

Employment Equity – New EEA4 Form

Contents

1	General Explanatory Note	3
2	Employees Included in the Totals of the EEA4	3
3	Equity Remuneration	3
4	Section C: Workforce Profile and Total Remuneration	4
5	Section D: Fixed/Guaranteed and Variable Remuneration	4
6	Section E: Average and Median Remuneration and the Remuneration Gap	5
7	Sources	6
8	Annexure A	7

1 General Explanatory Note

The Minister of Employment and Labour published a new EEA4 form on 8 August 2019 in Government Gazette 42627.

Please click [here](#) to view the Government Gazette.

The new EEA4 is effective from the date of publication and must be used for the 2018/2019 equity reporting year.

The main purpose of the new EEA4 form is to collect information for the establishment of norms and benchmarks to reduce the remuneration gap between the highest and lowest paid employees.

This document will discuss the changes only to the new EEA4 report. Please note that the information to be completed by the employer, will not be addressed.

2 Employees Included in the Totals of the EEA4

Only 'active' employees as contained in table 1.1 of the EEA2 (workforce profile) must be included in the totals of the EEA4. Therefore, only employees who are still employed on the last day of the employer's equity year must be included in the EEA4 and terminated employees (employees terminated on or before the last day of the employer's equity year) will no longer be included in the totals of the EEA4.

Summary of change:

	Employees included in the totals of the previous EEA4	Employees included in the totals of the new EEA4
EEA2 Section B: Table 1.1 (workforce profile) – active employees	20	20
EEA2 Section C: Table 4.1 (termination) – terminated employees	10	10
	30	20

3 Equity Remuneration

The definition of "remuneration" is based on remuneration as defined in the Basic Conditions of Employment Act (BCEA) which means any payment in money or kind, or both in money and in kind made or owing to any person in return for that person working for any other person, including the State.

Remuneration is split into 'fixed/guaranteed remuneration' and 'variable remuneration' and both must be included as annualised values if the employee was not employed the full twelve months. Below is a list of inclusions and exclusions of fixed/guaranteed and variable remuneration:

Fixed/Guaranteed remuneration includes:

- Salary/wage;
- Housing or accommodation subsidy or housing or accommodation received as a benefit in kind;
- Travel allowance or provision of a car, except to the extent that the allowance or car is provided to enable the employee to work as provided for by the Fourth and Seventh Schedules to the Income Tax Act (only the taxable portion of 80% or 20% is included in equity remuneration);
- Any cash payments made to an employee, except those listed as exclusions;
- Employer's contributions to medical aid, pension, provident fund or similar benefit funds;
- Employer's contributions to income protections, funeral or death benefit schemes, and

- Guaranteed (non-discretionary) annual bonus/13th cheque.

Variable remuneration includes:

- Short-term incentives: annual or shorter incentives and (generally) cash performance-based payments, including deferrals (commission schemes are included here);
- Long-term incentives: longer than one year, (usually) share-based awards and cash-based settlement that have a vesting period of more than one year must also be included, which may be retention and/or performance based;
- Lump sums in respect of ongoing employment e.g. back-pay and leave paid out upon termination;
- Discretionary payments not related to an employee's hours of work or performance (for example, a retention bonus);
- As provided for by the Income Tax Act, the taxable benefit portion of bursaries/scholarships provided to the employee and/or relative of the employee; and
- Dividends included as remuneration by the Fourth Schedule of the Income Tax Act.

Excluded:

- Any allowance, cash payment or payment in kind provided to enable the employee to work (for example an equipment, tool or similar allowances or the provision of transport or the payment of a transport allowance to enable the employee to travel to and from work);
- Gratuities (for example, tips received from customers) and gifts from the employer;
- Non-employment related lump sums such as severance pay; and
- Dividends not included as remuneration by the Fourth Schedule to the Income Tax Act.

4 Section C: Workforce Profile and Total Remuneration

- The format remained the same and has not changed.
- The wording of the Skilled occupational level changed to "Skilled technical, academically qualified and, junior management".
- Section C will now only include all the active employees as per table 1.1 of the EEA2 (as discussed above).

