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14 April 2021

SADC Parliamentary Forum Erf 578 Love Street Off Robert Mugabe Avenue Windhoek Namibia

Attention: Ms B Sekgoma, Secretary General

Dear Ms Sekgoma

ANALYSIS OF SADC PF'S REMUNERATION & BENEFITS

The report on this exercise, which represents my current best efforts, follows. It is based on the analyses of many Excel files as well as input in Word and Adobe Acrobat format regarding the various policies and benefits of the organisations concerned, any of which can be made available for inspection should this be necessary.

It is possible that there are aspects where I have not been 100% clear, so please don't hesitate to contact me if you need any clarification.

Yours sincerely,

Rob Oakley

ROB OAKLEY REWARD CONSULTING

REMUNERATION AND BENEFITS ANALYSIS: SADC PARLIAMENTARY FORUM ("PF") NOVEMBER 2020 – MARCH 2021

EXECUTIVE SUMMARY

- 1. The objectives of this report are to:
 - Review the current salary structure for both managerial and non-managerial bands;
 - Outline how salaries are reviewed taking into consideration factors such as cost of living adjustments, performance, progression and development in role;
 - Review all benefits and allowances allocated across the bands, both monetary and nonmonetary, including consideration of other benefits not currently offered that are provided by comparators and part of the reward package;
 - Recommend the development of flexible benefits and total remuneration statements;
 - Conduct market benchmarking from similar institutions regional and international;
 - Develop a recommended ideal salary structure.

The peer organisations in this case are SADC, SACU and PAP.

- 2. Important principles in managing salaries and benefits are as follows:
 - The triple purposes of a remuneration and benefits strategy are to attract to the organisation the appropriate calibre of skills required to do the organisation's work, retain them in the service of the organisation, and reward them for their efforts while in the service of the organisation.
 - If it is desired to populate the organisation with quality employees, it is therefore necessary to provide remuneration and benefits which are at least more or less in line with those in the market to current and prospective employees.
 - The operational definition of "the market" is "where the organisation draws its people from when it recruits, and where it loses them to when they leave".
 - This means that is necessary to at least match the remuneration and benefits of the host country in which the organisation is situated (in this case Namibia), but more importantly be comparable to the pay and benefits provided by peer organisations.
 - Base pay (basic salary, plus the benefits provided in addition to basic salary) should always be at least approximately correct from day one of the individual's employment with the organisation and should not take years to increase to an appropriate level, even if the annual increases are relatively steep.
 - Pay scales should have a logical structure based on a firm foundation of job grades which have been accurately assessed.
 - If notches are used in pay scales, there should be consistency in notch sizes.
 - Pay scales and employee benefit amounts are updated annually. For those benefits which are linked to base pay these updates are automatic.
 - To avoid inaccurate assessments, it is important to examine benefits as well as basic salaries, ie the overall offering to employees. Effectively this means that it is necessary to focus on Total Guaranteed Packages (also called Total Package, Total Cost to Company or Total Cost of Employment these terms are interchangeable).
 - Opportunity should be provided to reward higher-performing employees to a greater extent than lower-performing employees.
- 3. PF and its peer organisations mostly have a basic salary plus benefits structure, although in SACU, all jobs graded at Paterson C3 and higher are remunerated based on the total package approach (this refers to the approach to remuneration whereby employees receive a single

total remuneration figure from which benefit choices are allocated by employees and the remainder is the monthly cash amount).

An outline of the Paterson grading system is attached as Annexure 2.

- 4. PF's present pay structure is as follows:
 - The salary scales currently in use are those which were in place in 2010;
 - The pay scales were based on US dollars at the time, and were converted to South African Rands at the exchange rate of 10:1 in 2012;
 - There were no adjustments to the 2012 pay scales in the interim, although individual employees still received their notch increases in the interim;
 - In 2018 a cost of living allowance of 10% of basic salary was implemented across all levels, to at least partially compensate for the fact that there had been "no increases" since 2012.
- 5. Since 2012:
 - The compounded Namibian inflation rate from 2010 to the end of 2020 has been 61.5%;
 - The Rand/ US dollar exchange rate has deteriorated from R10/ US dollar to an average of R15/ US dollar (although the figure of R 14.80 ie 48% depreciation has been used in all calculations in this exercise);
 - Using the conservative exchange rate of R14.80/ US dollar, and taking into account inflation in the interim, employees have effectively lost a total of some 110% since 2012, meaning that the total value of their pay and benefits has more than halved in comparison;
 - In turn this means that the 10% cost of living allowance implemented in 2018 is exceptionally small in comparison.
 - Note that the above information simply provides some background and does not necessarily mean that PF's salaries or benefits are in need of adjustment. Whether or not this is the case is determined by the market analysis which has been done.
 - It is however of interest that two of the three peer organisations are still using US dollarbased pay scales and their employees have therefore been cushioned from the effects of the deterioration in the Rand/ US dollar exchange rate.
- 6. In PF, as with most governments' approaches to pay, pay progression (the movement of an employee through the salary scale for their job) is primarily based on length of service, which delivers an additional notch year after year. Effectively then, the primary focus of PF's pay scales is length of service rather than performance, while additional notch increases may be granted to high-performance employees (secondary focus).
- 7. The sizes of the notches in PF's notch structure when expressed as percentages vary extremely widely from each other: from 1.66% to 14.6%, which is not good practice.
- 8. The inconsistences of PF's notch sizes make no sense whatsoever. As a result, the spreads (distances from the lowest to highest notch, or ceiling, alternatively called breadths) of each pay scale differ markedly: from 8.4% to 87.5%.
- 9. As a result, at the end of a 7-year period:
 - The basic pay of members of the Professional Personnel group is around 14% higher;
 - The basic pay of members of the Technical Assistant Personnel group is around 51% higher;

• The basic pay of members of the Support Personnel group is around 73% higher. Note that if the notch 1 basic pay at any level is extremely low compared to the benchmarks, large notch sizes leading to high increases may well be appropriate. The question always then arises: why is the notch 1 salary so low in the first place?

- 10. These massive differentiations in pay scale spreads between levels (as well as within the various groupings) based on the massive differences in the sizes of notches across the various levels are an indication of poor scale design and are very far removed from best practice, which would rather be to have a high degree of consistency.
- 11. Further, the actual sizes of some of the notches appear to be beyond any reasonable parameters.
- 12. It is clear that the current PF pay scales are in serious need of revision.
- 13. The numbers of notches in PF and its peers are as follows:
 - PF: 7
 - SADC: 7
 - SACU: 14 (12 at the top levels, ie Paterson E/F)
 - PAP: 10 (although only 6 are used in practice in Johannesburg: notches 5 to 10)
- 14. Employees in PF receive single notch increases annually, provided their performance is satisfactory.
- 15. Additional notch increases may be given for high performance in:
 - PF: 1 notch
 - SADC: 0.5 notch for employees with performance ratings of 4 on a 5-point scale (ie above-average performance); 1 additional full notch for employees with a score of 5 on a 5-point scale (ie outstanding performance)
 - SACU: none (use performance bonus system instead)
 - PAP: An additional notch may be given for "excellent performance". However this "accelerated advancement" may only be applied up to a maximum of twice in the course of a staff member's service in a given grade.
- 16. Salary scales are adjusted as follows:
 - PF: supposedly every 4 years, but last adjusted in 2012
 - SADC: unknown, but last adjusted in 2015
 - SACU: annually (which is best practice)
 - PAP: every 3 years
- 17. Performance bonuses:
 - PF: None
 - SADC: None
 - SACU: Between 3% and 7% of basic annual salary based on performance score, paid once a year (note that one month of basic salary equates to 8.33% of annual basic salary)
 - PAP: None
- 18. Currencies:
 - PF: Namibian dollars/ South African Rands
 - SACU: Namibian dollars/ South African Rands
 - PAP: US dollars
 - SADC: US dollars
- 19. PAP notch sizes:

- Chairperson, Deputy Chairperson, Commissioners, President of the Court and CEO NPCA: the notches are a constant percentage: 2.73%;
- For the rest of the Professionals group, the notches are fixed amounts per grade, and therefore vary as percentages within grades but also between grades, from 4.1% to 2.24%;
- For the General Service Staff first category (GSA, which are Principal Admin. & Clerical Staff, Senior Admin & Clerical Staff, Admin & Clerical Staff and Junior Admin & Clerical Staff), the notches are fixed amounts per grade, and therefore vary as percentages within grades but also between grades, from 7.2% to 4.1%;
- For the General Service Staff second category (GSB, which are locally-recruited staff from categories 1 to 10), the notches are fixed amounts per grade, and therefore vary as percentages within grades but also between grades, from 13.77% to 4.12%. Again the largest notch sizes are found at the very lowest levels.
- Because of the differences in notch sizes, PAP's range spreads also vary significantly, from 25% to 154%.
- 20. SADC notch sizes:
 - The Executive Secretary has a fixed pay level and there are consequently no notches.
 - For all other levels, the notches are fixed amounts per grade, and therefore vary as percentages within grades but also between grades, from 1.3% to 21.1%. Again the largest notch sizes are found at the very lowest levels.
 - Because of the differences in notch sizes, SADC's range spreads also vary significantly, from 8.4% to 126.8% (ignoring their top job which has a fixed rate of pay and no notches):
- 21. SACU notch sizes:
 - Notches are based on percentages applied to the previous notch, not fixed amounts;
 - The Executive Secretary position has 12 notches of 5% each;
 - The Deputy Executive Secretary position has 12 notches of 6.27% each;
 - All other positions have 14 notches and a standard notch size of 5%;
 - As a result, the spread of the Executive Secretary pay scale is 71%, that of the Deputy Executive Secretary is 95%, and that of all the other pay scales is consistent at 91%.
- 22. Before commencing with a review of PF's benefits and allowances, an extremely important point should be noted. Because different organisations have different salary and benefit structures, the only way to accurately compare salaries and benefits is firstly to **use a common platform**: convert the various grading systems (where they are not already Paterson-based), to Paterson subgrades (the most accurate and useful framework), and secondly to focus on **total guaranteed packages** rather than basic salaries. **Therefore, while an analysis of basic salaries is of some interest, and an analysis of benefits and allowances is required in terms of the project brief, these are of far less importance than an analysis of total guaranteed packages, which is logically the main focus of the comparisons.** The total guaranteed package comparisons and graph are shown in detail in paragraphs 8.10, 8.11 and 8.12 of the main report.
- 23. Note that this approach also implies that it is not particularly important to make significant changes to most of PF's benefit structures (which should only be done if essential, as it is somewhat disruptive), since it is possible to match the average total guaranteed packages of the peer group by adjusting PF's basic salaries (on which most of its benefits structures are based) and applying the rules/ formulae applicable to PF's benefits to the adjusted basic salary benchmarks.
- 24. The benefits and allowances of PF were reviewed.

- The organisation's contributions to employees' medical aid expenses are based on a consistent formula (80% of contributions for all employees); this is generally 50/50 in the private sector;
- The cellphone allowance, which is based on job need, is fixed, which is not a major issue provided that the figures are updated from time to time;
- All other allowances apart from car allowances are directly linked to basic salary as a percentage;
- Car allowances are fixed amounts. For a true car allowance benefit, the only scenario in which the "fixed amount" approach makes sense is if there is zero price inflation in vehicles, fuel or running costs, while this is clearly not the case. Under normal circumstances it would be appropriate to calculate realistic allowances and recommend revised figures as well as a method for updating these in future, however PF is the only organisation in the peer group to provide car allowances and transport allowances to its employees. The car allowance amounts and the corresponding percentages of basic salary are shown in the table in paragraph 6.3 of the main report.
- 25. The benefits and allowances of PF were then compared to its peer organisations.
- 26. On a benefit by benefit basis, PF is worse than **SADC** in the following areas:
 - Housing: at the SG level, PF is similar to SADC, but at the levels below this SADC's housing allowances are significantly higher than PF's.
 - Annual leave: below Director level, PF's annual leave days are lower than SADC's.
- 27. On a benefit by benefit basis, PF is worse than its **peers** (all organisations including SADC) in the following areas:
 - Spouse allowance (although this is only provided by PAP);
 - Child allowance (although this is only provided by PAP);
 - Performance bonuses (although these are only provided by SACU).
- 28. However, on a benefit by benefit basis, PF is better than its **peers** (all organisations including SADC) in the following areas:
 - Car allowance (no peers provide this benefit);
 - Transport allowance (paid to those who do not receive a car allowance): no peers provide this benefit);
 - Housing allowances are paid to all employees and do not terminate below the Senior Officer level;
 - Cellphone allowance (no peers provide this benefit).
- 29. Regarding the education allowances paid:
 - Comparisons are extremely difficult, because while PF uses an allowance based on a percentage of salary regardless of number of children, all the peer organisations use a "per child" approach;
 - In a "per child" approach, the value of the benefit therefore depends on the number of children, so in the peer organisations, the more children, the higher the total value of the benefit to the employee;
 - The situation is further complicated by the fact that SADC applies this benefit only to regional staff; there is no education benefit for local staff;
 - Education costs of R 61,000 R 125,000 pa (for Namibian taxpayers) and R 107,000 R 241,800 pa for non-taxpayers are significantly higher than the current education allowances paid in PF.

- 30. Therefore, overall, PF's benefit structure is more or less in line with that of its peers (better in some areas, worse in others, but overall similar). The issue is then the quantum of these benefits.
- 31. A guaranteed package analysis is slightly problematic in the PF context, since the number of years' service of each individual at a particular point in time render comparisons "moving targets"; however to counter this problem comparisons of both notches 1 and 6 (the highest common denominator of all four organisations concerned) were conducted.
- 32. The following is clear from the comparisons of total guaranteed packages:
 - There is a reasonably-high degree of consistency in the paylines of all organisations, although SACU's top two positions are significantly above the others;
 - The PF total guaranteed package payline is substantially below those of its peers to varying degrees at all levels, regardless of whether comparisons are made on a notch 1 or notch 6 basis, (the highest common denominator of the four organisations concerned) and the differential increases with increasing job levels.
 - This means that although PF has some benefits (eg car allowances and transport allowances) which are not found in the peer organisations, the total value of these benefits on top of the basic salaries paid is still substantially lower than the total guaranteed packages of the peer organisations.
 - The total guaranteed package comparisons and graph are shown in detail in paragraphs 8.10, 8.11 and 8.12 of the main report.
 - In summary: on a notch 1 comparison basis, PF's packages are 53% of the peer group averages and the picture is almost identical at the notch 6 comparison level, at 54% of the peer group averages.
- 33. Total package statements:
 - Research has shown that it is not employees who receive the highest levels of pay and benefits who are the most satisfied with their packages, but rather those where their employer has done the most effective job of communicating those pay and benefits to their employees.
 - It is therefore wise for an employer to produce total package statements per employee on a regular basis so that employees are clear on what their pay and benefit levels really are. This assists in retaining employees who might otherwise be misled by prospective employers regarding the proposed overall "employee value proposition", should they move to the new employer.
 - Examples of such total package statements are attached as separate Excel files, for Unisa, Reckitt Benckiser, Nestle, Dairymaid (now Froneri Sofroneri) and Sefako Makgatho Health Sciences University (formerly Medunsa).
 - It is important to spell out both the financial and non-financial elements to employees in these statements.
 - It is also important for these statements to be highly specific to the organisation concerned as well as the individual employee's situation.
- 34. Salary and benefits structure considerations:
 - There are two general types of approaches to providing salaries and benefits: basic salary plus benefits, and total package.
 - The first approach commences with a Basic Salary figure and adds separate benefits, summing to a total cost of employment figure (also called Total Package, Total Guaranteed Package or Total Cost to Company), but with no flexibility in the choice of benefits.

- The second approach commences with a Total Package figure and the employee has some flexibility in allocating portions of it to various benefits. Under this scenario the monthly "cash" figure (the take-home pay component) is not a pre-defined figure but is rather the amount remaining after portions of the total package figure have been allocated to benefits. Obviously the less is allocated to benefits, the more remains to be taken as cash. In the total package approach the organisation's responsibility shifts from providing a competitive salary, a competitive medical aid benefit, a competitive retirement funding benefit, etc, etc to providing a competitive single figure called a total package.
- The advantages and disadvantages to both the employer and the employee of both approaches are spelt out.
- While PF runs its pay and benefits very much on a separate basis and not on a total package basis, PF has so many allowances which are paid as cash that there is already an extremely high degree of employee choice as to what to actually do with those allowances in practice. While the allowances have specific "labels" (eg car allowance, cellphone allowance, education allowance, etc) attached to them, in most cases it is in reality the employee's decision as to what they are actually spent on and, on balance, there is little additional benefit to PF to convert to a total package (and therefore flexible benefits) approach.
- 35. Variable pay:
 - The conditions which must be in place for a successful variable pay (performance bonus) scheme are outlined, and while it would ideally be desirable to recommend a performance bonus scheme for PF, the number of factors mitigating against it (ie the number of criteria which would be difficult if not impossible to meet) are considered to be too high and as a result a performance bonus scheme as such is not being recommended.
 - The continued use of the additional notch increase which is already in place is the preferred method for rewarding high levels of employee performance.
- 36. An outline of **overall best practice** regarding pay is as follows:
 - The organisation's jobs are graded;
 - Pay scales are initially properly researched and designed in order to create a sound pay foundation;
 - Pay scales are based on total costs of employment (total guaranteed package);
 - Pay scales are adjusted annually by the market movements (not the inflation rate);
 - Employees receive no guaranteed increases;
 - Employees whose performance is rated as satisfactory (3 on a 5-point scale) receive a market-related increase;
 - Employees whose performance is rated as significantly above average and who are below the benchmarks to a greater extent receive higher increases, while employees whose performance is below average and who are above the market benchmarks to a greater extent receive lower increases;
 - The effect of this approach is that:
 - Employees who perform poorly slide backwards relative to the market over time and have an incentive to either improve their performance or leave the organisation;
 - Employees who perform in line with expectations remain in line with the market over time;
 - Employees who perform well improve their position relative to the market over time;
 - There is overall progress towards achieving the "equal pay for work of equal value" principle.
 - There is a (self-funding) performance bonus scheme in place.

