

# SARA Bulletin

## *February 2007*

### Contents

- [Not all praise for Manuel's budget](#)
- [Rising Costs of Chronic Diseases Hurting Corporate Profits and Productivity](#)
- [General Accepted Reward Practices Development Programme \(GARP\)](#)
- [2006 Internship Feedback](#)
- [2007 Internship Programme](#)
- [SARA Bursary Programme](#)
- [Student Assistance](#)
- [GRP Programme 2007](#)
- [GRP Angola Programme 2007](#)
- [Certification Institute](#)
- [Employment Opportunities](#)
- [WorldatWork Events](#)
- [Website Postings](#)
- [Update Your Membership Details Online](#)
- [New Members](#)
- [Editor's Note](#)

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### Not all praise for Manuel's budget

South Africa's economic growth mix needs to shift from being consumption-driven to investment-driven, and the country needs to compete to attract more foreign direct investment, Democratic Alliance finance spokesperson Ian Davidson said on Wednesday in reaction to Finance Minister Trevor Manuel's Budget speech.

He added that a cut in the corporate-tax rate would have been justified.

"Once again Minister Manuel has failed to give any significant measures to stimulate the supply side of the economy, boost confidence, bring down the cost of doing business in South Africa and stimulate private-sector investment," Davidson said. Manuel's "sole gesture" was the reduction of secondary tax on companies from 12,5% to 10% and shifting the burden on to the investor by reintroducing a tax on dividends last seen in 1990 -- ostensibly to broaden the already expansive income-tax net, argued Davidson.

"The result is South Africa's effective corporate tax rate remains uncompetitive, particularly in comparison to our competitors among emerging market economies."

Davidson was "further disappointed" by the nature of the wage subsidy announced by Manuel. "Instead of it being structured in a growth-oriented way to encourage greater employment in the economy, it seems to be more redistributive in nature and aimed at subsidising the cost of the social security tax for low-income workers.

"Further details are also awaited in terms of the announced national retirement savings arrangement, which we do cautiously welcome but reserve further comment until there is greater clarity on key aspects such as the transferability aspect, the vesting of benefits, details about the funding, the nature of the benefits as well as the role of the private sector."

Davidson, nevertheless, welcomed the "moderate" personal-income tax-bracket creep adjustments; the elimination of the tax on retirement funds; and the streamlining of the regulation of retirement funds.

On the spending side, he welcomed the increased allocation of R3,3-billion a year over the next three years to expand police numbers and improve the salary structure, and hailed the increased allocation of R1,5-billion over the next three years to improve court capacity, reduce case backlogs and improve the administration of justice.

The R8,1-billion increase over three years for the hiring of teachers, teaching assistants and support staff, adult basic education and university allocations will "certainly go some way in addressing our skills shortages", said Davidson. The R5,3-billion on increased remuneration for health workers, hospital revitalisation and, particularly, the R1,7-billion for people living with Aids was also welcomed.

### **Companies 'ignored'**

Meanwhile, Mike Schussler, chief economist for investment holding company T-Sec, told the Mail & Guardian Online that companies were being ignored in the Budget. "Companies didn't get the kind of tax relief to be able to compete globally," he said.

Schussler explained that the average level of corporate tax is below 30% in most countries. In South Africa, it stands at 36%, including the dividend tax that replaces the secondary tax on companies currently in place.

"This number is much higher than the rest of the world and we have to take that into account," he said. "Companies no longer have the voice they used to have, and they need to have that voice because they bring money in [to the country]."

Schussler said there is a need to bring more companies into the country's "tax net", and this could be a possible disincentive.

However, he said: "I don't think [the lower tax cut] is going to have a negative effect on job creation," adding that there is still a need to grow the job market quicker than at the current rate. "Growth has been reasonable, but not brilliant, and we need brilliant growth to achieve the 2014 goal [of halving unemployment]."

Schussler said that, all in all, there weren't any particularly bold or unpredictable moves in Wednesday's budget. Even the abolition of the retirement fund tax was "expected after last year when he halved it". Still, he said the move will be very positive for many people with retirement annuities, pension funds and the likes.

