

# Personnel

## Introduction

One of the key cross-cutting issues affecting all spheres of Government is personnel management. Due to the labour-intensive nature of service delivery in the public sector, personnel costs, structures, incentives, benefits and procedures constitute a significant cost in financial terms and in relation to management effort. This chapter deals first with personnel issues as they relate to provincial Government and then as they relate to local Government.

*Personnel management is key to improving service delivery*

There are a total of 1,6 million employees in the public sector. The biggest employer is the provincial sphere. Of the 700 000 employees, education employs 426 913, the majority of which are educators, and health employs 216 092. Municipalities employ about 210 000, with the six metros employing half of the total. In national Government, the major employers are safety and security (131 560) and defence (75 290), with significant but smaller numbers in justice (15 562), water affairs (9 843) and labour (3 872). It is estimated that there are around 150 000 employees in public entities like Eskom and Transnet, and the Road Accident Fund. It is important that sectoral considerations be taken into account when considering the approach for public employees.

Although staff at national and provincial level may be employed under one of five Acts, they all fall under one regulatory framework and belong to one pension fund. The Acts that national and provincial staff are employed under are:

*Public sector regulated by a plethora of legislative regimes*

- Public Service Act (103 of 1994)
- Employment of Educators Act (76 of 1998)
- SA Police Services Act (68 of 1995)
- National Prosecuting Authority Act (32 of 1998)
- SA National Defence Force Act (71 and 72 of 1995).

For people employed in terms of the Public Service Act, Employment of Educators Act and SA Police Service Act, their conditions of service are determined in the Public Service Coordinating Bargaining Council (PSCBC). Salary increases for employees of the National

Prosecuting Authority are not determined in the PSCBC but other conditions of service are. Employees of the SA National Defence Force are not covered by agreements in the PSCBC.

Local government employees are employed by individual municipalities, each with its own remuneration structure, pension and medical aid arrangements and salary level. In fact, within municipalities, it is possible to have more than one personnel dispensation due to the way in which local Government has evolved. The South African Local Government Association (Salga) represents local governments in collective bargaining with local government unions.

*Personnel policy at national and provincial level regulated by the Department of Public Service and Administration*

In addition to public servants at national, provincial or local level, public entities, boards, commissions and councils also employ a significant number of people. At present, the personnel dispensation for national and provincial non-business public entities is only partially regulated by the Department of Public Service and Administration. There are differences in the dispensations covering the public service and these entities. Local authorities also employ people in various utilities that often have different personnel arrangements from the local authority. Government is moving towards drawing in non-business public entities into some of the provisions that exist in the public service. National Government has decided on the principle of 'one public service' for the whole country. While this chapter does not deal explicitly with this issue, it raises the many challenges facing Government in achieving this objective. These relate particularly to achieving the optimal balance between the benefits of increased uniformity and the need for some kind of differentiation.

## **Provincial personnel management**

### **A brief summary of personnel policy developments**

*Public Service Act and Regulations provide key legal frameworks*

While personnel policy in the public service is regulated by a myriad of legislative frameworks, the Public Service Act is the central piece of legislation; the Public Service Regulations play a key role in the structuring and functioning of the public service.

*Personnel policy can be divided into three phases*

Personnel policy developments between 1994 and 2003 can be divided into three phases. The first phase ran from 1994 to 1997. During this phase, policy focused on creating a unified public service, removing the fragmentation of the past, ending racial discrimination and aligning the public service with the new intergovernmental framework set out in the Interim Constitution. For example, in education, prior to 1994, there were 17 different departments (four white departments, one Indian, one coloured, one for Africans within the borders of South Africa and ten for the homelands and self-governing territories). A single national education department and nine provincial departments were created. Also, a single salary structure was introduced which ended racial discrimination and provided salary increases for many employees.

The second policy development phase ran from 1997 to 2000, when policy focused on consolidation of the transformation process, scaling back the cost increases provided in the 1996 salary agreement, rationalising and right-sizing the public service and aligning personnel costs with public priorities and expenditure levels. Public service regulations came into effect, creating a framework for decentralised management. Personnel costs fell in real terms by about 0,7 per cent a year between 1998/99 and 2000/01. Over the same period, the number of people employed fell from 1 100 784 to 1 034 971 or by 2 per cent a year. The number of people fell faster than total expenditure implying that in real terms, unit labour costs rose by about 1 per cent a year.

In 2001, Government announced a new, more growth-oriented fiscal stance. Success in bringing down debt service costs had begun to release resources for real spending increases. The 2001 Budget signalled a third phase in personnel policy. This phase sought to use the extra fiscal space to improve service delivery in targeted areas. Government sought to provide small real increases in unit labour costs, resources to increase employment in the health and criminal justice sectors, the development of a more uniform pay progression system designed to reward experience and performance and to provide for retrenchments in specific areas. Public sector employment rose to about 1 065 333 in 2002/03. In 2002, public servants received a 9 per cent salary increase which was below the rate of inflation. As a result, total personnel costs continued to grow slower than the rate of inflation.

*Fiscal policy has allowed for closer alignment with policy objectives*

Going forward, total public service employment is projected to continue to rise by about 1 to 1,5 per cent a year while personnel expenditure is expected to rise by about 2 to 3 per cent a year. These are broad averages that would have a differential impact on different sectors and provinces.

There are four broad elements to this present phase of personnel policy development:

- The signing of a multi-year salary agreement benchmarked to inflation, aimed at protecting the real level of public service salaries.
- A pay progression system to replace the rank and leg promotions system is presently being implemented. The new system will reward experience and satisfactory performance. Different sectors will develop their own approaches to grade progression and career pathing.
- Efforts to increase employment, particularly in the criminal justice and health sectors:
  - SA Police Services have begun recruiting 21 000 additional personnel for a sector policing strategy
  - Provincial health departments are increasing employment to expand services and to manage the impact of HIV/Aids on the health system

- Pilot projects currently under way are looking at home-based care and step-down alternatives to hospital treatment currently under way
- The education sector has introduced an innovative model for pre-school education that is likely to increase employment in the sector
- There are also a number of sectors where retrenchment is likely to be used to reduce the number of surplus employees.
- Government is presently studying employee benefits structures. Proposals on medical aid restructuring, pension rule changes and home-owners allowance are under consideration. The objective of Government is to make these benefits more equitable and sustainable.

While Government is implementing the policy objectives outlined above, the creation of a unified civil service where elements of uniformity and differentiation are keenly balanced is being discussed.

*Personnel policy must be driven by delivery requirements*

Personnel policy must be driven by service delivery imperatives. Where increasing salaries to attract scarce skills to rural areas is required, Government should be willing to allow for such differentiation. Where increasing employment is likely to improve the quality of service, then budgets should reflect this policy objective. However, where personnel costs are crowding out non-personnel spending, retrenchment must be considered. The use of performance incentives to improve services is an option that all sectors are considering. Managers are now encouraged to make choices about the personnel regime likely to increase service delivery in a sustainable manner.

*Professionals in the public sector*

Apart from the reforms establishing a management service, Government is considering its approach to professionals in the public service, like educators, doctors, pharmacists, nurses, social workers and engineers. The 2003 Budget makes the first attempt to deal with some of the financial challenges facing Government in relation to attracting and retaining scarce skills in the health sector.

