

**Snap Survey Series: Covid-19**  
**Survey 5: Pay Responses – Short-Term Incentives**

21<sup>st</sup> Century would like to thank the organisations that have participated in this snap survey series. The surveys cover varied topics relating to how organisations are reacting to current circumstances brought about by the Covid-19 virus, both pre- and during the lockdown period. This fifth survey investigates how organisations have adapted their short-term incentive strategies and practices in response to the current and anticipated economic hardship caused by the Covid-19 virus.

Ways of working are having to be adapted and new policies are needing to be invented to keep organisations sustainable, staff safe, motivated and effective. It is therefore important to know what other organisations are doing, and to share ideas that are needed for innovative and fair solutions to help us navigate these challenging times.

On 1 May 2020, South Africa transitioned from Level-5 lockdown to Level-4 lockdown. Although this has reduced a number of the restrictions in place, the dampening effect that a lockdown has on an economy remains. At this stage, no mention has been made regarding the specific timing of the lockdown moving to lower levels. However, it has been communicated that a gradual, transitional approach will be followed. The general view that is being spoken about in the media is that the South African economy can only expect to be back in full swing sometime between September and November this year.

During this uncertain period, where rapid yet well-considered decision-making is essential, organisations will need to keep the balance between market practice, best practice, and best-fit, using all the relevant information that is available and constantly being updated. The primary purpose of these surveys is to reveal the variety of national market practices, from the least prevalent, to the most prevalent, without necessarily declaring them as best practice or as recommendations for any specific organisation.

This survey report is the fifth one in the series of surveys 21<sup>st</sup> Century is running, exploring challenging workplace issues at this time. This data represents a picture of the market and is not prescriptive in any manner. An organisation would therefore refer to their unique policies and any prevailing legislation, changes to regulations and guidelines to make a decision.

The process followed in these surveys is that employers on the 21<sup>st</sup> Century database are invited to participate in the surveys. Interested parties are each provided with a unique link to

a web-based survey, where questions are posted. These responses are then analysed and inform the content of the report. Responses are treated as confidential and no individual company practice is identified.

In this fifth survey, **71 organisations**, across all industries in both public and private sectors, participated by sharing their practice.

