

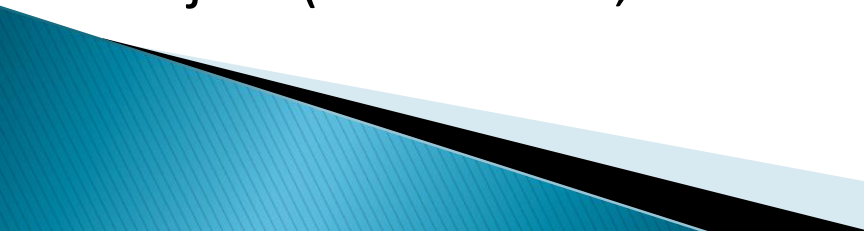
The traditional permanent employment relationship is shifting to a number of hybrid employment relationships. The normal 40 hour work week and full major employer benefits such as retirement fund, medical aid and death and disability cover is no longer the only option.

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Barclays Africa



Introduction

Traditionally we have the following employment options

- Permanent – open-ended full time employment with terms and conditions, protected by legislation such as LRA and BCEA with retirement date being the end date
 - Temporary – commonly a no benefits arrangement, in a temporary capacity that may not have a defined end date as people are moved to various assignments
 - Fixed term contracting – commonly with no benefits but is for a fixed period linked to a project or work schedule with an expected completion date
 - Consulting arrangement – deliver a project or agreed work outcome for a fee, no benefits, not full time on premises,
 - with permanent staff being offered benefits or compelled to join (medical aid, retirement savings and risk benefits)
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Introduction

- Over many years the unions have been pushing hard for permanent employment and for benefits to be part of the deal
- SA is one of a few countries that have a total cost to company approach to remuneration structuring – most other countries use a base salary plus benefits approach with benefits either offered as membership (cost managed separately) or as part of a capped allowance with choice.
- The fear of the impact of HIV/AIDS, open-ended defined benefits arrangements including post retirement benefits and labour not trusting the defined benefit promise (plus other practical reasons) was the driving force for defined contribution arrangements, provident funds and total cost to company packages
- Until not too long ago, permanent employment was by far the most used and preferred option

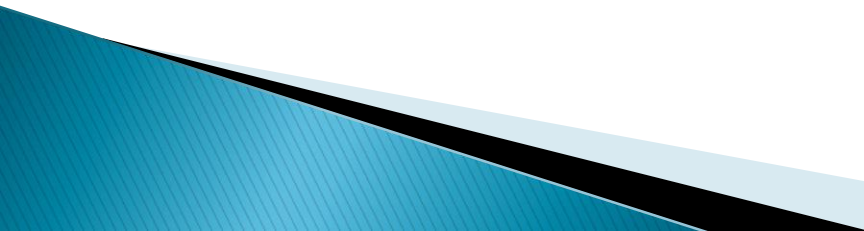
BUT the world of work is changing



These 150 People are Ridiculously Successful and All Have The Same Career Path - NONE

- ▶ Having scoured through hundreds of thousands of profiles, the editors at LinkedIn have found 150 unique individuals across 15 fields. They include the “you must be kidding me” profiles such as [Danielle Fong](#), the CEO and founder of the innovative energy storage company LightSail Energy, who *graduated* college at 17 and then went on to dabble in nuclear physics at Princeton before launching a startup. Or health care entrepreneurs like [Danielle Cojuangco](#) who is at the nexus of digital technology and health care tools, and [Halle Tecco](#) who scours the start-up world for prime opportunities. They also count among their members social entrepreneurs who are motivated by how much impact they can have on the commons: [Deray McKesson](#), who was so troubled by the killing of Michael Brown in Ferguson, Missouri that he formed We the Protestors to document police killings and help protestors be heard; and [Sam Chaudhary](#), whose ClassDojo is connecting students, teachers and parents on a powerful digital platform


Flexible Employment Arrangements

- Even those preferring a corporate career may find themselves between jobs as Companies respond to economic changes
 - Some prefer the richness of working on multiple projects rather than in a job with high levels of routine
 - Others would rather have more down time or have regular sabbaticals
 - New generation employees may not want a 20 page employment contract with a retirement fund being the long term savings vehicle – many want a share of what they create
 - Traditional Corporate or Government roles will stay but how do we respond to the growing need for greater employment flexibility without people ending up with no benefits
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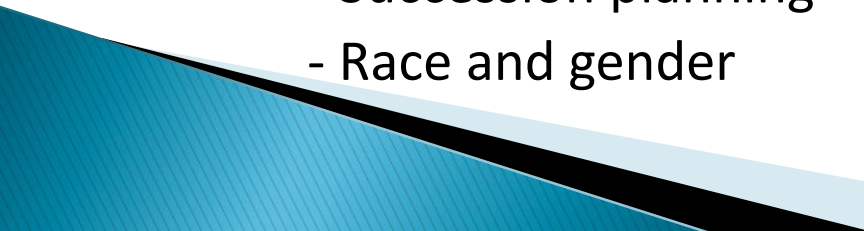
IT Developers

