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A quarterly journal published by PwC South Africa, providing informed commentary on local and international developments in the people and reward arena.

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Dear Valued Client

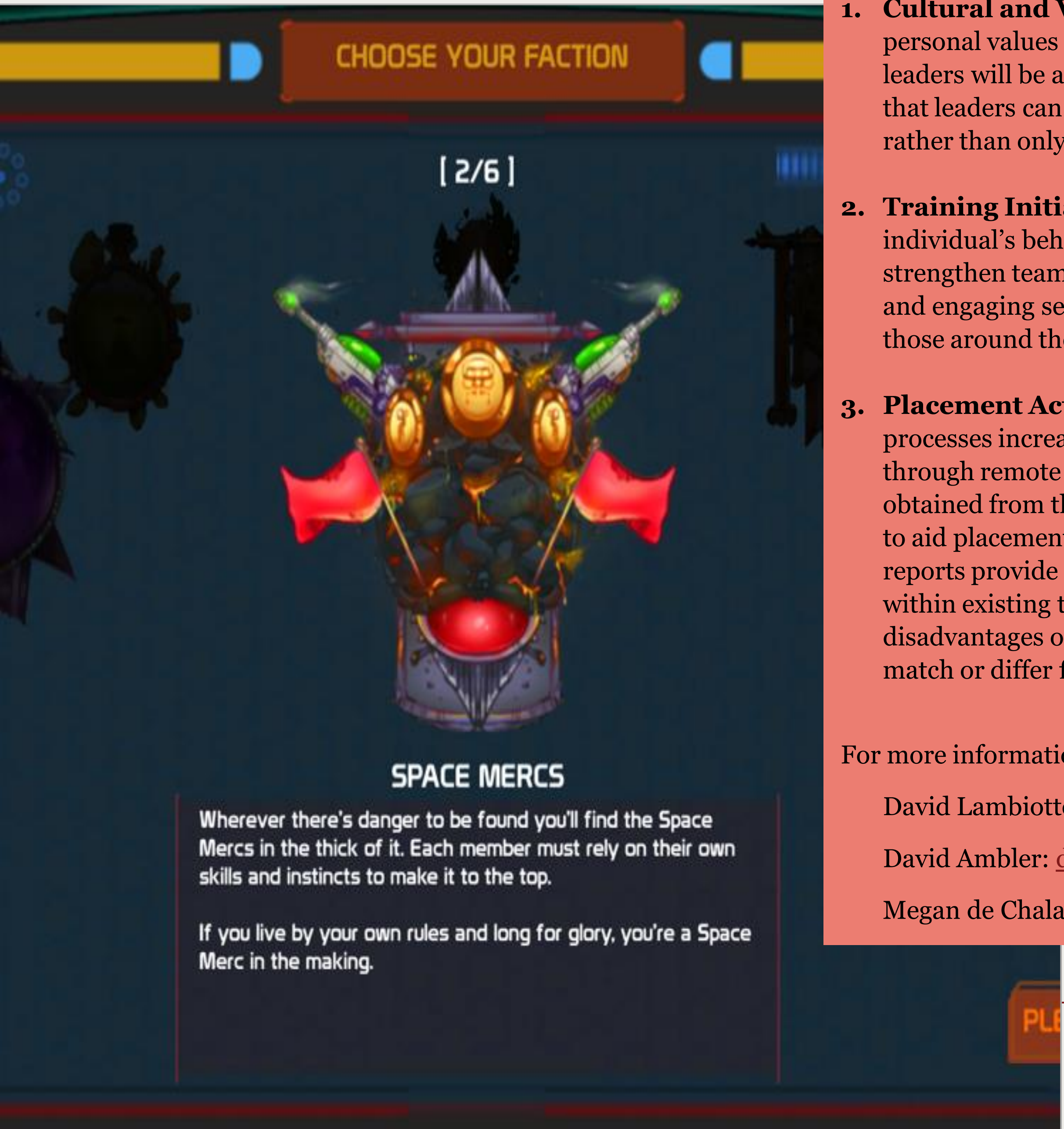
As the future of work keeps changing and unfolding, bringing with it many changes and uncertainty, one point remains clear – finding and keeping the right people is and will be crucial to any company's success. And whilst technical skills are important, increasingly organisations and employees are focused on finding the right "fit". Psychometric assessments can play a pivotal role in understanding, developing and working with individuals, if the assessments are administered and used correctly.

That's why we created a personal values based psychometric assessment set in the form of an intergalactic journey. This web-based psychometric assessment offers a unique, graphic novel-styled experience which doesn't require any serious IT or gaming experience.

Candidates are taken on an adventure which requires them to apply their judgement and make decisions when faced with various scenarios. Each decision is linked to a personal values orientation and through the use of a purpose-built scoring algorithm, we are able to accurately determine the degree of alignment of each participant to a set of personal values.

This insight can drive organisational change and personal development by finding the right "fit" and improving alignment.

The People and Organisation Team



Our game-based assessment in the work context:

1. **Cultural and Values Alignment:** Through the understanding of personal values and the awareness of corporate values, business and team leaders will be able to drive effective change – focusing on values means that leaders can give corrective feedback to employees at a deeper level rather than only handling isolated infractions.

2. **Training Initiatives:** Our reports provide detailed insights into how individual's behave and make decisions. This information allows us to strengthen team dynamics and leadership qualities through interactive and engaging sessions which increase personal awareness for oneself and those around them.

