Department of Public Service and Administration

PER 2022 Report

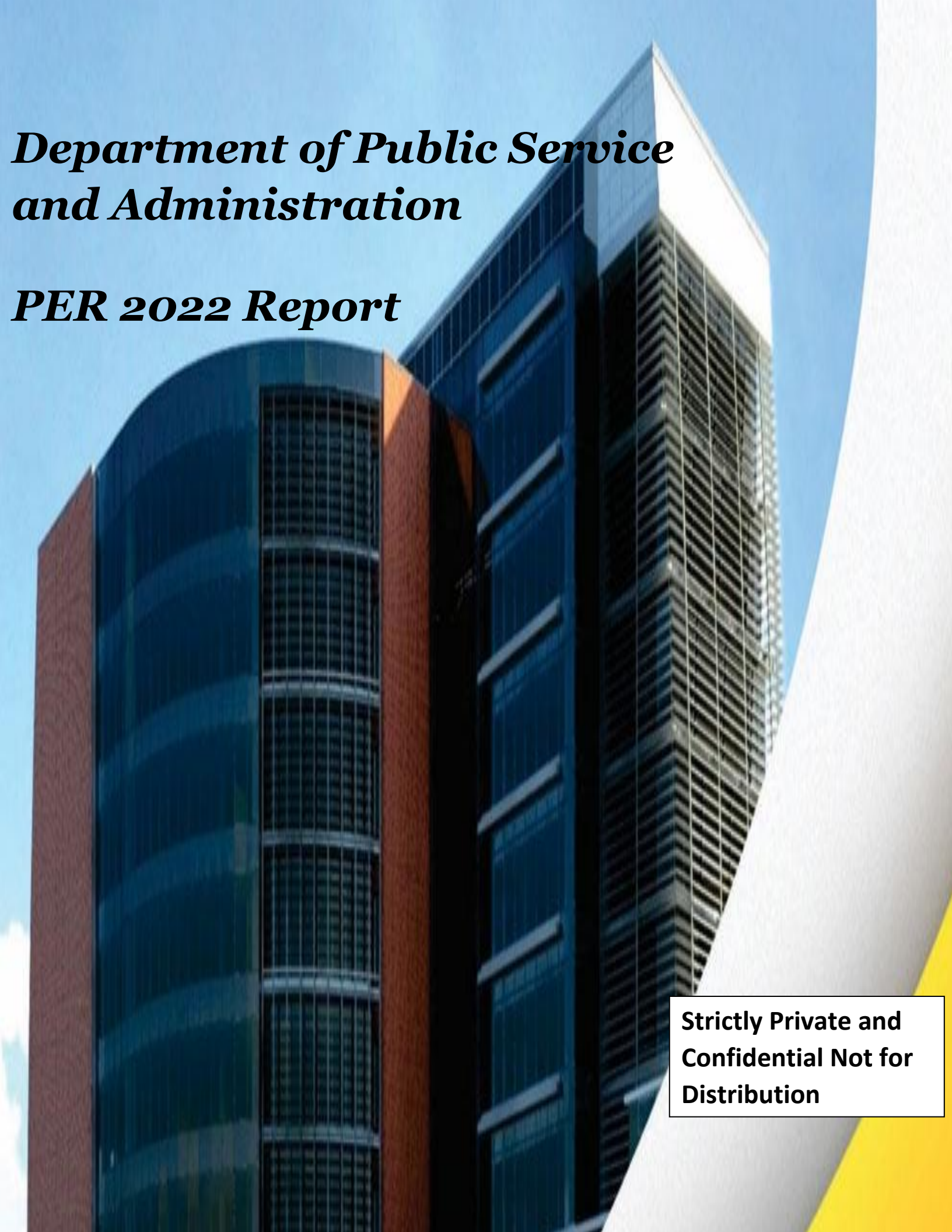

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Table of Contents

1. Definitions 5
2. Glossary 7
3. Executive summary 15

PART A 22

4. Problem statement 22
5. Purpose of the report 22
6. Introduction and background 22
7. Overview of PER 2022 25
8. Focus of the review of the OSDs in the PER 2022 26
9. Review methodology 27
10. Economic overview 28

i. Fiscal policy context 29
ii. Macroeconomic environment 32
iii. Inflation 36
iv. Role of the Public Sector Wage Bill 38
v. International benchmarking 43
vi. Strategic recommendations from an economic perspective 47

11. Scope of the report in respect of the OSDs including context and development of OSDs since 2006 49
12. Context and overview of OSDs in relation to findings and recommendations of the PER 2006 and PER 2011 53

13. OSD principles, objectives, and successes 59
14. Department of Basic Education: Findings and recommendations 72
15. Department of Health: Findings and recommendations 82
16. Department of Justice: Findings and recommendations .. 109
17. Department of Social Development: Findings and recommendations 115
18. Engineering and related: Findings and recommendations 121
19. South African Police Service: Findings and recommendations 128
20. Transversal challenges of OSDs 135
21. Transversal findings 150
22. Transversal recommendations 159
23. Critical success factors 169
24. Conclusion 171
PART B 174
25. Introduction 174
26. Approach and methodology 175
27. PER context and overview 180
28. HRM, policy, regulatory and strategy environment 181
i. Context and overview 181
ii. Findings: Public Service, Local Government and SoEs.... 191
iii. Recommendations: Public Service, Local Government and SoEs 197
29. Labour relations, disciplinaries and grievances 201
i. Context and overview 201
ii. Findings: Public Service, Local Government and SoEs.... 206

iii. Recommendations: Public Service, Local Government and SoEs 214

30. Organisational design, job evaluation and job descriptions 218

i. Context and overview 218

ii. Findings: Public Service, Local Government and SoEs.... 228

iii. Recommendations: Public Service, Local Government and SoEs 244

31. Performance management and development system 250

i. Context and overview 250

ii. Findings: Public Service, Local Government and SoEs.... 263

iii. Recommendations: Public Service, Local Government and SoEs 273

32. Remuneration and reward 280

i. Context and overview 280

ii. Findings: Public Service, Local Government and SoEs.... 291

iii. Recommendations: Public Service, Local Government and SoEs 314

33. Benefits and allowances..... 319

i. Context and overview 319

ii. Findings: Public Service, Local Government and SoEs.... 336

iii. Recommendations: Public Service, Local Government and SoEs 420

34. Learning and development..... 427

i. Context and overview 427

ii. Findings: Public Service, Local Government and SoEs.... 444

iii. Recommendations: Public Service, Local Government and SoEs 457

35. Key economic considerations..... 460

36. Conclusion and way forward..... 488

37. Appendices..... 490

38. References, interviews, consultative workshops 491

1. Definitions

Performance Cycle: means a continuous 12-month period (cycle) aligned to the financial cycle that runs from 1 April to 31 March of the next year.

Pay progression: means progression to a higher salary notch within the same salary level/scale up to the maximum of the scale, limited to a single salary notch per pay progression cycle for non-OSD employees and SMS members, and the number of salary notches provided for in the respective OSD for OSD employees.

Pay progression cycle: means a continuous period of 24 months, running from 1 April to 31 March of the year following the next year, for first-time participants, and 12 months, running from 1 April to 31 March of the next year, for employees other than first-time participants.

First-time participant: means a new appointee to the Public Service in a production or supervisory/managerial OSD, non-OSD or SMS post:

- Including employees who have previously resigned from the Public Service and who are re-appointed - even with effect from the next workday following the date of resignation.
- Excluding OSD and non-OSD employees appointed in training or community service posts (e.g., candidate technician and engineer, pupil artisan (apprentice), medical officer (intern (medical)), pupil nurse, medical officer (community service).
- Once an OSD and non-OSD employee completes the prescribed training or community service and is subsequently appointed in a production or supervisory/managerial OSD or non-OSD post, he/she is regarded as a first-time participant in such production or supervisory/managerial OSD or non-OSD post.

Grade progression for non-OSD employees: means progression in terms of the Grade Progression Model from a grade (salary level) attached to a post, as per the result of job evaluation, to the next higher permissible grade (salary level) after completing the stipulated period of service on the salary level attached to the post, based on the prescribed level of at least satisfactory performance.

Accelerated grade progression for non-OSD employees: means progression in terms of the Grade Progression Model from a grade (salary level) attached to a post, as per the result of job evaluation, to the next higher permissible grade (salary level) after 12 years' service on the salary level attached to the post, based on at least above satisfactory performance for a cumulative, and not necessarily successive, period of 12 years.

Grade progression and accelerated grade progression for OSD employees: means progression from a lower grade (salary scale) to the next higher grade (salary scale) attached to an OSD post, based on the specific requirements for grade progression and accelerated grade progression set for the OSD post in the relevant OSD.

Continuous service: means uninterrupted years of completed service on the specified salary level.

Grade Progression Model: is the Model contained in PSCBC Resolution 3 of 2009 and Part C to the 2019 Incentive Policy Framework, which is applicable to non-OSD employees.

Wage Bill: for purposes of pay progression, consists of the combined total of the employees' salary notches, the employer's contribution to the GEPF and service bonuses (for total cost to employer (TCE) package employees this refers to the entire TCE package).

Remuneration bill: means all personnel expenditure; therefore, includes salaries (basic and TCE packages), employer contributions to the GEPF and registered medical aid schemes, service bonuses, homeowners' allowances as well as other allowances for which employees may qualify (e.g., danger allowances, allowances payable to employees serving executing authorities) - in other words, the total remuneration budget for the financial year.

Employee value proposition: EVP is the complete experience employees have of working in an organisation. It is the summation of the culture and values an organisation embodies, what employees can expect from it.

Wellbeing: Describes the way in which an organisation takes care of its employees and whether its employees feel valued.

2. Glossary

ABET	Adult Basic Education and Training
AEA	Ambulance Emergency Assistant
AfCFTA	African Continental Free Trade Area
AGSA	Auditor General of South Africa
ANC	African National Congress
APP	Annual Performance Plan
BAA	Basic Ambulance Attendant
BCEA	Basic Conditions Employment Act
BER	Bureau of Economic Research
BoCK	Body of Competency and Knowledge
BRICS	Brazil, Russia, India, China, South Africa
BXT	Business eXperience Technology (PwC design thinking strategic workshop)
BS	Business School
CBE	Council for the Built Environment
CD	Chief Director
CIP	Compulsory Induction Programme
CIPD	Chartered Institute of Personnel and Development
COE	Cost of Employment

COGTA	Cooperative Governance and Traditional Affairs
COLA	Cost Of Living Adjustment
COSATU	Congress of South African Trade Unions
CPI	Consumer Price Index
CTE/TCE	Total Cost to Employer incl. Benefits
DDG	Deputy Director General
DG	Director General
DoH	Department of Health
DoJ	Department of Justice
DoPW	Department of Public Works
DPE	Department of Public Enterprises
DPME	Department of Planning, Monitoring and Evaluation
DPSA	Department of Public Service and Administration
DSD	Department of Social Development
EA/HoD	Executive Authority / Head of Department
EEA	Employment Equity Act
ECO	Emergency Control Officer
ECT	Emergency Care Technician
EIP	Executive Induction Programme
EMS	Emergency Medical Services

ERP	Enterprise Resource Planning
EVP	Employee Value Proposition
EQUATE	DPSA job evaluation tool
FET	Further Education and Training
FETC	Further Education and Training College
4IR	Fourth Industrial Revolution
FPSF	Federal Public Service
FS	Free State, South Africa
FY	Financial Year
GDP	Gross Domestic Product
GEPF	Government Employee Pension Fund
GIBS	Gordon Institute of Business School
GNI	Gross National Income
GRI	Global Reporting Initiative
GTAC	Government Technical Advisory Centre
GSH	Groote Schuur Hospital
HCI	Human Capital Index
HEI	Higher Education Institution
HET	Higher Education Training
HoD	Head of Department

HPCSA	Health Professions Council of South Africa
HR	Human Resources
HRD	Human Resources Development
HRM	Human Resources Management
HRM & D	Human Resources Management and Development
HSRC	Human Sciences Research Council
ICT	Information and Communication Technology
IDP	Integrated Development Plan
IFMS	Integrated Financial Management System
IIRC	International Integrated Reporting Council
ILO	International Labour Organisation
IMF	International Monetary Fund
IPM	Institute of People Management
IR	Industrial Relations
ISO	International Standards Organisation
IT	Information Technology
JD	Job Descriptions
JE	Job Evaluation
KGFA	Key Government Focus Area
KPA	Key Performance Areas

KPI	Key Performance Indicator
KRA	Key Results Area
KZN	Kwa-Zulu Natal, South Africa
L&D	Learning and Development
LG	Local Government
LMS	Learner Management System
LR	Labour Relations
LRA	Labour Relations Act
LRO	Labour Relations Officer
LGSETA	Local Government Sector Education Training Authority
M&E	Monitoring and Evaluation
MFMA	Municipal Finance Management Act
MMS	Middle Management Services
MPSA	Minister of Public Service and Administration
MSA	Municipal Systems Act
MTSF	Medium Term Strategic Framework
NDP	National Development Plan
NHI	National Health Insurance
NQF	National Qualification Framework
NSG	National School of Government

NT	National Treasury
OD	Organisational Design
OECD	Organisation for Economic Co-operation and Development
OFA	Organisational Function Assessment
OOP	Office of the Premier
OSD	Occupation Specific Dispensation
PA	Performance Assessment
PDP	Personal Development Plan
PER	Personnel Expenditure Review
PERSAL	Personnel and Salary System
PERSOL	Department of Defence PERSAL
PFMA	Public Finance Management Act
PL	Post Level
PM	Performance Management
PMDS	Performance Management and Development System
POPIA	Protection of Personal Information Act
PRC	Presidential Review Commission
PS	Public Service: Public Service Act
PSA	Public Service Act
PSC	Public Service Commission

PSCBC	Public Service Co-ordinating Bargaining Council
PSR	Public Service Regulations
PSRR	Public Service Review Report
PwC	PricewaterhouseCoopers
REQV	Relative Education Qualification Value
RFP	Request for proposal
RFQ	Request for quote
ROI	Return on Investment
SA	South Africa
SAA	South African Airways
SABPP	South African Board for People Practice
SACAP	South African Council for the Architectural Profession
SALGA	South African Local Government Association
SANC	South African Nursing Council
SAPS	South African Police Service
SARB	South African Reserve Bank
SAQA	South African Qualifications Authority
SDG	Sustainable Development Goal(s)
SCM	Supply Chain Management
SDA	Skills Development Act

SDG	Strategic Development Goals
SETA	Sector Education and Training Authority
SHRM	Society for Human Resource Management
SME	Subject Matter Expert
SMS	Senior Management Service
SoE	State-owned Enterprise
SSSBC	Safety and Security Sectoral Bargaining Council
TCE	Total Cost-to-Employer
TBH	Tygerberg Hospital
TM	Talent Management
ToR	Terms of Reference
TPSLCF	Tanzania Public Service Leadership Competency Framework
WC	Western Cape, South Africa
WEF	World Economic Forum
WHO	World Health Organisation
WSP	Work Skills Plan

3. Executive summary

The PER 2022 was commissioned in late December 2021 by the Department of Public Service and Administration (DPSA) in collaboration with National Treasury (NT). During the mobilisation phase of the Project, PwC was requested to prioritise the submission of a Review on the Occupational Specific Dispensation as it is being applied within the South African Public Service. Part A of this Report is focused on the OSD, covering a diverse range of issues that need to be addressed as part of the scope, and as explained in more detail in the introductory part of this Report.

Certain limitations were pointed out during the early stages of compiling the Report and were confirmed with the DPSA Project Team, National Treasury and validated in a Workshop with senior stakeholders held on the 10th of June 2022. These limitations include, but are not limited to, the availability of information from participating stakeholders and the challenges and risks associated with the obtaining of the PERSAL quantitative information. This information would be required to validate and substantiate the empirical observations based primarily on the qualitative aspects relating to OSDs. The access and obtaining of data have subsequently been resolved given the risk and exposure to DPSA and PwC.

The DPSA, NT, National Departments, Provincial Offices of the Premier (including Provincial Departments), contributed generously to providing documentation, reports, frameworks, and other documents for analysis in the delivery of Part A of this Report. Numerous personal interviews, structured discussions and workshops were conducted with the diverse stakeholders identified. The inputs and insights were generous and highly appreciated in compiling this Report. A list of documents, reports and sessions conducted are available at the end of this Report for perusal.

The triangulation of information focused on qualitative research principles, which were effectively achieved, and have contributed to the accuracy of information received from diverse sources, to validate the information provided in this Report. This Report has provided a detailed context and overview of the scope of the PER 2022. This is the manner in which the OSD Report (Part A) is inextricably linked to the issues and deliverables associated to the PER 2022 (Part B) of the Report.

The content also covered the macro-economic indicators and imperatives which are linked to some of the key findings and recommendations relating to OSDs. This speaks directly to economic growth forecasts, its impact on inflation, and the sustainability of the Public Service wage bill going forward.

The OSDs which were implemented between 2007 and 2010, served a purpose at the time to ensure the attraction and retention of scarce and critical skills. Based on the mounting pressure, some decisions were negotiated and regulated to deal with the challenges relating to service delivery needs and priorities. Successes that were achieved have been identified and explained. The report on OSDs is aimed at identifying the current challenges and constraints being experienced with specific reference to:

- Overview of the PER 2022
- Context and development of OSDs since 2006
- OSD Successes

- OSD Challenges
- OSD Findings
- OSD Recommendations
- Specific OSDs in relation to:
    - Basic Education
    - Health (Medical, Nursing and Allied)
    - Justice
    - Social Development
    - Engineering and related.

A diverse range of challenges and findings have been identified which will have far reaching consequences for sustainability of the wage bill going forward. These issues are explained in the findings based on their impact and severity if not addressed. The recommendations have covered the actions that need to be taken, in a process driven approach, to correct some of the fundamental challenges which exist in relation to a ballooning wage bill and unsustainable remuneration, benefit and allowance structures going forward. Several priority areas have been recommended for consideration. These include, amongst others the following:

- Review and revise all OSDs based on the detailed phases and guidelines provided in the Report.
- Reduce or remove notch increases.
- Review the necessity of all contract and temporary workers.
- Centralise control of the determination and implementation of OSDs that are applied going forward (i.e., Correctional Services).
- Redefine all scarce and critical skills: Competencies, occupational needs, supply, and demand.
- Focusing only on benefits and allowances will not yield the desired financial impact: Basic salaries of new incumbents will have to be adjusted, in combination with a TCE.
- Link increases to performance outcomes.
- Discontinue the use of Legal OSDs in their current form.
- Discontinue the use of Correctional Service OSDs in their current form.
- Discontinue commuted overtime: Saving of approximately R6.15bn (15% of Medical OSD TCE) based on 2021 figures.
- Implement increases based on a reduced COLA given the higher base of OSD employees.
- Revise all rural allowances and the conditions of employment of medical interns.
- A commitment to benchmarking and correcting current inconsistencies.
- Implement IFMS in accordance with the guidelines provided in **Part B**.
- Professionalisation of the Public Sector and endorsement of answerability, accountability, and consequence management.

Strategic recommendations from an economic perspective as it relates to OSDs

Containing the Wage Bill is critical to restoring fiscal sustainability, which in turn is crucial for macroeconomic stability and for creating the fiscal space urgently needed for growth-enhancing and poverty-alleviating spending items, given South Africa's unemployment crisis.

Reasons supplied in favour of increasing the Wage Bill beyond the National Treasury's limit of 1.8% included difficult economic conditions and rising prices for employees. While inflation expectations have risen, several factors need to be considered to bring this into perspective:

- The Public Sector Wage Bill was increased at rates above inflation consistently over the last decade, forcing a reduction in real terms of other spending items needed for economic growth and job creation. There is thus a backlog of demand for increases in other spending items.
- South Africa's Wage Bill as a share of its GDP is significantly higher than the average relative to other emerging market economies.
- The increase in the Public Sector Wage Bill has not resulted in an increase in Public Sector employment.
- A 7%-10% increase would be problematic from a monetary policy perspective as the South African Reserve Bank most recently forecast headline inflation to average 5.9% in 2022.
- Increased inflation and the rising consumer price index disproportionately impact lower income groups. An across-the-board increase for all grade levels would thus be regressive, overcompensating higher wage earners while increasing inequality.

We recommend that salary increases be reconsidered being cognisant of the fact that rising consumer prices will hit lower income public servants over the next three years. A slight increase may be agreed; however, this would need to be:

- Limited to those in the lower income bands.
- Limited to 5.9% in line with the inflation prediction by the SARB; and
- Accompanied by a drastic reduction in benefits and allowances.

Increases in the absolute amount of compensation spending should be used to increase headcounts, not salary increases. In addition to this, efforts need to be made to reduce benefits and allowances.

References to quantitative trends and data used, are based on information that was made available by primarily reports from NT, IMF, DPSA, PERSAL data, Departmental, and Provincial reports which were made available, and which are acknowledged by PwC.

Part B of this Report covers all the major areas identified in the context and scope determined by the DPSA and National Treasury. Based on research conducted relating to and which relates to similar studies conducted across the Public Service and the Public Sector in South Africa, it can be safely assumed that it is the most comprehensive and all-encompassing coverage with the largest stakeholder grouping to date.

A Review of this magnitude has limitations due to the accessibility and quality of information and quantifiable data, which in this instance is restricted to the accessibility of data on PERSAL and PERSOL. It is for this reason that qualitative engagements were deployed to fill the gaps where these existed, in dealing with the issues and scope of work relating to the HRM value chain, which include remuneration, benefits and allowances.

The activities to be conducted within the context of the PER 2022 and this subsequent Report, are guided by a key summary of the following areas of work, otherwise known as workstreams, to be included in the Report:

- Research and approach including:
    - Empirical research approach.
    - Desktop reviews of a broad nature including documentation submitted for review.

- Qualitative engagements with sampled stakeholders including the use of a structured questionnaire.
- Quantitative data analysis based on PERSAL and PERSOL information provided for this purpose.
- Workshops and strategic envisioning sessions.

- Strategic human resource management and HR value chain
- Economics
- Workforce planning
- Remuneration and reward
- Benefits and allowances
- High level best practice and benchmarks.

This provides certainty that the views, findings and subsequent recommendations in this Report are accurate and defensible. These can be summarised, with specific reference to **Part B** of this report:

- Linking HRM to the institutional strategy and objectives to be monitored by clearly defined systems interfaces and performance criteria.
- Enhancement of climate and culture, which incorporate key value drivers and the principles of “Batho Pele”.
- The creation of an integrated electronic system to manage LR nationally, including the determination of contingent liabilities to the state.
- In depth review of organisational structures (concurrence with DPSA), job evaluations and job descriptions to ensure relevance and alignment.
- Use existing policies and directives to implement a PMDS, which is driven digitally and is linked to measurable KPIs.
- PMDS governance and oversight including decisive and accountable management and leadership is an imperative.
- Implement an integrated remuneration framework, that is systems enabled (IFMS) based on solid foundations, enablers and critical success factors including a TCE for all post levels.
- Review and revise current benefits and allowances in terms of the continued relevance and incorporate into a TCE for all post levels.
- Implement a learner management system which tracks L&D from the stage of initiation, of identifying employee training needs (WSP), curricula, content, and impact assessment to ensure continued relevance and cost benefit analysis.

An economic overview as it applies to the realities which prevail in the South African context provides perspectives in various industries and sectors of the economy. This includes growth projections which guide employment trends, affordability, and wage considerations over the next three to five years. It is evident that innovative solutions, practices, and priorities will be required going forward, given current fiscal constraints and the general climate that prevails.

This applies equally across all sectors of the economy. Competing priorities in the Public Sector and the forecasted decline in anticipated revenue growth, calls for new ways in dealing with the wide array of challenges and imperatives to be addressed. The ballooning wage bill needs to be addressed by consideration of the findings and recommendations identified in the Report.

Key Economic considerations

Containing the public wage bill is critical to:

- Creating the fiscal space urgently needed for growth-enhancing and poverty alleviating spending items like infrastructure investment
- Restoring GDP growth and bring down South Africa's unemployment crisis
- Bringing down the public debt burden, restoring credibility among investors, and restoring opportunities for South Africa's future.

Reasons supplied in favour of increasing the wage bill beyond what National Treasury's has budgeted in Budget 2023 included difficult economic conditions and rising prices for employees. Several factors need to be taken into account to bring this into perspective:

- The public sector wage bill was consistently increased at rates significantly above inflation over the last decade, forcing a reduction in real terms of other spending items needed to support economic growth and job creation. There is thus a backlog of demand for increases in other spending items, especially infrastructure spending.
- Increased inflation and the rising consumer price index disproportionately impact lower income groups. Public sector workers are not in lower income deciles of the population. They fall into the top three highest income deciles of the population, with 80% of public sector workers falling into the top two highest income deciles and are not as affected by rising prices as the average South African.
- South Africa's wage bill as a share of its GDP is significantly higher than the average relative to various peer groups, including emerging market economies and countries with similar per capita income status and Sustainable Development Goals (SDGs) performance.
- The increase in the public sector wage bill has not resulted in an increase in public sector employment.

We therefore conclude the following:

- **A rise in public sector wages above the inflation rate,** forecast by SARB to be at 6.0% in 2023, **is not justified**
- **A rise in public sector wages at the average inflation rate** forecast for 2023 **is not justified** as public sector workers fall into income deciles that are not as affected by rising living costs as the average South African household
- **The decade-long trend of increasing compensation expenditure at the expense of growth enhancing capital spending needs to be reversed** so compensation expenditure should decrease compared to capital spending items. This is imperative to restore growth and create room for future growth of all spending items
- **The debt burden should not be increased under any circumstances**.

We thus recommend that public sector compensation expenditure does not exceed what is laid out in Budget 2023 for the medium-term period. Anything above this should be avoided at all costs. The aim of Budget 2023 to reduce compensation spending, reduce debt, and increase investment spending is highly commendable and absolutely crucial for economic growth and recovery in order to restore opportunities for South Africans, especially the growing youth population, as well as any future spending (including public sector remuneration) increases in the

future. This will also help to restore credibility of the government in view of investors and restore the investment climate.

We further recommend that more effort be made instead to redirect staff to growth-enhancing priority areas where staff is lacking, rationalise benefits and allowances, increase output per public sector worker, and increase headcounts only where additional personnel is cost effective in view of achieving rapid economic recovery.

The findings clearly emphasize the need to relook at structures, systems, processes, procedures, and operating models which hamper efficiency and effectiveness in many areas detailed in the report. Best practices and benchmarks have been identified in all areas to assist in identifying existing practices which can be renewed and re-engineered to save costs, overcome duplication and the lack of collaboration.

Some best practices and pockets of excellence exist in the Public Sector. These have been identified in the qualitative summary assessments for institutions which were sampled. It is envisaged that these areas of excellence and progress can be expanded without incurring large costs associated with renewal. Expertise do exist and should be deployed and fully empowered to drive these innovations going forward.

There are areas requiring significant attention and which if left for much longer, will pose a huge risk to delivery and outcomes which need to be achieved. The areas of concern are clear and there is evidence to suggest that very little progress has been made in these areas since the PER 2011. Concrete and descriptive guidelines and considerations have been included in the recommendations.

Priorities need to be determined and addressed with vigour and without incurring huge associated costs. Expertise do exist and should be used to drive these innovations to completion and in accordance with the purpose for which they were appointed.

The powers, functions, roles, and responsibilities of the DPSA, as a centralized Supra Department need to be restored and capacitated with the skills, expertise and need to drive processes, outcomes, performance measures and implementation without compromise. Monitoring and continuous evaluation with significant consequences for non-compliance is essential. The support of NT, PSC and the AGSA is also recommended.

We wish to thank and acknowledge all the stakeholders that have participated in the consultations. The inputs and guidance of the DPSA Project Team, together with NT Advisors and Project Steering Committee members, must be acknowledged specifically. Our sincere appreciation to the Director-General from the DPSA and other DDGs and senior office bearers for their attendance and participation in a one-day envisioning workshop on OSDs, held at the PwC offices on 10 June 2022, HRM workshop on the 26th of January 2023 and a presentation to the DPSA Summit on 05 May 2023.

PART A - OSD Report

PART A

4. Problem statement

The substantial growth of South Africa's Public Sector Wage Bill, which has tripled over the past 14 years from R154bn to a staggering R675bn in 2020, continues to present a major threat to the recovery of the country's public finances. In the 2021-22 budget, the Wage Bill exceeded the budget forcing the Government to overspend on the budget for compensation by over R20.5m. The Government, relying heavily on the National Treasury, has to find ways to drastically contain the Wage Bill to ensure a balance between compensation demands and service delivery demands across the Public Sector.

While various initiatives were undertaken in an attempt to curb the high Wage Bill, there was also a great need to ensure that the Government was able to attract and retain critical and scarce professional and specialist skills within key Departments such as Health, Education and Social Development. To this end, the occupation specific dispensation (OSD) was introduced in 2007/8 primarily aimed at ensuring a fair, equitable and competitive remuneration structure for identified categories of employees. The OSD had resulted in a higher-than-expected increase in both the minimum base salary scales as well as the range by increasing longer salary bands. The key challenge is to determine whether the OSDs had achieved the intended objectives of attracting and retaining key skills and whether the demand continues to outweigh the supply.

5. Purpose of the report

In accordance with the Department of Public Service and Administration (DPSA) mandate to conduct a Personnel Expenditure Review (PER) at regular intervals to inform the revision and implementation of a remuneration policy for the Public Sector, PricewaterhouseCoopers (PwC) compiled a comprehensive report detailing insights, findings and recommendations relating to various compensation cost drivers.

The report, focusing on key areas across the human resource value chain, sought to, through the deep dive analysis, gain an understanding of the current managerial, organisational and performance management policies, systems, and practises vital for effective and efficient functioning within the Public Service. But more importantly, to determine the costs thereof, with a view of uncovering areas that could be streamlined allowing for funds to be used more effectively, thereby ensuring that they remain sustainable and affordable for the Government.

It further aims to review the gains made through the implementation of the recommendations made in the previous PERs. As indicated above, the 2006 PER recommended the introduction of an OSD that will provide a competitive remuneration structure for professionals and specialists. This report provides key insights on the implementation thereof and the recommendations to its continuance.

6. Introduction and background

The DPSA is committed to ensuring that South Africa has a professional, productive, and responsive Public Service and Administration. In doing so, amongst others, their mission is to implement interventions to maintain a compliant and well-functioning Public Service. As part of the many factors that affect the compliance and functioning of the Public Service, the Public Service Wage Bill is a matter for huge concern. The implementation of OSDs, which was

developed to enhance efficient and effective Public Service delivery, aimed at attracting and retaining scarce and critical skills in specific occupational categories. This process has been plagued with inconsistencies and implementation challenges since commencement in 2007/8. All indications are that the Wage Bill is economically unsustainable going forward. The continuation of the OSDs, in its current form, is identified as one of the key contributors to the ballooning growth of the Wage Bill.

According to PwC analysis as at March 2022, approximately 55% of all employees in the Public Service were being remunerated in terms of an OSD, constituting approximately 64% of the entire Public Service Wage Bill. The remuneration in terms of OSD categories is further supplemented by an array of benefits, increases, and allowances, the most prevalent being:

- Rural allowances
- Overtime and commuted overtime
- Notch and grade progression.

The PER 2022 sought to assess the "as is" situation and the projected sustainability and alternatives which may exist going forward.

PwC was appointed to conduct the PER 2022, in the Public Sector. As part of the deliverables of this engagement, PwC has investigated, analysed, researched, and recommended possible solutions to curb the Public Service Wage Bill, while ensuring that the Public Service is still capable to attract and retain critical and scarce skilled workforce.

The PER 2022 is not the first ever PER to be conducted by PwC and we have previously conducted PER 2006 and PER 2011. We are also pleased to provide continuity in relation to previous findings and recommendations to pave the way ahead during challenging times characterised by severe national and global economic pressures, a shrinking revenue base, rising unemployment and the impact of COVID-19 and other significant social and environmental constraints.

This report on OSDs is aimed at identifying the current challenges and constraints being experienced with specific reference to:

- Overview of the PER 2022
- Context and development of OSDs since 2006
- OSD Successes
- OSD Challenges
- OSD Findings
- OSD Recommendations
- Specific OSDs in relation to:
    - Basic Education
    - Health (Medical, Nursing and Allied)
    - Justice
    - Social Development
    - Engineering and related.

Current exclusions and limitations

This report was compiled using the available data gathered from multiple sources which included, among others; multiple stakeholder consultations, design thinking workshops and documentation received from DPSA, the National Treasury, National and Provincial Departments as well as PwC global trends and thought leadership. Some Departments targeted for engagements and interactions included:

- Structured, mainly virtual, consultations, of approximately 120 minutes per discussion, with the following sectoral Departments:
    - National Treasury.
    - Department of Justice and Constitutional Development.
    - South African Police Services.
    - Department of Health.
    - Department of Public Enterprises.
    - Department of Social Development.
    - Council for the Built Environment.
    - Office of the Premiers (Gauteng, Western Cape, KZN).
    - Department of Basic Education.
    - Provincial Departments of Health (Western Cape, Limpopo, Gauteng, KwaZulu Natal and Free State).
- Desktop analysis of documentation received.

The quantitative data used in the compilation of this report is based on information received from PERSAL and provided by the DPSA between June 2022 and February 2023. All information received is based on personal identifiers being removed to comply with the need to ensure security, anonymity, and confidentiality (compliance with POPIA) and risk mitigation for PwC and the DPSA. The views expressed in this report have been further substantiated on the data that has been provided together with qualitative information based on focus groups, interviews conducted and a strategic workshop with senior role-players in the various sectors.

7. Overview of PER 2022

The Government is committed to ensuring alignment between salaries and benefits across the Public Sector. To gain insights on trends and practices and assess the current remuneration and benefits policies, the DPSA conducts periodic PERs. Given that it had been almost a decade since the last review was conducted (2011), the DPSA had commissioned a PER which started in February 2022. A key objective of the review was to provide recommendations that would inform the development of a new remuneration policy framework for the Public Sector.

In addition to shedding light on the employment trends and personnel expenditure in the Public Sector, the PER also highlights the disparities relating to the conditions of service within the Public Sector (between the Public Service, as defined in the Public Service Act, municipalities, public entities, etc.).

To ensure that the PER 2022 report is comprehensive, recommendations contained in some key reports such as the Presidential Review Commission (PRC) report were considered when drafting the recommendations for the PER 2022 report.

Scope of services

Upon PwC's appointment to conduct the PER 2022, the framework of the scope of services provided by the DPSA included:

- Employment trends and personnel expenditure in the Public Sector and the impact that the current and projected future state of the South African economy may have on these trends
- Collective bargaining and wage setting mechanisms/ arrangements (including legislative arrangements where applicable).
- Salaries and salary scales (highest and lowest, salaries for specific occupations, salary structure arrangements - total cost to employer, broad banding, benchmarking, performance-based pay, etc.).
- A review of the OSDs in the Public Service (which was prioritised).
- Job grading, job evaluation and job classification arrangements (potential service providers should note that a separate project is being initiated to develop and implement a job evaluation system for the Public Service. The service provider (PwC) to be appointed will not be expected to recommend a job evaluation system for the Public Service).
    - Allowances
    - Bonuses and other incentives
    - Pension arrangements
    - Medical assistance
    - Leave benefits
    - Other benefits
    - Payroll arrangement and the utilisation of automated HR information systems to support remuneration and compensation practices.

Research has been conducted on all the above to determine:

- The 'as-is' situation
- The national and international best practices

- The proposals for change, with specific focus on alignment within the various sectors of the Public Sector
- Research has been conducted on the above to determine the projected cost of implementing the proposals, which will have to be submitted at the end of this engagement.
-

8. Focus of the review of the OSDs in the PER 2022

A significant contributor to the personnel expenditure was the introduction of the OSDs which aimed to ensure that the Public Sector was providing competitive pay to attract and retain professionals with the requisite skills and competencies to the Public Service.

A comprehensive analysis using various tools and techniques has been conducted to understand the impact and implications of implementing OSDs on expenditure.

Our data collection and consultations with relevant stakeholders focused on the current expenditure processes and challenges being experienced in the implementation and ideas about how to address these. A design thinking, experiential 'in person' working session and focused group sessions with National and Provincial role-players/stakeholders across Public Service and experts within the private sector were conducted to obtain 'first-hand' accounts of practices and implementation challenges as well as the co-creation of possible alternative solutions. These were then compared to practices in countries of similar contexts to understand the commonalities and "good practice" that could be used as benchmarks.

The desktop analysis and constructive conversations with the various Departments provided valuable insights on the successes, but also the challenges, that may require a 'rethink' of the continuation of the OSD implementation and changes that would be required.

Deliverables

The OSD report is one of the fundamental deliverables as it is based on the implementation successes, challenges, and recommendations for improvements. This is, however, not the only report under PER 2022. Part A of the report covers OSDs, and Part B of the report covers all other aspects of the Personnel Expenditure and Remuneration. A comprehensive final report including the entire PER 2022 engagement was developed covering:

- The appointed service provider was expected to deliver the following final products to the DPSA premises at Batho Pele House, 546 Edmond Street, Arcadia, Pretoria, 0083:
    - A report on a review conducted on whether the original intentions with the implementation of the OSDs have been achieved, including the successes and challenges experienced in the implementation of the OSDs. The report should include recommendations for improvements or alternative arrangements. This report should be submitted within three months of the award of the bid.
- A comprehensive/detailed final report containing, as a minimum, the following points covering the scope of the project:
    - A review of the implementation of the recommendations that were contained in the previous PERs and whether these achieved the desired results
    - The results of the 'as-is' review conducted across the various institutions in the South African Public Sector
    - A comparison of the 'as-is' situation with national and international best practices

- Detailed recommendations, including options with potential timeframes, for changes to the current terms and conditions of service and related practices in the Public Sector and with a specific focus on achieving alignment in respect of these terms and conditions of service and related practices between the various institutions within the South African Public Sector.

- The costs associated with the various recommended options.
- The appointed service provider should note the following that have an important bearing on the way that the work involved in the project was executed:

  - The Public Service utilizes a largely uniform remuneration framework. Most of the information on this framework can be obtained from a single source (the DPSA)
  - The Public Service utilizes a single HR and payroll system (called PERSAL) from which most of the information relating to the Public Service (at national and provincial level) can be obtained
  - In the Local Government and public entity spheres, different remuneration frameworks and different HR and payroll systems apply. In view of this, information on remuneration and conditions of service practices as well as information required for costing purposes is not available from a single source.

9. Review methodology

The OSD report was compiled following a structured methodology of data collection and analysis from various sources. The key objective was to collect, validate and triangulate the data.

Stage 1 of the study entailed desktop research (quantitative). The desktop research analysis includes the collection, collation, and analysis of information from publicly available sources, including reports and databases such as PERSAL, DPSA circulars, Bargaining Chamber resolutions and circulars as well as Gazettes. In addition, annual reports, policies, organisational structures, and an analysis of the PERs in 2006 and 2011.

This was followed by **Stage 2**, the field research (mixed method). The field research comprised of the drafting of a questionnaire relating to the implementation of the OSD across the Public Service. The questionnaire was based on findings obtained from the desktop review as well as anecdotal information received from various sources.

Stage 3-4: Conducting interviews and analysing data. These stages entailed conducting sessions with targeted National, Provincial and Local Government Departments to validate the desktop analysis data and gain new insights relating to interpretation and implementation of the OSDs across the Public Service. Key findings were analysed to ensure that all gaps in the baseline data were closed. An additional step within Stage 3 included a PwC design thinking approach, better known as BXT, which targeted senior officials within the DPSA, the National Treasury and various Departments to gain further insights but, more especially, to validate the OSD findings obtained. In the final **Stage 5**, a report was compiled and presented to DPSA for sign-off.

10. Economic overview

At the Public Service Co-ordinating Bargaining Council (PSCBC) on May 4, 2022, the Congress of South African Trade Unions (COSATU) submitted a demand for a Public Service wage increase of between 7% and 10% for the 2022/23 financial year as well as additional allowances.[1]

Meanwhile, the National Treasury budgeted for a wage increase of no more than 1.8% on average over the next three years, and specifically 2.6% in the current financial year. By the start of June, the Government was offering an adjustment of 4.5%.

In this report, we assess the context around the arguments for and against a higher wage increase from what the National Treasury has budgeted.

In section 1, we examine the fiscal context that South Africa finds itself in. This shows the extent to which the fiscal deficit and public debt have ballooned over the past decade, and how this has negatively impacted investment and heightens the risk of a financial crisis that can have detrimental long-term impacts on South Africa's economic growth and development.

In section 2, we examine South Africa's macroeconomic context more broadly, presenting among other things our forecasts for GDP growth, unemployment, and inflation. We see that the consumer price index affects different income groups dissimilarly, indicating that an across-the-board wage increase would benefit wealthy groups who are less affected by cost pressures on, for example, food and household energy.

In section 3, we focus on the role of the Public Sector Wage Bill within the macro-fiscal context. Compensation spending is the largest expenditure item of the Public Sector,[2] and it has increased more than any other spending item during the last decade. In the most recent (2021/2022) fiscal year, compensation spending totaled R600bn, representing 32% of consolidated government expenditure and 1% of GDP.[3] We also see that Public Sector compensation spending has grown faster than any other spending category. The increase in the Public Sector Wage Bill has made additional borrowing necessary, contributing to rising debt service costs. We also show how the proposed wage increase scenarios would impact on the deficit and public debt.

Section 4 compares South Africa's spending on Public Sector wages with international benchmarks. Comparing the country to various cohorts across three key fiscal ratios, we see that South Africa is an outlier in that it has particularly high spending on Public Sector wages compared to other countries. Finally, section 5 contains suggestions for the way forward.

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[1] Mkentane, Zwane and Omarjee, 5 May 2022. Public Sector unions test Godongwana with demand for a 10% pay hike. Business Day.

[2] Budget 2022.

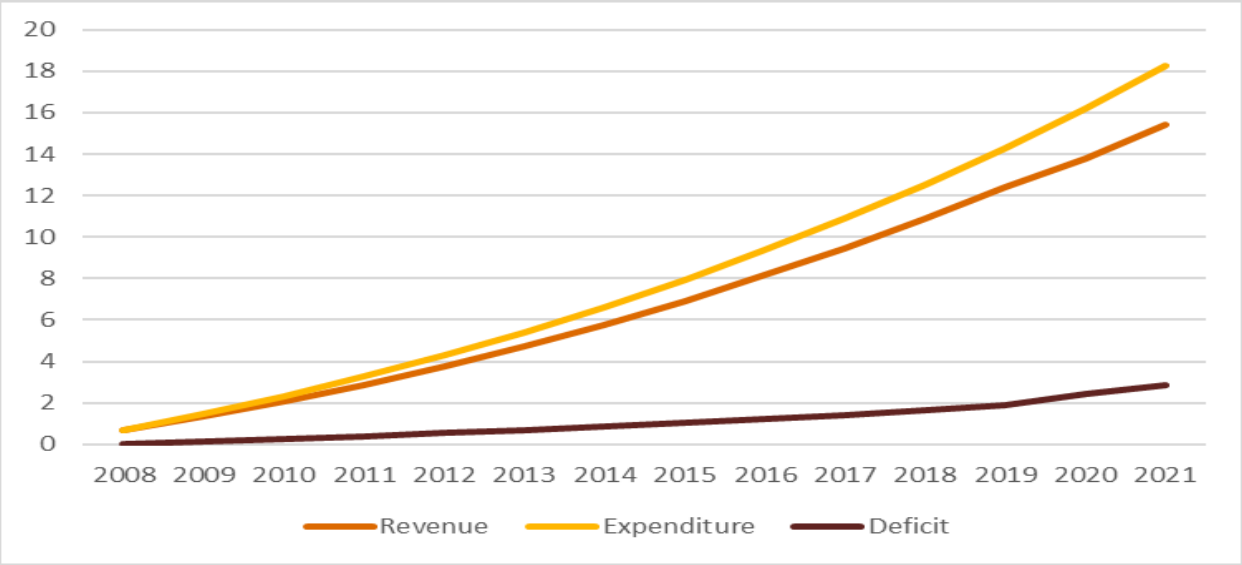
[3] Budget 2022.

i. Fiscal policy context

Fiscal balance and Public Sector debt

South Africa's fiscal deficit and public debt have been on an unsustainable path for over a decade. South Africa last recorded a fiscal surplus in 2007; since then, expenditure has consistently exceeded revenue, bringing about a widening fiscal deficit. The figure below highlights the growing gap between the value of fiscal revenue and spending - equal to R2.8tn for the period 2008/09-2021/22. The gap will increase to R3.8tn by 2024/25 based on the current medium-term fiscal framework.

Graph 1: Cumulative fiscal aggregates 1 (R trillion)



Source: National Treasury

The deterioration of South Africa's fiscal position means it is becoming increasingly difficult to repay debt obligations and brings about a growing risk of South Africa being unable to repay its debtors. In the current fiscal year, debt payments are planned at R302bn, equal to 14% of planned consolidated expenditure.[4]

This burden on fiscal expenditure has been noted by rating agencies who have lowered South Africa's sovereign bond rating to non-investment grade and deterred investment, which is a prerogative for economic growth. On a positive note, South Africa's ratings trajectory appears to have stabilised. In December 2021 and April 2022, Fitch Ratings and Moody's Investors Service, respectively, changed the outlook on their South African ratings from 'negative' to stable. In turn, S&P Global Ratings changed its outlook to 'positive' in May 2022.[5]

[4] Government of South Africa, 2022. Budget Review 2022. http://www.treasury.gov.za/documents/national%20budget/2022/review/FullBR.pdf

[5] Trading Economics, 2022. South Africa - Credit Rating. https://tradingeconomics.com/south-africa/rating

Still, even with concerted effort, it has historically taken an average of seven years for a sovereign to again graduate to the investment-grade club.[6] Meanwhile, with South Africa's sovereign rating still firmly in speculative non-investment grade territory, it is suffering capital outflows and low levels of foreign investment. Investors use these ratings to guide them towards or away from countries where changing risks impact on expected returns.

South Africa's fiscal deficit swelled significantly more in 2019/20 and 2020/21 as the Public Sector had to adjust to lower revenues and increased spending requirements around COVID-19. This pushed the fiscal deficit to a behemoth 10.0% of GDP in 2020/21. The sustainability of public finances is severely at risk unless the large budget deficits and concomitant rapid increases in the public debt burden are promptly reined in.

Beyond the risks to fiscal sustainability, rising public debt has more immediate impacts on expenditure efficiency: at present, it looks like South Africa will spend R1tn on debt service costs during the 2022/23-2024/25 period, which could have been spent on other expenditure items like schools and hospitals. Budget 2022 expects Public Sector debt to increase from 65% of GDP in 2020/2021 to 73% by 2024/2025.[7]

While this is a substantial increase, it is better than previously planned: a year ago, it was expected that Public Sector debt would reach more than 85% of GDP by then.[8] However, despite current good intentions, the IMF warned in February that, as South Africa's debt-to-GDP ratio continues to rise, it will create "significant risks" and leave "no fiscal space to respond to domestic or external shocks that could force an abrupt fiscal tightening with adverse growth and social consequences".[9]

The National Treasury, in Budget 2021 and the Medium-Term Budget Policy Statement (MTBPS) delivered in October 2021, showed its commitment to reducing public debt through a narrowing of the fiscal deficit. Budget 2022 again affirmed this stance by aiming for a deficit equal to 5.7% of GDP in the current year and 4.2% of GDP by 2024/25.

The narrowing of the fiscal deficit over the next few years had gotten a jump-start from higher-than-expected tax collections during the 2021/2022 financial year. Updated budget data shows that the National Treasury expects R182bn more in revenues this current year (2021/22) compared to what was planned in February 2021.[10] It must, however, be noted that the unexpected additional revenue is due to higher-than-expected mining sector revenue and a favourable cycle in commodity prices. Relying on similar levels of mining revenue in subsequent years would be misguided, particularly as a decline in mining exploration and investment place future mining revenue at risk.

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[6] How we made it in Africa, 2016. How long would it take South Africa to bounce back from junk status? https://www.howwemadeitinafrica.com/long-take-south-africa-to-bounce-back-from-junk-status/54633/

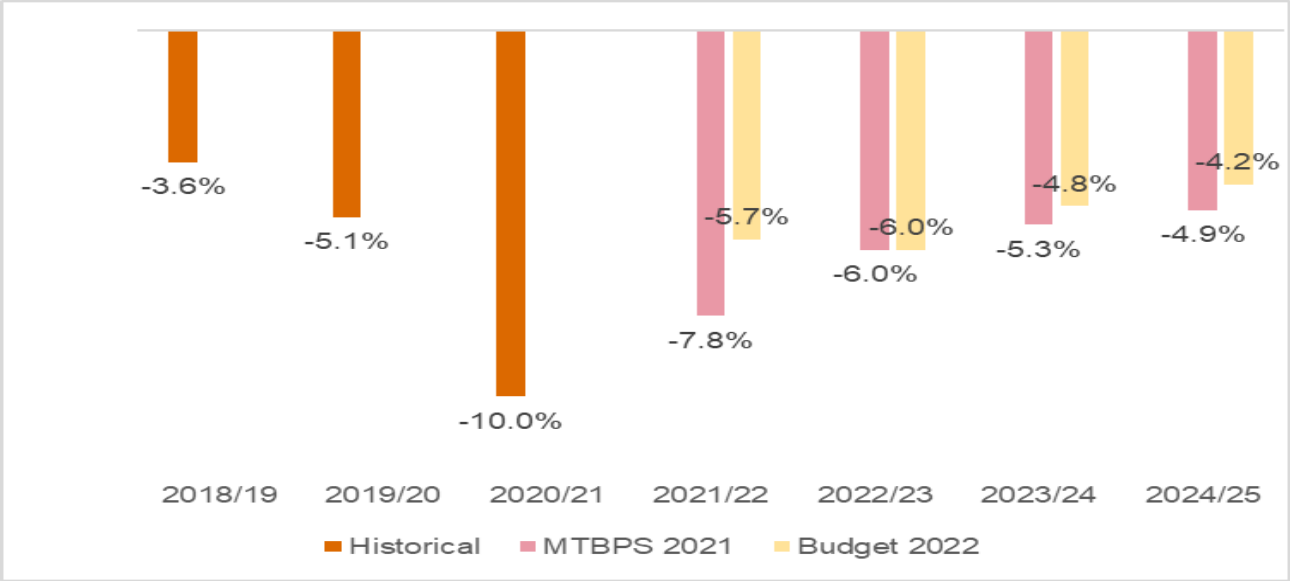
[7] Government of South Africa, 2021. Budget Review 2022. http://www.treasury.gov.za/documents/national%20budget/2021/review/FullBR.pdf

[8] Government of South Africa, 2022. Budget Review 2022. http://www.treasury.gov.za/documents/national%20budget/2022/review/FullBR.pdf

[9] IMF, 2022. Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for South Africa. https://www.imf.org/en/Publications/CR/Issues/2022/02/10/South-Africa-2021-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-513001 February 2022.

[10] Government of South Africa, 2022. Budget Review 2022. http://www.treasury.gov.za/documents/national%20budget/2022/review/FullBR.pdf

Graph 2: Budget balance (% of GDP), actual and projected 2018



Source: National Treasury

Still, while this over-collection may form a basis for deficit narrowing over the next few years, the shortfall planned for 2024/2025 will still be far removed from a level of around 3% of GDP that experts see as a sustainable fiscal shortfall. Furthermore, in a February 2022 publication, the International Monetary Fund (IMF) warned that South Africa's medium-term fiscal consolidation plans face spending pressures that would push the deficit beyond previous projections. These pressures are linked to the Public Sector Wage Bill, budget support to state-owned enterprises, and pressure to continue supposedly temporary pandemic-related social transfers.[11]

The budget set aside in February for wage growth during 2022/2023 was based on positive economic assumptions in the current year. These assumptions did not include growth-limiting factors like the subsequent deterioration in global supply chains, spikes in commodity prices, flooding in KwaZulu-Natal, and a further increase in domestic electricity load-shedding. All of these are likely to put further pressure on the fiscal balance.

A clear sign needs to be set that South Africa is serious about bringing the country back onto a fiscally sustainable path. If South Africa instead reneges on its commitment to bringing down the deficit, this may compromise the South African government's credibility and damage the country's long-term ability to attract investment and spur economic growth.

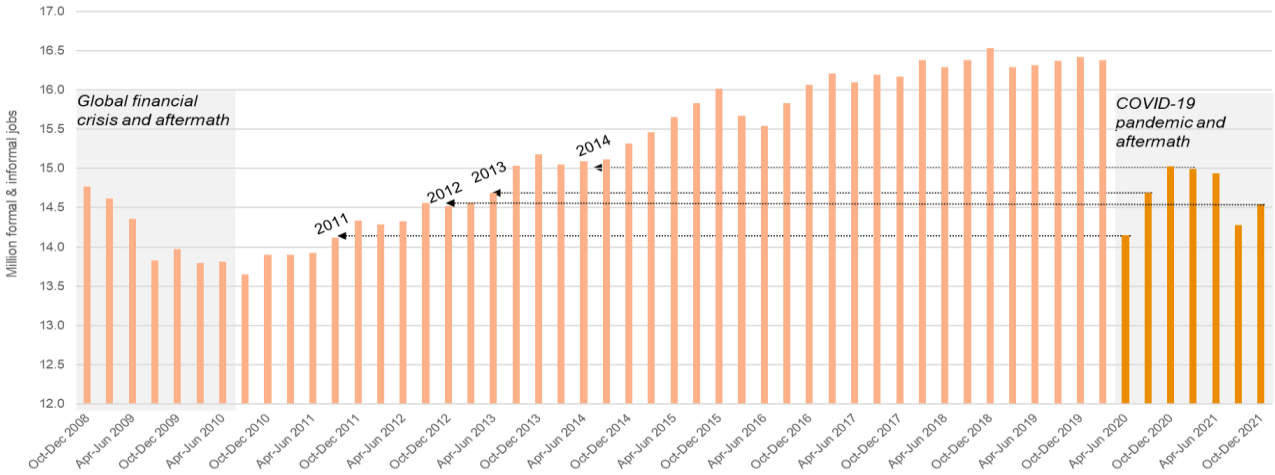
[11] IMF, 2022. Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for South Africa. https://www.imf.org/en/Publications/CR/Issues/2022/02/10/South-Africa-2021-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-513001 February 2022.

ii. Macroeconomic environment

Economic and employment growth

The current large fiscal deficit is a product of overspending combined with weaker than expected economic and employment growth. In the five years before COVID-19, South Africa's real GDP per capita declined every year during 2015-2020 as slow economic growth failed to keep pace with an expanding population. This was followed by a deep recession in 2020. And while the economy bounced back in 2021 with an expansion of 4.9%, the country lost a net 480,000 jobs last year. Local employment peaked at 16.5m in 2018Q4 after 358,000 jobs were created during the year. In the following three years, the South African economy lost a net two million jobs. The 14.5m jobs recorded at the end of 2021 were at the same level as seen a decade earlier.[12]

Graph 3: Total employment



Source: Stats SA

South Africa's unemployment rate increased from 34.9% of the labour force in 2021Q3 to 35.3% in the final quarter of last year. As such, the country held onto its crown as having the highest unemployment rate in the world.

Our current macroeconomic outlook sees real GDP growth moderating to a new long-term average of around 1.5% from 2024 onwards. Based on our statistical analysis of the relationship between economic and employment growth, this growth pace could create nearly two million jobs by 2030. However, at the same time, the country's labour force will continue growing as more youths enter the labour market. Under our baseline scenario, the new jobs created towards the end of the decade will not be enough to absorb all these new (unemployed) workers. As a result, with current trends in mind, we expect the narrowly defined unemployment rate to increase to 39.1% by 2030 from 35.3% at the end of last year.

[12] PwC analysis based on various Stats SA reports.

It is likely that under this baseline scenario, South Africa will hold on to the top (worst) spot globally on both the total as well as youth unemployment rate tables for the foreseeable future. The solutions to South Africa's unemployment conundrum are not easy. Due to fiscal constraints, the country needs to choose the areas that will have the biggest impact on GDP and jobs growth and where big change is possible without necessarily needing big financial commitments. The big-ticket actionable items are listed in the following table.

Table 1: Impactful changes to solve South Africa's unemployment conundrum

Solving the electricity crisis	Upskilling workers	Accelerating private sector investment
Load-shedding increased by 38% in 2021. The more than 2,400 gigawatt hours (GWhs) shed resulted in an estimated 1,136 hours of power outages — equal to three hours per calendar day. Based on these figures, PwC estimates the adverse impact of load-shedding in 2021 was a reduction in real GDP growth of up to 3.1 percentage points, costing the economy up to 400,000 potential jobs. According to the Presidency, South Africa has a shortfall of around 4,000MW of electricity generating power. It is possible that this shortfall is significantly larger given that Eskom's energy availability factor (EAF) was revised downward from 72% to 63% in its latest Medium-Term System Adequacy Outlook (2022-2026). Looking ahead, Eskom's head of transmission, Segomoco Scheppers, said in April the power utility expects between 37 and 101 days of load-shedding during the winter season.	The WEF Global Competitiveness Report 2019 ranks South Africa 101st out of 141 countries for the skills of its current workforce. What this tells us is that, while the country's education system produces hundreds of thousands of high school graduates each year, their skillset is not competitive in a global context. However, with concerted effort, this situation can be changed. Post-school upskilling in the private sector workplace will be vital to ensuring that local industries are staffed with people who have the know-how to help drive economic growth. The Government has already taken the first step in the process: identifying skills gaps and mismatches. In February 2022, the Department of Home Affairs published an updated critical skills list for the country. While many businesses welcomed the list of key occupations as a tool to facilitate the hiring of skilled international workers, it also serves as an audit of skills that need to be developed locally - and fast. To catalyse this list, it is necessary to build a future-proof	Total investment spending in South Africa fell from an average of 30% of GDP in the early 1980s to about 16% of GDP by the early 2000s. According to the National Development Plan (NDP), gross fixed capital formation needs to reach about 30% of GDP by 2030. Two-thirds of this needs to come from the private sector. However, lifting private investment from the 12.5% of GDP seen in recent years to 20% of GDP requires the right investment climate. "The key task of the Government is to create the conditions that will enable the private sector - both big and small - to emerge, to grow, to access new markets, to create new products, and to hire more employees." With these words, President Ramaphosa also noted in his SONA 2022 that "problems in the South African economy are deep and they are structural". In the week after the SONA, deputy finance minister David

A country's power system should supply cost-effective electricity to customers in an efficient, reliable, and sustainable manner. Not only does this underpin economic activity, but it also contributes towards increased economic growth through levers such as lowered costs of production and other services, increased investor confidence, country competitiveness, and improved living standards. According to research by the University of Cape Town (UCT), a revised regulatory framework could enable at least 450MW of the required 4,000MW shortfall to be available immediately, with a further 4,000MW coming online over the short to medium term. In the short term, the private sector could take advantage of the new 100MW generation exemption threshold. However, a major stumbling block is a lack of clarity on the degree to which private firms are allowed to wheel to multiple customers and trade excess power. This uncertainty is preventing potential investors from spending money as it could put commercial viability at risk. Clarity and guidance on the licensing processes and requirements are also needed for private firms to embark on large-scale power projects.	skills strategy. There is a deep need for South Africa to build and communicate a national skills vision that includes roles, responsibilities, and expectations for every stakeholder in society. PwC believes that everyone has a role to play in this new vision, and that businesses of all sizes should see themselves reflected in plans to rebuild the economic engine and help to create inclusive and skilled workforces. This collaborative upskilling will be vital to ensuring that local industries are staffed with people who have the know-how to help drive economic growth. Government, labour, business, community organisations and other stakeholders all stand to benefit from a common vision to develop comprehensive national upskilling agendas. These stakeholders have an opportunity right now to incorporate a new skills agenda into their planning for the economy. President Ramaphosa said in his State of the Nation Address (SONA) 2022 that stakeholders have given themselves 100 days "to finalise a comprehensive social compact" to grow our economy and create jobs. It is critical that this compact encompasses a national skills vision that includes roles, responsibilities, and expectations for every stakeholder.	Masondo wrote in Business Day that progress on structural reforms under Operation Vulindlela "are on track and will boost inclusive growth". But are these changes moving the needle on investment sentiment? Have these changes (and others still in the works) resulted in improved private sector investment or at least intentions to invest? Survey data suggests no. Research by the Bureau for Economic Research (BER) shows that business confidence started the year 2022 in net negative territory. This reflects a hesitancy to invest as the bulk of reform implementation remains outstanding. Businesses look further ahead than an election cycle when they make investment decisions. For this, they need not only confidence in the progress of structural reforms, but also, crucially, broader policy certainty. In terms of policy uncertainty, we are not just talking about what the policy environment would look like in three or five years. In the South African context, policy uncertainty includes a lack of surety about policy direction, a lack of confidence in high-level decision-making to finalise changes, as well as delays in implementation. Policy uncertainty is the antithesis of business confidence, which, in turn, is the foundation for private sector investment. Without policy surety, return on investment is

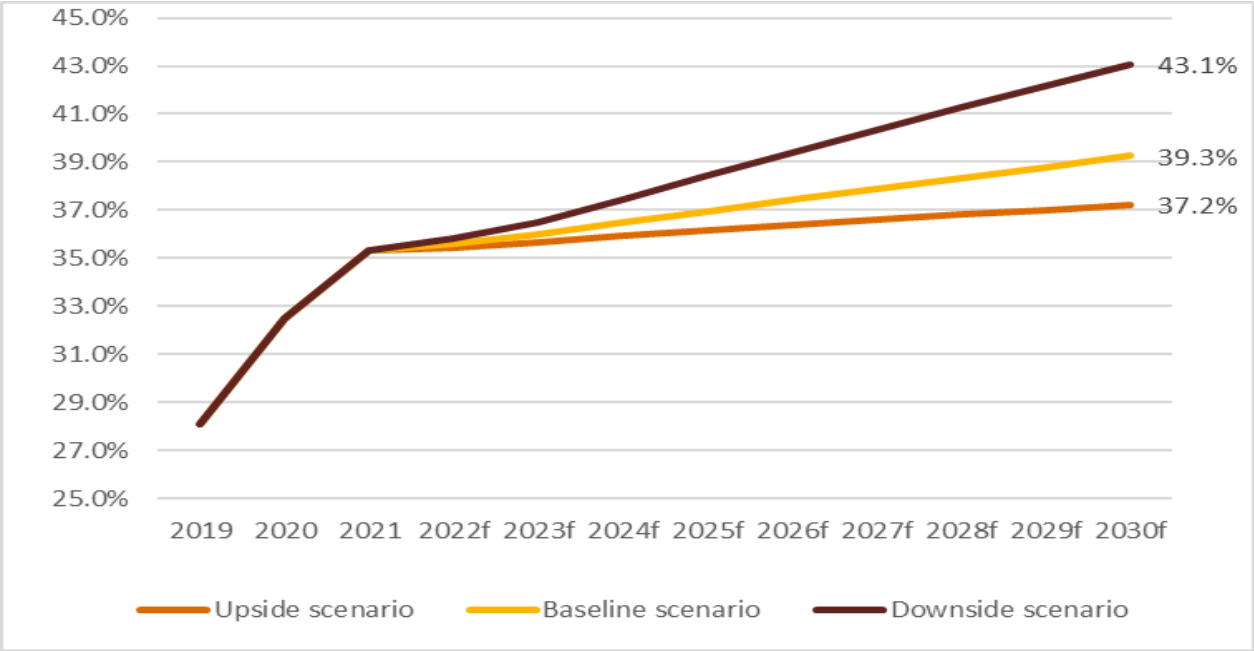
		unpredictable.

Source: PwC

We estimate that under a reform-focused scenario, these changes could lift South Africa's potential long-term economic growth rate from the current 1.5% p.a. to above 4.0% p.a. over the next decade. At a growth rate of 4.0% p.a. during 2025-2030, the country's unemployment rate could again fall below the 30% level before the end of the current decade. This scenario would include other reforms, including a reduction in the Public Sector Wage Bill and concomitant increase in fixed investment spending.

However, we are not very optimistic that the full suite of necessary reforms will materialise. As such, our upside scenario (accounting for at least some reforms) expects real GDP growth of only 2.0% p.a. over the medium to long term. This will see the unemployment rate close the decade at 37.2% - even under the upside scenario, joblessness will continue rising.

Graph 4: Unemployment rate (% of labour force) scenarios



Source: PWC

iii. Inflation

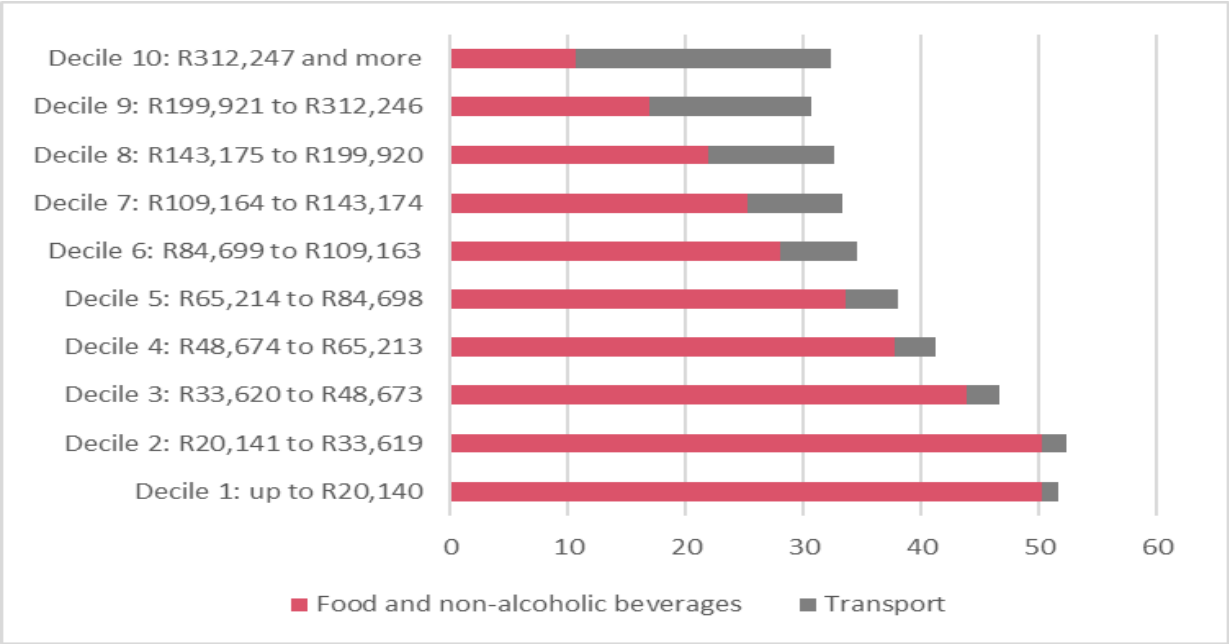
Local consumer price inflation has been elevated since late last year. A combination of base effects and higher commodity prices pushed headline inflation towards the top end of the central bank's 3%-6% target range from December 2021 to the present. Headline inflation was most recently measured at 5.9% in March and April from a reading of 5.7% y-o-y in the preceding two months. This included a 2.2% m-o-m and 29.2% y-o-y increase in fuel prices during April. The main driver of this was an increase in international fuel prices, with Brent crude oil prices reaching near $100/barrel at the end of February as the Russian invasion of Ukraine ruffled commodity markets. The SARB expects average consumer price inflation of 5.9% in 2022 - that would be the highest calendar year average since 2017.[13]

Of course, headline inflation could be misleading in trying to understand price pressures for households at different income levels. For example, while high-income households spend around a third of their budgets on food and transport, low-income households spend at least 50% on these categories. At present, with elevated food and fuel inflation, low-income households are experiencing more pressure on their budgets compared to higher-income families. Stats SA reported that households in the decile 1 income category (the lowest annual income group) experienced inflation of 6.4% y-o-y in April while those in decile 6 had an inflation rate of only 5.2% y-o-y.[14]

[13] South African Reserve Bank (SARB), 2022. QPM forecast summary table May 2022. https://www.resbank.co.za/content/dam/sarb/publications/statements/monetary-policy-statements/2022/statement-of-the-monetary-policy-committee-may-2022--/Forecast%20May%202022.pdf

[14] Statistics South Africa (Stats SA), 2022. Consumer Price Index April 2022. https://www.statssa.gov.za/publications/P0141/P0141April2022.pdf

Graph 5: Food and transport spending as percentage of household budget by annual expenditure group



Source: Stats SA

Due to varying production cost breakdowns, individual industries will be impacted differently by higher remuneration requirements to compensate for cost-of-living increases. Trade unions' elevated wage and salary expectations add an additional element of cost pressure for South African companies and the Public Sector Wage Bill. The local labour movement is powerful in its ability to shape remuneration trends due to the country's high rate of unionisation. According to the International Labour Organisation (ILO), South Africa ranks 26 out of 104 countries for union membership with a trade union density rate of 28% in 2016 (latest available comparative data). This is notably higher than an average of 22% amongst the 104 economies recorded by the ILO.[15] Due to this high-density rate in South Africa, the flexibility of wage determination is constrained. The World Economic Forum (WEF) Global Competitiveness Report 2019 ranked South Africa a lowly 134th out of 141 countries for wage determination flexibility while cooperation in labour-employer relations is ranked an even-worse 139th.[16]

As a result, trade unions' expectations of salary and wage increases are highly influential in remuneration agreements. Amidst a low-inflation environment and moderate inflation expectations amongst unions during the first half of last year, the average wage settlement rate in collective bargaining agreements decreased from 6.3% in 2020 to 4.4% in 2021. This decline also impacted on expectations for 2022. The Bureau for Economic Research (BER) Survey of Inflation Expectations shows that in 2021H1, trade unions were expecting salary and wage inflation of less than 4.0% during 2022.

[15] ILO database. https://ilostat.ilo.org

[16] World Economic Forum (WEF), 2019. Global Competitiveness Report. https://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf

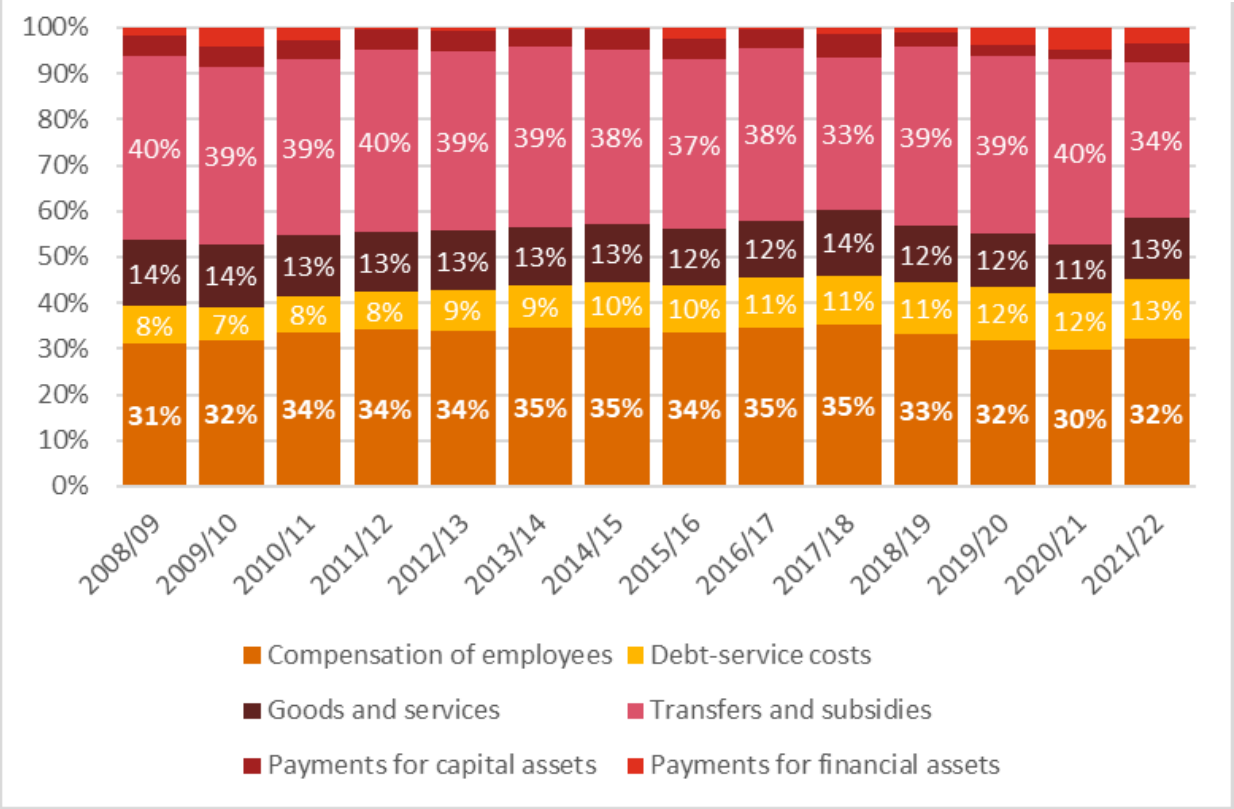
Understandably, with the inflation environment deteriorating as 2021 progressed, labour representatives increased their expectations. Data from the SARB shows that nominal remuneration per worker in the formal non-agricultural sector increased by 3.6% y-o-y in the first quarter of last year but swelled by 10.1% y-o-y in 2021Q2 and 9.1% y-o-y in 2021Q3. In the private sector, nominal remuneration increased by an average of 12.3% y-o-y during the second and third quarters. These double-digit increases leading into 2022 were significantly higher than expectations early in 2021.

iv. Role of the Public Sector Wage Bill

Between 2008/09 and 2017/18 the Wage Bill grew from 31% to 35% of consolidated government expenditure, as shown in the figure below. More borrowing was required to pay for this, thus increasing debt-service costs. As the Wage Bill expanded, more elastic spending items (not tied to bargaining agreements) needed to be cut, in real terms, to make space for public wage increases.

The Public Sector Wage Bill and debt service costs (in orange and yellow in the figure) thus crowded out other spending items such as goods and services and transfers to Local Government, negatively impacting on service delivery and taking away opportunities for growth-enhancing and job-creating capital investment. It is only from 2018/19 onward that the Wage Bill has been lowered as a percentage of total spending, especially in 2020, which saw a particular spike in spending related to the COVID-19 response.

Graph 6: Spending items as percentage of total consolidated government spending



Source: National Treasury

Public wage increases have been consistently above inflation. Research by Intellidex found that spending on public wages increased by an inflation-adjusted 44% between 2006/2007 and 2018/2019. In other words, when excluding the impact of cost-of-living adjustments, the Wage Bill increased by a real 44%[17] alongside an increase in staff numbers of less than 10%. Put differently, average Public Sector remuneration increased by CPI plus 3% during the 2006/2007-2018/2019 period.

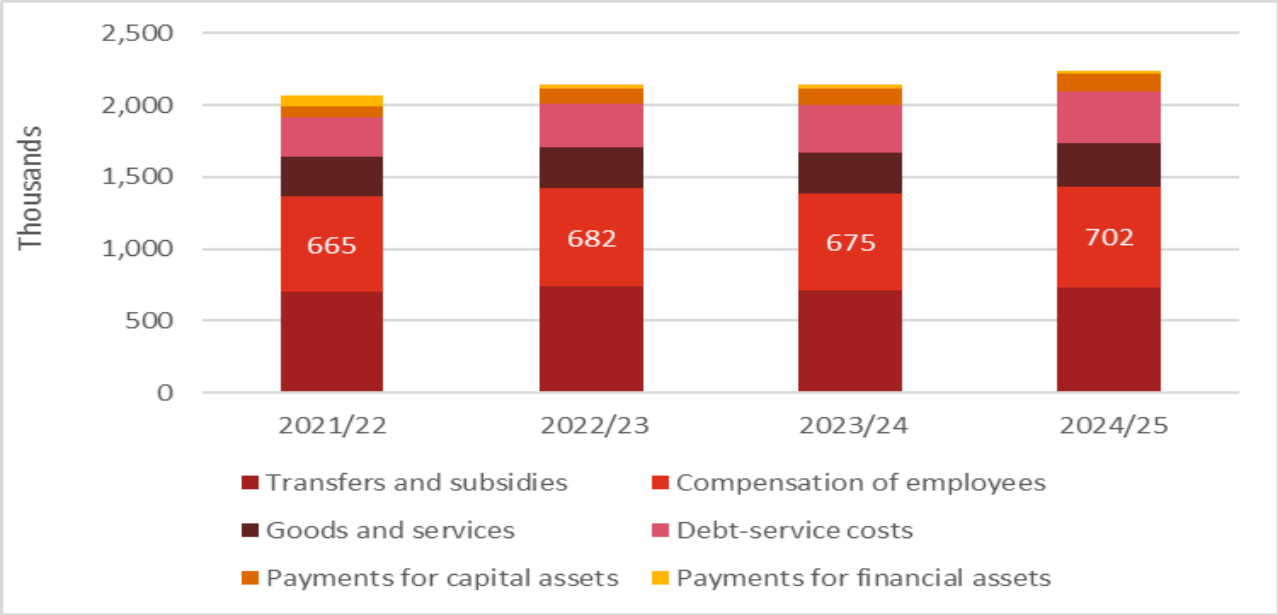
The above-inflation adjustments in public wages agreed in bargaining agreements increased the fiscal deficit and had to be financed through debt, thus contributing to the ballooning debt and rise in expenditure having to be allocated to debt service payments.

Between 2019/20 and the end of the MTEF period, the National Treasury has budgeted for Public Sector wages to grow at a lower rate of 2.1% per year. This will contribute to improving the wage trajectory. In the figure below, we show how this wage increase will impact the deficit and debt compared to the Public Service wage increase demand put forward by COSATU at the PSCBC on 4 May 2022.

[17] Mail and Guardian, 2020. Public wage bill is impeding SA's growth prospects — Busa. https://mg.co.za/business/2020-11-09-public-wage-bill-is-impeding-sas-growth-prospects-busa/

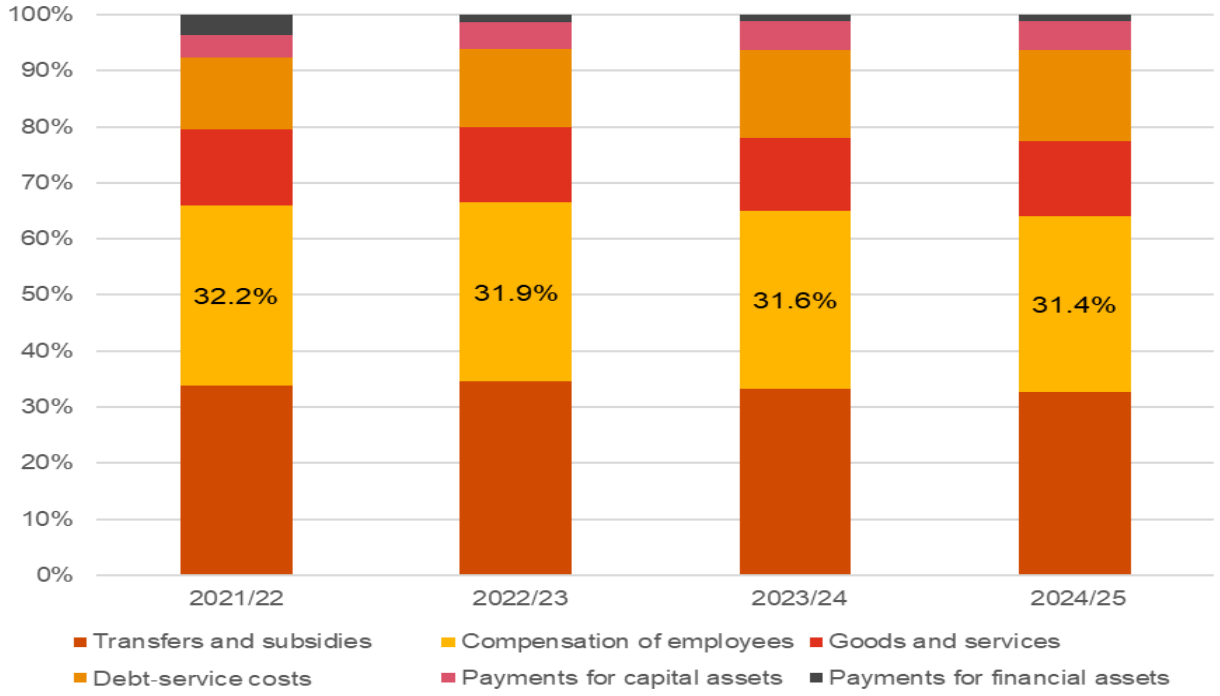
In the current (2022/2023) fiscal year, compensation of state employees is budgeted at R682bn. This will account for 31.9% of consolidated spending. The MTEF also plans for the share of spending to decline to 31.4% by 2024/2025.

Graph 7: Fiscal expenditure (Rand billion)



Source: National Treasury

Graph 8: Fiscal expenditure (percentage of total)

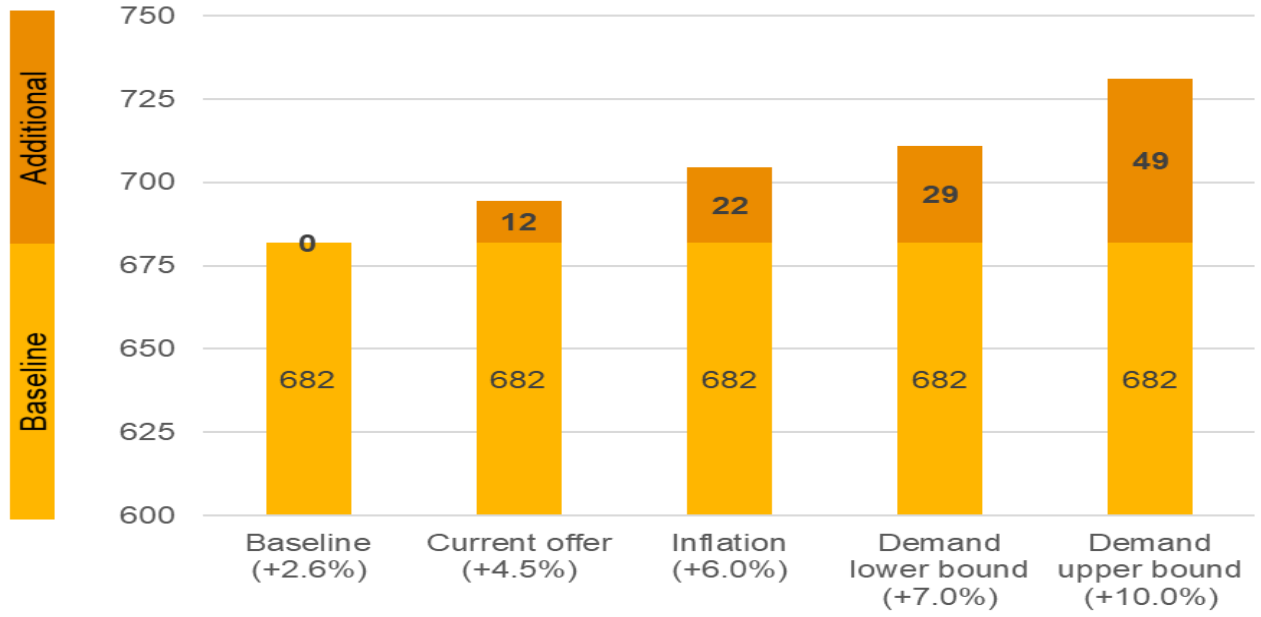


Source: National Treasury

The National Treasury planned in February for a 2.6% increase during 2022/2023 in the compensation of employees. At the time, it was expected that consumer price inflation would average around 4.5% this year, translating into a CPI minus 2% scenario. In turn, after several months of elevated consumer price inflation and rising inflation expectations, labour unions demanded in May an increase of 7.0% to 10%. This was higher than inflation expectations of around 6.0% seen at the time of tabbing this request, i.e., CPI plus 1% to CPI plus 4%.

As reflected in the accompanying graph, an increase in remuneration of 7% or 10% would add R29bn or R49bn, respectively, to the cost of employee remuneration on top of the baseline plan of 2.6%. Even adjusting for an inflation-related 6.0% would add R22bn. The Government's current offer of a 4.5% increase would come at an additional cost of R12bn. To put this into perspective, the value of tax breaks provided by the Government during April-July 2022 by temporarily reducing the general fuel levy would equal around R11bn.

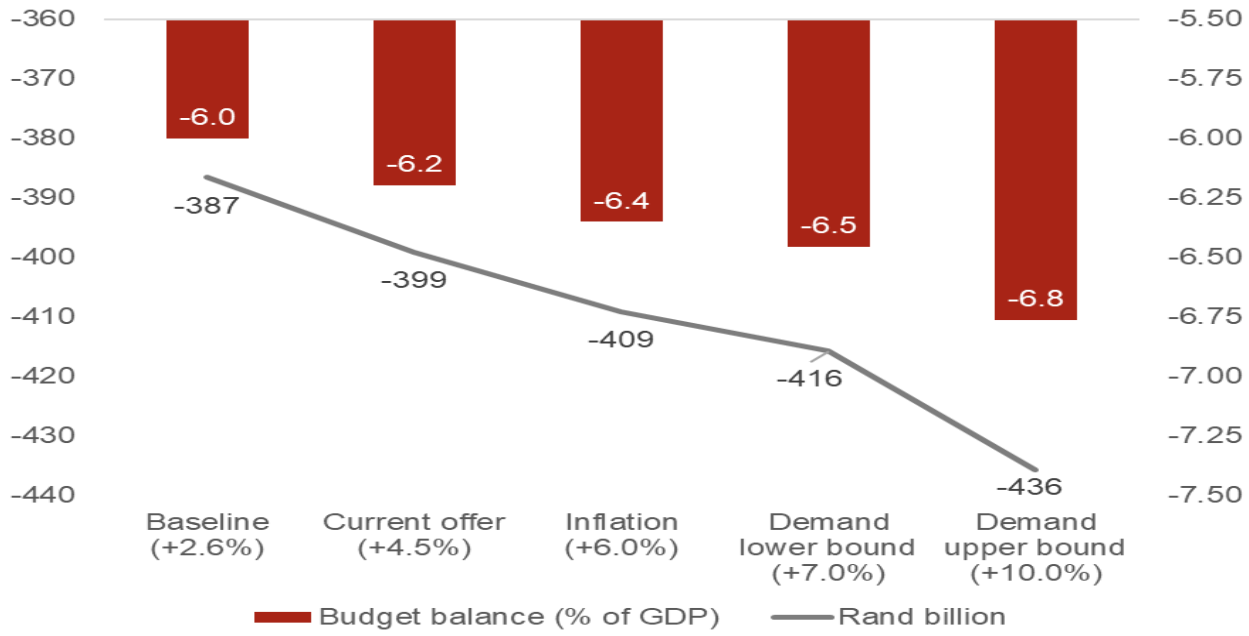
Graph 9: Compensation of employees (Rand billion)



Source: PwC

In the absence of additional revenues, the increase in Public Sector staff costs would add to the size of the fiscal deficit - and, by implication, the magnitude by which Public Sector debt will increase this year. From a planned deficit equal to 6.0% of GDP, the Government's current offer of a 4.5% increase in remuneration would widen this shortfall to 6.2% of GDP.

Graph 10: Budget balance scenarios



Source: PwC

v. International benchmarking

The National Development Plan (NDP) 2030 noted that there is a need for greater efficiency in all areas of government expenditure. This was due to expectations a decade ago that the overall fiscal envelope would grow relatively slowly going forward - this has proven to be true. The NDP stated that particular attention needs to be given to managing the government Wage Bill. At the time of the NDP's publication in 2012, the Public Sector Wage Bill (including Local Government) exceeded 12% of GDP. The NDP determined that this was "very high by both developed and developing country standards".[18]

In this section, we interrogate internationally comparative data to determine whether South Africa's Wage Bill is, in fact, high compared to other countries. The data considered is an average for the period 2010-2020 which includes the post-global financial crisis period as well as the first year of COVID-19.

[18] Government of South Africa, 2012. National Development Plan (NDP) 2030. https://www.gov.za/sites/default/files/gcis_document/201409/ndp-2030-our-future-make-it-workr.pdf

For this quantitative exercise, we made use of data from the IMF's latest Government Finance Statistics[19] and World Economic Outlook (WEO)[20] databases. The data we calculated looked at compensation from three perspectives:

- As percentage of GDP
- As percentage of government revenue
- As a percentage of total government expenditure.

We have constructed several comparative groups to benchmark South Africa against. These include:

- All countries - the IMF databases have comparable data for 101 countries.
- Group of 20 (G20) - this intergovernmental forum comprises 19 countries and members of the European Union, and represents the world's largest economies.
- Per capita income status - upper middle-income countries have a gross national income (GNI) of between $4,096 and $12,695 per capita in 2020, based on the World Bank classification.
- Sovereign rating - sovereigns that are rated 'BB-' by S&P Global.
- Sustainable Development Goals (SDGs) performance cohort - countries scoring between 60 and 70 (out of 100) in the Sustainable Development Report 2021.
- BRICS - member countries of the BRICS grouping.

The cohorts selected here offer diverse criteria for comparison. For example, the groupings based on G20 membership and per capita income status reflect the economic situation in the country, while the sovereign rating reflects fiscal health. The SDGs reflect socio-economic conditions, and, to a certain extent, the progress made in socio-economic development through fiscal expenditure. The table below provides a summary of the data analysis.

[19] IMF, 2022. Government Finance Statistics database. https://data.imf.org/?sk=3C005430-5FDC-4A07-9474-64D64F1FB3DC

[20] IMF, 2022. World Economic Outlook database. https://www.imf.org/en/Publications/WEO/weo-database/2022/April

Table 2: Public Sector Wage Bill comparison summary

Comparative group	Relationship	List of countries included in comparison*	South Africa ranking		
			% of GDP	% of fiscal revenue	% of fiscal expenditure
All countries	All countries in the IMF databases	101 countries	9th out of 101	6th out of 101	8th out of 101
Group of 20 (G20)	Size of the economy	Australia, Brazil, Canada, France, Germany, Indonesia, Italy, Japan, Mexico, The Netherlands, Russia, Saudi Arabia, Singapore, South Africa, Spain, Switzerland, Turkey, The United Kingdom, The United States	1st out of 19	1st out of 19	1st out of 19
Per capita income status	Upper middle-income countries	Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Brazil, Bulgaria, Colombia, Costa Rica, Guatemala, Jordan, Kazakhstan, Kosovo, Marshall Islands, Mauritius, Mexico, Moldova, Namibia, Paraguay, Peru, Romania, Russia, Serbia, South Africa, Thailand, Turkey	3rd out of 26	3rd out of 26	4th out of 26

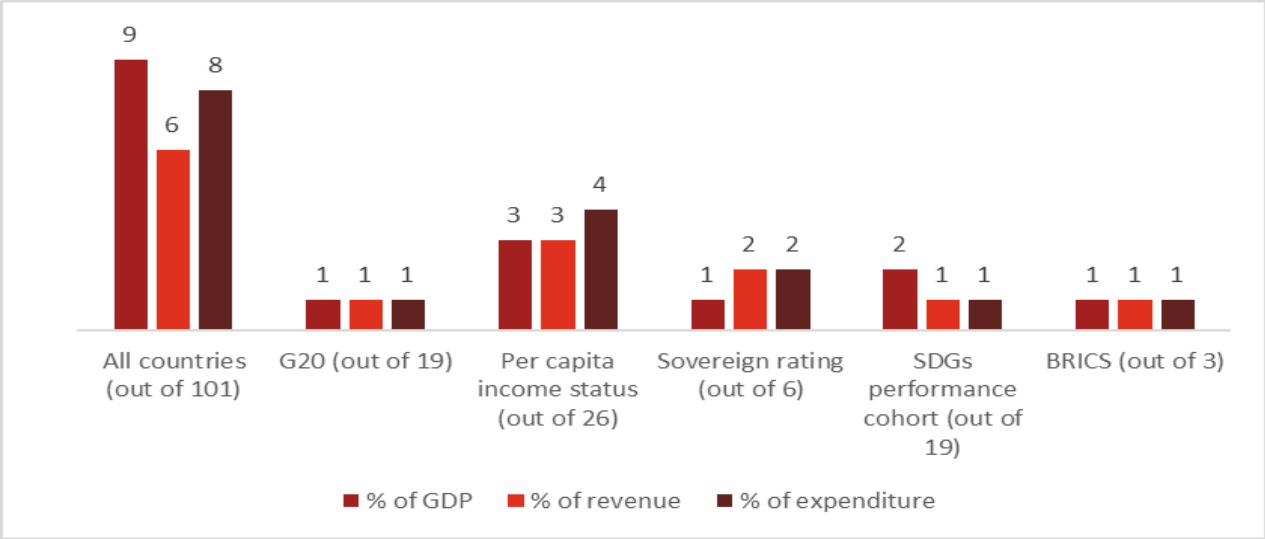
Sovereign rating	Sovereigns that are rated 'BB-' by S&P Global	Brazil, Côte d'Ivoire, Guatemala, Honduras, South Africa, Uzbekistan	1st out of 6	2nd out of 6	2nd out of 6
Sustainable Development Goals (SDGs) performance cohort	Countries scoring 60-70 (out of 100) in the Sustainable Developme nt Report 2021	Cabo Verde, Cambodia, Egypt, El Salvador, Honduras, Indonesia, Kenya, Mauritius, Mexico, Moldova, Myanmar, Namibia, Nepal, Paraguay, The Philippines, Saudi Arabia, Singapore, South Africa, Uzbekistan	2nd out of 19	1st out of 19	1st out of 19
BRICS	Member countries of the BRICS grouping	Brazil, Russia, South Africa	1st out of 3	1st out of 3	1st out of 3

Source: PwC analysis using IMF data

**Not all countries classified in these groups are included in the IMF database. The countries listed in this column are those classified in the group for which IMF data is available.*

It is clear that, irrespective of the group or specific indicator used, South Africa's Public Sector Wage Bill is high by international standards. South Africa ranks ninth out of 101 countries with a wage bill averaging 13.3% of GDP during 2010-2020. The top four (Marshall Islands, Kiribati, Nauru, and Palau) on this list could also be considered outliers due to the uniqueness of these island economies amongst the rest of the group - this would place South Africa fifth globally. In the other groupings, South Africa is consistently placed in the top four of countries included, and in many instances ranked first or second.

