



**"THE DEMAND FOR TALENT, THE GLOBAL SKILLS SHORTAGE,
INFLATION AND NON PROFIT ORGANIZATIONS"**

To quote Anton Ferreira in the Business Times on Sunday the 11th January 2009; "why are we still re-arranging the deck chairs on the Titanic, and not see that there is a big iceberg! We have and are still losing the educated, skilled and experienced people who can really make a difference to our country!

Local recruitment agencies report an increase of 50% and a growing exodus of skilled South Africans to developed countries. The developed world; Europe, the United Kingdom and the USA, are just not producing enough kids any more. For the next 25 years at least, for every two people retiring there is only one person in the pipeline to take their place. It is also the "baby boomers" who will be retiring. The Generation Xs' and Ys' who will be replacing them are not prepared to give their heart and soul and life to their careers or the "organization". **For every "baby boomer" retiring we are going to need three young workers to take their place and globally we only have one!**

The global financial crisis has reduced the demand for talent but only temporarily, however, the market is predicted to go crazy in about 18 months time. The developed world is hungry for talent. We are going to lose the people who can really make a difference here! South Africa is making the problem worse with employment equity policies that excludes skilled whites and makes them all the more receptive to offers from developed countries. A percentage of South Africa's population is well educated, skilled and feels unrespected, unappreciated and constrained. It is these people that are going to be attracted to the developed world where they will be offered respect and the ability to advance and which they do not get here in their own country!

As Non Profit organizations are absolutely imperative to the stability and growth of South Africa as well as the Southern African Region – what can you do?

1. Measure external equity
2. Retention of employees
3. Be transparent and be in a position to defend any stakeholder scrutiny
4. Implement Specialist Career Ladders
5. Link Pay to Performance
6. More Flexibility in pay and work practices

1. MEASURING EXTERNAL EQUITY

1.1. Basis for Establishing Annual Increases

In the past the majority of organizations, i.e. approximately 65% used the CPI or CPIX to establish annual salary increases and 35% utilised one or more of the following:

1. Affordability;
2. Market movements and trends;
3. Scarcity of skills
4. Individual employee performance
5. Negotiation

The current remuneration environment is also affected by the following:

- Rising inflation costs and increased cost of living
- Pressure from Unions for double digit increases
- Shrinking pool of skills / more fierce war for talent
- Economic downturn and effect on organization performance and rewards, i.e. affordability vs. demand for higher salary increases, decrease in and lower performance incentive bonuses, retention of top performers and scarcity of skills in tough times

1.2. The past, present and future forecasted South African CPI movements shown below:

Period	Average CPI Movements	CPI Percentage Range for Period
PAST		
January to December 2006	4.7	3.3 to 5.8
January to December 2007	7.1	6.0 to 9.0
PRESENT		
January to November 2008	11.7	9.3 to 13.7
FUTURE		
January to December 2009	9.0	7.2 to 11.8
January to December 2010	8.1	7.4 to 8.6

Whilst CPI and inflation peaked during 2008 at 13.7% in August, September, October and November showed a decrease of 13, 1, 12.1 and 11, 8 percent respectively.

Source: STATS South Africa

From the above table it is clear that there has been a substantial increase in the CPI in particular during the period January to August 2008 due to the global economic crisis. This is a grim situation for employees, but organizations are feeling the pinch too! So, what should employers do? Make cost-of-living adjustments to salaries? Provide loans for employees who are in default? The answers are surprisingly simple as the objective of a total rewards program or strategy is to do what is necessary to attract, motivate and retain the talent needed to achieve desired organization or business results.

NPO organizations should therefore award salary increases because they must offer competitive salaries in order to be an attractive employer and drive employee performance through intrinsic and extrinsic rewards. The same is true of other rewards such as benefits, work-life balance, flexible work practices and training and development programs. It is about attracting, motivating and retaining and managing productive human capital. The key is finding the right mix of total rewards programs to accomplish this in an ever changing marketplace where employee needs are diverse and often driven by external pressures. Implementing programs in response to short-term problems like increases in CPI or unaffordable bond repayments tomorrow may provide temporary relief, to support in some instances life style choices, but doesn't necessarily help the employer sustain its human capital and can even create long-term challenges such as entitlement mentalities in employees. **The same annual fixed annual percentage increase amount to all employees regardless of their performance, year on year also greets a mentality of entitlement.** Finding a good balance between total rewards programs, salaries and benefits will be more practical and ultimately does more to position the organization as an "employer-of-choice".

