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SALARY AND BENEFITS TRENDS

Media Round Table 24 April 2024

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PRESENTERS

Lindiwe Sebesho, is the Managing Director of Remchannel, South Africa's leading total reward management business.

As an accomplished **Master Reward Specialist**, she leads Remchannel's mission of enabling organisations across various industries, to attract and retain top talent through credible insights and advice on remuneration, benefits, as well as short and long term incentive schemes.

Samantha Jagdessi, Head of Strategy, Old Mutual Corporate Consultants

A highly skilled corporate strategist, adept at value creation and providing strategic direction to multiple facets of business. Broad expertise in the new frontier practice of sustainability and employee benefits. Responsible for thought leadership, driving strategic partnerships and setting best practice advice models for OMCC

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Summary of findings

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SUMMARY OF FINDINGS

Salary increase trends: April 2024 publication

Average increases granted **(6.09%), higher than average increases anticipated (5.85%) and average CPI (5.45%).**

01 Employees remain indebted

Benefits trends: December 2023 publication

Some employers are innovating **benefits** to respond to **employees' support needs** and to address **talent attraction and retention** challenges

02 Flexible benefits and perks

Key considerations

Employees likely to remain debt dependent

Flexibility granted without guidance, results in **unintended consequences**

03 The changing face of HR

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Salary increase trends

RESEARCH METHODOLOGY

- The Remchannnel bi-annual (April and October) salary and wage movements survey enables organisations to establish the general market salary movements for the various categories of staff
- The process followed to collate and analyse the data is illustrated in the diagram below:

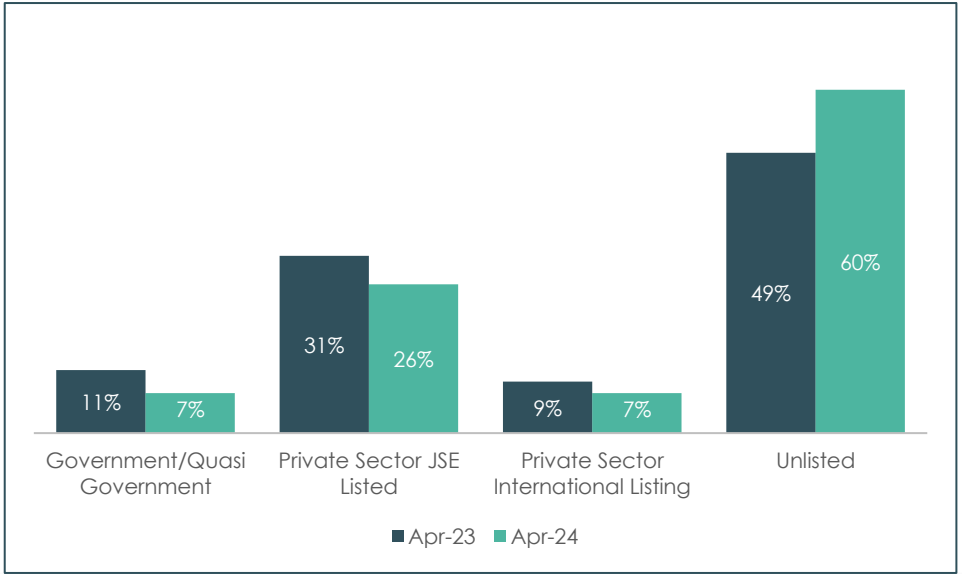
Solicit participation from Remchannel clients and non-clients

Extensive validation of data submissions

Analyse data and report findings

SURVEY SAMPLE

- 55 participants **employing 417k people**
- 60% unlisted
- 25.5% JSE Listed
- 7.25% Government/quasi government
- 7.25% dual listing/international listing



Other sources referenced:

- REMchannel online salary survey (more than 1 million data points)
- Remchannel Employee Benefits survey, published December 2023
- Bureau for Economic Research and Statistics SA

ECONOMIC SECTORS COVERED

Financial Services

- Banking
- Insurance
- Property

Information Technology

- Information technology
- Information Telecom-munications

FMCG/Retail/Manufacturing

- Fast Moving Consumer Goods
- Retail
- Manufacturing (Consumer Goods)