Graph 11: South Africa comparative rankings



Source: PwC analysis using IMF data

vi. Strategic recommendations from an economic perspective

Containing the Wage Bill is critical to restoring fiscal sustainability, which in turn is crucial for macroeconomic stability and for creating the fiscal space urgently needed for growth-enhancing and poverty-alleviating spending items, given South Africa's unemployment crisis.

Reasons supplied in favour of increasing the Wage Bill beyond the National Treasury's limit of 1.8% included difficult economic conditions and rising prices for employees. While inflation expectations have risen, several factors need to be considered to bring this into perspective:

- The Public Sector Wage Bill was increased at rates above inflation consistently over the last decade, forcing a reduction in real terms of other spending items needed for economic growth and job creation. There is thus a backlog of demand for increases in other spending items.
- South Africa's Wage Bill as a share of its GDP is significantly higher than the average relative to other emerging market economies.
- The increase in the Public Sector Wage Bill has not resulted in an increase in Public Sector employment.
- A 7%-10% increase would be problematic from a monetary policy perspective as the South African Reserve Bank most recently forecast headline inflation to average 5.9% in 2022.
- Increased inflation and the rising consumer price index disproportionately impact lower income groups. An across-the-board increase for all grade levels would thus be regressive, overcompensating higher wage earners while increasing inequality.

We recommend that salary increases be reconsidered being cognisant of the fact that rising consumer prices will hit lower income public servants over the next three years. A slight increase may be agreed; however, this would need to be:

- Limited to those in the lower income bands
- Limited to 5.9% in line with the inflation prediction by the SARB; and
- Accompanied by a drastic reduction in benefits and allowances.

Increases in the absolute amount of compensation spending should be used to increase headcounts, not salary increases. In addition to this, efforts need to be made to reduce benefits and allowances.

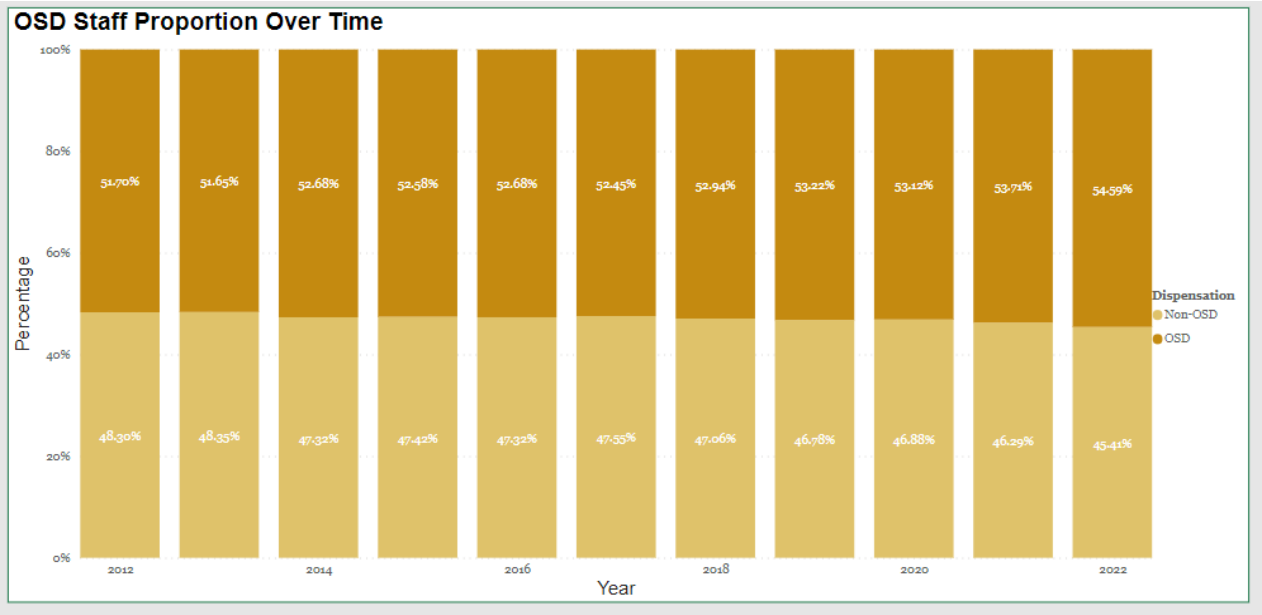
11. Scope of the report in respect of the OSDs including context and development of OSDs since 2006

In 2006, the DPSA together with the National Treasury (NT), conducted a PER. Large Departments in the various sectors such as the South African Police Service (SAPS), Department of Defence (DOD), Department of Education (DOE), Department of Justice and Constitutional Development (DOJCD), Department of Correctional Services (DCS) and the Department of Health (DOH) were part of the project team on the PER and the review was conducted by PwC (DPSA, Remuneration Policy Framework and OSDs March 2022:2).

Prior to the PER being conducted, the Public Service had been struggling to attract and retain scarce and critical skills, especially within a few identified sectors such as health, technical and engineering-related fields, among others. Within the health sector, scarce skills and rural allowances were introduced to supplement employees' salaries for attraction and retention purposes.

- In accordance with the NT:GTAC: 2021:3,1.34m public servants in 2020/21, just under 70% (921,000) were in OSD groups, with non-OSD employees making up about 31% (418,000).
- The PwC quantitative analysis based on PERSAL data confirms that there is a total of 1.36m public servants as at March 2022. PERSAL data received in July 2022 indicates that, as at March 2022, approximately 55% (748,172) of all employees in the Public Service are within OSDs constituting approximately 64% of the Public Service Wage Bill. In this analysis, South African Police Service (SAPS) employees were excluded from the OSD population in line with engagements with the Department.
- It is worth noting that the percentage of officials in OSD groups in comparison to non-OSD has fallen slightly since 2009. Before that, not all OSD groups were created, so the figures are not comparable (NT:GTAC: 2021:3).

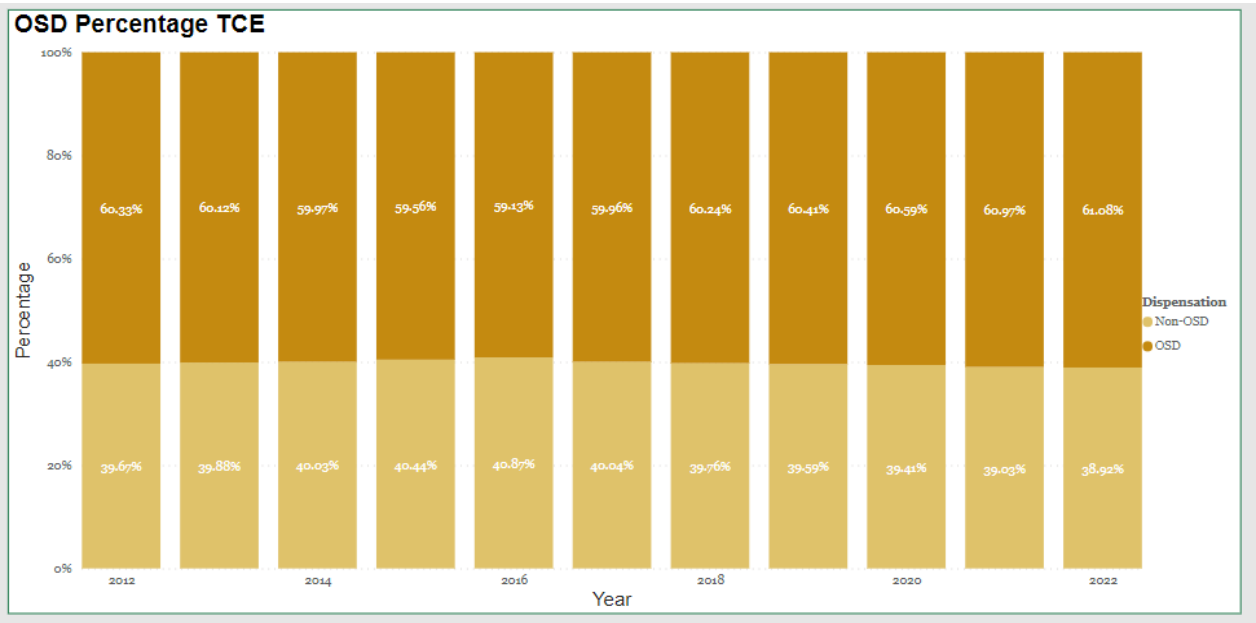
The following graph depicts the percentage of OSD staff compared to the overall staff headcount, where headcount was calculated as the number of employees obtaining a salary, benefit, or allowance as per the PERSAL data:



Graph 12: OSD and non-OSD staff proportion over time

The following graph depicts the percentage of the overall total cost to employer (TCE) that the OSDs contribute to as a percentage of total. TCE includes basic salary, benefits (medical aid contribution and pension benefits) and allowances:

Graph 13: OSD and non-OSD TCE percentage overtime



Very few findings of the PER 2011 were actually implemented, with the one notable exception

being the introduction of occupational differentiation for professionals and specialist roles/occupations. Based on the findings and recommendations of the PER, the Minister for the Public Service and Administration (MPSA) at the time approved that the DPSA engaged with labour on the identification and determination of possible occupational categories for inclusion into the first cohort of occupations to be part of the OSDs.

Legislative framework

The latter culminated in PSCBC Resolution 1 of 2007 being signed. The Resolution identified occupations for inclusion into the OSDs with further work to be concluded in the various sectoral councils, i.e., General Public Service Sectoral Bargaining Council (GPSSBC), Education Labour Relations Council (ELRC) etc. PSCBC Resolution 1 of 2007 identified the following principles as being central to the development and implementation of the OSDs (Resolution 1 of 2007 including clause 4.1):

- Unique salary structure per occupation.
- Centrally determined grading structures and broad job profiles.
- Career pathing opportunities based on competencies, experience, and performance.
- Pay progression within the salary level and frequency of pay progression.
- Remuneration structure, including number of notches and percentages between notches.
- Benefits and allowances to be consolidated into salaries (specifically the scarce skills allowance - clause 6 - but not housing, night shift, danger, etc.).
- Priorities and implementation dates.
- Translation measures.

The agreement also specified that:

- Grading structures and broad job profiles would be centrally determined.
- Career paths would be based on “competencies, experience and performance”.
- Intervals between notches would be revised to significant increments between notches.
- Progression would be based on performance.
- Salaries would be aligned to the market.
- Systematic progression would happen based on pre-determined periods.
- Fewer, longer salary bands would be introduced, with overlaps between levels especially to retain employees in production levels and not force them into management positions to improve salaries.
- Translation would be to the appropriate salary range for the job that employees were doing.
- Promotion would be based on qualification, experience, performance, and available posts.

Following the setting of the principles in the agreement, the National Departments responsible for the designated OSD professions were required to prepare proposals and engage with organised labour in the sectoral bargaining councils to agree to the details.

The OSDs were implemented from 1 July 2007, in the following order:

- 1 July 2007 – All categories of nurses.
- 1 July 2008 – Legally qualified professionals.
- 1 July 2009 – Engineers and related occupations such as artisans, technicians, environmental officers, and quality surveyors, etc.
- 1 July 2009 – Social service professions, including social workers.
- 1 July 2009 – Medical officers, dentists, and related professions.
- 1 July 2011 – Therapeutic, diagnostic and allied health professions.
- More categories such as correctional officers and educators were also covered by the OSDs during the period 2008 and 2009.

12. Context and overview of OSDs in relation to findings and recommendations of the PER 2006 and PER 2011

A need for total cost of employment (CoE) approach for salary levels 1 to 10:

- Introduction of occupational differentiation, particularly for professionals and specialist roles.
- Introduction of flexible employment contracts/criteria for categories for professionals/specialists.
- The use of the Patterson job evaluation system for Director-Generals/Heads of Departments (HoDs) thereby providing for a differentiation on the DG/HoD salary band on the basis of responsibility and decision-making.
- Review of the EQUATE job evaluation system.
- Introduction of a Remuneration Review Board as an oversight and governance mechanism.

Progress update since 2006

Since 2009, two major reviews of the remuneration policy of the Public Service/Sector have been completed.

- The 2011 PER:
  - Draft revised remuneration policy based on recommendations in PER developed but not approved
  - The report of the Presidential Remuneration Review Commission (PRRC) was completed in 2018 and submitted to Cabinet at the end of 2020. Cabinet approved it for release to the public. A copy was submitted to the PSCBC in March 2021.

A number of other reviews and changes to conditions of service have been implemented since 2009. These include:

- Finalisation of the implementation of the OSDs.
- Various salary (cost of living) adjustments and changes to the pay progression and grade progression arrangements in the Public Service.
- A review of the danger dispensation (still ongoing).
- The establishment of the Government Employees Housing Scheme (subject of a separate discussion document)
- A review of the performance management and development system in the Public Service (ongoing).

Findings and recommendations of the Presidential Remuneration Review Commission (PRRC) of 2018 in relation to the PER 2011

The recommendations of the PRRC 2018 include the following key principles which have a direct bearing on OSDs:

- Guaranteed fiscal stability:

  - Further analysis of headcount per salary level and notch is required to establish where employees are located on the organisational structure
- Ensure market-related remuneration:

    - Strongly recommended for the delivery of basic services such as education, health, and security.
- Ensure suitable job classification linked to remuneration.
- Introduction of a single national system of job classification and benchmarking of remuneration of teachers with jobs with similar qualification/experience requirements in the rest of the Public Service.
- Address excessive levels of employment in non-core posts.
- Promote sustainable pay progression and performance management.
- Address the concerns about the implementation of the current Performance Management and Development System (PMDS). Pay progression must be linked to productivity and achievement of policy objectives and targets.
- Improve skills retention:

    - Basic administrative functions must be performed by internal staff and not outsourced.
- Establish measurable Public Service key performance indicators to allow Departments to achieve objectives in a timely and cost-effective manner.
- Promote sound labour relations.
    - Relations between employer and organised labour need to be improved.
    - Need to restore the pride of the Public Service.
- Performance management and development systems.
- Need for comprehensive review.
- Fiscal stability and sustainability of the Wage Bill within the current macroeconomic constraints of low economic growth and high unemployment.
    - Future wage agreements must be aligned to the rate of economic growth.
- Inefficiencies and inconsistencies in the Public Service Wage Bill allocations.
- Disjuncture between achieving constitutionally mandated basic services policy objectives and provincial spending decisions.

An assessment of the findings and recommendations of the PRRC of 2018 reveals that all the identified core issues and challenges are aligned to the findings and recommendations of the PER 2011 and have a direct bearing on OSDs going forward. These include (PER 2011: 385-405):

- Redefine the purpose and criteria for the OSD strategy to ensure it focuses only on professional/ specialist positions with a scarcity factor.
- Identify and develop a strategy to remove OSD occupations that should not have been included.
- Review the salary structures for each OSD based on sound market benchmarking data and simplify the remuneration structures linked to the OSDs.
- Conduct regular (annual/bi-annual) benchmarking of OSDs to ensure competitiveness.
- Develop communication strategies to ensure that all managers and staff understand the purpose of OSDs.
- Develop a framework for all OSDs and align it with the performance management criteria to ensure notch progression based on performance.
- Conduct a focused survey to ascertain the impact of OSDs on the attraction/retention of scarce/critical skills and its impact on service delivery.
- Delink performance-based notch increases from the annual review of salaries and focus on a ‘rate for the job’ philosophy.

- Implement a centralised control policy and governance to manage job evaluation in the Public Service.
- Implement corrective action to address anomalies which have an inflationary effect on the Wage Bill.
- Verify and approve the correctness of organisational structures and establishments.
- Develop best practice principles, centralised uniformity, norms, and standards in relation to job weight ranges and salary grades. Develop and implement job grading regulations and controls.
- Capacitate DPSA to become a 'supra-Department' to provide Departments with guidance, assistance and monitoring and evaluation (M&E) and build capacity.
- Employ best practice, benchmarked, robust and uniform talent development strategies/policies in recruiting the best possible candidates, retaining, and developing them.
- Ensure that job descriptions, skills, qualifications, competencies, outputs, outcomes, post grade, salary levels and career pathing are clearly defined during recruitment and that posts are advertised timeously and correctly.
- Provide employees with line of sight between their job and the vision and aims of the organization.
- Utilise PMDS as a mechanism for engaging employees in the relationship between performance monitoring and performance optimization.
- Include development of pivotal talent as a KPI in SMS performance agreements and link to cascaded performance criteria within the PMDS.

These comparisons between two independent and respective studies reveal that the challenges and need for action have remained constant in the period of 2011 to 2018.

Reflection of OSD from 2006 to 2020

According to the National Treasury's GTAC OSD analysis as of August 2021, in real terms which would mean inflation is accounted for, compensation of employees (CoE) went from R334bn in 2006 to R569bn in 2019, which is a 70% increase, before retreating to R560bn in 2020, which was a 2% decline.

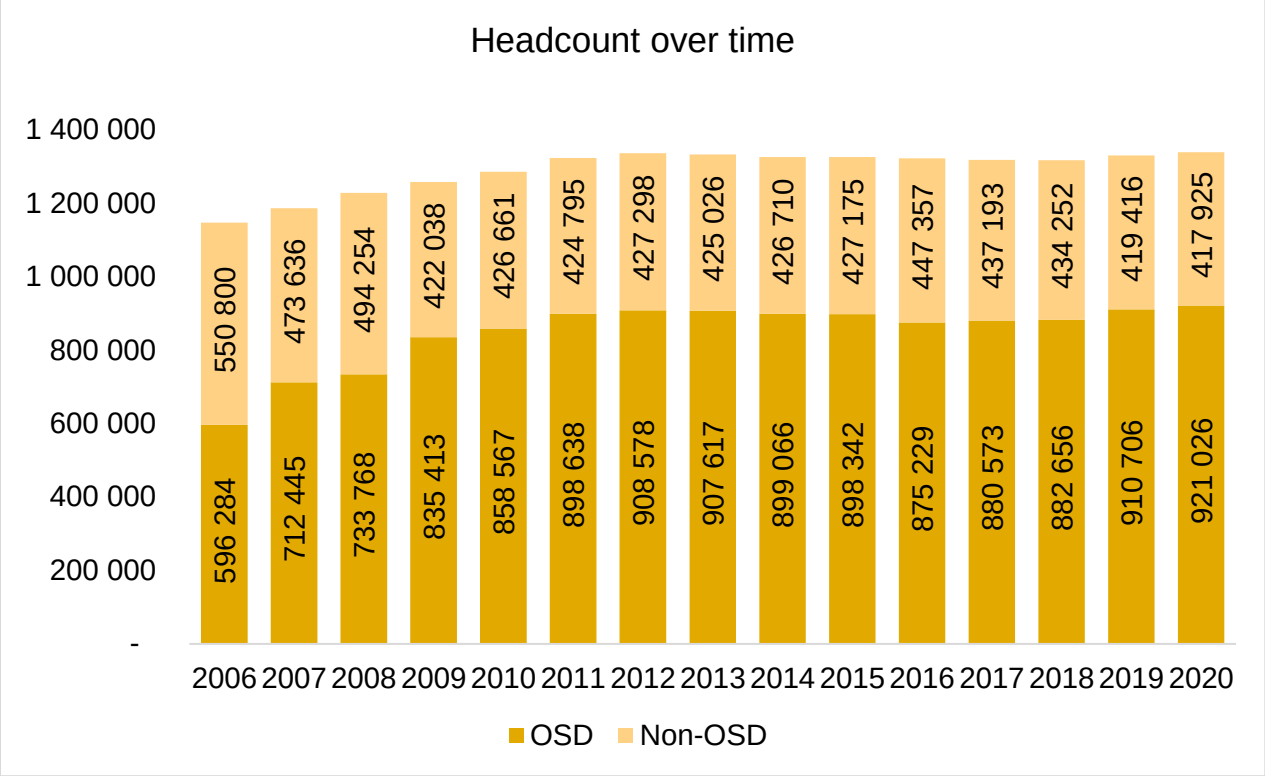
- 75% of the total increase accounted for was as a result of an increase in real wages and 25% was due to an increase in personnel numbers.
- Increase in personnel in 2020 to offset the effect of the wage freeze.

T
he percentage of Public Service officials within the OSDs compared to non-OSD employees has declined slightly since 2009; however, it is important to note that not all OSD groups had been created which would mean the figures across the years are not comparable.

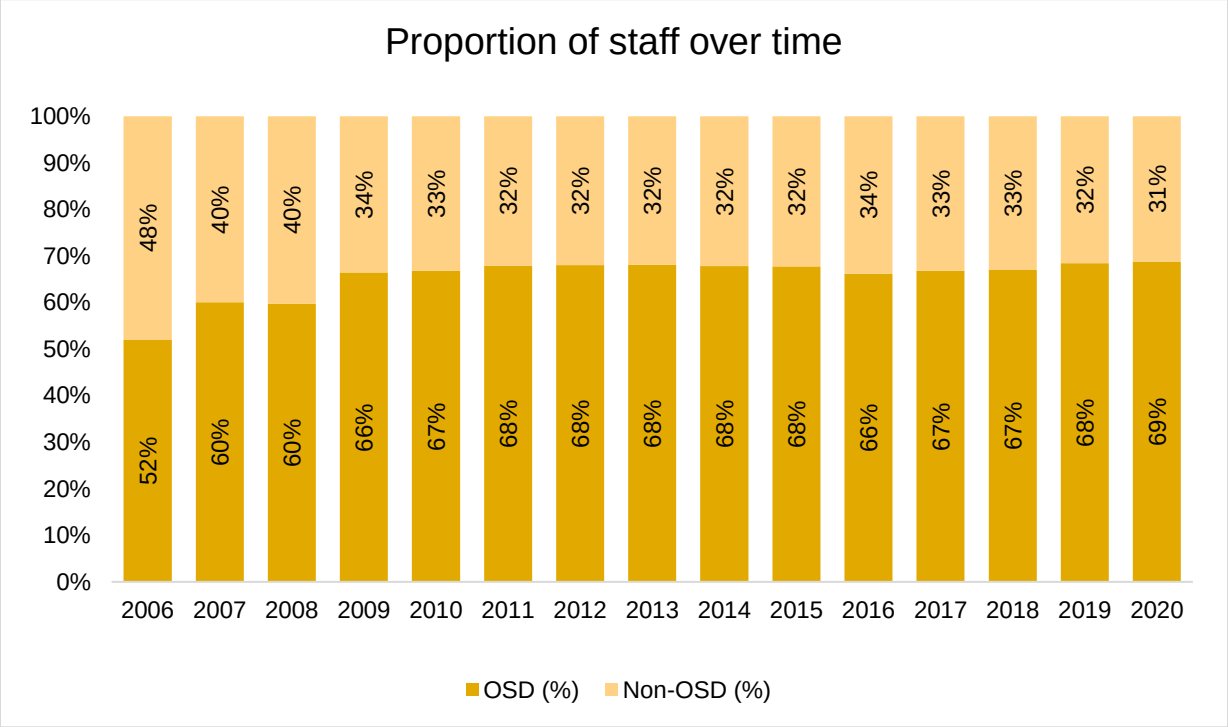
In the National Treasury's assessment of the period of 2006 to 2017, it is evident that average remuneration for OSD officials is higher than for non-OSD officials, however the rate of increase is the same. A key takeaway is that, due to the base at which increments are applied for OSD and non-OSD officials (despite the percentage change being the same), the pressure on the Wage Bill would be distorted to OSDs, given the higher headcount and average remuneration for OSD employees, opening the door to considerations for, among other things, a separate cost of living adjustment (COLA) for OSDs and non-OSDs to make the Wage Bill more sustainable.

Graphs 14 to 18 are included as depicted in the document 'OSD prez for MoF_16Aug2.pptx' received from the National Treasury Department. This analysis was included given that PERSAL data prior to 2009 was not available. The graphs depict the change in full-time employees from 2006 to 2020 and the proportion of OSD staff to non-OSD staff over time.

Graph 14: OSD and non-OSD headcount over time



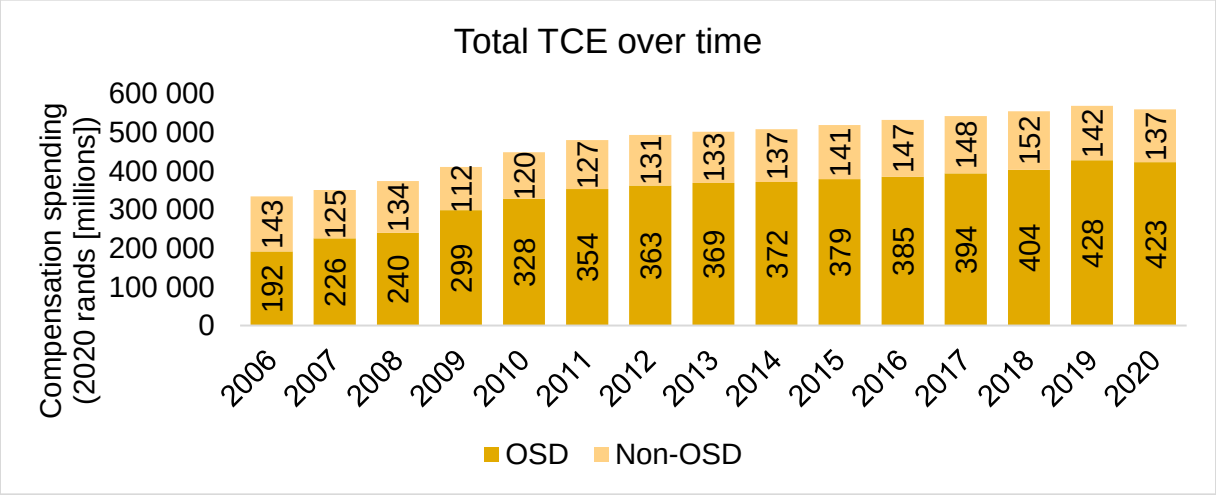
Graph 15: Proportion of OSD and non-OSD staff over time



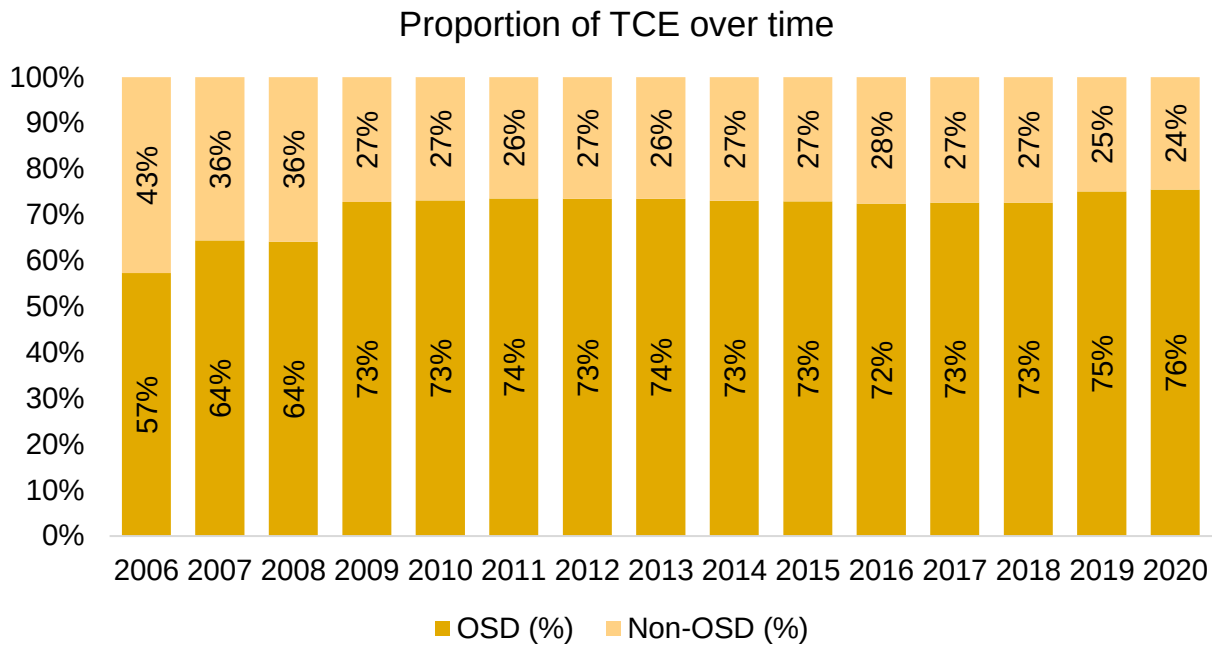
As noted in the graphs above, the headcount increased at an average rate of 2% per annum during the period from 2006 to 2012 and has remained relatively constant over that time. This increase is driven solely by the implementation of OSDs which saw an average headcount increase of 7% per annum.

The graphs that follow below depict the change in overall TCE over the same period along with the percentage split by OSD and non-OSD in real terms:

Graph 16: Total OSD and non-OSD TCE over time



Graph 17: OSD and non-OSD proportion of TCE over time



The first graph above depicts a 6% real average annual increase in the TCE between 2006 and 2012 compared to a 2% real average annual increase thereafter. This is primarily driven by an 11% real average annual increase in the TCE by the OSD component specifically.

The graphs above indicate that the headcount and TCE increased significantly as a result of the implementation of OSDs.

13. OSD principles, objectives, and successes

The principles on which the OSDs were adopted can be summarised as follows (DPSA, Remuneration Policy Framework and OSDs March 2022:4-5):

- Sustainability and affordability against the backdrop of the global economic crisis and competing government priorities.
- Compliance with the current regulatory framework for human resources management in the Public Service.
- Compliance and alignment with the remuneration policy for the Public Service to ensure harmony across the Public Service whilst also addressing occupation specific matters.
- Equal pay for work of equal value was used as a general employment principle regarding job evaluation and grading to eliminate inequality within a profession.
- Occupational specific measures were considered to support differentiation in the salary and conditions of service of each unique occupation.
- Clear and objective recruitment and progression requirements for Public Service professionals that contain minimum requirements for employment, pay and career progression.
- Creation of dual career paths for 'specialised roles' by providing a choice for each Public Service professional to follow either a specialist or management career path.
- Labour market comparisons with respect to competitive pay to ensure that Public Service employees obtain and retain the required skills and competencies, whilst remaining competitive with the national and international labour markets of countries with similar economies.
- Performance or competency-based pay progression based on objective criteria.
- A total cost to employer approach to allow employees to structure their salaries in terms of their financial needs.

The objective of the OSDs was to improve the ability to attract and retain skilled employees in the Public Service, which entailed the following:

- Development and implementation of tailor-made remuneration dispensations for specific occupational categories.
- Providing unique salary structures per occupation.
- Providing centrally determined grading structures and broad job profiles to ensure consistency within the Public Service as well as to restrict job hopping between Departments and provinces (in the same occupation).

The OSDs sought to centrally determine the salaries attached to each of the grades, centrally prescribe the skills and competency requirements and provide clear career paths and grade progression.

In giving effect to clause 4 of PSCBC Resolution 1 of 2007, the first OSDs to be implemented were the Nursing and Legal OSDs which were effective from 1 July 2007. The situation in 2022 was to objectively provide an assessment of the effectiveness, efficiency, and sustainability of OSDs going forward.

According to the analysis conducted as at March 2022, approximately 55% of all employees in the Public Service were being remunerated in terms of an OSD, constituting approximately 64%

of the entire Public Service Wage Bill. The PER 2022 needed to assess the 'as is' situation and the projected sustainability and alternatives which may exist going forward.

It is generally accepted as fact that the implementation of the OSDs contributed to a large extent to the alarming rate at which the Public Sector Wage Bill ballooned. The extent to which the OSDs ensure effectiveness and efficiency in the Public Service, as well as their sustainability, is questionable. The successes of the OSDs emanate from the objectives identified in PSCBC Resolution 1 of 2007. These included, amongst others, the following:

- To provide for differentiated remuneration dispensations for a number of scarce and critical skills/professionals and occupations in the Public Service.
- To create a unique salary structure per occupation and to cater for the occupation specific and unique needs for the different occupations.
- To prescribe grading structures and job profiles to eliminate inter-provincial/Departmental differentiations/variations.
- To provide adequate and clear salary progression and career pathing opportunities based on competencies, experience, and performance.
- To provide a salary structure with substantial overlaps between salary levels to provide progression opportunities for those employees who choose to remain in the production levels, without having to move into management/supervisory levels. It specifically provided that specialists and professionals may earn salaries equal to or higher than managers.
- To incorporate scarce skills allowances into salaries.
- To improve the Public Service's ability to attract and retain skilled employees going forward.

These objectives were executed with varying degrees of success and consistency. Many challenges were subsequently experienced with the introduction of the OSDs, but the successes envisaged and aligned to the objectives must be acknowledged. This included ensuring fair, equitable and competitive remuneration structures for identified categories of employees within the Public Service, notably for doctors, nurses, other allied health professionals, teachers, legal practitioners, social service experts and engineers.

The OSD dispensation also provided for a salary progression to employees for certain Departments (e.g., Education and Health). Flexible remuneration packages for occupations within SMS were also implemented and this resulted in a total cost of employment (CoE) approach for the first time. The adoption of a competitive remuneration package provided for the attraction and retention of specialist and expert skills in the Public Service amidst challenges being experienced in the recruiting of scarce and critical skills. This resulted in the Public Service being able to offer competitive remuneration packages that could be structured by employees within certain guidelines and prescripts.

There was also greater transparency in remuneration structures and incentives in these categories. The Public Service was also able to position itself as an 'employer of choice' going forward. The playing fields between Departments were levelled in their quest to recruit and retain their fair share of skilled and scarce resources, and in so doing, the Public Service was able to overcome 'job hopping' between Departments. As a result, professionals could be retained for longer in production posts, which adds value and enhances service delivery. The new dispensation also encouraged and emphasised the importance and need for the improvement of employee qualifications, experience, and registration with professional bodies.

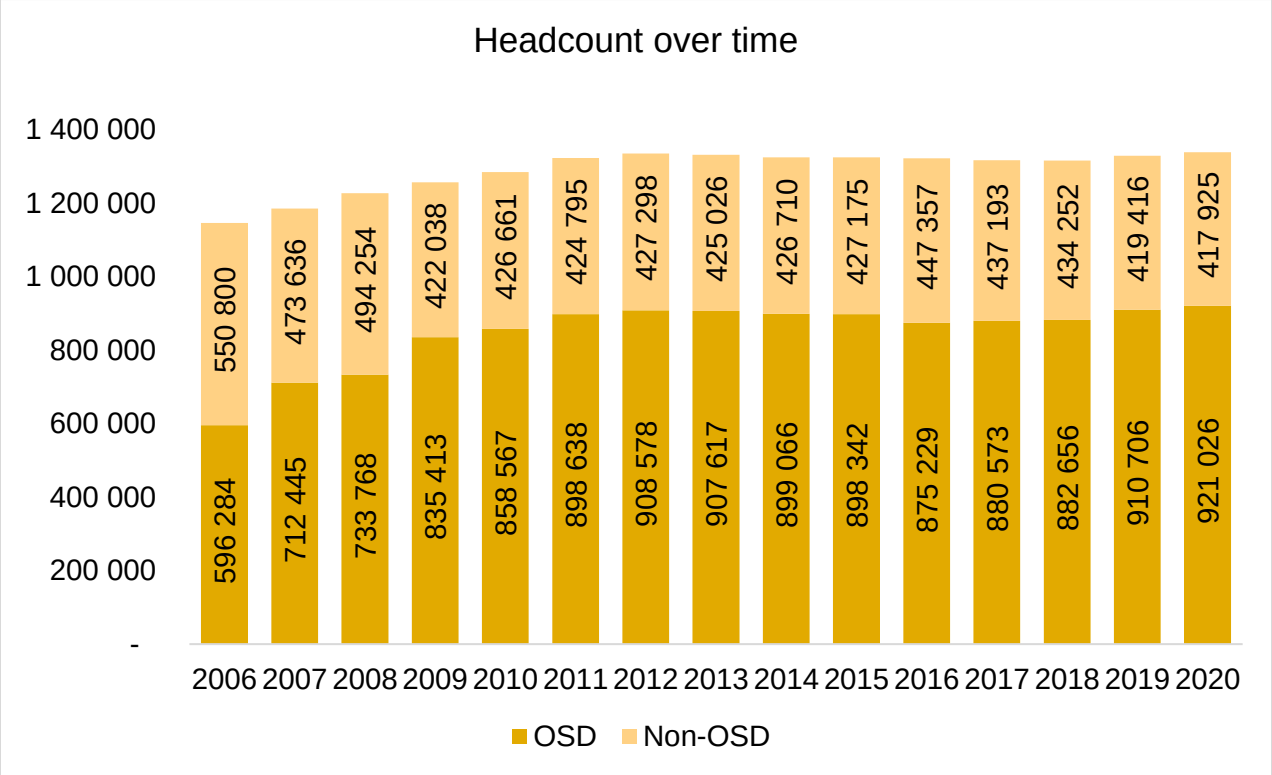
The ‘grandfather clause’ made provision for selected OSDs, e.g., Education, Health, Public Works, and Justice, who had not attained the requisite qualification and professional registrations for the specified job requirements. The concession was granted by the Public Service for these professionals to fill the qualification/registration gaps within a specified timeframe. The management and monitoring thereof has not been consistent in ensuring that the conditions under which qualification registrations concession were given. However, anecdotal evidence obtained through qualitative engagements conducted in 2022, suggests that beneficiaries of the ‘grandfather clause’ provision have subsequently progressed to promotional posts whilst still benefiting from the provisions of the ‘grandfather clause’. The ‘grandfather clause’ is not a documented regulation or process as confirmed by the DPSA in February 2023.

The overriding benefits can be summarised as achieving the following key objectives:

- Differentiated remuneration dispensation.
- Salary progression in relation to notch increase and grade progression based on competence, experience, qualifications, and performance.
- Attraction and retention of scarce and critical skills.

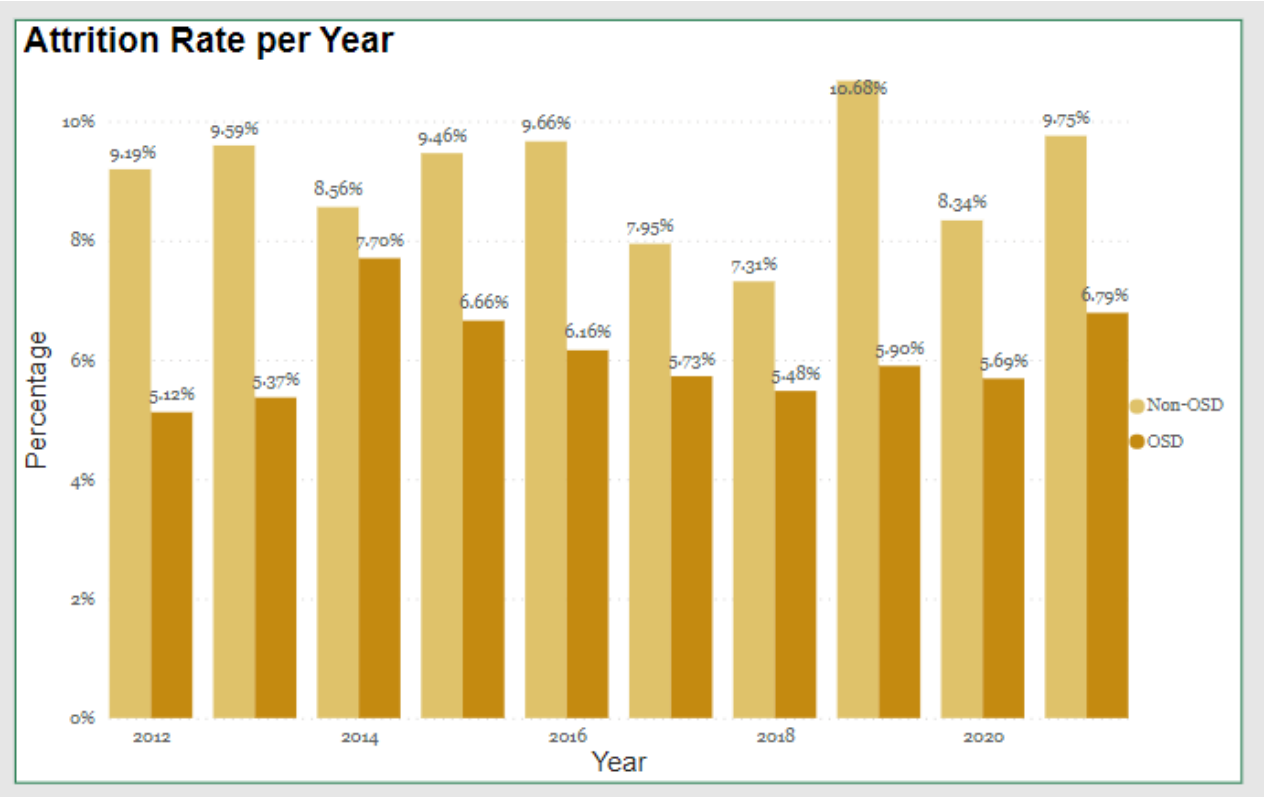
As noted in the graph below, the substantial increase of staff headcount upon implementation of OSDs (2006-2012) indicates success in attraction of scarce and critical skills.

Graph 18: OSD and non-OSD headcount over time



The graph below indicates the comparative attrition rate between OSD and non-OSD staff after implementation:

Graph 19: OSD and non-OSD Attrition rate over time



This lower attrition of OSD staff indicates that the objective to retain scarce and critical skills with OSDs has been achieved. It is important to note that there are various other contributors to the low rate of attrition, but no evidence exists in relation to the numerous factors that could be considered.

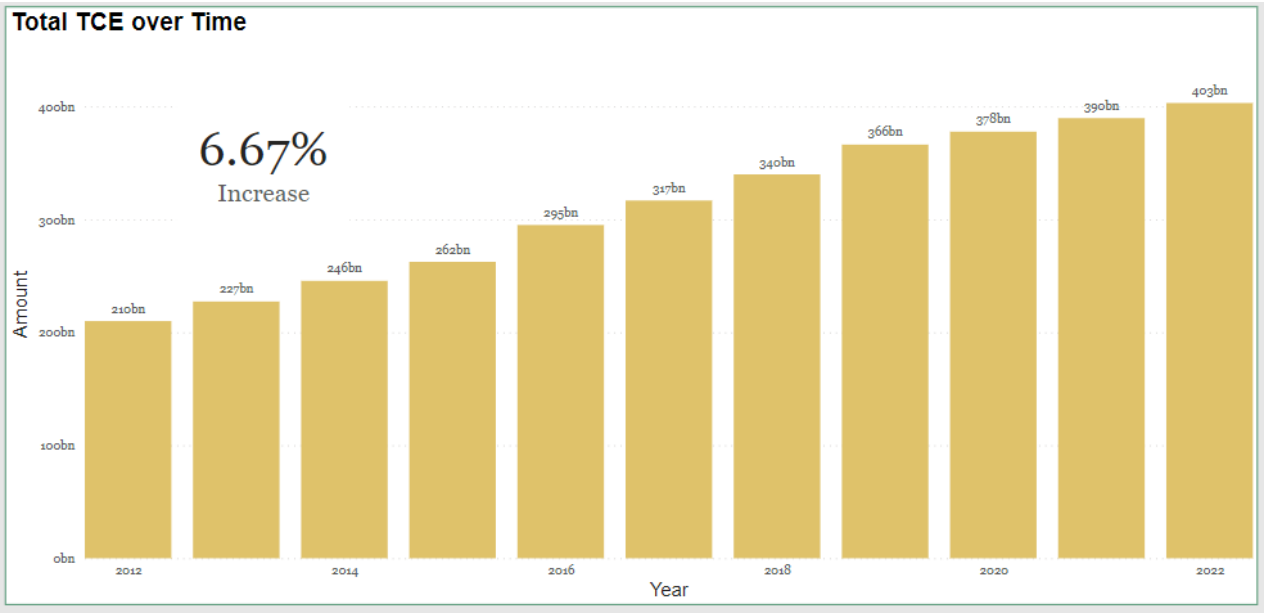
The manner in which OSDs were envisaged, formulated, regulated, and implemented has resulted in numerous challenges which need to be assessed and analysed going forward, with specific reference to sustainability and affordability.

Graph 20 below shows the total cost to employer over time, across all salary levels within the OSD. In every graph to follow, total cost to employer includes basic salary, benefits (comprising of medical aid and pension contributions) and allowances. The most material allowances and benefits include the following:

- Service bonus.
- Personal non-pensionable allowance.
- Overtime.
- Housing allowance.
- Travel and subsistence allowance.

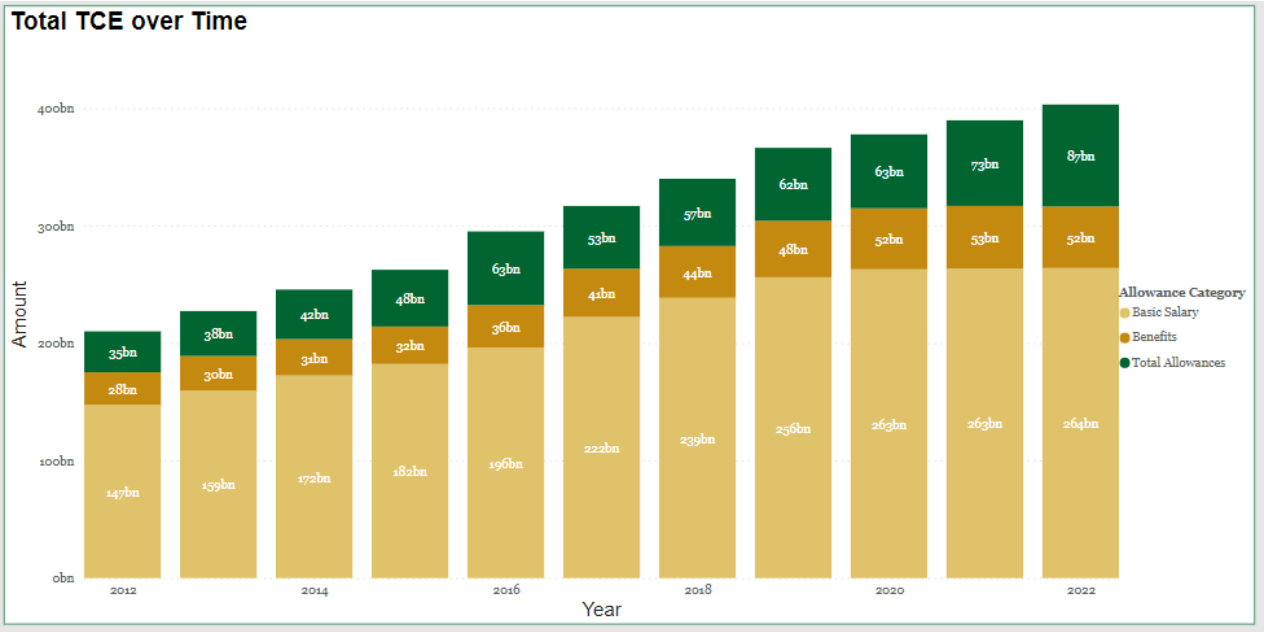
- Pension contribution.
- Medical aid contribution.

Graph 20: Total TCE over time



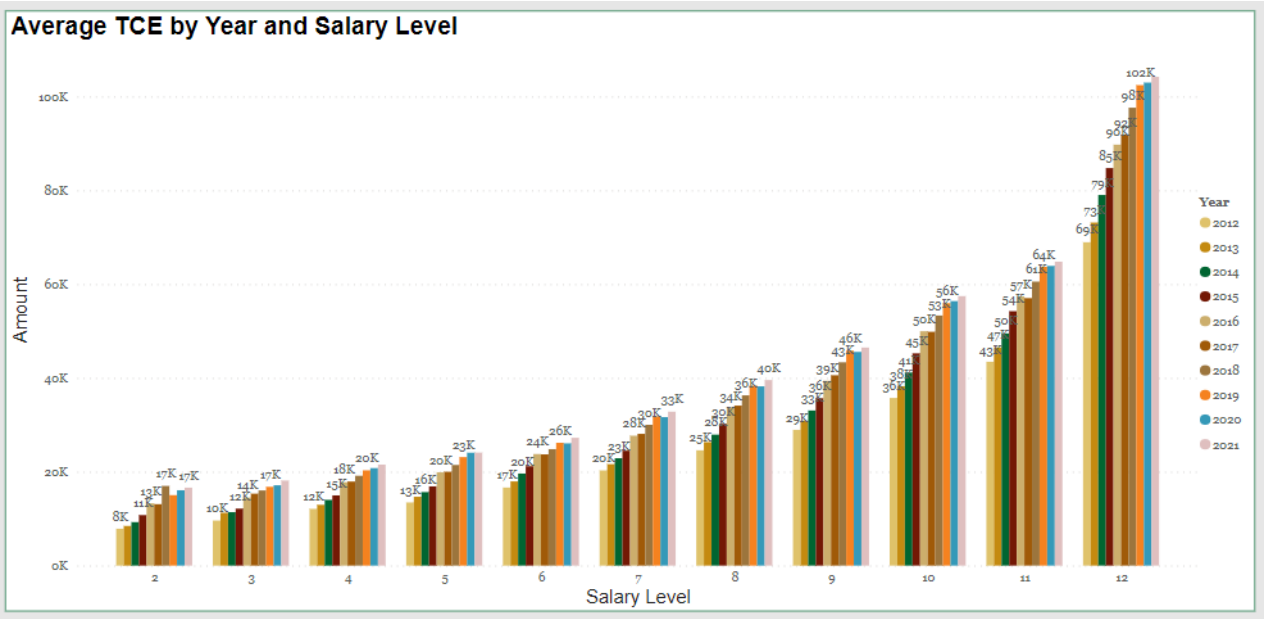
The graph below shows the total cost to employer split between the three broad categories: basic salary, benefits and total allowances within the OSD.

Graph 21: Total TCE over time



The graph below shows the increases in average cost per employee within the OSD, per year, over the years 2012 to 2021. Data from 2022 was excluded from the graph since a full year of data had not yet been recorded. As employees only fall between salary levels 2 and 12, only those have been included.

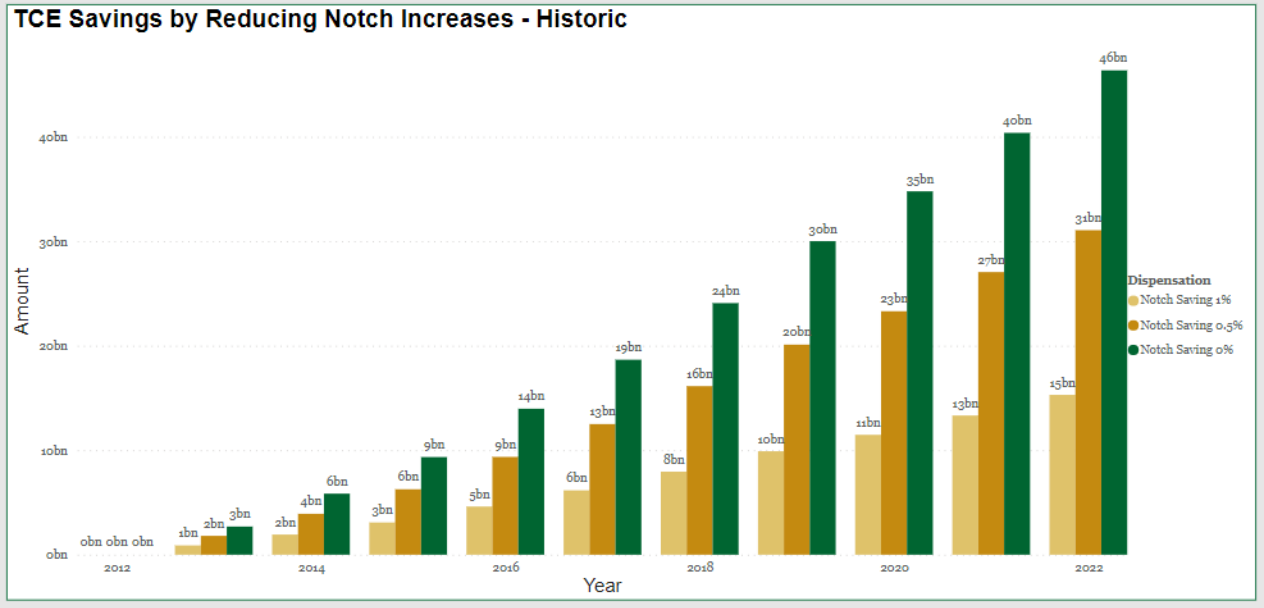
Graph 22: Average TCE by year and salary level



The graphs above illustrate the high nature of the increases of average and the overall TCE. The annual increase of 6.67% compares to an average inflation rate of 5.03% and nominal GDP growth of 4.10% over the same period. This means increases have outpaced inflation by a relative 33% and nominal GDP growth by a relative 63%.

A theme that encompasses the OSDs is the notch payment progression system. The following graph provides scenarios of the reduction of the progression to 1%, 0.5% and 0% respectively. Taking 2022 as an example, a move to 0% has the potential of reducing the Wage Bill by R46bn. It is important to note that this would need to be negotiated with organised labour.

Graph 23: TCE savings by reducing notch increase - historic



The following summative matrix provides an overview of OSDs from inception to the applicable state per OSD with specific reference to:

- The period 2007 to 2010 (the period in which OSDs where initially implemented).
- DPSA PER 2011.
- Deloitte DoH OSD Review 2012.
- PER 2022 quantitative and qualitative outcomes, including a consideration of the National Treasury, IMF 2021, PRRC 2018 and Intellidex 2020 reports.

The following OSDs are reviewed in relation to the above:

- Health.
- Education.
- Legal.
- Social services.
- Engineering and related.
- Correctional service.

Rating and risk scale	
Grey	Not directly applicable
Green	Good
Purple	Moderate
Blue	Significant areas to be addressed
Red	Serious concern

OSD objectives	Health	Education	Legal	Social services	Engineering and related	Correctional officials
To provide differentiated remuneration dispensations for a number of scarce skills/professional occupations in the Public Service	Refer to chapter 14 (Department of Health)	Refer to chapter 13 (Department of Basic Education)	Refer to chapter 15 (Department of Justice)	Refer to chapter 16 (Department of Social Development)	Refer to chapter 17 (Engineering and related)	Refer to chapter 18 (South African Police Service)
2007 to 2010						
PER 2011						
Deloitte 2012 (Specific to Health)						
PER 2022 quantitative and qualitative outcomes, including a consideration of the National Treasury, IMF 2021, PRRC 2018 and Intellidex 2020 reports						
• Inconsistent application across sectors during implementation of OSDs. • Overly complex and cumbersome to implement uniformly. • Lack of coordination based on executive authority discretion. • Implementation benchmark criteria for the diverse occupations could not be verified. • Continuation of OSD dispensation for scarce and critical skills needs to be reconsidered: ○ Identifying and redefining scarce and critical skills. ○ Identifying new emerging occupations for the future world of work. ○ Conduct new benchmarking exercise. • The extent and motivation for the classification of scarce and critical skills in, for example, the Department of Correctional Services is anecdotally uncertain.						
To provide for a unique salary structure per occupation and to cater for the unique needs of the different occupations	Refer to chapter 14 (Department of Health)	Refer to chapter 13 (Department of Basic Education)	Refer to chapter 15 (Department of Justice)	Refer to chapter 16 (Department of Social Development)	Refer to chapter 17 (Engineering and related)	Refer to chapter 18 (South African Police Service)
2007 to 2010						
PER 2011						
Deloitte 2012						
PER 2022 quantitative and qualitative outcomes, including a						

OSD objectives	Health	Education	Legal	Social services	Engineering and related	Correctional officials
consideration of the National Treasury, IMF 2021, PRRC 2018 and Intellidex 2020 reports						

- Some salary structures need to be redefined based on numerous changes in the occupational categories and the markets.
- There are newly identified occupations which have not been provided for in the initial implementation of OSDs and which could not be accommodated after the closure on OSDs in 2011.
- The extent to which the existing salary structures still address scarce and critical skills needs to be considered.
- The extent to which the existing salary structures still address attraction and retention needs to be considered.

To prescribe grading structures and job profiles/descriptions to eliminate inter-provincial/Departmental differentiations/variations	Refer to chapter 14 (Department of Health)	Refer to chapter 13 (Department of Basic Education)	Refer to chapter 15 (Department of Justice)	Refer to chapter 16 (Department of Social Development)	Refer to chapter 17 (Engineering and related)	Refer to chapter 18 (South African Police Service)
2007 to 2010						
PER 2011						
Deloitte 2012						
PER 2022 quantitative and qualitative outcomes, including a consideration of the National Treasury, IMF 2021, PRRC 2018 and Intellidex 2020 reports						

- The extent and accuracy of the grading process for the period 2006 to 2011, which all qualitative engagements imply as having been done, cannot be validated other than to note that certain challenges and benchmarking criteria were problematic.
- It is evident that post 2011 there was a move from EQUATE (no longer used) to Evaluate (not in use since 2018) to the current reality of the absence of a JE system. Public information validates that an RFP for a new JE system was published by the DPSA in February 2023.
- Anecdotal evidence suggests that JE has been performed in decentralized manner using benchmark studies which cannot be verified.

OSD objectives	Health	Education	Legal	Social services	Engineering and related	Correctional officials
• Qualitative evidence suggests that JE is currently a big challenge considering the uniqueness of some Public Service OSDs. • Similarly, job descriptions are outdated and need to be reviewed for consistency throughout the Public Service.						
To provide adequate and clear salary progression and career pathing opportunities based on competencies, experience, and performance	Refer to chapter 14 (Department of Health)	Refer to chapter 13 (Department of Basic Education)	Refer to chapter 15 (Department of Justice)	Refer to chapter 16 (Department of Social Development)	Refer to chapter 17 (Engineering and related)	Refer to chapter 18 (South African Police Service)
2007 to 2010						
PER 2011						
Deloitte 2012						
PER 2022 quantitative and qualitative outcomes, including a consideration of the National Treasury, IMF 2021, PRRC 2018 and Intellidex 2020 reports						
• Qualitative evidence clearly suggests that performance management is executed in most instances. • The extent to which performance management objectively measures output aligned to the strategy and the principles of delivery excellence is challenging, based on all verifiable qualitative data and reports analysed. • The unique performance management system envisioned in, for example, health sector occupations, has not materialized. • All OSD Resolutions, starting with Resolution 1 of 2007, emphasise the role and purpose of PMDS specific to the OSDs, which can only be assumed to mean aligned to objective performance and output criteria, which are not being adhered to. This is endorsed by all reports since 2011 and qualitative engagements conducted in 2022/23.						
To provide a salary structure with substantial overlaps between salary levels to provide progression opportunities for those employees who choose to remain in the production levels without moving into management/supervisory levels. Specifically, provided that specialists and professionals may earn salaries equal to or higher than manager	Refer to chapter 14 (Department of Health)	Refer to chapter 13 (Department of Basic Education)	Refer to chapter 15 (Department of Justice)	Refer to chapter 16 (Department of Social Development)	Refer to chapter 17 (Engineering and related)	Refer to chapter 18 (South African Police Service)

OSD objectives	Health	Education	Legal	Social services	Engineering and related	Correctional officials
2007 to 2010						
PER 2011						
Deloitte 2012						
PER 2022 quantitative and qualitative outcomes, including a consideration of the National Treasury, IMF 2021, PRRC 2018 and Intellidex 2020 reports						
• The overlaps caused due to the implementation of OSDs discouraged employees to apply and enter the MMS and SMS.						
Decentralisation of implementation of OSDs and its implications	Refer to chapter 14 (Department of Health)	Refer to chapter 13 (Department of Basic Education)	Refer to chapter 15 (Department of Justice)	Refer to chapter 16 (Department of Social Development)	Refer to chapter 17 (Engineering and related)	Refer to chapter 18 (South African Police Service)
2007 to 2010						
PER 2011						
Deloitte 2012						
PER 2022 quantitative and qualitative outcomes, including a consideration of the National Treasury, IMF 2021, PRRC 2018 and Intellidex 2020 reports						
• Decentralisation of the implementation of OSDs to Provincial Departments, where applicable, resulted in: ○ Interpretation inconsistencies and complexity relating to the application of the diverse and overly complex array of Resolutions, DPSA circulars, notes and translation tables which were generated centrally. ○ Lack of uniform implementation. ○ Contestation and legal challenges resulting in awards in favour of employees and subsequent contingent liabilities. ○ Complex and costly organized labour interventions.						

OSD objectives	Health	Education	Legal	Social services	Engineering and related	Correctional officials
○ The cumulative impact and cost are huge and the amounts referenced in numerous reports differ vastly. ○ The impact of uncertainty and the apparent lack of managing these changes impacted on trust, relationships, and morale.						
To improve the Public Service's ability to attract and retain skilled employees	Refer to chapter 14 (Department of Health)	Refer to chapter 13 (Department of Basic Education)	Refer to chapter 15 (Department of Justice)	Refer to chapter 15 (Department of Justice)	Refer to chapter 17 (Engineering and related)	Refer to chapter 18 (South African Police Service)
2007 to 2010						
PER 2011						
Deloitte 2012						
PER 2022 quantitative and qualitative outcomes, including a consideration of the National Treasury, IMF 2021, PRRC 2018 and Intellidex 2020 reports						
• From 2011 to 2022 quantitative data analysed from PERSAL points to a stable headcount across Departments. • There is sufficient qualitative and anecdotal evidence to suggest that the OSDs did have a significant impact on attraction and retention resulting in: ○ Stable headcounts and reduced funded vacancies in OSDs. ○ Reduced movement of specialists' occupations within the Public Sector. ○ Ability to attract and retain specialised skills in other sectors. • The employee value proposition within the Public Service provided improved competitiveness. • The issue of infrastructure, working conditions and the working environment remains a pressing issue and concern. • It is evident that certain dispensations were agreed to and awarded based on a need primarily prevalent in the Public Service and for which the justification to attract and retain employees cannot be fully justified; for example, correctional officials.						
Review and assessment of whether the OSDs are still applicable and aligned to scarce and critical skills and new emerging occupations	Refer to chapter 14 (Department of Health)	Refer to chapter 13 (Department of Basic Education)	Refer to chapter 15 (Department of Justice)	Refer to chapter 16 (Department of Social Development)	Refer to chapter 17 (Engineering and related)	Refer to chapter 18 (South African Police Service)
2007 to 2010						
PER 2011						
Deloitte 2012						
PER 2022 quantitative and						

OSD objectives	Health	Education	Legal	Social services	Engineering and related	Correctional officials
qualitative outcomes, including a consideration of the National Treasury, IMF 2021, PRRC 2018 and Intellidex 2020 reports						

- There is little to no evidence to suggest that any of the OSDs have been reviewed in relation to the intended objectives contained in the relevant Resolutions since inception
- The fact that amendments and changes to OSDs were closed and terminated in 2011. by the DPSA has not allowed for these occupations to be reviewed in terms of the existing objectives or any revised objectives since 2011.
- The status quo of OSDs since 2011 has not provided for the identification or amendment to existing or new emerging occupations based on future skills and occupational requirements.
- Skills and competencies identified in the initial OSDs have not kept abreast of changing curriculum, qualifications and registration diversification with professional bodies and emerging disciplines.

Alignment of salaries with the market	Refer to chapter 14 (Department of Health)	Refer to chapter 13 (Department of Basic Education)	Refer to chapter 15 (Department of Justice)	Refer to chapter 16 (Department of Social Development)	Refer to chapter 17 (Engineering and related)	Refer to chapter 18 (South African Police Service)
2007 to 2010						
PER 2011						
Deloitte 2012						
PER 2022 quantitative and qualitative outcomes, including a consideration of the National Treasury, IMF 2021, PRRC 2018 and Intellidex 2020 reports						

- Very little evidence exists to suggest that salaries based on a total cost to employer have been reviewed since inception.
- Market salary adjustments have moved significantly and at varying paces within the market, with specific reference to:
  - New disciplines and sub-disciplines.
  - Scarcity and demand.

OSD objectives	Health	Education	Legal	Social services	Engineering and related	Correctional officials
○ Supply and demand. ○ Incentivization and employee value propositions						

14. Department of Basic Education: Findings and recommendations

Background and overview

The introduction of the OSD impacted the already burgeoning Public Service Wage Bill, and it was implemented in accordance with the Education Labour Relations Council (ELRC) Collective Agreement No 1 of 2008 targeting educators in public education and the ELRC Collective Agreement No 1 of 2012 covering education therapists, counsellors and psychologists employed in public education (effective 1 January 2008).

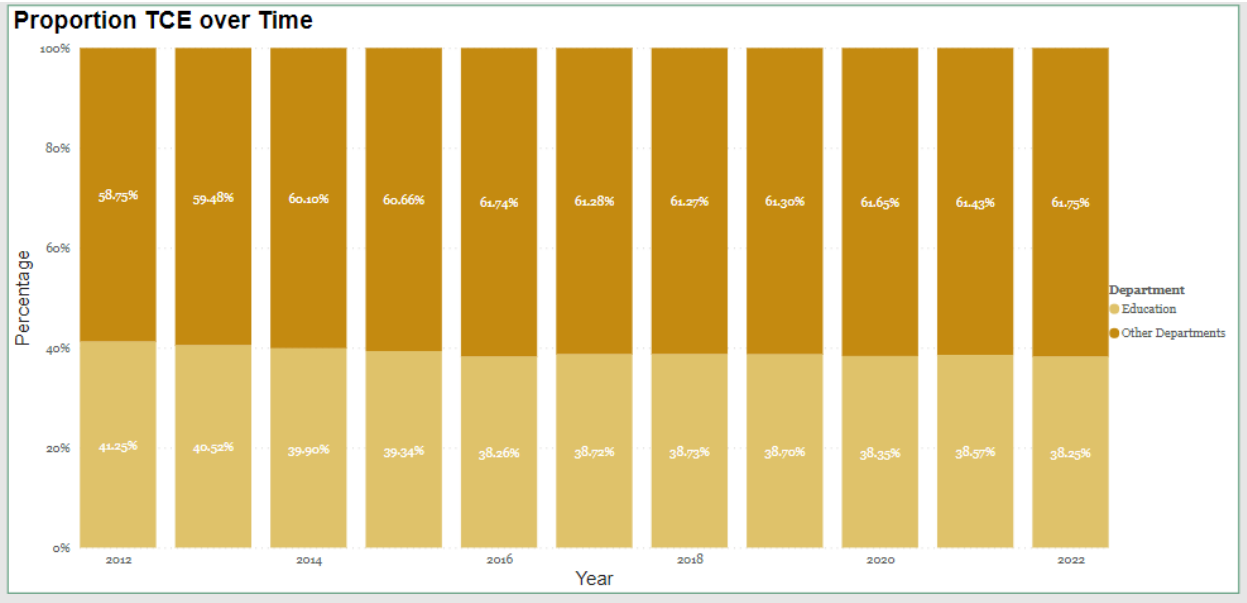
The key purpose of the OSD was to ensure that the Public Service provided a competitive remuneration to attract and retain professionals with the requisite skills and competencies. This entailed the provision of differentiated salary scales for identified categories of professionals, based on a new remunerative structure following labour market comparisons with countries of similar economies. Furthermore, the purpose of the OSD was to ensure that the inequality within a profession was eliminated and disparities between provinces were addressed. While the OSDs targeted all the professionals within the various Departments, there were deliberate occupation specific measures in place to support differentiation in the salary and conditions of service for each occupation.

While the intent of the OSD was clear and purpose driven, the implementation was accompanied by significant challenges which were highlighted in the 2011 Personnel Expenditure Review conducted by DPSA. This report acknowledged that, while the higher-than-inflation cost of living adjustments translated into an increase in income and consumption in the short term, it compromised the capacity of the Public Sector to employ and provide sustainable income in the long term. Of grave concern was the propensity for manipulation of administrative processes and irregular remunerative practices.

While the intention was to address inequities and disparities within the different sectors, it was found that the different structures of sectors created some complexities. This was largely due to some sectors being responsible for national functions and others for provincial functions. This was further exacerbated by the changes arising from merging and demerging (Higher Education and Basic Education split).

The graph below depicts the proportion of overall TCE that the Department of Education comprises:

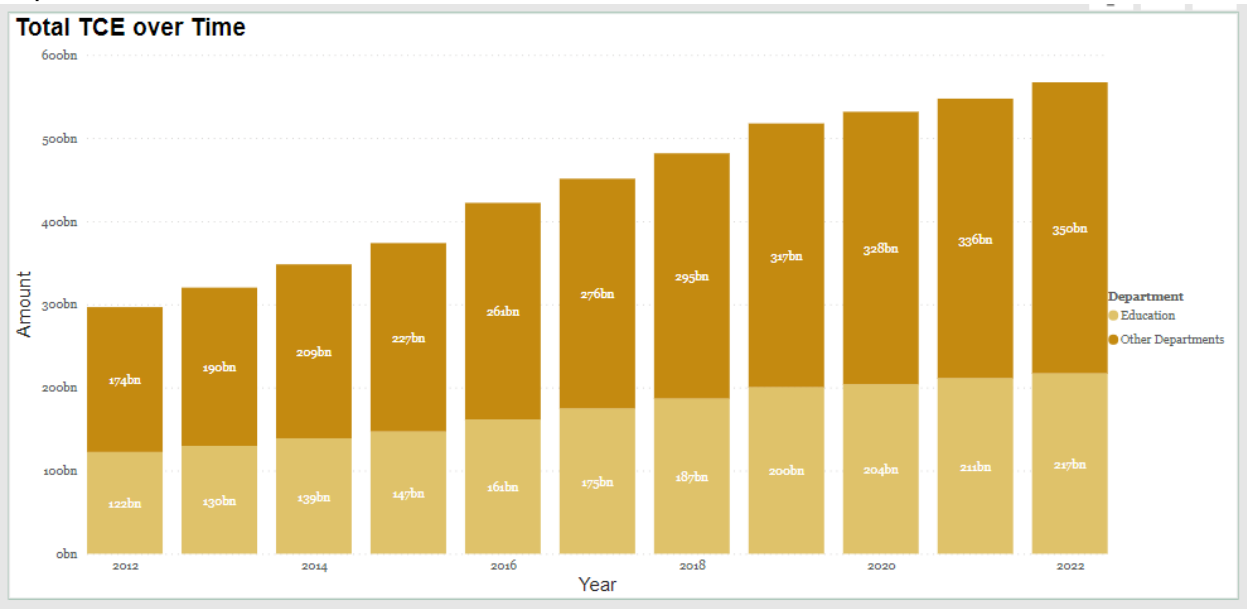
Graph 24: Proportion of TCE over time



This graph shows the Department of Education comprising a lower amount of the overall spend over time, reducing from approximately 41% in 2012 to 38% in 2022. Upon engagement with the department, this is as a result of intentional management of the overall cost. The department does still, however, make up the highest proportion of any individual department.

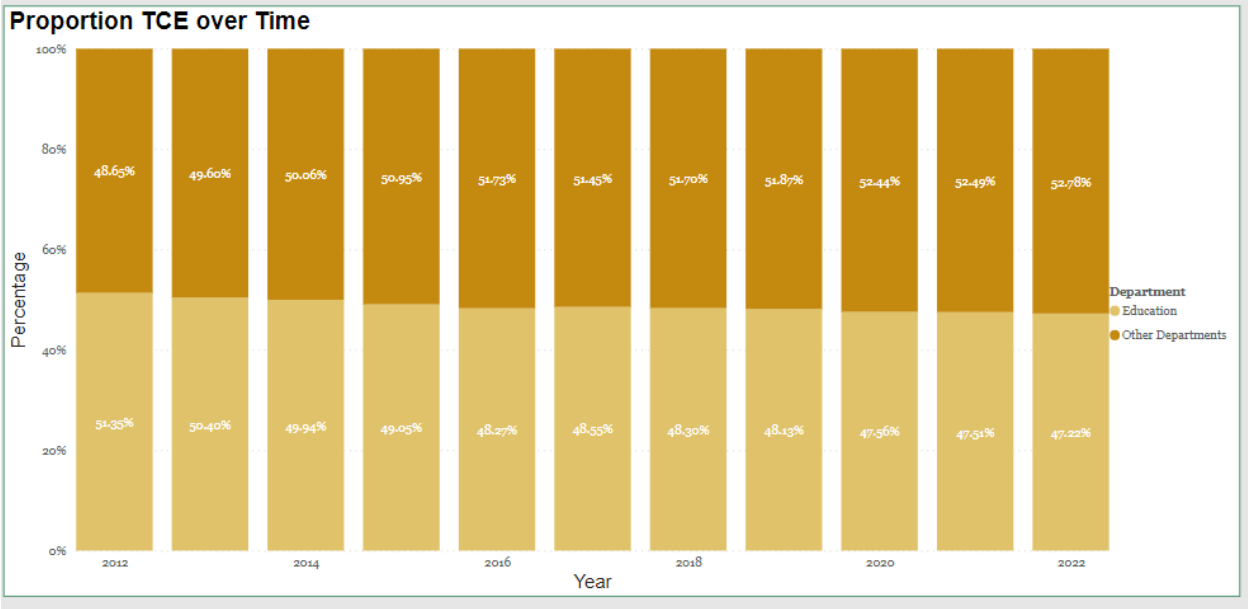
The graph below illustrates the absolute amount for the proportion of overall TCE that the Department of Education comprises from 2012 to 2022.

Graph 25: Total TCE over time

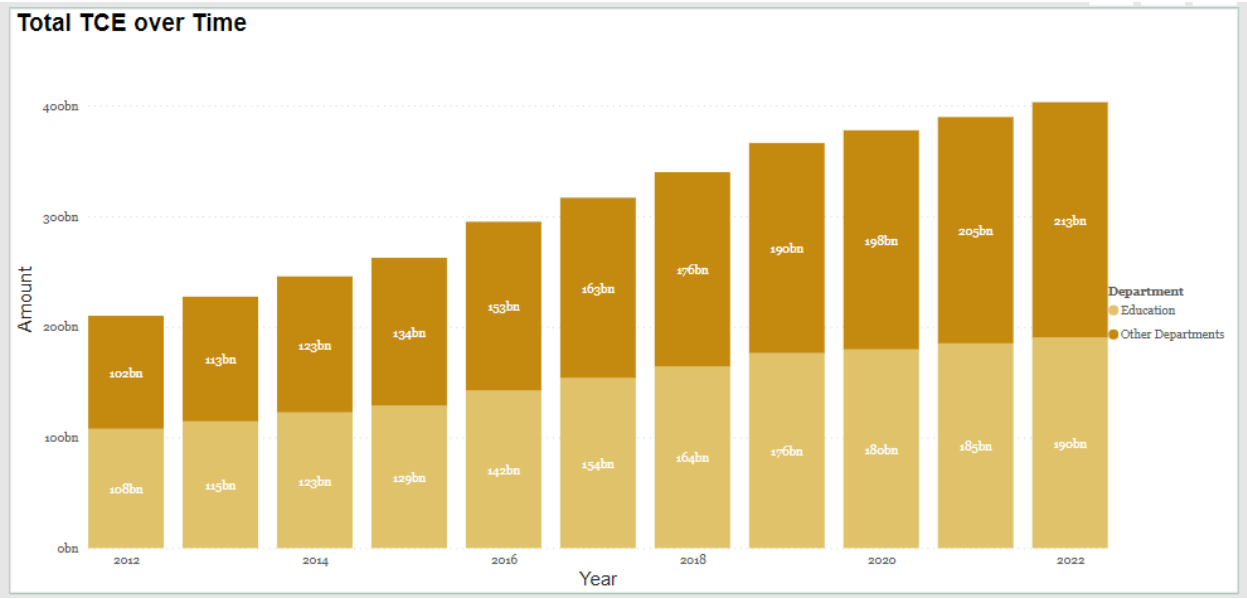


The graphs below provide the proportion of TCE analysis and total TCE over time with a focus on the OSD-specific expenditure from 2012 to 2022.

Graph 26: OSD proportion of TCE over time



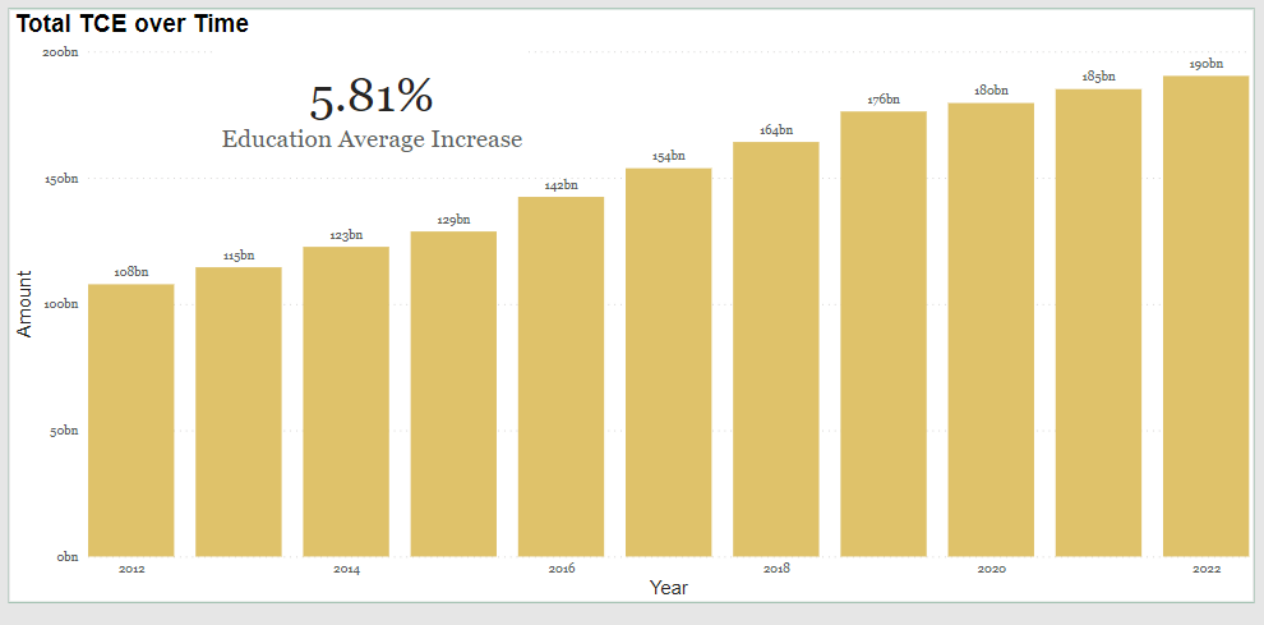
Graph 27: OSD total TCE over time



As noted in the graphs above, when looking at OSD expenditure specifically, the same decreasing proportion holds; however, we see that Education makes up an even greater proportion of spend than the overall Wage Bill spend, which ranges from 47%-51%. This demonstrates the key role that the Department of Education plays when investigating Wage Bill spend and specifically OSD spend.

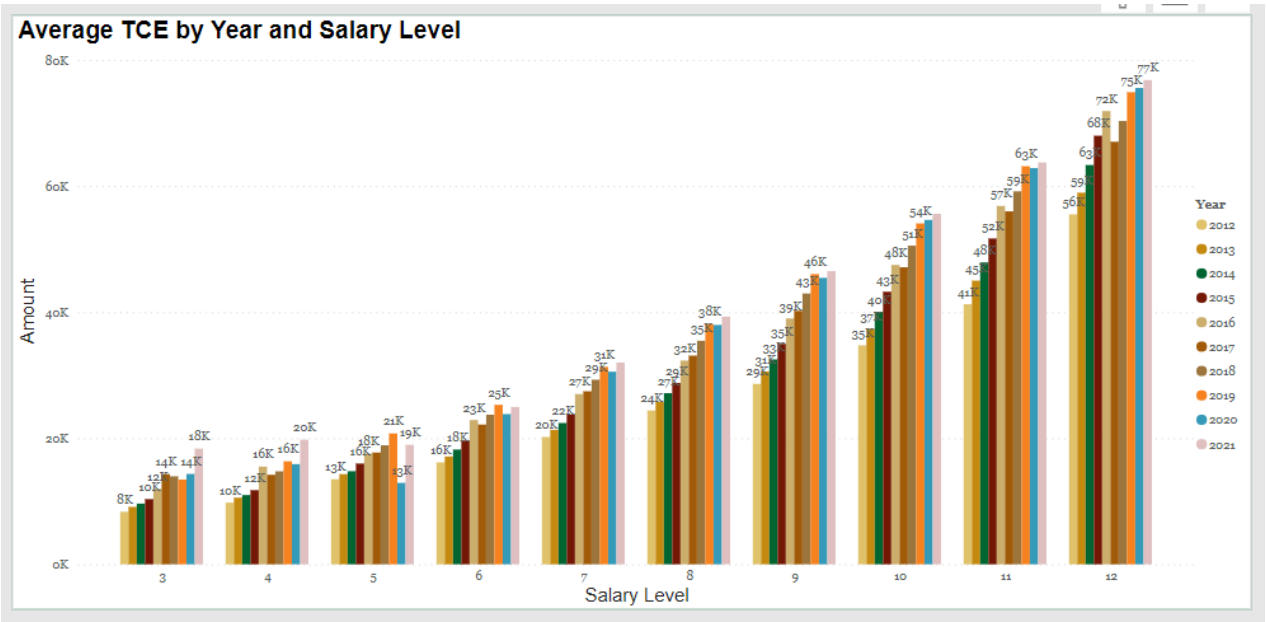
The graph below shows the overall TCE spend with specific reference to OSD in Education and gives an indication of the average increase over time:

Graph 28: OSD total TCE over time



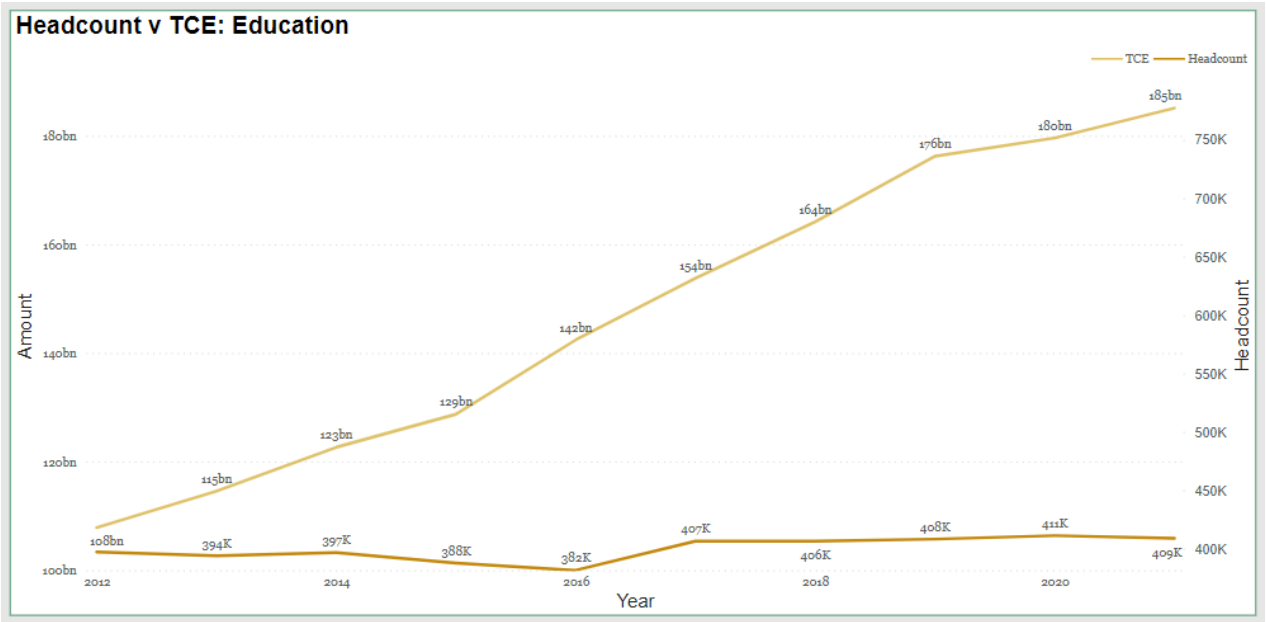
The graph that follows gives an indication of how the average TCE varies per year within each of the salary levels for OSDs.

Graph 29: OSD average TCE by year and salary level



The graph below shows the overall TCE trend compared to headcount within OSDs:

Graph 30: OSD headcount vs. TCE in Education



The three graphs above indicate that the average annual increase in the TCE (5.81%) within Education is driven almost solely by increases in the average salary, as the headcount has

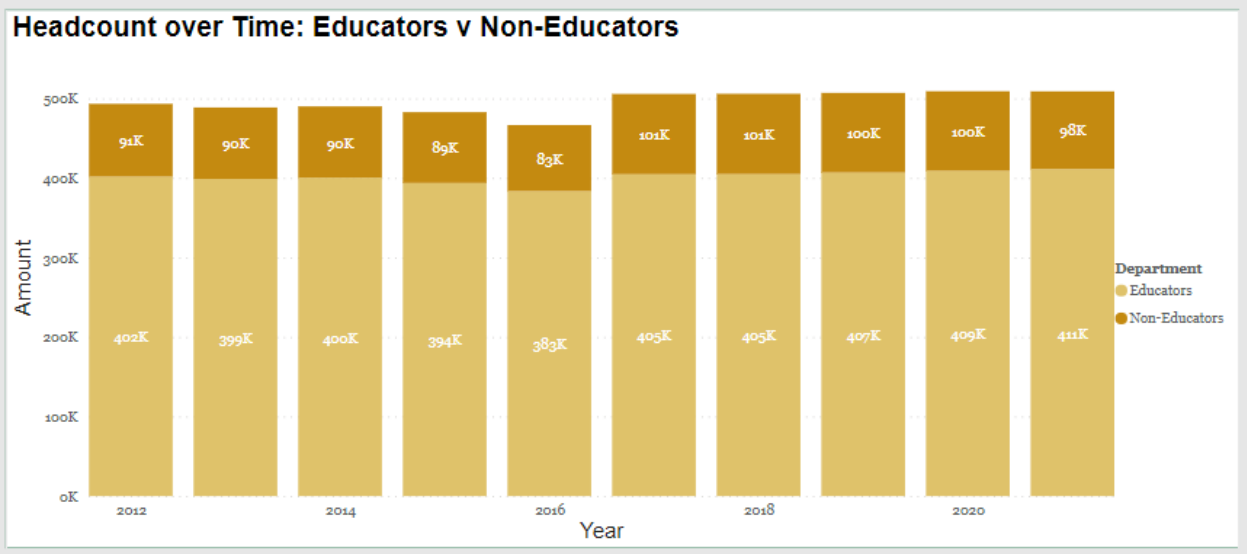
remained stable over the past ten years, even decreasing slightly since 2020. This gives a background to contextualize the qualitative and quantitative findings which follow.

Key findings within Education

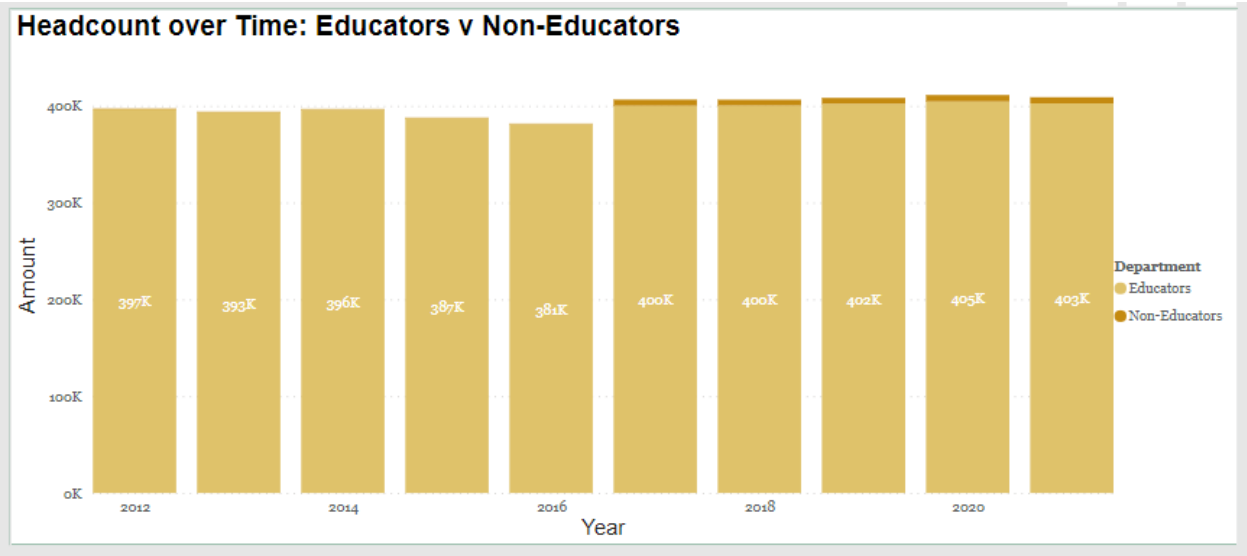
- Employees in basic education are appointed in terms of the Public Service Act and Employment of Educators Act and comprise education specialists, principals, deputy principals, Heads of Departments, and teachers as well as administrative support staff.
- In 2013, there were a total of 397k educators being remunerated on the PERSAL system. By 2015, this total was reduced to 387k which still dominated all the other sectors. Despite it being the largest sector, there is a pattern of consistent year-on-year loss of both educators and support personnel. The demographics reflected 67.5% female and 32.5% male with 79% Africans, 2.9% Asian, 8.7% Coloured and 9.3% White. From the analysis conducted, the L1 CSE posts – educators accounted for 88.3% of the remuneration expenditure across the basic education sector (National Treasury GTAC, undated).

The following two graphs illustrate the total headcount over time in the Department of Basic Education; the first containing the entire Department, split by educators and non-educators and the second including OSD employees only, split in the same manner.

Graph 31: Entire Department headcount over time for educators vs. non-educators

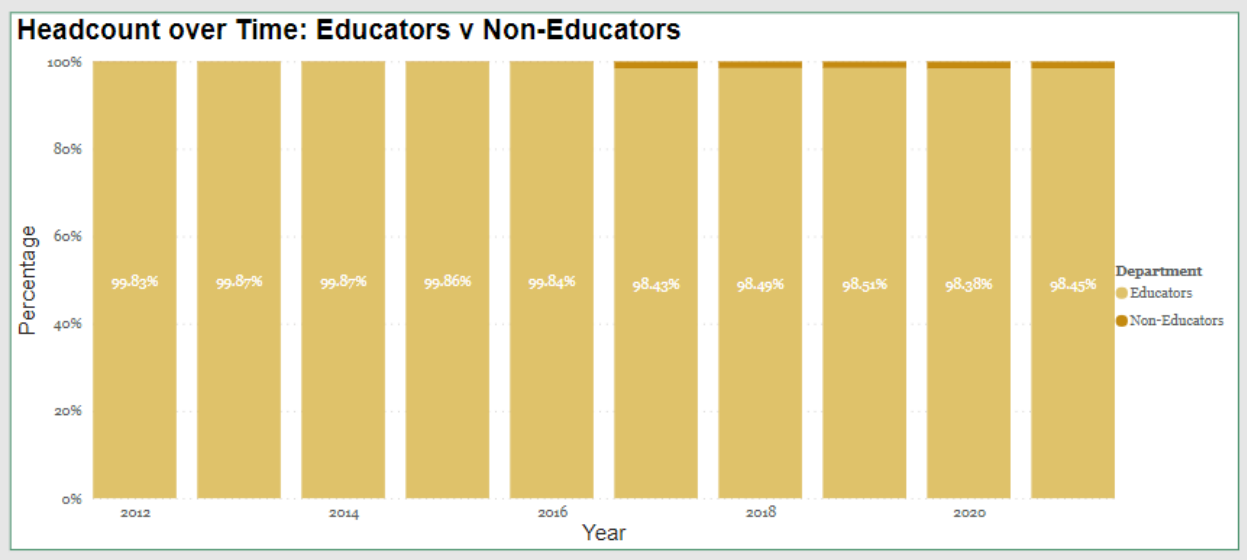


Graph 32: OSD headcount over time for educators vs. non-educators

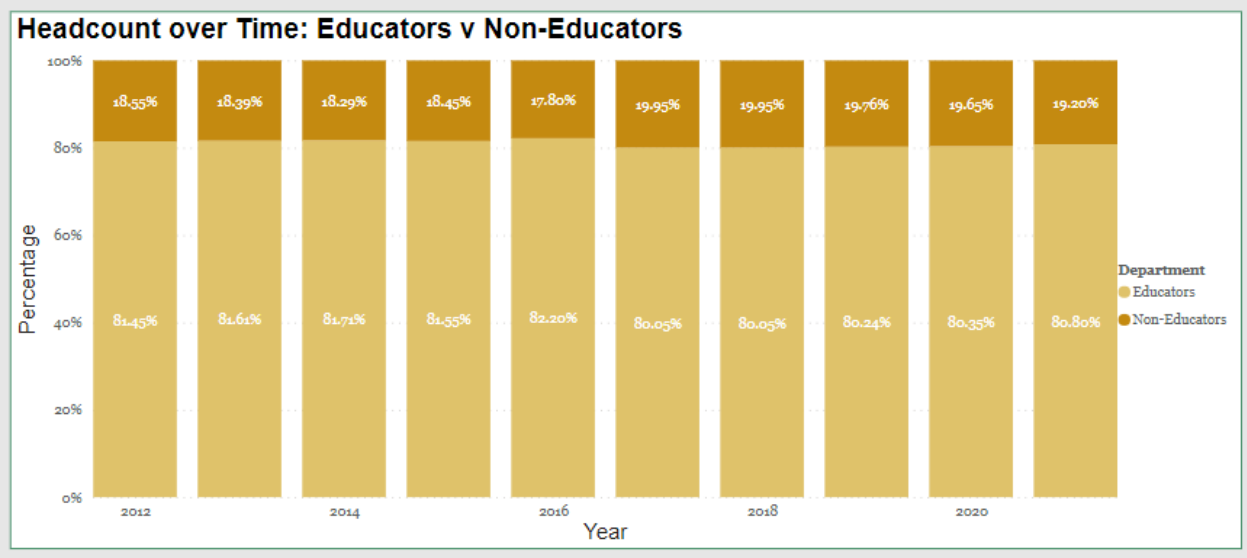


The following graphs illustrate the proportional headcount over time in the Department of Basic Education, split between educators and non-educators; the first containing the entire Department and the second including OSD employees only.

