HR Quarterly

February 2013

A quarterly journal published by PwC South Africa providing informed commentary on current developments in the Reward arena both locally and internationally.

Contents

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Focus on fundamentals but reach for the clouds

However beautiful the strategy, you should occasionally look at the results - Winston Churchill.

By focusing on the fundamentals Human Resources executives can transform an organisation that spends most of its time on administrative tasks to one that's viewed as a trusted advisor to the business.

Over the past five years, companies have been cutting headcount, costs and capital expenditure. Some business leaders, failing to consider the long-term view on staff reductions, didn't stop at thinning the ranks of non-performing talent; they also cut some high-performing employees. Administrative functions, including Human Resources, took significant hits, perhaps disproportionately so. Yet, project demand for Human Resource capabilities to support talent, benefits, workforce planning, reward and other Human Resource responsibilities continues to outweigh the supply of resources.

In most organizations Human Resources is still not positioned as a strategic partner to the business. In fact, we routinely find that more than 75% of Human Resources work hours are spent on administrative and advisory transactions support. It's a reality that many executives would like to see change. But Human Resources Executives face the daunting task of trying to boost focus on areas critical to the entity's success, given fewer employees and tighter budgets.

By focusing on the fundamentals Human Resources executives can transform an organization that focuses the majority of its time on administrative tasks to one that's viewed as a trusted advisor to the business.

The fundamentals of running Human Resources in an organisation come down to three things: people, process, and technology. The right people in the right jobs. The right processes in place. Then, finally, the right technology to enable the vision of what Human Resources can be to the organisation. To achieve the desired results, truly make change stick, and make your organization effective, you can't do one without the other.

May 2013 be a prosperous and fruitful year in which Human Resources become a strategic partner in your business.

The PwC Reward Team

PwC Human Resource Services news

SARA Reward Awards sponsorship

We are proud to announce that PwC Remchannel has again been awarded the SARA Reward Awards Sponsorship for 2013 and 2014!

PwC Remchannel has been instrumental in establishing the South African Reward Association (SARA) Reward Awards as one of the most prestigious and meaningful award programmes in the human resources fraternity. We have been privileged to be associated in recognising the top reward professionals in the industry and share the vision of SARA to further the reward profession. Over the past ten years we have recognised some great legends in the industry proving that we truly can compete with the best globally.

SARA promotes the remuneration and benefit management profession in South Africa by creating knowledge building; sharing and networking opportunities for its members and we are honoured to recognize the professionals who contribute to making reward in their organisations a strategic business focus.

Please diarise these dates timeously and visit the SARA website for more information:

