



**SABPP™**

SA BOARD FOR  
PEOPLE PRACTICES

*Setting HR standards*

# SABPP POSITION ON TRANSPARENCY OF REMUNERATION INFORMATION

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## MANDATE AND JURISDICTION



The SABPP is a professional body registered by SAQA and its mandate is to set standards for HR practitioners who are registered with the SABPP and, more generally, to encourage good people practices in organisations. As such its direct jurisdiction is restricted to those HR practitioners that are registered with the SABPP and are in good standing. The SABPP has no jurisdiction over employers or over HR practitioners who are not registered with it.

## SABPP VALUES



All SABPP registered HR practitioners are required to act in accordance with the 4 values of the profession, namely Responsibility, Integrity, Respect and Competence. Behavioural commitments that SABPP members make which are relevant to remuneration issues include, inter alia:

- a. I accept responsibility to ensure compliance with the Constitution, laws, regulations, Codes of Good Practice and my organisation's policies and codes.
- b. I accept responsibility to work towards achieving SABPP's HR Management Standards thereby living good practice.
- c. I accept my responsibility to assist in building an organisation fully representative of the broader population at all levels and which eliminates institutional racism and other barriers to equality, employment equity.
- d. I commit to upholding human rights as enshrined in the Constitution of my country and to make human rights values part of my everyday life and language by listening, learning, communicating and educating, and by being open minded and impartial.
- e. I commit to treat everyone with dignity, fairness and respect.
- f. I commit to work towards eliminating discrimination of whatever type and to uphold the principles of anti-discrimination and anti-racism in the workplace and in society.
- g. I commit to facilitating and upholding fair labour practices for everyone

# LEGAL FRAMEWORK



The framework of law that pertains to remuneration issues includes, inter alia:

## **1. The South African Constitution**

S. 23 (1) Everyone has the right to fair labour practices.

## **2. Labour Relations Act**

Provisions relating to unfair labour practices.

## **3. Basic Conditions of Employment Act**

Many provisions regarding entitlement and calculation of pay and also:

S. 78 (1) (b) provides that every employee has the right to discuss his or her conditions of employment with his or her fellow employees, his or her employer or any other person;

S. 79 protects this right and includes applicants along with employees.

## **4. Employment Equity Act**

Provisions pertaining to prohibition of discrimination and the Amendment of 2013 set out the principle of equal pay for work of equal value and specific justifiable grounds for differences in individuals' pay. The Code of Good Practice on Equal Pay / Remuneration for Work of Equal Value was issued in 2015. Applicants for positions are also entitled to protection under this Act.

## **5. The National Minimum Wage Act**

The provisions of the National Minimum Wage Act in relation to the payment of the minimum wage.

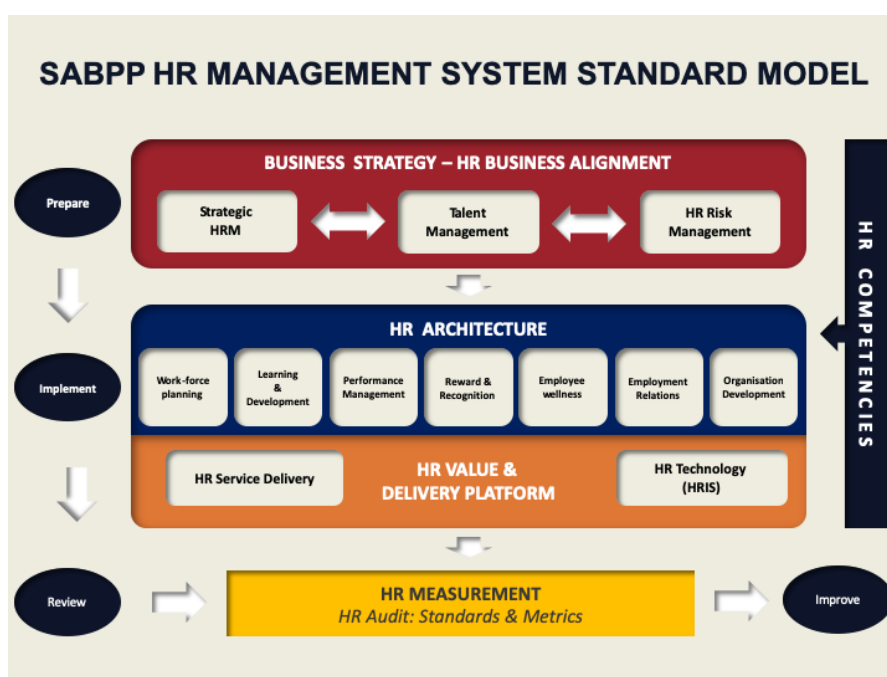
## **6. Collective Agreements**

These are negotiated agreements through collective bargaining between organised labour and companies/organisations.

