

Contents:

- Budget Briefs
- In Praise of Praise: Employee Recognition
- Increased Tax Complexities of Share Incentives
- Call for Internship Programme Sponsors
- Immigration Amendment Act
- e-research
- Reward Research Topics
- SARA Events Programme 2006
- GRP 1 and 2
- GRP Programme 2006
- Live Membership Database
- EMG News
- EMG Events 2006
- Western Cape Branch News
- KwaZulu Natal Branch News
- WorldatWork Courses
- Employment Wanted
- Consultant Member News
- Website Postings
- Upcoming Events
- New Members
- Editor's Note

Budget Briefs

Finance Minister Trevor Manuel gave his 10th Budget Speech earlier this month. Making the most of over R411 billion in revenue, Manuel presented a budget which provided relief to lower income earners and welcome cuts on retirement fund tax rates. Below are some highlights of the budget:

Top Marginal Rate

The marginal tax rate has not been lowered from its current 40%, however individuals now have to earn R400 000 a year before hitting the top bracket as opposed to R300 000 last year.

Individuals earning less than R40 000 a year will pay no tax – raised from R35 000 last year.

The tax threshold for pensioners has been raised by R5000 to R65 000.

Over 70% of these tax reductions will benefit people earning less than R250 000 a year.

Travel Allowances

Manuel has clamped down further on travel allowances, calculating the first 18 000km of travel for personal use if a logbook is not kept. He has also increased the proportion of the vehicle allowance that is taxable on a monthly basis from 50% to 60%. If employees are able to justify their car allowance fully, they will be able to reclaim the tax on the 60% in their year-end tax assessment. The 40% which is not subject to PAYE also needs to be justified in the tax assessment.

For employees driving company cars, the monthly taxable benefit has increased from 1.8% to 2.5% of the car's deemed value.

Retirement Funds

The government has cut tax on retirement funds by half, to 9%. Manuel further advised that the national treasury would release a document proposing significant changes to retirement funding provisions. These proposals have to be discussed with the Life Offices' Association, retirement fund trustees and other stakeholders.

Medical Aids

Changes have been made to how medical aid contributions are treated, involving the capping of the amount that is tax deductible, with the intention of increasing access for lower-income earners. SARA members requiring further details on the tax reforms with regard to medical aids are invited to attend the presentation on Tuesday, 28 February, at 15:00, House of Pharaohs, Randburg.

SARA members requiring a more detailed understanding of the 2006 Budget are advised to attend SARA's **Budget 2006 Update and Employees' Tax Trends** breakfast presentations which have been organised in Cape Town, Durban and Johannesburg. The events are sponsored by **Imperial Fleet Services** and there will be a panel of speakers from TaxConsulting, Imperial Fleet Services and Deloitte. For further details go to: [Events](#)

In Praise of Praise: Employee Recognition

Article by Andy Holloway

Employee-recognition programs are often in-house jokes. Just ask anyone who has received a company-branded crystal figurine for 10 years of service. Or coupons for fast-food joints, like some companies hand out. Such efforts are done with the best of intentions to improve morale, but frequently have the opposite effect. There's no doubt that employees want to be recognised for their work, and while cash is always good, it's not everything.

As psychologist Abraham Maslow pointed out, people have a hierarchy of emotional needs that, in the workplace, can be partially met by being recognised by their colleagues and superiors. Such appreciation is also good for employers. At their best, formal recognition programs pay for themselves through reduced turnover and increased employee satisfaction. It costs a Fortune 2000 company roughly US\$6,000 to hire a single employee, so keeping their current high-performers happy is important—even more so today with the squeeze on human capital as baby boomers start retiring.

"Retention is directly tied to recognition," says Peter Hart, CEO of Rideau Inc., a Montreal company that designs corporate recognition systems. "People join companies, but they quit their managers."

Don't think it matters? In a 2004 study, Northwestern University in Evanston, Ill., found direct links between employee satisfaction, customer satisfaction and financial performance. Yet Gallup the same year reported 65% of American employees received no recognition for their efforts. No doubt that's why so many workers feel disconnected from their workplace, a disconnect that Gallup says cost the U.S. economy roughly US\$300 billion in 2000 alone.

The trick is figuring out how to make recognition meaningful and rewarding for both sides. "The real good recognition programs don't just recognise achievement; they recognise people's behaviours and activities that lead to achievement," says Hart. Tacky trinkets just don't cut it. But before throwing iPods at everyone, managers have to figure out what behaviours they want to reward and establish a benchmark of employee attitudes before starting a recognition program. Then, and only then, can they judge whether the programs are effective.

