REM channel

HR QUARTERLY

OCTOBER 2022

ARE YOU LOSING CRITICAL SKILLS IN YOUR ORGANISATION?

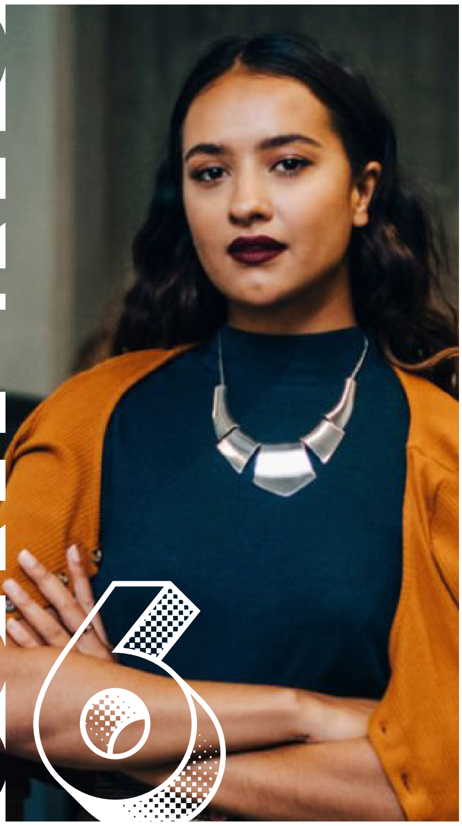
Reducing voluntary turnover and improving the quality of new hires is directly linked to your Employee Value Proposition (EVP)

DOES YOUR COMPANY HAVE A FAIR AND RESPONSIBLE PAY POLICY IN PLACE?

It is the duty of every organisation to intervene in the case of unfair pay practices.

REMCHANNEL (PTY) LIMITED IS A MEMBER OF THE OLDMUTUAL GROUP

TABLE OF CONTENTS



TALENT

YOUR BIGGEST ASSET IN TURBULENT TIMES

Over the past two and a half years we have seen global turbulence that few reward professionals have experienced in a lifetime. This has contributed to a feeling of apprehension and uncertainty for employees and employers alike.

As world markets continue to experience turmoil and terms such as the “Great Resignation”, “Stagflation” and “Recession” are frequently used, global economic fears continue to build and create a climate of uncertainty. Getting the best from employees at every level when the sails are constantly being adjusted is the key to a sustainable competitive advantage. Solid strategies, processes and technology alone do not deliver results – it also takes people to accept, adopt, drive, and sustain change to produce a tangible impact. Success in business hinges on strategic agility, and the ability to execute consistently. Many organisations refer to human capital as their most valuable asset but their inability to understand the complexities and the challenges that their employees face daily is not necessarily reflected in their human capital strategy.

As humans, we are all resistant to change, so creating a culture in the workplace that embraces change can only produce positive outcomes. The World Bank reports that human capital has a significant and positive impact on both total output and economic growth. The disaggregated allocation of human capital shows that higher levels of skilled employment are associated with higher total output and economic growth.

From a macroeconomic perspective, the World Bank also reports that the accumulation of human capital improves labour output; facilitates digital and technological innovation; increases return on capital; and makes growth more sustainable, which in turn, reduces poverty.

For this reason, investing in human capital, with an emphasis on the “human” will generate a return on your investment.

We trust that you will find the content of HR Quarterly valuable and that you’ll continue to adjust the sails to ensure a more compelling Employee Value Proposition.

René Richter

MANAGING DIRECTOR:
REMCHANNEL

KEEPING YOUR BEST EMPLOYEES IN SPITE OF MARKET PLACE DEMAND

RENE RICHTER

In addition to challenges that employers are facing due to global economics, the attraction, retention, motivation, and development of top talent remains critical for the long-term success of any organisation.

Reducing voluntary turnover and improving the quality of new hires is directly linked to your Employee Value Proposition (EVP), which include those attributes that current and potential employees perceive as the value that they will gain through employment in your organisation. Your organisation's EVP could make the difference between whether talent choses your organisation or a competitor's. This is particularly relevant in the changing world of work and the impact that the pandemic has had on global workforces.