- Working hours is flexible – output is the focus
- They do not want a job – they want to design, deliver and move on
- They are part of multiple teams with varying roles in each
- A big consideration is share in benefit created – equity growth
- Intellectual property is not owned by the client – can do the same design for a competitor to the client as the next project
- Belong to a cool community of people
- Don't wear corporate clothing
- Yet they want benefits but it is not consistent – they want a menu to elect from

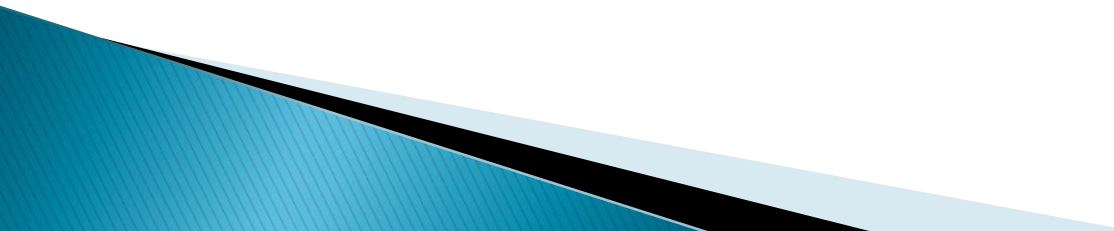
Big Corporates or the Government do not have an in house employment option so most work for a development company or are independent contractors. Corporates want to own the Intellectual Property developed while employed.




Corporate People Management

- Corporates create process and systems to prevent managers from making inappropriate people management decisions. Decisions are reviewed by more senior managers, policies are written to create boundaries.
 - HR processes
 - Performance Management
 - Recruitment/hire approval
 - Selection tools
 - Management Information/reporting
 - Budgets
 - Complement control/headcount
 - Development/training intervention
 - Succession planning
 - Race and gender
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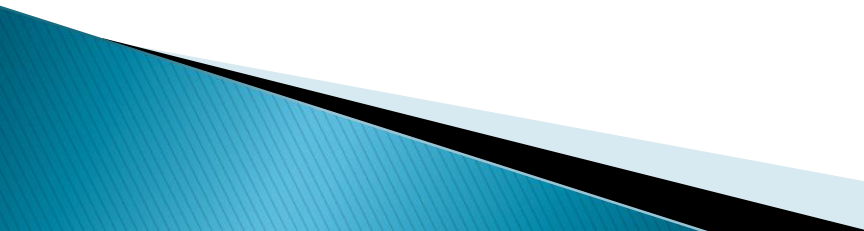
Corporate People Management

- In a new world
 - Manage an environment of creativity
 - How do we know what is time and cost reasonable to deliver a new app?
 - People do not have one employer
 - They may work on and off
 - What is the market rate for piece work
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Labour Brokers

- Research from UCT suggest that temporary employment was the largest source of job creation since 1994 – 14% of all jobs created in SA between 1994 and 2001 was temporary work
 - LRA changes – after 3 months temporary employees are considered to be permanent and should be no worse off when compared to permanent staff including benefits
 - It is estimated that half the people employed through labour brokers lost their jobs while only 20% was offered permanent employment following the change to the LRA
 - Adcorp reported in July 2014 that temporary employment was 31% of the formal economy. Further that the informal sector employs 6,5 million people
 - Addressing the unemployment crisis in SA requires that all types of work arrangements be encouraged – seasonal, temporary, project, events, work contract out, contract top skills in
 - We should have little tolerance for views that permanent employment is the only employment option
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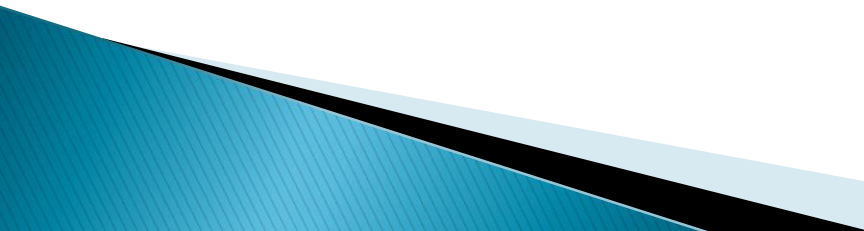
Youth Wage Subsidy