Graph 33: Entire Department headcount over time for educators vs. non-educators



Graph 34: OSD headcount proportion over time for educators vs. non-educators

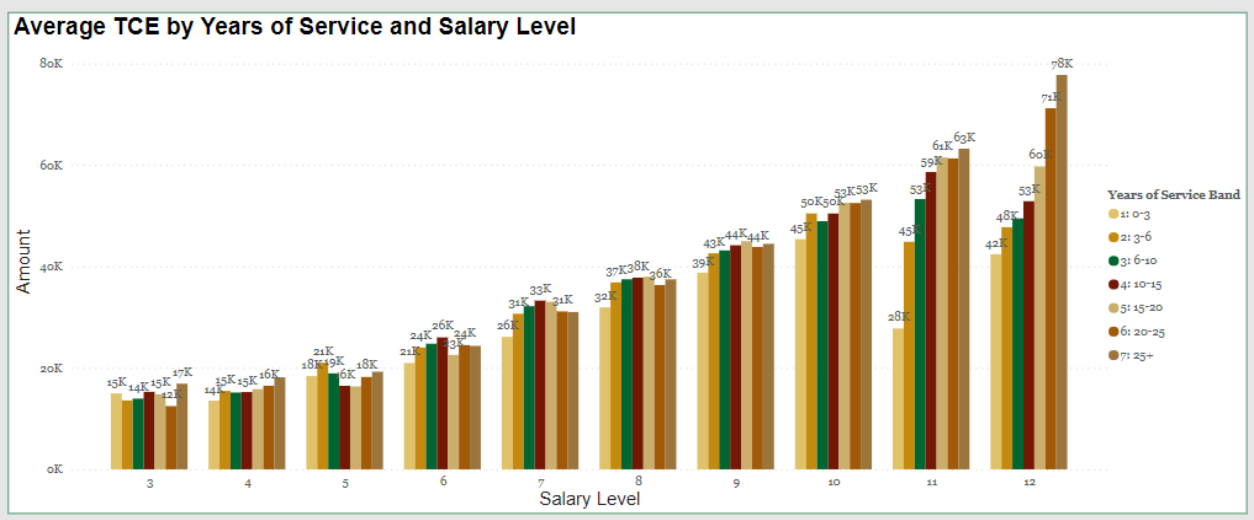


The above graphs illustrate that both the overall Department and OSD headcount are dominated by educators, which will translate to the overall Wage Bill. The stability of the headcount stands out compared to other Departments. During our engagements it was also noted that, due to the ageing educator complement, this number is expected to reduce further in future.

- Within the education sector, there were 21 occupational groups. The age group analysis indicates the majority of levels C1-6 falls within the ages of 35-65. The implication for this is important for understanding the cost of employment. It is understood that the longer employees are in service, the closer they are to the pay notch ceilings. As noted below, the average salary begins to level out with increased years in service, with the exception of salary level 12.

The graph below depicts the pay notch levels with increasing years of service within each salary level.

Graph 35: OSD average TCE by years of service and salary level



- Another key consideration impacting OSDs for educators is the qualification of the educators. The OSD is an application for fully qualified teachers on REQV levels 14 and below which includes teaching assistants, teacher interns and new teacher entrants. The data analysed showed that more than 50% of educators have bachelor's degrees or Higher Education diplomas while at least 14.35% have Honours or Postgraduate diploma qualifications.
- Remuneration figures show that, while the personnel numbers for educators decreased during the period 2013-2016 from 396,600 to less than 381,000, the remuneration expenditure increased (attributed to some spikes in examination-related activity).

Highlighted successes within Education

- The implementation of the OSD resulted in the attraction and retention of skilled educators within the Public Service.
- It served to elevate the profession.
- It improved teacher salaries after a period of at least three years with no pay progression (teacher salaries were increased from a notably lower base).
- It allowed for progression within production level, allowing educators wishing to remain in the classroom to progress. Historically, for progression, educators had to occupy management posts, which caused skills and experience gaps at the classroom level.
- It promoted improved employee qualifications and career pathing.

Key challenges of implementing the OSD

- In line with the intent of introducing the OSD and its subsequent restructuring, attracting specialists to management positions became challenging given that classroom-based specialists ended up earning the same or more than their seniors in management positions, resulting in imbalanced organisation structures.
- Within the education sector, the different dispensation systems (OSD, SMS and MMS) created challenges. Specialists moving into management roles ceased to benefit from the OSD dispensation. This resulted in an appointment on the new dispensation on the lowest salary scale and eventually reached the band ceiling. However, with the OSD, there are no ceilings and increases are given until the point of retirement.
- In the absence of a programmatic advocacy and knowledge sharing mechanism relating to the OSD rollout plan, provinces translated the OSD differently, resulting in disparate implementation.
- The translation of the OSD for therapists, social workers, psychologists, and counsellors posed significant implementation challenges given that it was a direct 'cut and paste' from the Department of Health which did not include levels 11 and 12 in their structure. This resulted in inconsistent translations across provinces. These cases, especially in Gauteng (14 in total) have still not been resolved. The remuneration levels are not commensurate with the deliverables in an education environment, which would necessitate a review of the conditions of employment.
- There are also expressed challenges relating to the grade progression and recognition of relevant experience for the therapists, nurses, and social workers within the education sector.
- Key challenges have been identified with the attraction and retention of infrastructure specialists (for instance, engineers) given that the salaries were not deemed to be market related.
- There are several cases where employees were not able to be placed correctly on the OSD levels. These refer specifically to office-based personnel. This resulted in an approximate R40m contingent liability.
- It is also understood that a consequence of the OSD was a stagnation in careers.

Recommendations

- In addressing the above-mentioned challenges, it is recommended that the process of the collection, collation, and analysis of non-PERSAL data from the various provinces be streamlined and centralised. It is vital that the data obtained is verified to ensure that it is credible to provide useful insights.
- There is a need for Provincial Education Departments, in collaboration with the National Department of Basic Education, to conduct a salary review to ensure that the pay scales across the education sector are informed by benchmarked outcomes.
- Improved modelling of the future demand and supply of educators, given that attrition through retirement has been increasing steadily.
- To ensure that the education sector reviews the OSD levels for the category of education therapists, psychologists and counsellors to accommodate the REQV levels present in the education structure.
- There is a need to address the issue of unplaced personnel and outstanding disputes to ensure that the costs are contained, and no further contingent costs are incurred.
- It is strongly suggested that consideration be given to the conditions of employment of these categories, given that they do not fulfil teaching roles.

15. Department of Health: Findings and recommendations

Background and overview

The OSDs introduced new salary scales per identified occupations to attract and retain employees with the required competencies in sufficient numbers and in certain key and critical occupations. The intention was to incentivise and motivate all health employees with a view to improve service delivery, in a sector which was experiencing service delivery challenges. The OSDs provided a central grading structure to ensure parity amongst National and Provincial Departments.

The aim of the OSDs in the health sector was to improve the ability to attract and retain skilled employees in the public health service which included, amongst others, the following:

- Development and implementation of tailor-made remuneration dispensations for specific occupational categories of health employees
- Providing unique salary structures per occupational category in health
- Providing centrally determined grading structures and broad job profiles to ensure consistency within the Public Service as well as to restrict job movement between Health Departments and Provinces in the same occupations.

The OSDs sought to centrally determine the salaries attached to each of the grades, centrally prescribe the skills and competency requirements and to provide clear career paths and grade progression. By December 2011, approximately 45% of all employees in the Public Service were translated and were being remunerated in terms of an OSD, constituting approximately 60% of the entire Public Service Wage Bill. It is generally accepted as fact that the implementation of the OSDs, including all Health OSDs contributed to a large extent to the alarming rate in which the Public Sector Wage Bill ballooned.

The OSDs supported the principle of occupational specific remuneration and career progression modelling. The development of OSDs for health professionals should be understood in the context of the transformation of the health workforce environment over time.

Following the introduction of the job evaluation system in 2001, some provinces proceeded to upgrade the salary levels of certain health professional categories resulting in salary disparities across the public health sector. This was done despite efforts to address the situation through centrally coordinated job evaluation. The introduction of remunerative allowances (namely scarce skills and rural allowances) in 2003 only served to aggravate the situation further and it became clear that alternative interventions needed to be found to correct the situation.

The reasons why health professionals leave the public health service for private practice or to work in health systems in developed countries are well documented. Significant factors are salaries and the working conditions under which health professionals are expected to provide health care services.

Ensuring that public health facilities have adequate health professionals is a major challenge that is seldom understood by the public, despite the issue being a global problem. Health care planners generally agree that there are no easy and immediate solutions to staff shortages, especially in scarce professional categories. Developing economies such as ours also face the danger of brain drain at the time when critical skills are required to sustain the growth and development of the health sector to improve the quality of care for citizens.

In addressing these challenges, the Department of Health published and launched the National Human Resources for Health Planning Framework in 2006. Under the guidance of this policy document, several activities were undertaken. One of these relates to the improvement of salaries of health professionals, an issue that tends to overshadow everything else that needs to be corrected in the health system. As a response, a policy on the remuneration of health professionals was drafted, and it is against this backdrop that the concept of an OSD for health professionals, underpinned by clear objectives and principles, was conceived. The OSD focuses on issues such as proper career paths within each profession, the role of performance assessment, pay progression, implementation of HR-related policies across the provinces, and the issue of dual career paths for professionals.

Improving salaries alone has, in the past, proved to be only a temporary solution. For example, in 1996, medical doctors' salaries were improved significantly and policy makers at that time were certain that such adjustments would satisfy the doctors and improve their performance, morale and commitment to the public health sector. However, as early as 1998/9 the daily topic within the medical profession was how poorly they and other public health professionals were being paid.

The National Department of Health (NDoH) and Provinces are responsible for a wide range of professions in three basic categories:

- Nursing.
- Medical officers, dentists, specialists, pharmacists and EMS personnel.
- Therapeutic, diagnostic and related allied health professionals.

Transversal findings across Health

The information as contained in the following reports, documents, quantitative and qualitative data have been used to identify key findings applicable across the Department of Health (Medical, Nursing and Allied) both Nationally and Provincially:

- DPSA PER 2011 Report.
- National Department of Health: Review of the Implementation of an Occupation Specific Dispensation: October 2012.
- DPSA PER 2022 (quantitative: PERSAL/PERSOL data provided by the DPSA up to and including March 2022).
- Qualitative data up to and including 21 February 2023.
- National Treasury Overview of Compensation Spending in OSD Groups August 2021.

- IMF - South Africa Government Wage Bill: Assessment and Options: January 2021
- Intellidex – The Public Sector Wage Bill – an evidence-based assessment and how to address the challenges (Prepare for Business Unity South Africa): November 2020
- Presidential Remuneration Review Commission (PRRC) Report: 2018.

The OSD for health professionals was developed to give effect to paragraph 4 of the Public Service Co-ordinating Bargaining Council Resolution 1 of 2007 providing for the following:

- Career pathing opportunities based on competencies, experience, and performance.
- Annual pay progression within the limits of the relevant grades.
- Grade progression, where applicable.
- Recognition of appropriate experience for the purpose of grade progression.
- Recognition of performance for accelerated progression to higher grades and pay progression within a salary grade.
- To attract and retain health professionals to the public health sector.
- To introduce differentiated salary scales for identified categories of professionals based on a new remuneration structure.

A review of documentation provided by the DPSA and PwC research outputs in 2022 assisted in identifying the past and current challenges relating to the implementation of Nursing, Medical and Allied Health OSDs. There is a distinct gap relating to the status quo in the last five to ten years other than the challenge of the fiscal sustainability of OSDs in 2022 and beyond.

The de-centralisation of HR management practices provided its own challenges (especially where the necessary HR capacity didn't exist at a facility or Provincial/head office level), to provide the required leadership and support. Financial and human resources planning was also seriously affected by the lack of capacity, skills and experience of HR and financial management functionaries (based on qualitative information received from provinces).

The OSDs are substantial and overly complex. In-depth knowledge and understanding of the various OSDs, the differences between OSDs and non-OSD as well as differences between the OSDs themselves is essential for correct application of the remuneration prescripts. The knowledge pool on OSDs is shrinking as employees who are experienced in this are increasingly leaving the service. New employees, with no or little background in OSDs, need to be trained/taught from scratch. The complexity means this takes a long time and expertise is not guaranteed. From this perspective, the OSDs in their current form, without review or update, are not sustainable in the long term.

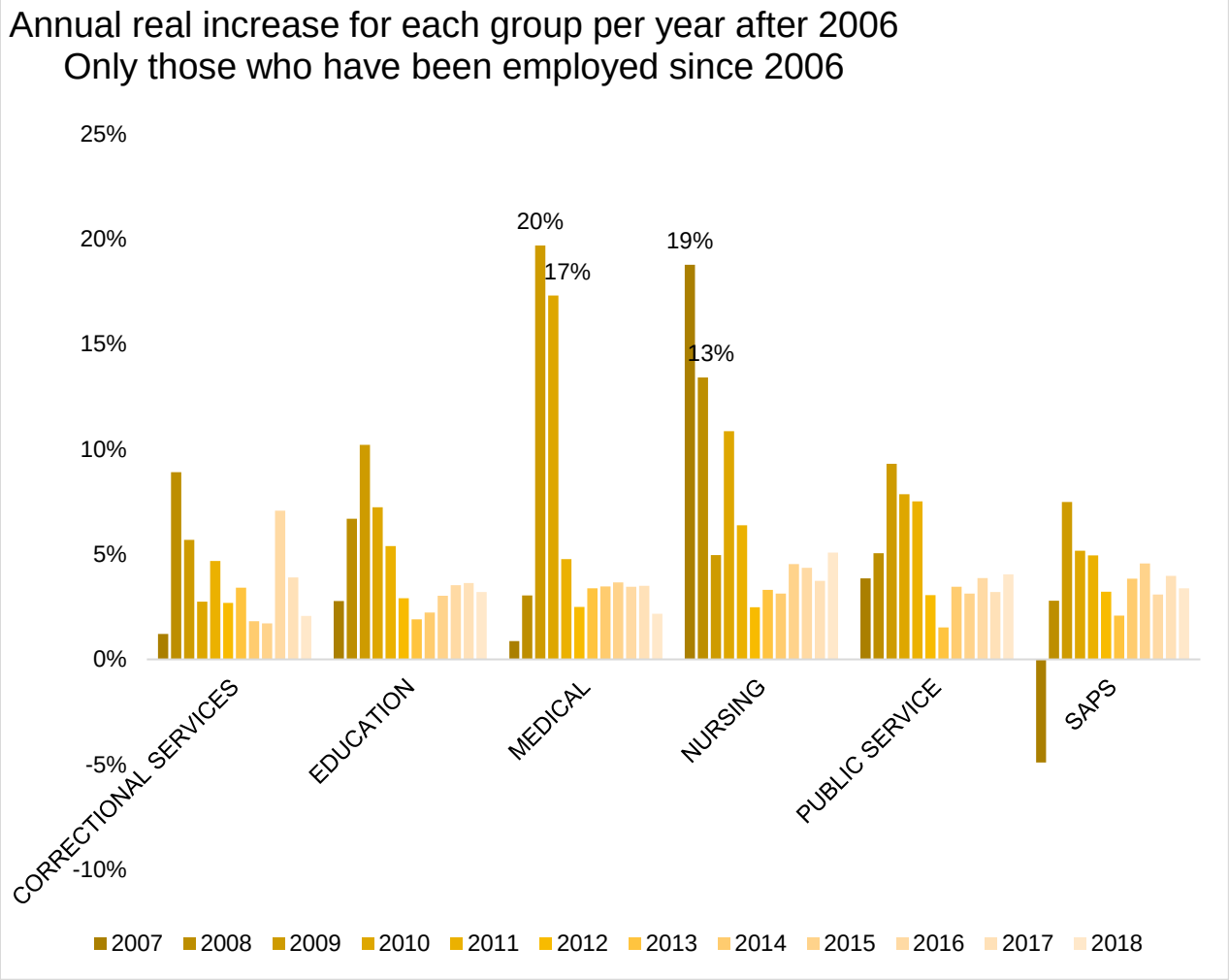
The development and implementation of the OSDs was not aimed at providing a short-term, quick-fix solution to perceived inadequate remuneration, but rather to build clear career paths and pay progression dispensation that would address medium- and longer-term remuneration objectives.

From a quantitative perspective, the following gives an indication of the context to the OSDs within the Department of Health:

The following graph (36) is included as depicted in the document 'OSD prez for MoF_16Aug2.pptx' received from the National Treasury Department. This analysis was included since PERSAL data prior to 2009 was not available.

OSDs were implemented between 2007 and 2011. The impact of the OSDs within the Department of Health can be noted as follows:

Graph 36: Annual real increase for each group per year after 2006 for employees employed since 2006

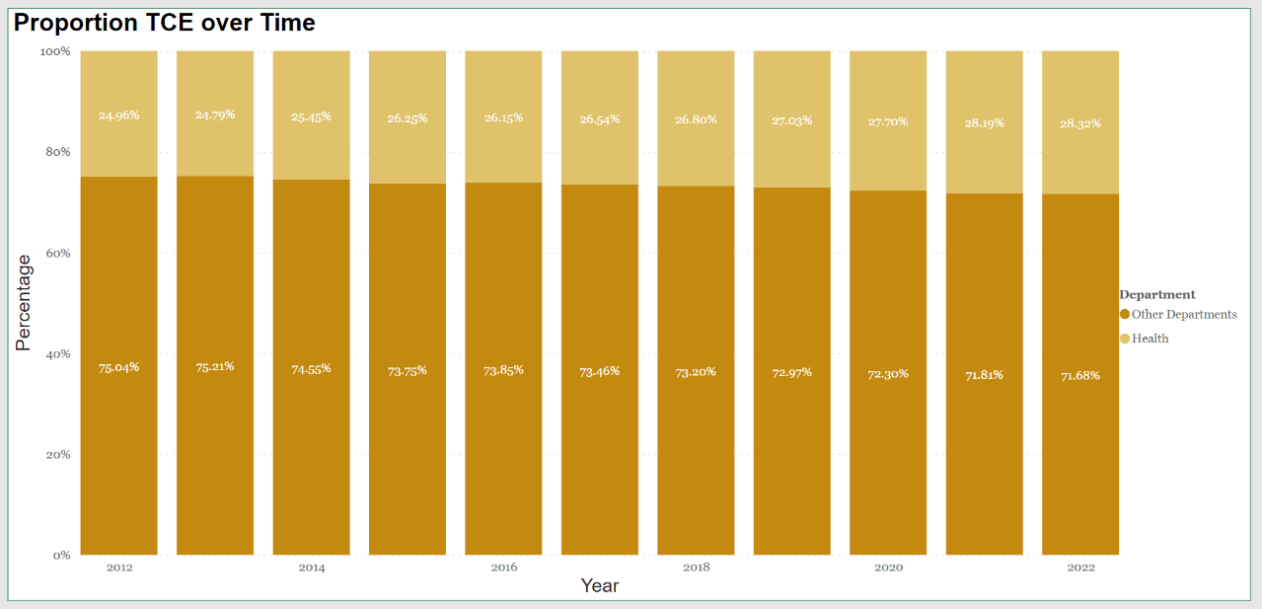


Source: National Treasury

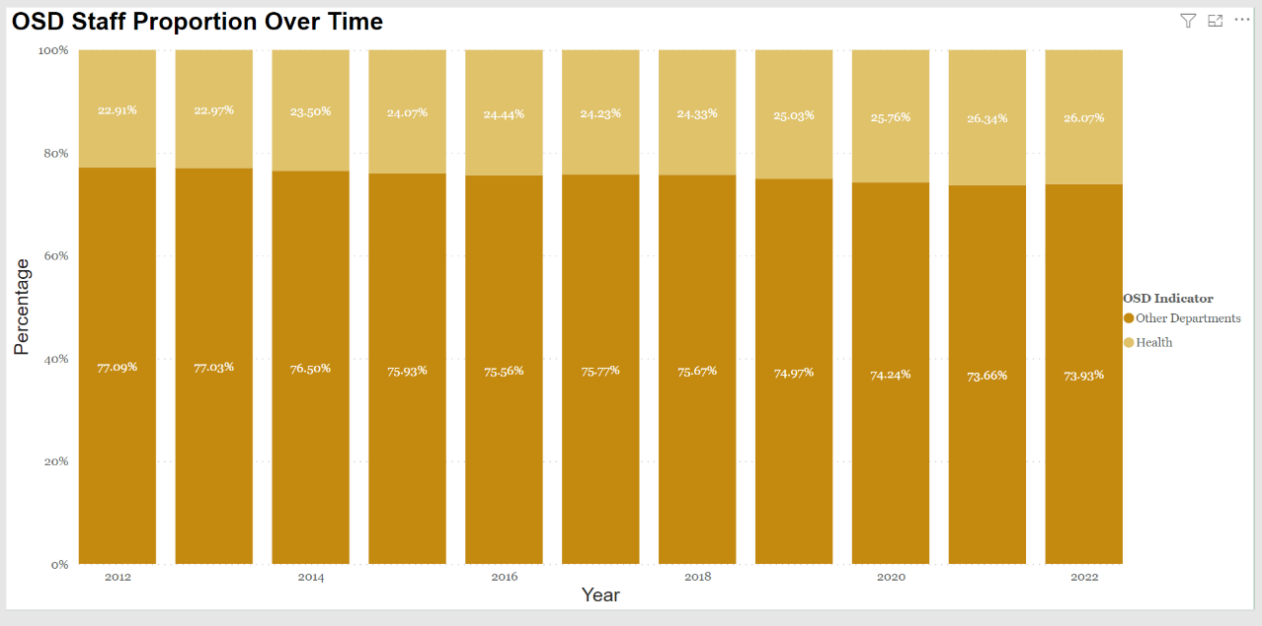
The graph above notes a substantial increase in TCE for the Nursing and Medical OSDs between the year 2009 and 2011 as a result of translation of staff, along with headcount increases.

The following data investigates the trends relating to PERSAL data after OSD implementation from 2012. The proportion of the contribution of the Department of Health to the overall OSD cost, and the number of staff the Department of Health contributes to the overall OSD staff compliment, compared to the rest of the Departments, can be noted in the graphs below:

Graph 37: TCE proportion over time



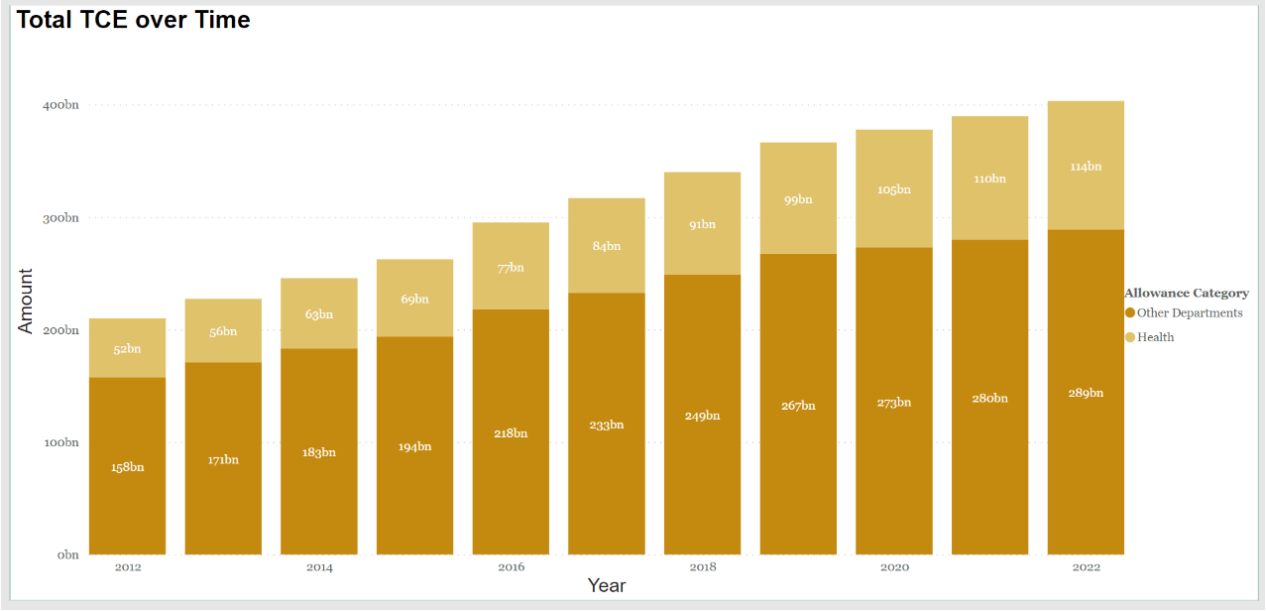
Graph 38: OSD staff proportion over time



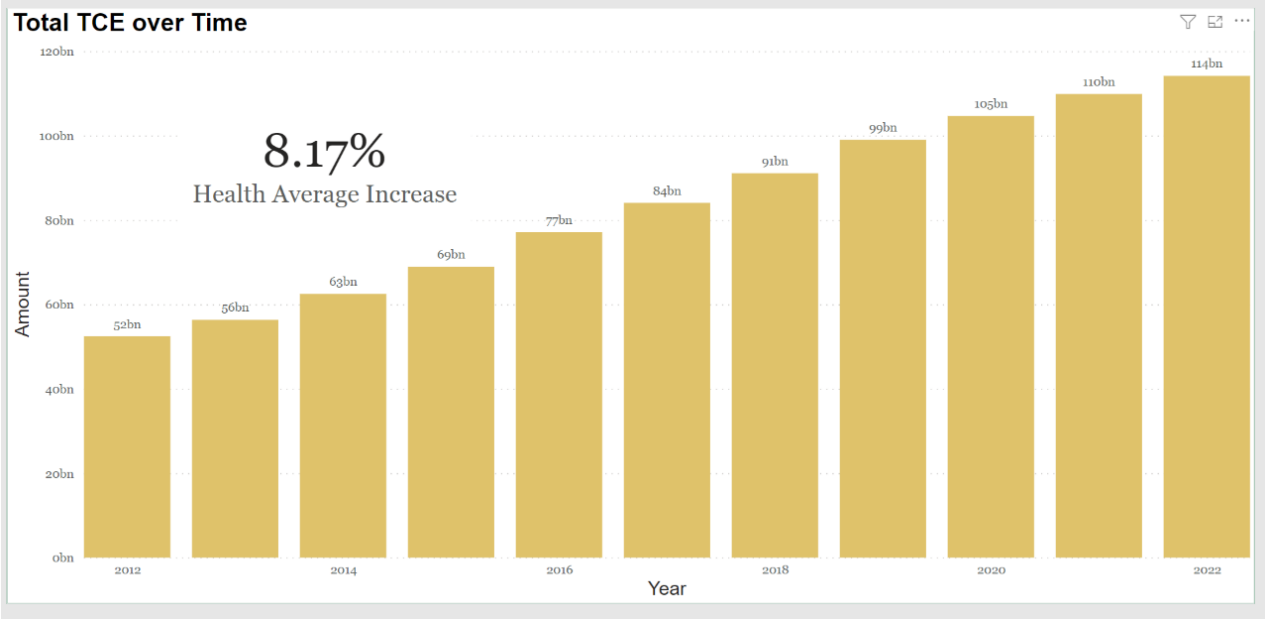
As noted above, the cash amount and headcount numbers contributed by the Department of Health have increased slightly from 2012 to date.

The two graphs below depict the overall OSD TCE split by the component contributed by the Department of Health and other Departments and the Department of Health TCE per year, separately.

Graph 39: Total TCE over time



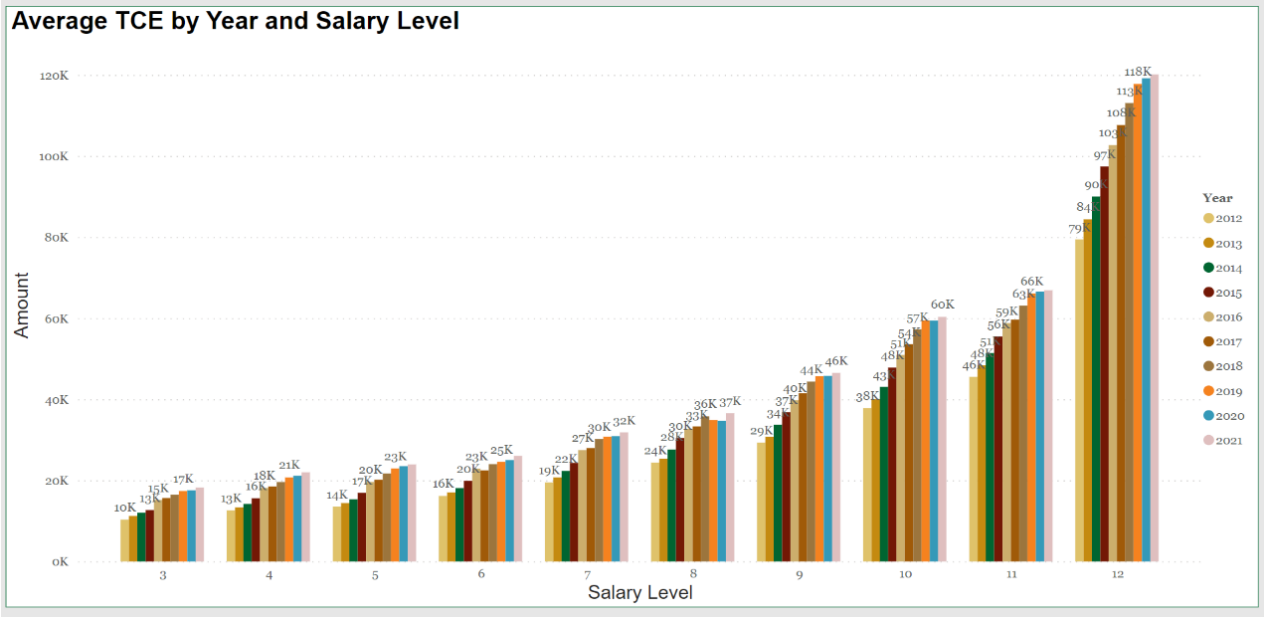
Graph 40: Total TCE over time



As is seen above, the average increase of the Department of Health of 8.17% is slightly higher than the overall increase in the overall TCE including all Departments (6.67%).

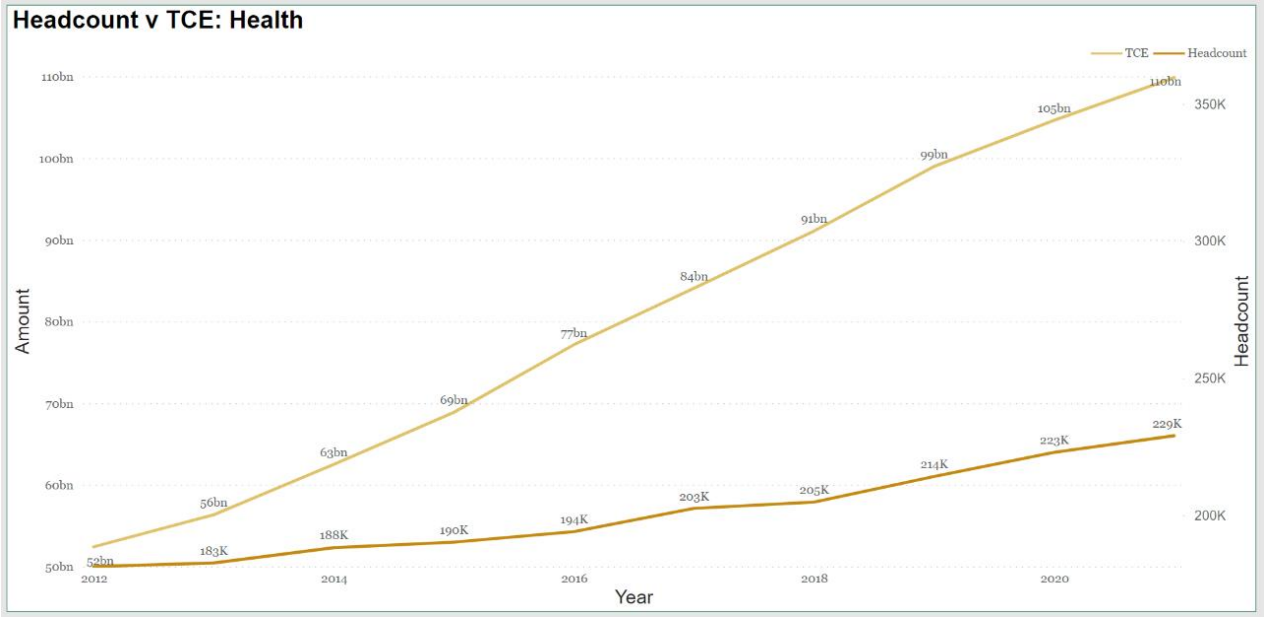
While there has been an increase in headcount over time, this is largely driven by increases in average salaries as noted below, particularly in higher salary levels:

Graph 41: Average TCE by year and salary level



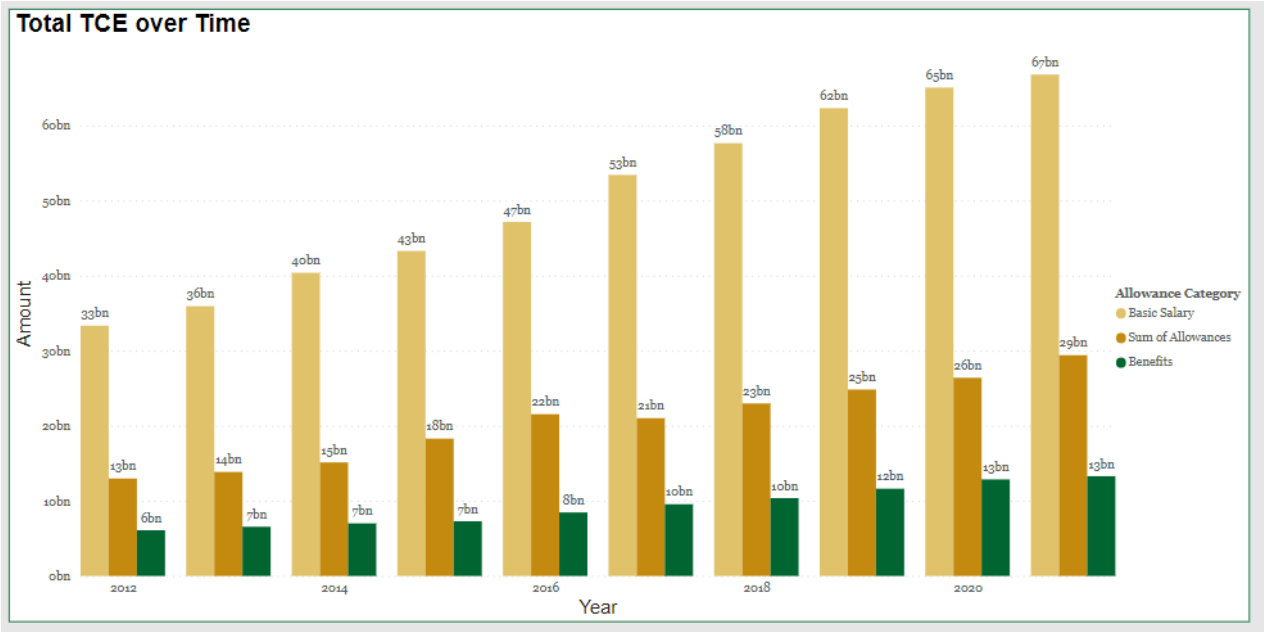
The overall TCE and headcount trend can be seen below in the Department of Health, at the same scale:

Graph 42: Headcount vs. TCE for Health



Looking into the components of the increase in the overall TCE, the following graph provides an indication of how each of the components of the TCE, basic salary, benefits (medical aid and pension contributions) vary over time.

Graph 43: Total TCE over time



Evident from the graph above is that the average increase in the allowances is the highest of all at 9.43%, being a significant driver in the overall cost.

The graphs above indicate a significant rise in TCE prior to 2012 and a steady rise continuing. We will investigate further the OSD-specific drivers impacting this increase in TCE in the sections to come. The following include some of the provincial achievements in relation to OSDs:

- Departments have progressed a majority of employees who satisfy the grade progression measures.
- Departments cleared most of the backlog of OSD grade progression.
- Officials were translated to higher grades based on acquiring higher qualification within a single post.

The following overarching/transversal findings have been identified in the DPSA PER 2022:

1. **To provide differentiated remuneration dispensations for scarce health skills/professional occupations in the Public Service**

    - Inconsistent application across DoH during implementation of OSDs.
    - Overly complex and cumbersome to implement uniformly across all provinces.

- Lack of coordination based on executive authority discretion.
- Continuation of OSD dispensation for scarce and critical skills needs to be reconsidered, as per the written submissions made by the Provincial Departments of Health:
    - Identifying and redefining scarce and critical skills
    - Identifying new emerging occupations for the future world of work
    - Conduct new benchmarking exercise
- The extent and motivation for the classification of scarce and critical skills is anecdotally uncertain based on the number of sub-professions which have been excluded and which would be dealt with in more detail below (medical, nursing and allied sections).

2. To provide for a unique salary structure per occupation and to cater for the unique needs of the different occupations

- There are newly identified occupations which have not been provided for in the initial implementation of OSDs in Health and which could not be accommodated after the closure on OSDs in 2010/11
- The extent to which the existing salary structures still address scarce and critical skills in the DoH needs to be considered.
- The extent to which the existing salary structures still address attraction and retention in health occupations needs to be considered.

3. To prescribe grading structures and job profiles/descriptions to eliminate inter-provincial/Departmental differentiations/variations

- Qualitative evidence suggests that JE is currently a big challenge considering the uniqueness of some health service OSDs.
- Similarly, job descriptions are outdated and need to be reviewed for consistency and alignment to new and emerging occupations.

4. To provide adequate and clear salary progression and career pathing opportunities based on competencies, experience, and performance

- Qualitative evidence clearly suggests that performance management is executed in most instances but not in accordance with a health-specific PMDS as stipulated in the Resolutions.
- The intention of all OSD Resolutions, starting with Resolution 1 of 2007, is to emphasise the role and purpose of PMDS specific to the OSDs which can only be assumed to mean aligned and objective performance and output criteria, which are not being adhered to. This is endorsed by all reports since 2011 and qualitative engagements conducted in 2022/23.

5. To provide a salary structure with substantial overlaps between salary levels to provide progression opportunities for those employees who choose to remain in the production levels without moving into management/supervisory levels. Specifically, provided that specialists and professionals may earn salaries equal to, or higher than manager

- The overlaps caused due to the implementation of OSDs discouraged employees from applying and entering the MMS and SMS levels.

6. **Decentralisation and implementation of OSDs and its implications within the DoH**

- Interpretation inconsistencies and complexity relating to the application of the diverse and overly complex array of resolutions, DPSA circulars, notes and translation tables which were generated centrally.
- Contestation and legal challenges resulting in awards in favour of employees and subsequent contingent liabilities across Provincial Departments of Health as identified in the audit reports of the AGSA in each Department.
- Complex and costly organized labour interventions.

7. **To improve the ability of the Department of Health to attract and retain skilled employees**

- From 2011 to 2022 quantitative data analysed from PERSAL points to a stable headcount across the Department of Health.
- There is sufficient qualitative and anecdotal evidence to suggest that the OSDs did have a significant impact on attraction and retention resulting in:

    - Stable headcounts and reduced funded vacancies in OSDs.
    - Reduced movement of specialist occupations within the Public Sector.
- The employee value proposition within public healthcare provided improved competitiveness.
- The issue of infrastructure, working conditions and the working environment remains a pressing issue and concern as manifested in the hospitals and healthcare centres.

8. **Review and assessment of whether the OSDs are still applicable and aligned to scarce and critical skills and new emerging occupations**

- There is little to no evidence to suggest that any of the Health OSDs have been reviewed in relation to the intended objectives contained in the relevant resolutions since inception.
- The fact that amendments and changes to OSDs were closed and terminated in 2010/11 by the DPSA has not allowed for these occupations to be reviewed in terms of the existing objectives or any revised objectives since 2010/11.
- The status quo of OSDs since 2011 has not provided for the identification or amendment to existing or new emerging occupations in the health sector (listed and specified for medical, nursing and allied in the sector discussions to follow) based on future skills and occupational requirements.
- Skills and competencies identified in the initial Health OSDs (specified for medical, nursing and allied in the sector discussions to follow) have not kept abreast of changing curriculum, qualifications and registration diversification with professional bodies and emerging disciplines.

9. **Alignment of salaries with the market**

- With specific reference to tracking the market since implementation in terms of the following:

    - New disciplines and sub-disciplines.
    - Scarcity and demand.
    - Supply and demand.

Transversal recommendations across Health

- High-cost drivers, such as accelerated grade and pay progression, should be reviewed and potentially removed, as this impacts on long-term sustainability.

    - Consideration should be given to removing obstructions/limitations such as: Restriction on movement between work streams or from OSD to non-OSD and vice versa.
    - Overlaps in salary scales.
    - Exclusion of certain professions.
    - Excessive rigidity in terms of collective bargaining that prevents amendment/update.
- This is aligned to the initial intention that the OSDs and potential changes be made as required or at least every three to five years. No changes have been effected since 2010/11.
- A separate cost of living adjustment (COLA) could potentially be explored for OSD posts only. The annual COLA has a significant impact on the budget and CoE, as the higher salary ranges in the OSDs increase significantly when a COLA is implemented.
- Salary scales and notches will be retained and not reduced. It is therefore not foreseen that any changes to the OSDs will have a significant impact on the Wage Bill from a reduction perspective, unless accelerated grade and pay progression is discontinued.
- Total cost to employer packages for all means that allowances and high-cost drivers such as commuted overtime may need to fall away.
- Explore ways in which the current successes of the OSDs can be retained and assessed in terms of the initial intention and principles on which the OSDs were based.
- The development of a health-specific PMDS as initially positioned in the Health OSD Resolutions, which has not materialized since inception.
- A need to determine the impact of OSDs (outside of the scope of the PER 2022) with the acknowledgement of the fact that it is difficult to assess, given the context and overarching intent of OSDs in relation to the following:

    - The number of employees who entered the Public Service in sufficient numbers and who remained within the system.
    - Output and enhancement of service delivery given the lack of data and/or information.
- Enhance the role and function of the DPSA as a supra-Department in providing continuous oversight, monitoring, evaluation, and guidelines which provide direction and focus of OSDs in collaboration with the Department of Health going forward.

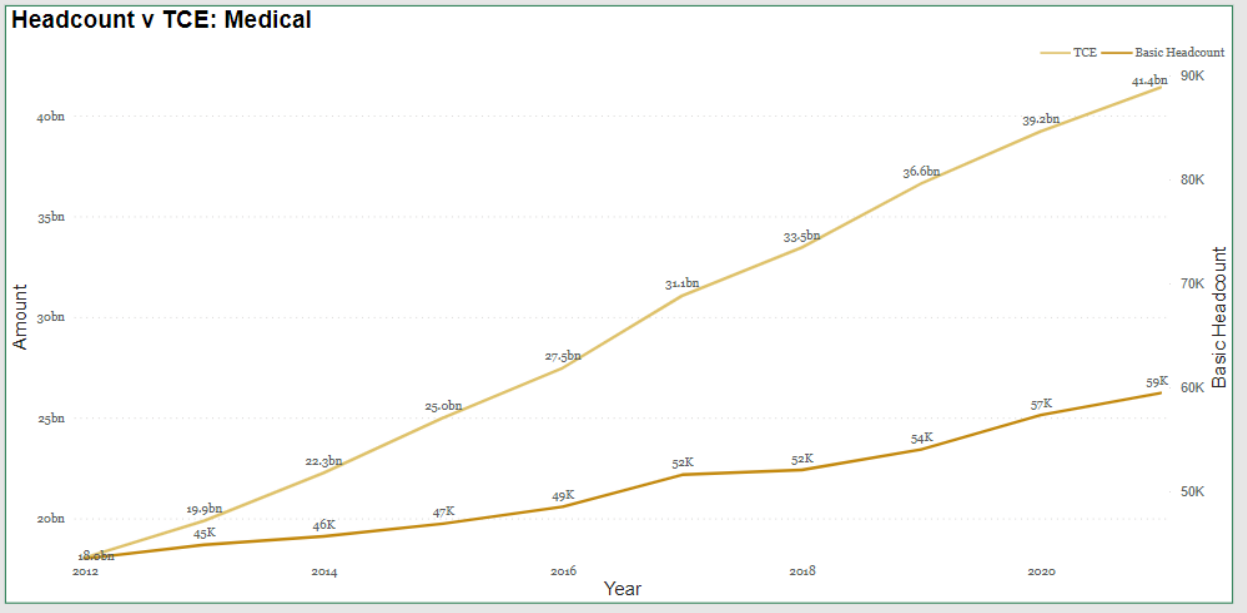
Specific findings: Medical (PHSDSBC Resolution 3 of 2009 and 1 of 2010: OSD for medical officers and related personnel)

- No clear scope of practice for the segregation and level of accountability in small district hospitals. Dual responsibility also applies in secondary and tertiary hospitals, for example, pharmacy supervisors appointed in district/tertiary hospitals failing to account for assuming responsibility as responsible managers, because of lack clear lines of responsibility and accountability.
- Movement between ‘career streams’, for example clinical manager to manager: medical services. Career pathing is provided for in the Resolution as a whole, but it does not provide any career path for the post of clinical manager. Clinical manager forms part of the ‘clinical management stream’ whereas the manager: medical services forms part of the ‘non-clinical management stream’:

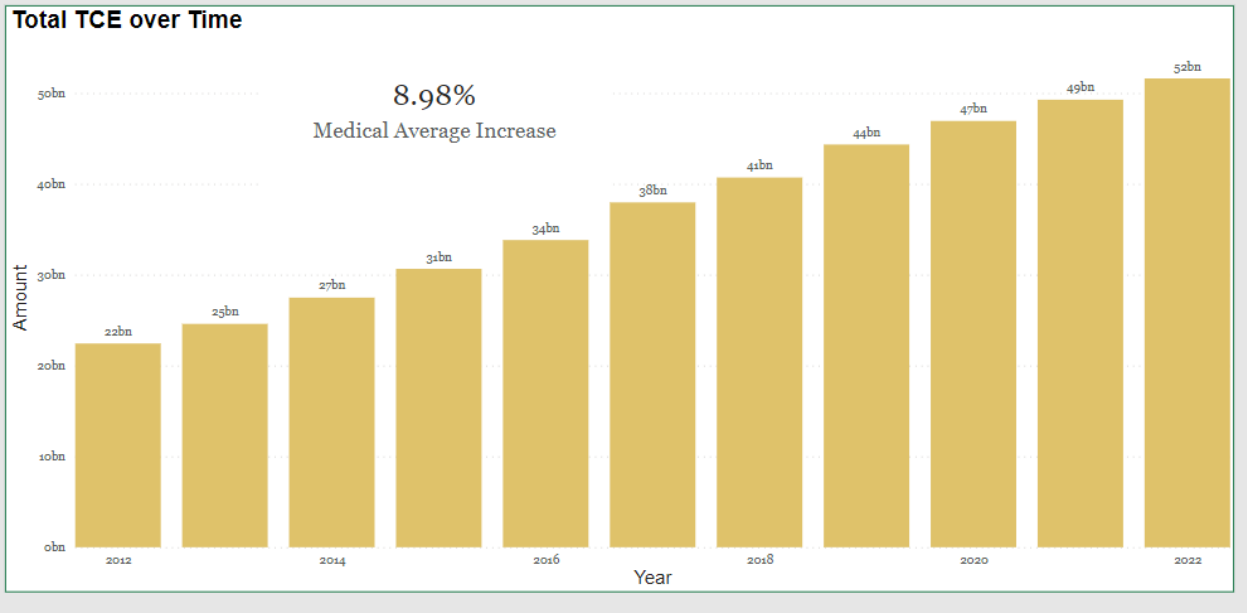
- In the absence of a clear OSD career path for a clinical manager, the 'movement' from a clinical manager to a manager: medical services cannot be considered a promotion and therefore in most cases, the appointment can result in a drop in salary.

The following graphs give background to the TCE and headcount relating to the Medical OSDs:

Graph 44: Headcount vs. TCE for Medical



Graph 45: Total TCE over time



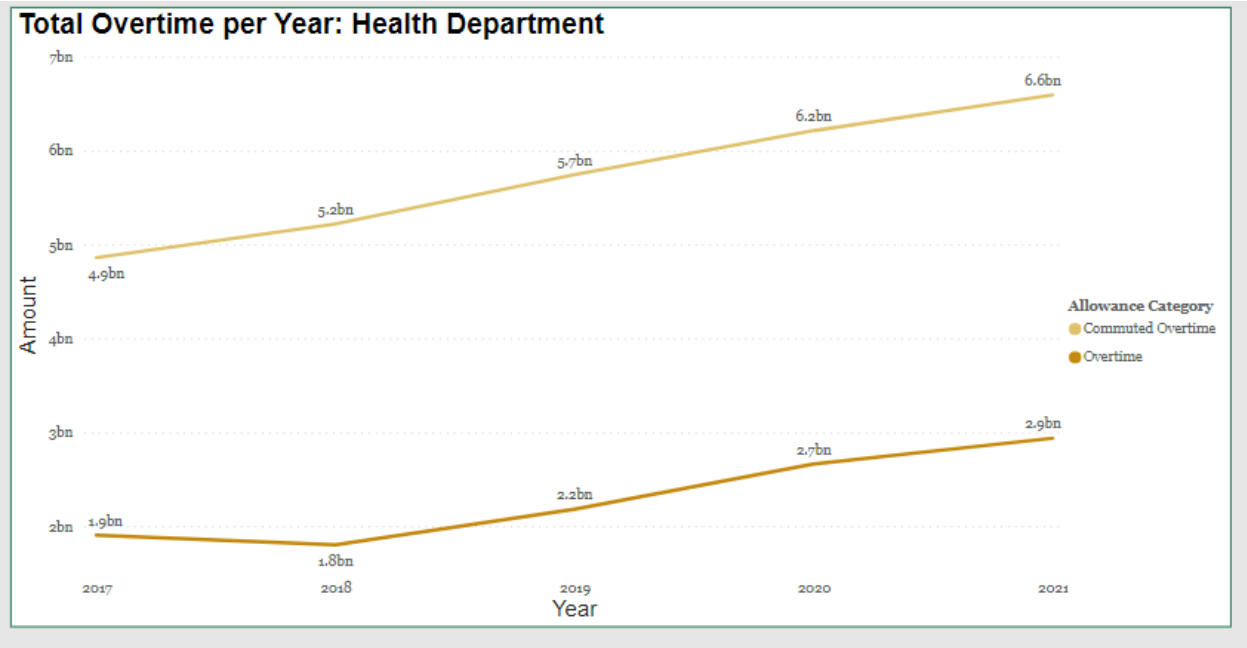
- In some facilities within the Provincial Departments of Health, the organisational structures are restrictive, for example two functions which are classified as different work streams such as clinical managers which report to a manager: medical services, especially in rural areas, and which both function within a management environment.
- The commuted overtime policy also allows for a manager: medical services to perform commuted overtime (clinical) despite them being classified as non-clinical. Clinical managers are however routinely financially disadvantaged when they apply for posts of manager: medical services since they are compelled to accept the first salary notch of the post in the different 'stream'.
- Rural institutions are forced to recruit from outside their geographical areas or even other Departments or Provinces. This creates recruitment difficulties and also negatively affects the career progression and morale of existing clinical managers who are already established in and have committed to rural institutions for a number of years.
- Grade progression measures for clinical managers, chief medical officers/dentists, head clinical, and grades such as principle medical/dental specialists are not in line with the principles applied to other occupations within the medical profession.
- It is clear that the policy prescripts and guidelines relating to commuted overtime are clearly defined and formulated to ensure answerability and accountability with specific reference to the following control measures:

    - Daily attendance register.
    - Monthly commuted overtime timesheet submitted to HR.
    - Approvals by clinical heads or managers.
- Inclusion in contracts to be reviewed annually.
- In accordance with the Policy prescripts there is a 56-hour week (16 hours automatic, 'commuted' overtime and no other overtime payable). It is difficult and complex to manage ad hoc overtime associated with callouts, and as a result, the commuted hours became a permanent fixture of remuneration. For the practitioner who agrees to work overtime, on

a semi-permanent basis, this serves to boost the salary earned, even though it was not meant or intended to be a permanent component of their salaries.

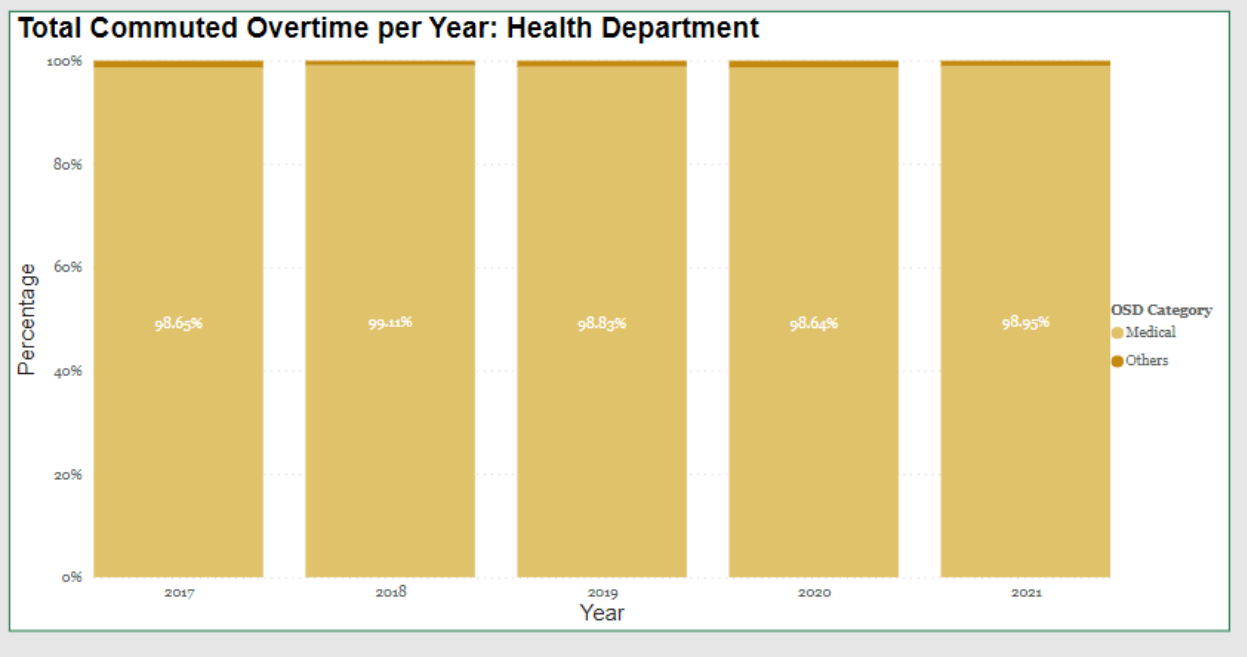
The following graphs depict amounts and proportion of overtime taken within the Department of Health by the Medical OSD specifically:

Graph 46: Total overtime per year for the Department of Health



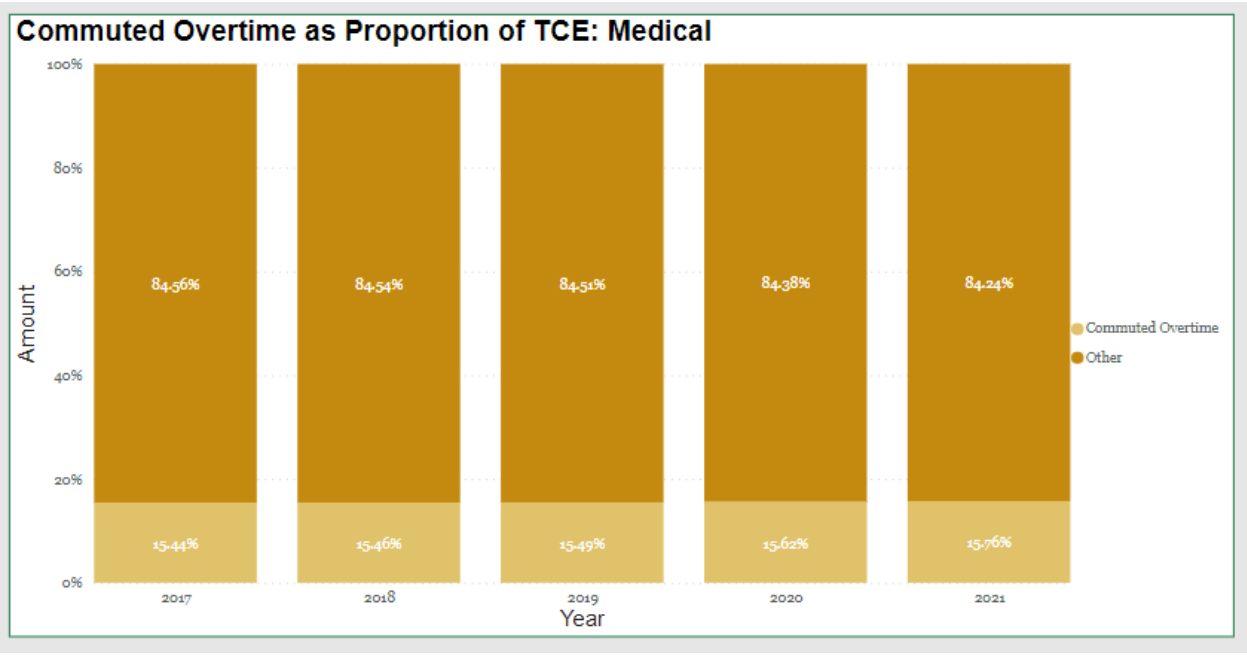
The graph above indicated that the absolute amount of commuted overtime far exceeds the normal overtime within the Department. The graph below indicates that between 2017 to 2021, over 98% of commuted overtime was spent on medical professions:

Graph 47: Total commuted overtime per year for the Department of Health



As noted below, commuted overtime accounts for a significant proportion which amounts to 15% of the TCE of Medical OSDs and, hence, an overall saving of approximately R6.15bn could be made if it were to be excluded in 2022. This potential saving could be utilised to fund additional and new recruits, enhance infrastructure and purchasing new equipment.

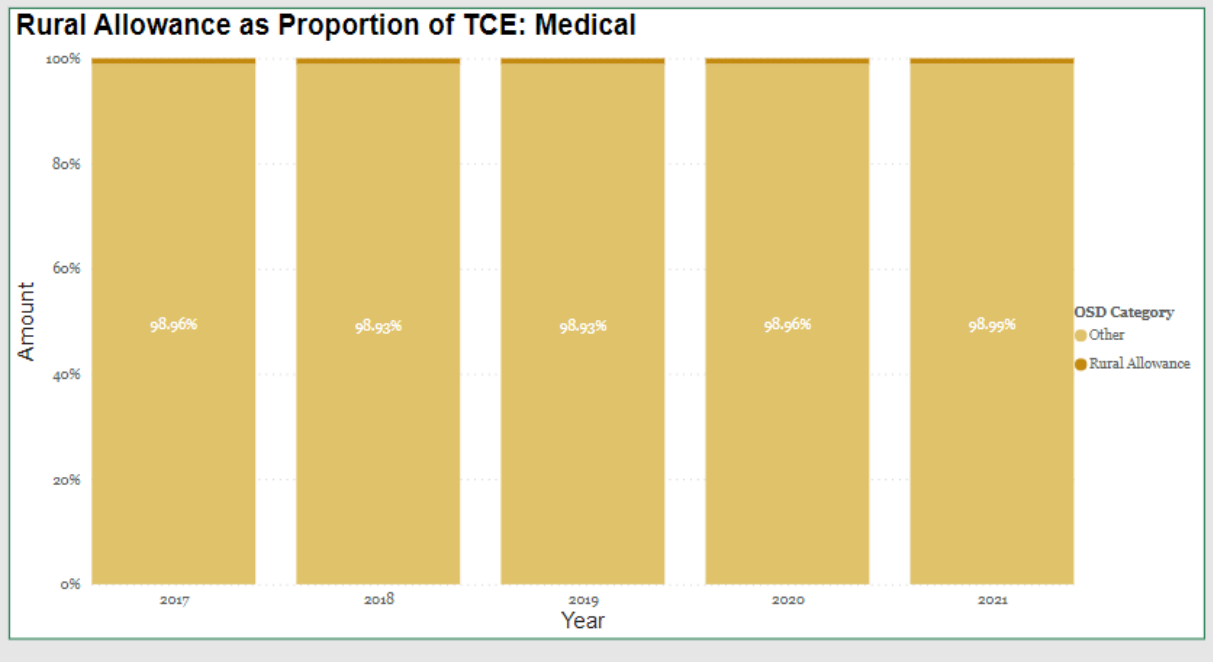
Graph 48: Medical commuted overtime as proportion of TCE



- Policy formulation and clarity does not necessarily imply that these practices and processes are adhered to in practice. Provincial representations clearly indicate that the implementation of these policies is sometimes manipulated and abused. The extent of this challenge is anecdotal and difficult to quantify and verify and is totally dependent on individual and team compliance with ethics and professionalism at operational level.
- Rural allowance: this is a potentially important financial incentive for this group of professionals, but reports analysed from the respective Provinces indicate that this is not being implemented consistently. It was intended to be a job-specific allowance and is not transferrable to a job at a different location. The intention of the policy is primarily to attract and retain professional skills in rural and remote areas. This is done in accordance with a prescribed list of rural areas applicable at the time. There is no evidence to suggest that this list has been reviewed and updated in the last decade.

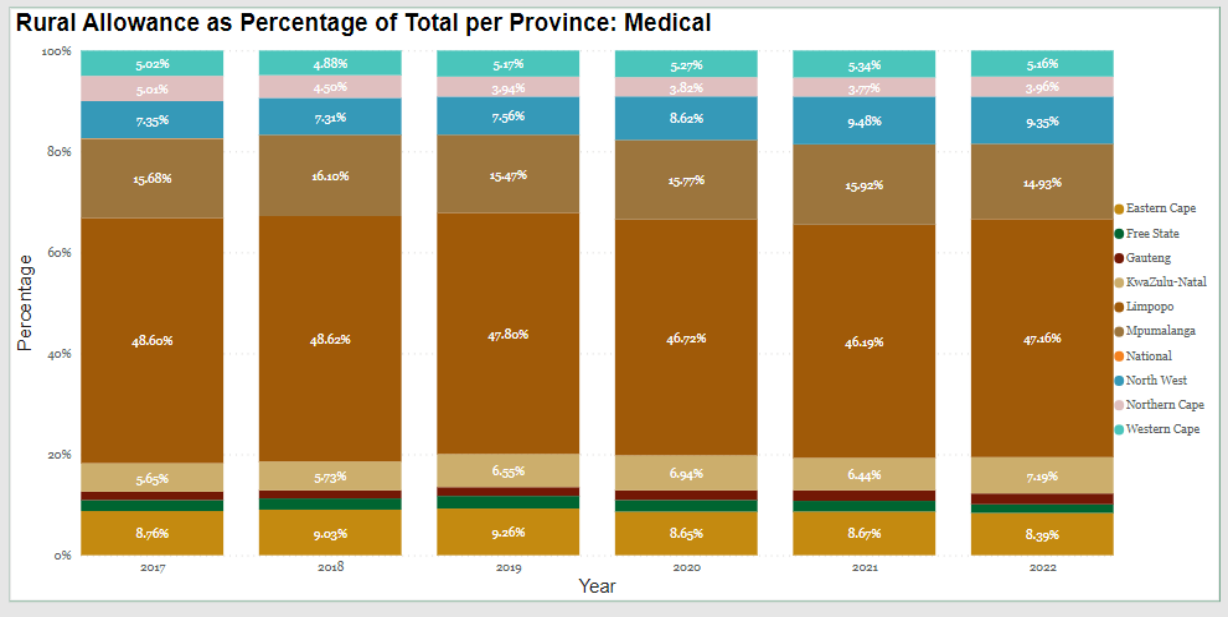
The following graphs give a breakdown of the rural allowances as a proportion of salary and a breakdown per Province, respectively:

Graph 49: Rural allowance in Medical as proportion of TCE

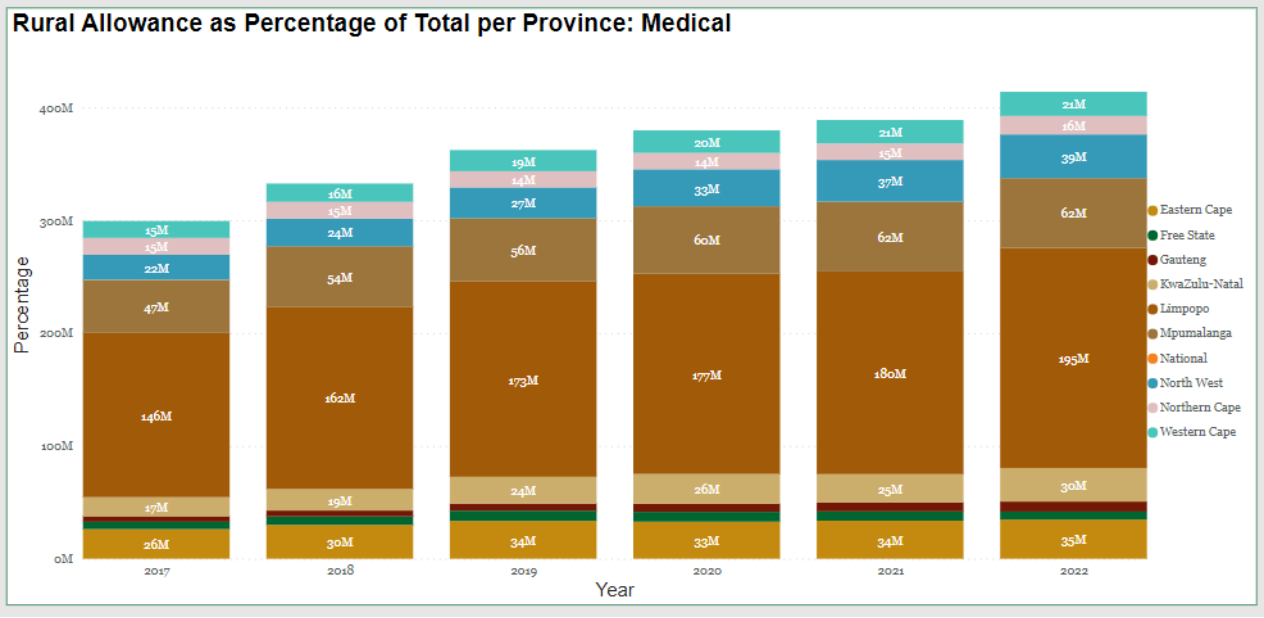


As noted in the graph above, the rural allowance is a small proportion of TCE:

Graph 50: Rural allowance in Medical as percentage of total per province



Graph 51: Rural allowance in Medical as a percentage of total per province



The above graph indicates a concentration of rural allowances in Limpopo (46%) and Mpumalanga (16%), followed by the North West (9%).

- Medical interns are governed in terms of very specific guidelines as specified in the Health Professions Act (56 of 1974), the National Health Act (61 of 2003) and numerous standards

based on the HPCSA guidelines for good practice and congruent agreements with the respective universities. The contents of the above are incorporated into the curriculum and work-integrated learning of medical interns. This includes numerous rotations in public hospitals under expert supervision and monitoring of progress of the interns.

- Internships apply to doctors, nurses and clinical psychologists. Medical interns receive approximately R524,280 per annum excluding accommodation and travel allowances where applicable.

Recommendations for Medical

- A need to address OSDs within the context of scope of practice and segregation of duties to ensure responsibility and accountability
- The formulation of clear career paths linked to promotion and managerial mobility based on skills, experience, and performance
- The development of career pathing that is aligned to an integrated talent management strategy and succession planning.
- It is recommended that the grade progression measures be amended to five years (for above average performance) or eight years (for average performance) of actual service as manager: medical/dental services grade 1 (including service as medical superintendent and senior medical superintendent).
- Commuted overtime in terms of the Policy and the purpose and objectives which it is intended to achieve needs to be reviewed and aligned against the following key criteria:
    - Implementation practices relating to ethics and the professionalization of employees and stringent consequence management.
    - The cost and benefit derived from commuted overtime and its impact on service delivery, including using funds for commuted overtime to bolster the organisational structure with additional funded positions.
- It is recommended that rural allowances which are currently being paid be reviewed. The classification of rural areas needs to be reassessed and aligned based the significant development in these areas over the last ten years. This should be done in collaboration with, amongst others:
    - Statistics SA.
    - The Department Rural Development and Land Reform.
    - COGTA.
    - HSRC.
- The funding provided for interns may cover the salaries but doesn't always cover the other infrastructure, equipment and support services required and which are associated with managing internships. This needs to be addressed holistically in terms of funding allocations.
- The salaries for interns seem to be relatively high considering that all interns are still in the learning process and rotations, to comply with the qualification requirements which applies to doctors, nurses, clinical psychologists, and others. This is paid irrespective of whether interns need to repeat a rotation, and necessitates a subsequent extension of time to successfully complete the mandatory rotations. This could be extended up to nine months in some instances. This is a costly practice which may need to be reviewed.
- Attraction and retention have improved but the cost drivers are high. Absorption after compulsory community service is challenging given the cost and need for funded positions

in the structure. This could disadvantage the retention of these professions after community service, which is one of the key principles and intention of the OSDs.

- Need for better planning to make provision for the posts (structure) and the funding (budget by NDoH and Treasury) for these positions which is predictable for planning purposes each year.

Specific findings: Nursing (PHSDSBC Resolution 3 of 2007: OSD for nursing personnel)

The OSD for nurses has had the following impact on nursing service delivery as per reports analysed from the Provincial Departments of Health:

- The playing fields between Provincial Departments of Health were levelled in their quest to recruit and retain their fair share of skilled and scarce resources. This has been achieved through:
    - Centralised grading of positions derived from centrally determined benchmark job descriptions.
    - Centrally determined salaries attached to each of the identified grades (supply and demand factors).
    - Centrally prescribed skills/ competency requirements.
- Departments' compliance with the OSD prescripts appears to have improved dramatically, resulting in much less job hopping between provinces caused by inconsistent grading of posts.
- The OSD provides for a structured and systematic framework (through clear career paths and grade progression opportunities) to improve employees' salaries after pre-determined periods based on performance, qualifications, scope of work and experience.
- The OSD enables employers to retain professional nurses for longer periods 'at the bedside' (production posts), through adequate remuneration and post structure, (i.e., longer salary bands and overlap in salaries between production and supervisory posts).

Many of these benefits that were achieved initially now form part of the sustainability challenge going forward. The challenges of these OSDs can be summarised as follows:

- The definition of a nursing specialty post was not clear at the inception of OSDs. This led to a significant number of nurses being translated to the specialty dispensation, which was not provided for in the initial costing.
- The additional expenditure emanating from the implementation of the Nursing OSD with specific reference to:
    - Funding for the OSD for nurses was a challenge from the onset as the initial allocated budget was R1.458bn for a full year. This amount was already contained in the provisional equitable share allocation towards the end of 2006.
    - Due to a stalemate in negotiations, an additional amount of R356m was later approved by the Cabinet Committee responsible for remuneration and other conditions of service in the Public Service. Although the final additional cost of the implementation was never specifically calculated and affected by the somehow rapid growth in personnel numbers, it is estimated that the eventual over-expenditure was close to R600m.
- Decentralised implementation challenges have further complicated the ongoing issue, requiring careful consideration:

- Different interpretations of the Resolution in relation to the decentralised implementation process. This resulted in disparities in the implementation and lack of uniformity in the provinces. Control over the implementation and approved transactions at facility level was generally weak.
- Provinces were requested to perform internal audits and report on their outcome. Most Provinces reported corrected overpayments and deducted the overpayments in terms of the relevant provisions contained in the Public Service Act, 1994. This eventually led to unions challenging the deductions and corrections and the process unfolded in several court interdicts and engagements to suspend the deductions of the overpayments.
- The lack of implementation and coordination process allowed for union/employer co-ordination at provincial/facility level, but it emerged that in some provinces there was a very profound collaboration that resulted in a very liberal interpretation of the Resolution. In contrast, very little or no interaction took place resulting in a range of disputes, complaints, accusations and poor communication between the employer, employees, and unions. Unions took this as an opportunity to announce their displeasure with the employer and to add further impetus to the already unreasonable expectation by nurses.

- It should be noted that the OSD is not just about salary. It has four critical, integral interrelated elements to it, namely:

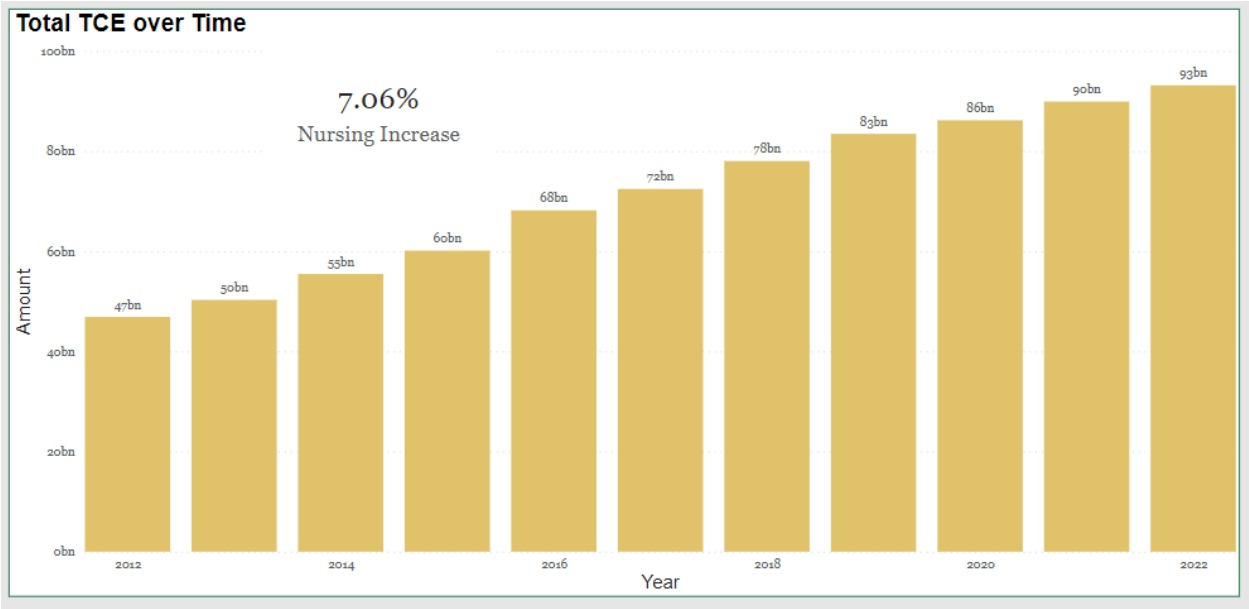
  - Salary.
  - Career path.
  - Career progression.
  - Performance management.
- To a certain degree the objectives of the OSD were met, albeit at a high cost and threat to future sustainability. However, performance management remains a critical element that might jeopardise adequate career progression for medical specialisations. Objectively considered, the Nursing OSD has brought some degree of stability to the health sector.
- OSD structures contained in the DPSA OSD directive make provision for clear hierarchical movement. This does not allow for posts to 'move' between streams. The challenge with the aforementioned restriction are as follows:
  - Should an operational manager: nursing (specialty) be successful for a post of assistant manager: nursing (general), the starting salaries would be the same. Should such an employee already be on a salary notch higher than the minimum of assistant manager: nursing (general), the employee would not be able to retain their salary notch and would have to accept the first salary notch attached to the post of assistant manager: nursing (general), which could be lower than their existing salary notch.
  - This 'movement' can also not be considered a promotion and the promotion rule can therefore not be applied.
  - The aforesaid limits specialty nurses to further their career in the general stream even though the level of responsibility attached to the post of assistant manager: nursing (general) is higher than an operational manager (speciality).
- The following new qualifications, amongst others, are not specifically contained and aligned with the OSD:
  - SANC R171 (three-year Diploma) – no provision exists in OSD measures for appointment of nurses with this qualification. Further to this, it must be noted that the SANC has promulgated a number of new qualifications to replace existing qualifications. The OSD does not make provision for the newly promulgated

qualifications. This will have to be addressed as a matter of urgency as it will affect the future appointment of nurses.

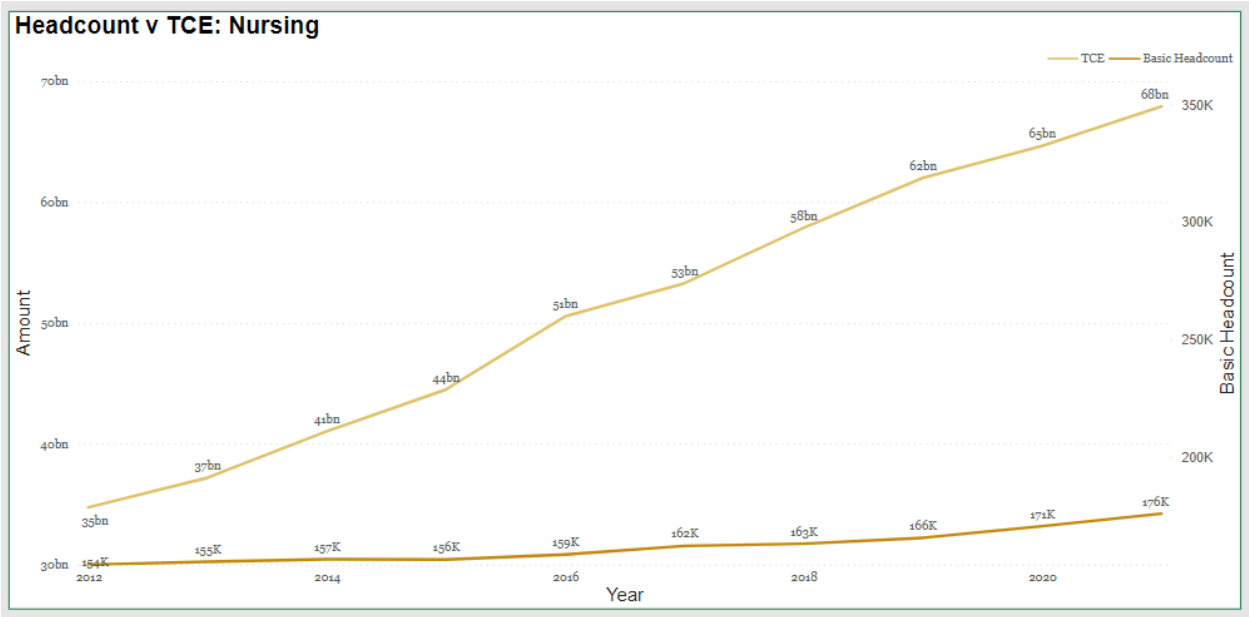
- There are new qualifications which are not part of the specialty list as per the collective agreement (e.g. forensic nursing). During the implementation of the Nursing OSD, it was not recognized as a specialty. However, the SANC has recently recognized it as a specialty.

The following graphs provide background to TCE and headcount relating to the Nursing OSD:

Graph 52: Total TCE over time for Nursing



Graph 53: Headcount vs. TCE for Nursing



Recommendations specific to Nursing:

- Consideration needs to be given to renegotiating the Nursing OSD occupations with specific reference to:
    - Consistency of application of OSDs across Provinces.
    - Consideration of developments in the profession (specialisations) relating to qualifications, emerging sub-disciplines, registration requirements, managerial competencies, and new skills.
- Revisiting the following key criteria on which the Nursing OSDs are based:
    - Career pathing.
    - Career progression.
    - Performance criteria.
- The formulation of clear directives for hierarchical movement and promotions between professional streams in nursing occupations.
- The development of a strategy to attract young, qualified professionals in the nursing occupations into the Public Service with specific reference to entry level positions which may not necessarily be at existing OSD levels.
- There is a need to clarify foreign qualified professional status with regard to the recognition of experience, if it is not terminated altogether.
- Definition of former DD posts in Nursing, as the new OSD titles at lower than former DD posts, e.g., ASD posts now referred to as Managers are conflated with middle management experience, posing recruitment challenges.
- Clarity on correct Qualifications and remuneration for Radiation professionals.

Specific findings: Allied

- Emergency medical services (EMS) officials misinterpret the automatic progression of, for example, emergency control officer (ECO), shift leader, and station manager on lower grades with a basic ambulance attendant (BAA) qualification who will qualify for progression/translation to higher grades after acquiring an ambulance emergency assistant (AEA) or higher qualification. The EMS officials on the emergency care officer post with an emergency care technician (ECT) qualification want an automatic promotion to ECT posts, while the ECO and ECT are two different posts.
- Provinces are struggling with the appointment of, for example, radiation therapists directly to specialty posts because candidates are required to first be appointed as diagnostic radiographers. Yet, the qualification no longer exists in the curriculum for radiographers. Unions have declared a dispute on the matter given that it disadvantages their members in other provinces because a deviation was granted to the Western Cape.
- Intern: medical natural/biological scientist: in terms of the HPCSA requirements, an individual must first be registered as an intern and complete a two-year compulsory internship at a provincial hospital before they can be registered as medical biological scientist (MBS). The OSD, however, did not make provision for this category of staff:
    - The National Department of Health and the DPSA were approached to provide the Department with a salary dispensation (or table it for negotiations) for this category as the opinion is held that the exclusion of this category was an oversight, considering the OSD makes provision for an intern: medical physics and intern psychologist.

- The response from DPSA was that they do not see the necessity to include this group within the OSD and that it was not an oversight. It was indicated that the Departments of Health (Provincial and National level) did not identify these occupation categories when the OSD was developed and negotiated.

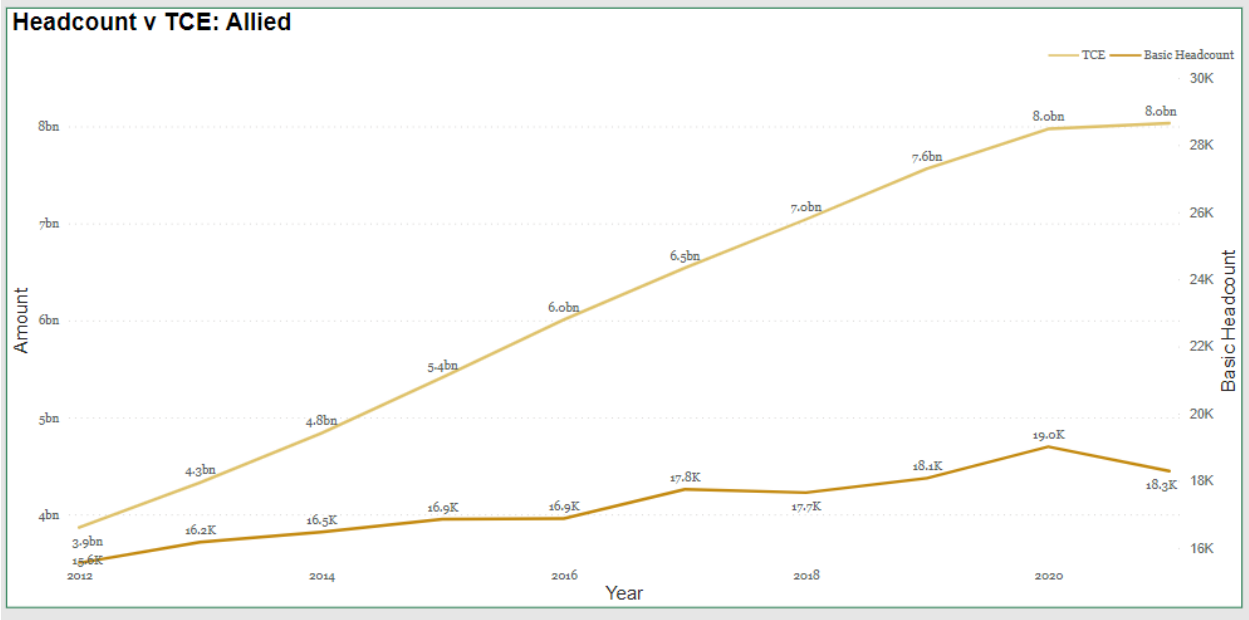
- The following reasons for inclusion as indicated by the Provincial Departments of Health must be noted:
  - Without inclusion in the OSDs, Departments will not be able to absorb interns into the appropriate posts for the completion of the two-year compulsory internship.
  - In terms of the OSD principles, all professional categories listed on the register of the HPCSA should be included in the OSD applicable to these categories.
  - Provinces were informed that each OSD will be reviewed and amended every three years and that amendments will be brought about as and when required. However, no amendments have been made since 2010/11.
  - It could be considered as an unfair labour practice, that provision is made in the OSD for an intern: medical physics and intern psychologist but not for an intern: medical natural/biological scientist.
- Senior manager: medical physics: The staff establishment of Tygerberg Hospital and Groote Schuur Hospital comprises of two posts (filled) of senior manager: medical physics; however, these individuals were not translated to the OSD as the translation measures did not provide for a position of senior manager: medical physics as well as appropriate translation scales. These posts (individuals) manage the medical physics components that comprise of medical physicists who were accommodated in the OSD. The DPSA was made aware of these potential anomalies. It could be an unfair labour practice to exclude the post of senior manager: medical physics from the OSD when the subordinates, i.e. medical physicists are included, and it is expected of the incumbents of these to be qualified and registered medical physicists. Excluding these occupations in the OSDs could be contrary to the principles of the OSD. These occupations include the following:

  - Mid-level supervisors (senior and chief forensic officers, orthopaedic footwear technicians).
  - Senior and chief forensic officers and chief orthopaedic footwear technicians.
  - Assistant manager: medical physics (salary level 11).
  - Specialty radiography (nuclear medicine, ultrasound and radiation oncology, chief radiographer (diagnostic)).
- It is evident from detailed Provincial submissions made that the following occupations which have been excluded from the initial OSDs have been identified as scarce and critical occupations which necessitates a review of OSDs to be included:

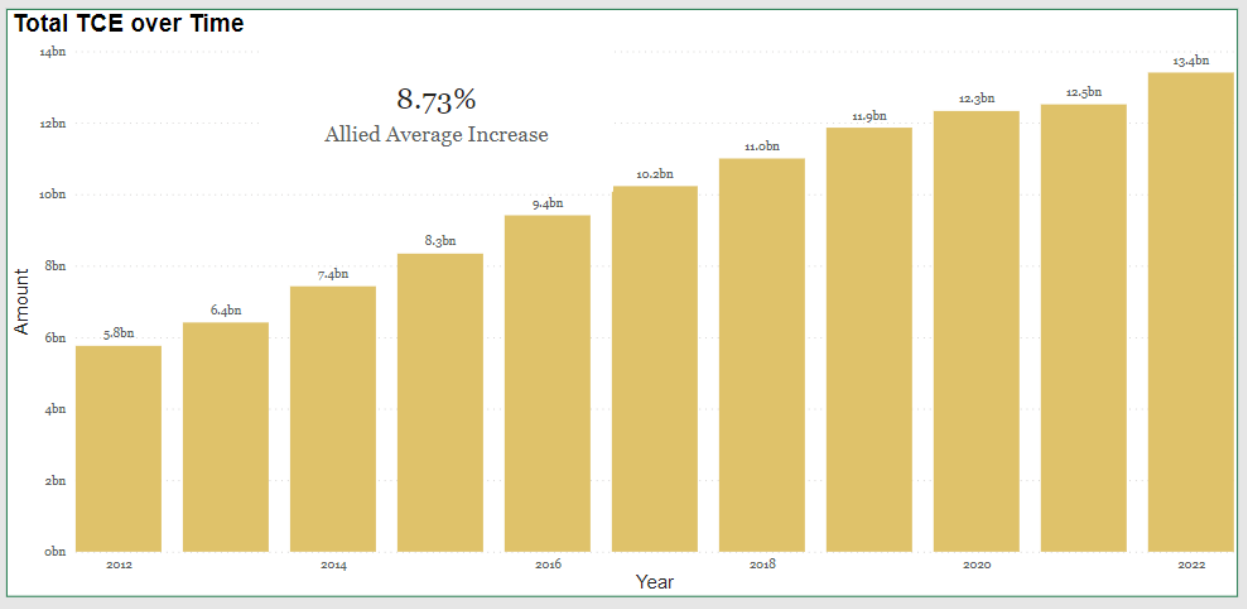
  - Paramedics.
  - EMS rescue technicians.
  - EMS communication centre personnel.
  - EMS supervisors and managers.
  - Pharmacy supervisors.
  - Pharmacy technicians.

The following graphs give context to headcount and TCE relating to the Allied OSD:

Graph 54: Headcount v TCE for Allied

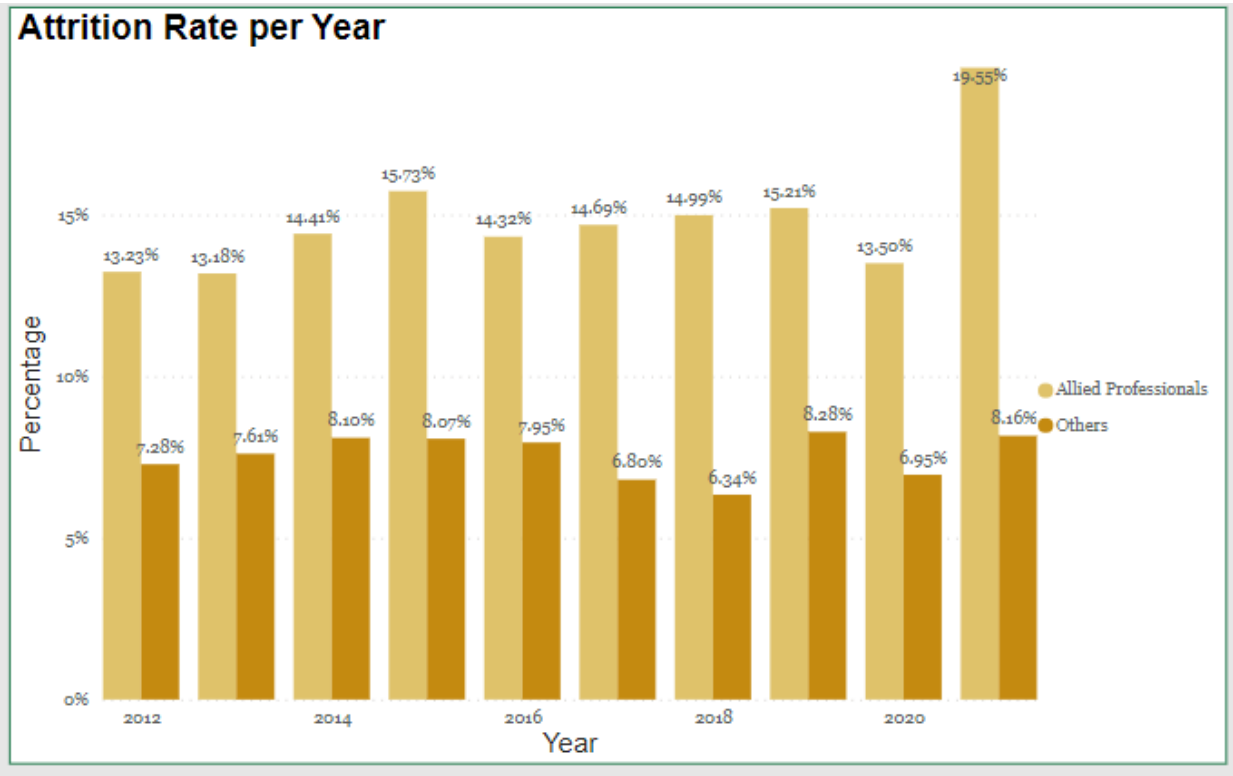


Graph 55: Total TCE over time for Allied

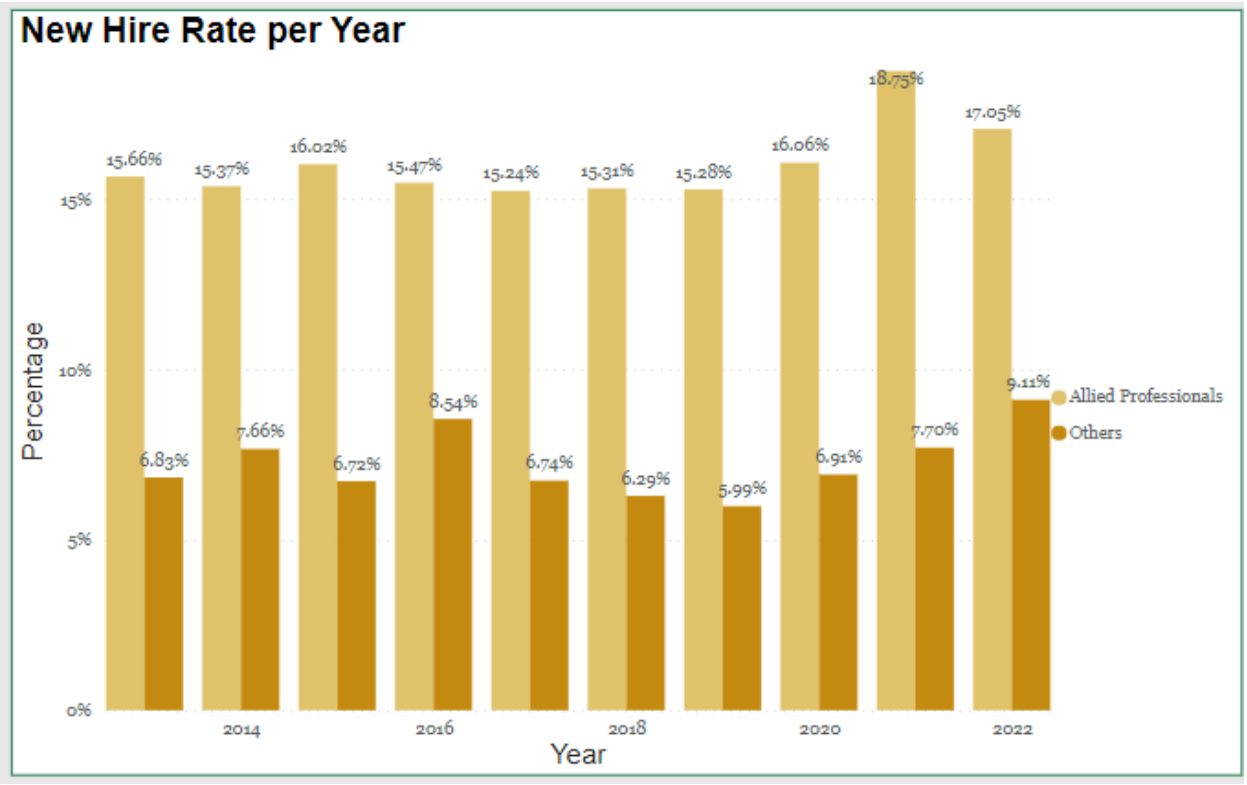


The graph below notes the attrition and new hire rate of the Allied Health professionals compared to other OSDs:

Graph 56: Allied attrition rate over time



Graph 57: Allied new hire rate over time



As noted in the graphs above, both attrition and new hire rate within the Allied OSD are much higher than other OSDs.

