Human Resources Management: Policy on Remuneration and Performance Management

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HEMIS classification	
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The essence of the policy

Establish policy regarding the governance of remuneration and related aspects.

1. The University's philosophy regarding remuneration

In order to ensure that the remuneration system of Stellenbosch University (SU) as a whole has integrity and is legitimate, the development and implementation of related policies, programmes, practices and decisions are guided by the core remuneration principles set out in SU's remuneration philosophy. This philosophy consists of principles, values and points of departure about remuneration within the University. The remuneration *philosophy* determines the remuneration strategy and is of a more permanent nature, while the remuneration *strategy* and *aims* change according to amendments to the University's business plan. The context that will set the course for the foreseeable future (2015 to 2030) is SU's Institutional Intent and Strategy, of which Vision 2030 and the institution's aspirational business model in particular are relevant to this policy.

1.1 The aim of SU's ***remuneration philosophy***:

- to communicate *commitments and expectations regarding remuneration* reiteratively to staff;
- to strengthen SU's *institutional culture and core value*s;
- to focus and facilitate SU's *implementation plan* regarding remuneration;
- to describe how SU manages remuneration at organisational level to achieve *fairness and consistency*; and
- to serve as criterion for evaluating the implementation of SU's *remuneration policy and strategy*.

1.2 SU's **remuneration strategy** is based on the following eight core principles:

1.2.1 Transparent communication

All information necessary to take considered decisions about remuneration must be communicated clearly as well as reiteratively without compromising the confidentiality of staff members' personal remuneration details. This will produce decisions of sound quality, promote openness and honesty, and ensure that staff take ownership and accountability.

1.2.2 Non-discriminatory practices

All policy guidelines and practices regarding remuneration must be free of unfair distinctions, because SU rejects unfair discrimination based on race, gender, maternity, marital status, family responsibilities, ethnic or social origins, sexual orientation, age, disability, religion, HIV status, conscience, moral convictions, political persuasions, culture, language and birth. *Fair distinction based on sustained performance, scarcity factors and competencies will, however, be applied.*

1.2.3 Internal equity

SU strives towards remunerating all staff members fairly and consistently according to their functions and personal value. Consistent application of the remuneration principles, throughout the University, is non-negotiable.

1.2.4 External parity and competitiveness

SU constantly watches sectoral and national remuneration tendencies in order

to position the institution strategically in such a way that competitive total remuneration may be ensured as far as the parameters of affordability would allow for it to be attainable and sustainable.

1.2.5 Performance-driven remuneration

SU strives towards strengthening the link between remuneration and performance by means of performance management systems that facilitate distinguishing between excellent, average and below average performances.

1.2.6 Affordability

Remuneration and other costs related to human resources must be determined with reference to SU's Institutional Intent and Strategy and keeping in mind the annual budget space. This must serve as guideline for what could be spent. The University's salary account and the components of remuneration adjustments must be adjusted annually, taking the following into account:

1.2.6.a the need for **competitive remuneration**;

1.2.6.b the **available budgetary funds** from all money streams;

1.2.6.c the **inflation rate**;

1.2.6.d calibration with a selected **external market percentile**;

1.2.6.e the advisability of **performance bonuses** and, if applicable, the extent of such bonuses;

1.2.6.f incentives for excellent and top performers, with carry-through effect; and

1.2.6.g the need for **structural adjustments** regarding the remuneration of individuals and employees from specific professions, for example because of scarcity or under-representation.

1.2.7 Remuneration for development

SU encourages employees to enhance their competence in ways that are aligned with the University's needs, by (a) offering them opportunities to do just that and (b) encouraging, recognising and rewarding career development and – where possible – making the necessary funds available. This is done with a view to fund ad hominem promotions of academic staff and remuneration promotions of support-services staff that are linked to post grading.

1.2.8 ‘Cost of employment’-package approach

Individual remuneration packages are based on cost of employment (COE). This approach offers staff members some flexible structuring choices, which is the most equitable way of managing remuneration and costs within the confines of taxation legislation.

2. Remuneration policy

SU’s integrated remuneration philosophy (see 1.1) forms the context of the remuneration policy below, which is embedded in the University’s overarching Human Resources Plan with a view to support this plan directly.

2.1 SU endorses a remuneration policy with the following basic characteristics:

2.1.1 Strives towards **managing remuneration expenses fittingly** and delivering the desired product – measured with reference to staff's conduct and performance – in accordance with the University's Institutional Intent and Strategy, values and performance indicators.