5 Section D: Fixed/Guaranteed and Variable Remuneration

- The previous Section D was replaced with new reporting requirements.
- The total remuneration of the employee with the highest total remuneration (split between fixed/guaranteed and variable remuneration) in all occupation levels (except the lowest occupation level in the organisation) for each gender and population group must be reported. Previously, the total remuneration for all employees were reported, whereas only one employees' remuneration must be reported on the new form.
- The total remuneration of the employee with the lowest total remuneration (split between fixed/guaranteed and variable remuneration) in the lowest occupational level in the organisation for each gender and population group, must be reported. Previously, the total remuneration of all employees was reported, whereas only one employees' remuneration must be reported on the new form.
- If there are employees in the same occupational level, population group and gender with the same total remuneration value, the employee with the highest variable remuneration should be reported, except for the lowest occupational level in the organisation. The employee with the lowest variable remuneration should be reported if there are employees with the same total remuneration value in the same population group and gender.
- Remember that the lowest occupational level can differ from employer to employer, depending on the people they employ. For example, Employer A's lowest occupational level can be semi-skilled because the employer does not employ any unskilled employees. In this case, the

employer must report the employee with the lowest total remuneration in the “semi-skilled” category.

- Please see attached examples in Annexure A.

6 Section E: Average and Median Remuneration and the Remuneration Gap

- This is a new section to the EEA4.
- The average annual remuneration of the top 10 % of the top earners in the organisation must be reported.
- The average annual remuneration of the bottom 10% of the bottom earners in the organisation must be reported.
- If the top 10% and bottom 10% calculation results in a fraction value, the result must be rounded up to the nearest employee.
- Report the median earners remuneration in the organisation. Median is the middle value in a list of payments (i.e. remuneration ranked from the lowest to the highest).
 - If the employer employs an uneven number of employees on the last day of the employer’s equity year, the median employee will be the middle one. For example: if there are 11 employees, then the remuneration of employee number 6 will be the median remuneration.
 - If the employer employs an even number of employees on the last day of the employer’s equity year, then the median remuneration will be the sum of the two middle employee’s remuneration divided by 2. For example: if there are 10 employees, then the sum of the remuneration of employee 5 and 6 divided by 2 will be the median remuneration.

Example:

	10 Employees	11 Employees
Employee 01	R1 000	R1 000
Employee 02	R2 000	R2 000
Employee 03	R3 000	R3 000
Employee 04	R4 000	R4 000
Employee 05	R5 000	R5 000
Employee 06	R6 000	R6 000
Employee 07	R7 000	R7 000
Employee 08	R8 000	R8 000
Employee 09	R9 000	R9 000
Employee 10	R10 000	R10 000
Employee 11		R11 000
Median Remuneration	$(R5\ 000 + R6\ 000) / 2$ = R5 500	R6 000

- Please see examples in Annexure A.

7 Sources

- Government Gazette 42627
- Government Gazette 37873
- Employment Equity Act
- Department of Employment and Labour website: www.labour.gov.za
- Department of Employment and Labour Equity Workshop held at CSIR International Convention Centre on 27 September 2019

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8 Annexure A

No foreign nationals employed at this employer.

No temporary employees employed as this employer.

Pink indicates employees of the same population group and gender in the same occupational level.

Green indicates the same total remuneration value for employees of the same population group and gender in the same occupational level.

Blue indicates the middle two employees in the list of employees for the 'median earners remuneration' calculation in Section E.

*Please note that these values are just for illustration purposes.

