

6. How the member's salary has progressed

Contributions are based on salary. They increase when the member's salary increases but it's important to consider investment returns as well. These need to keep pace with salary growth to maintain the same replacement ratio; otherwise, past savings may not be sufficient to finance the increased pension income target based on the new living standard.

Pensionable salary determines contributions to the fund and therefore retirement savings, as well as the risk benefits insured. Pensionable salary is usually a percentage of the member's total income, decided by the employer's practice or contract. Benefit and projection statements are based on pensionable salary, so it's important when doing retirement planning to look at the member's total salary to avoid any unexpected gaps.

Alexander Forbes has done research into salary increases and other salary trends.

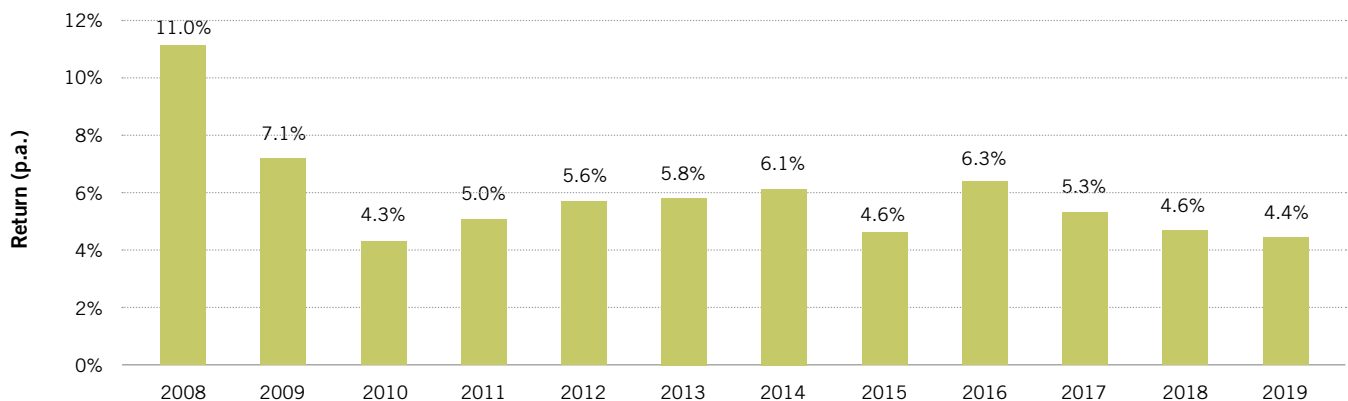
Salary growth includes a cost-of-living inflationary increase given by employers to their employees, which is closely linked to consumer price inflation (CPI).

6.1 Inflation rate

This graph reflects the inflation rate in South Africa for the past 11 years.

The figures below from Statistics South Africa were used as the inflation component of salary increases for the past 11 years.

Inflation rate for the past 11 years



6.2 Salary increases

Merit increases are typically given to people on promotions, or as higher than average salary increases with no promotion. We can calculate merit increases by considering the higher increase given to employees who are getting promoted and spreading this figure over the average duration or gap between the promotions.

The table lists merit increases in pensionable salary above inflation across different age groups for the past eight years.

Pensionable salary is a percentage of total income as defined in employment contracts and can vary greatly between employers.

From age 55 onwards, the general trend decreases. Members in this age group tend to receive incentives in other forms, such as shares in the company, rather than increases to pensionable salary.

Age band	Real increase 2011	Real increase 2012	Real increase 2013	Real increase 2014	Real increase 2015	Real increase 2016	Real increase 2017	Real increase 2018
20–25	9.4	12.0	11.0	12.4	10.8	8.6	9.1	11.2
25–30	7.2	8.2	7.9	8.1	8.7	7.3	7.7	3.9
30–35	6.1	5.7	6.4	5.6	6.3	5.1	5.7	8.4
35–40	5.4	4.6	6.8	4.4	4.8	3.9	4.5	3.2
40–45	4.8	3.7	6.1	3.6	3.9	2.9	3.7	6.0
45–50	3.8	3.3	5.7	3.1	3.2	2.3	3.2	2.9
50–55	3.2	2.7	5.7	2.6	2.9	2.1	2.8	4.6
55–60	3.4	2.3	4.9	2.4	2.4	1.5	2.4	2.5
60–65	2.4	1.8	5.7	1.9	1.9	1.2	2.0	2.1



6.3 Salary distribution

Salary distribution by gender

In 2010 more than 85% of females earned less than R240 000, the portion of males in the same category is 29% less than females. Total membership with a pensionable salary greater than R960 000 are less than 2%. There are five times as many males in this salary band than females.

In contrast, in 2019 the proportion of females earning less than R240 000 has decreased by 18.6% in the last 9 years.

The proportion of males and females earning less than R240 000 is almost the same. There is a significant increase in the portion of both male and female who earn more than R240 000.

Approximately 6% of the members earned more than R960 000, which is 3 times more than 9 years ago. There are twice as many males in this salary band than females.

The portion of women in higher earning positions has increased over the period. This may be a result of females furthering their education as well as an environment which encourages diversity and equality in the workplace.

The portion of women earning R960 000 and more is 7 times more than what it was in 2010. In 2008 women held 12.6% of directorship positions in JSE listed companies, which then increased by 6.5% 9 years later, with women holding 19.1% of directorship positions in 2017³.

According to the King IV Report on Corporate Governance for South Africa, a board of directors of a company needs to be as diverse as possible. This allows for a substantial change in the dynamics of the boardroom with an optimal mix of skills, experience and expertise, which in turn brings a range of different insights and methods to achieve the businesses' objectives in the most effective way.

According to World Economic Forum's 2018 Global Gender Gap Report, South Africa was the nineteenth most equal paying country out of the 149 countries that were included in the survey.

Salary distribution

