

SARA Bulletin

July 2007

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Rewards and benefits packages are not understood by 75% of employees

Only one in four employees understands their benefits package, research has revealed.

A YouGov survey of more than 4,000 employees, commissioned by insurance broker the Oval group, showed how confused staff are by their benefits.

The least understood benefits are dental, income protection, childcare vouchers and critical illness cover. Six in 10 employees offered voluntary benefits rarely use them.

The most popular way of improving employee understanding of benefits would be to provide a statement showing the total reward package.

Seven in 10 employees said they would use the internet for financial advice, which was twice as popular as any other information source.

Chris Metz, head of employee benefits at Oval Financial Service, said: "Many companies are still getting it wrong.

"Providing a bells-and-whistles reward package is just not enough. A company needs to know exactly what their employees really want, otherwise they are just throwing away millions of pounds with little return on their investment."

Greg Pitcher
www.PersonnelToday.com
Wednesday, 25 July 2007

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How are the critical skills shortages in SA affecting your business?

In the past few months the critical skills shortages have been widely published in the press. These shortages are not limited to certain industries or even certain skill sets and Remchannel clients are indeed in a raging war for talent.

In the technical discipline the increases in the median total guaranteed package from June 2006 to June 2007 ranged from 6% to 25%. These increases do not take into account the large number of mining participants who will need to refresh data after they have settled with unions in the coming months. Increases in excess of 15% were specifically seen in the following categories of staff:

- Artisans
- Engineers
- Electronic Design Engineers
- Geologists
- Metallurgists
- Radio and Switch Engineers
- Production Foreman

Similar increases were reported in the information technology discipline. Between June 2006 and June 2007 increases ranged between 6% and 19%. Increases in excess of 10% were reported in the following categories of staff:

- Programmers
- Analysts

- SAP Consultants
- Information Security Specialists

Similar market movements were also reported in the financial discipline, specifically in credit and cost accounting. These increases may be attributed to the current economic boom and the National Credit Act which requires specific skills in the implementation of the act.

The table below provides an analysis of the National All Industries Circle as at 1 July 2007. The table calculates the actual total guaranteed package increases for incumbents who have remained in the same staff category for the past 12 months. It should be noted that both annual and interim increases were taken into account in the analysis:

Hierarchical Categories	Same Incumbents 2006/2007
	Guaranteed Package Percentage Adjustment
Executive Management	11.7
Senior Management	9.4
Middle Management	9.7
Junior Management	10.3
Entry Level Management	9.5
Supervisory	11.1
Senior Clerical	10.5
Clerical	10.8
Semi Skilled	12.7

In the first quarter newsletter Remchannel indicated that reported median increases in the March 2006 Salary and Wage Movement survey were 6% for the past 12 months. The above table does provide a very different picture of the actual market movements in relation to the predicted market movements. The impact of the upward trend in the key economic indicators will again be researched in the **October 2007 Salary and Wage Movement Survey.**

If you would like further information regarding the anticipated salary increases or survey participation for 2007, please contact Margie Manners at (011) 468 2639.

Rene Richter
Managing Director
Remchannel (Pty) Ltd

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SARA - Ten Years of Excellence

growing pains or fond “childhood memories”.

As part of our celebrations, SARA is gathering stories, anecdotes and memorabilia that we will be sharing at a breakfast later in the year. So, if you have something to share from your journey with SARA, please email Gillian Le Cordeur at gilian@vdw.co.za.

It does not matter if your SARA journey began a decade ago or a day ago – If you have something to share, we want to hear it.

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SARA Conference 2007

"THE SPOTLIGHT ON HIGH PERFORMANCE"

This year's SARA Conference will be held at the Sandton Sun Intercontinental Conference Centre from 8 – 9 November 2007.

The programme has been filled with interesting and highly valuable presentations and discussions. In the field of Reward, where staying at the top of your game is a key element to success, this conference is something no member can afford to miss.

Don't Delay! Contact [Gillian](#) or visit the [SARA Website](#) for more

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I Love It When A Plan Comes Together

NOMINATE YOUR A-TEAM FOR THIS YEAR'S REWARD AWARDS

The South African Reward Association (SARA) and Remchannel are once again recognizing the country's best Reward Practitioner and Strategist.

Over the last few years, the Reward Awards have spotlighted the talent of South Africa's reward practices which can compete with the best in the world.

Organisations are encouraged to recognize the contribution that their reward specialists have made.

