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MONTHLY NEWS

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Employee Health and Wellbeing: A Strategic Priority for COVID-19 and Beyond

> ***"It goes without saying that no company, small or large, can win over the long run without energized employees who believe in the mission and understand how to achieve it." (Jack Welch, former CEO of GE)***

The health and wellbeing (HWB) of employees has a substantial impact on business success and sustainability, and this has never been more pronounced than during the lockdown.

Employee HWB is vital for a company to sustain itself during the lockdown, but making your employees' HWB a strategic priority creates a competitive edge that will be crucial for success now and beyond COVID-19.

Why is employee HWB a strategic priority?

Employee HWB delivers significant benefits, which are well-documented and widely-known. These benefits, some of which are listed below, provide a company with a competitive advantage in a very constrained economic environment.

Benefits of Employee HWB

✓ Decreased rates of illness and injury
✓ Reduce direct costs, such as providing healthcare

✓ Reduce indirect costs, such as absenteeism and reduced productivity
✓ Enhanced recruitment and retention of healthy employees
✓ Reduced absenteeism
✓ Increased productivity
✓ Improved employee morale
✓ Improved employee loyalty
✓ Improved employee resilience during organisational change
✓ Improved employee motivation
✓ Increased employee innovation
✓ Positive impact on business performance
✓ Achieved company objectives

"Most successful and innovative organisations today make employee health and wellbeing a key focus of their business strategies. It is not something to which they simply pay lip-service: they spend a lot of time, energy and money in developing workplaces that enhance wellness and consider those to be a crucial component of their organisational business strategies," says Freeman Nomvalo, CEO of the South African Institute of Chartered Accountants (SAICA). "These companies would therefore probably be more resilient during the pandemic, as employees are able to remain productive due to a supportive workplace environment."

Employee HWB also provides an opportunity to make a positive difference, playing a leadership role in our communities and in our country.

According to SAICA's Health and Wellbeing Advisory Group (HWAG): "Measuring employee health and wellness provides an indication of the wellbeing of the organisation. It is also a direct indicator of the wellbeing of a country's workforce, making health reporting a national priority and not just a corporate one. Health reporting can help organisations create and promote environments for healthy behaviours, which will extend not only to employees but also to their families. This can result in healthier workforces, as well as healthier cities and countries."

"Such reporting also meets the government's call to action for the private sector to partner with the public sector in responding to the challenge of NCDs [noncommunicable diseases]. This helps organisations fulfil their shared value and corporate citizenship obligations, and will have profound positive effects on individuals, companies and societies as a whole."

So how can a company go about tapping into all these benefits of an employee HWB? As the saying goes: What is measured is managed…

NCDs

Non-communicable diseases or NCDs, also known as chronic diseases, include cardiovascular diseases (like heart attacks and stroke), cancers, chronic respiratory diseases (such as chronic obstructive pulmonary disease and asthma) and diabetes, and are responsible for a staggering 41 million deaths each year, equivalent to 71% of all deaths globally.

What is measured is managed…

Reporting on employee health has largely been neglected, but this element of company reporting has never been more important than it is now

HWAG believes that companies should report on the following components:

- Occupational health and safety;
- Provision of medical benefits for full-time workers;
- A smoke-free workplace;
- Mental wellness programme (e.g. Stress management, resiliency programmes, managing depression);
- Employee assistance programme (EAP) access for counselling and intervention for those already at high risk (e.g. Stress, depression);
- Family-friendly policies (e.g. Flexible work schedules or working remotely);
- Access to healthy office design components based on special needs (e.g. Sitstand desks in case of back pain);
- Communal spaces where employees can eat, relax, interact with co-workers, or hold private conversations; and
- Assessments of the health and wellness of its employees, such as a health risk assessment (HRA) survey or biometrics screening assessment or self reported general health status of employees using a confidential survey or assessment tool.

This list of components also serves as a list of key focus areas. These components, many of which may have only received passing attention previously, may be prioritised and elevated as companies strive to ensure a safe and sustainable working environment for their employees during COVID-19 and beyond.

Integrating these components into the business is vital for sustaining the company and its employees.

Employee HWB: What works best?

A comprehensive survey conducted by HWAG was completed by 172 companies, of which more than 50% are involved in the financial sector, and approximately 70% had less than 500 employees.

What seems to work best for large companies are the core and more traditional issues, including occupational health and safety; medical benefits for full-time workers; having a dedicated person responsible for employee health and wellbeing; a smoke-free workplace; and communal spaces where employees can eat, relax, interact with co-workers or hold private conversations.

Programmes, policies and practices around a smoke-free workplace received the most positive response from smaller companies, followed by the same issues raised by larger companies: regulatory requirements and policies for occupational health and safety, as well as medical benefits for full-time workers.

