HR Quarterly

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

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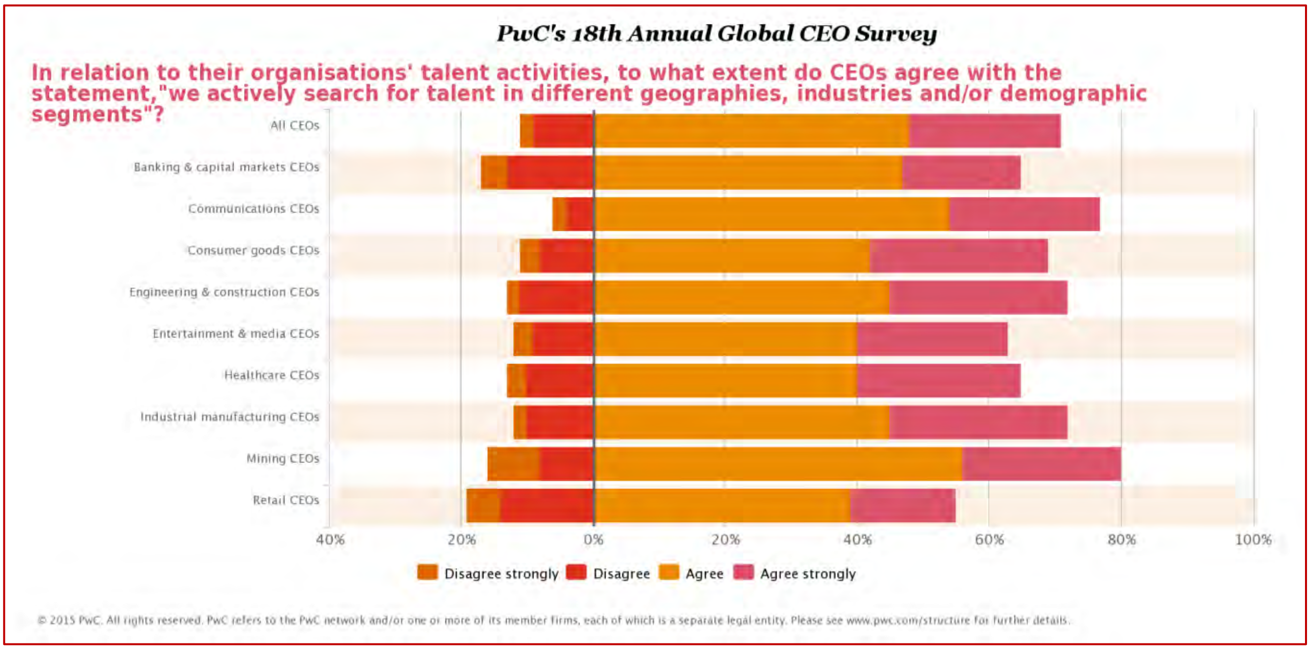
Do diversity programmes impact the bottom line?

Talent diversity and inclusiveness are no longer seen as 'soft' issues, but rather as crucial competitive capabilities. Of the CEOs whose companies have a formal diversity and inclusiveness strategy, 85% think it's improved the bottom line. They also see such strategies benefiting innovation, collaboration, customer satisfaction, emerging customer needs and the ability to benefit technology.

CEOs are looking for the right mix of talent.
Having people who can think and work in highly different ways is crucial in a competitive environment where companies need to apply their capabilities in more innovative ways, partner successfully and harness technology effectively. In the 18th CEO survey, 81% of CEOs indicated that their organisations are now looking for a much broader range of skills than in the past. To find the skills they need, companies are searching in many more places. 78% of CEOs say their business always uses multiple channels to recruit, while 71% say they actively search for talent in different geographies, industries and demographic segments. Nurturing adaptable talent is also important: 81% of CEOs say that their business always looks to equip employees with new skills.

There's still a great deal of work to be done.
Companies are going to require people who are different across dimensions such as gender, age and race, as well as those who are in different situations in life, those with different experiences and perspectives. Three in ten CEOs say their organisations don't have a strategy to promote diversity and inclusiveness, though 13% say there are plans to adopt one due to the benefits to the organisation. Yet formal strategies can help to broaden the mix of talent; CEOs who do have such strategies in place are more likely than those who don't, to hire in different markets, industries and demographic segments, use different recruitment channels, search for a wider range of skills, and equip employees with new skills.