Healthcare/ Medical

- Healthcare/ Medical

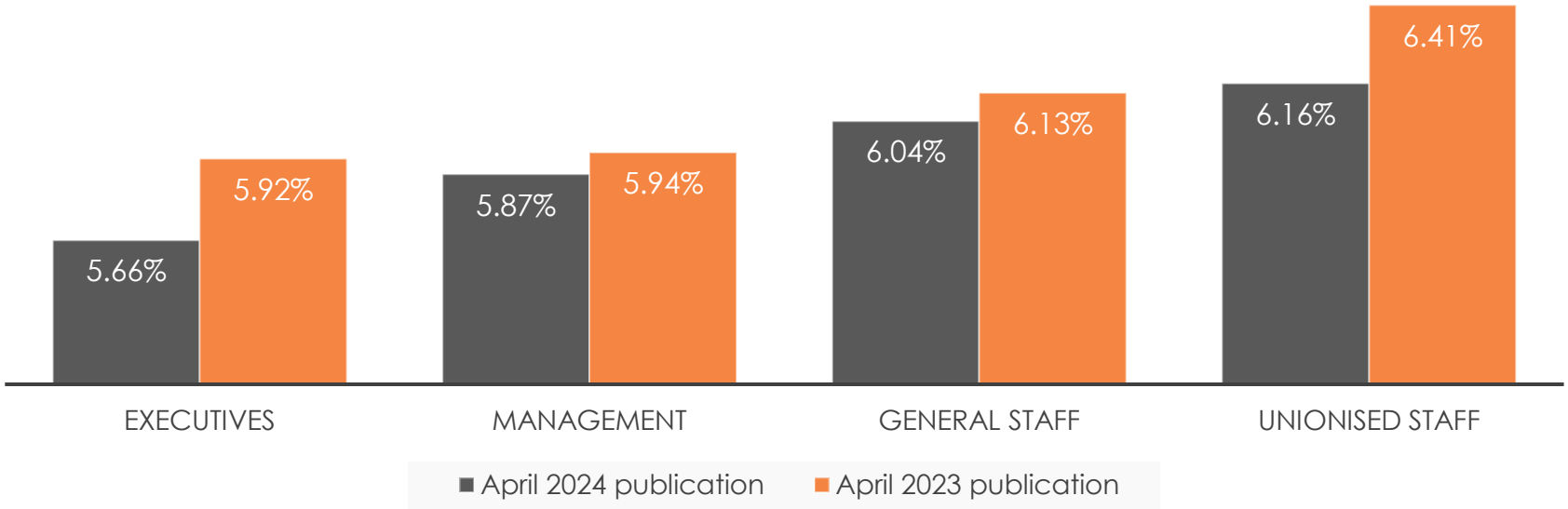
Technical

- Mining/Quarrying
- Petro- chemical
- Energy
- Construction
- Agriculture/ Fishing
- Project Engineering
- Manufacturing

Parastatal/SOE/Tertiary Education

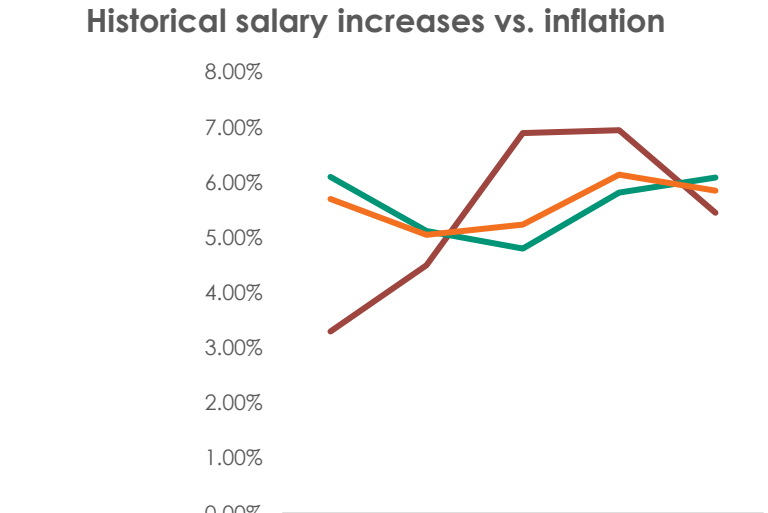
- Parastatal
- State Owned Enterprises
- Higher Education

ANTICIPATED INCREASES BY EMPLOYEE LEVEL



Note: The April 2024 Unionised staff category is based on Basic Salary and not Total Guaranteed package due to the changes in the year-on-year participant base and insufficient sample for meaningful comparative analysis.

