

7

Managing municipal personnel

■ Introduction

The success or failure of a municipality depends on the quality of its political leadership, sound governance of its finances, the strength of its institutions and the calibre of staff working for the municipality.

Although sound financial governance is perceived to be most important, without proper personnel management, municipalities are likely to experience difficulty. This has become increasingly evident in a number of large municipalities that have recently found themselves in precarious financial situations, and is certainly true of many smaller municipalities. An analysis of municipal finances suggests that personnel issues lie at the heart of many of the financial problems experienced by municipalities.

Impact of personnel on causing and addressing municipal finance problems

Msunduzi Local Municipality, the capital city of KwaZulu-Natal, provides a good case study. It was placed under administration in March 2010. One of the findings of the team appointed to turn the municipality around was that there had been poor personnel management practices. These included the indiscriminate hiring of employees and a lack of proper performance management and controls. The combined effect of these practices resulted in a bloated and unaffordable organisational structure, which was further aggravated by cases of unethical leadership, greed, corruption and poor accountability. In effect, poor leadership and bad personnel management undermined the municipality's finances, despite its having ample fiscal capacity. By contrast, Tshwane metro experienced severe cash-flow problems in 2009, mainly due to an overambitious capital programme. Once the full extent of the problem was obvious, the municipality tackled it head-on by implementing the required austerity measures and prioritising revenue management. These initiatives were mostly driven by the second-tier management of the municipality, and have resulted in a successful turnaround. The difference between the Msunduzi and Tshwane experiences can largely be attributed to the commitment of staff to doing the right thing or not.

The proper management of personnel is therefore critical to the effective and efficient functioning of municipalities and must be prioritised across all municipal functions. Personnel management should not only be left to corporate services or the human resources

Personnel management needs to be a core responsibility and priority for all managers in a municipality

department; it needs to be a core responsibility and priority for all managers in a municipality.

At an aggregate level, about 30 per cent of the total municipal operating budget gets spent on the remuneration of personnel. This rate varies among municipalities, depending on the extent to which they may have outsourced some of their service delivery functions, or whether they are responsible for the large revenue generating functions or not. More emphasis needs to be placed on whether this expenditure is yielding value for money for municipalities and the communities they serve. This is why measuring and managing the performance of municipalities, and by implication, the performance of municipal employees, is critical.

The smaller municipalities regularly point to difficulties with recruiting and retaining suitably skilled staff. One proposed solution is to use a shared service centre model built around the district municipalities. However, local municipalities are generally wary of this proposal due to concerns about reporting lines and accountability.

Personnel management in local government has been marred in many instances by poor recruitment practices, political interference in the appointment and dismissal of employees, the inability to attract and retain suitably qualified staff, high vacancy rates and the lack of performance management systems and other related symptoms.

The Municipal Systems Amendment Act (2011) came into effect on 5 July 2011. This Act seeks to address certain issues, including:

- the appointment and competencies of municipal managers and managers directly accountable to the municipal manager (s57 managers)
- regulating the employment of municipal employees who have been dismissed or are subject to disciplinary processes by other municipalities
- regulating the duties, remuneration, benefits and other terms and conditions of employment for municipal managers and s57 managers.

However, the most topical proposal is the requirement that municipal managers and s57 managers may not simultaneously hold political office in a political party. The aim is to ensure a clear separation between the political leadership roles of the council and mayor and the managerial role of senior managers within the municipal administration, and to ensure lines of authority and accountability between them are aligned with the principles for public administration set out in Chapter 10 of the Constitution, by ensuring that municipal administrations are non-partisan and professionalised.

This chapter provides an overview of:

- trends in local government employment
- building municipal capacity

The Municipal Systems Amendment Act addresses a number of personnel related issues in municipalities

- sector employment trends
- municipal remuneration
- performance management.

Trends in local government employment

The contribution made by local government to total employment in South Africa has remained relatively unchanged since 2006. In 2009, local government employed approximately 278 600 people and contributed just over 2 per cent to total employment in the country. Table 7.1 shows the contribution made by each category of municipality towards total employment.

Table 7.1 Local government's contribution to employment by category of municipality, 2006 and 2009

Category	Local government employment (2006)*	% of Total Employment	Local government employment (2009)	% of Total Employment
Number				
Total Employment	13 601 000		13 369 000	
Category A (Metros)	137 469	1.0%	134 068	1.0%
Category B (Locals)	116 205	0.9%	125 518	0.9%
<i>Secondary cities - 21</i>	35 568	0.3%	48 784	0.4%
<i>Towns - 140</i>	61 946	0.5%	59 415	0.4%
<i>Mostly rural - 70</i>	18 691	0.1%	17 319	0.1%
Category C (Districts)	14 184	0.1%	19 005	0.1%
<i>Category B + C</i>	130 389	1.0%	144 523	1.1%
<i>All municipalities</i>	267 858	2.0%	278 591	2.1%

*Revised

Source: Stats SA, Non-financial census of municipalities (P9115 - 2007 to 2009)

Stats SA, Labour Force Survey Historical Revision: September Series, 2000 - 2007

The table also shows that the six metros employ more than half of the total municipal workforce, thus making a contribution of 1 per cent to total employment. The secondary cities, towns and the 70 most rural municipalities together contribute 0.9 per cent of total employment in South Africa.