### **Broad personnel trends**

*Personnel costs stabilised after sharp increase in 1996*

Personnel expenditure at a provincial level has been declining in real terms since 1998/99. During the period 1999/00 to 2002/03, personnel expenditure declined by about 0,2 per cent a year in real terms. During the same period, employment fell by about 1 per cent a year. This implies that during this period when aggregate personnel costs were declining, the cost per employee was rising in real terms. Real unit labour costs rose about 0,7 per cent a year over the period.

Most of the decline in personnel expenditure was a result of an explicit policy to reduce personnel costs in order to increase capital and non-personnel expenditure. In addition, provinces sought to reverse the negative effects of the 1996 salary agreement on their budgets.

**Table 10.1 Provincial personnel expenditure by sector: 1999/00 – 2005/06**

R million	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
	Actual	Actual	Actual	Estimated actual	Medium-term estimates		
Education	36 221	39 308	41 531	46 046	49 322	52 718	55 813
% growth		8,5%	5,7%	10,9%	7,1%	6,9%	5,9%
Health	15 472	16 408	17 773	19 320	21 226	22 699	24 206
% growth		6,1%	8,3%	8,7%	9,9%	6,9%	6,6%
Social Development	832	921	1 031	1 195	1 447	1 550	1 656
% growth		10,7%	11,9%	16,0%	21,1%	7,1%	6,8%
Other	6 615	7 168	7 310	8 269	9 148	9 833	10 402
% growth		8,4%	2,0%	13,1%	10,6%	7,5%	5,8%
<b>Total</b>	<b>59 140</b>	<b>63 805</b>	<b>67 645</b>	<b>74 829</b>	<b>81 143</b>	<b>86 800</b>	<b>92 077</b>
% growth		7,9%	6,0%	10,6%	8,4%	7,0%	6,1%
<b>CPIX</b>	<b>6,9%</b>	<b>7,8%</b>	<b>6,6%</b>	<b>10,9%</b>	<b>6,1%</b>	<b>5,1%</b>	<b>5,1%</b>

On a sectoral level, the most significant declines have been in education where real expenditure declined about 0,1 per cent a year from 1999/00 to 2002/03. In health, personnel spending declined 0,7 per cent a year with social development personnel spending rising over 4,1 per cent a year in real terms, albeit off a low base. Non-social services personnel spending also declined by 0,6 per cent a year over the period. Part of this decline is due to the higher than expected inflation in 2002/03 (CPIX averaging 10,9 per cent) while salaries were increased by 9 per cent.

*Personnel costs grew slower than inflation between 1997 and 2002*

Budgeted figures for the period 2003/04 to 2005/06 reflect Government's commitment to moderately expand personnel spending in real terms, mainly through increasing employment in the health sector and proposed salary increases for doctors and other medical professionals. In addition, provinces have been asked to budget for an 8 per cent increase in 2003/04 while inflation is expected to average 6,1 per cent for the fiscal year.

*Budgeted figures signal faster growth going forward*

Personnel expenditure trends differ by province. In KwaZulu-Natal and Northern Cape, real expenditure over the period went up. In the other seven provinces, expenditure declined with the Western Cape experiencing the largest real decline.

*Trends differ in each province*

Over the MTEF period, provinces have budgeted for real growth in spending of about 2 per cent to cater for pay progression, reflecting a desire to increase employment in health and the cost of upgrading educator qualifications.

Limpopo has been able to reduce its personnel expenditure from 65,4 per cent of total expenditure in 1999/00 to 56,6 per cent by 2002/03. While personnel spending in Eastern Cape is set to rise by 12,3 per cent in 2002/03, the province experienced large real declines in the previous three years. Total personnel spending falls from 59,1 per cent of total spending in 1999/00 to 51,6 per cent in 2002/03.

*Provincial personnel spending dropped to 51,6 per cent in 2002/03*

**Table 10.2 Provincial personnel expenditure by province: 1999/00 – 2005/06**

R million	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
	Actual	Actual	Actual	Estimated actual	Medium-term estimates		
Eastern Cape	10 238	10 662	11 196	12 571	13 274	14 359	15 115
% growth		4,1%	5,0%	12,3%	5,6%	8,2%	5,3%
Free State	4 273	4 641	4 791	5 331	5 904	6 348	6 800
% growth		8,6%	3,2%	11,3%	10,7%	7,5%	7,1%
Gauteng	9 290	10 092	10 489	11 547	12 129	12 917	13 692
% growth		8,6%	3,9%	10,1%	5,0%	6,5%	6,0%
KwaZulu-Natal	11 190	12 384	13 580	15 008	16 328	17 335	18 386
% growth		10,7%	9,7%	10,5%	8,8%	6,2%	6,1%
Limpopo	8 370	8 979	9 498	10 451	11 473	12 250	13 031
% growth		7,3%	5,8%	10,0%	9,8%	6,8%	6,4%
Mpumalanga	3 882	4 200	4 415	5 070	5 597	6 063	6 577
% growth		8,2%	5,1%	14,8%	10,4%	8,3%	8,5%
Northern Cape	1 236	1 322	1 408	1 545	1 795	1 933	2 079
% growth		6,9%	6,5%	9,8%	16,2%	7,7%	7,6%
North West	4 899	5 369	5 730	6 178	6 842	7 271	7 722
% growth		9,6%	6,7%	7,8%	10,8%	6,3%	6,2%
Western Cape	5 762	6 157	6 539	7 127	7 800	8 324	8 676
% growth		6,9%	6,2%	9,0%	9,4%	6,7%	4,2%
<b>Total</b>	<b>59 140</b>	<b>63 805</b>	<b>67 645</b>	<b>74 829</b>	<b>81 143</b>	<b>86 800</b>	<b>92 077</b>
% growth		7,9%	6,0%	10,6%	8,4%	7,0%	6,1%
<b>CPIX</b>	<b>6,9%</b>	<b>7,8%</b>	<b>6,6%</b>	<b>10,9%</b>	<b>6,1%</b>	<b>5,1%</b>	<b>5,1%</b>

*Provinces are the largest employer in the public sector*

Staff employed at national and provincial level are referred to as public service employees. When staff employed by local governments, non-business entities such as the SA Revenue Service, and public corporations are added, this group is referred to as the public sector. Provinces, collectively, are the largest employer in the public sector, employing about 48 per cent of people. KwaZulu-Natal is the single largest employer with 9,6 per cent of employers in the broader public sector. National departments employ about 20 per cent, local governments 13,3 per cent and 9,3 per cent work in public business enterprises. Of the 13,3 per cent employed by local Government, the six metro councils employ about half or 6,6 per cent of staff in this category.