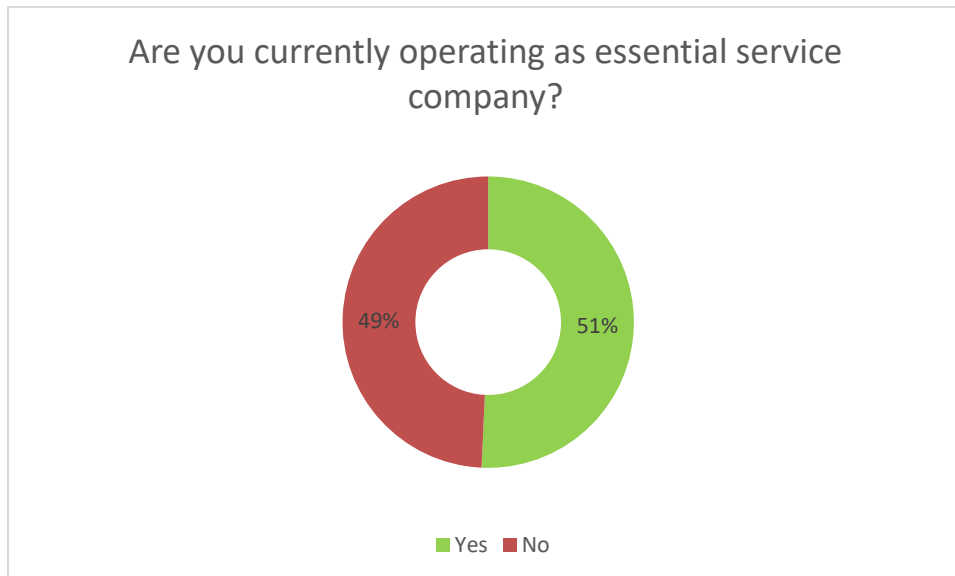
## Survey Sample

2U	Lurco Coal
Acciona Energy SA Global	M2TD Consulting
AECI Limited	Malda Pack
Afrisam	Mazars
Ampath	Medihelp
Automobile Association of South Africa	Mentenova Consultants and Actuaries
AVBOB	Michaelhouse
AVI Limited	Moonstone Information Refinery
Axiomatic	Mothers2Mothers
Bestmed Medical Scheme	MTN Business
Cape Town International Convention Centre	Ooba
Cebano Consulting	Optimum Learning Technologies
City Lodge	Ovations Technologies
City Property Administration	PackSolve
Coca-Cola Peninsula Beverages	Pick n Pay Retailers
Coega Development Corporation	Principa Decisions
Colgate-Palmolive	Radisson Blu Hotel
Columbus Stainless	Road Accident Fund
Dangote Cement South Africa	RTT Group
Distell Group	Sasol South Africa
Energy Drive	South African Bone Marrow Registry
Entsika Consulting Services	South African National Space Agency
Fed Group	South African Property Owners Association
Federated Employers Mutual Assurance	South African Revenue Service
Gammatec NDT Supplies	South32
German International School	Suidwes
Glyn Marais	Sult
Graham Beck Enterprises	Sun International
Hogan Lovells	Swiss Re Africa
Hollard	Telesure
Icon Oncology	Tracker Connect
K2 Workflow South Africa	TradeOn
Kelp Products International	Vasdex Associates
Lewis Group	Virgin Active South Africa
Liberty	Woodridge College and Preparatory School
	Yara

## Survey Results

### Question 1

Are you currently operating as essential service company?

