

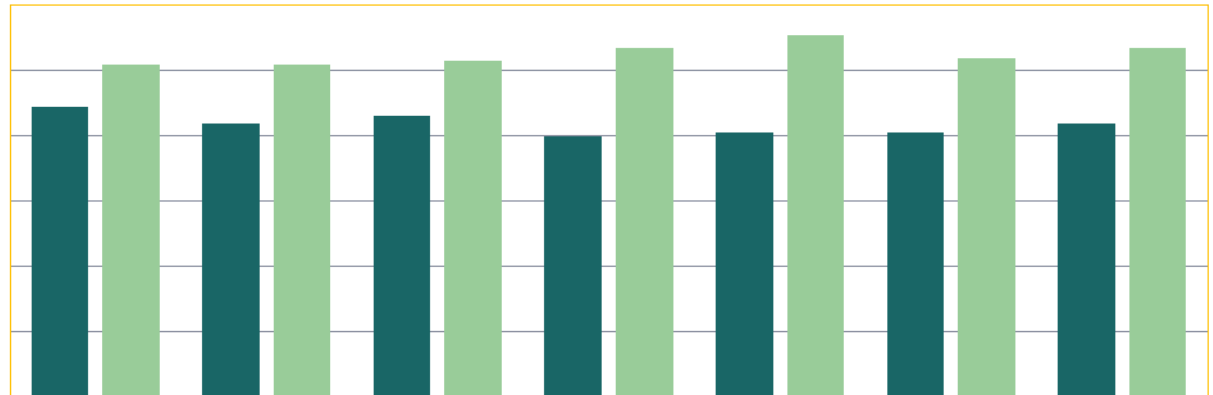


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# Economic Developments and the impact on Remuneration Trends – November 2008

# The Remuneration Trend Journey

- Past
- Present
- Future?