Recommendations for Allied

- OSDs were meant to be a dynamic process which acknowledges scarce and critical skills and occupations on a continuous basis. The intention was that the OSDs be reviewed every three to five years or when the need dictates. This situation has not prevailed and, in the light of the developments within the Allied occupations, the following is recommended:
    - Review and alignment of all allied occupations with the initial intent and objectives on which the principles of OSDs were introduced.
    - Consideration should be given to the inclusion of previously excluded, new and emerging occupations which have been identified, amongst many others, in the findings above.
    - In considering possible inclusions and exclusions, the following key imperatives need to be addressed:
        - The composition, curriculum and qualifications related to Allied professions as offered by universities and universities of technology and the extent to which these qualifications are acknowledged by OSDs.
        - The requirements in terms of internships as they relate to these occupations and are specified by the HPCSA.

    - The extent to which these Allied occupations are scarce and critical within the context of the Public Service and more specifically the Department of Health.
    - A review of the experiential and minimum qualifications required.
    - Dual career pathing as it relates to these specialised occupations.
    - The ability to absorb these occupations in the Department of Health going forward (structure and budgets).
- A detailed audit of contingent liabilities for existing positions excluded from the OSDs, which are subject to legal review.

All the above recommendations need to be considered within the context of existing bargaining council resolutions and agreements and, where necessary, the renegotiation of the changes which need to take place.

16. Department of Justice: Findings and recommendations

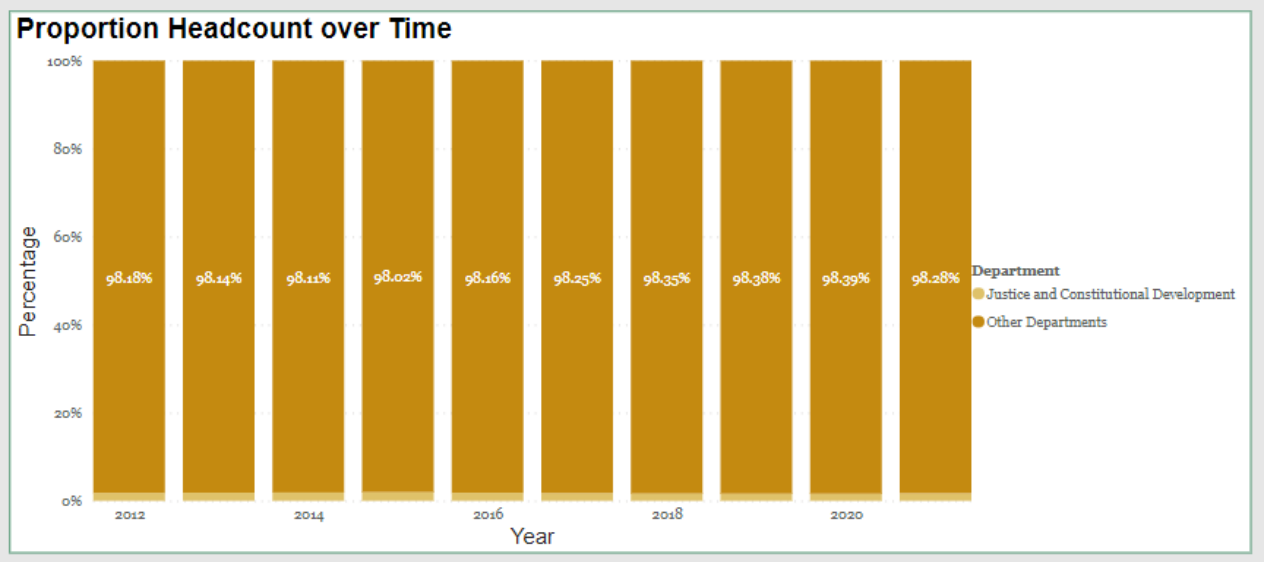
Context and overview

In giving effect to PSCBC Resolution 1 of 2007, agreements (GPSSBC Resolution 1 of 2008 and PSCBC Resolution 3 of 2008) were concluded in the GPSSBC and the PSCBC, on the implementation of the OSD for legally qualified personnel with effect from 1 July 2007. The following occupations were included for the Legal OSD:

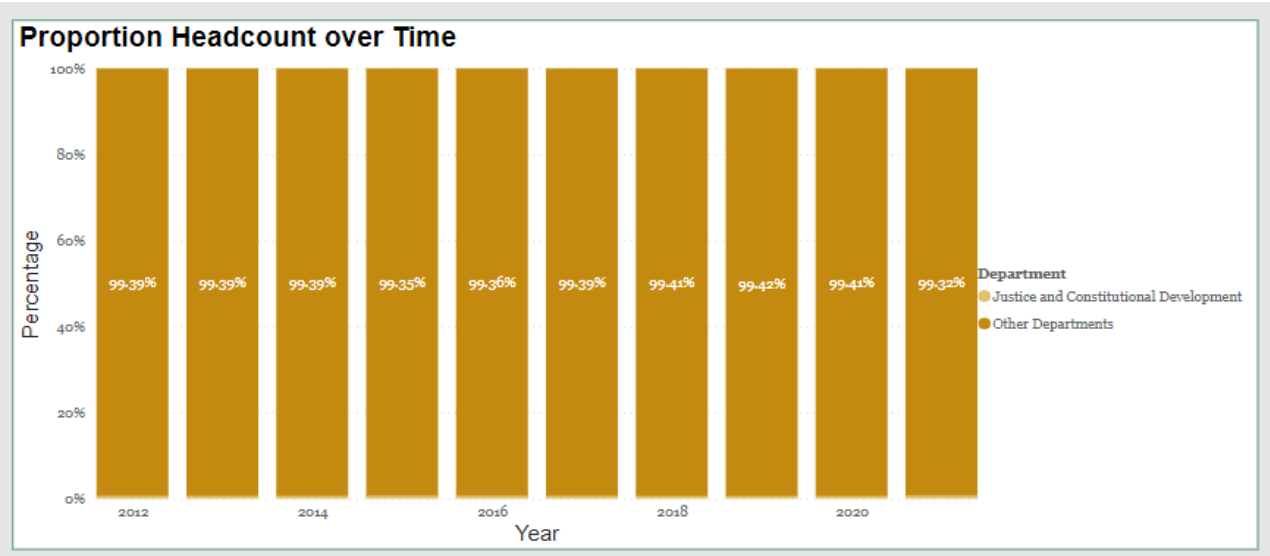
- Assistant state attorney.
- Family advocate.
- State law advisor.
- Estate controller.
- Master (excluding those on SMS).
- Registrar.
- Legal administration officer.
- Maintenance officer.

The proportion of the contribution of the Department of Justice to the overall Wage Bill, the overall OSD cost and the number of staff the Health Department contributes to the overall OSD staff compliment, compared to the rest of the Departments, can be noted below in the graphs to follow.

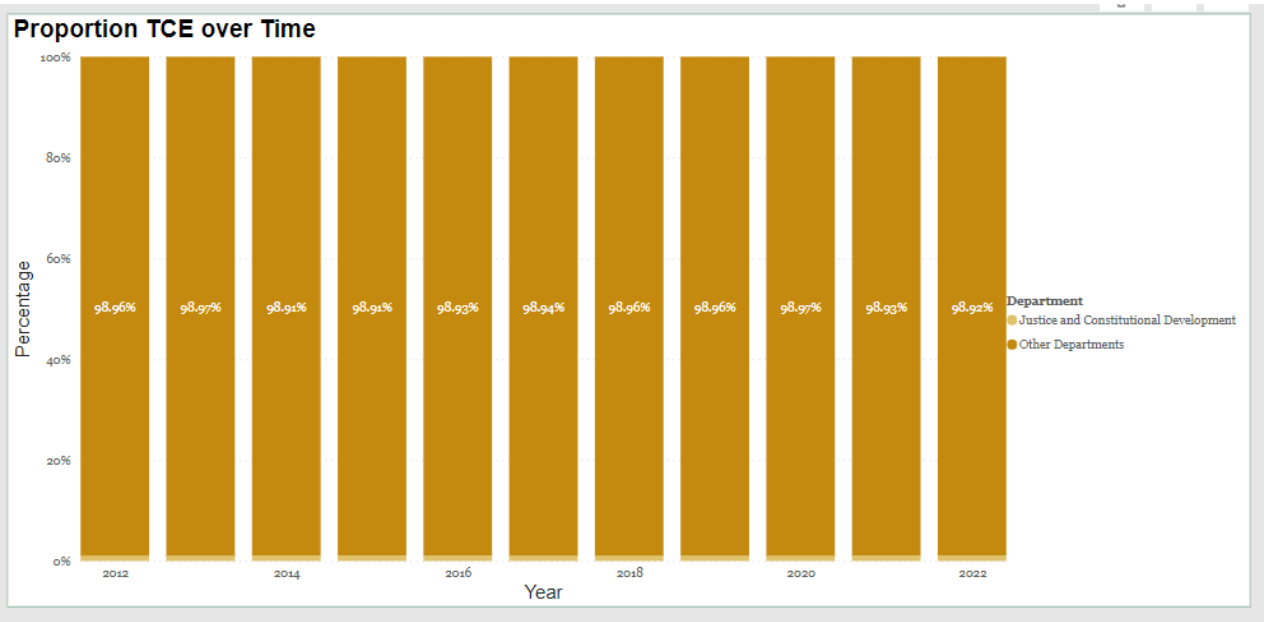
Graph 58: Proportion of headcount over time



Graph 59: Proportion of headcount over time

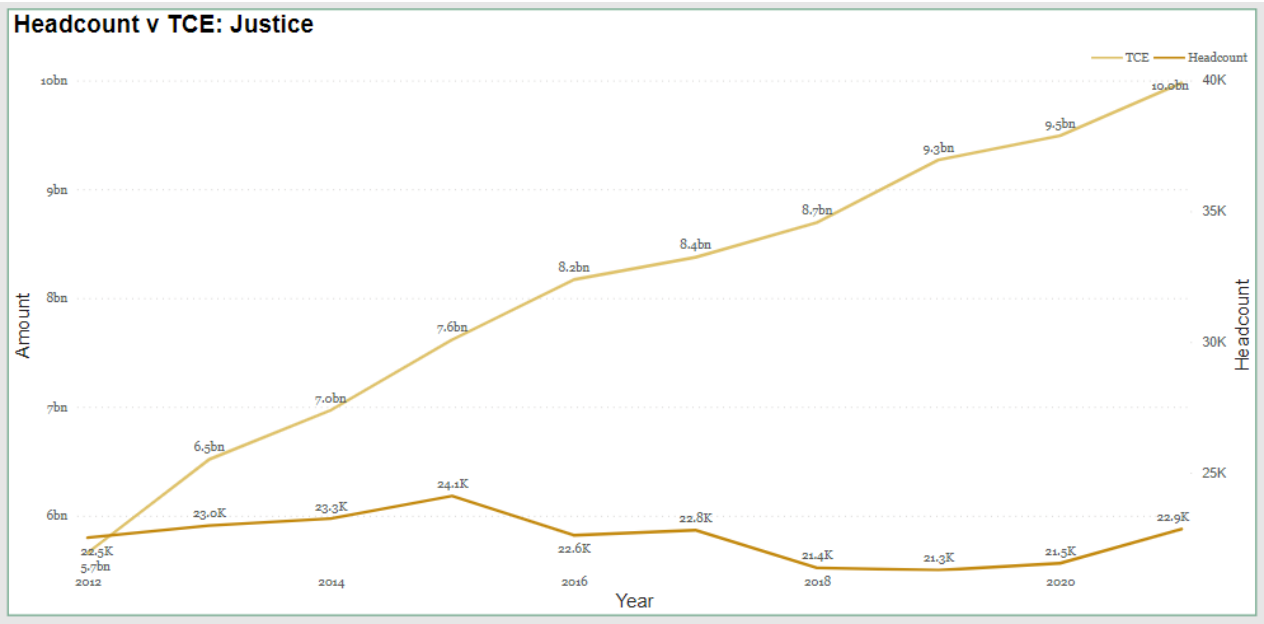


Graph 60: OSD proportion of TCE over time

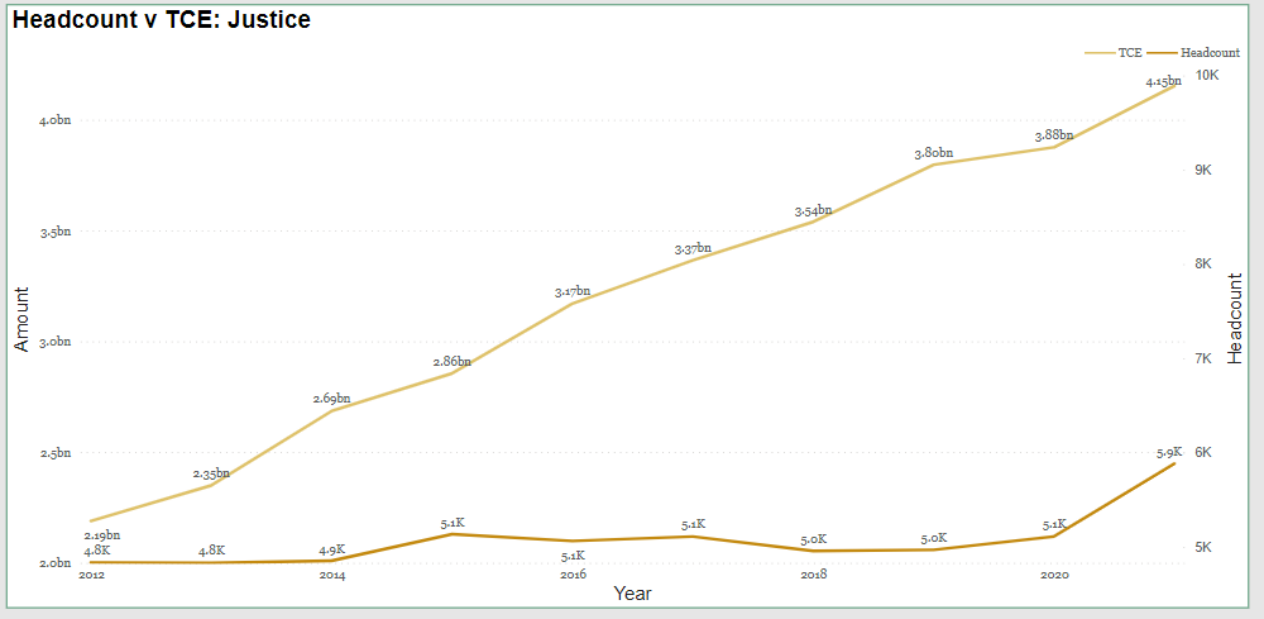


As noted in the graphs above, the Department of Justice has a small share of the overall Wage Bill and headcount. The two are compared on an overall basis in the two graphs to follow:

Graph 61: Justice headcount vs. TCE

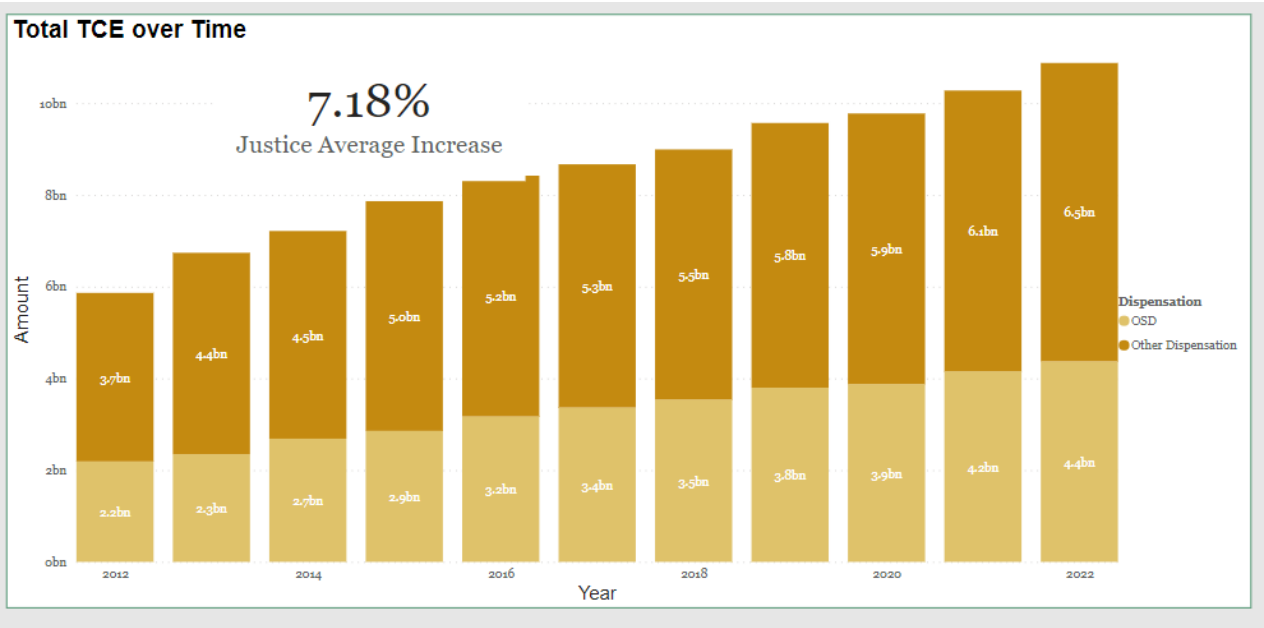


Graph 62: OSD headcount vs. TCE in Justice



The graphs above indicate a relatively small headcount and hence TCE that has stayed fairly consistent with a sharp rise 2021. The graph to follow observes the overall TCE trend for OSDs.

Graph 63: OSD total TCE over time



As noted above, the increase in TCE for Justice follows the overall annual average quite closely (7.18% vs. 6.67% respectively), with the sharp recent rise in headcount dragging it up slightly.

Specific findings: Justice (Legal OSD)

Specific to the Legal OSD, through the qualitative consultations and extensive documentary evidence provided by the Department of Justice, the following was applicable:

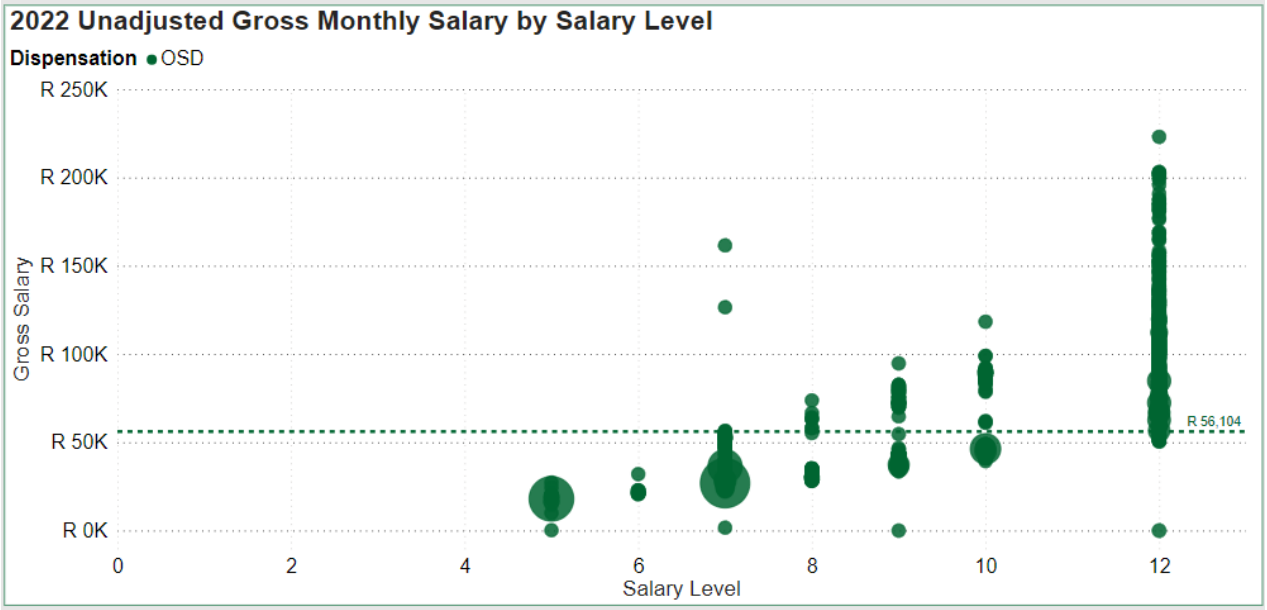
- An embargo on the filling of the LP 10 positions, introduced by the Legal OSD, due to norms and standards which were developed but could not be implemented due to budget constraints.
- There are excluded posts from the OSDs which should have been included from inception, such as the legal lecturers and legal researchers.
- Certain groups, including SMS members who were legally qualified and performing exclusively legal and litigation functions, were excluded from the OSD and, where SMS members were included, the determination was unclear.
- The OSD implementation blurred the lines between management functions and roles and the performance and recognition of production units.
- The attraction of suitably qualified candidates is tied to the appointment measures of the Legal OSD posts which are quite rigid, in particular:
    - The number of years of experience and considering that the dispensation stipulates that experience may only be recognised for entry-level production posts for recruitment purposes, which deters the appointment of newly qualified personnel as well as those the Public Service hopes to attract from the private sector. This

stipulation hampers the ability to attract experienced lawyers to more senior posts, causing dire implications in offices such as that of the State Attorney.

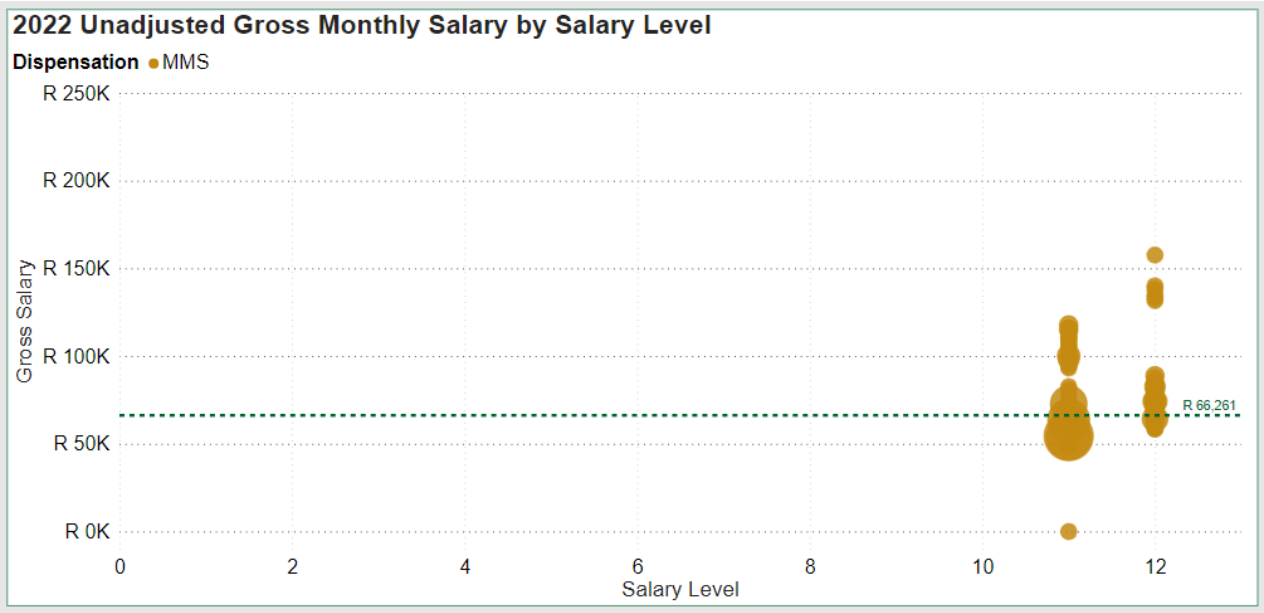
- Rigid experience requirements do not consider regional labour market differences such as the rural areas, where attracting employees with the required years of experience is even more of a challenge given the economically active population being typically small in those areas.
- The retention of young and dynamic legal professionals is adversely affected by the low stipulated remuneration packages and the experience required at entry levels, leading to:
  - Loss of skills to the private sector.
  - Unhealthy working dynamics due to a lack of recognition for equal pay for equal work
  - An emphasis on experience and not the output.
- Overlapping of production and management salary scales, which devalues the management jobs as the production specialists have the ability to progress beyond what is catered for in the salary dispensation of SMS members, creating instability within the legal profession.
- The extent of the overlapping salaries, according to the Department of Justice, is that the highest paid OSD position of LP 10 can fully match the SMS levels of 13 and 14. At the higher end, the maximum notch of the LP 10 scale exceeds the maximum of level 14 (chief director). Furthermore, the annual cost of living adjustment for the SMS members has typically been a lower percentage than other levels including OSD, compounded by the SMS adjustment historically being implemented months later.

The two graphs below illustrate the spread of salaries for the OSD and MMS dispensations, respectively.

Graph 64: 2022 Unadjusted gross monthly salary by salary level



Graph 65: 2022 Unadjusted gross monthly salary by salary level



The above serves as evidence of a larger spread of salary existing for OSDs at salary levels 11 and 12 in comparison to MMS.

Recommendations specific to Justice (Legal OSD)

- Abolishment of the vacant LP 10 positions to align with the macro structure and to build OSD lower-level production capacity as an interim solution and the need to find a longer-term solution as the DoJ looks to bring stability to their establishment and creation of management capacity and production capacity as the existing population of LP 10 officials are nearing retirement.
- The removal of vacant LP 10 positions from the approved establishment as this creates a false impression of SMS vacancy as well as a bloated structure, and funding should be repurposed as per the interim solution above.
- To revert LP 10 (managerial posts) back to SMS levels, since the establishing of staffing norms is a long and comprehensive process, to assist the Department in the interim to fill posts that are critical to management of offices and ultimately service delivery. It is important to note that the reverting of posts would not incur any additional financial expenditure.
- Review of the appointment requirements for MR5 vs MR6 and MR4.
- Assess the mobility between the streams (experience, qualifications, etc).
- Review the overlapping on production and management salary scales.

It is important to note that the DoJ has identified most of these areas and is currently engaging as to what needs to be done to overcome these challenges.

17. Department of Social Development: Findings and recommendations

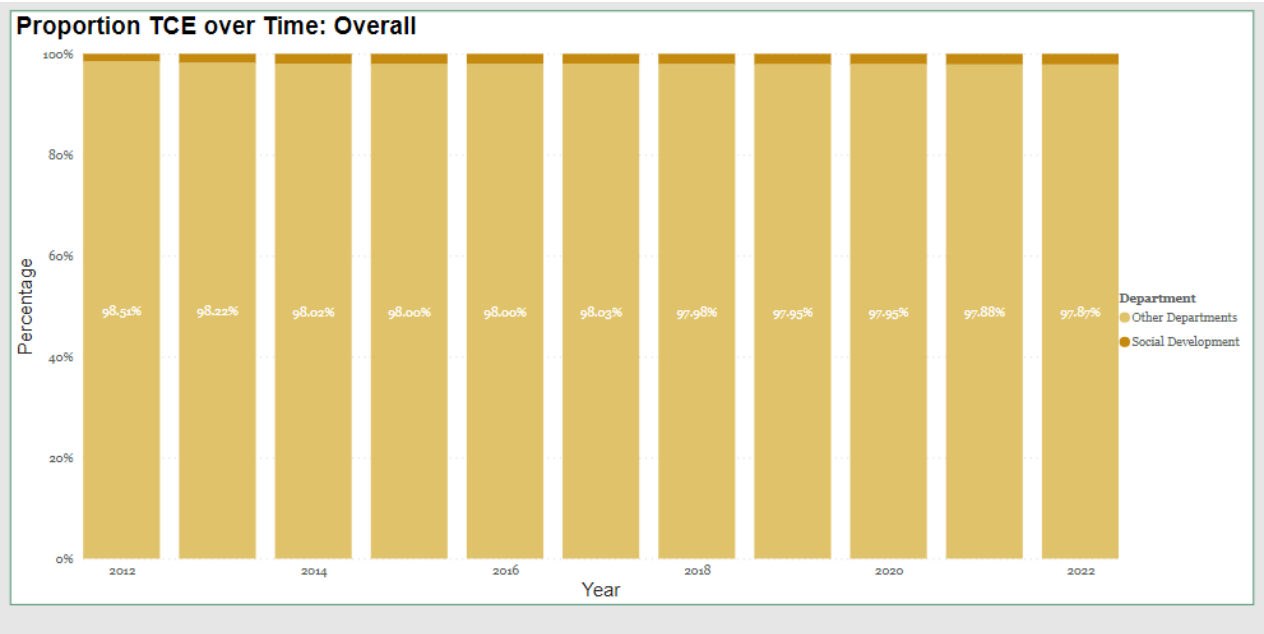
Context and overview

The introduction of the OSD for social service professions and occupations was aimed at countering the Department's struggle in attracting and retaining social service workers, the vision being that this would ultimately lead to an improvement in service delivery. At implementation, the salary scales and notches of the OSD for social service professions and occupations were then adjusted by 10.5% with effect from 1 July 2008. The following professions were included in the OSDs:

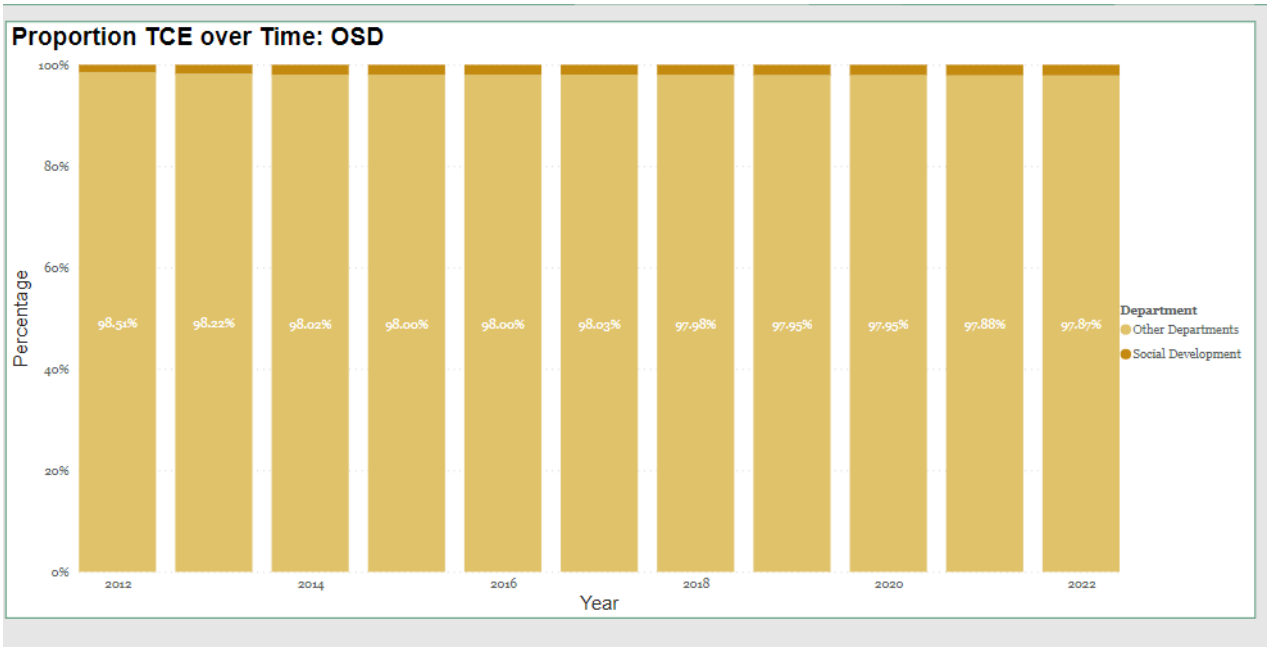
- Social workers including social auxiliary workers, probation officers, and assistant probation officers. This dispensation is applicable to all employees registered with the South African Council for Social Service Professions (SACSSP) as social/social auxiliary workers and who are appointed in terms of the Public Service Act, 1994 and the Correctional Services Act, 1998
- Community development practitioners including community development assistants. This dispensation is applicable to community development practitioners and assistants who are appointed in terms of the Public Service Act, 1994
- Child and youth care workers. This dispensation is applicable to child and youth care workers who are appointed in terms of the Public Service Act, 1994 and the Correctional Services Act, 1998.

To give context to the findings to come, the graphs to follow compare the proportion the Department of Social Development makes of the overall TCE for and OSD-specific.

Graph 66: Overall proportion TCE over time

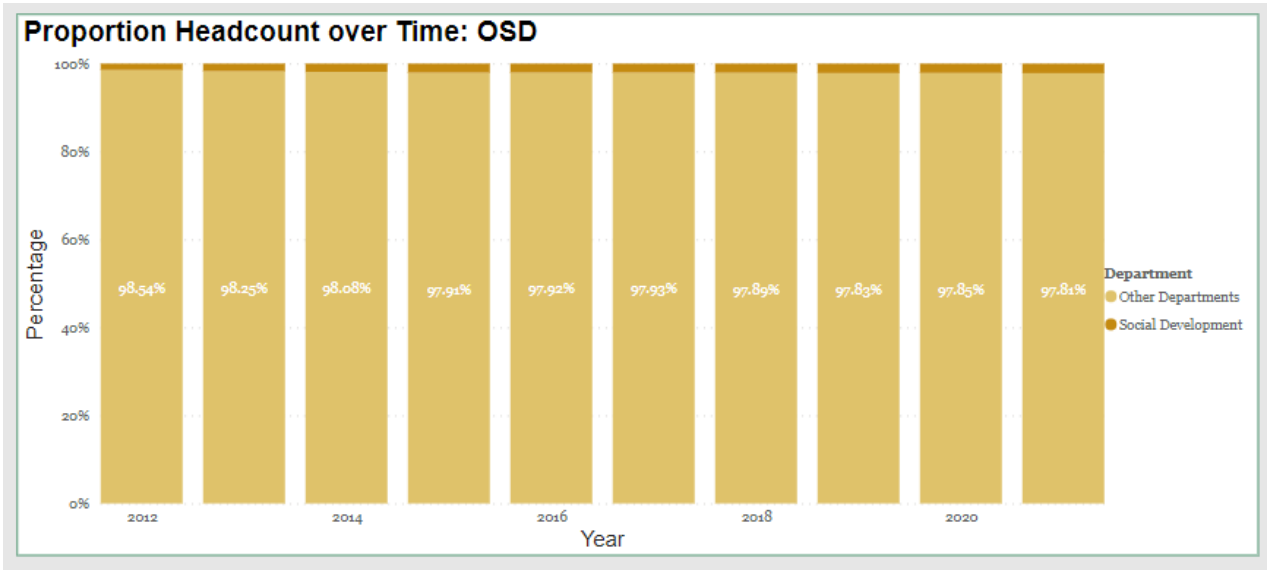


Graph 67: OSD TCE proportion over time

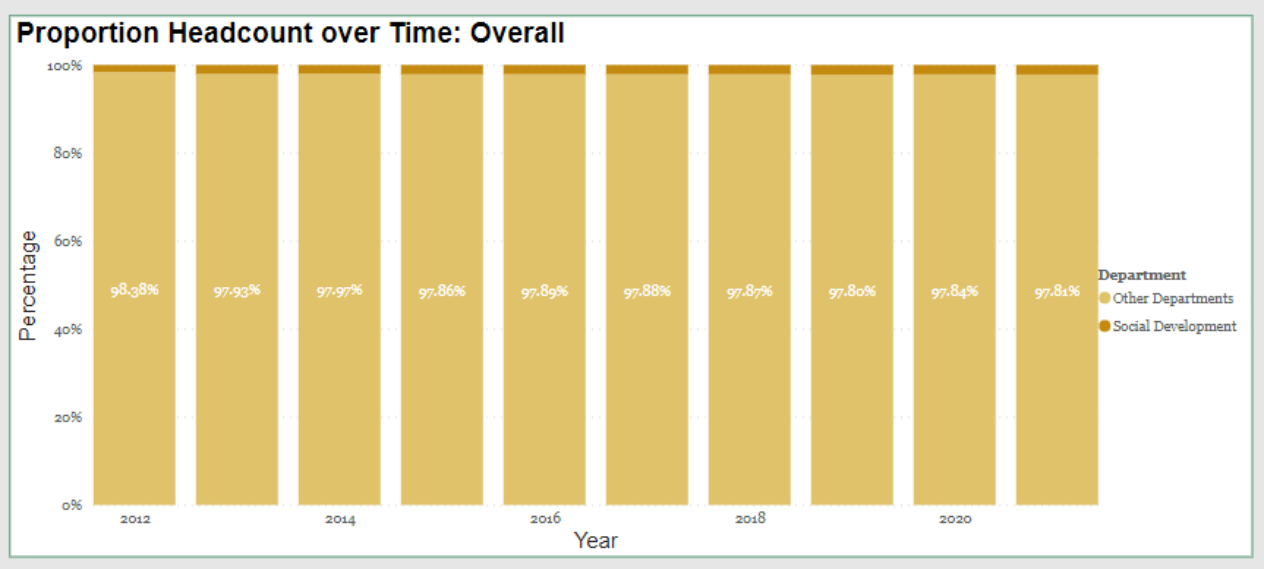


The following graphs compare the proportion the Department of Social Development makes of the overall headcount (OSD-specific and overall).

Graph 68: OSD headcount proportion over time

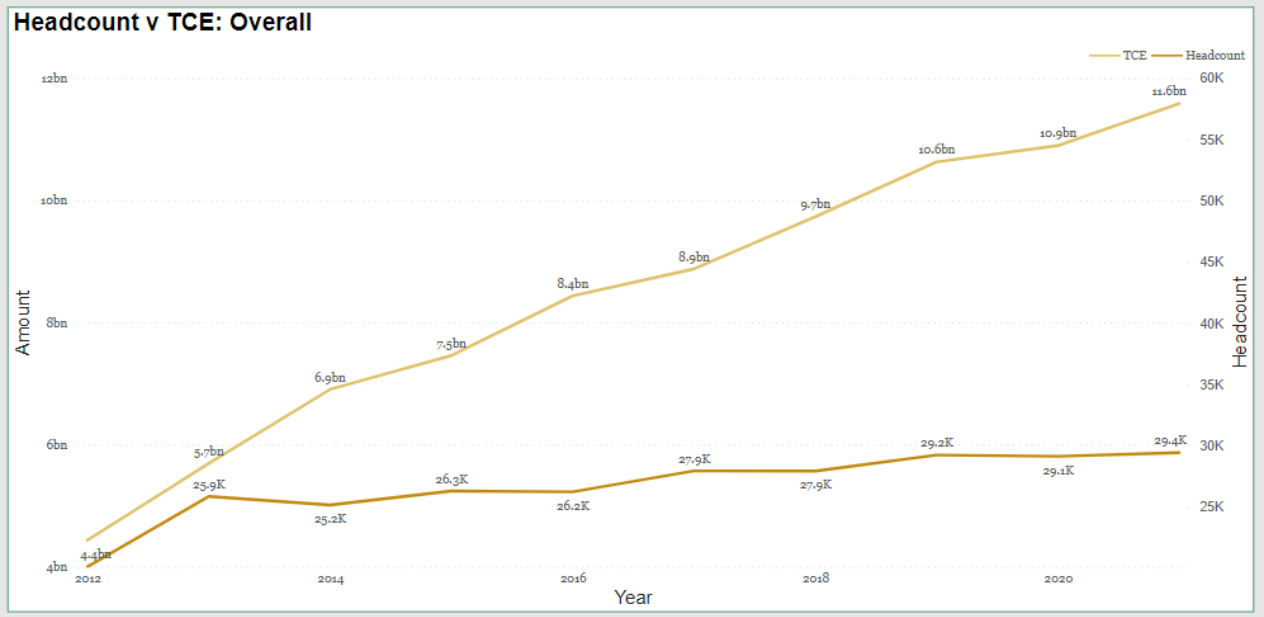


Graph 69: Overall proportion headcount over time

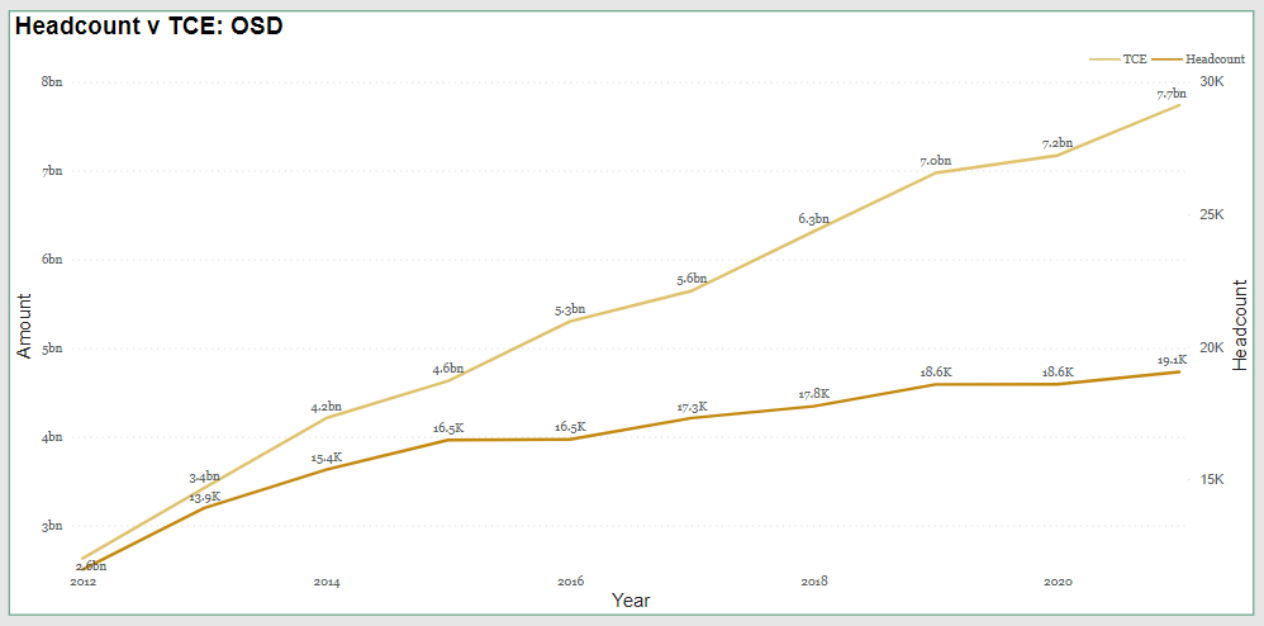


The following graphs compare overall and OSD headcount to TCE, and the third graph gives a breakdown of the Departmental TCE between OSD and non-OSD cost, along with the average annual increase.

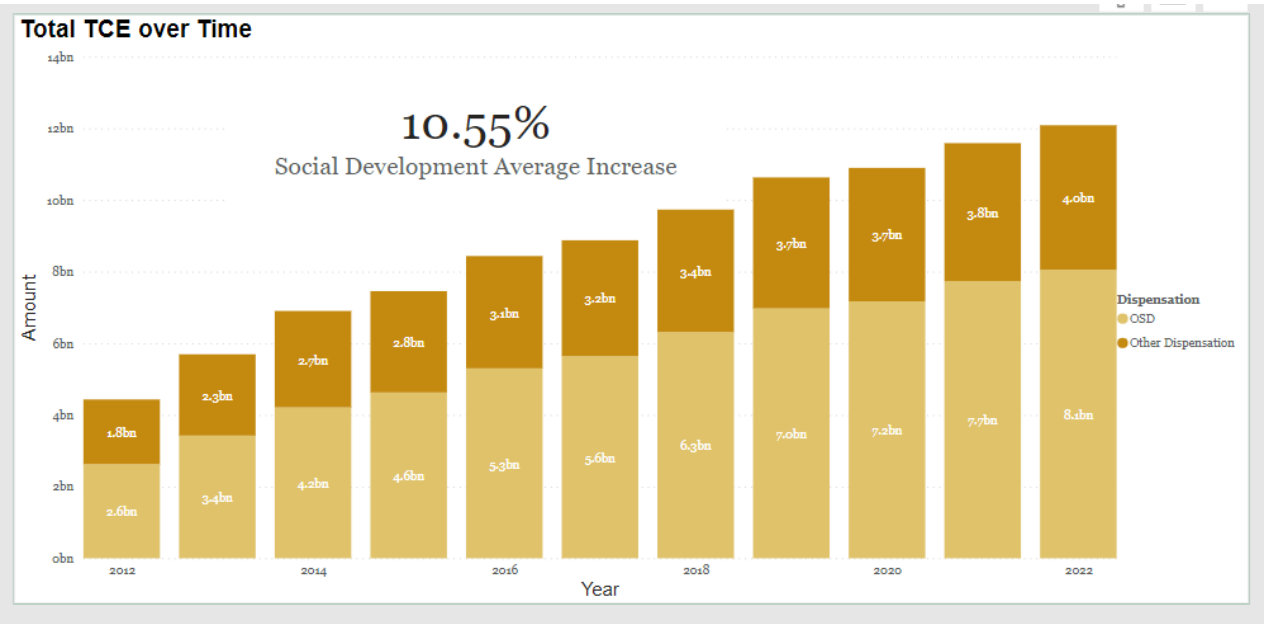
Graph 70: Overall headcount v TCE



Graph 71: OSD headcount v TCE



Graph 72: Total TCE over time



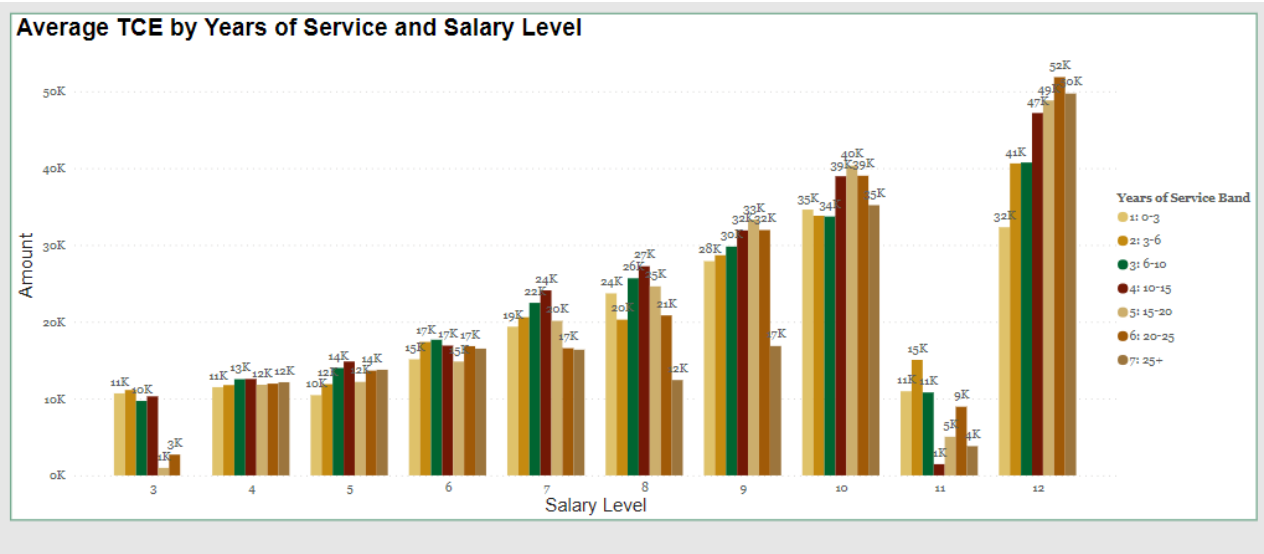
As noted in the graph above, there are high overall TCE and headcount increases over time, leading to the overall average annual TCE increase of 10.55% which far exceeds the average of 6.67%.

Findings specific to social service professions

Informed by the extensive qualitative consultations and extensive documentary evidence provided by the Department of Social Development, the following was applicable:

- Qualification for community development professionals (CDP) is not specific given that any individual with a three-year qualification could be appointed. The OSD provides for an appropriate three-year qualification; however, the CDP environment at the time that the OSDs were implemented was fairly new and not yet professionalized.
- Experience required for the appointment of supervisors and managers remains excessive, given that seven and ten years of experience is required for appointment as a supervisor and manager respectively.
    - This requirement compromises the ability to employ sufficient supervisors and managers, to the extent that social workers with three to four years of experience are actually used to supervise new entrants, as a result of the inability to appoint supervisors.
- A 3% pay progression every second year is no longer viewed as an incentive. Due to developments in other areas, most categories now receive 1.5% annually, which makes the two-year cycle unjustified.
- Five to ten years actual service being required before allowing for employees to progress to the next grade, which then places new appointees in the same position as serving employees, has an adverse effect on internal working relationships. This is further supported by the below graph which depicts average TCE by salary level for increasing levels of experience (years of service band). It shows that remuneration on average does not rise with increasing experience, which reflects the question of fairness, cognisant of the differing number of officials on the applicable bands.

Graph 73: Average TCE by years of service and salary level



- Former SW managers on salary level 12 who were supervising previous advanced specialists on salary level 11 are still required to supervise them, despite both being translated to SW manager grade 1. When the OSD was implemented, a process of realignment within Directorates should have taken place to give effect to the changes introduced by the OSD, to avoid the unfairness caused to both categories who are required to report to and supervise each other.
- Job hopping is still a challenge at times for the Department of Social Development when assessing similar posts being advertised on higher levels in other Departments such as the SAPS and the Departments of Defence and Education. They appoint officials in terms of legislation unique to their areas of business and remuneration levels, meaning that the social service and related professions OSD cannot be forced on them.

Recommendations specific to social service professions

- It is recommended that qualification requirements be reviewed and updated accordingly. Consider changing the qualification for community development professionals to a three-year qualification with a community development-related subject as a major.
- Consider amending the appointment requirement for supervisors to five years, which would be in line with the Social Worker Supervision Framework, and reducing the requirement for managers to seven years, which has been benchmarked with other similar posts by the Department of Social Development.
- Consider aligning the 3% pay progression every three years to 1.5% annually which, while impacting cash flow in the short term, should balance out in the long run, further alleviating the administrative burden caused by the process.
- It is recommended that an appropriate organisational and reporting structure for former SW managers on salary level 12 and advanced specialists on salary level 11 be developed to ensure required realignment within the applicable Directorates.

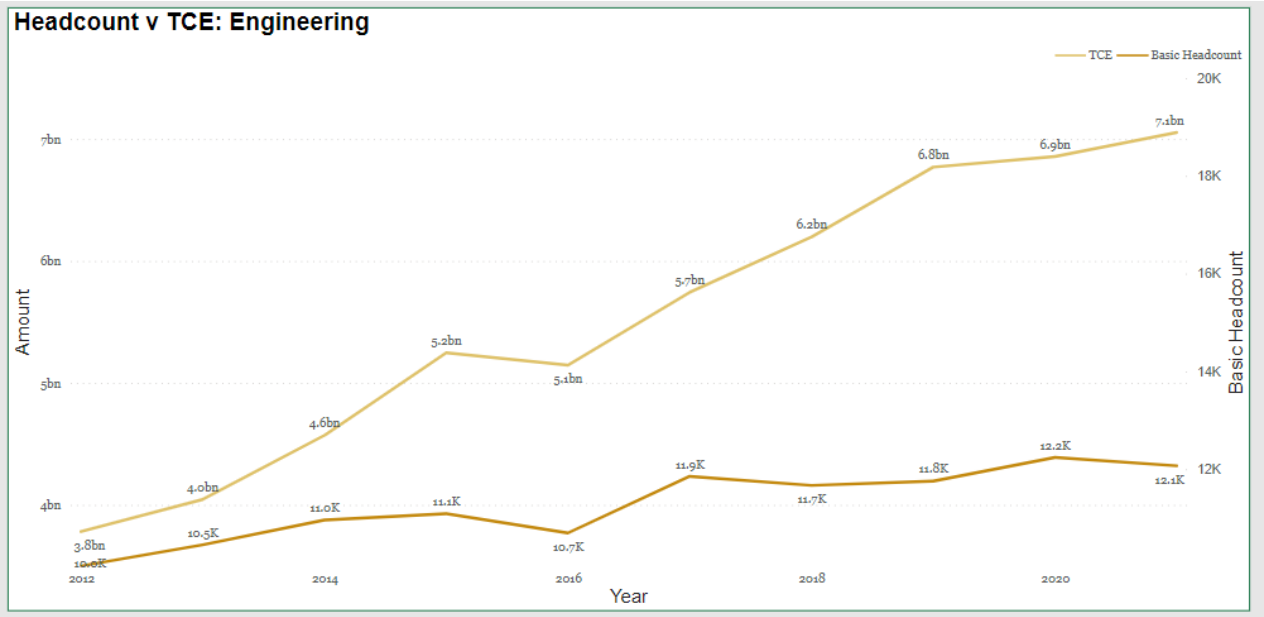
18. Engineering and related: Findings and recommendations

Context and overview

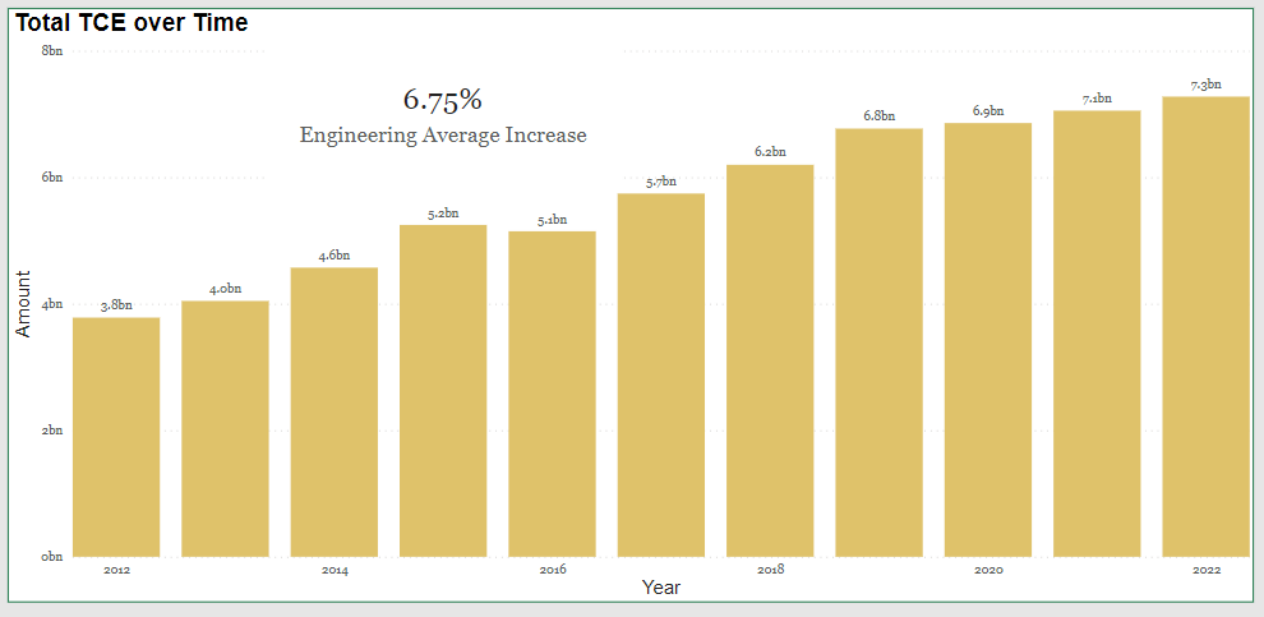
Resolution 9 of 2009 is an agreement signed on 18 August 2009 on the implementation of an OSD for **Engineering**. The agreement gives effect to clause 4.14.3.3 of the PSCBC Resolution 1 of 2007.

The following graphs give context to the TCE and headcount within the Engineering OSD:

Graph 74: Engineering headcount vs. TCE



Graph 75: Total TCE over time



Objectives of the OSD for Engineering

- Unique salary structure.
- Career-pathing opportunities based on competencies, experience, performance, and scope of work.
- Adequate pay progression and accelerated pay progression.
- Grade progression and accelerated grade progression based on performance.
- Recognition of appropriate experience.
- Increased competencies.
- Introduce differentiated salary scales for different categories of engineers.
- A change in the pensionable composition of the TCE, which would be a 70/30 split.

Findings specific to Engineering and related OSDs

- The analysis and qualitative engagements conducted indicated that the Resolution for engineers requires employees who are appointed within OSDs to carry out relevant engineering and related work as prescribed by the OSD. However, the Resolution is mute as to what process should be followed when this is not the case, after appointment. This is key, as the basis for the OSD overall was for the attraction and retention of scarce and critical skills to ultimately improve service delivery. In instances whereby engineers on OSDs are not carrying out these functions, a higher remuneration may not be justifiable.
- The review of Engineering and related OSD Resolutions cannot be assessed without the element of performance management being highlighted. Pay progression and accelerated pay progression have a monetary impact on the Wage Bill, which is detailed in the PERSAL data analysis, given that ‘satisfactory performance’ and ‘exceeds performance’ ratings are criteria for the awarding of pay progression and accelerated pay progression. The outcome employee assessment must be reliable and undertaken through an effective and objective

process. Some of the challenges voiced by Public Service employees in the PER 2022 consultations were:

- The administrative burden of managing poor performance and a highlighted lack of capacity and willingness by managers to make bold decisions.
- Fear of being unpopular amongst subordinates and possible backlash.
- The use of performance management as a tool to deal with discipline, which leads to inconsistent outcomes.

- Despite the well-formulated policy of PMDS, performance management remains a challenge when it comes to its objectivity and application.
- The attraction and retention of skills, currently not included within the Engineering and related OSDs, is a challenge. This has an adverse impact on the quality of engineering and related professionals employed in the Public Service. Excluded professions includes the following, amongst other Council for Built Environment Professions (CBEP):

  - Property valuers.
  - Landscape architects.
- Availability of resources for the purposes of skills development is an issue, given that most National and Provincial Departments do not readily have mentors and in-house structured candidacy programmes for candidates. This prolongs the candidacy tenure which can be a costly exercise given that the salaries of candidates and recently professionalised personnel are similar. The challenge that arises is that professionals at the production level earn salaries less than a candidate.
- Retention of skilled professionals in rural areas remains a challenge, especially given the high rotation of professionals deployed in the applicable environments.
- The OSD for Engineering, with specific reference to the OSD for architect technicians and architect technologists as contained in GPSSBC Resolutions 5 and 6 of 2009, is an aspect that needs to be corrected.

This Resolution allows for the creation of OSD positions for architect technicians and architect technologists, along with other positions. The streams identified for correction were as follows (Western Cape Department of the Premier Corporate Services Centre):

GPSSBC Resolution 5/2009	GPSSBC Resolution 6/2009
Candidate architect technician	Candidate architect technologist
Architect technician, production A, B & C	Architect technologist, production A, B & C
Control architect technician	Control architect technologist

The appointment requirements in the above-mentioned posts are set out in Annexure A of DPSA Circular 5 of 2009 (Determination on Engineering and Related Occupations). It is important to note that, for both posts, registration with the South African Council of Architect Professions

(SACAP) is a compulsory requirement. The challenge is that it is impossible to comply with the OSD requirement, given the following:

- The SACAP has no registration category for an Architect Technician.
- The category 'technician' is not listed in section 18 of the Architect Professions Act, Act 44 of 2000.
- The error in the GPSSBC Resolutions directly impacts on the organisational design interventions, as the respective organisations are forced to create the misaligned posts of architect technician.

Recommendations specific to Engineering and related

- It is therefore recommended that the OSD be aligned with the provisions of the Architect Professions Act, 2000 and the registration requirements of the SACAP by adjusting the job titles of both architect technician and architect technologist.
- The qualification requirements stated in the OSD Determination can be applied without any amendment and without any financial implications as per the table below (Western Cape Office of the Premier Corporate Services Centre — Chief Directorate People Management Practices):

OSD content		Proposed alignment		Comment
OSD post/title	**Minimum qualification requirement**	**Equivalent profession listed in Architect Professions Act (APA)**	**SACAP requirement**	
Architectural technician	**National Diploma** in Architecture with Professional Registration as Architect Technician	Architectural technologist	**National Diploma** in Architecture with Professional Registration as Architect Technologist	'Technician' is not listed as a profession in the APA, therefore there are no means to register with the SACAP. Alignment is possible if the OSD post title is changed to 'technologist' against current salary scales indicated for technician
Architectural technologist	**B Tech Degree** with Professional Registration as Architect Technologist	Senior architectural technologist	**B Tech Degree** with Professional Registration as Senior Architect Technologist	Senior technologist is a separate profession recognised by the APA and SACAP; it is not a progression from the position of technologist. Alignment is possible if the OSD post title is changed to 'senior technologist' against the current salary scales indicated for technologist
Note: The OSD Resolution, Determination, APA, and SACAP make provision for candidate positions for each listed profession. These should be similarly aligned, namely candidate technologist and candidate senior technologist. The same job title changes as propose, should apply to OSD supervisory posts of control architect technicians/control architect technologists.				

- Because of the absolute alignment of qualification requirements illustrated above, it is unlikely that any technologists (OSD technicians) would have been appointed as senior technologists (OSD technologists). In the instances where this has occurred, it is recommended that the correction of the professional categories take effect from the date of correction.

- While both the GPSSBC Resolution 5 of 2009 and DPSA Circular 5 of 2009 refer to the post of architectural technician, **Annexure A** of the said DPSA Circular also refers to the post of technician as 'architectural technician/draftsperson'. This is an error given that the entry requirement for a draftsperson, according to the APA and SACAP, is a higher certificate with 12 credits on NQF 5, which creates uncertainty for the inclusion within OSDs.
- It is recommended that organisational performance outcomes be cascaded down to the performance contracts of individual employees. In the process of enhancing the performance management process, consideration should be given to the following:

    - The manual interface used by many Departments creates challenges in managing performance. To address this, an electronic performance management system can be implemented, which is easily understood and transparent for all stakeholders involved.
    - Consequence management for all stakeholders who fail to execute their expected and contracted roles of manager and subordinate would potentially improve the effectiveness of performance management as a whole.
    - Cultivating a culture of regular performance conversations to have a real time impact in the spirit of continuous improvement and development.
- Consider aligning Engineering and related OSDs to the applicable professional registration bodies in the built environment to achieve the following outcomes:

    - Inclusion of excluded technical professions which warrant the OSD.
    - Quality enhancement of delivery output by preventing poor workmanship, inefficiencies in infrastructure planning, design, implementation, and maintenance which adversely impact the realisation of government priorities.
- Consider introducing a rural allowance for the retention of professional skills in qualifying rural areas by:

    - Carrying out a cost and benefit assessment of a potential rural allowance.
    - Clearly defining rural environment qualifying criteria.
    - Periodically revising areas that are considered rural, given urbanisation initiatives.
- It is recommended that recipients of OSDs mentor OSD candidates through the introduction of compulsory mentorship as a contractual requirement, which should alleviate the challenge of availability of resources and enhance the timely completion of candidacy programmes.
- It is recommended that salaries of registered professionals who possess a high degree of experience be assessed in comparison to salaries of candidates to ensure appropriate recognition for the respective levels. According to the Council for Built Environment 2022 OSD report, candidate salaries are not market-related across the industry. Consideration should be given to conducting a comparative analysis for the purpose of alignment where required.
- Alignment of the organisational structure to attract and retain engineering.
- Abolishment of accelerated pay / grade progression and align the pay progression across.
- Recognition of experience be applicable only to the production grades and not supervisory as outlined.
- Advertisement for supervisory levels to be done on a minimum notch of grade A, only.
- Review of the additional occupations that are outside of the OSD model.
- Engineers and Project Managers – Some departments still allege that they cannot attract and retain candidates and professionals despite the high salaries that are being paid to these categories. Furthermore, in practice, it is clear that these professionals are not

performing “real” technical functions but just oversee the Consultants or Service Providers who carry out the work. Therefore, the functions must be reviewed and realigned to the actual job.

- Scientists – The incremental addition of registration for occupational categories that did not require registration before in order to be included in the OSD is becoming untenable. For example, Extension Officers are seemingly registering with the South African Council for Natural Scientific Professions (SACNASP) in droves, as a way to be included in the OSD *“via the back door”.*
- The need to define the Candidacy period in line with the Policy on Development Programmes, including the fact that there is not automatic absorption post-Candidacy period.
- There is need to consider unregistered professions in the context that they are not in a position to perform some tasks, therefore the question is whether they are appropriately placed despite the grandfather clause.
- The OSD reporting structure for Environmental/Biodiversity Officers should be reviewed particularly at the supervisory/management levels, noting that it in some instances combined posts and functions that were on salary levels 10, 11 and 12 pre-OSD, which is creating challenges when filling these posts.
- There is also a need to define a higher reporting post above Control Environmental/Biodiversity Officers - EO/BO when it was introduced, ASD and DD posts were combined, the above may result but also starting at an equivalent of level 10 for Supervisory posts may be demotivating, therefore some structural re-arrangements may be necessary.

19. South African Police Service: Findings and recommendations

Background and overview

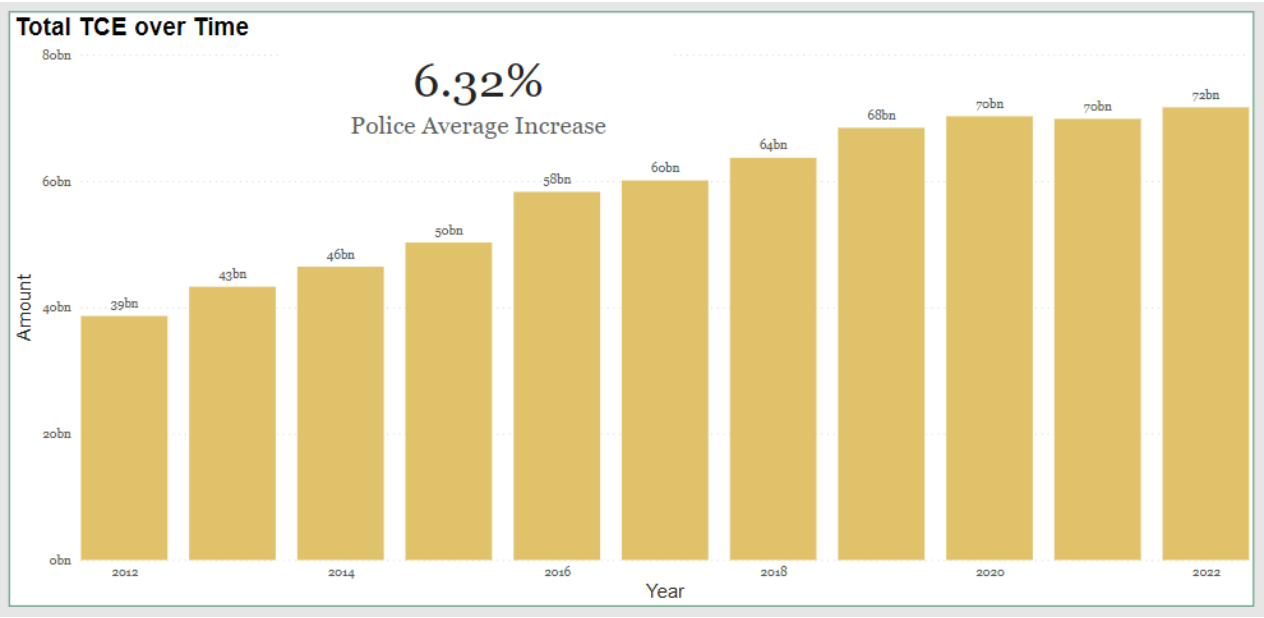
The South African Police Service (SAPS) is committed to providing an internally equitable remuneration offering for the attraction, retention, motivation, and development of human capital. In 2005, the SAPS embarked on a review of the current salary structure with the aim of developing a defensible salary structure.

Background of the SAPS salary structure

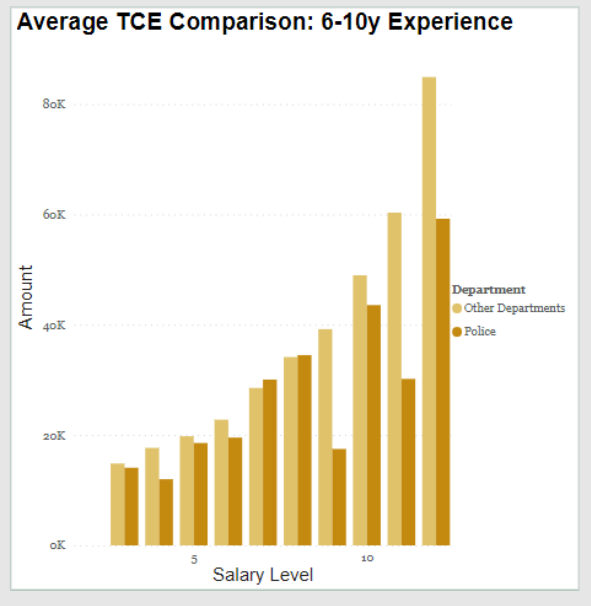
When OSDs were introduced (through Resolution 1/2007), the SAPS drew the conclusion that OSDs have high cost implications and do not meet the specific needs of the SAPS. The SAPS analysed OSDs in the Public Service and ruled that the OSD will not be a sustainable system that could be employed in the SAPS. As a result, the SAPS Wage Bill has not increased at the rate at which other sector Departments increased due to the implementation of the OSDs.

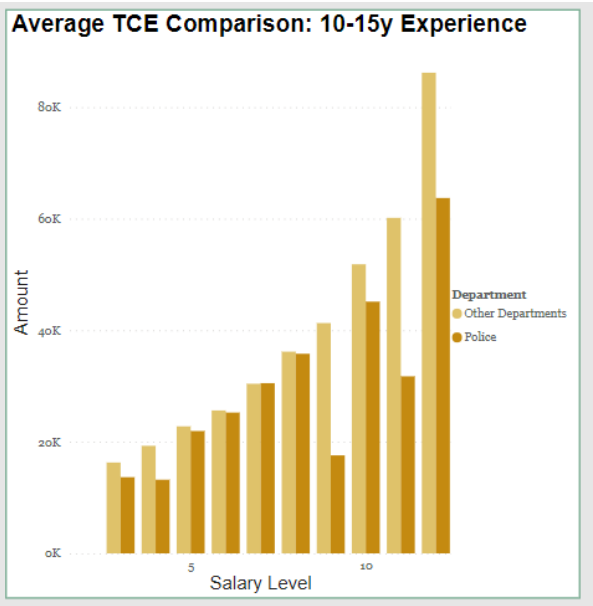
The graphs below depict the overall TCE within the South African Police Service along with a comparison of the SAPS TCE compared to other Departments across salary levels.

Graph 76: Total TCE over time



Graph 77 and 78: Average TCE comparison





The graphs above indicate that there is evidence that the SAPS salaries are lagging behind other Departments and hence the Wage Bill has not increased at the same rate (6.32% compared to the 6.67% overall).

The salary dispensation that is functional within the SAPS identifies scarce and critical skills in the police environment and in areas that the SAPS wants to attract and retain key occupations. As a result, the scarce skills policy was developed and implemented. In areas where it was difficult to apply the policy, the SAPS introduced employee allowances and grouped certain categories of allowances that are known as scarce skills allowances in order to retain scarce skills.

The purpose of the scarce skills policy in the SAPS policy framework is to provide:

- Criteria for the identification of scarce skills in the service.
- Mechanisms and strategies to recruit and retain employees in occupational categories that have been declared as scarce skills.

Development of a salary structure for the South African Police Service

Upon instruction by the National Commissioner, a remuneration specialist (PwC) was appointed in 2015/16 to investigate and establish a defendable salary for a police officer and to develop an affordable and sustainable salary structure for the SAPS.

The scope of the investigation included:

- A study/benchmark with other police agencies, both nationally and abroad.
- Evaluation and proposed mechanisms to measure and reward performance in a fair, objective, and responsible manner.
- Market analysis of pay grades and ranges.
- Evaluation of the job evaluation system to determine if it is the most appropriate job grading tool and make recommendations in this regard.
- Investigation of best practices regarding ways to differentiate between core and non-core functions as well as the attraction and retention of specialised skills and make proposals in this regard.
- Scrutinise the current national instruction on promotions and grade progression and investigate the sustainability and affordability of promotions and grade progression. Job levels, rank structure, developments in the Public Service and international best practices must also be considered.
- The current pay progression system had to form part of the review and alternatives to pay progression were to be provided.

PwC recommendations for the SAPS as at 2015

- Review the grade levels in order to address the following issues:
    - Overlapping of ranks in terms of the EQUATE level, as there needs to be a differentiation between job worth in each rank.
    - Lack of correlation between EQUATE levels and the market grade levels.
- Consider job-family-specific pay scales to differentiate remuneration levels of core and non-core staff and that of OSDs.

The following recommendations, echoed in the PER 2011 Remuneration Implementation Guidelines, are key:

- Develop a framework that defines the classification of the scarce/critical skills required within the Public Service to deliver on its strategic objectives.
- Develop a strategy to reclassify OSD positions previously incorrectly classified as such.
- De-link the OSD remuneration structure from job levels and re-develop based on job families and job grades.
- Base the development of OSD remuneration structures on up-to-date remuneration data as contained in a reputable salary survey.
- On the basis of the review, PwC recommended the following principles to enhance the SAPS remuneration and pay progression structure:
    - A continuation of the separate remuneration structures for SAPS and PSA employees
    - Develop job-family-specific salary scales which will reflect scarcity premiums when they exist in the market based on up-to-date market data.
    - Relatively narrow pay bands for junior levels and broader pay bands for more senior levels.
    - Promotions should be used as the primary reward tool at junior levels, and superior increases and positioning in the pay range as the primary reward tool at more senior levels.

- Develop a rigorous pay and career progression model as the primary tool to implement the specific recommendations below:

  - Annual salary increases should be based on an overall annual increase for the year and informed by inflation, employment market movements and affordability, modified for each employee for that year based on the actual individual employee compa-ratio, their actual performance, and their potential.
  - The introduction of 'potential' as a measure for pay progression and promotion within the job family. Potential can be measured differently for each job family.
  - The pay progression model should also take account of any strategic changes in headcount (growth or down-sizing), expected leaver percentages (including mortality), and policy for entry point in the range for new joiners.
  - The above parameters for the pay progression model should be calibrated each year based on a financial model so that the overall increase in the total people cost of the SAPS is in line with budgets and is financially sustainable.
  - Promotions should be based on performance and potential, time in grade and current grade (years to promotion should increase as grade increases).
  - The compa-ratio for a promoted employee should be based on the mid-point of the new grade.

Current salary dispensation / New salary structure

Agreement 2/2006 issued on 29 March 2006 by the SSSBC on the new salary structure for the SAPS clearly defines the principles underlying the new salary structure.

Principles underlying in the revised/new salary structure are as follows:

- All the current levels 4 to 12 with 16 notches each per level have been reduced to five bands with six notches each.
- The new bands (A, B1, B2, C and MMS) are created with six notches each.
- The salary levels have been aligned with the ranks.
- Members are eligible for pay progression every three years based on performance and competence.
- The difference between notch levels is at 4%.
- One overlap (B2) was created to allow a career path at production level.

Special Dispensations within the SAPS

- Agreement 1/2018 issued on 5 December 2018 on special dispensation for pilots employed in the SAPS by the SSSBS recognised the need to review the special dispensation for pilots. The flying allowance, production factor and scarcity factor were collapsed into one allowance called the SAPS Flying Allowance (SAPSFA). This allowance only applies to operationally active pilots.
- Scarce skills allowances were finalised in September 2004 as an implementation of the scarce skills policy. Scarce skills allowances are paid monthly with effect from October

2006. Scarce skills allowances are only payable to employees whilst they are performing scarce skills functions.

- The service allowance is payable to all employees in the service who physically perform operational duties for purposes of line activities in SAPS.
- Night shift allowance is payable to employees who have been appointed as scheduled night shift workers who actively perform duty between 6pm and 6am or 7pm and 7am.
- No allowance for stand-by duties is payable to any employee unless work functions are performed by them during this time.

Successes

- Reduction of 16 salary levels with 209 salary notches to 60 with an overlap of six notches. Every salary level has six notches. This was done to ensure the close relation of jobs in the SAPS.
- The salary levels are now more consistent with the rank structure in the SAPS.
- The salary structure allows personnel to remain production workers for longer.
- Movement through the levels by a way of proven applied competence and performance assessment.
- The SAPS Wage Bill has not increased at the rate at which other sector Departments increased due to the implementation of the OSDs.
- The SAPS is able to renegotiate allowances with their highest council and then proceed to tailor the allowances to suit the SAPS culture and way of work.
- Contracted employees possessing scarce skills may be paid a once-off cash allowance linked to a contract binding the employee to serve in the service for the period as agreed upon. The payment is either made at the commencement or at the completion of the contract period.
- Employee retention for permanent employees with scarce skills has increased due to receiving monthly allowances in order to increase retention.
- The allowances get terminated at the end of the period agreed upon.
- The SAPS has been able to attract its workforce by offering bursaries to incoming talent and paying the study debts of scarce skills employees.
- Even without OSDs, the SAPS is still able to apply market-value salary increases as and when communicated by the PSCBC without negatively impacting the Wage Bill as much as other Departments would. The PSCBC has reached an agreement on the salary adjustments and improvements on conditions of service in the Public Service.
- The SAPS has clearly defined working hours for administrative staff and shift workers and, through this, was able to regulate the amount of overtime one can take. This limits the excessive booking of overtime expenses.
- The SAPS manages overtime expenses efficiently because operational workers are shift workers, so night duties are rated at average night duty rates and not as overtime.
- Employee rotation occurs at no cost to the state and does not negatively affect employee compensation unless substantiated for in dilemmas of occupying rare skills positions.

Challenges

- The prominent problem identified with the scarce skills allowances is the absence of annual policy reviews, leading to certain parts of the policy being outdated or irrelevant due to changing times.
- Paying of employee allowances is a short-term measure.
- The scarce skills policy uses salary compensation as a way to retain skills. It overlooks the availability of resources (not human) which also is the reason why certain employees exit the SAPS — for example, pilots quitting jobs because there are limited aeroplanes or air machines to fly or operate or the inability to reach the target piloting hours.
- Investing in staff training and upskilling doesn't bind employees to utilise those skills only within the SAPS.

Categorisation of scarce skills to identify critical skills: SAPS national bursary committee

The table below depicts a list of occupations requiring technical or professional competence and that have a long lead time to develop:

Post description	Minimum qualification required
Civil engineer	Bachelor's degree or advanced diploma (NQF 7)
Civil engineering technician	Bachelor's degree or advanced diploma (NQF 7) Diploma or advanced certificate (NQF6)
Quantity surveyor	Bachelor's degree or advanced diploma (NQF 7)
Mechanical engineer	Bachelors' honours degree, postgraduate diploma, or bachelor's degree (NQF 8)
Architect	Bachelor's degree or advanced diploma (NQF 7)
Social counselling worker	Bachelor, honours degree, postgraduate diploma, or bachelor's degree (NQF 8)
Statistician	Bachelor's degree (NQF 7)
Chemical engineer	Bachelor honours degree, postgraduate diploma, or bachelor's degree (NQF 8)
Registered nurse (medical)	Bachelor's, honours degree, postgraduate diploma, or bachelor's degree (NQF 8)
Veterinarian	Bachelor's, honours degree, postgraduate diploma, or bachelor's degree (NQF 8) Diploma or advanced certificate (NQF 6)

Post description	Minimum qualification required
Clinical psychologist	Master's degree (NQF 9)
Psychometrician	Master's degree (NQF 9)
Forensic accountant	Bachelor's degree or advanced diploma (NQF 7)
Electrical engineering technician	Diploma or advanced certificate (NQF 6)
Electrician	National Certificate (NQF 4)
Electrical engineer	Bachelor, honours degree, postgraduate diploma, or bachelor's degree (NQF 8)
Data scientist	Bachelor's degree or advanced diploma (NQF 7)

With the information received from Provincial and Divisional Commissioners, the categories of posts as listed by the Department of Higher Education as 'high demand and skilled personnel', and the category of posts identified as scarce and critical by the Department of Labour, the Division of Human Resource Management compiled a list where there is a shortage of skills that are not necessarily scarce but are critical for the functioning of the SAPS. These posts and/or environments are as follows:

Shortage of skills that are not necessarily scarce but are critical for the functioning of the SAPS		
Work study officer	Crime scene management	Forensic investigator
Hostage negotiator	Tactical response officers	Forensic social workers
Fingerprint examiner (ridgeology course)	Radio communication technicians	Facial constructors
Explosive bridging / bomb technicians	Cyber/fraud investigators	Drone pilot / aviation manager
Explosive electrician engineer and technician	Forensic psychologist	Operational intelligence analyst
Explosive crime scene management	Harmful and occult related practitioner	Office administrators
Legal officer	Organised crime investigator	IT/computer-related skills
Journalist	Armourer	Radio communication technician

Shortage of skills that are not necessarily scarce but are critical for the functioning of the SAPS		
Work study officer	Crime scene management	Forensic investigator
Hostage negotiator	Tactical response officers	Forensic social workers
Fingerprint examiner (ridgeology course)	Radio communication technicians	Facial constructors
Explosive bridging / bomb technicians	Cyber/fraud investigators	Drone pilot / aviation manager
Sign language practitioner	Microwave voice analyst (data course)	Water policing and diving services
Physical education and sport science coaching	Language practitioner	Film and television production
Photography	Graphic design	Social media communication
Network engineer	Copywriting and content marketing	Disaster management
Safety manager	Medical response (life support)	Criminologist
Fire investigator	Analyst	Occupational health and safety assessor and manager

20. Transversal challenges of OSDs

The principles and objectives on which the OSDs were based and developed in the period of 2007 to 2011 necessitated a review of how the Public Service was able to recruit and retain key talent and scarce skills. Competition for these resources in all sectors dictated that the Public Service needed to transform its value proposition and remuneration approach to attract and retain scarce and critical skills.

The conceptualisation of OSDs commenced in 2006 as a result of the PER 2006 and was implemented between 2007 to 2011. However, this will be amended to include the clarification, including the fact that the conceptualisation was hastened by the compelling need to implement OSDs by labour (strike action in health and in education). This action impacted on the time and consultations required to refine the policy and subsequent resolutions.

The adopted approach was implemented under intense pressure, with labour unrest and protests pushing for remuneration transformation and improvement. The process was hastily developed

and some of the key principles and long-term implications of decisions made in terms of Resolutions 1 of 2007 and 1 of 2009 were sacrificed in addressing the need for urgent transformation. The key issues relating to OSDs, which have been identified in all key documents reviewed and significant inputs received across Departments and Provinces, include (high prevalence in qualitative engagements conducted in 2022 and 2023, the PER 2011, IMF report of 2021 and the PRRC of 2018):

- The continued applicability, relevance and affordability of the scarce and critical skills identified as far back as the PER 2006 and implemented in 2007-2011.
- Inconsistent application and interpretation of the principles and guidelines for OSDs which have led to uncertainty and litigation.
- Questions and uncertainty which are being raised on the actual and quantified impact of OSDs and on recruitment, attraction, and retention of professional and expert skills in the Public Service.
- The need and the way new skills and expertise, which are associated with the 'new world of work' and innovation in the areas of technology, analytics, engineering, healthcare, teaching and learning, will be addressed going forward from PER 2022.
- A lack of understanding and appreciation of the cost to employer of the true value of Public Service employees based on the benefits and allowances associated with their employment (specifically post levels 1-10).
- The extent to which managerial expertise can be retained especially for employees which are not included in OSDs.
- The need to identify and explore alternatives which address existing challenges, and which will also allow for the employment of new entrants into the Public Service.
- The manner in which OSDs can be revisited and assessed with stakeholders and bargaining councils going forward.

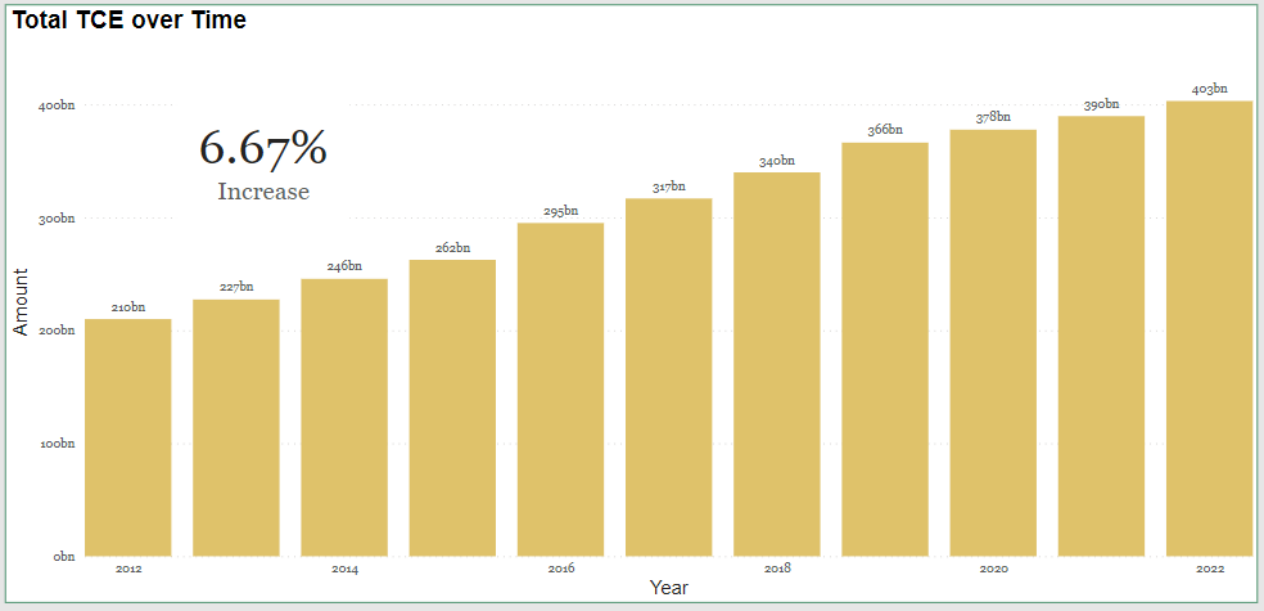
The challenges which the Public Service faces in 2022 relates to the State's inability to deal with issues that arose over time and the added pressure of organised labour interventions which prevented them from addressing the issues relating to the cost of the Wage Bill and unsustainability going forward. Numerous reports including but not limited to the PER 2011, NT GTAC 2021 and PRRC 2018, have identified the challenges and concerns which necessitate seriously needed interventions.

An increasing average cost per employee needs to be accompanied by higher productivity to ensure service delivery needs are met. The challenge that persists is that there is no apparent improvement in productivity and that service delivery is at an all-time low. Strong protections for workers against performance-related dismissals and favourable collective bargaining agreements are all conducted in isolation from actual labour productivity trends and service delivery norms and standards.

Graph 79 below shows the total cost to employer over time, across all salary levels within the OSD. In every graph to follow, total cost to employer includes basic salary, benefits (comprising of medical aid and pension contributions) and allowances. The most material allowances include the following:

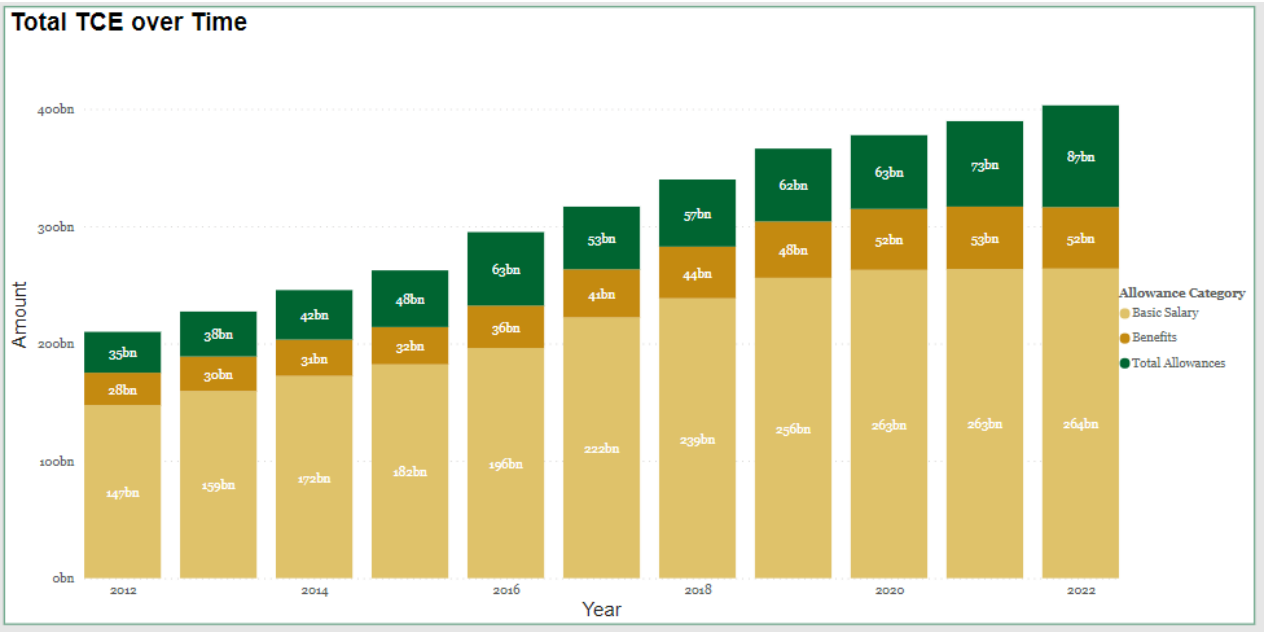
- Service bonus.
- Personal non-pensionable allowance.
- Overtime.
- Housing allowance.
- Travel and subsistence allowance.

Graph 79: Total TCE over time



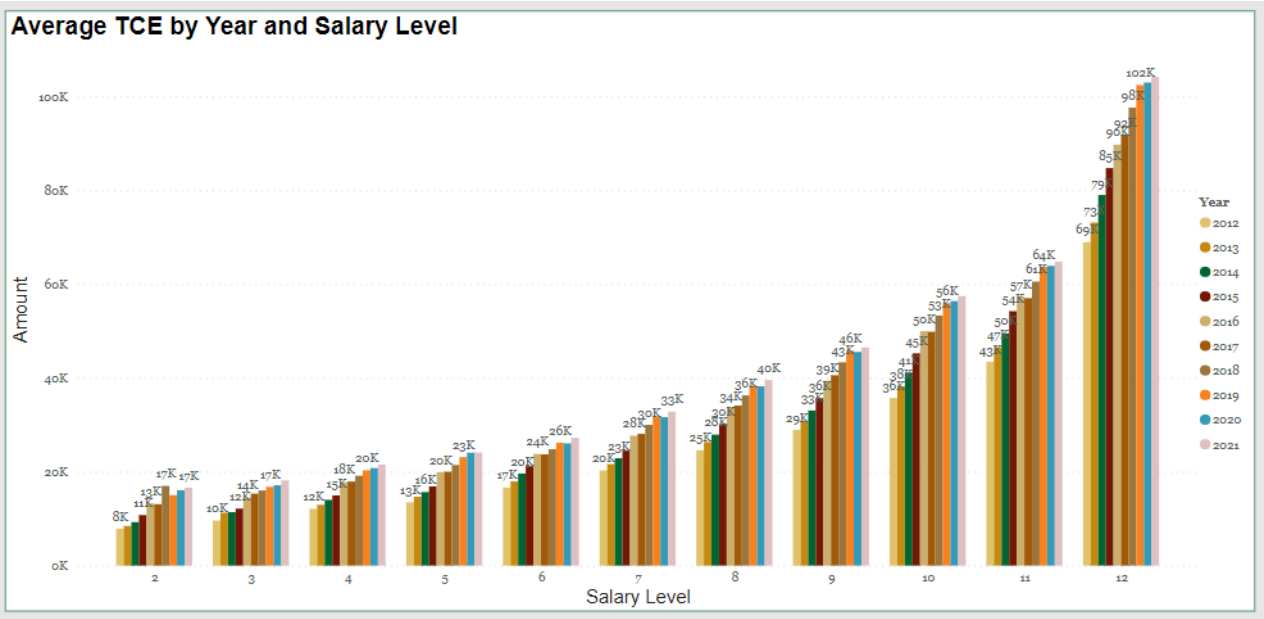
The graph below shows the total cost to employer split between the three broad categories: basic salary, benefits and allowances within the OSD.