- Treasury reported that the youth wage subsidy had no adverse impact on job losses
 - By end of February 2015, 31 825 employers claimed R2,8bn subsidy for 216 000 employees
 - SA has the highest unemployment rate of middle income countries – youth unemployment rate stands at 50% - double the average for middle income countries
 - 60% of the 5,2m unemployed are between the ages of 15 and 34
 - 60% of them do not have a matric certificate
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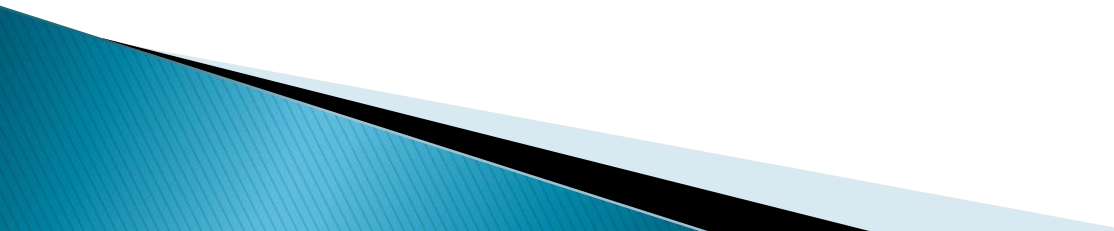
Social Grants

- The National Development Plan (NDP) recognises that reducing the cost of living is essential for broadening economic participation and eliminating poverty. Alongside the “economic wage” earned through work, the “social wage” provided by government represents a steadily rising contribution to improved living conditions of working people and their families.
- Spending on social development, health, education, housing and local amenities has more than doubled in real terms over the past decade and now accounts for almost 60 per cent of public expenditure (60% of R1,1 trillion). In the fiscally constrained period ahead, the emphasis will need to be on improved value for money. Social grants was expected to be R110bn or 11% of the total budget.
- Social assistance provides a safety net for the most vulnerable and will contribute to the monthly incomes of over 16,4 million people in December 2014.
- Social development spending has improved living conditions over the past decade, but service delivery must be improved through shared efforts between government, the private sector and civil society.
- Further steps in retirement reform, improvements in contributory social insurance and piloting of national health insurance reforms will progress over the medium term, reinforcing the links between earnings, social services and income support

Benefit Design

- Caters primarily for long term permanent employment
 - Traditional approach is the employers know what is best for employees
 - Over many years benefit design included de-risking exposure – e.g. HIV, AIDS, aging workforce or population
 - Some benefit choice is emerging but not yet the default design
 - Basic Conditions of Employment Act regulate minimum standards
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What is required?

- We need to respond to the new world of work
 - Temporary, seasonal, projects, informal, piece work, between jobs
 - Can I belong to a medical aid if I only work 6 months in a year?
 - Can I contribute to long term savings and get the tax benefit if I work on and off on events but 80% of the year?
 - How do I get death and disability cover if I am not certain where my salary will come from 6 months from now at the end of this project?
 - I do not want to belong to a retirement fund at my employer but I need some basic benefits such as hospitalisation, pay when on temporary disability and death cover.
 - How do we make all of this portable?
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Contractor Benefits

<u>Benefit</u>	<u>Option 1</u>	<u>Option 2</u>	<u>Option 3</u>	<u>Option 4</u>
Accidental Death	R50 000	R50 000	R50 000	R20 000
Permanent Disability	R50 000	R200 000	R50 000	R100 000
Temporary Total Disablement (TTD)	Nil	100% of current weekly earnings up to max of R500/week	100% of current weekly earnings up to max of R1000/week	100% of current weekly earnings up to max of R3000/week
Temporary Partial Disability (TPD)	Nil	40% of Current weekly earnings up to a maximum amount stated under TTD		
Medical Expense	Nil	R5 000	R10 000	R5 000
Serious Illness	Nil	Nil	Nil	Nil
Final Rest (all cause death)	Nil	Nil	R10 000	R10 000
Premium per Person per Month	R33	R43	R52	R65

What is required

- ▶ Retirement savings fund linked to the employee and not the employer – can contribute to while working in multiple roles during a career
- ▶ Retirement savings fund that employees contribute to when they are working – flexible and not fixed monthly
- ▶ Retirement savings fund that will allow income reduction for tax purposes when allowing flexible contributions and is not linked to an employer
- ▶ Buy benefits/insurance in advance when I have cash flow
- ▶ Can UIF be used for death and disability premiums for those between jobs/projects
- ▶ Join as a permanent employee but not on the same benefits package – more than flexibility – need a benefits light option with flexibility
- ▶ Can only pay for medical aid when I work – can I pay in advance, skip 3 months and catch up later?