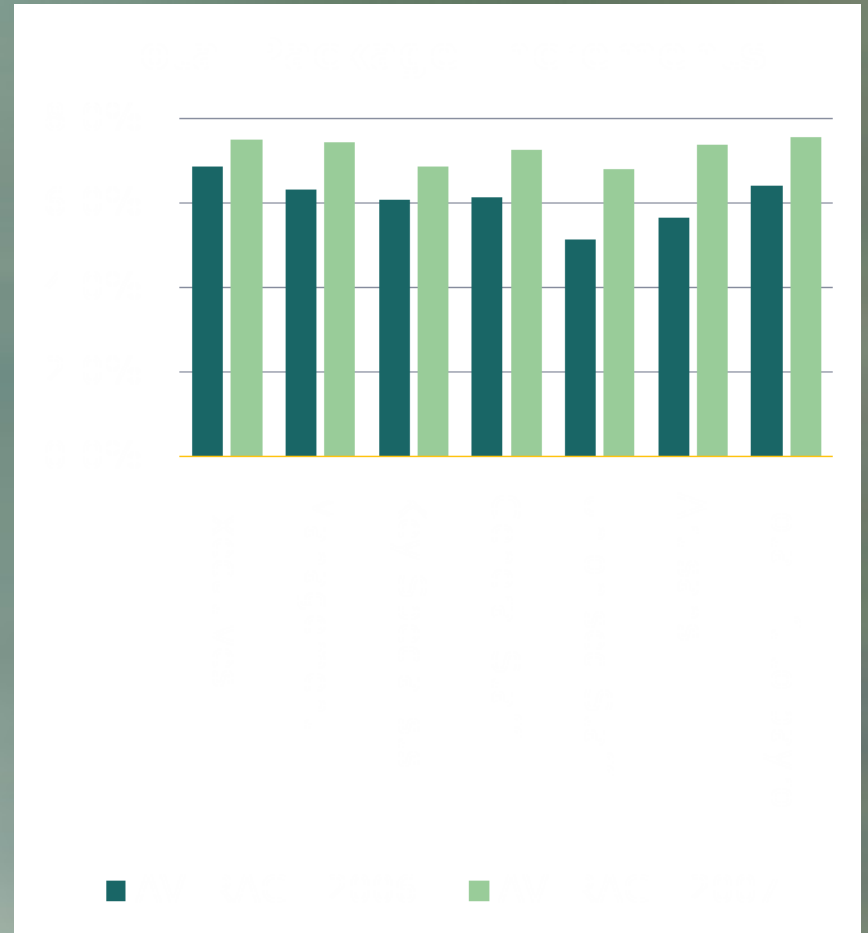


# Basis for Establishing Annual Increase

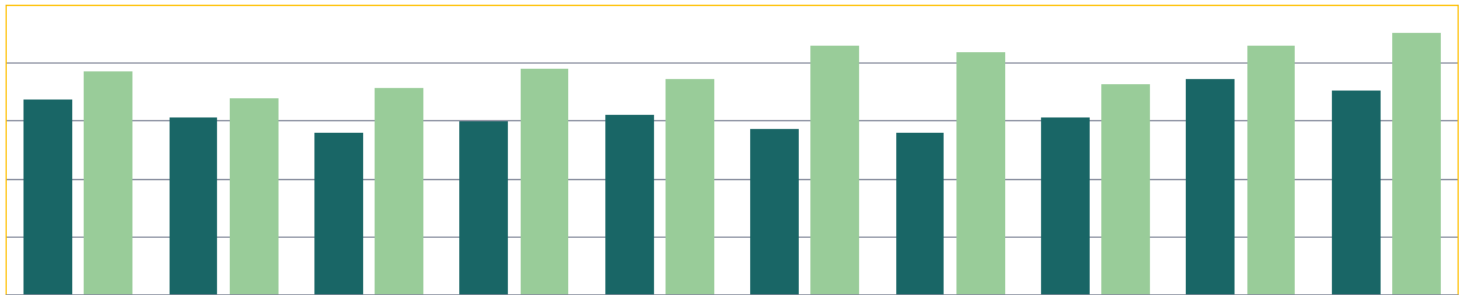
- 63% Utilise CPI or CPIX to establish increases
- 37% Utilise one or more of the following:
  - Affordability;
  - PPI, Union settlements and budget;
  - Market movements and trends;
  - Market related/competitor pay;
  - Scarcity of skills;
  - Individual performance/contribution;
  - Negotiation process.

# The Journey - Past

| CPI Movements |      |      |
|---------------|------|------|
| Month         | 2006 | 2007 |
| January       | 4.0  | 6.0  |
| February      | 3.9  | 5.7  |
| March         | 3.4  | 6.1  |
| April         | 3.3  | 7.0  |
| May           | 3.9  | 6.9  |
| June          | 4.9  | 7.0  |
| July          | 5.0  | 7.0  |
| August        | 5.4  | 6.7  |
| September     | 5.3  | 7.2  |
| October       | 5.4  | 7.9  |
| November      | 5.4  | 8.4  |
| December      | 5.8  | 9.0  |
| Average       | 4.7  | 7.1  |