1.3. July 2008 NPO Salary Survey reported overall average increases

Whilst the average CPI movement for the period 1 January to November 2008 was 11.7% the July 2008 NPO Salary Survey participant organizations overall average increase during the period 1 August 2007 to 31 July 2008, was as overleaf:

- Independent NGOs' and State Funded organizations 8,3%
- International organizations 9,1%
- All organizations average 8,7%

The projected overall increase in the percentage of salaries by participant NPO organizations for the period August 2008 to 31 July 2009 is as follows:

- Independent NGOs' and State Funded organizations 9,60% or 0,80% per month
- International organizations 10,97% or 0,91 per month
- All organizations' average 10,28% or 0,86 per month

Non Profit organizations should concentrate on paying market related remuneration levels and change their remuneration strategy and future annual salary reviews to be in relation to the internal, external and people equity measurement.

A simple definition for the market for any job category is "**where you lose your labour to or attract your labour from**". NPO organizations therefore need to ensure that they obtain market related remuneration levels for their various job categories from the correct market that they are losing or attracting their employees from. Certain employee categories like finance, administration, human resources and information and communications technology job categories can work in any industry as the principles that they apply will be the same. Organizations therefore need to ensure that they pay these job categories market related remuneration levels which reflect all profit and non profit markets.

2. RETENTION OF EMPLOYEES

Remuneration is only part or 25, 0% of the stay decision. The other 75% of reasons why people leave organizations is because of the following:

- The direct relationship between an employee and his / her immediate superior. People don't leave organizations they leave bosses!
- Work / life balance
- Lack of training and development opportunities

Organizations need to critically analyse their exit interviews and find out why people are leaving

3. TRANSPARENCY

Organizations need to be in position to defend how they have arrived at individual employee or individual job category remuneration levels. The strike between good corporate governance and being too transparent is essential. Employees also need to understand their organization's remuneration policy or strategy. The writer's experience has shown that the more employees know about remuneration the more accepting they are of the organization's pay policies and procedures.

4. IMPLEMENT SPECIALIST JOB FAMILIES OR CAREER PATHS

Employees with specialist skills should not have to get into line management in order to advance in the organization. Organizations need to have separate career paths for the various job families in their organizations to ensure that it becomes possible for employees who have specialist skills to be promoted to the upper echelons of the organization and be involved in guiding and shaping the organization.

5. LINKING PAY TO PERFORMANCE AND CREATE A CULTURE OF PERFORMANCE

NPO Organizations need to have targets for their organizations that are cascaded down to their divisional executives, heads or senior managers. The organization targets should also become the CEO or Executive Director's targets. The cascading of targets should continue until all employees in the organization have targets that support the organization targets. Organization and individual employee targets should all be measured in terms of standards which are based on time in addition to qualitative, quantitative and cost measurement criteria.

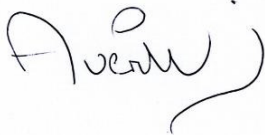
A portion of employee remuneration should be variable (i.e. not guaranteed) and be based on combination of organizational, divisional and individual employee as well as mentoring and developing other employee targets. Annual remuneration reviews or increases should also be based on whether the individual employee is new to the position or role is emerging or is fully functioning or established in the position concerned and / or is contributing towards guiding and / or shaping the organization

6. MORE FLEXIBILITY

Recent surveys have indicated that more than three quarters of the respondents would rather have more flexibility in their working hours and remuneration packages than a pay increase. This can be introduced successfully in organizations by converting to the "total cost to company" concept and where the different generations and individual employees can choose to work less hours or condense their hours as well as how much of their remuneration packages is allocated to the various benefits and allowances made available by the organization.

To conclude NPO organizations need to ensure that due diligence is applied to the management of their human resources. The political and economic stability and peace in South Africa is more dependent on our human resource skills than any other political factor. Don't delay – please take action now!

Yours Sincerely,



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