3. **Placement Activities:** Using an online assessment in placement processes increases the reach of candidates by accessing outlying areas through remote testing capabilities. Furthermore, the information obtained from this values-based assessment can provide impactful insights to aid placement decisions. Our placement workshops and comparative reports provide detailed information on how newcomers may operate within existing team dynamics – addressing the potential advantages and disadvantages of each candidate based on their values and how these match or differ from the team they are joining.

For more information please contacts us:

David Lambiotte: david.x.lambiotte@pwc.com | +27 (11) 797 5960

David Ambler: david.ambler@pwc.com | +27 (21) 529 2015

Megan de Chalain: megan.de.chalain@pwc.com | +27 (31) 271 2044

Why will AI create jobs

A growing number of people are worried that robots — and other machines with artificial intelligence — will imminently steal so many jobs that it will lead to a future of pervasive unemployment. But even a cursory reading of history will show that we've been here before.

Consider a series of headlines pulled from just one newspaper, the *New York Times*, as an illustration: In 1928, the *Times* ran an article titled "March of the Machine Makes Idle Hands." In 1956, it announced "Workers See 'Robot Revolution' Depriving Them of Jobs" (for an article about labour unrest in London). In 1980, the newspaper declared "A Robot Is After Your Job." And in December 2017, a *Times* op-ed headline asked, "Will Robots Take Our Children's Jobs?" with the answer being an anxious "probably."

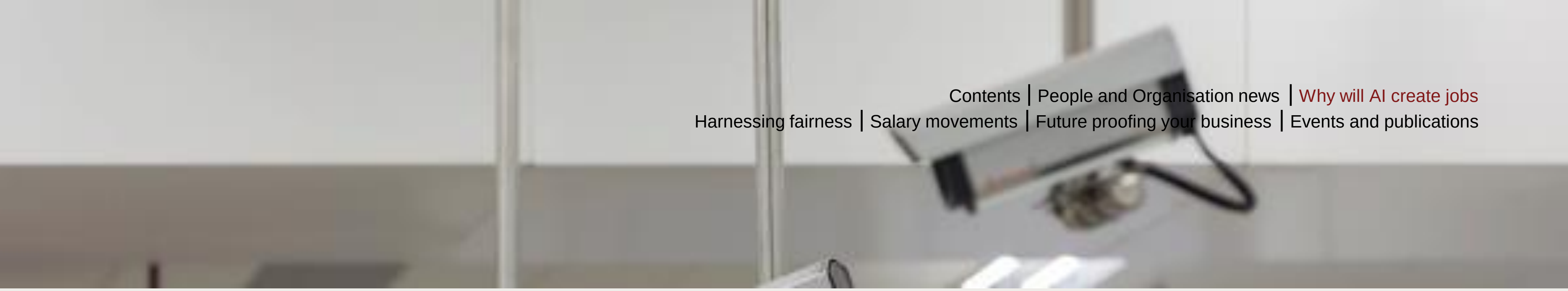
Yet, at the same time, the U.S. is nearing full employment. Once again, there is a raft of warnings about lost jobs, and once again, there is reason to doubt the warnings. The real challenge engendered by AI may be a persistent shortage of skilled labour.

To be sure, robots are becoming smarter through improvements in AI. They are taking over many repetitive tasks, which might seem ominous for human labour. But this trend has to be considered in the context of ongoing technology innovation and global economic progress, which has a strong track record of generating jobs for humans to fill. In 1950, only 55 percent of the working-age population in the U.S. was employed. By 2015, that percentage had risen to 60 percent — representing a net increase of about 100 million jobs — after many potentially job-killing technologies had been introduced, among them shipping cranes, ATMs, and personal computer spreadsheets. The same could well be true of this wave, especially if we put into place the innovations in education that could help people adapt.

From Luxuries to Necessities

There are two reasons that, again and again, automation leads to broader levels of employment. The first has to do with the enabling of customers. New technologies turn the luxuries of the past into the needs of the present, and it requires labour to support those new necessities. For example, in 1950, very few people could afford air travel. But as the price of a plane ticket came down, the long-distance tourism industry exploded. Today, according to one prominent global industry association, nearly 1,000 major amusement parks and theme-based attractions around the world are visited by about a billion people each year, and more than 2.4 million jobs are attributed to them in the U.S. and Europe alone. Whether it's the artists and engineers who invent new rides, or the actors who take pictures with kids, or the managers of food trucks, or those who create the marketing campaigns, that's a whole lot of jobs that didn't exist in 1950.

Another example is as close as your nearest bank branch. In the 1960s, if you needed cash from a financial-services firm, you went to a human teller. In 1967, when the first automated teller machine was installed by Barclays Bank in London, people thought it would bring about the eradication of teller jobs. Needless to say, they were wrong. Yes, the time employees spent counting out dollar bills for customers dropped off a cliff. The number of tellers employed per bank branch declined. But the new ATM technology made it cheaper to open branches. Tellers found themselves solving more complex problems for customers than they could before, while providing a much better customer experience than banks could offer in the 1960s. The total numbers of tellers employed actually increased.



Of course, a teller of the 1960s couldn't just step into one of today's bank jobs — not without a lot of retraining. And that's the challenge new technology brings. There's no difficulty in finding an open job, but it's hard to find people for the jobs that exist.

