

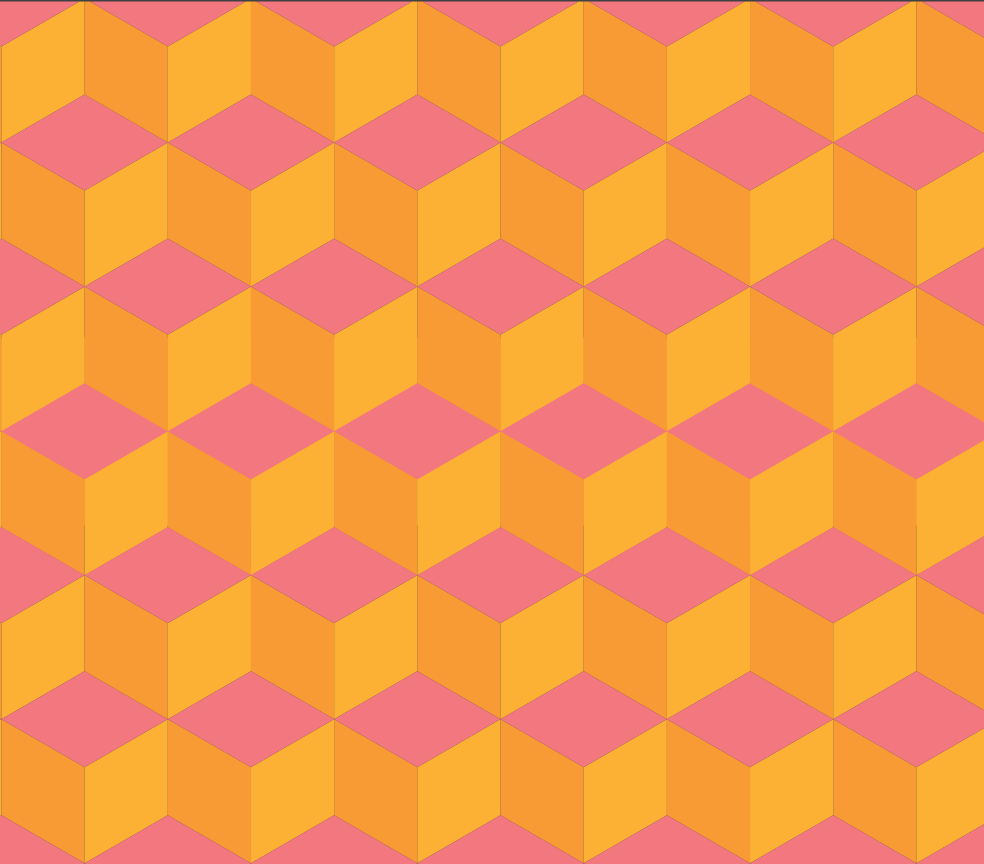
HR Quarterly

2nd edition June 2019

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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1

People and organisation news

Dear Client

Leaders preparing for tomorrow's workforce face a world where the old preconceptions do not apply. Yesterday's assumptions about how workers behave and what they value are being upended. This is a new reality, specifically in an economy in downturn.

Employers need to harness a different mix of skills, support new ways of working and learning, and create new work environments that meet the needs of a diverse workforce. People will demand to be more autonomous, entrepreneurial and free from the constraints of time and place. Businesses need to create a compelling people experience to drive success in a world where technology and changing expectations are redefining what working means for everyone.

More often than not the Employee Value Proposition is not focused on by employers, and employees do not understand the full reward offering – including the value of benefits, both financial and non-financial. For this reason PwC conducts a biennial Employee Benefits Survey to assess whether organisations are indeed focusing on elements other than remuneration.

The power of data-led insight is transforming the way organisations make better decisions and harness the power of their people. Better data is pivotal to today's strategic workforce planning, productivity, talent management, employee engagement and retention, performance management, agility, and mobility decisions. By using people analytics, organisations can cut through the noise and get a clear picture of what's working and what isn't. It takes the guesswork out of your most important workforce decisions, ensuring that you manage people risk better, that you match employees more smartly to jobs and that your workforce is more efficient and cost-effective.

