

## **Payroll must help employees beat the “downgrade blues”**

The recent downgrade of South African government debt increases economic uncertainty, with unpredictable effects. “While many of the outcomes of the downgrade have been surprising, one thing is clear: government debt is going to be more expensive. That will almost certainly mean that both local interest rates and taxes will continue to rise,” says Cathie Webb, Director, South African Payroll Association.

“Payroll departments need to be taking proactive action to help employees negotiate these difficult economic conditions, which our current political turmoil is exacerbating.”

The Reserve Bank has indicated that further downgrades remain a possibility, further affecting the cost at which the government can finance its escalating debt.

### ***How to help***

Webb argues that Payroll needs to understand the pressures that employees face during tough economic times, and where they are spending their take-home pay. While this may seem beyond the department’s remit, in fact financial insecurity has a direct impact on employee motivation and engagement, and thus on productivity.

The likely rise in interest rates will have an immediate impact on disposable income, she says. Employees who already have debt need to be educated about how to manage it in the event of an interest-rate hike—and those who are not in debt should be encouraged to remain debt-free.

Other financial pressures would include increased taxes, be it VAT or personal tax, or both, as well as higher petrol prices. Fuel costs increase food inflation, creating sustained pressure on household budgets.

The economic pressures caused by the downgrade will also impact the ability of employees to save. The country already lacks a savings culture, with the savings rate having declined from around 24 percent between 1960 and 1990, to 16.5 percent between 1991 and 2014. This deprives the local economy of investment capital for growth and development. At a personal level, a lack of savings means that a majority of South Africans will not retire on sufficient capital.

“The only real solution is proper budgeting—and then sticking to it. Too few South Africans actually do the exercise of understanding how they spend their money, and how they should be spending it,” Ms Webb says. “But if your personal finances are in disarray, there is a knock-on effect across everything, including performance at work. Payroll simply has to see its role more broadly in the quest to attract and retain the best talent for the company. That will include helping them to manage money better in tough times.”

**ENDS**

---

**MEDIA CONTACT:** Idéle Prinsloo, 082 573 9219, [idele@thatpoint.co.za](mailto:idele@thatpoint.co.za), [www.atthatpoint.co.za](http://www.atthatpoint.co.za)

For more information on SAPA please visit:

Website: <http://www.sapayroll.co.za/>

Twitter: [@SAPayroll](https://twitter.com/SAPayroll)

LinkedIn: [The South African Payroll Association](https://www.linkedin.com/company/the-south-african-payroll-association)