### **Surprises**

Jac Laubscher, group economist for Sanlam, told the M&G Online there were a couple of surprises in Wednesday's budget, such as the secondary tax for companies being removed in favour of a tax on dividends, the abolishing of the retirement-fund tax, and the R8,4-billion tax relief targeted at individuals.

He said he thinks the government wants reform of the country's retirement provision system before it eliminates retirement-fund taxes, but added that the move will "certainly be helpful [to many people] as it means the government takes less from your pension fund".

Regarding tax relief, Laubscher said it will take place across the board for individuals, but there will be greater tax cuts for those in lower-income brackets.

Talking about tax cuts for companies, he said the government doesn't have enough leeway in the budget to offer effective tax relief to companies. Tax relief should be approached "holistically and specifically", he said, adding that when tax cuts are offered to companies and not individuals, "some people channel their income through these companies to pay less tax that way".

Company tax cuts have to work with the top marginal rate "to eliminate these distortions", he said.

Although there is an increase in spending for crime prevention, Laubscher said he doesn't believe crime is primarily a budget issue. "It's not just about giving the police more money and resources."

He also said it is a good sign that social-welfare spending has increased above the inflation level, but added that the government's eventual plan is for "social-welfare spending to become relatively smaller as more and more people become self-sufficient ... not just for the sake of the economy, but also for their human dignity".

The budget's allocation of more money to infrastructure than to social welfare is a move towards that eventuality.

Laubscher appreciated Manuel's emphasis on saving money and avoiding excessive debt, but expected more detail on wage subsidies and social security taxes. "We will have to see ... there are a lot of questions and we don't know the answers yet."

### Other Reaction

The **Inkatha Freedom Party** has welcomed Manuel's budget speech, calling it "user friendly". It has been made possible by the over-recovery of income from taxation -- particularly from corporate companies, said IFP finance spokesperson Hennie Bekker.

He said the IFP agrees it is time greater social spending is introduced and a compulsory government pension fund launched. However, he cautioned against "the creation of a 'welfare honeypot' that can be creamed off by corruption".

The giant petrochemicals firm **Sasol** will study recommendations by a task team that considered a possible windfall profits tax and an incentive arrangement for new investment in liquid-fuel production capacity.

The company welcomed Manuel's announcement in his budget speech that the recommendations will be released at the end of the week.

"We are pleased to note that government will consider ... the cost structures and future investment plans of affected taxpayers, together with the country's long-term liquid fuels requirements," read a statement issued shortly after the budget speech.

Manuel said he will refer the regulatory aspects of the report to the minister of minerals and energy for further consideration. "I believe there is merit in these proposals. However, we will consult the industry before we finalise this matter," he said.

The budget will have a positive effect on business confidence and investment, the **National Association of Automobile Manufacturers of South Africa** (Naamsa) said on Wednesday.

"In summary, the budget would place South Africa on a higher growth path and was consistent with the objective of stability and predictability in government policy," said Naamsa president Johan van Zyl. "Overall, the proposals would stimulate investment, economic growth, development, employment and sustain consumer expenditure. The budget should be well received by the business community generally."

The 2007 budget is "largely neutral" from a property perspective, **Jawitz Properties** commented on Wednesday. There are no changes to transfer duty percentages or the thresholds below which transfer duty applies, said chief executive Herschel Jawitz in a statement.

"This was largely expected given the significant relief in the 2006 budget, and the fact that the zero threshold for transfer duty at R500 000 still covers the low-price/low-income market, despite increases in property prices over the last year."

There were also no changes to the thresholds for capital gains tax, which remains at R1,5-million.

The extra money budgeted for the **Health Department** means better salaries for health workers -- particularly nurses, it commented on Wednesday after Manuel's Budget speech.

The additional R5,3 billion allocated for human resources was in response to the department's proposals, said spokesperson Sibani Mngadi. "With this allocation, we are now in position to commence consultations with employee organisations on these proposals that will lead to improvement in remuneration for health workers particularly the nurses."

Save for a few "thorny issues" the **Federation of Unions of South Africa** (Fedusa) welcomed the Budget. The abolition of tax on retirement funds was one of the key announcements welcomed by the federation.

