

HR

Quarterly

February 2011

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

Contents

- 2 From the team
PwC Remchannel wishes you a prosperous 2011
- 3 What does the PwC Remchannel merger mean for you?
• Value Proposition
- 4 PwC Remchannel Surveys
• Our market share continues to grow!
- 5 PwC Remchannel Surveys
• Participant profile
- 5 PwC Remchannel Surveys
• Confidentiality and treatment of survey benchmarking information
- 6 Executive Reward Trends in 2010 and outlook for 2011
- 7 General Staff Salary Increases by Industry
- 8 Job Evaluation, alive and well!
- 9 Tips for survey confidence
- 10 The difference between thought leadership and survey publications
- 11 Publications
Forthcoming attractions

Contacts

Gerald Seegers +27 82 655 7097	Peet Kruger +27 82 852 0575
René Richter +27 82 460 4348	Karen Crous +27 83 286 6960

From the team

PwC Remchannel wishes you a prosperous 2011

Change is never easy, unless of course it is accompanied by a vision of something greater than oneself. This is exactly how we feel about our merger with PwC. The vision of expanding our value proposition and our business model into Africa has provided us with a feeling of excitement, pride and the knowledge that our current and future clients will have access to a myriad of services and global thought leadership that was not provided in the past.

In the words of Margaret Mead:
“Never believe that a few caring people can’t change the world. For, indeed, that’s all who ever have.”

Since the merger of Remchannel and PwC on 1 September 2010, change has been inevitable. In a period of 90 days we integrated financial systems, our staff and migrated the Remchannel on line survey and REMeasure to a new service provider. All this was done whilst providing the same level of service with no disruption in our day to day operations. It was indeed a case of business as usual. This can be attributed to an exceptional team of people who always put the interests of their clients first.

Now that we have completed the integration it is time to bed down our strategy and put the structures in place to make the vision a reality. Although we know it will not be without challenges, the task at hand is made easy by our passion for reward and believing that we can make a difference with the services and holistic solutions that we offer our clients.

As we roll out our strategy, we will be ascertaining your needs and ensuring that we partner with you to provide the high levels of service and quality solutions which you have become accustomed to over the past ten years.

We would like to wish you all a challenging but fruitful 2011; may this year be filled with passion to achieve your vision.

The PwC Remchannel Team

What does the PwC Remchannel merger mean for you?

What our clients wanted

Quality and reliable benchmark data, locally and in Africa

Research and Thought Leadership

Technology to apply and/or interpret researched data

Human capital benchmarks/metrics

A strategic move to provide you with a holistic solution

Technology

Comprehensive capability within the reward space

Skills and expertise

Local, global and African network

What you can expect

No change in terms of pricing

Greater capability and reach within the reward space

Cover all staff levels including executives

Greater access to related services

The PwC Remchannel Value Proposition

Providing quality information and solutions to clients, to maintain a reputation of uncompromised integrity and to act with the level of urgency that businesses require.

Based on this value proposition the PwC Remchannel merger has also brought together two strong consulting teams. The PwC team contributing specialised skills in Executive Reward including the capabilities to design Long Term Incentives, aligning Executive Remuneration structures with the changing reward landscape and influencing the thinking on how Executive Remuneration should be managed through thought leadership research.

The Remchannel consulting team on the other hand have utilised the research data to analyse the reward offering of companies in its totality to ensure that the remuneration practices and the “reward environment” aligns to the company strategy and that it drives the right behaviour. All reward management related practices such as job profiling, job evaluation, pay structuring, remuneration models (performance based/other), pay mix models (fixed and variable remuneration), short term incentive structures, cost to company strategies and finding the balance between the Remuneration and Benefit offering and the Reward Environment offering, were provided under the Remchannel consulting offering.

The combined strength of the two consulting teams lie in the ability to offer an holistic, all encompassing integrated solution ranging from the basic reward management structures to the sophisticated executive reward management solutions. All of this is backed by sound research data in the reward domain which does not just make consulting solutions relevant and concrete but also enables the team to influence organisations as thought leaders in the reward arena.

PwC Remchannel surveys

Our market share continues to grow!

PwC Remchannel would like to extend a warm welcome to the following companies who joined our list of discerning South African survey participants during 2010.



