



# HR Quarterly First edition

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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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# People and organisation news

## Dear valued client

A variety of forces have put tremendous pressure on most South African industry sectors in recent years, leaving many institutions with unsustainable cost-to-income ratios. And several of these challenging trends — from new regulatory mandates to augmented capital requirements and aggressive competitors — are strengthening.

Most organisations are struggling to earn their cost of capital, let alone get back to the returns on equity (ROEs) of the early and mid-2000s. To top it all, productivity-related challenges are at the core of these struggles. As with business-as-usual functions, organisations typically need to better understand the important tasks involved in change efforts, the composition of the workforce required to execute change and the available sourcing options. Finally, workforce performance should be comprehensively measured and managed!

René Richter had the honour to tell the REMchannel story to young and upcoming female professionals at the Microsoft Women Think Next event on International Women's day. It was an amazing gathering and just once again confirmed that South Africa has bright young female talent. As employers we need to nurture and develop our female leaders of the future.

We trust that you will enjoy the first edition of the 2019 HR Quarterly. Please feel free to contact us should you require more information about the contents of the publication.

## The People and Organisation Team



## More practice news

The PwC Reward team consists of a group of dynamic professionals, including admitted attorneys and chartered accountants, with deep experience ranging across various industries. Our success is due to our ability to combine our qualifications, knowledge and experience, and leverage our national and international network to deliver a multifaceted service to our clients that cannot be matched by our competitors.

The new leaders of the PwC Reward team are motivated and excited to elevate the practice's service offering to the next level, ensuring that our clients experience a customised service offering which supports their unique business needs. Our practice prides itself on 'excellence in delivery', which takes many forms, including being able to support clients through complex and strategically important reward projects, supporting management or the remuneration committee with detailed analysis and research, formulating unique solutions for our clients' specific needs, and assisting our clients to understand the needs of their various internal and external stakeholders, and present solutions to them which will win their support.

PwC's Reward team boasts reward specialists in various countries around the world. We invest heavily in bringing thought leadership in the executive and non-executive director remuneration fields to our clients. We set ourselves apart from the market by embodying PwC's purpose: to build trust in society and solve important problems.

Our practice is diverse, and multi-disciplinary, with a breadth and depth of expertise which ensures that we are able to offer end-to-end solutions. Our Reward practice is 24 members strong, comprising reward specialists, accountants, attorneys and tax specialists.



**Our team leaders**



# Our team leaders



## Andréas Horak

P&O Reward Co-lead

Reward Analytics leader

### Experience summary

Andréas is a CA (SA) with extensive experience in the consulting of share-based incentives and corporate transactions. He is the remuneration adviser to a large number of listed entities across numerous industries. He specialises in reward analytics, consisting inter alia of executive benchmarking, strategic KPI consulting, financial modelling and financial reporting.

His prior experience includes providing IFRS accounting and reporting advice to a wide range of clients regarding the implementation of share-based payments, hedge accounting and employee benefits.



## Leila Ebrahimi

P&O Reward Co-lead

Reward Governance leader

### Experience summary

Leila is an admitted attorney, and joined PwC from the legal industry. She holds the qualifications BCom (Law) and LLB, as well as a Higher Diploma in Tax Law, and is also a member of the South African Reward Association.

She was involved in the drafting of Principle 14 relating to remuneration within King IV, and the King IV Guide to the Application of Remuneration Governance, is an expert in remuneration design, legal drafting, and remuneration reporting, and specialises in remuneration governance

Should you need assistance in these areas please contact our team leaders.

Their details have been provided at the end of this newsletter.



# Preparing for tomorrow's workforce today

## The most important organisational capabilities for the future

Trust, humanness – the things that make humans different from machines – and individual adaptability dominate the list of capabilities that respondents to our survey see as most important when preparing their organisations for tomorrow's business environment.

Leaders preparing for tomorrow's workforce know they face the twin challenges of producing growth and preparing for the new, often unknown opportunities the future will bring. The most astute leaders also know they must answer a deeper question: How can I deliver great performance by helping our people to thrive? This requires a clear vision for an uncertain world – one that sets out transparently the plans that allow people to take on new and augmented roles, and, vitally, to create a compelling people experience. Most businesses still have work to do.