Nominations must be submitted to SARA by **7 September 2007**. Nomination Forms can be found on the SARA website.

[Please click here for the form](#)

WorldatWork Feedback Cocktail Session - Cape Town

The Cape Town session that was held on 27 June was superbly hosted by the Foschini Group at their offices in Parow. The function was well attended by a number of the Cape Town based SARA members. We had the pleasure of learning from the experiences of 3 of our peers who had attended the World at Work Conference this year. The networking opportunity after the presentations was also well supported.

Matthew Mellville, HR Executive: Group HR Planning, Foschini Group, as part of his presentation chose a complex session that he had attended. The concept of Strategic Opportunity Value (SOV) was discussed. SOV is a measure of the financial opportunity available through aligning compensation and staffing distribution to the market. One needs to look at remuneration in more detail than the broader based considerations that are currently done and companies need to filter on different job families, levels of work et cetera.

Linda Brand, HR Manager: Reward, Foschini Group, gave her overall impression of the Conference. She was very excited about the huge choice in terms of the information that was available at the event as well as the fantastic networking opportunities with people from all over the world. For her presentation, Linda expanded on three of the sessions which made the most impression on her. She gave an abbreviated version of the “60 Reward Ideas in 60 minutes” and concluded that it is all about “Communication! Communication! Communication!”

Rhoda Kleinsmith – HR Consultant, Sanlam Investment Management presented on the topic “Recognition & Wellbeing to the Ninth Degree - Creating a Work Life Balance” that was covered at the World at Work Conference. She gave us some insight on the different types of non cash benefits and formal awards that are being used by many of today’s leading companies. She noted the impact that recognition and a simple “Thank you” can have on employee morale.

Sandie Thomas
Remchannel

WorldatWork Feedback Cocktail Session - Durban

Once again Durban held a successful event that was well attended. A big thanks to the presenters for their time and trouble in coming to Durban to share with us their experiences of the World-at-Work Conference.

The main point to come across to the delegates was that South Africa is definitely

not lagging behind in the Global Reward Arena, and if anything, would be able to teach other countries a thing or two. One is sure to gain a lot more value from attending the National SARA Conference to be held in November this year than investing large sums of money to travel overseas.

As always there was good networking and cocktails afterwards. The KZN Committee looks forward to hosting another informative session in October.

Thank you also to DRG Outsourcing for sponsoring this recently held event in Durban.

Megan Shepstone
KwaZulu-Natal Chairperson for SARA

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2007 Internship Programme

During past few months we have visited a number of different companies and learnt a lot from them. We attended many meetings with some of those companies and even got exposed to different structures of organisations and their remuneration practices.

The last company we went to was ABSA; the following topics were dealt with:

- ABSA Reward Overview
- Reward and ESOP Training
- Job Evaluation / Surveys
- ABSA Benefits and Policies
- Executive Reward
- Reward and Motivation
- Central Services

During the course of our training at ABSA we attended SARA WorldatWork feedback session at Nedbank Auditorium. We then attended a job evaluation session at ABSA with their job evaluation committee. We closed our session with ABSA by visiting the HR Contact Centre.

When not with one of the host companies we spend time at 21st Century with Mark Bussin's. We have completed a number of assignments, on the different aspects of Remuneration. Some of these are Incentive Schemes, Remuneration Policy and Job Evaluation.

From the 2nd to 6th of July we spent some time at Cle` Human Capital where we dealt with the following:

- Benefits

- Change management

We will be hosted by another four companies and then our internship programme comes to an end. These companies are Business Connexion, South African Airways, Werksmans and Airports Company South Africa. During our last two months we will also be attending GRP 5 & 6.

Themba Zwane

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Work-life Management Training

By empowering employees to make decisions based on their unique work and life realities, companies have the opportunity to reap the benefits. Truly engaged and committed employees typically are more loyal and productive than those who are over-whelmed and lack focus. Work and life responsibilities shouldn't clash; they should coincide.

A company that defines, plans and executes its work-life agenda is in a position to achieve the proverbial win-win situation: Employers and employees working hand-in-hand to accommodate each other's needs and accomplish their objectives. To make this non-traditional arrangement work, employers need to consistently manage and communicate their work-life programs, policies and practices.

Improve both your organization's bottom line and the lives of your employees with work-life effectiveness programs. The work-life component of total rewards is now officially represented in our selection of course offerings with the establishment of our first three work-life effectiveness courses developed in partnership with our affiliate, Alliance for Work-Life Progress (AWLP).