In the technology industry, for example, there are labour shortages everywhere. By some estimates, in 2017, there were fewer than 50,000 computer science graduates to fill 500,000 open developer jobs in the U.S. alone. "In the current era of business process improvement, AI systems are not replacing us; they are amplifying our skills and collaborating with us to achieve performance gains that have previously not been possible," write Paul R. Daugherty and H. James Wilson in their new book, *Human + Machine: Reimagining Work in the Age of AI*.

Enduring Jobs and Vanishing Tasks

The second reason that jobs will not be lost, even in the current wave of technological change, has to do with the nature of jobs. A person who holds a single job performs many different tasks — and although some of these are vulnerable to automation, others are not. Thus, whereas it's not accurate to say that AI will replace many jobs, AI could take over many of the tasks that make up today's jobs.

Predictable physical tasks will be easiest to automate. Machines are great at high-volume, routine work. They use mechanical power to replace human brawn. They will also replace people in rote clerical and menial tasks.

But they will remain poor at abstract tasks such as complex problem solving, and even worse at interactions that require empathy or common sense. Nor will they easily handle new environments in which little data is available. Machine learning depends on having a data-filled, accessible history from which the computer system can make inferences. Thus, managing people, solving unstructured problems, and innovating will remain almost impossible to delegate to a robot, no matter how well programmed it is. Even as old tasks disappear, new ones will emerge. The jobs of the future will be built around those tasks. Companies will need to help their employees upgrade their proficiency and gain the necessary new skills. Those who are independent of a single employer will have to do it for themselves. To use a quote attributed to Alvin Toffler: "The illiterate of the 21st century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn." According to some estimates, 65 percent of the kids in school today will end up doing jobs that don't exist yet. They'll need continual retraining and relearning. So will employees at the other end of the age range.

Rethinking Your Company's Jobs

If you are a business leader, you still have to address the challenge of automation, but in a way you probably didn't expect. As competitors add new capabilities to meet new customer needs, you'll have to keep up or surpass them. You'll thus need to think more creatively about the jobs you have, the tasks that make up those jobs, the skills that your people will need, and the training you offer them.

Those who warn that robots are taking over are fearing the wrong threat. Creating a culture of continuous learning is how we will get from today's economy to a new economy that gives more people an opportunity to prosper. And it's important to understand that the responsibility for providing that education cannot fall only on governments. In a fast-changing environment where continuous learning is crucial, business will play a key role. Is your company prepared?

Harnessing fairness to win back trust

PwC's financial services fair pay survey

Flat lining incomes and rising inequality are shining an unwelcome spotlight on industries seen to be exacerbating the problem. Financial services is one of the sectors in the firing line. The rewards enjoyed by senior executives and high earners within financial services have come to epitomise what many people see as an industry that's cut off from everyday life – 'Wall Street versus Main Street.' And this spotlight is being intensified by new gender and pay ratio reporting.

Although many financial service organisations have been working to reshape their cultures, deliver customer outcomes and publicise their contributions to society, public anger over pay is undermining the industry's efforts to reconnect with society. Yet the focus on pay presents an opportunity for your financial service organisation. Putting fairness at the heart of your pay policies would visibly demonstrate that you're conscious of inequality and its impact – that you're listening to what stakeholders are saying and you're prepared to align with their values. Ultimately, embracing fair pay would establish that you're prepared to 'walk the talk' in reshaping your culture, organisational purpose and performance objectives. The risk of inaction is being forced to respond to a fairness agenda set by hostile interest groups. This could include allowing 'fairness' to become synonymous with 'equality,' which in turn could lead to arbitrary caps on salaries or pay ratios.

Global increase in fair pay regulation

Questions remain over whether enough financial services organisations are moving far or fast enough to set their own agenda on fairness, rather than having it shaped externally by regulation. As the disclosure demands and the potential backlash increase, there is a danger that your company will be judged by a definition of fairness set by others or by how the disclosures are framed. It's important to develop a clear view of what dimensions of fairness are relevant to your business and how you communicate them. Is it about closing the gap between top and bottom? Or making sure pay is always non-discriminatory and justified by performance and contribution? Is fairness defined by the market rate, or are there minimum standards that dictate a living wage should be paid regardless? The answers will be different for different organisations and need to be supported by clear and proactive fairness reporting, which explains how fairness is viewed and measured, sets out plans to achieve these aims and tracks progress against objectives.

The risk opened up by a reactive, minimal compliance approach is that a company will be held hostage to a one-dimensional view of pay and by extension its fairness philosophy will be based on its pay ratio and gender pay gap alone. This can hurt a company's reputation and limit its ability to keep and attract talent.

How can your organisation turn fair pay into tangible policies that differentiate your business?

Step 1:

Identify the principles of fairness that are most relevant to your business, workforce and culture. How does fair pay align with your purpose and values, for example?

What behaviour and performance do you want your reward system to promote? How do you ensure your staff have a decent standard of living? What do you have to do to be seen as a caring organisation?

To be relevant, your principles should clearly reflect the economic realities of your business. This includes not only competing against peers for talent and offering appropriate incentives, but also ensuring equal opportunities for traditionally underpaid and underrepresented groups. Your board should then approve these principles to show their importance.

Step 2:

Conduct a full internal equity analysis. Ensure that all elements relevant to establishing potential inequities are identified. These would include gender, race, age, length of service, qualifications and the performance of your employees. If you need assistance with performing the analysis and obtaining an independent opinion, please contact René Richter at rene.richter@pwc.com

Step 3:

Check the alignment of your principles to your practices. It will quickly become clear where corrective action is needed to enable you to defend your practices aligned to the workforce of the future.