Graph 80: Total TCE over time



The graph below shows the average cost per employee increases within the OSD, per annum for the period 2012 to 2021. The analysis includes salary levels 2 to 12, as this is the only data applicable. Data from 2022 was excluded from the graph as a full year of data had not yet been recorded.

Graph 81: Average TCE by year and salary level



The graphs above illustrate the high nature of the increases of average and the overall TCE. The annual increase of 6.67% compares to an average inflation rate of 5.03% and nominal GDP growth of 4.10% over the same period. This means that increases have outpaced inflation by a relative 33% and nominal GDP growth by a relative 63%.

This is simply not conducive to economic sustainability, as increased remuneration should be linked to a corresponding increase in labour productivity to ensure economic sustainability. Improving and attracting expert and specialist skills using OSDs could be justified if there is a significant improvement in public and social engagement, enhanced productivity, and service delivery. The challenge lies in the fact that this improvement cannot be observed, and the impact is difficult to measure.

Public Sector remuneration has been escalating over time and this puts fiscal balances under considerable pressure. The existing pressure has built up over many years and addressing the challenge is becoming increasingly urgent and more difficult to achieve. This is compounded by the:

- Impact and effect of yearly salary increases.
- Annual notch increases.
- Diverse range of service benefits.
- Extent and impact of a complex array of allowances.

The importance and impact of a largely decentralised (National to Provincial) Public Service operating environment requires an efficient, effective, and accountable Human Resources function which is aligned to the intent, strategy, and delivery imperatives. All indications are that this alignment isn't functioning optimally.

The challenge, which is apparent within the Public Service given the complexity of the OSDs, and the need for a strategically aligned decentralised HR function, is that it must be able to operate within the following guidelines of a HR Framework, in which:

- A decentralised model can execute the HR function and implement the strategy.
- A centralised policymaking and support structure with the relevant expertise is available to support the HR function in the Departments (role of the DPSA).
- Organisation design and post establishment are aligned with Departmental strategy.
- HR planning is aligned with strategic implementation to maximise the efficiency, effectiveness, and impact of the HR function.
- Design and development of HR operations and processes is clear.
- Skilled and competent HR resources at a decentralised level can understand the business objectives and required business outcomes they support.
- Effective processes are in place for selecting, developing, managing, and retaining the Departmental talent pool.
- Optimum use of available technology provides timely, accurate and meaningful information/data relating to strategic issues for decision-making purposes.
- Metrics to measure and analyse the impact and cost effectiveness of HR processes are clearly understood.

Introducing the OSDs effectively meant that there are two diverse remuneration structures in the Public Service (OSD and non-OSDs), which effectively results in the following challenges:

- Unique salary structures within the OSDs.
- Different pay progression systems.
- Different grade progression systems.
- Differences in appointment measures (e.g., recognition of experience on production level in the OSDs versus no recognition of experience for all others).

The PSCBC Resolution 1 of 2007 is silent on the process that will be followed to ensure the effective implementation and management of performance, to facilitate grade and salary progression. Performance management is a complex process in any organisation and is further complicated in a collective bargaining environment. The issue of PMDS has a direct bearing on OSDs as identified in the PER 2011, PRRC 2018, IMF Report 2021 and will be elaborated on extensively as a HR value chain imperative in Part B of this report. However, its relevance and impact on OSDs needs to be addressed briefly as a serious issue which exacerbates the OSD challenge.

Performance management is understood to be a strategic and integrated process of setting, tracking, and measuring individual performance objectives against organisational goals and competencies, to develop the capabilities of individuals and teams to deliver sustained success.

Herein lies the challenge: if performance management was a core part of the conceptualisation of OSDs, and if implemented correctly, it could have had the following benefits:

- Strategic goals could be achieved by tracking performance against clearly agreed measurements and criteria.
- Organisational and individual goals could align to achieve strategic goals and enhanced service delivery.
- Performance and productivity goals could be improved through clear objectives which are measurable.
- Management processes could be harmonised throughout the organisation.

Based on the inputs from the qualitative engagements conducted in 2022 within the Public Service, the following diverse challenges have been identified in the process of envisioning, developing, and implementing OSDs:

- Sustainability and affordability against the backdrop of the global and local economic pressures:
    - A decrease in the revenue base and the size of the fiscus and a significant increase in the debt burden to the state.
    - Diverse and competing social service priorities in the Public Service.
    - An increase in unemployment and the need for meaningful job creation at all levels and especially amongst youth and academically qualified young people.
    - Ageing infrastructure in key sectors including health and education.
- OSDs in isolation of the notch progression provision as obtained through extensive qualitative inputs and engagements with stakeholders at National and Provincial spheres. This has resulted in some OSD categories earning more than their managerial counterparts and the individuals they report to, causing the following:
    - As noted in the graph below, at most salary levels, the average total cost to company of OSD employees is higher than those of different dispensations. This may likely be the source of some hesitation on moving to management levels
    - A lack of uptake of employees into key managerial and leadership positions resulted in diminished capabilities in ensuring answerability, accountability, and consequence management in Departments (qualitative engagements conducted)
    - Based on the qualitative engagements conducted (cannot be verified quantitatively), SMS and MMS employees are seeking better opportunities in the private, Local Government and SoE sectors
    - Complications in answerability and accountability at managerial levels where managers earn less than those in OSD categories which report to them.

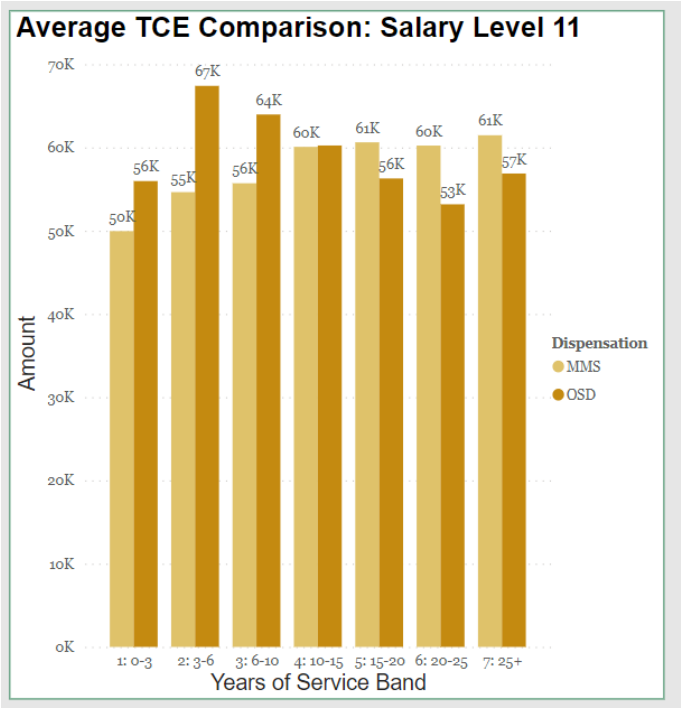
The graphs below compare the average TCE of employees on the MMS and OSD dispensation within salary levels 11 and 12 respectively. This analysis is split by seven bands of years of service on each graph:

- Band 1: 1 – 3 years' experience.
- Band 2: 3 – 6 years' experience.
- Band 3: 6 – 10 years' experience.
- Band 4: 10 – 15 years' experience.

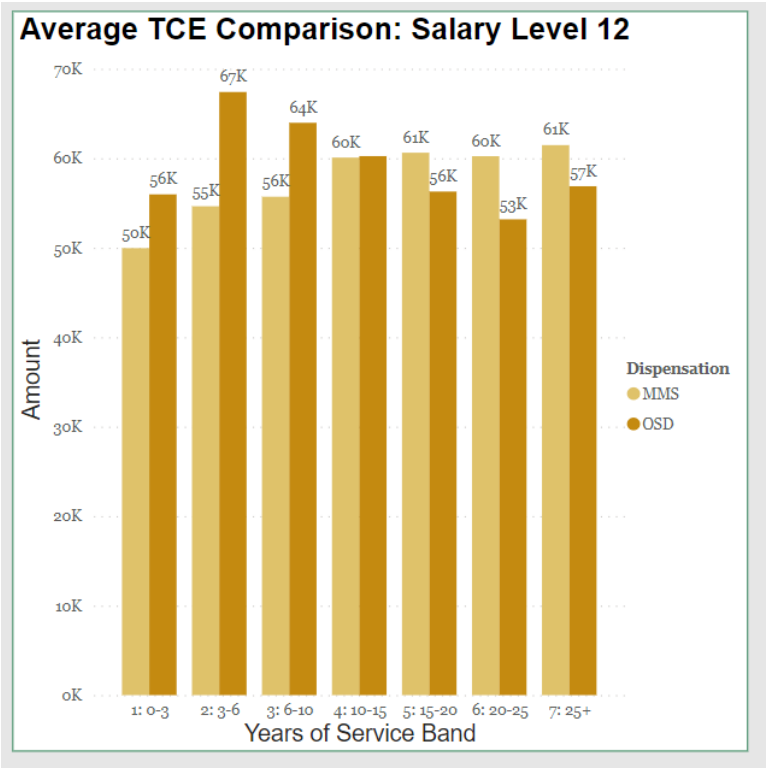
- Band 5: 15 – 20 years' experience.
- Band 6: 20 – 25 years' experience.
- Band 7: 25+ years' experience.

As seen below, salaries within the OSD are higher, on average, at lower levels of experience for salary level 11. For salary level 12, this is evident at all levels of experience.

Graph 82: Average TCE comparison salary level 11

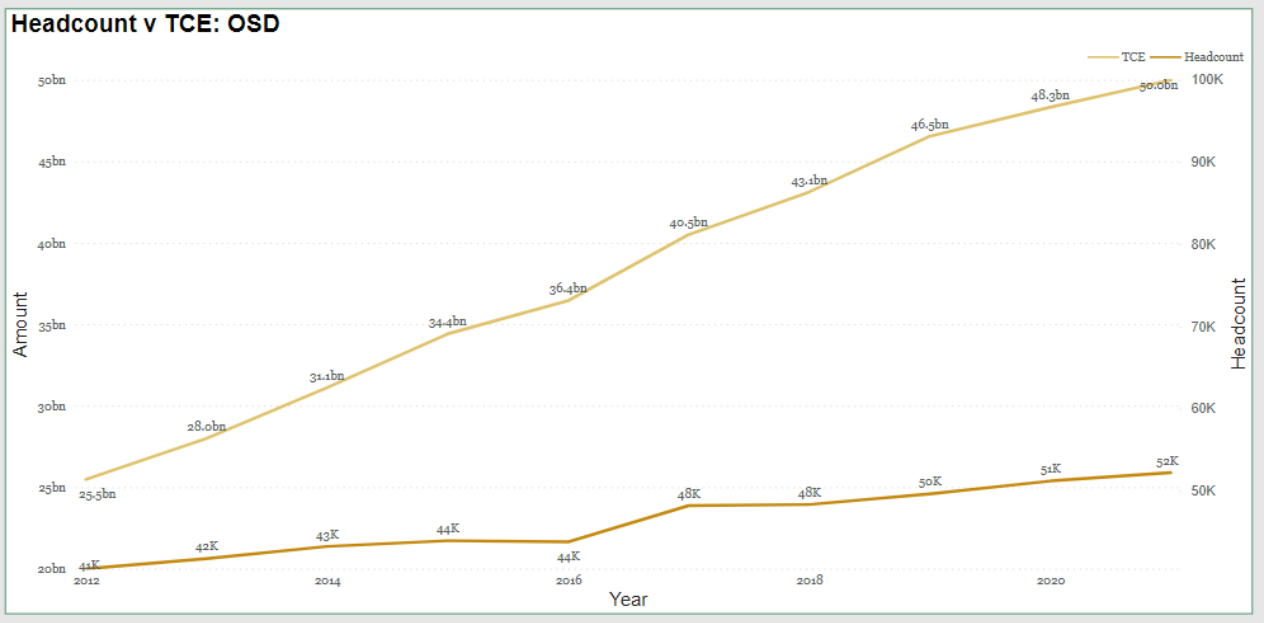


Graph 83: Average TCE comparison salary level 12

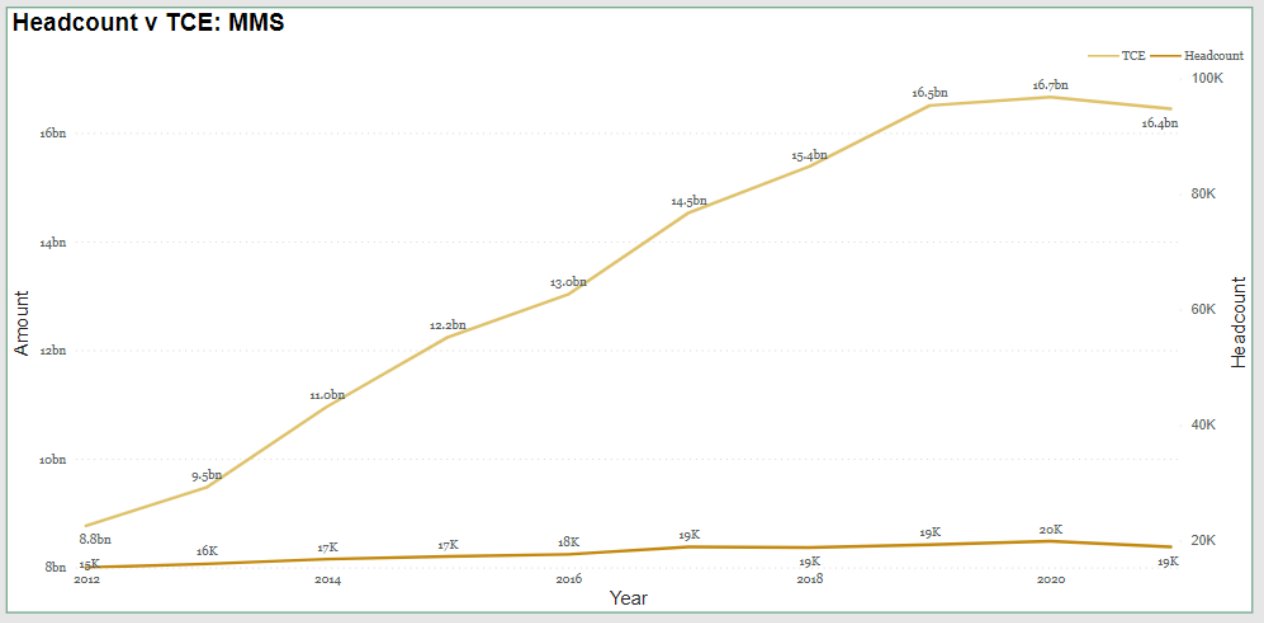


The graphs below compare the overall headcount and TCE within the OSD and MMS over time. This illustrates stagnation and even slight reduction in the overall MMS headcount and a reduction in the overall MMS TCE.

Graph 84: OSD headcount v TCE



Graph 85: MMS headcount v TCE



The above graphs imply that there would be incentive for employees on OSDs to stay on OSDs rather than move to a management position in the MMS dispensation.

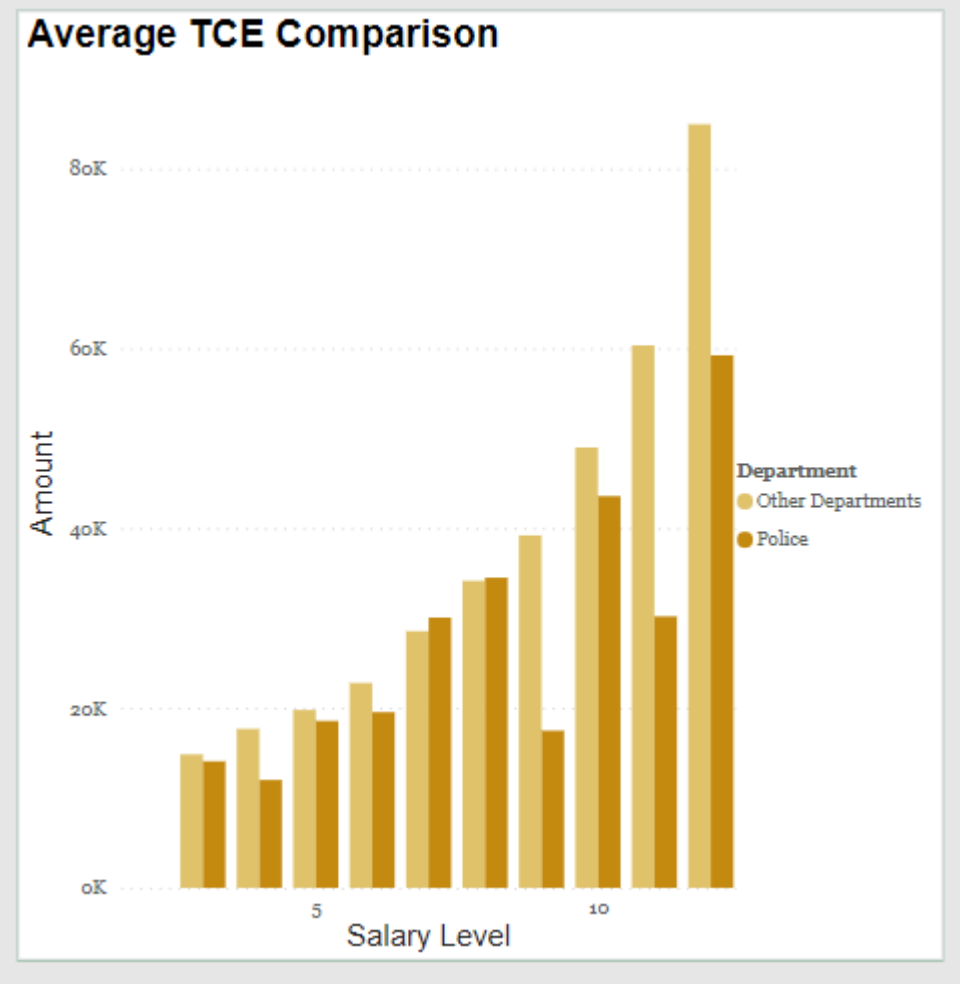
- The ‘grandfather’ clause allowed employees to register for qualifications without completing the qualification as identified through the qualitative engagements conducted of 2022:
    - Legacy challenges persist and are complex to deal with, especially when it comes to translations for promotion.
    - Many employees exploited this concession.
- The OSD was not correctly benchmarked to ascertain the competitiveness of the TCE:
    - Benchmarks at the start of the process were not accurately and comprehensively conducted to quantify and substantiate the OSD categories and dispensations in all instances. CoE factors such as benefits and allowances across all sectors weren’t considered in terms of real value and significance in terms of an employee value proposition, which is elaborated on in Part B of the report. Limited information to the contrary could be assessed and verified.
    - The independent study conducted by the SAPS could be verified in terms of the PwC report, 2016, which further justified their decision not to participate in the OSDs, but to pay conservative scarce skills and professional allowances which are reviewed by a panel annually and in accordance with changing circumstances. These scarcity factor allowances are approximately R1,200 on average per month, for agreed occupations.
    - Qualitative inputs received from the DPSA and the Department of Justice clearly revealed that the Legal OSDs weren’t reviewed in terms of the availability and scarcity of all the Legal OSDs which were implemented.

- Based on views expressed in discussions with DPSA leaders, PwC BXT:2022 and the NT, there are reservations on the continued applicability of some Health, Justice, and Correctional Services OSDs going forward. Specific assessments have been dealt with in the preceding sectoral OSDs analysis.
- The OSDs relating to the Department of Education would appear to be less complicated and clearly defined although no formal studies have been conducted to support this view.
- The trend has resulted in a move back to the Public Service jobs in some instances, e.g., Health, Justice and Education based on the OSDs and associated benefits and allowances.

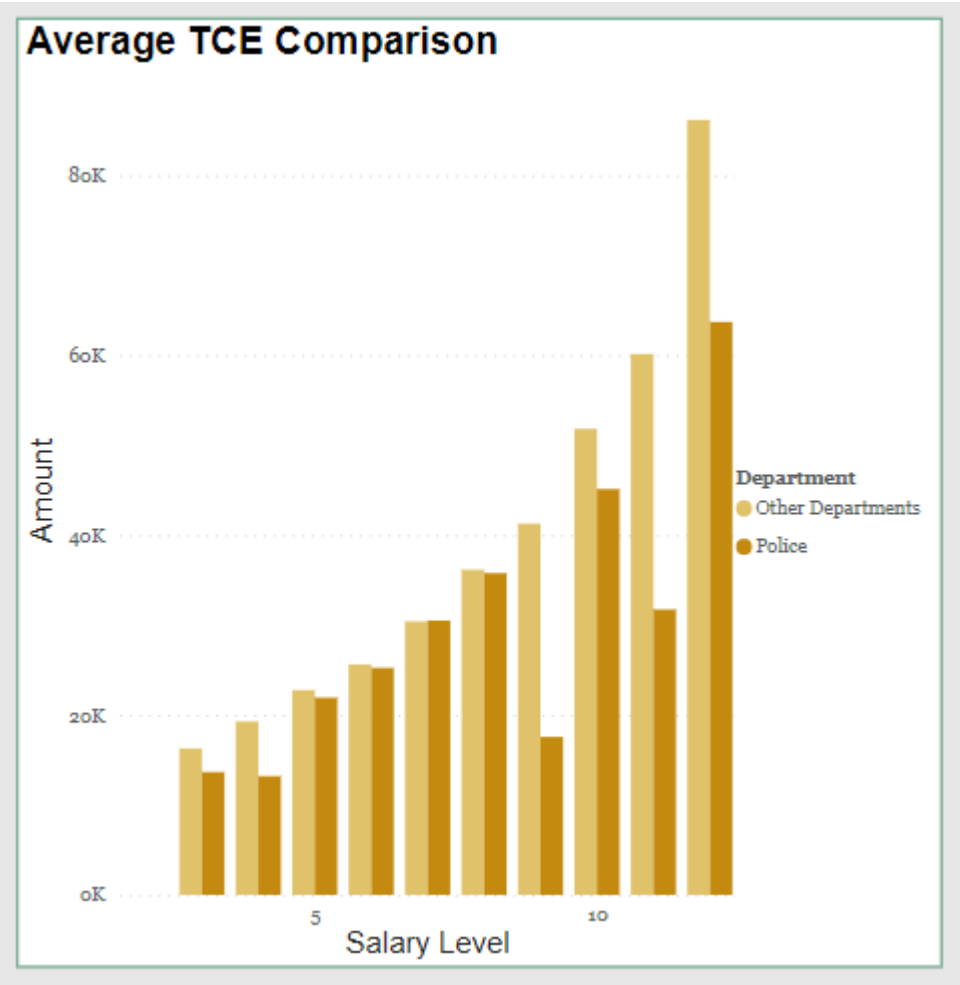
- OSDs were inconsistently applied across the Public Service (e.g., the SAPS chose to be excluded).
- There were disparities when comparing some Departments with the SAPS, given that the SAPS opted to implement a scarcity factor allowance which was significantly less costly than the OSD packages but considered to be more financially sustainable. The graph below shows that between years 6-9 and 10-15 years of respective years of experience, the South African Police Service salary appears to lag behind.

The graphs below depict the average TCE for employees in and outside of the SAPS across salary levels. These are for employees between 6 and 10 years and 10 and 5 of years of experience respectively.

Graph 86: Average TCE comparison



Graph 87: Average TCE comparison



The graphs above support that the SAPS TCE appears to lag behind in salaries compared to other Departments where OSDs have been implemented.

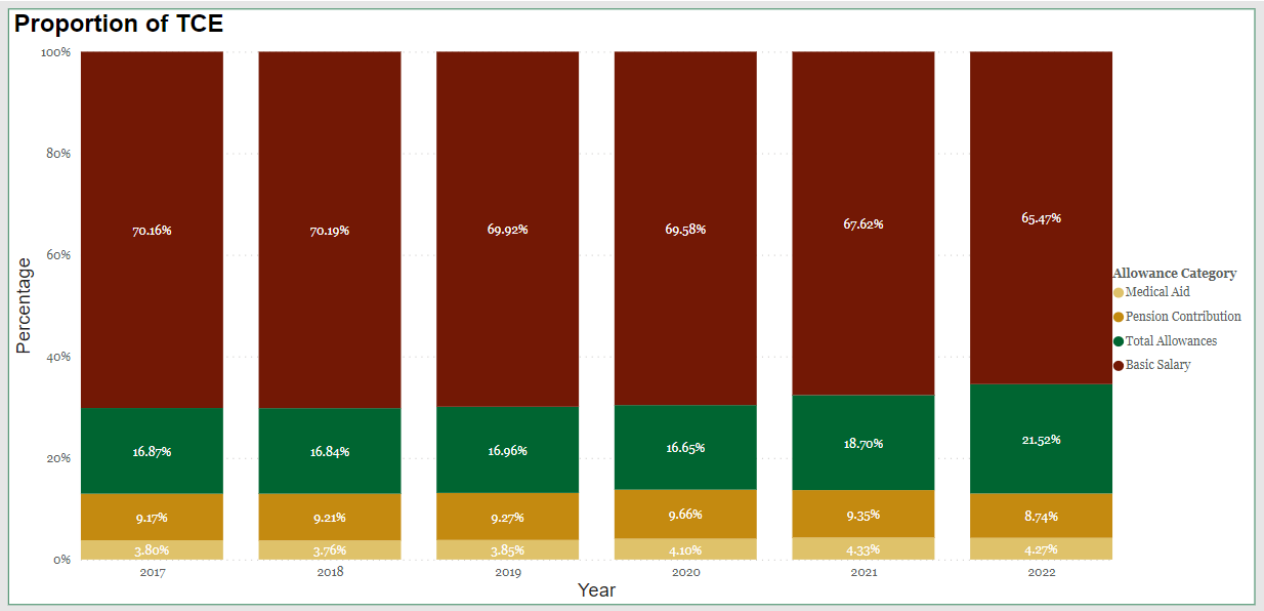
- Very little evidence exists to suggest that OSDs have been reviewed in last 10-15 years and, therefore, do not cater for new occupational categories or professions required in the new world of work and based on current imperatives (collaborated in the PER 2011, PRRC 2018 and DPSA Summit Report of 2022):
    - Outdated post/job descriptions attracting the wrong skills and attributes.
    - No provision for the new world of work and new skills required for the 4IR, digitalisation and analytics.
    - Ballooning of skills and competencies which are no longer required in the manner in which the OSD has been constructed, based on qualitative examples given by the DoH, DoJ, and Social Development and compounded by outdated organisational structures and redundant posts.
- The initial intent was good, but remuneration was not linked to performance criteria. Poor performance has not been mitigated due to a lack of answerability and accountability.

- The inconsistent implementation of occupational specific measures to support differentiation in the salary and conditions of service of each unique occupation
- Inconsistent monitoring of OSD implementations:
    - National and Provincial inconsistencies for similar positions.
    - Large numbers of unresolved disputes and litigations.
    - No certainty or ability to determine over-payments and recovery due to lapse of time and resignations/retirement.
- The lack of key and accurate data and information to inform the absorption and translation of employees, which led to the underfunding of the OSD implementation:
    - Provinces spending between 58% to 70% of budget allocations on funding salaries and OSDs.
    - Insufficient funds to deliver or undertake other key or infrastructure projects.
    - Inequities in salaries of MMS and SMS – some salaries have been left way behind because they were not included in the OSD:
        - Risk of MMS and SMS employees resigning to join other sectors
        - Difficulty in appointing new managers and leadership to key positions
- The inconsistent application of job evaluations linked to updated and revised job descriptions.
- Calibrating of job evaluations linked to job descriptions.
- Poor or inconsistent monitoring of OSD implementation processes:
    - Incorrect OSD translations.
    - Increasing risk of litigation.
- Criteria, purpose, and definitions of JDs and JEs had gaps prior to the onset of OSDs. As a result, OSDs were applied to already flawed job descriptions and job grading prior to OSD implementation:
    - Job requirements relating to level of skills, qualifications and experience are being compromised.
- Litigation and subsequent contingent liability costs emanating from incorrect OSD translations.
- Lack of standardisation of allowances coupled with the addition of OSD benefits, further impacted the CTE. Observations and key findings from the 2011 DPSA PER report regarding the internal equity challenges within Public Service remuneration are as follows:
    - Over a five year period, the introduction of OSDs has caused an increase of 1,146% to the Government's salary and Wage Bill, and over 50% of Public Service employees receive OSDs.
    - The increase in remuneration due to OSDs (exacerbated by the compounding effect of year-on-year salary increases, including the knock-on effect to benefits) has been highly unsustainable. Standardisation of allowances – the nature of and use of allowances needs to be reviewed. The use of allowances to supplement guaranteed remuneration is cautioned. As noted below, on an overall basis, allowances and benefits constitute above 35% of the employee TCTC for those on OSD.
    - Further to this, implementation between national and provincial is based on discretionary powers.
- The OSDs were not always implemented correctly due to the prevailing labour conditions at the time, political pressure, the need to implement the OSDs in a short space of time as well as ineffective communication.
- The criteria for the inclusion in an OSD remuneration structure were not always correctly understood, resulting in employees being translated to OSD dispensations which had not been provided for in the initial costing.

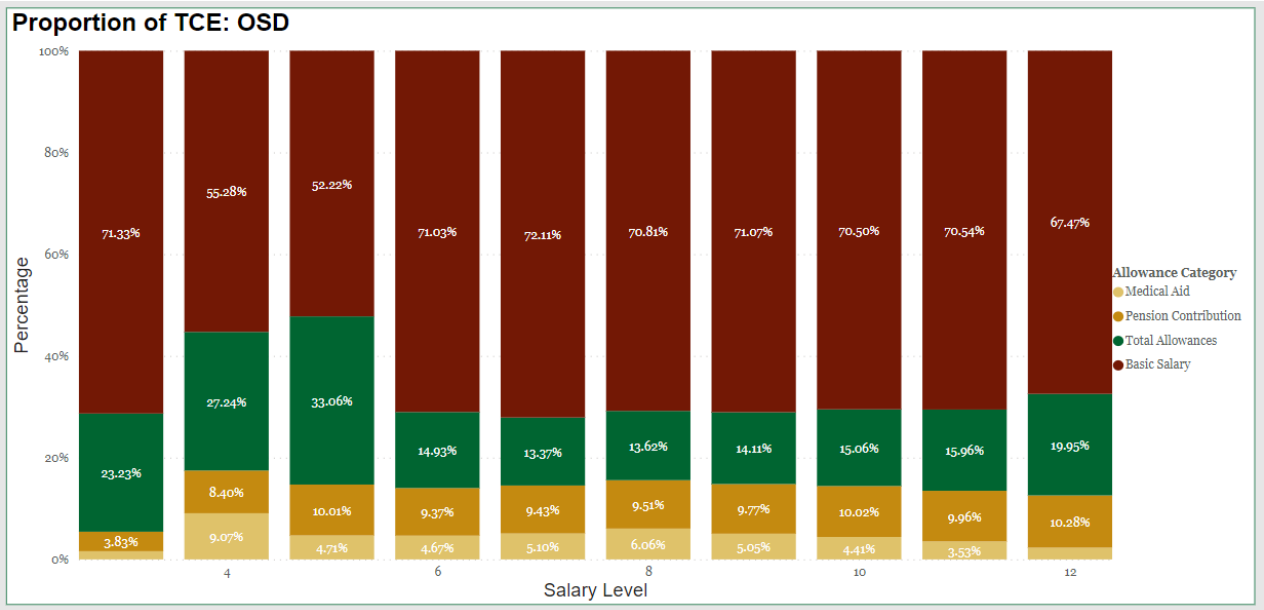
- Decentralised implementation led to different interpretations of the resolutions, resulting in disparities and inconsistencies.

The graphs below depict the split of total TCE made up by basic salary, total allowances, medical aid, and pension contributions. Allowances and benefits make up a substantial and increasing amount of the TCE:

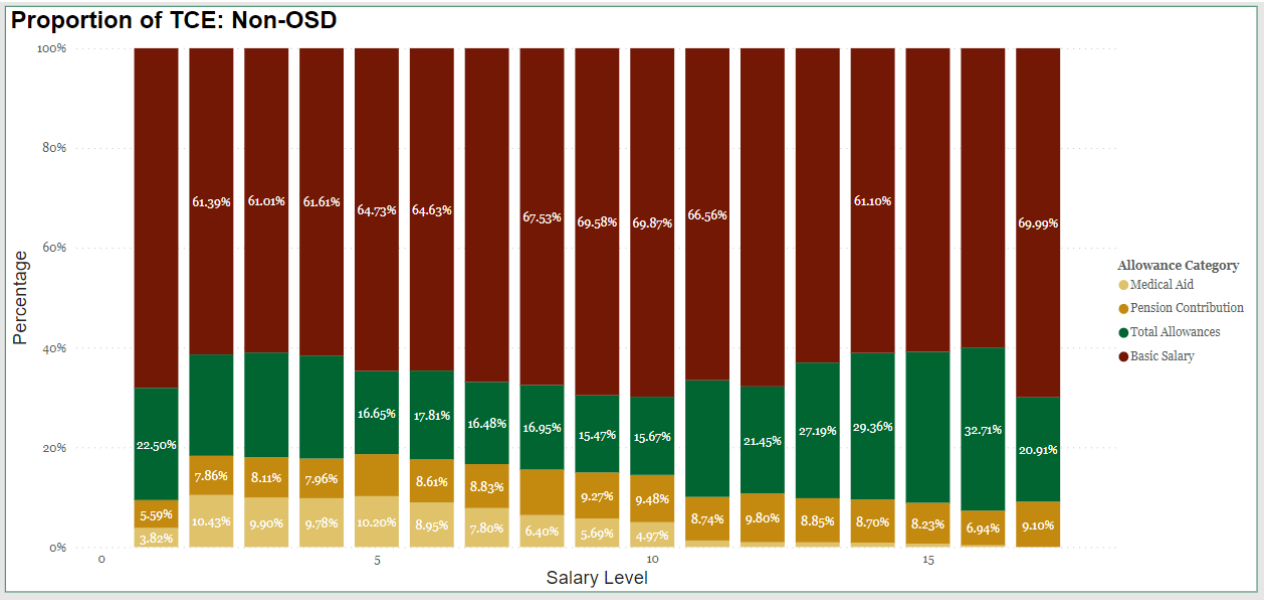
Graph 88: Proportion of TCE



Graph 89: OSD proportion of TCE



Graph 90: Non-OSD proportion of TCE



21. Transversal findings

The OSDs within the South African Public Service was envisaged and developed as far back as 2007 to primarily attract and retain specialised employees within the Public Service. At the forefront of this initiative were the large disparities in remuneration especially as it applied to:

- Health workers including doctors and nurses and other allied health professionals.
- Teachers in basic education.

The process commenced with the above and was soon followed by employees in the following sectors:

- Legal practitioners and related professionals.
- Engineers, architects, and quantity surveyors.
- Social workers and related professionals.
- Correctional services officers.

The findings are based on the need to attract and retain key professionals which were drawn to equivalent positions in the private sector, due to the levels of remuneration being offered in that sector, given the enhanced environmental, social, and working conditions at the time. These skills were short in supply, and huge in demand. Something clearly needed to be done within the Public Service, to ensure that they too were capacitated in these areas to be able to provide appropriate levels of service to the public users of these services which, by far, exceeded the quantum of that in the private sector.

The findings reflect on the journey that was adopted in formulating and implementing OSDs given the context provided. It is important to mention, for fairness and context, that the challenges experienced during the initial implementation process were addressed in the best possible way to meet the prevailing needs and challenges. The realities in 2006/7 were characterised by issues relating to social disparity, limited access to information and the burgeoning need for service delivery. The extent and accessibility to information and data to inform decisions made were limited to the realities which prevailed at that time.

The process was executed amidst many strikes and the threat of enhanced labour action if remuneration transformation in these scarce and critical skills areas didn't take place. The context is best summarised as follows:

- Labour instability and strike action.
- Outdated remuneration policies for experts and professionals.
- Supply and demand inequities.
- Need for enhanced service delivery, especially in health and education.

The research conducted on OSDs in 2022 revealed that the approach adopted in South Africa is unique and that there are no direct comparisons which can be made with other countries in BRICS, Africa or elsewhere in the world. In other territories, compensating specialised skills is primarily based on clearly defined job descriptions and job evaluation methods. These methods take into account the scarcity and critical nature of the position when determining salaries.

Many countries, including countries in Africa such as Kenya, Tanzania, Ghana and Botswana, have national remuneration commissions that determine Public Sector salaries and undertake the necessary benchmarks, which include supply and demand studies. The commissions also assess the impact of remuneration on the fiscus to ensure economic viability and sustainability. These commissions seem to function similarly to the Independent Commission for the Remuneration of Public Office-Bearers in South Africa, with the distinct difference that they cover all Public Sector remuneration at all levels and spheres.

Key to the findings is that the basic principles on which OSDs were implemented were flawed from the start. They did not commence the process by reviewing and assessing the relevancy of the organisational structures in relation to the Departmental strategic objectives and drivers of the key service delivery imperatives. This is compounded by the fact that most of the job descriptions and requirements were outdated at the time of the OSD implementation process.

The policy and regulatory guidelines that guided the implementation and negotiation agreements with labour and the bargaining councils lacked sufficient detail and specifications. The implementation guidelines were too vague, and the concessions agreed to in the negotiation process were overly generous and employee centric. The result was that the guidelines and prescripts allowed for too much discretion and misinterpretation of the remuneration benefits to be applied.

The overspending was also caused by the decentralised implementation process, which led to varying interpretations of the Resolution's details. This resulted in disparities in implementation with lack of uniformity between, for example, provincial DoHs. All of the reports and evidence from minutes and road-show training sessions (PER 2011, Qualitative engagements conducted in 2022) show that those implementing the OSD interpreted, for example, the NDoH/DPSA guidance documents for implementation broadly and in some cases leaning toward the generous approach in the DoH and similarly in other OSD categories.

This was largely due to the implementation process which also allowed for union/employer interaction at provincial level. In some provinces there was intense collaboration that resulted in a very liberal interpretation of the Resolution. In provinces where there was little or limited interaction, a range of disputes, complaints, allegations, and poor communication were reported amongst the employer, employees and unions (Qualitative engagements: 2022).

Using the DoH as an example, when it became clear that there had been inconsistent implementation, the provincial DoHs were requested to perform internal audits and report on the outcome thereof. In a meeting at the NDoH on 15 October 2008 most provinces reported progress with their internal audits, and where overpayments were discovered, the salaries were corrected and overpaid amounts deducted in terms of the relevant provisions contained in the Public Service Act, 1994. Unions challenged the deductions and corrections and the process resulted in the number of court interdicts and engagements to suspend the deductions of the overpayments. Unions accused the State as employer of failing to adhere to a court order in this regard and actions to collect overpayments were effectively suspended. Many of these issues still remain unresolved. The employer, knowing that there were such disparities in the PERSAL data that had made modelling unreliable, should have anticipated the difficulties that would arise with translation of dispensations (Deloitte review of DoH OSD implementation, 2012:35-42 and PER 2011).

The emphasis throughout the process was on the financial reward in terms of the salary component of the OSDs and neglected to consider the value of issues relating to multiple benefits such as, amongst others, medical aid contributions, housing subsidies, pensions and leave

benefits. The issue of extensive and lucrative allowances applicable under certain conditions was also not factored into the TCE.

Some qualitative information pertaining to benefits and allowances was received and considered at a high level, but this information will be analysed in detail to determine its impact going forward. The information received in this regard points to a significant impact of benefits and allowances in conjunction with OSDs and its contribution to the TCE reality within the Public Service.

It is clear and evident that the high consumption Wage Bill does not meet the productivity levels required to validate a higher productivity wage. There is no evidence to suggest that performance management (PMDS in the Public Service) is being used to remunerate or reward employees based on solid and generally accepted performance management criteria. The system and its application are commonly referred to as a 'pass one, pass all' administratively driven process.
It is also evident (PwC economics overview 2022) that the Public Sector Wage Bill is growing faster than it should and cannot be supported by:

- Current economic growth trends.
- Revenue growth and the prospect of any significant growth trends in the foreseeable future.
- Taking on new debt given the global economy which is generally depressed and unstable.

Whilst the OSDs account for a significant cost to public expenditure, the subsequent costs attached to our findings and the context indicate that the OSD, in itself, is a contributor to unsustainable personnel expenditure in 2022 and beyond. Our understanding at this stage of the report is that the ballooning OSD and remuneration costs are unsustainable and compounded by a diverse range of other costs drivers, including, amongst others, the following:

- Generous leave allowances.
- Service allowances.
- Housing allowances.
- Rural allowances.
- Excessive commuted overtime prevalent in certain Departments, e.g. the Department of Health, as seen at an overall level and within the Department in the graphics to follow
- Recognition of long service allowances.
- Accommodation expenditure.

The categorisation of the OSDs, as they are currently applied, do not speak to or include the specialised occupations and skills that are required in the workforce of the future (e.g., technology systems and platforms, robotics, digitalisation, AI, analytics, and diverse specialisations in fields of engineering and the sciences). There are significant gaps in the entire HR value chain from policy transformation and consistency in application, including supply and demand planning, recruitment practices, selection, training and development, performance management, HR systems and processes, job design, job descriptions/profiles and job grading.

After implementation of the initial OSDs (Health, Nursing, and Education), the specific occupational categories were extended, in terms of Resolution 1 of 2007, to numerous other occupations resulting in a further increase in the Wage Bill, (e.g., engineers, social workers, legal professions, and correctional services). The cumulative impact was that almost 55% of the Public Services are currently categorised as OSDs.

The intention of the OSDs was to create occupational differentiation to attract and retain scarce and critical skills in specific occupations. The lucrative remuneration of OSDs has resulted in employees not wanting to progress into leadership and managerial positions, as this would mean that they would no longer be eligible for OSDs. There are instances, where those linked to OSDs are remunerated at a higher level than the people they report to. For example, a doctor that accepts a position as a hospital manager will then be classified as a manager and no longer be linked to an OSD, which negatively impacts on the recruitment and retention of hospital managers. Mapping from one pre-OSD job title to more than one OSD title results not only in the opportunity to manipulate the system for greater gain, but also introduces complexity in assessing the impact of translation.

The requirements and inclusions have not kept up with developments in the new world of work or changes that have occurred and developed within the diverse professions. It has become increasingly difficult to attract talent, especially in new and emerging professions and areas of specialisation across all disciplines. The attraction and recruitment of new entrants into the Public Service has become extremely difficult, because too much money is being spent on funding OSD positions. This is a threat to the sustainability of supply and demand, with specific reference to the creation of new opportunities for well qualified graduate recruits, with qualifications which are more aligned to the skills required in the new world of work.

Low rates of labour migration from the public to private sector offer further evidence that average compensation levels for Public Service employees are considered to be high. This can be attributed to past pay agreements and pay and grade progression policies. Pay progression (i.e., the awarding of notch increments for seniority) and grade progression (i.e., the movement of workers to higher grades after reaching their top notch) are largely automatic.

Together, COLAs, pay and grade progression have driven average compensation levels in government upward, at a rate that has exceeded the rate of economic growth. Notches, however, offer the potential to incentivise performance, but only in the context of a well-designed programme of performance evaluation.

The findings of the National Treasury, which correspond to numerous other reports, reveal that Public Service employees are assigned to hierarchical levels for pay purposes. In the Public Service there are 16 levels of employment (each with 12 notches in 1.5% pay increments). Levels 13 – 16 correspond to the senior management service (SMS) as follows:

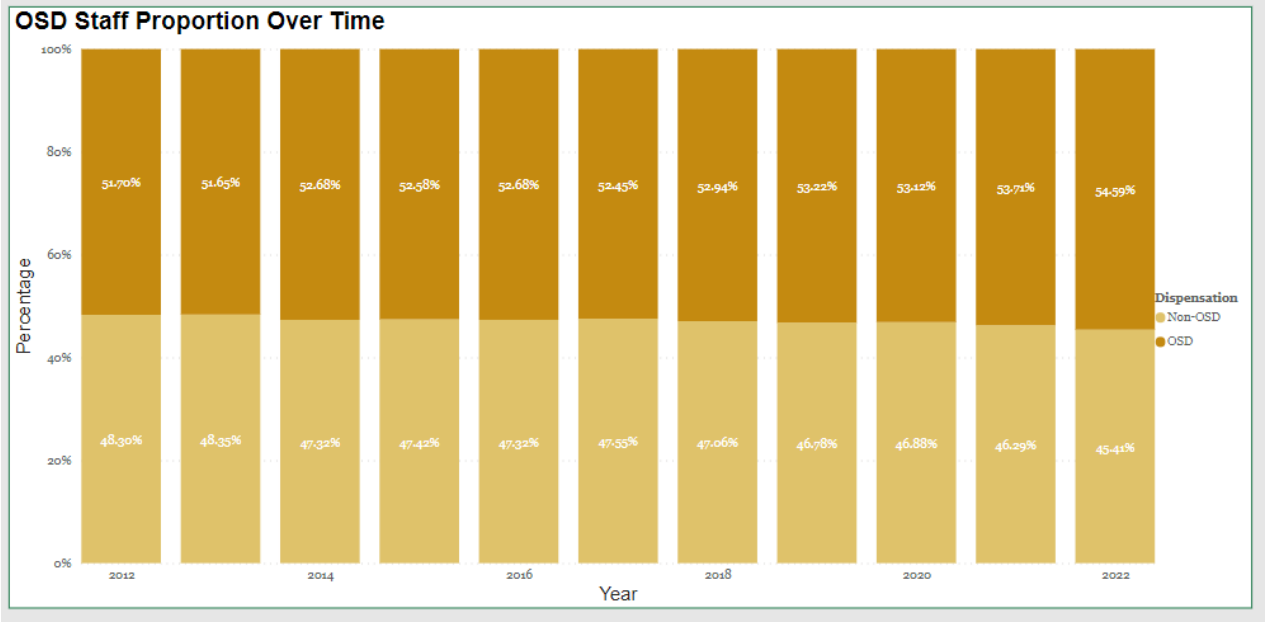
- 16 for Director General.
- 15 for Deputy Director-General.
- 14 for Chief Director.
- 13 for Directors.

Levels 11 – 12 correspond to the middle management service (MMS) which are Deputy Directors. Levels 1-10 are generally associated with other staff, mostly in administrative and other technical areas. Within the Public Service, there is a single pay spine, with no dispersion of pay across Departments of the National or Provincial Administrations. The largest number of OSDs include teachers, nurses, medical and related personnel, and correctional service officers.

Currently, OSD workers constitute 55% of total Public Service employment based on PERSAL data provided by DPSA as at March 2022. This has increased slightly from approximately 64% in 2012.

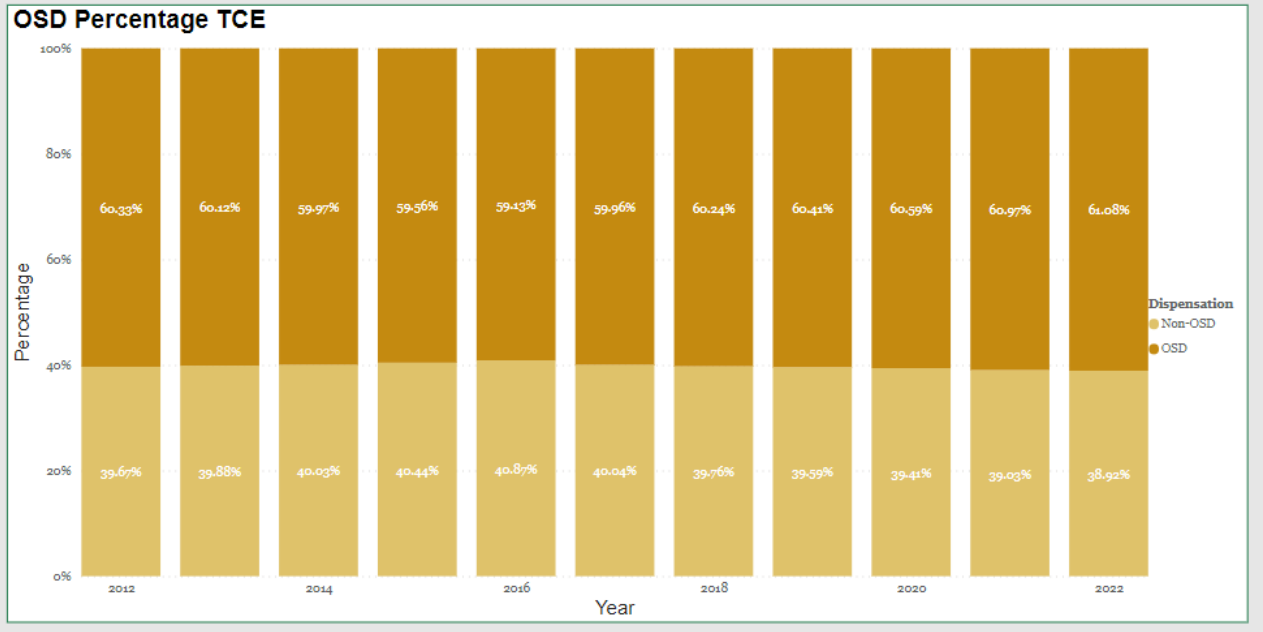
The following graphs show the proportion of OSDs in the total headcount of the Public Service and in the TCE.

Graph 91: OSD proportion over time



The following graph depicts the percentage of the overall TCE that the OSDs contribute to as a percentage of total. TCE includes basic salary, benefits (medical aid contribution and pension benefits) and allowances:

Graph 92: OSD TCE percentage



Levels 1 to 10 receive a basic salary plus other benefits which include medical aid, a housing allowance, a performance bonus, overtime, contributions to the pension system, a 13th cheque (i.e., service bonus), and other allowances, which include, amongst many others, a danger allowance, special danger allowance, clothing allowance, uniform allowance, accommodation, and rural allowances.

There is no evidence to suggest, at the time of compiling this report, that these allowances have been reviewed or significantly amended in the last 15-20 years in relation to their purpose, criteria, and amounts. Very few benchmark studies are available to determine how these benefits and allowances compare or measure up with those within the private sector. The only determinant is that these benefits and allowances are unique and are largely included in the TCE structures within the private sector.

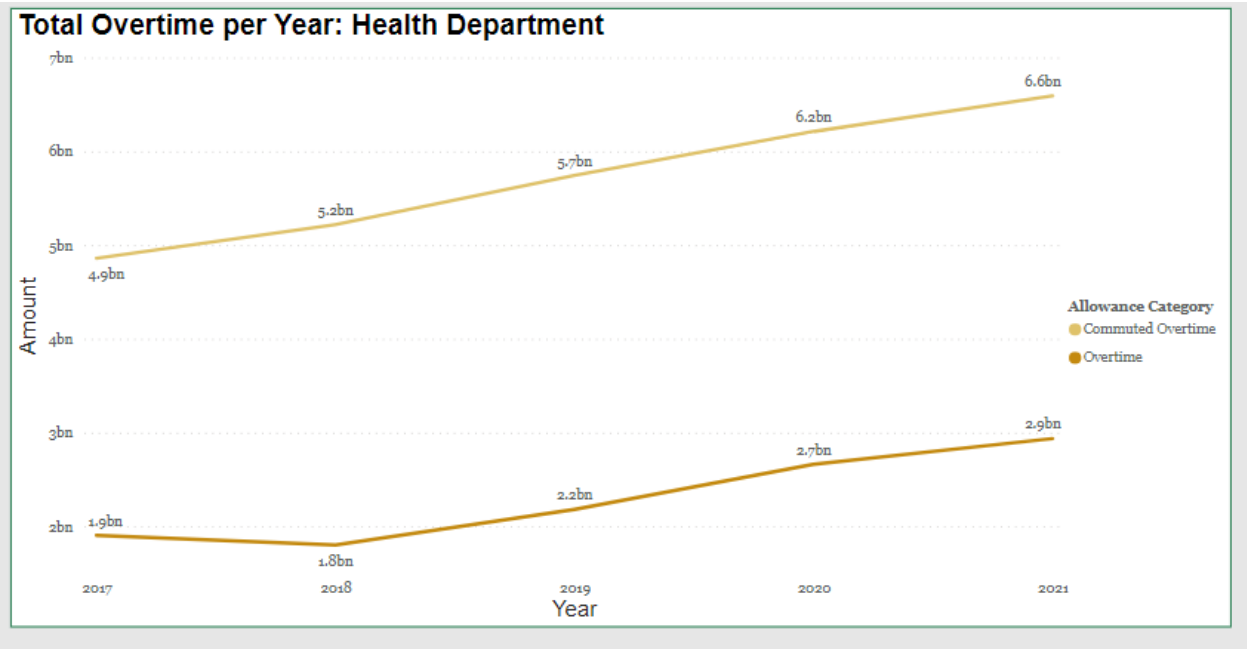
Remuneration at levels 11 to 16 follow a 'total cost to employer' (TCE) approach, within which the total package is fixed, and employees have the flexibility to allocate about one-third of their remuneration across five types of allowances (NT), notably:

- Motor car allowance (which is used to reduce tax liability).
- 13th cheque.
- Medical aid.
- Housing allowance.
- Non-pensionable cash allowance.

According to the PERSAL data, overtime constitutes roughly 3% of total compensation and does not seem to be a source of fiscal pressure. However, overtime is larger in some Departments, such as the Department of Health, at about 10% of total compensation, on average, and which could potentially lead to an inefficient allocation of resources, and hinder transparency.

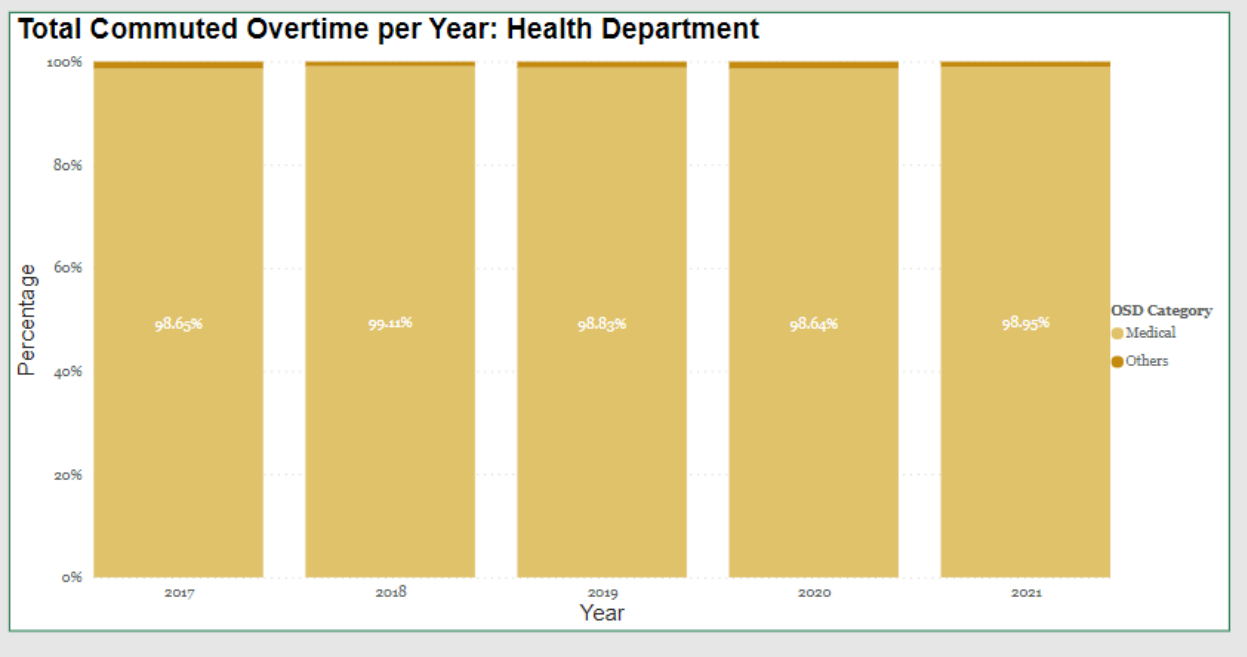
Evidence for this is depicted in the graphs below:

Graph 93: Total overtime per year for the Department of Health



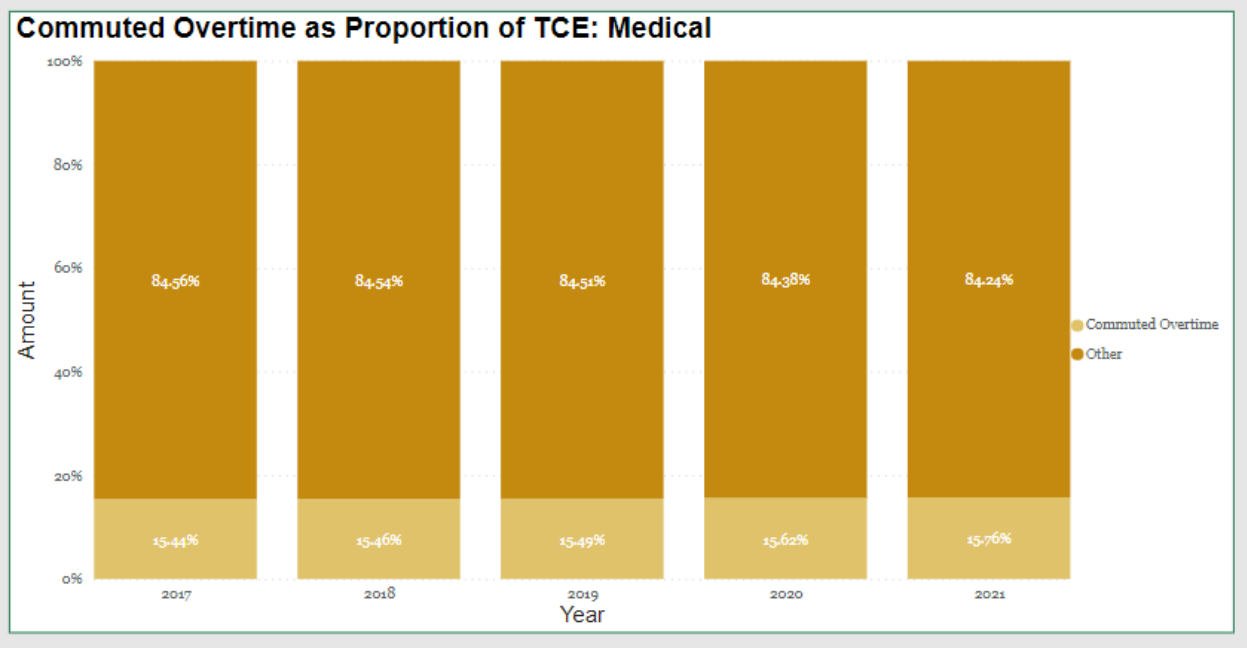
The graph above indicated that the absolute amount of commuted overtime far exceeds the normal overtime within the Department. The graph below indicates that between 2017 to 2021, over 98% of commuted overtime was spent on medical professions:

Graph 94: Total commuted overtime per year for the Department of Health



As noted below, commuted overtime accounts for a significant proportion which amounts to 15% of the TCE of Medical OSDs and hence an overall saving of approximately R6.15bn could be made if it were to be excluded in 2022. This potential saving could be utilised to fund additional and new recruits, enhance infrastructure and purchase new equipment.

Graph 95: Medical commuted overtime as proportion of TCE



It is evident that none of the allowances, benefits or overtime payments appear to have a significant impact on the fiscus if considered individually or in isolation from each other. They do, however, have a huge cumulative impact, and this situation, combined with the extent and application of OSDs, does have a significant bearing on TCE. The gravity of this reality needs to be considered with due consideration to evidence which suggests that there is a lack of focus pertaining to key issues and imperatives, which include:

- Transparency.
- Answerability and accountability structures.
- Coordination and equivalence across the Public Service.
- Benchmarks and best practices.
- Policy and regulatory consistency and compliance across Departments and Provinces.
- Application of uniform processes and procedures.
- Information systems outputs and verifications processes which is evidenced in the number of audit queries, disciplinaries, disputes and grievances which arise.

The NT has found that wage drift arises primarily from the system of notches, whereby pay is increased annually for over 60% of workers, independent of their performance, and from grade progression. Many workers are eligible to be moved to a higher grade after reaching the top notch of their existing grade. Longevity-related increases in wages (i.e., notch increments resulting from the movement of workers through their respective paygrade because of seniority) and grade progression (i.e., the movement of workers to the next grade after reaching the top notch of their current grade) is a matter of concern. According to the NT, this drives wage growth regardless of the broader decisions regarding the overall size of the workforce or wage levels.

Many occupational categories or posts/jobs weren't accurately and consistently evaluated prior to translation. This resulted in disjointed or unjustifiable differentiation during translations, which was conducted at Provincial/Departmental levels, especially within the key sectors such as health. Many disputes were declared during the initial implementation phase due to perceived unfairness of the processes.

There wasn't sufficient time to prepare officials for the implementation process, given the short timelines and deadlines imposed at the time of the implementation of OSDs. This resulted in fragmented translation and implementation processes in some Departments.

Job evaluation was implemented across the Public Service to promote equal pay for work of equal value, to serve as a framework for decentralised grading management and to inform organisational development. It was implemented with effect from 1 July 1999, but only became active with effect from 1 January 2000. From the beginning there were perceptions and allegations around the validity, accuracy, and fairness of job evaluation outcomes. Since then, several studies have been conducted to investigate and address these concerns. There was an internal benchmarking exercise (2000), Deloitte conducted a verification exercise in 2002 and PwC conducted a study during the Personal Expenditure Review during 2006 and PER 2011.

The DPSA's guidance on job evaluation states that "The Public Service Regulations require that all newly created jobs should be subjected to a formal job evaluation process. This is to ensure that work of equal value is remunerated equally and to achieve a cost-effective work organisation. The MPSA had directed that the EQUATE job evaluation system be used for this purpose" (DPSA's publication: Guide and Toolkit on Organisational Design: 9-14). However, when the job evaluation system was introduced, some provinces upgraded salary levels of, for example, certain health professional categories. This was done not because the jobs were incorrectly graded, but largely in an attempt to compete for scarce resources. It resulted in significant salary disparities across the public health sector. The NDoH tried to address the situation through the central coordination of job evaluation but could not enforce a common code.

The introduction of scarce skills and rural allowances in 2003 made the translation of OSDs in 2007/08 worse and all standardisation of remuneration for the same job was lost.

A review of the PER 2011 has revealed that very little, if any, progress has been made since it was released. Some of the key findings in this OSD report were raised in 2011 and the situation has reached a point where action will be needed for future sustainability and enhanced efficiency and effectiveness in the Public Service.

22. Transversal recommendations

Having identified the successes that were achieved by the implementation of the OSDs in 2007/8 until 2011, it is evident from our findings that the envisioning and execution of the process had definite challenges which need to be addressed. These challenges relate to the issues of sustainability of the OSDs beyond the PER 2022. The resulting impact on the fiscus and the need to address competing infrastructure and service delivery priorities, is a reality. The limited resources available, and generally poor prevailing social and economic realities, dictate a call to action, and the need to transform and review remuneration in the Public Service.

South Africa has a relatively small Public Sector but has comparatively high spend on the remuneration of Public Service employees. This implies that our Public Service employees are generally well-paid and not delivering in accordance with societal needs and priorities. The OSDs, which contribute approximately 64% of the total spend, is identified as one area that needs urgent review in terms of its application and continued relevance.

The challenges are compounded by remuneration in the broader Public Sector, and more specifically, in Local Government and State-Owned Entities. This is not the focus of this report but will be dealt with in Part B of the final report for the PER 2022. The main challenge and finding of the OSDs, as they currently apply, is that they have not been reviewed since implementation.

The role of organised labour and unions cannot be overlooked in a process of such magnitude and impact. Their buy-in and commitment to the need for a review process and refinement of bargaining council agreements is an imperative. It is recommended that these be tabled for negotiation and input into the prioritisation of the way forward.

The application has been inconsistent and the foundations on which they were developed were fundamentally flawed. There are many underlying issues, as contained in the findings, which need to be prioritised and addressed in a procedural and phased manner. These are discussed and identified in the challenges and findings of this report.

The total cost to employer principle was applied for levels 11 and above for non-OSD employees. This control factor in the management of remuneration costs and eliminating unforeseen/hidden costs is critical in being able to budget accurately for remuneration costs going forward.

Key critical considerations and success factors need to be considered when embarking on a review and potential amendments of the applicability of the OSDs, in their current form, going forward from the PER 2022. These key principles, based on lessons learnt, have been widely endorsed and recommended in a diverse range of reports and reviews over time. These are propelled into being key and critical success factors raised and explored in interviews and focus group qualitative engagements conducted within the scope of the PER 2022 between April 2022 and February 2023. This included a PwC BXT Strategy initiative on OSDs with senior representatives of the Public Service invited by the DPSA in June 2022:

- Avoidance of internal politicking of OSDs going forward by initiating proactive organised labour engagements around the challenges and ‘call to action’ going forward. This should include engagements with all stakeholders both internally and externally. The point of departure will necessitate formulating the need to engage, which should include:

- Finance and fiscal pressures in the country and the ballooning Wage Bill and unsustainability going forward.
- The need for change and buy-in and commitment to a revision of OSDs based on the challenges and realities of OSDs as they are currently being applied.
- Call for enhanced service delivery by the State and competing priorities.
- Creation of new opportunities linked to enhanced service delivery.
- An intent not to worsen the position of employees currently benefitting from OSDs.
- A commitment to benchmarking and correcting current inconsistencies.

- To secure the necessary funding and devise a modelling process to inform engagements before making any decisions and commitments.
- Acknowledgement of the complexity and the need to follow a centralised approach with decentralised consultation at Provincial sphere.
- Centralised implementation, monitoring, and evaluation due to the complexity and magnitude.
- Making the necessary systems changes on PERSAL and other related platforms which can accommodate the quality and integrity of payroll information, and which can effect the change required – no revisions to be contemplated until these changes are made and tested, including consideration to the implementation of the Integrated Financial Management System (IFMS).
- Data required to drive decisions must be routinely captured and verified.
- The system must be programmed to identify errors and present error reports for analysis and impact assessment.
- Issues relating to tax, benefits and allowances must be quantified and qualified through routine audits to secure a baseline on which decisions can be made.
- Any translations to revised OSDs and total remuneration must, as far as possible, and be automated to eligibility and must be strictly rules based.
- The mandate must be clear on the role, function, answerability, accountability and consequence management of key stakeholders and role-players which need to drive the process. These include, amongst others:
  - National Treasury.
  - Ministers and DGs.
  - Drivers of PERSAL and other HR systems within DPSA.
  - SITA.
  - Statistics SA.
  - PSC.
- Organograms need to be cleansed and entered on the payroll system.
- Job titles need to be standardised in terms role, function and remuneration.
- Incumbents must be in correct posts that are approved and funded in the respective organograms.
- The data on the system must be cleansed before any sizeable change is effected.
- Each Department needs to concur and accept the PERSAL data provided in the government HR system and work with Treasury to make the system work.
- A remuneration system that relies on seniority (years since qualification) must capture the data of minimum qualification for the post as a critical data element when the incumbent is employed (or transferred/promoted to a post that requires a newly acquired qualification).
- A remuneration system that is based on performance must have a performance management system that feeds results to the HR system as an obligatory field on the timing of a required minimum schedule (e.g. quarterly or bi-annually).
- No agreement should be signed with organised labour until the employer is clear of the financial implications and has budgeted for them.

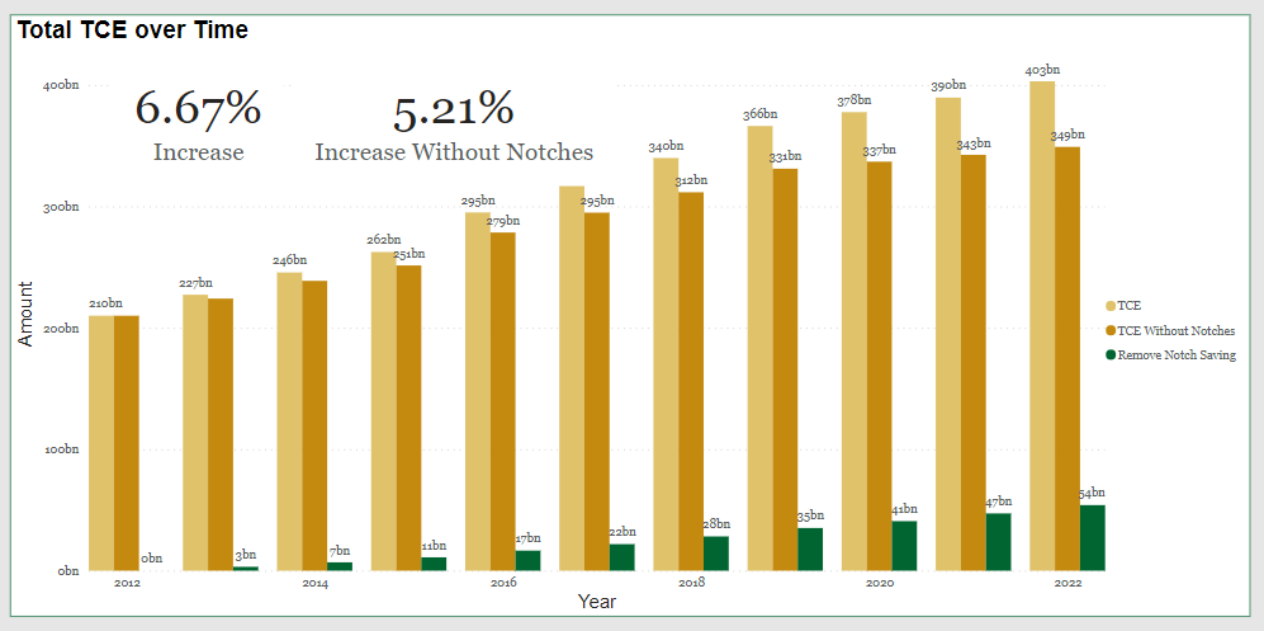
- A possible review of certain OSDs, for example, Correctional Services and Legally Qualified professionals given the initial intention of the OSD, i.e., to attract and retain scarce and critical skills.
- How does the OSD align with the scarce skills categories as defined by the Department of Labour/DHA, as the OSDs are locked in the collective agreements.
- Central and sectoral Monitoring and Evaluation (M & E) for OSDs necessary.
- Requests for new OSDs by the various professions, i.e., Vegetarians, Clinical Associates, Works Inspectors etc, be reviewed.
- Clear rules for movement/app into OSDs from non-OSD posts and if possible aligned rules on upward movement.
- Lack of clearly defined functions in some OSDs as well as possible review or updates of job descriptions to come new developments in the industry/occupations.
- Clarify reporting protocols between OSD salary scales vs SMS posts.
- Commencing salaries for Candidate posts including Interns and Community Doctors especially for Medical Doctors and related occupations, Engineers etc. - is there a case for the reduction of scales to facilitate recruitment and create appropriate gap for Graduates vs permanent staff.
- Need to terminate accelerated grade and pay progression for all OSDs.
- Structural misalignment e.g. ASD community Dev salary scales (Pensionable portion) is higher on certain notches within the scale) than the minimum of the next level within the Occupation. - Can this be fixed, therefore possibly a remuneration structural re-alignment overlaps.
- Any planned change should be commenced with a dedicated, comprehensive project management team mandated to steer the policy decisions to implementation and briefed to return for new mandates if implementation complications arise.
- Consideration should be given to the following key and critical areas going forward, in line with the proposed phased implementation approach recommended in the section below:
    - Review and revise all OSDs based on the detailed phases and guidelines provided in the report.
    - Reduce or remove notch increases.
    - Review the necessity of all contract and temporary workers.
    - Centralise control of the determination and implementation of OSDs that are applied going forward (i.e. Correctional Services).
    - Redefine all scarce and critical skills: competencies, occupational needs, supply and demand.
    - Focusing only on benefits and allowances will not yield the desired financial impact: basic salaries of new incumbents will have to be adjusted, in combination with a TCE.
    - Link increases to performance outcomes.
    - Discontinue the use of Legal OSDs in their current form.
    - Discontinue the use of Correctional Service OSDs in their current form.
    - Discontinue commuted overtime: saving of approximately R6.15bn (15% of the Medical OSD TCE) based on 2021 figures.
    - Implement increases based on a reduced COLA given the higher base of OSD employees.
    - Revise all rural allowances and the conditions of employment of medical interns.
    - A commitment to benchmarking and correcting current inconsistencies.
    - Implement IFMS in accordance with the guidelines provided in Part B.
    - Professionalisation of the Public Sector and endorsement of answerability, accountability and consequence management.

In addition to the above, the following broad-based recommendations across OSDs need to be considered. Key HR value chain issues will be mentioned in the context of (and the impact they have on) the review of OSDs going forward. These aspects which include OD, JE, JDs, PMDS, benefits and allowances will, however, be dealt with in detail, in relation to their broader impact on the Public Service as a whole, in Part B of the PER 2022:

- A prioritised review of all OSDs in the Public Service and broader Public Sector with specific reference to the following clearly defined principles:
  - Clear understanding of supply and demand benchmarks and comparative studies across all sectors in each of the existing occupational categories. This needs to be executed with due consideration to the realities which prevail, and which are confirmed with stakeholders. These include public and private sector employer bodies, professional bodies (institutes, councils, boards, and associations, HSRC, universities, universities of technology, TVETs and colleges).
  - Identification and classification of all occupations based on scarce and critical skills required including occupations associated with the skills required in the new world of work, e.g. 4IR, technology, digitisation, coding, and artificial intelligence.
- The development of narrow salary bands per job family and per grade level. Consideration needs to be given to the removal of the notch-based system, which should be replaced with a system that acknowledges impact, output, and performance as the key drivers.

The graph below includes an indicative impact of the removal of the notch system, where it assumes the notch increases apply to 95% (PERSAL quantitative data analysis: 2022) of employees on OSD, annually. The indicates the saving had this removal been applied in the year 2013.

Graph 96: Total TCE over time



- The saving in 2022 would have been R54bn under the scenario above. Implementing it in the year 2023 would lead to an average saving of R44bn per year over ten years.

- The implementation of TCE across all levels is in line with the principle which is applied for levels 11-16 for non-OSD employees. This will also overcome the perception that those on TCE are paid significantly more than those on basic plus add on packages. This can become a control factor in the management of remuneration costs and eliminating unforeseen and hidden costs which is critical in accurately determining remuneration costs.
- Defined criteria for inclusion in an OSD for the future with clearly defined job profiles and job descriptions with accompanying competency level descriptors, qualification, managerial and experiential requirements. This should, in fact, be applied for all positions and posts.
- Decentralised implementation led to different interpretations of the Resolutions, resulting in disparities and lack of uniformity, especially in the provinces. It is recommended that all stakeholder inputs are obtained in a transparent and inclusive manner. It is important to accurately identify instances where incorrect occupations have been included and resulted in an increased Wage Bill. A contextual overview of sectoral OSD categories is discussed separately in a section dedicated these OSDs below.
- Key to the transformation of OSDs is the prioritisation of utilising key skills and competencies at the level of where services are delivered, and which enhance the notion of 'promoting a good life' and service delivery for all.
- Linking rewards to strategic Departmental and individual performance objectives is essential.
- Performance management is key to the review of OSDs and other alternatives going forward. There is a need for calibration of OSD performance criteria and ratings to ensure that the performance management system is applied consistently and fairly. Performance agreements must be clear and unambiguous in terms of the measurable criteria and services standards which need to be achieved. Increases and bonuses should be awarded in terms of the outputs achieved. Performance management is dealt with in detail in Part B of the report.
- All OSD job evaluations must be reviewed in terms of the level of skill required with consideration being given to the scarcity and critical nature of the occupation. This needs to be based on the benchmarked information obtained and referred to previously. In this manner issues relating to the principles below, amongst others, can be addressed:
  - Calibration of job grades based on job evaluations and scarcity.
  - Elevation of specific jobs and grades.
  - Consideration of experience, qualifications, and other applicable differentiators.
- There needs to be a renewed focus on sound centralised policy making which provides for answerable and accountable decentralisation with the appropriate monitoring and evaluation mechanisms. The following actions are recommended:
  - Identification of all policies, regulations, and bargaining council agreements as they relate to OSDs commencing with the DoH and DoJ as priority Departments.
  - A review of the above in terms of all the challenges identified and with due consideration to the continued existence of OSDs in their current form. Qualitative evidence strongly suggests that OSDs, as they currently exist, are not serving the continued mandates of Departments and enhanced service delivery
  - The internal views, introspection, and impact assessments of Departments such as Health, Justice and Education need to be used as guidelines to inform a new approach and way forward to enhance:
    - Efficiencies, effectiveness, and service delivery imperatives.
    - Affordability.
    - Consolidation and eradication of duplication.

- This will need to be considered in the context of the key foundations which inform the adoption of a review of current OSDs, similarly to the processes adopted prior to the implementation of OSDs in 2007. These form the pillars for any review or transition and are critical success factors going forward. This recommendation and proposed timelines should not be viewed linearly as many of the proposed phases can run concurrently. The following phases can be identified as a proposed point of departure:

    - **Phase 1: Duration**: six months: Formulate the intention to review OSDs in accordance with the key challenges and findings of the PER 2022 and numerous other reports and commissions over the past five years. This should include the following key activities to be driven by the NT, DPSA, PSC and other key role-players:

        - The need for sustainability of the Wage Bill going forward and the imperative and intent to ensure alignment in the Public Sector (National, Provincial, Local and SoEs).
        - Summary of the precise OSDs to be reviewed with reasons as to why this is required.
        - Consideration of scarce and critical skills based on Departmental needs and market benchmarks where these are available.
        - Current costing realities and five- to ten-year projection that create a compelling need for change (including economic outlooks) and a clearly defined change and communication programme.
        - Consultation with key stakeholders including Departments, provinces, and other sectors.
        - Alignment and determination of rules-driven terms of engagement, with organised labour and employees, in determining and formulating the necessary principles on which the review will take place and agreement of the terms of reference.

    - **Phase 2: Duration**: 12 months: Review of the organisational structures of all Departments which are impacted by OSDs identified for review with support from the DPSA and NT to ensure that post establishments are updated and fit for purpose. This includes the alignment to strategy and key performance areas/indicators. All organisational charts to be loaded on PERSAL to ensure concurrence.
    - **Phase 3: Duration:** six months: The review and formulation of updated job profiles and job descriptions for the categories of OSDs identified (process and templates to be led by the DPSA) and all JDs loaded onto PERSAL for concurrence. This should include the identification of new scarce and critical skills to be considered and agreed to**.**
    - **Phase 4: Duration**: eight months: Centrally controlled job evaluations to be conducted for all positions with clear and unambiguous post levels. The DPSA issued an RFP for such a system in February 2023.
    - **Phase 5: Duration**: three months: Consolidated and fully costed post establishment based on a total cost to employer (CoE/TCTC) basis**.**
    - **Phase 6: Duration**: two months: Conversions and affordability assessment and ten-year projection of total costs.
    - **Phase 7: Duration**: six months: Formulation of an implementation plan including stakeholder buy-in and commitment, supported by a comprehensive change and communication plan and roadmap**.**

- **Phase 8: Duration**: 12 months: Implementation of the plan with significant focus on monitoring, evaluation, risk assessments and management of pre-determined guidelines and dealing with exceptions.

The duration and timelines above are indicative guidelines based on the complexity of government and the extent of consolidation and buy-in required in the process. It is acknowledged that some steps could run concurrently.

- In support of the above, the enhanced role of the DPSA as a supra-Department with the necessary expertise, powers, and authority, needs to be established as a priority. This role should be enhanced and driven by:
  - Rule-based guidelines which are clear and unambiguous.
  - Centralised implementation, monitoring, and evaluation.
  - Amendment of systems such as PERSAL to provide quantitative information including the completion of the implementation of the IFMS.
  - Inclusion of other electronic interfaces to overcome cumbersome processes to address misuse, speed of decision-making, ensuring answerability, and accountability with consequence management.
- It is recommended that a centralised 'Commission for Remuneration and Conditions of Service for the Public Sector in South Africa' be created in line with other regional and global best practices. Such a commission for an integrated Public Sector remuneration structure must be constituted in accordance with the following guidelines:
  - Vested powers and authority to make decisions based on the facts and realities which prevail such as economic, social, and political circumstances.
  - Inform policy and regulatory guidelines.
  - Conditions of service which are benchmarked.
  - Remuneration and reward with industry, sectoral and regional benchmarks.
  - Guiding remuneration across all spheres of government to eliminate inconsistencies in conditions of service, remuneration, equity, and reward.
  - Should be constituted by leaders in practice with representation from all sectors of the economy.
  - Representation from senior retired members of the Appeal or Constitutional Court,
  - At least two regional representatives.
- There is a need to ensure the optimum use of available technology to provide timely, accurate and meaningful information and data relating to strategic issues for decision-making purposes. This capability needs to be enhanced in terms of current structures. It should ideally be situated within the DPSA. It is an imperative that metrics to measure and analyse the impact and cost effectiveness of HR processes and remuneration are available for decision-making and policy formulation.
- The following mechanisms need to be considered and deployed, as identified by the NT 2021, IMF 2021 and concurred with in the PER 2022 to generate potential savings and effective management of the current Wage Bill:
  - Non-filling of posts as officials leave government posts which do not fit the requirements for scarce and critical skills.
  - Non-renewal of existing contracts.
  - Contracts and temporary workers account for approximately R23bn (6%) in 2022. This could be a saving which can be allocated to fund new positions.
- Review all National and Provincial organisational structures based on the sound principle of critical needs and reduction of vacant positions which aren't core to the enhancement of

service delivery imperatives. Core to this process is the identification and elimination of duplication and the enhancement of greater coordination across all spheres of government to enhance:

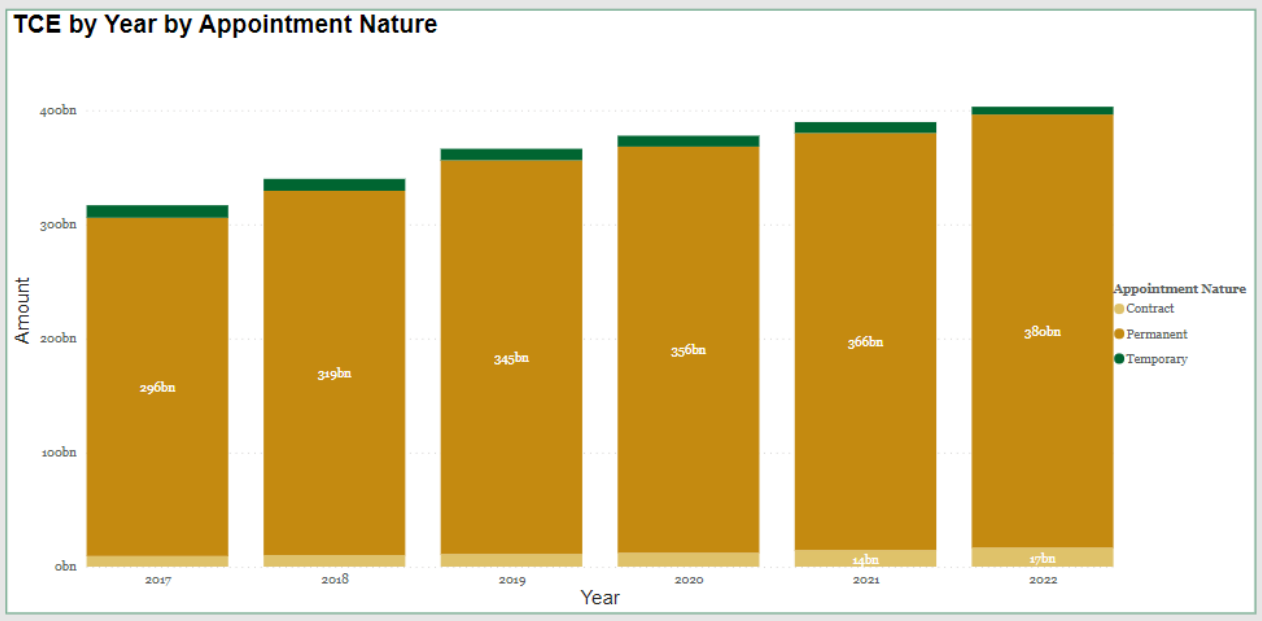
  - Optimal scarce and critical skills distribution and utilisation across all spheres of government.
  - Reduction of the duplication of OSDs between national and provincial government.

- As identified by the NT and concurred with in the PER 2022, consideration needs to be given to eliminating the 13th cheque, either for a fixed period in pursuit of fiscal adjustment, or even permanently. This should be replaced by a system of performance-based bonuses as identified as a key recommendation previously. This will also reduce the impact of wage drift (i.e., pay and grade progression).

It is acknowledged that the above considerations, on their own, will not necessarily bring about the desired reduction in the Wage Bill but that savings across all these areas could make a huge impact on the Wage Bill. Some of these savings can also be used to fund entry level/new entrants scarce and critical skills, but also address the need for skills required for the future world of work.

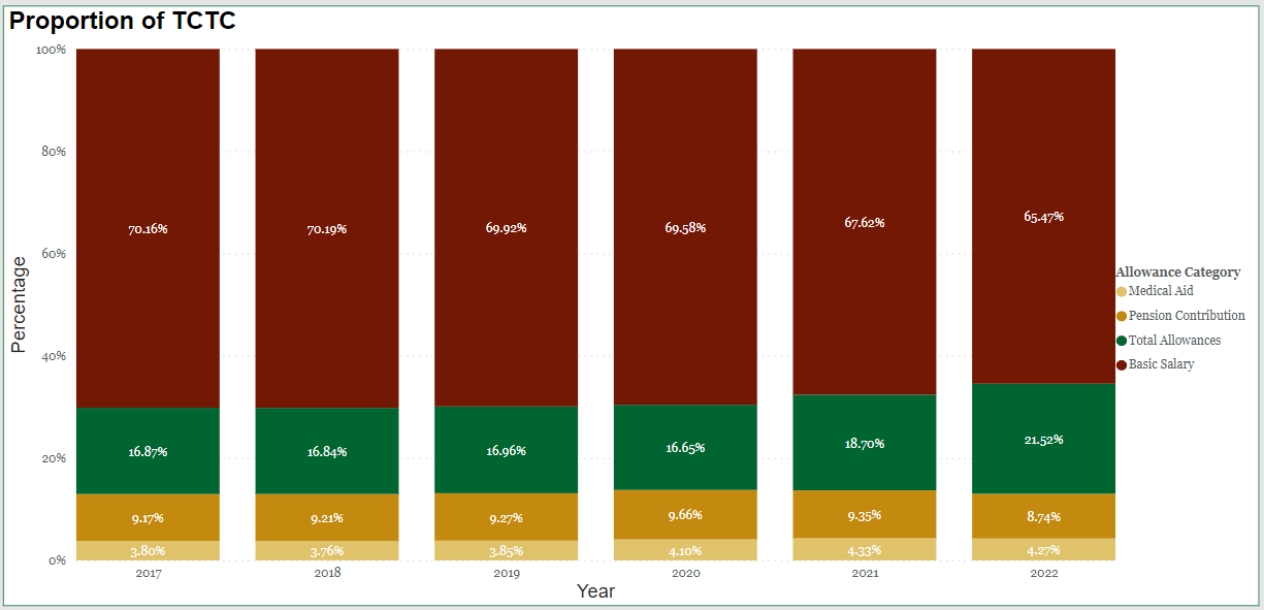
The graph below depicts the TCE by appointment nature which gives an indication of the TCE from contract workers.

Graph 97: TCE by year and appointment nature



As noted in the graph below, total allowances contribute to approximately 22% of TCTC at salary levels 1-10 which amounts to approximately R86bn. Reduction in the number of and average amount of allowances will have a significant impact on the Wage Bill.

Graph 98: Proportion of TCTC



- Consideration can be given to increasing the time required for workers to move from one notch to the next (i.e., from one year to two years) and to phasing this out in the medium term as noted above.
- The personnel expenditure system should be simplified and centralised to maintain accountability, transparency, and accessibility.
- Understaffing issues and utilisation of the existing staff's skills and competencies effectively should be addressed to meet service delivery objectives. A national database of scarce and critical skills could contribute to demand and supply needs.
- The above recommendations are aimed at overcoming some of the key challenges that have been observed in this study. These include, but are not limited to the following principles:
    - Increasing average cost per employee needs to be accompanied by higher productivity to ensure service delivery needs are met.
    - Strong protection for workers against performance-related dismissals and collective bargaining tends to not consider labour productivity.
    - Increased wages are linked to corresponding increases in labour productivity to ensure economic sustainability.
    - Improvement with attraction of specialist skills but little evidence of improved engagement, productivity, and service delivery.
    - Compounding effect of year-on-year salary increases (and knock-on effect to benefits) brings sustainability of current remuneration structures into question.
    - Benefits and allowances with structures that are aligned with the principles of a new reward strategy and the cost to employer (CoE) model applied in most sectors at all levels. This allows for accurate benchmarks and best practice assessments. These have a significant bearing on attraction and retention strategies for scarce and critical skills. Issues relating to an employee value proposition, new world of work, benefits and allowances and the benefits of a CoE are dealt with and elaborated on in significant detail in Part B of this report.

- Any review of OSDs and related benefits and allowances needs to be acknowledged with due consideration to:
    - Transparency and close collaboration, buy-in and commitment of organised labour and other diverse stakeholders from initiation to implementation.
    - Continuous monitoring and evaluation of progress with appropriate revisions as may be required to be made timeously and openly.
    - Review and refinement of cumbersome systems, processes and bureaucratic practices which support the comfort zone of those opposed to progress through digitalisation and technological innovations.
    - Centralised implementation, guidance, and monitoring.
    - An acknowledgement of the fact that changes to OSDs (salary, benefits, and allowances) in any transformation process will not necessarily put current incumbents in a position which is worse than they currently find themselves - the prime objective will be to prevent the perpetuation and ballooning of the Wage Bill.
    - Adherence to national social and economic realities, with specific reference to skills scarcity, which include but aren't limited to:
        - Creation of opportunities (addressing unemployment) for new entrants into the Public Service without prohibitive exclusions based on experience to ensure sustainability and continuity within the workforce and to overcome the impact of an ageing workforce.
        - Fostering innovation and addressing the skills of the future workforce.
        - Reducing costs based on current CoE based on increasing competing imperatives and enhancing service delivery (embracing the principles of ethics and the Professionalisation of Public Service employees) and overcoming redundant positions and significant areas of duplication between Departments and functions.
        - Openness and transparency which will overcome patronage and other social biases.
            - Favouring change and adaptability to changing circumstances as opposed to the status quo of maintaining existing OSDs.

It is further recommended that the following key criteria and success factors be considered prior to designing or implementing a remuneration framework for key experts, scarce and critical skills, and occupational specific professionals in the Public Service (informed by extensive stakeholder engagements, IMF Report: 2021, NT:2021 and a vast array of reports generated over time, including the PER 2011):

- Costing of the new structure should be based on clean, accurate and current data which is used to inform decisions which have a significant impact on the fiscus and sustainability.
- To the extent that the suggested changes require detail not currently held in the payroll data, this data should be captured and analysed prior finalising a framework.
- Organisational structures, vacancies and staffing requirements should be pre-determined to ensure that costing is done for all posts, regardless of them being filled or vacant.
- Inclusion of the payroll system administrators/programmers from the kick-off of the project to ensure system limitations do not cause delay at the implementation phase of a project.
- New job titles being mapped should be clearly defined, particularly when one title is mapped to multiple new job titles.

- Job descriptions need to be clearly defined to ensure that employees are translated based on the job they are actually performing at the time of translation from one job to another. This should not be based on arbitrary educational qualifications and experience.
- Consider all aspects of the employment conditions, not only remuneration. Professionals generally place value on other aspects such as their ability to deliver a quality service and their ability to carry out their duties in an efficient manner with the necessary support and resources at their disposal.
- Notwithstanding formal labour processes, the employer should design a communication plan to keep affected employees up to date with happenings, particularly at the implementation phase.
- We recommend a full consideration of where improvements can be made to the conditions of the work environment.

The recommendations identified are varied in levels of complexity and the extent to which they can realistically be applied simultaneously. This is particularly relevant in South Africa which is characterised by huge diversity and a highly unionised workforce. It is imperative to start this complex and interrelated process to ensure future sustainability.

In summary, the following priorities should be considered:

- The establishment of a centralised 'Commission for Remuneration and Conditions of Service' for the Public Service and Public Sectors respectively. The initial mobilisation would entail obtaining the necessary political endorsement and determining the mandate, powers of the proposed commission and the scope of work and powers which could include:

    - The implementation of a phased approach, as recommended, to overcome current challenges.
    - The development of an all-encompassing performance management system to ensure the maximum benefit of OSDs. A detailed review and findings relating to the current policy and implementation is dealt with in detail in Part B of this report.
    - The cleansing and enhancement of job profiles, job descriptions and performance indicators for each post/job and the conversion of all remuneration and benefits to a CoE. This includes conducting job evaluations based on the revised job descriptions.
    - Revision of all organisational structures in the Public Service with due consideration of the Departmental strategies and service delivery imperatives.
    - A need for a single Key Scale that include OSDs and non-OSDs.

23. Critical success factors

- Decisive political will and direction to achieve strategic service delivery, mandates, and objectives.
- Applied leadership and management skills.
- Critical thinking and innovation.
- Answerability, accountability and responsibility of all role-players and stakeholders.
- Ethics, professionalism and a sound code of conduct and the eradication of bribery, corruption and nepotism are paramount.
- Policy reform which embraces changing needs and circumstances complemented by robust change initiatives.
- Compliance and consequence management for non-compliance with legislation, regulations, policies, and procedures.
- Acknowledgement and reward of performance.