**Table 10.3 Personnel numbers and costs in the public sector: 2002/03**

	Number of people	Estimated cost	Cost per person
		R million	Rand
Eastern Cape	123 942	12 571	101 424
Free State	53 994	5 331	98 739
Gauteng	115 717	11 547	99 789
KwaZulu-Natal	151 754	15 008	98 897
Limpopo	109 946	10 451	95 058
Mpumalanga	49 965	5 070	101 477
Northern Cape	15 559	1 545	99 327
North West	64 888	6 178	95 206
Western Cape	67 665	7 127	105 336
<b>Sub total</b>	<b>753 428</b>	<b>74 829</b>	<b>99 319</b>
National government	311 905	36 118	115 798
Local governments	210 000		
<i>Metro councils</i>	105 409		
Non-business public entities	166 994		
Business enterprises	134 702		
<b>Total</b>	<b>1 577 029</b>		

In order to understand what has been driving personnel costs lower over the past few years, it is important to look at trends in the number of personnel per province and per sector. In the whole public sector, including national departments, personnel numbers have been dropping steadily since 1996. Employment in the public service (national and provincial governments) stood at 1,2 billion in 1996. In 2002, the public service employed 1,0 billion. This is a reduction of 151 252 or 12,8 per cent from the 1996 level.

*Changes in employee numbers have driven personnel costs*

National departments have a higher unit cost than provinces. Because much of the policy making role in Government resides at national level, national departments employ a higher proportion of senior managers and policy analysts. In spite of employing 70 per cent of all public servants, provinces only employ about 40 per cent of the senior managers, or SMS staff, in the country, with national Government employing the rest.

*Provincial management capacity lacking*

**Table 10.4 Personnel numbers by province and sector: 1999/00 – 2002/03**

	1999/00	2000/01	2001/02	2002/03	% average growth: 1999/00- 2002/03
<b>R million</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	
Eastern Cape	131 857	127 262	124 701	123 942	-2,0%
Free State	58 509	57 042	55 300	53 994	-2,6%
Gauteng	111 495	108 040	112 017	115 717	1,2%
KwaZulu-Natal	155 065	148 710	150 415	151 754	-0,7%
Limpopo	113 902	111 761	112 152	109 946	-1,2%
Mpumalanga	50 492	49 197	50 612	49 965	-0,3%
Northern Cape	15 241	15 162	15 545	15 559	0,7%
North West	64 922	63 203	64 108	64 888	0,0%
Western Cape	68 796	68 298	67 704	67 665	-0,6%
<b>Sub total</b>	<b>770 279</b>	<b>748 675</b>	<b>752 554</b>	<b>753 428</b>	<b>-0,7%</b>
<b>By sector</b>					
Education	432 898	421 330	423 661	426 913	-0,5%
Health	223 701	216 958	217 552	216 092	-1,1%
Social development			12 473	12 978	
Other			98 868	97 445	
<b>Total</b>			<b>752 554</b>	<b>753 428</b>	

### Public service policy issues

#### *Rising unit labour costs in the late 1990s*

Even though general salary increases have been in line with inflation, rank and leg promotions, increasing costs of medical aid, general promotions and general wage drift have resulted in rising unit labour costs. There were also special salary increases for police in 1998 and 2001, and for prosecutors in 2000 and it is anticipated that a revised pay dispensation will be applicable to medical professionals in 2003. This average is further distorted by the fact that rank and leg promotions mainly benefited lower level people in health and police. With the exception of the police, prosecutors and lower level staff in health, most public servants did not receive a real salary increase during this period.

The bulk of staff in the public service work in the social service functions. While Gauteng and Western Cape employ 6,1 per cent and 7,0 per cent of their staff in the non-social service departments respectively, Limpopo province employs 23,6 per cent of its staff in these departments. Eastern Cape, Free State, Mpumalanga and North West all employ in excess of 15 per cent of their staff in non-social service departments.

#### *Surplus staff inherited from former homelands*

Poorer provinces also employ many lowly-skilled workers, many of whom are not needed, and are categorised as 'supernumeraries'. Provinces that incorporated the former bantustans are saddled with surplus personnel that tie up resources that could be used for infrastructure development or social services. Departments that are affected include Public Works, Roads and Agriculture. Other specific departments like Education in Limpopo may also be affected. There are a large number of unskilled workers in some departments like Agriculture and Housing.



In 2002, Government and labour unions signed a restructuring agreement (Resolution 7 of 2002) focusing on redeployment and retraining and paving the way for retrenchments where needed. However, the nature of the agreement places a burden on managers in terms of developing strategic plans and human resource plans and attempting to redeploy staff. In general, the public service faces shortages in the health and criminal justice sectors but has surpluses in sectors such as public works, transport and agriculture. To date, this resolution has not resulted in significant numbers of people being redeployed or retrenched. The resolution terminates in June 2003 and the situation may have changed by then.

*Resolution 7 of 2002  
designed to aid right-sizing*

Attrition rates in the public sector are difficult to measure. However, provincial data for 2001 suggests that about 3,4 per cent of non-educator staff resigned in that year. This translates into about 12 000 personnel. The bulk of these resignations are in health. For educators, attrition stand at about 10 000 educators per year.

The present moratorium on public sector hiring may further exacerbate the shortage of critical personnel, although an approach which deals with the filling of critical vacancies has been adopted. Initial evidence from provinces with large numbers of surplus staff suggests that progress in implementing Resolution 7 has been slow. A well-functioning civil service should allow for the smooth exit and entrance of staff in order to keep service delivery at optimal levels.

*Slow restructuring in the  
public service*

Government has tabled a set of amendments to the Government Employees Pension Fund aimed at providing more flexibility to the employer with regard to contributions to the Fund. The array of benefits is being improved, introducing an orphans allowance and more generous monthly adjustments to civil service pensions. In addition, Government hopes to improve governance of the Fund through a more representative board of trustees.

*Government restructures  
pension fund*

Cabinet has approved a process to investigate the creation of one medical aid scheme, with differential cover options, for all national and provincial employees. This proposed new scheme aims to provide all civil servants with medical cover. Presently, about 300 000 civil servants do not have medical aid. In addition, through economies of scale and tightly negotiated contracts with suppliers, it is hoped that unit costs will be managed down over time. However, a shift to full cover for everyone will cost about R2 billion more. A comprehensive HIV/Aids management programme will be an element of this new scheme.

*Shift towards one medical  
aid for all public servants*

### **Public sector bargaining arrangements**

Staff in provinces receive salary increases negotiated through the Public Service Coordinating Bargaining Council (PSCBC). There are sectoral chambers for education, health and welfare, police and the general public service. These sectoral chambers do not negotiate issues relating to general salary increases, medical aid and pension issues. Their mandate is effectively derived from issues delegated to it by the PSCBC.

*Bargaining arrangements  
highly centralised*

A Cabinet Committee called the Mandate Committee provides government negotiators with their bargaining mandate. The Ministers on this Committee include Finance, Education, Health, Defence, Correctional Services, Justice and Safety and Security. The Committee is chaired by the Minister for Public Service and Administration.

At a technical level, there are bilaterals between the Treasury and the Department of Public Service and Administration on personnel policy issues. There is also an employer forum consisting of officials from the nine premiers' offices and from national departments represented on the Mandate Committee ('major employers').

*Mandating arrangements not entirely in line with intergovernmental system*

The mandating arrangements in the public sector and the technical committees that support them need to reflect the intergovernmental nature of Government. Presently, provinces are represented by premiers' offices, resulting in a provincial rather than sectoral perspective. The challenge is to ensure that specific sectoral and provincial treasuries, such as education and health, are also represented in labour negotiations and mandating arrangements.