- 37. However, under PF's circumstances a **practical** approach to dealing with pay requires adjustments to the "best practice" approach outlined above and is as follows:
 - The organisation's jobs are graded;
 - Pay scales are initially properly researched and designed in order to create a sound pay foundation;
 - Pay scales are adjusted annually, ie every year, by the previous year's official inflation rate (unless the organisation exists in a very low inflation environment such as fractions of a percentage up to 1%, which is not the case, annual salary reviews are essential);
 - Consistent notches are created (this is definitely not the case in PF at present);
 - Employees receive inflation-related pay increases at salary review time, and in addition a small (2%) notch increase based on length of service (this sends the message that the organisation is pleased that the employee is still employed with them and wishes to acknowledge this in their pay, but not to reward them to such an extent that simply arriving at work year after year, and perhaps even doing the bare minimum, is unduly rewarding);
 - Notch increases are dependent on at least a satisfactory performance rating;
 - Employees whose performance is rated as significantly above average on the organisation's approved performance management system, which contains signoffs, checks and balances, receive an additional notch increase after an approval process. The effect of this approach is that:
 - Employees who perform satisfactorily (ie in line with expectations) slowly improve their positioning relative to the market year on year;
 - Employees who perform well improve their position relative to the market slightly more quickly over time.
 - Allowances are automatically updated by being linked to something else which updates automatically. Failure to do so means a large amount of unnecessary work on each allowance annually, in order to ensure that they are kept up to date. Provided that salaries are increased annually by the official inflation rate, plus small notch increases, and allowances are linked to the new salaries, the mechanism for updating allowances is in place. If pay scales are not updated annually, it is necessary to updates allowances separately, typically using the official inflation rate. Note that failure to update allowances regularly means that while the costs related to the items at which these allowances are aimed increase in price through inflation, the allowances paid do not, and this is not best practice.
- 38. A set of pay scales is proposed for PF. Its salient features are:
 - The current approach of salary plus benefits is retained;
 - Notches are retained;
 - There are 12 notches;
 - Each notch is a standard 2%;
 - Notch 1 is in all cases calculated by targeting the average total guaranteed packages of the peer group of organisations to establish the basic salaries which in the PF benefits structure would produce the same total guaranteed package outcomes;
 - Notch 1 basic salaries are significantly higher than in PF's present scales, but increase much more slowly year on year due to significantly smaller notch sizes than those used at present.
- 39. Recommendation 1: **ensure that job grades are accurate** (these are the foundation for any proper pay structure and are absolutely crucial: if these are incorrect the basic salary notches and all of the allowances linked to basic salary will also be incorrect).

- 40. Recommendation 2: retain the current approach to pay and benefits of basic pay plus benefits rather than converting to total package.
- 41. Recommendation 3: maintain pay scales for every Paterson subgrade, to cater for any jobs which may be added to PF's structure in future or any changes to the gradings of existing jobs.
- 42. Recommendation 4: target the average total guaranteed packages of the peer group of organisations to establish the basic salaries which in the PF benefits structure would produce the same total guaranteed package outcomes.

The proposed notch 1 benchmarks for PF **annual basic salaries**, for the **2021-22** pay year, are as follows:

| PATERSON SUBGRADE | NOTCH 1 PF BASIC SALARY |
|---|-------------------------|
| E3 (Secretary General) | 1 493 373.28 |
| E2 | 1 364 605.38 |
| E1 | 1 257 956.44 |
| D5 | 1 001 109.85 |
| D4 (Director) | 927 820.42 |
| D3 | 894 070.38 |
| D2 | 814 779.53 |
| D3 (Programme Manager) | 747 786.70 |
| C5 | 697 335.83 |
| C4 | 621 922.98 |
| C3 | 545 400.09 |
| C2 (Languages Officer, Accountant, Administrative | 451 677.19 |
| | 264 004 27 |
| CT (PA to SG) | 361 904.27 |
| B5 (Assistant Accountant) | 316 440.21 |
| 84 | 256 018.69 |
| B3 (Chauffeur Secretary/ Receptionist | 204 884.53 |
| B2 | 157 759.36 |
| B1 | 128 597.97 |
| A3 (Cleaner) | 110 675.04 |
| A2 | 76 735.27 |
| A1 | 52 841.05 |

Note that these benchmarks have added the official Namibian inflation rate to the benchmarks established in the peer comparison exercise to arrive at these figures, as outlined in paragraph 45 below.

- 43. Recommendation 5: implement a 12-notch system for all grades in PF. . Note that:
 - The peer organisations have 7, 10 and 14 notches respectively;
 - The spread from the bottom to the top notch of 24.3% is still less than those in the peer organisations, while being more in line with best practice (which is 25%);
 - With the notch sizes being proposed (see the following recommendation), 7 years (or less
 if there are adjustments for high performance) is a short period over which to apply small
 notch increases;
 - Reaching the notch ceiling quickly can be demotivating to employees.
- 44. Recommendation 6: use a consistent notch size of 2% which is added to the previous notch. The recommended pay scales based on 12 notches are shown in paragraph 14.9 of the main report.

- 45. Recommendation 7: update pay scales annually by the official Namibian inflation rate of the previous year (this requires an amendment to PF's Admin Rules which state that a salary review exercise should be conducted at least every 4 years and take into account cost of living increases). Note that the proposed scales make sense only if they are updated annually by inflation; if this is not done the notch increases are too small and would need to be 5% rather than 2% in order to prevent PF from lagging the market.
- 46. Recommendation 8: update employees' basic salaries by the annual Namibian inflation rate of the previous year, plus:
 - Zero notch increase for poor/ unacceptable performance (2.9 and below on PF's 5-point scale);
 - 1 notch increase for acceptable performance (meeting agreed expectations: 3.0 3.7 on PF's 5-point scale);
 - 1.5 notch increases for those whose performance is rated as above expectations (3.8 4.5 on PF's 5-point scale);
 - 2 notch increases for those who are rated as outstanding performers (significantly above expectations: 4.6 5.0 on PF's 5-point scale).
- 47. Recommendation 9: remove the current cost of living allowance at the time of implementing the new pay scales, but check that no individual employee's basic salary is lower after implementing the new pay scales.
- 48. Recommendation 10: in implementing the new pay scales, any employee who is not exactly on a notch is to be moved up to the next notch (this is not particularly financially onerous, since in terms of the new notch structure the maximum amount by which a salary will need to be increased to meet this requirement will always be less than 2%).
- 49. Recommendation 11: in implementing the new pay scales, any employee whose current basic salary is above the correct new notch should receive a top-up allowance, handled separately in the payroll in a similar way to the current cost of living allowances, which are not taken into account when calculating other allowances. This will prevent undue inflation of the salary bill.
- 50. Recommendation 12: monitoring should continue on such employees' top-up amounts so that they are adjusted when notch increases take place and therefore decrease over time, until the employee's basic salary and notch align over time, or the employee leaves PF.
- 51. Recommendation 13: once an employee reaches the ceiling for their grade, they may receive the inflation increase annually but no further notch increases.
- 52. Recommendation 14: to facilitate the appropriate management of pay and benefits, classify employees in the present format but further refined by Paterson gradings, as outlined in recommendation 14 of the main report.
- 53. Recommendation 15: retain the structure of the following allowances, and current practices, as at present:
 - Utilities allowance
 - Entertainment allowance
 - Gratuity
 - Company car (SG's)
 - Transport allowance

- Medical aid cover
- Cellphone allowance (although the SG's should be unlimited as it is for the heads of peer group organisations)
- SG's residential telephone (although this benefit should be unlimited as it is for the heads of peer group organisations)
- Assignment allowance
- Data allowance
- Security
- Group life cover
- Disability cover
- Relocation allowance
- Settlement (settling-in) allowance
- Home leave travel
- 54. Recommendation 16: remove the misalignment between the way car allowances and transport allowances are currently handled by **converting those car allowances which are currently fixed amounts to percentage-based amounts** when applying the new pay scales and continue with these as percentages thereafter.
- 55. Recommendation 17: remove the SG's domestic staff allowance and employ the individual as a PF employee.
- 56. Recommendation 18: employ a gardener on PF payroll to maintain premises including purchase of implements and provide with chemicals required, alternatively employ gardening service through procurement process including supply of swimming pool cleaning chemicals.
- 57. Recommendation 19: once approved, implement the new regime for all employees immediately (ie do not attempt to execute a phased implementation, as this is extremely difficult to achieve accurately).
- 58. Recommendation 20: if it is not possible to implement the proposals immediately, the notch 1 basic salary benchmarks, and therefore the notches based on these, should be updated by the official annual Namibian inflation rates of the previous calendar years in the intervening period between the 2021-22 pay year and the date of implementation, to ensure that the scales are up to date at the time of implementation.

MAIN REPORT

REMUNERATION AND BENEFITS ANALYSIS: SADC PARLIAMENTARY FORUM ("PF") NOVEMBER 2020 – MARCH 2021

Notes:

- For ease of reference, SADC Parliamentary Forum is referred to as PF throughout and is distinct from SADC which is referred to as such.
- Currency amounts are stated in South African Rands (ZAR) but since the Rand and the Namibian dollar are on a 1:1 par, the Rand amounts can just as easily be interpreted as Namibian dollars.
- Where US Dollars are converted into Rands, the average December 2020 exchange rate of R 14.80 is used.
- The comparator organisations chosen for market benchmarking were:
 - Southern African Customs Union (SACU)
 - Pan African Parliament (PAP)
 - Southern African Development Community (SADC)
- Apart from comparisons with peers, it is necessary to ensure that the pay of any organisation in their host country is at least in line with, if not above, that of the host country (in this case Namibia). Survey data was therefore also obtained from PECS (P-E Consulting Services, now part of Willis Towers Watson which is a large global remuneration consultancy) for:
 - Namibian (actually Windhoek specifically) all organisations;
 - > Namibian (actually Windhoek specifically) SOEs (state-owned enterprises).
- The term SG refers to the Secretary General of SADC PF.

1. THE BRIEF

The brief which this report addresses is outlined as follows:

- 1.1 Salary review: review the current salary structure for both managerial and nonmanagerial bands;
- 1.2 Salary review: outline how salaries are reviewed taking into consideration factors such as cost of living adjustments, performance, progression and development in role;
- 1.3 Benefits review: review of all benefits and allowances allocated across the bands, both monetary and non-monetary;
- 1.4 Benefits review: the review to include consideration of other benefits not currently offered, that are provided by comparators and part of the reward package;
- 1.5 Benefits review: recommendations to include the development of flexible benefits and total remuneration statements;
- 1.6 Conduct market benchmarking from similar institutions regional and international;
- 1.7 Develop a recommended ideal salary structure.

In addition, present findings to the forum as required by the Secretary General and respond to any queries at the session.

2. PRINCIPLES

- 2.1 The fundamental and internationally-acknowledged triple purposes of a remuneration and benefits strategy are to:
 - Attract to the organisation the appropriate calibre of **skills** required to do the organisation's work;
 - **Retain** them in the service of the organisation, and
 - **Reward** them for their efforts while in the service of the organisation.
- 2.2 In fact, the policy objectives in the PF "HR Policies Compensation" document echo the above:
 - "Attract, motivate and retain, qualified and competent employees so as to achieve and sustain high productivity in SADC Secretariat;
 - Support a corporate culture that recognises and rewards employee performance and contributions;
 - Balance the mix of fixed and variable compensation to the best short-term and long-term interest of employees, and the Secretariat."
- 2.3 If it is desired to populate the organisation with quality employees, it is therefore necessary to provide remuneration and benefits which are at least more or less in line with those in the market to current and prospective employees.
- 2.4 The operational definition of "the market" is "where the organisation draws its people from when it recruits, and where it loses them to when they leave".
- 2.5 This means that is necessary to at least match the remuneration and benefits of the host country in which the organisation is situated (in this case Namibia), but more importantly be comparable to the pay and benefits provided by peer organisations (in this case SADC, SACU and PAP).
- 2.6 Base pay (basic salary, plus the benefits provided in addition to basic salary) should always be at least approximately correct from day one of the individual's employment with the organisation and should not take years to increase to an appropriate level, even if the annual increases are relatively steep (ie even if the notches are relatively large).
- 2.7 Pay scales should have a logical structure based on a firm foundation of job grades which have been accurately assessed.
- 2.8 If notches are used in pay scales, there should be consistency in notch sizes.
- 2.9 Pay scales and employee benefit amounts are updated annually. For those benefits which are linked to base pay these updates are automatic.
- 2.10 To avoid inaccurate assessments, it is important to examine benefits as well as basic salaries, ie the overall offering to employees. Effectively this means that it is necessary to focus on Total Guaranteed Packages (also called Total Package, Total Cost to Company or Total Cost of Employment these terms are interchangeable).
- 2.11 Opportunity should be provided, in some shape or form, to reward higher-performing employees to a greater extent than lower-performing employees. Thus while it is

important that pay and benefits practices are "just and equitable", of the two elements "just" is more important than "equitable".

3. PF'S CURRENT SALARY STRUCTURE

- 3.1 Some of the elements in the brief above are intertwined, especially on salaries and benefits, so will be combined in the analysis conducted. Further, some issues require explanation or clarification, so the exact order of the items in the brief is not followed.
- 3.2 The PF's salary structure has a base pay (which could also be called a base notch or starting notch) for each grade/ category of employee, based on the old Castellion (later renamed to Peromnes) grading system, with a set of notches built on top of the base notch.
- 3.3 The number of notches is consistent at seven in each case (starting salary plus six further notches). The PF Admin Rules document states that each salary scale shall have a maximum of eight notches. Once the maximum notch ie ceiling has been reached, it appears that no further notch increases may be given.
- 3.4 The size of each notch is an equal quantum (not an equal percentage) within each scale.
- 3.5 The structure applies to all levels of employees, at both managerial and nonmanagerial levels.
- 3.6 Regardless of the actual amounts involved, which is an issue covered separately below, this type of pay structure is typically used by governments in many countries.

| GRADE | JOB TITLE | NOTCH 1 | NOTCH 7 | GAP FROM NOTCHES 1 TO 7 | NOTCH SIZE | NO. OF NOTCHES |
|---------|---|---------|---------|-------------------------------|---------------|-------------------|
| PROFESS | SIONAL PERSONNEL | | | | | |
| 1 | Secretary General | 612 750 | 728 790 | 116 040 | 19 340 | 7 |
| 2 | Deputy Secretary General | 535 390 | 593 410 | 58 020 | 9 670 | 7 |
| 3 | Directors | 461 450 | 516 050 | 54 600 | 9 100 | 7 |
| 4 | Programme Manager | 458 030 | 496 710 | 38 680 | 6 450 | 7 |
| 5 | Senior Programme Officer | 290 420 | 348 440 | 58 020 | 9 670 | 7 |
| TECHNIC | AL ASSISTANT PERSONNEL | | | | | |
| 6 | Languages Officer, Programme Officer | 229 820 | 287 830 | 58 010 | 9 670 | 7 |
| 7 | Accountant, Executive Assistant, Interpreter | 229 820 | 287 830 | 58 010 | 9 670 | 7 |
| 8 | Assistant Accountant, Personal Assistant, ICT Officer | 166 730 | 270 440 | 103 710 | 17 290 | 7 |
| 9 | Senior Secretary | 142 520 | 223 390 | 80 870 | 13 480 | 7 |
| 10 | Secretary | 115 940 | 186 700 | 70 760 | 11 790 | 7 |
| SUPPORT | SUPPORT PERSONNEL | | | | | |
| 11 | Receptionist | 84 120 | 139 150 | 55 030 | 9 170 | 7 |
| 12 | Chauffeur | 84 120 | 139 150 | 55 030 | 9 170 | 7 |
| 13 | Driver | 70 640 | 121 180 | 50 540 | 8 420 | 7 |
| 14 | | | | | | |

3.7 The actual amounts of basic salary (all in Rands per annum) are as follows:

| 15 | Office Orderly | 62 770 | 109 950 | 47 180 | 7 860 | 7 |
|----|---------------------------|--------|---------|--------|-------|---|
| 16 | Domestic Worker, Gardener | 41 060 | 77 000 | 35 940 | 5 990 | 7 |

3.8 The sizes of the notches in PF's notch structure when expressed as percentages vary **extremely** widely from each other: from 1.66% to 14.6%, which is not good practice:

| GRADE | JOB TITLE | NOTCH 1 (SCALE MINIMUM) | NOTCH SIZE | NOTCH 2 | NOTCH 3 | NOTCH 4 | NOTCH 5 | NOTCH 6 | NOTCH 7 (SCALE MAXIMUM) | AVERAGE |
|---------|---|-------------------------------|---------------|------------|------------|------------|------------|------------|-------------------------------|---------|
| PROFES | SIONAL PERSO | ONNEL | | | | | | | | |
| 1 | Secretary General | 612 750 | 19 340 | 3.2% | 3.1% | 3.0% | 2.9% | 2.8% | 2.73% | 2.93% |
| 2 | Deputy Secretary General | 535 390 | 9 670 | 1.8% | 1.8% | 1.7% | 1.7% | 1.7% | 1.66% | 1.73% |
| 3 | Directors | 461 450 | 9 100 | 2.0% | 1.9% | 1.9% | 1.9% | 1.8% | 1.80% | 1.88% |
| 4 | Programme Manager | 458 030 | 6 450 | 1.4% | 1.4% | 1.4% | 1.4% | 1.3% | 1.32% | 1.36% |
| 5 | Senior Programme Officer | 290 420 | 9 670 | 3.3% | 3.2% | 3.1% | 3.0% | 2.9% | 2.85% | 3.08% |
| TECHNIC | CAL ASSISTAN | FPERSONNE | EL | | | | | | | |
| 6 | Languages Officer, Programme Officer | 229 820 | 9 670 | 4.2% | 4.0% | 3.9% | 3.7% | 3.6% | 3.48% | 3.82% |
| 7 | Accountant, Executive Assistant, Interpreter | 229 820 | 9 670 | 4.2% | 4.0% | 3.9% | 3.7% | 3.6% | 3.48% | 3.82% |
| 8 | Assistant Accountant, Personal Assistant, ICT Officer | 166 730 | 17 290 | 10.4% | 9.4% | 8.6% | 7.9% | 7.3% | 6.83% | 8.40% |
| 9 | Senior Secretary | 142 520 | 13 480 | 9.5% | 8.6% | 8.0% | 7.4% | 6.9% | 6.42% | 7.78% |
| 10 | Secretary | 115 940 | 11 790 | 10.2% | 9.2% | 8.5% | 7.8% | 7.2% | 6.74% | 8.27% |
| SUPPOR | T PERSONNEL | | | | | | | | | |
| 11 | Receptionist | 84 120 | 9 170 | 10.9% | 9.8% | 8.9% | 8.2% | 7.6% | 7.06% | 8.76% |
| 12 | Chauffeur | 84 120 | 9 170 | 10.9% | 9.8% | 8.9% | 8.2% | 7.6% | 7.06% | 8.76% |
| 13 | Driver | 70 640 | 8 420 | 11.9% | 10.7% | 9.6% | 8.8% | 8.1% | 7.47% | 9.42% |
| 14 | | | | | | | | | | |
| 15 | Office Orderly | 62 770 | 7 860 | 12.5% | 11.1% | 10.0% | 9.1% | 8.3% | 7.70% | 9.80% |
| 16 | Domestic Worker, Gardener | 41 060 | 5 990 | 14.6% | 12.7% | 11.3% | 10.1% | 9.2% | 8.44% | 11.07% |

- 3.9 The fact that the notches for each grade are of an equal size is slightly problematic (although this is the least of the problems with PF's pay scales). This approach is administratively simpler, but the perceived impact of the notches from year to year differs. Ideally the notches should be **percentage** based, so that the impact feels similar from one year to the next.
- 3.10 The above analysis shows that for example:
 - The SG commences on a basic annual salary of R 612 750 and in year 2 receives a notch increase of 3.2%. In year 3 the notch increase, because it is a fixed

amount on a higher base, is 3.1%, the following year it is 3.0%, etc, and for the 7-year period (starting salary plus one notch in each of the following 6 years) the average increase per notch is 2.93%.