- Continuous learning, development, and skills enhancement.
- Acknowledgement of the roles and responsibilities of ‘supra’ government Departments in ensuring centralised direction, monitoring, evaluation, oversight, reporting and compliance within a values-based culture. (e.g., the DPSA, NT and AGSA).

To ensure buy-in, commitment, understanding, and a standardised implementation across the Public Service, a programmatic advocacy and change management process needs to be rolled out to provide transparency and a common understanding of OSD criteria. Currently, misinformation or a lack of understanding appears to contribute to misperceptions and dissatisfaction between OSD and non-OSD positions and their respective remuneration structures. Key and critical to this process is the creation of awareness amongst unions and the bargaining councils.

24. Conclusion

The PER 2022 was commissioned in late December 2021 by the Department of Public Service and Administration (DPSA) in collaboration with the National Treasury (NT). During the mobilisation phase of the project, PwC was requested to prioritise the submission of a review on the OSD as it is being applied within the South African Public Service. This OSD report **(Part A)** forms part of a larger report, covering a diverse range of issues that need to be addressed as part of the scope, and as explained in more detail in the introductory part of this report.

Certain limitations were pointed out during the early stages of compiling the report and were confirmed with the DPSA project team and the National Treasury and validated in a workshop with senior stakeholders held on 10 June 2022. These limitations include, but are not limited to, the availability of information from participating stakeholders and the challenges and risks associated with the obtaining of the PERSAL quantitative information. This information would be required to validate and substantiate the empirical observations based primarily on the qualitative aspects relating to OSDs. The access and obtaining of data have subsequently been resolved given the risk and exposure to the DPSA and PwC.

The DPSA, NT, National Departments, and Provincial Offices of the Premier (including Provincial Departments) contributed generously to providing documentation, reports, frameworks, and other documents for analysis in the delivery of this OSD report. Numerous personal interviews, structured discussions and workshops were conducted with the diverse stakeholders identified. The inputs and insights were generous and highly appreciated in compiling this report. A list of documents, reports and sessions conducted are available at the end of this report for perusal.

The triangulation of information focused on qualitative research principles effectively ensured accuracy by validating information from diverse sources for this report. This report has provided a detailed context and overview of the scope of the PER 2022. This is the manner in which the OSD report is inextricably linked to the issues and deliverables associated with **Part B** of the PER 2022 Final Report.

The content also covered the macroeconomic indicators and imperatives which are linked to some of the key findings and recommendations relating to OSDs. This speaks directly to economic growth forecasts, their impact on inflation, and the sustainability of the Public Service Wage Bill. The OSDs which were implemented between 2007 and 2010 served a purpose at the time to ensure the attraction and retention of scarce and critical skills. Based on the mounting pressure, some decisions were negotiated and regulated to deal with the challenges relating to service delivery needs and priorities. Successes that were achieved have been identified and explained.

A diverse range of challenges and findings have been identified which will have far reaching consequences for the sustainability of the Wage Bill. These issues are explained in the findings based on their impact and severity if not addressed. The recommendations provide a process-driven approach to correct some of the fundamental challenges related to a ballooning Wage Bill and unsustainable remuneration, benefit and allowance structures. Several priority areas have been recommended for consideration.

References to quantitative trends and data used are based on information that was made available by primarily reports from the NT, IMF, DPSA, PERSAL data, Departmental, and Provincial reports which were made available, and which are acknowledged by PwC.

We wish to thank and acknowledge all the stakeholders that have participated in the initial consultations. The inputs and guidance of the DPSA Project Team, together with NT Advisors and Project Steering Committee members, must be acknowledged specifically. Our sincere appreciation to the Director-General from the DPSA and other DDGs and senior office bearers for their attendance and participation in a one-day envisioning workshop on OSDs, held at the PwC offices on 10 June 2022.

PART B - PER Report

PART B

25. Introduction

The PER 2022 report is as a result of a continuation of Personnel Expenditure Reviews undertaken by the DPSA every five years since 1999. It should be noted that the last review undertaken was in 2011 and that no PER was conducted in 2016. The purpose and objectives of this review are in accordance with the practices adopted in the past and are clearly articulated in the terms of reference (ToR) issued by the DPSA. Open invitations to respond to the ToR were published in late 2021 for commencement in early 2022. PwC submitted a proposal in this regard and the DPSA and NT panel awarded the tender in early January 2022.

Previous reviews did not include any significant focus on the local sphere of government and state-owned entities. The PER 2022 includes a selected pilot group of local authorities, metros and SoEs to enrich the narrative, findings, and recommendations.

The activities that were conducted within the context of the PER 2022 and this subsequent report were guided by a key summary of the following areas of work, otherwise known as workstreams, included in the report:

- Research and approach including:
  - Empirical research approach
  - Desktop reviews of a broad nature including documentation submitted for review
  - Qualitative engagements with sampled stakeholders including the use of a structured questionnaire
  - Quantitative data analysis based on PERSAL and PERSOL information provided for this purpose
  - Workshops and strategic envisioning sessions
- Strategic human resource management and HR value chain
- Economics
- Workforce planning
- Remuneration and reward
- Benefits and allowances
- High-level best practice and benchmarks.

The report covers all the areas listed above with specific reference to the context and overview provided for each section, which includes a narrative of the findings and recommendations for the preceding 2011 PER. The context and overview also provide a broad overview of best practices as they apply to each of the sections in the report.

These findings and recommendations are then analysed in relation to the research conducted as part of the PER 2022. Based on these outcomes, an assessment was made regarding the successes achieved against the PER 2011 recommendations.

This is followed by detailed findings and recommendations based on the workstreams research conducted, with sampled institutions, across the spectrum and for each section covered. The criteria used are based on the key areas of focus used in administering the qualitative questionnaire.

Quantitative data was used to further enhance findings in areas such as remuneration, reward, benefits, and allowances. Annexures, which form an integral part of the report, provide a concise overview of all the areas covered for each of the stakeholder groupings consulted, including a colour-coded rating which is applied to each area.

26. Approach and methodology

The approach to the DPSA PER 2022 is based on the detailed terms of reference and direct response to these requirements and criteria as highlighted in the scope, activities and requirements specified. The following key research methodologies have been deployed to obtain and analyse information in relation to the purpose and objectives of the study:

- Review of existing PER reports and more specifically the report generated as part of the PER 2011, with specific reference to:
    - The rationale and premise of that report
    - Purpose, objectives, and outcomes
    - Consolidated findings and challenges
    - Proposed recommendations and way forward
- Documentary review including diverse reports and policies provided to the project team by the DPSA, National Treasury and Departments. These include:
    - Legislative prescripts
    - Circulars
    - Procedures and guidelines
    - Directives
- Preliminary engagements with representatives from the DPSA and NT
- Engagement with a Project Steering Committee comprising of numerous government departments selected by the DPSA which covered all clusters within the PS for clarification and confirmation of the proposed approach to be adopted as outlined by members of the Joint Operations Team from the DPSA, PwC and NT, including:
    - Scope confirmation
    - Areas of mutual concern which require further analysis
    - Confirmation of specific activities and desired outcomes
    - Confirmation of the process of reviewing existing information and providing access to information which required special motivation and undertakings of confidentiality
- Multiple meetings at intervals with Departments which were identified by the DPSA to form part of the Project Steering Committee. These included senior representatives from the following National Departments for in-person engagements at the DPSA head office:
    - National Treasury
    - Department of Justice
    - South African Police Service
    - Department of Health
    - Department of Social Development
    - Department of Basic Education
    - Department of Defence
- It was agreed that the following five provinces would be sampled for in-person engagements for the PER 2022:

    - Gauteng
    - Western Cape
    - Free State
    - Limpopo
    - KZN
- A questionnaire was compiled and endorsed to conduct all in-person and virtual structured engagements organised by the DPSA. The questionnaire covered the following:
    - 12 key focus areas agreed to and aligned to the scope of work and deliverables, attached to this report as Appendix 1
    - 16 key strategic criteria aligned to the content of the report
    - 374 probing questions aligned to the 26 strategic criteria
    - Provision for comments and notes for all criteria
- The questionnaire was administered as follows:
    - All engagements conducted in-person or virtually were done in accordance with the questionnaire
    - A minimum of three expert specialists from PwC and at least one senior specialist member from the DPSA conducted all the engagements. The total panel was comprised of nine permanent members, who conducted all 118 engagements, to ensure continuity, equivalence, and synergy
    - Each session was facilitated by one panellist with the remaining panellists asking probing questions aligned to the questions in the questionnaire in a structured manner
    - All panellists made detailed electronic notes which were summarised at the end of each session to ensure concurrence and objective findings based on information provided by participants
    - Panellists agreed to assign a detailed colour-coded rating to each institution involved at the end of each session. The rating scale ranged from one (poor) to ten (excellent), and the ratings were determined based on the evidence presented during the sessions. This report summary is available for each session conducted and is attached as Appendix 2
    - Group sizes varied between six and 63 attendees per engagement across departments, provinces, local metros, and state-owned entities
    - The minimum duration of engagements varied and was based on the size of the group and areas to be covered
    - The minimum duration was two hours and the maximum duration per intervention was six hours per group
    - In general, the messaging was consistent throughout the engagements with significant synergy in the contributions made and challenges identified
    - Clear outliers and pockets of excellence were identified across all spheres, and these are clearly documented and evidenced
    - The questionnaire was made available by the DPSA for electronic completion and optional return. Due to the in-person engagements, participants mostly opted not to submit electronically. Only one entity opted to submit the completed questionnaire electronically

The data analysis methodology follows a structured process of data validation checks, organisational cost analysis and headcount analysis, financial impact analysis and insights and recommendations.

Data validation and checks

Upon receipt of the data, we performed the following checks and validation:

- Assessing the data for missing values
- Flagging outlier values
- Testing each attribute to ensure all unique values are valid.

Organisational cost and headcount analysis

At each granular attribute, including department, salary level, salary scale and job level, our analysis involved assessing the following trends:

- Average and total expenditure over time which was broken down into the different categories of salary, benefits, allowances, and leave
- Proportional expenditure of each attribute over time
- Average and total headcount over time
- Proportional headcount of each attribute over time.

Financial impact analysis

- After the analysis of trends, the financial impact analysis comprised of the following:
    - Understanding trends in cost and headcount that affect the sustainability of the overall personnel expenditure
    - Workshopping a number of scenarios, considering the macroeconomic and qualitative findings that might assist in addressing unsustainable trends
    - Assessing the effects and financial implications of implementing the interventions.

Notwithstanding the challenges mentioned above, the following mitigating factors were identified:

- The commitment and participation of the DPSA project sponsors and team members
- The commitment by the respective work streams to achieve the required objectives
- Commitment and assistance by those departments who participated in the sample of qualitative interviews conducted
- Information that was made available.

Insights and recommendations

The insights drawn from the quantitative analysis above were considered in the context of the macroeconomic and qualitative findings and supplemented by the financial impacts and shared with the DPSA.

The analysis and opinions in this document are based on:

- The facts as presented to the consultants via the information received and interviews conducted. It must be noted that PwC and its consultants engaged to perform work within the various workstreams cannot take any responsibility for inaccurate information or held responsible for incorrect recommendations as a result thereof
- As per the project plan, PwC depended on the DPSA to facilitate access to information and relevant individuals. PwC cannot take any responsibility for omitting any data or opinions which would have had an impact on the analysis and recommendations.

The DPSA personnel expenditure review report 2011:

- PwC takes no responsibility for the non-consultation process
- Data has been omitted that was inconclusive, incompatible, or unreliable
- Data extracts provided from the PERSAL and PERSOL system were deemed to be a reflection of actual personnel expenditure.

Summary of the scope of services and deliverables with specific reference to the sections in which these areas have been dealt with (it should be acknowledged that the table is linear and that there are numerous interfaces which need to be read in the context of the report as a whole):

Scope of services	Section
• Employment trends and personnel expenditure in the Public Sector and the impact of the current and projected future state of the South African economy may have on these trends.	Part A: Chapter 9 (Economic overview) Part B: Chapter 13 (Key economic considerations) Part B: Chapter 10 (Remuneration and reward) Part B: Chapter 11 (Benefits and allowances)
• Collective bargaining and wage setting mechanisms/arrangements (including legislative arrangements where applicable).	Part B: Chapter 8 (Organisational design), chapter 10 (Remuneration and reward)
• Salaries and salary scales (highest and lowest, salaries for specific occupations, salary structure arrangements - total cost to employer, broad banding, benchmarking, performance-based pay, etc.).	Part A: OSDs Part B: Chapter 10 (Remuneration and reward) Part B: Chapter 11 (Benefits and allowances)
• A review of the occupation specific dispensations (OSDs) in the Public Service (which was prioritised).	Part A: OSDs
• Job grading, job evaluation and job classification arrangements (potential service providers should note that a separate project is being initiated to develop and implement a job evaluation system for the Public Service. The service provider (PwC) to be appointed will not be expected to recommend a job evaluation system for the Public Service).	Part B: All areas covered in chapter 10 (Remuneration and reward) Part B: Chapter 11 (Benefits and allowances)
• Allowances • Bonuses and other incentives • Pension arrangements • Medical assistance	Part B: All areas covered in chapter 10 (Remuneration and reward)

• Leave benefits • Other benefits • Payroll arrangement and the utilisation of automated HR information systems to support remuneration and compensation practices.	Part B: Chapter 11 (Benefits and allowances)

Deliverables	Delivery status
• The appointed service provider was expected to deliver the following final products to the DPSA premises at Batho Pele House, 546 Edmond Street, Arcadia, Pretoria, 0083: ○ A report on a review conducted on whether the original intentions with the implementation of the OSDs have been achieved, including the successes and challenges experienced in the implementation of the OSDs. The report should include recommendations for improvements or alternative arrangements. This report should be submitted within three months of the award of the bid.	Complete (Part A of Final Report)
• A comprehensive/detailed final report containing, as a minimum, the following points covering the scope of the project: ○ A review of the implementation of the recommendations that were contained in the previous PERs and whether these achieved the desired results ○ The results of the 'as-is' review conducted across the various institutions in the South African Public Sector ○ A comparison of the 'as-is' situation with national and international best practices ○ Detailed recommendations, including options with potential timeframes, for changes to the current terms and conditions of service and related practices in the Public Sector and with a specific focus on achieving alignment in respect of these terms and conditions of service and related practices between the various institutions within the South African Public Sector.	Complete: Part A and B of Final Report: • Findings and Recommendations of the PER 2011 included in the context and overview of each section • Assessment of PER 2022 against 'as-is' of 2011 • Detailed findings per sector • Detailed recommendations per sector • Assessment matrix per institution (Appendix 2) • Best practices and benchmarks contained in the context and overview of each section

• The costs associated with the various recommended options.	Part B: Contained in the recommendations of each section where applicable

27. PER context and overview

The Personnel Expenditure Review process commenced in 1999 with the introduction of what became known as the PER Review in subsequent years. The terms of reference throughout these reviews remained relatively consistent over the years. The PER 2011 was released and approved with specific findings and recommendations which were adopted at that time. There was no PER in 2016 due to numerous constraints and this gave rise to the PER 2022 which commenced its work towards the end of the first quarter in 2022.

The approach and methodology adopted in 2011 and 2022 are similar in nature and the following summative issues were reviewed and reported on:

- Economic trends which impact on the Public Sector Wage Bill in South Africa and globally to ascertain:
    - Growth in revenue
    - Sustainability of the Wage Bill
    - Efficiency and effectiveness forecasts
    - Fiscal affordability
- The nature of the future workforce in the PS, LG and SoEs:
    - Future world of work
    - Productivity indicators
    - Scarce and critical skills
    - Attraction and retention
- A review and assessment of the interrelated HR value chain including, amongst others, issues relating to:
    - HRM strategy
    - Performance management and development
    - Labour relations
    - Learning and development
    - Organisational design including:
        - Job evaluations
        - Job descriptions
        - Workforce planning
    - Productivity and efficiency relating to the above areas
- A review of personnel expenditure with specific reference to:
    - Remuneration and reward
    - Benefits and allowances
    - Cost to employer
    - Affordability and trends in the market.

The review of these aspects also focused on providing some guidelines of national and, where possible, international benchmarks and best practices which could be considered in crafting improvements and solutions going forward.

All the PERs since 2006 focused on identifying challenges which need to be addressed in a structured approach characterised by identifying:

- Findings based on qualitative and qualitative data and information
- Recommendations and alternatives for consideration and implementation.

The PER 2022 is distinctive in that the following additional and critical dimensions were added to the scope of work for review:

- Progress and issues relating to the implementation of the occupation specific dispensation (OSD) recommendations since implementation in 2007 as one of the alternatives recommended in the PER 2006 for the attraction and retention of scarce and critical skills
- Findings and recommendations relating to OSDs in the PER 2011
- Local spheres of government
- State-owned entities.

The PER 2022 dealt with the findings and recommendations made in previous reviews and more specifically the progress made based on the findings and recommendations of the PER 2011. This progress assessment is an imperative to ascertain progress relating to all the dimensions of the review as specified above.

The key elements of the PER 2022 Review as contained in this report are dealt with in the 'context and overview' in each of the sections which follow in this report.

This ensured full coverage and logical sequencing of past recommendations as they apply to each of the areas being addressed in the PER 2022.

This was covered using headings which summarise the following in each instance:

- PER 2011 summary findings
- PER 2011 summary recommendations
- Findings: PER 2022: Based on the recommendations of the PER 2011

This includes a direct line of sight and state of play for each area covered in the PER 2022. The only criteria that were applied to assess the progress made since 2011 were the research, data and engagements conducted as part of the PER 2022 approach and methodology. Each area covered also contains recommendations and the way forward based on the PER 2022 Review.

28. HRM, policy, regulatory and strategy environment

i. Context and overview

The implementation of good policies and legislation is challenging from inception to the complex processes required in implementing them. These challenges are identified and applicable in many national and global public service organisations. Best practice research has identified some of the common challenges which need to be identified and processes which are required to overcome the most common implementation challenges.

These practices, which can also be used as benchmark criteria in evaluating the status quo, include (PwC: HRM Strategic Approaches, 2021: 7-14 and Strategy&, 2020:3-6):

- The following resource constraints have been identified in implementing policies and legislation:
    - Financial allocations and budgetary planning
    - Human resources with the required skills, expertise, and capabilities to make the implementation happen at all levels within the Public Sector
    - Technological resources which are the key enablers, and which provide structure and systems support
    - If these resources are not available, it will result in inadequate implementation
- Capacity constraints: Implementing policies and legislation may require a certain level of capacity and expertise. If the relevant government departments or entities do not have the necessary capacity or expertise, implementation may be challenging
- Resistance to change is a key issue that needs to be acknowledged and addressed upfront with specific reference to:
    - Change management intervention from commencement
    - Consistent communication
    - Opposition from political and bureaucratic functionaries
    - Unions and organised labour
    - Employee buy-in and commitment to the processes
    - Other internal and external stakeholder consultations
    - Inter- and intra-governmental liaison
- Political interference can also hinder implementation, as political considerations may take precedence over good governance principles
- Ineffective coordination and implementation of policies and legislation may require coordination across different government departments and entities. If coordination is ineffective, implementation may be fragmented and inconsistent
- Communication and stakeholder engagement may be hindered if there is a lack of communication and engagement with stakeholders, including citizens, civil society organisations, and the private sector
- Without effective monitoring and evaluation mechanisms in place, it may be difficult to assess progress and identify areas that require further attention.

The following mechanisms are generally accepted as key considerations to be adopted in ensuring sound HRM governance and strategic focus, equally applicable in all spheres of government:

- Strengthen governance structures: Establish strong governance structures and mechanisms, such as effective monitoring and evaluation mechanisms, transparent decision-making processes, and clear lines of accountability
- Develop a culture of accountability: Foster a culture of accountability within the Public Sector by setting clear performance targets, providing regular feedback, and holding public officials accountable for their actions
- Ensure effective human resource management (HRM) practices: Develop effective HRM practices, including the development of clear job descriptions, performance management systems, and effective training and development programmes

- Invest in information and communication technology (ICT): Invest in ICT systems to streamline processes, improve communication, and enhance collaboration among different government entities
- Strengthen financial management practices: Develop effective financial management practices, including robust budgeting processes, effective financial reporting mechanisms, and effective internal controls
- Strengthen legal and regulatory frameworks: Develop and implement a strong legal and regulatory framework that provides clear guidelines and standards for the operation of government departments and entities
- Foster stakeholder engagement: Foster effective engagement with a wide range of stakeholders, including citizens, civil society organisations, and the private sector, to ensure that their needs and perspectives are taken into account
- Focus on capacity building: Invest in capacity building efforts to ensure that government departments and entities have the necessary skills, knowledge, and resources to effectively carry out their mandates
- Monitor and evaluate progress: Develop effective monitoring and evaluation mechanisms to assess progress in achieving sound governance and HRM practices and to identify areas that require further attention.

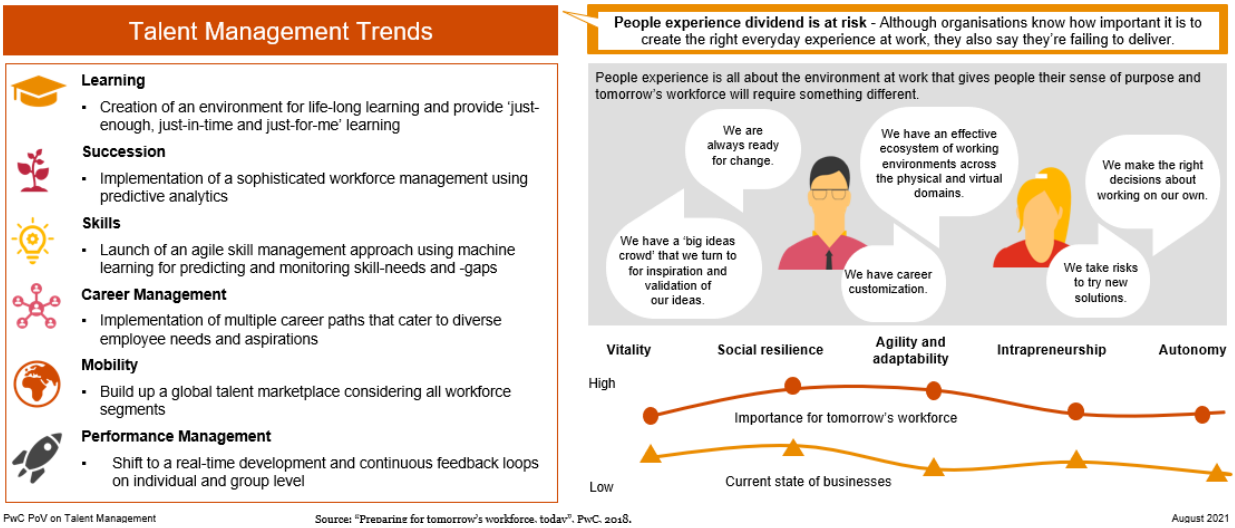
A strong commitment to implementing these best practices is crucial in ensuring sound governance and HRM practices in the PS. Measuring best practices in HRM involves evaluating the effectiveness and impact of HRM strategies and practices on the organisation's performance and outcomes.

The following are some key criteria and benchmarks that can be used to measure best practices in HRM, in conjunction with best practices identified in other related sections of this review:

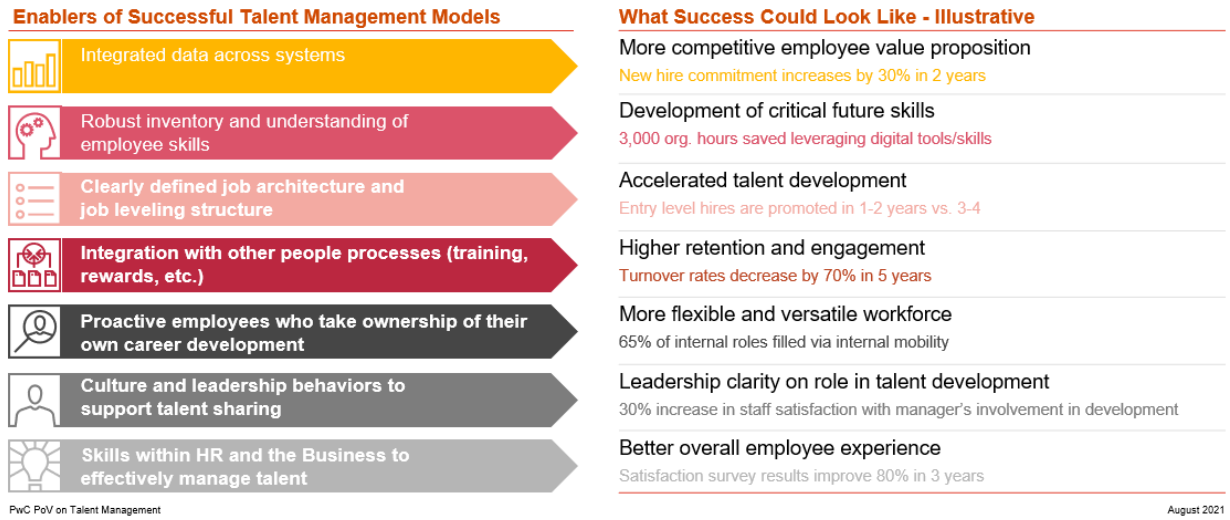
- HRM practices should be aligned with the organisation's goals and objectives, and contribute to the achievement of the organisation's overall strategy
- HRM practices should be effective in achieving their intended outcomes, such as improving employee performance, increasing employee engagement, or reducing employee turnover
- HRM practices should be efficient in terms of resource utilisation, such as time, money, and personnel, and should provide good value for the resources invested
- HRM practices should be compliant with relevant legislation, directives, regulations, resolutions, and policies, and should adhere to ethical and professional standards. It is an imperative that these are aligned to some crucial principles:
    - Simplicity for consistent implementation and understanding
    - Avoid confusion by over-regulating which can result in ambiguity
    - Refrain from confusing issues by trying to deal with exceptions and outliers as if they were the norm
    - Comply with the principles of delegated or mandated accountability and responsibility
    - Focus on desired outcomes which are measurable
- HRM practices should have a positive impact on employee satisfaction and wellbeing, including:
    - Job satisfaction
    - Work-life balance
    - Career development
    - Working environment

- Distinction between roles and functions and creating a clear understanding of the powers of the legislative and executive
- HRM practices should have a positive impact on the organisation's performance and outcomes, such as productivity, customer satisfaction, and financial performance.

The following diagram depicts talent management trends which are centred around the need for organisations to focus on vitality, agility, adaptability, and other diverse HRM strategies:



With the right enablers, organisations leverage talent management to deliver their people and HRM strategies:



Measuring best practices in HRM requires a comprehensive and integrated approach that considers the alignment, effectiveness, efficiency, compliance, impact on employee satisfaction, and impact on organisational performance of HRM practices. By measuring and evaluating these

criteria, organisations can identify areas for improvement, build on successful HRM practices, and achieve better organisational performance and outcomes.

Some of the key global benchmarks for HRM best practices include nationally and globally accepted benchmarks which can be sourced to measure effectiveness. Some examples include (PwC HR stakeholder database, 2021):

- International ISO standard outlines requirements for a quality management system and provides guidance on how to effectively manage an organisation's resources, including human resources
- The Society for Human Resource Management's (SHRM) Body of Competency and Knowledge (BoCK) outlines the competencies and knowledge areas that are essential for HR professionals to be successful in their roles
- The Chartered Institute of Personnel and Development (CIPD) HR Profession Map outlines the key knowledge, skills, and behaviours that are required for HR professionals to be effective in their roles
- The Global Reporting Initiative (GRI) Standards provide guidelines for reporting on an organisation's sustainability performance, including its human resources practices
- The International Integrated Reporting Council (IIRC) provides guidelines for reporting on an organisation's human capital, including its HR practices
- The South African Board of People Practice (SABPP) 13 standards of best practices in HRM
- The Institute of People Management (IPM) in South Africa provides clear guidelines, approaches, and methodologies.

These global benchmarks and best practices provide organisations with guidance and recommendations on best practices for managing human resources, including strategies for recruitment and retention, performance management, learning and development, and employee engagement. By adopting these best practices, organisations can improve their HR management processes, enhance employee satisfaction and productivity, and drive business success.

The South African Board for People Practices (SABPP: 2018) has developed a set of prescripts for HR excellence, which provide guidance and recommendations on best practices for managing human resources in South Africa. The SABPP prescripts cover various aspects of HR management, including recruitment and selection, performance management, learning and development, employee relations, and remuneration.

Some of the key SABPP prescripts for HRM&D excellence include:

- HR Governance: Organisations should establish and maintain effective HR governance structures and processes to ensure that HR policies and practices are aligned with business objectives and comply with legal and regulatory requirements
- Talent Management: Organisations should develop and implement strategies for attracting, developing, and retaining top talent, including programs for career development, succession planning, and performance management
- Learning and Development: Organisations should provide employees with opportunities for learning and development to enable them to acquire the skills and knowledge they need to succeed in their roles and contribute to the organisation's success

- Remuneration: Organisations should develop and implement fair and equitable remuneration policies and practices that align with business objectives, reward high performance, and support employee retention
- Employee Relations: Organisations should foster positive employee relations by promoting open communication, addressing workplace issues promptly and effectively, and promoting a culture of mutual respect and trust.

The following diagram provides a succinct and effective talent management overview that can be considered in ensuring that all the interdependencies are incorporated within an integrated workforce strategy:

By adopting these best practices (incorporated in SABPP prescripts for HR excellence and PwC best practices), organisations can improve their HR management processes, enhance employee satisfaction and productivity, and drive business success. It is worth noting that the SABPP guidelines have been developed over time and included vast local and global stakeholder consultations, many of which have been conducted in the Public Sector in South Africa.

The SABPP prescripts for HR excellence provide guidance and recommendations on best practices for managing human resources in South Africa. Measuring the effectiveness of HR practices against these prescripts requires a comprehensive approach that includes a range of quantitative and qualitative measures. Some of the key measures that can be used to evaluate HR effectiveness include:

- Employee engagement surveys: Surveys can be used to measure employee satisfaction, motivation, and commitment. These surveys can provide insight into employee perceptions of HR policies and practices, and identify areas for improvement
- Turnover rate: This metric measures the percentage of employees who leave the organisation within a specific period. A high turnover rate can indicate issues with HR practices, such as poor recruitment and selection processes, inadequate training and development opportunities, or ineffective performance management
- Time to fill vacancies: This metric measures the time it takes to fill open positions. A long time to fill vacancies can indicate issues with recruitment and selection processes, such

as a lack of qualified candidates, ineffective job advertisements, or lengthy interview processes

- Training and development metrics: These metrics can include measures such as training hours per employee, training completion rates, and the percentage of employees who receive regular performance feedback. These measures can provide insight into the effectiveness of learning and development programmes and the extent to which employees are receiving the support they need to perform their roles effectively
- Compliance measures: Compliance measures can include audits of HR policies and practices to ensure compliance with legal and regulatory requirements. These measures can provide assurance that the organisation's HR practices are aligned with legal and ethical standards
- Transparency and accountability: This measure assesses the extent to which the organisation is transparent and accountable to stakeholders, including shareholders, employees, customers, and the wider community. This can be measured through various means, such as stakeholder engagement surveys, public disclosures, and financial reporting
- Risk management: This measure evaluates the effectiveness of the organisation's risk management processes and the extent to which risks are identified, assessed, and mitigated. This can be measured with risk management frameworks, regular risk assessments, and internal audits
- Board effectiveness (In the case of SoEs): This measure assesses the effectiveness of the organisation's board of directors in providing oversight and guidance to the organisation. This can be measured with board evaluations, board composition, and board independence
- Performance management: This measure evaluates the effectiveness of the organisation's performance management processes, including setting performance targets and monitoring performance against these targets. This can be measured with key performance indicators (KPIs) and regular performance reporting.

By using a combination of these measures, PS, LG, and SoE organisations can evaluate their HR effectiveness and identify areas for improvement. Continuous monitoring and evaluation of HR practices against the SABPP prescripts for HR excellence can help organisations to enhance their HR management processes, improve employee satisfaction and productivity, and drive business success.

PER 2011 summary findings:

- Most Departments annually compile and review HRM strategies and create an HR delivery model. However, they face challenges in terms of capacity, HR skills, and competencies needed to implement and comply with policies. Some managers do not understand the policies and this impacts on compliance and effective implementation
- The DPSA has developed policies, procedures, and toolkits but Departments require DPSA involvement and guidance to implement correctly
- Access to reliable and accurate management information for HR planning and decision-making purposes remains a challenge
- DPSA records show that very few Departments were compliant with submissions of HR plans and/or implementation reports

- Many National and Provincial Departments indicated that they had an HR strategic plan and effective and efficient HR delivery model aligned with service delivery objectives
- Most National and Provincial Departments indicated that their HR planning is optimally managed to achieve their departmental mandate, strategy, vision, and mission
- Employees are not engaged significantly in ensuring their career planning and progression
- There was little evidence of initiatives undertaken by Departments to achieve 'buy-in' to a value-based service delivery and leadership culture
- Little evidence of proactive talent management and career pathing
- Employee mobility results in the 'recycling' of the same resources
- Little evidence that Departments are developing and implementing retention strategies in terms of best practice and the recommendations made in the PER 2006. (Counter offering employees at time of resignation is reactive and not always successful)
- Few Departments could provide evidence of formal retention strategies
- Open competition prevails and there is little evidence of progress in career management and succession planning
- Skills gap analysis results have not informed development initiatives
- Many National and Provincial Departments stated that they did not have an effective succession planning strategy
- Both National and Provincial Departments requested that the DPSA become more engaged and effective in their role as oversight stewards of HR policy implementation
- A compliance mindset needs to be vigorously promoted within all Departments
- The DPSA should conduct departmental site visits and identify the operational realities and problems being experienced
- HR strategies and practices must be aligned with people, process, and technology needs as well as the capabilities and resources of the departmental HR function.

PER 2011 summary recommendations:

- Departments should utilise developed strategic HR planning guidelines to prepare their HR plans. (The DPSA should provide support where there is insufficient capacity and HR expertise)
- The DPSA should be capacitated to identify Departments where there is only arbitrary compliance with HR policies and mandatory requirements and establish reasons for this to take remedial action. The DPSA should provide guidance and training, and build capacity as required.
- The DPSA should have authority to enforce punitive measures where required
- A culture of accountability and compliance should begin at EA/HoD level and be driven from the top down
- Departments should conduct impact assessments on the effectiveness of their HR plans. The DPSA should provide a strong M&E role
- The DPSA should be capacitated to become a 'supra-department' to provide Departments with guidance, assistance, capacity building functions and M&E
- Departmental HR practitioners should assist line managers with translating strategic and performance goals into people management strategies and programmes
- Line managers should be/become competent and compliant with HR policies and procedures in their Departments and take responsibility for implementing and bedding

them down. Departmental HR practitioners should advise line managers on HR compliance and process matters
- Re-engineer departmental HR functions from bureaucratic and administrative units into strategic business partners by upskilling HR staff and/or recruiting professional HR practitioners
- Managers should conduct workforce planning efficiently and effectively
- Managers should provide leadership and demonstrate behavioural and ethical standards
- Leadership should provide employees with a line of sight between their job and the vision and aims of the organisation
- The DPSA should conduct an impact assessment to establish the extent to which each OSD succeeded in retaining scarce/professional/critical skills
- Ensure that succession planning is factored into the hiring process to ensure the best possible candidates are recruited and the talent pipeline is filled with those with the best developmental potential for key positions.

Findings: PER 2022: Based on the recommendations of the PER 2011

The findings of the PER 2022 are based primarily on the extensive inputs received from the engagements conducted by a panel, including representatives from the DPSA, and the review of appropriate documentation received. The engagements were conducted within the framework of a structured questionnaire used for this purpose. The questionnaires were sent to all departmental stakeholders to inform their respective responses. It should be noted that most respondents opted to respond to the personal engagements and not to complete the questionnaire.

It should be understood that very little, if any, quantifiable data could be obtained to substantiate issues relating to HRM strategy and governance. What was received wasn't sufficiently representative to provide reliable and meaningful findings.

It is evident that strategic HR planning guidelines to prepare HR plans are available for use and application in Departments. The DPSA provides support and information which can be used by Departments in framing their respective plans. It is observed that where HRM strategic plans do exist that they aren't being updated regularly to remain relevant. There is little evidence to suggest that:

- The plans are being used adequately to inform or guide the way HRM-related issues are conducted to ensure:
    - Excellence in support to Departments
    - Answerability and accountability
    - Consequences for non-compliance
    - Seeking guidance and assistance from the DPSA or best practices which do exist
    - That plans that are available in theory are resulting in concrete and impactful implementation measures
- HRM guidelines and governance aren't always linked to the departmental strategy and the achievement of the departmental objectives
- The DPSA Programme 1 structural guidelines that standardise the capacity and structures required in HRM support are largely ignored, resulting in bloated HRM support. EAs are not effectively monitoring and evaluating these realities.

The DPSA isn't adequately engaged to provide assistance and guidance in instances where uncertainty exists, and evidence suggests that the DPSA's existing capacity to provide the necessary assistance and oversight is constrained. It is also evident that, in many instances, regulatory guidance and compliance is ignored without any significant redress.

The DPSA provides training and development on an ad hoc basis, but these interventions do not cover many of the issues, challenges and capacity constraints that exist. A finding of this review firmly suggests that the capacity and expertise of the DPSA have been eroded over time and that the existing capacity is insufficient in providing efficient and effective advice and oversight.

Although exceptions reflecting some good practices do exist, the general view is that there is insufficient monitoring and evaluation, along with concrete remedial actions, clear timelines, and compliance requirements. The view that prevails since the findings of the 2011 PER is that the powers and functions of the DPSA to ensure compliance are not enforced, strengthened, and applied to ensure accountability.

There is a strong view to suggest that too much discretion, power and authority is exerted by the EAs without any significant consequences for inaction. It is also noted with concern that EA reviews continue not to be consistently undertaken in relation to the HRM function and its implications in enhancing efficiency and process optimisation.

There is very little evidence to suggest that there is a direct linkage to the strategy and requirements for good governance. AGSA audit findings are not addressed consistently. The findings of the PER 2022 clearly indicate that the following key components need to be addressed to overcome departmental HRM strategic challenges:

- Overlaps and duplication of activities due to siloed operations and the lack of coordination and collaboration
- Identifying skills shortages and the lack of the appropriate expertise and capability building
- Cumbersome and tedious manually driven processes which are overly bureaucratic and prevent progress and efficiency
- Significant movement of employees in and between Departments
- Attrition due to an ageing workforce without appointing and creating internal capabilities and knowledge through skills transfer to new incumbents or a process of succession planning
- Noticeable absence of structured and strategic workforce plans which address (based on qualitative information received – some Departments have adopted the Human Resource Plan template, provided by the DPSA to ensure uniformity):
    - Linking departmental goals and strategy
    - The correct talent balance of skill, competencies and experience required to execute the functions
    - The linkage of the right talent and the deployment of technology and innovation
    - Sustaining an organisational structure which is fit for purpose
    - Future employment needs based on the analysis of the gaps identified
- Inability to attract and retain a cadre of employees which have skills and competencies required in the current and future world of work which is compounded by some existing employees wanting to sustain the status quo
- A significant and prevalent view which alludes to poor visionary leadership and managerial acumen which is loath to:

- Make decisions which may be contrary to prevailing circumstances in fear of being replaced or side-lined
- Accept consequences
- Steer decisive strategic and directive actions which provide strategic direction irrespective of the existing norms, behaviour, and culture

- There is no evidence to substantiate any significant review and assessment of the successes and impact of the OSDs in addressing the original intention of retaining and attracting scarce, professional, and critical skills in the PS, despite this being a specific recommendation of the PER 2011.

ii. Findings: Public Service, Local Government and SoEs

PER 2022: Findings: Public Service, Local Government and SoEs

PER 2022: HRM Policy, Regulatory and Strategy Environment: Public Service	
Criteria	**Findings**
The Labour Relations Act rules and procedures are enforced in the organisation	• The LRA is largely adhered to • Challenges relate primarily to the way directives and regulations are interpreted and implemented
The Basic Conditions of Employment Act is adhered to	• The principles of the BCEA are complied with • In most instances (dealt with in other sections of this review) the conditions of employment are way in excess of the requirements of the BCEA • Interpretation of the PS policies in relation to the way these conditions are applied in practice can give rise to grievances and disputes
The Basic Conditions of Employment Act is built into the policies and procedures	• Internal policies and processes are within the prescripts of the BCEA • The internal policies and procedures sometimes give rise to disputes based on interpretation and application
An HR governance process is in place	• The HR governance processes are largely present • The uniform application is lacking in many instances • HR governance processes aren't always linked to the departmental strategies and service delivery mandate • Reviews are not conducted on a regular basis

The workplace skills plan is developed on an annual basis	• The workplace skills plans are largely compiled and submitted annually • The way this information is compiled isn't always accurate and a true reflection of the actual skills needs • Consultation and concurrence are not achieved • Submissions are compliance driven with little evidence to suggest that implementation, monitoring, evaluation, and impact are assessed
The workplace skills plan is linked to the development curricula	• There is little evidence to suggest that WSPs are linked to any significant L&D initiatives and development curricula • Initiatives are largely ad hoc and uncoordinated without any significant measure of applicability or impact achieved, other than formal qualification at institutions of higher learning in SA
The workplace skills plan is linked to the organisational strategy	• The workplace strategies are generally outdated and not aligned to departmental strategies • Only two exceptions were documented in the consultation process • The HRM strategies are generally absent and where they do exist they are outdated
The workplace skills plan is clearly communicated	• Very little evidence exists to suggest that the WSP and HRM strategy are communicated • Likewise, there is little evidence to suggest that stakeholders are engaged or significantly consulted in formulating such plans
HR policies and procedures are updated	• Policies and procedures are in place for all HRM processes • Interpretation and consistent application are a challenge • Some policies are cumbersome and overly complex which causes inconsistencies in application • Very little evidence of significant renewal to enhance applicability and new ways of working • Standard operating procedures are lacking, resulting in inconsistencies
HRM strategy and governance	• Most departmental strategies are outdated and aren't aligned to the departmental strategic plans and delivery imperatives

	• Very little indication of innovation or consultation • Monitoring and evaluation are sorely lacking • Impact assessments are generally lacking • Strategic areas of work aren't reviewed and revised in terms of the changing world of work • Outdated practices and approaches are perpetuated through JDs, PMDS and skills and competencies required to ensure delivery excellence • Managers are loath to embrace answerability and accountability in managing and mitigating risks • Dynamic aspects of the workplace are dominated by mistrust, suspicion, poor communication, unclear work distribution and responsibility • Workplace climate, conditions of work, morale and motivators appear to be low and unsatisfactory • Employee relations are constrained in many instances with high levels of grievances and disciplinaries • There seems to be very little linkage between the drivers relating to cost and budgetary compliance in the HRM process
HR policies are deposited on a document repository system	• Policies are deposited in the DPSA portals for accessibility • At least two provinces also hold their own portals which are accessible

HRM governance drivers characterised by the policies, regulations, and guidelines that shape and guide HRM practices in the South African public service are a crucial imperative given the size and complexity of the PS. There is evidence, gathered in the extensive qualitative engagements, to endorse that some of the key HRM governance drivers in the South African public service do exist, but that they are challenged by the following findings:

- Complexity of interrelated policies and procedures and interpretation during application and implementation, compounded by a need for greater coordination and integration across the complex array of Departments and stakeholders
- Lack of consistent monitoring and evaluation of implementation of the HRM process to assess:
    - The existence of discrepancies
    - Achieving the intended results and delivery imperatives
    - Areas of duplication and the establishment of interrelationships
    - The level of skills and expertise required to bring about sustainable change
    - Levels of risk and mitigating interventions

- The need to achieve continuous HRM review and renewal based on changing circumstances of the new world of work and the accompanying skills requirements
- The need for strong uncompromising oversight from supra-departments/Offices/Commissions such as, for example, the:
    - DPSA
    - NT
    - Offices of the Premiers
    - AGSA
    - PSC
    - DPE
    - CoGTA
- Slow adoption in implementing strategic change in direction, complicated by:
    - Political leadership inconsistencies and uncertainties
    - Indecisive and, in some instances, poor leadership and management decision-making
    - Lack of answerability, accountability, and consequences for inaction
    - Duplication of activities
- The inadequacies of supporting HRM systems and technology to promote accessibility, transparency, oversight, data analysis and interpretation, for areas not covered by PERSAL/PERSOL, and which aren't currently evident to enhance an integrated HRM and governance, and not covering the following key and critical areas is observed:
    - Performance management and development system
    - Job evaluation
    - Labour relations
    - Learning and development
    - Recruitment and selection.

PER 2022: HRM Policy, Regulatory and Strategy Environment: Local Government	
Criteria	**Findings**
The Labour Relations Act rules and procedures are enforced in the organisation	• Generally compliant with the LRA and enforced in practice
The Basic Conditions of Employment Act is adhered to	• Adherence to the BCEA is generally compliant with no significant challenges • Most of the employees receive benefits and remuneration way above the minimum requirements specified in the BCEA • There are very few disputes in relation to the conditions of employment
The Basic Conditions of Employment Act is built into the policies and procedures	• Policies and procedures reflect the requirements of the BCEA
An HR governance process is in place	• HRM governance frameworks are in place in the metros engaged and reported on to the council on a regular basis • Evidence exists to suggest that a review of the frameworks is required and that actions are underway to bring about changes and enhancements

	• The municipalities engaged generally require significant attention to the HRM governance framework
The workplace skills plan is developed on an annual basis	• The metros engaged generally have WSPs which are submitted annually • There is evidence to suggest that, in at least, two metros, there are WSPs which are linked to skills requirements and individual employee development plans
The workplace skills plan is linked to the development curricula	• Two metros clearly reveal that planned curricula and programmes linked to internal and contracted initiatives exist to deliver on the WSPs
The workplace skills plan is linked to the organisational strategy	• Linkages between the WSPs and the organisational strategies within two metros do exist • Indications are that these plans are reviewed as the need arises to ensure optimal alignment • Evidence exists to suggest that the HRM strategies are aligned every 3-4 years
HR policies and procedures are updated	• HR policies and procedures are available and maintained in the respective portals and are accessible • Policies and procedures are reviewed in accordance with the need and as directed by the council and the strategy • Standard operating procedures to HRM implementation exist and are used to ensure uniformity
HR policies are deposited on a document repository system	• HR policies are held in a portal accessible to all employees
HRM strategy and governance	• HRM strategy is reviewed in accordance with any changes in direction of the institution • Systems exist to monitor and evaluate implementation with the ability to deliver on-demand reports on most of the areas of the HRM including PMDS, L&D, LR, recruitment and selection • JDs are evaluated each time a vacancy occurs to ensure the continued relevance of the position • JEs are conducted • Risks and mitigators are identified, but evidence exists to suggest that there is a need for improvements in this area • Diverse and sometimes integrated support systems and technology are deployed to

	support the value chain of the HRM process

PER 2022: HRM Policy, Regulatory and Strategy Environment: SoEs	
Criteria	**Findings**
The Labour Relations Act rules and procedures are enforced in the organisation	• Generally compliant with the LRA and enforced in practice
The Basic Conditions of Employment Act is adhered to	• Adherence to the BCEA is generally compliant with no significant challenges • Most of the employees receive benefits and remuneration way above the minimum requirements specified in the BCEA • There are very few disputes in relation to the conditions of employment
The Basic Conditions of Employment Act is built into the policies and procedures	• Policies and procedures reflect the requirements of the BCEA
An HR governance process is in place	• HRM governance frameworks are in place in the SoEs engaged and reported on to the council on a regular basis • Evidence exists to suggest that a review of the frameworks is required and that actions are underway to bring about changes and enhancements • The SoEs engaged generally require significant attention to the HRM governance framework
The workplace skills plan is developed on an annual basis	• The SoEs engaged generally have WSPs which are submitted annually • There is evidence to suggest that there are WSPs which are linked to skills requirements and individual employee development plans
The workplace skills plan is linked to the development curricula	• SoEs clearly reveal that planned curricula and programmes linked to internal and contracted initiatives exist to deliver on the WSPs
The workplace skills plan is linked to the organisational strategy	• Linkages between the WSPs and the organisational strategies within SoEs do exist • Indications are that these plans are reviewed as the need arises to ensure optimal alignment • Evidence exists to suggest that the HRM strategies are aligned every 3-4 years

HR policies and procedures are updated	• HR policies and procedures are available and maintained in the respective portals and are accessible • Policies and procedures are reviewed in accordance with the need and as directed by the council and the strategy • Standard operating procedures to HRM implementation exist and are used to ensure uniformity
HR policies are deposited on a document repository system	• HR policies are held in a portal accessible to all employees
HRM strategy and governance	• HRM strategy is reviewed in accordance with any changes in direction of the institution • Systems exist to monitor and evaluate implementation with the ability to deliver on-demand reports on most of the areas of the HRM including PMDS, L&D, LR, recruitment and selection • JDs are evaluated each time a vacancy occurs to ensure the continued relevance of the position • JEs are conducted • Risks and mitigators are identified, but evidence exists to suggest that there is a need for improvements in this area • Diverse and sometimes integrated support systems and technology are deployed to support the value chain of the HRM process

iii. Recommendations: Public Service, Local Government and SoEs

The following key and critical recommendations in relation to an integrated technological HRM system which incorporates governance and risk capabilities and with a clearly defined data and information reporting capability are essential for the PS going forward.

This need aligns to a finding and recommendation of the PER 2011. This is a unique opportunity to address consistent findings of the need for using quantifiable information and technology to enhance answerability, accountability and outcomes driven metrics going forward.

It is recommended that the proposed system needs to integrate or interface with personnel salary information and include the dynamic need to address key processes relating to HRM, which include, but are not limited to, the following areas:

- Recruitment and selection
- Job description and JE integration (dealt with in a separate section of the PER 2022)

- Workforce planning (dealt with in a separate section of the PER 2022)
- Performance management (dealt with in a separate section of the PER 2022)
- Learning and development (dealt with in a separate section of the PER 2022)
- Labour relations and disciplinaries (dealt with in a separate section of the PER 2022)
- Leave management for all categories of leave (dealt with in a separate section of the PER 2022).

In addition, the system(s) interface should allow for a line of sight to enhance:

- HRM risk management and reporting
- HRM analytics
- HRM linkages to the institutional strategy and key objectives
- Accountabilities, sign-off thresholds, and reporting frameworks
- Template-driven and automated operating processes.

It is envisaged and recommended that the following strategic value drivers and advantages of an integrated system would address, amongst others, the following:

- Efficient and effective services
- Focus on improving the quality and accessibility of basic services
- Good corporate governance by promoting transparency and accountability in all aspects of the PS, including the implementation of effective anti-corruption measures and the strengthening of institutions that promote democratic governance
- Economic growth and development by improving the quality of life with a strong emphasis on policies and programmes that promote job creation, investment, and opportunity
- Human resource development in the South African Public Service which recognises that its success depends on the skills and competencies of its employees
- Investment in human resource development programmes that enhance the knowledge, skills, and capabilities of its workforce
- Innovation and technology enhancement that needs to embrace 4IR and the new world of work and capacity constraints due to a shortage of skilled personnel, inadequate infrastructure, and insufficient resources
- The effective use of real-time workforce analytics which drives value within HR development through data-driven insights to strategy
- Corruption and inefficiency which hinder the effectiveness and transparency of public institutions and lack of trust in the Government
- The lack of consistent policy implementation and potential policy failure
- Coordination and collaboration which can create inefficiencies and duplication

This recommendation should also embrace some of the key strategies for optimising efficiency, effectiveness, and accountability in the Public Service as they relate to:

- Streamlining HRM policies, processes and directives
- Developing clear performance expectations and measures aligned with the organisation's strategic goals and objectives
- Providing regular feedback and coaching that can help to build a culture of continuous learning and improvement, and ensure that employees are held accountable for their performance

- Rewarding performance to achieve exceptional results and promote a culture of excellence and achievement
- Implementing strong governance and oversight to ensure that HRM practices are compliant with relevant legislation, policies, and regulations, and that HRM decisions are based on objective and transparent criteria.

The proposed recommendation needs to be underpinned by the principles of professionalising the Public Service which have already been adopted in the PS. It is acknowledged that the adoption of this recommendation will be complicated and costly. It will require the highest levels of endorsement and will need to be driven in a focussed and accountable manner by the:

- National Treasury
- DPSA
- PSC
- AGSA.

A phased programmatic implementation approach is recommended with a strong focus on specialised resources to form the programme unit with the powers and functions to drive the process through its various phases, activities, and concurrent activities, such as change and communication:

- Initiation phase: 12 months. Cost: Internal and expert contractors where required:
    - Rationale and outcome definition
    - Business case including approach and methodology
    - Funding models/alternatives
    - Risks and mitigators
    - Change and stakeholder engagement/communication
    - Terms of reference
    - Approval
    - RFQ
    - Award
- Project planning phase: 4 months. Cost: Internal and RFQ award(s)
    - Project office
    - Co-creation of alternatives
    - Selection of solution
    - Cost and expertise refinement
    - Pilot approach and methodology
- Pilot implementation: 6-8 months. Cost: Internal and RFQ award(s)
    - Launch
    - Co-creation
    - Roll-out plan
    - Implement pilot
    - Document lessons learnt
    - Revise full roll-out plan
- Phased roll-out: 24-36 months. Cost: Internal and contracted award confirmation
    - Support offices
    - Task teams
    - Decentralised support teams
    - Monitoring and evaluation.

It is strongly recommended that existing policies, processes and directives be revised to facilitate the implementation of the above. The formulation of new policies which could contribute and create additional uncertainties and complexities is not recommended. The key objective should always be driven by simplicity and uniformity in application.

29. Labour relations, disciplinaries and grievances

i. Context and overview

It is generally accepted in terms of PwC (2021, 25-27) and concurred by Meyer (SABPP:2017, 11-130) that employee relations are significantly impacted by the employer environment and relationships that are established and entrenched in the workplace. These factors are established by the prevailing climate and interrelationships based on the following key criteria:

- Trust and respect
- Core values
- Buy-in and commitment to the vision, mandate, purpose, and objectives
- Work ethic
- Mutual respect and quality of leadership and management
- Conduct rules and behaviours
- Ability to engage without fear of retaliation or victimisation by fellow employees or the employer.

Global research clearly reveals that when the above characteristics are absent that employee relationships are impacted and manifest themselves through the need for extreme measures such as grievances, disciplinaries and labour disputes. This is especially true in working environments where there is a prevalence of labour unions and where employees are more inclined to escalate their concerns to the unions rather than resolving disputes through processes of dispute resolution and open discussions and agreements which are agreed to by both parties.

This is often characterised by concrete actions from both the employer and employee that are monitored through dynamic and inclusive approaches such as mentoring, coaching, and constructive engagements with remedial actions taking place over time. In this situation the supervisors and divisional mangers are the key role-players. Escalation to the HR labour relations unit is rare and only solicited in extreme situations where negotiated solutions can't be reached.

The Public Sector environment is characterised as being complex globally. The South African Public Service is no exception, employing in excess of 1.6 million employees, in a diverse compilation of managers and political leadership which isn't easy to navigate. Collective bargaining is central to labour relationships because of the role it plays in building harmonious employment relations. (Nel, Kirsten, Swanepoel, Erasmus, & Jordaan, 2016; Van der Westhuizen & Wessels, 2011).

Mnisi (2011) states that the DPSA represents the entire Government as the employer in collective bargaining on matters of mutual interest that are negotiated at the PSCBC. The role and function of LR practitioners is prevalent in this environment and all competent managers are expected to understand the LR environment which includes amongst others (PSC, 2015):

- Knowledge of and the ability to apply labour legislation and prescripts
- Ability to analyse, interpret and apply policies, decisions, collective agreements, and legislation
- Ability to conduct research and to formulate policies in the field of labour relations
- Good writing and verbal communication skills

- Exceptional interpersonal skills, including excellent listening, superior oral and written communication, presentation and conflict resolution skills
- Ability to assess the people being dealt with, impartially and fairly
- Mediation/facilitation skills: ability to work with various parties with an understanding of the influences on their behaviour and attitudes
- Ability to establish, develop and strengthen individual relationships with a wide range of stakeholders and persons
- Ability to draft, recommend changes to and substantiate departmental policies and procedures based upon analysing trends in the labour relations environment
- Ability to use discretion and flexibility with considerable independence and to adapt policies and procedures to individual cases
- Ability to manage complex group and personal dynamics and relationships while contributing effectively to a team environment.

The above list of competencies also serves to provide a perspective on the role and requirements of labour relations practitioners in the Public Service.

The following summary outlines the best practices for key LR areas and the necessary competencies and proficiencies to effectively navigate these realities (African Journal of Labour Relations: UNISA Press, 2018: 7-8):

Labour relations area	Competencies
Relevant legislation/jurisprudence	• Have knowledge of labour relations legislation, labour codes, employment standards, human rights codes and health and safety legislation • Understand and apply labour relations statutes • Understand and apply human rights concepts • Oversee/conduct fact finding and investigations
Labour management relations	• Have knowledge of union/management perspectives • Understand and apply key elements and best practices with regard to labour/management committees and meetings • Facilitate change management
Management of the collective agreement	• Have knowledge of conflict resolution • Possess negotiation and dispute resolution skills • Utilise models of negotiation • Handle, process and settle grievances • Utilise grievance mediation • Manage and design dispute resolution processes

Labour relations area	Competencies
Collective bargaining	• Prepare and participate in collective bargaining
Enforcement of the collective agreement	• Have knowledge of and ability to interpret collective agreements • Have knowledge of and ability to apply principles and best practices with regard to progressive discipline • Possess skills in arbitration preparation/advocacy • Understand and apply key concepts and best practices in rights arbitration

Given the complexity of the LR function it is an essential requirement for all managers and LR specialists to be conversant in the following areas and categories (African Journal of Labour Relations: UNISA Press, 2018: 17):

Themes	Categories
Business acumen	Knowledge of finance
	Knowledge of HR
	Knowledge of technology
	Political savvy
	Strategic agility
Transformation innovation	Change management
	Coaching/mentoring
	Cultural intelligence
	Facilitation
	HR development
Collective bargaining management	Collective bargaining
	Dispute resolution
	Negotiating skills
Labour relations specialist expertise	Labour peace
	Labour relations practice
	Problem-solving
	Professionalism
	Service delivery
	Strike management
Strategic management and leadership	Analytical reasoning
	Being proactive
	Integrity
	Labour relations management
	Project management knowledge

	Research skills
	Strategic business management

It is evident that LR best practices and the benchmarks identified are complex to navigate and require significant managerial and specialised LR expertise in the PS context. The prevalence of labour unions often results in many disputes and grievances being elevated outside the immediate workplace for mediation and interventions, which is:

- Costly
- Time consuming
- A detraction from harmonious workplace relationships
- An additional responsibility and competency which mangers need to navigate in the workplace.

PER 2011 summary findings:

- Data pertaining to dismissals is not clearly and consistently captured by all Departments, which has a significant impact on monitoring, evaluation, escalation, and reporting
- There is very little correlation between the number of employees placed on suspension and the number of employees dismissed
- The DPSA identified the main challenges as:
    - HoDs and EAs do not sign off files timeously
    - Limited delegations to finalise cases and appeals
    - Senior managers and EAs do not always heed advice
    - LR officials are instructed to suspend in circumstances where it may not be warranted
    - Insufficient officials with LR skills and competencies to conduct investigative work, prosecutorial and adjudication functions
    - Consultants are used in the disciplinary process who are not familiar with the Public Service
    - Disciplinary information is not always properly captured and reported on
    - Poor monitoring of suspensions results
    - Officials on suspension not rendering any service to the Department for extensive periods pending the finalisation of their case
    - Other employees burdened with taking over responsibilities and functions of those on suspension.

PER 2011 summary recommendations:

- The DPSA Presentation to the Portfolio Committee on Public Service and Administration recommends the following be implemented to improve the management of precautionary suspensions:
    - Departments should (with the assistance of the DPSA) comply with the Precautionary Suspension Guideline

    - Departments should strive to complete investigations within 14 days of suspension and ensure adherence to the 60-day timeframe
    - All employees, (managers and juniors), to attend training on disciplinary issues facilitated through the DPSA. The DPSA has set up a National Labour Relations Management Forum to improve capacity and skills of investigative, prosecutorial and adjudication functions of LROs
    - Each Department should profile issues that contribute to the extension of precautionary suspensions. The DPSA is currently reviewing the disciplinary code and procedures to address the problems which render the system inefficient
    - Precautionary suspensions should be recorded in detail and reviews conducted with immediate effect (preferably on a weekly basis)
- Due to the high-cost implications of placing employees on precautionary suspensions, Departments must with immediate effect commence with processes to finalise all cases outstanding for longer than 60 days
- Departments should utilise their labour relations units effectively to assist in keeping track of all cases of misconduct and implement a uniform and consistent manner of reporting to management on precautionary suspensions. The DPSA plans to implement an automated case management system that will generate progress reports on suspension
- Develop a central database (residing at the DPSA) of competent, effective, and efficient presiding officers and investigating officers which can be accessed by Departments and Offices of the Premier. The DPSA plans to establish a centralised disciplinary structure to assist Departments with investigative work as well as prosecutorial and adjudication functions for all outstanding cases
- The cost implications (loss to the fiscus) resulting from suspensions should be accurately recorded and reported on a monthly basis. The DPSA has developed a reporting template to be issued to all Departments to facilitate meaningful reporting on suspensions
- Departments should accurately record the number of suspensions, the number of suspensions resulting in dismissals and the total cost of suspensions in their annual reports
- EAs and HoDs should be ultimately accountable for management of disciplinary procedures in their Departments
- The DPSA will require capacity and budget to implement the recommendations above.

Findings: PER 2022: Based on the recommendations of the PER 2011

The PER 2022 findings are almost identical to the findings and recommendations in the PER 2011. The situation in the PER 2006 Review appears to have been more encouraging than in subsequent years and by all accounts and based on the views expressed by Departments in the qualitative engagements, with only a few exceptions, the LR situation has deteriorated significantly.

The concerns expressed and examples provided were indicative of a scenario which is a major reason for concern. The unquantified contingency liability and significant risk to the State are noteworthy. The DPSA database of disciplinaries and hearings conducted appears to be fruitless as it only reports on issues in which the DPSA is obligated or requested to perform and report on.

The prevailing reality is compounded by issues and concerns expressed during the qualitative engagements. These issues can best be summarised as follows:

- Poor leadership and management interventions within the workplace and a reluctance to pursue serious disciplinary issues based on the fear of:
    - Political consequences
    - Personal safety
    - Fear of intimidation
    - Victimisation including death threats
- The lack of recording all LR issues on a database and subsequent reporting frameworks which are kept on simple Excel spreadsheets and manipulated for reporting purposes
- Lack of answerability and accountability
- Timeframes which exceed reasonable limits in dealing with serious issues which are subsequently dropped or allowed to lapse
- Suspensions on full pay which are held in abeyance for months and years at all levels and which are widely known to all employees
- Precautionary suspension guidelines continue to be ignored and applied
- There continue to be a significant number of cases exceeding 60 days which aren't being attended to or addressed
- With only a few exceptions, there is no evidence or indication at the DPSA, Departments or OoPs of a centrally controlled and monitored database of all LR-related issues, liabilities to the State or an indication that consideration is being given to compiling one
- The database held with the DPSA only deals with and monitors cases which the DPSA is involved with.

The primary summary finding of the PER 2022 is that the prevailing situation relating to LR in the PS has become normative and that poor processes and lack of monitoring and evaluation have become entrenched poor practices.

ii. Findings: Public Service, Local Government and SoEs

PER 2022: Findings: Public Service, Local Government and SoEs

Labour relations, grievances and disciplinaries: Public Service	
Criteria	Findings
The Labour Relations Act rules and procedures are enforced	• Although compliance to the LRA is generally observed, the desired outcomes are not achieved
The Basic Conditions of Employment Act is adhered to	• The BCEA is adhered to and the benefits and allowances in the PS are generally way above the minimum thresholds required
The Basic Conditions of Employment Act is built into the policies and procedures	• The policies and procedures reflect the requirements of the BCEA
Grievances and disciplinaries are identified, documented, and monitored effectively	• Where these cases are documented, they are generally in spreadsheets and poorly maintained

	• Timeframes are not met, and, in many instances, cases are simply ignored until they are escalated or dropped
Line managers play an active role in the above up to the point of resolution and take responsibility	• The general lack of line management action, decision-making, and accountability is key to the significant challenges which exist
Internal LR capabilities exist to support the process including process management, investigating capabilities, and presiding officers	• Where capabilities exist to deal with LR issues they are muted by inaction from line management • The skills and expertise required do not always meet the requirements and complexity of cases that need to be dealt with
There is an effective database for day-to-day management, monitoring and evaluation	• Insourcing of specialised expertise is frequently used to deal with LR issues at a significant cost to Departments
Costs are monitored	• Costs aren't monitored effectively and aren't accurately reported
LR training and development initiatives are proactive and provided to all managers in LR and related areas	• Skills and capability aren't adequately identified and deployed • Training provided for line management is generally ineffective based on the report outcomes and managerial involvement in the process
Forecasts of Labour Court awards are determined upfront and planned for as a possible contingent liability to the State	• In some instances, forecasts relating to contingent liability are calculated, but the causes that gave rise to these awards aren't addressed and corrected proactively • No accurate provisioning for the costs until judgements are given
The DPSA and NT are alerted and involved in dealing with and planning for the contingent liability and impact	• Generally, these awards aren't provided for by the associated Departments and the NT is only alerted when funds are required to settle
Proactive measures are identified to overcome future challenges and cost drivers	• There is very little evidence of any proactive measures, and a general lack of concern is cited as a challenge
Managers and leaders play a key role in managing challenges at the coalface in an answerable and accountable way	• Very little evidence that managers drive LR interventions from commencement to completion • The norm is to relinquish the process to the HR LRA unit

- There is a significant prevalence of labour disputes and grievances across all National Departments and four of the five provinces sampled (Gauteng, KZN, FS, and Limpopo) and their respective Provincial Departments. Indications are that the situation in those provinces which weren't included in the study is likely to be worse based on the inputs and knowledge of the DPSA experts

- All stakeholders find it difficult to quantify the extent and impact of the cases
- The DPSA is only able to quantify the extent of cases where they are consulted to advise
- Data submitted is based on the accuracy of submissions made to the DPSA
- Cases emanate, amongst others, from the duration and nature of unresolved issues, some of which date back many years
- Outstanding OSD issues, going back many years, are still prevalent because of the inconsistency of implementation and interpretation of regulations and agreements
- Poor leadership and management decisions at the point of the challenge are identified as huge challenges
- Challenges in disputes, grievances and disciplinaries are abdicated to IR professionals with little or no support from line mangers in the subsequent processes which unfold. Line managers withdraw from processes to avoid being targeted or dealing with the resultant consequences in the workplace
- Legal advisers and mediators are contracted at a huge cost to the Public Service. Details as to the extent of these costs weren't provided and there was a definite reluctance to provide documentary evidence and detailed information in most Departments
- The contingent liabilities are spiralling, and Departments are hesitant to commit to figures and estimates but openly reveal that they significantly exceed estimates. There is evidence to suggest that it is best left to deal with when it happens
- In the period in which the PER 2022 was undertaken, there were numerous Labour Court awards, amounting to more than R100m in the DoJ (March 2023), Correctional Services (2023) and other envisaged outcomes anticipated in the second quarter of 2023
- Evidence and details relating to these cases were requested but weren't provided for review or analysis. Databases which are kept by Departments were not shared with the teams conducting the engagements, based on the premise of the confidentiality and risks associated with the content of these documents
- The number of IR practitioners, skill levels and lack of support remain a challenge and there is no significant view of the gaps which may exist for:
    - Employees as a collective
    - Line managers
    - MMS and SMS
    - HoDs
    - Unions
    - LR specialists and practitioners
- There is a hesitancy and reluctance of managers to volunteer and to perform the roles of investigating officers and presiding officers for fear of being victimised
- Unions generally have the competitive edge in supporting employees because of the lack of evidence and unwillingness of managers to testify or present evidence when required
- Ambiguity in the interpretation of regulations and policies is a compounding issue. There is a reluctance to change and remedy uncertainties and provide direction and certainty through additional guidelines and regulatory amendments.
- Challenges relating to LR as highlighted by Departments are as follows:
    - There is no tool to measure the correlation or effectiveness between success or the lack thereof, in defending grievances or disciplinary outcomes that escalate into disputes
    - There is also no electronic system that enumerates the disputes that progress into labour litigation. This is because of changes made to case numbers or reference numbers as each case gets registered in the new processes and which results in challenges relating to the tracking and changing of cases

- There is a lack of uniqueness in identity of employee relations (ER) in relation to HR and Legal Services. This creates unnecessary tension between ER and HR
- There are no accurate or proper statistics on informal or progressive disciplinary cases, because Supervisors avoid recording these statistics in their formal reporting
- Public Service Bargaining Councils don't assist with analysing awards in determining trends and diagnosing problems that can help devise solutions to address problems, as part of the dispute prevention process
- Unlike other private sector Bargaining Councils, Public Service Bargaining Councils don't have designated agents to monitor compliance with various collective agreements that have been concluded. This results in disputes which arise out of the implementation of these agreements
- It is recognised that there is a significant need for greater collaboration across all PS stakeholders, which isn't currently adhered to.

Labour relations, grievances and disciplinaries: Local Government	
Criteria	**Findings**
The Labour Relations Act rules and procedures are enforced	• Compliance with the processes and procedures of the LRA
The Basic Conditions of Employment Act is adhered to	• Adherence to the terms of the BCEA • Most of the benefits and minimum prescripts are exceeded in LG and aligned to the LG Bargaining Council resolutions and agreements
The Basic Conditions of Employment Act is built into the policies and procedures	• Policies and procedures are aligned to the BCEA
Grievances and disciplinaries are identified, documented, and monitored effectively	• All LR-related cases are generally well documented and controlled in a central portal/database within each authority • No evidence of a database for the sector, other than prescripts which need to be followed • Database is able to provide data and status updates on all cases for reporting and monitoring purposes • Databases are monitored, controlled, and reported on regularly • Timeframes and settlements are made within reasonable timeframes • Cost and contingent liability determined and provided for in reporting framework
Line managers play an active role in the above up to the point of resolution and take responsibility	• Generally, LG managers are involved in all LR-related issues as it applies to their divisions from inception to completion • Managers and supervisors play a key role from initiation to completion

	• Evidence exists to suggest that the PMDS systems measure managerial role and responsibility • LR within HR divisions provide support to line managers
Internal LR capabilities exist to support the process including process management, investigating capabilities, and presiding officers	• LR units have the capabilities to manage LR cases end to end • Expert specialists in LR legal support are contracted from a database to address complex cases • Costs for external providers are monitored and carefully controlled • These experts are only used in exceptional cases and are managed and monitored by the LR unit
There is an effective database for day-to-day management, monitoring and evaluation	• Databases are used to manage all cases • These databases are able to provide quantitative data for reporting purposes • Monitoring and evaluation capabilities exist in relation to duration, progress, cost, and outcomes/settlements
Costs are monitored	• Costs are monitored regularly and the necessary approvals for specialist LR advisors are approved in accordance with pre-determined processes and timeframes
LR training and development initiatives are proactive and provided to all managers in LR and related areas	• Managers receive LR training and ongoing support and capacity enhancement from the LR units • The requirements that managers need to play in labour-related issues are specified in their respective KPIs and are included in their PM assessments
Forecasts of Labour Court awards are determined upfront and planned for as a possible contingent liability to the State	• Planned, calculated, and reported on to the council • The contingent liabilities are strictly controlled and monitored • The prevalence of cases with potential liability is generally low and carefully managed
The DPSA and NT are alerted and involved in dealing with and planning for the contingent liability and impact	• Reports are provided for submission to the council, SALGA and CoGTA within the prescribed format and frequency
Proactive measures are identified to overcome future challenges and cost drivers	• Proactive measures including continuous liaison with unions are prevalent • Many cases are dealt with speedily between the employer, employee, and the union with active participation by line managers

	• Line manager awareness creation and resolution • Skills programmes address issues relating to enhancing capacity • Proactive measures include workplace awareness initiatives and processes which need to be adopted in dealing with all LR related activities • The Central Bargaining Council negotiates substantive issues which are applied across the sector
Managers and leaders play a key role in managing challenges at the coalface in an answerable and accountable way	• Evidence provided indicates and confirms that managerial involvement at the coalface is present to deal with all issues • Managers are assessed on their role and involvement in dealing with disputes, grievances and disciplinaries • Answerability and accountability frameworks need to be enhanced

Labour relations, grievances and disciplinaries: SoEs	
Criteria	**Findings**
The Labour Relations Act rules and procedures are enforced	• Compliance with the processes and procedures of the LRA • Exceptions are dealt with collectively through the DPE
The Basic Conditions of Employment Act is adhered to	• Adherence to the terms of the BCEA • Most of the benefits and minimum prescripts are exceeded in SoEs and aligned to the Bargaining Council resolutions and agreements • Information provided indicates strong employer, employee and union engagements and alignment
The Basic Conditions of Employment Act is built into the policies and procedures	• Policies and procedures are aligned to the BCEA • Further alignment is established through the DPE or the respective boards of the SoEs
Grievances and disciplinaries are identified, documented, and monitored effectively	• All LR-related cases are generally well documented and controlled in a central portal/database within each authority • No evidence of a database for the sector, other than prescripts which need to be followed by the DPE, boards and reporting departments where applicable

	• The prevalence of LR issues such as grievances and disciplinaries is proportionately low based on open communication between all stakeholders • Database exists and is able to provide data and status updates on all cases for reporting and monitoring purposes presented to boards and custodial Departments such as the DPE • Databases are monitored, controlled, and reported on regularly • Timeframes and settlements are made within reasonable timeframes based on low and manageable volumes • Some SoEs indicated that LR-related issues are so low that it doesn't require a LR office and that the function is dealt with by HR when required • The role and function of line managers in managing the employee relationships is encouraged and measured through 180- and 360-degree assessments conducted annually in some SoEs sampled. The results of these assessments are incorporated in the managerial scorecards • Cost and contingent liability determined and provided for in reporting frameworks but are generally low and don't exist in six of the SoEs sampled
Line managers play an active role in the above up to the point of resolution and take responsibility	• Generally, SoE managers are involved in all LR-related issues as it applies to their divisions from inception to completion • Managers and supervisors play a key role from initiation to completion • Evidence exists to suggest that the PMDS systems measure managerial role and responsibility in employee relations and in dealing with grievances and disciplinaries • LR within HR divisions provide support to line managers where these exist • Due to the low need the LR function is incorporated into the HR function • Specialist experts are only contracted in exceptional circumstances
Internal LR capabilities exist to support the process including process management, investigating capabilities, and presiding officers	• LR units have the capabilities to manage LR cases end to end • Expert specialists in LR legal support are contracted from a database to address complex cases

	• Costs for external providers are monitored and carefully controlled • These experts are only used in exceptional cases and are managed and monitored by the LR unit
There is an effective database for day-to-day management, monitoring and evaluation	• Databases are used to manage all cases • These databases can provide quantitative data for reporting purposes to the respective boards and custodial departments • Monitoring and evaluation capabilities exist in relation to duration, progress, cost, and outcomes/settlements reached
Costs are monitored	• Costs are monitored regularly and the necessary approvals for specialist LR advisors are approved in accordance with pre-determined processes and timeframes • In at least six SoEs sampled there are no cost implications recorded
LR training and development initiatives are proactive and provided to all managers in LR and related areas	• Managers receive LR training and ongoing support and capacity enhancement from the LR/HR units • The requirements that managers need to play in labour-related issues are specified in their respective KPIs and are included in their PM assessments based on negotiation and dispute resolution where incidents occur
Forecasts of Labour Court awards are determined upfront and planned for as a possible contingent liability to the State	• Planned, calculated, and reported on to boards and custodial departments • The contingent liabilities are strictly controlled and monitored • The prevalence of cases with potential liability is generally low and carefully managed
The DPSA and NT are alerted and involved in dealing with and planning for the contingent liability and impact	• Reports are provided for submission to executive committee, board HR sub-committees and custodial departments where required and within the prescribed format and frequency
Proactive measures are identified to overcome future challenges and cost drivers	• Proactive measures including continuous liaison with unions are prevalent • Many cases are dealt with speedily between the employer, employee, and the union with active participation by line managers • Line manager awareness creation and resolution

	• Skills programmes address issues relating to enhancing capacity and skills of managers • Awareness programmes for employees highlighting processes and procedures in the LR process are defined and explained • Proactive measures include workplace awareness initiatives and processes which need to be adopted in dealing with all LR-related activities • The Central Bargaining Council negotiates substantive issues which are applied in the respective SoEs
Managers and leaders play a key role in managing challenges at the coalface in an answerable and accountable way	• Evidence provided indicates and confirms that managerial involvement at the coalface is present to deal with and resolve all issues as far as is possible. Processes and procedures for escalation are clearly defined and applied • Managers are assessed on their role and involvement in dealing with disputes, grievances and disciplinaries • Reporting frameworks and frequency need to be defined clearly with specific measures and consequences which will be applied

iii. Recommendations: Public Service, Local Government and SoEs

The labour relations function, which includes issues relating to disciplinaries, grievances and disputes relating to bargaining council agreements and the way they are implemented, is a matter of concern. The findings discussed above are indicative of the lack of progress and concrete actions required to address an array of challenges and concerns to curb the liability and exposure of the State going forward.

The trends, findings and recommendations of the PER 2006 followed by the PER of 2011 have highlighted numerous findings and recommendations for those respective periods. These are reported above, and there is a clear indication that there haven't been sufficient and effective improvements in the LR and related areas since the last PER 2011 recommendations. The qualitative engagements revealed numerous specific examples of the manner in which the challenges are manifested.

The stakeholders consulted were reluctant to provide documentary evidence in this regard based on the confidentiality of the content and the departmental risks and revelations which manifest poor practices. In some instances, the panels inferred that many of the critical issues cannot be provided because the content and details simply haven't been captured or recorded in an accountable and transparent manner.

It is acknowledged that this is a complicated and difficult reality and environment, but it is recommended that incremental changes over time, and as contained in the PER 2022 Report, be implemented. If these issues aren't dealt with timeously the risks and exposure to the State will escalate exponentially.

It should be mentioned that the larger Local Government entities sampled do have challenges of their own, but that the associated risks and exposure are limited and contained by the low numbers of LR-related issues, which are recorded and managed on a continuous basis especially in the larger metros sampled. Similarly, the SoEs sampled indicate that there is no real reason for concern and that no significant changes are required by virtue of the very low numbers of LR-related issues which are currently being managed efficiently and effectively. It is evident that the systems deployed provide the capabilities to manage, monitor, report and account to their respective boards and associated departments on a regular basis.

The following macro interventions are recommended in the PS specifically and should serve as guidelines for enhancements in LG and SoEs. These interventions will need to be viewed as a process over time (3-5 years) and not an event to establish the foundations for sound employer and employee relationships.

These initiatives and proposed recommendations should include the following interrelated interventions and deployment of specific activities to create the foundations for sustainable change and reduction of prevailing mistrust and morale, which are the causal factors for high levels of LR cases and labour-related interventions:

- Addressing climate and culture, which can be enhanced by:
    - Conducting surveys which measure climate and culture driven from a central point within the DPSA (assisted by the NSG, SETAs, PSC and HSRC) with decentralised application to determine the major barriers to overcome mistrust and employee buy-in and commitment. This should not address remuneration and reward issues but should speak to the factors impacting on the morale
    - Creating logical linkages between progressive initiatives such as that of the NSG Professionalisation of the Public Sector
    - Incorporation of the key value drivers of service delivery and the eight principles of Batho Pele
    - Using the best practices highlighted in the context and overview to guide the framework
    - Emphasis on behaviours which are required and embodied in a:
        - Code of ethics and conduct
        - Behaviours charter
        - Measure of attitudes and how these shape behaviours
        - Code of compliance
        - Answerability and accountability framework which emphasises consequences and remedial action which will be applied in terms of the diverse legislative prescripts which exist
- Emphasis on the role, powers, functions, and expectation of all managers (supervisors, MMS, and SMS) in the employee relationship value chain and more specifically in LR-related matters
- Integrating the performance criteria for dealing with LR-related issues as key measurable indicators in the PMDS with:
    - Defined performance measures and behaviours
    - Outputs
    - Accountability and corrective actions

    - A strong percentage allocation to be measured at the various levels of management (non-managerial employees 15%, supervisors 20%, MMS 35%, and SMS 25%) to commence with
- Identify needs for LR and employee relationship skills training and development interventions which are specific to the needs using:
    - An interactive curriculum
    - Clearly defined outcomes linked to the needs identified
    - Practical case studies based on vocational experiences and actual realities
    - Identification of what successful LR can and will be going forward
    - Include dynamic aspects of communication, negotiation skills and conflict resolution as a baseline and pre-requisite
    - Strong and defensible assessment and evaluation criteria
- Clear and concise answerability and accountability matrix with unambiguous consequences
- Obtain buy-in and commitment from all internal and external stakeholders including unions and best practices in other sectors
- Clarification of the roles of HR, IR, and managers
- Elevate the role of the DPSA as the central controlling Department with clearly defined responsibilities relating to:
    - Reporting requirements
    - Development of systems and templates
    - Timeframes and adherence processes
    - Training and development initiatives
    - Providing directives and operational guidelines
    - Concurrence on all significant LR-related issues
    - Monitoring, evaluating and audit functions
    - Custodian of unambiguous standards and best practices to ensure consistency.

Key to achieving the above recommendations will be the development of a PS, incorporating other spheres in the Public Sector, a central database and LR system which is mandatory, and which should apply to all Departments. The following approach and pre-requisites for a LR/IR electronic web enabled system are recommended.

Duration: 12 months: Initiation to implementation nationally

Cost: Internally driven and the procurement of the customized system, including license fees if applicable and including implementation support. Estimated cost: R16m

The following system capabilities and high-level specifications should include, amongst others:

- Centralised system with decentralised implementation capabilities for users in all spheres of Government
- User friendly and easy to maintain and customise internally
- Web-enabled and accessible
- Self-learning capability and tutorials
- Categorisation of specific areas and template driven
- Fields which can accommodate:
    - Biographical detail
    - Categories of pre-determined LR areas
    - Descriptions

    - Tracking of dates from initiation to completion
    - Automated reminders
    - Automated approvals
    - Escalations
    - Case driver information, including details relating to reporting managers impacted
    - Investigating officers and presiding offices
    - Union representation details
- Progress reporting
- Data collation and distribution
- Timeframe monitoring
- Overall monitoring and evaluation
- Cost drivers including:
    - Liability and exposure
    - Estimates of internal and external costs
    - Time and expenses including specialist contractors
- Thresholds relating to progress, time, and cost
- Reporting framework: weekly and monthly
- Decision-making thresholds.

It is envisaged that the proposed systems implementation will enhance:

- Efficiency and effectiveness
- Answerability and accountability
- Transparency and consequence management
- Identification and mitigation of risks
- The management of costs and liability
- Planning and change.

The DPSA requested that a submission be made to the PS Labour Forum to present some preliminary findings and recommendation in the last quarter of 2022. Some of the findings and recommendations were shared with this Forum for input and further engagement. The preliminary findings were endorsed without any changes. The views of the Forum were that the qualitative engagements and subsequent inputs provided into the PER 2022 fairly and accurately reflected the prevailing circumstances and further endorsed some of the high-level recommendations at that time.

30. Organisational design, job evaluation and job descriptions

i. Context and overview

The best practice purpose, objectives, and critical success factors of organisational design, as it applies to the PS, LG and SoEs, refers to the process of structuring and aligning the various elements of a department to achieve its mandate/purpose goals and objectives. The purpose of organisational design is to create a framework that allows an organisation to operate efficiently in terms of the optimal use of resources such as funding through budgetary allocations and effectively deploying resources to deliver services.

The objectives of organisational design include improving productivity, enhancing communication and collaboration, reducing costs, increasing optimal service delivery (principles embodied in Batho Pele), and enhancing customer satisfaction through optimal service delivery.

The critical success factors of organisational design are the key elements that must be present in the organisation's design to ensure its success. These include:

- Clarity of purpose: The organisational design must be aligned with the overall mandate, purpose and strategic objectives of the respective departments and entities. It is regarded as best practice to ensure that the mandates and purpose be reviewed at least every five years or at any point where significant changes occur. Triggers for such change could include:
    - Legislative, policy and regulatory amendments which impact on changing of functions and strategic positioning
    - Political restructuring of departments which includes the establishment of new departments and entities in line with new priorities, including the appointment of new leadership and executive functionaries
    - Significant changes to funding allocations because of the amendment of mandates and service delivery imperatives
    - Answerability and accountability processes
- Flexibility: The design should be flexible enough to adapt to changing circumstances and accommodate future growth and expansion
- Communication: Effective communication channels should be established to ensure that information flows freely throughout the organisation to:
    - Prevent the duplication of functions
    - Obtain buy-in and commitment from stakeholders
    - Overcome silo operations
    - Prevent duplication and enhance collaboration
- Empowerment: The design should empower employees to make decisions and take ownership of their work and responsibilities with clearly defined:
    - Job descriptions
    - Key performance criteria and indicators that are measurable, including signed performance contracts at SMS level
- Accountability: Clear lines of accountability should be established to ensure that everyone knows what is expected of them and is responsible for delivering results

- Integration: The design should ensure that all parts of the organisation are integrated and working together towards common goals
- Efficiency: The design should be structured in a way that maximises efficiency and minimises wasteful expenditure
- Culture: The design should promote a culture that is aligned with the departmental values, goals, ethics, and code of conduct. The importance of culture cannot be over-emphasised and the adage that 'culture eats strategy for breakfast' is being adopted as a key and critical success factor.

Overall, a successful organisational design process should create an environment where employees can thrive, customers are satisfied, and the organisation achieves its goals and objectives.

Best practice key steps and considerations in organisational design are to:

- Define the organisational structure: The first step in organisational design is to determine the overall structure of the organisation. This involves identifying the different functions, departments, and levels of management that are needed to achieve the organisation's goals
- Analyse the business environment: Before designing the organisation, it's important to understand the external environment. This includes analysing the social and economic landscape, considering competing priorities in terms of fiscal affordability and sustainability, and taking into account the prevailing regulatory environment
- Clarify roles and responsibilities: To ensure effective functioning of the organisation, it's important to clearly define the roles and responsibilities of each employee. This includes creating job descriptions, conducting job evaluations, outlining reporting relationships, and establishing performance expectations
- The following guidelines in formulating job profiles should adopt the following best practice guidelines and principles:

Job design

Job profiles are developed based on clear job descriptions (task, duties, knowledge, skills, experience) as well as key-inherent competencies for each position (leadership; planning and organising; detail consciousness) which will enable one individual to be more successful than another and will also inform the dual-career path.

The job profile will contain the following minimum requirements as well as aligning to your organisation's specific requirements and inclusions:

- A job title;
- A job purpose statement;
- Defined key performance Areas (KPA's) or Key Results Areas (KRA's);
- Duties, tasks and outputs that must be achieved;
- Knowledge, skills and experience prerequisites; and
- The foundational and job-specific competencies the role requires.

In addition, the job profile should outline the job's location, authority levels, supervisory levels, grade, and the interrelationships between the job and other jobs in the same area, to ensure career-path mapping.

Job design should balance the following four factors...

1. Functional Completeness	Degree to which the job has a clearly identifiable beginning and end, and creates value though producing a meaningful product or service.
2. Feedback	Degree to which the job receives feedback on its outputs. Good design should ensure strong feedback loops that ensure high quality, customer focus and provide motivation.
3. Consistent Relationship	Degree to which the focus of the job is established, based on, for example, customers, product line, geography etc. It also considers the reporting relationship, including any dotted line relationships. This clarifies accountability and interfaces.
4. Authority and Accountability	Degree to which the job is responsible for outputs and is able to take action to influence and control those outputs. Authority and accountability should be aligned and positioned at the lowest possible level consistent with achieving maximum organisation effectiveness.

- Consider the organisation's culture: Organisational culture plays a critical role in determining the success or failure of an organisational design. The design should be aligned with the organisation's values, norms, and beliefs
- Determine the span of control: The span of control refers to the number of employees that a manager can effectively supervise. It's important to strike the right balance between efficiency and effectiveness when determining the span of control
- Establish communication channels: Effective communication is essential to the success of any organisational design. The design should establish clear communication channels and promote open communication throughout the organisation
- Consider technology and resources: Organisational design should consider the technology and resources available to the organisation. This includes hardware, software, and other infrastructure
- Monitor and evaluate: Once the organisational design has been implemented, it's important to monitor its effectiveness and make adjustments as needed. This includes conducting regular performance evaluations and gathering feedback from managers and employees.

Overall, the key considerations in organisational design are creating a structure that aligns with the goals and values, promoting effective communication, and establishing a culture of innovation and continuous improvement.

Organisational design in the South African Public Service, Public Sector, and SoEs is crucial for enabling government institutions to provide effective services to citizens. Some key considerations in designing the South African Public Service include:

- Constitutional framework: The South African Public Service is guided by the Constitution of the Republic of South Africa, which sets out the principles of good governance, transparency, accountability, and service delivery. The design of the Public Service must be consistent with these principles
- Legislative framework: The Public Service Act, 1994 (as amended) provides the legal framework for the Public Service. The design of the Public Service must be in line with the provisions of this Act
- Organisational structure: The organisational structure of the South African Public Service should be designed to support the delivery of quality services to citizens. This involves

identifying the different functions, departments, and levels of management that are needed to achieve the Government's objectives

- Human resource management: The South African Public Service is the largest employer in the country. Organisational design must consider human resource management practices, including recruitment, selection, training, and development
- Performance management: Performance management is a critical aspect of the South African Public Service. The design of the Public Service should promote a culture of performance excellence and continuous improvement
- Service delivery: The primary objective of the South African Public Service is to deliver quality services to citizens. The design of the public service should be focused on ensuring that services are delivered efficiently and effectively.

Overall, organisational design in the South African Public Service should be focused on ensuring that the Public Service is able to deliver quality services to citizens in a transparent, accountable, and efficient manner.

The key policy and compliance requirements for organisational design in South Africa include:

- The Public Service Act, 1994 (as amended): This act provides the legal framework for the Public Service and sets out the requirements for organisational design, including the establishment of departments, the appointment of public servants, and the duties of heads of departments
- The Public Finance Management Act, 1999 (as amended): This act sets out the financial management and accountability requirements for government departments and entities. Organisational design should ensure compliance with these requirements, including the establishment of financial management structures and processes
- The Municipal Systems Act, 2000 (as amended): This act provides the legal framework for Local Government and sets out the requirements for the design of municipal structures, including the establishment of municipal councils and the appointment of municipal managers
- The Employment Equity Act, 1998 (as amended): This act promotes equality in the workplace and sets out requirements for the design of organisational structures, including the elimination of unfair discrimination, the promotion of diversity, and the establishment of employment equity committees
- The Broad-Based Black Economic Empowerment Act, 2003 (as amended): This act promotes economic transformation and sets out requirements for the design of organisational structures, including the promotion of black economic empowerment and the establishment of transformation committees
- The Promotion of Access to Information Act, 2000 (as amended): This act promotes transparency and accountability and sets out requirements for the design of organisational structures, including the establishment of information officers and the development of information management systems
- The Protection of Personal Information Act, 2013: This act regulates the processing of personal information and sets out requirements for the design of organisational structures, including the establishment of information protection officers and the development of information security protocols.

Overall compliance with these policy and legal requirements is essential for ensuring effective and efficient organisational design in South Africa, particularly in the Public Sector. Organisational

design should be aligned with these requirements to promote good governance, transparency, and accountability.

Design principles are fundamental guidelines that inform the design of products, services, systems, or processes. They help designers to create effective and user-centred solutions that meet the needs of users and achieve the desired outcomes. The following is a summary of best practices and benchmarks which are commonly accepted as primary design principles:

- Simplicity: Designs should be simple and easy to understand with minimal complexity
- Usability: Designs should be user-friendly and intuitive, with a focus on meeting the needs of users
- Accessibility: Designs should be accessible to all users
- Consistency: Designs should be consistent in their visual language, format, interaction patterns, and content
- Flexibility: Designs should be flexible and adaptable and able to accommodate different user realities cases and scenarios
- Efficiency: Designs should be efficient, allowing users to accomplish their goals quickly and easily
- Aesthetics: Designs should be visually appealing, engaging, and understandable to functionaries and should also preferably be template driven
- Sustainability: Designs should be fit for purpose within the operational environment to ensure sustainability and should also be socially responsible
- Innovation: Designs should be innovative and creative, pushing boundaries and exploring new possibilities.

Agile organisational design principles emphasize flexibility, collaboration, and continuous improvement. The following are some of the key principles of agile organisational designs which are worth noting, given the best practice focus on these principles:

- Emphasise individuals and interactions: Agile organisational design prioritises people and their interactions over processes and tools. It values collaboration and encourages cross-functional teams to work together towards shared goals
- Deliver working solutions frequently: Agile organisational design prioritises delivering working solutions quickly and frequently, rather than waiting for perfect solutions. This allows for continuous feedback and improvement
- Adapt to changing requirements: Agile organisational design embraces change and encourages organisations to adapt quickly to changing circumstances, whether it be in addressing needs in communities or in the internal processes
- Focus on customer and service delivery value: Agile organisational design prioritises delivering value to the public and ensuring that services meet their needs and expectations
- Enable self-organising teams: Agile organisational design empowers teams to make decisions and self-organise, fostering a culture of innovation and ownership. This implies using structures as a tool to empower managers and employees
- Measure progress with working solutions: Agile organisational design focuses on measuring progress through working solutions rather than traditional metrics, such as timelines or budgets as the only criteria
- Encourages continuous improvement: Agile organisational design fosters a culture of continuous improvement, encouraging experimentation, learning, and iteration.

Overall, agile organisational design principles encourage organisations to be adaptive, responsive, and customer centric. They prioritise collaboration and flexibility, allowing to quickly adapt to changing circumstances and deliver value to the citizenry.

