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Creating immersive simulation experiences and rewarding risk taking are two effective steps leaders can take to drive creativity among their ranks.

Human talent is a top 3 business issue for CEO's

- ### *The People and Organisation Team*

Gin and virtual reality experience with PwC



The Future of Work event at our Cape Town Offices was an event inspired by the Future of Work Global Conference that took place in Madrid in June 2018. We were thrilled to have some South African clients in attendance.

The event was aimed at taking our clients through an experiential journey, experiencing the disrupting technologies and experience how those would impact the way in which we work and our people strategies.

We showcased a range of disruptive technologies that are in play globally and in South Africa.

Our immersive exercise facilitated conversations and interactions in industry groups leaving clients with the burning question of “*What is my strategy for the future, and how will this impact my industry, my business and my people.*”

The last puzzle piece for the evening was a look and taste of the evolution of *Gin & Tonic* through the years. Even what we drink and how we drink has been disrupted.

Why Fair Pay Is a Potent Weapon in the War for Talent

Talent — having people with the right skills, temperaments, and motivations on the payroll — is one of the biggest issues on the minds of business leaders today. In PwC's [20th CEO Survey](#), 77 percent of CEOs said they saw the scarcity of key skills as the biggest threat to their business. And the challenge of finding the right person for the job is only going to get more difficult as technology evolves and businesses need increasingly specialized skills, such as advanced coding knowledge or the ability to design and train robots for automation.

Companies are scrambling to find new ways to attract and develop talent. They're using sophisticated data and analytics tools to locate potential candidates. They're collaborating with high schools and universities to overhaul curricula and offer apprenticeships. And they're reengineering the workplace to make it more appealing — not just to millennials, but to all generations. But there's one comparatively simple approach leaders can take to improve their ability to attract and retain talent: adopt fair-pay principles.

Of course, employers generally think they are already offering fair pay as can be seen from the PwC report [The Ethics of Pay in a Fair Society](#)). But in recent years, an important new definition has emerged. When we talk about fair-pay principles, we're talking about a set of policies that companies develop to guide their compensation and total rewards package for workers.



These may include paying employees a fair and liveable wage, offering equal pay for equal work regardless of race or gender, and being up-front and transparent with employees and the public about compensation and benefits policies.

Several large companies in different industries have made significant public commitments on issues of fairness and fair pay, including Unilever, JPMorgan Chase, Allstate, and McDonald's. In 2014, Unilever created ambitious fair-pay principles, including a goal of providing a living wage — one that gives employees enough to provide for their family's basic needs, such as food, housing, education, and healthcare, as well as some discretionary income — for all direct employees at the lowest pay grades by 2020. JPMorgan Chase in 2016 announced raises for 18,000 U.S. workers to between US\$12 and \$16.50 an hour — about \$5 an hour above the U.S. national average minimum wage. In September 2017, Target announced it would raise its minimum hourly wage in the U.S. from \$10 to \$11, then to \$15 by the end of 2020.

Those companies are the exception, not the rule. But it may not be sustainable for others to watch from the side-lines. Given decades of stagnant real wages, the impact of technology and globalization on jobs, the erosion of trust in large institutions, and the expansion of income and wealth inequality, fairness in society has become a high-profile issue. And just as with other high-profile issues, businesses don't have the luxury of ignoring it.

What's more, those who have yet to follow suit may not realize that, far from being primarily a public relations move, fair-pay principles can give companies the competitive edge they need to attract and retain talent. Businesses that lead on fair pay are better positioned to attract and retain the best workers.

Promulgating fair-pay principles can give companies the competitive edge they need to attract and retain talent.

Fairness clearly matters to prospective employees. Sixty percent of employees say they would not apply for a job where they knew a pay gap existed between men and women, according to the American Association of University Women. Among women — who make up the majority of those with bachelor's degrees — this percentage rises to 81 percent. This tells us that people are thinking about fairness and pay already, and they're making decisions about where to apply for a job at least partially on the basis of whether they believe the company treats people fairly. The opposite is true, too. It's harder to retain people and keep them engaged and productive if they feel that they're underpaid or not being treated fairly.

