

## Personnel issues

### Introduction

Personnel management is key to improving service delivery in all spheres of government – not least in local government, where personnel policy reforms are an important element of the transformation process.

*Personnel reforms are key to improving service delivery*

In 2000, South Africa's 843 municipalities were merged into 284 (now 283) municipalities. Since that time, municipalities have been grappling with the challenge of aligning salary structures and employee benefits such as medical aid, pensions and bonuses.

At the same time, government is proceeding with the creation of a single public service to facilitate greater personnel mobility between the three spheres of government, promote more efficient coordination and facilitate seamless service delivery.

*Creation of a single public service is on track*

The public sector employed about 1,6 million people in 2005: 181 212 in municipalities, 332 800 in national government and 750 400 in provincial government. Public entities and state-owned enterprises employ an additional 304 000 people. The six metropolitan municipalities employ about half of the staff in the local government sphere.

Unlike national and provincial government, there are substantial variations in municipal salary structures and benefits. For example, directors-general fall within the same salary band, but municipal managers' salaries vary between R155 424 and R1,3 million per year. These variations can pose a serious challenge to the creation of a unified public service. Some variations can be justified on the basis of the volume and degree of complexity involved in running a metropolitan municipality compared with managing a small, rural municipality. However, the wide variations in the salary scales of employees in similar-sized municipalities are hard to explain.

*Large variations exist in municipal salary structures*

The Department of Provincial and Local Government has recently issued performance management regulations for municipal managers and senior managers for public comment. These regulations aim to help attract and retain skilled managers, and to bring some uniformity

***Municipalities need to determine personnel and skills needs***

to the conditions of employment for municipal managers and senior managers.

In line with the broader reforms in the local government sphere, municipalities are still in a state of transformation. This process requires that they determine accurately their personnel needs, and equip their departments with the appropriate numbers of personnel with the necessary skills and experience. In addition, municipalities need to continuously review their recruitment and selection strategies, and provide growth opportunities for their personnel and interns. All this must be done to enhance service delivery, satisfying the changing needs of the communities they serve.

This chapter examines municipal personnel issues to assess their impact on service delivery. Specifically, the chapter looks at:

- The number of personnel in the different municipal categories
- The balance of spending on personnel and non-personnel needs
- The skills and competencies of senior managers
- The various capacity-building initiatives undertaken by the National Treasury, the Department of Provincial and Local Government and other agencies.

***Framework on Uniform Conditions of Service came into effect on 1 January 2004***

### **Legal framework and institutional arrangements**

The public service (as distinct from the public sector) comprises national and provincial government employees and is regulated by legislation. Personnel in the local government sphere, however, are employed by individual municipalities, within the framework of the Uniform Conditions of Service agreed to in the South African Local Government Bargaining Council. This agreement, which came into effect on 1 January 2004, replaced the different dispensations that previously regulated employment in individual municipalities.

Employment contracts and conditions of service in local government are negotiated through collective bargaining arrangements with the unions, in which the South African Local Government Association (SALGA) represents local government. The main elements of employment contracts and conditions of service include hours of work, annual leave, sick leave, maternity leave, family responsibility leave, housing subsidies and severance pay.

***Plans for a uniform remuneration framework are being developed***

Plans are being developed to bring about uniformity between the remuneration frameworks of the public service and local government. Once these plans have been finalised, South Africa should have a single set of laws and institutional arrangements governing the three spheres of government.

## Municipal personnel costs: 2005/06

Table 5.1 shows that municipalities budgeted R23,9 billion on salaries, wages and allowances in 2005/06.<sup>1</sup> Budgeted personnel expenditure accounted for 25,6 per cent of the combined municipal operating budget of about R93,3 billion.

*Personnel expenditure accounts for about 26 per cent of municipal operating budgets*

**Table 5.1 Salaries and wages as a percentage of expenditure, 2005/06**

	Salaries, wages and allowances	Number of employees	Salaries, wages and allowances as a % of expenditure	Budgeted operating expenditure	Average annual salaries 1/c
<b>R million</b>					
Category A (Metro)	15 134	103 714	27,4%	55 308	145 924
Category B (Local)	8 223	74 740	26,7%	30 816	110 017
Category C (District)	537	2 758	7,5%	7 197	194 610
<b>Total</b>	<b>23 894</b>	<b>181 212</b>	<b>25,6%</b>	<b>93 321</b>	<b>131 855</b>

Source: National Treasury local government database

The six metropolitan municipalities budgeted R15,1 billion on salaries, wages and allowances in 2005/06. This represented 63,3 per cent of total personnel expenditure by municipalities and 27,4 per cent of the combined operating expenditure of metropolitan municipalities.

