

From the Editor

With increasingly violent crime, an uncertain political future and the crisis in Escom more and more of our top talent is looking to safer, more stable, lighter pastures abroad (see "talent calls the tune now" – to make up for this local companies are going to have to be proactive, looking to take on board less experienced individuals, who have the academic foundation, ability, and passion to learn and to be successful. This may also mean bringing back those retired "silver backs" on a contract basis (see article by Tony Darly), while the younger talent dries out behind the ears (see article by Nosi Nzama). I am sure that you will be as encouraged and optimistic as I was on reading Nosi's article, I hope too that you will be challenged to go out there and find "a Nosi" for your business!

As always your comments and insights are appreciated – kim@ep.co.za

Happy reading!

Kim

Kim Odell

Editor



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DRG Outsourcing keeps good company!

DRG Outsourcing is a service provider to the African Centre for the Constructive Resolution of Disputes ACCORD. They are the acknowledged expert conflict resolution agency for Africa and have worked for peace in many of its countries in support of former President, Nelson Mandela and other South African peace facilitators. They have intervened in the DRC, Burundi, Gaza and are currently active in the Darfur conflict.

DRG Outsourcing has advised this eminent institution on employee reward and as such presented to the ACCORD Board of Trustees at its recent meeting in Maputo. Madame Graca Machel is a Board member and Madiba its patron. It was in this context that Charles Henzi (back, first from right), Service Line Leader Employee Investment, had the good fortune and privilege to meet with Madiba.



DRG Outsourcing - One of the top 5 in KZN in the Business and Financial Services Sector

The annual Kwa-Zulu Natal Top Business Portfolio 2007/8 and the FNB KZN Top Business Portfolio winners were announced at an awards ceremony held in Durban on the 22 November 2007.

The aim of the awards is to identify, encourage and reward excellence, competitiveness, and success while acknowledging best business practice.

The KZN Top Business portfolio has now been running for ten years. It serves to publicise the provinces vibrant economy as well as highlight successful Businesses in Kwa-Zulu Natal. The FNB Portfolio Awards 2007 is an initiative to recognize the success and excellence of business in Kwa-Zulu Natal.

The criteria for the awards were drawn from the principles of the King Report on Corporate Governance 2001 (King 2) and the BEE Codes of Good Practice 2007. Awards were given in each sector to businesses making a contribution to the sustained economic growth of KZN.

These businesses include any company, close corporation, sole proprietorship, co-operative, partnership or individual (open to private and public sectors).

DRG Outsourcing is proud to have been part of the KZN Top Business Portfolio for the past 6 years.

During 2007 DRG was nominated as a leading organization in KZN in the Business and Financial Services Sector, and was voted as one of the top 5 of performing companies in KZN. Tongaat Hullett was the overall winner in the category with the other nominated companies being Shepstone & Wylie, Derivco and the eLAN Group.

DRG Outsourcing wishes to congratulate Tongaat Hullett and all the nominated companies in all the sectors for their fine effort and leadership within the KZN province.

"CONGRATULATIONS - This is excellent news. All the hard work over the years is paying off- You guys deserve the honour of being ranked with the likes of Derivco, Shepstone and Wylie, The Elan Group and Tongaat Huletts. Remember the only restriction in business and also in life is our own limitations."

Derek Raw
Manager, Business
Westville Branch,
Standard Bank



My welcome to the “real world” by Nosi Nzama

After completing my degree at UKZN Westville campus in 2006, I faced a challenge of not being employable due to the fact that I had no experience. As a 21yr old, armed with only a vision and a qualification, I had to knock on every door for an opportunity to get exposed to the real working world.

Fortunately last year, the SSETA was involved in a project for students, who had completed their training in tertiary institutions but still lacked workplace experience. With the help of the UKZN Westville Campus Career Centre I got the opportunity to apply and was accepted.

Each of the selected candidates were assigned to different companies. We were each assigned a mentor or a coach and according to the SSETA requirements had to complete six modules relevant to the workplace environment in order to prepare a portfolio of evidence, which entails all actual work completed within the workplace.

I feel I have grown as a person having been exposed to the DRG environment, particularly through the many challenges associated with providing service to people and clients.

A further advantage was that I got to experience the service lines within DRG, and gained a better understanding of how the real working world functions.

As young graduates we often expect to immediately climb the corporate ladder and become MD's or CEO's of companies within a short time. The harsh reality is that in order to advance you have to start bridging the gap between what you've have learnt at College or University and the actual experience in the workplace. That journey starts with capturing data, answering phone calls, understanding the dynamics of the business and familiarizing yourself with culture of the company. For me it is a path that I am willing to take hoping that it will mark the beginning of a successful career.