Meanwhile, beginning in 2018, publicly traded companies in the U.S. will be required to disclose the ratio of CEO pay to median employee pay. That's likely to exacerbate the trust gap between employees and executives, an issue that many companies are already grappling with, and to raise more questions about fairness at work. This has very little to do with how much the CEO makes (that's already public knowledge). Rather, when companies disclose the median salary, half their workers will suddenly realize they are making less than the median — and they'll wonder why.

Looking further into the future, the issue of fairness and fair pay is likely to intensify. We can envision a time in which social responsibility and trust dominate the corporate agenda. In PwC's recently released Workforce of the Future study, we considered what the world of work could look like in 2030. We imagined four possible “worlds” — scenarios that were conceived by analysing megatrends, market forces, research, and survey data from 10,000 people in the U.S., the U.K., India, and China.

If you require a copy of the Workforce of the Future please contact René Richter at rene.richter@pwc.com.

How innovation happens



Innovation is a mind-set, not a technology, or a product, or a solution. And it requires time, commitment, and investment.

Tap the tower of pride

When you live and work in Silicon Valley and talk about it with people who don't, you get used to a look in their eyes that begs, "What's the secret sauce?" People know it's where innovation happens, and many want to know how they can make it happen where they work, too.

It is indeed a celebrated hub of activity, with a strong network of skilled professionals and investment that drive good ideas. But it by no means holds a global monopoly on innovation. Technology is pushing traditional players everywhere to adapt and transform, or risk irrelevance.

So what I would say to anyone who's looking for answers to how innovation happens is that it's not rocket science. It's often about approaching an issue with the curiosity and open mind of a child. But the day-to-day grind of the modern work environment can zap that kind of creativity. Innovation, like a garden, won't grow on its own. We need to plant seeds and treat them with care, to create not just a garden but an ecosystem. That's the kind of innovation that sustains and regenerates itself. Innovation is a mind-set, not a technology, or a product, or a solution. And it requires time, commitment, and investment.

PwC has just completed its seventh annual Global Innovation Challenge in Tokyo. The challenge offers our people the opportunity to submit ideas for new services and solutions that we can invest in and develop. Some 2,500 PwC innovators from 74 territories took part in the 2018 challenge over a five-week period. Since the annual event started, we've invested in ideas that have offered new solutions to clients that include drones, payment systems, and working models.

As even the most high-profile innovators will tell you, there's no secret formula for great ideas. But what research and reality show is that there are numerous levers organizations — and people — can pull. Here are five we find particularly powerful:

- **Tap the power of pride:** Innovation starts with people. Pride in your work and organization is a powerful motivating and creative force. [Research by PwC's Katzenbach Center](#) shows that "emotional energy drives employees to go above and beyond, regardless of external incentives such as compensation and benefits," creating a repeating cycle of energy and motivation.
- **Make failure an option:** Preconceived ideas and solutions can block innovation and change. PwC's digital services practice leader says you have to be willing to take risks and embrace the uncertainty and potential for failure inherent in those risks.
- **Rethink your company culture:** Organisational culture is not the same thing as employee engagement. As a PwC expert points out, one is "synonymous with free food, foosball tables, and other workplace perks." The other is about empowerment to make decisions, freedom to innovate, and work-life balance. The key to unlocking performance via your organisational culture is to align your company culture to business priorities.
- **Place your customer at the centre of innovation:** The question at the heart of PwC's Global Innovation Challenge is: What value are you delivering? PwC strategists suggest that it's no longer enough to target customers. To stay ahead, you need to be thinking about long-term experience — the value you want to create for your chosen customers over three to five years.
- **Flex to grow:** Innovation doesn't necessarily happen between 9 a.m. and 5 p.m., so consider how flexibility can play a part in your organization's strategy to tap into people's best skills, no matter where and when they work. One CEO offers his perspective on how this approach opens you up to wider talent pools, not just ideas.