*Decentralised management and strong human resource departments*

A further issue is the need for key provincial departments like education and health to improve the quality of regional managers and human resource sections. First, these departments have to provide services in all areas, and have their personnel such as educators and nurses spread in these areas, in schools, hospitals and clinics.

Second, given the large number of personnel, these departments require quick and effective mechanisms to hire, motivate, discipline or fire staff. Often, simple disciplinary cases take years to complete purely because of a high degree of incompetence in human resource sections in these departments. Simple tasks like managing leave and sick leave forms and personnel files are neglected, resulting in liabilities to Government. It is critical that the human resource leadership in the head offices of these departments modernise their approach, delegate appropriately to regions, and ensure quick resolution of disciplinary problems.

## **Education**

*Educators are largest bloc of civil servants*

Education represents the single largest arena of public service employment. The nine provincial education departments employ about 427 000 people of which about 364 000 are educators; the remaining 62 000 work in support roles.

*Personnel policy aims to improve equity and teaching quality*

The single biggest objective of education policy at present is to consolidate the gains made in extending access, to make further improvements towards equity and to massively improve the quality of education, particularly school education. There are three main personnel policy issues in education:

- A new pay progression system for educators is being implemented this year, over time rewarding educators with longer periods of service. In addition, a performance incentive system is being developed to encourage good performance on either a classroom

basis or for entire schools. At this stage, there is no incentive for educators to work in rural areas or additional incentives to attract skills for maths and science educators.

- The need to train and retrain the present core of educators to meet the needs of a new education system, new curricula and new demographics.
- The need to respond to the impact of HIV/Aids in a highly labour-intensive service on a teaching core that is characterised as 'high risk'.

The present pay system for educators is relatively attractive for new entrants. However, after five to eight years, the salary structure is relatively uncompetitive. The challenge is to redesign the pay structure to retain good, experienced educators, but to also attract new entrants into the profession. If starting salaries are too low, attracting people to the profession would be difficult. However, if salaries are not increased in real terms as people progress through the system, attrition rates will remain high.

*Remuneration system does not reward experience*

After about five years of decline, educator numbers have stabilised, and are increasing in some provinces. The total number of educators went up by 1,1 per cent in 2002. The number of non-educators decreased marginally. Non-educator staff refers to all staff employed by provincial education departments but who do not play a direct educational role. That is, they either work in administrative functions at head office or district offices, or they fulfil administrative, security or cleaning roles at schools. School-based administrators often improve the effective functioning of the school.

**Table 10.5 Number of staff in provincial education departments**

	2001	2002	% change
<b>Eastern Cape</b>	<b>75 333</b>	<b>75 272</b>	<b>-0,1%</b>
Educators	66 555	66 770	0,3%
Non-educators	8 778	8 502	-3,1%
<b>Free State</b>	<b>29 427</b>	<b>29 624</b>	<b>0,7%</b>
Educators	24 096	24 039	-0,2%
Non-educators	5 331	5 585	4,8%
<b>Gauteng</b>	<b>60 955</b>	<b>62 056</b>	<b>1,8%</b>
Educators	45 981	47 225	2,7%
Non-educators	14 974	14 831	-1,0%
<b>KwaZulu-Natal</b>	<b>82 504</b>	<b>85 525</b>	<b>3,7%</b>
Educators	73 360	75 991	3,6%
Non-educators	9 145	9 533	4,2%
<b>Limpopo</b>	<b>62 494</b>	<b>61 951</b>	<b>-0,9%</b>
Educators	57 182	56 795	-0,7%
Non-educators	5 312	5 156	-2,9%
<b>Mpumalanga</b>	<b>29 920</b>	<b>30 152</b>	<b>0,8%</b>
Educators	25 943	26 342	1,5%
Non-educators	3 977	3 810	-4,2%
<b>Northern Cape</b>	<b>9 071</b>	<b>8 926</b>	<b>-1,6%</b>
Educators	6 688	6 612	-1,1%
Non-educators	2 383	2 314	-2,9%
<b>North West</b>	<b>36 885</b>	<b>36 654</b>	<b>-0,6%</b>
Educators	32 322	32 265	-0,2%
Non-educators	4 563	4 389	-3,8%
<b>Western Cape</b>	<b>37 073</b>	<b>36 755</b>	<b>-0,9%</b>
Educators	28 424	28 417	0,0%
Non-educators	8 650	8 337	-3,6%
<b>Total</b>	<b>423 661</b>	<b>426 913</b>	<b>0,8%</b>
Educators	360 549	364 457	1,1%
Non-educators	63 112	62 457	-1,0%

*Management capacity  
lacking at school and district  
level*

International trends in education are in line with South Africa's drive to decentralise certain management functions to school and school districts. To ensure that this policy works, it is important to build management capacity at school level among school managers and parents serving on school governing bodies. In time, each school would become a cost centre where both financial and non-financial performance can be measured and reported to the public.

To ensure that these reforms are successful, provincial education departments need to employ human resource experts at a high level and provide stronger technical capacity at the school district level.

*Disciplinary issues are  
major area of policy work*

A key factor not covered in traditional personnel policy discussions is that some educators are ill-disciplined in that they come to school late, do not teach for the required hours per day, do not plan lessons appropriately and do not assist in extra-curricular activities. In extreme circumstances, educators come to school under the influence of alcohol and some have been accused of child abuse and rape. The Minister of Education has amended legislation and regulations dealing

with sexual relations between educators and learners. Disciplinary cases relating to such offences are being fast-tracked and, to date, 12 educators have been dismissed. However, more needs to be done to reinforce the power of school governing bodies in disciplinary cases.

The Department of Education has argued that there is a correlation between non-educator resources and school performance. A well functioning school should, as a minimum, employ a secretary, two or three gardeners or caretakers, one or two security assistants and at least one other administrative assistant to do typing, duplication, managing of school equipment and the like. At present, few provinces can afford these staff. Some schools employ such people from funds raised on their own, but most poor schools lack these resources.

The new Early Childhood Development (ECD) model has introduced an innovative personnel model to reduce the costs of employing caregivers while increasing the flexibility with which they are employed and managed. As the rollout of early childhood education becomes a more formal part of provincial budgets, employment in this sector should rise moderately. It is important that a realistic cost structure for these employees is maintained to protect the long-term sustainability of the ECD model.

*Innovative ECD personnel model makes early childhood education viable*

In-service training is a critical element of improving the quality of education, particularly because new teaching methodologies and curricula are being introduced. An agreement between unions and the employer states that educators will avail themselves for 80 hours a year (or two weeks) of training during their school holidays. It is not clear how provinces are performing in this area. Gauteng sends about one quarter of its staff to 40 hours of training. This translates into 10 hours per educator. Anecdotal evidence indicates that most in-service training is still done during school hours and not during school holidays as stated in collective agreements.

*Provinces often neglect in-service training*

Since educator training has been moved into the higher education sphere, understanding of the sector in terms of data or expenditure has weakened. Information on how many educators are being trained and in what subjects is not readily available. Preliminary data suggest that as few as 3 500 educators are currently being trained. Given that attrition in the sector is 10 000, long-term human resources strategies need to be developed.