The six metros employ more than half of the total municipal workforce

Although the trend appears stable, it is important to note that over this period, many municipalities opted to outsource certain activities such as debt collection, repairs and maintenance, refuse removal, and meter reading. Employment related to outsourcing is not reflected as part of municipal employment, but is still paid for by the municipality, usually under 'contracted services' and also 'other expenditure'.

Employment related to outsourcing is not reflected as part of municipal employment

Employment levels are also expected to increase slightly from 2010 onwards as certain municipalities that previously employed temporary workers in functions such as refuse removal, have absorbed these workers into permanent positions. This is in response to pressure from labour unions, and general discomfort with the institution of labour brokering. For example, eThekweni metro has reported that approximately 1 300 temporary positions were converted into permanent positions at the start of the 2010/11 financial year.

Employment levels are also expected to increase slightly from 2010 onwards

Growth in local government employment

Local government employment grew by nearly 4 per cent between 2006 and 2009

Local government employment grew by nearly 11 000 or 4 per cent between 2006 and 2009. Table 7.2 shows the number of jobs lost or gained per category of municipality since 2006.

Table 7.2 Total employment in local government by category and by metro, 2006 - 2009

Number	2006* Total employment	2007* Total employment	Jobs gained (+) and lost (-)	2008* Total employment	Jobs gained (+) and lost (-)	2009 Total employment	Jobs gained (+) and lost (-)
By category of municipality							
Category A (Metros)	137 469	142 593	5 124	136 166	-6 427	134 068	-2 098
Category B (Locals)	116 205	116 050	-155	120 447	4 397	125 518	5 071
Secondary cities - 21	35 568	47 118	11 550	48 068	950	48 784	716
Towns - 140	61 946	52 460	-9 486	56 703	4 243	59 415	2 712
Mostly rural - 70	18 691	16 472	-2 219	15 676	-796	17 319	1 643
Category C (Districts)	14 184	14 763	579	17 000	2 237	19 005	2 005
Category B + C	130 389	130 813	424	137 447	6 634	144 523	7 076
Total	267 858	273 406	5 548	273 613	207	278 591	4 978
By metro							
City of Cape Town	23 420	22 568	-852	26 005	3 437	26 196	191
City of Johannesburg	30 104	31 005	901	31 506	501	29 369	-2 137
City of Tshwane	21 981	22 274	293	17 673	-4 601	18 954	1 281
Ekurhuleni	18 714	17 411	-1 303	17 918	507	18 027	109
eThekweni	35 255	41 569	6 314	35 902	-5 667	34 860	-1 042
Nelson Mandela Bay	7 995	7 766	-229	7 162	-604	6 662	-500
Total	137 469	142 593	5 124	136 166	-6 427	134 068	-2 098

*Revised

Source: Stats SA, Non-financial census of municipalities (P9115 - 2007 to 2009)

The table also shows that employment has grown consistently in the secondary cities and district municipalities. Employment in the 21 secondary cities increased by 13 216 or 37 per cent between 2006 and 2009. Most of this growth occurred between 2006 and 2007, the year following the previous local government elections.

Tshwane metro adopted a deliberate policy of not filling certain positions as a way of dealing with its cash flow crisis

By contrast, employment by the metros, towns and rural municipalities fell between 2006 and 2009. The most notable decrease is evident in the Tshwane metro, where 4 601 jobs were lost between 2007 and 2008. However, there is a corresponding increase in Tshwane's vacancy rates, which indicates the decline in employment resulted from a deliberate policy of not filling certain positions when they became vacant due to normal staff turnover and retirements. This was one of the measures adopted by the metro to deal with its cash-flow crisis. Cape Town is the only metro to have expanded its workforce over this period.

Table 7.3 examines the growth in employment in key municipal sectors between 2006 and 2009.

Table 7.3 Growth in municipal positions in key sectors, 2006 and 2009

Number	2006 Total positions	2009 Total positions	Percentage growth
By category of municipality			
Category A (Metros)	137 469	134 068	-2.5%
<i>Financial administration</i>	13 858	15 713	13.4%
<i>Electricity</i>	10 756	13 632	26.7%
<i>Water</i>	10 987	13 872	26.3%
<i>Waste water management</i>	689	2 540	268.7%
<i>Waste management</i>	8 303	11 226	35.2%
<i>Other</i>	92 876	77 085	-17.0%
Category B + C	130 389	144 523	10.8%
<i>Financial administration</i>	20 094	26 501	31.9%
<i>Electricity</i>	9 335	7 643	-18.1%
<i>Water</i>	11 663	13 985	19.9%
<i>Waste water management</i>	7 826	9 730	24.3%
<i>Waste management</i>	15 769	13 867	-12.1%
<i>Other</i>	65 702	72 797	10.8%
Total	267 858	278 591	4.0%

Source: Stats SA, Non-financial census of municipalities for the year ended 30 June 2009, (P9115 - 2009)

Total employment in metros has fallen by 2.5 per cent since 2006. Most of the jobs lost were in the 'other' category, where employment declined by 15 791 or 17 per cent. Indeed, metro employment in the key service delivery sectors has grown since 2006, which suggests that the municipalities are prioritising these functions. The very rapid employment growth in the waste water management sector may be due to incorrect reporting on the 2006 figures.