Having been involved in projects such as the South African Investment Conference, working together with Trade & Investment KZN, and the Walvis Bay Spatial Development Initiative (WBSDI) where DRG facilitated the B2B matching component, has been a major milestone in my career and personal growth. The opportunity that was afforded to me, particularly dealing with national and international clients has enhanced my communication, dispute handling, and problem solving skills and the ability to think on my feet.

Through the internship programme I have had the opportunity to be able to discover the potential and value within myself, and I urge companies to give graduates a chance to harness the skills they have.

With the skills shortage crisis at hand Internships and learnerships could be a possible way for companies to retain young talent needed for fresh perspectives in this fast paced business world.

Following the completion of her internship, we are pleased to welcome Nosi to the DRG team in position of Administration Assistant. We wish her a long, happy, and fulfilling stay with DRG!



TALENT RECRUITMENT

Due to our wide network of talent sources DRG Outsourcing offers a cost and time efficient recruitment process. Working with our diverse customer base allows us to quickly understand your unique talent requirement. Our remuneration service line will provide guidance on appropriate job levels and associated remuneration packages to be offered. A facilitated discussion

will be conducted to gain clear insight into your requirement, including the development of a detailed role and competency profile if necessary.

To meet your Talent requirements contact MEGAN SHEPSTONE at DRG Outsourcing on 082 823 3332 or office: 031 7670625 or email: megan@drg.co.za



An interview with Tony Darley

(Project/Construction Manager)

With the diversity of opportunities available in today's construction industry, I would encourage passionate entrants, once they have completed their qualifications and internships, to venture into consulting their services within projects as fixed duration contract employees.

While permanent employment may seem a safety net of sorts, it is the variation and complexity of being on a variety of projects that affords one the opportunity to apply for posts which provide circumstance for accelerated skills development, thus increasing your experience and value in the current (and in future) project deliverables.

Contract employment to a professional consultant means that you are employed for a specific purpose or time period. Very seldom do these purposes/periods become shorter, and it is frowned on deeply if contractors leave the contract sooner than stated or as appropriate. Most permanent positions detail merely a one month exit in the relationship by either party. Contracting is far more of a commitment in employment duration and deliverables.

Working on a project is working as a team with colleagues and peers, and required is a clear understanding of group objectives, ethics, delivery ethos, etc. Team dynamics plays an essential role in effective interaction of personnel

in a project team. By the nature of an employment contracting position, which is either providing a time or project based solution to a client, there is generally some urgency in managing deliverables and expectant outcomes, and so stress, tension, anxiety, need to be transmuted to deliver positive inputs and outputs.

Having worked as a professional consultant/contractor I know how important it is to have your human resource affairs current and in order. For the past 10 years plus I have appointed DRG Outsourcing to manage my tax and employment responsibilities, and I am confident that I am in good hands.

I recommend that contract employees familiarize themselves with local employment conditions as far as possible, and appoint a professional organisation to provide a solid human resource support platform to stabilize and keep in harmony such important employment matters as monthly statutory contribution, salary, tax planning, medical aid and benefits, etc.

As is often the case, the fixed duration contract employees will be away from home, and will count on having remunerations credited accurately and on time in their account by the outsource supplier, and for all human resource affairs to be managed correctly. This is the service I get from DRG Outsourcing.

TALENT CALLS THE TUNE NOW

An excerpt from the article appearing in the mba.co.za March 2008 Newsletter (www.mba.co.za)

Companies don't have the luxury of choosing the talent they want. It's the talent that picks the company. Pervading local macro-economic issues such as higher interest rates, fuel price hikes, inflation, political uncertainty and crime will affect organisational staff attraction and retention in 2008 and beyond.

But South Africa is not alone. In Western economies such as Europe and North America, as well as other economies, wobbly credit markets, high energy prices and expectations of rising inflation over the next six months all appear to be impacting executive hiring decisions, as well as, more importantly, on the employment decisions made by top talent across industries.

The McKinsey Global Survey of Business Executives: Economic and hiring outlook: Fourth Quarter 2007 says, "Despite such negative indicators, the ongoing competition for talent is clear from other survey findings: twice as many respondents expect their companies to increase as to shrink their workforce, and training and recruitment is the only area in which respondents say that investments are more likely to rise than to remain the same."