*Concerns that rate of supply of educators may be too low*

In addition, while the costs to the state of training educators in universities is about the same as in educator training colleges, the cost to the student is much higher. This will impact negatively on educator supply and the demographic profile of potential educators. Very few provinces use bursaries to train educators in specific subjects and to bind them to the public service for a period of time.

## Health

Personnel policy in health has been a neglected area since the 1996 right-sizing agreement. This agreement provided generously to nurses and even to doctors and other health professionals. Since then, the personnel situation in health has been cause for concern.

*Health personnel policy needs attention*

In general, the problem is simple to characterise. Declining employee numbers and increased patient loads have increased workloads dramatically. As pressure from demoralised and stretched workers has impacted on policy, salaries have risen for nurses and lower level health staff. This has placed constraints on resources resulting in posts not being filled when staff leave. This further increases workloads and the cycle continues.

In general, the solution has to be to increase employment in the sector to reduce workloads to more acceptable levels. Improving health infrastructure, equipment, the conditions in hospitals and clinics and the availability of medicines are other critical factors in improving worker morale.

However, there are specific categories of health workers that need to be better remunerated. These categories of workers are at the top of the health system: doctors, specialists, pharmacists and in some provinces, chief professional nurses.

*Salaries of medical professionals is too low*

The starting salary of a doctor in the public sector is R115 575. The maximum a doctor can earn is R191 292 a year. The maximum that a medical specialist can earn is R225 385. The highest paid brain surgeon in the public sector is on a deputy director level. Pharmacists start at R62 585 and peak at R107 348. The highest a nurse can earn is also R107 348 a year.

With the salaries of health professionals this low, attracting and retaining good people in the public health system is becoming more difficult. South Africa is battling to retain its skilled health staff and within the country, the public sector is battling against competition from the private sector.

The *2001 Intergovernmental Fiscal Review* detailed the number of doctors and specialists per 100 000 citizens per province. The *Review* showed stark disparities between provinces. Although some of these disparities are intended, in that resources for tertiary and quaternary health services are directed at certain provinces, the disparities even extend to professions such as dentists and pharmacists.

*2003 Budget provides resources to address low pay*

The 2003 Budget provided about R750 million a year to upgrade the remuneration packages of doctors and other medical professionals. The Treasury and departments of Health and Public Service and Administration are in the process of developing a package of measures to increase remuneration for these categories within MTEF allocations. The main proposals centre on increasing rural allowances, increasing general salaries and expanding the number of community service posts. These measures should be implemented by 1 July 2003.

*Further work needed to make sure decentralisation in health works*

The decentralisation of powers to hospitals began with the appointment of CEOs for the 10 biggest hospitals. As part of this effort to improve hospital management, it is envisaged that powers relating to personnel management and finance would be transferred to these CEOs. However, more work needs to be done to deepen this decentralisation process to ensure better management and accountability.

**Table 10.6 Health personnel by province 2002<sup>1</sup>**

	Doctors generalists	Specialist doctors	Other profes- sional medical	Profes- sional nurses	Other nurses	Other staff	Total
Eastern Cape	638	68	458	5 731	4 097	17 843	28 835
Free State	598	121	408	3 024	2 639	6 888	13 678
Gauteng	1 745	1 419	1 646	8 153	9 780	21 926	44 669
KwaZulu-Natal	1 228	227	875	9 033	13 104	24 658	49 125
Limpopo	447	24	492	5 247	6 036	11 251	23 497
Mpumalanga	459	18	869	2 302	2 569	4 408	10 625
Northern Cape	202	21	235	915	947	1 862	4 182
North West	388	52	269	3 040	4 198	7 782	15 729
Western Cape	1 025	1 272	837	4 076	6 681	10 932	24 823
<b>Total</b>	<b>6 730</b>	<b>3 222</b>	<b>6 089</b>	<b>41 521</b>	<b>50 051</b>	<b>107 550</b>	<b>215 163</b>

1. The totals in this table may not correspond to those in table 3 due to a difference in the date on which data was downloaded.

In general, the community health service system seems to have worked in placing doctors in rural areas. However, these successes are not uniform. Some provinces have frozen existing posts to accommodate the community service doctors. This has not increased the number of doctors serving in rural areas. Rather, these doctors have displaced existing doctors and it is not clear how widespread this problem is. What is clear is that the community service scheme has the potential to draw doctors into areas where they would otherwise not go. A more streamlined system to recruit and place doctors needs to be developed to counter the slow, bureaucratic processes that prevail.

*Community service system for doctors is working*

Strategic challenges for provinces are to provide better financial remuneration for medical professionals and other staff with scarce skills, to improve the facilities and equipment that workers rely on and to manage cost-pressures from lower level personnel in a responsible and sustainable manner.

*Poor facilities and equipment also needs to be deal with*

### **Public works and supernumeraries**

In general, provinces have a shortage of skilled personnel in the non-social service departments and a surplus of lower-level staff inherited from former homelands. While a restructuring agreement, ending in June 2003, has been signed with unions providing for a 12-month window to deal with this problem, progress in implementing the agreement has been slow. At the same time, the moratorium on recruiting staff has hampered efforts to increase the skills profile of these departments.

*Most surplus staff are in non-social service departments*

**Table 10.7 Analysis of non-social service staff - 31 March 2003**

Number of civil servants	Agri-culture	Transport, Roads & Public Works	Housing & Local Government	Other	Sub-total: Non-social Services	% of staff in province
Eastern Cape	5 247	7 161	1 481	2 629	16 519	13,3%
Free State	1 232	4 962	463	1 784	8 440	15,6%
Gauteng	462	4 704	1 056	2 928	9 150	7,9%
KwaZulu-Natal	3 909	7 327	2 639	1 107	14 982	9,9%
Limpopo	8 368	8 861	4 667	2 702	24 599	22,4%
Mpumalanga	1 963	3 534	992	1 135	7 624	15,3%
Northern Cape	306	107	330	653	1 396	9,0%
North West	2 210	5 850	508	1 301	9 870	15,2%
Western Cape	658	1 413	516	2 279	4 866	7,2%
<b>Total</b>	<b>24 356</b>	<b>43 920</b>	<b>12 652</b>	<b>16 518</b>	<b>97 445</b>	<b>12,9%</b>

Source: 2003/04 Provincial Budget Statements

There is a clear skills mismatch between the areas where there are staff shortages and where there are surpluses. It is not possible to solve this problem with redeployments only. While unemployment is a serious concern, particularly in poorer provinces, carrying surplus staff for over eight years places a burden on poor provinces' ability to improve social services or to enhance infrastructure spending.

*Limpopo employs 22,4 per cent of its staff in non-social service functions*

As Table 10.7 illustrates, provinces that incorporated former homelands employ a significant proportion of their staff in the non-social service functions. This reduces the ability of these provinces to increase expenditure on social services or on infrastructure. Provinces such as Western Cape and Gauteng can afford to dedicate a higher proportion of their spending to social services and to infrastructure investment. While poorer provinces are treated favourably through the equitable share formula, the staffing and cost structure prevents them from reducing backlogs in facilities or in social services.