How to Spark “Next-Gen” Creativity

As robots take over more and more “dirty, dull, and dangerous” jobs from humans and automation assumes the knowledge work once done by people, the vocations that require complex, creative thinking will remain the domain of the living.

This point was driven home in a recent World Economic Forum (WEF) report, which forecasts expected advances in automation, artificial intelligence, and other areas that constitute Industry 4.0. The changes, already unfolding, could — and likely will — be profound, and include shifts in even the most essential job skills.

The report compares the top skills needed in 2015 and those predicted to be critical in 2020 (which is just a few heartbeats away). Quality control and active listening drop from this list — perhaps new technology will take care of these. Emotional intelligence and cognitive flexibility take their place. What we found most interesting is that creativity rockets from the number 10 spot all the way up to number three.

Just telling people to “be more creative” without further definition can be frustrating for all concerned.

But before you unleash your inner van Gogh, know that creativity isn’t just about being visually artistic (or acting like the office free spirit). According to the human resources and other senior executives surveyed by the WEF, 52 percent of jobs will require complex cognitive abilities such as “creativity, logical reasoning, and problem sensitivity” as a core capability — a sort of “next-gen” creativity.

In days gone by when holding a creative role meant you were one of the few in the office who could forego a suit and allocate plenty of “out of the box” thinking time. But today’s workplace, and the workplace of the future, requires an approach to creativity that promotes free thinking yet also has a focus on getting projects completed, products launched, and services humming along.

However, just telling people to “be more creative” without further definition can be frustrating for all concerned. Leaders should work for clarity about what creativity means for a specific role, and to do this, it’s helpful to think about what creativity means in various contexts. Today, creativity can range from a blank canvas (the ability to think way outside the box) to tightly bounded (the skill of solving within fixed parameters). We spoke to several people who use different forms of creativity and asked them: “What does creativity mean in your work?” They revealed four principles useful to any business leader. The two that are key to sparking creativity are as follows:

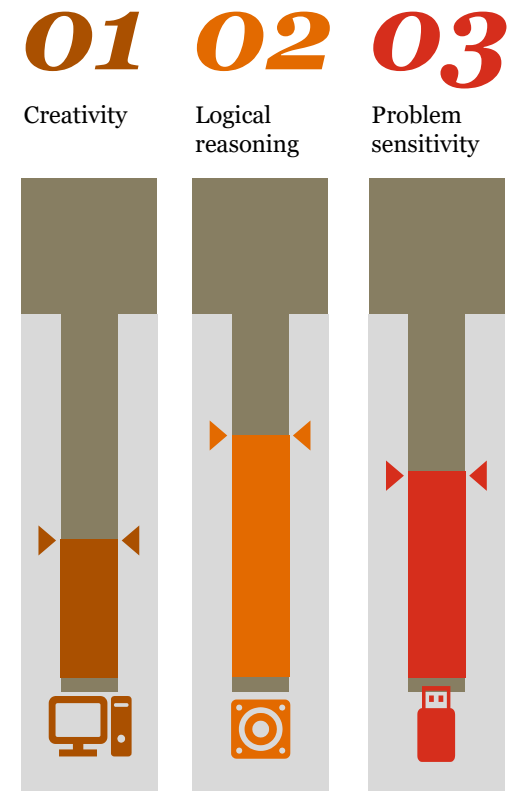
Know which boundaries to draw — and which to erase. We started with Bill Hartman, who leads the innovation strategy team at design consultancy Essential Design. This is the kind of firm that companies turn to for help in creating new products and services. Hartman studied to be a fine artist and then pursued a career in industrial design.