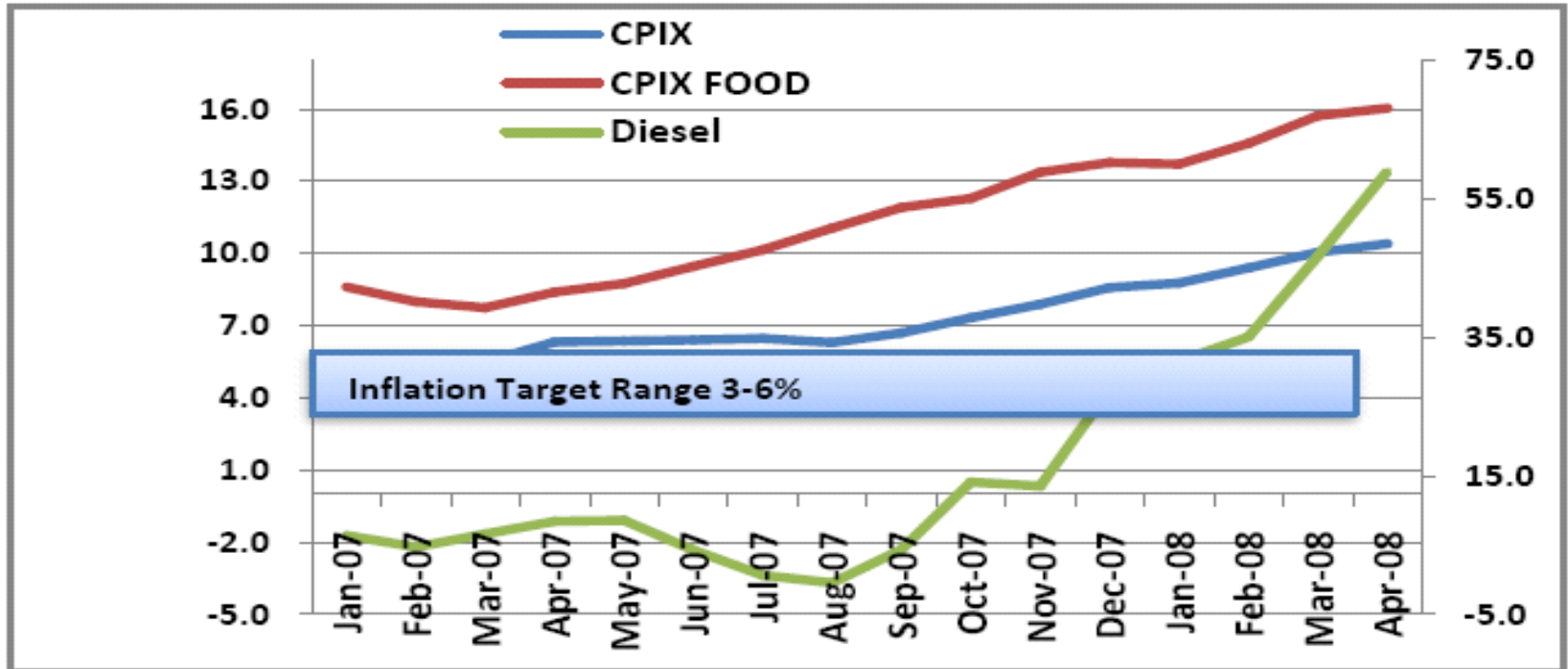
# Past: Actual Pay Adjustments



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# The Journey – Past to Present