2.1.2 Apply the **remuneration system as key mechanism** for achieving institutional objectives.

2.1.3 Acknowledge the **contribution made by individual employees** towards the success of the University.

2.1.4 Grant managers the **flexibility** they need for managing remuneration effectively.

2.1.5 **Position** remuneration levels at SU **appropriately and sustainably in the labour market**.

2.2 Further particulars:

2.2.1 The remuneration system must provide managers at SU with a mechanism for achieving **operational and strategic objectives**.

2.2.2 The remuneration system must allow managers at SU to **differentiate** total remuneration **according to sustained individual performance**. Employees who perform well must be remunerated according to their worth, while **those who perform excellently must be remunerated significantly better than average as well as substandard performers**.

2.2.3 Remuneration for excellent performance that is limited to a certain year may not influence remuneration in subsequent years. SU acknowledges that performance remuneration create an **annuity problem**. Therefore, the University grants annual performance-linked bonuses that do not function as a permanent component of basic remuneration.

2.2.4 SU strives to maintain, subject to the restraints of affordability, the remuneration of average and excellent performers in **real terms** in the course of time.

2.2.5 It is important that the University should maintain its **competitive market position regarding remuneration**. Market surveys must be managed professionally with a view to obtain relevant information about SU's market position.

2.2.6 Base remuneration levels (BRLs) must be able to compete in the market. The BRL must not be fixed, however; instead, it must be managed in view of **affordability** and with reference to the market situation at the time.

2.2.7 **A single BRL** applies to every post level. Consequently, the University functions within relatively limited constraints regarding BRL (0,75 and 1,25 of BRL as the lower and the upper limit respectively), and SU is very much aware of the fact – and accepts it – that **the COE of poor performers may fall below the lower limit**.

2.2.8 The **incline of the University's remuneration curve – taking the lowest and the highest remuneration levels for SU as a whole as the opposing anchoring points** – is a function of the market along with other economic,

social, ethical and moral considerations that are taken into account from time to time.

3. Main drivers of SU's remuneration system

The following factors are the main drivers of SU's remuneration system:

- base remuneration
- performance bonuses
- scarcity premiums
- benefits

3.1 Base remuneration

3.1.1 Norm-setting

Current practice is to compare SU's BRL with the median in the applicable market when decisions are taken; this must be continued. Other norms for base remuneration are the relevant remuneration surveys selected from time to time (at the time of drawing up this policy: Remchannel as well as comparisons with other tertiary institutions) and considerations of affordability.

3.1.2 Post grading system

The current post grading system, Peromnes, is retained and a suitable baseline band must be maintained for each post level.

3.1.3 Salary adjustments

Performance-driven salary adjustments must be allocated yearly in January. The Human Resources Division (HR) must provide environmental heads and staff with clear guidelines and support regarding this process before each new performance period commences.

3.2 Performance bonuses

The system of performance bonuses based on excellent achievement of world-class quality is retained. Performance bonuses must be earned each year anew, and also is **a function of affordability**.

3.3 Scarcity premiums

The practice of paying scarcity premiums for certain posts is retained. Such premiums are linked to posts or incumbents that are in demand and posts requiring skills and competences that are available in the market to a limited extent. Therefore, SU pays scarcity premiums as allowances to employees who hold such posts in order to entice and retain them. Payment of this kind of premiums must be reviewed annually with reference to changing factors of supply and demand in the market.

3.4 Benefits

Suitable communication programmes have been introduced to inform staff members of the benefits that SU offers employees. It is particularly important that staff be made aware of *all* benefits, which will allow them to take the total **employee value proposition** into account.

4. Remuneration policy – implementation guidelines

4.1 Implementation – general

SU's approved remuneration policy must be implemented as follows:

4.1.1 General adjustments

4.1.1.a As point of departure, a post structure must be drafted with reference to the post level at which work has been categorised by means of the Peromnes grading system.

4.1.1.b A BRL must be linked to each post level, taking into account factors such as market competitiveness and scarcity value, as well as the limits on what SU can afford responsibly and continuably.

4.1.1.c The incline of SU's total remuneration curve must be monitored constantly and thoroughly to ensure that differences between the remuneration levels of junior and senior posts remain equitable.

4.1.1.d **General adjustments** to the BRLs linked to SU's post structure must be determined annually after due consideration of factors such as market competitiveness, market scarcity, inflation and responsible affordability. This will raise the remuneration curve as a whole and increase the BRL for each post level.