*Six metropolitan municipalities account for 63,3 per cent of total personnel expenditure*

Metropolitan municipalities budgeted for 103 714 employees in the 2005/06 financial year, while local and district municipalities budgeted for 74 740 and 2 758 employees respectively. Average annual salaries ranged from R110 016 per year in local municipalities to R194 609 per year in district municipalities.

Table 5.2 shows the number of employees per sector for each category of municipality.

**Table 5.2 Number of employees per sector, 2005/06**

Category	Property rates	Electricity	Water	Sewerage/sanitation	Refuse removal	Health services	Housing services	Other	Total
Category A (Metro)	20 239	9 636	7 775	2 841	9 554	5 802	3 006	44 861	103 714
Category B (Local)	14 775	5 465	4 571	4 961	9 221	3 211	1 152	31 384	74 740
Category C (District)	5	6	707	77	14	251	3	1 695	2 758
<b>Total</b>	<b>35 019</b>	<b>15 107</b>	<b>13 053</b>	<b>7 879</b>	<b>18 789</b>	<b>9 264</b>	<b>4 161</b>	<b>77 940</b>	<b>181 212</b>

Source: National Treasury Local Government database

The table shows that the highest single category of employees (43 per cent) are grouped in the "other" classification. The property rates sector appears to be relatively labour intensive compared to other sectors. The major services sectors (electricity, water, sewerage and sanitation, refuse removal) jointly account for 30 per cent of staff.

Category B municipalities employed 3 211 staff in the health sector. This could be indicative of the slow progress by category C

<sup>1</sup> Unless otherwise specified, all financial years in this chapter refer to municipal financial years.

municipalities in taking over the environmental health function from category B municipalities. This process should gain momentum over the next few years as provision has been made in the local government equitable share to subsidise category C municipalities to perform the environmental health function.

**Table 5.3 Personnel expenditure as a % of total operating expenditure, 2005/06**

	Number of personnel	Personnel expenditure	Operating expenditure budget	Personnel expenditure as a % of operating expenditure
<b>R million</b>				
City Of Johannesburg	25 124	3 485	16 134	21,6%
Cape Town	23 340	3 004	11 547	26,0%
eThekweni	20 404	2 928	9 327	31,4%
Ekurhuleni Metro	14 147	2 389	8 058	29,6%
City Of Tshwane	13 919	2 383	7 279	32,7%
Nelson Mandela Bay	6 780	945	2 962	31,9%
Emfuleni	N/A	N/A	1 472	N/A
Buffalo City	4 808	505	1 435	35,2%
Mangaung	4 539	455	1 435	31,7%
Msunduzi	3 193	386	1 267	30,5%
Rustenburg	1 518	55	848	6,5%
Matjhabeng	N/A	N/A	798	N/A
Polokwane	1 507	208	764	27,2%
uMhlathuze	1 834	240	731	32,8%
City Of Klerksdorp	2 064	229	703	32,6%
Mogale City	1 528	216	660	32,8%
Sol Plaatje	1 484	182	557	32,7%
Emalahleni (Mp)	1 392	194	524	37,1%
Drakenstein	1 719	161	518	31,1%
Mbombela	1 249	158	510	31,0%
Govan Mbeki	1 618	169	472	35,7%
George	1 113	133	445	29,8%
Newcastle	979	106	382	27,8%
Steve Tshwete	1 320	126	382	33,1%
Stellenbosch	1 148	138	371	37,2%
Madibeng	1 134	127	371	34,2%
<b>Total</b>	<b>137 861</b>	<b>18 924</b>	<b>69 953</b>	<b>27,1%</b>

Source: National Treasury Local Government database

**Ratio of personnel expenditure to operating expenditure remains high**

The ratio of personnel expenditure to operating expenditure is set out in Table 5.3 for 26 municipalities surveyed. These 26 municipalities spent an average of 27,1 per cent of their combined operating expenditure budget of just over R70 billion on personnel. This represents a marginal decline in the ratio of personnel expenditure to total operating expenditure, from 29,4 per cent in 2004/05.

### Senior management personnel costs: 2005/06

The six metros and top 20 municipalities surveyed employed 216 senior managers (municipal managers, chief finance officers and other managers holding positions one level below that of the municipal manager) in 2005/06. Total expenditure on senior managers in these municipalities amounted to R156 million, at an average salary of R720 000 per year.

*Senior management costs in largest 26 municipalities amounted to R156 million*

Table 5.4 shows that the average salary for senior managers ranged from R241 000 to R1,2 million per year in 2005/06. It appears that there is no relationship between the size of the municipality and the number of senior managers employed. Stellenbosch municipality, for example, employs the same number of senior managers as the City of Johannesburg, but at almost half the cost.