Absa Capital
Advantage Asset Managers (Pty) Ltd
ADvTech Ltd
Alcatel-Lucent South Africa
Alexander Forbes Group & Technology Services (Pty) Ltd
AMEC Minproc
AON RE Africa (Pty) Ltd
AON SA (Pty) Ltd
ArcelorMittal South Africa
Barclays Bank PLC
Barone, Budge & Dominic (Pty) Ltd
Basil Read (Pty) Ltd
Bucyrus Africa Underground (Pty) Ltd
Citadel Investment Services
Citi Group
Columbus Stainless Steel
Comcorp Online (Pty) Ltd
Credit Agricole CIB
CSIR
Deutsche Securities (Pty) Ltd
DRA Mineral Projects
Eqstra Holdings Limited
Erbacon Investment Holdings Ltd
Etana Insurance Company Ltd
FirstRand Bank Holdings Ltd
Higher Education SA (HESA)
HSBC
Ilitha Group Holdings (Pty) Ltd
I-Net Bridge

Merrill Lynch SA (Pty) Ltd
Metorex Limited
Mpumalanga Gambling Board
Mweb
Nedbank Capital
New Kleinfontein Goldmine (Pty) Ltd
NM Rothschild & Sons (SA) (Pty) Ltd
Old Mutual Specialised Finance
OMAM (Investment)
Onderstepoort Biological Products
PPS Investments (Pty) Ltd
PwC
Rand Merchant Bank
Re-Action Consulting (Pty) Ltd
Real People (Pty) Ltd
Riversdale Holdings
Royal Bafokeng (Lisinfo 244 Investments (Pty) Ltd)
SA Nuclear Energy Corporation Ltd (NECSA)
SABMiller Triumph
Sanlam Capital Markets
SBV Services (Pty) Ltd
Sedgman Southern Africa Ltd
Shanduka Coal (Pty) Ltd
Standard Bank of SA - Corporate & Investment Bank
Standard Chartered SA
Steinmuller Engineering Services (Pty) Ltd
Strate Limited
The Unlimited Group
Tracker Network (Pty) Ltd
Trans Union
Tullow SA (Pty) Ltd

If you would like to obtain an updated client and Key Account Manager list please contact Margie Manners at 0861 SALARY or +27 11 468 2639. You can also extract the participant list from the PwC Remchannel system if you subscribe to the on-line survey.

International Ferro Metals SA Limited
Investec (Investment Banking)
John Deere (Pty) Ltd
JPMorgan Chase Bank
Life Healthcare Group (Pty) Ltd
Macquarie First South Securities (Pty) Ltd
MB Technologies Investments (Pty) Ltd

Umcebo Mining (Pty) Ltd
Unitrans Freight & Logistics
University of Fort Hare
University of Namibia
Vergenoeg Mining Company

PwC Remchannel Surveys (cont)

PwC Remchannel participant profile

PwC Remchannel provides quality and well validated research and benchmark information to more than 75% of the top 100 organisations in South Africa.

We would like to thank you for making us the custodians of your reward data and enabling us to provide consolidated benchmark information for utilisation in your decision-making process.

To give you an indication of the organisations represented in the PwC Remchannel database of almost 800 000 data points, the table below provides an analysis by organisation size.

Number of Employees	% of Participants
< 100	19.1
101 - 250	18.8
251 - 1000	25.3
1001 - 1500	7.1
1501 - 2000	5.4
2001 - 5000	14.6
5001 - 10000	3.6
10001 - 15000	1.5
> 15000	4.8



Confidentiality and treatment of survey benchmarking information

PwC Remchannel is the custodian of sensitive information which in an analysed format provides our clients with a competitive edge. The relationship with our clients is governed by a formal contractual agreement.

It is also important to once again take note of the fact that the subscriber agreement prohibits the provision of Remchannel data to third parties. Please also bear in mind that if you have accessed the site as a user of the system, you are contractually bound by the agreement and standard terms and conditions.

The agreement also governs the usage of passwords and these are for the sole use of the individual who has been given the right to utilise the system. Passwords to access the system may under no circumstances be provided to

individuals who are not registered users. The practice will put both our clients and PwC Remchannel at risk.

The principles applied safeguard the usage of confidential information and ensures that Remchannel can provide all participants with quality, real-time information. Should you have any queries regarding the provision of data to third parties, or the licencing of designated users, please contact René Richter at rene.richter@za.pwc.com or +27 82 460 4348.

Executive Reward Trends in 2010 and outlook for 2011

The UK PwC Executive Reward Survey published in 2010 asked respondents to list their three key reward challenges in 2011.

The most commonly cited challenge facing senior reward professionals (with 33% of responses) is choosing robust performance targets that are aligned to the business strategy, understood by the individual, and within the recipient's control and influence.