W1: Introduction to Work-Life Effectiveness

Successful Work-Life Programs to Attract, Motivate and Retain Employees
Understand the Impact of Work-Life Effectiveness

Date: 1 - 3 October 2007, Johannesburg

Venue: Johannesburg - House of Pharaohs, 1 Gaunt Street, Bryanston

W2: The Flexible Workplace

Strategies for Your Organisation
Heighten Employee and Organisational Effectiveness

Date: 4 - 6 October 2007, Johannesburg

Venue: Johannesburg - House of Pharaohs, 1 Gaunt Street, Bryanston

Training is presented by David J. Thompson, Professor at Capital University in Columbus, Ohio

For more information, please contact **Marlindi Bosch** or call (011) 789-1384.

GRP Programme 2007

The details for Cape Town are as follows:

Date:	Function:	Venue:	Availability:
August 20-22	GR 5 – Cape Town	Palm House	Space Available
August 23-25	GR 6 – Cape Town	Palm House	Space Available
November 19-21	GR 7 – Cape Town	Palm House	Space Available
November 22-24	GR 2 – Cape Town	Palm House	Space Available

The details for Johannesburg are as follows:

Date:	Function:	Venue:	Availability:
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	Fully Booked
November 15-17	GR 2 - Johannesburg	House of Pharaohs	Fully Booked

The details for Angola are as follows:

Dates:	Function:
August 1-3	GR 2
September 12-14	GR 9
November 26-28	GR 7

New GRP Graduates

Congratulations to the following individuals who are now Global Remuneration Professionals. They have recently qualified and received their GRP certification:

- Tanya Clucas
- Olatnde Oyadiran
- Dianne Auld
- Janine Foedorovna
- Olujinmi Akintunde

- Caetano Amurane
- Doug Bolt
- Diane Trompetter
- Nicole Clark
- Lester Jacobs
- Nazlie Samodien
- Nike James

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Expatriate Management Group News

EMG Event Feedback

SARA EMG held the “Business Trends in Africa and the Impact on Workforce Mobility” event on the 18th July at Barlow World.

This event was extremely well attended by our members, which provided a wonderful opportunity to not only network and meet new members, but to discuss current challenges with our peers.

The presentation was delivered in London at the annual ERC (Employee Relocation Council) EMEA Region conference in June by Barbara Parry of MTN, Dave Edwards of Vodacom and Mark Stoffberg of Anglo Gold Ashanti, to the approximately 400 ERC members attending the conference.

Hein Bishoff replaced Dave Edwards who could not be at the EMG event, due to business demands.

The presentation covered the complexities of working not only in Africa as South Africans tend to define it – all countries outside of South Africa, but included South Africa, as the target audience in London is not knowledgeable about South Africa.

The presenters explained the critical issues of Government; Political; Skills shortage and infrastructure challenges. The vast cultural diversity across the continent was described, and pitfalls were explained to illustrate how easily foreigners in these countries can offend the local nationals without being aware of it.

The need to ensure proper research before venturing into the foreign countries in all these areas that impact on successful business in Africa was emphasized.

“Getting it right the first time” on the soft issues is vital, as once the critical players in your company’s ability to do business in the country are offended, the damage is done for the long term.

Remuneration, policy and leadership in the host country are crucial success factors, as the local national employees do resent the expatriates, and it is vital to exhibit that the expatriates are there to establish business and to select and develop successors to fill their posts.

Amongst the 3 companies represented in the presentation, their footprint covers the majority of the continent, so the presenters were able to discuss the different challenges in most of the countries, and to highlight the diversity across all the countries as experienced by themselves.

Social investment in the foreign countries was also discussed as a highly visible benefit to the host country of having the foreign company doing business there.

Barlow World once again provided their facilities free of charge, and also provided our members with a wonderful breakfast at no cost. It is members like this that make it possible for EMG to hold events that are “no or low” cost for members.

Barbara Parry
International Human Resources & Reward Manager
MTN Group Management Services

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Expatriate Remuneration

Globally Expatriate Remuneration remains one of the biggest challenges for organisations. The shift for organisations from local to International to global is still evolving, thus creating unchartered concerns and issues in the remuneration of assignees.

As a result of expected increases in expatriate work forces, employers need to establish consistency, equity and cost effectiveness in calculating salaries.

As more South African companies invest globally, the structuring of remuneration packages has become really challenging.