**Table 5.4 Senior management personnel costs, 2005/06**

	No. of senior managers (incl. municipal managers)	Personnel expenditure	Average
<b>R thousand</b>			
City of Cape Town	25	30 141	1 206
City of Tshwane	6	6 416	1 069
City of Johannesburg	10	10 211	1 021
Ekurhuleni	5	4 433	887
Nelson Mandela Bay	12	10 176	848
Mogale City	7	5 765	824
ethekweni	6	4 922	820
Drakenstein	7	5 242	749
Madibeng	7	5 141	734
Newcastle	2	1 406	703
Ugu	5	3 428	686
Emfuleni	5	3 410	682
Polokwane	8	5 402	675
Mbombela	6	3 836	639
Matjhabeng	8	5 059	632
Govan Mbeki	14	8 615	615
Sol Plaatje	6	3 645	607
Stellenbosch	10	5 928	593
Mangaung	4	2 269	567
Emalahleni (Mp)	16	9 070	567
Umlathize	7	3 779	540
Msunduzi	8	4 164	521
Rustenburg	8	4 106	513
City of Klerksdorp	15	7 211	481
George	4	1 329	332
Buffalo City	7	1 690	241
<b>Total</b>	<b>218</b>	<b>156 796</b>	<b>719</b>

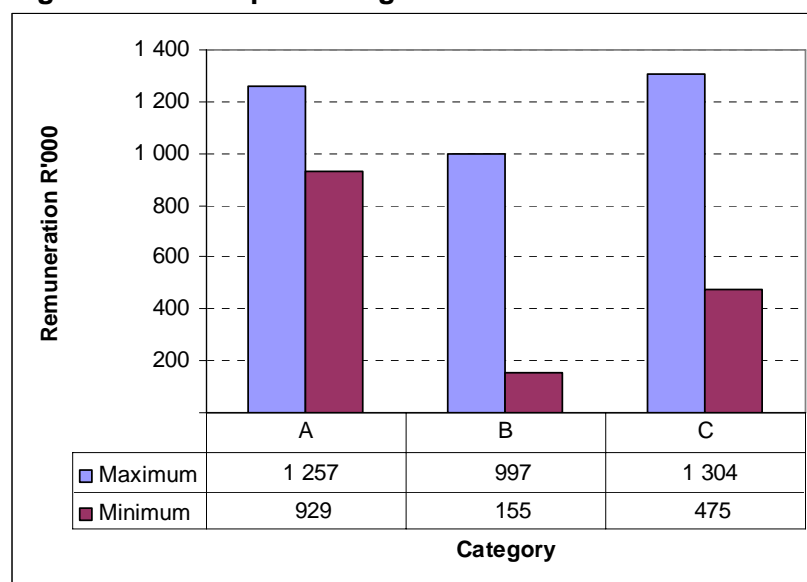
Source: National Treasury local government database

## Remuneration packages of municipal managers

*There is a wide variation in the salaries of municipal managers*

The all-inclusive remuneration packages (salaries and benefits) of municipal managers in 2005/06 ranged from R155 424 to R1,3 million per year. The average remuneration package paid to municipal managers was R605 733 per year, with half (142) drawing annual salary packages that were less than the minimum salary packages of just over R558 000 paid to national and provincial chief directors. Figure 5.1 below depicts the distribution of remuneration packages of municipal managers in all municipalities.

**Figure 5.1 Municipal managers' salaries**



Senior municipal officials' salaries vary widely across the three categories of municipalities – and even within the same category of municipality.

*Salary package variations can be attributed to differences in size, fiscal capacity and powers*

The annual salary packages of municipal managers in category A municipalities range from R928 728 to R1,3 million. In category B municipalities there are also wide variances, ranging from R155 424 per year to R1,0 million per year, with an average salary of R563 453 per year. Differences in the salary packages of senior municipal officials can be attributed to differences in size, fiscal capacity, powers and functions.

Salaries in category C municipalities also vary widely, for the same reasons found in local municipalities. Salaries in this category range from R475 000 per year to R1,3 million per year, with the average salary being R748 952 per year.

## Qualifications of senior management personnel

Table 5.5 below shows the number of municipal senior managers and their levels of academic qualifications by province. Of the 278 senior managers surveyed, more than 60 per cent have at least an undergraduate degree. Almost 40 per cent have matric and diplomas, matric only or a pre-matric qualification.