Do diversity programmes impact the bottom line? (cont)

Educating managers and staff on how to work effectively in a diverse environment helps organisations prevent discrimination and promote inclusiveness. There is evidence that managing a diverse work force can contribute to increased staff retention and productivity. It can enhance the organisation's responsiveness to an increasingly diverse world of customers, improve relations with the surrounding community, increase the ability to cope with change, and expand the creativity of the organisation. In addition to contributing to these business goals, diversity can contribute to goals unique to the organisation.

Good management of a diverse work force can increase productivity and enhance the organisations' ability to manoeuvre in an increasingly complex and diverse business environment.

The PwC Reward team

You have mail – far too much of it!

Email overload is becoming a common complaint and threatens to have an impact on employees' productivity, but is there a better option waiting in the wings? What's the future of workplace communication?

We have a love-hate relationship with email. Its ubiquity has made it the most used form of business-to-business communication. But it isn't always the most effective means of communicating or working collaboratively, particularly inside large organisations, across geographically dispersed teams of co-workers, and even among particular groups of employees, most notably "Millennials". At some point in the dim and distant future we'll probably look back and wonder why we allowed email to consume so much of our valuable time; although the average worker spends around 13 hours each week just managing, writing and replying to emails, some of the most urgent and important internal emails can still fail to attract their attention – as many of those in HR are all too aware.

Minimising email overload

So how can HR help the rest of the organisation to minimise its email overload problems and improve internal communications? "We need to educate people on how to best treat the medium of emails so that we can make it as effective and efficient a tool as possible," says Professor Dirk Buyens, Academic Dean of Vlerick Business School and Chair of its international HR research centre. Some organisations are exploring the middle ground between fully embracing social media and banning them entirely by introducing their own enterprise social tools. Training – or the lack of it – may play a significant role in how well we do or don't exploit email. "A lot of time is spent on effective communication and how to deal with group dynamics, yet there's no investment and therefore no training on how to deal with emails," says Buyens, who points out that very few of us have been taught how to treat new emails and how to deal with them in the frame of time management. Should workers keep their email inbox open every minute of the day and almost constantly monitor the endless flow of message? Should they check only periodically throughout the day? "We assume people can deal with these decisions but how many people have actually been educated to do so?" asks Buyens.

Intranets

These same questions are being asked about the social media and instant messaging tools that workers are increasingly using to communicate. Numerous surveys and research by employers indicate that workers can spend as much as five working hours each week on Facebook, Twitter, Linked In and other social networking sites. Organisations are split on whether this is a threat to productivity or a sign of changing communication preferences that should be embraced; by banning Facebook and Twitter from the workplace, some argue, you're effectively blocking the preferred communication tool for an entire generation. Some organisations are exploring the middle ground between fully embracing social media and banning them entirely by introducing their own enterprise social tools. They are being added to selected corporate systems and being used as the basis of new corporate intranets.

Early adopters include large organisations such as eBay, Ford and Shell, and in 2012 PwC introduced its own collaborative and social network, Spark. "By embracing a social business mind-set we're making a large network feel small; enabling more than 180,000 people across 154 countries to connect with each other and collaborate on key issues with great speed and reach," says Paula Young, Global Knowledge Leader at PwC. Within the first six months, 90,000 people were using the Spark intranet and growth continues as PwC people find innovative ways to derive value from the solution (based on social business software), and it's become a hub for internal communications. The PwC leadership uses Spark to engage employees, locate experts and hold powerful conversations on important strategic issues. "This helps us deliver the best of PwC to our clients each and every day," says Young.

Generations collide

Disruptive innovation and generational change are set to create new industries and business models and destroy old ones. The role of technology, digital transformation, big data and social networks will have a huge impact on how organisations and the workplaces of the future will function. The job titles of tomorrow will be ones we've not even thought of yet. As generations collide, workforces become more diverse and people work longer, what are the implications for career models? And how does HR evolve to cater for employees who want to design their own contracts, working arrangements, rewards and benefits packages? As talent management meets the science of human behaviour, and predictive analytics becomes more common place there will be a demand for a very different set of HR and talent management practices.

So what's to be done? The pace of change and complexity seem to be increasing at an exponential rate. But costs still need to be managed across businesses and HR functions - and risks impact every decision.