- In contrast, the Gardener commences on a basic annual salary of R 41 060 and in year 2 receives a notch increase of 12.7%. In year 3 the notch increase, because it is a constant amount on a higher base, is 11.3%, the following year it is 10.1%, etc, and for the 7-year period (starting salary plus one notch in each of the following 6 years) the average increase per notch is 11.07%.
- 3.11 The inconsistences in the notch sizes make no sense whatsoever. As a result, the spreads (distances from the lowest to the highest notch, or ceiling, alternatively called breadths) of each pay scale differ markedly, from 8.4% to 87.5%:

| GRADE | JOB TITLE | NOTCH 1 | NOTCH 7 | SPREAD | SPREAD % | | | |
|----------|---|---------|---------|---------|----------|--|--|--|
| PROFESS | PROFESSIONAL PERSONNEL | | | | | | | |
| 1 | Secretary General | 612 750 | 728 790 | 116 040 | 18.9% | | | |
| 2 | Deputy Secretary General | 535 390 | 593 410 | 58 020 | 10.8% | | | |
| 3 | Directors | 461 450 | 516 050 | 54 600 | 11.8% | | | |
| 4 | Programme Manager | 458 030 | 496 710 | 38 680 | 8.4% | | | |
| 5 | Senior Programme Officer | 290 420 | 348 440 | 58 020 | 20.0% | | | |
| TECHNICA | AL ASSISTANT PERSONNEL | | | | | | | |
| 6 | Languages Officer, Programme Officer | 229 820 | 287 830 | 58 010 | 25.2% | | | |
| 7 | Accountant, Executive Assistant, Interpreter | 229 820 | 287 830 | 58 010 | 25.2% | | | |
| 8 | Assistant Accountant, Personal Assistant, ICT Officer | 166 730 | 270 440 | 103 710 | 62.2% | | | |
| 9 | Senior Secretary | 142 520 | 223 390 | 80 870 | 56.7% | | | |
| 10 | Secretary | 115 940 | 186 700 | 70 760 | 61.0% | | | |
| SUPPORT | PERSONNEL | | | | | | | |
| 11 | Receptionist | 84 120 | 139 150 | 55 030 | 65.4% | | | |
| 12 | Chauffeur | 84 120 | 139 150 | 55 030 | 65.4% | | | |
| 13 | Driver | 70 640 | 121 180 | 50 540 | 71.5% | | | |
| 14 | | | | | | | | |
| 15 | Office Orderly | 62 770 | 109 950 | 47 180 | 75.2% | | | |
| 16 | Domestic Worker, Gardener | 41 060 | 77 000 | 35 940 | 87.5% | | | |

3.12 The average spreads per grouping are therefore as follows:

| Grouping | Average Spread |
|-------------------------------|----------------|
| Professional Personnel | 14.0% |
| Technical Assistant Personnel | 51.3% |
| Support Personnel | 74.9% |
| Overall average | 44.2% |

3.13 This means that:

- The basic pay of members of the Professional Personnel group is around 14% higher after 7 years;
- The basic pay of members of the Technical Assistant Personnel group is around 51% higher after 7 years;
- The basic pay of members of the Support Personnel group is around 75% higher after 7 years.

Note that if the notch 1 basic pay at any level is extremely low compared to the benchmarks, large notch sizes leading to high increases may well be appropriate. The question always then arises: why is the notch 1 salary so low in the first place?

- 3.14 These massive differentiations in pay scale spreads between levels (as well as within the various groupings) based on the massive differences in the sizes of notches across the various levels are an indication of poor scale design and are very far removed from best practice, which would rather be to have a high degree of consistency.
- 3.15 The actual sizes of some of the notches appear on the face of it to be beyond any reasonable parameters. To say they outstrip inflation or for that matter market increases (which are fairly closely linked to inflation) in many cases would be an understatement. If we take the SG position:

| YEAR (NOTCH) | % INCREASE COMPOUNDED AMOUNT | |
|-----------------|------------------------------|---|
| 1 | - | 100 |
| 2 | 2 3.7 103.70 | |
| 3 | 3.7 107.54 | |
| 4 | 3.7 | 111.52 |
| 5 3.7 115.64 | | 115.64 |
| 6 | 3.7 | 119.92 |
| 7 | 3.7 | 124.36 (ie 24.36% above the starting point of 100) |

 Assuming increases were given based on the 2019 inflation rate of 3.7%, in year 7 the starting salary of 100 would compound up to 124.36:

- For the SG, the basic salary of R 612,750 becomes R 728,790 at the maximum notch in year 7.
- This is an 18.9% increase, ie it does not even keep pace with inflation; it is 77.6% of the compounded inflation rate.
- 3.16 Examining a position at the other extreme: Domestic Worker/ Gardener:
 - The notch 1 basic salary of R 41,060 becomes R 77,000 at the maximum notch in year 7.
 - This is an 87.5% increase, ie it is 3.6 times the compounded inflation rate, meaning it is 260% higher than the inflation rate as opposed to the SG figure which is slightly more than three quarters of the compounded inflation rate.
- 3.17 The massive differences in the sizes of notches is more clearly shown in the following graph, where the starting point is 100% of the first notch and the subsequent figures are percentages on top of this:



- 3.18 This shows clearly that:
 - The "best-treated" positions are the most junior ones (Domestic Worker, Gardener, subgrade A3): they receive an increase of 87.5% over the seven-year period (however they are not the "best treated" in terms of their notch 1 starting salary relative to appropriate benchmarks);
 - The worst-treated position is that in the middle management/ professional area (Programme Manager, subgrade D1): this receives an increase of 8.2% over the seven-year period;
 - Other levels vary widely in between;
 - The slightly-decreasing slope of the lines shows that a constant notch **size** is being applied; this results in each notch being a slightly lower **percentage** of the previous base each year;
 - By contrast, a consistent pay structure would have a **single**, **straight** line for all levels, because:
 - > The sizes of the notches would be consistent across all grades;
 - > Each notch would be a fixed percentage on top of the previous base.
- 3.19 The result of the current numbers of notches is that an employee who works at PF reaches the ceiling of their pay scale in 7 years (and sooner than this if they receive any additional notches based on above-average performance).
- 3.20 It is of interest that the notches in the South African government pay scales are mostly 1.5%, even for pay scales containing as few as 5 notches and up to as many as 21 notches. There are a few occupations where the notches are 3.0% and as a result the average notch size is 2.0%.
- 3.21 PF's administrative rules state that a salary review exercise should be conducted at least every 4 years, and take into account cost of living increases.

4. SALARY STRUCTURES OF COMPARATOR ORGANISATIONS

SACU

- 4.1 The first obvious difference compared to PF is that in SACU, all jobs graded at Paterson C3 and above are remunerated based on the total package framework (see details in paragraph 9 below) while all jobs at Paterson C2 and below are remunerated on the traditional salary plus benefits approach.
- 4.2 Jobs at C3 and above are Executive Secretary, Deputy Executive Secretary, Directors, Deputy Directors, Managers and middle-level Officers.
- 4.3 Jobs at C2 and below are PAs, Secretaries, IT Assistants, Receptionist Administration Assistants, Drivers and Gardener.
- 4.4 There are consistently 14 notches (the starting salary plus 13).
- 4.5 Salaries are adjusted **annually** by:
 - Firstly the annual inflation rate of the previous year in Namibia;
 - Secondly a notch (notches 2 to 7 notches are 5.26% on top of the previous notch while notches 8 to 14 are based on 5.0%). Note that the notches are percentage based and not fixed amounts.
- 4.6 However for the Executive Secretary and Deputy Executive Secretary, there are 12 notches (starting salary plus 11) and salaries are adjusted annually by:
 - Firstly the annual inflation rate of the previous year in Namibia;
 - Secondly a notch (the notches for the Executive Secretary are 5.0% on top of the previous notch and for the Deputy Executive Secretary they are 6.27%).
- 4.7 Because the numbers of notches are mostly consistent at 14 (the top two positions have 12 notches) and the sizes of the notches are also mostly consistent at 5% (the top two positions are 5% and 6.27% respectively as mentioned), the spread of the SACU pay scales is mostly consistent at **91%** (the spreads for the top two positions are 71% and 95% respectively).
- 4.8 All employees are eligible for a performance bonus of between 3% and 7% of basic annual salary based on their performance score; this is paid in April each year.

PAP

- 4.9 PAP's pay structure is salary plus benefits, at all levels.
- 4.10 The PAP states its salaries in US dollar terms.
- 4.11 It differentiates salaries and benefits in terms of 23 locations, eg Cairo, Addis Ababa, Geneva, Brussels, Nairobi, Kinshasa, Algiers, Mogadishu, etc, but the most important one for our present purposes is Johannesburg (Midrand).

- 4.12 The PAP further differentiates one particular benefit, ie housing allowance, based on whether the employee is an international assignee or a local one.
- 4.13 All PAP salary scales have 10 notches: a starting notch plus 9 further notches. The pay scales used by PAP in Johannesburg though clearly have only **6 notches** in practice: they begin at notch 5 and move up to notch 10.
- 4.14 However, once an employee reaches the ceiling of their grade, they may move up to the next grade and continue the process, apparently indefinitely (effectively at least 3 to 4 grades over a 30-40-year employment span, and if only 6 notches per grade are used then 5-6 grades over this period!). This is an exceptionally-generous approach and is not recommended, since after some years the packages of the individuals concerned exceed market benchmarks by inappropriately-high amounts.
- 4.15 Notch increases are dependent on satisfactory performance. Two notches may be given for "excellent performance". However this "accelerated advancement" may only be applied up to a maximum of twice in the course of a staff member's service in a given grade.
- 4.16 Notch sizes vary at the different levels:
 - Chairperson, Deputy Chairperson, Commissioners, President of the Court and CEO NPCA: the notches are a constant percentage: 2.73%;
 - For the rest of the Professionals group, the notches are fixed amounts per grade, and therefore vary as percentages within grades but also between grades, from 4.1% to 2.24%;
 - For the General Service Staff first category (GSA, which are Principal Admin. & Clerical Staff, Senior Admin & Clerical Staff, Admin & Clerical Staff and Junior Admin & Clerical Staff), the notches are fixed amounts per grade, and therefore vary as percentages within grades but also between grades, from 7.2% to 4.1%;
 - For the General Service Staff second category (GSB, which are locally-recruited staff from categories 1 to 10), the notches are fixed amounts per grade, and therefore vary as percentages within grades but also between grades, from 13.77% to 4.12%. Again the largest notch sizes are found at the very lowest levels.
- 4.17 Because of the differences in notch sizes, PAP's range spreads also vary significantly, from 25% to 154%:

| STAFF CATEGORY | CLASSIFICATION/ LEVEL | RANGE SPREAD % |
|---|--------------------------|-------------------|
| Chairperson | Special 1 | 27.5% |
| Deputy Chairperson | Special 2 | 27.5% |
| Commissioners, President of the Court, CEO NPCA | Special 3 | 27.5% |
| Director | D2 | 24.6% |
| Director | D1 | 24.6% |
| Executive Secretary | P6 | 25.6% |
| Coordinators / Heads of Division | P5 | 27.9% |
| Principal Officers | P4 | 27.6% |
| Senior Officers | P3 | 27.4% |
| First Officer | P2 | 28.8% |
| Second Officer | P1 | 30.4% |
| Principal Admin. & Clerical Staff | GSA6 | 54.8% |
| Principal Admin. & Clerical Staff | GSA5 | 56.3% |
| Senior Admin. & Clerical Staff | GSA4 | 59.8% |
| Admin. & Clerical Staff | GSA3 | 61.8% |
| Junior Admin. & Clerical Staff I | GSA2 | 64.6% |
| Junior Admin. & Clerical Staff II | GSA1 | 64.6% |
| Locally-recruited Staff Class 10 | GSB10 | 55.3% |
| Locally-recruited Staff Class 09 | GSB9 | 60.4% |
| Locally-recruited Staff Class 08 | GSB8 | 69.2% |
| Locally-recruited Staff Class 07 | GSB7 | 73.7% |
| Locally-recruited Staff Class 06 | GSB6 | 74.8% |
| Locally-recruited Staff Class 05 | GSB5 | 86.3% |
| Locally-recruited Staff Class 04 | GSB4 | 102.9% |
| Locally-recruited Staff Class 03 | GSB3 | 154.3% |
| Locally-recruited Staff Class 02 | GSB2 | 121.5% |
| Locally-recruited Staff Class 01 | GSB1 | 124.0% |
| Average | | 58.7% |

4.18 PAP review salaries and benefits every three years.

SADC

- 4.19 SADC's pay structure is salary plus benefits, at all levels.
- 4.20 SADC's salaries are stated in Rands.
- 4.21 All SADC salary scales have 7 notches: a starting notch plus 6 further notches.
- 4.22 Notch increases are dependent on satisfactory performance. An additional 0.5 notch may be awarded to employees with performance ratings of 4 on a 5-point scale (ie above-average performance), while an additional full notch may be awarded to employees with a score of 5 on a 5-point scale (ie absolutely outstanding performance).
- 4.23 Notch sizes vary at the different levels:
 - The Executive Secretary has a fixed pay level and there are consequently no notches.
 - For all other levels, the notches are fixed amounts per grade, and therefore vary as percentages within grades but also between grades, from 1.3% to 21.1%. Again the largest notch sizes are found at the very lowest levels.

4.24 Because of the differences in notch sizes, SADC's range spreads also vary significantly, from 8.4% to 126.8% (ignoring their top job which has a fixed rate of pay and no notches):

| GRADE | PATERSON EQUIVALENT | SPREAD % |
|---------|---------------------|----------|
| 1a | E5/F1 | 0.0% |
| 1b | E3 | 18.9% |
| 1c | E1 | 9.8% |
| 2 | D4 | 10.8% |
| 3 | D2 | 11.8% |
| 4 | D1 | 8.4% |
| 5 | C4 | 9.2% |
| 6 | C3 | 10.2% |
| 7 | C2 | 16.6% |
| 8 | C1 | 20.0% |
| 9 | B5 | 20.1% |
| 10a | B4 | 25.2% |
| 10b | B4 | 62.2% |
| 10c | B4 | 56.7% |
| 10d | B3 | 61.0% |
| 11a | B3 | 65.4% |
| 11b | B2 | 71.5% |
| 12a | B1 | 75.2% |
| 12b | A3 | 76.0% |
| 13 | A3 | 87.5% |
| 14 | A2 | 99.8% |
| 15 | A2 | 112.8% |
| 16 | A2 | 126.8% |
| Average | | 45.9% |

4.25 Range spreads can therefore be summarised as follows:

| Organisation | Current range spreads | Average range spreads |
|--------------|-----------------------|-----------------------|
| PF | 8.4% to 87.5% | 44.2% |
| SACU | 71% to 95% | 91% |
| PAP | 25% to 154% | 58.7% |
| SADC | 8.4% to 126.8% | 45.9% |

PECS ALL PARTICIPANTS (WINDHOEK)

- 4.26 Pay ranges (scales) are based on:
 - The Namibian market;
 - The organisation's defined market positioning, ie where it wishes to position itself against the market;
 - No notches;
 - Range spread (midpoint, which is effectively notch 1) to maximum (which is effectively the highest notch) of **25%**;
 - No guaranteed increases, except where negotiated with unions.
- 4.27 There are performance bonuses.

PECS SOEs ONLY (WINDHOEK)

4.28 Separate information is not contained in the PECS survey.

5. SALARY MANAGEMENT

- 5.1 Before delving into this area it is useful to take a step back and review salary management in perspective.
- 5.2 The purpose of any organisation's pay strategy is to support the organisation's overall strategy. This means that whatever is important to the organisation should drive the positioning of the individuals against the pay ranges for their jobs (this is one of the ways in which the organisation's overall strategy can be supported by a pay strategy aligned with it). If for example it is important for whatever reason to employ the tallest people in the population (basketball team members?), taller people should be paid more than shorter people, even though they are doing the same job. The same applies if length of service is the focus: longer-serving people should be paid more than shorter-serving people doing the same job. The vast majority of both private sector and NGO/NPO organisations focus on employee performance when managing the position of an individual against the pay range for their job, so that higher-performing people doing the same job are, over time, be paid more than lower-performing people in the same job. The typical approach to pay in government organisations is however to base pay on notches, with notch increases mainly being based on length of service and to a lesser extent employee performance.
- 5.3 My understanding regarding PF's present pay structure is as follows:
 - The salary scales in use in 2020 are those which were in place in 2012.
 - The pay scales were based on US dollars at the time, and were converted to South African Rands at the exchange rate of 10:1 in 2010;
 - There were no adjustments to the 2012 pay scales in the interim (despite the policy position being that they should be reviewed every 4 years);
 - In 2018 a cost of living allowance of 10% of basic salary was implemented across all levels, to at least partially compensate for the fact that salary scales had not been reviewed since 2012.
- 5.4 Note that from 2010 to the end of 2020 the compounded Namibian inflation rate has been 61.5%:

| Year | CPI CPI Compoun (2010 index is | | |
|------|-----------------------------------|--------|--|
| 2011 | 5.01% | 105.01 | |
| 2012 | 6.72% | 112.07 | |
| 2013 | 5.60% | 118.34 | |
| 2014 | 5.35% | 124.67 | |
| 2015 | 3.40% | 128.91 | |
| 2016 | 6.73% | 137.59 | |
| 2017 | 6.15% | 146.05 | |
| 2018 | 4.29% | 152.32 | |
| 2019 | 3.73% | 158.00 | |
| 2020 | 2.22% | 161.51 | |

5.5 The Rand/ US dollar exchange rate has deteriorated from R10/ US dollar to a recent average of R15/ US dollar (although the figure of R 14.80, ie a 48% weakening, was used in all calculations in this exercise).