So why are employers still struggling to design a compelling EVP? Reward and HR professionals continue to find it difficult to compete for talent despite the many initiatives implemented to improve EVP.

To be competitive companies need to do more than just pay competitive salaries, though this appears to be a prerequisite given the financial challenges that employees face. The broad definition of pay must be expanded to look at Total Rewards and to effectively communicate the company's reward philosophy to all employees. Non-monetary rewards and, in particular, the work environment and work-life balance are influencing employees' decisions to either stay or leave the organisation. These factors are increasingly emerging as the most critical differentiators for successful talent acquisition and retention.

Performance management is another often-overlooked aspect of an employees' work experience – one that has critical importance to high performers. And yes, it has changed significantly over the past few years – the move to more detailed discussions with employees over the course of the performance period has delivered some results. But it's worth bearing in mind that high performers tend to seek out and thrive in a pay-for-performance environment and they leave organisations that don't adequately recognise their greater contributions relative to average performers.

Finally, the diversity of your organisation needs to be considered. This is not a one-size-fits-all approach, one cannot simply create boxes and expect most of your employees to fit into them. Knowing your employees and their preferences

An EVP extends far beyond the numbers on a pay slip and more often than not will be impacted by the organisational culture and other factors that can't easily be quantified. For years, the following factors have been identified as part of EVP:

- Reward and recognition (pay and benefits)
- Career development (training and advancement opportunities)
- Work environment (culture, communication and employer brand)
- Work-life balance (flexible hours, including work from home opportunities)

TO BE COMPETITIVE, COMPANIES NEED TO DO MORE THAN JUST PAY COMPETITIVE SALARIES

is crucial to get buy-in and an understanding of the EVP. What is a hot button for some will not necessarily resonate with others.

Once you understand the gaps you can also use information from your exit interviews to establish what needs to change, and prioritise the items that will have the highest impact. Of course, you need to assess the cost implication, which is often the most difficult to sell in a constrained economic climate. Demonstrating the future ROI to your board and remuneration committee should provide a solid basis for decision-making.

If the analysis indicates that the organisation's Total Rewards is competitive, you should then consider the culture of the organisation. Are you delivering what you promised during the interview process? Do you have an inclusive and transparent culture that inspires high performance? If not, there may be a need to conduct employee-engagement surveys to establish whether there are cultural and psychological-safety issues that need to be addressed.

Lastly, it's crucial to listen to employees. The pandemic has transferred significant power to highly skilled and high-performing employees. Ignoring the signs could have disastrous consequences for any organisation's long-term strategy.

If you need help to conduct a gap analysis and a review of your reward philosophy contact Gizelle Erwee, Head of REMconsulting® at gizelle.erwee@remchannel.com

SO HOW DO HUMAN RESOURCES AND REWARD PROFESSIONALS GO ABOUT DEFINING OR REVIEWING AN ORGANISATION'S EMPLOYEE VALUE PROPOSITION?

Embark on an exercise to review all aspects of Total Rewards. Start with remuneration and benefits and analyse the offering in great detail. This includes remuneration, variable pay, medical aid, retirement funding, risk benefits and any other cash and non-cash that your organisation offers as part of the Employee Value Proposition.

The next phase would be to benchmark all these practices to your industry sector and research global trends. Bearing in mind that many key skills are not limited to seeking employment in the same industry sector and that you may have to consider other markets you are likely to attract skills from, or lose skills to.

Identify the risk areas based on your employee population and the skills required, for today's and future skills.

A BETTER ALTERNATIVE TO THE EXIT INTERVIEW

BY **JANKO KOTZÉ**

Employers are facing higher levels of employee resignations than they have in years. It may be time to rethink the exit interview. Many managers are scrambling to hold on to talent as the Great Resignation still looms over a post-pandemic world. During the past two years, companies have had a hard look at themselves to try to stop their most valuable employees from leaving. An exit interview seems like a sure-fire way to find the underlying cause of the outflow. But is it an effective way of addressing the overall health of an organisation? Or is it merely a band-aid for the symptoms?

THE PURPOSE OF EXIT INTERVIEWS

In theory, exit interviews have two objectives: learning where the company can improve; and maintaining good relationships. The overarching goal is to gather helpful information to bolster employee retention. But research by Harvard Professor of Business Administration, Boris Groysberg and US Military Head of Behavioural Science and Leadership, Everett Spain shows that an exit interview seldom achieves its goals for two reasons (and I am adding a third).