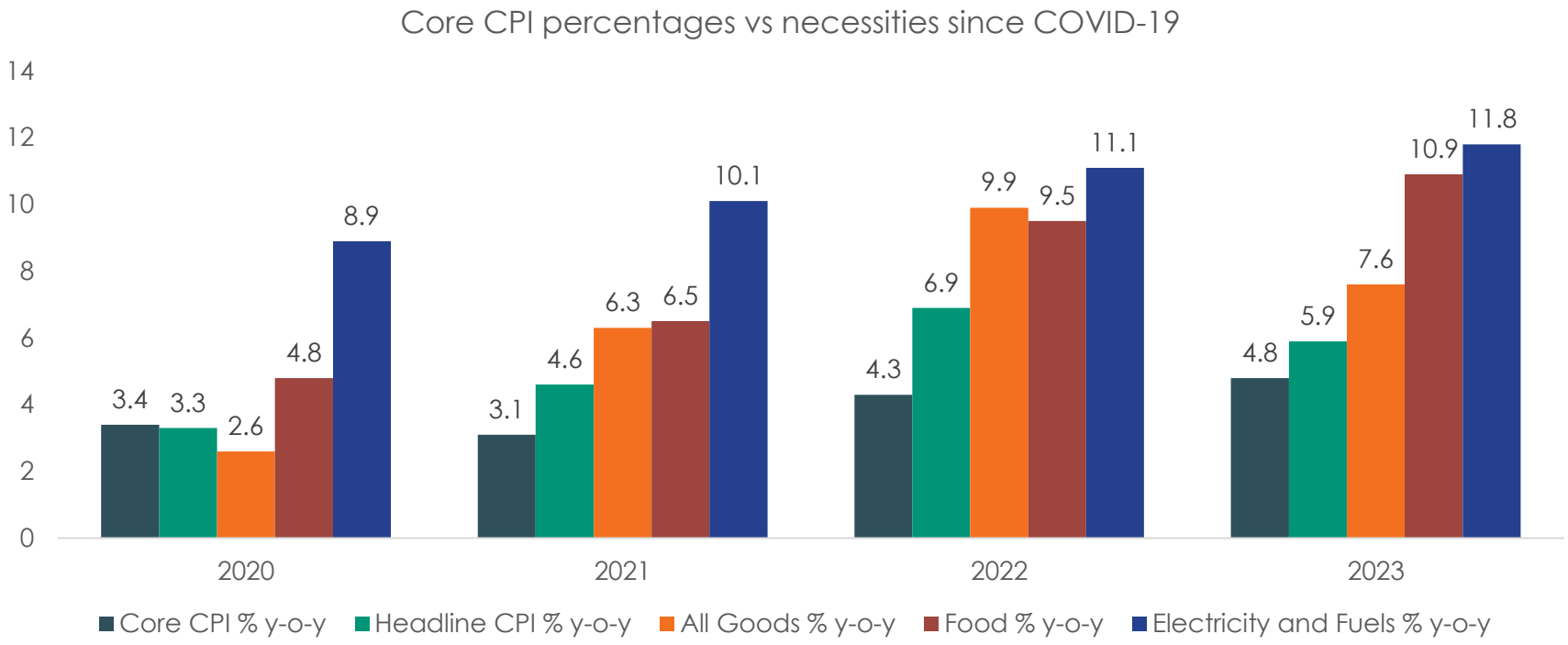
AVERAGE INCREASES ANTICIPATED & GRANTED VS. CPI



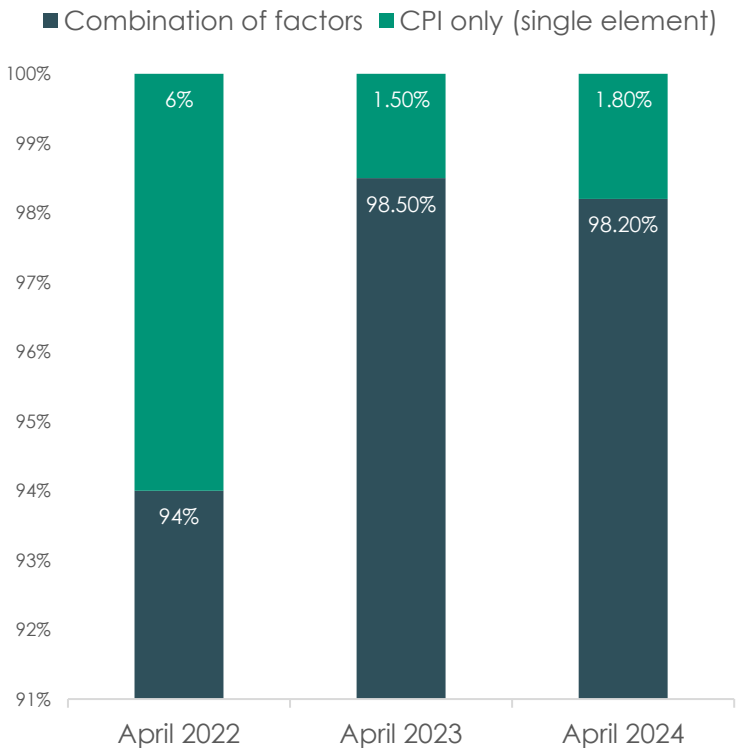
	2020	2021	2022	2023	2024
CPI annual average	3.30%	4.50%	6.90%	6.95%	5.45%
Increases granted	6.10%	5.12%	4.80%	5.82%	6.09%
Increases anticipated	5.70%	5.05%	5.24%	6.14%	5.85%

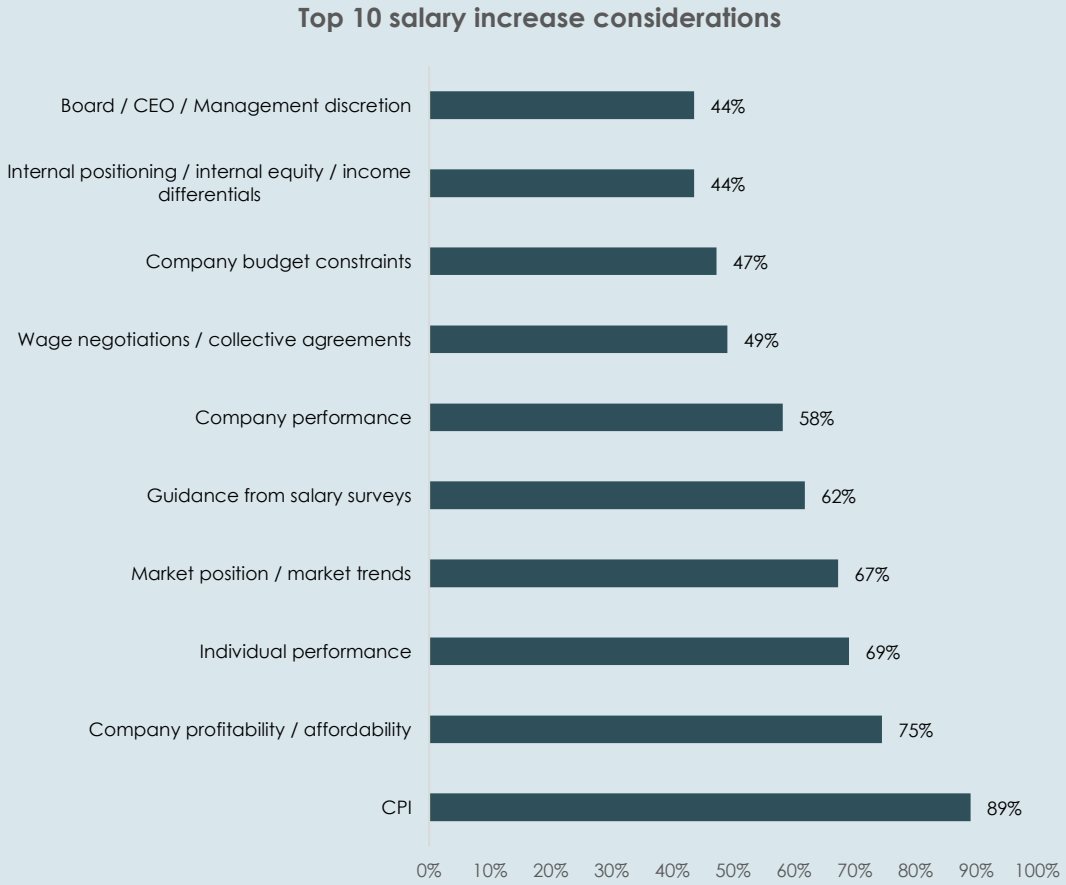
Historic and predicted increases for the 5-year period April 2020 to April 2024		
Year	Average increase predicted/ anticipated	Average increase granted
2020	5.7%	6.1%
2021	5.05%	5.12%
2022	5.24%	4.80%
2023	6.14%	5.82%
2024 (YTD)	5.85%	6.09%