The best practices and principles above provide a guideline for organisational structure reviews and serve as a basis to optimise the process, time and investment incurred. These guiding principles will be considered in determining the findings and recommendations going forward.

The PER 2011 identified the following findings and recommendations in relation to OD, job descriptions and job evaluation which were assessed in the findings and ultimately informed the recommendations of the PER 2022:

PER 2011 summary findings:

- Specialised OD skills do not exist in all departments rendering DPSA guidelines/toolkits non-effective
- Strong perceptions that structures are manipulated and changed to serve constantly changing political mandates and movement/turnover at SMS level
- Uncertainty and inconsistencies in organisational structures which impacts on number of posts required
- Evidence of approved structures that do not have funding to proceed with the recruitment process
- Available funding is sometimes re-directed to other departmental imperatives resulting in unrealistic workloads and high levels of movement and turnover
- 40% of national departments stated that their organisational structures are approved and aligned with strategic business plans and unfunded posts have been removed from their structures
- 17% of provincial respondents stated that their organisational structures are approved and aligned with strategic business plans and unfunded posts have been removed from their structures
- 17% of provincial respondents stated that there was little alignment with strategic business plans
- Removal of unfunded posts from structures did not solve the lack of scarce and critical skills required
- Annual reports (provincial and national) indicated an average of 97% of departments have removed unfunded posts which does not correlate with responses from interview sessions
- DPSA research established EQUATE, which evaluates jobs accurately (internal equity for all jobs) including specialist/professional roles
- A central database for some JE results exists within the DPSA
- Capacity (sufficient and competent analysts) to perform JE in some departments is a challenge
- JE panellists have autonomy and sometimes override JE scores and DPSA guidance. Decentralisation currently provides for EA to override EQUATE results
- JE regulations do not contain punitive measures for non-compliance. Grade drift/ re-grading of posts is not always justifiable
- The MPSA issues directives and the DPSA provides guidance but have no ‘teeth’ to ensure correct implementation
- Perception that departments with bigger budgets grade jobs higher than smaller departments
- Smaller departments can upgrade posts with less impact than those with large staff counts
- Job analysts have little recourse against ‘human manipulation’ of job grades.

In summary, the PER 2011 found some progress in reviewing and refining organisational structures to align with departmental goals, but some departments manipulated and altered these structures to accommodate political changes and turnover at SMS level. As a result, there is ongoing uncertainty and inconsistencies in the organisational structure, which greatly affects the number of posts required.

Specialised skills and competencies are required to undertake organisational reviews and alignment of the organisational structures to strategic business plans. These skills are not readily available in all departments resulting in a varied degree of success. Guidelines and manuals should be provided to assist with reviewing and undertaking of organisational design reviews which are linked to departmental mandates, objectives, and vision.

PER 2011 summary recommendations:

- Develop mandatory organisational design norms and standards based on guidelines to be provided by the DPSA
- The DPSA should review and approve/concur all structures and corrected and approved structures should be loaded onto PERSAL
- Remove unfunded posts from structures and add them only when they are planned, budgeted, and funded
- All posts should have relevant/accurate job profiles and job descriptions
- Post grades on structures must reflect the EQUATE grade and all deviations must be determined and submitted for approval by the HoD/MPSA
- The DPSA should be capacitated to provide assistance to departments that lack organisational design skills and competencies
- Develop and implement a strategy to eliminate grade drift. The value/weight of the post and associated salary level should be separated from the performance of the employee in the post
- Establish procedures and delegations to prevent re-grading of posts unless the budget has been quantified and approved by the MPSA
- Launch EQUATE as a centralised, web-enabled JE database with the DPSA as the custodian
- Create central standards against which decentralised results can be tested. This will ensure comparable worth of jobs and pay equity between occupational grades. Amendment to the PSR will be required
- Only jobs that cannot be centrally graded should be graded by competent/trained analysts using centralised job descriptions/grades as a benchmark
- Develop best practice principles and establish a measure of centralised uniformity. Standardise the norms and standards linkages between job weight ranges and salary grades
- The DPSA should play a ‘standards oversight’ role in the coordination process and have the power to veto
- Explicit job grading regulations and controls should be enforced with punitive measures for non-compliance
- The DPSA should establish a strong M&E function, centralised or decentralised to the provincial Office of the Premier
- Need for an effective communication and change management intervention to instil the importance of uniform, consistent job evaluation and grading and its impact on the wage bill

- The DPSA should be capacitated to provide assistance, oversight, and M&E to all departments throughout the job evaluation and grading process.

In summary, the PER 2011 found a need to develop mandatory organisational design norms and standards to achieve equity, equality, and parity in the system. It was recommended that the DPSA provides guidelines in this regard. Furthermore, it was found that the DPSA should be capacitated to conduct a review of all departmental organisational structures to ensure that all posts appearing on the structure are funded. A cleanup of organisational structures on PERSAL should be undertaken.

Unfunded posts that still appear on the structures must be removed and planned for as part of the HR planning process. Funded vacant posts should be identified and it should be determined whether they are critical positions which need to be filled to execute the departmental mandate.

Findings: PER 2022: Based on the recommendations of the PER 2011: Public Service, Local Government and SoEs

The PER 2022 findings on OD, based on the recommendations made in the PER 2011, relating more specifically to the Public Service, have been identified based on the following sources of information obtained and consulted:

- Literature reviews conducted based on information in the public domain
- Best practices based on PwC research and methodologies in South Africa and globally
- Interviews conducted with stakeholders and functionaries
- Qualitative engagements conducted in accordance with a structured questionnaire
- Documentation provided by the DPSA and departments.

The progress and developments can be summarised as follows and are dealt with in more detail in the 2022 criteria matrix assessment and narrative which follow:

- Develop mandatory organisational design norms and standards based on guidelines to be provided by the DPSA:
    - Evidence exists to validate that the DPSA has developed norms and standards and extensive OD guidelines to assist departments in reviewing organisational structures due to a combination of factors relating to non-compliance and OD skills to execute
    - Evidence exists to suggest that there is low compliance with conducting OD reviews in terms of these guidelines, especially at provincial level
    - The prevailing reality remains as an urgent priority and a critical success factor going forward
- The DPSA should review and approve/concur all structures and the corrected and approved structures should be loaded onto PERSAL:
    - Evidence suggests that DPSA/MPSA concurrence is executed within reasonable timeframes in most instances, including the provision of feedback and guidance
    - The success of this process relies on the extent to which structures are submitted for concurrence
    - It would be impossible, based on the current capacity constraints of only five OD specialists at the DPSA, to provide the concurrence from the MPSA if all the structures that are outstanding were to be submitted simultaneously

    - No significant structural reviews have been conducted since 2016
- Remove unfunded posts from structures and add them only when they are planned, budgeted, and funded
    - Very little evidence exists to suggest that this recommendation has been executed
    - Structures have significant unfunded positions, especially in Provincial Departments
    - This requires urgent action
- All posts should have relevant/accurate job profiles and job descriptions
    - Qualitative engagements revealed that most positions have JDs
    - The same engagements revealed that very few JDs have been reviewed since 2012
    - No evidence that amendments are being made based on the skills required in the new world of work
- Post grades on structures must reflect the EQUATE grade and all deviations must be determined and submitted for approval by the HoD/ MPSA:
    - Post grades and structures do have EQUATE /Evaluate grades, but there is no significant evidence to suggest that deviations are submitted for approval
    - Regrading of positions isn't a regular occurrence
    - The Public Service has not had a JE system following the expiry of the Evaluate license in 2020
    - An RFP for a new system was released in February 2022
- The DPSA should be capacitated to provide assistance to departments that lack organisational design skills and competencies
    - OD capabilities are generally a challenge in departments and especially at provincial level
    - Support from the DPSA is provided where required based on relatively low volumes currently
    - DPSA expertise is limited to a team of five employees
- Develop and implement a strategy to eliminate grade drift. The value/weight of the post and associated salary level should be separated from the performance of the employee in the post
    - Grade drift remains a challenge
- Establish procedures and delegations to prevent re-grading of posts unless the budget has been quantified and approved by the MPSA
    - Very limited evidence exists to suggest that this is being actioned and approved by the MPSA
- Launch EQUATE as a centralised, web-enabled JE database with the DPSA as the custodian
    - EQUATE was replaced by Evaluate
    - Since 2020 there has been no JE system
    - Benchmarking studies have been recommended but are subjective based on the limitation of benchmarks in many positions which are unique to the public service
    - A new JE system is of critical importance and is being addressed
- Create central standards against which decentralised results can be tested. This will ensure comparable worth of jobs and pay equity between occupational grades (Amendment to the PSR will be required):
    - Very little evidence exists to suggest this is being addressed
    - Decentralised application and uniformity remain a challenge
- Only jobs that cannot be centrally graded should be graded by competent/trained analysts using centralised job descriptions/grades as a benchmark:

    - No indication that any centralised benchmarks are being used and applied to ensure uniformity
    - Grading is challenging and subjective based on the lack of having a system
- Develop best practice principles and establish a measure of centralised uniformity. Standardise the norms and standards linkages between job weight ranges and salary grades:
    - Best practice benchmarks don't exist uniformly
- The DPSA should play a 'standards oversight' role in the coordination process and have the power to veto:
    - The role of DPSA as an oversight Department exists
    - This oversight is weakened by overwhelming non-compliance
- Explicit job grading regulations and controls should be enforced with punitive measures for non-compliance:
    - Regulations exist but non-compliance is a norm
    - Compliance is impossible to enforce in the absence of a system
- The DPSA should establish a strong M&E function (centralised or decentralised to the provincial Office of the Premier)
    - Attempts are made based on regulations and guidelines to perform a M&E function
    - Lack of consequences continues to drive poor execution
    - Capacity constraints are a reality
    - This remains a critical issue and success factor
- Need for an effective communication and change management intervention to instil the importance of uniform, consistent job evaluation and grading and its impact on the Wage Bill
    - No evidence exists that any change programme exists because of the lack of implementation and prevailing circumstances.

The qualitative questionnaire and guidelines were used to engage numerous Public Service National and Provincial Departments. The findings which emanate from the application of the questionnaire are best captured in accordance with the areas covered and responses which have been received and analysed.

It should be noted that the responses vary from department to department and within the provinces. The reflection on which the findings are portrayed cannot provide for outliers of compliance or excellence and those departments which lag behind significantly. The departmental reflections are contained in a colour-coded summary outcomes attached as Appendix 2 to this report.

The reflection of the findings is based on the most common responses to the areas and criteria listed in the table below. The PER 2022 does not express any views in relation to the level of service delivery and impact of departmental performance. Any reference to service delivery and impact is anecdotal. The questionnaire responses often result in a view on the impact of the criteria on delivery efficiency and effectiveness.

ii. Findings: Public Service, Local Government and SoEs

PER 2022: Findings: Public Service, Local Government and SoEs

PER 2022 summary findings: Organisational Design: Public Service	
Criteria	**Findings**
The organisation design strategy is clearly articulated	• OD strategies to enhance structural reform are generally lacking with specific reference to implementation and review • Where these exist, there is a significant lack of implementation • In general, the departmental strategies are not aligned to structure to enhance achievement of the mandate and strategic objectives • There is very little evidence to suggest that there has been any movement in this regard since the last PER 2011 • There are examples of good practice which point to pockets of excellence
Organisational structure reviewed every five years	• Most departmental structures have not been reviewed or amended in any significant way since 2015 and in some instances the latest reviews date back to 2011 • A directive of the DPSA, 2016 outlined the need, process, compliance requirements and handbook for Changes to the Generic Organisational Structures of Departments and National Institutions • 29 of the 50 institutions have not complied with MPSA concurrence • The finding is compounded by the non-compliance of some of the biggest and impacting departments • The situation is compounded by the significant non-compliance in terms of the directive of two provinces and all their departments, six provinces being partially non-compliant, and only one province being compliant across all departments • A significant number of departments have not engaged with the DPSA in relation to the process

Revised organisational structure submitted for approval funding and concurrence where applicable	• As is evident above, there are a significant number of departments structures which have not submitted any structures for concurrence as far back as 2016 and 2011 in the extreme • Examples, although isolated, do exist to support the need to review funding allocations based on needs and which are submitted for approval • Some evidence revealed that the process of reviewing structures is conducted and that amendments are made and approved as required by the process and directives • Evidence on the manner in which this is achieved is clearly articulated and mostly attributed to leadership excellence and clearly articulated strategic imperatives • The policies, process and guidelines do exist, but the challenge which persists is implementation and compliant behaviour
The organisation structure is aligned to achieving the strategic objectives of the organisation	• There are some excellent examples in some departments as to how structures are aligned to the mandate and enhanced service delivery • It is clearly evident by the lack of review and concurrence that many structures have not been aligned to the mandate and strategic objectives • The departmental objectives must have transformed over time in accordance with new political leadership and direction by changes to the SMS and MMS over time • The evidence suggests that the structures must have changed over time but that the necessary compliance and approvals have not been met in accordance with the PSA, Treasury guidelines and DPSA directives • There is no evidence to suggest that any significant answerability, accountability, and consequence management has been implemented
The current organisation design is consistent with the roles and organisation of the corporate functions to facilitate effective governance of the organisation	• OD is not aligned to the organisational roles in many instances • Governance frameworks exist but the lack of application is of concern • Corporate functions relating specifically to the support functions are not aligned and are overwhelmingly perceived to be bloated and

	out of sync with the baseline guidelines of Programme 1 of DPSA requirements • Governance, answerability, monitoring, and evaluation aren't being applied consistently • There is little evidence to suggest that consequence management and accountability are being applied
The current organisational structure shapes the behaviour and attitude of employees	• Based on the factors listed above, it is clear that the structures don't drive the correct behaviours • Attitudes and levels of commitment are severely impacted • Poor behaviours which aren't addressed impact on service delivery and motivation of employees at operational levels in departments • Participants were clear that leadership and managerial behaviours have a significant impact on attitudes and levels of commitment
The current organisational structure shapes the facilitation of communication and decision-making	• Clarity of sight relating to the manner in which the structure reflects on the activities is concerning • Communication relating to the way divisions interact in accordance with the structure and delivery imperative is a challenge • Silo operations are prevalent • Interrelationships, cooperation and collaboration are impacted, and decision making is generally complex and cumbersome • The lack of structure inhibits innovation and teamwork • Channels of communication are stifled, and this is compounded by lack of morale and a culture which inhibits innovation
The current organisational structure shapes the people and performance management and development process	• The structures do not shape attitudes and behaviours which are required for optimal performance • A PMDS exists and is driven by compliance and submission • There is very little evidence to suggest that structures shape commitment and delivery excellence
There is a fit-for-purpose people architecture plan in place for the organisation	• Generally, workforce planning and fit-for-purpose architecture are not deployed in the OD process

	• Posts do not always reflect the outcomes that need to be achieved
The people architecture plan contains the relevant horizontal and vertical dimensions to allocate responsibilities and accountabilities	• Responsibilities and accountabilities are defined • It isn't always clear if this is understood and practiced in ensuring responsibility and accountability • Consultations revealed that very few changes have occurred in the last 8-10 years • New strategies often result in the creation of new positions and people being appointed without reviewing internal dependencies, accountability and responsibility which could result in duplication and inconsistencies • Horizonal relationships and dependencies between divisions and departments are not always understood and practiced to enhance delivery
The leadership model is in place for directors, senior managers, and middle managers	• MMS and SMS leadership responsibilities are defined by frameworks which exist for this purpose • The required behaviours are largely defined in the frameworks • The extent to which this is applied in practice remains a challenge • There is no clear indication of an integrated leadership model with clearly integrated and documented responsibilities and dependencies • The SMS and MMS interrelationships aren't always clearly manifested and understood in practice
The behavioural model is in place for all employees	• Principles of service delivery behaviours and imperatives are contained in legislation, professionalisation of the PS, code of conduct and the eight Batho Pele principles • The impact and implementation and evaluation of these behavioural requirements have eroded over time. There is a plea to re-emphasise these behaviours going forward, and this has recently been reinforced by the National School of Government in a 'National Framework Towards the Professionalisation of the Public Sector: October 2022'

	• There is optimism around this framework, but concerns relating to application and buy-in and commitment have been expressed
The behavioural model outlines the range of behaviours required to be an effective employee. (The behavioural model focuses on the five behavioural areas which are relevant to everyone including personal maturity, clear thinking, drive to deliver, effective communication and responsible team membership)	• The principles of a behavioural model exist and provide coverage on most of the key areas to be covered • There are indications that these principles and behaviours are being reviewed and revised
Good management practices are in place in order to create people processes that are effective, simple, and easy to use and that support the creation of a consistently productive organisation with greater customer focus	• All indications and evidence point to the fact that the foundations required to advance good management practice exist in the form of legislation, policies, guidelines, and frameworks • The extent to which these are implemented, monitored, and assessed remains a challenge
Are the risks related to the organisational structure identified? In other words, does management lack the necessary information to evaluate the effectiveness of the structure, potentially jeopardising its ability to adapt or accomplish long-term strategies?	• Organisational risk based on outdated organisational structures is evident • Structures are not consistently aligned to strategy changes impacting on departmental service delivery mandates • This is further complicated by frequent changes in political and SMS movement, often resulting in the change of strategic direction • The relevance and purpose of the organisational structure in relation to delivery is not reviewed regularly • In many instances structures have not been reviewed and refined in the last ten years • Buy-in to change and strategic direction is complicated by what appears to be a lack of decisive leadership, direction, communication and the complexity of dependencies and stakeholder engagements • Monitoring and evaluation are poor and ineffective in calling for accountability, answerability, and consequence management
Job descriptions are in place	• Job descriptions do exist • Most JDs have not been reviewed in the light of changing needs, workforce changes, skills required, competencies and behaviours

Job descriptions are relevant to the jobs	• Job descriptions relevant to the jobs performed exist but are outdated • Templates and formats haven't changed significantly in the last ten years • This has a significant impact on all aspects of the HR value chain: recruitment, selection, learning and development, performance measurement and skills transfer
Job evaluations are conducted on all jobs	• JEs exist for all jobs • The EQUATE JE system has been in use as far back as 1999 • In 2014, EQUATE was used in conjunction with an upgraded web-enabled version called Evaluate which ran concurrently until 2016 • The contract for Evaluate was in existence till August 2020 and this contract was not renewed based on the cost • There has been no formal JE System since 2020 • A tender with clear ToR and request for proposals was issued in November 2022. As at March 2023 there have been no formal outcomes in this regard • Evidence suggests that no significant JE reviews have been conducted at five-year intervals
Workforce planning is calculated for all roles	• No significant indicators that the principles of workforce planning and cost analysis are being applied in the PS
The reward and motivation systems align employee behavioural and goals with the organisation's goals	• There is no alignment and application of workforce planning systems in the context for which this exists • Motivation systems, employee behaviours organisational goals and mandates are not optimally aligned or formalised in any noteworthy manner
All positions have been graded	• All positions are graded • Very little indication of reviewing the effectiveness and continued relevance

Documentary evidence, in the form of an Organisational Design Directive (Organisational Design Directive on Changes to the Organisational Design by Departments, September 2015: MPSA as amended in October 2016), exists to confirm that concrete guidelines have been provided and a call to action initiated as far back as 2015.

These guidelines are clear and unambiguous and confirm that ten awareness and capacity building workshops (nine provincial and one national workshop) on the implementation of the 2015 directive were conducted to guide implementation. The following key objectives are clearly specified:

- Emphasise the minimum levels of compliance in terms of the PSA and PSR, with regard to the implementation of organisational designs in the Public Service
- Stipulate the guiding principles, conditions, requirements, procedures, and protocols to enhance the execution of the organisational design function in the Public Service
- Ensure the standardization of organisational design processes
- Ensure that the organisational structures are responsive to the mandate and vision of the department and contribute to the attainment of the strategic objectives of the department
- Promote value for money and achieve the envisaged impact in the manner in which the department is configured and capacitated
- Ensure the effective maintenance of organisational structures to gain stakeholder confidence in the organisational design functional area
- Empower practitioners and decision makers with a view to enhance the implementation of the organisational design function in the Public Service
- Guide departments in developing internal organisational review and redesign policies
- Strengthen compliance monitoring and reporting.

The following specific principles were adopted in accordance with best practice benchmarks and addressed all the challenges in relation to the recommendations of the PER 2011. These include:

- Structuring based on amended mandate or change to the strategic focus: based on a 3-5 year strategic review of strategies and processes
- Determining each department's organisational structure in terms of its core mandated and support functions
- Defining and creating the posts necessary to perform the relevant functions of the department while remaining within the current budget and the medium-term expenditure framework of each department and the applicable norms and standards
- Grades proposed for new jobs according to the job evaluation and job grading systems
- Splitting of departments and transferring of functions between departments
- Organisational structuring based on a macro-organisation framework
- Re-structuring emanating from the adverse findings of an organisational functionality assessment (OFA) and organisational performance improvement processes
- Proposed changes that affect functional configuration and the staff establishment i.e., abolishment of posts or functions, redesigning of posts or functions and relocation of posts or functions.

This directive also makes clear and concise provision of other supporting activities which need to be followed and implemented:

- Consultation requirements to be followed in the approval of structures
- Compliance monitoring and reporting including consultation with the MPSA.

Numerous frameworks, guidelines and templates exist to support the above to ensure:

- Ease of application and implementation
- Uniformity

- Communication and stakeholder consultation
- Managing the OD change processes
- Generic functional structures exist to provide a framework/blueprint to guide the development of organisational structures for sector-specific departments, such as:
    - Social Development
    - Office of the Premier
    - Provincial Treasuries
    - Offices of the Chief Financial Officers
    - Education
    - Corporative Governance and Traditional Affairs
- Consultation and concurrence with the MPSA
- Competencies and roles of executive authorities
- Role and functions of the Offices of the Premier in Provinces.

The PER 2022 findings correlate with the findings of the 2016 Framework, which is aligned to best practices (as highlighted and explained in the above context and overview), and indicate that it embodies the key principles and objectives for reviewing and implementing efficient, effective, responsive, and accountable OD.

The primary challenge facing the PS is the lack of consistent application and compliance as confirmed in the extensive qualitative engagements, interviews and documents reviewed. These issues and challenges relating to OD, including interrelated dependencies such as JDs, JEs and workforce planning, are highlighted in the aforementioned matrix, which contains the detail of these findings.

The detailed findings are further collaborated by documentation which confirms that the non-compliance and lack implementation in terms of the directives and policies is the most concerning factor going forward. The current situation in relation to OD is the most critical adverse finding of the PER 2022. It is key to any success and affordability going forward within the Public Service.

This finding is also endorsed by the analysis of a preliminary internal review of the status of OD in the PS (Report on the state of compliance by departments with the Directive on changes to the organisational structures by departments, 2018: 4-20).

This report highlights, amongst others, the following challenges and issues relating to OD in the PS which date back as far as 2011, and most of these are strongly collaborated by the qualitative discussions conducted for the PER 2022:

- Alignment of the Ministerial Offices to Chapter 8 of the Ministerial Handbook
- Increase in the creation of Deputy Director-General level (Salary Level 15) positions within Programme 1: support functions such as finance, HR, IT and SCM that cannot be justified
- Excessive growth in departments in terms of human resource capacity in the Administration Programme 1: Support Services
- Organisational structures are not aligned to their Mandate and Strategic Plans
- Duplications of functions between departments
- Unfunded mandates in Provincial Departments.

The following compliance numbers are a confirmation of the extent and magnitude of the challenge which exists (Report on the state of compliance by departments with the Directive on changes to the organisational structures by departments, 2018: 6-20):

- 29 out of 50 national departments and national institutions are non-compliant.

- 9 Provinces:
    - Eastern Cape: 6 of 13 departments non-compliant
    - Free State: 12 of 12 departments non-compliant since 2009
    - Gauteng: 4 of 14 departments non-compliant
    - KZN: 9 of 13 departments non-compliant
    - Limpopo: 8 of 12 departments non-compliant
    - Mpumalanga: 12 of 12 departments non-compliant
    - Northern Cape: 9 of 12 departments non-compliant
    - North West: 7 of 12 departments non-compliant
    - Western Cape: 13 of 13 are compliant.

In conclusion, it is overwhelmingly evident that OD and related functions are a significant challenge in the PS and that urgent interventions are required. OD is certainly the most critical issue and finding that needs to be addressed in accordance with the PER 2022. The primary challenge is evidently related to non-compliance, lack of accountability and lack of consequence management, despite the clear policies, directives, regulations, and guidelines which exist.

Findings: Local Government

PER 2022 summary findings: Organisational Design: Local Government	
Criteria	**Findings**
The organisation design strategy is clearly articulated	• There are instances where the design strategy is not clearly articulated • Where the design strategy is evident, it is often impacted by the frequency and change of the strategy • A design strategy for Local Government is proposed and articulated, but the deadlines for compliance have been extended twice since 2020 and the envisaged date for implementation is July 2023 • The challenges in some local authorities are significant • Skills and expertise required to execute OD design strategies are sorely lacking
Organisational structure reviewed every five years	• With a few exceptions, structures are not reviewed every five years • Some designs are stagnant and require significant review

Revised organisational structure submitted for approval funding and concurrence where applicable	• There is evidence to suggest that the design structures are submitted to the council for approval and funding • Exceptions have been recorded and it would appear as if there are processes in place to remedy the situation
The structure is aligned to achieving the strategic objectives of the organisation	• Structures are generally aligned to the IDPs • There are municipalities which have declared that they are experiencing challenges in achieving the integration
The current organisation design is consistent with the roles and organisation of the corporate functions in order to facilitate effective governance of the organisation	• Alignment to the corporate functions is challenging • Alignment to delivery is challenging and requires significant attention in some instances
The current organisational structure shapes the behaviour and attitude of employees	• There is very little indication to suggest that structures shape behaviours and attitudes • The situation is, in most instances, similar to the challenges in the Public Sector
The current organisational structure shapes the facilitation of communication and decision-making	• In general, there doesn't seem to be a direct correlation between the shape of the structure and decision-making processes
The current organisational structure shapes the people and performance management and development process	• Although pockets of excellence have been identified, in general there is a need to align structures to performance and developmental processes • There is evidence that suggest that the guidelines and templates do exist, but that the implementation is challenging
The people architecture plan contains the relevant horizontal and vertical dimensions to allocate responsibilities and accountabilities	• The alignment of the people architecture plan with clearly defined horizontal and vertical responsibilities and accountabilities is not clearly evident
The leadership and behavioural models outline the range of behaviours that must be present. The behavioural model outlines the range of behaviours required to be an effective employee.	• Clearly defined models to link leadership and employee behavioural models are not evident. There are no specific

(The behavioural model focuses on the five behavioural areas which are relevant to everyone including personal maturity, clear thinking, drive to deliver, effective communication and responsible team membership)	guidelines and directives to guide the process and linkages required
Good management practices are in place in order to create people processes that are effective, simple, and easy to use and that support the creation of a consistently productive organisation with greater customer focus	• In general, the practices and approaches are overly cumbersome and complicate the need to create the necessary linkages to delivery excellence
Have HR-related risks been identified, such as a lack of necessary knowledge, skills, and experience among key personnel, which could potentially hinder the execution of the organisation's business model and achievement of crucial objectives?	• The larger metros have the necessary skills and competencies to achieve the critical services to be delivered. Although the capacity exists, the critical success factors aren't always achieved • Smaller municipalities are significantly constrained in terms of budgets and funding to secure the skills and expertise required to achieve the delivery objectives
Are the risks related to the organisational structure identified? In other words, does management lack the necessary information to evaluate the effectiveness of the structure, potentially jeopardising its ability to adapt or accomplish long-term strategies?	• It is evident that the level to manage the structural risks differ significantly between metros and smaller authorities • This will impact on their agility to change and achieve the institutional strategies • The issue has, however, been reviewed and addressed in the Local Government turnaround strategy which should be completed in 2023
Job descriptions are in place and relevant to the jobs	• Job descriptions do exist in most instances • JDs need to be reviewed going forward in terms of new jobs and the significant changes which have developed over time
Job evaluations are conducted on all jobs	• Job evaluations are conducted using the TASK evaluation system • Evidence exists to suggest that these are aligned nationally
A standard role grading system exists	• A standard role grading system does exist and is being applied
Workforce planning methodology is in place	• Guidelines do exist for workforce planning but it is clear that these

	guidelines aren't always applied in practice
The reward and motivation systems align employee behavioural and goals with the organisation's goals	• Again, the metros consulted seem to have achieved some alignment in relation to reward and behaviour and the achievement of goals • The overwhelming majority have however not achieved alignment
All positions have been graded	• All positions are graded • A need exists to review grades and indications are that this is currently being addressed
Skills audits are conducted every five years	• Very little evidence exists that skills audits and reviews are conducted every five years • There is evidence that skills audits are conducted in divisions as needed • The extent to which the outcomes are addressed in reality isn't evident and measurable
Skills development plans are formulated and implemented	• Skills development plans do exist but there is very little evidence to suggest that these are meaningfully addressed

SALGA has embarked on a process aimed at developing a National Integrated Human Resources Blueprint and the associated implementation plan for Local Government. The strategy incorporates, amongst others, the following (SALGA municipal HRM&D profiling outcomes publication – first edition: Undated: 49-56):

- A proposed HRM&D model for Local Government, which has been developed in line with good practices
- A human resources management vision and mission for developmental Local Government
- National strategic objectives for Local Government human resources
- Action plans for achieving each of the national strategic objectives
- Action plans to address priority HRM&D and internal transformation needs
- Critical success factors to ensure the implementation of the strategy and action plans.

The above strategy was developed in line with:

- Legislative, regulatory and policy requirements as they relate to Local Government in general and HRM&D specifically
- Good practices within regards to HRM&D within Local Government, the South African Public Service and internationally
- Competency profiling and assessment
- Personal development planning

- Career development.

An overall Maturity Representation Assessment conducted in 2016 and which included OD, linkages to strategy, JDs, and other diverse strategic imperatives in Local Government, revealed the following on a rating between 0-4 where 0 is ‘absent’ and 4 is ‘mature and compliant’:

- Most municipalities (74%) achieved a level 0 maturity rating
- Only 1% achieved a level 4.

The analysis has indicated that there are certain individual areas of human resource that some municipalities perform at an acceptable level, and these vary from one municipality to another. However, based on the overall functional maturity of HRM&D, municipalities generally have the lowest levels of functional maturity.

These low levels of maturity corroborate the findings of earlier studies conducted into the state of municipal human resource including OD, and which concluded that LG maturity is purely transactional and not strategic. The lack by some of the municipalities in attracting, deploying and retaining competent personnel, and also evolving into development-oriented institutions, has largely been attributed to the transactional HCM state (SALGA municipal HRM&D profiling outcomes publication: First Edition: Undated: 35-37).

Before an individual is sourced and placed into an organisation or team, an assessment of the requirements for the current and future organisation needs to take place. Consideration needs to be given to the approved organisational structure and an analysis of the demand and supply dynamics in ensuring timeous access to competent employees in critical positions. The following key and critical strategic considerations aren’t currently evident:

- People forecasting
- Workforce planning
- Budgeting and cost considerations
- Job evaluation
- Review of organisational structure.

In relation to the above (SALGA municipal HRM&D profiling outcomes publication), a total of (134) municipalities scored level 0 for this function, (71) level 1, (36) level 2, (7) level 3 and (27) level 4. Most of the municipalities are not aligned to the strategic objectives of the IDP/SDBIP. This can also be ascribed to the significant absence of clearly aligned strategies.

In conclusion, initiatives are underway to address the issues identified since 2020 and have subsequently been extended for final actions and compliance in 2023. The primary challenge is evidently related to non-compliance, lack of accountability and lack of consequence management, despite the clear policies, directives, regulations, and guidelines which exist.

Findings: SoEs

PER 2022 summary findings: Organisational Design: SoEs	
Criteria	**Findings**
The organisation design strategy is clearly articulated	• There are instances where the design strategy isn't clearly articulated • Where the design strategy is evident, it is often impacted by the frequency and change of the strategy • Skills and expertise required to execute OD design strategies exists in most instances
Organisational structure reviewed every five years	• Evidence suggests that OD reviews are conducted in line with changing strategies. With a few exceptions, structures are reviewed every five years
Revised organisational structure submitted for approval funding and concurrence where applicable	• There is evidence to suggest that the design structures are submitted to DPE and Boards for approval and funding • Exceptions have been recorded and it would appear as if there are processes in place to remedy the situation
The structure is aligned to achieving the strategic objectives of the organisation	• Structures are generally aligned to the mandates and strategies • The evidence suggests that most SoEs are being aligned • In some instances, external service providers have been contracted to assist with the processes
The current organisation design is consistent with the roles and organisation of the corporate functions in order to facilitate effective governance of the organisation	• Alignment to the corporate functions is challenging but generally considered • Alignment to delivery outcomes is challenging and requires significant attention in some instances
The current organisational structure shapes the behaviour and attitude of employees	• There is an indication to suggest that structures shape behaviours and attitudes which are measured
The current organisational structure shapes the facilitation of communication and decision making	• There appears to a correlation between the shape of the structure and decision-making processes

	• Challenges in some of the SoEs have been identified and are being addressed through diverse interventions and external providers
The current organisational structure shapes the people and performance management and development process	• Although pockets of excellence have been identified, in general there is a need to align structures to performance and developmental processes • There is evidence that suggests that the OD guidelines and templates do exist and that implementation challenges are identified and being addressed systematically • Implementation challenges have been identified in relation to timeframes and resistance to change
The people architecture plan contains the relevant horizontal and vertical dimensions to allocate responsibilities and accountabilities	• The alignment of the people architecture plan with clearly defined horizontal and vertical responsibilities and accountabilities exists in most instances
The leadership and behavioural models outline the range of behaviours that must be present. The behavioural model outlines the range of behaviours required to be an effective employee. (The behavioural model focuses on the five behavioural areas which are relevant to everyone including personal maturity, clear thinking, drive to deliver, effective communication and responsible team membership)	• Clearly defined models to link leadership and employee behavioural models are identified. There are specific guidelines and directives to guide the process and linkages required • The submission of documentary evidence to substantiate these claims weren't always forthcoming
Good management practices are in place in order to create people processes that are effective, simple, and easy to use and that support the creation of a consistently productive organisation with greater customer focus	• In general, the practices and approaches are cumbersome and complicate the need to create the necessary linkages to delivery excellence
Have HR-related risks been identified, such as a lack of necessary knowledge, skills, and experience among key personnel, which could potentially hinder the execution of the organisation's business model and achievement of crucial objectives?	• SoEs have the necessary skills and competencies to achieve the critical support services to be delivered. Although the capacity exists, the critical success factors aren't always achieved • Generally, the larger SoEs sampled provide for the funding of their initiatives and have the internal

	skills and capability to achieve objectives • It is observed that many of the initiatives are funded internally but executed through external service providers and consultants to supplement the expertise required to achieve the delivery objectives
Are the risks related to the organisational structure identified? In other words, does management lack the necessary information to evaluate the effectiveness of the structure, potentially jeopardising its ability to adapt or accomplish long-term strategies?	• It is evident that the levels to manage the structural risks differ significantly between smaller and larger entities which have the skills and budgets to execute • This will impact on their agility to change and achieve the institutional strategies • Monitoring and evaluation by DPE is evident where applicable
Job descriptions are in place and relevant to the jobs	• Job descriptions do exist in most instances • JDs are in terms of new jobs and the significant changes which have developed over time
Job evaluations are conducted on all jobs	• Job evaluations are conducted using diverse JE systems applied at SoEs • Evidence exists to suggest that these aren't aligned to each other in any meaningful way
A standard role grading system exists	• A standard role grading system does exist and is being applied
Workforce planning methodology is in place	• Guidelines do exist for workforce planning, but it is evident that these guidelines aren't always applied in practice
The reward and motivation systems align employee behavioural and goals with the organisation's goals	• The SoEs consulted appear to have achieved some alignment in relation to reward and behaviour and the achievement of goals
All positions have been graded	• All positions are graded • A need exists to review grades and indications are that this is currently being addressed
Skills audits are conducted every five years	• Very little evidence exists that skills audits and reviews are conducted every five years

	• There is evidence that skills audits are conducted in divisions as needed • The extent to which the outcomes are addressed in reality isn't always evident and measurable
Skills development plans are formulated and implemented	• Skills development plans do exist but there is very little evidence to suggest that these are meaningfully addressed

iii. Recommendations: Public Service, Local Government and SoEs

The best practices covered in the context and overview clearly serve to confirm that organisation design is much more than a 'box and wire' exercise. It is essential, going forward in the PS, LG and SoEs, to acknowledge the following key principles which must be adopted going forward:

- The term 'organisation design' is commonly misunderstood – having become synonymous with either personality-driven executive reshuffles or cost-driven, and at times indiscriminate, headcount reduction exercises
- This underplays the real value to be derived through redesigning an organisation the right way
- Structures can provide a source of competitive advantage and be a fundamental enabler (or inhibitor) of a department's ability to deliver its chosen strategy and delivery of services
- A robust design approach allows for the determination of the capabilities required to deliver the strategy more effectively. Group these capabilities together in an optimal way and manage key roles and accountabilities to speed decision-making and increase performance.

Employees want to know what is expected of them, what they are accountable for, and what decisions they own and will be evaluated and assessed on. Effective execution cannot be considered until a department can publish the accountability (i.e., responsibility for end results) and decision authority for each position in the new structure and define how the structure will create sustained economic value.

A need exists to start off with a design which will assist in achieving the future state as a point of departure. The financial and delivery value drivers determine the transition to strong and flexible processes and the associated organisational structure. These drivers establish the parameters and target end-state for the organisation's design.

Getting the design right is an important pre-requisite for an effective talent retention strategy, selection, and staffing process. It defines the staff hierarchy and the job design necessary as inputs to an equitable talent selection and retention process. Based on the process design and resulting requirements, the important components of people and how they are organised (organisation structure) can be addressed meaningfully through appropriate organisation design, job design and human resource planning activities.

This includes both a top-down and a bottom-up approach. The top-down approach will be driven by the mandate and service delivery and strategic context, while the bottom-up approach will be driven by activities, processes, staffing norms and standards.

Organisation design is more than just structure. It involves choices such as getting the best value from an organisation's resources within the context of the full operating model. It is fully integrated and aligned with processes, governance, technology, and data. Organisation design involves activities that are undertaken to put in place a department that supports the departmental strategy and the achievement of the objectives, effectively and efficiently.

The following high-level OD design principles are recommended going forward in the PS, LG, and SoE sectors, as an approach to organisation design focusing on the following key structural design principles which incorporate reporting relationships, levels, and spans of control, e.g. functional process, service process, and delivery clusters within the PS:

- Roles and responsibilities: the assignment of responsibility for performing specific activities to groups or individuals, e.g. key organisation roles and interfaces
- Accountability and decision-making: the assignment of accountability for the results of specific activities and the process for defining who is involved in and approves key decisions, e.g. governance principles
- Job design: the assignment of groups of related tasks/activities and procedures to specific jobs, e.g. detailed job description and specification
- Work group design: the combination of related jobs and the determination of the resources needed to meet the organisation's requirements, e.g. cross- functional teams, collaboration, synergy and virtual teams, where appropriate.

The recommendation is not simply to develop a structure, but rather to align the structure, process, procedures, and technologies in order to achieve efficiency, effectiveness, greater alignment, effective coordination, and synergies within the design. The principles recommended for effective organisation design ensure:

- Increased levels of coordination between and within directorates and divisions
- Efficient workflow
- Better and more responsive decision-making
- Measurement and incentives which better focus and motivate desired behaviour
- Significantly improved levels of job satisfaction.

Consideration needs to be given to the development or enhancement of job profiles based on clear job descriptions (task, duties, knowledge, skills, experience) as well as key-inherent competencies for each position (leadership, planning and organising, detail consciousness) which will enable one individual to be more successful than another and will also inform the dual-career path.

It is further recommended that the job profile should contain the following minimum requirements and should align to the department's specific requirements and inclusions:

- A job title
- A job purpose statement
- Defined key performance areas (KPAs) or results areas (KRAs)
- Duties, tasks, and outputs that must be achieved
- Knowledge, skills, and experience pre-requisites
- The foundational and job-specific competencies and role requirements.

In addition, the job profile should outline the job's location, authority levels, supervisory levels, grade, and the interrelationships between the job and other jobs in the same area, to ensure career-path mapping.

The following key activities are recommended in the OD design process across the PS, LG and SoEs with an emphasis on simplicity and functionality:

- Conduct initial capacity planning
- Develop governance framework
- Develop terms of reference for decision-making bodies
- Design performance management framework
- Cascade metrics to each department and job
- Develop competency model
- Design competency framework
- Job descriptions and job grading
- Develop job descriptions
- Conduct job grading
- Conduct salary benchmarking (if needed)
- Change management plan
- Develop stakeholder engagement plan and approach.

Prepare for workforce transition if and where required. This may include:

- Conducting strategic workforce planning to understand future workforce requirements based on OD structure and transition pathways from the current to future state
- Agreeing on strategic people principles that will guide the placement of staff
- Developing a workforce transitioning plan and approach
- People placement
- Skills assessment where and if required
- Developing training material and onboarding packs
- Capability building in new roles.

The following phases and functional steps are proposed and recommended in conducting an organisational design process at National, Provincial and Local Government spheres, including SoEs. Timelines and cost implications are recommended in each instance.

It is strongly advised that the existing policies, directives, frameworks, guidelines, handbooks, templates, and expertise be used to implement the OD process. There is sufficient evidence to confirm that these exist in the PS, LG and SoEs. Assistance and guidance can be obtained from the national expertise which exists for the PS (DPSA, NT, OoPs), LG (CoGTA and SALGA) and for SoEs (internally for each entity and DPE). Outsourcing is only recommended in instances where the skills and support cannot be provided or accessed by the central coordinating institutions such as the DPSA, Departments, and OoPs for PS, CoGTA and SALGA for LG and DPE and internal capabilities for SoEs.

Phase 1: Envisioning

Duration: 4-6 months given the complexity

External costs: None

- Review status and functionality of the organisational structure, skills, and competencies available with specific reference to areas of duplication, elimination of unfunded and review of current vacant positions
- Collection of all relevant information relating to the job such as organograms, purpose of the job, key responsibilities, background, qualifications, and other related information
- Conduct interviews to assess the current status quo and the stakeholders' understanding regarding mandate, legislations and framework that poses the need for change
- Assess the understanding and gain alignment of where the department is and where it wants to go and agree on organisational design principles (e.g. scope, layers, spans of control) and ensure alignment to operational activities
- Conduct a review and assessment of the mandate, operational objectives, and functions
- Assess current skills framework for the respective organisational structures
- Review the current 'as-is' departmental processes and map the processes
- Assess current as-is capacity
- Collect information and conduct a desktop review of the job profiles that currently exist

Phase 2: Design

Duration: 6 months

External costs: None

- Conduct workshops with all departments to develop no more than two organisational structure options per department
- Develop design options (no more than two) in collaboration with key project stakeholders (the DPSA, Treasury and OoP in the case of provinces) that meet strategic objectives, business activities and processes and conduct a benchmarking exercise to test competitiveness if required
- Conduct an assessment of each of the structures to ensure leanness, cost-effectiveness, and the ability to implement seamlessly
- Draft documentation and socialise with stakeholders, including integration and validation of work performed with HR
- Design a high-level skills matrix with related competency definitions per job family
- Develop and execute clear and simple project-specific communiqués
- Develop the migration plan and policy together with the labour relations team and with consultation from organised labour.

Phase 3: Constructing the solution

Duration: 6 months

External costs: None

- Agree on one feasible, cost effective, lean, and agile macro and micro-organisational structure per department, authority, or entity

- Build a transition timeline taking into account the complexity of the change challenge and key time dependencies, i.e. budget cycles
- Provide guidance on the transition of functions from the current organisational structure to the proposed macro and microstructure
- Ensure the organisational structure reflects the position titles reporting into the positions directly and indirectly
- Institutionalise new ways of working that have been derived from the 'to-be' business processes in the respective departments/entities
- Assist in institutionalising a 'matching and placing committee' and an 'objections committee' to deal with anomalies
- Develop a strategy for dealing with redundancy of functions (if applicable) and staff where skills do not map to new requirements and gaps cannot be closed through training
- Provide support to establish internal capability to continually refine and adapt the design to meet the department's mandated activities and operational processes.

Phase 3: Implementation

Duration: 6 months (phased implementation approach)

External costs: None

- Complete the drafting of the job profiles and JDs for the macro structure and job families for the macro and microstructure with the appropriate job grading/JE exercise
- Match and place employees
- Capture lessons learnt from this phase of the project
- Clarify the vision and benefits to be derived from the change plan and agree on what, how, and who to communicate with internally and externally
- Commence high-level implementation/transition planning including high-level activities, accountabilities, milestones, resources, inter-dependencies, and risks
- Reach consensus on key milestones and the resources and support required to deliver future phases.

The following key and critical success factors are of utmost importance and core to the proposed recommendations made and ascertained in the PER 2022 and apply equally to all spheres of Government and SoEs:

- **Shared vision**: Agree on a shared vision across all organisations. Clearly articulate and communicate aims, scope, purpose, and interdependencies and that the process is not aimed at retrenching or reducing staff but rather at optimising the delivery outcomes
- **Clear political mandate and managerial leadership:** Ensure support from political heads, executive leaders, and all stakeholders. There must be sustainable commitment from top management. A clear and concise political mandate which ensures accountability, answerability and consequence management is paramount (PS: Cabinet and MPSA, LG: Minister of CoGTA and Council, SoEs: Minister of DPE and Entity Boards)
- **Competence:** The right people with the right skill sets are required to ensure the implementation of the OD process and should be centrally controlled and monitored
- **Risk matrix:** Identify the inherent risks upfront and document the mitigators and recourse options
- **Implementation:** Clear project plan and timeline adherence with unambiguous accountability and consequences for non-compliance

- **Organisation performance management:** Performance criteria (KPIs and dashboards) at all institutional levels and individual level with clear roles and responsibilities are a pre-requisite
- **Buy-in to organisational culture change:** Without buy-in to the culture change from all stakeholders, the transformation process cannot be successful
- **Communication:** Provide continuous and accurate information to all key stakeholders
- **Monitoring and continuous evaluation:** Make changes in an agile way to address challenges identified.

31. Performance management and development system

i. Context and overview

The key purpose of a performance management and development system (PMDS) is to help organisations ensure that their employees are working effectively towards achieving organisational goals. A PMDS provides a framework for managers to evaluate employee performance, provide feedback, and identify areas for improvement.

In accordance with best practice, the objectives of a PMDS may include:

- Setting and communicating performance expectations: A PMDS helps to set clear performance expectations for employees, which helps to ensure that everyone is working towards the same goals
- Monitoring and evaluating employee performance: The system provides a framework for managers to monitor and evaluate employee performance regularly, which helps to identify areas where employees are excelling and where they may need additional support
- Providing feedback: The system provides a platform for managers to provide regular feedback to employees, which helps to ensure that employees are aware of how their work is being perceived and what they can do to improve
- Identifying areas for improvement: The system helps managers identify areas where employees may need additional support, training, or development to improve their performance
- Aligning employee performance with organisational goals: The system helps to ensure that employee performance is aligned with the organisation's goals and objectives, which helps to increase the overall effectiveness of the organisation
- Recognising and rewarding high performance: The system can be used to recognise and reward employees who consistently perform at a high level, which helps to promote a culture of excellence and motivation within the organisation.

Overall, a PMDS is an essential tool for organisations to help them manage and improve employee performance, and ultimately achieve their goals.

The key and critical success factors for the implementation of a PMDS, in terms of PwC global best practices, include:

- Clear and well-defined goals: The organisation needs to have clear goals and objectives for the PMDS. This includes defining what success looks like, how progress will be measured, and what outcomes are expected
- Strong leadership support: Leadership support is critical for the success of the system. Leaders need to be actively involved in the development and implementation of the system, and they need to communicate its importance to employees

- Adequate resources: The organisation needs to allocate adequate resources for the development, implementation, and maintenance of the system. This includes time, money, and personnel
- Effective communication: Communication is essential for the success of the system. Employees need to understand the goals of the system, how it works, and what their role is in the process. Communication should be clear, frequent, and two-way
- Employee engagement: The success of the system relies on the engagement and participation of employees. Employees need to be involved in the development of the system, have input into their own performance goals, and have regular opportunities for feedback and coaching
- Performance-based training: Training and development are critical components of the PMDS. Employees need to receive training on how to set performance goals, provide feedback, and manage their own development
- Robust performance data management: The system needs to have a robust data management system to track and analyse performance data. This includes identifying key performance indicators, collecting data, and analysing trends over time
- Continuous improvement: The system should be designed for continuous improvement. This means regularly evaluating the system's effectiveness, identifying areas for improvement, and implementing changes to enhance the system's performance.

By focusing on these critical success factors, organisations can increase the likelihood of successful implementation and adoption of a PMDS.

While implementing a PMDS can bring many benefits, there are also several challenges that organisations may face. The following common challenges emerge from the review of implementation challenges nationally and globally in the public and private sectors (PwC: Workforce performance and experience, 2022: 4-6):

- Resistance to change: Implementing a new PMDS often requires significant changes to the organisation's culture and processes. Some employees may resist these changes
- Lack of leadership support: Leadership support is critical for the success of the PMDS. Without strong leadership support, it can be difficult to gain buy-in from employees, allocate resources, and implement the system effectively
- Lack of clear goals and objectives: Clear goals and objectives are essential for the success of the PMDS. Without clear goals, it can be difficult to measure progress and determine the effectiveness of the system
- Inadequate resources: Implementing a PMDS requires time, money, and personnel. Without adequate resources, it can be challenging to develop, implement, and maintain the system effectively
- Lack of employee engagement: Employee engagement is critical for the success of the PMDS. Employees need to be involved in the development of the system, have input into their own performance goals, and have regular opportunities for feedback and coaching
- Insufficient training and support: Employees need training and support to effectively use the PMDS. Without adequate training, employees may not understand how to use the system or how it can benefit them
- Limited data quality and management: The PMDS relies on accurate data to evaluate performance and identify areas for improvement. Without effective data management, it can be challenging to gather, store, and analyse performance data

- Lack of continuous improvement: The PMDS should be designed for continuous improvement. Without regular evaluation and refinement, the system may become outdated or ineffective over time.

By addressing these challenges, organisations can increase the likelihood of successful implementation and adoption of a PMDS.

Linking a PMDS to an organisation's strategy is essential for ensuring that the system supports the organisation's overall goals and objectives. Some of the steps in ensuring a link to the strategy include (PwC: Talent management strategy, 2021: 30-33 and Strategy&: Best practices in closing the strategy to execution gap, 2022: 2-6):

- Align PMDS goals with the organisation's strategic objectives: The goals and objectives of the PMDS should be aligned with the organisation's strategic objectives. This can be done by reviewing the organisation's strategic plan and identifying the key performance indicators that support the objectives
- Develop performance measures: Performance measures should be developed to evaluate progress toward the PMDS goals. These measures should be tied to the organisation's strategic objectives and should be meaningful, measurable, and achievable
- Link individual and team goals to organisational goals: Individual and team goals should be aligned with the organisation's strategic objectives. This helps to ensure that the goals of individual employees and teams are contributing to the overall success of the organisation
- Communicate the link between the PMDS and strategy: It is essential to communicate the link between the PMDS and the organisation's strategy to all employees. This helps to create a shared understanding of how the PMDS supports the organisation's goals and objectives
- Monitor and adjust the PMDS as needed: The PMDS should be regularly monitored and adjusted to ensure that it continues to support the organisation's strategy. This may involve reviewing performance measures, revising goals, and making other changes to the system.

By linking the PMDS to the organisation's strategy, organisations can ensure that the system supports the overall goals and objectives of the organisation. This can help to improve performance, increase employee engagement, and drive overall success.

Performance management and development systems are a critical component of human resource management in the South African Public Service. The Public Service Act, 1994 (as amended) requires that every public servant participates in a PMDS that is designed to enhance the quality of service delivery in the Public Service in terms of the PSA, directives, and recommendations of the PER 2006 and 2011.

The objectives of the PMDS in the South African Public Service, which are clearly documented and aligned to best practices, are to:

- Provide a systematic approach to performance management that links individual performance to organisational goals and objectives
- Enhance employee development and career growth by identifying strengths and areas for improvement
- Foster a culture of continuous learning and improvement

- Promote accountability, transparency, and effective performance management
- Facilitate performance-based rewards and recognition.

However, despite these objectives, there have been challenges with implementing a PMDS in the South African Public Service. These challenges include:

- Resistance to change: There has been resistance to implementing a PMDS by some public servants, who may perceive it as a threat to their job security or as an additional bureaucratic burden
- Lack of capacity and resources: Some Public Service departments may not have the capacity or resources to effectively implement and manage a PMDS
- Inconsistent implementation: There may be variations in the implementation of a PMDS across different departments, resulting in uneven performance management practices
- Limited use of performance data: Some departments may not use performance data effectively to inform decision-making and improve service delivery.

Despite these challenges, the efforts to strengthen the implementation of a PMDS in the South African Public Service must be acknowledged. The National Development Plan, for example, recognises the importance of performance management and has called for the establishment of a Performance Monitoring and Evaluation Office to monitor and evaluate the implementation of a PMDS. Additionally, there have been efforts to improve the capacity of Public Service managers to implement a PMDS effectively, through training and support programmes.

There are legislative and policy imperatives relating to performance management and development systems in the South African Public Service. These include:

- Public Service Act, 1994: The Public Service Act requires that every public servant must have a performance agreement that sets out their key performance areas, performance indicators, and targets
- Public Service Regulations, 2016: The Public Service Regulations provide guidance on the development and implementation of PMDS in the Public Service. They set out the minimum requirements for performance agreements, performance assessments, and performance feedback
- Public Service Performance Management Policy Framework, 2019: The Public Service Performance Management Policy Framework provides guidance on the development and implementation of PMDS in the Public Service. It sets out the principles, standards, and processes for performance management, including planning, monitoring, assessment, and feedback
- National Development Plan (NDP): The NDP is a long-term development plan for South Africa that aims to eliminate poverty and reduce inequality by 2030. The NDP emphasises the importance of performance management and accountability in achieving its goal
- Performance Management and Development System (PMDS) Guidelines: The PMDS Guidelines provide practical guidance on the development and implementation of PMDS in the Public Service. They outline the key steps in the PMDS process, including objective setting, performance assessment, and feedback.

These legislative and policy imperatives provide a framework for the development and implementation of PMDS in the South African Public Service. They emphasise the importance of

performance management and accountability in achieving organisational goals and improving service delivery to citizens.

Implementing a PMDS in a highly unionised environment can be challenging, as there may be resistance from union representatives and members. Some strategies for overcoming resistance to a PMDS in a unionised environment can be identified in terms of best practices (Talent management strategy, 2021: 30-33):

- Involve union representatives in the design and implementation of a PMDS: Involve union representatives in the development of a PMDS to ensure that their concerns and perspectives are considered. This can help to increase their buy-in and commitment to the system
- Communicate the benefits of a PMDS: Communicate the benefits of a PMDS to union representatives and members, such as increased opportunities for career development and fair and transparent performance evaluations
- Address concerns about fairness: Address concerns about the fairness of a PMDS by ensuring that the system is objective, transparent, and equitable. This can help to increase trust in the system
- Negotiate the implementation of a PMDS: Negotiate the implementation of a PMDS with union representatives to ensure that the system is aligned with collective bargaining agreements and other union policies
- Provide training and support: Provide training and support to managers and employees on the use of a PMDS, including how to set objectives and provide feedback. This can help to ensure that the system is used effectively and fairly
- Monitor and evaluate the implementation of a PMDS: Monitor and evaluate the implementation of a PMDS to identify any issues or areas for improvement. This can help to ensure that the system is effective and aligned with organisational needs.

By following these strategies, organisations can overcome resistance to a PMDS in a unionised environment. This can help to improve performance, increase employee engagement, and drive overall success.

The success of a PMDS can be assessed using various globally-recognised criteria, including (Workforce performance and experience, 2022: 13-16):

- Achievement of objectives: A PMDS should help employees and organisations achieve their objectives. The success of a PMDS can be evaluated by measuring the extent to which employees and organisations are meeting their goals
- Performance improvement: A PMDS should facilitate performance improvement by providing feedback, coaching, and development opportunities. The success of a PMDS can be evaluated by measuring improvements in employee performance over time
- Employee engagement: A PMDS should engage employees in the performance management process by encouraging their participation in setting objectives and providing feedback. The success of a PMDS can be evaluated by measuring employee engagement and satisfaction with the performance management process
- Fairness and transparency: A PMDS should be fair and transparent to all employees, regardless of their position or level. The success of a PMDS can be evaluated by

measuring the perceived fairness and transparency of the performance management process
- Alignment with organisational goals: A PMDS should be aligned with organisational goals and strategies. The success of a PMDS can be evaluated by measuring the alignment of employee objectives with organisational goals
- Continuous improvement: A PMDS should be continuously improved to meet changing organisational needs and employee feedback. The success of a PMDS can be evaluated by measuring the extent to which the system is being continuously improved and refined.

By evaluating the success of a PMDS based on these criteria, organisations can identify areas for improvement and ensure that the system is effective in achieving its intended goals.

Best practices highlight the significant advantages of implementing and sustaining an electronic PMDS (Lloyd, V: Key benefits of electronic performance review, 2016:1-5):

- Efficiency: An electronic PMDS can streamline the performance management process by reducing paperwork and manual data entry. It can also automate many of the steps involved in the process, such as setting objectives, tracking progress, and generating reports
- Accessibility: An electronic PMDS can be accessed from anywhere with an internet connection, making it easier for employees and managers to access performance information and provide feedback
- Real-time feedback: An electronic PMDS can provide real-time feedback to employees and managers, allowing them to track progress and make adjustments in real-time
- Standardisation: An electronic PMDS can ensure that performance management processes are standardised across the organisation, reducing the risk of errors and inconsistencies
- Data analytics: An electronic PMDS can provide data analytics tools that allow managers to analyse performance data and identify trends, enabling them to make data-driven decisions about performance management and development
- Integration: An electronic PMDS can be integrated with other HR systems, such as payroll and training systems, to provide a more comprehensive view of employee performance and development
- Security: An electronic PMDS can provide greater security for performance data, ensuring that sensitive information is protected from unauthorised access.

Overall, an electronic PMDS can provide a more efficient, accessible, and data-driven approach to performance management and development.

The best practices and guidelines related to the issues and outlines discussed above can be summarised based on the key components of the PMDS life cycle:

- Strategy:
  - Strategic alignment
  - Strategy maps
  - Value drivers
  - Performance measures
  - Scenario models
  - Stakeholder management
  - Organisation structure

- Plan:
  - Target setting
  - Business planning
  - Financial/operational planning
  - Budgeting
  - Collaboration
  - Accountabilities
- Measure:
  - Close and consolidate
  - Statutory reporting
  - Management information
  - Scorecards/dashboards
- Insight:
  - Goal and performance tracking
  - Forecasting
  - Activity monitoring
  - Analytics
  - Benchmarks and delivery excellence
- Execute:
  - Performance dialogue and communications
  - Corrective measures
  - Project and business evaluation
  - Change management
- Reward:
  - Compensation and rewards
  - Accountability
  - Motivation, leadership, and behaviour
  - Employee development programmes
  - Support, training, and coaching

The ultimate goal of a PMDS is to bring about behavioural change that drives performance improvement. These improvements can be summarised as follows:

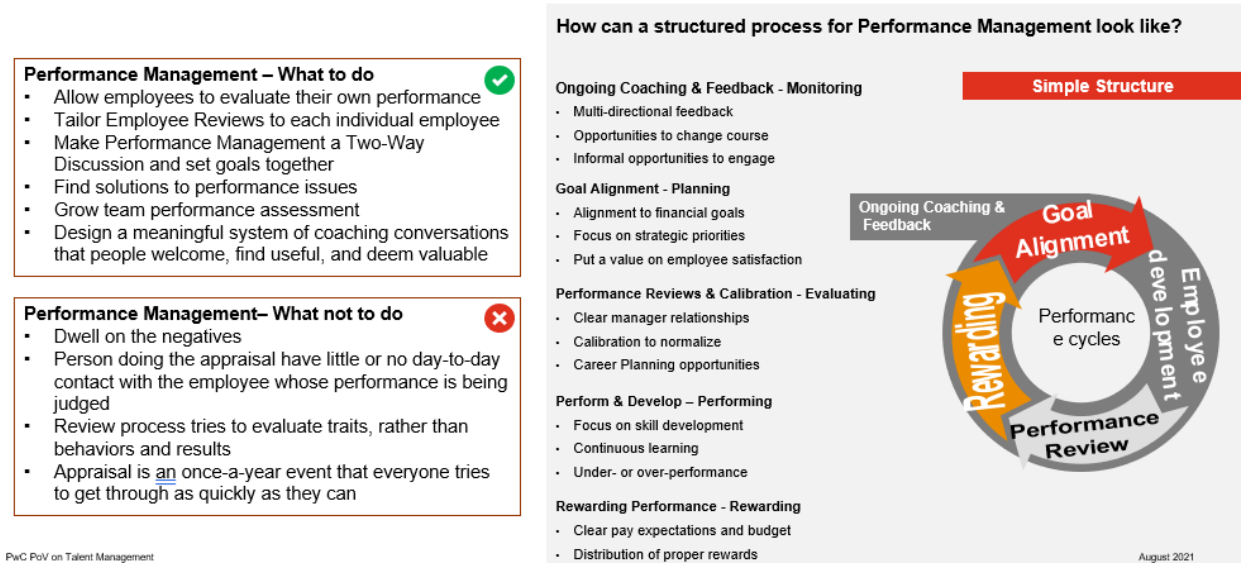
- New behaviours:
  - Management and leadership visibility and presence
  - Situational leadership
  - Team leader coaching to drive team performance
  - Team member control and responsibility
- Management and support systems:
  - KPIs, information centres, huddles, competition, recognition, vision, workload balancing
  - Daily problem solving
  - Continuous improvement
- Effectiveness:
  - Understanding the quality of the work that is done, getting things right the first time
  - Reducing unrequired pressures and errors within teams
  - Embed sustainable change
- Efficiency:
  - Create and manage capacity to take on more work
  - Remove the unnecessary parts of the process to reduce the time taken to respond to clients and improve service levels

- Workload balancing.

The table below summarises the best practices and criteria for effectively implementing a PMDS in the Public Sector:

Best practices	Set expectations	Provide feedback	Reward & develop	Supporting systems
Align Performance Expectations with strategic objectives	▪ Communicate well defined business objectives ▪ Cascade and translate into team and individual goals ▪ Distinguish between output and effectiveness ▪ Measure the "what" and the "how"	▪ Make organisational performance transparent	▪ Offer incentives based on organisational performance ▪ Ensure employees understand reward programmess	▪ Involve employees in developing the business plan ▪ Communicate PM information and tools effectively ▪ Visible senior management support for PM
Provide regular and honest feedback on employee performance	▪ Set clear expectations for performance and behaviours. ▪ Set SMART objectives ▪ Assign clear accountabilities for providing feedback	▪ Design a PM cycle with designated checkpoints ▪ Encourage self assessment ▪ Ensure feedback is 360 degrees, specific, timely, positive and constructive	▪ Create development plans for performance improvement	▪ Provide training on how to give and receive feedback ▪ Encourage a culture of robust, honest conversations ▪ Hold listening sessions on effectiveness of PM
Design reward systems to recognise and motivate employees	▪ Ensure employees understand how objectives are linked to reward programs ▪ Provide opportunities to shine ▪ Consider long term career objectives	▪ Reinforce successful behaviour ▪ Emphasise positives ▪ Provide specific suggestions for improvement	▪ Use a rating scale to measure performance ▪ Explicitly link reward to performance ▪ Offer non-financial rewards, tailored to employee needs	▪ Match right person to job ▪ Empower employees with responsibility for personal PM ▪ Develop talent management programs ▪ Encourage innovation
Include a service delivery satisfaction element into the evaluation	▪ Develop processes for understanding customer service delivery needs ▪ Translate customer Batho Pele expectations into objectives	▪ Develop processes to collect customer feedback	▪ Rate performance based on service delivery feedback ▪ Communicate results to customers	▪ Identify the customer value chain ▪ Promote a customer service culture

The following diagram provides a summary of global performance management best practices which could be considered in evaluating and implementing a PMDS:



PER 2011 summary findings:

- Insufficient linkage is made between performance and reward. PMDS used for increase/bonus purposes
- Each department develops its own performance and reward criteria without predefined norms and standards General lack of compliance, discipline, accountability
- PM is compliance-driven, not performance-driven
- No indication of a high-performance culture
- No evidence of M&E to ensure consistent/objective implementation
- A decentralised PMDS results in internal inequities and contributes to staff mobility
- Respondents indicated that competency assessments do not include technical skills/competencies for management positions
- Not all SMS managers submit approved performance agreements. Some leave the department before the completion of a performance cycle
- More respondents from national departments indicated that exceptional performance is rewarded, compared to respondents from Provincial Departments
- Most departments stated that the application of a PMDS has not improved over the past five years
- Most departments stated that there was little alignment between the PMDS and OSD provisions
- During the five-year period, the highest national average of staff receiving performance bonuses was at the Department of Higher Education (69,37%) and the lowest was at the Department of Correctional Services (7,78%) and the Department of Justice (9,66%)
- During the five-year period, the highest provincial average of staff receiving performance bonuses was at the Mpumalanga Department of Agriculture (82,27%) and the Western

Cape Provincial Treasury (64,44%) and the lowest was at the Mpumalanga Department of Education (0,06%) and the Western Cape Department of Health (3,94%)

- The National annual reports indicate that between 2006/07-2009/10 no performance rewards were received by staff on salary levels 6-8
- Payment of performance rewards to SMS members were recorded only in the 2010/11 year and reflect an average of 59%
- There is a significant lack of data recorded in the annual reports relating to the number of SMS members who have signed performance contracts (national and provincial).

PER 2011 summary recommendations:

- There is a need to create and embed a culture of ethics, professionalism, commitment, and accountability relating to PM that will result in a high-performance culture
- There is a need to create synergy between individual goals and departmental priorities
- The effectiveness of PM depends on sound planning processes to ensure organisational goals/priorities are translated into meaningful KPAs
- PM must be applied uniformly across all departments. This should begin at HoD level and be driven and managed from the top down with zero tolerance for non-compliance
- HoDs must ensure that PAs are concluded within prescribed timeframes and managed throughout the performance cycle
- Enforcement of compliance should be stricter and a defined sanction for non-compliance, (at executive level) is required to ensure that accountability is enforced
- Agreement dates, the review process, assessment, moderation, and performance associated payments should be generic processes
- Managers must acquire the required performance management skills, champion behavioural change, and demonstrate a culture of accounting for performance
- The ability to manage performance effectively (including poor performance) should be a heavily weighted KPA in every manager's performance agreement
- Managers need to be able to conduct feedback sessions relating to poor performance, provide poor performance counselling and implement remedial action where necessary
- Managers must make time for regular discussions and formal reviews must be held and documented to objectively inform notch increases and performance rewards
- Initial focus should be on achieving PM compliance. The Office of the Premier in each province could play a role in ensuring increased departmental compliance or assign specific people to take overall responsibility for specific PM clusters
- The DPSA should review the format and requirements of the PAs to ensure that they are simplified where necessary. Indicators and standards against which progress will be measured must be clear
- Align performance management (development plans) with training provided and measure the impact of training on performance
- Develop centralised norms and standards for what will be measured and how this will be measured

- Performance criteria must be clearly defined (for all posts at all levels) and must be measurable and aligned with the outputs/outcomes that contribute to departmental service delivery and strategic objectives
- Job descriptions should contain KRAs that are measurable. This process could be facilitated by centralising the PMDS and aligning it with the centralised job evaluation database/portal containing generic job descriptions. Set unambiguous, tangible, and measurable performance standards
- Develop and implement an M&E function to oversee compliance with PMDS norms and standards
- Ratings should be moderated, monitored, and evaluated. Performance ratings, notch increases and pay progressions must be supported with relevant evidence and subject to internal audit processes
- Achievement of individual targets should be measured against the overall strategic objectives of the organisation. Remedial action must be taken once gaps have been identified
- Training on the PM system should be included in the induction process
- Ensure only high performers are rewarded and that performance incentives/bonuses awarded can be matched to evidence that the key performance areas have been recorded clearly, met and exceeded
- Non-performers or satisfactory performers should not be able to manipulate the system to qualify for reward.

Findings: PER 2022: Based on the recommendations of the PER 2011

Based on the findings and recommendations of the PER 2011, it is clear and evident that there has been significant progress and development relating to the PMDS in the PS. These developments have primarily occurred since 2016 with clear and concise directives being released in 2018. There is very little evidence to suggest that any meaningful progress was made in the first five years after the release of the PER 2011.

With that being the case, it is also observed that the developments since 2016 have to a large extent addressed issues relating to the best practice guidelines addressed in the context and overview. In practice, if implemented in terms of the intent of the regulations and directives, the outcomes envisaged could be achieved. The framework, which lays the foundations for successful outcomes, is reviewed below.

The Public Service Act, 1994, provides that the Minister of Public Service and Administration (MPSA) is responsible for establishing norms and standards relating to, among others, employment practices for employees which includes performance management. The MPSA can determine these norms and standards by making regulations, determinations, and directives.

In terms of the Public Service Regulations, 2016 (PSR) an executive authority (EA) shall approve and implement a system for the performance management of employees, other than employees who are members of the SMS, and may also establish separate PMDS's for different occupational categories or levels of work in his or her department.

Clause 12.1 of the Public Service Co-ordinating Bargaining Council (PSCBC) Resolution 1 of 2012 (Wage Agreement for 2012/2013), provides that the employer will review the current PMDS for employees on salary levels 1 to 12. The PSR has been amended to give effect to and incorporate the changes in the performance management for employees other than members of the SMS.

Chapter 4, Part 5 of the PSR provides norms and standards on the PMDS for non-SMS employees which must be included in the departmental PMDS. This determination and directive on performance management for employees other than employees who are members of the SMS seeks to elucidate and supplement the PSR as well as to provide guidance to departments on areas requiring revision in their departmental PMDS policies.

National and Provincial Departments are expected to review/amend their PMDS policies and align them to the PSR and this determination and directive. In terms of regulation (71)(1) of the PSR, Executive Authorities (EAs) are expected to approve and implement a PMDS policy for employees other than employees who are members of the SMS. The performance management cycle is linked to a financial year, therefore the PMDS policy should be approved by an EA prior to the performance cycle for which the system is to be implemented. The EA may establish separate performance management systems for different occupational categories or levels of work.

The PMDS policy for employees other than SMS members shall hinge on the following dimensions which have been specified:

- Key result areas (KRAs) describe the core functions or broad area of responsibility of an employee. They are broken down into number of outputs and activities
- Generic assessment factors (GAFs) describe the competency requirements taking into consideration the knowledge, skills, and attributes relevant to the employee's work
- Departments shall develop their own templates which will be used for performance contracting, review and assessments. An EA may use a single assessment instrument to assist in deciding on an employee's probation and performance
- Performance agreements (PAs) or agreements of a similar nature must be signed by both parties (i.e., the employee and the supervisor) to be valid and binding
- An employee acting in a higher position shall be assessed at the level of his or her post that he or she occupied at the time immediately prior to the acting position and the awarding of performance incentives if he/she qualifies shall be calculated on the lower level.

Any deviation from the provisions of the system during the cycle may be approved by the relevant executive authority only if such deviation is not to the detriment of any employee and is not inconsistent with the provisions of the Public Service Act, the PSR and this determination and directive. In terms of Regulation 72(3), as a minimum, a PA or an agreement of a similar nature shall include the following:

- A personnel number, job title, post grade as well as a clear description of the main objectives of the employee's job and the key responsibility areas (KRAs), relevant outputs and competency requirements (GAFs)
- A workplan containing the outputs, activities, and resource requirements
- A personal development plan (PDP) that identifies the employee's competency and developmental needs in terms of the inherent requirements of the job, as well as methods to improve these
- The conducting of mid-year performance reviews and annual performance assessments are compulsory and must be in writing. The annual assessment shall reflect the

performance of the employee for the entire performance cycle (April to March). The annual assessment must be conducted even if the employee was employed for less than 12 months in that cycle.

A four-point rating scale is being used to assess the performance of employees who are employees other than members of the SMS. A rating of a 3 on the scale entails 'fully effective'. In terms of this approach to performance rating, an employee who is rated 'fully effective' has fully complied with the requirements of the job. On the rating scale, this translates to an overall score of 100%. Only whole numbers must be used in the scoring (no decimals numbers are allowed (e.g. 3.5).

The performance assessment calculator shall be used to calculate the overall performance score(s) of the mid-year reviews and the annual performance assessment . The electronic Excel Performance Assessment Calculator for non-SMS employees is available on the DPSA website.

In terms of Regulation 71(5)(e), the PMDS of departments must provide for arrangements and structures for the purpose of performance moderation to ensure fairness and consistent application of the employee performance management system:

- The EA or relevant delegated authority/ies shall appoint a committee to moderate the annual performance assessments and submit the recommendations to the relevant EA for approval
- The performance moderation is conducted by a higher level of management above the supervisor to ensure, as far as possible, that the performance of all employees is evaluated fairly and consistently across the department.
- Members of Moderation Committees must ensure that there is compliance with the public service prescripts in terms of the timelines on the signing of PAs or agreements of a similar nature, performance reviews and assessments and the date for the implementation of the outcomes of annual performance assessments.
- The performance outcome of the department/branch or unit is considered when advising or recommending on the implementation of the outcomes of annual performance assessments
- The performance moderation processes may be conducted in two steps if so desired, i.e. the intermediate review committee (optional) and departmental moderation committee, which is compulsory.

The following additional roles of the Departmental Moderating Committee include:

- Provision of oversight of the application of the PMDS policies, ensuring that the performance management process, including the setting of performance standards, is valid, fair, and objective
- Detection of potential problems in the PMD system and advising the HoD accordingly
- Reviewing overall assessment scores across unit sections/programmes in the department
- Recommending reward levels and remedial action for different types of performance outcomes.

Making recommendations regarding actions to be considered where managers and supervisors do not properly and fairly execute their responsibilities with regard to contracting, provision of performance feedback, mid-year reviews, annual assessment, and rating in terms of the PMDS.

In relation to managing unsatisfactory and poor performance, supervisors are required to identify and then, in line with a developmental approach, deal with poorly performing employees under

their supervision. The supervisor must comply with the procedural requirements of PSCBC Resolution 10 of 1999 and Resolution 1 of 2013, the “Incapacity Code”.

Furthermore, EAs must determine an appropriate reward scale in the establishment of performance incentive schemes to reward employees or any category of employees as contemplated in regulation 73(1) of the Public Service Regulations. Where applicable, EAs may subcategorise the overall rating scale of 4 to distinguish between above average performance and excellent performance for purposes of rewarding employees in terms of the incentive scheme so established by an EA.

The PMDS for members of the SMS integrates the management of individual performance with the management of organisational performance. The system aims to create a practical measure to validate and align the individual performance results with the organisational performance outcome. This will be achieved by using a combination of management control tools such as the Auditor-General's (AGs) Opinion and Findings and the departmental annual report (AR).

The design of the PMDS is based on the linkages and relationship between the department's strategic goals/objectives and the APP. This will be achieved by applying a top-down cascading approach to ensure maximum alignment between the PA of the member of the SMS, the APP as well as the KGFAs emanating from the PA of the HoDs. This approach will assist departments to effectively monitor, evaluate and connect individual performance results with the departments.

ii. Findings: Public Service, Local Government and SoEs

PER 2022: Findings: Public Service, Local Government and SoEs

PER 2022 summary findings: PMDS: Public Service	
Criteria	Findings
A performance management framework and strategy are in place and are clearly communicated and supported	• Directives for a framework for implementing a PMDS exist and were released in 2018 • There are separate but interrelated frameworks and directives which cover HoDs, SMS and the remainder of the PS respectively • These directives were communicated throughout the PS • Implementation support has been provided
A performance rating scale is in place	• A rating scale is specified • A four-point rating scale is applied throughout • The rating scale and its definitions are clearly articulated in the directives
Job descriptions are in place for all positions with clearly defined performance criteria	• Job descriptions are in place for all employees • There are specified and defined performance criteria

	• Although JDs exist, they have not been meaningfully reviewed since 2011 • The dynamic interface of cascading performance criteria from strategy to HoDs, SMS and other employees isn't prevalent and requires significant refinement
Performance contracts are in place for all positions	• Performance contracts for employees do exist, but need significant refinement to align with SMS and HoDs • It is evident that there isn't full compliance with contracting at HoD and SMS level • Synergy between SMS and HoD contracts isn't always evident and requires significant attention to ensure synergy with all employees
Performance contracts are signed by employees	• It is evident that most employee contracts are signed • Evidence exists to suggest that many HoD and SMS contracts aren't signed and agreed to timeously
KPIs are in place for all employees	• KPIs are identified for all employees • It is evident that the KPIs aren't accurately reflected and aligned to the strategy and the contracting of KPIs
KPIs are linked to the business objectives	• KPIs are linked to the departmental objectives • It is evident that some of the strategic objectives are outdated and need to be reviewed • The cascading of these objectives into the KPIs for HoDs, MMs and employees requires significant review to ensure alignment
Personal development plans are place for all employees	• PDPs do exist in general for all employees • The challenge which exists is the manner in which these are determined between managers and employees • There is very little evidence to suggest that these PDPs are addressed in a uniform manner due to funding and other diverse limitations
Regular performance conversations and feedback are part of the organisational culture	• There is very little evidence to suggest that performance discussions take place in a meaningful manner at all levels • Critical conversations and remedial actions are recorded or actioned

	• It is evident that, where they are conducted, they are simply conducted for compliance
A regular performance review process is in place	• Regular performance discussions which frame performance reviews are not conducted in a meaningful way • Performance review is rushed, compliance-driven and conducted once a year • Not aligned to the real intent and purpose on a regular basis
The objectives in the performance appraisals are specific, measurable, and achievable	• The performance management process as it relates to the directives is clear and specific • The application lacks specificity and measurability as it is primarily based on compliance • The achievable measures are determined, but lack substance in relation to sustainability and enhanced performance delivery
The poor performance process is in place	• The directives do cover the management of poor performance, but this is seldom actioned in any meaningful manner in practice • A view exists that this is simply a burden for managers not worth pursuing • Little evidence of the intent to address and identify concrete actions to deal with behavioural or skills in the performance process
Performance management process is linked to the talent management process	• In the absence of clearly defined and formulated talent management plans, it is clear that the PMDS is linked to the TM process
There is a system in place to facilitate the performance management process	• The system is largely decentralised • Monitoring and oversight are decentralised and not being addressed in any meaningful way • The system of managing the PMDS is captured on an Excel spreadsheet provided for this purpose from the DPSA PMDS portal
Performance management is linked to increments and notches increases	• There is a link between the PMDS and the award of increments and notch increases • It is evident that the compliance to the PMDS is primarily linked to award increments and notch increases

	• A path of least resistance is applied to avoid contestation and consequences
Performance management linked to bonuses	• The PMDS does not have a direct bearing on awarding bonuses as bonuses have not been paid for many years • Very little evidence of awarding top performers • The status quo is retained because of the lack of trust and the ability of the PMDS to make these awards • Funds for bonuses are not made available to make awards
Performance contracts exist for SMS performance and monitoring	• SMS performance frameworks exist, but aren't applied and formulated consistently
Salary determination at level 16 is aligned to achieving the organisational mandate and level of responsibility	• No indication of significant compliance or cascading of the performance objectives or alignment to the mandate • Where these do exist, it is done for compliance purposes • Very little evidence of line of sight and alignment of the PMDS at all levels

Implementing a PMDS is a complex process, and there are several challenges that the PS faces going forward. The following broad challenges can be identified as it relates to the PMDS findings in the PER 2022 and identified as key challenges in the DPSA, 2018 Report on proposals for the improvement of the PMDS in the PS:

- Lack of leadership support: Leadership support is critical for the success of the PMDS. Without strong leadership support, it can be difficult to gain buy-in from employees, allocate resources, and implement the system effectively
- Resistance to change: Implementing a PMDS often requires significant changes to the organisation's culture and processes. Some employees may resist these changes, which can lead to a lack of engagement, poor performance, and low adoption rates
- Lack of clear goals and objectives: Clear goals and objectives are essential for the success of the PMDS. Without clear goals, it can be difficult to measure progress and determine the effectiveness of the system
- Inadequate resources: Implementing a PMDS requires time, money, and personnel. Without adequate resources, it can be challenging to develop, implement, and maintain the system effectively
- Lack of employee engagement: Employee engagement is critical for the success of the PMDS. Employees need to be involved in the development of the system, have input into their own performance goals, and have regular opportunities for feedback and coaching
- Insufficient training and support: Employees need training and support to effectively use the PMDS. Without adequate training, employees may not understand how to use the system or how it can benefit them
- Limited data quality and management: The PMDS relies on accurate data to evaluate performance and identify areas for improvement. Without effective data management, it can be challenging to gather, store, and analyse performance data

- Lack of continuous improvement: The PMDS should be designed for continuous improvement and automation. Without regular evaluation and refinement, the system may become outdated or ineffective over time.

To augment this, the MPSA approved and issued a revised PMDS, which was implemented with effect from 1 April 2018 (DPSA, 2018: 1-16).

The PMDS was criticised for lacking alignment between individual and organisational performance as well as inconsistent application and unjustifiable awarding of performance bonuses, which resulted in the PMDS being systematically reviewed to find new ways to improve the current PMDS.

A study conducted by post graduate scholars of the GIBS Business School (Referenced in the

'Report on proposals for the improvement of the PMDS in the PS, 2018'

but not provided for review as part of the PER 2022), in collaboration with the DPSA in 2020/2021, resulted in findings which indicate that the design of the PMDS in the PS features scorecards which often limit performance and don't encourage cross-functional cooperation.

Furthermore, the intervals of implementation are far too widespread, and data on implementing the PMDS was not gathered frequently enough for efficient interventions or meaningful impact analysis.

The Gibs Business School project makes a number of recommendations to improve the effectiveness of the current PMDS and these recommendations can be categorised into three main areas:

- Leadership
- System design
- Implementation support.

It is evident that failure occurs at the implementation stage. This suggests that having a good performance management policy alone does not guarantee organisational success.

Recently, the PSC, 2021 reported non-compliance with contracting deadlines, inconsistent practices concerning assessments, subjectivity, and misuse of and not taking the PMDS seriously. These are some of the major hindrances to the effectiveness of the PMDS system. These challenges need to be addressed to achieve maximum benefit from the PMDS system and, if ignored, will result in the PMDS not achieving its intended purpose.

The GIBS Business School study found the following areas of significant concern relating to the PMDS in the South African Public Service. The qualitative engagements conducted as part of the PER 2022 further serve to collaborate these findings as they relate to the current implementation of the PMDS in the PS:

- The design of scorecards often limits performance and does not encourage cross-functional cooperation. The current system is seen as a 'box-ticking exercise' and a framework that can easily be 'gamed', without significant consequence or reward
- There is a lack of objective and standardised measures of performance
- The design of the process and system is not user friendly, leading to resistance. It is viewed as not being sufficiently adaptive to the needs of departments and institutions, which differ vastly. Systems which were meant to provide differentiation in, amongst

others, the DoH, and which are referred to in all the OSD Resolutions have not materialised in any meaningful way

- It was found that non-compliance and inconsistent implementation of the PMDS is a major challenge. The intervals of implementation are widely spread out and data was not gathered frequently enough for efficient interventions. There are over-burdened and underperforming HR functions in Government, leaving performance management to managers that are not equipped with the necessary skills
- The paper-based system (with an Excel spreadsheet template provided by the DPSA) is seen as inefficient and burdensome. There is no synergy with other HR processes (training, recruitment, promotion, etc.)
- There is a lack of clear communication about how performance indicators are aligned to departmental and government goals
- There is a high level of resistance to change within the PS. The significant challenge posed by labour unions and no systematic implementation feedback mechanism feeding into the DPSA, is dysfunctional and lacking
- No level 1 to 12 alignment to National policy at the provincial level.

Given the above, the implications identified (DPSA, 2021 incorporating the GIBS Business School study) for the DPSA and PS include:

- The DPSA should consider a centralised PMDS for all public servants and develop timely and effective feedback mechanisms to be used going forward
- Consider the importance of conducting reviews and assessments, since these findings indicate a poor level of compliance with this practice
- The suggestion that departments do not adequately manage the performance of employees and that it may be difficult to proactively identify and address poor-performing employees
- That indications exist to confirm that the individual assessment outcomes are not always a true reflection of the performance of the department
- The fact that most departments' performance reviews and assessments are not taken seriously by supervisors and employees
- That PMDS practices are done for malicious compliance and annual assessments are regarded as a vehicle for personal gain only
- The suggestion that supervisors and managers use the performance assessments to 'settle scores or for victimisation'.

It is evident that some departments do not comply with the requirements of the prescribed moderation process and that the review and alignment of performance agreements aren't updated and accurate. The vast majority of departments have indicated that training must be provided to the moderation committee members. The moderation process is not always viewed as being objective, fair and transparent. There are significant views to suggest that the moderation of performance agreements to address the quality of performance isn't appropriately aligned and that agreements to improve alignment between performance contracting and strategic objectives of the departments are sorely lacking.

It is generally agreed that the application of performance bonuses is the key driver to motivate employees to perform well and that the absence thereof will result in malicious compliance for the sake of adherence to the PMDS. It is also evident that the manner in which the PMDS is currently implemented will not result in any accurate reflection of individual or departmental performance objectives.

The majority of departments indicated that managers and supervisors must engage employees and communicate the strategic direction and objectives of the departments to all employees to enhance the following:

- Discussions on the content of performance agreements
- Impact on operational plans and organisational performance
- Alignment of job descriptions, performance agreements and organisational objectives and outcomes to individual assessments.

Departments indicated that managers, supervisors, and employees have been trained on performance management directives. Concerns are raised that members of the SMS are loath to attend such sessions. Departments have indicated that managers and supervisors failed to take appropriate action for non-compliance with the performance management directives.

The vast majority of employees are not engaged in the departmental strategic goals and annual performance plans, which is indicative of clear and concise communication and uniform understanding by all stakeholders. There is also a strong view that additional training on performance management directives should be provided to managers and departments to ensure the institutionalisation and the subsequent cascading of strategic goals to align to individual performance agreements.

It is evident that the PMDS directives have the potential to improve individual and organisational performance of departments, employees, SMS and HoDs if applied and implemented correctly. The following findings, challenges, and key areas of improvement of the PMDS, as it currently exists, are identified by employees and departments:

- Communication and alignment at all levels to ensure buy-in and commitment
- Clearly defined and unambiguous alignment of key strategic drivers and objectives to KPIs and all performance contracts
- Consideration of issues and findings of the AGSA to individual performance and strategic goals
- Answerability, accountability, and consequence management for HoDs, SMS, MMS, supervisory and all levels of employees in relation to compliance and application of the PMDS directives and desired outcomes required
- Automation of the PMDS and greater centrally coordinated monitoring and evaluation in ensuring effectiveness
- Incorporation of the principles of proper workforce planning and talent management principles which consider the needs and requirements of the workforce of the future
- Incorporation of successful collaborative PMDS practices amongst other diverse stakeholders at national, provincial, local, SoEs, SETAs and institutions of higher learning
- Standardisation of the PMDS across all levels
- Establishment of an institutionalised PMDS culture of high performance which includes reward and recognition systems and structures.

PER 2022 summary findings: PMDS: Local Government	
Criteria	Findings
A performance management framework and strategy are in place and are clearly communicated and supported	• Varies vastly between metros and local municipalities • Some operate extremely well and are aligned to objectives and others are non-existent • Communication, buy-in and commitment are generally challenging
A performance rating scale is in place	• Performance scales vary and exist but not always applied effectively
Job descriptions are in place for all positions with clearly defined performance criteria	• Evidence exists to suggest that JDs do exist in authorities which are well established • There is a general need for review and refinement
Performance contracts are in place for all positions	• Performance contracts exist but are not always reviewed to ensure relevance
Job descriptions are signed by employees	• JDs are signed but not reviewed consistently
Performance contracts are signed by employees	• Performance contracts are not always signed and agreed to in smaller authorities
KPIs are in place for all employees and linked to objectives	• This differs vastly from compliant to non-compliant in smaller authorities • Linkages to objectives not always evident
Personal development plans are place for all employees	• Performance development plans exist but are not always done in accordance with the real needs which exist
Regular performance conversations and feedback are part of the organisational culture	• Varies vastly between authorities but generally lacking significantly in some LAs
A regular performance review process is in place	• Varies significantly but generally requires more vigour and focus
The objectives in the performance appraisals are specific, measurable, and achievable	• Only evident in two of the metros sampled • Generally, requires improvement
A poor performance process is in place	• A process is in place in certain instances but little evidence of application
Performance improvement plans are in place to manage poor performance	• Only evident in two of the metros sampled • Very little evidence exists to suggest that this is applied and actioned
Performance management process is linked to the talent management process	• Evident in two metros with challenges relating to implementation • Requires significant focus
There is a system in place to facilitate the performance management process	• Automated system in place in three of the authorities sampled

Performance management is linked to increments and notch increases	• Applied in those authorities which have and efficient and effective system • Generally, requires improvements
Performance management linked to bonuses	• May be linked to bonuses in those metros which are able to pay bonuses • Generally, the linkage doesn't exist
Performance contracts exist for SMS performance and monitoring	• Performance contracts exist • In some instances, they exist but require refinement and review

PER 2022 summary findings: PMDS: SoEs	
Criteria	Findings
A performance management framework and strategy are in place and are clearly communicated and supported	• The vast majority of SoEs have a well-documented PMDS framework which is communicated and applied • The extent to which the respective entities have the support in implementation is varied
A performance rating scale is in place	• A performance rating scale exists and is being applied • The approach to the scale used differs between entities
Job descriptions are in place for all positions with clearly defined performance criteria	• JDs are largely in place • It is evident that there is a need to review JDs based on changing circumstances and role changes • Some entities are embarking on processes to update JDs
Performance contracts are in place for all positions	• Most entities have contracts which are in place • The extent to which these are applied and measured differs vastly
Job descriptions are signed by employees	• Feedback received indicates that JDs are signed
Performance contracts are signed by employees	• This differs vastly between entities sampled • Some entities take the PMDS process very seriously and there are clear indications that most entities have challenges • Challenges are identified and attempts are made to address them
KPIs are in place for all employees	• Some entities have well documented and aligned KPIs which are being applied

	• Numerous entities have challenges in refining their current KPIs
The KPIs are in linked to the business objectives	• There are linkages which are aligned to the strategy and business objectives • Information provided is indicative of the alignment not been achieved and that it is currently a work in progress
Personal development plans are place for all employees	• PDPs do exist in most instances • The accuracy of the PDPs in identifying skills and competency deficiencies isn't always objective and agreed to
Regular performance conversations and feedback are part of the organisational culture	• In most instances the feedback processes are documents • The extent to which objective conversations are undertaken varies from applying good practices to some which struggle to conduct feedback objectively
A regular performance review process is in place	• Performance reviews do take place in most entities • Most acknowledge that the frequency and extent of feedback provided is a challenge
The objectives in the performance appraisals are specific, measurable, and achievable	• There are definite areas where best practices are applied and achieved • Most entities are dealing with the challenge of ensuring objective and measurable appraisals
A poor performance process is in place	• Most entities claim that poor performance processes are in place • Most entities indicate that challenges exist and need to be reviewed and applied in practice
Performance improvement plans are in place to manage poor performance	• Most entities are challenged in fully implementing a meaningful performance improvement plan
Performance management process is linked to the talent management process	• In most cases there is little evidence to suggest that entities are able to achieve alignment between the PMDS and internal TM strategies
There is a system in place to facilitate the performance management process	• In most cases there are electronic systems in place which comply with the requirements of a functional PMDS • Full implementation and compliance are a challenge for some entities
Performance management is linked to increments and notch increases	• Linkages exist where these are applied • The extent to which it is objectively assessed isn't always evident
Performance management linked to bonuses	• PMDS is linked to bonusses in the few instances in which this is applied

	• The extent to which the PMDS application is reliable enough to make the determination is a challenge
Performance contracts exist for SMS performance and monitoring	• They do exist in most instances • The extent to which they are objectively applied is a challenge for most entities

iii. Recommendations: Public Service, Local Government and SoEs

The DPSA (2021:24-26) conducted a survey within the Public Service to assess the state of the PMDS and its application as a reflection of the key issues which need to be addressed going forward. The PER 2022 acknowledges and concurs with these reflections which include, amongst others, the following recommendations:

- The PMDS should adopt a stakeholder approach, i.e., collaboration with the DPME, other government divisions and end-users (for insights) including institutions of higher learning and SETAs (to develop skills of the future) and the private sector (for successful approaches and better service delivery impact)
- The Public Service should reconsider existing workforce planning and talent management practices to prepare for future public servants
- The Public Service will need to continuously innovate and find new ways to improve the current PMDS, while at the same time improving the current implementation of the PMDS to enhance its effectiveness at the lowest cost
- Undertake a project to strengthen the implementation of the PMDS
- Identify certain aspects of the current PMDS that may need enhancement to ensure that there is maximum alignment between individual performance and organisational performance outcomes
- The need to institutionalise a performance management culture in the Public Service
- Departments indicated that managers must be held accountable for non-compliance and must ensure that employees' performance agreements are aligned with the objectives and goals of the departments
- There is a strong view that supervisors must ensure a clear set of performance standards and indicators and that communication must be improved
- The PMDS should be automated, and employees and managers must be trained on the PMDS.

The same report (DPSA, 2021:25-27) highlighted three broad areas as recommendations that need to be addressed as a matter of urgency to uphold the continued integrity of the PMDS as it currently operates.