Factors such as Location (or Hardship) allowances and Cost of Living allowances are vital in order to provide legally and intellectually justifiable methodologies in arriving at the final packages offered to Expats.

This data is researched by specialist organisations that conduct regular research across the world.

Location (hardship) allowances are arrived at by ranking all countries against a specific home country to the host country. This is done on a variety of factors such as climate, health, culture, goods and services, language, religion, isolation, housing and education, security risks, social and political tensions.

Cost of Living is the difference between the cost of a basket of goods in the home country as compared to the cost of the same basket of goods in the host country.

Most salaries are offered net in a common hard currency, which is mostly USD in Africa. As more employees are sent out on assignments, the skill base dwindles in the home country which results in talent being sought globally.

The end result of this is that the Host country operation ends up being a truly cosmopolitan company staffed with Expats of different nationalities who originate from countries with different living standards and cultures. These employees often work together in the same location, performing the same jobs, and yet earn varying salaries due to the economies and pay levels within their home countries. As a result, employers are discovering a growing need for consistency, equity and cost-effectiveness in calculating salary packages.

These Expats all have a specific home currency which they seek to protect as that currency fluctuates against the USD.

With the decline in the strength of the USD, and the volatile currencies in emerging markets, this is becoming more and more of an issue as Expats demand to have their home currencies protected.

The administration of such methodology is tremendous, given that the payroll would be required to run conversions of multiple home currencies against the selected hard currency.

An additional consideration is checking expatriate pay against local market rates. This especially applies to economic growth areas such as Singapore and Hong Kong, Africa and the Middle East where demand exceeds supply for critical skills, resulting in local pay increases higher than price inflation.

A growing challenge for many companies with established operations abroad is to take heed of local sensitivities. If an expatriate gets paid significantly more than his local national colleague gets then it has to be on a justifiable and rational basis.

In countries where reliable salary survey data is available, it is easy to benchmark against the market, but this is not always an option, due to the lack of data available in some countries.

In this regard, the delivery and expression of the pay package can be vital for acceptance (either by local management or expatriates). There are examples of several large global companies who apply a 'host country-based delivery system.' The cash element is expressed as gross pay for a local national of equivalent seniority plus an extra allowance, where appropriate, to protect home country living standards.

here are also a significant proportion of companies applying a home country-

based approach who express the salary package in two components:

- Home needs (to cover home country commitments and incentive allowances and fixed in home country currency).
- Host needs (to cover local day-to-day living costs and fixed in local currency).

This is in line with expatriate perceptions and facilitates salary reviews in locations with unstable economic conditions, regardless of the currency of payment and proportion of pay delivered locally.

Furthermore, there is a trend for companies applying a home country-based approach to reduce the basic expatriate incentive allowance (or Foreign Service premium).

There has also been a shift towards a more formal source for calculating location or hardship allowances, including modification for different nationalities.

These trends are likely to continue. The most successful pay systems achieve a balance between these contradictory pressures and overall business needs of the organization.

Cost control is critical, especially since expatriate assignments can cost up to three to four times more than corresponding home country costs.

At the same time, issues such as dual careers, children's schooling in the host country and job insecurity upon repatriation often make it more difficult for organizations to persuade the best employees to take international assignments. Eighty percent of organizations perceive potential disruption to the career of the "trailing spouse." This is viewed as a growing challenge to expatriate mobility.

These concerns in turn increase the cost to company, as the expatriates will negotiate to protect themselves from any potential personal losses they might perceive.

In the search for structured flexibility, the most significant trend is towards a dual or hybrid approach involving home based or balance sheet method or both systems and depends on factors such as assignment location, living standards and employee nationality.

- Host-based approach. This refers to either expatriate or local national going-rate. (Sources: local pay scales and/or compensation and benefits surveys).
- Home-based or balance sheet approach. This protects home country living standards for differences between the home and host country in the cost of living, levels of taxation. Incentive allowances or premium may be added.
- Dual approach. Higher of home or host based approaches, or selection

depends on country.

In emerging countries where there housing is not always readily available, most Expats are provided with free housing. Most companies provide free accommodation, although the trend is to specify a ceiling value in each location. Although home country accommodation is normally the employee's responsibility, this approach puts less pressure on expatriates to let their home country houses, whilst abroad, to cover ongoing home commitments.

Other benefits provided at full cost to company are typically vehicles; full furnishing in the accommodation; schooling for accompanying children; flights home once or twice per annum for the whole family; DSTV; e-mail service in the home; and in some countries, domestic workers, gym contracts and drivers. This is dependant on the social infrastructure in each country.