COST OF NECESSITIES INCREASING AT A HIGHER RATE THAN CORE CPI SINCE COVID-19



COMBINATION OF FACTORS CONSIDERED FOR SALARY INCREASES



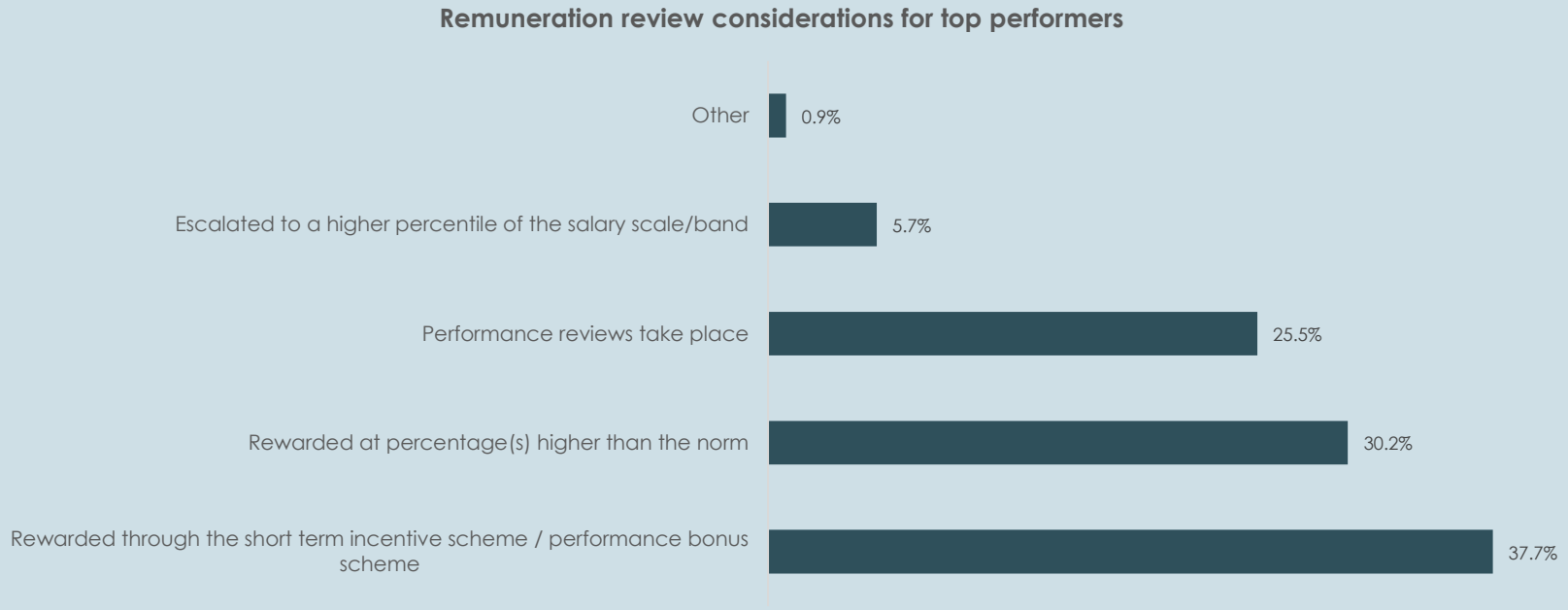


INCREASE POLICIES FOR DIFFERENT EMPLOYEES

POLICY TYPE	POLICY CRITERIA	EXECUTIVES	MANAGEMENT	GENERAL STAFF	UNIONISED STAFF
Policy 1	Combination of inflationary increase and individual performance	50.0%	54.6%	49.0%	10.0%
Policy 2	Increase is negotiated regardless of individual performance	9.6%	7.3%	9.8%	66.7%
Policy 3	Increases are not guaranteed and based solely on individual performance	19.2%	18.2%	15.7%	13.3%
Policy 4	Inflationary increases only i.e., no individual performance measure	21.2%	20.0%	21.6%	-
Policy 5	Other	-	-	3.9%	10.0%

PERFORMANCE REMAINS A KEY DIFFERENTIATOR

72.7% (previously 66.2%) indicated that they differentiated increases for top performers and other and used various other mechanisms to reward performance.



VARIOUS FACTORS IMPACT EMPLOYEE PRODUCTIVITY

Top 10 reasons provided by participants

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Innovation in employee benefits

PARTICIPANT BASE BY INDUSTRY SECTOR

- Remchannel conducts its Employee Benefits survey every 2nd year
- The Dec 2023 publication represents the data submitted by **94** organisations across various industry sectors
- Not all industry sectors could not be analysed individually, and for this reason, the participants from different sectors were combined to create five industry sector combinations.
- The industry combinations in the following table are used to report industry specific findings in the detailed publication.
- The Financial Services industry is the most represented and constitutes **30.9%** of the total sample of companies

Industry sector	Percentage of industry sample	Number of participants per industry sector
Financial Services	30.9%	29
FMCG / Retail / Logistics / Light manufacturing / Fishing	20.2%	19
Information Technology / Communications / Media	10.6%	10
SOE / Higher Education / Public Entities / NPO	8.5%	8
Technical combination / Manufacturing	29.8%	28
Total	**100%**	**94**

A RANGE OF CONTRIBUTION RATES IS ALLOWED

Retirement and Risk Benefits

Total contributions (employee and employer)
to company pension funds ranged from

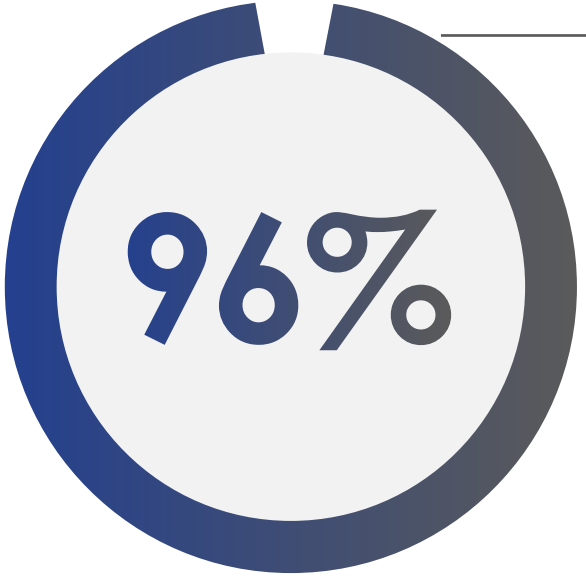
5% → 27.5%

THE IMPACT OF LOW CONTRIBUTIONS

An employee who elects the minimum pensionable salary option provided by their employer contributes up to 70% less to their retirement funding where basic salary is used as the basis.

