



"Success is the result of perfection, hard work, learning from failure, loyalty to those for whom you work and persistence." Colin Powell

**Manufacturing Excellence Strategist &
Project Specialist**

Chris Wright Associates (Pty) Ltd

Co. Reg. Nr. 2019/182181/07
B-BBEE Level 4



METAL & ENGINEERING INDUSTRIES FIGHTING FOR SURVIVAL IN A STATE OF RECESSION

How Strategic Implementation of Employee Grading can lower your cost base & profitability

The South African Economy currently finds itself in a state of extreme depression. Over the past 10 years extreme cost pressures have hit manufacturing and the Metal & Engineering Industries. Manufacturing costs have also spiralled, and Labour Costs have soared well above inflation rates.

The latest manufacturing data released by Statistics South Africa in June 2020 indicates a continued decline in manufacturing output and remains consistent with the economy's poor performance. Specifically, the basic iron and steel products sub-component, basic non-ferrous metal products sub-component and the motor vehicle parts and accessories sub-component registered an 8.7%, 11.4 % and 12.9% year-on-year declines in production volumes.

Further to this decline, as a result of the COVID-19 pandemic and the lockdown, industry finds itself in total survival mode and the consequences for the M & E Industries sector are going to be severe for both employers and employees. The government also announced an aid package of up to R500.0 Billion—about 10.0% of GDP—to support businesses and protect jobs. But how far will this go in protecting business from total failure and ultimate collapse?

The question is:

**“What can be done to manage these escalating wage costs and
protect employees from unemployment”?**

The answer to this has been around for many years but rarely utilized by organizations associated with the Metal & Engineering Industries Collective Agreement.

Contact details:

chris@chriswright.co.za | cell: 082 904 9900 | Office: 031 761 8615



We can assist you in reviewing your Scheduled Employees grading system and introduce you to a grading structure that will ultimately reduce your Manufacturing Labour Costs over the long-term.

What has become evident over this COVID-19 lockdown is that many employees are concerned with losing their jobs and being unemployed and the fear of not earning any income in these extreme times. Now more than ever they are more likely to accept change.

The economy will turn at some point in the near future, hopefully sooner than later, and organizations need to be prepared for the required increase in manufacturing capacity. It is in these extreme times where strategies and efficiencies should be implemented, and we need to ready ourselves to reset the base for future growth.

Conversion to a 5-Grade System – Dramatically reducing Wage Costs

One such strategy is to convert your organization to the 5-Grade Wage Structure and in doing so, dramatically reduce your future Labour Costs. We have done research and developed a financial analysis which uses your existing payroll, and are able to provide you with meaningful insight into possible labour savings .

We conduct an assessment on your current payroll using your wage grades and costs and provide you with indicative futuristic labour costs based on a conversion from the 13-Grade to the 5-Grade Structure together with an implementation strategy all based on the MEIBC Main Agreement. Some of the facts pertaining to this are as follows:

- ◇ 5-Grade minimum rates are dramatically lower than the other grade-structure rates, with a savings of just over R5 per hour for a G grade conversion to a 1-Grade;
- ◇ In addition, in the first year an employee is hired there is a discount of 20% on the minimum rate which can yield a saving of over R12/hours for the first year;
- ◇ Converting to the 5-Grade for new employees is a management decision with no Union involvement;
- ◇ In a recent case study conducted with *264 scheduled employees*, the following facts emerged when converting to the 5-Grade Structure:
 - ✓ Savings for one employee converting from a G-Grade to a 1-Grade was *R10 442 per year*;
 - ✓ Conversion for all scheduled employees would provide a long-term benefit savings of *R6,47M per year*;
 - ✓ With the *20% discounted* wage from Year 1 of implementation, there would be an immediate savings of *R787 768 per year*;
 - ✓ *Potential savings over 10 years of R20,8M* assuming a 10% staff turnover with a G-Grade entry level;

Contact details:



- ◇ In addition to this 5-Grade conversion study, when just reviewing their 13-Grade payroll, the following became evident:
 - ✓ 112 of the 264 employees were over graded, according to the MA Technical Schedules which, if corrected would result in a savings of R1.49M per year, if remaining on 13-Grade structure;
 - ✓ On top of this, there were additional wage costs due to various reasons amounting to R1.8M per year;
 - ✓ Total additional wage costs from the above was R3.28M per year;
 - ✓ If now converting to the 5-Grade Structure, these grades would need to be corrected to ensure the correct grade is applied to new employees to receive the full benefit.

Conversion to a 5-Grade Structure

We conduct an analysis on the conversion from your Current Grading Structure to the 5-Grade Structure which comprises the following:

- ◇ A one-to-one conversion comparison from your current Grade-Structure, 13-Grade structure (or other) based on your MEIBC Manufacturing Certificate classification (if you are not sure we can apply for this certificate). This will provide you with the costs of your current payroll compared to an equivalent 5-Grade Structure payroll;
- ◇ A financial forecast of your savings over a 10-year period when converting to the 5-Grade structure using your current number of heads and assuming a 10% employee turnover rate (or any rate that you deem appropriate);
- ◇ A Report which contains the above information, including the following:
 - ✓ Report of your payroll with the equivalent 5-Grades ranging from 1 to 5;
 - ✓ Process of conversion;
 - ✓ Risks of conversion;
 - ✓ Relevant documents highlighting the important aspects;
- ◇ Confidentiality on information guaranteed;
- ◇ Industrial Relations services can be offered to assist you with the conversion process (at an additional fee).

Costs for Study

No of Payroll employees	Cost
Below 50	R7 500
51 - 180	R8 900
181 - 300	R9 800
Above 301	R12 300

Contact details:



Information required to do the study

In order to undertake the analysis, the following information will be required:

- ✓ Employee Title
- ✓ Employee Department/Sub-department (if applicable)
- ✓ Current Grade
- ✓ Actual paid rate per hour.

Legal Services

We work in conjunction with a Labour Law expert who can provide further insight and legal assistance, should this be required.

Grading Services offered

The following Assistance and programs are available to Companies when dealing with Grading within the MEIBC Main Agreement:

- ◇ *Grading of employees* in line with the Technical Schedules of the MEIBC Main Agreement;
- ◇ *Represent & Support* Companies when dealing with *grading challenges* through the Unions or Bargaining Council;
- ◇ Conduct *Grading audits* in line with the MEIBC-MA to ensure the correct grades have been applied;
- ◇ Conduct *Grading Audits* to the *5-Grade System* of the MEIBC-MA;
- ◇ Conduct a *grading analysis* on the *conversion* from the 13 -Grade Structure to the 5-Grade Structure;
- ◇ Introduce a *new factory grading system* within your company by establishing the skill grades relative to the machine or workstation;
- ◇ Conduct *training for the Manufacturing Leadership* so they understand the full extent of grading structures within the Main Agreement;
- ◇ *Assist with resolving of grading disputes.*

Contact Details

Please contact us should you need any further information on any Grading services you might require

Email: mandy@chriswright.co.za

Cell: 084 556-5510

Office 031 – 761 8615

Contact details:

chris@chriswright.co.za | cell: 082 904 9900 | Office: 031 761 8615