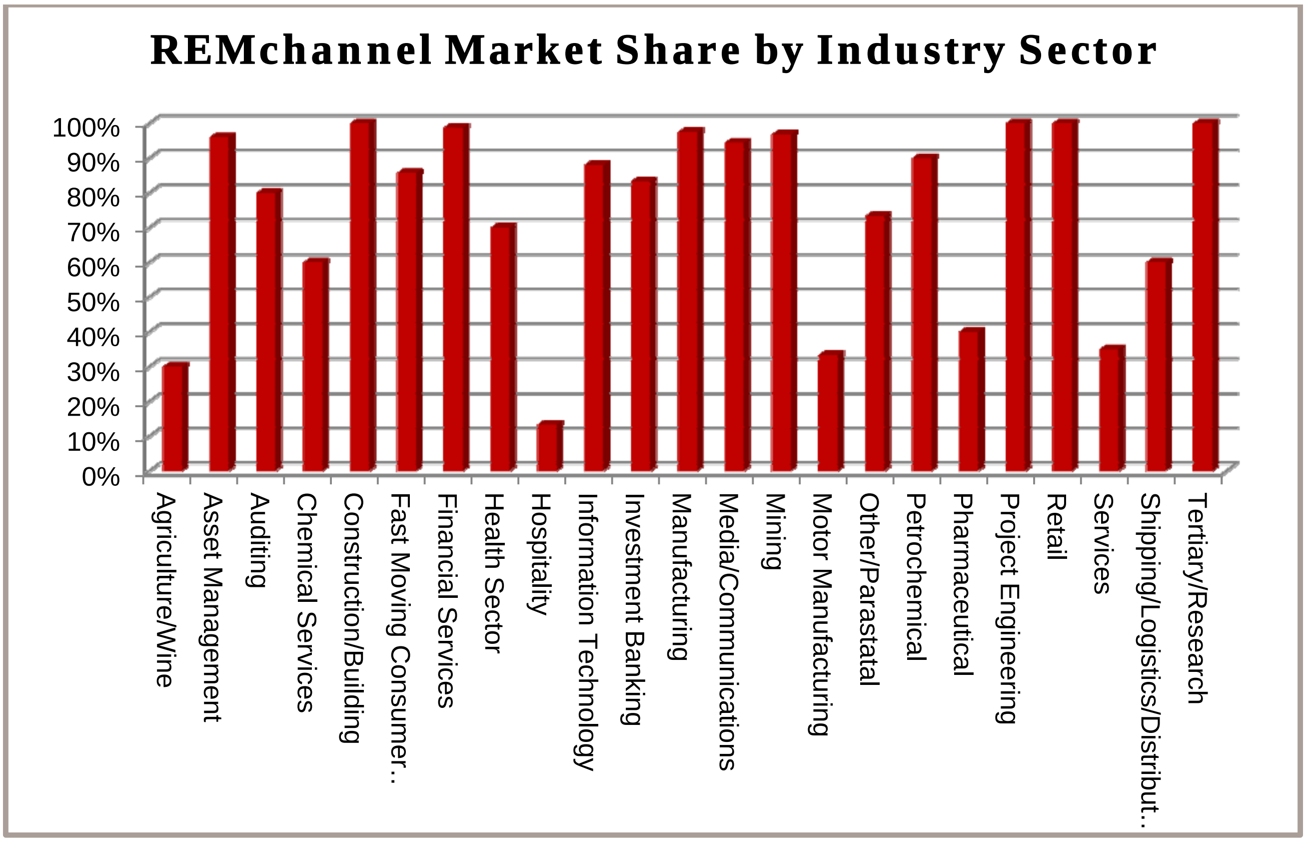
SARA Conference: 24/25 October 2013, Emperors Palace

SARA Awards Banquet: 26 October 2013, Emperors Palace

REMchannel® market share

We continue to strive to provide our clients with the highest quality of information which forms a crucial element in the reward decision-making process.

The REMchannel® survey database and participants have grown considerably over the past 24 months. The graphical illustration below provides an overview of the participant base in each of the industry sectors. Should you require a full participant list please contact Margie Manners at margie.manners@za.pwc.com.



Training and workshops

Continuous skills development of reward and human resources staff adds significant value to human capital.

PwC Remchannel, in association with Dianne Auld from Auld Compensation Consulting, offers skills transfer workshops providing newer practitioners and seasoned reward practitioners with the necessary know-how to excel in the reward arena.

To ensure that your staff are skilled to manage your organisation's remuneration, the following workshops are offered on a continuous basis:

- Excel Workshop for Remuneration Practitioners
- Advanced Excel Skills for Remuneration Practitioners
- Incentive Design Workshop for Remuneration Practitioners
- Job Profiling and Job Evaluation Workshop
- Pay Structuring Workshop for Remuneration Practitioners
- Reward Management Workshop for Line Managers
- Sales Compensation (1 day)

Our workshops are limited to 20 delegates to ensure that each attendee receives the maximum value from the training. Should you require further information please visit our website at www.remchannel.co.za and select the Training and Workshops tab to download the booking forms. Alternatively please contact Louise de la Rey at louise.de.la.rey@za.pwc.com

Launch of the version update for REMchannel® and REMeasure®

We know that the system enhancements will create an enormous amount of value for our clients – you asked and we listened!

In what will be the biggest version upgrade to both REMchannel® and REMeasure®, we are pleased to announce that the new systems will be rolled out at the end of the first quarter of 2013. We have been testing our new systems for many months now and we have released a beta version to ensure that we can do the final testing in an environment which very closely replicates our live system.

Common platform

Both REMchannel® and REMeasure® will be integrated into a common platform which means that you will be able to access both systems using the same login credentials on the proviso that the client subscribes to both products. The new integrated security will give you the ability to restrict data by grade level, per user in REMchannel®. Clients who are responsible for more than one company's data will be able to extend permissions to each company by user. We've also created a dashboard which contains pertinent information such as news and alerts, with quick and easy access to tasks and reports on both REMchannel® and REMeasure®. A select number of trend analysis information will also be available via the dashboard to give you an immediate overview of the current month's data.