# HR MANAGEMENT STANDARDS AND SABPP PROFESSIONAL GUIDANCE



Guidance of good practice in all the aspects of HR Management are set out by the SABPP in the National HR Management Standard, based on the model shown below:



The Standard for Reward and Recognition states that one of the objectives of an organisation's reward strategy should be:

***“To deliver a fair and equitable reward system and process that is ethical, cost effective and sustainable.”***

The Application Standard for Reward and Recognition (which goes into some detail about how to apply the main Standard) states, inter alia, that:

***“A structure and process for compliance audits with legislative and policy requirements should be set up.  
A robust justification for any pay differentials must be in place and auditable.”***

In October 2013 the SABPP issued a Fact Sheet on Pay Equity and in October 2015 issued a Fact Sheet on Equal Pay Audits (these are available on the SABPP website).

The detail in the HRM Standard and the Fact Sheets is based on the principles of transparency and fair and non-discriminatory practices. Good people practices in organisations should promote trust between the employer and employee. The SABPP has issued further guidance on the ethics of remuneration management in Chapter 16 of its publication Ethical Competence in HR Management Practice.



# DISCUSSION ON COMMON REMUNERATION PRACTICES



## 1. Job grades and salary bands

It is common practice, and is recommended in the Code of Good Practice, to define the various jobs into job grades based on a reputable job evaluation system.

It is common practice to then define salary bands for each of these job grades.

If we follow the principle of transparency, the job grade into which an employee's job falls should be known to the employee, together with the minimum and maximum of the applicable salary band. This is the norm in the public service and also in organisations which fall under Bargaining Councils.

However, the question of whether all employees should know all the salary ranges proves more difficult to answer. This is particularly a problem in South Africa today where very large salary differentials exist between senior and other employees. As SABPP, we believe that transparency is the better option, it avoids exaggerated ideas of the differences and prompts executives to ensure that they can really justify salaries paid. Publication of salary ranges will most probably result initially in more employees raising dissatisfactions, but if there are well researched and justified reasons for the pay structure, these dissatisfactions can be dealt with.

## 2. Placement of individuals within salary bands

The decision on where to place the employee's salary in the appropriate salary band is a management decision and normally takes into account one or more of the factors which are listed as justifiable grounds for salary differences in Section 7 of the Code of Good Practice, namely:

- i. the individuals' respective seniority or length of service;
- ii. the individuals' respective qualifications, ability, competence or potential above the minimum acceptable levels required for the performance of the job;
- iii. the individuals' respective performance, quantity or quality of work, provided that employees are equally subject to the employer's performance evaluation system, and that the performance evaluation system is consistently applied;
- iv. where an employee is demoted as a result of organisational restructuring or for any other legitimate reason without a reduction in pay /remuneration and fixing the employee's salary at this level until the pay /remuneration of employees in the same job category reaches this level;
- v. where an individual is employed temporarily in a position for purposes of gaining experience or training and as a result receives different pay /remuneration or enjoys different terms and conditions of employment;
- vi. the existence of a shortage of relevant skill in a particular job classification; and
- vii. any other relevant factor that is not unfairly discriminatory in terms of Section 6(1) of the Act.

In addition, an employer will often want to provide for future salary growth for the individual within the salary band and will thus avoid placing a new employee or a newly promoted employee high up in the band. This is sometimes not possible due to scarce skill premiums or other market competitiveness considerations.

# DISCUSSION ON COMMON REMUNERATION PRACTICES



## 3. Advertising of salary ranges in external recruitment

Clearly, if salary ranges are not openly communicated internally, they cannot be advertised externally. This can result in a mismatch of applicant expectations – sometimes people will not apply, thinking the job is too junior or too senior for them. It will be a more efficient recruitment exercise if only applicants for whom the salary on offer is attractive apply. On the other hand, sometimes people will apply “on spec”, anxious to get a large pay increase without having the required skills and experience. In such cases, initial screening against the stated minimum requirements should screen such people out at an early stage.

If salary ranges are advertised externally, recruiters and managers must be well informed on internal pay comparisons in order to place recruits fairly into salary ranges and must be able to have an open discussion with the recruit on the reasons for the particular placement in the range.