By all accounts, the job market appears rosier for talent than for companies, as tough economic times often see job losses, rather than gains or such fervent competition between companies for top level skills. However, given the current global and local economic climate, there are mounting risks to organisations seeking to attract and retain the best people for available positions.

In an article titled 'Making talent a strategic priority', McKinsey reports a deep concern among business leaders regarding the ongoing euphemistically-phrased 'war for talent'. In November 2007, nearly half the respondents in a Quarterly Global Survey conducted by the company, say they "expect intensifying competition for talent – and the increasingly global nature of that competition – to have a major effect on their companies over the next five years. No other global trend was considered nearly as significant". (For full article – www.mba.co.za)

Contract Employee Management

A steady increase in contracting of employment..

Employing staff on contract is becoming a more and more normal process of employment throughout the world. In the United States of America as much as 12% of the workforce population is employed on contract. These figures are up from 5% being employed on contract at the turn of the century. There are many good reasons for this movement in employment structures and relationships, and in this short contract employment environment overview we will speak through some structural elements.

Contract employees in SA (and in most countries around the world) are either employed on fixed term or project based contracts, and are expected to comply with normal employment regulations, and contribute to statutory employment bodies as in a permanent employment relationship. The only difference between being employed permanently or as a contractor being in that no severance pay (unless otherwise stated) is paid to employees at the end of their contract.

Contract employees fit into three different groupings, Professional Contractors, PEO's, and Contract Laborers.

Professional Contractors are employed into a company for a variety of reasons. However, one would recognize that professional contractors work in a company or assist the company in some finite function. The function may

be as distantly related as leading a change management activity in an organisation, to being the project manager, construction manager, engineer, on a site building a skyscraper. Both have a finite function to perform within the organisation, and would be in the possession of a fixed term or project based contract. Professional contractors, or as perhaps better described as "professional business persons/consultants employed on contract", for the time of their contract, are treated/respected as employees of the organisation, are guided by tasks/functions as detailed in their employment contract, report to company managers/directors/shareholders for whose vision and mission they are guided/remunerated, and for the period of their contract are bound by standard employment parameters within the company/country and comply/contribute towards normal statutory employment requirements/responsibilities. Statutory employment requirements vary from country to country, and whether people are employed permanently or on contract they have the same obligations with which to comply.

In many circumstances professional consultants work abroad as expats, and in these circumstances become obliged to pay local employee taxes and contribute towards statutory bodies as appropriate. The African continent, and many/most other countries around the world work on

source based tax rather than residency based tax. In days of old expats would receive their funds tax free from their employer for the work they did internationally, and would declare these earnings to their resident country Receiver of Revenue and pay employee tax as per tax tables in the resident country. Source based tax and levies are paid in the local country in which the contractor provides a service, and as in the residency based tax system, the person responsible in the first instance to ensure that his taxes, work permits, etc, are current and correct in each of the countries he works in is the Professional Contractor himself.

Professional consultants differ from employees in that they are responsible to themselves to ensure that their human resource foundation including, sourcing of project, meeting statutory responsibilities, developing contract, invoicing, fund transfers, taxation, medical aid, public liability, etc, is processed and recorded correctly. Professional consultants (and the clients that they work for) in many/most cases use the services of a preferred supply company of contract management services to help coordinate and ensure legality and structure in the employment relationship between themselves and the company. Contract management service companies ensure that contractor's employment payments and related administrative activities are current and correct, that statutory

Contract Employee Management continued

and general employment requirements and responsibilities are adhered to and met, and provide risk and benefit products as applicable/necessary.

Harry Feinberg, CEO/Chairman, SourceQuest, LLC adds. "In the U.S. the PEO uses its Employer Identification Number (EIN) which is also known as the Federal Tax Identification Number which is used by the government to identify a business entity, as opposed to using the clients EIN. Therefore, for the purposes of payroll; payroll tax, workers compensation (only found in the US); unemployment compensation; employer compliance; and health & wealth benefits...the PEO is the employer of record and is then considered a co-employer on one end. The client concentrates on their core business and tells the employees when to come to work, how much they get paid, what their job description is, etc. etc...the co-employer on the other end. Hence the co-employment relationship is created between the PEO and the client.