REASONS WHY EXIT INTERVIEWS FAIL

1. Data quality

If the departing employee and their manager did not see eye to eye, the information gained from the interview might be exaggerated, emotional and without context. On the other hand, the exiting employee may not be open or forthright about why they decided to resign. Since their vested interest is leaving with them, they may simply feel it's not worth their time or energy.

2. A lack of consensus on best practices

Findings and recommendations from studies are either ambiguous or conflicting. It also seems like many companies are either shooting from the hip or sticking to a rigid format of questions and answers that put the interviewee in a difficult position. Everett and Boris report how one HR leader summed it up: "Are they really going to tell you they are leaving because they do not like their boss? Probably not, because they want references."

3. Employers do not use the information obtained in exit interviews

I am adding this third reason based on my own experience. When data has been gathered and the employee has left, what happens from there? Regrettably, only a handful of companies process the information and apply what they have learnt. We know that exit interviews seldom reach their goal of improving retention, which begs the question: what can companies do to shift their focus while their employees are still invested? And how can they increase the likelihood of honest feedback?

WHAT MAKES A GOOD EXIT INTERVIEW?

The answer lies in psychological safety. Psychological safety for employees is the certainty that they will not be punished or humiliated for speaking up with ideas, questions, concerns, or mistakes. It is a mental space where they feel comfortable to openly discuss their beliefs, fears and ask questions. It sets courage and candour as prerequisites for the employee and leader alike. In the process, they build trust and compassion.

In a psychologically safe space, employees can be invited to talk about interpersonal conflicts, salary expectations, workload management, role likes and dislikes, preferred leadership styles, training and development, career goals and their personal need for flexibility. No topic is off limits, and their manager or supervisor is receptive to feedback – but so is the employee. Such an environment aims to address concerns as they arise and to cultivate empathy on both sides. The dialogue is a continuing conversation that moulds the best possible working environment for everybody.

Of course, there are limits to what a leader can accomplish within a company's parameters. And despite HR's best efforts, retaining everyone is impossible – some talent will inevitably leave for a better salary or a growth opportunity. However, when they resign and have a good exit interview, the manager will gain insight into why they are leaving the organisation and the employee will be departing as a loyal alumnus.

ARE YOU SURE THAT YOUR ORGANISATION HAS CREATED A WORKPLACE THAT PROMOTES PSYCHOLOGICAL SAFETY FOR ALL EMPLOYEES?

However, the best exit interview is not just a once-off conversation. This is not to say that the standard exit interview should be scrapped altogether. If leadership lives by example and showcases openness, employees might be as comfortable being honest in the concluding debrief as they have been in their day-to-day work. If the exit interview is weaved into the employee's work cycle as part of the bigger offboarding plan, the strategic value can be priceless.

Unfortunately, it is often a standalone device meant to ease leadership's collective conscience that they have done all they can. If the exit interview is the only candid conversation a company has with its people, leaders need to ask themselves if they indeed want to know the answers in the first place.

Janko is an industrial psychologist, organisation development expert and founder of consulting firm, Human Interest.

This article first appeared on the Old Mutual Corporate Resource Hub.

POST-RETIREMENT MEDICAL AID (PRMA)

SITTING IN THE SHADOWS OF NATIONAL HEALTH INSURANCE (NHI)

BY **TREVOR HULLEY**

We are constantly dealing with financial and physical wellness issues and this was highlighted again with the onset of Covid-19, the resultant lockdowns and other environmental consequences.