- 5.6 Using the conservative conversion rate of R14.80/ US dollar, employees have effectively forfeited increases of some 110% in purchasing power since 2010, meaning that the total actual value of their pay and benefits has more than halved when compared to what it was in 2010.
- 5.7 In turn this means that the 10% cost of living allowance implemented in 2018 is exceptionally small.
- 5.8 Note that the above information simply provides some background and does not necessarily mean that PF's salaries or benefits are in need of adjustment. Whether or not this is indeed the case is determined by the market analysis which has been done. It is however of interest that two of the three peer organisations are still using US dollar-based pay scales and their employees have therefore been cushioned from the effects of the deterioration in the Rand/ US dollar exchange rate.
- 5.9 In PF's case, as with most governments' approaches to pay, pay progression (the movement of an employee through the salary scale for their job) is primarily based on length of service, which delivers an additional notch year after year.
- 5.10 In PF, provision is made in the Admin Rules for an additional notch of increase to be motivated for by management in cases of excellent employee performance.
- 5.11 Effectively then, the **main** focus of PF's pay scales is length of service and the **secondary** focus is performance. PF's admin rules do not make specific provision for withholding notch increases for **poor** performers, but this is implied by the statement that "Salary increments within the salary scale of a position **may** be granted by the Executive Secretary over the period of an employee's contract". This implies that the Executive Secretary may also **withhold** a notch increase where appropriate, which should be the case for poor performers.

6. REVIEW OF BENEFITS AND ALLOWANCES

- 6.1 Before commencing with a review of PF's benefits and allowances, an extremely important point should be noted. Because different organisations have different salary and benefit structures, the only way to accurately compare salaries and benefits is firstly to use a common platform: convert the various grading systems (where they are not already Paterson-based), to Paterson subgrades (the most accurate and useful framework), and secondly to focus on total guaranteed packages rather than basic salaries. Therefore, while an analysis of basic salaries is of some interest, and an analysis of benefits and allowances is required in terms of the project brief, these are of far less importance than an analysis of total guaranteed packages, which is logically the main focus of the comparisons. The total guaranteed package comparisons and graph are shown in detail in paragraphs 8.10, 8.11 and 8.12.
- 6.2 Note that this approach also implies that it is not particularly important to make significant changes to most of PF's benefit structures (which should only be done if essential, as it is somewhat disruptive), since it is possible to match the average total guaranteed packages of the peer group by adjusting PF's basic salaries (on which most of its benefits structures are based) and applying the rules/ formulae applicable to PF's benefits to the adjusted basic salary benchmarks.

| Element | Rule |
|-----------------------------|---|
| Basic salary | - |
| Cost of living allowance | These are 10% of basic salary and were implemented in 2018 to take into account the fact that there had been no salary increases since 2012. Once salaries are rectified, these allowances should be integrated into the basic salary figures and should then fall away as separate allowances. |
| Housing | Secretary General: official residence provided. For other employees, a percentage of basic salary (30% at Director level, 25% for all regional staff and 20% for all other employees. |
| Utilities | Utilities bills (electricity, water, rates and property taxes) are paid in full for the SG. The Director level receives a fixed allowance of R 20,000 pa, regional staff receive R 18,000 pa and all other personnel receive no utilities benefit. |
| Domestic staff allowance | The SG receives an allowance of 5% of basic salary for domestic staff. |
| Entertainment allowance | A fixed monthly amount (currently R 2,000 pm) is paid to the SG only. |
| Gratuity | A gratuity of 25% of basic salary is paid to all employee levels. |
| Company car | Applicable to the SG only (official vehicle). |
| Car allowance | Not applicable to SG, but differing fixed annual amounts are paid to senior personnel: D4 R 75 000 pa, D1 R 70 000 pa, C2 R 55 000 pa |

6.3 The current rules regarding benefits and allowances in PF are as follows:

| Transport allowance | For junior technical assistant personnel, 15% of basic salary is paid as a transport allowance and all support personnel receive 10% of basic salary as a transport allowance. |
|----------------------------|---|
| Medical aid cover | 80% of contributions for all staff levels. |
| Education allowance | Percentage of basic salary depending on level (20% for SG, 15% for Paterson D level roles and 10% for all other employees), paid to those employees who have children in school. |
| Cellphone allowance | These appear to be based on job need, since: the SG's cellphone costs are paid by PF up to a monthly limit of R 1,000, senior personnel (Director Finance HR & Admin, and Programme Manager) receive R 900 per month, Languages Officers receive R 500 per month and some other personnel receive between R 150 and R 50 per month; not all personnel receive these allowances. |
| Residential telephone | The Secretary General receives a paid-for residential landline telephone up to R 1,000 per month. |
| Assignment | Regional staff are paid an assignment allowance of 10% of |
| allowance | basic salary. This is effectively an inconvenience allowance. |
| | These allowances are suspended for the periods that the |
| | regional staff are on home leave. |
| Data allowance | A fixed amount of US\$ 140 (approximately R 2,105) is paid to all employees requiring bandwidth in order to fulfil their functions during Covid-19; this is a temporary allowance and the need for it will be reviewed as the situation develops. |
| Security | The SG's residence is provided with a security guard and an alarm system connected to rapid response. |
| Social security | 50% of employee contributions is paid at all levels (in line with national legislation). |
| Annual leave | SG 35 working days per annum, Directors 30, all other staff 25 days except very junior staff (Chauffeur, Cleaner) who receive 20 days (legal minimum) |
| Group life cover | Provided (2 x annual basic salary) |
| Disability cover | Provided (including dismemberment) |
| Relocation allowance | Provided |
| Settling-in | Interim accommodation of up to 7 days in a hotel; may be |
| arrangements | extended with approval |
| Home leave travel | Every 2 years |
| Education travel allowance | Provided for up to a maximum of 4 SG's children |
| Annual leave | SG 35 working days per annum, Directors 30, all other staff 25 days except very junior staff (Chauffeur, Cleaner) who receive 20 days (legal minimum) |
| Performance bonuses | Not provided separately |

- 6.4 An analysis of PF's payroll shows the following regarding the calculation of allowances:
 - The organisation's contributions to employees' medical aid expenses are based on a consistent formula (80% of contributions for all employees);
 - The cellphone allowance, which is based on job need, is fixed, which is not a major issue provided that the figures are updated from time to time;

- All other allowances apart from car allowances are directly linked to basic salary as a percentage;
- Car allowances are fixed amounts. For a true car allowance benefit, the only scenario in which the "fixed amount" approach makes sense is if there is zero price inflation in vehicles, fuel or running costs, while this is clearly not the case. Further comments are made regarding car allowances in paragraph 6.3 below.
- 6.5 Regarding car allowances:
 - Under normal circumstances it would be appropriate to calculate realistic allowances and recommend revised figures as well as a method for updating these in future.
 - However PF is the only organisation in this group to provide car allowances and transport allowances to its employees.
 - There is a misalignment between the way car allowances and transport allowances are calculated. Effectively car allowances and transport allowances are two sides of the same coin. Transport allowances are linked to basic salary via a percentage formula and thus update automatically as salaries increase, while car allowances are fixed amounts and therefore do not update automatically. This results in the transport allowances of lower-level employees increasing over time to match or surpass the levels of the car allowances of more senior employees, which is clearly not an optimal benefit design.
 - It is therefore clear that:
 - These allowances are historical features of PF's approach to pay and benefits;
 - There is no need to attempt to match this benefit with PF's peers;
 - It would be unwise to remove either car allowances or transport allowances, in particular the transport allowances which apply to the lower levels of employees;
 - There is a need to align the way car allowances and transport allowances are calculated: they should be consistent as either all fixed amounts or all percentage-based amounts. In line with the principle that allowances should ideally be linked to something which updates automatically over time, conversion to a percentage of basic salary is the preferred benefit design approach.

| Paterson | Current car allowance pa | Current car allowance as % of basic salary | Current transport allowance as % of basic salary |
|----------|--------------------------|--|--|
| D4 | 75 000 | 11.3% | 0.0% |
| D1 | 70 000 | 13.8% | 0.0% |
| C2 | 55 000 | 15.9% | 0.0% |
| C1 | | 0.0% | 15.0% |
| B5 | | 0.0% | 15.0% |
| B3 | | 0.0% | 10.0% |
| B3 | | 0.0% | 15.0% |
| A2 | | 0.0% | 10.0% |

- Car allowances average 15.1% of basic salary and 15% therefore represents a sound figure to use in calculating these.
- 6.6 Market benchmarking is always best done on a **guaranteed package** basis to provide the most inclusive snapshot. Comparisons of basic salaries can be extremely

misleading, since some organisations pay low salaries with high benefits, while the opposite is also found.

- 6.7 Guaranteed package is the total cost to the organisation of all guaranteed pay and benefits which includes guaranteed pay, guaranteed 13th cheques, benefits and organisation contributions to funds (eg medical aid, retirement funding, group life cover, disability insurance, travel allowances, education allowances, cellphone allowances, etc). However it excludes statutory contributions such as social security which is a statutory contribution. Statutory contributions are indeed relevant from an accounting point of view but not from a remuneration benchmarking point of view since they are excluded from market benchmark data (they are paid by the organisation but are not received, either directly or indirectly, by the individual). In any event, in PF's case these are small relative to employees' overall packages.
- 6.8 What is therefore important is to ensure that base pay levels are correct, so that the calculated total package figures per employee are market-related from a total cost of employment/ total package point of view.
- 6.9 It is of interest that in the South African public service context, while the percentages added to basic pay by benefits vary somewhat across the different job grades, the average is between 37% and 40% depending on the method of calculation, but the 37% figure is normally used as the benchmark when conducting analyses. Again this depends on base pay levels being correct to begin with..
- 6.10 While the benefits and allowance paid by peer organisations will be analysed below as required by the brief for this project, the more important comparisons to be made relate to the total package figures concerned. Thereafter it is easier to comment on the appropriateness or otherwise of PF's benefits.
- 6.11 An in-depth analysis of the Namibian data obtained from the PECS survey revealed that the differences between Windhoek all sectors data and Windhoek SOEs data is less than 1%, which indicates that the two can comfortably be used interchangeably. In effect, it is more correct to use the national (all sectors) data, because it has larger sample sizes, and the larger the sample size the more reliable the data:

7. ALLOWANCES AND BENEFITS OF PEER ORGANISATIONS

- 7.1 The purpose of is section is to consider other benefits not currently offered by PF which are provided by comparators and part of their reward packages.
- 7.2 Showing the various allowances and benefits in table format provides greater clarity and facilitates comparisons across the various organisations:

| Benefit/ Allowance | SADC PF | SADC | PAP | SACU | PECS Survey | Comments |
|----------------------------------|--|--|---|--|---|---|
| Cost of living allowance | 10% of basic salary | - | - | - | - | Should fall away once the revised pay scales are implemented |
| Post adjustment allowances | - | - | Paid to employees in Groups I, II and III as well as internationally- recruited employees in group IV. Amounts guided by indices established by UN International Civil Service Commission | - | - | This is part of the way that PAP run their pay scales: a common scale for all countries topped up by a specific percentage per country |
| Housing | SG: official residence or rent of R 29 292 pm. Other employees: a percentage of basic salary (30%, 25% and 20% depending on level) Note that the 30% applies to Director level, but the Director is currently receiving a housing allowance of 25% which is an anomaly | Housing provided for Treaty positions. Directors: housing allowance of US\$ 24,035 (R 355,718) pa (R 29,643 pm). Officers receive US\$ 21,505 (R 318,274) pa (R 26,523 pm) | Housing provided for Chairperson, Deputy Chairperson and heads of competent authorities. Employees in Groups I, II & III and internationally- recruited employees in group IV receive housing allowance. Locals in grades P4 to D1 receive 40% of housing allowance of internationally- recruited staff; locals in grades P1 to P3 receive 30% of these | Executive Secretary & Deputy Executive Secretary: fully furnished house. Other employees: 10% of basic salary | 38% of organisations provide housing assistance. Housing assistance, where given, ranges from 7.3% to 11.9% of basic salary and averages 10.3% | PF more or less in line with peers, except worse than SADC at senior levels below SG and worse than internationally- recruited staff in PAP |

| Utilities | SG: utilities bills paid in full; senior personnel receive fixed allowances, more junior personnel receive no benefit | Utilities paid for Treaty positions | Utilities paid for Chairperson, Deputy Chairperson and heads of competent authorities | Executive Secretary & Deputy Executive Secretary: free electricity, water, Wifi | Utilities paid for 9% of Executives and 2% of other staff | PF in line |
|--------------------------------|--|--|---|---|---|--|
| Domestic staff allowance | SG receives allowance of 5% of basic salary for domestic staff | | | | | PF better |
| Entertainment allowance | SG only: R 2,000 pm (R 24,000 pa) | Executive Secretary US\$ 1,200 pa (R 17,760 pa), Deputy Executive Secretary & Directors US\$ 600 pa (R 8,880 pa) | | | | PF better |
| Gratuity | 25% of basic salary is paid to all levels. For local junior staff: 12.5% to pension fund, 12.5% to 13 th cheque. Regional staff & local staff in managerial positions receive the 25% gratuity | 25% of basic salary | Pension plan for all employees in Groups I, II, III and IV | | 73% of employees covered by retirement funding arrangements; 27% of employees required to make their own retirement funding arrangements | PF worse (it is more or less in line in terms of percentage, but calculated on base salary which is low) |
| Company car | SG only (official vehicle). | Car and Chauffeur provided to Executive Secretary. Car only provided to Deputy Executive Secretary | | Executive Secretary: official vehicle & Chauffeur. Deputy Executive Secretary: official vehicle but no Chauffeur | Company car or car allowance. Chauffeurs provided to Executive level positions in 21% of organisations | PF more or less in line |
| Car allowance | Differing fixed annual amounts are paid to senior personnel | - | - | - | 20% of organisations have no car benefit at all at Executive level, and 32% have no car benefit at all at | PF better |

| | | | | | management | |
|--------------------------|---|---|---|--|---|---|
| Transport allowance | Junior technical assistant personnel: 15% of basic salary. All support personnel: 10% of basic salary | - | - | - | 32% of organisations provide lower- level staff with some kind of transport benefit | PF better |
| Medical aid cover | 80% of total medical aid contributions for all levels | 50/50 contributory scheme | All employees & dependants covered by free medical plan | 70% of total medical aid contributions | 70% of medical aid costs covered by employer | PF more or less in line on average |
| Education allowance | Percentage of basic salary (SG 20%, Director 15%, and all other employees 10%), paid to employees with children in school | US\$ 5,250 (R 77,700) per child per annum, for all regional staff only (up to a maximum of 4 children) | 75% of actual school fees per child below age of 21 | R 56,000 per child under the age of 24 years | 7% of Executives provided with educational assistance for dependants; this figure is 13% for other levels | PF better for 1 child, but worse for 2 children upwards |
| Cellphone allowance | SG: cellphone paid for by PF. Senior personnel R 900 pm, some others receive between R500 & R50 pm based on job need | | | | 75% of Executives/ top management provided with a cellphone benefit; 45% of other staff are | PF better |
| Residential telephone | SG: residential landline paid for by PF | | | Executive Secretary & Deputy Executive Secretary: free telephone | | PF more or less in line |
| Assignment allowance | Employees recruited from outside host country: 10% of basic salary | 10% of basic salary | Internationally- recruited employees in the General Staff category receive a non- resident allowance (NRA). Aimed at compensating for higher costs of living than in their host countries. Professional level employees do not receive. Eligible employees with | | - | PF more or less in line on average |

| | 1 | r | | I | r | |
|---------------------------------|--|--|---|---|--|-----------------------------|
| | | | dependants: US\$ 3,000 (R 44,400) pa. Eligible employees | | | |
| | | | without dependants: US\$ 2,400 | | | |
| | | | (R 35,520) pa. Up to a predefined limit, a | | | |
| Spouse allowance | | | employee's basic salary is paid to eligible spouses who are not | | | PF worse |
| Child allowance | | | A percentage of the employee's basic salary is paid for each child up to age of 21, up to a maximum of 4 children | | | PF worse |
| Security | SG provided with security guard. Other senior positions provided with alarm system & rapid response | Provided to Treaty positions | | Executive Secretary & Deputy Executive Secretary: security | 18% of executives provided with guards; 9% of other levels are. 18% of Executives provided with security systems; 4% of other levels are | PF better overall |
| Per diem rates | UN rates are used for all employees | | | | | |
| Social security | 50% of employee contributions is paid at all levels (in line with national legislation) | 50% of employee contributions paid at all levels | 50% of employee contributions paid at all levels | 50% of employee contributions paid at all levels | 50% of employee contributions paid at all levels | In line with legislation |
| Furniture limits per term | Differing fixed amounts, for the SG and Director levels only | | | | | |
| Group life cover | Provided: 2 x basic salary (also disability and dismemberment insurance) | Provided: up to 2x annual basic salary | Provided for employees at all levels | Provided for employees at all levels | No information available | PF worse |

| Relocation allowance | Provided | Provided | | 1 month's salary | Provided for 36% of Executives and 27% of other staff | PF in line |
|--|---|---|---|---|---|---|
| Settlement (settling-in) allowance | Interim accommodation of up to 7 days in a hotel; may be extended with approval | Up to 30 days in hotel for Treaty positions; 1 month gross salary for regional staff outside host country | Up to 30 days (called an Installation Allowance) of daily subsistence allowance (plus 50% of this allowance per dependant) | | | PF could be worse, depending on how readily approval for extensions are granted |
| Home leave travel | Every 2 years | Every 2 years | Employees and dependants: every 2 years | After every 2 years of continuous service | - | PF in line |
| School passage | Provided to regional staff (referred to as "education travel allowance") | Provided to regional staff | - | - | - | PF in line |
| Annual leave | SG 35 working days per annum, Directors 30, all other staff 25 days except very junior staff (Chauffeur, Cleaner) who receive 20 days (legal minimum) | 30 working days for all employees | 28 working days (internationally- recruited staff receive an additional 2 days) | Information not yet available | Averages: Top management 25 days, middle management 23 days, others 22 days | PF more or less in line overall |
| Performance bonuses | Not provided | Not provided | Not provided | All employees eligible for annual performance bonus of 3%-7% of annual basic salary | These add between 6% and 18% to basic salary; average 11% | PF worse |

- 7.3 On a benefit by benefit basis, PF is lower than **SADC** in the following areas:
 - Housing: at the SG level, PF is similar to SADC, but at levels below SADC's housing allowances are significantly higher than PF's.
 - Annual leave: below Director level, PF's annual leave days are lower than SADC's.
- 7.4 On a benefit by benefit basis, PF is worse than its **peers** (all organisations including SADC) in the following areas:
 - Spouse allowance (although this is only provided by PAP);
 - Child allowance (although this is only provided by PAP);
 - Performance bonuses (although this is only provided by SACU).