We hope that you enjoy the second edition of the HR Quarterly. Should you require more information on any of the articles or guidance in terms of best practice, please do not hesitate to contact us.

[The People and Organisation Team](#)

2 Employee engagement experience

In South Africa, managing remuneration on a total guaranteed package basis has the unintended consequence of reducing the perceived value and importance of benefits. A middle manager on a total guaranteed package can expect to have roughly 20% to 25% of total guaranteed package in benefits. As can be seen from the table to the right (extracted from REMchannel as at June 2019) these benefits are typically in the form of retirement, medical, vehicle and other cash benefits. In most cases the employee is largely focused on the total guaranteed package amount and does not consider the value of their benefits or the real cost that the company has to incur to provide these. As an example, retirement funding and life cover are typically provided at rates and fees well below market costs due to closed funds with significant negotiating power.

Add to this that certain benefits, such as leave and free or cheap products, are outside of total guaranteed package and you can see that there is a significant investment that the company makes towards benefits. In the Total Rewards Model benefits are considered an important part of the overall reward offering that a company makes to its employees. To quantify the value of benefits we can use an example of a company with a salary and wage bill of R2bn. Assuming that roughly 20% of this is in the form of benefits, we already have R400m worth of value that is given to employees as benefits. When additional benefits such as leave, free or cheap products and other items are taken into account, we can easily arrive at a value of R450m. This implies that 23% of pay cost can be attributed to the benefits provided.

The leave value at middle management level is approximately 9.6% of total guaranteed package per annum.

Fringe benefit	% who receive	% of TGP
Basic cash	100	81.2
Guaranteed bonus	23.8	1.3
Market premium allowance	1.2	0.2
Housing subsidy allowance	7.9	0.5
Other cash benefits	37.1	1.9
Cash benefits	49.8	3.9
Company car	2.4	0.3
Car allowance	17.8	1.9
Vehicle benefits	20.1	2.2
Housing loan	0.1	0
Medical scheme	66.1	3.3
Other non-cash benefits	71.5	1
Non-cash benefits	88.3	4.3
Retirement scheme	95.3	8.4
Total guaranteed package	100	100

The real value of benefits

Organisations need to ensure that their benefits are measured against certain important criteria:

- Is the benefit aligned to our overall Employee Value Proposition (EVP)? Does the benefit resonate with employees given the rapidly changing demography of employees and the different life stages that employees are in?
- Is the benefit delivering a good return on investment – does the perceived benefit justify the cost?
- Does the employee understand the value of the benefit – are we communicating the real value of benefits in a holistic, coherent manner? Total rewards statements are a very powerful means of communicating the true value of benefits to employees.
- Is the benefit aligned to the market – are we struggling to attract or retain employees because our benefits are not competitive?



Employee Value Proposition

A suite of benefits and rewards that an organisation offers to its employees in return for making a valuable contribution.

1. Leadership



2. Development



4. Culture



3. Recognition



The reward professional should not neglect to pay attention to any of the reward levers. Each lever has an important place and must be used in unison with the other levers to produce a reward offering that is appropriate for the business.

We are in the process of collecting data for the biennial South African Employee Benefits Guide and envisage the publication date to be December 2019. If you wish to participate please email surveys.researchservices@za.pwc.com. Please note that terms and conditions apply.

PwC's 2019 Employee Benefits Survey is coming up.

Keen to find out further insights into what employees want?

Age distribution by industry sector

To demonstrate how important it is to align your overall Employee Value Proposition to the changing demography of employees and the different life stages that employees are in, the graphical illustration provides an overview of the age distribution of employees as extracted from REMchannel at June 2019.

