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Equal Pay for Work of Equal Value NEWSFLASH - EDITION 1/2017

## Enabling Equal Pay within your business

Recent media coverage of an employee who claims discrimination in terms of pay, in this case based on race, gained momentum on social media and judging from the rather heated comments that appeared alongside the post there is still a lack of understanding about what Equal Pay for Work of Equal Value means within the context of the law.

### No two people are *'exactly the same'*

Every individual has arrived at the current point in their career in a unique way, whether considering their qualification, experience, tenure or performance. Each of these factors will most likely contribute towards their remuneration, as negotiated at the point of recruitment or during annual review processes.

And it is not against the law to differentiate. Providing the differentiation is justifiable, free from discrimination on any of the listed grounds, and in line with one of the recognised reasons set out within the legislation and Code of Good Practice.

Of course, in practice these reasons may not be obvious to the individuals working in the organisation who see only job title and have a perception of the work they do and how it compares with others. It is for this reason that businesses should ensure that they've created an environment that enables Equal Pay and ensures that, in the event of a complaint of this nature, investigations would yield results confirming fair treatment and differentiation on fair and justifiable grounds.

## Equal Treatment Framework

There are several considerations for enabling Equal Pay for Work of Equal Value, each as important as the next. In my experience, most companies have compliant policies and well defined procedures that are intended to avoid unfair discrimination and yet, the practice can be different. In many cases this comes down to the realities of running a business, particularly one that relies on scarce skills, and where line management is under pressure to hire in – and then retain – core skills and high performing individuals. In these cases, policies and procedures can be overlooked – often with business rationale justified in the minds of the managers involved – but which leads to differences in pay that are not properly documented and therefore difficult to justify in future.

Some of the fundamental requirements for an effective Equal Treatment framework include:

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## **Clear Organisational Design**

Every business is unique and certain departments, job functions or skill sets could be of more value than others. Think of a car servicing business as an example. Their mechanics and auto electricians are reported at Occupational Level 3 (for EEA4 purposes) but these individuals are more than likely being paid similar to colleagues at Occupational Level 4. This is because they are critical to the organisation's success, after all without their skills there is no business. And this, coupled with the fact that these skills are in high demand and short supply, means that the company will need to pay well to recruit and retain the best individuals.

Does your organisation have a clear Organogram that not only plots the various departments, job functions and skills within the business but which also clearly defines the impact (value) each of these has in determining the overall success of business?

## **Up-to-date Job Profiles**

Work, upon which pay is determined, needs to be defined, usually in the form of a detailed job description (profile). In addition to determining what you require the individual in this job to DO, a profile will also define the skills, qualifications and experience required.

When last were job profiles updated? Do they adequately reflect the realities of the work being performed by employees and the outputs that you require from them to create value?

## **Fit-for-purpose Grading System**

Whilst not essential for compliance with Equal Pay for Work of Equal Value, a grading system can be used to provide a framework to more effectively compare (different) jobs that are of same or similar value – an important step in ensuring pay parity. There are a multitude of grading systems available but in my experience, simpler is usually better.

The existence of a grading system doesn't however eliminate issues of pay inequality as it depends greatly on the accuracy to which the grading process has been managed in line with the specific operational requirements of the organisation. In my career I have seen practices that include two *different* roles having the *same* grade but where pay differences can be as high as 600% - this creates problems considering the legislation speaks about work of similar value. A grading system by its very nature is a way of establishing similarities/comparison between different jobs.

Does your grading system accurately reflect the unique operational requirements of your business? Do you have any potential problems associated with large pay differentials in a single grade?

## **Remuneration Structuring**

Many organisations, particularly those who have been in existence for a long time, have adapted their remuneration structures and policies over the years. This inevitably leads to differences in terms and conditions for employees based on their tenure. In this process, pay comparisons that must incorporate both actual pay and benefits, typically result in large differentials that could be tricky to explain if challenged.

As the world of work has changed and individuals no longer work for extended periods for a single organisation, employees are now demanding greater autonomy around their remuneration and benefits management, choosing their own medical and retirement options, as an example.

When last did you amend your terms of employment and did you correctly document or formalise these changes to ensure legal defensibility?

Would there be any value in restructuring to a total cost to company (TCTC) remuneration policy to account for the demand from individual employees to manage their own benefits?

### **Full Service Solutions**

In addition to our proprietary equal pay diagnostic service, Global Business Solutions has partnered with Emergence Growth, premier human capital and rewards specialists, to develop full service solutions that enable organisations to not only comply with Equal Pay for Work of Equal Value legislative requirements but also to ensure maximum business effectiveness.

My Emergence Growth colleagues and I will be at the upcoming GBS [Annual Employment Conference](#) (20 April 2017) and we would love to see you there to discuss your Equal Pay Frameworks.

Speak to us today to arrange a no-obligation consultation with our equal pay expert team to understand whether there is any risk within your business and what opportunities exist to improve your business.

Kind Regards

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10 February 2017