Validations more intuitive

Huge strides have been made in our data input process where validations are more intuitive. The job matching process has seen us take advantage of the latest available technology to ensure speed and accuracy in the process. Besides saving time, these enhancements will collectively increase the accuracy in the published data.

Clone criteria

The reporting has also been enhanced to make it easier for you to view the criteria for all your reports. In addition, we're giving you the ability to clone the criteria of previous reports to save you time in creating new ones where only minor modifications are required. All reports generated will be able to be saved in .pdf and .xls but dependent on user selections.

As the new system will require some navigation training we are scheduling two-hour sessions during the first 3 weeks of March 2013. These training sessions will be a high level overview of the differences in the system and will ensure that our clients can navigate and extract the required reports. The training will not be in the same depth as our monthly training sessions and should it be required we will schedule additional training for the remainder of the year.

Key factors to consider in creating a modern mobility strategy

The demographic changes in regions, shrinking populations, and an ageing workforce compound the challenges and intensify the global war for talent.

As organisations align their global mobility programmes more closely with talent management and overall business strategy, a 'new normal' for mobility will emerge. Mobility will encompass a broad range of experiences, short and long term, project-based and assignee-led. It will encompass virtual mobility and long-range commuting, and play a vital role in the development of future leaders and the retention of valued staff.

A borderless workforce

If companies are to become nimble enough to respond to unexpected changes, they should see their workforce as essentially borderless. That could mean developing talent where the jobs are, relocating talent to the jobs, or moving jobs closer to sources of talent, within the constantly shifting constraints of international immigration law. Cultural and language differences can be a significant hurdle when expanding into new markets; the challenge for employers will lie in attracting and developing workers who are able to adapt and fit into an unfamiliar workplace.

A closer eye on compliance

The line between international assignments and business travel is becoming more blurred as time moves on. This raises the question of whether it still makes sense to separate the management of business travel and global mobility. In some organisations, business travel is managed by business units without oversight from Human Resources, and this represents an increasing compliance risk.

Predicting trends

Talent mobility will become an important strategic tool. The pressure on Human Resources to provide evidence and insight to support mobility decisions will only increase in the future, and this means developing a predictive way of thinking – and embracing the technical data techniques that support it. The use of predictive analytics in Human Resources is still in its relative infancy, but an increasing number of organisations are beginning to embrace the concept. The data is available, but more sophisticated analysis would provide valuable trend information and the potential to identify risks. Predictive analysis is already commonly used in other business functions such as sales and marketing, but our research suggests that 95% of organisations have only an ad hoc approach to analytics in Human Resources, if any at all. This has to change.

The cost of international deployment remains a primary concern, as does the retention rate among returning assignees in many countries; there's also pressure from stakeholders to demonstrate a positive financial return on the investment in assignments ...

Personalising mobility

As organisations in many regions struggle to source the talent they need, business leaders are focusing on specific groups of the workforce and personalising their recruitment and retention strategies to suit them. Younger workers, older and experienced employees and women are all seen as valuable sources of talent, provided employers can deliver the flexibility they need.

Measure and monitor

With talent management firmly on the strategic agenda, the appetite to measure the value and return on investment of assignments will increase exponentially. The cost of international deployment remains a primary concern, as does the retention rate among returning assignees in many countries. Of course, there's pressure from stakeholders to demonstrate a positive financial return on the investment in assignments and the effectiveness of a mobility strategy. But the longer term need to develop future talent, and provide the international perspective and experience that they need, is more difficult to measure. If employers are to maximise their investment in global assignments, they must establish clear expectations and performance measures. Regular feedback, support and mentoring will not only help to disseminate the international knowledge gained by the assignee, but reduce the chance of the mobile worker resigning, once their assignment ends.

A top-class function in control

The changes already underway in global mobility place ever-increasing demands on the functions that must manage the programmes. The best organisations know that a strong global mobility strategy that has buy-in from the board and CEO, which supports the wider growth objectives and business strategy and which is closely tied to the management and development of talent has become essential. Such an important task requires specific skills and knowledge, and investment and development in the global mobility function itself should be a priority.

