ANALYTICS CAN HELP YOU TO:**

- Align and motivate your workers to achieve your business strategy
- Structure your workforce/management to achieve a competitive advantage
- Proactively lead your business and continuously improve the way you work
- Solve complex business issues and seize new opportunities

For most businesses, people are the largest cost and the largest potential for growth and innovation.

Effectively using people analytics will help you to understand the workforce you have, the workforce you need and what will drive your people to perform and provide a significant commercial advantage. That is why there is such a great focus on EVP – traditional models no longer apply!

As the world of work continues to change and the availability of digital data increases, the challenge is being able to trust, analyse and drive insight from it, in a manageable and repeatable way. This means developing capabilities that have not traditionally existed in the area of people management.

No-one has all the answers yet, but market leaders are increasingly using data-driven analytics to provide new insights, build cases for change and give HR a seat at the leadership table.

**HOW ARE COMPANIES RESPONDING?**

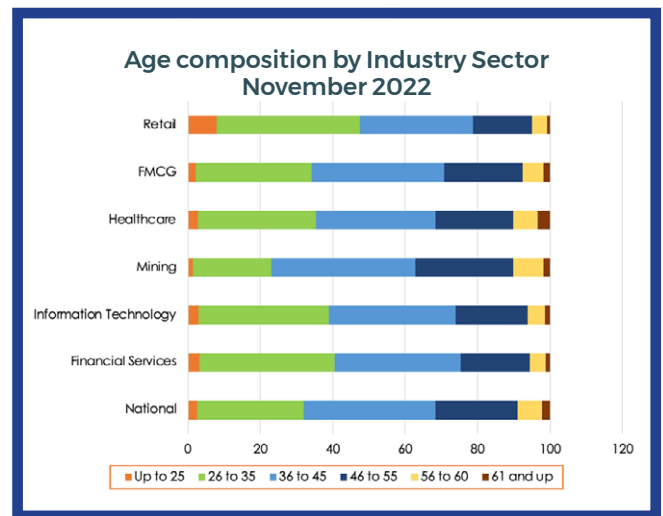
Companies are increasing their understanding of the workforce composition and aligning their business strategy by conducting data-driven, diagnostic analytic projects. This process allows organisations to:

- Improve their ability to assess and report on key people issues by determining specific people measures to monitor via interactive dashboards
- Increase compliance and reduce risk by enhancing the clarity, classification and governance of people data
- Improve data integrity by implementing consistent people data models and systems architecture
- Increase their understanding of internal data by benchmarking key people metrics between divisions and against external peers
- Improve their ability to coordinate, consolidate and drive value from analytics and reporting by developing people analytic centres of excellence
- Increase their ability to anticipate people issues that will affect business and enable mitigation actions by using predictive analytics and strategic workforce planning.

Understanding the age composition of your workforce will form a key part of your decision-making process. This specifically relates to how your EVP is structured and ultimately informs your reward strategy and policies.



The graph below provides an overview of the age composition in the various industry sectors in South Africa, extracted from the Remchannel online salary survey as of November 2022.



Workforces in the retail, financial services and information technology sectors are on average 39% below the age of 35 whilst 66% of the mining sector’s workforce is between 35 and 55. It is also clear that the over-55 employees are decreasing and this group is, on average, only 7% of all the industry sectors analysed.

Employers’ biggest challenge is that employees are increasingly diverse with vastly unique needs and values. For example, men and women perceive benefits differently, their views change based on the sector in which they work, the value they assign to benefits changes as they go through an employment cycle and their personal needs evolve. Add the pandemic to this mix and employees are now seeking different things from their jobs – and reward needs to adapt to this challenge.

It can’t be stated enough how much the workplace has changed and will continue to do so. And while it is more important than ever to have the tools to attract and retain talent, companies are faced with continued pressure on costs and the need to justify their spend on reward. It’s a fine balance but rewarding employees by taking the full EVP into account is crucial to enhancing their engagement and driving their productivity and discretionary effort.

# IMPLICATIONS OF THE EMPLOYMENT EQUITY

## AMENDMENT BILL - OLD NEWS?



As with any regulatory changes it takes a bit of time before organisations respond, unless of course there are compliance deadlines such as POPIA.

**W**hilst the amendments to the Employment Equity Act have been around for a while to promote equity and equality in the workplace, it has also proven to be burdensome for employers. It's important to note that noncompliance and contravention will attract increased financial penalties. How many risk committees in organisations are actually aware of the fact that a third offence will result in a penalty of up to 10% of annual turnover?



Section 6 of the Act contains the prohibition of unfair discrimination. According to the section, no person may unfairly discriminate, directly or indirectly, against an employee on any one or more of the grounds listed in the section. There are 19 listed, including race, gender, pregnancy and HIV status. The Act seeks to ensure that there will be no unfair discrimination based on pay for work deemed to be substantially the same or equal value. It is therefore unfair for an employer to differentiate between employees' remuneration on one or more grounds of discrimination where those employees provide work deemed to be of same or equal value.