Total employment in metros has fallen by 2.5 per cent since 2006

The employment trends in category B and C municipalities show that most of the growth has been in the financial administration sector, which has increased by 32 per cent since 2006. Employment has also grown considerably in the water and waste water management sectors, although much of this growth can be attributed to the transfer to municipalities of water schemes that were previously owned and run by the national Department of Water Affairs. The decline in employment in the electricity and waste management sectors is a serious concern given the backlogs in repairs and maintenance and service delivery in both these sectors.

The decline in employment in the electricity and waste management sectors is a serious concern given the high backlogs

Why the slow growth in municipal employment?

The growth in the overall economy since 2006 (before the recession in 2009), brought with it an intensified need to address service delivery backlogs and the pressures created by rural-urban migration. It would therefore have been assumed that municipalities generally would have needed to significantly expand their capacity to deliver by employing more staff. However, municipal employment levels have not grown significantly since 2006.

It is necessary to ask why municipal employment levels have not grown significantly since 2006

There are a number of possible explanations. First, as noted above, many municipalities are outsourcing activities as a more cost-effective method of delivering services, especially given the rising cost to municipalities of employing staff directly. This means that

Many municipalities are outsourcing activities as a more cost-effective method of delivering services

Financial pressures have constrained the ability of municipalities to increase employment

employment associated with delivering municipal services may be growing, but is not reflected as municipal employment.

Second, many municipalities have faced serious financial pressures during this period, which has constrained their ability to increase employment. Problems with revenue management, over-ambitious capital programmes, non-priority spending, high wage increases and increases in the bulk price of electricity have all contributed to placing pressure on municipal finances. Since 2009, these pressures were further accentuated by the impact the economic recession had on municipal customers' ability to settle their bills. Consequently, many municipalities are delaying filling vacancies as one way of saving.

A skills shortage and a rigid approach to employment equity make it difficult for towns and rural municipalities to recruit suitably qualified staff

Third, the towns and rural municipalities may be finding it difficult to recruit suitably qualified staff due to the combined effect of the shortage of certain skills and a rigid approach to employment equity. Also, many people with the necessary skills are reluctant to work for these municipalities due to the politicisation of municipal workplaces, and the lack of amenities such as quality schools and health facilities in those areas.

■ Building municipal capacity

Deploying large numbers of technical advisors to municipalities is having a limited impact on building sustained capacity

The lack of adequate institutional capacity is often cited as one of the main reasons for poor municipal performance. Despite the substantial investments by national and provincial governments in building municipal capacity, it remains a significant challenge. And yet it seems that capacity building programmes are considered by the departments concerned, to have achieved their objectives.

To date, the preferred methodology of the different programmes has been to provide hands-on support with a view to facilitating learning-by-doing. This has involved the deployment of a large number of technical advisors to municipalities. In 2009, the Financial and Fiscal Commission commented on this:

[The narrative assessments] suggest that the impact of the capacity programmes is effective in enhancing service delivery within local government. However the contrary view is that progress has only been made on mobilising various role-players to provide hands-on support, but it remains too early to evaluate the overall effectiveness of these programmes. It should also be noted that these programmes are not independently evaluated and therefore run the risk of being over-rated. The other challenge is that the success of these programmes is mostly dependent on the skills of the deployed experts or service delivery facilitators (SDFs). In many cases, municipalities fail to sustain the success factors introduced by SDFs at the end of the deployment term.

Despite the attractiveness of the logic behind providing hands-on support, there is growing evidence that the current approach to it is leading to perverse outcomes. These include:

- ‘Experts’ earn more than people working in municipalities, which is resulting in an exodus of skilled employees from municipalities to these programmes.
- In practice most experts are gap filling rather than capacity building, because there is (a) no-one to train, (b) the focus is on quick-wins in service delivery so there is no time to train, (c) the expert does not have an aptitude for training.
- Individuals and organisations have developed vested interests in the current hands-on-approach and therefore want the programmes to continue, because it is their livelihood or they like the power that comes with allocating assistance.
- Programmes that simply provide additional support to failing municipalities most often treat the immediate symptoms of failure rather the underlying causes.

The prevailing assumption is that most municipal performance failings are due to a lack of capacity – whether it be individual, organisational or environmental capacity. This is despite there being evidence of laziness, mismanagement, incompetence and political interference. Reducing all municipal performance problems to a lack of capacity enables institutions and government officials to focus on the softer, easier capacity building type interventions, rather than the complex processes of dealing with poor performance, and a longer-term focus on aligning municipal systems and incentives to ensure sound administration.

Dealing with poor performance is a messy and complex process

This is not to say that capacity challenges are not real. They are, but they are not the only cause of poor performance. This therefore suggests that national and provincial support to municipalities needs to address a wider range of root causes than just the lack of capacity.

Capacity challenges are not the only cause of poor performance

A discussion on municipal institutional capacity needs to encompass a broad range of issues, such as policies and procedures, knowledge management (institutional memory), competency profiles of staff, background and experience and organisational ethics.

Municipal spending on training

Section 195(1) of the Constitution sets out some of the basic values and principles governing public administration, and among other things it requires that ‘good human-resource management and career development practices, to maximise human potential must be cultivated’. This requirement is further elaborated on in the Municipal Systems Act (2000).

It is therefore important that municipalities invest in effective training and development initiatives. While the Local Government SETA has some information, there is no reliable, comprehensive data on what municipalities spend on staff training, or the number of staff that benefit from these programmes. However, going forward it is anticipated that the development and implementation of a standard chart of accounts for local government (which will standardise the classification of items on which municipalities report expenditure)

Municipalities need to invest in effective training and development initiatives

will result in the required data being recorded and reported more accurately.