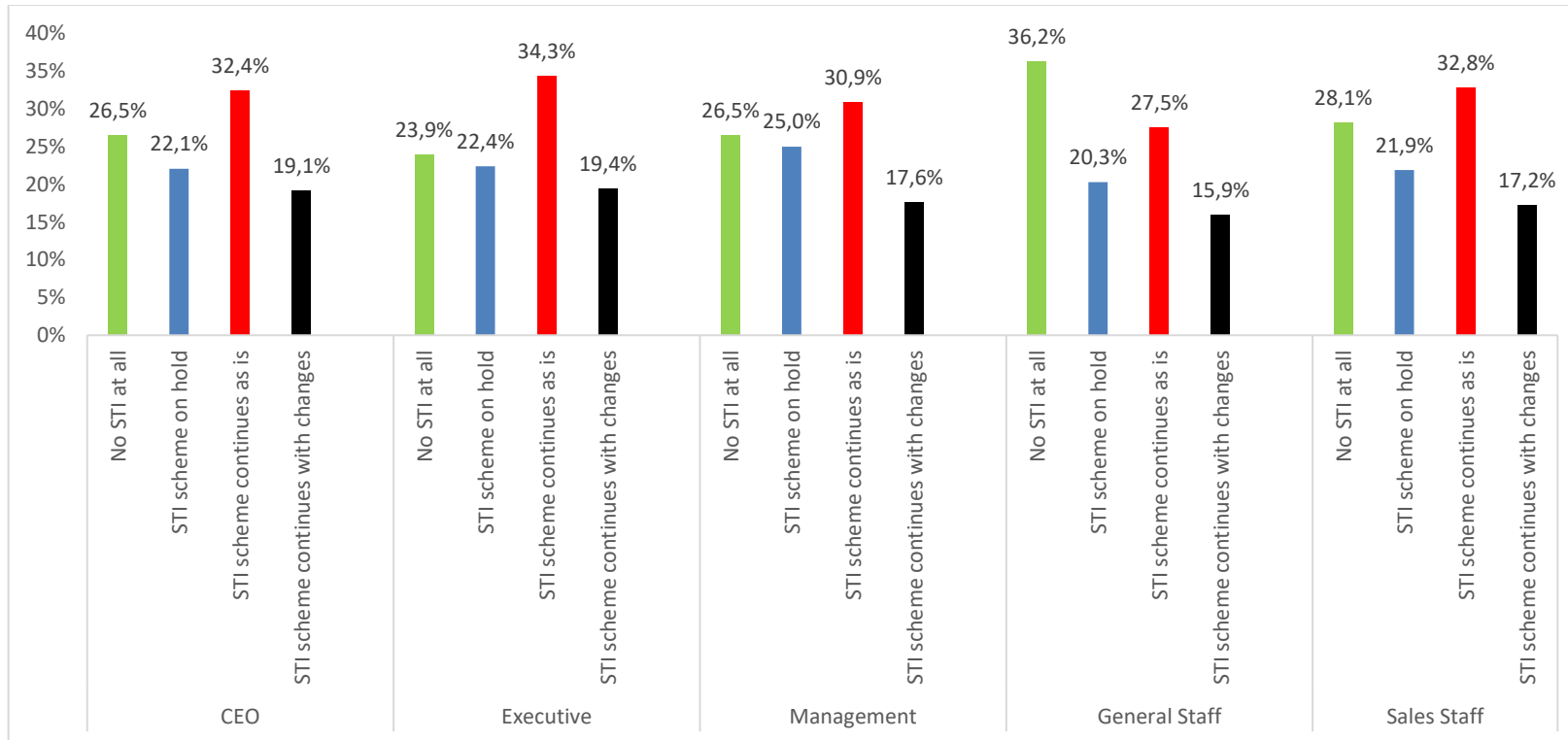


The survey participants are almost an even split between essential and non-essential services. This provides results taken from a diverse sample of organisations and can be viewed as a robust representation of the market. The results reported in this survey will not make a distinction between essential and non-essential services and will rather reflect the position of the market as a whole. We do not see diverse practices between the two groups.

The effect of the lockdown, and hence economic hardship felt, is unique to each organisation due to factors such as industry, financial situation and ability to operate remotely. The uniqueness of each organisation tailors the manner in which they will respond to their economic situation.

## Question 2

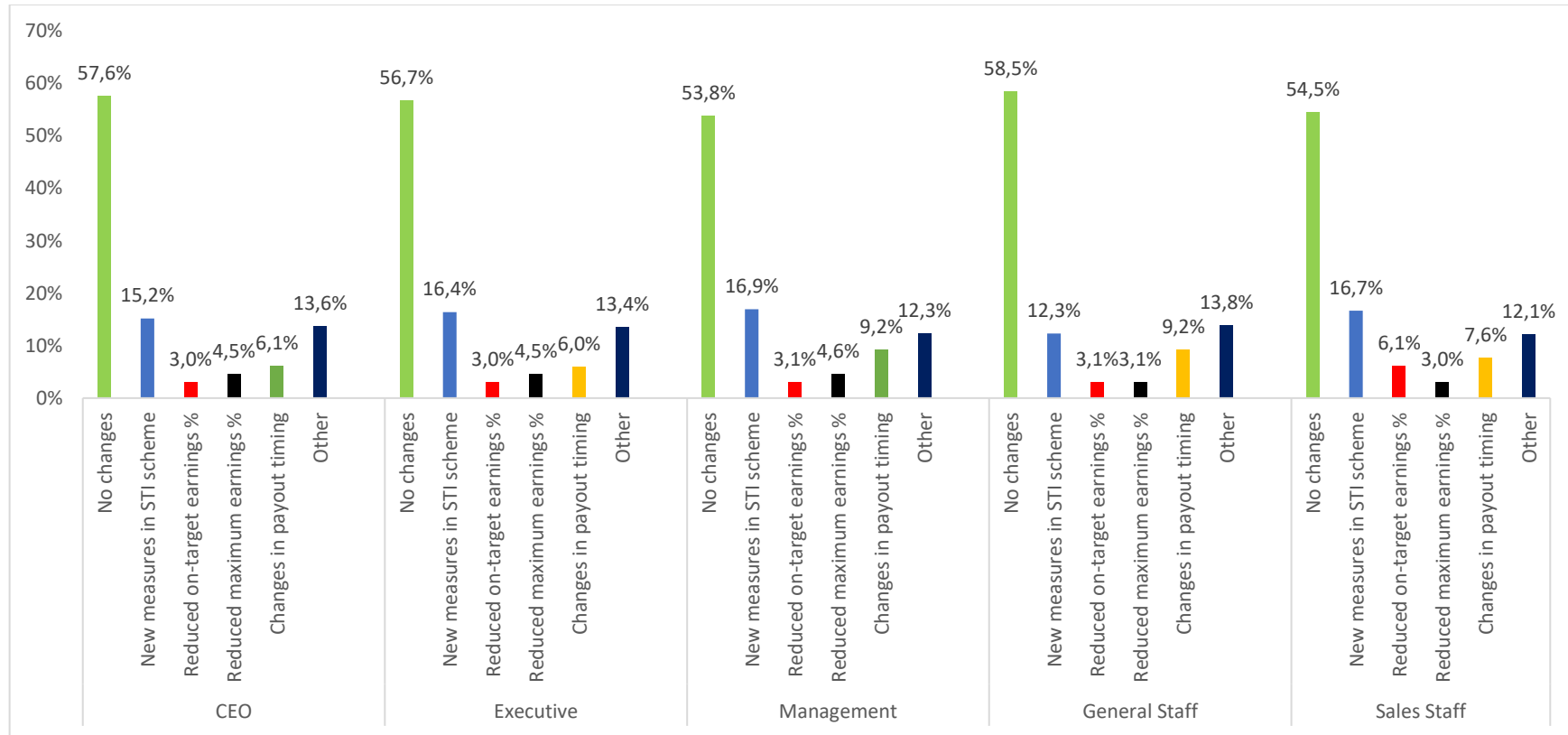
Are you making changes to your short-term incentive scheme?