Source: Remchannel Employee Benefits Guide, Published December 2023

FEW ORGANISATIONS ALLOW FLEXIBILITY ON GROUP LIFE BENEFITS



Percentage of respondents who provide group life benefits

BUT only **12.2%** make these flexible

Source: Remchannel Employee Benefits Guide, Published December 2023

MORE OEMPLOYERS PROVIDING HEALTH, RISK AND FINANCIAL SUPPORT

	2019	2024
Compulsory Medical Aid Benefit	70.43%	76.14%
Gap Cover Premium Paid by Company	37.0%	49.0%
Soft Loans Provided	19.6%	40.4%

Source: Remchannel Employee Benefits Guide, Published December 2023

SKILLS DEVELOPMENT AND HYBRID WORK HAVE INCREASED

Educational assistance increased from

60% → 93.4%

HYBRID WORK HAS DOUBLED

In the 2019 survey **41.3%** of the companies did not have a hybrid model.

In the 2023 survey, **83%** of employers had implemented one.

40.7% of participants are prescriptive in terms of office days.

Source: Remchannel Employee Benefits Guide, Published December 2023

INNOVATION FOCUSED ON THREE AREAS

Financial	Physical	Emotional
Competitive pay (GP)	Health insurance	Hybrid-work/productivity enablement
Retirement savings	Gap cover	Flexible work arrangements
Financial education	Short-term insurance	Well-being support
Financial support (incl. through loans)		Fully paid maternity and parental leave
Earned wage/salary access		Various categories of additional unpaid leave
Retrenchment cover		Recognition

Source: Remchannel Employee Benefits Guide, Published December 2023

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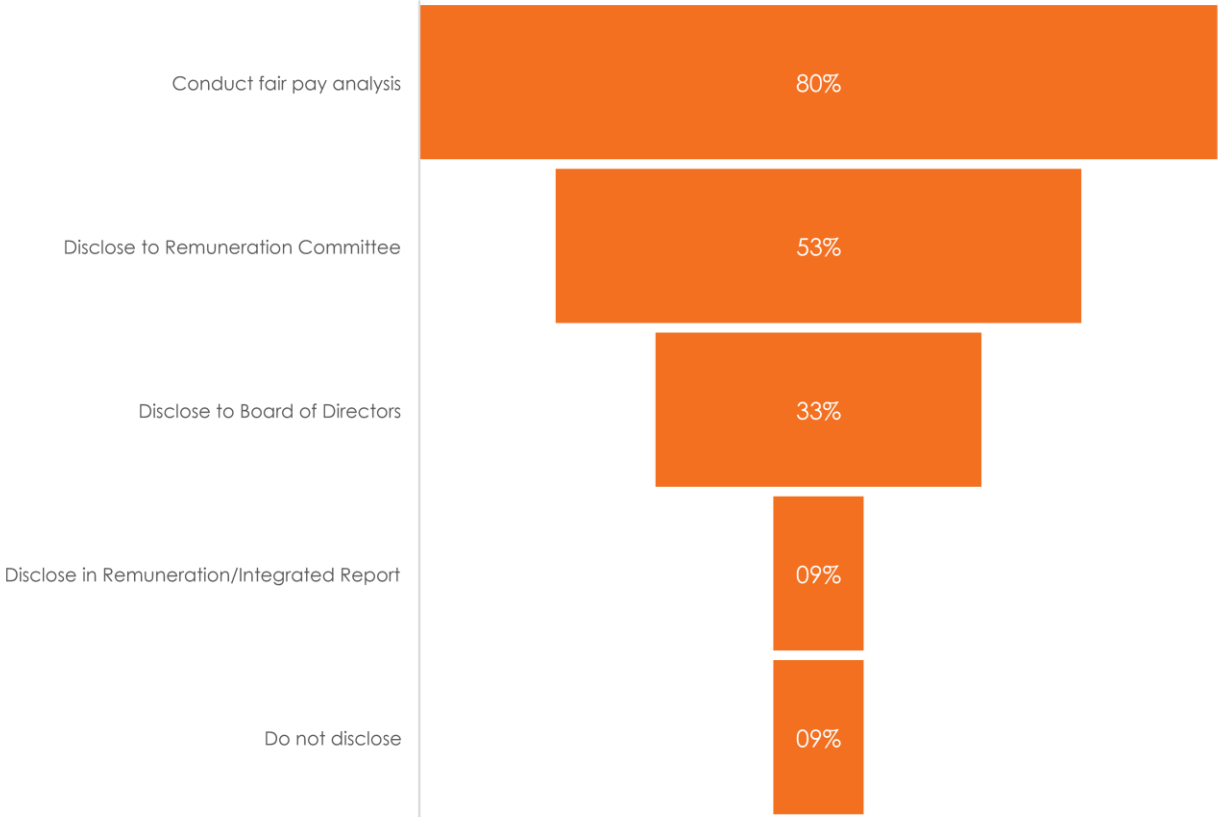
Pay transparency gap

PAY TRANSPARENCY

One of the key aims of the Companies Amendment Bill, which is pending assent by the President, is to "*achieve equity between directors, senior management, shareholders, and workers while addressing public concerns about high levels of social inequality*".

In line with the above, Remchannel has introduced a section on **pay transparency** with the following key findings:

- **80%** of participants indicated that they conduct a **fair pay analysis** annually.
- **52.7%** participants disclose the results to the **Remuneration Committee** whilst **32.7%** disclose same to the **Board of Directors** and only **9.1%** in the **Integrated Report**
- Employees are **not** privy to the outcomes but have channels that they can use to obtain information.