### Local government personnel issues

*Local government personnel issues similar to those faced by provinces in 1996*

While services delivered by local government may not be as labour-intensive as provincial services, personnel policy issues are a critical element in the transformation of this sphere. The main personnel issues at local government level are high total personnel costs, the cost of merging a number of municipalities each with different pay systems, the structure of employee benefits, the skills level of staff and the personnel implications of creating municipal entities dealing with utilities such as water and electricity. The issues raised here are very similar to personnel issues faced by provinces in 1996: the costs of amalgamating former departments with different pay systems, high costs of employee benefits and skills mismatches in relation to services delivered. Similar challenges include the need to separate management from other staff and developing a professional stream.

*Key challenge is to attract quality people while moderating total personnel costs*

The quality of human resources is key to building a local government sector founded on respect for citizens' rights, courteous and efficient service delivery, modernisation of systems and honest, accountable government. The role of local government has changed considerably



since the adoption of the White Paper on Local Government in 1998. Local governments are expected to transform from being mere providers of standard services to a passive public, into innovative institutions responding to the varied and diverse needs of the community, promoting economic development and facilitating service partnerships to enhance service delivery and overcome the massive backlogs. At the minimum, in order to improve service delivery and expand services to communities where services do not exist or are underdeveloped, local governments will have to free up resources to provide for basic services and increase capital expenditure.

Two linked challenges from a human resources point of view flow from the above set of developmental obligations for local government. First, local government requires advanced skills and competencies within the administration, which can be very costly. Second, municipalities are expected to moderate their overall personnel budget to free up resources to expand the delivery of services to citizens.

### Trends in employment costs

Local Government in total employs about 210 000 people, approximately half of whom are employed by the six metropolitan councils. Table 10.8 gives the total number of employees working in the metropolitan councils. Of the staff employed in district and local municipalities, about 7 per cent are employed by districts and 43 per cent by local municipalities. It is not known to what extent the new division of functions gazetted on 3 January 2003 by the Minister of Provincial and Local Government will affect this distribution, as staff are shifted between district and local municipalities.

*Over half of local government staff are employed by the six metro councils*

A large proportion of staff at local government level work in services that are traded. These services include water, sanitation and electricity. The Municipal System Act (33 of 2000) allows for the creation of local public entities. This does not preclude the possibility of a direct subsidy to the service. Furthermore, a number of municipalities have outsourced functions such as refuse-removal and road works. These nuances make it difficult to get an accurate indication of trends in employment and costs of employment.

**Table 10.8 Number of staff in the six metro councils – 2002**

Metropolitan Council	No. of employees
Nelson Mandela	7 523
Ekurhuleni	14 614
City of Johannesburg	24 209
eThekweni	17 729
City of Cape Town	26 517
City of Tshwane	14 817
<b>Total</b>	<b>105 409</b>

Personnel costs on average make up about 30 per cent of local government expenditure. This percentage share is higher if the purchase of bulk water and electricity and intra-municipal transfers are excluded. In some districts, it is even as high as 56 per cent due to

*Personnel costs make up about a third of local government spending*

the fact that these municipalities focus mainly on planning and development type functions.

*Personnel costs rising as a share of spending*

Over the past five years, personnel costs have been rising; both in real terms and as a percentage of total spending. Factors driving personnel costs differ significantly across municipalities and in different time periods. However, in the main, the amalgamation of smaller municipalities into larger ones and the resultant pressure to equalise salaries have driven up total personnel costs. Also, generous employee benefits such as leave payouts, retirement provisions and medical aid subsidies have increased costs too.

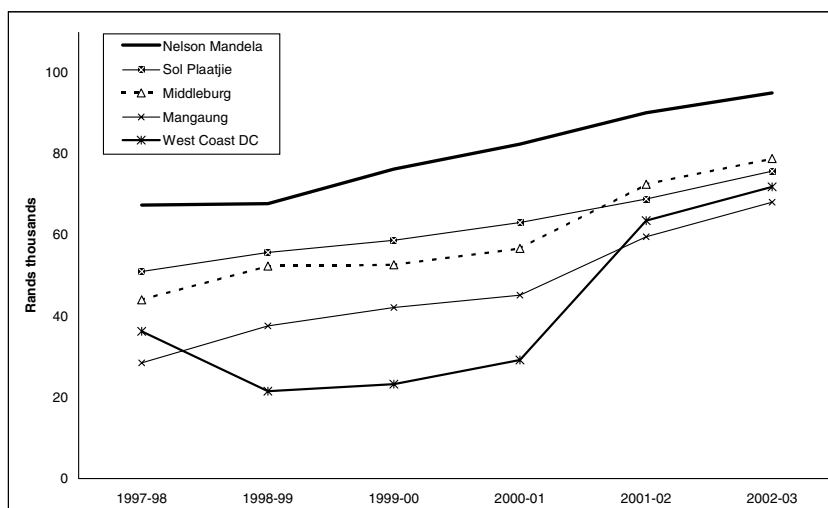
Municipal employees generally earn higher than their counterparts in national and provincial departments. As shown in Table 10.9, in the top 18 municipalities, salaries, wages and allowances amount to 30 per cent of total expenditure. The average annual employee salary cost across these municipalities is about R107 000. This means that on average, employees in these municipalities earn R8 900 per month. The combined salary bill in the 18 municipalities in the 2002-03<sup>1</sup> financial year was R13,9 billion.

**Table 10.9 Salaries and wages as a % of expenditure – 2002-03**

	Salaries, Wages and Allowances (R million)	Number of employees	Salary, wages & allowances as a % of expenditure	Average annual salaries R/c
City Of Johannesburg	2 583	24 209	26,5%	106 683.96
Cape Town	2 526	26 517	32,1%	95 250.01
eThekweni	2 436	17 729	32,3%	137 395.40
Ekurhuleni Metro	1 842	14 614	25,0%	126 043.30
City Of Tshwane	1 714	14 817	33,1%	115 705.76
Nelson Mandela	715	7 523	34,8%	95 062.64
Buffalo City	369	4 509	36,8%	81 735.48
Mangaung	312	3 831	28,5%	81 523.54
Msunduzi	313	3 355	31,5%	93 295.63
Polokwane	147	1 346	33,5%	109 298.72
Rustenburg	129	1 438	22,1%	89 434.95
Umhlathuze	160	1 835	30,5%	87 279.63
Drakenstein	136	1 620	35,2%	84 018.10
Sol Plaatje	118	1 549	29,9%	76 276.85
Mbombela	112	1 161	32,9%	96 869.99
Govan Mbeki	121	1 584	36,3%	76 626.39
Stellenbosch	94	991	35,9%	94 815.08
Mafikeng	61	831	49,4%	73 256.16
<b>Total</b>	<b>13 888</b>	<b>129 459</b>	<b>30,1%</b>	<b>107 281.82</b>

Figure 10.1 shows the growth in nominal costs per municipal employee in a sample of five municipalities. The order of the rise in nominal average costs is quite significant.

<sup>1</sup> Throughout this review, “2002-03” is used to cover the municipal financial year from 1 July 2002 to 30 June 2003. In contrast “2002/03” is used to cover the national and provincial financial year, from 1 April 2002 to 31 March 2003. Similarly for other financial years.