HR needs to lead the way – but is it equipped, empowered and ready to consider the implications and necessary strategies required to deal with evolving and multiple visions of the future? While recognising their need to hold on to the talent that will lead them through the recovery, many companies in developed economies have cut back on headcount and reduced their graduate intake. At the same time emerging economies, particularly in Asia and the BRIC countries, have produced increasing numbers of young talented workers. The future for many millennials looks more uncertain than it did in 2008, and it's hardly surprising that some have made compromises in terms of where they work and their expectations of working life. The fundamental attributes of the millennial generation are still apparent – and in some cases more pronounced than before – and reinforce the view that a more inventive talent strategy is needed in order to attract and get the best out of them.

HR and the benefits of social intranets

By keeping office-based staff and remote workers better informed and improving organisation-wide communication, collaborative social intranets can assist in employee engagement.

Other benefits include:

- Connecting home and remote workers so they can collaborate – understanding what is happening in the organisation contributes their ambient knowledge.
- Engaging the Millennial generation – many are more used to sharing information and find traditional business communication tools closed and cumbersome.
- Rewarding and retaining workers – HR can see who's contributing to conversations, ideas and innovations; identify rising stars and influencers; improve resourcing.
- Assisting with on-boarding – new starters can access targeted information and get up to speed quicker; other employees can spend less time showing them the ropes.
- Learning and development – ability to ask questions and get quick responses – often from unlikely sources – allows information to be found more readily.
- Improving employee recognition – a public pat on the back can have an enormous effect and can be provided as evidence in appraisals.
- Endorsing company values – HR can decide what it wants to achieve by using a collaborative social intranet and then build the structure to achieve this.

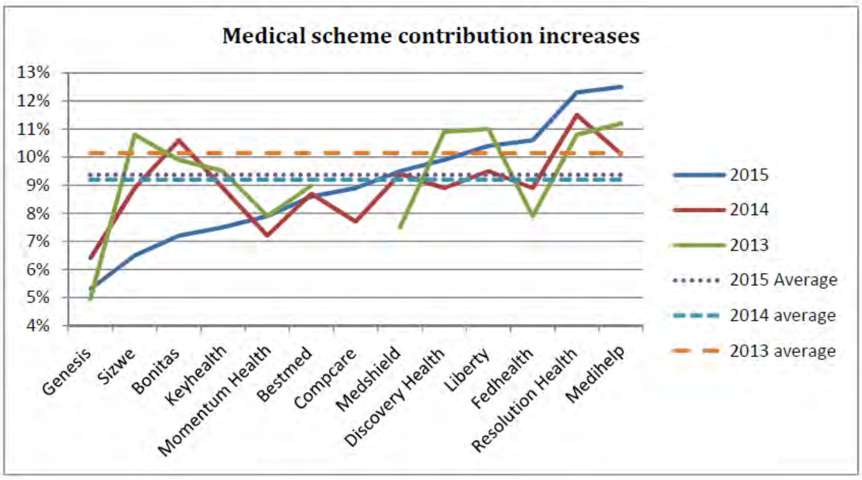
SA consumer price index and impact on anticipated salary increases for 2015

Will the drop in CPI (consumer price index) drive salary increases down in 2015?

There is a very close correlation between CPI and the annual increases granted. Although most organisations granted cost of living increases across the board to all employees in the past, most organisations now consider a variety of elements, either combined or on their own, when determining their increases. In the September 2014 Salary and Wage Movement Survey 71.4% of the respondents based their increases on something other than the single element of CPI. The majority of these participants indicated that in addition to taking cognisance of CPI, a combination of elements were utilised to determine increases. The elements which were reported are summarised as follows:

- Performance rating;
- Market comparisons and benchmarking;
- Affordability;
- Economic forecasts;
- Historic increases;
- Company performance;
- Salary surveys such as REMchannel®;
- Industry comparisons;
- Union negotiations.

With the South African economy contracting and only growing 1.4% during 2014, cost management and especially salary costs is impacting every reward professional in South Africa. With CPI dropping to the lowest levels since June 2013 in January, the current increase predictions seem to be quite high ranging between 5% and 7%. It also seems as if previous projections are being impacted by the lower petrol prices and economists are optimistic that this will continue. However, it is difficult to predict what the impact of increases in electricity, education, medical aid and of course the level of the oil price will be over the coming months and also therefore what the actual average CPI for 2015 will be. To demonstrate the actual annual increases the graphical illustration below was extracted from the PwC Medical Schemes newsletter. It is fairly evident that on average increases were 6 to 7 percentage points higher than the average CPI over the past few years.