Future view: Delivering the experience

It's clear that organisations need to adapt their mobility programmes for specific groups of employees, and that a more personalised approach to mobility is developing. A natural progression of this is that organisations will concentrate more closely on making the mobility experience – whatever form it takes – as positive as possible for the assignee. We expect to see a rise in business-to-business collaboration in 2020 and beyond, as companies think about how to provide the infrastructure that allows their employees to maintain an acceptable standard of living while also providing for long-term financial security. We'll see organisations strike up innovative relationships with other companies to develop schooling, medical facilities, shopping and lifestyle amenities in hotspot locations, creating expatriate communities with the services people need. Some businesses are already partnering with the educational sector in a bid to improve the supply of specific skills that they need. The focus on the individual will encourage innovation in the delivery of assignments, such as concierge services to ease the transition and living arrangements of assignees, to better out-of-office communications that provides 24-hour support. Led by the millennial generation, the boundaries between work and home will blur.

We'll see organisations strike up innovative relationships with other companies to develop schooling, medical facilities, shopping and lifestyle amenities in hotspot locations, creating expatriate communities with the services people need.

To obtain a copy of the full "PwC Talent Mobility 2020 and Beyond" report please contact Rene Richter at rene.richter@za.pwc.com.

Anticipated salary increases for 2013

Will Marikana and labour unrest during 2012 influence salary increases in 2013?

Statistics South Africa reported the official inflation rate in South Africa (i.e. the percentage change in the CPI for all urban areas in November 2012 compared with that in November 2011) as 5.6% at November 2012. This rate was unchanged from the corresponding annual rate of 5,6% in October 2012 (i.e. the Consumer Price Index for all urban areas in October 2012 compared with that in October 2011). Although inflation is relatively low, global trends as well as the Marikana event in South Africa may impact increases granted during 2013.

The actual same incumbent pay adjustments for the past 12 months in the National All Industry sector extracted from REMchannel as at 21 January 2013, averages at 10.2%. Of course, this is not applicable to all industries as can be seen from the table below. It should be noted that this table only includes data **for same incumbents** who were in the REMchannel database as at 8 December 2011 and 8 December 2012.

Hierarchical Categories	Financial Services	Mining	Retail	Telecom-munications	Construc-tion	Fast Moving Consumer Goods
	Guaranteed Package Percentage Adjustment					
Executive Management	8.6	10.8	10.8	4.7	10.9	9.4
Senior Management	8.5	10.6	7.5	5.8	13.2	9.1
Middle Management	8.8	11.7	7.2	6.4	10.6	8.6
Junior Management	9.2	11	8	6.6	10.5	8.6
Entry Level Management	9.1	9.8	8.8	7.1	11.5	8.1
Supervisory	9.3	11.4	11	6.5	8.4	8.6
Senior Clerical	9.4	12.4	10.7	7.6	9.3	8.1
Clerical	9	10	11.3	7.4	7	7.1
Semi Skilled	10.3	13.9	12.6	14.2	8.4	8.4
Unskilled	8.4	11.8	10.9	No data	9.8	8.6
Average same incumbent movement by Industry Sector	9.06	11.34	9.88	7.37	9.96	8.46
Average Mandated increases for 2012 by Industry Sector	7.1	7.3	7	6.6	6.8	6.5
Difference between mandate and actual same incumbent	1.96	4.04	2.88	0.77	3.16	1.96

The actual average **same incumbent** pay adjustments across all hierarchical categories in the Manufacturing, Project Engineering and Healthcare sectors was 8.87%, 9.9% and 10.05% respectively.

To ascertain the envisaged salary and wage movement trends for 2013, the biannual PwC Salary and Wage Movement Survey will be published in April 2013. The survey not only researches salary movements but also negotiated minimum rates of pay, starting rates of pay for graduates and labour turnover by industry and discipline.

Should you wish to participate in the survey please contact either carol.shepherd@za.pwc.com or margie.manners@za.pwc.com. Please note that terms and conditions apply.

South African non-executive director fees are rising

As the role and responsibilities of the non-executive director widens, the decision to embark on a directorship must be made with a thorough understanding of the challenges and risks facing a director.

These trends have been reported based on the 2012 review of non-executive director trends compiled by PwC. The PwC report examined the boards of 373 companies listed on the JSE.

The overall median fee for non executive directors increased to R276,000 in 2012 from R242,000 in 2011. This is still relatively low by global standards and has remained in the R200,000 to R300,000 range for the past three years.