Technology is seen as the most radical driver of change, from artificial intelligence (AI) and automation to digital mobility and virtual collaboration – yet other trends could be just as decisive. The lines between our work and personal lives are shifting. Diversity and demands for equality are also reshaping the workplace. We are living longer, which means we will be asked to master more and different skills over time as the nature of work changes. Social and environmental pressures are creating demands for more flexible working conditions, as is the gig economy. These changes are a source of anxiety and insecurity: we do not know how many or which jobs will be automated out of existence. What we do know is that there are opportunities to make working lives more productive, meaningful and fulfilling. Organisations will need to rebalance their workforces to focus more on collaboration between technology and humans, and to harness human skills, such as creativity, empathy and ethics, alongside digital skills. Companies that understand and act on these workforce changes now will not only have the skills but also the organisational motivation, innovation and adaptability to thrive. So, how do organisations prepare for tomorrow, today? In our recent study 'Workforce of the future: The competing forces shaping 2030', we considered the implications of the possible 'worlds' that could develop and the 'no regrets moves' that organisations should take with a range of potential futures in mind.



# Key findings from our global survey

'Despite the changing context of work, people's desire for "good work" – defined as work with purpose in an environment that is nurturing – has remained remarkably consistent over the years. It is imperative for corporate leaders to embrace this concept and focus on crafting a great people experience in the context of, but not distracted by, wider trends such as technological development.'

Lynda Gratton,  
Professor of  
Management Practice  
at London Business  
School

We collaborated with Lynda Gratton, Professor of Management Practice at London Business School, to identify the most important organisational capabilities that businesses need to consider when preparing for tomorrow's work, workers and workplaces, so they will be ready to take on the disruptive challenges ahead.

A global survey of more than 1,200 business and HR leaders from 79 countries gauged how important they believe these capabilities are for their future and whether they're taking action today to build or even introduce them into their organisations. It's clear that companies understand which capabilities are important for their future success. Nurturing 'human skills' ranked as the second most important capability after building trust.

Organisations also understand the importance of using data analytics and of creating a working environment that keeps and attracts talent. But we also found that, by their own admission, they're not doing enough to develop these capabilities. This gap, we believe, will put them at risk in the future when it comes to attracting, developing and retaining talent. The action imperatives we identify to bridge this 'at risk' gap go beyond simply upskilling for technological change. They also address the challenges of creating 'good work,' a sense of purpose and the creation and delivery of a great people experience. Some organisations are already ahead of the curve. In this report, we examine the key actions that all forward-looking business leaders should be taking today to keep them competitive tomorrow.

If you would like a copy of the complete report please contact René Richter at [rene.richter@pwc.com](mailto:rene.richter@pwc.com)





### People experience dividend is at risk

Although organisations know how important it is to create the right everyday experience at work – eight out of the top ten capabilities, ranked by importance, show this – they also say they're failing to deliver. Thirteen of the top 20 'at risk' capabilities relate to the people experience.



### Untapped potential in data and analytics

Companies are struggling to use data and advanced analytics to make better decisions about the workforce. The top three 'at risk' capabilities all relate to workforce analytics and their use in improving the working environment and people's behaviours.



### Time to get HR and business leaders on the same page

HR leaders are more comfortable with their efforts to prepare the workforce of the future compared with non-HR leaders. In 42 of the 45 capabilities we asked about, a higher percentage of business leaders than HR leaders saw that their organisation at risk.



### 'Tech-savvy HR' needs to step forward

HR's ability to navigate the technology landscape is a top 'at risk' capability for organisations. But HR and other leaders don't see it the same way: 41% of HR leaders are confident that their HR departments are up to speed in this area, but only a quarter of business leaders agree.



### Missing out on good ideas and flexible talent

More than half (58%) of respondents say they have no capability to use open innovation and crowdsourced ideas from outside the business and less than 10% agree strongly that they can do this. Similar numbers of respondents say they have the desire but inability to make use of flexible talent – people who work off-site at times that suit them.

Doing right by their people There's good news: the capabilities that respondents rate as the most important – building trust, human skills and well-being – are the ones where they are taking most action. But there's more for organisations to do: 55% have not taken action to create a clear narrative about the future of their workforce and automation.