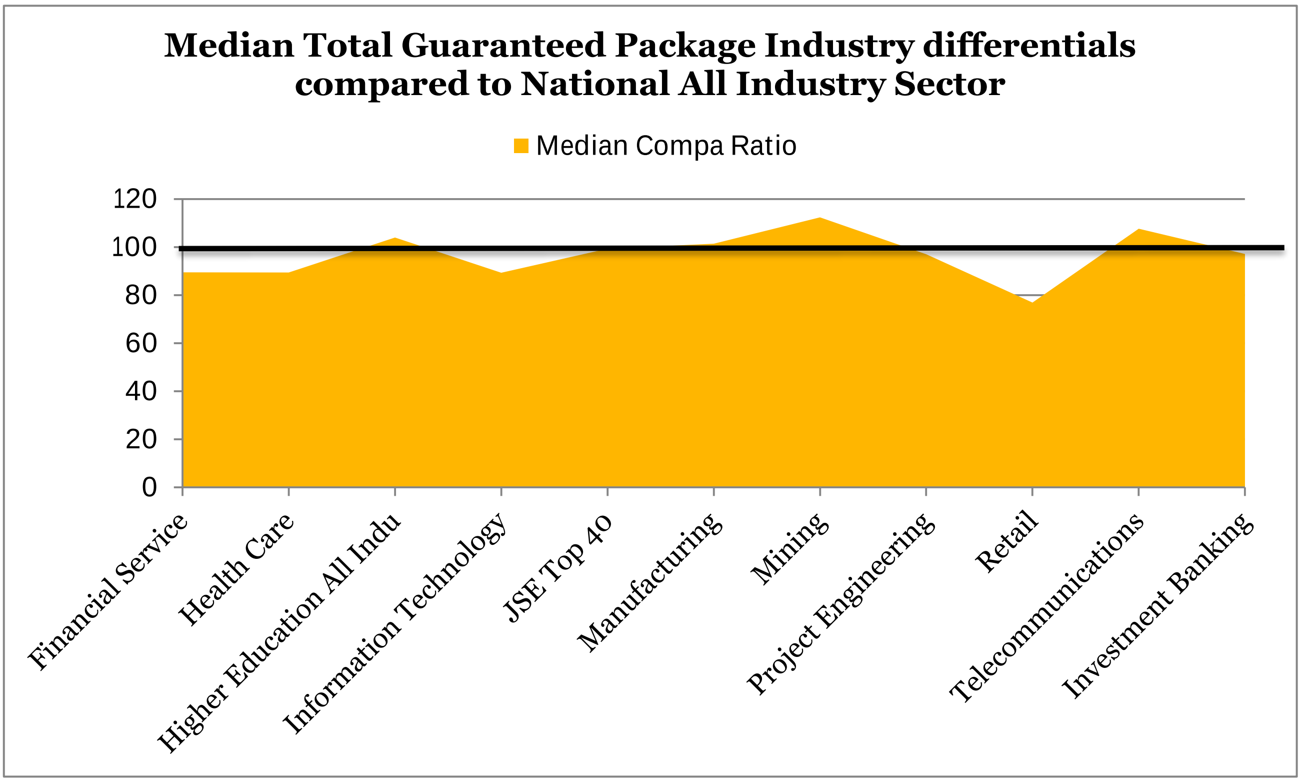
- No details available for Compcare in 2013
- The yearly averages are weighted averages using the contributions per scheme for the previous year.

The March 2015 Salary and Wage Movements Survey is underway and will provide some fresh insight into the anticipated budget increases of South African organisations. Should you wish to obtain a copy, please contact Norma Mayimela at norma.mayimela@za.pwc.com. Please note that terms and conditions apply.

Managing perceptions about pay

More often than not there are certain perceptions about pay in various industry sectors. As an example the Financial Services Sector has always been deemed to be a premium payer from a guaranteed pay perspective. Although this may have been true many years ago, it is certainly no longer the case.

From the graphical illustration below (extracted from REMchannel® as at 1 February 2015) it is evident that the majority of industry sectors depicted are within a five percent tolerance level from the National All industry sector. The exceptions being the Mining and Telecommunications sectors that are on average 12 and 7 percent above and the Health Care, Financial Services and Retail sectors on average 15 percentage points below the National All industry sector.