The report indicates that the current fees are 14% higher than the previous year's fee. While there is much debate as to whether current fee levels are appropriate given the level of risk non-executive directors are exposed to, the double digit increase seems to suggest that these considerations are coming into play when determining non-executive directors' pay.

If one links the issue of risk and potential personal liability to non-executive directors' pay, then it is fair to say that the level of increases is not unexpected despite the notable increase in risk. The report indicates that fees, after remaining stable for two years, the median chairperson fee across the entire sample has risen by 11% to R394,000. The increase in fees has tended to follow the global trend.

Increases in fees for non-executive directors within the financial services sector have varied. The median fee for non-executive directors in the large cap sector has risen by 26% to R728,000 per annum. The basic resources sector has to a large extent been affected by adverse trading conditions, particularly in the second half of 2012. The large cap sector has experienced the most moderate of the increases with median fees rising 19% and fees at the upper quartile rising by 9% to R1,06 million.

Within the diversified services sector, increases in the large cap sector have gained some traction after having declined in 2012. The median non-executive director fee has increased to R505,000 annually. Within the large cap industrial sector, the median non-executive director fee has increased substantially to R889,000 from R505,000.

The report also notes that in line with previous years, the role of the chairperson of an AltX company has not received any notable increase in fees. The median AltX chairperson fee has increased by 3% after having declined over the past two years by 27% in 2010 and 11% in 2011. Non-executive directors operating in the AltX environment have experienced notable increases with the median non-executive director fee rising by 25% in 2012 to R114,000. The report indicates that duties and responsibilities of South Africa's non-executive directors continue to be increasingly broadened in the wake of new legislation and corporate governance principles.

Should you wish to obtain a copy of the thought leadership publication, please contact Rene Richter at rene.richter@za.pwc.com. The contents of the publication can also be discussed with Gerald Seegers, Partner/Director: Human Resource Services, and his contact details are listed in the front of this newsletter.

Implications of the Employment Equity Amendment Bill

Whilst the proposed amendments to the current Employment Equity Act 55 of 1998 may have good intentions of promoting equity and equality in the workplace, they could also prove to be burdensome for the employer. Moreover, non compliance and contravention of the proposed amended legislation will attract increased financial penalties. We set out what some of the proposed amendments relating to the Reward area of specialism are as set out in the Employment Equity Amendment Bill and highlight the potential challenges for employers.

In December 2010, four new labour bills were published in the Government Gazette. The bills are set to address major concerns in the labour field, being high unemployment, exploitation of certain workers, the dispute resolution process, collective bargaining, and any other obstacles identified in the current legislation which hinder the effective operation of the labour law system. One of these bills is the Employment Equity Amendment Bill ("the Bill") set to amend the current Employment Equity Act 55 of 1998 ("the Act").

The 2012 explanatory summary of the Bill which was published in the Government Gazette in October last year states the following: "*The Bill seeks to amend [the Act] so as to prohibit unfair discrimination on either a prohibited ground listed or on any other arbitrary ground or by an employer in respect of the terms and conditions of employment of employees doing the same or similar work or work of equal value...*". Another aim of the Bill is set out in the explanatory summary as follows: "*...to increase penalties by adjusting the maximum fines that may be imposed for a contravention of the Act to reflect the change in the value of the money and in addition, the employer's turnover may be taken into account in determining the maximum fine that may be imposed for substantive failures to comply with the Act*".

Section 6 of the Act contains the prohibition of unfair discrimination. According to the section no person may unfairly discriminate, directly or indirectly, against an employee on any one or more of the grounds listed in the section. There are 19 listed grounds, including race, gender, pregnancy, and HIV status. The amendment bill therefore seeks to add a sub clause to Section 6, which addresses unfair discrimination on the basis of "pay" for work deemed to be of substantially the same or equal value. It is therefore unfair for an employer to differentiate between employees' remuneration on one or more grounds of discrimination where those employees provide work deemed to be of same or equal value.

What the above therefore implies, is that where income differentials exist for jobs deemed to be of same value, the burden of proof will be on the employer to show that differentiation is in fact based on fair criteria, which could include amongst others, qualification, experience and skills. The Bill introduces “any arbitrary ground” to the section, meaning that employees may not be unfairly discriminated against on any arbitrary ground either. This means that employees will now have the freedom to approach the courts with an unfair discrimination claim on a ground other than those listed in the current section. Employers will therefore have to be very careful to mitigate any potential risks of attracting such claims. ‘Fair discrimination’ or treating employees differently is permitted so long as it is not based on a listed ground or an arbitrary ground. This then raises the question: what constitutes an arbitrary ground? We shall have to wait for the courts to set a precedent, in order to be certain.