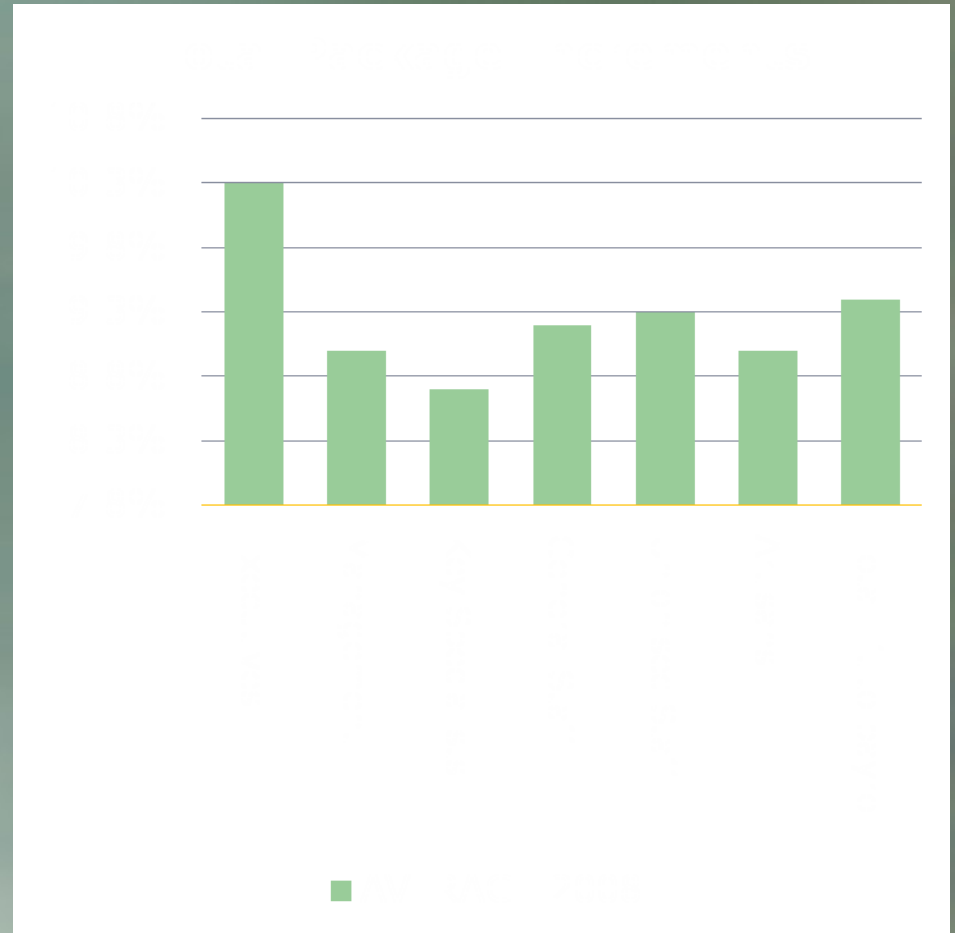
**Fig1: CPIX, Food & Diesel Y/Y %**



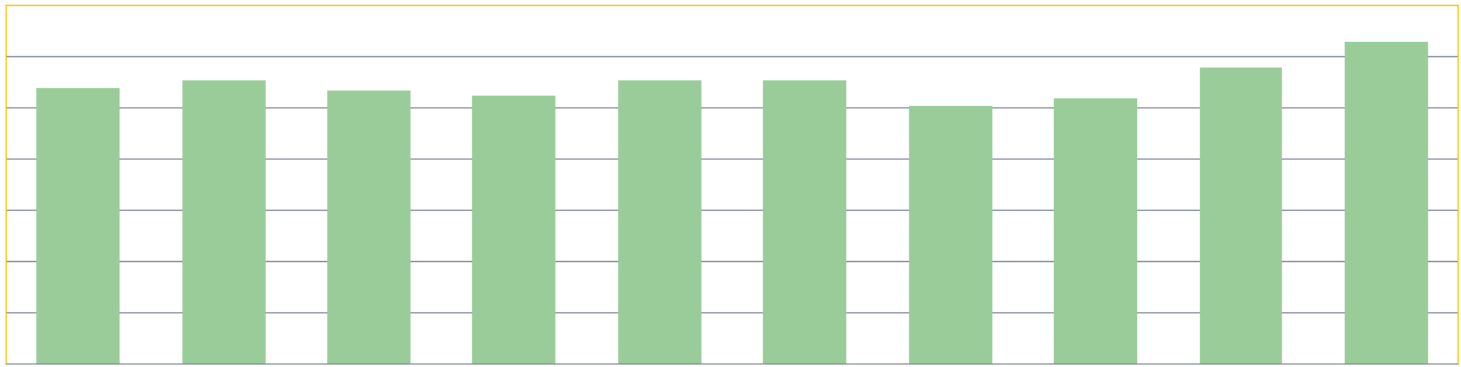
*Source: StatsSA & Sapia*

# The Journey - Present

| CPI Movements |       |
|---------------|-------|
| Month         | 2008  |
| January       | 9.3   |
| February      | 9.8   |
| March         | 10.6  |
| April         | 11.1  |
| May           | 11.7  |
| June          | 12.2  |
| July          | 13.4  |
| August        | 13.7  |
| September     |       |
| October       |       |
| November      |       |
| December      |       |
| Average       | 11.48 |



# Present: Actual Pay Adjustments





# Present: Current Remuneration Environment

- Rising inflation costs & increased cost of living
- Pressure from unions for double digit increases
- Shrinking pool of skills/more fierce war for talent
  - Artisans
  - Engineers
  - Other professionals e.g. Financial, Remuneration etc.
- Economic downturn
  - Influence on company performance and on rewards
    - Affordability vs. demand for higher salary increases
    - Potential low incentive bonuses
    - Retention of “star performers” in tough times

# Impact: Scarcity of Skills

| DISCIPLINE                    | AVERAGE TOTAL GUARANTEED PACKAGE MOVEMENT<br>SEPTEMBER 2007 – SEPTEMBER 2008 |
|-------------------------------|--|
| Distribution and Supply Chain | 9.60%  |
| Education                     | 9.20%  |
| Finance                       | 10.00%   |
| Human Resources               | 10.40%   |
| Information Technology        | 12.80%   |
| Marketing                     | 8.60%  |
| Property                      | 9.90%  |
| Risk                          | 8.40%  |
| Sales                         | 7.10%  |
| Support Services              | 9.20%  |
| Safety/Quality/ Health        | 9.70%  |
| Technical                     | 14.70%   |

# The Journey – Future?

| CPI Forecasts: Source STATS SA |      |      |
|--------------------------------|------|------|
| Month                          | 2009 | 2010 |
| January                        | 11.8 | 7.4  |
| February                       | 11.7 | 7.5  |
| March                          | 10.7 | 9.6  |
| April                          | 9.6  | 7.7  |
| May                            | 9.2  | 7.9  |
| June                           | 8.7  | 8.1  |
| July                           | 8.3  | 8.1  |
| August                         | 8.1  | 8.2  |
| September                      | 7.8  | 8.4  |
| October                        | 7.6  | 8.5  |
| November                       | 7.3  | 8.6  |
| December                       | 7.2  | 8.6  |
| Average                        | 9    | 8.1  |



# Eligibility – Short Term Incentive Schemes

## 2007

- 84% extend participation to all levels in organisation.