- 7.5 However, on a benefit by benefit basis, PF is better than its **peers** (all organisations including SADC) in the following areas:
 - Car allowance for Directors and Managers (no peers provide this benefit);
 - Transport allowance (paid to those who do not receive a car allowance): no peers provide this benefit);
 - Housing allowances, although lower than the Namibian market, are paid to all employees and do not terminate below the Senior Officer level (see table in paragraph 7.7 below);
 - Cellphone allowance (no peers provide this benefit).
- 7.6 Regarding the education allowances paid:
 - Comparisons are extremely difficult, because while PF uses an allowance based on a percentage of salary regardless of number of children, all the peer organisations use a "per child" approach;
 - The value of the benefit therefore depends on the number of children: in the peer organisations, the more children, the higher the total value of the benefit to the employee;
 - The situation is further complicated by the fact that SADC applies this benefit only to regional staff; there is no education benefit for local staff.
 - An analysis of annual school fees for the three schools likely to be used by regional staff for their children shows the following:

| | ST PAUL'S | | ST GEO | ST GEORGE'S | | INTERNATIONAL | | |
|--------|-----------------|----------------------|---------------------------------|-----------------|----------------------|-----------------|----------------------|---------------------------------|
| GRADE | NAM TAXPAYER | NAM NON- TAXPAYER | EXCESS FOR NON- TAXPAYERS | NAM TAXPAYER | NAM NON- TAXPAYER | NAM TAXPAYER | NAM NON- TAXPAYER | EXCESS FOR NON- TAXPAYERS |
| R | 61 600 | 107 800 | 75% | 57 623 | Not avail | 60 000 | 155 800 | 160% |
| 1 | 62 460 | 109 305 | 75% | 58 133 | Not avail | 70 000 | 155 800 | 123% |
| 2 | 62 460 | 109 305 | 75% | 58 133 | Not avail | 70 000 | 155 800 | 123% |
| 3 | 62 460 | 109 305 | 75% | 58 133 | Not avail | 70 000 | 172 600 | 147% |
| 4 | 62 460 | 109 305 | 75% | 58 133 | Not avail | 70 000 | 172 600 | 147% |
| 5 | 62 460 | 109 305 | 75% | 58 643 | Not avail | 70 000 | 172 600 | 147% |
| 6 | 62 460 | 109 305 | 75% | 58 643 | Not avail | 75 000 | 198 300 | 164% |
| 7 | 62 460 | 119 735 | 92% | 58 643 | Not avail | 75 000 | 198 300 | 164% |
| 8 | 74 370 | 130 148 | 75% | 79 783 | Not avail | 85 000 | 198 300 | 133% |
| 9 | 74 370 | 130 148 | 75% | 79 783 | Not avail | 95 000 | 219 100 | 131% |
| 10 | 77 190 | 135 083 | 75% | 82 120 | Not avail | 105 000 | 219 100 | 109% |
| 11 | 77 190 | 135 083 | 75% | 82 120 | Not avail | 115 000 | 241 800 | 110% |
| 12 | 84 090 | 147 158 | 75% | 82 120 | Not avail | 125 000 | 241 800 | 93% |
| AVE'S: | 68 156 | 120 076 | 76% | 67 078 | - | 83 462 | 192 454 | 135% |

• The averages of the above are:

| | AVERAGES | | | | | | | |
|----------|-----------------|----------------------|------------------------------|--|--|--|--|--|
| GRADE | NAM TAXPAYER | NAM NON- TAXPAYER | EXCESS FOR NON- TAXPAYERS | | | | | |
| R | 59 741 | 131 800 | 121% | | | | | |
| 1 | 63 531 | 132 553 | 109% | | | | | |
| 2 | 63 531 | 132 553 | 109% | | | | | |
| 3 | 63 531 | 140 953 | 122% | | | | | |
| 4 | 63 531 | 140 953 | 122% | | | | | |
| 5 | 63 701 | 140 953 | 121% | | | | | |
| 6 | 65 368 | 153 803 | 135% | | | | | |
| 7 | 65 368 | 159 018 | 143% | | | | | |
| 8 | 79 718 | 164 224 | 106% | | | | | |
| 9 | 83 051 | 174 624 | 110% | | | | | |
| 10 | 88 103 | 177 092 | 101% | | | | | |
| 11 | 91 437 | 188 442 | 106% | | | | | |
| 12 | 97 070 | 194 479 | 100% | | | | | |
| AVERAGE: | 72 898 | 156 265 | 116% | | | | | |

- In summary:
 - Regional staff, who are non-taxpayers, pay on average between R 107,800 and R 241,800 per child for education annually;
 - Regional staff pay between 75% and 164% more than local employees for their children's school fees (ie an average of 116% more than, ie more than double than, the school fees paid by local employees);
 - In the light of the above even the R 77,700 paid per child by SADC appears too low but would at least represent a minimum value to be provided for regional PF staff.
- 7.7 Regarding the housing allowances paid:
 - In the appropriate areas of Eros, Ludwigsdorf, Klein Windhoek, Kleine Kuppe and Auasblik, rentals for a "three-bedroomed plus" apartment/ stand-alone house with at least two bathrooms currently range from about N\$ 18,000 to N\$ 40,000 per month, or from N\$ 216,000 to N\$ 480,000 per annum.
 - An average of these figures is N\$ 29,000 pm, ie N\$ 348,000 pa.
 - The allowances currently paid to PF employees, which are based on percentages of basic salaries, are as follows:

| Patarson | An | nual | Monthly | | |
|---------------|------------------------|------------|-----------|-----------|--|
| Falerson | Notch 1 | Notch 6 | Notch 1 | Notch 6 | |
| E3 (SG) | 351 504.00 | 351 504.00 | 29 292.00 | 29 292.00 | |
| D4 (Director) | 138 435.00 | 152 085.00 | 11 536.25 | 12 673.75 | |
| D1 | 114 507.50 | 122 565.00 | 9 542.29 | 10 213.75 | |
| C4 | 72 605.00 | 84 692.50 | 6 050.42 | 7 057.71 | |
| C2 | C2 57 455.00 69 540.00 | | 4 787.92 | 5 795.00 | |
| C1 | 33 346.00 | 50 630.00 | 2 778.83 | 4 219.17 | |
| B5 | 28 504.00 | 41 982.00 | 2 375.33 | 3 498.50 | |
| B4 | 23 188.00 | 34 982.00 | 1 932.33 | 2 915.17 | |
| B3 | 16 824.00 | 25 996.00 | 1 402.00 | 2 166.33 | |
| B2 | 13 341.00 | 22 552.00 | 1 11 1.75 | 1 879.33 | |
| A3 | 8 212.00 | 14 202.00 | 684.33 | 1 183.50 | |

- The R 29,292 pm for the SG is the housing allowance figure applicable to 2010 and has not been reviewed since. It is not particularly relevant in this case since the SG is provided with a house, but it is clear that setting a fixed allowance without updating it in the interim is not the ideal way of managing allowance figures.
- All the above allowances are relatively low. However looking at the levels which are likely to be regional appointments, ie C4 upwards, appropriate monthly amounts would be more as follows:

| Paterson | Realistic Monthly Housing Allowance | Realistic Annual Housing Allowance |
|------------------------|--|---------------------------------------|
| E3 (SG) | 40 000 | 480 000 |
| D4 (Director) | 30 000 | 360 000 |
| D1 (Programme Manager) | 24 000 | 288 000 |
| C2 (Languages Officer) | 18 000 | 216 000 |

7.8 Therefore, overall, PF's benefit structure is more or less in line with that of its peers (better in some areas, worse in others, but overall fairly similar). The issue is then the quantum of these benefits.

8. MARKET BENCHMARKING

- 8.1 In order to compare pay and benefits, it is necessary to use a common platform and to ensure that "like is compared with like" (commonly known as "comparing apples with apples").
- 8.2 The most useful platform is Paterson subgrades and total guaranteed packages.
- 8.3 The technical issues dealt with in arriving at Paterson subgrades for peer organisations and total package amounts are covered in a separate document entitled *Grade Conversion and Package Calculation Approaches* which has been lodged with the SG.
- 8.4 A comparison of PF' total packages with those of the Namibian survey data is as follows (note that a compa ratio of 100 is in line with the benchmark, while the range of 80 to 120 of is deemed to be within acceptable limits):

| Paterson Subgrade | NAMIBIAN MARKET TGP | | | SADC PF NOTCH 1 TGP vs NAMIBIAN MARKET TGP | | | SADC PF NOTCH 6 TGP vs NAMIBIAN MARKET TGP | | |
|----------------------|---------------------|-----------|-------------------|--|--|--|--|--|--|
| | Lower Quartile | Median | Upper Quartile | Compa ratio: Notch 1 vs Lower quartile | Compa ratio: Notch 1 vs Median | Compa ratio: Notch 1 vs Upper quartile | Compa ratio: Notch 6 vs Lower quartile | Compa ratio: Notch 6 vs Median | Compa ratio: Notch 6 vs Upper quartile |
| E3 | 1 595 781 | 1 877 390 | 2 234 094 | 110 | 94 | 79 | 121 | 103 | 86 |
| E2 | 1 450 710 | 1 706 718 | 1 996 860 | 98 | 84 | 71 | 109 | 93 | 79 |
| E1 | 1 318 827 | 1 551 562 | 1 799 811 | 93 | 79 | 68 | 103 | 88 | 76 |
| D5 | 1 246 719 | 1 385 323 | 1 671 150 | 82 | 74 | 61 | 92 | 82 | 68 |
| D4 | 981 745 | 1 135 003 | 1 389 913 | 98 | 85 | 69 | 107 | 92 | 75 |
| D3 | 887 756 | 1 090 533 | 1 346 776 | 108 | 88 | 71 | 116 | 95 | 77 |
| D2 | 860 799 | 974 608 | 1 195 001 | 110 | 98 | 80 | 118 | 105 | 85 |
| D1 | 731 140 | 887 859 | 987 891 | 129 | 106 | 96 | 137 | 113 | 102 |
| C5 | 569 661 | 676 377 | 770 010 | 143 | 120 | 106 | 156 | 131 | 115 |
| C4 | 554 307 | 623 078 | 728 491 | 123 | 110 | 94 | 139 | 124 | 106 |
| С3 | 476 017 | 557 795 | 639 708 | 116 | 99 | 87 | 138 | 118 | 103 |
| C2 | 427 673 | 526 806 | 608 575 | 99 | 80 | 70 | 127 | 103 | 89 |
| C1 | 378 572 | 423 102 | 505 730 | 75 | 67 | 56 | 113 | 101 | 84 |
| B5 | 339 065 | 380 796 | 438 520 | 83 | 74 | 64 | 83 | 74 | 64 |
| B4 | 266 868 | 326 530 | 384 238 | 85 | 70 | 59 | 95 | 77 | 66 |
| B3 | 248 635 | 297 128 | 352 627 | 71 | 59 | 50 | 91 | 76 | 64 |
| B2 | 208 190 | 255 600 | 288 050 | 68 | 56 | 49 | 92 | 75 | 67 |
| B1 | 178 740 | 210 137 | 237 097 | 61 | 52 | 46 | 89 | 75 | 67 |
| A3 | 162 984 | 195 100 | 221 085 | 46 | 39 | 34 | 77 | 64 | 57 |
| A2 | 126 772 | 159 965 | 176 381 | | | | | | |
| A1 | 102 322 | 121 575 | 147 610 | | | | | | |
| AVERAGES: | | | | 95 | 81 | 69 | 111 | 94 | 81 |

- 8.5 In summary:
 - PF's notch 1 median averages 19% below the Namibian median;
 - PF's notch 6 median still averages 6% below the Namibian median (put differently, after 6 years in their positions and receiving notch-based increases in each of those years, the total packages of PF employees have been below the total package benchmarks of their host country for all 6 of these years and remain below these benchmarks, merely to a lesser extent).
- 8.6 While total guaranteed package is the most important analysis, the first analysis conducted on the peer group was on notch 1 basic salaries. On this basis, PF compares **extremely** poorly to its peers: it averages **40%** of its peers (ie it is overall 60% below its peers) as shown in the table below. Note that it was necessary to fill in the gaps in each organisation's paylines by interpolating values where these organisations do not have positions at those grades.

| Paterson | PF BASIC SALARIES NOTCH 1 | SADC BASIC SALARIES NOTCH 1 | PAP BASIC SALARIES NOTCH 1 | SACU BASIC SALARIES NOTCH 1 | AVERAGE OF SADC, PAP & SACU BASIC SALARIES NOTCH 1 | SADC PF NOTCH 1 BASIC SALARIES COMPARED TO AVERAGE OF PEERS NOTCH 1 BASIC SALARIES |
|----------|------------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|---|---|
| A1 | | 27 602 | 43 722 | 75 313 | 48 879 | - |
| A2 | | 42 846 | 73 762 | 85 886 | 67 498 | - |
| A3 | 41 060 | 75 939 | 127 204 | 120 251 | 107 798 | 38% |
| B1 | 62 770 | 99 589 | 186 768 | 133 723 | 140 027 | 45% |
| B2 | 70 640 | 112 080 | 246 176 | 147 783 | 168 680 | 42% |
| B3 | 84 120 | 158 715 | 327 925 | 170 374 | 219 005 | 38% |
| B4 | 115 940 | 285 107 | 377 419 | 195 130 | 285 885 | 41% |
| B5 | 142 520 | 456 684 | 457 795 | 226 795 | 380 424 | 37% |
| C1 | 166 730 | 460 783 | 563 022 | 258 459 | 427 421 | 39% |
| C2 | 229 820 | 552 839 | 673 297 | 268 299 | 498 145 | 46% |
| C3 | 260 120 | 603 973 | 814 298 | 431 692 | 616 654 | 42% |
| C4 | 290 420 | 665 364 | 976 345 | 521 634 | 721 114 | 40% |
| C5 | 374 225 | 696 044 | 1 118 382 | 588 402 | 800 943 | 47% |
| D1 | 458 030 | 726 724 | 1 225 563 | 756 918 | 903 068 | 51% |
| D2 | 459 170 | 732 141 | 1 332 744 | 879 273 | 981 386 | 47% |
| D3 | 460 310 | 790 808 | 1 456 014 | 1 061 344 | 1 102 722 | 42% |
| D4 | 461 450 | 849 476 | 1 579 283 | 1 142 028 | 1 190 262 | 39% |
| D5 | 535 390 | 895 496 | 1 687 972 | 1 396 390 | 1 326 619 | 40% |
| E1 | 561 177 | 941 517 | 1 796 661 | 2 520 000 | 1 752 726 | 32% |
| E2 | 586 963 | 956 864 | 1 905 350 | 2 940 000 | 1 934 072 | 30% |
| E3 | 612 750 | 972 212 | 2 014 039 | 3 360 000 | 2 115 417 | 29% |
| AVERAGE: | | | | | | 40% |

8.7 Graphically, the above table can be shown as follows:



- 8.8 PF's notch 1 basic salaries at an average of 40% of the peer group's are so low that it does not even make sense to refer to PF's pay as percentiles of the peer group. For example:
 - The 10th percentile of the market is typically 75% of the median;
 - The 25th percentile, or first quartile, is typically 85% of the median;
 - The 50th percentile, or second quartile, is 100% of the median (ie they are one and the same);
 - The 75th percentile, or third quartile is typically 115% of the median, and
 - The 90th percentile is typically 125% of the median.

Note that actual market pay varies slightly from the above benchmarks (eg the 75% is sometimes 76%, sometimes 73%, etc) but the percentages shown above represent consistent accepted benchmarks to use in market analysis.

It is therefore abundantly clear that PF's notch 1 basic salary levels, which average 40% of its peers, are <u>significantly</u> below even the 10th percentile of the peer group's notch 1 basic salaries.

An outline of percentiles is attached as Annexure 1.

- 8.9 However, it is important from an all-inclusive perspective to take the value of benefits added to base pay, so an analysis of total guaranteed package (ie including benefits) is necessary.
- 8.10 Again, PF's total packages compare nearly as poorly with the peer group as when the notch 1 basic salaries alone are analysed: it averages **53%** of its peers:

| Paterson | SADC PF TGP | SADC TGP | PAP LOCAL TGP | PAP INTER- NATIONAL TGP | SACU TGP | AVERAGE OF SADC, PAP LOCAL, PAP INTER- NATIONAL & SACU TGPs | SADC PF NOTCH 1 TGPs COMPARED TO AVERAGE OF PEERS NOTCH 1 TGPs |
|----------|----------------|-------------|---------------------|-------------------------------|-------------|--|---|
| A1 | | 88 083 | 50 280 | 50 280 | 215 932 | 101 144 | |
| A2 | | 107 138 | 84 827 | 84 827 | 230 523 | 126 829 | |
| A3 | 75 535 | 148 504 | 146 285 | 146 285 | 277 946 | 179 755 | 42% |
| B1 | 109 026 | 178 067 | 214 783 | 214 783 | 296 538 | 226 043 | 48% |
| B2 | 142 517 | 193 681 | 283 103 | 283 103 | 315 941 | 268 957 | 53% |
| B3 | 176 009 | 251 975 | 377 113 | 377 113 | 347 116 | 338 329 | 52% |
| B4 | 228 101 | 409 965 | 434 032 | 434 032 | 381 279 | 414 827 | 55% |
| B5 | 280 193 | 624 435 | 526 464 | 526 464 | 424 976 | 525 585 | 53% |
| C1 | 284 599 | 717 294 | 647 475 | 647 475 | 468 673 | 620 229 | 46% |
| C2 | 422 999 | 832 364 | 885 769 | 1 145 883 | 482 253 | 836 567 | 51% |
| C3 | 553 525 | 1 430 353 | 1 047 920 | 1 308 035 | 543 692 | 1 082 500 | 51% |
| C4 | 684 050 | 1 513 230 | 1 234 274 | 1 494 389 | 633 634 | 1 218 882 | 56% |
| C5 | 814 576 | 1 554 649 | 1 453 356 | 1 704 181 | 700 402 | 1 353 147 | 60% |
| D1 | 945 102 | 1 596 067 | 1 585 904 | 1 850 664 | 868 918 | 1 475 388 | 64% |
| D2 | 950 773 | 1 648 135 | 1 718 452 | 1 997 146 | 991 273 | 1 588 752 | 60% |
| D3 | 956 443 | 1 746 058 | 1 860 212 | 2 138 906 | 1 173 344 | 1 729 630 | 55% |
| D4 | 962 114 | 1 843 980 | 2 001 972 | 2 280 666 | 1 254 028 | 1 845 162 | 52% |
| D5 | 1 027 542 | 1 855 756 | 2 126 964 | 2 405 659 | 1 508 390 | 1 974 192 | 52% |
| E1 | 1 227 312 | 1 867 533 | 2 251 957 | 2 530 651 | 3 167 046 | 2 454 297 | 50% |
| E2 | 1 427 082 | 1 986 613 | 2 376 949 | 2 655 644 | 3 611 636 | 2 657 710 | 54% |
| E3 | 1 761 194 | 2 105 693 | 2 501 942 | 2 780 636 | 4 056 226 | 2 861 124 | 62% |
| AVERAGE | : | | | | | | 53% |