Workforce of the future requires complex cognitive abilities

“We orient our teams to anticipate the future and novel attack events,” he told us. “We have to be creative because our enemy is constantly changing its tactics and techniques.” To foster the team’s thinking, Symantec creates “immersive simulation experiences to stimulate their ability to look for new things.” It is a low-risk environment, yet one that creates “the contextual challenges of overwhelming information and constant change.” Kapuria extends creative thinking to the organization itself. “You need a self-evolving organisation and a culture that is willing to take risks in the interest of the mission and the business,” he said. He has created an environment that rewards risk taking for innovation by celebrating those who are willing to push their thinking to secure the digital economy. Creating immersive simulation experiences and rewarding risk taking are two effective steps leaders can take to drive creativity among their ranks. These are proven techniques with results that far outshine those of the dot-com-era days of foosball tables and fish tanks. He explained a creativity-driven choice for differentiation he has made: While some vineyards strive for year-over-year consistency to build brand loyalty, he has embraced “vintage variability,” in which each year’s production is a distinctive reflection of “time, climate, and place.” His informative, humorous, and often irreverent notes that accompany wine club shipments are one way that he cultivates an appreciation of that variability among his customers. In some instances, there will be variables that are beyond a leader’s control. In Hawkes’s case, it is the weather. Elsewhere, it may be budget, or the software or hardware on hand. Allow these limitations to spark creativity and improvisation elsewhere. When one mechanism is sticky, perhaps another can be oiled with some unexpected thinking.

Dwell on the question, not the answer — and give it time to emerge. Creativity coach Julie Daley said that new ideas can’t be forced. “Everyone is creative, it is our nature. We are educated out of it. Creativity is not artistic ability. Creativity can be seen as an adventure. We are wired for adventure — part of us still wants that.” She advised taking your ego out of the outcome. “The more personally invested you are in the solution, the less possibility you will see.”

She advised dwelling on the question — the unknown — and not investing in an answer too quickly. “When you get adamant about outcomes, you exit creativity,” she said. Leave time for incubation. “You have to step away from the problem for a bit. That’s often when the ‘aha’ moment comes.” The increasing importance of creativity at work has the potential to make many roles more interesting and rewarding — if we’re both creative and smart in how we approach them. For leaders, the job is to frame the challenge appropriately, ensure clarity of the governing principles, create fertile conditions, and then have the wisdom to step back to let people contribute their best.



Change is constant, market data is not

One of the key value propositions of the REMchannel® on line salary survey is that data is updated on a monthly basis. Obviously this means that data is continuously changing whether it be that the market sample and remuneration data increases or decreases. We are often asked to investigate the reason for the changes that take place. The diagram to the right provides some of the reasons for data fluctuation in REMchannel®

All participants are obligated to update the REMchannel® system with their employee information a month after their annual increases have been implemented. We do allow for an extension of one additional month however should the entire upload process not be completed within that period the participants' data will be deleted and they will not have access to any REMchannel® data until the full upload process, including the month end processing of data, has been completed. However in some instances there could be a valid reason for a participant not completing the upload process, for example, ongoing union negotiations which resulted in increases not being implemented. We do not delete the data of these participants as it is, in essence, still valid, however the market data could be impacted positively or negatively once their new data has been uploaded.



It is in the best interest of all participants that the survey continues to grow. New participants added to the database who are either low or high payers will influence the market data.



The reality is that in any particular year there may be participants who do not renew their subscriptions. We do not retain outdated information and the data set will be deleted from the database.



In cases where participants do not provide data within the required time frame and increases have been implemented, data will also be removed.



As jobs change and organisations restructure they will rematch their jobs to the survey jobs. In addition industry user groups determine what the most effective and representative matches would be.