At all levels, around 30% of organisations are continuing the STI scheme as is, and around 18% of organisations are continuing the scheme with changes. The highest prevalence of “no STI at all” and lowest prevalence of “STI scheme continues as is” is reported for general staff. STIs are more prevalent at higher job levels as variable pay plays a larger role in the employee’s total annual remuneration. Between 20% and 25% of respondents have put their STI scheme on hold at each occupational level.

### Question 3

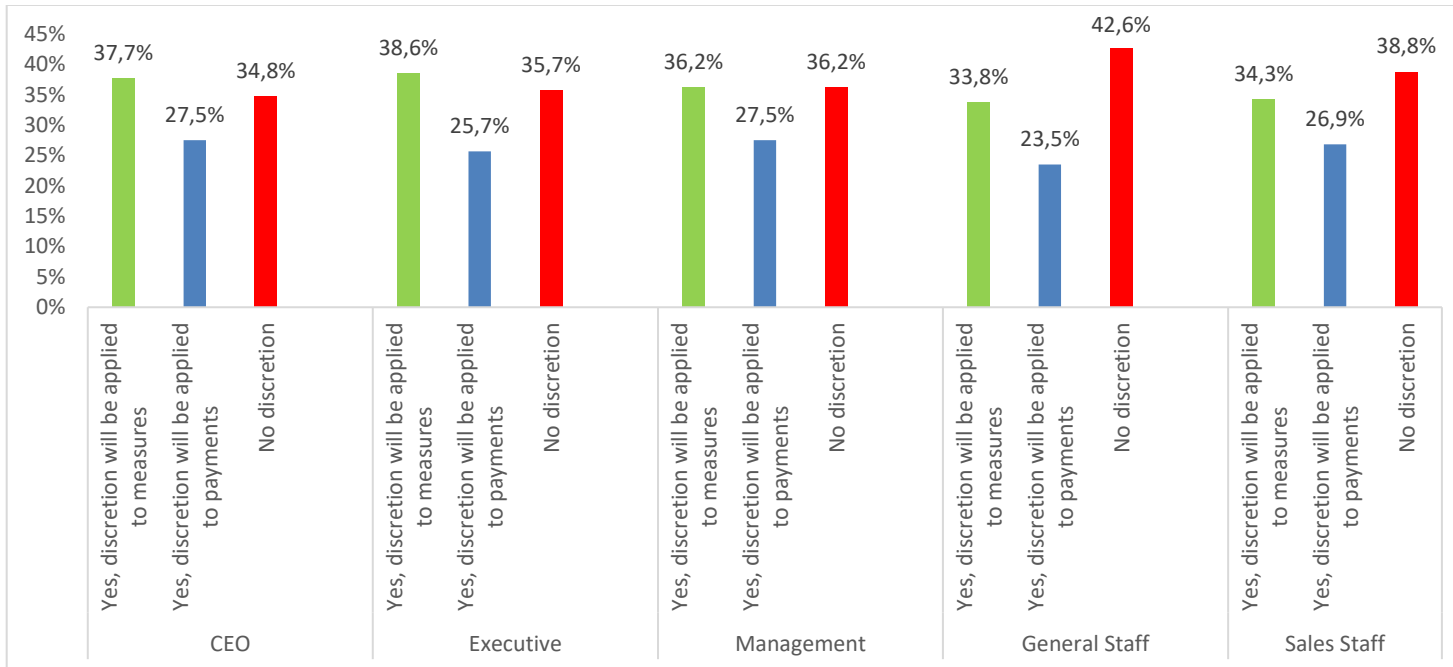
Please detail the changes you are making?