8.12 The issue then arises regarding the impact of notch sizes. Effectively it is possible, depending on notch sizes, that notch increases over a period of time may substantially affect the total guaranteed package amounts. For this reason a comparison was made of the total guaranteed packages of the organisations at the **notch 6** level. This level was chosen as the highest common denominator (the maximum number of notches is 14 but the minimum is 6). On this basis PF compares just as poorly as when the notch 1 total guaranteed packages are analysed: it averages **54%** of its peers:

| Paterson | SADC PF | SADC | PAP LOCAL | PAP INTER- NATIONAL | SACU | AVERAGE OF SADC, PAP LOCAL, PAP INTER- NATIONAL & SACU | SADC PF NOTCH 6 COMPARED TO AVERAGE OF PEERS NOTCH 6 |
|----------|-----------|-----------|--------------|------------------------|-----------|---|---|
| A1 | | 131 817 | 72 607 | 72 607 | 240 148 | 129 295 | |
| A2 | | 163 582 | 135 434 | 135 434 | 258 145 | 173 149 | |
| A3 | 124 953 | 225 316 | 199 914 | 199 914 | 316 615 | 235 440 | 53% |
| B1 | 158 444 | 271 640 | 281 763 | 281 763 | 339 546 | 293 678 | 54% |
| B2 | 191 935 | 293 914 | 365 712 | 365 712 | 363 458 | 347 199 | 55% |
| B3 | 225 426 | 376 683 | 478 685 | 478 685 | 401 905 | 433 990 | 52% |
| B4 | 252 810 | 570 323 | 547 898 | 547 898 | 444 033 | 527 538 | 48% |
| B5 | 280 193 | 739 431 | 658 192 | 658 192 | 497 912 | 638 432 | 44% |
| C1 | 427 192 | 832 290 | 805 995 | 805 995 | 551 791 | 749 018 | 57% |
| C2 | 541 610 | 947 360 | 1 001 124 | 1 261 238 | 568 530 | 944 563 | 57% |
| C3 | 657 389 | 1 513 190 | 1 180 630 | 1 440 745 | 669 903 | 1 201 117 | 55% |
| C4 | 773 169 | 1 596 067 | 1 386 751 | 1 646 865 | 786 135 | 1 353 955 | 57% |
| C5 | 888 948 | 1 637 486 | 1 628 784 | 1 879 610 | 872 420 | 1 504 575 | 59% |
| D1 | 1 004 727 | 1 678 904 | 1 774 476 | 2 039 235 | 1 090 206 | 1 645 705 | 61% |
| D2 | 1 018 581 | 1 765 138 | 1 920 167 | 2 198 861 | 1 248 334 | 1 783 125 | 57% |
| D3 | 1 032 435 | 1 866 657 | 2 077 049 | 2 355 744 | 1 483 634 | 1 945 771 | 53% |
| D4 | 1 046 289 | 1 968 176 | 2 233 932 | 2 512 626 | 1 587 898 | 2 075 658 | 50% |
| D5 | 1 142 826 | 1 979 952 | 2 372 261 | 2 650 955 | 1 916 631 | 2 229 950 | 51% |
| E1 | 1 362 649 | 1 991 728 | 2 510 590 | 2 789 284 | 4 062 711 | 2 838 578 | 48% |
| E2 | 1 582 473 | 2 173 026 | 2 648 919 | 2 927 613 | 4 525 869 | 3 068 857 | 52% |
| E3 | 1 925 584 | 2 354 324 | 2 787 248 | 3 065 942 | 4 989 027 | 3 299 135 | 58% |
| AVERAGE: | | | | | | | 54% |

- 8.13 PF's average total guaranteed package of 54% compared to its peers is far below the accepted lower end of the 80% 120% range, where 100% is the ideal (ie in line with the market benchmark).
- 8.14 There is little point is producing a graph of the notch 6 total packages since the relativities are so similar to those shown in the graph of notch 1 total packages.
- 8.15 The following is clear from the above analyses:

- There is a reasonably-high degree of consistency in the paylines of all organisations, although SACU's top two positions are significantly above the others;
- The PF total guaranteed package payline is substantially below those of its peers to varying degrees at all levels, regardless of whether comparisons are made on a notch 1 or notch 6 basis, (the highest common denominator of the four organisations concerned) and the differential increases with increasing job levels.
- This means that although PF has some benefits (eg car allowances and transport allowances) which are not found in the peer organisations, the total value of these benefits on top of the basic salaries paid is still substantially lower than the total guaranteed packages of the peer organisations.
- PF's notch 1 basic salaries, notch 1 packages and notch 6 packages are all below the averages of its peer group to varying degrees, at all levels, and the differentials (gaps) increase with increasing job levels in PF.
- In summary: on a notch 1 comparison basis, PF's packages are 53% of the peer group averages and the picture is almost identical at the notch 6 comparison level, at 54% of the peer group averages.

9. TOTAL REMUNERATION STATEMENTS

- 9.1 Research has shown that it is not employees who receive the highest levels of pay and benefits who are the most satisfied with their packages, but rather those where their employer has done the most effective job of communicating those pay and benefits to their employees.
- 9.2 It is therefore wise for an employer to produce total package statements per employee on a regular basis so that employees are clear on what their pay and benefit levels really are. This assists in retaining employees who might otherwise be misled by prospective employers regarding the proposed overall "employee value proposition", should they move to the new employer.
- 9.3 Examples of such total package statements are attached as separate Excel files:
 - Unisa (two examples: one for employees on salary plus benefits and the other for employees on total package);
 - Reckitt Benckiser;
 - Nestle;
 - Dairymaid (now Froneri Sofroneri);
 - Sefako Makgatho Health Sciences University (formerly Medunsa).
- 9.4 It can be seen from an examination of these tools that it is important to spell out both the financial and non-financial elements to employees. Hidden sheets in these tools contain tax rules and tax calculations, the various schemes and permutations of the medical aid schemes in place, calculations for numbers of child and adult dependants, lookup tables covering various allowances, etc.
- 9.5 As well as being highly specific to each employee, these total package statements are highly organisation specific. Experience has shown that if they are too generic, employees see them as irrelevant to their own personal situation and an insincere attempt to influence their thinking. Each tool therefore has an input area and either one or two output areas: the total package statement and (if needed) a draft/ "dummy" payslip. The first output is typically used to outline the overall value to the employee of working for the specific organisation, while the second output is typically used in the recruitment process, ie "If you join us, this is what your payslip will look like".
- 9.6 Developing these tools is relatively time-consuming (normally between 20 and 30 hours of work) and therefore expensive, but they are normally seen by organisations as being well worth the effort in terms of the value they add to employees (or potential employees).

10. SALARY AND BENEFITS STRUCTURE CONSIDERATIONS

- 10.1 There are two general types of approaches to providing salaries and benefits:
 - Basic salary plus benefits;
 - Total package.
- 10.2 The first approach commences with a Basic Salary figure and adds separate benefits, summing to a total cost of employment figure (also called Total Package, Total Guaranteed Package or Total Cost to Company), but with no flexibility in the choice of benefits.
- 10.3 The second approach commences with a Total Package figure and the employee has some flexibility in allocating portions of it to various benefits. Under this scenario the monthly "cash" figure (the take-home pay component) is not a pre-defined figure but is rather is the amount remaining after portions of the total package figure have been allocated to benefits. Obviously the less is allocated to benefits, the more remains to be taken as cash. In the total package approach the organisation's responsibility shifts from providing a competitive salary, a competitive medical aid benefit, a competitive retirement funding benefit, etc, etc to providing a competitive single figure called a total package.
- 10.4 There are advantages and disadvantages to both the employer and the employee in both approaches.
- 10.5 Advantages to the organisation of total package:
 - The organisation has to manage one set of package ranges and one total package figure per employee rather than a set of basic salary ranges and multiple benefits;
 - It facilitates the accurate comparison of the offering to employees as well as overall market benchmarking;
 - Fairness: in terms of the "equal pay for equal work" principle, two employees who have very different numbers of dependants can receive very different levels of benefit when it comes to the organisation's contribution to medical aids for example. So even if they have the same basic salary, one employee is being disadvantaged and another advantaged in terms of total cost to company. This is out of line with the spirit of the equal pay principle.
- 10.6 Disadvantages to the organisation of total package:
 - Employee package flexibility can increase the administrative load;
 - Human nature! Employees who are on total package do not see the various allowances which they used to receive and feel exploited/ disadvantaged as a result, leading to employee pressure to reinstate various benefits/ allowances on top of the total package figure which already took those allowances/ benefits into account. I have personally witnessed several conversations along the lines of "My company doesn't provide me with x, y or z benefits, they just give me a total package and I am therefore being disadvantaged" (whereas in reality the total amount of the salary plus benefits concerned is significantly lower than the single total package figure). In no cases anywhere have I seen the individuals concerned calculate the total package figure for the "salary plus benefits" recipient in order to make a realistic comparison; the assumption is consistently made that the employee on total package is being disadvantaged.

- Note also that the strike by Namibia Institute of Pathology employees (in early 2012 if I remember correctly) was because their housing allowances specifically were lower than those of other Tier 2 SOEs which participated in a survey conducted in late 2011, **despite** the **total** packages of the NIP employees being **significantly** higher than those in the other SOEs.
- 10.7 Advantages to the employee of total package:
 - The main advantage is flexibility: individual employees are able to structure their packages to a greater extent (ie tailor their package to their own specific needs/ situations rather than being subjected to a "one size fits all" approach) than in a salary plus benefits structure. Typically, core benefits such as minimum contributions to retirement funding are defined by the organisation (say a minimum of 5% of pensionable salary) but employees can then allocate up to a maximum percentage of their packages (say 25%) to retirement funding (note that it is important to ensure that the rules of the retirement funding vehicle chosen allow this flexibility);
 - Depending on the tax rules applicable, there is sometimes the opportunity for employees to pay less tax because of the way they have structured their total package amount.
- 10.8 Disadvantages to the employee of total package:
 - If the annual inflation of benefit costs (eg medical aid) is higher than the annual package increase given, the employee may end up with less take-home pay after allocating the appropriate portion of their package to that benefit;
 - Employees with benefits which are driven by individual circumstances (eg number of dependants/ children) feel disadvantaged because those particular circumstances are not taken into account. For example, education allowances for employees' children: employees with no children will have higher disposable income than those with large numbers of children, each of whom would receive some sort of subsidy/ recognition by the employer in the salary plus benefits scenario, but do not in the total package scenario;
 - It is more difficult to understand than the salary plus benefits approach, and for this reason it is often found that more senior positions are paid via a total package approach and more junior/ union-level positions are paid via a salary plus benefits approach.

11. FLEXIBLE BENEFITS

- 11.1 The whole idea behind flexible benefits is that the organisation has certain benefits in which it requires employees to participate or to which it requires employees to contribute, and employees have a degree of choice as to the level of those benefits so that their individual package compositions are more tailored to their individual circumstances and needs rather than being forced into a uniform "one size fits all" approach.
- 11.2 Typically, employees required to belong to for example the organisation's pension scheme/ provident fund who would normally be required to contribute say 7.5% of their salary to such a fund are then given the choice to contribute differing amounts, within certain parameters defined by the company. For example, between 5% and 25% of their base pay in the case of retirement funding amounts.
- 11.3 In the PF situation:
 - PF runs its pay and benefits very much on a separate basis and not on a total package basis.
 - PF has so many allowances which are paid as cash that there is already an extremely high degree of employee choice as to what to **actually** do with those allowances in practice. While the allowances have specific "labels" (eg car allowance, cellphone allowance, education allowance, gratuity, etc) attached to them, in most cases it is in reality the employee's decision as to what they are actually spent on (as a simple example, savings on cellphone expenditure could be used to supplement the "education allowance" to assist in covering education costs).
 - An additional complication is that some allowances are job-dependent (eg cellphone allowance for chauffeur) or situation-dependent (eg relocation allowance, interim accommodation, passage & baggage allowance) and would have to be run outside (ie in addition to) the total package in any case.
- 11.4 For PF to fully implement the flexible benefits approach, it would be necessary to convert to total package first, and as can be seen in paragraph 10.3 above, there is little additional benefit to PF to convert to a total package (and therefore flexible benefits) approach.

12. VARIABLE PAY

- 12.1 The formula to be remembered is: GP + VP = TP: Total pay is arrived at by adding guaranteed pay and variable pay.
- 12.2 The non-guaranteed part of the pay package is referred to by various terms, including variable pay, performance bonuses, incentive bonuses, etc.
- 12.3 A significant amount of research has been carried out on the effects of variable pay on employee performance. There are some interesting findings:
 - A properly-designed performance bonus scheme can result in significant improvements in overall employee performance and therefore overall organisation performance (the top 10% of employees perform well regardless of variable pay, the bottom 20% perform poorly whether unwilling or unable to improve their performance, but the majority of employees ie the remaining 70% show a significant improvement in performance);
 - Organisations with low base pay and high variable pay are the best performing;
 - Schemes should be self-funding (ie the monies paid should be allocated from the additional income/ savings generated by employees instead of being an additional drain on the organisation's budget);
 - For variable pay systems to actually make a difference to employee behaviour, they must have the **potential** to add 15% or more to the employee's base pay;
 - Any variable pay schemes absolutely **cannot** be subject to management discretion; they need to be transactional in nature: "If you deliver X, we will pay you Y".
 - Schemes where there is management discretion, or where the bonus amounts payable can be overridden by management, are doomed to failure and actually lead to employee demotivation and a reduction in employee (and therefore organisation) performance, rather than an improvement.
- 12.4 While it would be desirable to recommend a performance bonus scheme for PF, the number of factors mitigating against it (ie the number of criteria spelt out above which would be difficult if not impossible to meet) are considered to be too high and as a result a performance bonus scheme as such is not being recommended.
- 12.5 It is of course desirable to recognise and reward performance in some way, if the organisation is interested in promoting high levels of employee performance. The use of an additional 0.5 notch or full notch of increase in basic pay is the preferred recommendation for achieving this in the PF context.

13. SALARY AND BENEFITS DESIGN CONSIDERATIONS

- 13.1 There is a multitude of considerations here, and some of them compete with each other (ie are mutually exclusive). Steering a path through these issues is a little like finding one's way through a minefield.
- 13.2 The purpose of a salary and benefits design is to support the organisation's strategic and operational objectives. What are these?
- 13.3 Is there a need to match the benefits, or lack thereof, of peer organisations? In cases where a peer organisation has a certain benefit, or a better level of the same type of benefit (eg housing allowances) but does not have others which PF does, is it necessary to attempt to match the peer organisation's benefit or should it simply be viewed in an overall context (ie some better, some worse, but overall similar)? It is important to consider the **overall** offering here, and avoid indulging in "cherry picking" (ie to look at only those elements which suit one's point of view).
- 13.4 Another example would be that PAP employees are paid in US dollars; does that mean that PF should attempt to be paid in US dollars?
- 13.5 What action should be taken when there are clearly unusual practices taking place in peer organisations, or indeed in one's own organisation? Does one mirror those practices in order to be "aligned", or does one recommend something more defensible? The extremely large notch sizes at the lower job levels spring to mind here.
- 13.6 How much deviation would SADC or other members tolerate from their own pay and benefits approaches? It is clear that there are several inconsistencies in the peer organisations.
- 13.7 This relates quite strongly to PF's appetite for change. If the desired outcome of the exercise is to make only small adjustments, it is difficult to recommend a more professional approach to pay scale design. An approach where pay scales are overhauled rather than slightly adjusted is a very different approach.
- 13.8 What levels of salaries and benefits are deemed to be affordable to the funders of PF? There are many examples of organisations who position themselves either below or above market averages, depending on their levels of funding/ financing.
- 13.9 A pay structure should be built on a sound foundation. The most useful foundation is job grades. This assists in answering the question "If an employee moves from **this** job to **that** job, is it a promotion (a move to a job of a higher level of complexity), a transfer (a move to a job of a similar level of complexity), or a demotion (a move to a job of a lower level of complexity)?"
- 13.10 Each job grade should have its own pay scale.
- 13.11 Each pay scale should provide for pay progression (a means of moving up through the pay scale, over time). In the private sector, this is typically based on performance and there are no notches. In fact there are no guaranteed increases year upon year, unless negotiated with unions, so a low-performing individual receiving zero increases actually moves backwards relative to the market over time (a powerful incentive to either improve their performance or leave the organisation). In the public sector, this is mostly

based on length of service via the notch system, with accelerated movement based on high performance. In other words, in the public sector there are effectively guaranteed increases unless the employee's performance is extremely poor.