**Figure 10.1 Cost per employee from 1997-98 to 2002-03**

In the 2002-03 financial year the average employee cost was R95 063 for Nelson Mandela Municipality, R81 500 for Mangaung, R76 200 for Sol Plaatje, R78 870 for Middelburg and R71 906 for West Coast District Council compared to 1997-98 figures of R67 433, R28 538, R51 041, R44 076 and R36 306 respectively. This means that these municipalities were paying each employee on average 41 per cent, 186 per cent, 51 per cent, 79 per cent and 98 per cent more in nominal terms in the period 2002-03 than in the period 1997-98. Given that the consumer price index went up by 40,5 per cent the same period, most municipalities gave significant real increases over the period. The data also indicates that the steepest rise was in 2001-02, the first year of the new municipal boundaries.

*Salary increases above inflation since 1997-98.*

This usually meant an upward adjustment of salaries to the highest common denominator increasing average costs even though the overall growth in number of employees has not been substantial. If this explanation is correct, future increases in average costs should be moderate.

*Amalgamation drives up salary costs*

There has been a substantial real increase in councillor allowances from 1997-98 to 2002-03 in the selected municipalities. Unfortunately reliable historical data for senior managers and lower ranked staff are not available and so they are not included, but anecdotal evidence indicates that senior officials are earning relatively high salaries. Table 10.10 gives a breakdown of the staff structure and the percentage of total salary consumed by each job category in six municipalities.

**Table 10.10 Management and non-management costs**

	Mangaung		Amatole		Middelburg		Rustenburg		Klerksdorp		Swartland	
	% of total staff	% of total staff costs	% of total staff	% of total staff costs	% of total staff	% of total staff costs	% of total staff	% of total staff costs	% of total staff	% of total staff costs	% of total staff	% of total staff costs
Managers	12,3%	29,6%	36,3%	61,8%	14,8%	30,1%	1,1%	2,4%	8,1%	26,8%	8,3%	19,6%
Non-managers	87,7%	70,4%	63,7%	38,2%	85,2%	69,9%	98,9%	97,6%	91,9%	73,2%	91,7%	80,4%

*Managers as a proportion of staff*

Non-management staff, who make up the largest proportion of staff, consume proportionately less of the total salary bill with management consuming as much as 24 per cent of costs. In the sample above, managers constitute 13,5 per cent of staff on average and consume 28,4 per cent of staff costs.

In a larger sample it was found that managers make up 11 per cent of staff in category B municipalities and consume 27 per cent of staff costs, while in Category C municipalities they make up 24 per cent and consume 32 per cent of staff costs. At national and provincial government levels, senior managers make up about 0,4 per cent of staff and consume about 1,1 per cent of costs.

### **Local government bargaining arrangements**

*Collective bargaining at local government level*

Salaries and benefits of local government staff are negotiated through the South African Local Government Bargaining Council (SALGBC). Bargaining arrangements at the local level can be described as centralised collective bargaining. The structure of the SALGBC has been criticised for being highly inflexible in that it does not allow for matters affecting individual local municipalities from being addressed in a decentralised way. The South African Local Government Association (Salga) is of the view that collective bargaining should occur at all levels, albeit within nationally determined norms and standards as this can build effective employer/employee relations at the local level.

The SALGBC has been primarily pre-occupied with wage negotiations only, often at the expense of major transformation issues such as the racial disparities in employment conditions, retirement fund arrangements, medical aid provisions and conditions of service.

### **Employee distribution by sector**

Table 10.11 shows the distribution of municipal staff per sector in a sample of municipalities.

*Municipal data not uniform and consistent*

When interpreting the table, it must be noted that different municipalities define services differently. In particular, the 'other' category differs from place to place.

**Table 10.11 Number of employees per sector**

	eThekwini	Johannes- burg	Mangaung	Nelson Mandela	Buffalo City	Tshwane
Electricity	2 226	1 970	518	747	289	2 092
Water	1 430	2 533	156	501	251	445
Sewerage & sanitation	1 224		142	480	319	522
Refuse	549	3 778	460	376	617	758
Housing	323	845	100		46	302
Health	750	837	166	526	624	398
Policing	1 209	2 500			102	1 496
Other	10 018	11 746	2 693	4 893	2 261	8 831
<b>Total no of employees</b>	<b>17 729</b>	<b>24 209</b>	<b>4 235</b>	<b>7 523</b>	<b>4 509</b>	<b>14 844</b>
<b>Employees per sector as a proportion of total employees</b>						
Electricity	12,6%	8,1%	12,2%	9,9%	6,4%	14,1%
Water	8,1%	10,5%	3,7%	6,7%	5,6%	3,0%
Sewerage & sanitation	6,9%	0,0%	3,4%	6,4%	7,1%	3,5%
Refuse	3,1%	15,6%	10,9%	5,0%	13,7%	5,1%
Housing	1,8%	3,5%	2,4%	0,0%	1,0%	2,0%
Health	4,2%	3,5%	3,9%	7,0%	13,8%	2,7%
Policing	6,8%	10,3%	0,0%	0,0%	2,3%	10,1%
Other	56,5%	48,5%	63,6%	65,0%	50,1%	59,5%
<b>Total</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>

The number of employees in the major service sectors (electricity, water, sewerage and sanitation and refuse collection) is quite low suggesting that these services are not very labour intensive. On average these services account for about 30 per cent of staff. Property rates and general services on the other hand take up over 50 per cent of staff in the above sample of municipalities. In Mangaung, 70 per cent of staff are found in property rates and other general services.

*Employee distributions low within major services*

In Johannesburg, of the 11 746 staff shown as 'other', 2 548 work in parks, 2 200 in roads, 1 264 in corporate services, 1 200 in finance, 1 100 in the bus service, 1 050 in emergency services and the balance in social development, planning and libraries. In eThekwini, of the 10 018 staff in the 'other' category, 2 223 work in parks, culture and recreation, 2 004 in emergency services and 1 355 in transport, with the remainder in corporate services and planning.

### Remuneration and benefits

As the 2001 Intergovernmental Fiscal Review indicated, municipal employees have conditions of service and salary bands very distinct from National and Provincial government. For example, smaller category B municipalities pay managers at a level comparable to an assistant or deputy director in the public service, while bigger category B municipalities pay between deputy director-general to director-general level. Category A municipalities usually pay at levels above that of a director-general. Other conditions of service are similarly varied.

*Municipal manager salaries generally higher than public service equivalents*

In 2002, following a tense labour dispute, an agreement was signed providing for salary increases over a three-year period and a minimum wage for the sector. To date, 11 municipalities have indicated that they cannot pay the minimum wage because of financial constraints. This means that 96 per cent of municipalities comply with or are in the position to pay the basic minimum monthly wage of R2 300. This amount increases to about R3 700 when all benefits are included, giving an annual basic minimum package in local Government of about R44 400. This is close to the minimum wage levels within the public service generally.