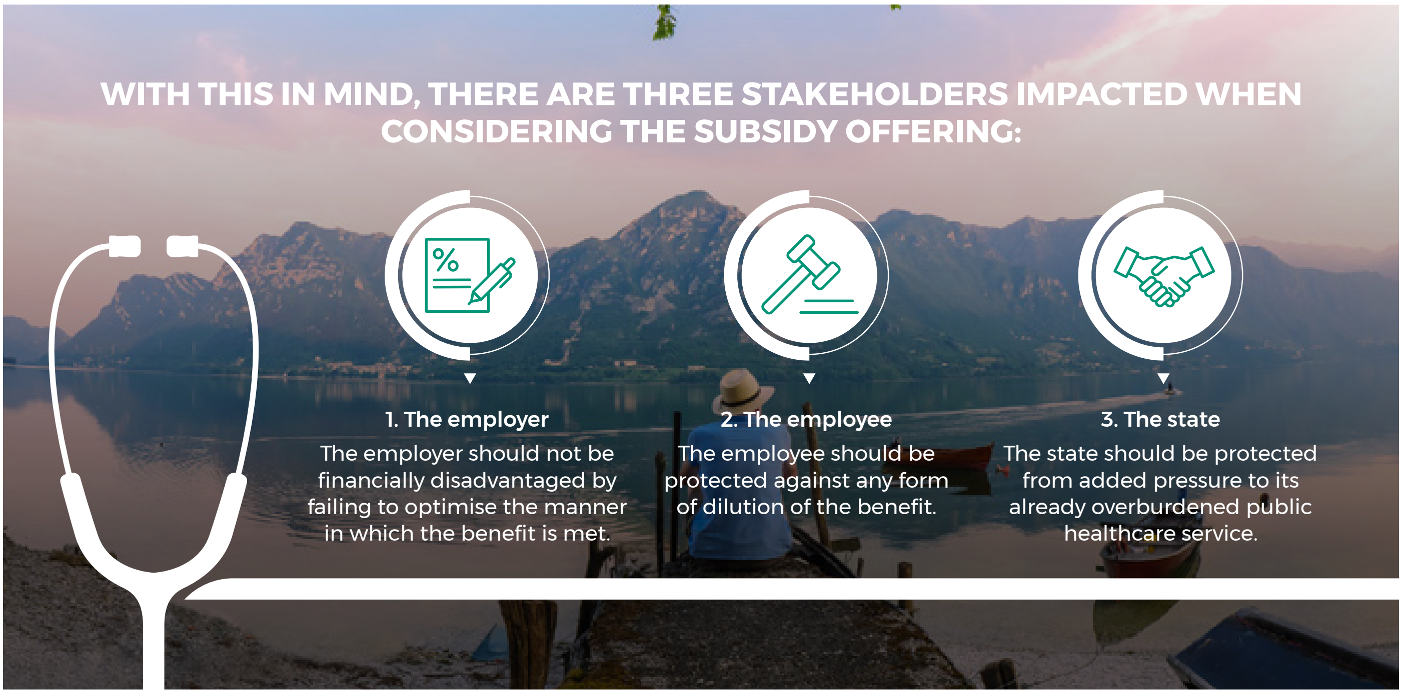
Healthcare costs remain an important part of life especially when you retire. Individuals need to prepare for this as they move towards retirement and consider how they will pay for their healthcare when they need it most. The intention to address this through the introduction of National Health Insurance (NHI) feels like a long shot, and even if successful, it's only likely to benefit future generations, and even then, partially so.

Some employees and pensioners – the lucky ones – continue to enjoy relief in the form of a post-retirement, medical-scheme subsidy from their former employer. The regulators are all too aware that any change to the current taxation treatment of these subsidies would naturally aggravate an already burdened public healthcare. This can be avoided by not introducing or amending legislation in a way that discourages employers from providing such benefits.

The primary reasons for offering post-retirement, medical-scheme subsidies are to attract employees, promote long service and to retain valuable skills. While some employers have shifted away from this subsidy approach, for those employees who remain entitled to the benefit, it plays a key part in their decisions both pre- and post-retirement. For example, pre-retirement employees will consider this benefit against an offer from another potential employer before changing jobs. And post-retirement pensioners will consider the impact of a change of medical scheme or medical scheme option on their subsidy benefit before making any changes.

While some employers have shifted away from the subsidy benefit, other employers still acknowledge the value in continuing to provide it. Even some that have stopped the benefit are seeking advice as to how it can be re-introduced, albeit these cases are uncommon.

Where the benefit is still in place, employers need to ensure that they are prepared to fund it and continue to manage the administration and pay for it after their employees retire.