[Canadian Business Magazine](#)

Increased Tax Complexities of Share Incentives

Share Incentives are Subject to New Legislation which is Far Less Favourable for Taxpayers

By Brigitte Keirby-Smith, Tax director at Ernst & Young KZN

As mentioned in a previous article, share incentives (excluding broad-based plans) are, with effect from 26 October 2004, subject to new legislation that is far less favourable for taxpayers.

These provisions are housed in a new section 8C and aim to address the perceived weaknesses in the existing section 8A which, according to the Explanatory Memorandum, had "...failed to keep pace with the myriad of equity-based incentives developed for top management.....to fully capture all the appreciation associated with the marketable security as ordinary income..."

In broad terms, section 8C includes in income, any gain arising on the vesting of an equity instrument that has been acquired by the taxpayer by virtue of his employment or directorship of a company. It should be noted that the section similarly allows for the deduction of a loss arising on vesting. Importantly whilst there must be a causal link between the acquisition of the equity instrument and the taxpayer's employment or directorship, it is not necessary that the equity instrument be acquired from the employer. Included in equity instruments are equity shares, options and convertible financial instruments.

Unlike its predecessor, section 8C extends the income treatment of equity instruments such that a gain is only determined and included in income when it vests. Vesting is

deemed to take place when an equity instrument is “unrestricted”. This is best illustrated by way of example. Assume an employee is awarded shares subject to the condition that he may not dispose of those shares until a period of three years has elapsed. Under section 8C, a gain will only be determined and included in income after three years when the shares vest and not at the time of their award. The gain will be the difference between the market value of the share at the time of vesting and any consideration paid by the employee. Compared to the previous tax treatment, that ignored disposal restrictions and determined the gain based on market value at the time of award, the additional inclusion in income could be significant.

This article is part of a series that aims to highlight the increased tax complexities and current trends in the design of share incentive schemes. If you would like SARA to arrange a workshop to deal with this matter, please send Gillian le Cordeur at SARA an email: Gillian@vdw.co.za

Call for Internship Programme Sponsors

SARA's **Remuneration Internship Programme** continues to steam ahead. The initiative which aims to develop the remuneration skills of previously disadvantaged individuals within the reward profession is being developed in conjunction with 21st Century Business & Pay Solutions and other remuneration consulting houses and corporates. *The Star* newspaper published details of the Remuneration Internship Programme providing welcome publicity for both the programme and the association. SARA now calls for sponsors to join them in making this venture a reality.

Remuneration Consulting Firms and Corporates can participate in the Remuneration Internship Programme by investing R55 000 which will go towards covering the costs of the intern for the period of the internship. Sponsors will have the option of placing the intern in their organisation at the end of the internship period.

The internship programme will involve recruiting three previously disadvantaged candidates from universities in the Johannesburg area with a minimum qualification of an Honours degree. 21st Century Pay Solutions Group will oversee the training and mentoring of the 3 candidates for a 9 month period and will also conduct a final assessment of the candidates at the end of the period. Candidates will have the opportunity to attend, free of charge, SARA's functions and workshops, as well as participate in the acclaimed GRP courses over the period of the internship – approximately valued at +/-R50 000.

In addition to the theoretical aspect, practical exposure will be gained by partnering with consultants in various consulting houses, and visiting a selection of different organisations, during this period. The purpose of these visits is to understand how remuneration practices and processes are designed and implemented in varying industries and organisations.

SARA looks forward to receiving confirmation that you will be participating in this forward-looking venture with its aim of promoting diversity in the South African reward profession.

Further details on the programme can be found on the website at: [SARA Reward Internship 2006](#)

Please contact [Gillian le Cordeur](#) at SARA on (011) 789 1384 or [Rozanne Finnemore](#) from 21st Century on (011) 447 0306 to find out more about becoming a sponsor of the Reward Internship Programme.

Immigration Amendment Act

With the introduction of the Immigration Amendment Act and new Regulations on the 1st July 2005 several new requirements, innovations and developments have taken place with regard to:

- spousal relationships
- Intra company transfer work permits
- quota work permit
- change of status applications
- evaluation of qualifications

For further details on the latest developments regarding the implementation of the Immigration Amendment Act Number 19 of 2004 and the introduction of the new Immigration Regulations on 1 July 2005, please go to: [Library](#)

e-research

The latest e-research from e-reward has been posted in the library on the SARA website. These reports are for paid-up SARA members and can only be accessed with a password. To view these informative documents go to: [e-research](#)

Issue 39 - Toolkit: Understanding and Using Market Data

This comprehensive toolkit, written and researched by e-reward, will help you understand the methods of obtaining, interpreting and using market rate data as a basis for market pricing decisions.