*Personnel benefits  
40 per cent of staff costs*

Pension and medical aid benefits are the next major cost drivers. The costs of staff benefits have a knock-on effect of up to 40 per cent on overall personnel costs at municipal level. Salga has set itself a target of reducing the costs of benefits to 30 per cent over a two-year period.

The *2001 Intergovernmental Fiscal Review* published information (Table 8.3 of that publication) on the employer and employee contributions to various municipal pension funds. This information indicated that in some municipalities, the employer paid up to 26 per cent as a contribution. Further or new information to revise this table was not available from the Financial Services Board in time for inclusion in this *Review*.

*Pre-1994 agreements  
sometimes hamstringing  
municipalities*

Agreements signed before 1994 also have a huge impact on personnel costs. For example, Johannesburg Metro has a total liability of R3,9 billion arising from pre-1994 agreements, of which R1,5 billion is an unfunded liability on its pension fund. Apartheid-era municipalities agreed to a set of very generous benefits which are difficult to reduce today. The Pension Funds Adjudicator commented that many local authority pension funds amended their rules to introduce extremely generous retrenchment benefits during the political transition. The aim seems to have been either to prevent retrenchments by making dismissal too expensive or to provide retrenched employees with substantial termination packages. In Johannesburg's case the benefits entered into by the previous council included accumulated leave, sick leave, annual bonuses and the buying of bonus years. Clearly, the generous nature of the pre-1994 agreements can cause serious problems of unfunded liabilities as demonstrated in the Johannesburg case, and may impact negatively on the service delivery capacity of municipalities.

Critical information relating to the nature of municipal pension schemes, their financial health and the extent of contingent liabilities was not readily available from municipalities or the Financial Services Board (FSB) for this *Review*. The Board was, however, able to provide a broad overview of municipal pension funds, their assets and membership size. In 2001, there were 94 municipal pension funds with combined assets of R32,3 billion. These funds have 145 996 active members and 20 968 non-contributing members.

*Attempts to rationalise  
pension and medical aid  
benefits*

Local governments have initiated processes to address huge inefficiencies and inequalities in the provision of pension and medical aid benefits. In relation to medical aid, Salga is proposing the introduction of norms that could limit employer contributions to

60 per cent of monthly medical aid cost up to a maximum cash value of R1 429 a month. If successful, this will have the effect of bringing local government medical benefits closer to the norm within the public service. The restructuring of municipal pension funds is critical to managing costs going forward. The overall employer contributions to pension funds are still above the national and industry average of 15 per cent. In addition, many municipal pension funds have generous purchase of service and retrenchment rules. A proposal to consider one single pension fund for municipal workers is presently being discussed.

### **E-Jo'burg Pension Fund**

The City of Johannesburg inherited 13 pension funds. Most of the funds fall into the defined benefit funds category, but provide different benefits with historically racially-based memberships. The mainly white fund (Johannesburg Municipal Pension Fund) has an employer contribution of 20 per cent of pensionable salary while the next largest fund with mainly black employees (City of Johannesburg Pension Fund) has an employer contribution of 16 per cent. Some of the funds also have a 13<sup>th</sup> cheque benefit, which gets paid out of the City's budget every year. This benefit is being challenged by the City and is presently under litigation. Heads of departments have a service bonus benefit in terms of which they receive an additional year of pensionable service for every year that they are employed, and other employees receive a year for every five years. The City is proposing to stop funding this benefit. Members of the pension funds also enjoy generous buy-back options and tax exemptions on pensions. In terms of the latter, however, the benefit has fallen away, in line with new tax dispensations. The exemption from tax now only applies to the period prior to 1998. Moreover, these benefits can be lost if the employee left the council and the money is transferred to a private sector fund.

This created problems for Johannesburg at two levels. Approximately 15 000 of its 28 000 employees were shifted to various utilities, agencies and corporations (UACs). The tax dispensation treated the UACs as private companies meaning that employees faced losing the tax benefit on pensions. An amendment to the tax legislation averted the problem, where UACs are now treated in terms of the Municipal Systems Act and not as private agencies. However, for the 2 000 odd employees that were retrenched due to outsourcing and privatisation, Johannesburg had to make good on the tax benefit and paid out the benefit to the retrenched employees at considerable cost.

The racial inequities and onerous benefits prompted Johannesburg to launch a single fund. Legal technicalities have delayed the process, but Johannesburg issued a fresh legal notice to rationalise its pension funds by June 2003. The central thrust of the change will be a single pension fund for all employees. In addition, Johannesburg intends to make this fund a defined contributions fund with employer contributions pegged at 15 per cent.

The local government sphere has witnessed dramatic changes over the years. The demarcation process and 2000 elections ushered in the final phase of the local government transformation. The shifting of powers and functions between and within spheres threw up a range of new challenges for municipalities. In addition the restructuring of the electricity distribution sector also poses a huge challenge from a human resource point of view. Municipalities need to manage these challenges in a way that allows them to improve their service delivery record without placing further cost pressures on taxpayers. While, the new public financial management regime places more emphasis on outcomes, this does not mean that municipalities should ignore input controls such as human resources.

*Need to balance service expansion with resource constraints*

*Municipal employees could be incorporated into the public service*

Given that half of all municipal employees work in the metros, a differentiated approach could be adopted to absorb municipal employees into the public service. Generally, the metros pay the highest salaries, and incorporating such employees into the public service will be difficult as this would result in a large cost increase for national and provincial governments. For example, a nurse or a metro police officer earns more than a nurse in a provincial clinic or a member of the police in the SAPS. However, most employees in the non-metros probably earn salaries that are more comparable with national and provincial government employees, and it is possible that these municipal employees could be more easily incorporated into the public service. The task would then be to incorporate metro employees.

*Electricity restructuring will impact on personnel management*

The restructuring of the electricity industry will also have an impact on the approach adopted towards creating one public service. At issue is whether the employees of a public business enterprise like a regional electricity distributor (RED) will also be incorporated into the public service. However, given that most electricity employees are in the metros will mean that the average salary packages in REDs will be forced upwards to the highest metro level. Chapter 12 on electricity indicates that currently, the average cost per employee in Tshwane Metropole is R123 250, R110 678 in Nelson Mandela Metropole, R113 525 in Mangaung, and R83 055 in George. Though the average salary is not known for distribution workers in Eskom, such salaries may be higher than current metro salaries and this could place cost pressures on the REDs.

## Conclusion

*Improving skills, motivating workers and managing cost: a tough balancing act*

Both provincial and local Government face similar challenges. In general, provinces are ahead of local Government in restructuring personnel regimes. Nevertheless, both spheres are focusing on improving their skills profile, dealing with surplus staff, attracting professional and managerial expertise and improving work performance. Dealing with these issues in a relatively tight budget environment adds to the complexity. In addition, there is a need to balance the drive towards uniformity with the managerial necessity of diversity.

*Performance management needed*

Personnel management must be driven by long-term service delivery objectives. Balancing resources with attracting and retaining staff with an appropriate skills mix is not an easy task. While numerous reforms have been effected in the public sector, more needs to be done to improve performance. Performance-based remuneration and reward systems are not being used widely in the public sector. While measuring performance in the delivery of public services is not easy, it must be attempted. Creative, innovative managers are required and more flexible personnel frameworks need to be adopted.