Mandatory UK gender pay reporting

What do the 2018 gender pay disclosures tell us?

The first year of reporting - an overview

The 5th of April 2018 marks the end of the first year of disclosures under the new UK gender pay gap reporting requirements. Just over 10,000 companies employing more than 250 people in England, Scotland and Wales have disclosed their figures, although reportedly more than 1,500 are yet to publish and may face possible fines and reputational damage.

As the reporting period closes, we are able for the first time to get a detailed sense of the gender pay gap that sits within the UK's key employers.

The results are stark - with more than 85% of companies disclosing a mean pay gap, and 80% a mean bonus gap, in favour of men. Although the exact reason for this gap do vary by company, in the overwhelming number of cases the key factor appears to be the relatively high number of men in more senior (and so more highly paid) roles.

We explored the detail behind the headline statistics and the positive actions that companies are taking to improve their gap. With the first reporting deadline now behind us, we also look ahead to what companies should be doing now to prepare for the future.

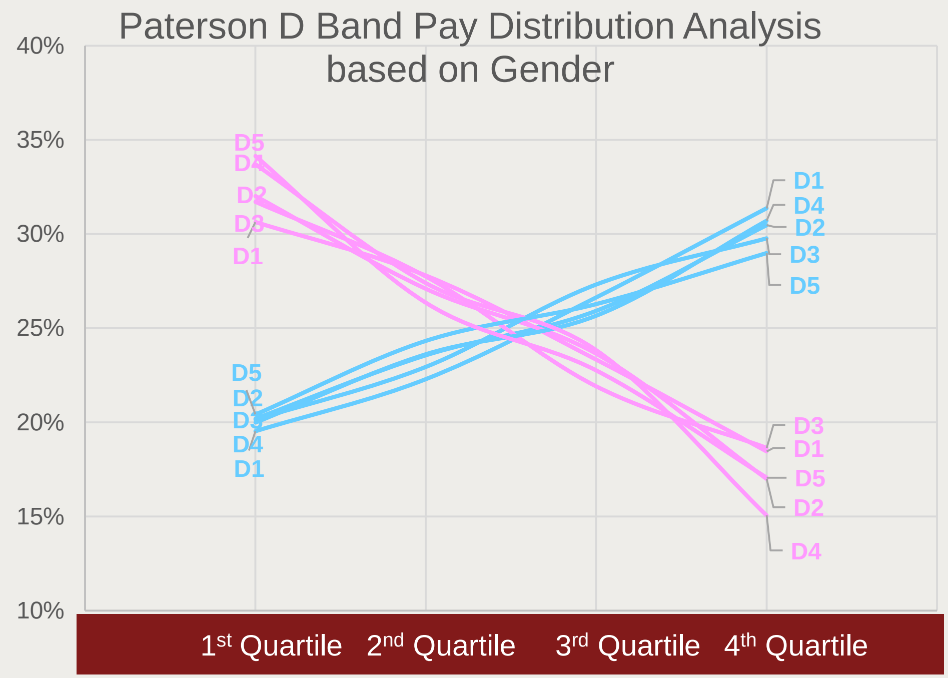
To obtain a copy of this report visit our UK site at www.pwc.co.uk/genderpay

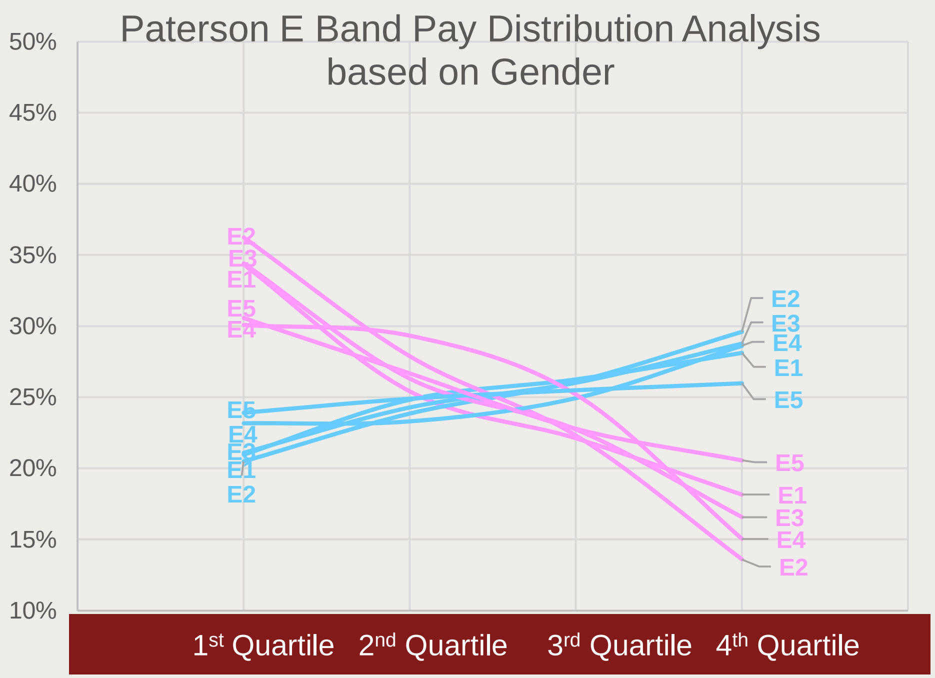
Mean pay gap disclosure

- 75% of companies who reported have a pay gap above 5% in favour of men
- Over 85% of companies disclosed have a pay gap in favour of men
- Around 40% of companies disclosed have a mean pay gap above the national average (17.4%)
- Around 10% of companies disclosed have a pay gap above 30%

Equality focus
Gaining momentum globally and regulation is increasing

South African gender pay gap





In order to demonstrate the gender pay gap in South Africa the market data was extracted from the REMchannel® on-line salary survey. The results are graphically depicted for the entry level management, management and senior management levels. The pink lines represent female total guaranteed packages whilst the blue lines represent male total guaranteed packages.