Reward Research Topics

The area of reward, remuneration and performance has grown in stature over the past decade with organisations increasingly trying to get value from their swelling salary and wage bills. To counter the lack of South African empirical research to assist with decision making, SARA has decided to develop a database on research in South Africa with regard to performance and reward. Universities have provided a selection of research topics for Masters and Doctoral students which will assist in closing some of the knowledge gaps.

Interested students will be able to contact the SARA Secretariat in order to gain access to possible data sources (e.g. participants and corporates). They will also be put in touch with Dr Mark Bussin, who will provide assistance in the event of the students experiencing any resourcing difficulties. Any SARA Members thinking of furthering their studies by completing their Masters or Doctoral degrees are invited to make use of this opportunity. To view the list of research topics, go to: [Research Topics](#)

SARA Events Schedule 2006

SARA Meetings & Function Schedule 2006			
Date	Function	Venue	Time
28 February	Medical Aid Function (5 th Quadrant)	House of Pharaohs	15:00-16:30
9 March	EMG – ECA Function	Melrose Arch Hotel	08:30 - 11:00
10 March	Budget 2006 Update & Employees' Tax Trends	Country Club Johannesburg	07:00
14 March	Budget 2006 Update & Employees' Tax Trends	Mount Nelson Hotel Cape Town	07:00
16 March	Budget 2006 Update & Employees' Tax Trends	Suncoast Casino Durban	07:00
30 March	EMG: Remuneration and Benefits Benchmarking Workshop and Presentation	Country Club Johannesburg	07:30 -12:30
3 May	Legal Tax & Governance Function (Martin Hopkins & Mark Bussin)	TBC	
9 May	Committee Meeting	Randburg	16:00 - 18:00
16 May	Building Blocks Workshop		All Day
18 May	EMG Function – National vs International	TBC	
19 May	Building Blocks Workshop		All Day
24 May	Building Blocks Workshop		All Day
7 June	WorldatWork Cocktail Party		
29 June	EMG: Medical and Political Function	Barloworld	
16 July	WorldatWork Feedback Function	TBC	
3 August	Rem Committee Panel Function	TBC	
15 August	Committee Meeting	Randburg	16:00 - 18:00
6 September	EMG: Retention Function	Business Connexion	
20 September	Masters Students Function	TBC	07:30 - 10:00
6 October	SARA AGM & Function	TBC	
25 October	SARA EMG Function	TBC	
9/10 November	SARA Conference	TBC	
11 November	SARA Banquet	TBC	
14 November	Committee Meeting	Randburg	16:00 - 18:00

GRP 1 & 2

SARA is pleased to announce that **Andreas Buergi** will be coming all the way from Switzerland to present the upcoming GRP 1 and 2 seminars - "Total Remuneration Management" and "Quantitative Methods". The courses are being held in **Johannesburg** at the House of Pharaohs and in **Cape Town** at the Greenways Hotel.

Andreas is a faculty member of WorldatWork and a Managing Partner of the Living Water Institute in Switzerland. He provides business change consulting services, executive coaching and leadership training to multinational companies across Europe, North America and Asia.

For further details go to: [GRP](#)

GRP Programme 2006

The GRP Seminars for 2006 are outlined in the table below. Should you require further details please contact Gillian at: Gillian@vdw.co.za

The registration form is available at: [GRP Registration Form 2006](#)

Date	City	Course	Module
6-8 March	Cape Town	GR1	Total Remuneration
9-11 March	Cape Town	GR2	Quantitative Methods
13-15 March	Johannesburg	GR1	Total Remuneration
16-18 March	Johannesburg	GR2	Quantitative Methods
29-31 May	Cape Town	GR3	Methods Job Analysis
1-3 June	Cape Town	GR4	Base Pay Management
5-7 June	Johannesburg	GR3	Methods Job Analysis
8-10 June	Johannesburg	GR4	Base Pay Management
14-16 August	Cape Town	GR5	Performance Management
17-19 August	Cape Town	GR6	Variable Pay
21-23 August	Johannesburg	GR5	Performance Management
24-26 August	Johannesburg	GR6	Variable Pay
13-15 November	Johannesburg	GR7	International Total Remuneration
16-18 November	Johannesburg	GR8	International Benefits
20-22 November	Cape Town	GR7	International Total Remuneration
23-25 November	Cape Town	GR8	International Benefits