Concerns about “competitiveness” are often raised to justify not advertising salary ranges. These concerns normally arise from either out of date market benchmarking or from a lack of clear reward strategy – i.e., why the organisation is paying below, at or above market. Concern that advertising a salary range will betray secrets about an organisation’s pay levels should be unfounded, as employees by law may not be restrained from discussing their salary with others, even via social media, and therefore knowledge of an organisation’s pay will be out in the market place anyway. The company/organisation has the right to advertise to attract best talent, keeping in mind the human resource strategy and the application of diversity in the selection process in order to demonstrate fairness in the recruitment practice.

## 4. Requesting an applicant to produce a current pay slip

Research findings indicate that the majority of employees do not fully understand the components of their packages and a future employer can get a better understanding of the match between a new offer and an existing package by reviewing a pay slip. For example, an applicant might say they get out R8 000 per month. The pay slip may show that in that month, a large amount of overtime had been worked and also there was a deduction for an employee benefit that the applicant had not mentioned. In order to make sure that the applicant fully understands the comparison of the offer to be made, the pay slip can provide essential information.

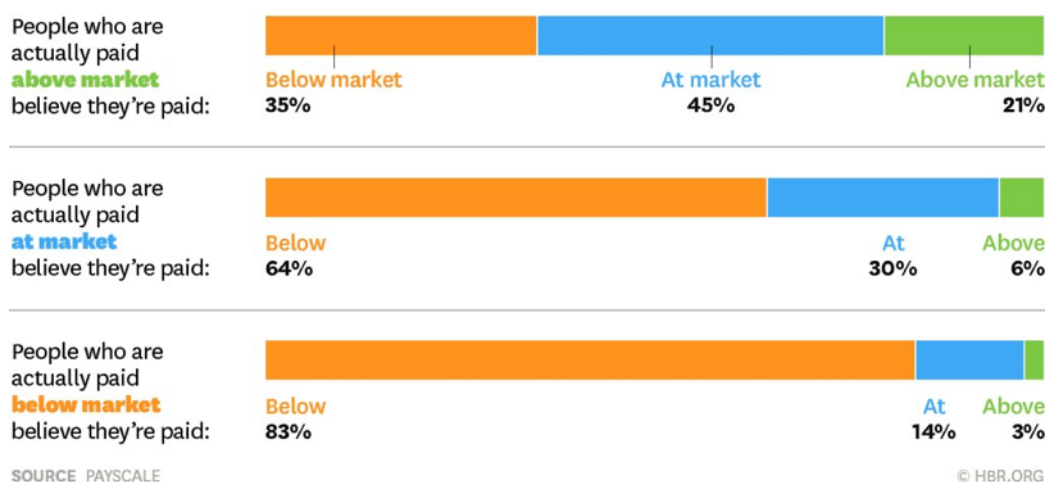
It is also sometimes the case that applicants overstate their current package in order to try for a higher offer from a new employer. Rather than discover this at a later stage after a successful applicant has started work, it is better to verify the various claims that an applicant has made on pay, as is done on other claims such as qualifications and experience.

It would not be in the interests of an employer to use information from a current pay slip to make a salary offer below the salary range of the new position, or indeed, unjustifiably lower than other employees in the same or similar job. Employees do compare pay, and it would invite grievances and complaints were unfair offers to be made, later to be discovered. Such a practice would be considered an abuse by the employer, poor practice and unfair and would lay the employer open to investigations by the Department of Labour inspector and possible sanction under the Employment Equity Act.



## CONCLUSION

A Harvard Business Review article in December 2015 discussed how a research study showed that most people have no idea whether they are paid fairly or not. Employers' ability to communicate clearly about pay is poor, resulting in situations where employees often have inaccurate perceptions about their pay, as shown below:



SABPP advocates that HR practitioners recognise the value of pay transparency and honest conversations around pay in building better trust in the workplace and that good governance practices such as equal pay audits be used regularly to identify where problems might be arising.

Better remuneration management and communication inside the organisation will permit for better positioning of the employer externally and better attraction of good candidates.

Employees are also encouraged to raise perceptions of unfair pay practice through trade unions, informal and formal channels at work, and if they are not satisfied, to use statutory channels such as the Department of Labour and the CCMA.

Finally, good remuneration practices call for prudence in developing and implementing Reward and Recognition policies and strategies which address the principles and practices raised above. In this regard, it is critical that all stakeholders be educated in these.