- 13.12 The sizes of notches send a strong message. In PF's case (as well as many of its peers) many of the notches are extremely high, particularly at the lower job levels. This sends the message that length of service is **extremely** important to PF and these other organisations. The important question here is: Is this the message which PF wishes to convey via its pay system? A related question is: If length of service is indeed so important, why place a cap/ ceiling on notch increases by only having a total of seven notches, ie seven years of service in PF's case? This does not appear to make sense.
- 13.13 Regardless of the sizes of notches, a notch increase should be dependent on at least a satisfactory performance rating, which is the case in most or the peer organisations.
- 13.14 An outline of **overall best practice** regarding pay is as follows:
 - The organisation's jobs are graded;
 - Pay scales are initially properly researched and designed in order to create a sound pay foundation;
 - Pay scales are based on total costs of employment (total guaranteed package);
 - Pay scales are adjusted **annually** by **market movements** (not the inflation rate, although in practice there is some correlation between the two);
 - Employees receive **no** guaranteed increases;
 - Employees whose performance is rated as satisfactory (3 on a 5-point scale) receive a market-related increase;
 - Employees whose performance is rated as significantly above average and who are below the benchmarks to a greater extent receive higher increases, while employees whose performance is below average and who are above the market benchmarks to a greater extent receive lower increases;
 - The effect of this approach is that:
 - Employees who perform poorly slide backwards relative to the market over time and have an incentive to either improve their performance or leave the organisation;
 - Employees who perform in line with expectations remain in line with the market over time;
 - Employees who perform well improve their position relative to the market over time;
 - > There is overall progress towards achieving the "equal pay for work of equal value" principle.
 - There is a (self-funding) performance bonus scheme in place.
- 13.15 However, we are not dealing with a private sector organisation here and the practice of using notches in non-private sector organisations is common, including in PF's peer organisations. Under these circumstances a **practical** approach to dealing with pay requires adjustments to the "best practice" approach outlined above and is as follows:
 - The organisation's jobs are graded;
 - Pay scales are initially properly researched and designed in order to create a sound pay foundation;
 - Pay scales are adjusted **annually**, **ie every year**, by the previous year's official **inflation** rate (unless the organisation exists in a very low inflation environment, which is not the case, annual salary reviews are essential);

- Consistent notches are created (this is definitely not the case in PF at present);
- Employees receive inflation-related pay increases at salary review time, and in addition a small (2%) notch increase based on length of service (this sends the message that the organisation is pleased that the employee is still employed with them and wishes to acknowledge this in their pay, but not to reward them to such an extent that simply arriving at work year after year, and perhaps even doing the bare minimum, is unduly rewarding);
- Regarding notch sizes, note that in PAP for example, notch sizes for the top positions are 2.73%;
- Notch increases are dependent on at least a satisfactory performance rating;
- Employees whose performance is rated as significantly above average on the organisation's approved performance management system, which contains signoffs, checks and balances, receive an additional notch increase after an approval process. The effect of this approach is that:
 - Employees who perform satisfactorily (ie in line with expectations) very slowly improve their positioning relative to the market year on year;
 - Employees who perform well improve their position relative to the market slightly more quickly over time.
- Allowances are automatically updated by being linked to something else which updates automatically. Failure to do so means a large amount of unnecessary work on each allowance annually, in order to ensure that they are is kept up to date. Provided that salaries are increased annually by the official inflation rate, plus small notch increases, and allowances are linked to the new salaries, the mechanism for updating allowances is covered. If pay scales are not updated annually, it is necessary to updates allowances separately, typically using the official inflation rate. Note that failure to update allowances are aimed increase in price through inflation, the allowances paid do not, and this is not best practice.
- 13.16 Note that using the official inflation figure supplemented by notch increases of say 2% is not unduly inflationary on the organisation's salary and benefits costs. This is because analysis shows that actual annual market increases in Namibia have on average been 1.5% above the annual inflation rate for the past 5 years (in South Africa this figure quite consistently averages 1% over the past 23 years):

| Year | Actual percentage increases in basic salary | Annual Namibian inflation rate % | Percentage increase above inflation rate |
|---------------------------|--|--|--|
| 2014 | 7.3% | 6.3% | 1.0% |
| 2015 | 6.9% | 4.7% | 2.2% |
| 2016 | 6.3% | 6.0% | 0.3% |
| 2017 | 6.5% | 4.6% | 1.9% |
| 2018 | 6.4% | 4.3% | 2.1% |
| 2019 | | 3.7% | |
| Average excluding 2019 | 6.7% | 5.2% | 1.5% |

13.17 Therefore, with an inflation rate of 3.7% for 2019, the percentage salary increase for Namibia for 2020 is estimated at 5.2%.

- 13.18 However, if PF were to use market movements (rather than the official inflation rate) to update its pay scales then still add its **current** levels of notch increases to these, the effect would be that over time, PF would move further and further ahead of the market. It is assumed that PF would wish to remain more closely aligned with the market rather than moving significantly ahead of it, in order to prevent criticism from the countries funding it (possibly followed by restrictions in PF's funding levels). This means that taking into consideration that average increases have been 1.5% above the inflation rate, the approach should be considered that cost of living adjustments based on Namibian inflation rates are made to pay scales every year (and of course to employees' basic salaries), with an additional service-based notch of 2% and in cases of high performance an additional 2% notch. In this way, individuals' salaries keep fairly close to market movements while those with higher performance levels gradually increase their pay relative to the market-related benchmarks for their positions. This approach takes cost of living adjustments, employee performance/ development in their role, as well as pay progression into account.
- 13.19 Regarding the degree of equality/ egalitarianism in benefits, there is always the issue of whether the organisation wishes to differentiate between different levels of employees on benefits or to treat all employees similarly. The issue of annual leave springs to mind here: the number of leave days per annum is differentiated in PF but not in SADC or PAP.
- 13.20 A further issue is whether regional appointees should be treated differently from locallyrecruited one, and for what reasons. Note that PF as well as the peer organisations typically recruit locally up to jobs at the Paterson C1/ C2 level and internationally for jobs at the Paterson C2/ C3 level upwards, so these differentials are taken into account in the analysis of Pf and peer organisations' packages.
- 13.21 There is also the benefit design issue of "stand-alone" allowances (eg PF's current car allowances), or linked allowances (as with many PF benefits currently linked to basic salary).
- 13.22 It is essential to remember that while the proposed PF pay scales start at a higher level for lower-level employees, they increase (much) more slowly than they do at present, due to the **much** smaller notches (**a standard notch size of 2% is proposed**).
- 13.23 Realistically, there is only one practical approach to rectifying the pay and benefits structure of PF:
 - Remove the cost of living allowances;
 - Convert those car allowances which are currently fixed amounts to percentage-based amounts;
 - Otherwise, leave the current set of benefits as is;
 - Apply basic salary scales which, when benefits are added, produce the same total guaranteed packages as the averages of the peer organisations' total packages. Note that because PF has some benefits which its peer organisations do not have, it is not appropriate to mirror the basic salaries of the peer group.
- 13.24 The **notch 6** average **total guaranteed packages** of the **peer group**, for the 2020-21 pay year, are as follows:

| PATERSON SUBGRADE | <u>NOTCH 6</u> PEER TGP AVERAGES |
|----------------------|----------------------------------|
| E3 | 3 299 135 |
| E2 | 3 068 857 |
| E1 | 2 838 578 |
| D5 | 2 229 950 |
| D4 | 2 075 658 |
| D3 | 1 945 771 |
| D2 | 1 783 125 |
| D1 | 1 645 705 |
| C5 | 1 504 575 |
| C4 | 1 353 955 |
| С3 | 1 201 117 |
| C2 | 944 563 |
| C1 | 749 018 |
| B5 | 638 432 |
| B4 | 527 538 |
| B3 | 433 990 |
| B2 | 347 199 |
| B1 | 293 678 |
| A3 | 235 440 |
| A2 | 173 149 |
| A1 | 129 295 |

13.25 In order to match these, the **notch 1** equivalents for PF on **total guaranteed packages** (2020-2021 pay year) are as follows:

| PATERSON SUBGRADE | NOTCH 1 PEER TGP AVERAGES |
|-------------------|---------------------------|
| E3 | 2 861 124 |
| E2 | 2 657 710 |
| E1 | 2 454 297 |
| D5 | 1 974 192 |
| D4 | 1 845 162 |
| D3 | 1 729 630 |
| D2 | 1 588 752 |
| D1 | 1 475 388 |
| C5 | 1 353 147 |
| C4 | 1 218 882 |
| С3 | 1 082 500 |
| C2 | 836 567 |
| C1 | 620 229 |
| В5 | 525 585 |
| B4 | 414 827 |
| B3 | 338 329 |
| B2 | 268 957 |
| B1 | 226 043 |
| A3 | 179 755 |
| A2 | 126 829 |
| A1 | 101 144 |

| PATERSON SUBGRADE | NOTCH 1 PF BASIC SALARY |
|-------------------|-------------------------|
| E3 | 1 460 274 |
| E2 | 1 334 360 |
| E1 | 1 230 075 |
| D5 | 978 921 |
| D4 | 907 256 |
| D3 | 874 254 |
| D2 | 796 721 |
| D1 | 731 213 |
| C5 | 681 880 |
| C4 | 608 139 |
| С3 | 533 312 |
| C2 | 441 666 |
| C1 | 353 883 |
| B5 | 309 427 |
| B4 | 250 344 |
| B3 | 200 343 |
| B2 | 154 263 |
| B1 | 125 748 |
| A3 | 108 222 |
| A2 | 75 034 |
| A1 | 51 670 |

13.26 Further, in order to match these, the **notch 1** equivalents on **basic annual salary** for <u>**PF**</u> (2020-2021 pay year) are as follows:

13.27 In addition to the annual updating of the salary scales by the inflation rate, notch increments of 2% would be added to these figures for each year of service up to the highest notch, which is proposed to be notch 12.

14. **RECOMMENDATIONS**

- 14.1 In considering which recommendations to make, the following elements have been taken into account:
 - The pay levels of the peer organisations (and national Namibian data);
 - The fact that PF's pay scales are clearly in desperate need of redesign;
 - The benefits provided by peer organisations (and national Namibian data).
- 14.2 The fundamental issue involved in making recommendations in PF's case revolves around the inconsistencies in its notch system: effectively any analysis of the current structure consists of "chasing a moving target", depending on the number of years' service of a particular individual at a particular point in time.
- 14.3 However it is clear from the analysis conducted that:
 - The base/ starting point of PF's pay notches needs attention;
 - The numbers of notches in PF's pay structure need attention;
 - The sizes of the notches need attention;
 - The inconsistencies in notch sizes across the grades need attention;
 - Market packages have to be taken into account;
 - Some benefits appear to be in need of review, while most appear reasonable;
 - Salary review processes need to be revised.
- 14.4 Recommendation 1: **ensure that job grades are accurate** (these are the foundation for any proper pay structure and are absolutely crucial: if these are incorrect the basic salary notches and all of the allowances linked to basic salary will also be incorrect).
- 14.5 Recommendation 2: retain the current approach to pay and benefits of basic pay plus benefits rather than converting to total package.
- 14.6 Recommendation 3: maintain pay scales for every Paterson subgrade, to cater for any jobs which may be added to PF's structure in future or any changes to the gradings of existing jobs.
- 14.7 Recommendation 4: target the average total guaranteed packages of the peer group of organisations to establish the basic salaries which in the PF benefits structure would produce the same total guaranteed package outcomes. The notch 1 basic salary benchmarks proposed for PF, for the 2020-21 pay year, are then as follows:

| PATERSON SUBGRADE | NOTCH 1 PF BASIC SALARY |
|-------------------|-------------------------|
| E3 | 1 460 274 |
| E2 | 1 334 360 |
| E1 | 1 230 075 |
| D5 | 978 921 |
| D4 | 907 256 |
| D3 | 874 254 |
| D2 | 796 721 |
| D1 | 731 213 |
| C5 | 681 880 |
| C4 | 608 139 |
| C3 | 533 312 |
| C2 | 441 666 |
| C1 | 353 883 |
| B5 | 309 427 |
| B4 | 250 344 |
| B3 | 200 343 |
| B2 | 154 263 |
| B1 | 125 748 |
| A3 | 108 222 |
| A2 | 75 034 |
| A1 | 51 670 |

Applying the official 2020 Namibian inflation rate of 2.2667% to these figures results in a set of revised notch 1 benchmarks for the **2021-22** pay year as follows:

| PATERSON SUBGRADE | NOTCH 1 PF BASIC SALARY |
|-------------------|-------------------------|
| E3 | 1 493 373.28 |
| E2 | 1 364 605.38 |
| E1 | 1 257 956.44 |
| D5 | 1 001 109.85 |
| D4 | 927 820.42 |
| D3 | 894 070.38 |
| D2 | 814 779.53 |
| D1 | 747 786.70 |
| С5 | 697 335.83 |
| C4 | 621 922.98 |
| С3 | 545 400.09 |
| C2 | 451 677.19 |
| C1 | 361 904.27 |
| В5 | 316 440.21 |
| B4 | 256 018.69 |
| B3 | 204 884.53 |
| B2 | 157 759.36 |
| B1 | 128 597.97 |
| A3 | 110 675.04 |
| A2 | 76 735.27 |
| A1 | 52 841.05 |

14.8 Recommendation 5: implement a 12-notch system for all grades in PF. Note that:

- The peer organisations have 7, 10 and 14 notches respectively;
- The spread from the bottom to the top notch of 24.3% is still less than those in the peer organisations, while being more in line with best practice (which is 25%);
- With the notch sizes being proposed (see the following recommendation), 7 years (or less if there are adjustments for high performance) is a short period over which to apply small notch increases;
- Reaching the notch ceiling quickly can be demotivating to employees.
- 14.9 Recommendation 6: use a consistent notch size of 2% which is added to the previous notch.

Applying a 12-notch structure to the notch 1 benchmarks shown above results in the following set of pay scales for the 2021-22 pay year:

| PATERSON SUBGRADES | NOTCH 1 | NOTCH 2 | NOTCH 3 | NOTCH 4 | NOTCH 5 | NOTCH 6 |
|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| E3 | 1 493 373.28 | 1 523 240.75 | 1 553 705.57 | 1 584 779.68 | 1 616 475.27 | 1 648 804.78 |
| E2 | 1 364 605.38 | 1 391 897.49 | 1 419 735.44 | 1 448 130.15 | 1 477 092.75 | 1 506 634.61 |
| E1 | 1 257 956.44 | 1 283 115.57 | 1 308 777.88 | 1 334 953.44 | 1 361 652.51 | 1 388 885.56 |
| D5 | 1 001 109.85 | 1 021 132.05 | 1 041 554.69 | 1 062 385.78 | 1 083 633.50 | 1 105 306.17 |
| D4 | 927 820.42 | 946 376.83 | 965 304.37 | 984 610.46 | 1 004 302.67 | 1 024 388.72 |
| D3 | 894 070.38 | 911 951.79 | 930 190.83 | 948 794.65 | 967 770.54 | 987 125.95 |
| D2 | 814 779.53 | 831 075.12 | 847 696.62 | 864 650.55 | 881 943.56 | 899 582.43 |
| D1 | 747 786.70 | 762 742.43 | 777 997.28 | 793 557.23 | 809 428.37 | 825 616.94 |
| C5 | 697 335.83 | 711 282.55 | 725 508.20 | 740 018.36 | 754 818.73 | 769 915.10 |
| C4 | 621 922.98 | 634 361.44 | 647 048.67 | 659 989.64 | 673 189.43 | 686 653.22 |
| C3 | 545 400.09 | 556 308.09 | 567 434.25 | 578 782.94 | 590 358.60 | 602 165.77 |
| C2 | 451 677.19 | 460 710.73 | 469 924.94 | 479 323.44 | 488 909.91 | 498 688.11 |
| C1 | 361 904.27 | 369 142.36 | 376 525.21 | 384 055.71 | 391 736.82 | 399 571.56 |
| B5 | 316 440.21 | 322 769.01 | 329 224.39 | 335 808.88 | 342 525.06 | 349 375.56 |
| B4 | 256 018.69 | 261 139.06 | 266 361.84 | 271 689.08 | 277 122.86 | 282 665.32 |
| B3 | 204 884.53 | 208 982.22 | 213 161.86 | 217 425.10 | 221 773.60 | 226 209.07 |
| B2 | 157 759.36 | 160 914.55 | 164 132.84 | 167 415.50 | 170 763.81 | 174 179.09 |
| B1 | 128 597.97 | 131 169.93 | 133 793.33 | 136 469.20 | 139 198.58 | 141 982.55 |
| A3 | 110 675.04 | 112 888.54 | 115 146.31 | 117 449.24 | 119 798.22 | 122 194.18 |
| A2 | 76 735.27 | 78 269.98 | 79 835.38 | 81 432.09 | 83 060.73 | 84 721.94 |
| A1 | 52 841.05 | 53 897.87 | 54 975.83 | 56 075.35 | 57 196.86 | 58 340.80 |

| (Continued) | : | | | | | |
|-----------------------|--------------|--------------|--------------|--------------|--------------|-----------------------|
| PATERSON SUBGRADES | NOTCH 7 | NOTCH 8 | NOTCH 9 | NOTCH 10 | NOTCH 11 | NOTCH 12 |
| E3 | 1 681 780.88 | 1 715 416.50 | 1 749 724.83 | 1 784 719.33 | 1 820 413.72 | 1 856 821.99 |
| E2 | 1 536 767.30 | 1 567 502.65 | 1 598 852.70 | 1 630 829.75 | 1 663 446.35 | 1 696 715.28 |
| E1 | 1 416 663.27 | 1 444 996.54 | 1 473 896.47 | 1 503 374.40 | 1 533 441.89 | 1 564 110.73 |
| D5 | 1 127 412.29 | 1 149 960.54 | 1 172 959.75 | 1 196 418.95 | 1 220 347.33 | 1 244 754.28 |
| D4 | 1 044 876.49 | 1 065 774.02 | 1 087 089.50 | 1 108 831.29 | 1 131 007.92 | 1 153 628.08 |
| D3 | 1 006 868.47 | 1 027 005.84 | 1 047 545.96 | 1 068 496.88 | 1 089 866.82 | 1 111 664.16 |
| D2 | 917 574.08 | 935 925.56 | 954 644.07 | 973 736.95 | 993 211.69 | 1 013 075.92 |
| D1 | 842 129.28 | 858 971.87 | 876 151.31 | 893 674.34 | 911 547.83 | 929 778.79 |
| C5 | 785 313.40 | 801 019.67 | 817 040.06 | 833 380.86 | 850 048.48 | 867 049.45 |
| C4 | 700 386.28 | 714 394.01 | 728 681.89 | 743 255.53 | 758 120.64 | 773 283.05 |
| C3 | 614 209.09 | 626 493.27 | 639 023.14 | 651 803.60 | 664 839.67 | 678 136.46 |
| C2 | 508 661.87 | 518 835.11 | 529 211.81 | 539 796.05 | 550 591.97 | 561 603.81 |
| C1 | 407 562.99 | 415 714.25 | 424 028.54 | 432 509.11 | 441 159.29 | 449 982.48 |
| B5 | 356 363.07 | 363 490.33 | 370 760.14 | 378 175.34 | 385 738.85 | 393 453.63 |
| B4 | 288 318.63 | 294 085.00 | 299 966.70 | 305 966.03 | 312 085.35 | 318 327.06 |
| B3 | 230 733.25 | 235 347.92 | 240 054.88 | 244 855.98 | 249 753.10 | 254 748.16 |
| B2 | 177 662.67 | 181 215.92 | 184 840.24 | 188 537.04 | 192 307.78 | 196 153.94 |
| B1 | 144 822.20 | 147 718.64 | 150 673.01 | 153 686.47 | 156 760.20 | 159 895.40 |
| A3 | 124 638.06 | 127 130.82 | 129 673.44 | 132 266.91 | 134 912.25 | 137 610.50 |
| A2 | 86 416.38 | 88 144.71 | 89 907.60 | 91 705.75 | 93 539.87 | 95 410.67 |
| A1 | 59 507.62 | 60 697.77 | 61 911.73 | 63 149.96 | 64 412.96 | 65 701.2 ² |

- 14.10 Recommendation 7: update pay scales annually by the official Namibian inflation rate of the previous year (this requires an amendment to PF's Admin Rules which state that a salary review exercise should be conducted at least every 4 years and take into account cost of living increases).
- 14.11 Recommendation 8: update employees' basic salaries by the official annual Namibian inflation rate of the previous calendar year, plus:
 - Zero notch increase for poor/ unacceptable performance (2.9 and below on PF's 5-point scale);
 - 1 notch increase for acceptable performance (meeting agreed expectations: 3.0 3.7 on PF's 5-point scale);
 - 1.5 notch increases for those whose performance is rated as above expectations (3.8 – 4.5 on PF's 5-point scale);
 - 2 notch increases for those who are rated as outstanding performers (significantly above expectations: 4.6 5.0 on PF's 5-point scale).
- 14.12 Recommendation 9: remove the current cost of living allowance at the time of implementing the new pay scales, but check that no individual employee's basic salary is lower after implementing the new pay scales.
- 14.13 Recommendation 10: in implementing the new pay scales, any employee who is not exactly on a notch is to be moved up to the next notch (this is not particularly financially onerous, since in terms of the new notch structure the maximum amount by which a salary will need to be increased to meet this requirement will always be less than 2%).
- 14.14 Recommendation 11: in implementing the new pay scales, any employee whose current basic salary is above the correct new notch should receive a top-up allowance, handled separately in the payroll in a similar way to the current cost of living allowances, which are not taken into account when calculating other allowances. This will prevent undue inflation of the salary bill.