There are commercially sound methods that can be explored by employers to provide this benefit through a managed insurance solution – the trend towards this is strong. It's up to the employer stakeholders, through a collaboration between HR and finance executives, to seek advice from professionals. NHI, together with current and intended regulations, Covid-19 and other events and aspects impacting longevity, should be considered. A managed insurance solution gives employers balance-sheet improvement and financial relief, plus a breather from a sizeable portion of the monthly administration processes (payments to medical aids and the reconciliation thereof, ensuring pensioners are still alive etc.) The extent to which you as an employer want to match your promise of the benefit can be considered within the bounds of affordability.

Alternatively, there are ways in which employees could accept an alternative form of the benefit that provides more flexibility for them without diluting its extent or nature. This is commonly termed a settlement offer, and as an employer you could consider settling the promise benefit on either a compulsory or voluntary basis. For pensioners and current employees, there are different settlement routes but the financial implications for both the company and the individual need to be considered before deciding which route to take.

Pensioner settlements most commonly take the form of offering the pensioner an annuity that will continue to pay the subsidy (usually under the same continuation -i.e., transfer to spouse etc.- as the current subsidy benefits) to the medical scheme. These subsidy benefits would remain tax-free for the pensioner to the extent that payment is made to the medical scheme. Any amounts paid to the pensioner would attract tax as if it was a "normal" annuity pension income.

Settlement with in-service members is always a trade-off. The benefit is almost always dependent on the employee completing service, yet settling would mean that you are giving something now

> **THERE ARE COMMERCIALLY SOUND SOLUTIONS THAT CAN BE EXPLORED FOR EMPLOYERS TO PROVIDE THIS BENEFIT THROUGH A MANAGED INSURANCE SOLUTION.**

for a benefit that may not accrue. The trade-off is considering how much you are willing to give up now to reduce the volatility that this promise brings to your financial reporting. The settlement with in-service members most often takes the form of a top-up to a retirement vehicle. To help address the trade-off, the top-up can be structured as a combination of lump-sum and recurring contributions to give something now and have the balance attached to continued service.

If you would like to discuss your particular PRMA situation, please reach out to us at:

mhouston@oldmutual.com, or
thulley@oldmutual.com

MEGAN HOUSTON: SENIOR CONSULTANT
TREVOR HULLEY: PRINCIPAL CONSULTANT
OMCC, FAIRBAIRN CONSULT.