"Trustees must ensure that workers reap the benefits of this decision or be held accountable," said Dennis George, general secretary of Fedusa. He also welcomed the personal tax relief of R8,4-billion, and the increase in the monthly monetary caps for tax-free medical-aid contributions. However, Fedusa felt that these could have been increased further.

**Sumayya Ismail and I-Net Bridge**  
**Mail & Guardian Online**

[go to top](#)

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## Rising Costs of Chronic Diseases Hurting Corporate Profits and Productivity

As work becomes more sedentary, the global workforce is becoming fatter, sicker and less productive due to chronic conditions such as heart disease and diabetes, according to a new report.

Publicly released today, the report prepared by PricewaterhouseCoopers Health Research Institute in conjunction with the World Economic Forum, entitled "Working Toward Wellness: Accelerating the Prevention of Chronic Disease," identified chronic disease as a growing and costly threat to corporations and their workers. It calls on global CEOs to make wellness central to their corporate business strategy, suggesting that multinational employers have the greatest stake in and best opportunity to prevent chronic disease. For corporations adopting wellness programs, PwC provides a framework to ensure the effectiveness of those initiatives.

According to PwC, too little attention is being paid to preventing chronic diseases, as only 3% of spending in industrialized nations goes toward prevention.

"Traditionally, it has been governments, not employers, that have been responsible for managing the major global health risks," said Jim Henry, global leader for Healthcare, PricewaterhouseCoopers LLP. "The focus and funding have long been on infectious diseases such as AIDS and malaria, as well as maternal deaths and diseases of the poor and malnourished. But the prevention of chronic diseases has been chronically underfunded. As we get older, fatter and less active, the weight of the world is falling on the bottom lines of the world's largest companies in the form of reduced productivity, increased tax burdens and declining competitiveness."

PwC's report, first presented at the World Economic Forum in Davos earlier this month, provides a comprehensive overview of the impact of chronic disease:

- Chronic disease, including cardiovascular diseases (stroke and heart disease), cancer, chronic respiratory diseases and diabetes, caused 60 percent of deaths worldwide in 2005.
- Deaths from chronic diseases will increase worldwide by 17 percent between 2005 and 2015. At the same time, deaths from infectious diseases, maternal and perinatal conditions and nutritional deficiencies combined are projected to decline by 3 percent.

- The economic toll of chronic disease for developing and developed nations around the world is estimated at approximately 3 percent of gross domestic product, globally.
- The world now has more people who are overweight than hungry. Preventable risk factors such as poor diet, lack of physical activity, stress and smoking are the biggest contributors to chronic disease.
- According to the World Health Organization, the United States is the world's fattest nation, with over half of adults overweight or obese. But China and India are growing fatter at a faster pace. By 2015, the number of overweight and obese adults in China and India will grow by 66% and 44%, respectively. In India, the share of deaths from chronic disease is expected to increase from 40% in 1990 to 67% in 2020, and spending on cardiac-related treatments is expected to grow by 13% annually there.

### Employers Step in with Wellness Programs

In "Working Toward Wellness" PwC examines the challenges facing businesses as a consequence of the growing epidemic of chronic disease, and found that approximately 2% of capital spent on workforce is lost to disability, absenteeism and presenteeism (in other words, diminished productivity from ill employees who go to work but work below par) due to chronic disease. Combined, these indirect costs are more than the additional direct medical claim costs that some employers incur.

"There are quantifiable benefits from using wellness programs to attract and retain talented, healthy employees," said Simon Leary, partner, PricewaterhouseCoopers LLP, the UK firm of PwC and Health Research Institute Leader for United Kingdom/Europe. "You can improve the health and well-being of your workers while also bolstering your bottom line. The economic case for prevention is overwhelming."