Employee Number	Occupational Level	Population Group (A, C, I, W)	Gender	Annual Fixed Remuneration	Annual Variable Remuneration	Total Remuneration	Ranking
001	Top Management	A	M	R11 000	R500	R11 500	1
002	Top Management	I	M	R11 000	-	R11 000	2
003	Top Management	W	F	R10 000	-	R10 000	3
004	Top Management	A	F	R9 000	R500	R9 500	4
005	Top Management	A	M	R9 000	-	R9 000	5
006	Professionally Qualified	A	M	R8 000	R500	R8 500	6
007	Professionally Qualified	C	M	R8 000	-	R8 000	7
008	Professionally Qualified	I	M	R7 000	R500	R7 500	8
009	Professionally Qualified	W	F	R7 000	-	R7 000	9
010	Professionally Qualified	A	F	R6 000	R500	R6 500	10
011	Skilled	A	M	R5 500	R500	R6 000	11
012	Skilled	C	F	R5 000	R500	R5 500	12
013	Skilled	W	F	R5 000	-	R5 000	13
014	Skilled	A	M	R5 000	-	R5 000	13
015	Skilled	A	F	R4 500	R500	R5 000	13
016	Skilled	A	F	R4 700	R300	R5 000	13
017	Skilled	I	M	R4 000	-	R4 000	17
018	Semi-Skilled	A	M	R3 000	R500	R3 500	18
019	Semi-Skilled	C	F	R2 500	R500	R3 000	19
020	Semi-Skilled	W	F	R2 000	-	R2 000	20
021	Semi-Skilled	A	M	R2 000	-	R2 000	20
022	Semi-Skilled	A	F	R1 500	R500	R2 000	20
023	Semi-Skilled	A	F	R2 000	-	R2 000	20
024	Semi-Skilled	I	M	R1 000	-	R1 000	24

Section D Solution

Occupational Levels		Male				Female				Foreign Nationals	
		A	C	I	W	A	C	I	W	M	F
Top Management	Fixed/Guaranteed	11000	0	11000	0	9000	0	0	10000	0	0
	Variable	500	0	0	0	500	0	0	0	0	0
	Total Remuneration	11500	0	11000	0	9500	0	0	10000	0	0
Senior Management	Fixed/Guaranteed	0	0	0	0	0	0	0	0	0	0
	Variable	0	0	0	0	0	0	0	0	0	0
	Total Remuneration	0	0	0	0	0	0	0	0	0	0
Professionally Qualified	Fixed/Guaranteed	8000	8000	7000	0	6000	0	0	7000	0	0
	Variable	500	0	500	0	500	0	0	0	0	0
	Total Remuneration	8500	8000	7500	0	6500	0	0	7000	0	0
Skilled	Fixed/Guaranteed	5500	0	4000	0	4500	5000	0	5000	0	0
	Variable	500	0	0	0	500	500	0	0	0	0
	Total Remuneration	6000	0	4000	0	5000	5500	0	5000	0	0
Semi-Skilled	Fixed/Guaranteed	2000	0	1000	0	2000	2500	0	2000	0	0
	Variable	0	0	0	0	0	500	0	0	0	0
	Total Remuneration	2000	0	1000	0	2000	3000	0	2000	0	0
Unskilled	Fixed/Guaranteed	0	0	0	0	0	0	0	0	0	0
	Variable	0	0	0	0	0	0	0	0	0	0
	Total Remuneration	0	0	0	0	0	0	0	0	0	0

Top Management:

- The African Male with the highest total remuneration is reported – employee number 001

Skilled:

- The African Male with the highest remuneration is reported – employee 011
- The African Female with the highest variable remuneration is reported – employee 015

Semi-Skilled (lowest occupational level in this organisation):

- The African Male with the lowest total remuneration is reported – employee 021
- The African Female with the lowest variable remuneration is reported – employee 023

Section E Solution

What is the average annual remuneration of the top 10% of your top earners	Average Annual Remuneration	10833
What is the average annual remuneration for the bottom 10% of your bottom earners	Average Annual Remuneration	1667
What is the median earners remuneration in your organisation	Median Earners Remuneration	5250

Top 10% calculation	
Total employees	24
X 10%	2.4
Round up	3 employees
Total remuneration of top 3 employees (employee 001, 002 and 003)	R32 500
Total average annual remuneration for top 10% employees (total / 3)	R10 833.33

Bottom 10% calculation	
Total employees	24
X 10%	2.4
Round up	3 employees
Total remuneration of bottom 3 employees (employee 022, 023 and 024)	R5 000
Total average annual remuneration for bottom 10% employees (total / 3)	R1 666.67

Median calculation	
Total employees	24
Middle employees	Employee 012 and 013
Total for employee 012 and 013	R10 500
Median earners remuneration (total / 2)	R5 250