The survey also points to room for improvement: the majority of companies do not believe it is necessary to get involved in the following areas at the moment: incentives for a healthy lifestyle, physical exercise, reduction of alcohol consumption, tobacco use cessation, sleep management, health coaching, health risk assessment, and the extension of available programmes to family members and other dependants. This is despite the fact that these areas are key to the management of NCDs, which poses a significant threat to workforce productivity.

Employee HWB Case Study

“As a small business, we work in a dynamic and fast-changing environment. We cannot afford to have dedicated departments for specific functions, and employ a staff complement with the ability to work across functions to ensure that we cover as much ground as possible. If any of our staff members is off sick, it translates to lost revenue. From a brief SAICA introduction to the topic, it was a no brainer that we needed to invest in the health and well-being of our employees.

The two main areas that our company decided to focus on was on what the employees eat and their physical wellbeing. The health and wellness programmes are championed by myself and my co-founder, as we are both sports fanatics. The company now provides a free, healthy lunch meal to our employees every single day. In addition, the company pays for the male employees to play indoor soccer twice a week. We also pay for our female employees’ gym membership at a local gym nearest to our offices.

The benefits of having healthy employees have translated into increased revenue and all-round happy employees.”

Mulalo Mammburu CA(SA), TiC and Mend

Your SME and the Economy – Prepare for the Long Way Back

The South African economy could take as long as seven years to get back to the size of R5.1 trillion it was at the end of 2019 before Covid-19 and the national lockdown.

This forecast is according to Citadel chief economist Maarten Ackerman, who expressed this view during an interview.

Long way back

Christopher Loewald, South African Reserve Bank (SARB) head of economic research, told the Tax Indaba that it was going to take a long time to get back to a real activity level of 100% again.

During the same event, Ismail Momoniat, National Treasury Deputy Director-General for tax and financial sector policy, said that it wouldn’t be an easy road to get the South African economy back to its 2019 level.

“We need a Covid-19 vaccine, and we need to ensure that sufficient people get vaccinated. I think we need to be careful about talking about post-Covid. I think we are years away from that,” he added.

Advice for SMEs

Economists suggest that small businesses gear themselves for tough times, keep costs low, and ensure they are highly innovative.

“Small businesses need to be lean and mean. They need to have a buffer to get them through difficult times,” Ackerman said.

Every business needed to think carefully about how they expanded, he added.

Make your plans in the context of the forecasts we discuss below…

The local economy has contracted

This advice comes amid a local economy that has stagnated since 2015 and contracted for the past year, including a 51% contraction, on an annualised basis, in the second quarter because of the nationwide lockdown that started on March 27.

Sanisha Packirisamy, MMI Investments and Savings economist, said during an interview, that she was expecting the local economy to contract by 8.1% this year, followed by a muted rebound of 2% in 2021 when anticipated Eskom power cuts will constrain the economy.

Ackerman said that an 8% contraction of the local economy would be the biggest decline since 1920 when there was a 12% contraction.

A worrying sign

A worrying sign was that the outlook for fixed investment and household consumption, both key to the long-term economic health, were both bleak, Packirisamy added.

For 2022 and 2023, she is forecasting growth of about 1.5% for both years.

“We are stretched on the fiscal side, and confidence is extremely muted. We face policy uncertainty and slow structural reform. It is that combination of factors that makes it very difficult for us to grow faster,” she added.

Mild inflation outlook

The inflation outlook is positive.

Packirisamy is forecasting inflation to average 3.2% in 2020 and 3.8% in 2021 before rising to 4.5% in both 2022 and 2023.

Economists forecast that interest rates will stay low.

Packirisamy said that the SARB could cut interest rates further, but interest rates were likely to increase from the second half of 2021.

At the end of 2021, Packirisamy expected the prime interest rate to be 7.5%, and by the end of 2023, the prime interest rate maybe 8.5%.

Credit rating to fall even further

In March this year, Moody’s Investors Service cut the South African government’s credit rating to “junk” status or sub-investment grade, which is the grade that its two rivals, Fitch Ratings and S&P Global Ratings had the country on since April 2017.

“We are probably going to see more downgrades, and by 2023 the country’s credit rating will be two or three notches lower,” Ackerman said.

He said that the government was facing a fiscal crisis, and the only way for the South African state to avoid that was to embark on big expenditure cuts, but the state was baulking at doing that.

Public finances are dangerously overstretched

“Public finances are dangerously overstretched. Without urgent action…a debt crisis will follow,” the National

Treasury said in July.