As part of its research, PwC conducted a survey on wellness program among multi-national employers representing more than 3 million employees worldwide, and found a growing emphasis on health prevention in the workplace. The survey, conducted in conjunction with the Washington, D.C.-based National Business Group on Health, found that:

- More than half of multinational corporations surveyed expect to introduce or expand corporate wellness program over the next five years.
- One third (33%) are rolling out comprehensive wellness program in multiple countries, while another 17% are rolling out a single wellness program in multiple countries.
- Corporate wellness programs have been shown to provide a 3-to-1 return on investment.
- The two leading reasons cited for promoting wellness were "reducing indirect costs associated with absenteeism, presenteeism, disability and workers' compensation" and "improving work performance, such as productivity and quality." "Reducing direct healthcare costs" was cited as the third most important reason, followed in order of importance by "the desire to improve the image of the company internally (for retention purposes)" and then to "improve the image of the company externally (for recruitment purposes)."
- Of 20 largest multi-national companies in the world, 75 percent published corporate responsibility reports online in 2006. Of those that published reports, 93 percent emphasized their commitment to improving the health of employees. The "Working Toward Wellness" report is a joint initiative of PricewaterhouseCoopers and the World Economic Forum. At the annual meeting of the World Economic Forum in Davos last month, the leaders of the world's largest, most influential companies were called upon to join the Forum's Working Toward Wellness initiative, an effort to stimulate greater business engagement in the fight against chronic disease through employee wellness programmes. The goals of this initiative are to

engage CEOs and business leaders to commit to measurably improve employee health and wellness; help companies take practical steps to improve general employee health and facilitate collaboration between stakeholders in battle against chronic disease.

## Worldatwork

[go to top](#)

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# General Accepted Reward Practices Development Programme (GARP)

The response to the invitation to participate in the drafting of the first General Accepted Reward Practices (GARP) read like the who's who of the South African reward profession.

There were a few people who did not accept participation blindly and asked very fundamental questions about the purpose and challenges of this project. Others embraced the ideals and expressed their commitment to make it a huge success.

From the questions and discussions, the magnitude of the project became clearer, as did the need for GARP. One question asked was so fundamental that we felt that we needed to share it with the wider SARA membership.

The question asked was: **“what will happen once the standards have been developed. Will it end up on the shelves as a theoretical peace of work?”**

When pondering the risks of the project, this must certainly be the biggest. This risk is subtle; a diplomatic effort of many to write the manuscript and then a quiet withdrawal. No-one loses face and we have a trophy in the cupboard to refer to. We may even pat ourselves on the back with the achievement.

This intellectual dishonesty should never be part of a Remuneration professional's thinking pattern. The road towards the entrenchment of GARP in South Africa, if my information is correct, a first in the world, will be far more challenging.

I can see that as the participants in this project are strong individuals, they will enter into deep but meaningful debates about concepts, best practices and ways to improve business performance through the use of GARP. It will be incumbent on the reward professionals to debate these practices within their own companies and to obtain mandates to support the GARP-standards.

To lend strength to these practices, we will have to engage with the audit profession to endorse these practices as practices that will ensure good governance and facilitate better performance. The audit profession will be our partner in establishing the standards against which reward practices will be monitored.

The captains of industry should rely on the confirmation that where GARP-standards are implemented, the Rand spent on reward will ensure the best return on what we know is the largest investment in industry and economy.

Shareholders should be able to trust that GARP will be a safeguard to their investments. Employees will have comfort that GARP ensures that they are treated fairly and that management who applies GARP-standards acts in good faith.

This project will, as never before, create a common identity amongst Reward professionals. It will provide an opportunity for the people who call themselves Reward professionals to establish Reward as a fully fledged profession. However, the road to receiving this recognition will not be for the faint hearted. It will require dedication, guts and a conviction that this is the right thing to do.

**Lukas de Swart**

[go to top](#)

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## 2006 Internship Feedback

Our 2006 Interns – **Deborah Lehaha, Tebogo Liale and Lucette Muila**, were not only successful in the programme, but have met success since its completion.

The interns are settling in well to **ESKOM, Impala Platinum and Rand Water**. They have started with some remuneration analyst work, including an engineering survey. Lucette is on a graduate program for some time to come, which will stand her in good stead for the future. Tebogo is in Rustenburg for a few months, and has moved into a mine house. Deborah has her hands full at Rand Water. We wish them continued success in this career and will keep our eyes on their progress.

**Mark Bussin**

[go to top](#)

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## 2007 Internship Programme

The 2007 Interns have been selected and have begun their six-month programme under SARA's mentorship. The interns are **Thembaletu Zwane, Andrew Letsoalo and Sibangilizwe Ncube**.

