

# How important is it for South African payroll professionals to collect demographic data?





# South African ect



*By Sharon Tayfield*

It is important to consider local legislation before answering the question of how important it is to collect race and other demographic data. In some countries, the timing of data collection also needs to be taken into account.

In the US, for example, employers have to consider obligations imposed by both the Equal Employment Opportunity Commission (EEOC) and the Office of Federal Contract Compliance Programs. They may need to collect data to satisfy the requirements of the Employer Information Report EEO-1 or to understand issues relating to affirmative action.

Employers that are subject to EEO-1 reporting but not affirmative action stipulations have to collect data on race and sex after employment commences. This situation comes about because the EEO-1 report requires employers to provide information on their employees but not on applicants.

A report released in 2012 entitled “Gathering Diversity Demographic Data in a Global Context” by Robin Schneider & Alexis Walmsley reveals that the 12 multinational organisations researched seemed to be taking steps to gather, analyse and report on key diversity data. They also found that information relating to nationality was gathered most frequently in countries in Europe, the Middle East and Africa as well as Asia Pacific.

So what is the situation in South Africa? Two pieces of legislation that require data to be collected for reporting purposes are key here, with both carrying risks in the case of non-compliance. As remuneration figures are ▶



necessary to ensure such compliance, it is best practice to ensure that all data can easily be extracted from payroll or integrated HR/payroll systems. This means it is essential that the relevant data fields in the software reflect legislative stipulations.

## Broad-Based Black Economic Empowerment

Broad-Based Black Economic Empowerment, commonly referred to as BBBEE or B-BBEE, is an attempt by the government to ensure that all South Africans participate fully in the economy. The policy, which seeks to stimulate the economy and create employment, was initiated as a response to criticism against previous empowerment initiatives. The highly-controversial legislation that underpins it is the Broad-Based Black Economic Empowerment Act (Act 53 of 2003).

A set of “Codes of Good Practice” were promulgated on 9 February 2007 to compliment the Act. These Codes contain sections that detail how to measure ownership; management control; employment; skills development; preferential procurement; enterprise development and socio-economic development so that employers can complete a scorecard.

The scorecard forms a vital part of the 2003 Act and measures companies’ progress in terms of enabling empowerment to take place. The Code also deals with a special scorecard for a “qualifying small enterprise” (QSE), which is a business with turnover of between R10 million and R50 million (under the current Codes in force). The scorecard for QSEs is far less onerous than the criteria applied to large businesses.





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### **Amended codes of good practice for BBEE**

The latest version of the legislation, the Broad-Based Black Economic Empowerment Amendment Act 2013 (Amendment Act), came into force in January 2014. On 1 May 2015, amended Codes of Good Practice for BBEE also came into effect. In practical terms, B-BBEE requires businesses to measure, and certify, their B-BBEE status based on the Amended Codes of Good Practice.

Although the number of scorecard elements has been reduced, there is now more focus on the legislation’s human resources aspects, with employment equity and skills development particularly coming under the spotlight. Black females also have their own separate measurement indicators, and skills development has been broadened to include the training of employees and unemployed people who may subsequently become employable.

To obtain a score for Employment Equity, one of the categories on the BBEE scorecard, it is compulsory to submit an Employment Equity report. Employment Equity submissions are also required in law and failure to provide them can lead to a heavy fine.

The Amendment Act likewise requires that all public companies listed on the Johannesburg Stock Exchange must provide the Commission with a report on their levels of BBEE compliance.

### **Employment Equity Act**

The Employment Equity Act (EEA) was enacted by Parliament in 1998. Its aim was to achieve equity in the workplace by promoting equal opportunity and fair treatment in employment by eliminating unfair discrimination. Affirmative action measures were introduced for designated groups with the objective of achieving equitable representation across all occupational categories and levels of the workforce. The Act requires additional reporting requirements and designated employers must submit an Employment Equity Report annually.

The Employment Amendment Act, No 47 of 2013, which became effective on 1 August 2014, introduced some significant changes. This Act imposes heavy fines and stricter enforcement mechanisms than its predecessor. Fines payable by employers due to non-compliance with certain provisions of the EEA are linked to annual turnover and range from 2% to 10% of the total. There are two key stipulations that have a ►



direct impact on payroll setup requirements. Firstly, data needs to be easily extracted in order to facilitate accurate and timely reporting. Secondly, employers have a duty to retain their employment equity plan and their employment equity report for five years.

## Definition of “designated group”

The definition of “designated group” has been amended so that, in future, the beneficiaries of affirmative action will be limited to black people, women and people with disabilities, who are citizens of South Africa by birth or descent. From a payroll perspective, it means that all of this information needs to be captured to ensure that reliable data can be extracted from the payroll software.

## Definition of “regional demographics”

The definition of “regional demographics” has now been clarified to mean the relevant provincial economically active population, rather than something narrower or wider. This clarification means that employers need to assign employees to the province in which they perform their duties or where the business is operational.

A new template for the employment equity plan (EEA13) has been introduced. Along with ensuring that payroll software can record all the data and demographics information required above, payroll professionals also need to ensure that their software supports the new template layout.

## The importance of demographics and system design

The high level of penalties imposed by these

two pieces of legislation mean it is crucial to ensure payroll/HR systems are designed to capture demographic data in order to conform with reporting requirements. Without access to this data, employers will find it challenging to produce such reports, which increases the risk of non-compliance. So when it comes to demographic data collection in South Africa, it is vital to reduce the risk of penalties by ensuring that all relevant data is captured. ■



After graduating with a degree majoring in taxation, accounting and managerial accounts and finance, Sharon gained considerable experience in the fields of training, tax issues and financial ICT management, including mergers and acquisitions. She progressed to a position within South African Revenue Services before moving on to Anglo American Property Services, where she became group financial director with responsibility for ICT and payroll. Sharon joined Praxima Payroll Systems in 2001 and steered the company through the development of its own software. It is now a provider of payroll services to some of the largest legal practices in South Africa. She moved to Celergo to take up the role of head of operations UK. She was tasked with rightsizing its operations and refining the payroll processes to improve productivity. Sharon was asked to take on the COO role at Praxima Holdings in 2013 and has helped the company extend its footprint into Africa and beyond. She is a registered tax practitioner and member of CIPP and GPA.