It is however important to note that the reward philosophy and pay mix of these industry sectors may be very different to the other industry sectors. It may also be attributed to supply and demand of skills and in particular technical skills, in the Mining Industry Sector. The major challenges faced by reward professionals are that line management does not necessarily understand the differences in the various pay philosophies and how it is applied in the market. To manage payroll costs effectively and still attract and retain the best performing talent it is imperative that line management reward educational programmes are conducted on a regular basis. The full employee value proposition of each organisation must also be communicated to all staff regularly. Understanding the value of benefits and the reward environment from a Total Reward perspective increases employee engagement, and ultimately retention of skills.

Managing perceptions about pay (cont)

Earlier this year HESA (Higher Education South Africa) published a study on the findings of the Guaranteed Remuneration packages during 2012 of permanent full time academics across universities, and with their counterparts in the public and private sector.

The main report shows that in the comparison of guaranteed packages, the academic profession in general pays relatively well against both public and private sectors, particularly at the more senior job levels.

However, a further study (using data from 2014) analysed the difference of total reward between the academic and private sectors (inclusive of variable pay). It was found that the non-guaranteed bonuses were a significant addition to the total remuneration packages at the senior level. If these are taken into account, even professorial packages would not be regarded as competitive – or rather, the opportunities which exist in the private sector to substantially increase earnings are generally not available in the academic and public sectors. However, benefits such as leave, sabbaticals for research purposes and subsidised studies were not valued in this study. This of course places an enormous financial burden on Higher Education institutions as leave is reflected as a liability on the balance sheet and the cost of subsidised studies for the employee, spouses and children will also be significant.

Remuneration packages at the lower academic levels (Lecturer and Junior Lecturer) were generally lower than those for comparable levels in the public sector although comparable to the private sector. The academic sector faces the challenge of attracting young graduates into a career in academia. At the time of making such choices, academic jobs pay less than comparable public sector jobs, and an academic career is probably perceived to be less well remunerated overall. It is however important to continue to communicate both the broader benefits and value of an academic career, and the fact that over the long term, remuneration packages at senior levels are very competitive at least with the public sector, and level with guaranteed packages in the private sector.

Female millennials are the most confident and ambitious of any female generation

New PwC survey dispels myths about women and work.

The report – *The female millennial: A new era of talent* – reveals that the female millennial is much more likely to believe she can reach the very top levels with her current employer, particularly those starting their careers (49%).

- Opportunities for career progression tops the list of most attractive employer traits;
- 49% of female millennials starting their careers believe they can reach the very top levels with their current employer;
- 86% of female millennials in a relationship are part of a dual-career couple, while 66% earn the same as or more than their partner or spouse;
- But almost half say employers are too male biased when it comes to internal promotions; and
- 71% feel that opportunities are not equal for all.

To mark International Women's Day (IWD) on Sunday 8th March 2015, PwC surveyed 8,756 female millennials (women born between 1980-1995) from 75 countries to find out how they feel about the world of work and their career.

The female millennial ranks opportunities for career progression as the most attractive employer trait (53%); making her more career confident and ambitious than previous generations.

Female millennials in Brazil (76%), India (76%) and Portugal (68%) are the most confident, while their peers in Japan (11%), Kazakhstan (18%) and Germany (19%) are the least confident.

Female millennials are the most confident and ambitious of any female generation (cont)

Of the female millennials who are in a relationship, 86% are part of a dual career couple, with 42% earning equal salaries to their partner or spouse. Almost a quarter (24%) is the primary earner in their relationship.

When it comes to diversity, 86% of female millennials seek out employers with a strong record on diversity, equality and inclusion – and while they say employers talk about diversity, 71% do not feel opportunities are really equal for all.

What's more, 43% of female millennials believe employers are too male biased when it comes to promoting employees from within – up 14% since 2011.

Millennial women in Spain (60%), France (58%) and Ireland (56%) view employers in their country as the most male biased, versus Malaysia (16%) and the Philippines (11%) where female millennials are more optimistic.

Dennis Nally, Chairman of PwC International, says: "Our research shows that when it comes to the female millennial, we really are talking about a new era of female talent. Female millennials are more highly educated and are entering the workforce in larger numbers than any of their previous generations. But, this is not the only thing that has changed. They also enter the workforce with a different career mind-set."

As the experience of a 34-year-old millennial woman with 12 years' work experience will be very different to that of a 22-year-old millennial woman just starting out in her career, the report looks at the insights and desires of the female millennial by career stage: career starters (female millennials with 0–3 years' work experience), career developers (4–8 years' work experience) and career establishers (9 or more years' work experience).