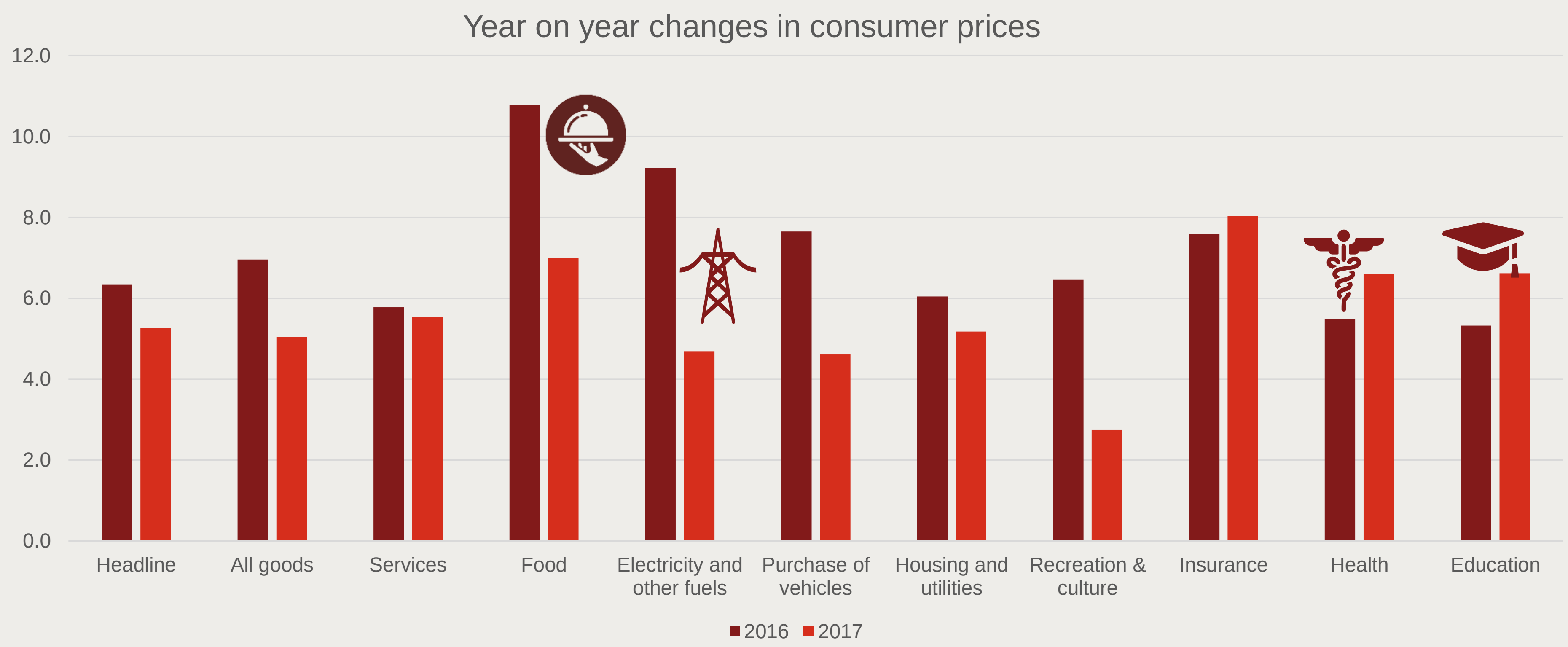
The results of this analysis emphasises the extent of gender inequality in South Africa. The majority of the females in a sample of more than 158 000 are paid between the 1st and the 2nd quartile of the sample. In contrast the majority of males are paid between the 3rd and 4th quartiles of the sample.

This highlights the amount of work that still needs to be done by Corporate South Africa to address the gender bias.