The government budget deficit, which is the amount by which revenue fails to fund expenditure, will widen to 15% during the fiscal year ending March 2021, according to Ackerman. Then in the fiscal year ending March 2022, the budget deficit will recover to 10%, he expects.

In five to seven years, Ackerman forecasts that government debt will climb to 100% of GDP, he said. By comparison, the National Treasury estimates that national debt will reach 81.8% of GDP by the end of March 2021.

Unemployment rate to soar

According to Packirisamy, the unemployment rate would climb because South Africa was not growing fast enough to absorb the new people entering the labour force.

Ackerman predicts that the rate of unemployment would rise to 35% by 2023 from 30%.

South Africa needs growth of at least 3% before the unemployment rate declined, he added.

How to get out of the debt trap?

South Africa needs to get out of its debt trap by igniting economic growth. In the meantime, it needs to find international or other funding to plug the gap in the state budget.

There are fears that the state might force managers of pension funds to allocate a portion of their clients' money to fund the running of the government and state-owned enterprises.

But Treasury's Momoniat told the Tax Indaba that the state was not looking to put in place any prescribed asset regime.

Could an IMF bailout follow the loan?

In July, the International Monetary Fund (IMF) approved a US$4.3 billion loan to the South African government.

The state intends to borrow US$7 billion from multilateral finance institutions, including the IMF, the National Treasury said in early July.

There is a possibility that the South African government will be forced to go back to the IMF in the future for further debt in the form of a wider-ranging bailout.

"I think an IMF bailout would be very positive for markets, because it installs a bit of a policy anchor, and it forces the government to do things that it may not feel comfortable to do otherwise," Packirisamy said.

About the value of the rand, Packirisamy said that she expected the rand would maintain its long-term depreciating bias because of South Africa's high level of inflation when compared with its major trading partners and the deteriorating local economic fundamentals.

How to Protect Yourself and Your Company after the Experian Data Leak

> ***"Cyber-Security is much more than a matter of IT." (Stéphane Nappo, 2018 Global Chief Information Security Officer of the year)***

According to official communications from Experian, a consumer, business and credit information services agency, an individual in South Africa claiming to represent a legitimate client fraudulently requested services from it and was simply given the personal information of clients including cell phone numbers; home phone numbers; work phone numbers; employment details; and identity numbers. Information was also leaked for 793,749 business entities and included: names of the companies; contact details; VAT numbers; and banking details. Experian said that the data had then been placed on a third-party data sharing site on the internet, but added that subsequently that third party had “disabled the links” and that the data had “been removed” after Experian was successful in obtaining and executing an Anton Piller order. **This does not, however, mean that the danger is over.**

Steps to take to protect yourself and your business

While the breach has been reported to authorities, and South African banks have been working with Experian and the South African Banking Risk Centre (Sabric) to identify which of their customers may have been exposed to the breach and to protect their personal information, the investigation has not yet been concluded. As a result businesses are advised to take numerous steps to prevent any damage that may result from the leak.

The first thing to do is to simply not panic. Despite how bad it sounds the breach does have one very clear silver-lining.

“The compromise of personal information can create opportunities for criminals to impersonate you but does not guarantee access to your banking profile or accounts,” said CEO of the South African Banking Risk Information Centre (SABRIC), Nischal Mewalall. “However, criminals can use this information to trick you into disclosing your confidential banking details.”

What this means is that you, and the staff who have access to your finances and accounts need to be extremely vigilant when it comes to dealing with phone calls from people claiming to be from banks and financial institutions, or who are eager to get additional details or sell you services that may require you to divulge any further personal information.

The Southern African Fraud Preventions Services (SAFPS) has advised companies and individuals to take the following precautionary measures:

- Do not disclose personal information such as passwords and PINs when asked to do so by anyone via telephone, fax, text messages or even email.
- Change your passwords regularly and never share them with anyone else.
- Verify all requests for personal information and only provide it when there is a legitimate reason to do so.

Experian themselves take this advice further, suggesting that anyone who is afraid they may have been affected to “Visit their online bank and financial accounts, and set up any alert features they may have, if they have not already done so. This could help save some time and keep them notified of any unusual events when they occur”.

The company also recommends that everyone checks their credit report as regularly as possible.

“You can check your credit report for free once every twelve months by visiting **AnnualCreditReport.com** *[locally you could visit a site like **https://www.transunion.co.za/**]*. Checking your credit report can help you identify any unusual activity, such as new accounts, new personal information or inquiries,” says Experian CEO, Brian Cassin.

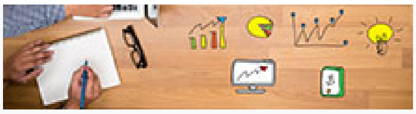
Additionally, should you suspect that your identity has been compromised, notify your bank and apply immediately for a free Protective Registration listing with SAFPS. This service alerts SAFPS members, including banks and credit providers that your identity has been compromised and additional care must be taken to confirm they are transacting with the legitimate identity holder.