Agnès Hussherr, PwC Global Diversity Leader, says: "When it comes to earning power and patterns, female millennials really are trail blazers, with 66% of female millennials in a dual career couple earning as much as or more than their partner or spouse. The more experienced the female millennial, the more likely she is to be the primary earner in her relationship. Our study found that 31% of female millennials with 9 or more years' experience are the primary earner in their relationship, compared to 18% of millennial career starters and 24% of career developers."

"Our research also dispels some significant myths, for example that women leave work to have families," she adds. "The female millennial was least likely to have left a former employer because she was starting a family, and most likely due to a lack of career opportunities. Employers must commit to inclusive cultures and talent strategies that lean in to the confidence and ambition of the female millennial from day one of their career."

For a copy of the full report contact René Richter at rene.richter@za.pwc.com.

Visa requirements for the "Business Executive"

Following on the recent State of the Nation Address, The Minister of Home Affairs has announced a relaxation in the visa requirements for nationals from Brazil, Russia, India and China which are the other four participating countries along with South Africa in the BRICS Alliance.

The relaxation allows Business Executives of these countries to now receive Visitors Visas upon arrival in South Africa for a validity period of up to 10 years (taking into consideration the passport validity) with the restriction that each stay in the country should not exceed 30 days.

Nationals from Russia, India and China are not currently visa exempt for travel to South Africa (as they are required to apply for a Visitor's Visa from the South African Diplomatic Representative in their country prior to travelling to South Africa) and the introduction of this measure will thus be of great benefit to business executives from these countries.

However, the definition of which nationals qualify as a "Business Executive" and the activities permissible during each 30 day period of stay have not been formally announced - it is thus uncertain as what constitutes a "Business Executive" and once defined, whether foreign nationals regarded as Business Executives will be able to perform work related activities in South Africa during each 30 day period in the absence of a formal work authorisation.

We are clarifying the above interpretation with the Department of Home Affairs and will send out a further alert once confirmed.

For more information contact stephen.marlin@za.pwc.com.

Adapting to change: mechanisation in the mining industry sector

The mechanisation of mining in South Africa has been a topic of serious discussion. The double-edged sword cuts both ways. Higher productivity on the one hand and less work opportunities on the other, but with zero tolerance harm promised. The reality is that with the changing world of work and development of technology, this cannot be ignored. Determining how to proceed is based on how we identify and assess potential in our workforce and how to manage transfer of skills. According to Mining Minister Ngoako Ramatlhodi, mechanisation of South African mining has become inevitable: "We can't live in the past."

More or or fewer jobs

Mechanising mines in South Africa has the potential to significantly increase production but could also lead to more labour sector unrest. Mining companies continuously highlight the importance of mine mechanisation, automation and robotics in future, as South Africa's orebodies, which are becoming deeper and more challenging to mine, are dictating the mining methods that were going to have to be used going forward. Social responsibility and community development consultation firm Beulah Africa MD Roné Viljoen says, while it is easy for the new generation to highlight the faults in the mining industry, it is another matter for this generation to accept responsibility and dedicate itself to finding solutions to these issues. "I believe that change in the mining industry is possible, and that mining companies will, in the next ten years, become the primary drivers of Africa's development through transformative, sustainable and socially responsible practices."

To some extent the mechanisation of South Africa's mining processes seems to have been endorsed by labour unions, the mining houses and the president, to ensure a sustainable industry. This framework entails a mineworkers working and living conditions as well as what is necessary to ensure stability and continuous production. It represents an opportunity to retrain the workforce but it is important to note that the Unions are in agreement that this process of mechanisation should not be at the expense of jobs.

As a counter argument, mechanising mining has also been seen as a strong solution to create a steady stream of revenue and could cut significant costs for mining companies, one of which would be through worker retrenchments. Job losses, however, could have a major impact on the country's unemployment percentage and spark fresh labour sector disputes. Because of the poor performance of global gold and platinum markets, some mining companies have proposed plans to reduce as much as 14,000 jobs in South Africa and even in the Gold sector a proposed loss of 1600 jobs is projected.

Safety first and talent management a close second

All stakeholders would like to see a mining industry that is safe and profitable and one in which local government and mining houses took care of their responsibilities at community level. Strong emphasis must be placed on the way in which talent is managed and groomed. It should be undertaken in such a way as to ensure a skilled workforce in the next ten years. The identification of talent in mining is crucial and new assessment methodologies provide solutions from blue collar, through management to executive level.