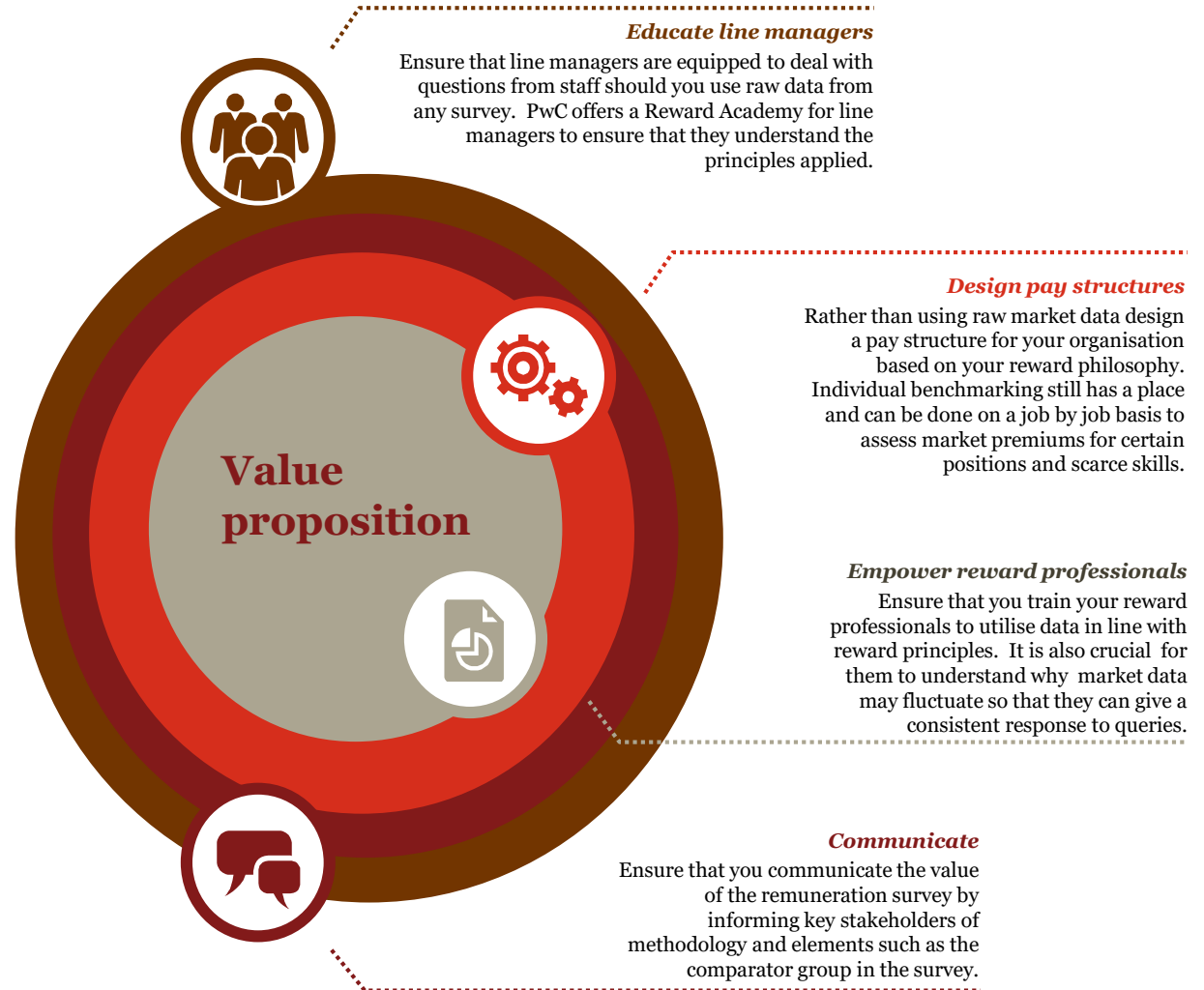


Of course some of these changes take time to reflect in the database. Rematching of jobs will take at least a year cycle before the sample sizes increases to represent the market trends.