Historical and future salary movements

Most organisations still use CPI as one of the factors to determine increases

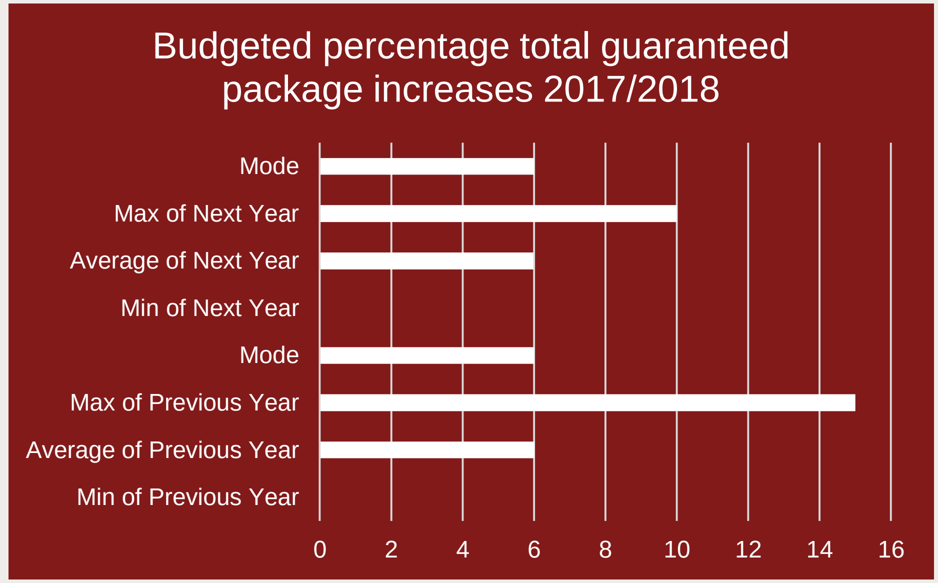
The stark reality is that increases are still dependent on the overall affordability factor. The impact of the South African economic climate has resulted in the escalation of many basic consumer products and services far beyond the headline CPI movements. Consider this, over the past nine years education has increased on average by 8.3% per annum, electricity and fuels with a staggering 13.8% per annum and food by 7.1% per annum. South Africans are indeed becoming poorer each year as most salary increases have been CPI plus one or two percentage points in the same corresponding period. The tables overleaf provides the actual increases granted over the past 12 months as well as the budgeted increases for the next 12 months.



Year on year increases

Budgeted percentage increases

The more than 560 participants in the REMchannel® on line salary database reported budgeted increases ranging from 0% to 10% for the next 12 months. 12% of the respondents in the survey reported increases less than 5% whilst only 3% of respondents indicated that budgeted increases for the next 12 months exceed 6%. Remuneration is by far the largest component of any organisation's expenditure. Add to that the cost of preparing for the Workforce of the Future and other related sustainability initiatives, aligning salaries in terms of equal pay for work of equal value and the costs escalates significantly.



Actual year on year total guaranteed package increases (incumbent on incumbent - same hierarchical category)							
Grade Hierarchy	National Median	Financial Services Median	FMCG Median	Health Care Median	Higher Education Median	Mining Median	Retail Median
Executive Management	7.9	8.5	9.1	6.7	10.8	6.9	7.1
Senior Management	7.5	7.4	8.5	7.8	7.2	6.8	8.3
Middle Management	7.5	7.3	7.5	9.9	7.9	6.7	7.7
Junior Management	7.8	8	7.4	9.3	8.2	6.4	6.8
Entry Level Management	8.1	8.2	8.6	8.6	9	7.2	7.3
Supervisory	8.2	8.4	9.5	8.6	8.9	7.5	8.2
Senior Clerical	8.7	9.9	8.1	9.6	8.6	7.7	7.4
Clerical	8.6	8	9.8	7.4	9	9.1	7.4
Semi Skilled	9.7	9.2	9.9	9.5	9	10.3	7
Unskilled	8.8	8.3	11.1	10.1	10.1	9.9	6.5

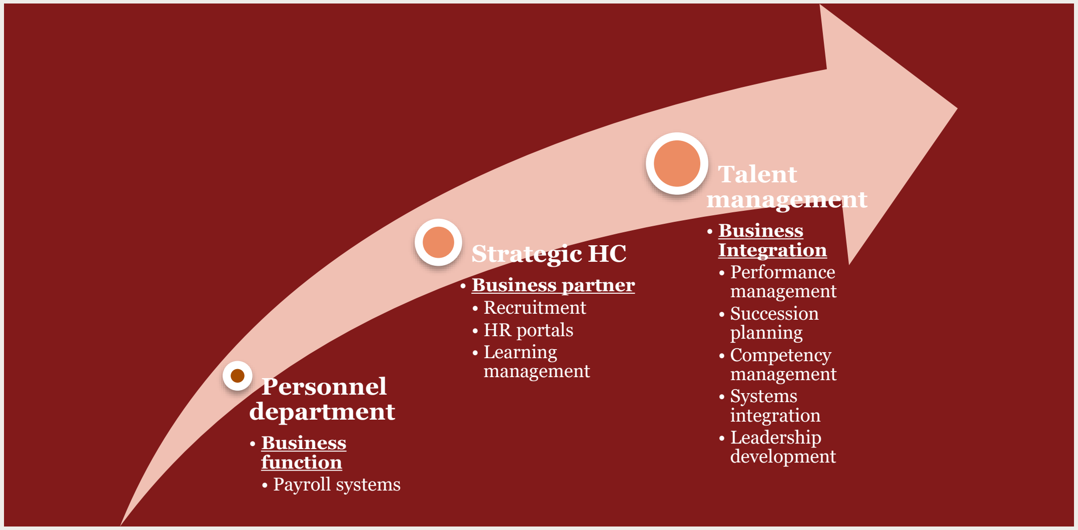
Future proofing your business

Your business strategy informs the human capital strategy, which further dictates the operational requirements of your business. The drivers of your business requirements are your people. How do you go about determining the skill sets and requirements of your people? It is good business practice to provide all employees with a relevant, accurate and current **job profile**. Job profiles form the foundation of your core Human Capital (HC) functions and it is therefore imperative that you **get it right**.