Consumers wanting to apply for a Protective Registration can email SAFPS at **protection@safps.org.za**.

If you are uncertain as to how to proceed or if you don’t understand any of the processes, get professional help to evaluate and protect your accounts as soon as possible.

The Feasibility of a Freelancing Business in Uncertain Times

Business start-up planning has been extensively covered over the past twenty years and longer, and without understating its importance or re-inventing the wheel, perhaps it has been overplayed. Much training is available on the Internet, including templates and guidelines provided by banks and the SA Department of Trade and Industry. To start a freelancing business can be a challenge - and then some. Thus, following a business plan infrastructure with the use of a project planning tool is the best route to follow.



Why perform a feasibility study?

The feasibility study is a vitally important step in the well-known business planning process, not only pre start-up. In fact, it is the most important step because, if the business idea is not feasible, there is no point continuing with it. There are often more reasons for the business to fail than to succeed. Many renowned business analysts believe that only one in forty new businesses succeed and materialise in accordance with their original plan. Another good time for doing a feasibility study is when a business needs to be restructured to increase profitability, improve production, reduce production costs and overheads, increase sales/services income, expand the market reach, and many other valid reasons.

In the normal scheme of business planning, one deals with deciding on what type of business entity one wants to set up such as a Sole Trader, a Partnership, a Private Company, a Close Corporation, and then the drafting of various reports are needed in order to gauge the feasibility and to make the right decisions going forward.

What information do you need to prepare a feasibility study?

The list of matters to be decided and the necessary analyses needed follows, such as are usually covered in the typical business plan.

- The services or products to be offered.
- Establish the professional standards and qualifications required to operate as a freelancer in your field of expertise.
- The equipment and tools needed.
- Start-up expenses, including legal and business analysis services.
- Initial capital requirements.
- The target market to be accessed and establish whether there is space for you in it.
- The economy relating to that market, current demand, future growth opportunities.
- Determine what barriers exist at present which may hinder your success.
- How best to promote your products or services.
- Distribution channels and agencies.
- Operational plan.
- Legal environment and statutory requirements
- Establish a system of record keeping
- Bank services needed - a separate bank account for the business is strongly advised.
- If staff need to be employed, establish the Human Resource policies and SARS requirements.
- Do the costing of each product and service very accurately.
- Calculate selling prices based on all costs plus mark up.
- Establish the total you personally need to earn per month. When an hourly rate will be charged for your work, you will need to calculate your hourly rate.
- Compare your prices to those pertaining to the freelance industry of your services.
- Draft the projected financial plan, a detailed budget for twelve months.
- Draft the projected cash flow for twelve months.
- Draft a Break-Even analysis.
- Draft a starting balance sheet.
- Draft a SWOT Analyses - Strengths, Weaknesses, and Opportunities.

Some business plans have the feasibility study way down in a list similar to the above list, but perhaps a better view is that most of these tasks need to be done in order for the feasibility or viability of a business plan to be ascertained.

Assistance and collaboration

For an aspiring freelancer, these are all important steps to follow. It is also important to search for organisations and associations that provide vital services and advice for those in the various freelance fields. Let’s take as an example **SAFREA** (the Southern African Freelancer’s Association). They advocate for and support freelance workers in the communications fields. They also provide resources, tools, training, and networking to strengthen freelance careers. Their network includes hundreds of talented writers, editors, proof-readers, graphic designers, illustrators, researchers, translators, photographers, and other experts in media and communications. Another good example would be **Project Management South Africa** for freelance and professional project managers.

Membership associations like these are great for collaborating with fellow freelancers and professionals for professional advice, current industry standards relative to their professional fields, the current going rates for different work, up to date market research, training courses, and to finding available work.

As noted earlier in this article, the Internet is packed with valuable information such as from the DTI, SARS, the banks, and other websites through which one can glean the necessary information and assistance in one's quest.

Freelancing is normally a challenging type of business to operate, but as business start-up and functionality are even more so during the pandemic and state of disaster, it is very important to **ask your accountant for guidance and for help in drafting an accurate feasibility study and business plan.** Wasting time and finances in going it alone would not be the preferred route to take.

Your Tax Deadlines for October 2020

- 7 October - Monthly PAYE submissions and payments
- 22 October - D-day for Branch filing - Taxpayers who cannot file electronically
- 23 October – VAT manual submissions and payments
- 29 October – Excise Duty payments
- 30 October – VAT electronic submissions and payments
- 30 October - Company Provisional Tax Payments where applicable