This therefore brings in a key aspect relating to employers Remuneration policy and practices. The question is how transparent and robust the Remuneration practices within your organisation are. Whilst there are no clear criteria and methodology for assessing work of equal value at this point in time (the Minister of Labour will have to provide directions in terms of code of good practice), it is imperative for employers to start assessing Human Resources policies and practices that guide their reward decisions.

Questions such as the ones below, will need to be asked:

- Do you use job evaluation methods to determine the worth or monetary value of each job or how does your company determine the worth or monetary value of each job against others?
- What are the determinants of your pay?
- How does your reward strategy link to other Human Resources processes such as talent management?
- Can your organisation justify differences where they potentially exist for jobs deemed to be of substantially same or equal value?

As indicated the burden of proof will be upon the employer, except in circumstances of a claim of unfair discrimination on arbitrary grounds, where the onus is on the employee. Penalties will apply where there is non-compliance by the employer and the company’s turnover will be taken into account in determining the quantum. Therefore non-compliance can be very costly.

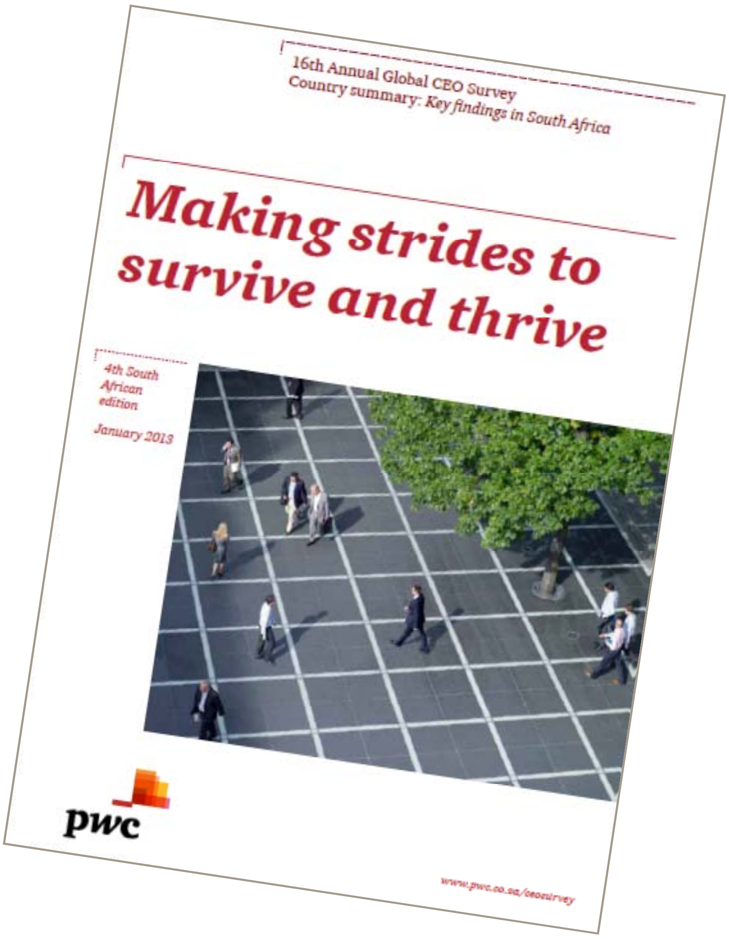
Employers are encouraged to take a pro-active stance and ensure compliance prior to the proposed amendment bill becoming enacted. PwC’s Reward Consulting team can assist you to investigate and assess any disproportionate income differentials and assist your organisation in moving towards a more structured way of determining pay.

For further information on our Total Reward offerings and HR solutions please contact Tumi Seaketso at tumi@seaketso@za.pwc.com or Candice Aletter at candice.aletter@za.pwc.com.

PwC's 16th Annual Global CEO Survey

In last year's Annual Global CEO Survey we focused on the challenges of doing business in a volatile world. As businesses and broader society have been forced to embrace rapid and unpredictable change, we see complexity and disruptive events happening faster than many have traditionally been equipped to manage.