Most organisations will indicate in their annual remuneration report that the principles of fair pay have been adopted, but this is not necessarily scrutinised by stakeholders. The statement seems to be enough. Unfortunately, this is not the case in many organisations. Analysing internal equity and reporting the statistics to the remuneration committee does not seem to be a common occurrence.

In the previous edition of HR Quarterly, we reported on pay differentials by race. In order to get an indication of the gender equity, we analysed the remuneration data in the REMchannel on-line salary survey consisting of more than a million data points.

In the November publication of the REMchannel on-line salary survey, it is evident that women today still earn on average 16% less than their male counterparts across all employee levels. With the research sample of almost a million data points, females are well represented with a 46% - 54% split between female and male employees, respectively.

It is evident that there are attempts to address the gender pay gap at executive level. On average, females earn 11% less than males in top and senior management. However, there is far less representation of females at executive level, with only 20% of top management being female. It is also important to note that this can vary greatly depending on the industry sector and in some cases it is as high as 25% at this level.

**“Fair pay practices and pay equity demonstrates that employers value all employees, regardless of their gender, race, age or other factors.”**

At junior staff level, which includes unskilled and semi-skilled levels, with female representation at 39%, there is an average of a 22% lag in female remuneration. It is a global phenomenon that women negotiate remuneration packages less aggressively than their male counterparts. As women progress up the career ladder, they are more verbal about remuneration and the pay gap.

Despite some progress being made in closing the gap in recent decades, women on average continue to earn less than men in most countries around the world. This disparity is not only unfair, but it also has negative economic consequences for women, their families and society.

One of the key drivers of the gender pay gap is that women are more likely to work in junior-employee category levels.

For example, women are over-represented in jobs such as cleaning services and childcare services, while men are more likely to work in higher-paying fields such as technology and engineering. This is partly due to societal expectations and stereotypes that steer women and men towards different career paths.

**The Global Gender Gap Report for 2022 showed that women in South Africa earn between 23% and 35% less than their male counterparts for the same jobs. South Africa is ranked 123 out of 146 countries regarding the gender pay gap for similar work.**

So, what is the solution? Buy-in needs to be obtained from board level in organisations. Practices need to be implemented to offer equal pay from the get-go. It should not be left up to employees to identify or become aware of pay disparities within their workplaces; pay equality should be a given.

This should also not be addressed in isolation. Companies should assess all elements in their remuneration philosophy, such as performance, scarcity of skill and expertise.

What is crucial is that companies understand the inequities that exist at all levels in their organisation and that these statistics are reported to the relevant stakeholders to ensure that their fair pay statement is not just another tick box to be reported in the annual remuneration report.

## UPCOMING Publications & Research

### **SALARY AND WAGE MOVEMENT SURVEY APRIL 2023**

Rising costs due to escalating inflation, exacerbated by increasing fuel prices and food shortages due to the Russia-Ukraine war, have created a perfect storm for employers as workers return to the office. The pressure on salaries presents a new challenge to employers as they look to retain and attract talent while remaining competitive.

To ensure that our clients and corporate South Africa have access to the latest salary and wage movements, including information on factors such as labour turnover and the reasons why employees are rethinking work and its role in their lives, we will be publishing the bi-annual Salary and Wage Movement Survey in April 2023. The survey not only provides insights relating to the salary-increase trends but also covers employee-turnover statistics by industry sector and negotiated minimum rates of pay.

Should you wish to participate in the prestigious April 2023 Salary and Wage Movement Survey, please email Lisa Tamkei using the details listed below. Please note that terms and conditions apply.

### **SOUTH AFRICAN EMPLOYEE BENEFITS GUIDE 2023**

Early in 2023, we will begin gathering data to assess the manner in which South African organisations are evolving and changing their approach to employee benefits. Our flagship publication, *South African Employee Benefits Guide 2023*, has assisted many organisations in benchmarking their current benefit structures to those of the market to ensure that they remain competitive. The survey covers all aspects of employee benefits from parental leave to retirement funding, medical benefits and all non-cash benefits such as cell phone and data allowances and market premiums. The publication date is December 2023 but data collection will

take place throughout 2023 to maximise the participant base and ensure robust information to assist you in your decision-making process.

### **FOR ENQUIRIES REGARDING SURVEY PUBLICATIONS, PLEASE CONTACT:**

Lisa Tamkei at [surveys@remchannel.com](mailto:surveys@remchannel.com)

### **FOR ENQUIRIES REGARDING OLD MUTUAL CORPORATE PUBLICATIONS, PLEASE CONTACT:**

[mindspace@oldmutual.com](mailto:mindspace@oldmutual.com)



### **LISTEN TO OUR LATEST PODCASTS**



Nearly half the South Africans who resigned in 2021, did it for better pay. Our host, Malusi Ndlovu, asked Remchannel MD René Richter what this means for employers and HR managers.

**When Salary Increases Fall Below  
Inflation Podcast ([oldmutual.co.za](http://oldmutual.co.za))**

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