We would like to extend our heartfelt thanks to **Eskom and Telkom** for their invaluable sponsorship of this year's programme.

We would also like to thank the companies that have agreed to host our students.

Companies still interested in participating should contact **Samantha Fletcher at 21st Century Pay Solutions** (Tel:011 447 0306)

[go to top](#)

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## SARA Bursary Programme

The 2007 SARA Bursary programme is an initiative designed to offer assistance to Master's or Doctorate students. Application forms and criteria have been posted on the SARA website at: **SARA Bursary**.

In order to qualify, students will need to provide the Association with the key focus areas, objectives and anticipated research methodology of the research.

For assistance in the application process, please contact **Mark Bussin at 21st Century Pay Solutions** (Tel:011 447 0306)

[go to top](#)

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## Student Assistance

As part of the association's commitment to the professional development of its members, SARA offers assistance to those members who are furthering their studies and working on their reward related dissertation or thesis.

Senior members have volunteered their time and expertise to the Member Study Support Programme and those members seeking support are encouraged to contact the association at 011-789-1384 or at **Gillian@vdw.co.za**

[go to top](#)

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## GRP Programme 2007

The number of students attending the GRP courses in Cape Town has grown enormously – we have 15 /16 people registered for GR1 and 2, whilst last year our typical class size was 6 to 8

people. This indicates a growing interest in GRP certification, both from Cape Town members and from outside of South Africa. This is very encouraging at a time when we are focusing on increasing professionalism and standards in the industry.

### Dianne Auld

<b>Date:</b>	<b>Function:</b>	<b>Venue:</b>	<b>Availability:</b>
March 12-14	GR 1 – Cape Town	Greenways Hotel, Bishop's Court	Fully Booked
March 15-17	GR 9 – Cape Town	Greenways Hotel, Bishop's Court	4 Spaces Available
May 28-30	GR 3 – Cape Town	TBC	Spaces Available
May/June 31 – 2 June	GR 4 – Cape Town	TBC	Spaces Available
August 20-22	GR 5 – Cape Town	TBC	Spaces Available
August 23-25	GR 6 – Cape Town	TBC	Spaces Available
November 19-21	GR 7 – Cape Town	TBC	Spaces Available
November 22-24	GR 2 – Cape Town	TBC	Spaces Available

The details for Johannesburg are as follows:

<b>Date:</b>	<b>Function:</b>	<b>Venue:</b>	<b>Availability:</b>
March 5-7	GR 1 - Johannesburg	House of Pharaohs	Fully Booked
March 8-10	GR 9 - Johannesburg	House of Pharaohs	Fully Booked
April 19-21	GR 2 - Johannesburg	House of Pharaohs	3 Spaces Available
May 21-23	GR 3 - Johannesburg	House of Pharaohs	Fully Booked
May 24-26	GR 4 - Johannesburg	House of Pharaohs	Fully Booked
August 13-15	GR 5 - Johannesburg	House of Pharaohs	Fully Booked
August 16-18	GR 6 - Johannesburg	House of Pharaohs	Fully Booked
November 12-14	GR 7 - Johannesburg	House of Pharaohs	6 Spaces Available
November 15-17	GR 2 - Johannesburg	House of Pharaohs	4 Spaces Available

[go to top](#)

## GRP Angola Programme 2007

The training details for Angola are as follows:

<b>Dates:</b>	<b>Function:</b>
January/February 31-2	GR 3
March 28-30	GR 4
May 16-18	GR 5
June 20-22	GR 6
August 1-3	GR 2
September 12-14	GR 9
November 26-28	GR 7

[go to top](#)

## Certification Institute

Once again, SARA will be hosting the **2007 Certification Institute programme** to be held from **12-14 March** at the **House of Pharaohs** in Johannesburg. The programme will be facilitated by **John Rubino**.

John Rubino, President of Rubino Consulting Services (RCS), is already well known to both SARA and the South African Rewards industry as a whole.