Live Membership Database

SARA members now have access to the SARA membership database on the website and are able to edit their personal details on line when necessary. To view this new facility, go to: [My Membership](#)

EMG News

Message from the Expatriate Management Group Chairperson

Following the launch of the Expatriate Management Group late in 2004, we were able to present six events during 2005. These events were in response to the requests from our members identifying burning issues which needed to be addressed. We have assessed the results from the recent survey conducted to establish the needs of EMG members and are busy tabling the schedule of events for 2006. These will address the hard issues such as remuneration and benefits (policy) as well as the softer issues such as medical, risk, insurances etc.

The events are structured to allow time before and afterwards to network, enabling you to meet and form relationships with other expatriate managers, thereby enabling good sources of benchmarking information. We urge you to use these opportunities.

Our first event is linked to the ECA member liaison meeting on the 9 March 2006, please see the promotion material sent out and register if you are able to do so. Non-ECA members are welcome to attend.

Our events and presentations from each event are accessible on the SARA website, so if you missed any of the events last year, you can find the presentations on the website. The list of events for 2006 is also on the website, so please use this to plan your time to make sure you can attend as many as possible.

Should you have any particular requirements, or have any great ideas for the association, please give me a call or drop me an email, and we will do our best to incorporate them.

We look forward to a successful year, empowering and developing our expatriate management community.

Barbara Parry - International HR & R Manager, MTN Group Management Services

EMG Events 2006

The Expatriate Management Group invites SARA members to an **ECA International Seminar** dealing with “**Perspectives on International Human Resources**”. This one-day seminar will feature talks from IHR managers, industry experts and academics, followed by an open discussion group as requested by delegates. For further details go to: [EMG Events](#)

EMG Meetings & Function Schedule 2006			
Date	Function	Venue	Time
9 March	EMG – ECA International Seminar	Melrose Arch Hotel	08:30 - 11:00
30 March	Remuneration and Benefits Benchmarking Workshop and Presentation	Country Club Johannesburg	07:30 -12:30
18 May	EMG Function – National vs. International	TBC	
29 June	EMG: Medical and Political Function	Barloworld	
6 September	EMG: Retention Function	Business Connexion	

Western Cape Branch News

Message from the New Chairperson – Dianne Auld

I would like to thank **Sue Tosh** of Old Mutual for her inaugural role in setting up and chairing the Western Cape Branch of SARA. In this role Sue has been very active in promoting SARA and the GRP courses to the reward fraternity in the Western Cape.

Sue is well known in the reward field, having headed up the remuneration and benefits division at Old Mutual for a number of years, and winning the SARA Reward Strategist of the year award in 2004. She is now transferring to a client interface role in Old Mutual Properties, and is very excited about moving back into a client facing role. However Sue has also expressed her sadness at leaving behind the challenge and excitement of her compensation role.

I have taken over the chairmanship of the Western Cape Branch from Sue, and in that role, hope to expand SARA membership in the Western Cape, promote relevant reward events around current trends and topics of interest, and encourage reward practitioners to pursue GRP certification. I will be very involved with the GRP courses this year, both running GRP3 and 4 in Cape Town and completing my own certification through attending GRP 5 – 8 in the coming months.

I have been working in reward for many years, first as Remuneration Manager for Unilever, and later as a Remuneration Consultant with Old Mutual. I currently have two hats – I work part time for Pick 'n Pay as their Compensation Manager, responsible for group remuneration policy and practices, and also run my own remuneration consultancy, Auld Compensation Consulting. I consult to a predominantly Western Cape client base on remuneration and job evaluation, and run a number of remuneration training workshops.

Compensation Manager – Pick 'n Pay
Auld Compensation Consulting

KwaZulu Natal Branch News

Message from the New Chairperson – Megan Shepstone

I take great pleasure in accepting the nomination of chairperson of SARA's KwaZulu Natal Committee. Thank you to the outgoing chairperson, Averile Ryder and the committee for all their hard work and dedication to SARA over the past two years. Thankfully, a core group of committed members have remained to assist with the way forward.

I would like to introduce myself to those who do not know me. I have moved from being a qualified and experienced educator into the business world through the doors of recruitment. For the last eight years I have represented Deloitte's Benchmarking Services during which time I have managed and co-ordinated the growth of the KwaZulu Natal client base. My expertise has been in the Surveys and Remuneration arena.