We have been witness to how the human capital role has evolved from being a "personnel officer" to being a "strategic partner". It is evident that organisations have realised that their best investment is with their people. Over the years, human capital has formed centres of excellence in pursuit of employee satisfaction and moreover retaining and growing top talent. Thus, the employee lifecycle, in retrospect, has equally evolved where the human capital centres of excellence form an integral part of the employee lifecycle such as recruitment & selection, training & development, talent management, and reward and/or compensation.

Are your job profiles a reflection of the new employee lifecycle?

As an organisation's strategy shifts based on market forces, so too should job profiles be updated to reflect the new reality. Year on year, new career paths are forming and roles emerging from fast-paced technological progression and agile ways of working.



The only way to monitor and apply these changes into your job profiles is through consistent review to sense-check your profiles against what is happening on the ground. It is important to review your job profiles at least quarterly or annually as everything around us is changing, proving yet again that the one constant is change. **Does your job profiling approach reflect human capital as *personnel officers* or *strategic partners*?**

REMprofile®, the latest addition to the PwC Research Services product suite, provides a leading approach to job analysis and profiling with a focus on feeding into the various human capital centres of excellence – reflecting the evolution of the employee lifecycle. Being your preferred human capital business partnering tool, REMprofile® allows you to create job profiles in the shortest amount of time whilst forming a basis for the core human capital functions referred to above.

Making informed decisions

Effective profiles aid in making informed choices when developing talent and in constructing fair and internally-consistent performance management processes. Furthermore, a sound profiling approach assists in establishing transparent and fair reward philosophies, therefore defending your pay practices. Having a well-founded profile methodology and profiling system that delivers on your organisational objectives is critical in future-proofing your business.

Contact details:	
Nicky Fourie	**Nthabiseng Moeketsi**
nicky.fourie@pwc.com	nthabiseng.moeketsi@pwc.com
+27 (0) 82 447 3285	+27 (0) 61 860 2585

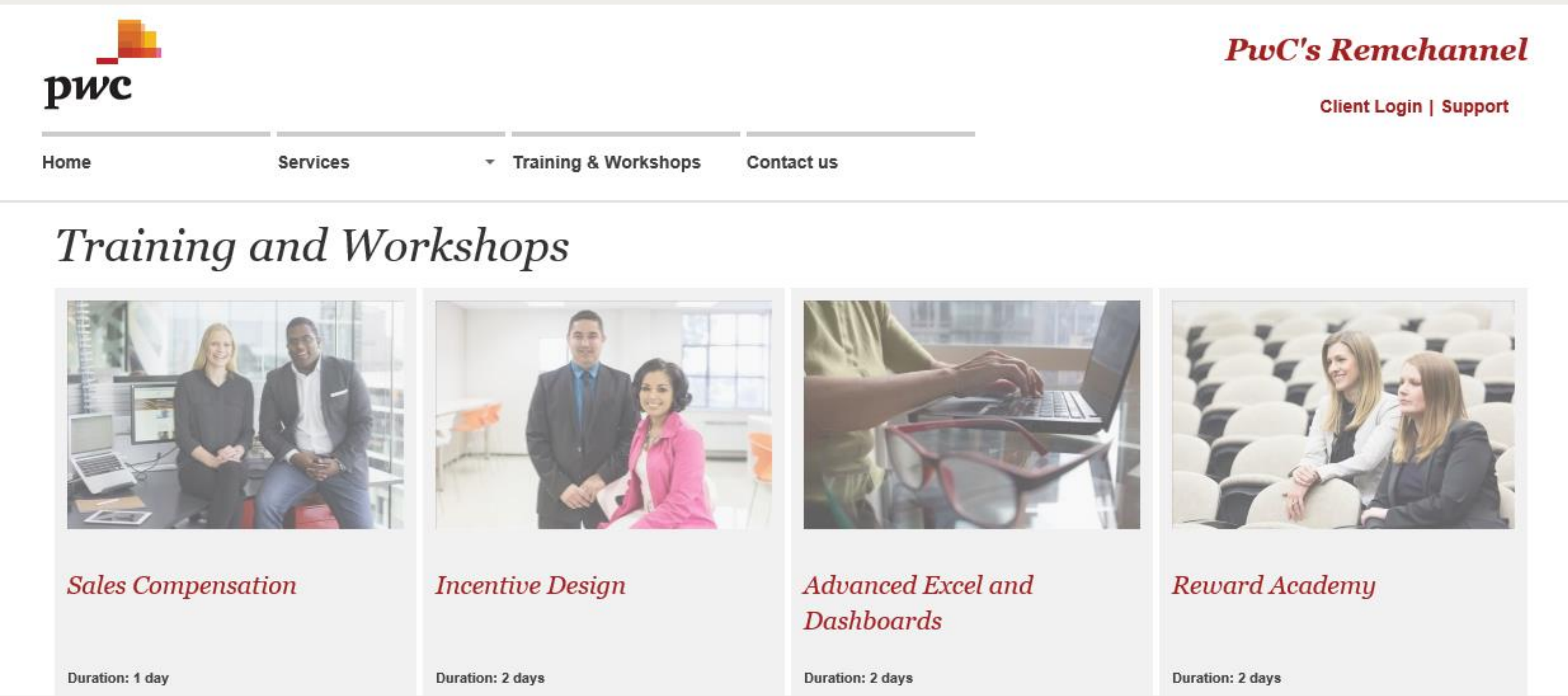
Training for the future

> Nurturing employees to develop more rounded skill sets will help them contribute to the company. The more engaged and involved they are in working for your success, the better your rewards.