Where changes have been made to the STI scheme, introducing new measures to the scheme is the most popular means of making a change, followed closely by the 'other category'. Most of the feedback received in the 'other category' indicates that currently it is uncertain whether or not they will be implementing changes as the decision is still pending.

#### Question 4

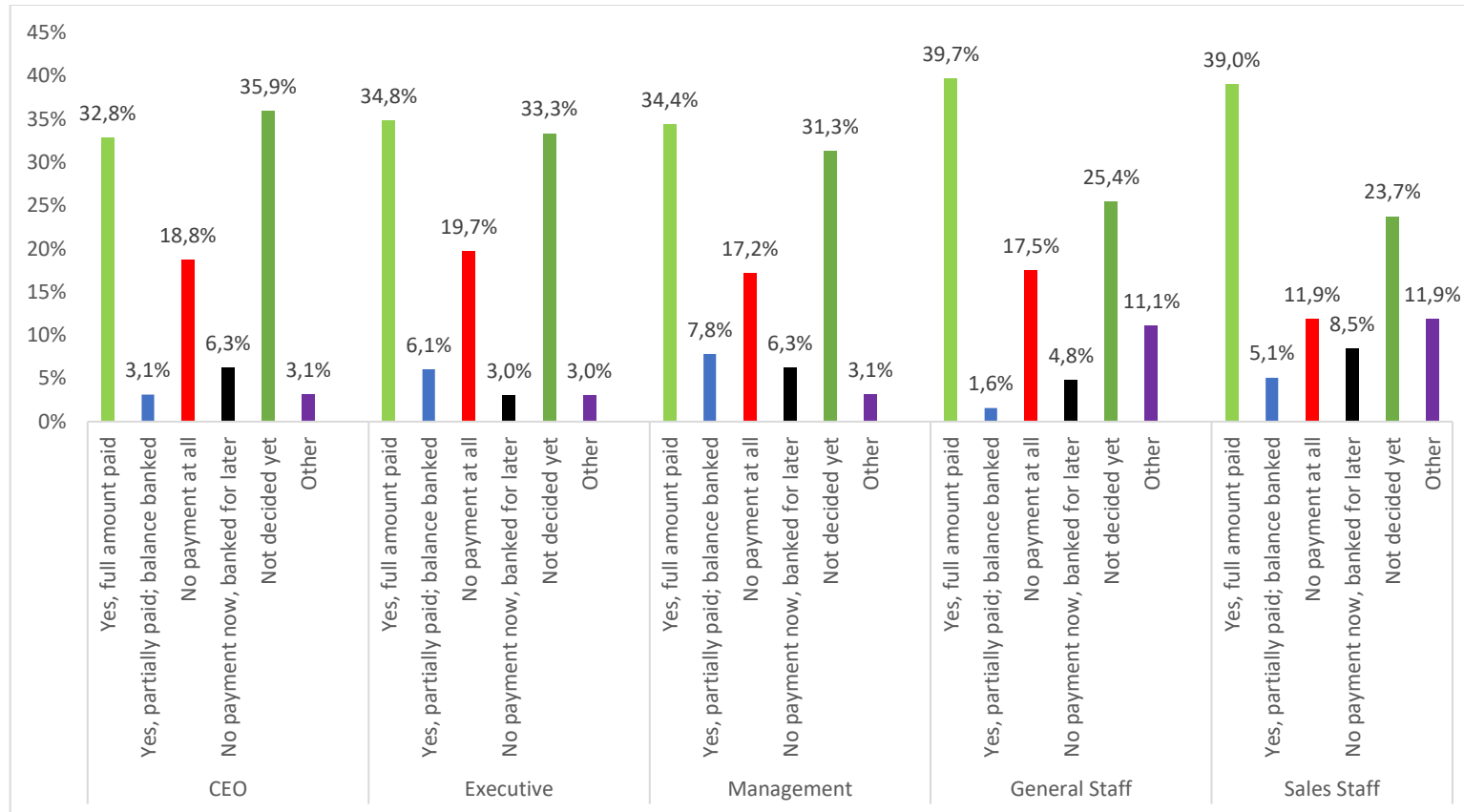
Are you applying additional discretion in your short-term incentive scheme?