4.1.1.e SU wants to ensure that the real remuneration position be at least sustained – insofar as it is feasible – for all employees whose performance is average or good. It follows logically that such employees must receive an adjustment that is equal to the **general remuneration adjustment** as per 4.1.1.d.

4.1.1.f The annual adjustments for substandard performers, on the other hand, must be less than the **general adjustments**. In instances of extremely poor performance no adjustment needs to be made, and insofar the applicable legislation allows for it, remuneration may even be decreased nominally.

4.1.2 Financial recognition for individual performance

4.1.2.a Annual performance bonuses for excellent performance is a variable form of remuneration. This means that:

- It must be earned each year, having no carry-through effect.
- The quantum of the bonus in any specific year is a direct function of the funds available at that time.

4.1.2.b At the end of each calendar year it must be determined to what extent the various environments have achieved their objectives. Depending

on their having achieved their objectives, and taking fully into account the realities of each environment, environments must share pro rata in the funds allocated annually for performance bonuses.

4.1.3 Dealing with substandard performers

4.1.3.a The annual adjustment for substandard performers must be smaller than the general adjustment in remuneration; in cases of extremely poor performance the employees concerned may even receive no adjustment.

4.1.3.b Staff members who have been identified as underachievers must submit to a process of mandatory career management under the direction of the line manager concerned, supported by HR.

4.1.3.c If after six months the performance of staff members meant in 4.1.3.b have not improved as agreed beforehand, and if there is insufficient reason for condoning such lack of performance, the employment of the person concerned will be terminated.

4.1.3.d Conversely, underachievers who succeed in turning around their performance satisfactorily – demonstrated by sustained improvement over 24 months of directed career management – the remuneration levels of those employees may be raised to the average COE for the relevant post levels at that time.

4.1.4 Dealing with employees who are at significantly higher remuneration levels (above 1,25[1] of the BRL for the post levels concerned)

4.1.4.a This kind of situation develops because of scarcity factors, the personal market value of certain individuals (whom SU wants to 'buy in') and certain employees who have excelled (e.g. because of NRF ratings).

4.1.4.b It is acceptable for some employees to be remunerated at levels above the mean total COE for their specific post level, on the following conditions:

- A sustained higher remuneration level must accompany continued excellent performance, as agreed upon for each successive performance period.
- The premium earned by a specific staff member must be managed in such a way that, in case of sustained excellent performance over a period (three years), the higher remuneration level would not exceed 1,25 of the COE for the post level concerned. This may result in such employees' annual remuneration adjustments being lower than the general adjustments, especially if the specific staff member's remuneration level is above the limit of 1,25 mentioned above.
- Even though such employees' remuneration levels may be subject to directed management, this does not disqualify them from being

[1] The limit of 1,25 is only a guideline.

considered for the annual performance bonuses based on sustained excellent performance, because such bonuses have no carry-through effect.

- In a few cases, however, Management may condone the continuation of remuneration levels that are too high, for example if the performance of the employees concerned outshines that of all other staff in their environment or career category.

4.1.5 Ensuring remuneration parity across the same post level

Sometimes analyses of the remuneration levels of individual staff members who are at the same post level show that some of them are remunerated at lower levels than new entrants to their specific post level. This may be the result of various factors, for example that the new entrants have bargained more successfully for their personal remuneration level at the post level concerned, or that a new entrant's remuneration with another employer was so high that SU had to offer a raised remuneration level to be competitive. This is quite normal, but it requires that the situation be analysed regularly and that individual corrections be made – if it is justifiable – to the remuneration levels of staff members who perform well consistently but who earn significantly less than new entrants at the same post level. The following decisions were taken regarding normal implementation practices with a view to achieve parity of remuneration:

4.1.5.a The remuneration level of all employees, categorised according to post level, must be chartered annually.

4.1.5.b Anomalies such as those referred to at 4.1.5 above must be identified.

4.1.5.c The performance levels of anomalous cases at each individual post level must be verified for the preceding two years.

4.1.5.d Where performance during the preceding two years justifies it, and provided that budgetary funds for such structural corrections are available in the year concerned, the remuneration levels for anomalous cases may be raised to (at least) equal the mean COE for the post levels concerned.

4.2 Implementation – performance management

4.2.1 Context

SU's Vision 2030, which has been well-established by the time of drafting this policy, is to be positioned as an institution that is relevant to the 21st century, setting 2030 as its time horizon. The vision has been formulated as follows:

> Stellenbosch University is inclusive, innovative and future-oriented; a place of discovery and excellence where both staff and students are thought leaders who advance knowledge in the service of all stakeholders.