There is a tendency for municipalities to select training programmes mainly on the basis of cost

A further consideration is the tendency to select training programmes on the basis of cost rather than assessing the content and the value of the proposed training to the organisation. There is a perception that the cheaper the course, the more people a municipality can train and hence the value derived should be greater. However, this is very often not the case.

Vacancies in municipalities

Given the focus of this chapter, institutional capacity can also be viewed from the perspective of vacancy rates in municipalities. The assumption is that the number of vacant positions in an up-to-date organisational structure is often a first indicator of possible capacity problems.

Vacancies in metros

Table 7.4 shows the vacancy rates in the metros between 2006 and 2009.

Table 7.4 Metro personnel vacancies, 2006 – 2009

	2006*	2007*	2008*	2009
Percentage				
City of Johannesburg	4.3%	4.6%	17.2%	14.9%
City of Cape Town	12.7%	11.5%	9.1%	9.3%
eThekweni	40.1%	40.3%	27.8%	29.2%
Ekurhuleni	15.8%	12.1%	13.1%	13.3%
City of Tshwane	48.3%	47.7%	48.8%	51.1%
Nelson Mandela	16.5%	24.7%	17.6%	0.0%
Total for all metros	25.4%	26.2%	24.5%	24.2%

*Revised

Source: Stats SA, Non-financial census of municipalities (P9115 - 2007 to 2009)

While the total vacancy rate in metros has been approximately 25 per cent since 2006, there are notable differences between them

While the total vacancy rate in metros has been approximately 25 per cent since 2006, there are notable differences between them. Tshwane reports a very high vacancy rate: from 48.3 per cent in 2006 it increased to over 51 per cent in 2009. The increase correlates with the number of jobs lost in this municipality since 2006. However, the level indicates that Tshwane is currently operating with less than half of its approved positions filled.

eThekweni also reports high vacancy rates, but these have declined by about 10 per cent since 2006 – despite a marginal decline in actual employment. This indicates a reduction in the number of positions on the metro's organisational structure. Ekurhuleni has shown some improvement in the filling of vacant positions. Nelson Mandela Bay reported a zero per cent vacancy rate in 2009, which is probably due to inaccurate reporting.

Vacancies in local and district municipalities

Table 7.5 shows the vacancy rates in category B and C municipalities.

Table 7.5 Vacancies in category B and C municipalities, 2008/09

Number	2008/09				Appointments to non-existent positions ¹
	Currently employed	Approved positions	Funded vacancies	Unfunded vacancies	
By category of municipality					
Category B (Locals)	98 318	128 764	18 958	27 422	15 934
<i>Secondary cities - 21</i>	36 638	54 110	4 629	18 190	5 347
<i>Towns - 140</i>	48 383	57 452	12 267	6 043	9 241
<i>Mostly rural - 70</i>	13 297	17 202	2 062	3 189	1 346
Category C (Districts)	12 376	15 350	3 524	1 348	1 898
Category B + C	110 694	144 114	22 482	28 770	17 832
By province					
Eastern Cape	16 370	20 408	3 298	7 181	6 441
Free State	14 393	19 025	2 037	4 047	1 452
Gauteng	8 354	12 161	477	2 871	-459
Kw aZulu-Natal	18 110	21 264	3 186	3 825	3 857
Limpopo	8 780	12 833	2 429	1 951	327
Mpumalanga	11 030	15 157	1 970	2 818	661
Northern Cape	6 602	7 487	1 470	536	1 121
North West	11 489	16 135	2 949	3 116	1 419
Western Cape	15 566	19 644	4 666	2 425	3 013
Total	110 694	144 114	22 482	28 770	17 832

1. Calculated as follows: (currently employed + funded vacancies + unfunded vacancies) - approved positions
Source: Municipal Demarcation Board, Capacity assessment report, 2008/09

In 2008/09, there were about 144 000 approved positions on district and local municipalities' approved organisational structures. Of these positions, 36 per cent or 51 200 were reported to be vacant, which suggests that municipalities are operating significantly below capacity. However, the table also shows that funding is only available for filling less than 50 per cent of the vacant posts. The remaining 28 700 vacancies are reported as being unfunded. To some extent, the number of unfunded vacancies is offset by the number of appointments to non-existent positions. Municipalities reported that in 2009, some 17 832 people were appointed to non-existent posts. This means that positions that do not exist on the approved organisational structures of municipalities. This number has decreased by almost 46 per cent since the 2008 *Review*, suggesting that municipalities have been revising their organisational structures to legalise these appointments.

Municipalities reported that in 2009, some 17 800 people were appointed to positions that do not exist on their approved organisational structures

Vacancy rates among senior managers

A key consideration in assessing municipal capacity is the level of vacancies among senior management (s57 managers), as they play a key role in providing strategic leadership in municipalities. Table 7.6 provides information on the level of vacancies among s57 managers in each of the different municipal categories.