Using discretion when applying the STI scheme is the dominant view across all job levels, whether for measures or for payments. The survey results indicate that CEO schemes are expected to see the most discretion applied and conversely, general staff schemes the highest prevalence of 'No discretion'.

## Question 5

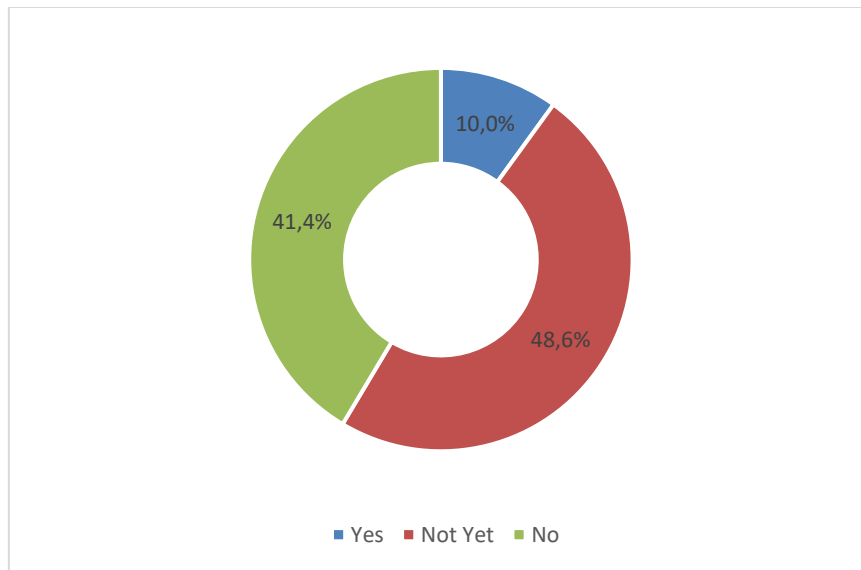
For incentives already earned in the previous period, what is your intention regarding payment?



General staff have the highest prevalence of receiving payment of their STIs that they have already accrued in a previous period. CEOs have the highest prevalence of a pending decision with regard to the payment of their STIs. Overall, the vast majority of organisations are either paying out the already-earned STIs or remain undecided as to how they will treat these payments.