# Top ten capabilities of the future

## The top ten capabilities ranked by importance

How important are the following to the future of your organisation? (Percentage of respondents choosing the two most critical options: 'Extremely High Importance' and 'High Importance')

Trusted by society	We are an organisation that's trusted by society, our customers and our employees <b>(91%)</b>
Human skills	We highly value, develop and reward 'human' skills such as leadership, creativity, empathy and curiosity <b>(87%)</b>
Well-being	We have initiatives and policies in place that are successful in ensuring positive physical and mental well-being among our workers <b>(82%)</b>
Output not hours	The performance management practices of our company focus on work and task output and value added rather than hours worked <b>(80%)</b>
Collaborative environment	Our working environments are designed to encourage teamwork, collaboration and innovation <b>(79%)</b>
Adaptability	Our talent practices and processes (e.g., rotations, secondments, learning and development opportunities) are designed to nurture employee agility and adaptability <b>(78%)</b>
Re-skilling	We nurture re-skilling and continuous learning to help workers remain employable <b>(76%)</b>
Work-life balance	We attract talented people by providing a good work-life balance and flexibility over hours and working locations <b>(77%)</b>
Innovation	We have avenues present for employees to offer innovative ideas and support them in turning these ideas into action <b>(76%)</b>
Pay transparency	We ensure fair pay by creating transparency in how remuneration is determined <b>(76%)</b>

# Flexibility – what it means to a PwC employee

by **Natasha Naidoo**

When they ask where I work, people look at me in such awe when I respond, 'at home'. This however is not a new concept, as virtual offices are becoming more and more common as the world of work is changing. Virtual offices contain advantages to both employers and employees. Higher productivity, better work–life balance, saving time and money commuting, and lower overhead costs for employers are just a few of these. Virtual office arrangements have thus far proven to be very effective in lowering the turnover rate of organisations.

Here are some of my tips to consider when working from home:

- Set up your workstation in a designated space in your house. This should be away from your personal space so that you can differentiate between the two. Ensure that it has enough lighting and is away from noise.
- Consider all the equipment, stationery and storage space you may need. Keep in mind that less is more in a home office. You would not want to be distracted by clutter.
- Invest in a comfortable chair, as you will be spending hours on it.
- It does get insanely quiet when you are alone at home, so play some background music that you enjoy – but not too loud, as you would not want this to distract you.
- Working from home requires immense discipline, so plan your day. Make a list each day of what you need to do and stick to it. Reward yourself with breaks and try to stick to your working hours. Use your 'lunch break' for appointments and errands. It is easy to get carried away and work longer than expected, but try to maintain your work–life balance.
- Most of all: enjoy and be grateful if you are given the opportunity to work from home and not a small cubicle somewhere. That gratitude will motivate you to work harder!



## Salary and wage increases

The South African economic backdrop is plagued by uncertainty, but we keep a hopeful outlook that the status quo will turn to positive in 2020. The possible policy reforms post the elections have the potential of boosting business and investor confidence and, likely, economic growth. The current outlook reflects the heavy burden that the consumer continues to bear and shows that organisations will remain under pressure due to financial constraints and economic changes.

Organisations have remained solid in their conservative approach to awarding increases. The market data analysis indicates that the average increases to be awarded in the next 12-month rolling period will be 6% on total guaranteed package, compared to 6.3% in October 2018. It is important to analyse the organisation's expenditure in terms of key staff and ensure that remuneration levels for specific positions keep track of market movements. While the cost of human capital remains the highest contributor to overall costs in most organisations, it is also evident that attracting and retaining key skills influences sustainability over the long term. From this publication it is also evident that only 34% of the responses indicated that the participants 'regularly measure' some or all of the employee costs listed and associated with the loss of key skills. Although direct costs such as replacement costs in the form of agency fees are easier to track, the hidden real cost of staff turnover remains something of a black box. Accurate tracking of these costs may influence the retention strategies of many organisations, and it remains concerning that organisations are not more dedicated to measuring these costs on a regular basis.

The extract below has been provided from our most recent Salary and Wage Movement survey. To obtain a full copy of the survey, including minimum rates of pay, labour turnover and starting rates of pay, please contact René Richter at [rene.richter@pwc.com](mailto:rene.richter@pwc.com). Terms and conditions apply.

### Minimum and maximum total package increments for the next 12-month period

Employee category	Minimum	Maximum
Executives	4.5%	7.5%
Management	4.5%	7.5%
General staff	4.5%	7.3%
Unionised staff	5.0%	7.3%
Overall	4.5%	7.5%





# Buzz words for Human Resources

by Tahira Nagdee

## Atypical working

The modern workforce wants to work independently. Implementation of this change from the norm demands new ways of thinking and new HR processes that align with flexible-working ways. This will not only leave employees more engaged and happy but also increase their productivity levels.

Turning to technology will be necessary to make flexible work a widespread success. This is because the nature of work is changing as well: work is more collaborative and people are expected to communicate and break down the silos to work towards a common organisational goal. Virtual collaboration tools are thus a must to make remote working and virtual teams a reality.