Table 7.6 Vacant posts for section 57 managers, 2006 – 2009

	2006*	2007*	2008*	2009
Number				
Category A (Metros)	8	7	3	29
Category B (Locals)	206	212	163	204
<i>Secondary cities - 21</i>	25	21	26	30
<i>Towns - 140</i>	135	140	99	118
<i>Mostly rural - 70</i>	46	51	38	56
Category C (Districts)	66	32	49	41
<i>Category B + C</i>	<i>272</i>	<i>244</i>	<i>212</i>	<i>245</i>
Total	280	251	215	274

*Revised

Source: National Treasury local government database

Between 2008 and 2009, the number of s57 vacancies among the metros increased from 3 to 29. The detailed information indicates that 24 of these 29 vacancies were in Ekurhuleni, where there was significant managerial instability at the time.

There has not been much improvement in filling senior management vacancies in local municipalities since 2006

There has not been much improvement in filling senior management vacancies in local municipalities when comparing vacancies in 2006 to those in 2009, though there were fewer vacancies in 2008. The number s57 vacancies have declined by almost 30 per cent between 2006 and 2009 in the district municipalities.

Sector employment trends

Table 7.7 provides a breakdown of municipal employment by key sectors.

Table 7.7 Percentage of municipal workers employed in key sectors, 2009

Number	Headcount of municipal workers	Financial administration	Electricity	Water	Waste Water Management	Waste Management	Other
By category of municipality							
Category A (Metros)	134 068	8.8%	6.9%	6.4%	1.2%	6.7%	70.0%
Category B (Locals)	125 518	13.3%	5.2%	4.9%	5.4%	9.8%	61.4%
<i>Secondary cities - 21</i>	48 784	10.9%	5.7%	3.9%	5.8%	8.7%	65.0%
<i>Towns - 140</i>	59 415	14.0%	5.4%	5.0%	5.5%	10.6%	59.5%
<i>Mostly rural - 70</i>	17 319	17.5%	3.2%	7.2%	3.6%	10.5%	58.1%
Category C (Districts)	19 005	16.0%	0.1%	24.0%	2.3%	0.1%	57.5%
<i>Category B + C</i>	<i>144 523</i>	<i>13.6%</i>	<i>4.5%</i>	<i>7.4%</i>	<i>5.0%</i>	<i>8.6%</i>	<i>60.9%</i>
Total	278 591	11.3%	5.7%	6.9%	3.1%	7.7%	65.3%
By metro							
City of Cape Town	26 196	13.5%	7.8%	10.2%	1.0%	7.0%	60.4%
City of Johannesburg	29 369	7.3%	6.6%	8.9%	0.0%	9.5%	67.7%
City of Tshwane	18 954	12.1%	9.7%	0.0%	5.7%	7.2%	65.3%
Ekurhuleni	18 027	9.4%	5.3%	5.3%	0.0%	7.9%	72.1%
eThekweni	34 860	3.4%	5.1%	5.6%	0.0%	3.2%	82.7%
Nelson Mandela Bay	6 662	14.5%	9.5%	6.3%	5.8%	7.2%	56.6%

Source: Stats SA, Non-financial census of municipalities for the year ended 30 June 2009, (P9115 - 2009)

The majority of municipal personnel are employed in the category 'other', which includes municipal support functions, such as corporate services, town planning, economic planning and development, the development of integrated development plans (IDPs) and strategic support. Employment in this category usually accounts for between

58 and 70 per cent of total municipal employment and varies among the different categories of municipalities.

Employment in the financial administration sector accounts for between 9 per cent (in metros) and 17.5 per cent (in rural municipalities) of total municipal employment. Aggregate employment in the technical service sectors (electricity, water, waste water management and refuse removal) accounts for the remaining levels of employment.

Comparing the above information to similar information for 2006 reported in the 2008 *Review*, indicates that employment in the financial administration sector has declined from 14.1 per cent in 2006 to 11.3 per cent in 2009. Overall, employment in the technical sectors has fallen from 29 per cent in 2006 to 23.4 per cent in 2009, while employment in the sector 'other' has increased from 56.9 per cent to 65.3 per cent between 2006 and 2009.

Overall, employment in the financial administration and technical sectors declined between 2006 and 2009

There are significant disparities in sectoral balance in employment between the different categories of municipalities. Metros employ a significantly lower percentage of their staff to financial administration functions compared to rural and district municipalities. This is probably because there are economies of scale in financial administration. Disparities in trends for the technical sectors can be attributed to differences in the allocation of municipal powers and functions. For example, district municipalities employ a significantly higher percentage of their staff in the water sector compared to electricity and waste management, because most district municipalities have been granted the authority for this water function.

Metros employ a significantly lower percentage of their staff to financial administration functions compared to rural and district municipalities

Vacancies in key sectors

Table 7.8 shows the vacancy rates in each of the key sectors per municipal category.

Table 7.8 Filling positions in key sectors, 2008 and 2009

Number	2008			2009		
	Total positions	Positions filled	Percentage positions vacant	Total positions	Positions filled	Percentage positions vacant
By category of municipality						
Category A (Metros)	136 166	102 795	24.5%	134 068	101 670	24.2%
<i>Financial administration</i>	13 974	11 812	15.5%	15 713	12 207	22.3%
<i>Electricity</i>	13 592	9 193	32.4%	13 632	9 118	33.1%
<i>Water</i>	12 381	8 615	30.4%	13 872	10 014	27.8%
<i>Waste water management</i>	3 074	1 738	43.5%	2 540	1 355	46.7%
<i>Waste management</i>	12 603	9 033	28.3%	11 226	8 251	26.5%
<i>Other</i>	80 542	62 404	22.5%	77 085	60 725	21.2%
Category B + C	137 447	118 006	14.1%	144 523	122 258	15.4%
<i>Financial administration</i>	23 570	19 694	16.4%	26 501	22 099	16.6%
<i>Electricity</i>	8 189	6 565	19.8%	7 643	6 134	19.7%
<i>Water</i>	12 377	10 667	13.8%	13 985	12 035	13.9%
<i>Waste water management</i>	8 723	7 171	17.8%	9 730	7 413	23.8%
<i>Waste management</i>	13 932	12 382	11.1%	13 867	12 309	11.2%
<i>Other</i>	70 656	61 527	12.9%	72 797	62 268	14.5%
Total	273 613	220 801	19.3%	278 591	223 928	19.6%