The realisation of this vision depends fundamentally on the sustained performance of all staff members. Therefore, the excellence, scholarship and functioning of each employee are the factors – in different contexts, of course – that determine whether Vision 2030 will become reality.

Consequently, goal-oriented and equitable performance management of all SU

staff is a crucial **enabler** for realising Vision 2030. Suitable performance management (taking into account context, content and processes) is the way in which SU strives to empower all employees functionally – what is more, in such a way that the institution as well as every individual employee will benefit equitably from such empowerment. Thus SU also tries to ensure that the goals envisioned by the University are aligned satisfactorily with the fair expectations of each staff member regarding career development and remuneration.

4.2.2 Basic principles

Performance management at SU rests on the following core principals:

4.2.2.a The **context of the specific environment** must be taken into account, but minimum norms must be established to serve as uniform point of departure across environmental boundaries.

4.2.2.b Insofar as it is practicable, performance management must be based on evaluation with reference to **job objectives** (regarding intermediate as well as final job output) that the supervisor and the individual employee have agreed upon beforehand by means of an iterative and participatory process.

4.2.2.c The performance management exercise must provide sufficient **insight** in the development needs of each staff member.

4.2.2.d The outcomes of performance management must help to ensure that employees can be **remunerated** sustainably according to individual performance.

4.2.2.e Performance management must ensure **parity of treatment** for all staff members, across environmental boundaries.

4.2.2.f Performance management must be embedded in the performance of individual environments as agreed with reference to SU's strategic indicators from time to time.

4.2.3 Desired outcome

Performance management offers SU the means to pursue intermediate as well as final outcomes regarding the institution's staff members.

Intermediate outcomes focus mainly on the improvement of employees' work behaviour, as well as on the related matter of the **amount of work** that could be expected of individual staff members (determined according to equitably contextualised minimum work norms).

Final work agreements, on the other hand, focus on the **final outcomes** of tasks performed by each staff member according to standards agreed upon beforehand; for example the student pass rate, the number of articles in approved publications, management affairs for which the staff member has contracted, successful completion, and the procurement of third-stream income.

4.2.4 A uniform point of departure

Equitable performance management demands that adjustments should take into account **the specific context of each environment**. Nonetheless it remains crucial that performance management at SU in general should have a

uniform point of departure.

Such uniformity – especially as regards a **consistent approach adopted in diverse contexts** – demands the following:

4.2.4.a that those concerned must be fully informed about the use of approved **minimum norms** for different levels and dimensions of academic work, and must apply such norms as basic point of departure;

4.2.4.a that those concerned must be fully informed about the use of contextualised environment-specific objectives regarding the different strategic management indicators, and must take such objectives as basic point of departure; and

4.2.4.c that **work agreements** must be drafted between employees and their direct supervisors.

This approach to performance management offers the various University environments room to develop and implement their own systems – **provided that such systems be aligned University wide as regards central points of departure and outcomes** (see Fig. 1).

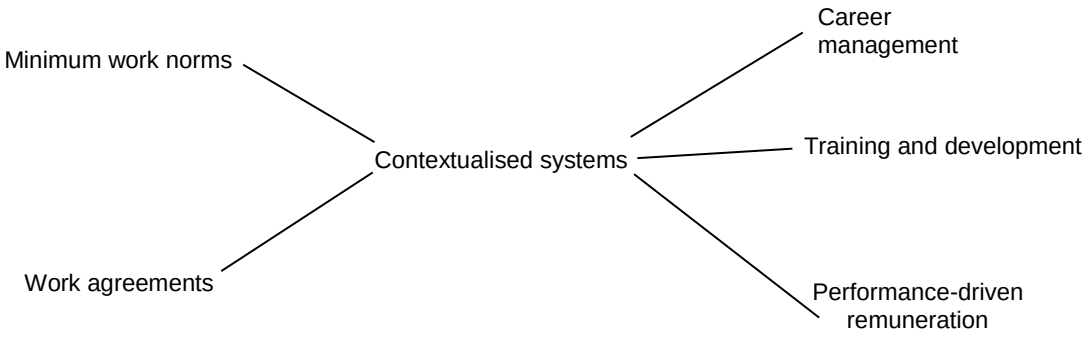

Figure 1: Central points of departure and outcomes

4.2.5 The system(s)

In reality, over time different systems have developed in different environments according to what the staff concerned regarded as equitable. The key question is whether the whole University should convert to a single, uniform system or whether SU should try, instead, to align the various systems with one another by means of uniform input (i.e. common points of departure) and uniform outputs.