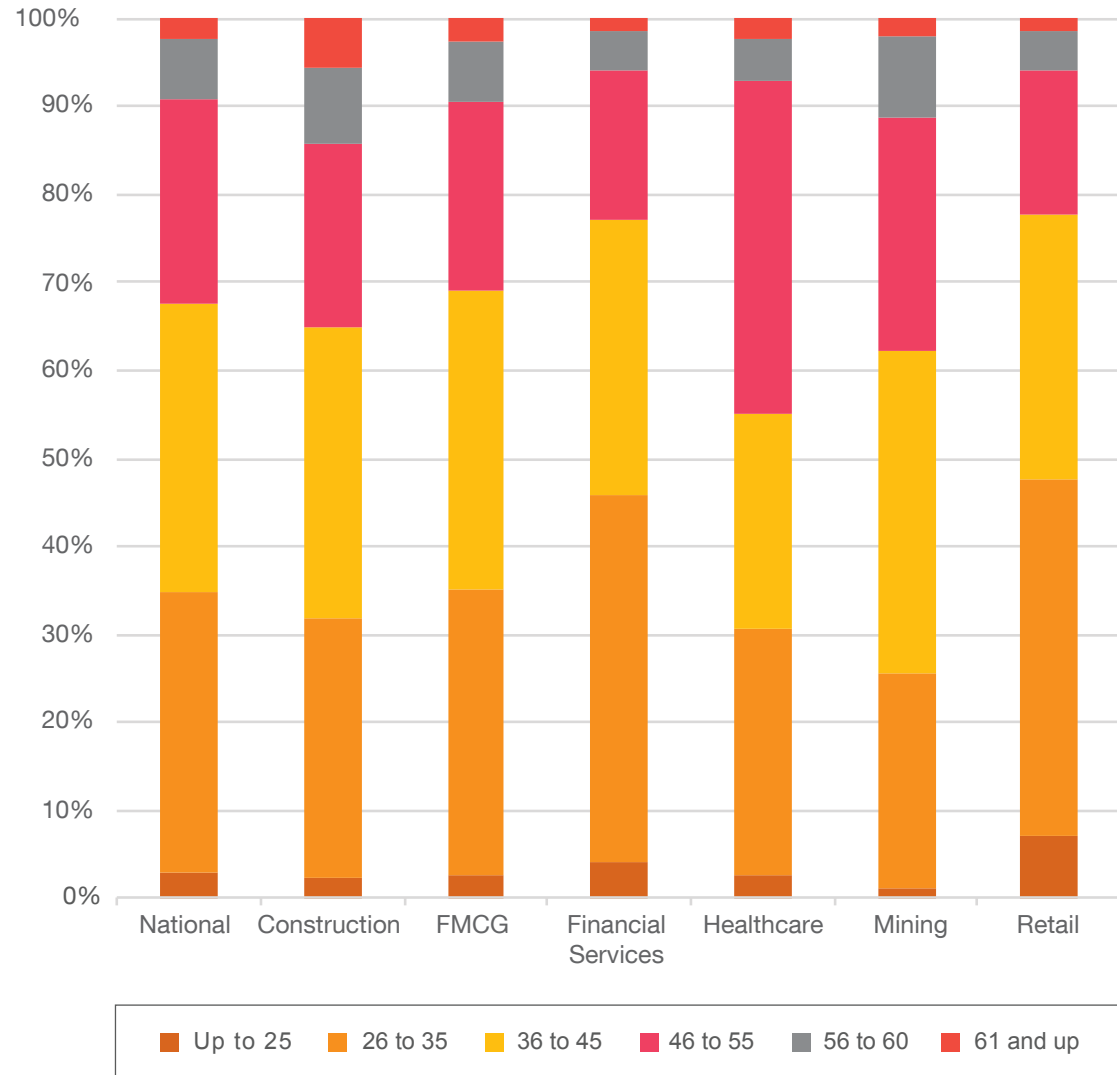
From this it is evident that employees in the Financial Services and Retail sectors are mostly between 26 and 35 years of age, while Healthcare sector employees are mostly between 46 and 55 years of age.

This clearly indicates that the Employee Value Proposition will need to be different in each of these industry sectors. At the same time the benefit offering may vary significantly from one industry sector to the next.

Overall, the South African workforce is becoming younger by the day, giving reward professionals an opportunity to reconsider the approach to total reward.



