

The Changing World of Work: How should employers approach remuneration?

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What is remuneration?

What remuneration really? (The boring legal stuff)

- Why do we pay people?
- The basics of an employment contract: Services rendered in exchange for the payment of wages, or in other words, remuneration.
- What does remuneration consist of?
- In South African law, this is governed by the Basic Conditions of Employment Act, which provides that wages are the amount of money paid in accordance with the hours an employee works. This can be paid on an hourly, weekly or monthly basis.

What remuneration really? (The boring legal stuff)

- What's the difference between salaries and wages?
- Salary-earners are paid a fixed amount per month. Wage earners are paid per hours worked.
- What else does remuneration consist of?
- Employees can have a total-cost-to-company package, where one global amount is paid and the employee must provide for their own benefits, or a basic salary with add-ons. It would be wise to obtain some tax advice on this matter.

What remuneration really? (The boring legal stuff)

- The dreaded minimum wage:
- Minimum wages are a global phenomenon. The Basic Conditions of Employment Act provides that the Minister of Labour can make sectoral determinations in vulnerable sectors.
- South Africa currently has 14 Sectoral Determinations.
- Sectoral determination 13 governs the conditions of service of farmworkers.

What remuneration really? (The boring legal stuff)

- On 1 January 2019 the National Minimum Wage Act came into being.
- Covers all 14 sectors plus anyone else.
- Wide definition of a worker: Any person working for another person.
- Currently R20 (R18 for farmworkers, R15 for domestic workers and R11 for EPWP workers).

What remuneration really? (The boring legal stuff)

- Levels are set by the Minister of Employment and Labour.
- Advised by the National Minimum Wage Commission (3 members from Business, 3 members from Organised Labour, 3 members from Community, 3 independent experts and an independent chairperson).
- Recommendations are made based on research, including the impact on employment.



What is the Future of Work?

Future of Work and 4IR:

- Klaus Schwab, Founder and Executive Chairman of the World Economic Forum was the author of a book titled The Fourth Industrial Revolution. In a 2016 article, Schwab wrote that “like the revolutions that preceded it, the Fourth Industrial Revolution has the potential to raise global income levels and improve the quality of life for populations around the world.”
- He continued: “In the future, technological innovation will also lead to a supply-side miracle, with long-term gains in efficiency and productivity. Transportation and communication costs will drop, logistics and global supply chains will become more effective, and the cost of trade will diminish, all of which will open new markets and drive economic growth.”

Future of Work and 4IR:

- What are some examples of technological advances in agriculture?
- How do you think this will impact jobs?
- How do you think it will impact remuneration?



How will 4IR impact jobs, remuneration and what is the future of work?

- Klaus Schwab identified some problems with 4IR because it can lead to greater inequality as it has the potential to disrupt labour markets. The other problem is that the job market may become increasingly segregated into “low-skill/low-pay” and “high-skill/high-pay” roles, which could escalate social tensions.
- This question was posed to the International Labour Organisation, who commissioned a Future of Work report under the expert leadership of President Cyril Ramaphosa.
- The report found the following:

- Employment law and policy is based on social justice, and this should be the basis of our decision-making when it comes to the business models of the future and the effect on the workforce.
- The Global Commission on the Future of Work adopted a Centenary Declaration at the 108th International Labour Conference in June 2019 that stipulated a human-centred agenda, in keeping with Sustainable Development Goal 8, which is inclusive economic growth all over the world.
- This means as we advance, we need to make sure that our growth is inclusive, and that humans remain center-focus in policymaking.



What will remuneration be like in the future?

- In South Africa, many elements of remuneration are statutory, especially for lower paid workers. There will probably always be safety nets for these workers.
- Higher paid workers look for flexibility: The gig economy will expand (enhanced vulnerability).
- Increased transparency of executive pay: The new EEA4 forms specifically ask the gap between executive pay and the lowest paid employee, and how the gap will be addressed.
- Talent will always cost money.



How can my business remain competitive in these changing times?

Opportunities

- Technology will become more easily accessible and cheaper in future, which is a win for business, and it should be a win for workers too.
- Better technology could mean losses in menial/low skilled jobs, which impacts farming directly.
- Upskill current workforce: This is how you future-proof your business! Skills need to be relevant to the specific business.
- Productivity is key and should be carefully managed.

Opportunities

- Business decisions should be weighed against labour impact as a key driver of inclusive growth.
- Work will look different: Use technology to enable more flexible working arrangements and enhance productivity.
- Work must have meaning. Make sure your employees know the WHY of your business.
- Additional remuneration for top performers becomes essential.
- Thriving is a team sport!

Opportunities

- According to Dr. Mark Bussin from 21st Century Pay Solutions Group, modern remuneration looks at:
- Variable pay.
- Transparency, including transparency about bonuses.
- Tailor-made individual pay.

Opportunities

- These are contrasted by a legal framework that is skewed (for a reason) to protecting the most vulnerable.
- Little room to move, but it is possible.
- Different structures of remunerating wage-earners and salaried employees, but all should have performance incentives.

The last word

- Remuneration is why your workers or employees work for you.
- Remunerate fairly.
- Remunerate timeously.
- Remunerate transparently.
- “If you love and serve man, you cannot, by any hiding or stratagem, escape remuneration.” (Ralph Waldo Emerson)



Thank you!

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