Source: Stats SA, *Non-financial census of municipalities for the year ended 30 June 2009, (P9115 - 2009)*

Vacancy rates in metros are high – more than 20 per cent among all sectors

Vacancy rates in metros are high – more than 20 per cent among all sectors. The number of vacancies in waste water management is very high, and the number of positions filled in this function has actually declined over the period under review.

Vacancy rates in category B and C municipalities have remained almost unchanged between 2008 and 2009. As previously mentioned, this could be due either to difficulties associated with finding the requisite skills and ensuring that those skills are retained, or it could be due to the fact that the vacant posts are unfunded.

Municipal remuneration

The average cost of employment has increased significantly

Table 7.9 shows that total remuneration has increased by 52.5 per cent between 2006/07 and 2009/10, while growth in municipal employment over the same period was only 4 per cent. The result is a very significant increase in the average cost of employment.

Table 7.9 Municipal personnel expenditure by category, 2006/07 – 2012/13

R millions	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	% average annual growth	
		Outcome		Estimate	Medium-term estimates			2006/07 – 2009/10	2010/11 – 2012/13
Category A (Metros)	16 776	18 580	21 972	25 450	28 460	30 940	33 655	14.9%	9.8%
Category B (Locals)	11 895	13 368	15 330	17 858	18 833	18 256	19 425	14.5%	2.8%
Secondary cities - 21	5 053	5 584	6 374	7 369	8 095	7 827	8 454	13.4%	4.7%
Towns - 140	5 196	5 886	6 757	7 827	7 945	7 678	8 044	14.6%	0.9%
Mostly rural - 70	1 645	1 898	2 199	2 662	2 793	2 751	2 927	17.4%	3.2%
Category C (Districts)	1 943	2 395	2 881	3 383	3 891	3 847	4 209	20.3%	7.6%
Category B + C	13 838	15 763	18 211	21 241	22 724	22 103	23 634	15.4%	3.6%
Total	30 614	34 343	40 183	46 691	51 183	53 043	57 289	15.1%	7.1%

Source: National Treasury local government database

Between 2006/07 and 2009/10, municipalities' aggregate spending on personnel remuneration grew at an average annual rate of 15.1 per cent

Between 2006/07 and 2009/10, municipalities' aggregate spending on personnel remuneration grew from R30.6 billion to R46.7 billion, reflecting an average annual growth rate of 15.1 per cent. This is set to grow by an average annual rate of 7.1 per cent over the medium term, to reach R57.3 billion by 2012/13.

Average annual growth in spending on personnel is generally consistent among the metros and most of the category B municipalities. However, in the case of rural municipalities, between 2006/07 and 2009/10, average annual growth in personnel expenditure was 17.4 per cent. This is above the average growth rate and must also be seen in the context of overall employment levels in these municipalities dropping by almost 7 per cent in the same period. This indicates that municipal salaries in rural municipalities have grown very strongly over the period.

While district municipalities have also experienced above average growth rates in personnel remuneration, this can be correlated with the 34 per cent increase in employment since 2006.

In secondary cities, average annual growth in remuneration between 2006/07 and 2009/10 was 13.4 per cent, which is below the average growth rate for all municipalities. So the increase in overall employment in secondary cities by almost 37 per cent in this period is

possibly an indicator that a number of lower level positions may have been filled.

Salaries and allowances of senior managers

The salaries of senior municipal managers, particularly municipal managers, always attract a considerable amount of public interest, especially given the general perception that municipal officials are overpaid in relation to their performance levels. However, in practice the remuneration of the senior management of municipalities accounts for only 3.4 per cent of the total municipal wage bill of R46.7 billion in 2009/10.

Senior management remuneration accounts for only 3.4 per cent of the total municipal wage bill in 2009/10

The metros, and even the secondary cities, are very large, complex organisations (far more complex than the average national or provincial government department). The average salaries for municipal managers and CFOs for these two groups of municipalities do not appear to be out of line with the level of experience, expertise and responsibility required of these positions.

Metros, and even the secondary cities, are very large, complex organisations

In district municipalities, however, the average salaries paid to the municipal managers and CFOs do appear to be out of line and unreasonably high. District municipalities are relatively straightforward organisations compared to local municipalities with similar sized budgets. They receive most of their income in the form of transfers and they have limited service related responsibilities. It is therefore not clear what justifies the very high average salaries of district municipal managers and CFOs. Nor is it clear why municipal managers of the mostly rural municipalities earn on average more than those of the towns. A possible explanation is that rural municipalities are having to pay a premium to attract senior staff. However, the poor financial performance of many rural municipalities suggests that this premium is not paying off.