Sample by age distribution and industry sector



3 Burnout, the real threat

Research suggests that the 20% of employees with the highest engagement levels also report burnout. These ‘engaged–exhausted’ employees have deeply mixed feelings about work, reporting high levels of passion and stress concurrently. While they display desired behaviours such as high skill acquisition, they also have the highest intentions of leaving their job, even higher than unengaged employees. This means that organisations may be at risk of losing some of their most driven and hardworking people. Many HR departments have experimented with wellness programmes, usually involving exercise or mindfulness. However, these wellness initiatives often treat the symptoms rather than the cause. We have found that a more effective lever is to find ways to deliver vitality by addressing the work itself. Organisations need to ensure that their workspaces and working practices are capable of enhancing, and not inadvertently depleting, employees’ energy and vigour.

Our research found that most business leaders understand the importance of providing working environments where people can thrive, where workloads are manageable and where there is a good work–life balance. But many of them are not taking action to make this happen (see Exhibit 1).

The World Health Organization describes stress as the ‘global health epidemic of the 21st century’. Many people work in continually connected, extremely demanding work cultures where stress and the risk of burnout are pervasive. It’s not just a challenge for busy executives or a question of survival of the fittest, but a real barrier to organisational success affecting people at all levels.

Not enough life support

Exhibit 1: The percentage of respondents who rated well-being as important compared with the percentage taking action

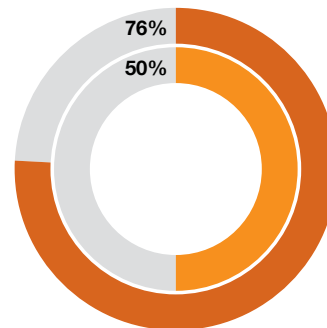
Question: How important are the following to the future of your organisation? (‘Extremely High Importance’ or ‘High Importance’)

Question: To what extent do you agree or disagree with these statements right now? (‘Strongly Agree’ or ‘Agree’)

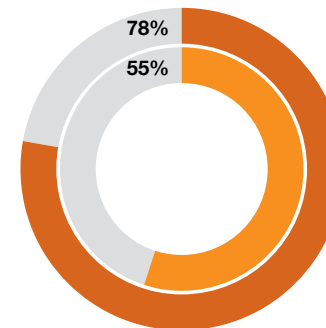
The workload manageable enough at our company that employees are able to make full use of their vacation allowance and relax away from work pressures most evenings and weekends

We attract talented people by providing a good work-life balance and flexibility in hours and working locations.

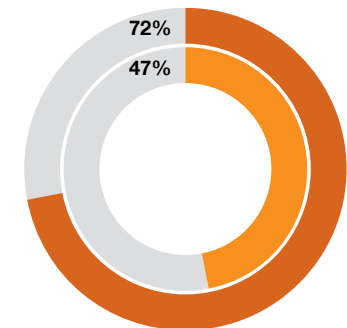
We have designed workspaces to promote well-being, for instance, with spaces for relaxation, recuperation, and to accommodate a variety of working styles.



■ Important
■ Taking action



■ Important
■ Taking action



■ Important
■ Taking action

The pressure is always on

Build in more periods of recovery

Overwork has become a symbol of status and success in many corporations. One consequence is that some people – especially men, research suggests – put in more time than necessary or even overstate their hours. However, there is considerable evidence that work performance plunges when people toil for extended periods without a break. Productivity in the US is rising by just 1% annually, despite employees working more hours. Overwork is a story of diminishing returns.

The restorative experiences employees have on vacation sharpen attention, bring mental clarity and inspire insights. After just a few days of leave, people's reaction time jumps by 80%. Vacations are not only a boon to the way people think, but also foster greater life satisfaction. How often you take a vacation is a better predictor of your well-being than the amount of money you earn. A regular vacationer earning US\$24,000 a year is generally happier than an infrequent vacationer earning five times as much. Yet two in five employees in the UK, for example, take just half their paid holiday entitlement. With the absence of recovery periods in corporations dramatically preventing people from building their vitality, it may be time to treat unused vacation days as a negative metric: one that indicates that a company is heading for burnout.

According to our survey, three quarters of respondents (76%) consider 'a workload that is manageable enough to enable periods of recovery' to be of high or extremely high importance in the future. However, only half are taking action to make this a reality.