Choose the right employee

In order for the concept of mechanised mining to gain traction, the South African mining industry must undergo a mind-set change. University of Pretoria assistant lecturer Eugene Preis highlighted the need to invest in technology rather than in the development of more mining projects. "While the development of new mining projects is important, more important is the development of new mining technologies. Given the level at which we are in terms of technology, we will not be able to economically extract the large amount of mineral resources available in South Africa into the future," Preis is also of the opinion that one of the basic reasons for resistance to change on mines is the emphasis that the mining industry places on lessons learnt in the past and the experience gained from these lessons, as opposed to a person's competence – being able to perform a task well without being told how to do so. "I believe competence is more valuable than experience because, as technology inevitably improves in the mining industry and as mechanisation rates, in turn, increase, there will be a need for increased skills levels, which means that this new breed of mining employee will need to be more competent and adaptable. "Continuous education and training for mine employees will increase competence and provide the skilled labour that we so desperately require to reach our end goal of modernised mining," says Preis .

The next generation: skills and technology

Skills transfer and technology development will determine the future. This is seen in the message from the next generation's vision for mining that is characterised by the need to work towards ensuring a sustainable future by means of developing cutting-edge mining technology and finely honed skills. This emerged from a panel at the Joburg Indaba: Investing in Resources and Mining in Africa, held in Inanda (October

2014). The panel featured students from mining disciplines and young professionals that have recently started their careers in mining and was chaired by University of the Witwatersrand (Wits) vice chancellor Professor Adam Habib.

This message is supported by Gold Fields CEO Nick Holland. "We have to embrace technology and the way that we're going to evolve in this industry is we are going to be more technology focused in the future. That is going to mean that we're going to have less people doing the grunt work. If you look at the youngsters in five years' time and you employ them and expect them to kneel over a rock face and hold a drill rig, forget it."

Rod Pickering added that mine mechanisation is not so far behind as generally perceived, but mechanisation would be a toss-up between having mine workers continue to work in life-threatening situations and for little pay, or whether mining companies would rather have a safer working and mechanised environment for higher pay, and where the opportunity to develop new skills is increased.

In the next edition of the HR Quarterly we will provide some insight into the quantum associated with potential job losses and the impact on the wage gap utilising the gini-coefficient methodology.

References

- Govan Whittles (Eye Witness News – October 2014).
- Martin Zhuwakinyu (Creamer Media: Mining Weekly 24 October)
- CNBC Africa.com (Mechanising mines in South Africa a double-edged sword: 18 October 2014)

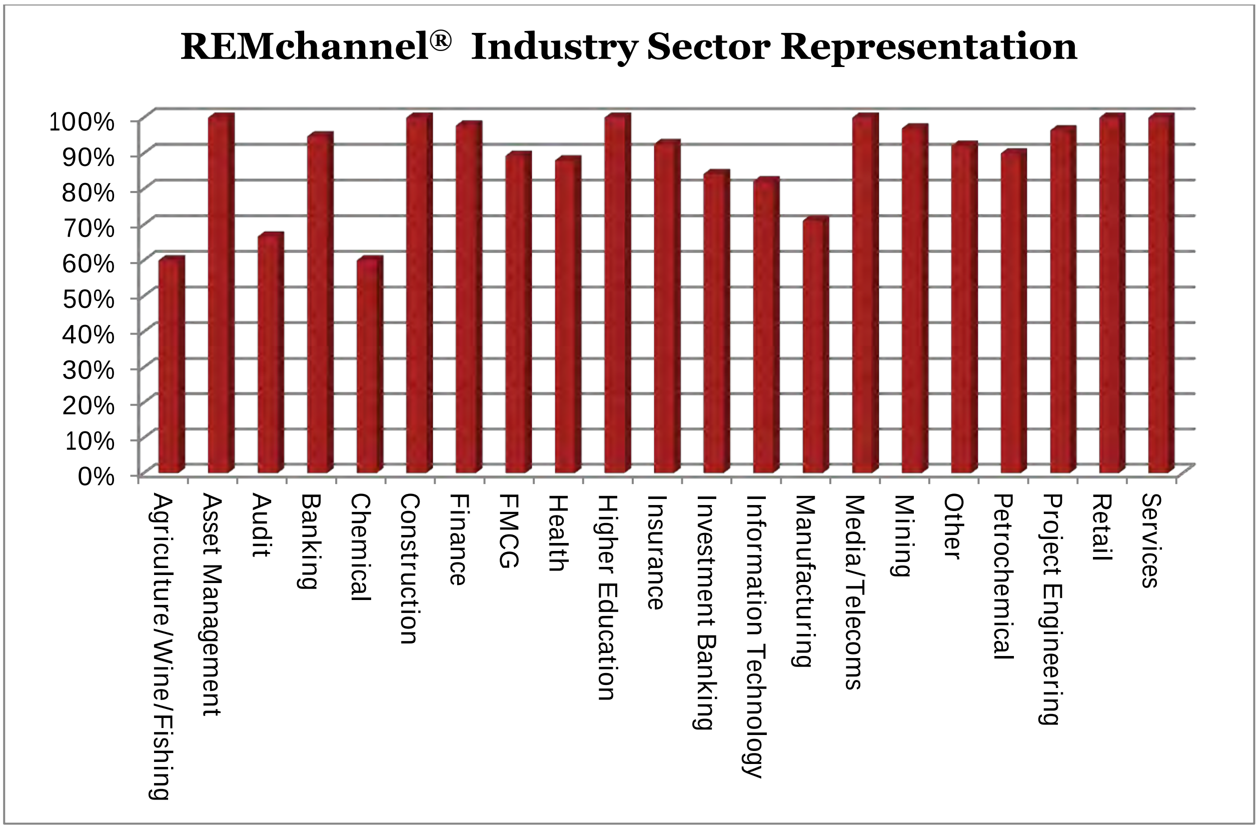
For more information on how assessment technologies can assist you in your talent management strategy, please contact Kincaid Kotze at kincaid.kotze@za.pwc.com