How to deal with fluctuating market data

Generally, after industry user group meetings and as long as there is consensus from the majority of participants, new jobs are added and obsolete jobs are deleted from REMchannel®. A report listing the roles affected can be found on REMchannel® under the useful information section of the system. The impact of these additions and deletions can influence the market data for other jobs in the system and, in addition, it is important to keep in mind that the market sample and data for new jobs introduced will take some time to build up and stabilise. To protect the confidentiality of data, should less than four participants be matching to a role or a participant company is dominating the sample matched to a role, the system will indicate that there is insufficient sample to provide a market benchmark report. In addition, should there be less than 11 data points matched to a role then only the mean/average will be reflected on the REMchannel® market data report.

No matter what the reason is for the change in data, you can rest assured that one thing that will not change is our strict validation of all data uploaded into REMchannel®. We pride ourselves on our consistent, thorough upload process and are more than willing to address any queries you may have.



How will the economic climate impact increases?

Over the past month the technical recession that South Africa is in has been on the lips of every CEO, CFO and HR Director. Profits are plunging, share prices continue to be under pressure and of course shareholders want a higher return on their investment. At the same time employees are continuously faced with increases in cost of living and less take home pay. The contraction of manufacturing output, retail sales, infrastructure expenditure and the down turn in new vehicle sales sketches quite a grim picture.

The anticipated average increases to be awarded in the next rolling 12-month period will be slightly above CPI (CPI is 5.1% in the third quarter) with the average of 6.1% on a total guaranteed package basis across industry sectors. This is indicative that organisations are continuing to be conservative in their approach as they shy away from the double-digit increases.

Minimum and maximum total package increments for the next twelve month period

Employee category	Minimum	Maximum
Executives	4.0%	8.0%
Management	4.0%	7.0%
General staff	4.0%	7.0%
Unionised staff	6.0%	7.5%
Total lift to payroll	4.0%	8.0%

Average reported increases:

6.3%

Obtain a copy of the latest Salary and Wage Movement survey to assist you in your decision making process. Contact Puseletso Matsheng at matsheng.puseletso@pwc.com

Current and forthcoming attractions

01

Hospitality outlook : 2018 - 2022

The Outlook provides an overview of how the hotel industry in South Africa, Nigeria, Mauritius, Kenya and Tanzania is expected to develop over the coming years.

02

South African Insurance Survey

The opportunities for growth in Africa's insurance industry are huge despite recent economic and political uncertainty. The insurance industry has done well to adapt to continuous disruption.

03

Seeing is believing – gender trends in FS

While more women are moving into senior leadership positions within financial services (FS), many still struggle to progress during the pivotal middle years of their careers.

04

Executive directors report – July 2018

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

The listed 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.

Other thought provoking and insightful publications and articles are provided overleaf.

Our latest insights

Filter:



Entertainment and media outlook: 2018-2022

An in-depth analysis of the trends shaping the entertainment and media industry in South Africa, Nigeria, Kenya, Tanzania and Ghana.



Tax, VAT, customs and trade alerts

Tax, VAT, customs and trade alerts provide regular commentary on current developments in the tax arena, both locally and internationally - sign up.



Tax synopsis

The monthly journal provides commentary on current developments in the tax arena, assist business executives to identify developments and trends in tax law.



Africa insurance trends

Read the 2017/2018 PwC Africa Insurance Survey - 'Ready and Willing: African insurance industry poised for growth'.



Executive directors' report

The focus on executive remuneration is coming from all angles, including regulators, and from a position of what many argue is simply moral best practice.



Building on BRICS

Unpacking tourism and investment opportunities in the context of the 2018 BRICS summit - Read more.



Universities in the Fourth Industrial revolution

View PwC's focus on Education Series 2: Universities staying relevant in the Fourth Industrial revolution.



Universities in the digital age

View PwC's focus on Education Series 1: Universities staying relevant in the digital age.

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