Organisations have experimented with different ways to encourage their employees to take more time off. 'Unlimited vacation' was touted for a while, but some organisations found that employees actually took less time off because they struggled to decipher what was acceptable in the absence of clear rules. Kickstarter, for example, retracted its unlimited vacation approach because of this unintended consequence.

What is the solution? Frequent, scheduled, mandatory vacation. This is something managers must actively monitor and encourage. They need to understand and address the obstacles employees face in taking their time off, and put processes in place to ensure that the vacationer does not return to an overwhelming workload.

Be purposeful about short breaks during the workday

Humans need periods of internal recovery – both mental and physical – throughout the workday to perform at their best. But organisations striving to enhance productivity can easily undermine sustainable high performance by seeking to squeeze more out of their people. Instead, they should build a culture of protecting vitality and recognise that the highest-quality work can't be done by humans working like machines; people need space and time for inspiration.

Balancing work activity with brief moments of detachment from tasks can promote greater energy, mental clarity, creativity and focus, ultimately growing workers' capacity for resilience throughout the course of the workday. The long-term payoff is that people preserve energy and prevent burnout over the course of days, weeks and months.

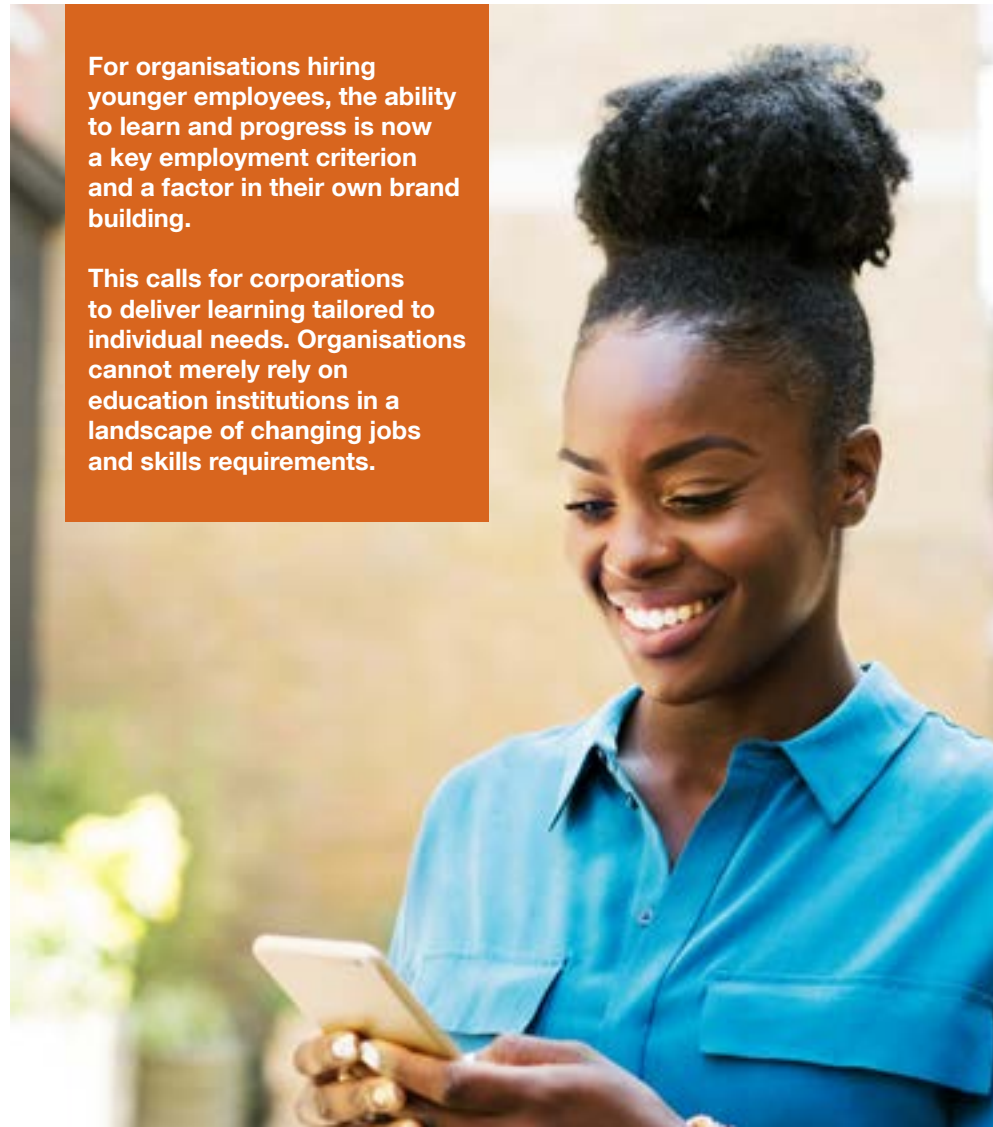


Nurture agility

Every individual will need to develop the capability to adapt quickly and confidently. Organisations can help employees make successful transitions by emphasising the importance of diversity of experiences and lifelong learning. Employees themselves are pushing for continuous learning and development opportunities.

For organisations hiring younger employees, the ability to learn and progress is now a key employment criterion and a factor in their own brand building.

This calls for corporations to deliver learning tailored to individual needs. Organisations cannot merely rely on education institutions in a landscape of changing jobs and skills requirements.



Set the expectation that change is a constant

Workers will need to train and retrain throughout their lives, just as organisations will need to transform and transform again. In Singapore, for example, the government is giving grants to workers to help them retrain throughout their working lives, not simply so they gain new skills but also to adjust general expectations: retraining will become the norm. Organisations also need to do more to help their workers understand that change will be continual, demanding and sometimes fast-paced. By helping workers gain this understanding, organisations are doing their very best to arm them for the change mind-set and recognition of the new skills they will need in the future. But according to our research, although they understand the importance of managing change, organisations are not taking enough action to help their employees adapt.