The next most common challenge (with 20% of responses) is around managing employee expectations and disappointment. Some of the key issues covered here include:

The impact of low budgeted pay increases for a second or third year in a row.

Low (or nil) payouts envisaged from outstanding long-term incentives.

Total compensation expectations are starting to rise again post recession but not reflecting reality.

Ensuring employees understand the value of

their remuneration package through better communication and total reward statements.

This is not so far removed from the challenges that South African reward professionals are faced with. The UK survey indicated that salary increases are likely to remain modest in 2011 at around 3%. However, this is presenting a challenge for some companies in terms of managing employee expectations in a higher inflationary world.

In South Africa, the predicted increases are on average 4 percentage points higher than those predicted in the PwC UK survey. This is of interest, specifically in an economic climate where CPI average for the past 12 months is at 4.3%.

The table below provides the anticipated increases for more than 2000 executives for 2011 as well as the increases granted over the past 12 months for



each of the remuneration structures.

What is interesting is that 20% of respondents in the PwC UK survey have already implemented clawback for payment of bonuses in some form, with a further 20% planning to introduce clawback in 2011. Typically this will be for material restatement and/or dismissal for cause. The majority of the FTSE100 respondents have indicated that they will affect clawback by scaling back the vesting of outstanding deferred bonuses and/or long-term incentive awards.

In South Africa the majority of the survey respondents indicated that they do not anticipate making changes in respect

of the types of long term incentive plans used and/or the typical award granted (only 20% are planning to increase typical performance share plan awards in 2011). Globally executive remuneration is being scrutinised by employees, shareholders and the general public. In South Africa the pay gap also continuously receives media attention.

“Executives” in the above table typically refers to employees in Paterson E Upper and F bands and is based on more than 2000 individual data submissions in the South African PwC Remchannel on line survey. Just over 78% of executives in the Remchannel survey received short term incentive bonuses in the past 12 months. This is indicative of the measures which organisations are taking to retain their key players in the current economic climate.

Should you require our assistance in the reward arena, please contact Peet Kruger at +27 11 768 2951 or +27 82 852 0575 or Karen Crous at +27 11 797 4616.

Remuneration Structure	Executive Percentage Increases January 2011			
	Last 12 Months		Next 12 months	
	Mean	Median	Mean	Median
Basic Cash	9.1	8	7.5	8
Flexible Package	7.7	8	7.8	8
Total Package	7.6	7.5	7	7

General Staff Salary Increases by Industry

The table below contains the anticipated mandated increases as reported in the January 2011 publication of Remchannel. It should be noted that Remchannel is a rolling database and the data reported in this table was collected over the past 12 months.

Total Package Remuneration Structure	General Staff Percentage Increases	
	Last 12 Months	Next 12 months
	Mean	Mean
National All Industries	7.8	7.5
Financial Services	8.2	7.6
Fast Moving Consumer Goods	6.2	6.0
Information Technology	7.3	7.3
Manufacturing	7.9	7.3
Mining	7.4	7.7
Petrochemical	7.5	7.7
Pharmaceutical	6.0	6.5
Project Engineering	6.9	7.0
Retail	6.3	7.3
Telecommunications	8.0	8.1
Tertiary Education	8.6	7.3

For more information, please contact Carol Shepherd at +27 84 657 3526 or carol.shepherd@za.pwc.com.



Job Evaluation, alive and well!

Over the past 18 months job evaluation has become more critical in the management of remuneration. Ensuring that employers could substantiate and defend promotions in a recovering economic climate was totally dependent on measuring the job worth.

It is clear from the table below that only 10% of the almost 360 Remchannel participants do not utilise any form of grading.

Job Grading System	% of Participants
In-house	33
Patterson Classic	15.5
Peromnes	14.6
None	10.4
Paterson Modernn	8.3
JE Manager	6.3
REMeasure	8
Other	4

indicate that more than one answer would be appropriate. REMeasure allows the selection of multiple answers, scoring the job at the highest answer given. This flexibility makes the evaluation exercise less stressful for the incumbent and limits manipulation of the final outcome of the grade by the evaluator.

Evaluated jobs can be individually printed or exported to Word, and a summary of evaluated job scores and grades can be user defined and printed or exported to Excel.

For a demonstration of the system call **0861 SALARY** or contact: **Minda Botha +27 83 787 4878** .

We are also very proud that REMeasure has obviously gained market share and just over 8% of the Remchannel participants utilise the system.

REMeasure is an internet based job evaluation system that provides a quick, easy and balanced method to accurately measure and evaluate any position from Cleaner to Top Executive level. The system allocates a Paterson grade and a point score to the job, which can be correlated to any other public or in-house grading system.

