

Payroll deductions will lead to a more productive workforce

Today's employees are faced with a number of challenges as the cost of living continues to rise, with remuneration seldom increasing at the real rate of inflation.

By [Philip Belamant and Thato Chiloane](#) 20 May 2015



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It is well documented that the vast majority of South Africans live from hand to mouth with barely enough to make it through the month, let alone set aside financial provision for life's inevitable emergencies.

Levy Africa Network recently released its report on the impact and magnitude of financial challenges for the South African workforce as a whole. Sarah Levy, founder of Levy Africa Network, explains that it is critical that management understand the financial pressures brought to bear on the workforce. Levy highlights that 7% of the workforce is subject to garnishee orders and that surprisingly this is not only the plight of those who are not financially secure.

Respondents identified an extensive range of salaries and packages being impacted by garnishee orders - from entry level monthly salaries of under R3,000 to those earning in excess of R500,000 per annum. This spread accords with the finding by the National Credit Regulator (NCR), namely that the middle income sector is currently the fastest growing area of indebtedness.

Increase in garnishee orders

More than 80% of human resource and finance professionals who completed the Levy Africa Network survey are concerned about the extent to which their workforce is indebted, with the majority identifying an increase in garnishee orders in recent years. In light of the overwhelming evidence of hardship, Levy states that HR professionals need to realistically appraise the situation facing the South African workforce, and act promptly to address it.

Prior to 2000, employers played a pivotal role in assisting employees with financial discipline through processing multiple payroll deductions. However, in 2000, after South Africa's then Minister of Finance, Trevor Manuel, published Treasury Regulations in the Government Gazette to effectively stop non-statutory deductions from the government payroll system. Many employers in the private sector followed suit and phased out all non-statutory payroll deductions to reduce the administrative burden on their payroll departments.

However, while the intentions of this change were honourable, they could not possibly have foreseen the changes in the

economic environment, where consumers are increasingly under pressure, and debt levels are at an unprecedented high. This in turn leads to garnishee orders, as well as consumers being compelled to submit to debt counselling just to survive.

Debt counselling

Subsequently, employers have in turn been forced to incur the expense of sourcing service providers to assist employees with debt counselling and financial literacy programmes. Employers have also seen the need to seek assistance with garnishee auditing and administration, to ensure transparent and effective administration of the increasingly complex payroll environment.

To assist employees gain financial independence, employers should reconsider their stance on non-statutory payroll deductions and also consider making it part of their wellness programme as this undoubtedly benefit the employee.

Today much of the employee's debt is off payroll which, if not declared by the employee, creates problems for the employer and creditor alike. If the employee defaults on their debt it returns to the payroll via a garnishee order.

Debt being serviced via a payroll deduction will undoubtedly benefit employees given them access to lower interest rates and discounted premiums when acquiring items such as houses, cars, insurance and other daily necessities.

Technology solutions

Companies concerned that offering the service of processing non-statutory payments at payroll level will add significant burdens to already stressed payroll administrators, can rest assured in knowing that technology is leading the way in taking the pain out of payroll.

Relevant and easy to use technology solutions are now available to make the process simple and efficient, and are already being used to process more than R110bn per annum in payroll and non-statutory payments.

Through the reintroduction of payroll deductions, we will over time unquestionably see a reduction in the number of garnishee orders and thus a happier, more productive workforce where employees are no longer struggling to focus on the task at hand because they are struggling to manage their financial stress.

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