AN AERIAL VIEW OF PAY EQUITY IN SOUTH AFRICA

BY **TAHIRA NAGDEE**

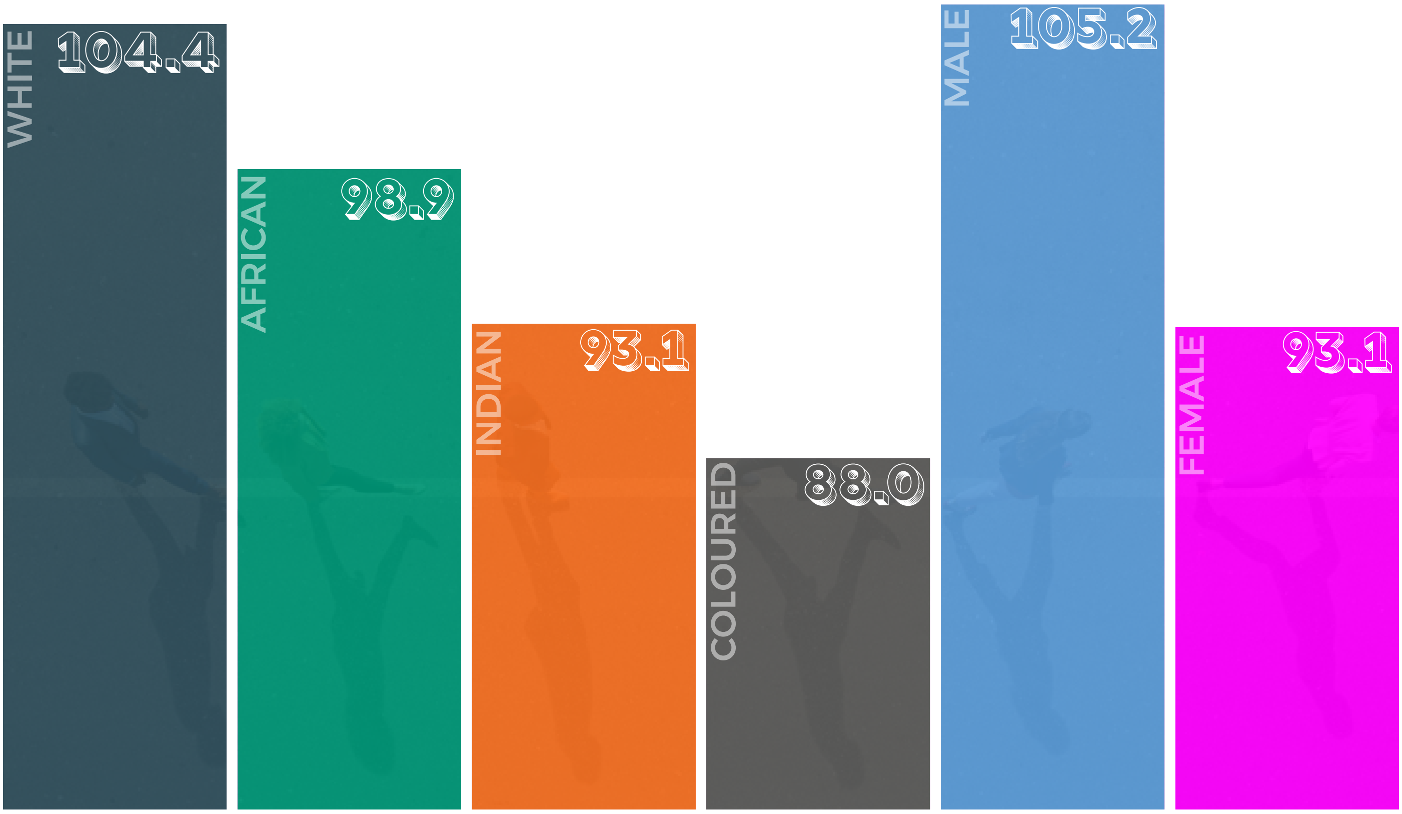
External equity refers to the employee's perception of being treated in the same way as employees in the same job but at a competing organisation, while internal equity refers to the employee's perception of being treated in the same way as employees within a focal organisation (Werner and Mero, 1999).

Employers need to deal with employee perceptions and the impact it will have on their ability to attract and retain the best talent in the organisation. They also need to consider the statutory requirements as defined in the Employment Equity Act, which is aimed at promoting equity in the workplace and ensuring that all employees receive equal opportunities and fair treatment by their employers. The law protects employees from unfair treatment and any form of discrimination, and while there may be many valid reasons why employees are paid differently, employers must ensure that internal pay equity is defendable and that they practise fair-pay principles.

Recent analyses conducted by REMchannel® reflect that there are still distinct gaps from a gender and racial equity perspective in South Africa. It's important to note that each datapoint in the analyses mentioned herein has been thoroughly reviewed and validated by Remchannel®.

Below is an aerial view of racial and gender comparisons using data from the national all-industries market. The data includes the total guaranteed package 50th percentile, across all industries, grades and disciplines, inclusive of a sample size of over 941 000 datapoints, and is presented in the form of comparative ratios for each category. The overall market, including all categories, is represented as 100% while the data for the race and gender categories has been compared at the midpoint.

INCOME DIFFERENTIAL BY CATEGORY AT AUGUST 2022



THE ABOVE CONFIRMS THAT THE OVERALL GENDER AND RACIAL GAPS IN SOUTH AFRICA ARE NOT ONLY EVIDENT, BUT ALSO QUITE WIDE.

CAN ONE ARGUE THAT THE PAY GAP IS REDUCING YEAR ON YEAR?

In our next study, we conducted an analysis using data at a set point in time, providing a year on year view to identify either an improvement or deterioration in equity statistics.

The findings indicate that the mean total guaranteed package comparisons across all industries, grades and disciplines between March 2021 and March 2022 deteriorated slightly year on year.

With that in mind, organisations should ask themselves three pertinent questions:

1. Does your company have a fair and responsible pay policy in place?
2. Has an analysis been conducted to identify potential inequities?
3. Have you made a commitment to address differentials where the gaps are unjustifiable?