- 14.15 Recommendation 12: monitoring should continue on such employees' top-up amounts so that they are adjusted when notch increases take place and therefore decrease over time, until the employee's basic salary and notch align over time, or the employee leaves PF.
- 14.16 Recommendation 13: once an employee reaches the ceiling for their grade, they may receive the inflation increase annually but no further notch increases.
- 14.17 Recommendation 14: to facilitate the appropriate management of pay and benefits, classify employees in the present format but further refined by Paterson gradings, as follows:

| Current grouping | Job Titles | Paterson | Proposed grouping |
|-------------------------------------|---|----------|--|
| Professional Personnel | Secretary General | E3 | Professional personnel E Band |
| Professional Personnel | Director | D4 | Professional personnel D Upper (D4, D5) |
| Professional Personnel | Programme Manager | D1 | Professional personnel D Lower (D1, D2, D3) |
| Professional Personnel | Senior Programme Officer | C4 | Professional personnel C Upper (C4, C5) |
| Technical Assistant Personnel | Languages Officer, Programme Officer | C2 | Technical Assistant personnel C Lower (C1, C2, C3) |
| Technical Assistant Personnel | Accountant, Executive Assistant, Interpreter | C2 | Technical Assistant personnel C Lower (C1, C2, C3) |
| Technical Assistant Personnel | Assistant Accountant, Personal Assistant, ICT Officer | C1 | Technical Assistant personnel C Lower (C1, C2, C3) |
| Technical Assistant Personnel | Senior Secretary | B5 | Technical Assistant personnel B Upper (B4, B5) |
| Technical Assistant Personnel | Secretary | B4 | Technical Assistant personnel B Upper (B4, B5) |
| Support Personnel | Receptionist | B3 | Technical Assistant personnel B Lower and A (A1, A2, A3, B1, B2, B3) |
| Support Personnel | Chauffeur | B3 | Technical Assistant personnel B Lower and A (A1, A2, A3, B1, B2, B3) |
| Support Personnel | Driver | B2 | Technical Assistant personnel B Lower and A (A1, A2, A3, B1, B2, B3) |
| Support Personnel | Office Orderly | B2 | Technical Assistant personnel B Lower and A (A1, A2, A3, B1, B2, B3) |
| Support Personnel | Domestic Worker, Gardener | A3 | Technical Assistant personnel B Lower and A (A1, A2, A3, B1, B2, B3) |

- 14.18 Recommendation 15: retain the structure of the following allowances, and current practices, as at present:
 - Utilities allowance
 - Entertainment allowance
 - Gratuity
 - Company car (SG's)
 - Housing for SG, housing allowance for senior personnel

- Transport allowance
- Medical aid cover
- Cellphone allowance (although the SG's should be unlimited as it is for the heads of peer group organisations)
- SG's residential telephone (although this should be unlimited as it is for the heads of peer group organisations)
- Assignment allowance
- Data allowance
- Security
- Group life cover
- Disability cover
- Relocation allowance
- Settlement (settling-in) allowance
- Home leave travel
- 14.19 Recommendation 16: remove the misalignment between the way car allowances and transport allowances are currently handled by **converting those car allowances which are currently fixed amounts to percentage-based amounts** when applying the new pay scales and continue with these as percentages thereafter.
- 14.20 Recommendation 17: remove the SG's domestic staff allowance and employ the individual as a PF employee.
- 14.21 Recommendation 18: employ a gardener on PF payroll to maintain premises including purchase of implements and provide with chemicals required, alternatively employ gardening service through procurement process including supply of swimming pool cleaning chemicals.
- 14.22 Recommendation 19: once approved, implement the new regime for all employees immediately (ie do not attempt to execute a phased implementation, as this is extremely difficult to achieve accurately).
- 14.23 Recommendation 20: if it is not possible to implement the proposals immediately, the notch 1 basic salary benchmarks, and therefore the notches based on these, should be updated by the official annual Namibian inflation rates of the previous calendar years in the intervening period between the 2021-22 pay year and the date of implementation, to ensure that the scales are up to date at the time of implementation.

15. EFFECT OF IMPLEMENTATION OF PROPOSED PAY SCALES

- 15.1 The proposed pay scales start at a higher level for lower-level employees than at present, but increase (much) more slowly than they do at present, due to the much smaller notches.
- 15.2 The proposed scales make sense only if they are updated annually by inflation; if this is not done the notch increases are too small. Note that the notch sizes of PF's peers vary from 1.3% to 21.1%:
 - PAP: 2.24% 13.77%;
 - SADC: 1.30% 21.1%;
 - SACU: 5.00% 6.27% (and this is on top of adjusting pay scales for inflation, so the total percentage per year is say 3.7% plus 5% = 8.7%!).

It can be seen that annual notch increases of 2% alone are not sufficient. If the proposed scales are not updated annually by inflation, it will be necessary to use notches of at least 5%. However, using this approach is a "blunt instrument" and should ideally be avoided.

15.3 The fact that each grade will have 12 notches instead of the present 7 means that it takes the employee up to 12 years to reach their pay ceiling instead of up to 7 years.

16. COMPARISONS OF PACKAGES

16.1 The comparisons of notch 6 data are shown below: firstly the peer group averages, then the proposals for PF, then PF's current structure.

| PATERSON | PEER GROUP NOTCH 6 AVERAGES | | | PF NOTCH 6 PROPOSED | | | PF NOTCH 6 CURRENT | | |
|--|--------------------------------|-----------|-----------|---------------------|-----------|-----------|--------------------|-----------|-----------|
| | BASIC | BENEFITS | TGP | BASIC | BENEFITS | TGP | BASIC | BENEFITS | TGP |
| E3 (Secretary General) | 2 082 720 | 1 216 415 | 3 299 135 | 1 612 260 | 1 686 875 | 3 299 135 | 709 450 | 1 216 134 | 1 925 584 |
| E2 | 1 919 412 | 1 149 445 | 3 068 857 | 1 473 241 | 1 595 616 | 3 068 857 | 658 825 | 923 648 | 1 582 473 |
| E1 | 1 756 104 | 1 082 475 | 2 838 578 | 1 358 102 | 1 480 476 | 2 838 578 | 608 200 | 754 449 | 1 362 649 |
| D5 | 1 303 532 | 926 418 | 2 229 950 | 1 080 808 | 1 149 142 | 2 229 950 | 557 575 | 585 251 | 1 142 826 |
| D4 (Director) | 1 171 536 | 904 122 | 2 075 658 | 1 001 684 | 1 073 974 | 2 075 658 | 506 950 | 539 339 | 1 046 289 |
| D3 | 1 086 691 | 859 079 | 1 945 771 | 965 247 | 980 524 | 1 945 771 | 501 387 | 531 048 | 1 032 435 |
| D2 | 969 088 | 814 037 | 1 783 125 | 879 644 | 903 481 | 1 783 125 | 495 823 | 522 758 | 1 018 581 |
| D3 (Programme Manager) | 884 101 | 761 604 | 1 645 705 | 807 318 | 838 388 | 1 645 705 | 490 260 | 514 467 | 1 004 727 |
| C5 | 784 210 | 720 365 | 1 504 575 | 752 850 | 751 725 | 1 504 575 | 430 035 | 458 913 | 888 948 |
| C4 | 703 378 | 650 576 | 1 353 955 | 671 434 | 682 521 | 1 353 955 | 379 410 | 393 759 | 773 169 |
| C3 | 601 891 | 599 226 | 1 201 117 | 588 819 | 612 298 | 1 201 117 | 328 785 | 328 604 | 657 389 |
| C2 (Languages Officer, Accountant, Administrative Officer, ICT Officer) | 494 263 | 450 300 | 944 563 | 487 635 | 456 928 | 944 563 | 278 160 | 263 450 | 541 610 |
| C1 (PA to SG) | 444 905 | 304 112 | 749 018 | 390 715 | 358 302 | 749 018 | 253 150 | 174 042 | 427 192 |
| B5 (Assistant Accountant) | 392 719 | 245 713 | 638 432 | 341 632 | 296 800 | 638 432 | 166 730 | 113 463 | 280 193 |
| B4 | 318 124 | 209 415 | 527 538 | 276 400 | 251 138 | 527 538 | 148 355 | 104 455 | 252 810 |
| B3 (Chauffeur Secretary/ Receptionist) | 252 229 | 181 761 | 433 990 | 221 195 | 212 794 | 433 990 | 129 980 | 95 446 | 225 426 |
| B2 | 197 089 | 150 110 | 347 199 | 170 319 | 176 881 | 347 199 | 110 323 | 81 612 | 191 935 |
| B1 | 164 846 | 128 832 | 293 678 | 138 836 | 154 843 | 293 678 | 90 667 | 67 777 | 158 444 |
| A3 (Cleaner) | 128 561 | 106 879 | 235 440 | 119 486 | 115 954 | 235 440 | 71 010 | 53 943 | 124 953 |
| A2 | 87 255 | 85 893 | 173 149 | 82 844 | 90 304 | 173 149 | | | |
| A1 | 60 086 | 69 209 | 129 295 | 57 048 | 72 247 | 129 295 | | | |

- 16.2 The figures shown in red reflect the thrust of the exercise, which is to match PF's total guaranteed packages with the average total guaranteed packages of the peer group (at the notch which is the highest common denominator for the peer group, which is 6 notches, in order to counter the effect of variable notch sizes within and between the peer group members).
- 16.3 The figures shown in green indicate that at present PF does not have positions at these levels, but as indicated in the recommendations, pay scales should be created for all grades in order to facilitate pay management should new positions be added or existing positions be regraded.
- 16.4 Since no two benefit structures are the same, it was necessary to calculate basic salaries per grade and apply PF's benefit structure on top of these in order to match the total guaranteed packages of its peers.
- 16.5 It can be seen that the relative proportions of basic salaries and total benefits vary between PF and its peers, as well as between different levels of PF and different levels of its peers.
- 16.6 The notch 6 data was then reduced back to the notch 1 level, taking into account the proposed notch size of 2% and the comparisons of notch 1 data are shown below: firstly the peer group averages, then the proposals for PF, then PF's current structure.

| DATERCON | PEER GROUP NOTCH 1 AVERAGES | | | PF NOTCH 1 PROPOSED | | | PF NOTCH 1 CURRENT | | |
|--|-----------------------------|-----------|-----------|---------------------|-----------|-----------|--------------------|-----------|-----------|
| FATERSON | BASIC | BENEFITS | TGP | BASIC | BENEFITS | TGP | BASIC | BENEFITS | TGP |
| E3 (Secretary General) | 1 724 467 | 1 136 657 | 2 861 124 | 1 460 274 | 1 595 683 | 3 055 957 | 612 750 | 1 148 444 | 1 761 194 |
| F2 | 1 581 016 | 1 076 695 | 2 657 710 | 1 334 360 | 1 456 734 | 2 791 094 | 574 925 | 852 157 | 1 427 082 |
| F1 | 1 437 564 | 1 016 732 | 2 454 296 | 1 230 075 | 1 352 449 | 2 582 524 | 537 100 | 690 212 | 1 227 312 |
| D5 | 1 110 542 | 863 650 | 1 974 192 | 978 921 | 1 052 349 | 2 031 270 | 499 275 | 528 267 | 1 027 542 |
| D4 (Director) | 1 000 832 | 844 329 | 1 845 162 | 907 256 | 984 268 | 1 891 574 | 461 450 | 500 664 | 962 114 |
| | 926 737 | 802 893 | 1 729 630 | 874 254 | 898 630 | 1 772 884 | 460 310 | 496 133 | 956 443 |
| D2 | 827 294 | 761 457 | 1 588 752 | 796 721 | 828 850 | 1 625 571 | 459 170 | 491 603 | 950 773 |
| D3 (Programme Manager) | 761 217 | 714 171 | 1 475 388 | 731 213 | 769 893 | 1 501 105 | 458 030 | 487 072 | 945 102 |
| C5 | 677 284 | 675 863 | 1 353 147 | 681 880 | 691 400 | 1 373 279 | 322 265 | 492 311 | 814 576 |
| C4 | 607 687 | 611 195 | 1 218 882 | 608 139 | 628 719 | 1 236 858 | 284 440 | 399 610 | 684 050 |
| C3 | 518 247 | 564 253 | 1 082 500 | 533 312 | 565 117 | 1 098 428 | 246 615 | 306 910 | 553 525 |
| C2 (Languages Officer, Accountant, Administrative Officer, ICT Officer) | 419 710 | 416 857 | 836 567 | 441 666 | 442 451 | 884 117 | 208 790 | 214 209 | 422 999 |
| C1 (PA to SG) | 359 117 | 261 113 | 620 230 | 353 883 | 332 520 | 686 403 | 166 730 | 117 869 | 284 599 |
| B5 (Assistant Accountant) | 316 664 | 208 921 | 525 585 | 309 427 | 274 256 | 583 683 | 166 730 | 113 463 | 280 193 |
| B4 | 240 256 | 174 571 | 414 827 | 250 344 | 232 899 | 483 243 | 133 380 | 94 721 | 228 101 |
| B3 (Chauffeur Secretary/ Receptionist | 186 707 | 151 623 | 338 329 | 200 343 | 198 498 | 398 841 | 100 030 | 75 979 | 176 009 |
| B2 | 143 366 | 125 591 | 268 957 | 154 263 | 165 642 | 319 904 | 80 373 | 62 144 | 142 517 |
| B1 | 117 808 | 108 235 | 226 043 | 125 748 | 145 681 | 271 429 | 60 717 | 48 310 | 109 026 |
| A3 (Cleaner) | 89 559 | 90 197 | 179 755 | 108 222 | 108 069 | 216 291 | 41 060 | 34 475 | 75 535 |
| A2 | 55 674 | 71 155 | 126 829 | 75 034 | 84 838 | 159 872 | | | |
| A1 | 39 653 | 61 491 | 101 144 | 51 670 | 68 483 | 120 152 | | | |

- 16.7 The proposed total guaranteed packages at notch 1 are slightly higher (on average 8%) than those in the peer group, but it should be remembered that:
 - There is a seventh notch in SADC above the notch 6 level;
 - There are another eight notches above notch 6 in SACU;

- The notch sizes proposed for PF are conservative at 2%, so that pay increases year on year are muted;
- The **current** notch sizes of PF are between 1.66% and 14.6% (average 6.1%).
- The notch sizes of the peer group organisations are on average significantly higher than PF's proposed notch size of 2%:
 - PAP: between 2.24% and 13.77% (average 4.8%);
 - SADC: between 1.30% and 21.1% (average 6.3%);
 - > SACU: between 5.00% and 6.27% (average 6.2%).

ANNEXURE 1: AN OUTLINE OF PERCENTILES AND COMPAR RATIOS

Percentiles:

Percentiles are a useful technique for showing benchmark market information or the position of a particular individual or group of employees against the market.

Percentiles are similar to percentages, but the intervals between one and the next are not necessarily equal.

Imagine a row of 100 people who are all doing the same job lined up from lowest-paid to highestpaid. The lowest-paid person would be on the 1st percentile of the market and the highest-paid would be on the 100th percentile.

The 25th percentile is that amount paid to the 25th person in the 1 to 100 ranking (24 out of 100 people in the market are paid lower than this figure and 75 of 100 are paid higher). Similar logic applies to the other benchmark percentiles.

Quartiles

Quartiles are also used in the market benchmarking context.

The first quartile, normally referred to as the lower quartile, is the 25th percentile;

The second quartile is almost never referred to as such but rather as the median or 50th percentile; The third quartile, normally referred to as the upper quartile, is the 75th percentile.

Compar ratios:

In pay terms, it is useful to refer to compar ratios, also called comparative ratios, compa ratios and rem (remuneration) ratios.

A compar ratio of 100 indicates being 100% in line with a particular benchmark.

A compar ratio of 80 indicates being at the level of 80% of the particular benchmark, ie 20% below it.

A compar ratio of 120 indicates being at the level of 120% of the particular benchmark, ie 20% above it.

General standard practice is to accept compar ratios of between 80 and 120 as the acceptable range of variation in pay, while figures below 80 and above 120 are regarded as problem areas in need of special attention.

ANNEXURE 2: AN OUTLINE OF THE PATERSON GRADING SYSTEM

A brief overview of Paterson **bands** (the broadest level of job grading) is shown in the following table:

| Paterson Band | Description | Typical Activities | Typical Jobs |
|------------------|--|---|--|
| А | Low-skilled jobs | Limited, specific decisions | Cleaner, Tea Maker, Filing Clerk (basic filing) (full-time training period of hours to days) |
| В | Semi-skilled jobs | Decisions of a general nature | Driver, Secretary, Clerk, Senior Clerk, Call Centre Operators, Customer Support staff (full-time training period of weeks to months) |
| С | Skilled & specialist jobs; junior management | Work within standards laid down | Artisan, Technologist, Teacher, Analyst Programmer, Junior Management (full-time training period of a year to several years) |
| D | Middle management & senior specialist jobs | Interpret programme, apply resources to achieve planning. | Department Managers, Project Managers, Company Medical Consultants, function managers. |
| E | Senior management | Long-term planning in major functions | Group Heads, General Managers. |
| F | Top management | Strategic direction and policy creation | CEO and Main Board Directors. |

Each **band** (apart from A) is divided into two **grades**: an Upper and a Lower. Typically, jobs in a Lower grade (eg C Lower) are supervised/managed by jobs which are at least in an Upper grade (eg C Upper).

The Lower grades are divided into three (eg B1, B2 and B3), while the Upper grades are divided into two (eg B4 and B5).

The A band has 3 **subgrades** (A1 to A3) while the other grades all have 5 subgrades each (B1 to B5, C1 to C5, etc).

The reason the A band does not have an "Upper" grade, and therefore 5 subgrades in total, is that there is no supervisory level in the A Band: supervisory jobs by definition cannot be classified as low-skilled.