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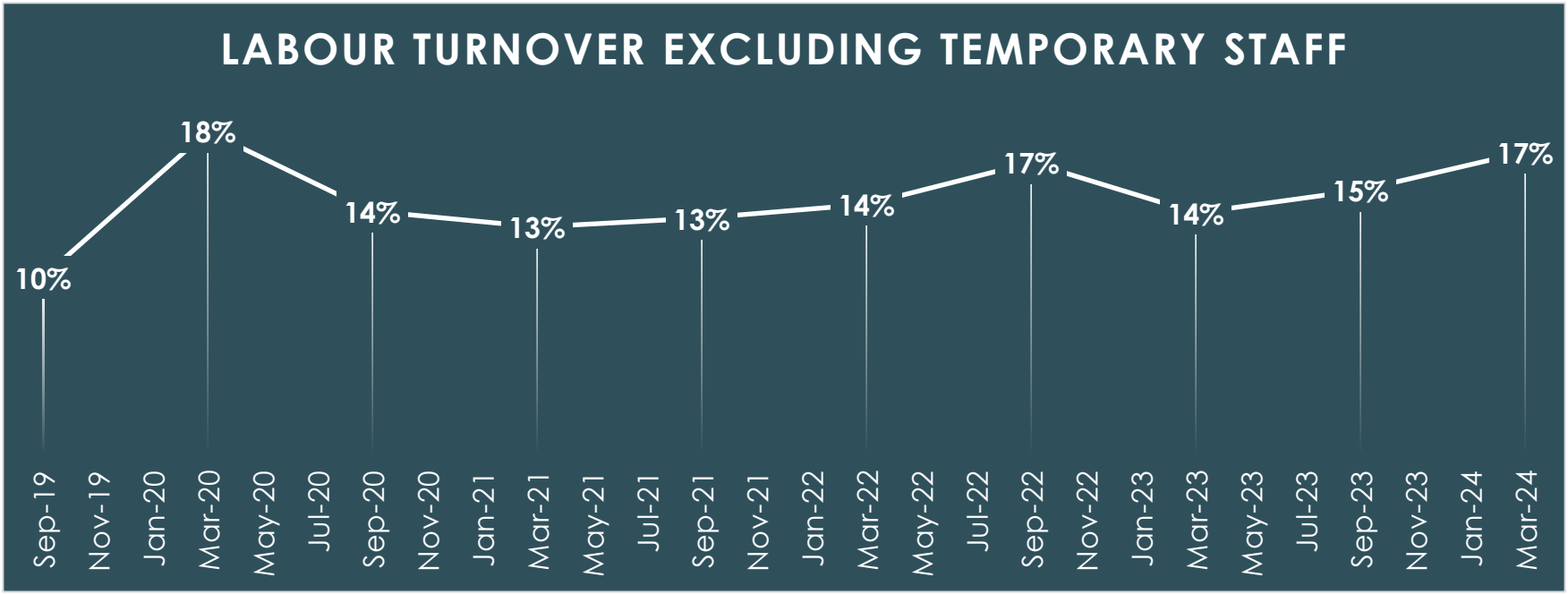
Labour turnover trends