The company also pays medical aid, pension, medical evacuation insurance and all the additional costs involved in selecting the most suitable candidate for the job, which can include psychometric assessments, medical tests and expatriate preparation training.

These precautions all add to the total cost of an assignment, and need to be factored in to the package.

The fact that an Expatriate enters the global workforce whilst on assignment results in the really successful ones being head hunted by other global companies which results in value and expectation inflation.

There are many options in structuring Expatriate packages in order to contain costs and manage expectations, and there is no "one size fits all" solution.

Another development is the increased provision of non-regular pay. For example, many companies now include expatriates in performance related bonus schemes. Again, there are a variety of variables to consider. These include, for example, home, host or global-based schemes. Does the bonus reflect individual, company or group performance or a combination of these? This has implications in:

- Assessing and comparing the value of expatriate packages, using alternative pay approaches and also the local going rate.
- Assessing host country tax liability if a tax equalization approach is being applied.

In conclusion, the world of expatriate remuneration continues to be in a state of flux. Long-standing issues of being both competitive and cost-effective are now rapidly being supplemented by the need to develop effective processes to encourage and manage the mobility of an increasingly international workforce.

Many employers have stated that the ideal goal is to implement a policy which not

only satisfies the global business needs of the company, but which can be adapted to local conditions and cultural differences without distorting overall integrity and consistency.

International mobility can be enhanced if potential expatriates and line managers understand that the experience and knowledge of returning expatriates must be fully utilized in order for the company to gain the full benefit of the costs incurred within the group for each assignment.

A large percentage of Repatriates end up leaving their organizations due to a number of factors, reintegration into the home company, being given meaningful roles and responsibilities and inability to return to pre-assignment pay levels.

These are factors that need to be addressed to control loss of experienced and successful global employees on return from assignments.

By Barbara Parry
International Human Resources & Reward Manager
MTN Group Management Services

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EMG Events

The event on the 14th November will be a big MUST for members to attend. We are fortunate to have an international speaker Andreas Beurgi address us.

He is an inspiring speaker who has years of international expatriate management experience and consults on this topic globally. He lives in Switzerland.

He is the Managing Partner of the Swiss peak performance consulting firm LWI Ltd., and he has more than 20 years of international hands-on business experience. He spent a large portion of his career initially as the MD of an international expatriate management consulting company and then as a partner at one of the "big four" consulting firms, specializing on developing and implementing international people mobility programs for multinational clients.

Most of Andreas' career has been spent in coaching and advising expatriates, intercultural teams and executives responsible for global business expansion to optimize their planning, processes and performance. In this context, Andreas has also accepted a role as international faculty member with World at Work, specializing on the areas of international compensation, benefits and assignment management.

Book the date, and be sure not to miss this one!!

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Employment Opportunities

We trust that you have been receiving your regular SARA Jobs bulletin, and that you are benefiting from this service. Please remember to send us your opportunities, which are also posted on the SARA website at [Professional Development](#).

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Industry Events

WorldatWork 2nd Annual European Total Rewards Conference

3-5 Oct, 2007 – Brussels, Belgium

For more information please visit: [WorldatWork](#)

WorldatWork Asia-Pacific Total Rewards Conference

31 Oct - 2 Nov, 2007 – Singapore

For more information please visit: [WorldatWork](#)

The Reward Management Update 2007

28 & 29 November 2007 – London

For more information please visit: [E-reward.co.uk](#)

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Website Postings

New Jobs have been posted to: [Employment](#)

New Event information has been added to: [Events](#)

SARA Corporate and Consultant member list has been updated at: [Membership](#)

New GRP Graduates have been added to: [Professional Development](#)

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New Members

SARA would like to extend a warm welcome to the following new members. We look forward to your participation and trust that you will enjoy the many benefits of the Association.

New Corporate Members

Mr Samuel Nxazonke - Railway Safety Regulator

Mr Charles Henzi - DRG Outsourcing

Ms Mandy Seaborne - Siemens

Editor's Note

Dear Readers

As some of you may know, I will be leaving my position as editor of the SARA newsletter, and this is the last newsletter that I will be responsible for. I do hope that you have enjoyed reading this as much as I enjoyed putting it together. I have learned much and wish SARA all the best for the future.

All comments, contributions and constructive criticisms are welcome.

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

My replacement, Nadia Van Niekerk, will be managing the newsletter from next month.

Thank you for all your support.

Iris Herz

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