As organisations are preparing to face the challenges relating to the Workforce of the Future it is crucial to consider whether your reward and human resources professionals are adequately trained. In addition incorporating training that develops employees toward long-term career goals can also promote greater job satisfaction. A more engaged employee is likely to stay longer and be more productive while on your team.

A recent survey indicates that 40 per cent of employees who receive poor job training leave their positions within the first year. They cite the lack of skills training and development as the principal reason for moving on. Consider the cost of high turnover in your reward team. With one fewer employee the crucial function of human resources suffers tremendously. Your current team will be required to work more hours, specifically those involved in some of the transactional reward functions. When the morale of human resources and reward professionals starts declining this will automatically spill over to the rest of employees.

For more information regarding our training courses contact Puseletso Matsheng at matsheng.puseletso@pwc.com



Current and forthcoming attractions

The following thought leadership and survey publications have been released or will be released in the next few months. Should you wish to review the available thought leadership publications please go to our website www.pwc.co.za

For enquiries regarding survey publications, please contact Margie Manners at margie.manners@pwc.com or Lisa Tamkei at lisa.tamkei@pwc.com

Thought leadership:

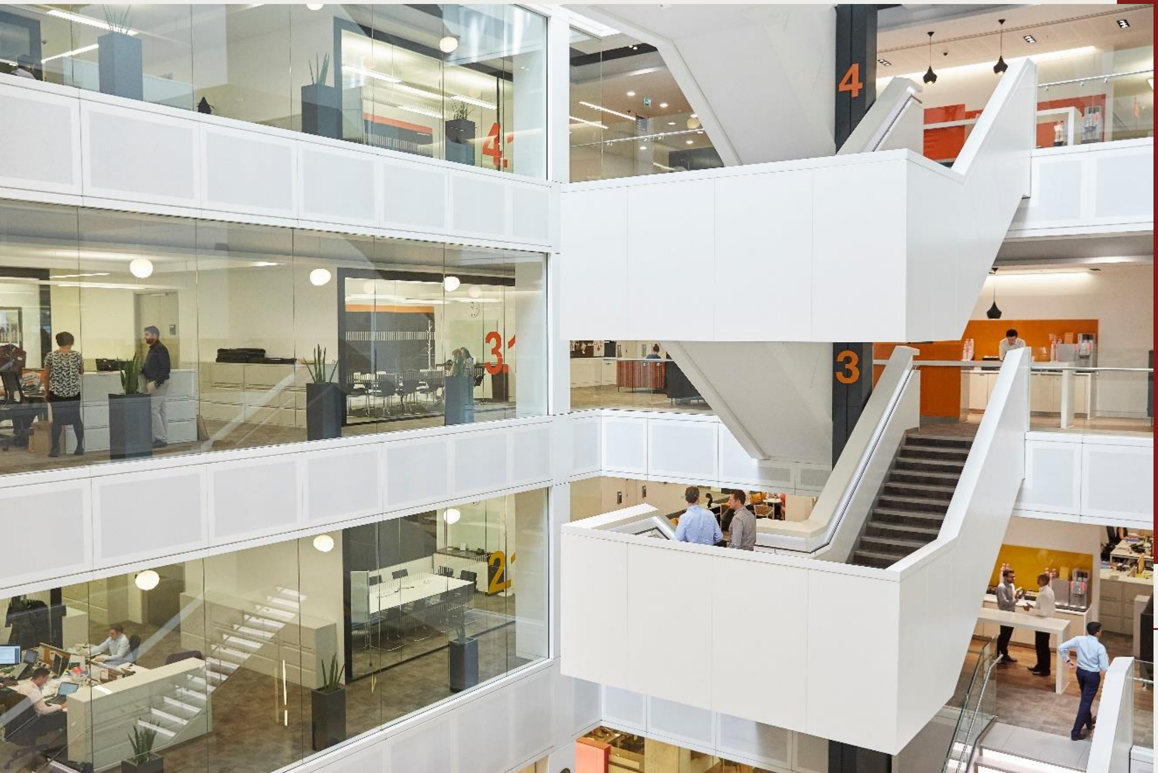
- Global Digital Operations Survey 2018
- Solving the online logistics dilemma
- Mine 2018
- 2018 Global Economic Crime Survey

Published Surveys:

- Non Executive Director's Survey: January 2018
- Salary and Wage Movement Survey: April 2018
- STI and Sales Commission Survey: June 2018

Forthcoming Surveys:

- Executive Director's Remuneration Survey: July 2018
- Salary and Wage Movement Survey: October 2018
- Non Executive Director's Survey 2019



Regional contact details

Gauteng

Gerald Seegers
+27 82 655 7097

Puseletso Matsheng
+27 72 221 7693

Carol Shepherd
+27 84 657 3526

René Richter
+27 82 460 4348

Louna Robbertse
+27 79 494 3222

Nicky Fourie
+27 0 82 447 3285

Martin Hopkins
+27 82 459 4168

Minda Botha
+27 81 546 0931

Chris Lamprecht
+27 84 657 3526

Western Cape

James Whitaker
+27 72 117 2180

Gizelle Erwee
+27 82 871 5728

Kwa-Zulu Natal

Kerry Barker
+27 83 787 9411

Caitlin Shaw
+27 83 384 3111

Eastern Cape

Maura Jarvis
+27 82 894 2258

Yvonne Ducie
+27 84 605 6332

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