### Question 6

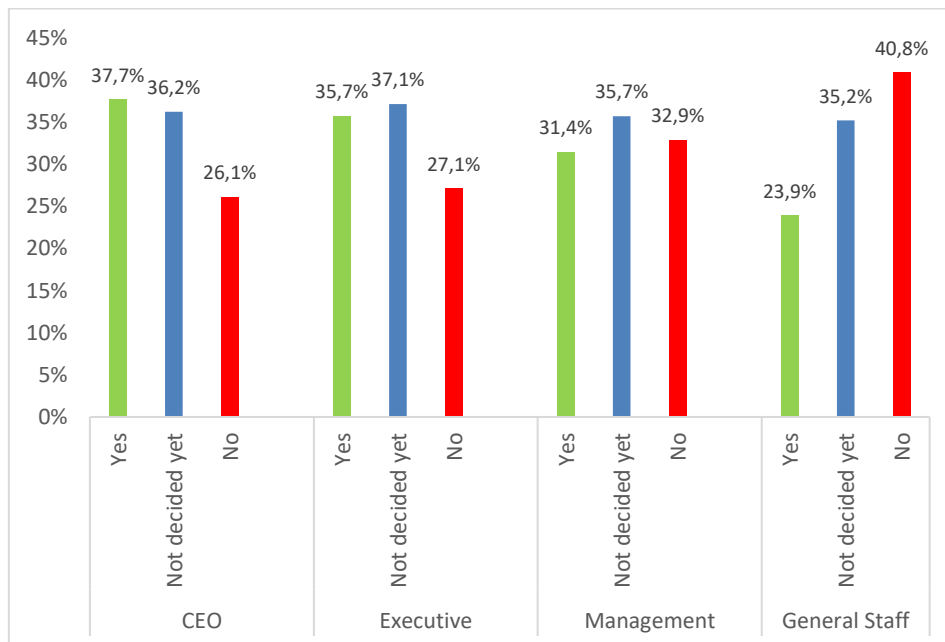
Are you planning to create your own company disaster fund through pay reductions?



Only 10% of organisations have created their own disaster fund through pay reductions. 48.6% of organisations are yet to make a decision in this regard while 41.4% have decided against it.

### Question 7

Are you considering a freeze on increases for 2020?





General staff have the lowest prevalence of receiving a wage freeze while CEOs face the highest prevalence. Over a third of respondents across each occupational level remain undecided on the issue. The 'no' responses illustrate a progressive trend as the lowest occupational level faces the lowest possibility of receiving a wage freeze. This possibility increases as the occupational level increases.

### Question 8

Are your executives considering taking a reduction on guaranteed pay for a period?

Are your Executives considering taking a reduction on guaranteed pay for a period?	
No reduction / sacrifice	62.7%
Full monthly salary	1.5%
5%	1.5%
6 - 10%	6.0%
11 - 15%	3.0%
16 - 20%	4.5%
21 - 25%	9.0%
26 - 30%	6.0%
31 - 40%	0.0%
41 - 50%	4.5%
51 - 60%	1.5%

Almost two thirds of the organisations within this survey indicated that at this stage, they are not considering a fixed pay reduction at executive level. For those that are considering it, the most popular percentage was a reduction of between 21% and 25% which was selected by 9% of organisations.

### Question 9

For what time frame are executives prepared to sacrifice a portion of guaranteed pay?

For what time frame are Executives prepared to sacrifice a portion of guaranteed pay?	
2 months	8%
3 months	44%
6 months	28%
Period of lockdown	8%
Other	12%

The most popular selection is 3 months (44%) followed by 6 months (28%). Those that selected the 'other' category are either flexible regarding the length of the sacrifice or are waiting for an economic stabilisation or recovery before the return to their full salary.

## **In Summary**

Uncertainty regarding the state and future of the economy remains a prevalent theme. Numerous organisations have decided to either alter or remove their STI scheme while approximately a third of organisations continue as is (across all job levels), with a further 18% continuing a scheme but with changes. Again 1/3<sup>rd</sup> of organisations will respond to the current economic uncertainty by allowing for discretion within their STI schemes. Discretion is a useful tool during uncertain times; however, care should be taken when exercising discretion to ensure that it is done in a consistent manner and with consideration of the views of all stakeholders.

Whether or not organisations will be implementing a wage freeze in 2020 is a frequently asked question. There has been a marked increase in the prevalence of wage freezes in comparison to previous years, as expected. Over one third of organisations (across all occupational levels) are yet to decide whether or not a wage freeze will be implemented in 2020.

The uncertain economy coupled with the reality of the national lockdown has had an impact on STI schemes as organisations pursue survival. A number of organisations remain undecided as to their response to the pandemic from a remuneration perspective and are awaiting more information before deciding on their course of action, whether it be an interim measure or a permanent change.

**Stay safe! #flattenthecurve**

The 21<sup>st</sup> Century Team.