Provide 'just-enough, just-in-time and just-for-me' learning

Classroom teaching and incremental development of skill sets are at odds with the new world of work. People are now accustomed to getting information in real time, in short sprints, through online platforms. Within organisations, this transformation is also shifting from 'just-in-case' learning, characteristic of university programmes, to an approach described as 'just-enough, just-in-time and just-for-me'. The emphasis is on personalised, concise content that is accessible as and when needed, across devices.

New ways of learning require a change in the education relationship between employer and employee from parent-child to adult-adult. In this context, employees have ownership of their learning and are empowered to define their skill gap and choose when, how and what they want to learn. For organisations, it means transitioning from being a provider of learning to being an enabler of learning. Organisations must create the space for people to decelerate, reflect and learn from peers. The rise in self-directed learning creates a new need for 'credentialising' systems that recognise when people gain new skills. Such a system could take the form of digital badges, for example, which individuals can point to when applying for new opportunities within or outside the company. Corporations need to provide the tools and space for employees to share and be recognised for any learning, both internally and externally.

4 Do what is best for you

Think 'signature processes', not 'industry best practices'

There are many innovative approaches to the people experience taking place within organisations around the globe. However, it is not enough to just emulate others. Organisations need to embrace unique 'signature processes' that reflect their history and values. The adoption of so-called best practices alone is not enough to beat the competition; they can be imitated by everyone. In contrast, signature processes are idiosyncratic and embedded in the organisation's heritage and values, so competitors are unlikely to gain the same value from emulating them.

Close the gap between rhetoric and reality

An organisation's rhetoric must match the reality. This can be achieved by ensuring that the initiatives aimed at delivering the right people experience are consistently felt across the organisation.

Managers need to be coached on how to enact them, and the effective implementation of the initiatives needs to become part of their performance evaluations. Policies and practices can often be derailed if managers lack the incentives, will, skill or knowledge to make them work. Leadership should ensure that the culture and people practices of the organisation are reinforced on a day-to-day basis, because this reinforces the value and importance of these initiatives.