The objectives of the committee is to focus on growing the awareness of SARA in the region and thereby its membership. We hope to optimise the value of SARA to KwaZulu Natal members by hosting well attended and informative functions.

Senior Remuneration Consultant - Deloitte Consulting

WorldatWork Courses

WorldatWork is offering the following virtual courses over the next few months. If you are interested in doing these courses, please contact the Secretariat at Tel: (011) 789-1384 for the password and go to: [WorldatWork](#)

- **T6: Mergers and Acquisitions: Benefits, Compensation and Other HR Issues** - Gives you practical guidelines for addressing opportunities and pitfalls in mergers, acquisitions and similar transactions. You will examine detailed methods for effective due diligence in the human resources area, including benefits plan design and costs, compensation and cultural integration. 7 – 16 March 2006
- **C11: Performance Management - Strategy, Design and Implementation** Provides the key concepts associated with measuring and rewarding performance at the organisation-wide, group and individual levels. Issues addressed include: organisational performance planning, business strategy, the performance management system and process, measurement, individual motivation and the link between rewards and performance. 21- 30 March 2006
- **Strategic Communication in Total Rewards (T4)**. This is the first in a series of WorldatWork courses presented through the Global Reward Consortium (GRC) in 2006. It is hosted by Nokia in Espoo (Helsinki) Finland, and is held from 29 to 31 March 2006. This intermediate-level, course provides a general overview of communication theory and fundamentals. Participants are introduced to a seven-

step process for communicating total rewards programs (compensation, benefits and the work experience), which includes a detailed explanation of strategies for selecting appropriate communication media. If you are pursuing the WorldatWork Global Remuneration Professional (GRP) certification designation, note that this course is an alternate to the International Benefits (GR8) course. For further information go to: [WorldatWork](#)

Employment Wanted

Hans Bothma is seeking employment as a HR Generalist, Specialist or Manager. He has a National Diploma in HR Development from Technikon SA. A former Human Resources Practitioner of the Year at Western Areas Gold Mine, he has many years of experience. To view his CV, go to: [Employment Wanted](#)

Consultant Member News

HayGroup, specialists in human resources and organizational consulting, is pleased to announce that they have opened an office in Cape Town and have appointed Beverley Young as General Manager for the Western Cape Region. Beverley is a well known personality in the Cape Town reward arena and has extensive human resources consulting experience in areas of reward and human resources projects. Kindly contact Beverley on (021) 683 2333 or email her at Beverley_young@haygroup.com

Website Postings

Minutes: The minutes of the Western Cape Branch meeting held on 9 February 2006 are available on the website at: [Minutes](#)

Minutes: The minutes of the KwaZulu Natal Branch meeting held on 24 January 2006 are available on the website at: [Minutes](#)

HRCOSA Newsletter: The January 2006 edition of the Human Resource Council of South Africa Newsletter is available at: [HRCOSA](#)

Upcoming Events

The **WorldatWork Total Rewards Conference & Exhibition** is being held from 7 to 10 May 2006 in Anaheim, California, USA. Participants will have the opportunity to learn best practices, network and share information with fellow colleagues from around the

world at the International Reception. (Attendance to the international reception is limited to delegates from outside the United States, or those with business interests abroad.)

The conference is a great opportunity to connect with HR professionals who share your challenges and interests; tour the Exhibit Hall featuring more than 160 exhibitors; attend pre-conference education classes; and enhance your career with professional development sessions. Learn how to engage employees and drive business performance at workshops covering topics designed especially for reward professionals. For full program details and to register, go to: www.worldatwork.org/anaheim2006

New Members

New Corporate Members

- Johan Klein – Namitech (Pty) Ltd
- Leonie Marshall – Media 24
- Nomakhuze Mququlwa - Monsanto

Editor's Note

Dear Readers

I welcome input from readers of the SARA Bulletin and encourage you to forward any information or announcements that you would like to see published in the bulletin. Contributions need to be forwarded to me by the 20th of every month and SARA reserves the right to edit content for clarity and/or brevity.

Please note that the views expressed in this newsletter are not necessarily those of the South African Reward Association.

Kind regards

Clare
Tel: (011) 789-1384
Email: clare@vdw.co.za

Editor: Clare van Zwieten
SARA Secretariat
Van der Walt & Company
Association Management Services
Tel: (011) 789 -1384
Fax: (011) 789 -1385
Email: clare@vdw.co.za
Website: www.sara.co.za