Organisations must turn to a more outcome-oriented work norm, and HR processes must be aligned with this idea. All in all, the future of HR is going to be very different. HR professionals and business leaders must prepare themselves for this change in the talent market, lest they lose out on a substantial and productive talent pool, just because they have not incorporated flexibility into the organisational ethos. The time to make small changes is now, so as to build a transformed and productive workforce mix in the near future.

**Artificial intelligence ... robotics ...** no matter what we call it, automation is even more of a buzz word as 2019 begins than it has been before. While it has been talked about for quite some time, the most recent threat points to the HR space. There are several possibilities of technologies that have the potential to remove some of the transactional work away from HR.

AI has developed to the point that it can anticipate user interaction, make suggestions based on information and provide quick responses to queries and questions. This isn't anything new in the customer service space.

AI also has incredible potential when it comes to talent acquisition – that is, if we're ambitious enough to remove the human element and place our trust in the machine. Imagine smart systems, able to adapt assessments to get the best from candidates and make intelligent decisions (without bias), based on a range of factors, from skills and competencies to personality and working preference-fit. While we're already doing this on some pretty fixed criteria, the potential for development and machine learning is enticing.

# Buzz words for Human Resources

by Tahira Nagdee

## Hiring on attitudes and behaviours rather than qualifications

The competency-based interview became the norm and has continued until today for most organisations. Although several voices are speaking out about the value of hiring on soft skills, attitudes and behaviours, while teaching the technical skills needed for the job later, the competency approach remains pervasive.

More and more companies have a real focus on making sure they attract, hire and retain people who 'get' their business, their company culture, their ethos and their values. Some of the most popular recommended approaches for hiring are:

Get your recruitment process geared to pick out the candidates with high potential. We often focus on skills and experience, but you can adjust your ratio of competence to behavioural questions to find out what values the candidates hold and what their preferences are for working. Carefully prepare these and take the time to identify what qualities you are looking for, ensuring that you're still attracting a diverse group of people. For example, is your ideal candidate one who is cautious and risk averse (perhaps doing tasks that adhere to quality control or legal requirements), as opposed to a candidate who is bold, willing to take risks or try something new? Either way, you can be flexible in your approach to get the right mix of skills and values.



# 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](http://www.pwc.co.za) or [www.pwc.com](http://www.pwc.com)

For enquiries regarding survey publications, please contact Margie Manners or Lisa Tamkei at surveys. [researchservices@za.pwc.com](mailto:researchservices@za.pwc.com)

1

## 22nd CEO Survey

Fleet of foot: how risk leaders can get ahead of populist, protectionist and policy uncertainties. Part of PwC's *22nd Annual Global CEO Survey* trends series.

2

## Salary and wage movements

A bi-annual survey published by PwC Research Services (Pty) Ltd providing informed trends on annual salary and wage movements.

3

## Global Consumer Insights survey 2019

Measuring return on experience, or ROX, will help companies understand the return they're getting on investments made.

4

## Employee Benefits survey

This publication provides participants with current policy and benefit information across a broad cross-section of South African organisations and delivers a best-practice guide for South African companies.

5

## Executive Directors survey

Executive directors face a number of challenges that evolve every year, and their companies are increasingly being held to account for their contribution to social upliftment in the face of pervasive inequality.



# Technology news

## REMprofile taking the market by storm!

Post launching our latest product, REMprofile, we have seen a significant increase in the number of organisations that are going back to basics using our tool.

What is evident is that more organisations are reviewing their organisational structures based on current and potential future jobs. During this phase more often than not the current job profiles do not provide sufficient information to accurately evaluate the jobs and to measure the performance of individuals against the required KPAs and KPIs of these jobs. In addition, with the focus on competencies REMprofile is one of the few tools that provides an all-in-one solution to clients.

## Welcome aboard:

Ampath Trust	Little Green Beverages (Pty) Ltd
Bigen Africa Services (Pty) Ltd	Pegasys Global Consulting (Pty) Ltd
Clover SA (Pty) Ltd	Shoprite Checkers (Pty) Ltd
Curo Fund Services (Pty) Ltd	The South African National Roads Agency SOC Limited
Discovery Limited	Tiger Brands Limited
Foschini Retail Group (Pty) Ltd	University of Stellenbosch Business School – Executive Development (Pty) Ltd
Government Employee Pension Fund	Vumatel (Pty) Ltd



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