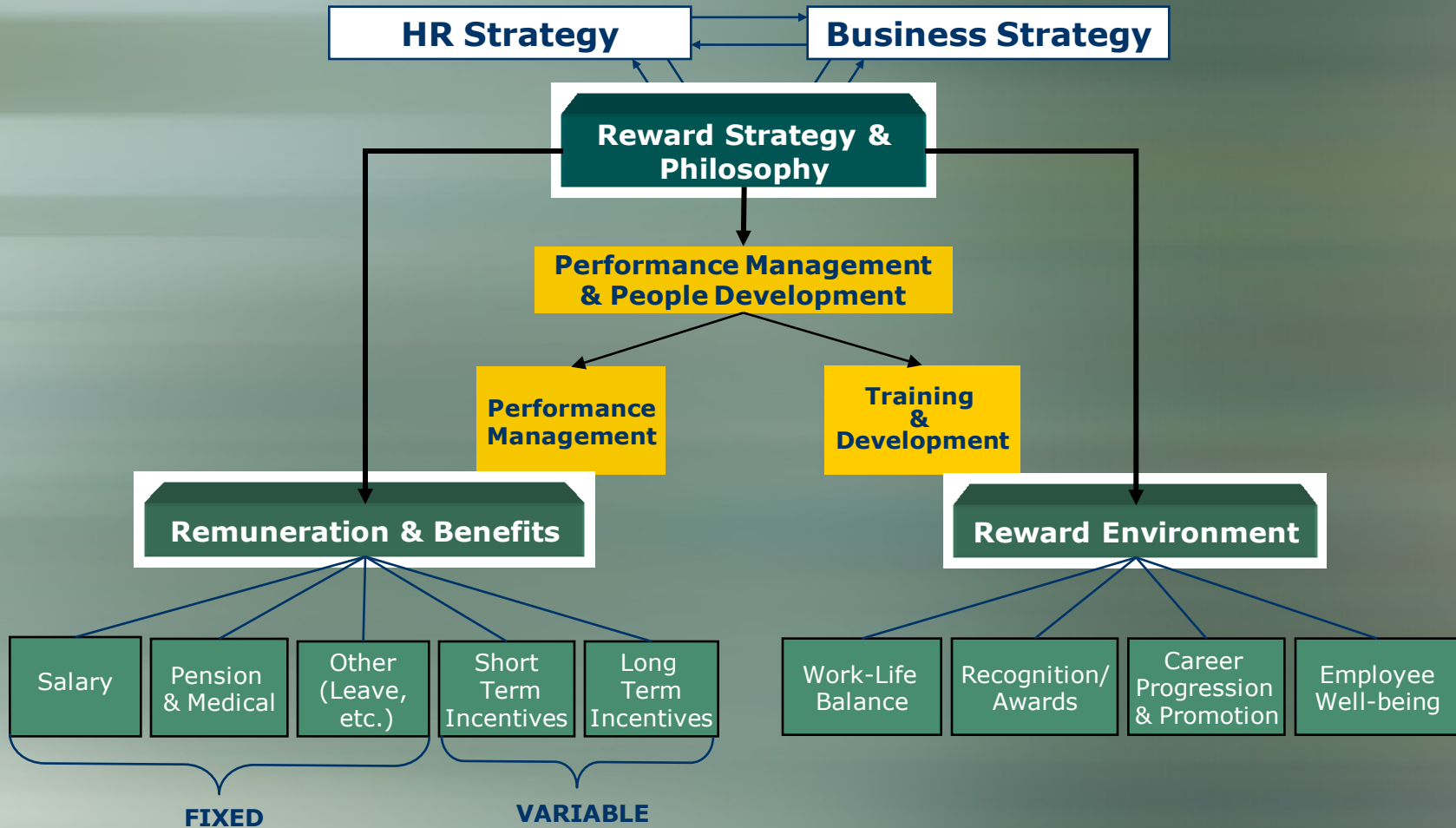
## 2005

- Only 55% extended participation to all levels in organisation.

# Variable Remuneration Trends

| Strategic Objective                    | Weighted Points |
|--|-----------------|
| ▪ To reward performance directly       | 69              |
| ▪ To retain key employees              | 63              |
| ▪ To improve employee motivation       | 57              |
| ▪ To attract a higher calibre employee | 53              |
| ▪ To improve efficiency / productivity | 52              |

# Total Rewards Model



Creating a **balance** between the **Remuneration and Benefits** offering and a **Reward Environment** where employees are **recognised** as “whole people”, where they feel **valued** and where they can **grow and develop** is the challenge to truly **engage** your workforce.