Beware unintended consequences



Organisations must try to anticipate and even test the expectations that they are placing on their employees when they change work parameters. Providing employees with the autonomy to choose when and where they perform work, as discussed earlier, may have the unintended consequence of hampering their vitality and social resilience. Leadership must be mindful of this. Similarly, offsite working can lead to isolation and can intensify a 24/7 'always on' culture as people lengthen their workdays to counter an unspoken assumption among others that not working in the office means working less.

Be ready and able to move

Acting on many of the points raised in this report will require fast experimentation in small segments of the firm as a starting point.

Corporations will also need to normalise the concept of acceptable failure, as it is essential in adapting to the future of work. Finally, it will be increasingly important for organisations to challenge current people practices to see if they really are adding value, and act swiftly to stop those that are not. This will ensure that everyone is tightly focused on activities that do, or will, have an impact.

5 Can SA companies afford salary increases?

Over the past six months we have had extensive discussions with our clients on the question of affordability. The response to this question has been quite insightful. Most of our clients believe that they cannot afford to grant increases in an economy that is contracting severely with each quarter that goes by.

At the same time employees are getting significantly poorer, which means that their ability to spend is contracting. A vicious circle, to say the least.

Despite these debates the REMchannel clients have indicated that average increases are around 6%. There are those that have taken the decision not to grant any increases or in some case marginal increases to ensure that their organisations remain in business over the short term. It should be noted that the percentages provided in the table are the estimates of participating organisations at the time of their data submission process. Due to the contraction in the economy these predictions may very well be higher than the actual increases that will be granted in the coming months.

To find out what increases South African companies will be granting in the coming months you can participate in our October Salary and Wage Movement survey. Please email us at surveys.researchservices@za.pwc.com

		Previous year		New year	
Category	Package	Mean	Median	Mean	Median
Executive	Basic salary	5.6	6.0	6.1	6.0
	Flexible package	4.9	5.5	5.4	6.0
	Total package	5.9	6.0	5.9	6.0
Management	Basic salary	5.9	6.0	6.2	6.0
	Flexible package	5.6	6.0	6.3	6.0
	Total package	6.0	6.0	6.0	6.0
General staff	Basic salary	6.3	6.5	6.4	6.5
	Flexible package	6.6	6.5	6.5	6.0
	Total package	6.3	6.0	6.1	6.0
Unionised staff	Basic salary	6.9	7.0	6.8	7.0
	Flexible package	6.5		6.3	
	Total package	6.6	7.0	6.1	6.5

Over the past 12 months REMchannel participants' average actual year-on-year increases across all categories of staff were on average 7.85%. However, the executive category of staff actual increases were 2.2 percentage points lower than the unionised category of staff for the same period.

Technology news

Our no-compromise approach to data integrity received a major boost recently. REMchannel's new data submission process has improved to be more user-friendly and intuitive. This is most noticeable in the validation reporting and data gatekeeping. As a result, you can rest assured that our survey continues to deliver on trust.



Did you know?

REMprofile keeps getting better. We're listening to you, our clients, and have now added functionality for users to bulk import your own competencies into REMprofile. Creating job profiles became more personal to your organisation!

1

Download employee data sheet

Previously called CSV file

Download a template and populate all biographical, job related and remuneration information for each employee.

2

Upload employee data sheet

Upload employee data sheet

Upload your populate data sheet into REMchannel.

3

Remuneration policy setup

Previously called questionnaire

Complete your remuneration policies by grade for the various remuneration components and validate your employee data sheet all the same time.

4

Data validation acceptance

Confirm data

Confirm that the policies and data provided to the survey are accurate.

5

Job matching & validation

Perform job matching

Perform job matching using our enhanced matching methodology which automatically validates as you match.

6

Submission complete

Submission complete

Once your data has undergone an internal review process, it will be included in the upcoming survey publication.

6

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 or www.pwc.com

For enquiries regarding survey publications, please contact Lisa Tamkei or Margie Manners at surveys.researchservices@za.pwc.com

1

Salary and wage movements

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

2

Executive directors survey

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

3

Hospitality outlook 2019–2023

PwC's team of hotel specialists provide an unbiased overview of how the hotel industry in South Africa, Nigeria, Mauritius, Kenya, Namibia and Tanzania is expected to develop over the coming years.

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 organisations.

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