PwC's REMchannel®

The use of salary surveys remains common in the current economic climate. One would expect things to be different when organisations can pick and choose from a talent pool – or so we would like to think. The reality is that the employees' disposable cash becomes less with each passing year, and our latest National budget is indicative of what is to come.

So how does this affect your key talent? The reality is that staff needs to consider the increases in the cost of living, the real increases not CPI. To maintain a certain lifestyle and provide for a family requires careful budgeting. This means that key talent, especially with scarcer skills, can and will explore the market opportunities if it means that their lifestyle can be maintained or improved. Loyalty to one organisation, even with a great employee value proposition is no longer as important as survival. The usage of salary survey information is one method to ascertain whether your organisation is at risk of lagging the market in particular jobs or grades.

The South African REMchannel® on-line internet based salary survey continues to be the most comprehensive source of well validated information. The National All Industry sector includes participants from all the major industry sectors represented in South Africa with more than 900,000 data points.



For a full participant list please contact Margie Manners at margie.manners@za.pwc.com.

PwC's REMeasure®

Job evaluation is alive and well – more organisations are turning to formal job evaluation systems to manage internal and external equity and many are doing it to ensure that they are compliant with the new changes to the employment equity legislation.

PwC's REMeasure® is becoming a sought after job evaluation tool and it can probably be attributed to the fact that the system is internet-based and provides a quick, easy and balanced method to accurately measure and evaluate any position from cleaner to top executive level. More importantly the management of the system and the reporting allows for record keeping should proof be required in terms of the new EE legislative changes. Not only is the system being used in South Africa, it is also used in African countries such as Namibia, Kenya and Tanzania. We are also very excited by the use of the system in the United States by PwC as part of the expansion. As one of our clients recently said "this is the Rolls Royce of job evaluation systems".

We would like to welcome the following new subscribers to the system; we trust that using REMeasure® will provide you with the ability to effectively manage your internal and external equity over the coming months:

- Cashkows (Pty) Ltd
- Esor Construction (Pty) Ltd
- FFS Refiners (Pty) Ltd
- National Lotteries Board
- Norton Rose Fulbright
- Oceana Group Ltd
- South African Medical Association
- Stanlib Wealth Management Ltd
- Telesure Group Holdings
- Truworths Limited
- Twizza (Pty) Ltd

To see REMeasure® in action please contact Minda Botha at minda.botha@za.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 download a copy of any thought leadership publication, please go to our website www.pwc.co.za and select the "Publications" tab. For enquiries regarding survey publications, please contact Margie Manners at margie.manners@za.pwc.com.

Thought Leadership

- Annual South African Non-Executive Director's Survey: January 2015
- Annual South African Executive Director's Survey: July 2015

Surveys

- Salary and Wage Movement Survey: March 2015
- Short Term Incentive Scheme Survey: July 2015
- South African Employee Benefits Guide: October 2015