This year we find CEOs acknowledging the vast array of challenges and uncertainties they face, yet being refreshingly positive in their belief that their organisations will come out on top. In this year's survey we set out to find out how CEOs are changing their organisations to become more agile and adaptable and, ultimately, better able to succeed in the face of adversity. Many South African CEOs remain focussed on cutting costs and restructuring, but they are also increasing their engagement with stakeholders within and outside their organisations, especially customers and employees.



Despite the fact that few believe the global economy will improve in the next 12 months, South African CEOs' short-term confidence in their prospects for revenue growth improved to 90%. While their medium-term view has dipped, their outlook remains overwhelmingly positive. This year, as with last, a significant proportion of local CEOs believe the greatest opportunities for growth lie outside South Africa. This is perhaps as much a reflection of constraints within the domestic economy as it is of the great opportunities that lie in fast-growing emerging markets. Globally, CEOs are taking their businesses to where the growth is and with the vast opportunities that the rest of Africa has to offer, it is inevitable that ours should do the same.

Positive developments across a range of macroeconomic fundamentals has buoyed the outlook of many CEOs in the past year, with overall confidence in the growth of the global economy improving slightly since the previous survey, from 3% to 16% among South African CEOs and from 15% to 18% globally. The proportion of CEOs who expect the global economy to stay the same has also increased over the period, although those anticipating a decline remain significant.

To obtain a full copy of the Global and South African thought leadership publications please contact René Richter at rene.richter@za.pwc.com.

From VAT Alert *of 23 January 2013*

IT14SD – It's here to stay!

For more than a year now, certain taxpayers have been selected by SARS to reconcile their tax affairs with their annual financial statements in terms of the IT14SD. Taxpayers are required to explain reconciling differences of more than R100. The questions are, what will happen if you ignore such requests or cannot reconcile to R100 and what is the effect of the new Tax Administration Act (TAA)?

IT14SD consequences?

In our experience SARS can deny deductions, raise assessments, withhold refunds and refuse to issue tax clearance certificates where taxpayers ignore the IT14SD.

SARS also uses these declarations to raise queries and make adjustments in relation to unexplained reconciling differences.

The jury is out on whether the IT14SD declaration meets the requirements of a "return" as defined in the TAA. That would grant SARS the power to raise administrative penalties, interest and understatement penalties. Once raised, these sanctions are very difficult to mitigate.

What should you do?

Taxpayers should act immediately once the verification letter is received through the e-filing system. Although the client is given a total of 42 days to complete the form, it has proven to be very difficult to get the form completed on time. The IT14SD is here to stay and is predicted to eventually form part of the normal annual return submission process. Clients should start preparing reconciliations between the VAT 201 and IT14 for both input tax and output tax on a monthly basis. These monthly reconciliations should be implemented as an additional control. This will facilitate in an efficient and timeous completion of the form.

What PwC can do for you?

PwC can assist in the completion of the form and where necessary, obtain extensions should more time be required to complete and submit the form. PwC has a specialised team of qualified accountants that have gained a significant amount of experience in completing these forms in the past year. PwC is able to focus on the specific areas of the form that are complicated and with the assistance of its tax technology specialists, can analyse the relevant data drawn from the clients' system in order to address any complications.

For more information, please call any of the contacts below:

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Cape Town	Charles de Wet 021-529-2377	charles.de.wet@za.pwc.com
Port Elizabeth	Mornay Schafer 041-391-4403	mornay.schafer@za.pwc.com
Durban	Chaya Lakhani 031- 271-2012	chaya.lakhani@za.pwc.com
Bloemfontein	Hesna Reeder 051-503-4202	hesna.reeder@za.pwc.com

Forthcoming attractions

The following thought leadership and survey publications will be released during 2013. Should you wish to obtain more information about these publications, please contact Gerald Seegers, Martin Hopkins or René Richter.

- Salary and Wage Movement Survey (1st Quarter 2013)
- Short Term Incentive and Commission Survey (2nd Quarter 2013)
- Executive Directors Remuneration thought leadership publication (July 2013)
- Employee Benefits Survey (3rd Quarter 2013)

These are just some of the publications planned for the next 12 months and we will publish additional reward and human resources thought leadership publications on our website on a continuous basis.

We are also planning a number of reward trend briefing sessions and will provide you with dates in the coming weeks. As these sessions fill up rather quickly we would suggest that you diarise the dates as soon as they are provided.