

How to approach executive remuneration in the evolving landscape - Part 2

 By Chris Blair

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In a recent Just Capital survey, the top 100 USA companies surveyed have increased their median pay by 18%. The wage gap is currently highest in the Extractive industry where the CEO earns 41,3 times the general staff at the 50th percentile.



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Remuneration committees are being compelled to address diversity and inclusion – not only at executive level, but also at management level. Companies are routinely setting diversity targets and conducting gender/race pay equity audits. They are also moving from meeting the JSE listing requirement of diversity statistics at board level to actively targeting board representation through inclusion.

Currently, non-executive boards are made up of approximately 50% white members, 40% black, 5% coloured and 5% Indian members. The gender split is approximately 67% male and 33% female, but is worse in the extractive industry, with only 28% female representation.



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The inclusion of ESG (environment, social and governance) measures in corporate scorecards is a growing trend that has been accelerated by the move to stakeholderism and the effects of the Covid-19 pandemic. Typical measures include:

- **Social** – fatalities, injuries, illnesses, exposure to harmful substances, workplace policies, gender balance, diversity and inclusion, employee engagement, employee voluntary turnover, training and development, behaviours, ethics, values, and company culture.
- **Environment** – greenhouse gas (GHG) emissions (South Africa is the 14th largest emitter in the world), non-renewable energy, renewable energy, environmental incidents, air quality, land management, water and wastewater

management, waste and hazardous materials management and sustainability measures.

- **Customer** – customer satisfaction, customer net promoter score (CNPS), customer complaints, customer resolutions, product quality and product safety.
- **Community** – community incidents, community complaints and community investments.
- **Governance** – governance at the board level, governance at executive level, risk management, compliance, behaviours, ethics, values and culture.

In a recent worldwide study by the GECN Group of companies, 21st Century represents the Africa continent, among ESG measures in incentives, social change is the most common. Around 61% of the companies surveyed were implementing social change. This was followed by customer (37%), governance (32%), environmental (25%) and community (10%). In the social category, employee engagement, diversity, equity and inclusion (DEI), and health and safety are the most widely implemented. Within the customer category, customer satisfaction is the most common.

Major workforce trends

The new way of working is a major trend that is affecting major change on companies and their workforces. Virtual board meetings work, but they are not optimal. A minority of directors view virtual board meetings as just as effective as in-person meetings. The lack of non-verbal communication is stated as the highest-ranked challenge of virtual meetings. But even in this less optimal environment, most directors believe that they have been able to perform their work effectively.

Virtual board meetings are here to stay. Based on their experiences over the last year, large majorities of directors expect to see virtual board and committee meetings in the future. They also view virtual board engagement as a useful tool to enhance board effectiveness. Companies are allowing (those that can) to work remotely and are realising that the contingent workforce can be replaced by virtual full-time equivalents who are more integrated and aligned to the company culture and vision.

Performance management has to be adapted for remote working conditions and it is moving from inputs and outputs to outputs and outcomes. Employees are being empowered to act as leaders and given more autonomy and purpose. The methods and speed of communication are being adapted for the virtual environment.



The importance of a pay structure

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Agile work teams are quickly established to capitalise on opportunities and then disbanded just as quickly once the project is complete. New opportunities and career paths need to be developed to adapt to the changing environment of work, so re-training and re-skilling of employees has become part of the new employee value proposition as companies transform into learning and development centres.

The final major trend is employee wellness and engagement. One quarter of South African employees are taking antidepressants and report anxiety and financial insecurity as being part of their lives. Most organisations are reviewing their employee value proposition – with a huge emphasis on employee wellness – whether it is an outsourced tailor-made program or an inhouse designed programme. Companies are including employee wellness measures in their ESG implementations, prioritising employee engagement, employee retention and employee health.

The new social contract and the business purpose of preserving human life and livelihoods are significant challenges. But if executives step up by walking the talk with employees and stakeholders, it will go a long way to addressing the current social and environmental problems that arise during times of crisis.

[Read Part 1 of this series here.](#)

ABOUT CHRIS BLAIR

Chris Blair, Chief Executive Officer of 21st Century Pay Solutions Group (Pty) Ltd, has consulted to over 500 organisations - both in Southern Africa and internationally. Chris holds a BSC Chem. Eng. and MBA in Leadership & Sustainability and is registered as a Chartered Human Resource (CH[®]R) Practitioner with the South African Board for Personnel Practice (SABPP). He is also accredited as a Master Reward Specialist through the South African Reward Association (SARA).

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