SU Management is convinced that the latter approach is best; namely, to align with reference to input and output rather than with reference to the content of the various systems per se. This would not only leave the most room to take into account the specific context of each University environment; also, staff in the respective environments experience this kind of approach as fair and just.

In the support services environments a uniform system in which work agreements form the central focus is standard practice.

4.2.6 The annual performance cycle

Since 2011, the performance cycle for a specific year runs from 1 January to 31 December of the same year. The following steps must occur in the course of each period:

4.2.6.a Each academic environment must be consulted to determine minimum work norms per post level and post dimension in the environment concerned, which must serve as central point of departure for the University in the coming year.

4.2.6.b Taking the minimum work norms as central point of departure, the dean and academic staff concerned must agree on contextualised minimum work norms for their specific academic environment.[2]

4.2.6.c An individual work agreement for the following performance period must be concluded with each staff member separately.

4.2.6.d Staff members' performance during the period under consideration must be guided by means of suitable mechanisms, e.g. regular consultations between direct supervisors and direct subordinates (which will differ from one environment to the next) about the performance of the staff member concerned up to that point in the relevant year.

4.2.6.e Early in the following year, the immediate supervisor must do a final evaluation of each staff member's performance for the evaluation period by means of a participatory process with the staff member concerned.

4.2.6.f The outcomes of this annual performance evaluation are the following, among other things:

- Plan training and development opportunities for the year ahead.
- Calculate the overall performance mark, which is awarded according to a five-point scale:

  1 = Work performance is **in all respects below** the expected standard.

  2 = Work performance **meets** the expected standard **in most respects**.

  3 = Work performance **meets** the requirements set in the work agreement **in all respects**.

  4 = Work performance **surpasses** the expected standards **in most respects**.

  5 = Work performance is excellent – it **surpasses** the expected standards **in all respects**.

4.2.6.g All staff members must indicate individually and formally that they were

[2] Norms must be determined by means of contextualised work-load agreements that stipulate both the minimum amount of work and the minimum acceptable outputs per dimension. In the case of academic staff this requires an agreed minimum amount of work as well as the minimum output for each of the following three categories: teaching, research and community interaction. In the case of academic staff who are involved in the management functions in their respective environments, the amount and the outputs of their management responsibilities have to be agreed upon as well.

informed about the formal annual performance evaluation, and that the evaluation was discussed with them.

4.2.6.h Die dean or environmental head concerned must review supervisors' annual evaluation of their subordinates in order to ensure parity among all staff in the environment concerned.

4.2.6.i HR must have received the outcome of the annual performance evaluations by March of the next year at the latest.

4.2.6.j HR must review the performance evaluations of every environment and compile an overall report for discussion by the Rector's Management Team (RMT), which report must contain the following:

- the University's training and development needs that were identified in the process, and proposals for providing for that in the coming year; and
- the evaluations according to the above-mentioned five-point scale, environment by environment as well as across environments for the University as a whole, and proposals to the RMT for ensuring equitable treatment for all staff members.

4.2.6.k After the percentage has been determined by which the remuneration account for the next year may be increased, individual remuneration adjustments – depending on the overall performance mark for each staff member – must be calculated by the end of October every year. The following interfaces apply between the overall performance mark of individual staff members and concomitant remuneration adjustments, always subject to affordability:

- Say the percentage by which the remuneration account can grow in a certain year is X%.
- For an overall performance mark of 1: individual remuneration adjustment = 0*X%.
- For an overall performance mark of 2: individual remuneration adjustment = 0,5*X%.
- For an overall performance mark of 3: individual remuneration adjustment = 1*X%.
- For an overall performance mark of 4: individual remuneration adjustment = 1*X%.
- For an overall performance mark of 5: individual remuneration adjustment = 1*X%.

4.2.6.l The process for support services staff differ in but a few aspects from the process set out above, particularly in the sense that it is based mainly on performance agreements and that the heads of environments to which services are rendered according to service level agreements are engaged in the process by means of 360° evaluations.

5. Supporting documents

Item number	Name of document	**Status** *(e.g. identified, in process or approved)*
PM0301	Performance Management	Approved

6. Related documents

Item number	Name of document	**Status** *(e.g. identified, in process or approved)*
PM0301	Performance Management	Approved