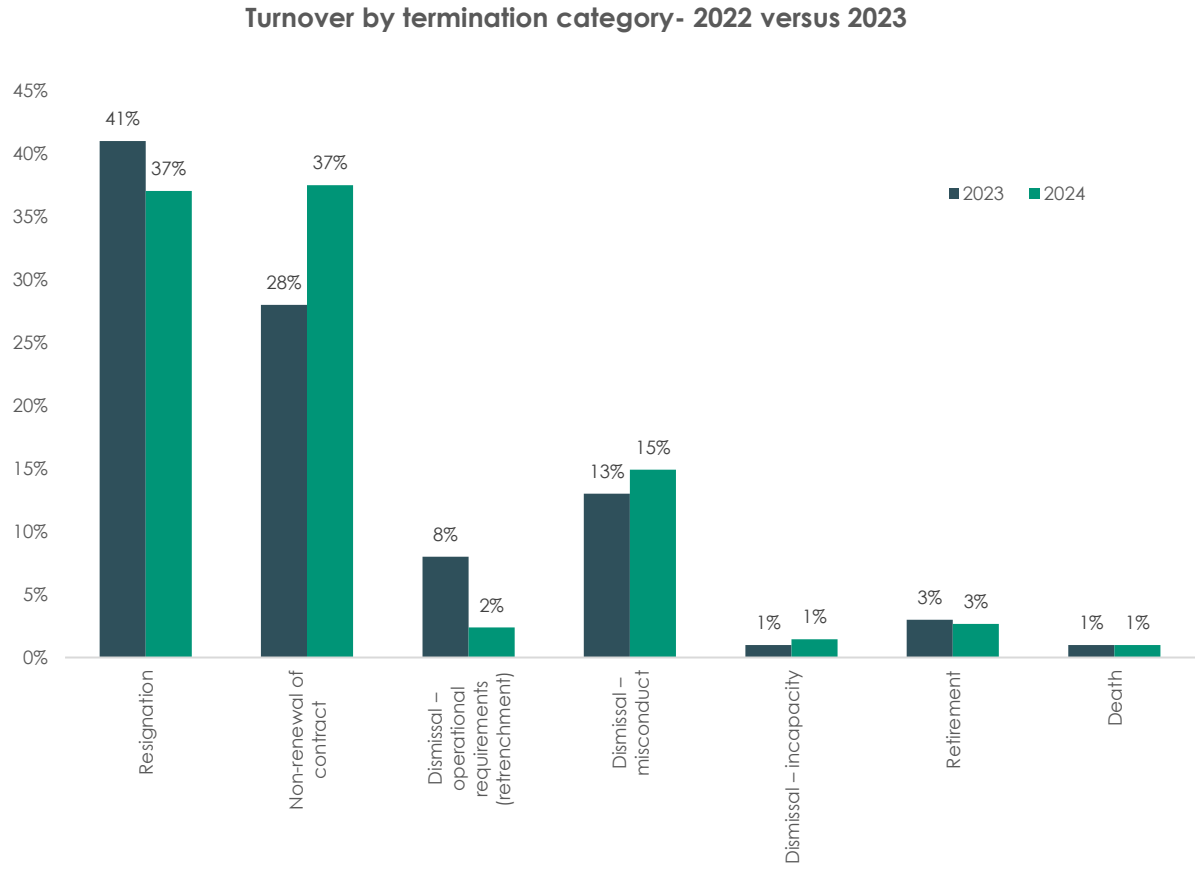
LABOUR TURNOVER INCREASED TO SEPT 2022 LEVELS



Source: Remchannel Salary and Wage Movements Survey , Published April 2024

RESIGNATION KEY DRIVER OF TURNOVER

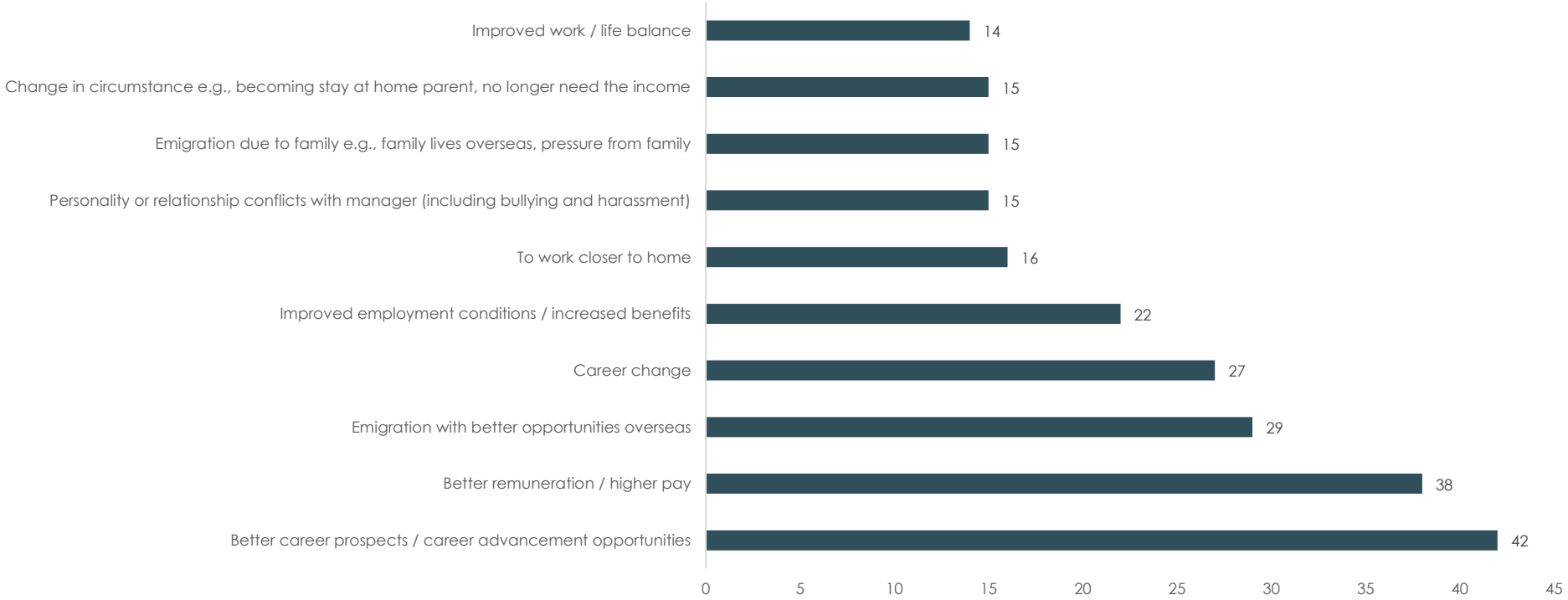
- 37% resignations – total sample 417,650 employees, and average turnover rate 17.2%.
- The above means that just over 26500 employees resigned from 55 companies in the past 12 months.
- 50.5% of the participants in the survey are not measuring the cost of labour turnover. Best practice would be to have systems in place to budget, measure and track termination costs