HOW CONFIDENT IS YOUR ORGANISATION IN ITS EXECUTION OF FAIR COMPENSATION?

If your answer to this question is not a resounding “yes”, it may be time to formally assess and analyse your compensation policies and practices, to ensure fair and equitable pay practices.

It is the duty of every organisation to intervene in the case of unfair pay practices. For pay to effectively reward and motivate workers, employees must have the assurance that their salaries are internally equitable and externally competitive in line with the organisation's reward philosophy. For the organisation, any pay gap anomalies must be legally and ethically defendable.

To achieve this, employers must consistently review and assess their compensation practices. Some ways in which to lay the groundwork toward equitable pay are:

- **Review of remuneration philosophy** to ensure that it remains aligned to your company's mission and values to enable you to attract and retain the required talent.
- **Analyse your internal and external equity** to either defend and justify any pay gaps identified, or to formulate a plan to close the gaps.
- **Monitor market trends** to gain extensive insight into remuneration and reward trends across industries.
- **Assess your organisation's positioning to the market** to further inform pay gaps and anomalies.
- **Defined pay structure/ salary ranges** will provide a framework to inform remuneration related decisions.

You can only assess potential risk areas – from an attraction and retention of key talent and legal perspectives if you understand the realities of your compensation practices.

HOW CAN WE HELP?

Should you need help assessing your internal and external equity position Remchannel® has extensive expertise to identify potential risk areas in your organisation.

REM consulting

1. Internal equity analysis
2. Policy/remuneration policy review or design
3. Market positioning analysis
4. Pay scale design

If you are a REMchannel® survey participant, contact your designated Key Account Manager or email the Head of REMconsulting®, Gizelle Erwee at: gizelle.erwee@remchannel.com

UPCOMING WORKSHOP

SALES COMPENSATION 1-DAY WORKSHOP FOR REMUNERATION PRACTITIONERS

8 November 2022

Sales compensation scheme design is a highly specialised area, requiring knowledge of specific design techniques and understanding of key sales compensation principles such as pay mix, leverage, thresholds, caps, ramps, sales crediting, and the difference between commission and bonus schemes.

For sales compensation schemes to be effective, they must be designed to drive the business needs, motivate the sales force and be cost effective. The design process is complex and multi-faceted and can only be undertaken successfully with a clear understanding of all the issues involved.

This one-day course teaches key sales compensation design principles in a highly practical way with business examples, and application of each stage to a realistic case study.

Aspects covered in detail over the course of the workshop are the following:

1. Drivers of Sales Compensation Design
2. Sales Incentive Design Factors
3. Construction of a Sales Compensation Matrix
4. Testing and Implementation

For bookings and more information, please contact:
Clarissa Poonawassy at workshops@remchannel.com

UPCOMING PUBLICATIONS

Salary and Wage Movement Survey: October 2022

Rising costs due to escalating inflation, exacerbated by increasing fuel prices and food shortages due to the Russia-Ukraine war, has 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 has access to the latest salary and wage movements, including elements such as labour turnover and the reasons why employees are rethinking work and its role in their lives, we have published the bi-annual Salary and Wage Movement Survey. 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 obtain a copy of the October 2022 Salary and Wage Movement Survey, please email Lisa Tamkei using the details listed below. Please note that terms and conditions apply.

FOR ENQUIRIES REGARDING SURVEY PUBLICATIONS, PLEASE CONTACT:

Lisa Tamkei at surveys@remchannel.com

FOR ENQUIRIES REGARDING OLD MUTUAL CORPORATE PUBLICATIONS, PLEASE CONTACT:

mindspace@oldmutual.com

REGIONAL CONTACT DETAILS

GAUTENG

Asanda Ntile
082 681 6405

René Richter
082 460 4348

Louna Robbertse (REMchannel®)
079 79 494 3222

Shamolia Dursen (REMeasure®/REMprofile®)
082 385 1177

Carol Shepherd (Global)
084 657 3526

WESTERN CAPE

Gizelle Erwee (REMconsulting®)
082 871 5728

OMBDS 09.2022 C6469

REMCHANNEL (PTY) LIMITED IS A MEMBER OF THE OLDMUTUAL GROUP