Based in the United States, Rubino uses his dynamic charm and vast experience in the design and implementation of corporate values/objectives and their linkage to human resources strategies, performance-driven incentive plans, sales compensation programs, performance management

systems, management training programs, team dynamics, leadership skills, motivational training, and human resources communication programs to lead Reward professionals to the next level of competence.

An internationally-acclaimed motivational speaker, Rubino is also the author of two books - Developing Compensation Programs: Job Analysis, Evaluation and Classification and Communicating Compensation Programs: An Approach to Providing Information to Employees.

Participants in this programme will use a case study of a fictional company to explore business challenges faced by today's HR professionals, including:

- Build a total rewards program using a strategic approach
- Identify business issues and communicate on a strategic level
- Learn strategies for implementing and managing change
- Practice design, analysis and communication skills
- Build skills for executive presentations
- Participate in one-on-one networking opportunities with facilitators and participants

To Register, or for further information, please contact [Gillian le Cordeur](#) at Tel: 011 789 1384 or email [gillian@vdw.co.za](mailto:gillian@vdw.co.za)

[go to top](#)

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## Employment Opportunities

### Payroll temp required for 3 months

Remuneration department requires short term services of a numerate person with VIP payroll experience to reconcile international payrolls. Experience in foreign currency and currency conversion essential.

The position will report to the international remuneration manager.

Remuneration department requires short term services of a numerate person with VIP payroll experience to reconcile international payrolls. Experience in foreign currency and currency conversion essential.

The position will report to the international remuneration manager.

Must have:

- Strong administrative skills,
- Attention to detail
- Good communication skills,
- Cultural sensitivity,
- Ability to interact with an international and diverse expatriate base across 19 countries.

Must follow through to resolution and assist expatriates to understand their salaries and their payments.

Liaise with Mauritius office on payments and transfers to expatriates and to trace payments to assist expatriates to receive their funds timeously.

Experience with Access Database will be a benefit, as the database needs to be populated with data on 550 expats.

Reconciliation of vendor accounts to resolve all outstanding monies due to suppliers. Assistance in

setting up processes to ensure vendor payment timeously from all 19 companies.

Please send CV to Barbara Parry on fax 0837057684 or e-mail [parry\\_b@mtn.co.za](mailto:parry_b@mtn.co.za) by **Friday 2 March 2007**

[go to top](#)

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## WorldatWork Events

### **WorldatWork Total Rewards Conference & Exhibition**

6-9 May, 2007 - Orlando, FL

### **WorldatWork 2nd Annual European Total Rewards Conference**

3-5 Oct, 2007 - Brussels, Belgium

### **WorldatWork Asia-Pacific Total Rewards Conference**

31 Oct - 2 Nov, 2007 - Singapore

[go to top](#)

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## Website Postings

The January 2007 Newsletter was added to the website at: [Library](#)

Details on the SARA Bursary are now available in a new section under: [Professional Development](#)

News Research Topics have been added to: [Professional Development](#)

New Job Opportunities have been added to: [Employment](#)

GRP Meeting Dates for Angola are available at: [Professional Development](#)

The Certification Institute Dates and Registration form are available at: [Professional Development](#)

The SARA Events Calendar has been updated for 2007 and is available at: [Events](#)

[go to top](#)

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## Update Your Membership Details Online

SARA members are encouraged to access the SARA membership database on the website and edit their personal details online when it becomes necessary. To make use of this facility, go to: [My Membership](#)

[go to top](#)

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## New Members

### **New Corporate Members**

- Jatheen Desai – Teba Bank
- Eliza Kemp – Pioneer Foods
- Isabel Makuta - Murray & Roberts Engineering Solution
- Annetjie Moore - Atio Corporation
- Thembi Dlamini - SwaziBank
- Hazel Ellens - Blu Strata Trading
- Sammy Reddy - Holcim South Africa
- Neil Ulrich - The Presidency
- Joyce Riekert - African Bank

[go to top](#)

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## 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 to [iris@vdw.co.za](mailto:iris@vdw.co.za) during the course of the month. If you have something you would like to share or have an article, success story or activity you would like published, please do not hesitate to contact me. 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.

All comments and constructive criticism is welcome and I urge you to give me feedback so I can provide you with the information you want to read about.

Regards  
**Iris Herz**

[go to top](#)

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