*Academic qualifications among senior managers vary substantially*

**Table 5.5 Senior municipal management levels of qualifications**

Levels of qualification	No data	Pre-matric	Matric only	Matric and diplomas	Undergraduate	Undergraduate and diplomas	Postgraduate	Total
Eastern Cape	–	–	–	8	8	2	11	29
Free State	2	–	4	11	2	6	6	31
Gauteng	–	1	2	13	10	4	14	44
KwaZulu Natal	1	–	1	7	8	1	7	25
Limpopo	–	–	4	27	9	6	14	60
Mpumalanga	–	–	2	6	4	6	6	24
Northern Cape	1	–	–	7	5	7	8	28
North West	–	–	2	4	8	–	11	25
Western Cape	–	–	–	2	1	3	6	12
<b>National</b>	4	1	15	85	55	35	83	278

Source: Municipal Demarcation Board survey, 2004/05

Table 5.6 shows the areas of study in which the senior managers surveyed in all nine provinces obtained their academic qualifications. Less than 50 per cent of senior managers have qualifications in Finance and Public Administration.

**Table 5.6 Senior municipal management levels of qualifications by sector/type**

Sector/type	No Data	Teaching	Finance	Legal	Public Administration	Other	Total
Eastern Cape	–	2	7	4	10	6	29
Free State	2	11	1	2	6	9	31
Gauteng	–	5	5	8	13	13	44
KwaZulu Natal	1	1	1	4	12	6	25
Limpopo	–	5	8	4	34	9	60
Mpumalanga	–	1	–	2	11	8	22
Northern Cape	1	11	3	2	5	6	28
North West	–	–	2	10	8	5	25
Western Cape	–	1	–	2	4	5	12
<b>National</b>	4	39	27	38	103	67	278

Source: Municipal Demarcation Board survey, 2004/05

Four of the managers could not be classified due to the unavailability of relevant data. Of the remaining 274, 39 had a teaching qualification, 38 had a legal qualification and only 27 (10 per cent) had a financial management qualification. One hundred and three of those surveyed (37 per cent) had a public administration qualification.

*37 per cent of senior managers possess public administration qualification*

## **Work-related experience of senior management**

One factor holding back service delivery is inadequate work-related experience among senior managers. Many may have appropriate theoretical knowledge but lack the practical experience to apply it effectively to real-world situations. Of 278 senior managers surveyed, 4 (1,4 per cent) had work-related experience of 32-40 years, while 104 (37,4 per cent) had 0-5 years of experience.

## **Capacity-building initiatives in municipalities**

*A new qualification in municipal finance management is on offer*

Inadequate senior management capacity and a lack of appropriate skills is a problem that manifests itself in poor service delivery and high turnover of personnel as municipalities compete for scarce skills. To address this problem, the National Treasury, in collaboration with various stakeholders, has developed and registered with the South African Qualifications Authority a National Qualifications Framework level six qualification in municipal finance management.

The post-graduate Certificate in Municipal Finance Management is targeted at senior managers in local government. Its primary purpose is to equip current and future senior managers with skills and competencies that will enable them to provide strategic management and leadership appropriate to a transforming local government sphere, in line with the provisions of the Municipal Finance Management Act.

*National Treasury has provided training in all municipalities*

The National Treasury has, through an external service, provided training in municipal budgeting and reporting (one of the unit standards) to at least three senior officials and two interns in each of the 283 municipalities. It is expected that training in all unit standards will be provided by various education and training providers, once their courses have been evaluated by the National Treasury and accredited by the Local Government SETA.

The National Treasury has also introduced a complementary capacity-building vehicle in municipalities: the Municipal Finance Management Internship Programme. Through this programme, each municipality is required to employ, on a two-year contract, at least two young interns who have recently graduated in finance, accounting or economics, through the finance management grant. The goal is for these interns to acquire strategic financial management skills. To date, about 500 interns have been employed by more than 80 per cent of municipalities. It is expected that this number will increase significantly as the financial management grant is extended to a greater number of municipalities in the current financial year.

In addition, the Department of Provincial and Local Government has identified 136 municipalities for support from Project Consolidate, a hands-on programme launched in October 2004 to provide technical and administrative assistance to underperforming municipalities, in the process transferring technical and administrative skills.



## **Conclusion**

The fact that the personnel management and remuneration in the local government sphere is not governed by a uniform legislative and regulatory framework creates wide variations in pay packages of municipal employees. While some of these are justifiable others are hard to justify. This will pose major challenges for the creation of the single public service. Low pay packages in some small and predominantly rural municipalities may mean that such municipalities may never be able to attract skilled and experienced managers to assist them deal with their service delivery challenges. This suggest that more innovative ways of making scarce skills available to these municipalities need to be thought through.

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