In district municipalities, municipal managers' average salaries appear to be unreasonably high

Personnel costs as a percentage of operating expenditure

Municipalities in aggregate spend between 25 and 30 per cent of their total operating budgets on the remuneration of personnel. This spending trend has remained more or less constant since 2005/06. This is despite the outcome of the municipal wage agreement processes, which saw municipal employees receive increases that were substantially higher than the consumer price index (CPI). Table 7.10 shows municipal personnel expenditure as a percentage of total operating expenditure less the cost of bulk purchases of water and electricity. The reason for excluding bulk purchases is to facilitate greater comparability across the different categories of municipality.

Table 7.10 Municipal personnel expenditure as % of total operating expenditure (excl bulk purchases), 2006/07 – 2012/13

	2006/07	2007/08 Outcome	2008/09	2009/10 Estimate	2010/11	2011/12	2012/13 Medium-term estimates
Percentage							
Category A (Metros)	39.7%	38.1%	38.1%	38.6%	34.9%	34.9%	34.9%
Category B (Locals)	42.1%	40.7%	37.5%	38.0%	37.7%	37.8%	38.2%
<i>Secondary cities - 21</i>	39.7%	39.7%	34.0%	34.4%	36.7%	36.8%	37.4%
<i>Towns - 140</i>	45.5%	41.6%	41.2%	41.5%	38.5%	38.4%	38.8%
<i>Mostly rural - 70</i>	39.9%	41.0%	38.3%	39.9%	38.2%	39.1%	38.7%
Category C (Districts)	27.3%	26.6%	27.1%	27.9%	33.4%	35.1%	36.4%
<i>Category B + C</i>	39.1%	37.7%	35.4%	35.9%	36.9%	37.3%	37.9%
Total	39.5%	37.9%	36.8%	37.3%	35.7%	35.8%	36.0%

Source: National Treasury local government database

The trend evident in secondary cities reflects partly the impact of the very strong growth in expenditure on other items thus reducing the share of personnel expenditure, and partly that most of the employment being generated is at lower levels, thus not significantly increasing personnel costs. What this hides is that between 2006 and 2009 secondary cities increased employment by 37 per cent, and their personnel expenditure grew by 13.4 per cent per annum over the period.

Personnel costs as a percentage of the total operating budget are higher than the average in towns, and rural and district municipalities

Personnel costs as a percentage of the total operating budget (less bulk purchases) are higher than the average in towns and rural municipalities. It is evident that personnel costs are increasing fast in district municipalities. Two factors are likely to be underpinning this trend.

First, the metros and larger municipalities are better placed to take advantage of the economies of scale associated with mechanisation, and they have been doing this for some time. They are also more able to negotiate the intricacies of outsourcing labour intensive functions. Together, these result in metros and larger municipalities having lower personnel to operating expenditure ratios.

Second, as municipalities become smaller in terms of budget size, the more top heavy their governance and management structures become relative to their overall staffing profile, as well as their budget. The problem is particularly acute among small municipalities, where the revenue bases are so limited that they do not allow for much more than the employment of core staff. This translates into the very high ratios of personnel expenditure to operating expenditure shown among the 70 mostly rural municipalities.

Average cost per employee

The average cost of employment has increased at rates well above inflation

Table 7.11 shows the increase in the average cost per employee between 2006 and 2009. Similar to the findings in the 2008 *Review*, the average cost of employment has increased at rates well above inflation, exceeding 20 per cent in all categories between 2007 and 2008, but then moderating strongly in 2009, except in the metros. The decline in the average cost per employee between 2008 and 2009 among the category B municipalities is linked to these municipalities employing staff at the lower levels.

Table 7.11 Average cost per employee by category of municipality, 2006 to 2009

Rand	2006	2007	Percentage growth	2008	Percentage growth	2009	Percentage growth
Category A (Metros)	122 033	130 303	6.8%	186 907	43.4%	230 777	23.5%
Category B (Locals)	102 361	115 188	12.5%	148 263	28.7%	145 445	-1.9%
<i>Secondary cities - 21</i>	<i>142 069</i>	<i>118 510</i>	<i>-16.6%</i>	<i>153 309</i>	<i>29.4%</i>	<i>160 439</i>	<i>4.7%</i>
<i>Towns - 140</i>	<i>83 886</i>	<i>112 194</i>	<i>33.7%</i>	<i>138 037</i>	<i>23.0%</i>	<i>129 234</i>	<i>-6.4%</i>
<i>Mostly rural - 70</i>	<i>88 029</i>	<i>115 222</i>	<i>30.9%</i>	<i>169 785</i>	<i>47.4%</i>	<i>158 826</i>	<i>-6.5%</i>
Category C (Districts)	137 005	162 260	18.4%	198 989	22.6%	202 438	1.7%
Category B + C	106 130	120 501	13.5%	154 537	28.2%	152 940	-1.0%
By metro							
City of Cape Town	131 366	182 269	38.7%	218 090	19.7%	259 955	19.2%
City of Johannesburg	131 134	141 218	7.7%	185 141	31.1%	235 499	27.2%
City of Tshwane	111 822	121 648	8.8%	205 140	68.6%	235 350	14.7%
Ekurhuleni	137 261	159 771	16.4%	219 150	37.2%	284 775	29.9%
eThekweni	90 546	79 259	-12.5%	131 124	65.4%	165 056	25.9%
Nelson Mandela Bay	191 694	167 684	-12.5%	235 433	40.4%	280 002	18.9%

Source: National Treasury local government database

Stats SA, Non-financial census of municipalities (P9115 - 2007 to 2009)

Of the metros, the most significant increase in the cost of employment is in Ekurhuleni, where a 29.9 per cent increase was observed between 2008 and 2009. Average growth in the cost of employment in Cape Town, Nelson Mandela Bay and Tshwane is below 20 per cent. The differences are largely dependent on the levels at which the respective metros have been employing staff, as well as the impact of outsourcing arrangements on the composition of municipal personnel.