Of course the added benefit is that Remchannel survey clients can also instantaneously access market data for the specific grade in a quartile analysis.

A unique feature of REMeasure is that, on many of the factors, evaluators can select more than one answer. Experience has shown that incumbents answering questions on computerised job evaluation systems frequently



Tips for survey confidence

As reward professionals we know that surveys at best, report findings that are derived from sound sample and stringent validation methodologies, or do we? Surveys continue to be at the centre of a market driven business world. Excluding information from the recruitment market, they are the only insight into the labour market reality.



An important question is whether your service provider actually audits the job matching and queries potential incorrect matches.

Perhaps unconsciously many decision-makers place absolute faith in survey findings without questioning the collection methodology and the validity of data. We all know that even with the most stringent validation process in place, no survey is a perfect science.

However, data which is collected consistently from participants within well defined processes can provide reward professionals with market benchmark information to utilise in conjunction with other indicators to make informed decisions.

When selecting a survey to utilise in your decision making process it is important to ask the following questions:

How is data validated?

Does your service provider check every data point against your

organisation's policy in terms of the remuneration elements?

How much data is submitted?

Do you select which data to submit for each of the positions in the survey, or are you required to submit all data for each incumbent in a position?

What is the job matching process?

Do you follow a specific process to match the jobs to the survey jobs? If so, do you use the organisation size as a starting point in the matching process and do you match to job content or job title? If the latter you may be mismatching your jobs with survey benchmark jobs. Job titles differ vastly from one organisation to the next and this could be one of the reasons why survey data is queried in terms of validity.

A very important question is whether your service provider

actually audits the job matching and queries potential incorrect matches.

How often do you submit your data?

Can you ask your service provider to age correct previous data submissions or are you required to submit information each time that you have granted increases? If the former, you run the risk of not being able to ascertain trends in the market pertaining to specific positions.

How often is the survey published?

If the answer to this question is once per annum, the reality is that by the time the survey is released it is old or out of date. Although data can be age correct to a point in time, it is still dependent on the review date of each of the participants.

Bottom line, surveys cannot provide all the answers. They are certainly crucial in setting competitive remuneration levels but they must be viewed contextually. Other elements which will be taken into account during this process is:

- business life cycle
- financial performance
- culture
- leadership style
- career opportunities
- learning environment, and
- anything else that sets the organisation apart from the market, good or bad!

Should you wish to discuss the Remchannel survey methodology or give us pointers to improve our process, please do not hesitate to give us a call.

The difference between thought leadership and survey publications

Over the past few months we have been making reference to thought leadership on a regular basis. In order to ensure that clients understand the difference between thought leadership and survey data and obtain maximum value from both, here is a short overview:

Thought Leadership publications contain global and South African trends pertaining to many aspects of reward. Trends could include a high level overview of Executive and Non-Executive Remuneration influenced by statutory, governance and other changes worldwide.

It does not provide detailed granular information based on survey participation. An example would be whether Non-Executive Directors receive reimbursive travel.



Publications: Forthcoming attractions

The following thought leadership and survey publications have either just been published or will be released in the coming months.

- Short Term and Commission Based Incentive Scheme Survey (November 2010)
- Long Term and Retention Mechanism Scheme Survey (December 2010)
- Non-Executive Director Fees Survey (December 2010)
- Non-Executive Director trends publication (February 2011)
- Salary and Wage Movement Survey (March 2011)
- Southern African Compensation Trends Publication (April 2011)
- Trustee Remuneration Survey (April 2011)
- Executive Director Trends publication (July 2011)
- Employee Benefits Survey (August 2011)

Should you wish to discuss any of the publications, please feel free to contact your designated Key Account Manager or Consultant at any time. You can also contact Gerald Seegers on +27 82 655 7079 or Rene Richter on +27 82 460 4348.

© 2011 PwC. All rights reserved. Not for further distribution without the permission of PwC.
“PwC” refers to the network of member firms of PricewaterhouseCoopers International Limited (PwCIL), or, as the context requires, individual member firms of the PwC network. Each member firm is a separate legal entity and does not act as agent of PwCIL or any other member firm. PwCIL does not provide any services to clients. PwCIL is not responsible or liable for the acts or omissions of any of its member firms nor can it control the exercise of their professional judgment or bind them in any way. No member firm is responsible or liable for the acts or omissions of any other member firm nor can it control the exercise of another member firm’s professional judgment or bind another member firm or PwCIL in any way.