Source: Remchannel Salary and Wage Movements Survey , Published April 2024

TOP 10 RESIGNATION REASONS

Top 10 reasons provided by respondents

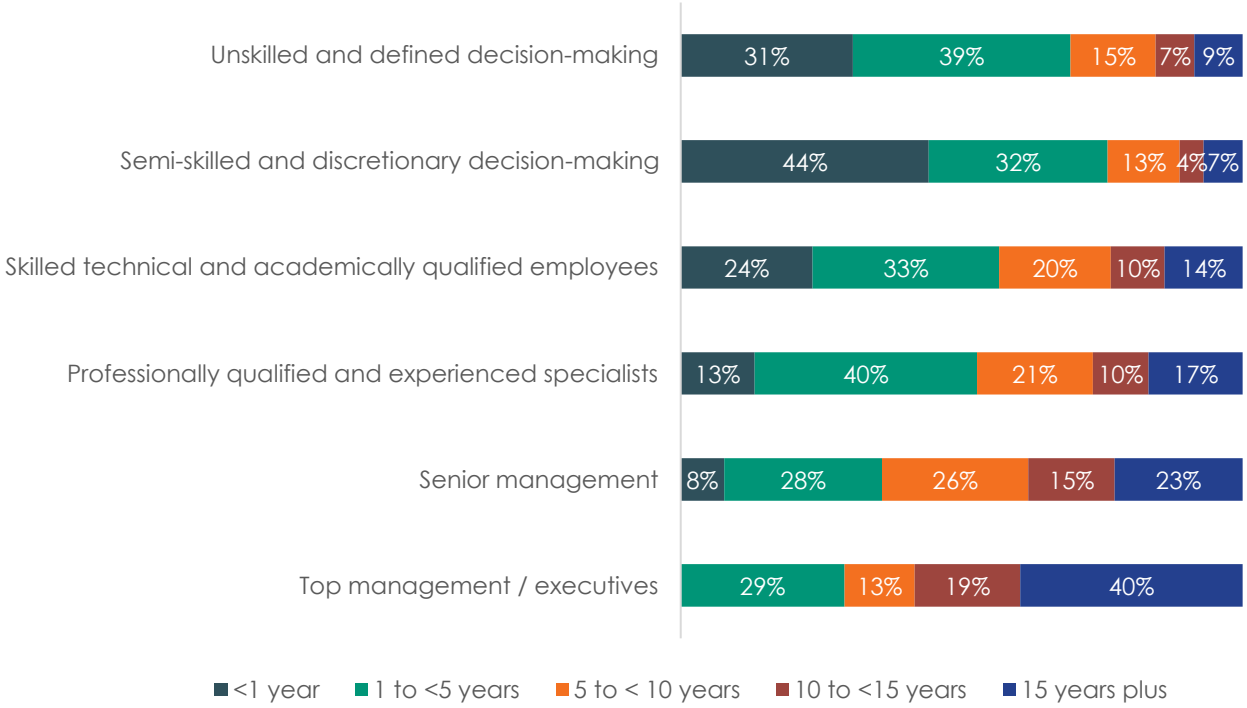


Source: Remchannel Salary and Wage Movements Survey , Published April 2024

TURNOVER HAS HIGH IMPACT ON INSTITUTIONAL KNOWLEDGE

- 40% of top management/ executives who terminated have more than 15 years experience followed by 19% at senior managerial level.
- In the professionally qualified and experienced skilled specialist category the most terminated (40%) have 1 to 5 years experience.
- In the semi-skilled and defined decision-making staff category a similar trend is seen (32%) in the 1-to-5-year bracket followed by 44% in the 1-year category.

Length of service by terminated employee category (excluding "not known")



Source: Remchannel Salary and Wage Movements Survey , Published April 2024

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the Changing Face of HR

EMPLOYEES LIKELY TO REMAIN DEBT DEPENDENT

NEW WORLD OF DEBT

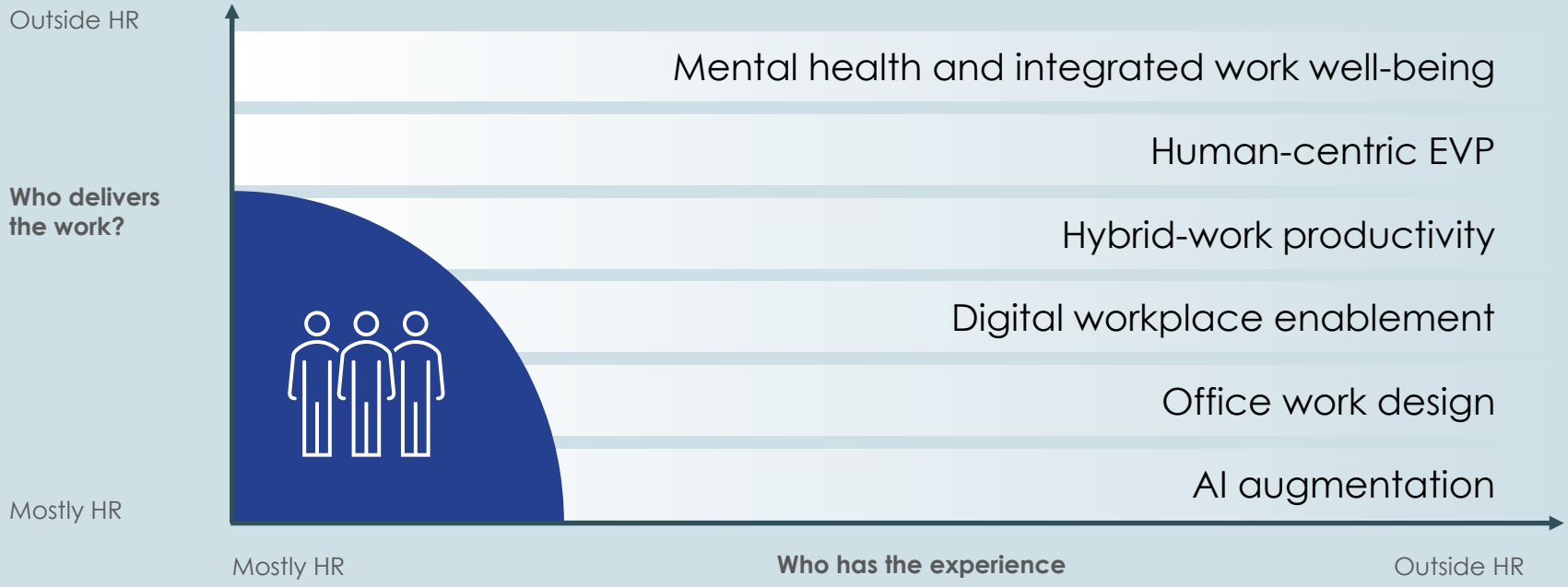
45% very stressed financially

34% have taken out a personal loan

63% would spend a windfall paying off debt

54% dipped into savings to make ends meet

Types of issues arising in HR's expanding mandate



Source: A New Strategic Vision for HR's Expanding Role, Published 25 August 2023

7 Conclusion

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RECAP OF KEY TAKE OUTS

Salary increase trends: April 2024 publication

Average increases granted **(6.09%), higher than increases anticipated (5.85%) and CPI (5.45%).**

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Some employers are innovating **benefits** to respond to **employees' support needs** and to address **talent attraction and retention** challenges

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Key considerations

Employees likely to remain debt dependent

Flexibility granted without guidance, results in **unintended consequences**

03 The changing face of HR

THANK YOU

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