■ Performance management

The measurement of municipal performance is critical to the effective management of municipal performance, and is an essential component to improving the quality of service delivery. Public perceptions of municipal service delivery performance have declined significantly in recent years.

Although performance management in local government is governed by a legislative framework and performance management regulations, the actual implementation of performance management systems in municipalities requires significant improvement. While many municipalities have developed sophisticated scorecards to assist in measuring overall organisational performance, the actual translation of these scorecards into individual performance agreements for senior management is often weak.

Two other issues that have impacted negatively on performance management in municipalities are the number of signed s57 contracts in place, and the tenure of contracts for senior managers. The Municipal Systems Act (2000) provided for a choice between contract employment and permanent placement for s57 managers, so it is not clear why municipalities have invariably opted to appoint s57 managers on limited term contracts. The Municipal Systems Amendment Act now provides that all s57 managers, other than the municipal manager, must be appointed on permanent contracts.

Public perceptions of municipal service delivery performance have declined significantly in recent years

The actual implementation of performance management systems in municipalities requires significant improvement

Legislative framework

The legal framework governing performance management in local government includes the Municipal Systems Act (2000) the Municipal Finance Management Act (2003) (MFMA) and the municipal performance regulations for municipal managers and managers directly accountable to municipal managers.

The Municipal Systems Act (2000) requires all municipalities to promote a culture of performance through the establishment of a performance management system

The Municipal Systems Act (2000) requires all municipalities to promote a culture of performance through the establishment of a performance management system. The performance management system must set key performance indicators and targets, as well as monitor, review and report on municipal performance based on indicators linked to the IDPs but also including the national indicators prescribed by the minister responsible for local government.

The MFMA requires the mayor to ensure that the performance agreements of s57 managers complies with the requirements of the Municipal Systems Act to promote sound financial management, are linked to measurable performance objectives, approved with the budget and included in the service delivery and budget implementation plan.

In August 2006, the then Department of Provincial and Local Government promulgated regulations for s57 managers, by setting out how the performance of municipal managers and their direct reports has to be planned, reviewed, improved and rewarded. These regulations provide for the conclusion of performance agreements and personal development plans.

Why is performance still poor?

Despite having a sound legislative framework governing the management of performance in municipalities, municipal performance in most instances remains inadequate. The recent failures witnessed in some of the country's larger municipalities are clearly indicative of failures in governance across all levels.

In many municipalities, poor performance is compounded by the lack of experienced senior managers in critical positions

In many municipalities, poor performance is also compounded by the lack of experienced senior managers in critical municipal positions such as planning, infrastructure and financial management.

The performance management system is intended to reflect the relationship between overall performance of the municipality and the performance of individuals employed in the municipality. One of the questions often asked is how a municipality whose performance is visibly poor can award senior managers performance bonuses? If overall organisational performance is suffering, how can individual performance be rewarded? Why is there not a link between the two?

One response to this question is that there is often a link, albeit an extremely weak one, between the scorecard of the municipality, business unit or divisional plans and individual performance agreements. In addition, targets are often incorrectly set, not properly specified and impossible to measure. Another reason is that in many instances managers are allowed to revise or change their performance

targets late in the year to ensure they get their bonuses, but these changes do not align to organisational performance. This makes assessing whether they have been achieved or not a subjective activity.

Signing of performance agreements

The Department of Co-operative Governance and Traditional Affairs' report on the state of local government, issued in 2010, noted that as at the end of June 2009, 250 out of 283 municipal manager positions were filled. Of these filled positions, only 196 (78 per cent) had signed performance agreements in place by the end of June 2009. Although this represented a small improvement of 6 per cent from 2008, it is clear that in order to improve accountability, all municipal managers need to have signed performance agreements in place. The report also noted that the failure to sign a performance agreement is a breach of the employment contract and that there are grounds for the employing municipality to terminate the employment contract unless there are sound reasons for non-compliance. National Treasury's view is that the no performance contract, no bonus principle should apply. There is no information currently available on the actual number of performance agreements signed by s57 managers in general.

By the end of June 2009, only 78 per cent of municipal managers had signed performance agreements

Conclusion

The role of sound and effective personnel management in the creation of a functionally efficient, responsive and accountable local government should not be underestimated. In this chapter, it has been observed that there has been minimal growth in overall municipal employment. The 30 per cent growth in employment in both local and district municipalities is concentrated in the financial and administration, water and waste water sectors, suggesting that these municipalities have been ramping up their capacity to deliver these services.

While a large number of municipal posts are still vacant in all three categories of municipalities, more than half of these vacancies are unfunded among the local and district municipalities. This problem is further compounded by the general inability of smaller and rural municipalities to attract and retain suitably qualified and skilled professional staff.

The Municipal Systems Amendment Act seeks to address a number of the fundamental barriers that exist in relation to effective governance and institutional arrangements in local government.