The second of the grouping is outsource staffing relationships or as what has been termed PEO services in USA and UK. PEO (Professional Employer Organisations), in general provide human resource management solutions to companies employing 1-50 employees. PEO's service to companies is providing them with a solid human resource platform for the company to operate its business more efficiently. PEO services vary in structure, but generally the service includes, amongst other human

resource support services, the PEO providing employee processing support which involves absorbing many/most statutory employment responsibilities and requirements. The company maintains management relationship, and receives a human resource foundation on with to coordinate employment activities/responsibility. Staff are employed on permanent and fixed term contracts as in normal employment relationships/arrangements. To the staff member there is little difference in if the HR service was supplied from within the company or from a PEO, to the company they receive an HR partner in their business to help to guide and support best human resource and staffing solutions. The PEO industry in USA is recognized as one of the fastest growing industries.

The third grouping being Labour Contracting, which in a general nature, includes outsourcing of semi-skilled workforces to an outsourcing supplier that through managing a large data base, is able to offer its clients a guarantee of being able to supply a resource on a regular basis. The Labour Contracting supply company is responsible directly for discipline and non conformance to employment matters, and provides their clients with some resource and employment compliance stability.

Each one of the contracting relationships requires different support packages to optimize client wants and needs. DRG Outsourcing has been

supplying contract employee management services for 10 years, and we would be glad to speak with you to define your South African and Africa Continent employment requirements. Operating in partnership with local supplies in Chad, Zambia, Nigeria, Kenya, Ghana, Angola, Namibia, Mozambique, Madagascar, and others.

DRG OUTSOURCING LIST OF SERVICES:

- **Employee Investment**
Charles Henzi
- **Strategy and BEE Facilitation**
Jeff Blackbeard
- **Human Resource Management**
Tony Kruger
- **Training**
Cynthia Fourie
Lindiwe Bhadi
- **Executive Recruitment**
Kim Odell
- **Contract Management**
David White
- **Payroll**
Christy Chetty
- **Talent Recruitment**
Megan Shepstone

For further information on each of these service lines call **(031) 767 0625** or visit: **www.drg.co.za**



SOUTH AFRICA & THE SADC: Looking Beyond 2010

22 January 2008 – London

24 January 2008 - Munich

Omega's 10th annual Euro-African conferences took place in London on 22 January and Munich

on 24 January 2008. The 10th annual conference attracted keen attention from over 200 delegates in both financial centers and interest in both Southern Africa and Europe. This is partly because of critical political developments over the next few months in South Africa; but secondly, because of heightened European interest in doing business in this region of Africa.

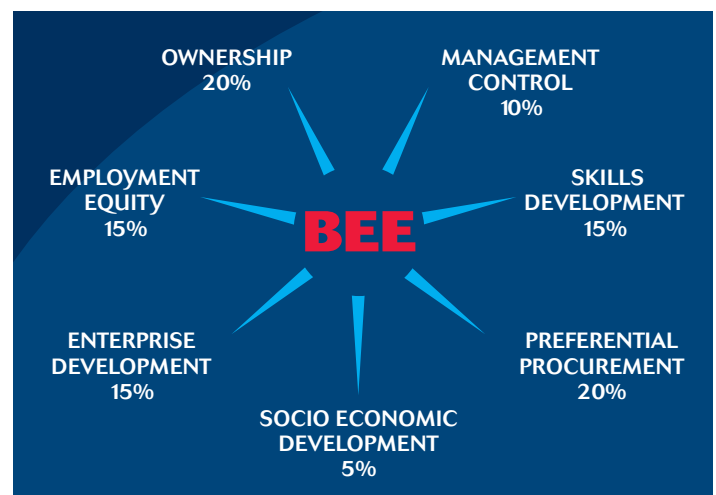
As The African Review of Business and Technology says, the Omega Africa conferences are a "must attend" for European investment communities. This is so because among other things:

- They have highlighted investment opportunities in the region.
- Introduced European companies to business possibilities.
- Chartered progress in different countries in the region.
- Given Southern African business and government leaders an opportunity of talking about their plans and hopes and expectations.
- Improved understanding between European and African countries and companies.

Jeff Blackbeard Chairman DRG Outsourcing (Pty) Ltd, who presented a paper on BBBEE beyond 2010, said "it was a fantastic platform to speak directly to CEO's and business leaders about the practical benefits for implementation the BBBEE Codes of Good Practice and the tremendous progress that has been made by South African business." The presentation focused on clarifying the issues of the 7 elements of the Scorecard (see below) and how investors are able to strategically plan their entry into South Africa by ensuring their global HR best practices are maintained while adhering to the well structured Codes.

The presentation explained why BEE is here to stay, and why it is a national imperative that demands business' high level attention; also how the supporting legislation interlinks with the BEE Act, and simultaneously compels focus in these HR related areas. The types of Strategic HR programmes that will provide positive BEE results, include

the strategic implementation of employment equity and skills development plans, organisation structuring, role profiling, succession and career planning, strategic skills assessment and planning, comprehensive HR policy and procedure framework, and even compliance with core laws such as the Basic Conditions of Employment Act and Labour Relations Act.



The other presentations included presentations by business leaders from:

- Standard Bank
- MAN Ferrostaal AG
- Unilever PLC
- Anglo American PLC
- Deloitte
- International Marketing Council
- Imara Asset Management
- WC 2010 Organizing Committee
- Trade Investment KZN
- European Commission
- Blue Financial Services
- HypoVereins Bank
- Munich Advisors Group

If you would like to understand more about BBBEE please do not hesitate to contact **DRG at +27 31 767 0625**

NEW BUDGET TAX IMPLICATIONS 2008/9 FOR INDIVIDUALS

by Christy Chetty, DRG Payroll Manager

Personal Income Tax Relief

The primary rebate is increased to R8280 per annum for all individuals and secondary or additional rebate for persons 65 and over increased to R5040 per annum. The tax threshold for persons below 65 years increased to R46000 per annum and the tax threshold for persons 65 years and older increased to R74000 per annum. Personal Service Companies and Labour Brokers without IRP30 are taxed at 33% of each rand. Trusts and other Special Trusts taxed at 40% of each rand. Max tax paid by an individual is 40% on taxable income earned of R490001 a year and above. Statutory tax rates can be viewed on SARS website.

Adjustments to Medical Aid Cap Amounts

Medical aid cap amounts have increased from 1st March 2008 for the principal member of a medical scheme and first dependant from R530 to R570 each and the each additional dependant has increased from R320 to R345.

Subsistence Allowance

Subsistence allowance changed from 1st March 2008 where the recipient is obliged to spend at least one night away from his/her usual place of residence on business and the accommodation to which that allowance or advance relates is in the Republic and the allowance or advance is granted to pay for:

- Meals and incidental cost, an amount of R240 [was R208] is deemed to have been expended.
- Incidental costs only, an amount of R73.50 [was R63.50] for each day which falls within the period is deemed to have been expended.

Where the accommodation to which the allowance or advance relates is outside the Republic, an amount equal to US\$215 [was US\$200] per day is deemed to have been expended.

Travel Allowance

The taxable portion of travel allowance remains unchanged at 60% BUT the

rates per km which may be used in calculating the allowable deduction for business travel were changed, please refer to SARS website for new tables.

Of the actual distance travelled during the tax year, in the absence of a log book, it will be deemed that the first 18000 km are travelled for private purposes and the balance, but not exceeding 14000 km are travelled for business purposes.

Where the distance travelled for business purposes does not exceed 8000 kilometers per annum, no tax is payable on an allowance paid by an employer to an employee, up to the rate of 292 cents [was 246 cents] per kilometer regardless of the value of the vehicle.

This alternative is not available if other compensation in the form of an allowance or reimbursive is received from the employer in respect of the vehicle.

SETAS GRADUATE INTERNSHIPS - A TWO WAY STREET

Most organizations by now, will at some time have been asked, what their BBBEE status is. Increasingly, when it comes to procurement businesses are looking to procure from suppliers who have a BEE scorecard reflecting that they are at least above the "non compliant" level (less than 30 points).

Businesses can, though a strategic focus on skills development, employment equity, and related interventions, make a considerable impact on their BEE scorecard. In fact, through a proper application of the Skills Development and Employment

Equity legislation, in relation to BBBEE, organisations can achieve scores of up to 75% (QSE's), and 40% (Generic's) on their Balanced Scorecards. The Scorecard elements that directly contribute to such scores are shown on the table.

Unless there is ongoing top level focus, attention, and support for these human resources issues, progress on the BEE scorecard will be limited and haphazard. But, if correctly addressed, organisations will simultaneously increase their scorecard rating, comply with all the three Acts, and favourably

contribute to the general upliftment and participation, on a sustainable basis, of Black persons in the economy.

Clearly, the aims and objectives of Broad-based BEE are not a fad, and are and will remain an ongoing national objective. Achieving authentic broad-based BEE requires a re-assessment of traditional business methods and corporate cultures. A real commitment to BBBEE and Human Resource management is now a strategic business challenge and an economic imperative.

BEE Element	Organisational impact	Generic Score	QSE Score
Management Control	Black persons in top level decision-making	10	25
Employment Equity	Race and gender profile of the organisation	15	25
Skills Development	Training and developing Black employees	15	25
		40	75