Leadership and direction

- Accountability: Managers and supervisors must be held accountable for the management of employees' performance, including the PMDS practices such as timely contracting, conducting mid-year reviews and annual assessments and the management of poor performance
- Institutionalisation of consequence management: Non-compliance must be dealt with in terms of Section 16A of the Public Service Act, 1994
- Communication: Managers and supervisors must communicate the departmental strategic objectives and goals to all employees. This will help in the development of clear performance standards and provide meaningful performance feedback**.**

System design

- Digitalisation: Optimise first, then digitise as automation and digitalisation are not silver bullets, since processes must first be optimised and implemented correctly
- Data collection capacity: To ensure that the digital approach allows for business intelligence which will assist in making an informed decision on development and the performance of the organisations
- 360-degree assessment: This will require commitment from the relevant stakeholders and must be automated. The possible introduction of some form of group/peer evaluation (360-degree system) is recommended
- Incentives: A clear separation of financial incentives from the PMDS directives and the introduction of an Incentive Policy Framework redesign to take into account changing trends in drivers of employee performance and satisfaction such as non-monetary rewards
- Assessment of CD and Directors: Assessments must be linked to Branch, Chief Directorate and Directorate levels.

Implementation support

- Training: Members of the SMS and supervisors must undergo training on the application of the PMDS, which includes training and advocacy for the effective use of the system. The training must include soft skills such as communication, strategic planning, decision-making and problem-solving
- The National School of Government in conjunction with the DPSA must provide training on the PMDS. Collaborate with the NSG is required for focused training on performance management. This may include online training for implementers
- The introduction of measures to improve the setting of performance standards and indicators in KRAs
- There is a need for more emphasis on the development aspects of the PMDS
- The performance agreements must be quality assured by the moderating committees to ensure alignment with departmental strategic goals and objectives
- HR units must be capacitated to play the enabling and supportive role in the management of employee performance
- The performance of employees must be monitored throughout the performance cycle
- Re-evaluate and establish the DPSA's role in terms of policy development, implementation and advice and support to departments
- Moderation Committees must be trained and have a clear understanding of the PMDS directives.

The following foundational guidelines are imperative for the successful implementation of the recommendations going forward:

- Communication, buy-in and commitment
- Linking the PMDS to the organisational strategy.

The first imperative is the need to address communication, buy-in and commitment within the Public Service. It is acknowledged that this is complicated, but consideration needs to be given to establishing this as a point of departure and in alignment with the concept of the professionalisation of the PS.

The following guiding principles are recommended and can be achieved over time:

- Communicate the need for change: Communicate the need for implementing a PMDS to all stakeholders, including employees, unions and organised labour, managers, and SMA. There is a need to explain how the PMDS will benefit the organisation and employees. Needs and concerns must be addressed
- Involve employees in the process: Involve employees in the design and implementation of the PMDS. This can help to increase buy-in and commitment and ensure that the system is aligned with employee needs
- Provide training and support: Provide training and support to managers and employees to ensure that they understand the purpose and benefits of the PMDS, as well as how to use the system effectively. An inclusive and collaborative approach can be adopted by including all organs of state, NSG, academic institutions and SETAs
- Demonstrate leadership support: Ensure that senior leaders are visible and vocal in their support for implementing a PMDS. This can help to increase buy-in and commitment from employees and managers
- Align the PMDS with organisational goals: Align the PMDS with the organisation's goals and objectives to ensure that it supports the organisation's strategic direction
- Monitor and evaluate the PMDS implementation: Regularly monitor and evaluate the implementation of the PMDS to identify any issues or areas for improvement. This can help to ensure that the system is effective and aligned with organisational needs. It is recommended that this be conducted within the DPSA
- Recognise and reward good performance: Use the PMDS to recognise and reward good performance. This can help to increase employee motivation and commitment to the system.

By following these best practices, organisations can effectively manage change and ensure buy-in and commitment to implementing a PMDS. This can help to improve performance, increase employee engagement, and drive overall success.

The second overarching dependency is the need to link the PMDS to an organisation's strategy. This is essential for ensuring that the system supports the organisation's overall mandate, goals, and objectives. This recommendation includes:

- Aligning PMDS goals with the organisation's strategic objectives: The goals and objectives of the PMDS should be aligned with the organisation's strategic objectives. This can be done by reviewing the organisation's strategic plan and identifying the key performance indicators that support those objectives
- Developing performance measures: Performance measures should be developed to evaluate progress toward the PMDS goals. These measures should be tied to the organisation's strategic objectives and should be meaningful, measurable, and achievable
- Linking individual and team goals to organisational goals: Individual and team goals should be aligned with the organisation's strategic objectives. This helps to ensure that

the goals of individual employees and teams are contributing to the overall success of the organisation
- Communicating the link between the PMDS and strategy: It is essential to communicate the link between the PMDS and the organisation's strategy to all employees. This helps to create a shared understanding of how the PMDS supports the organisation's goals and objectives
- Monitoring and adjusting the PMDS as needed: The PMDS should be regularly monitored and adjusted to ensure that it continues to support the organisation's strategy. This may involve reviewing performance measures, revising goals, and making other changes to the system.

By linking the PMDS to the organisation's strategy, organisations can ensure that the system supports the overall goals and objectives of the organisation. This can help to improve performance, increase employee engagement, and drive overall success.

In relation to the above recommendations (DPSA, 2021) and foundational guidelines discussed above, it is further recommended that a phased approach be adopted in assessing the current PMDS in the PS in relation to its effective implementation and the manner in which enhancements are executed.

Phase 1: High-level internal audit of the PMDS and the impact of its implementation

Duration: 4-6 months

Cost: Internal using existing resources managed centrally by the DPSA. The use of AGSA reports and internal reviews already conducted is recommended

Auditing the PMDS implementation involves assessing the effectiveness and efficiency of the system in achieving its objectives, as well as identifying any areas for improvement. Some of the recommended steps to be adopted may include:

- Review the PMDS documentation: This involves reviewing the policies, procedures, and guidelines that govern the PMDS implementation, to ensure that they are in line with the organisation's objectives and standards. It should be noted that the PER 2022 Review does not recommend major changes to the policies and directives which currently exist. The purpose would be to enhance the process based on some gaps which exist, and which are highlighted in this report
- Assess the implementation process: This involves assessing how the PMDS was implemented, including the design and development, communication, training, and change management processes. The objective is to determine whether the implementation process was effective and efficient, and to identify any gaps or areas for improvement. The barriers to implementation should be identified and addressed as this is the major challenge which requires urgent action. The key areas which require focus include adoption, buy-in and commitment, answerability, accountability and stringent consequence management
- Evaluate the performance management data available in Departments and within the DPSA: This involves evaluating the performance management data that has been collected, such as performance ratings, goal achievement, and development plans, to determine the effectiveness of the PMDS in achieving its objectives
- Assess the feedback process: This involves assessing the feedback process used in the PMDS implementation, including how feedback is provided, received, and acted upon.

The objective is to determine whether the feedback process is effective and whether it leads to continuous improvement

- Review the governance and oversight structure: This involves reviewing the governance and oversight structure of the PMDS implementation, including the roles and responsibilities of different stakeholders, to ensure optimal efficiency and effectiveness
- Centralised leadership and direction from the DPSA, DPE, Treasury, NSG and OoPs: Design and develop templates which could be used to drive uniformity and ease of implementation which enhances consistency and comparability where this is possible
- Identify areas for improvement: Based on the audit findings, the DPSA can identify areas for improvement and make recommendations for how to improve the PMDS implementation.

Phase 2: Implement by addressing the PMDS success and operational factors for integration into departments, key strategic plans and mandates

Duration: 1 year (Concurrent with phase 1)

Cost: Internally driven by HoDs, SMS and MMS (Monitored centrally by the DPSA)

The following areas and guidelines need to be addressed in this phase and requires a concerted effort by departments at all levels to ensure that the dependencies for the successful implementation of the PMDS are dealt with effectively. It should be noted that these issues will have far reaching benefits beyond the PMDS and are inextricably linked to other sections of the PER 2022 and should, therefore, not be read in isolation:

Strategy:

- Job descriptions and profiles must be aligned to the organisational strategy
- The HR and performance strategy must be well articulated and understood, and championed by top leadership (HoD and SMS)
- Organisational goals must be cascaded throughout the organisation (all levels)
- The vision and mission must support the departmental strategy and should be clear and unambiguous

Culture:

- The organisational values must be displayed by employees in their everyday lives and in line with the principles, code of conduct and professionalisation of the PS
- Core values should include a clear focus on performance expectations
- Employees must be empowered and believe in the importance of their roles
- It is essential that high performers are recognised according to objective and measurable requirements
- There must be transparency in the performance goals of leadership, providing employees with a framework to determine and achieve their respective KPAs.

Human Resources

- PMDS data should inform training and upskilling initiatives
- Recruitment and selection activities must be aligned with the organisation's views on performance and current and future skills needs
- Employees should be equipped to achieve their performance targets
- Employee wellbeing remains is a priority

- There should be a strong focus on the human aspects of performance across the organisation, from leadership to the frontline, and they should understand the rationale for their individual goals and the principles embodied in the Batho Pele principles.

Design and innovation process

- Employees must be encouraged to be involved in the conceptualisation of the performance process, including by suggesting new methods, ideas, or approaches
- Rapid implementation is essential
- Sufficient time should be given to employees to make their contributions
- The cyclical nature of team performance management processes must be explained and complied with.

Planning work and setting expectations

- There must be alignment and agreement on the short-term and long-term goals
- The establishment of specific, challenging, goal setting collectively by all team members should be encouraged.

Continually monitoring performance

Reviews should focus on:

- How well the team is functioning together to reach the common goal and objectives
- Whether the common goal remains consistent with the goals of other teams upwards in the organisation
- Continuously and collectively planning and revising the team's performance strategies.

Developing the capacity to deliver and perform

- Opportunities for team members to take whatever training and technical courses they may need to supplement their own knowledge and expertise must be encouraged and should be documented based on performance discussions and be documented and summarised in personal development plans
- Team members must be challenged by shifting assignments and role patterns. This will also assist in diversifying exposure and subsequent utilisation.

Regular/Periodic rating performance

- Ratings should tie a team's performance to organisational goals
- Team managers must involve team members in the process of identifying metrics or benchmarks
- When conducting final review, the managers must assess teams on their:
  - Ability to coordinate and synchronise activities
  - Ability to share information between team members
  - Ability to be successful in establishing individual task and role assignments that ensure the proper balance of workload between team members
  - Cooperation, collaboration and synergy between units and divisions.

Rewarding and rating good performance

- Highlight the collectivistic nature of teamwork and promote team achievement and distinction

- Acknowledge team contributions at the same level as individual contributions, which will encourage team performance
- Ratings should tie a team's performance to organisational goals
- Team managers must involve team members in the process of identifying metrics or benchmarks
- When conducting final review, the team manager must assess teams on their ability to coordinate and synchronise activities and sharing information between team members
- Ability to be successful in establishing individual task and role assignments that ensure the proper balance of workload between team members.

The recommendations proposed above will only yield the desired success if the following key issues and pre-requisites are addressed and acknowledged:

- Commence the process with what exists in the PS domain, and which has been developed since 2018
- Only bring about changes which are identified as inhibitors to successful implementation and progress
- Leadership and strategic alignment and commitment are essential
- Centralised monitoring and evaluation are essential
- Information management and supporting data will be enhanced by a fully automated PMDS in line with the current framework
- Clear communication and capability enhancement
- Answerability and accountability are key and critical
- Documented consequence management and transparency are essential.

In conclusion, it is abundantly evident that there has been significant progress in relation to the enhancements of the PS: PMDS based on the recommendations made in the PER 2011. The extent of operational guidelines and formal directives substantiates the PER 2022 findings and recommendations. It is unclear as to the reasons and extent of the 4-5 year delay experienced in bringing about these enhancements.

It is also clear that there are many strategic and general human resource functions and activities which need to be significantly enhanced to ensure a functional PMDS going forward. The PER 2022 firmly recommends that these issues be dealt with in the Phases recommended to bring about a transparent, efficient, and effective PMDS for the PS. It is also recommended that the successes achieved within the Public Sector, including SoEs, be reviewed to enhance the implementation.

32. Remuneration and reward

i. Context and overview

Total remuneration (comprising of fixed pay and variable incentives - short- and long-term incentives) is used by all public and private organisations to significantly improve productivity by:

- Having greater success in attracting and retaining key talent
- Enhancing motivation and engagement through personalisation
- Using evidence to show how to increase the productivity and output based on total reward (perceived value vs. cost)
- Helping drive greater individual and organisational performance.

South Africa's Public Service and broader Public Sector have limited options at their disposal to adequately incentivise their employees, retain their key talent and ensure that employees are remunerated fairly in comparison to the market. This is observed when considering awards in the form of long-term incentive plans (these are awards that are prevalent in the private sector and not Public Sector in the way it currently operates). Government institutions are reliant on the fixed and varied pay element of total remuneration, including a complex array of benefits and allowances.

The COVID-19 pandemic significantly impacted how organisations operate, presenting persistent and unprecedented challenges for organisations, their stakeholders, and shareholders alike. These challenges led to the various stakeholders reacting by implementing alternative short-term solutions to respond to the immediate impact of COVID-19 on remuneration - these alternative solutions included organisations across the board (private and government institutions) temporarily putting their bonus structures on hold (i.e. not paying out any incentives).

The bonuses were put onto a temporary halt for a number of reasons which include:

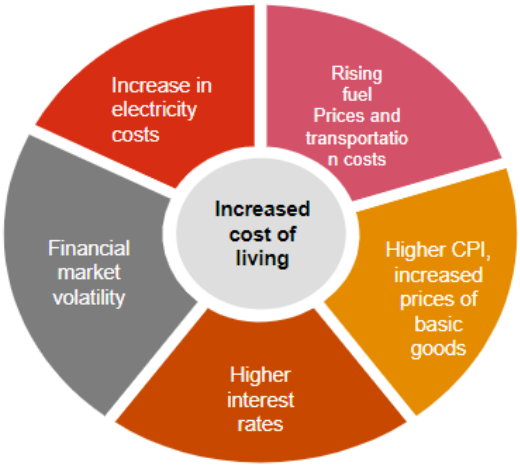
- Affordability considerations, with some organisations not having the ability to set meaningful targets, especially in an environment where strategies/objectives had to be revised
- An environment where no incentives were/are paid to employees has resulted in even more pressure being placed on the fixed pay element of remuneration
- In addition to the halt in the bonuses, a series of events (locally and globally) have led to the cost of living increasing substantially. This is especially evident when taking into consideration the higher-than-normal increases in the cost of food and transport, which are exerting more pressure on the fixed pay.

Within the Public Sector, increases to fixed pay have always been a talking point due to the government spend on employee cost as a result of the number of employees in the Public Sector (i.e. high head count). Within the South African market there have been even more robust discussions regarding the balance between reducing our unemployment statistics (SA unemployment rate is 32.7%[21]) and implementing salary increases for people that are already meaningfully employed. This has been

[21] Stats SA, 28 February 2023. Incidence of long-term unemployment among women is higher than the national average. https://www.statssa.gov.za/?p=16113

exacerbated by the country's greylisting status which will impact the country's ability to secure investments, which will have an impact on job creation.

Increases in cost-of-living expenses are impacted by, amongst others, the following:



To respond to pressure on fixed pay, traditionally employers have awarded increases to employees where it has been observed that lower-level staff would be given higher increases (in terms of percentages) than senior staff. This was considered an appropriate approach as the increases in inflation have impacted the lower paid the hardest and this approach also assisted employers in tackling issues related to pay gaps.

However, the increases awarded are typically not sufficient to counteract the effects of the ever-increasing cost of living. This presents itself as a new challenge to employers who are looking to retain and attract employees, while remaining competitive. The increase in the cost of living has also been identified as a global risk at the World Economic Forum[22].

In environments where stakeholders include unions, it is observed that an additional nuance where unions generally solicit an increase of approximately 7% or more, poses an additional challenge from an affordability perspective. The significant increases put organisations under more strain, especially in instances where they are in addition to benefits, the cost of which needs to be absorbed by the employer.

Market research indicates that Public Sector employees are generally better paid when compared to those in the private sector[23], especially when taking benefits into consideration. Our research indicates that organisations are looking to give increases ranging between 4.3% - 5.6% between 2023 and 2025.

New data from the Organisation for Economic Co-operation and Development (OECD) shows that South Africa's civil servants are some of the best paid in the world when considering the

[22] WEF, 2023. Global Risks Report 2023. https://www3.weforum.org/docs/WEF_Global_Risks_Report_2023.pdf

[23] BusinessTech, 10 August 2020. South Africa's government employees are some of the best paid in the world: study. https://businesstech.co.za/news/trending/422536/south-africas-government-employees-are-some-of-the-best-paid-in-the-world-study

relative size of the economy. The report shows that Public Sector wage increases are the main driver of government spending rather than increases in employment.

“In real terms, per capita remuneration in the public sector rose by 3.1% on average annually, and by even 4.1% for civil servants with long tenure (more than 10 years) in the last decade.”

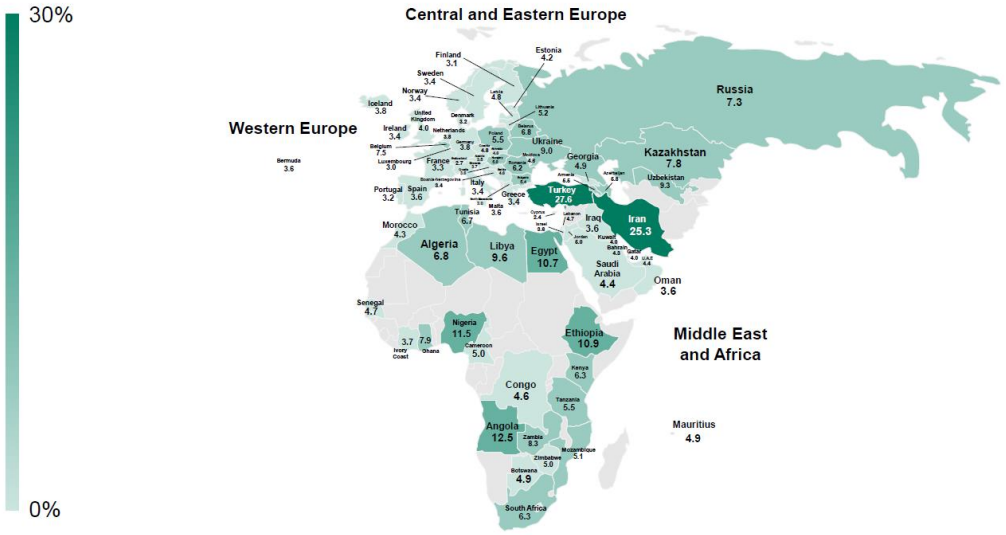
It added that wage negotiations have systematically granted above-inflation increases.

“Moreover, promotion policies contributed to wage bill increases. In 2006/07, 31% of public servants were in the salary levels 1–4 and 10% in levels 9–16; by 2017 the respective figures were 19% and 21%.” (BusinessTech, 2020)

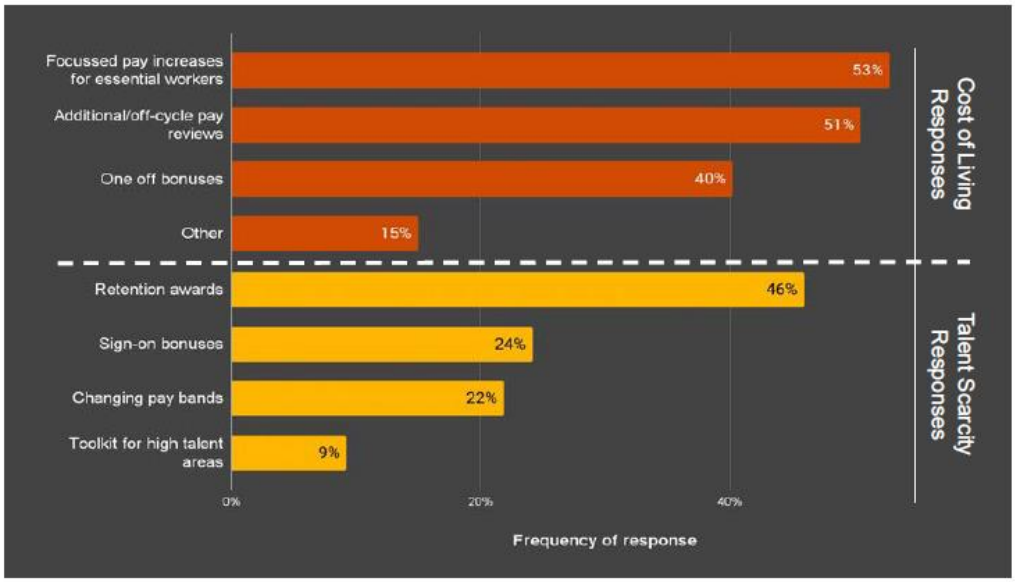
The table below highlights research done by Willis Towers Watson in 2022:

Source		Inflation forecast	
	2023	2024	2025
Fitch Solution		4.30%	4.80%
Focus Economics	5.10%	4.70%	4.50%
Investec	5.60%	4.70%	5.00%
Average	**5.35%**	**4.57%**	**4.77%**

Employers have projected increases between 4% - 6% within the Southern African region with an increase of 6.3% being projected for South Africa, as depicted in the graphic below. Even though the increases projected by Towers Watson are higher than those projected by economists (as per the table above), these are still below inflation.



Global research has indicated that employers are exploring various ways to assist employees with coping with the rising cost of living. In terms of a PwC global survey, the initiatives provided on the graph below were noted:



In terms of the South African context, the following initiatives have been explored by organisations:

- Increases: As indicated above, higher percentage increases have been proposed for lower-level staff (i.e. those that are mostly affected by the increase in the cost of living)
- Cost of living allowance: An allowance that would be granted to employees to assist them in coping with the increase in the cost of living. These allowances are temporary and would only be applicable while employees are experiencing high inflation rates. This is being considered by companies within the private sector. Within the Public Service, PSCBC Resolution 1/2021 led to the introduction of the non-pensionable cash allowances to alleviate cost of living expenses for public servants
- Living wage: In instances where employees are paid the national minimum wage, companies are assessing whether this is sufficient to allow employees to live a dignified life. The living wage is not a term that has been defined from a South African perspective. However, based on PwC research, the living wage could range between R6,972 - R12,756 for a person supporting a family of four. It has been observed that some companies within the private sector are considering the payment of a living wage as opposed to a minimum wage[24].

Employee value proposition (EVP)

EVP is the complete experience employees have of working in an organisation. It is the summation of the culture and values an organisation embodies, what employees can expect from it. This includes areas such as training and development, career opportunities, benefits, allowances, and recognition. EVP is the 'why' behind an organisation attracting and retaining talent at every level, with a combination

[24] PwC, 2022. Non-executive directors: Practices and fees trends report 2022. https://www.pwc.co.za/en/assets/pdf/ned-report-2022.pdf

of the intangible and tangible benefits offered by an employer. It is the core of an employer's brand that defines its positioning, what the organisation stands for, and the source code for the work environment that is built internally.

The discussion surrounding the retention of critical and key skills is not a new one; however, the impact of COVID-19 has reignited the conversation. Many organisations, both in the unlisted and listed space, locally and globally, are increasingly finding that their pay structures are not hitting the mark and that employees are resigning in big numbers, in what is being termed as 'The Great Resignation'.

To protect themselves from the full force of this and attract the right skills, organisations must identify what their workers really want and reimagine their EVP (including reward structures), to ensure that they remain fit-for-purpose and are well-equipped to enable them to attract and retain key talent.

The EVP addresses the fundamental questions of how a business attracts the people it needs to compete in the market and how it can best develop their skills. It also covers what can be expected from employees and what makes them effective, in areas such as readiness to engage and embracing change, a culture of appropriate behaviour, risk awareness and accountability.

PwC's Employee Preference Index identifies seven levers that organisations can pull in terms of the 'what' and 'why' in understanding EVP. These help organisations in organising their EVP thinking and drive effective change, in relation to the following:

Organisations on recruitment drives are refining employee value propositions, focusing primarily on organisational purpose, values, mandate, and leadership. Employees looking for new opportunities identify the following drivers as key:

- Increased flexibility
- Expanded benefits and compensation
- More competitive packages and perks
- Career growth and upskilling opportunities, with some seeing job changes as an opportunity to close pay gaps.

Although there is an evident shortage of skills in the country, it should be borne in mind that candidates/employees have evolved from what they expect from a job. Traditionally, organisations only had to bid against competitors for candidates, but the pool has been widened to include:

- Early retirement
- Self-run businesses
- Prioritisation of a flexible schedule
- The gig economy.

One way to approach this phenomenon is to meet the employees' newfound motivations. This may take the form of providing work flexibility, providing support structures for employee mental wellness, giving high-performing employees additional leave days and giving fathers extended paternity leave etc.

These tailored forms of EVP will:

- Retain the talent the Public Sector has
- Create a robust employee experience that connects employees to the organisation
- Promotes long-term loyalty and commitment to the organisation
- Provide differentiators to other employers
- Attract the scarce and critical skills required by the Public Sector.

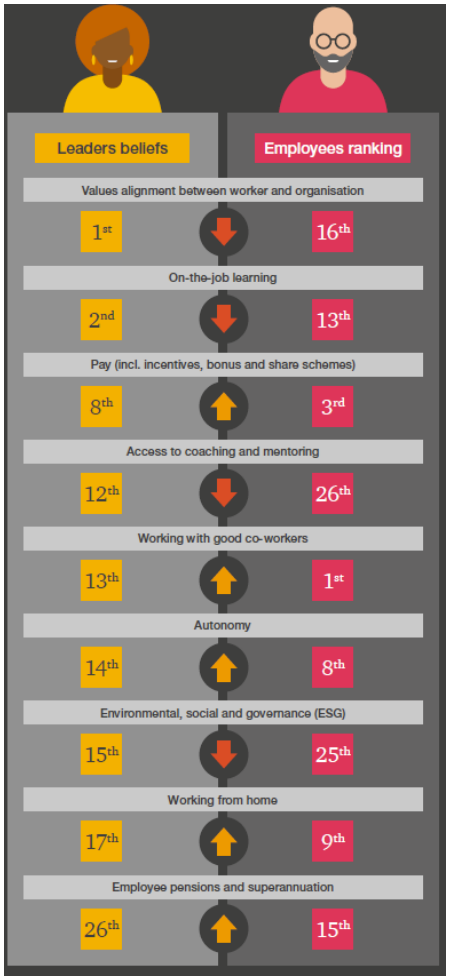
Considerations on EVP for the Public Sector

A PwC global survey[25] presented a number of value propositions to employees, and it was found that employees considered the following levers as differentiators:

- Remuneration and reward
- Wellbeing
- Experience of the employee in the workplace

In addition to the above, an analysis was performed where employer versus employee expectations were compared, and a gap was identified between what workers want versus what leaders think people want. The results depicted below show just how wide the gap may be between employees and an organisation:

[25] PwC, 2021. The Future of Work. https://www.pwc.com.au/important-problems/future-of-work/what-workers-want-report.pdf



Remuneration and reward

Remuneration and reward relate to fixed and variable incentives which also take into account benefits that employees receive from employers. To see value in the benefits received, these need to be relevant to the employees. To design benefits and rewards that are relevant, employers face two challenges:

- Getting more value for the total cost of their programmes
- Shifting benefits to meet people where they currently find themselves.

Provided below are some ways that the Public Sector can consider in updating their rewards and benefits:

- Expanding the definition of benefits: Total rewards are more than fair pay, insurance benefits and time off. To many employees, total rewards are a big portion of the overall experience they have at work, including their career progression and development opportunities
- Allow for flexibility and choice: Organisations that give employees more control over their

benefits can have an edge over those that don't. Instead of providing limited options, aim for more flexibility
    - This does not speak to remote working alone, but it also challenges organisations to reframe their benefit offerings by giving their employees choices. The Public sector is known to have generous leave days policies, which can be used to its advantage
- Prepare to meet people where they currently find themselves: Information about employee needs should help guide change approaches to total rewards programmes. Both health and economic hardships have shifted employee views on must-have benefits over the nice to haves
- Be upfront about how rewards are linked to the state of the organisation: For most organisations, the financial health of the organisation will ultimately drive changes to total rewards. That's why leadership should work together to guide the budget and strategy
- Help employees use their benefits: Benefits add value to an organisation only if employees understand they exist and use them. Accordingly, these need to be communicated from an organisational and individual level
    - To assist with the communication of these benefits, organisation-wide initiatives can be considered, and personalised approaches can also be considered. With regards to a personalised approach, it has been observed that some organisations make use of total rewards statements. A total rewards statement is a personalised document that provides a view of the overall value the organisation offers to the employee as part of the relationship.

Wellbeing

Wellbeing describes the way in which an organisation takes care of its employees and whether its employees feel valued. This does not always translate into monetary benefits.

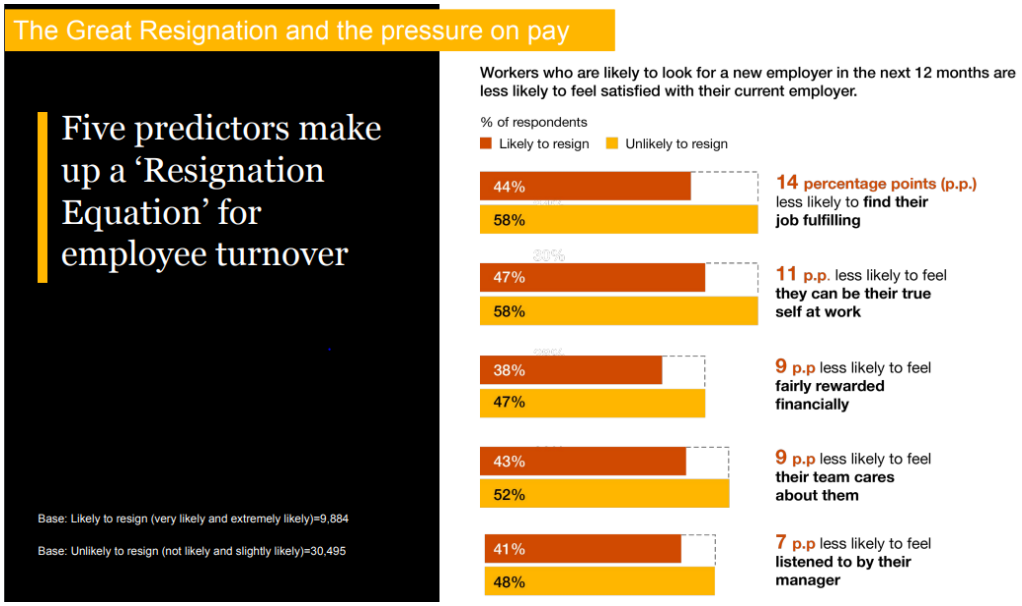
To design benefits and rewards during a time when the economy is under immense pressure, with economists predicting a looming shrink in GDP, organisations can consider a wide array of non-financial measures which could enhance employee wellbeing, in ensuring that employers stay abreast of these needs, which could include, amongst others, the following:

- Work-life balance initiatives
- Employee wellness programmes through which employees can obtain professional support services, such as counselling, psychological and trauma assistance
- Coaching and mentoring
- Changes to the workplace environment
- In-house general health checks, which assist in identifying the early onset of lifestyle illnesses and other general triage diagnostic assessments.

Experience of the employee in the workplace

While pay is a main factor in why employees are resigning at record numbers, purpose and authenticity round out the top three characteristics employees are looking for at work. This excerpt from PwC's Global Workforce Hopes and Fears Survey 2022[26] highlights the five predictors of employee resignations:

[26] PwC, 2022. Global Workforce Hopes and Fears Survey 2022. https://www.pwc.com/gx/en/issues/workforce/hopes-and-fears-2022.html



Culture has been recognised by many as being more important to success than the organisation's strategy or operating model. PwC's 2021 Global Culture Survey, which included leaders and employees of South African organisations, found that 68% of participants indicated that culture is of significant importance in an organisation[27]. Developing corporate culture is not a one-size-fits all approach but the long-term success of its implementation requires knowing:

- What people within organisations need and value
- How they interact
- What motivates them.

The guiding principles for cultural evolution include the following:

- Work within the cultural situation
- Change behaviours not mindsets
- Focus on a few key behaviours at a time
- Link behaviours to business objectives
- Deploy culture and change champions
- Involve and hold formal leaders accountable
- Demonstrate impact quickly
- Use cross-organisational methods to go viral
- Align programmatic efforts with behaviours
- Actively measure the culture and climate over time.

Global research on governmental employee pay

Performance-related pay fits within the wider performance budgeting and management developments and its popularity has increased over the past two decades. This has emerged as a result of the economic and budgetary difficulties in the Organisation for Economic Cooperation and Development ('OECD') member countries, of which South Africa is a member.

[27] PwC, 2021. Global Culture Survey 2021. https://www.pwc.com/gx/en/issues/upskilling/global-culture-survey-2021/global-culture-survey-2021-report.html

In most countries, the salary policy for civil servants now consists of three key components:

- Base pay
- Remuneration linked to the nature or duties of a post
- Performance-related pay elements.

The research conducted separated performance-related pay into two categories:

- An evaluation based on the job's demands (this would include an analysis of the job grade)
- An evaluation based on actual performance.

It was then concluded that in almost all OECD member countries at managerial level, there seems to be a greater emphasis on the first evaluation, i.e. the job's demands as opposed to the assessment of an individual's performance within the role[28]. Performance pay is an appealing idea, but from analysing the results from the study, it is clear that the implementation is complex and difficult in the Public Sector because individual performance assessment is inherently cumbersome.

Research conducted in America revealed that state employees were paid up to 80% more on average than private sector employees. This was mainly attributed to legislated increases in pay, increases in locality pay, expansions in benefits, and growth in the number of high-paid jobs as bureaucracies become more top-heavy. Similarly, South African civil servants are considered to be best paid considering the relative size of the economy and this is a direct result of the above-inflation-rate increases coupled with wage agreements with bargaining councils and unions[29].

This has come under scrutiny as the South African economy is under pressure post COVID-19, coupled by the high levels of unemployment and, more recently, the visible damage of load-shedding on the economy and citizens. This should spur the Public Sector to rethink other ways in which employees can be motivated whilst containing costs.

The Public Sector needs to consider short-term, tactical responses while considering the long-term people strategy. Reward needs to keep pace with the changes and may range from performance management to benefits. The renewed focus on EVP creates a compelling and financially sustainable offering for the Public Sector.

PER 2011 summary findings

The following are the summary findings as contained in the PER 2011 Report:

- The introduction of the occupation specific dispensation (OSD) resulted in the creation of over 350 salary scales
- This led to various interpretations in the implementation of OSDs by both HR and remuneration administrators
- Non-OSD employees within the Public Service are remunerated on a basic plus add-on basis or the cost to employer (CTE) approach

[28] OECD, 2005. Performance-related Pay Policies for Government Employees. https://www.oecd.org/governance/pem/35117916.pdf

[29] BusinessTech, 10 August 2020. South Africa's government employees are some of the best paid in the world: study. https://businesstech.co.za/news/trending/422536/south-africas-government-employees-are-some-of-the-best-paid-in-the-world-study

- Other remuneration frameworks include the salary broad banding introduced by the South African Police Service (SAPS) to create less grades with more notches between each grade
- Public Service Act Personnel (PSAP) employees managed by the SAPS for the purpose of determining salary progression, which are included in the PSAP budget, complicates the budgeting process.

In summary, the PER 2011 found that numerous remuneration and reward differences had resulted from the implementation of OSDs in the Public Service. Both TCE and non-TCE remuneration approaches were being utilised to compensate employees and remedy discrepancies that were emerging in terms of how employees were being remunerated.

PER 2011 summary recommendations:

- It was recommended that a TCE approach be adopted for structuring remuneration at all levels
- TCE encompasses all forms of remuneration received by employees as a part of their employment, such as:
    - Salary
    - Rewards
    - Incentives
    - Allowances and benefits
- The adoption of a TCE approach has a number of benefits, including enabling improved management of compensation costs and the elimination of hidden expenses, which assist the budgeting process and which all inform and justify the PER 2011 recommendation
- When implementing a TCE remuneration structure, the legal and tax consequences should be considered and consultation with labour should take place
- Once TCE has been modelled, employees may not be disadvantaged financially, and clear and effective communication will be needed to create buy-in and understanding
- It is recommended that jobs that have a similar organisational worth and require similar qualifications, experience, skills, and competencies etc. are grouped together into 'job families'
- Jobs would then be graded through the process of a uniform job grading system informed by clear and unambiguous grading rules
- A compensation policy will need to be developed for the job to determine the relevant pay scales which should be informed by job pricing factors, other than those aspects dealt with in EVP, such as:
    - Affordability
    - Comparability
    - Efficiency
    - Productivity
    - Other inflationary and economic factors
- Clear guidelines/criteria are required for how a job will be classified into a job family
- Effective oversight at a policy level is required in terms of managing the pay scales and criteria for movement within pay scales
- 'Scarcity allowances' are not recommended as they are problematic in terms of justification and eligibility.

Findings: PER 2022: Based on the recommendations of the PER 2011: Public Service, Local Government and SoEs

The PER 2022 findings on remuneration and reward, based on the recommendations made in the PER 2011, relating more specifically to the Public Service, have been identified based on the following sources of information/data obtained and consulted:

- Literature reviews conducted based on information in the public domain
- Best practices based on PwC research and methodologies in South Africa and globally
- Interviews conducted with stakeholders and functionaries
- Qualitative engagements conducted in accordance with a structured questionnaire
- Documentation provided by the DPSA, and other government organisations engaged
- PERSAL and PERSOL data analysed

The progress and developments can be summarised as follows and are dealt with in more detail in the 2022 criteria matrix summary assessment in Appendix 2 and narrative which follows:

- Adopt a TCE approach for structuring remuneration at all levels:
    - The recommendation has not been actioned, given that salary levels 1 to 10 in the Public Service, which make up most of the personnel numbers, are remunerated on a non-TCE approach
- Jobs that have a similar organisational worth and require similar qualifications, experience, skills, and competencies etc. should be grouped together into job families:
    - Slow progress has been made across departments given that job disparities remain, and that insufficient initiatives have been undertaken to curb the challenge
- Develop a compensation policy for jobs to determine their relevant pay scales which should be informed by job pricing factors:
    - Slow and disparate progress has been made
- Effective oversight at a policy level is required in terms of managing the pay scales and criteria for movement within pay scales:
    - Policies exist but there is a significant lack of consistent implementation, application and oversight
    - Significant disparities exist throughout the various spheres of government
    - The role and function of the DPSA is sorely undermined
- Scarcity allowances are not recommended as they are problematic in terms of justification and eligibility:
    - Some departments have steered clear of scarcity allowances; however this has not been applied consistently
    - Where scarcity allowances were implemented, it had a significant impact in curtailing personnel expenditure, such as the manner in which it was implemented within SAPS
- There is already an Occupational Classification System within the PS, which is currently being reviewed and refined, and this is in line with the Organising Framework of Occupations at the Department of Employment and Labour.

ii. Findings: Public Service, Local Government and SoEs

PER 2022: Findings: Public Service, Local Government and SoEs

The qualitative questionnaire and guidelines were used to engage numerous Public Service National and Provincial Departments. The findings which emanate from the application of the questionnaire are best captured in accordance with the areas covered and responses which have been received and analysed.

It should be noted that the responses vary from department to department and within the provinces. The reflection on which the findings are portrayed cannot provide for outliers of compliance or excellence and those departments which lag behind significantly. The departmental reflections are contained in a colour-coded summary outcomes attached as Appendix 2 to Part B of the report.

The reflection of the findings is based on the most common responses to the areas and criteria listed in the table below. The PER 2022 does not express any views in relation to the level of service delivery and impact of departmental performance. Any reference to service delivery and impact is anecdotal. The questionnaire responses often result in a view on the impact of the criteria on delivery efficiency and effectiveness.

PER 2022 summary findings: Remuneration and Reward: Public Service	
Criteria	**Findings**
Disparities in salaries and allowances are known and provided for	● There is a centralised repository system (PERSAL/PERSOL) in the Public Service, which houses remuneration and reward data ● This data is used to understand and account for remuneration information in National and Provincial Departments ● Evidence from qualitative engagements suggests that there are remuneration discrepancies, where employees executing the same roles could potentially be paid differently (i.e. in different provinces, etc.) ● Remuneration packages on salary levels 11 to 16 are aligned to best practices, given the TCE approach adopted ● Salary levels 1 to 10 are remunerated on basic plus benefits and allowances packages, which results in increased administration and potential leakages ● The way in which remuneration is packaged on salary levels 1 to 10 results in employees not fully appreciating the value of benefits allocated to them ● This has an impact on the way in which wage negotiations take place, given that employees typically consider the cash

	component of their remuneration packages, excluding benefits and allowances ● Quantitative analysis from graph 1, within this section, indicates that yearly increases from 2012 to 2022 have been granted above CPI, which has resulted in increased remuneration packages as a whole
The total HR cost (including operating, payroll and infrastructure) is known	● Different departments have knowledge of their total HR cost. The accuracy of HR costs is determined within the limitations of unrevised organisational structures ● What was seemingly lacking in certain departments is the understanding of the implications of their HR costs to inform sound cost saving decisions ● Given departmental budget constraints, as a result of Wage Bill pressures, increased accuracy of information is required by HR to ensure the integrity of the data used to understand and manage costs
The total cost to employer is known for non-TCE post levels	● Excluding leave benefits, it is generally accepted that benefits for non-TCE employees accounts to around 37% of the total cost ● However, a complex array of benefits and allowances make it difficult for the Public Service to fully understand the total cost to employer for non-TCE employees
The HR budget forecast encompasses all HR activities of the business (projects, overheads and operational)	● There is a reliability challenge regarding the forecasting processes and reporting outputs: ○ The limitations and integrity of data that can be interpreted and analysed ○ Accessibility of information ● Not enough is done by HR functions to measure financial impact to identify areas of cost savings ● The HR ROI is seldomly assessed to ascertain the output value and impact generated from implemented processes and initiatives ● There is typically a mismatch between the required budget by HR and the subsequent allocations of funds ● The lack of alignment leads to lengthy turnaround times

The HR budget is linked to the strategy execution	● There is a challenge of aligning strategies being formulated to the cost of staff and available budgets ● This creates bottlenecks when strategies need to be executed ● The extensive delays in implementation, by implication, would ultimately impact service delivery
The total percentage of time spent on transaction processing, controls and decision support strategy are acceptable	● Time spent on carrying out transactional processes and activities tends to be lengthy and tedious in most departments ● This is due to inefficient processes, reliance on manual systems and personnel capacity constraints
The ratio of strategy vs. operational activities is acceptable	● The policy environment in the Public Service, which feeds the strategy of departments, produces sound policy documents ● However, evidence suggests very little is done to implement these strategies at an operational level ● Evidence suggests that there is a general lack of consistency between departments based on different interpretations
The HR function	● The HR function is decentralised to departments in the Public Service ● The execution of HR activities in synergy and a uniform manner and with concrete measurable results is a greater challenge, especially in larger departments, given the number personnel that are impacted in the process ● There are pockets of excellence within selected departments and provinces, however the overall picture is plagued by inefficiencies and inconsistencies across the HR value chain ● HR is impacted by capacity constraints which impacts: ○ Their ability to effectively address HR risks ○ Their ability to comply with directives and changing regulations ○ The quality of their monitoring and reporting capability ● HR budgetary requirements tend to be above what the National Treasury can afford to allocate, given the wide array of competing imperatives

	● There is a lack of collaboration between departments within provinces and the Provincial/National Treasury
Costs are effectively contained	● Average cost of employees has increased above inflation from 2012 to 2022, as can be noted in the PERSAL/PERSOL analysis to follow ● Remuneration is crowding out spend on service delivery, given that employee pay is 'ring-fenced' ● Given the implementation of the abovementioned yearly inflationary increases, together with initiatives to curb the PS wage bill, departments have had very limited budgets to employ additional staff ● Departments have unique complexities; however the remuneration system is quite rigid and restricts innovation and preparedness for the future world of work

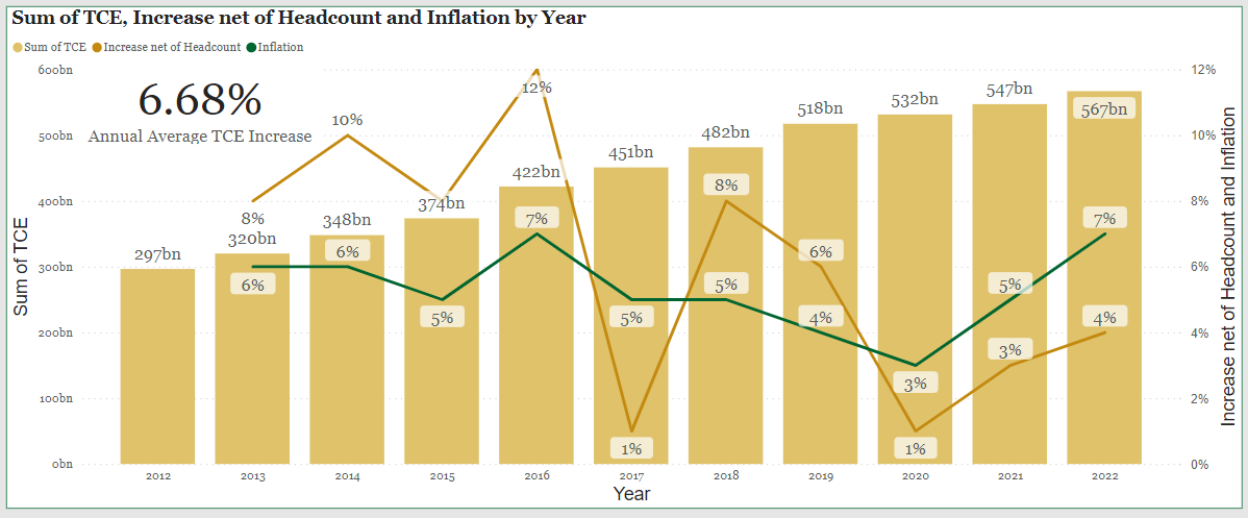
Data analysis

This section includes a trend analysis of remuneration data contained in the PERSAL and PERSOL systems.

The following graph depicts the sum of the total cost to employer (TCE) for public servants in National and Provincial Government over time, as a bar graph, along with the annual TCE increase and inflation as line graphs. TCE includes basic salary, medical aid contributions, pension contributions and various allowances. The most material allowances include the following:

- Service bonus
- Personal non-pensionable allowance
- Overtime
- Housing allowance
- Travel and subsistence allowance.

Graph 1: Sum of TCE, compared to annual increase rate and inflation rate

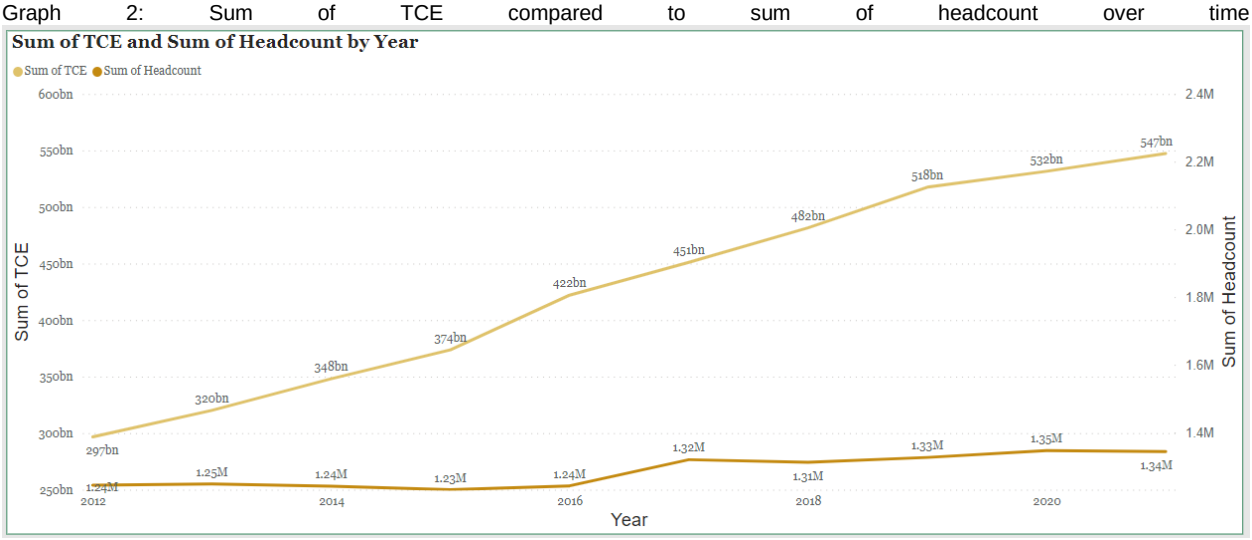


As the graph above shows, the annual overall TCE increase (adjusted for changes in headcount) exceeds inflation in most years and on average. This trend has been reversed in the last few years as a result of negotiation in the 2020/2021 financial year.

During this time, negotiated salary increases from the 2018 three-year agreement were not implemented due to affordability. In 2021/2022 the increase was a 1.5% non-pensionable increase, with varying non-pensionable allowance for salary levels 1 to 12. The 2021/2022 financial year saw the Public Service unilaterally implementing a 3% increase.

The graph below depicts the TCE over time compared to headcount at the same scale.

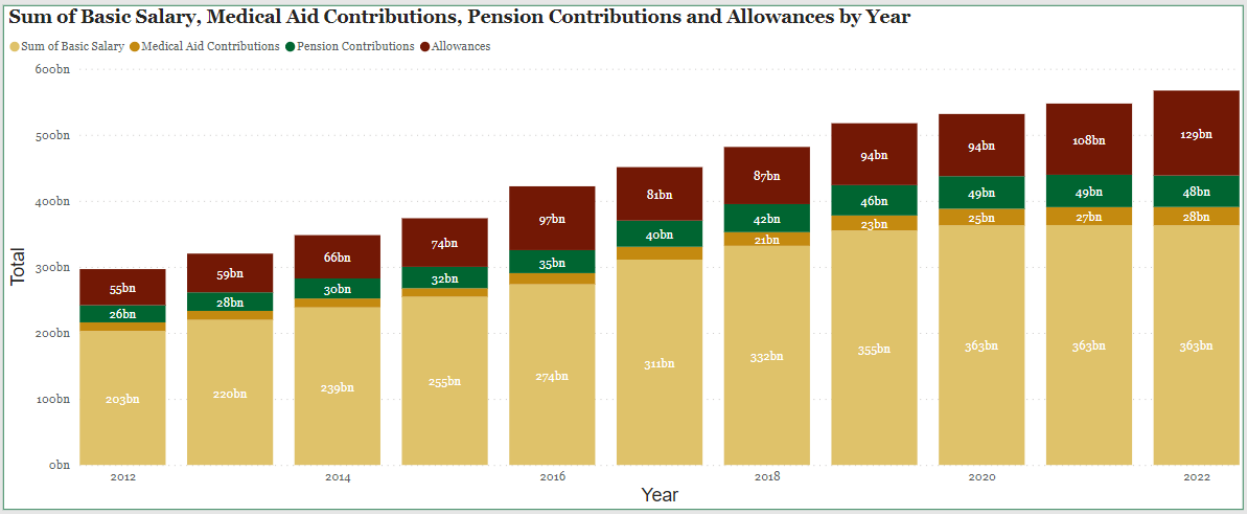
Graph 2: Sum of TCE compared to sum of headcount over time



It is noted from the above graph that headcount has not increased substantially at 0.8% per annum from 2012 to 2021, compared to TCE at 6.7% per annum for the same period.

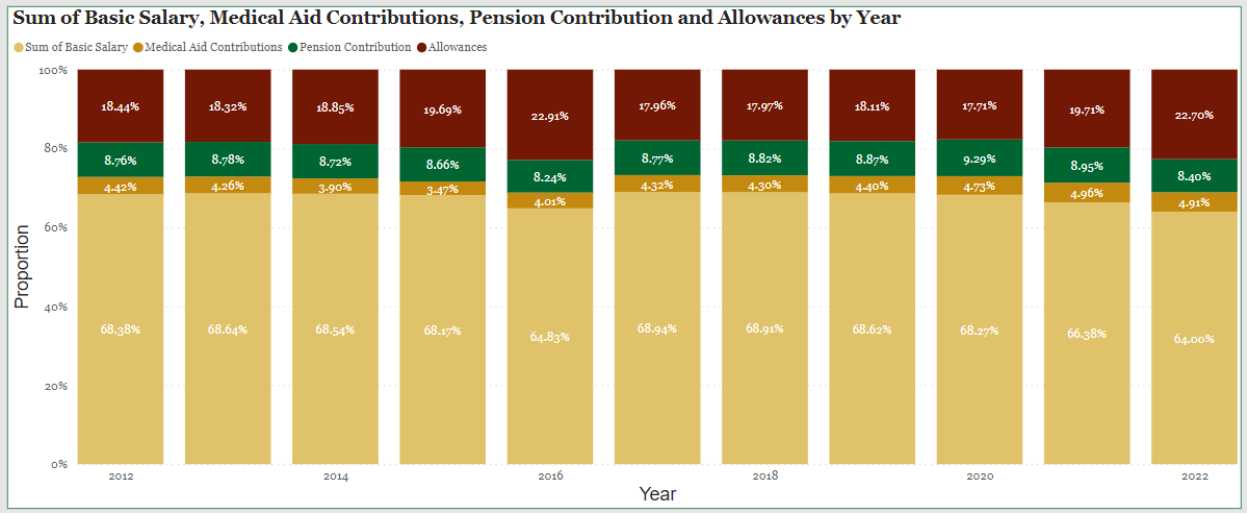
The graph below depicts the TCE above split into its four components: basic salary, benefits (medical contributions and pension contributions) and the sum of the various allowances afforded over time:

Graph 3: Sum of basic salary, medical aid contribution, pension contributions and allowances, over time



The graph below shows these four components as a proportion of the overall TCE:

Graph 4: Proportion of basic salary, medical aid contribution, pension contributions and allowances of TCE, over time



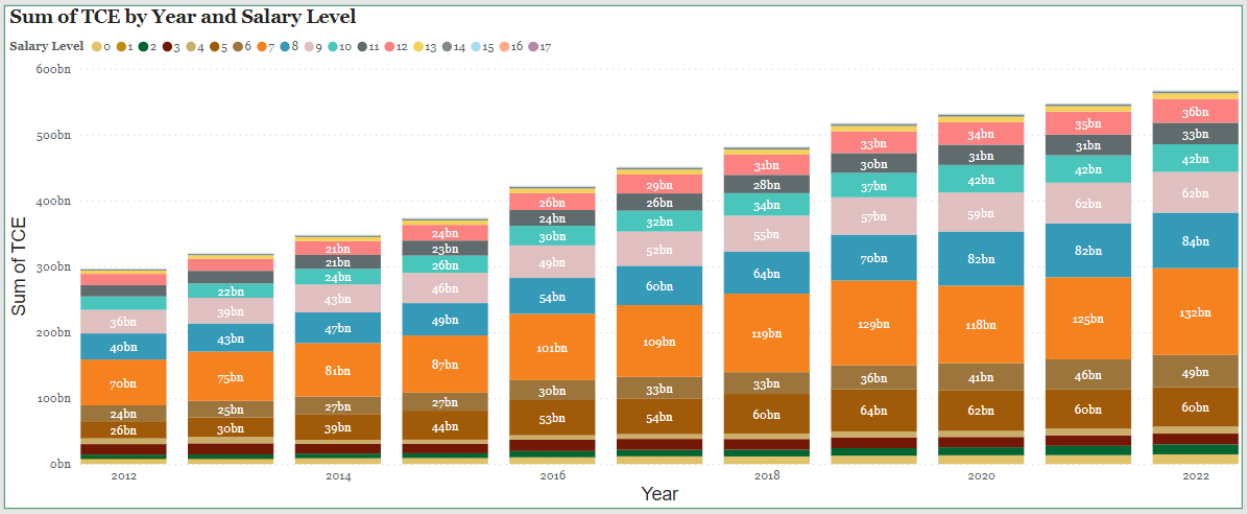
The two graphs above show that recent increases in TCE have been driven by increases in allowances, as basic salaries and benefits have levelled off. In particular, in the second graph, it is seen that the proportion of TCE consists of allowances which have increased over time.

Salary levels

This section investigates TCE trends in relation to salary level.

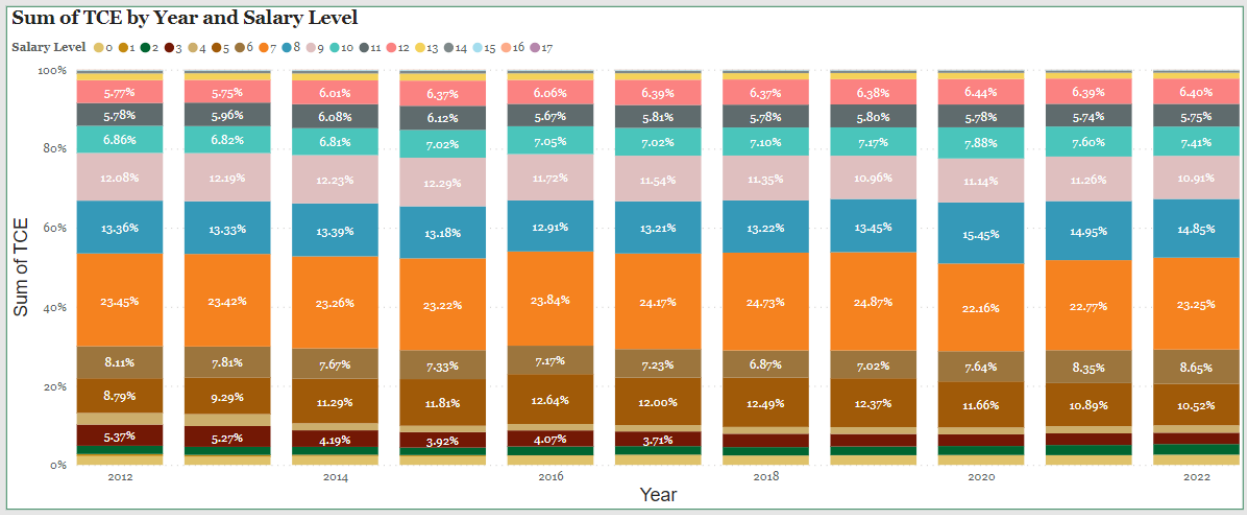
The following graph depicts TCE by salary level over time:

Graph 5: Sum of TCE split by salary level, over time



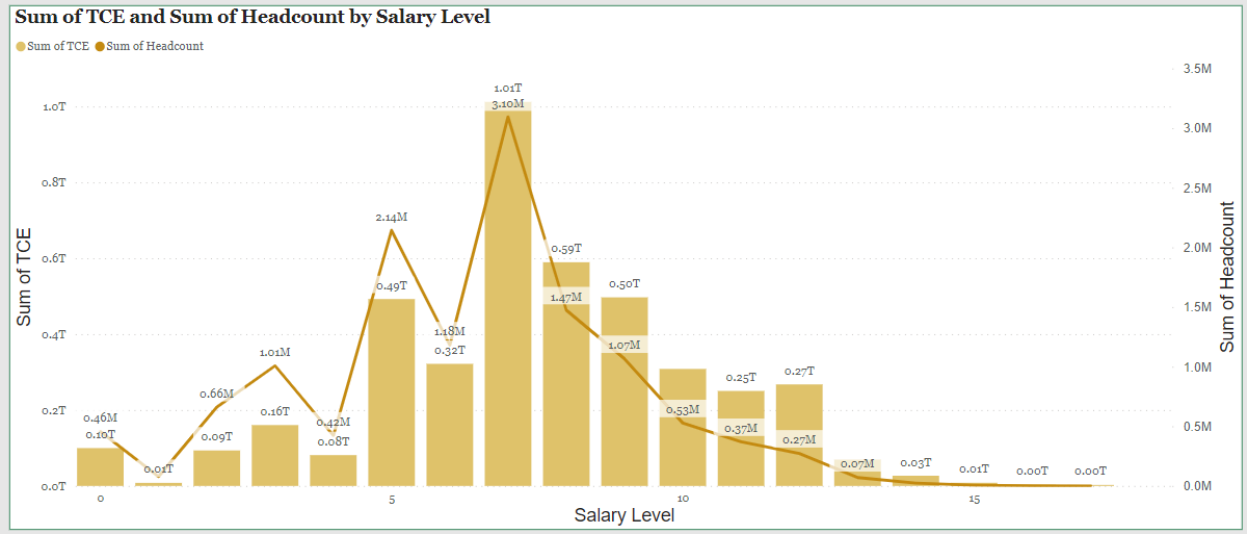
The following graph depicts the same view, where TCE is a proportion of total within a salary level over time:

Graph 6: Proportion of TCE by salary level, over time



The following graph compares the total TCE, as a bar graph, with headcount as the line graph. It is found that the TCE closely follows headcount.

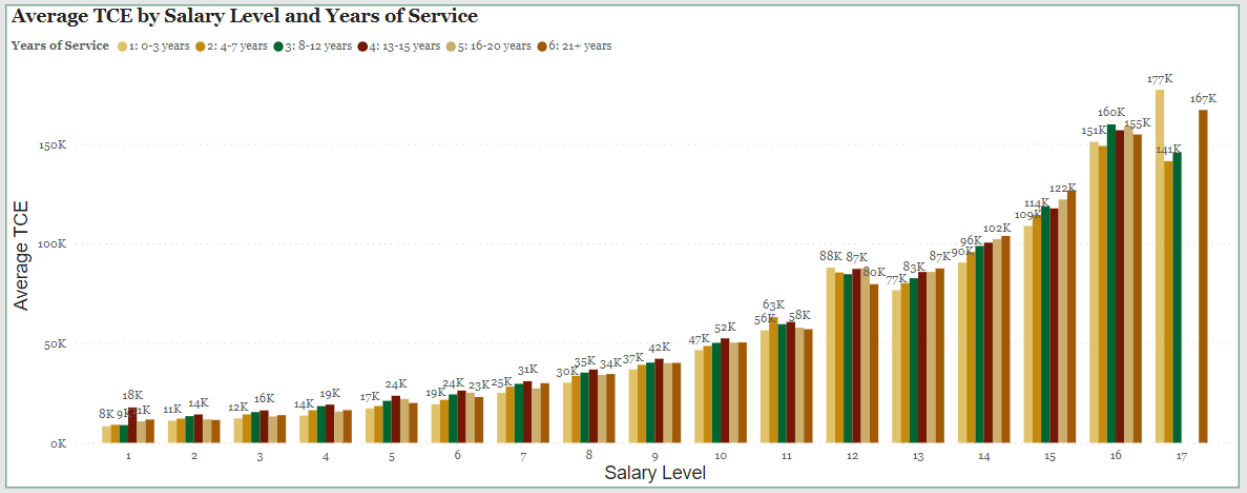
Graph 7: Sum of TCE and headcount per salary level



The three graphs above show no significant change in salary level distribution over time with salary levels closely following the headcount trend. The only exception is that of salary level 12. This trend at salary level 12 will be analysed further in the graphs that follow.

The graph below depicts average salary by salary level and years of service:

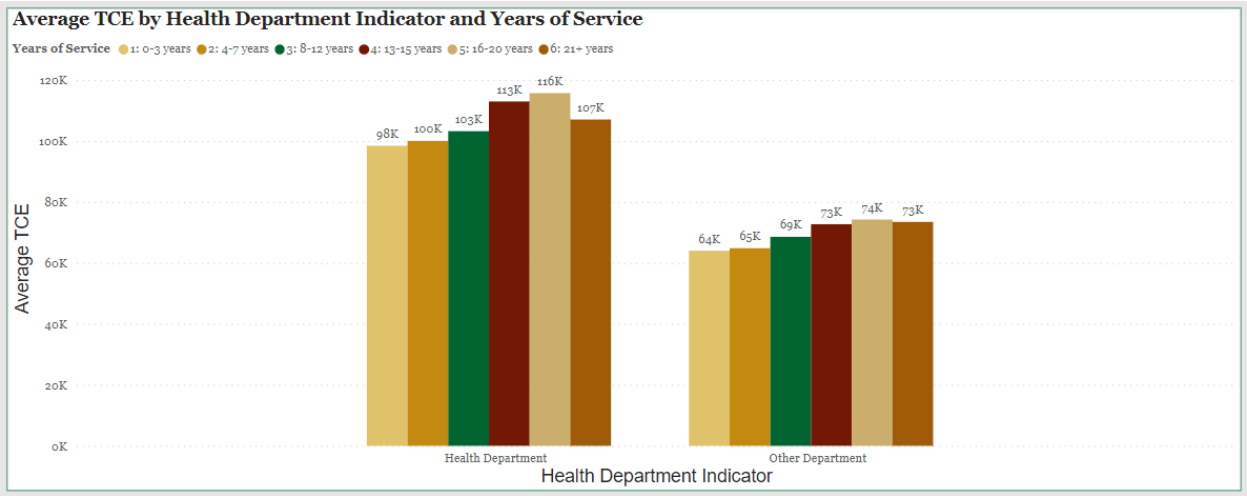
Graph 8: Average TCE by years of service, split by salary level



From the graph above, it is noted that salary level 12 has higher TCE than 13 on average, particularly at lower years of experience.

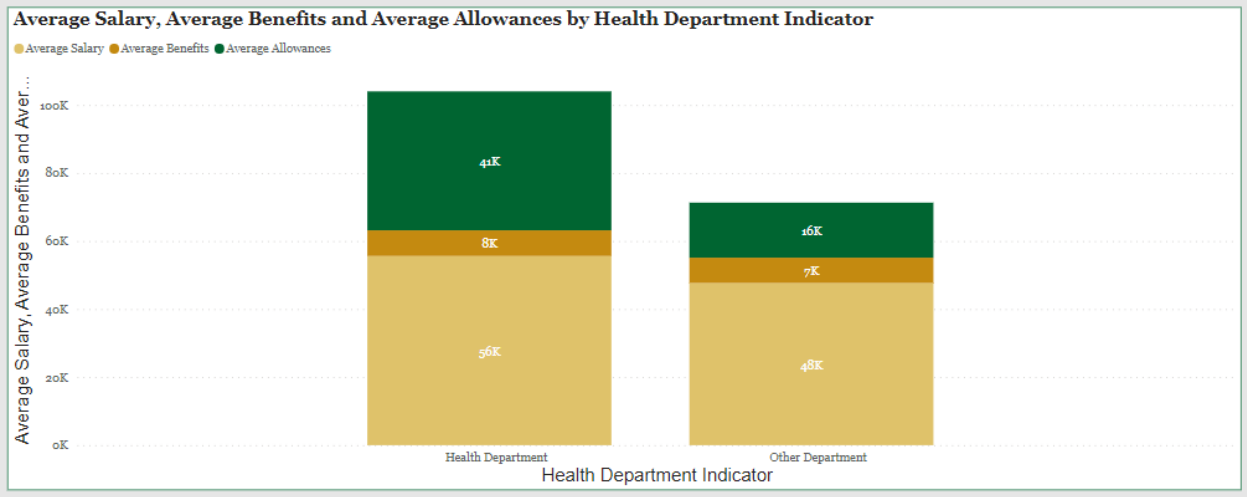
Isolating the trend, it is observed that this is driven by employees in the DoH, with average TCE at salary level 12 significantly exceeding other departments.

Graph 9: Average TCE by years of service: health department compared to other departments



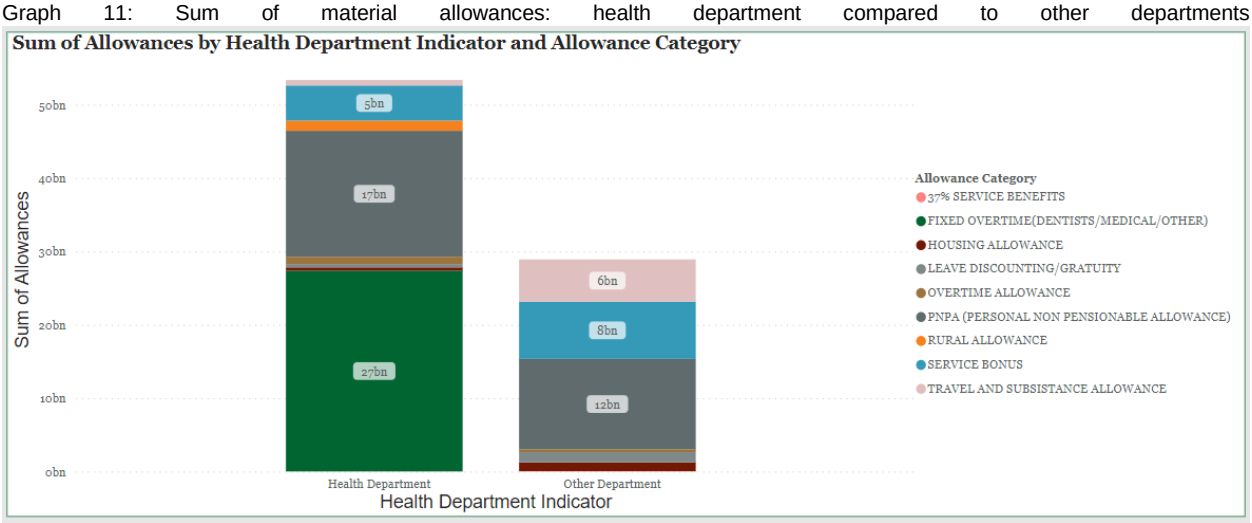
The graph below shows the average TCE of the DoH compared to other departments at salary level 12, isolating the TCE components: basic salary, benefits and allowances:

Graph 10: Average salary, benefits and allowances: health departments compared to other departments



As depicted above, the differential is driven by the difference in allowances. The graph below shows a comparison of overall allowances awarded to the DoH employees at salary level 12, compared to employees in other departments at the same level:

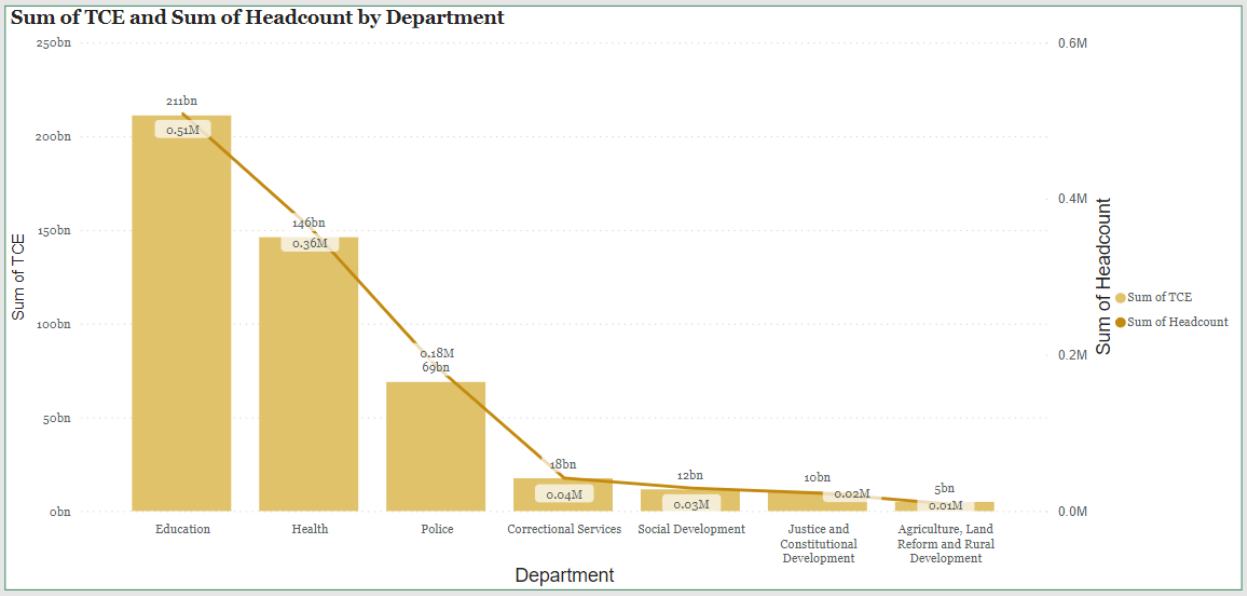
Graph 11: Sum of material allowances: health department compared to other departments



From the graph above, we see that commuted overtime (fixed overtime for medical professionals) is a significant driver of the differential.

Other than salary level 12, the trend across other departments closely follows headcounts as noted in the comparison of overall TCE and headcount below.

Graph 12: Sum of TCE and headcount across the large departments



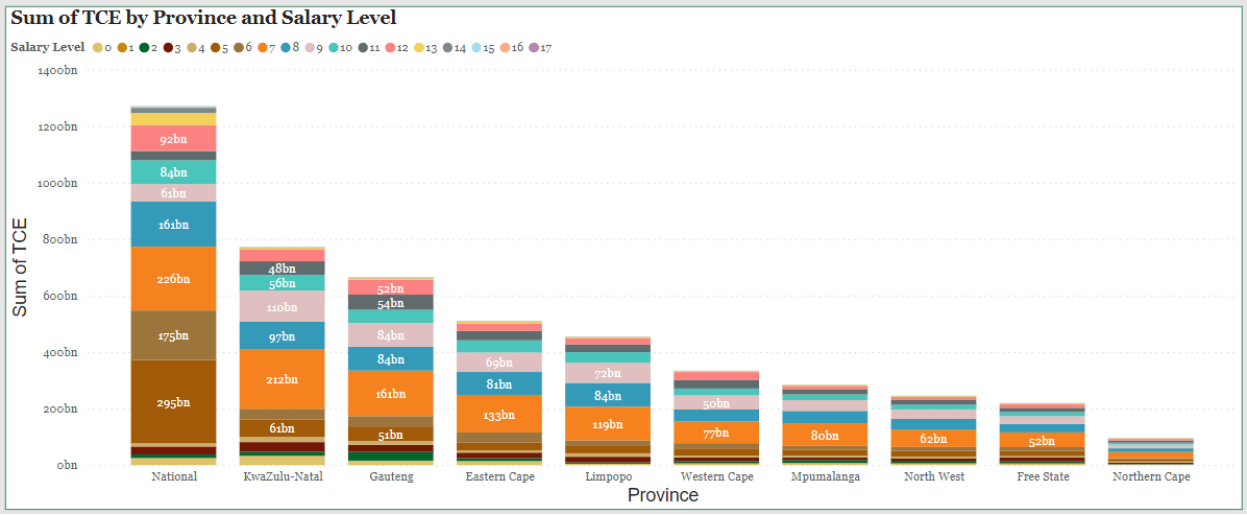
The above evidence shows commuted overtime causing a significant difference in average monthly TCE.

Provinces

This section investigates provincial TCE trends.

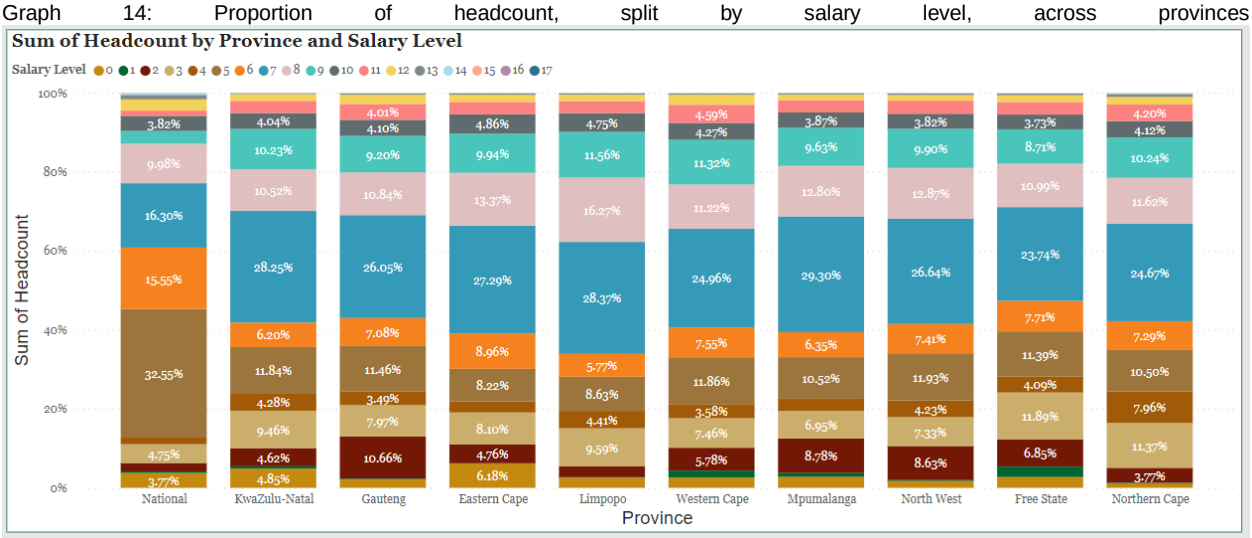
The following graph shows TCE by province over time:

Graph 13: Sum of TCE, split by salary level, across provinces



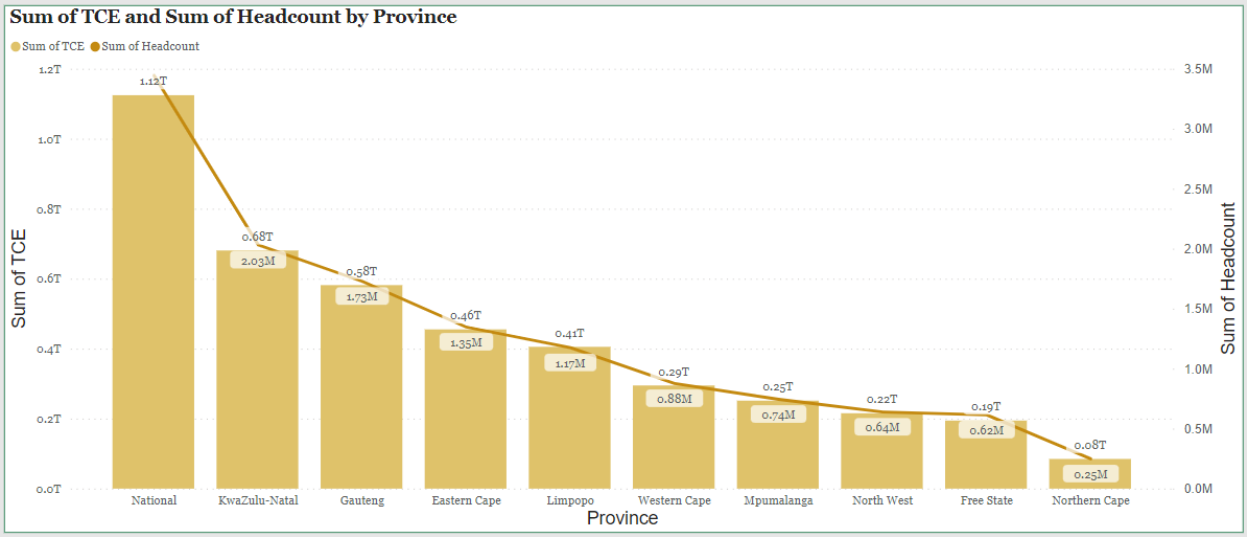
The following graph below depicts the same view, where TCE is a proportion of the total remuneration within a salary level:

Graph 14: Proportion of headcount, split by salary level, across provinces



The following graph compares the total TCE, as a bar graph, with headcount as the line graph. As expected, the TCE closely follows headcount.

Graph 15: Sum of TCE and headcount by province

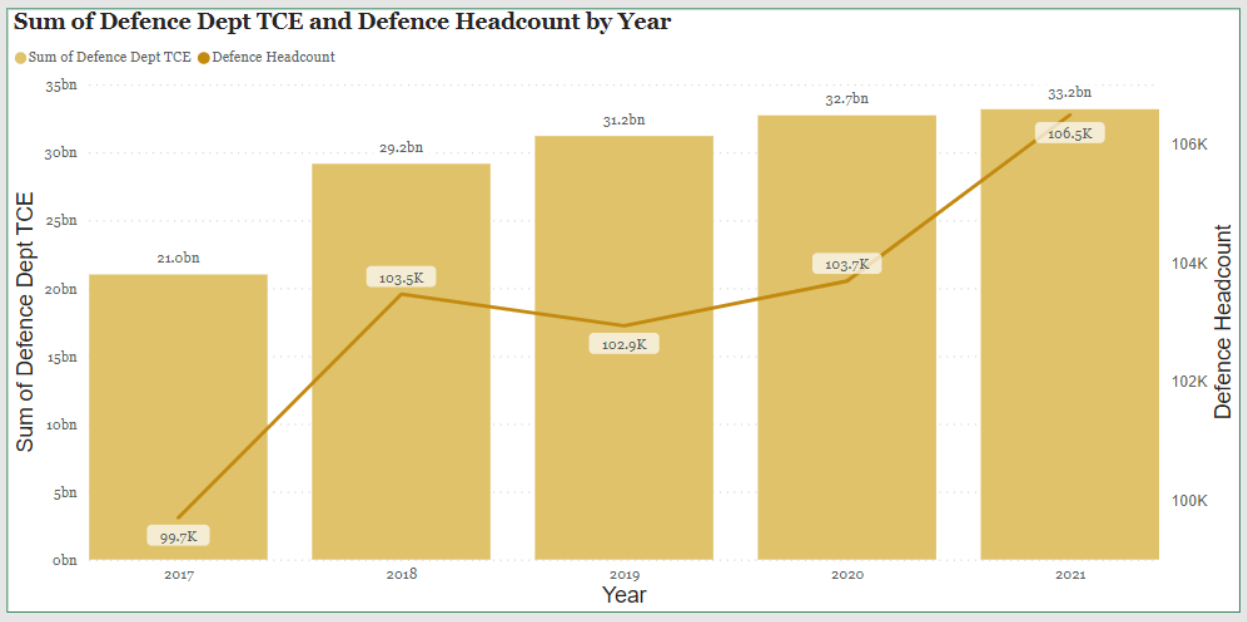


Department of Defence

The Department of Defence uses a separate system called PERSOL to store its data, while data for public servants in other departments is stored in PERSAL. As a result, this department is analysed separately.

The following graph depicts TCE, as the bar graph, over time for the Department of Defence:

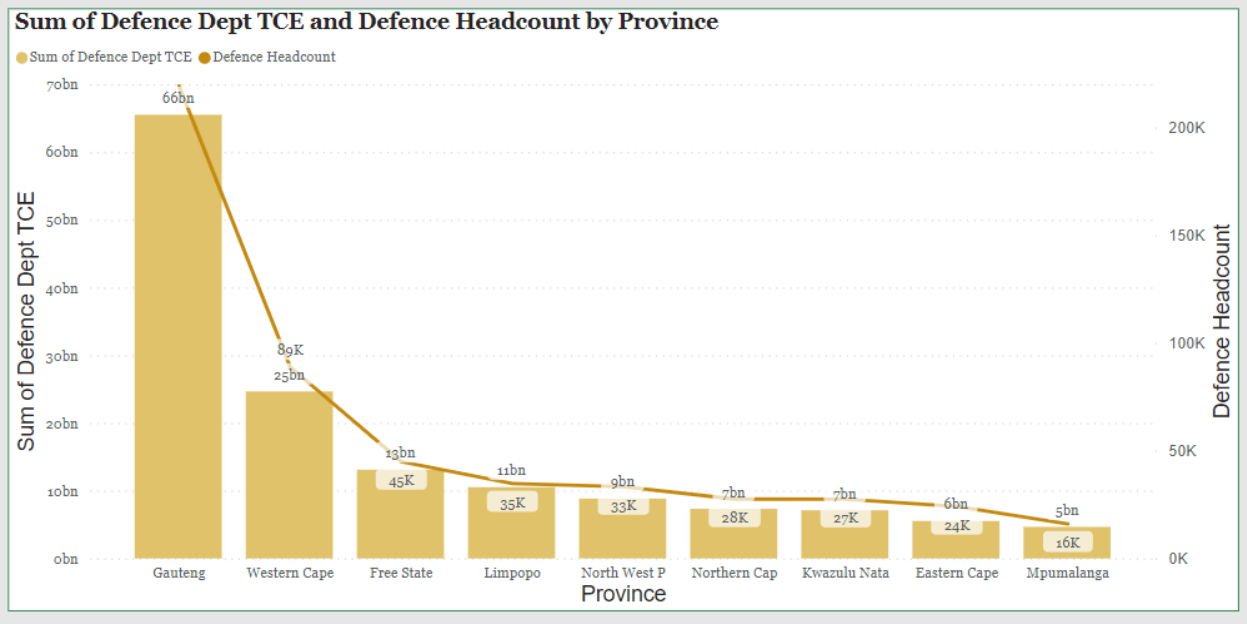
Graph 16: Sum of TCE and headcount within the Department of Defence



As with other departments, the same increase is observed over time and follows headcount closely.

The following graph depicts TCE, as a bar graph, and headcount, as a line graph, over time, per province.

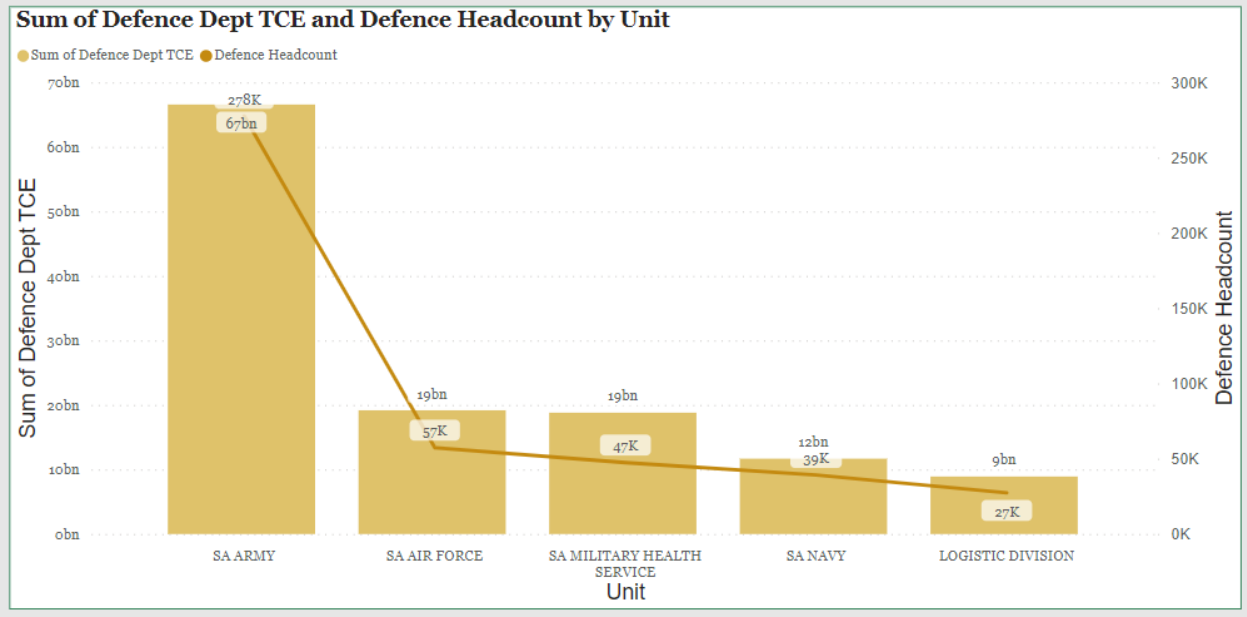
Graph 17: Sum of TCE and headcount within the Department of Defence, across provinces



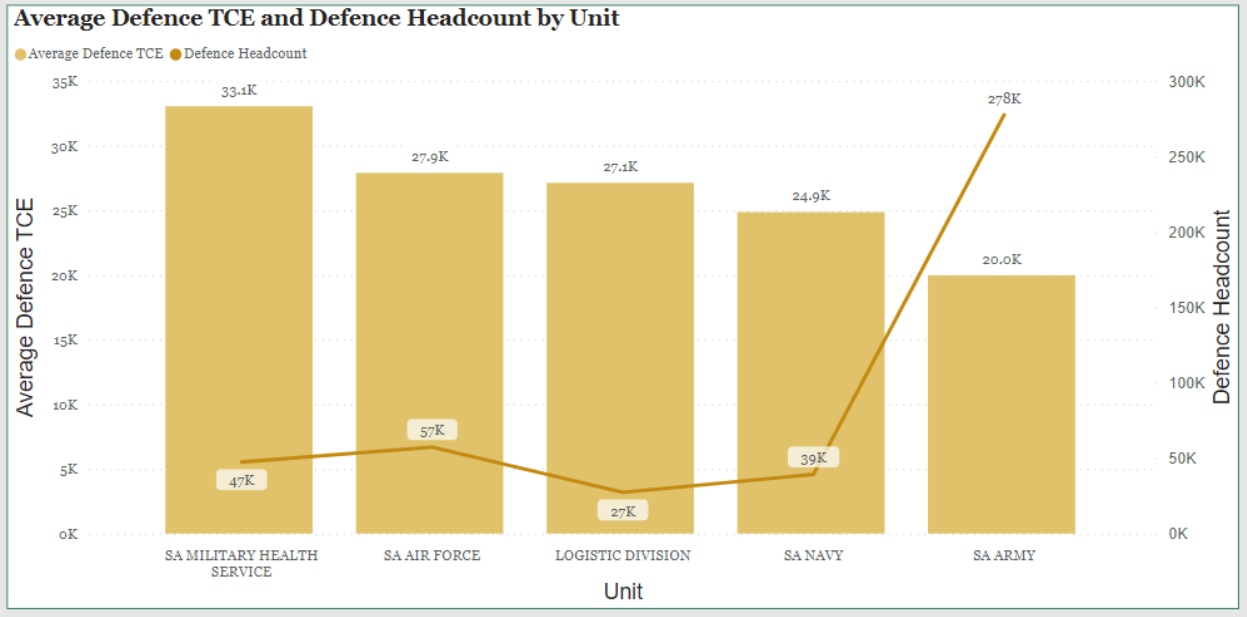
As noted above, the overall trend follows headcount closely.

The following graph depicts total TCE and average, respectively, as bar graphs, and headcount, as a line graph, over time, per department.

Graph 18: Sum of TCE and headcount within the Department of Defence, across the largest units



Graph 19: Average TCE and headcount within the Department of Defence, across units



The graphs above show slightly higher average salaries in the military health service, and lower in the army.

As with the wider trend, the DoD remuneration trends closely follows the overall Public Service trends.

PER 2022 summary findings: Remuneration and Reward: Local Government	
Criteria	**Findings**
Disparities in salaries and allowances are known and provided for	● Despite the lack of a central repository system for sector remuneration data, disparities in salaries and allowances are generally known at municipal level ● A greater proportion of employees are remunerated using a non-TCE approach, which is not aligned with best practice ● The prevalence of disparities in remuneration packages and grade levels of positions across municipalities is impacted by the lack of a centralised system for LG ● This is compounded by inconsistencies in job evaluation practices and the way in which remuneration principles are applied

Discrepancies in remuneration (salaries scales, job grades and allowances are known, provided for, transparent and equitable	● LG currently does not have a 'uniform' remuneration model ● Outside of municipalities having different categories, there are varying salary structures for municipalities of the same category ● The LG sector adopted the TASK job evaluation system to enhance equitable job grading across municipalities of the same category. However, some municipalities have not started a process of job evaluation updates in many years ● Indications exist to suggest that updates are in progress and that this should be complete by July 2023 (based on extensions granted in 2021 and 2022)
The total HR cost (including operating, payroll and infrastructure) is known	● Cost of employees in terms of budgetary percentage allocations, to municipal employee remuneration, varies greatly between the municipalities consulted, ranging from 28% to 84% ● The variances are large and disparate based on the size of the respective municipalities ● There are many instances where a large proportion of the budget is being used to remunerate employees. This impedes the spending imperatives critical to the enhancement of service delivery ● The total cost for non-TCE employees is generally known, however greater effort is required to gain such insights, relative to staff on a TCE remuneration approach
The HR budget forecast encompasses all HR activities of the business (projects, overheads and operational)	● The challenges experienced in LG are similar in nature to that of the Public Service ● There is a reliability challenge regarding the forecasting process and reporting outputs ● Not enough is done by HR functions to measure financial impact to identify areas of cost savings ● The HR ROI is seldomly assessed to ascertain the output value generated from implemented processes and initiatives ● There is a lack of alignment between required budgets

	● This leads to lengthy turnaround times to ensure optimal alignment
The HR budget is linked to the strategy execution	● The linkage of the HR budget and strategy execution is in place in the larger metros selected in the pilot study ● It is concerning that these linkages, which should be established, are not the norm across municipalities ● As a result, a number of municipal wide HR processes are not executed and misaligned to the key strategic drivers and execution
The total percentage of time spent on transaction processing, controls and decision support strategy are acceptable	● Most of the larger municipalities leverage automated digital systems to enhance process efficiencies ● Less time is spent on transactional activities, with appropriate control mechanisms put in place ● The smaller municipalities have significant challenges in this regard
The ratio of strategy vs. operational activities is acceptable	● Evidence suggests that more time is allocated to formulating strategies but that implementing strategies remains a challenge
The HR function	● All municipalities conduct their own HR activities and functions using their own systems, which are not integrated across municipalities ● There are cost saving initiatives undertaken in larger municipalities, but evidence suggests this is not common practice across the sector ● The management of HR functions ranges from being effective in the metros to significant challenges and gaps in the smaller municipalities
HR is effectively addressing risks	● Some pockets of excellence do exist in ensuring that HR risks are managed and contained, but this remains a huge challenge in the smaller municipalities
The average HR cost per employee has increased more than inflation	● In the absence of quantitative analysis, qualitative inputs and documentary evidence received point to employee costs increasing above inflation over the last ten years ● There are municipalities with the appropriate financial resource and financial management functions to support the growth in HR-related costs, but this is unsustainable going forward

Costs are effectively contained	● Employee costs are determined by the size of the municipality or district ● Employee costs are driven by the size and nature of the services provided ● There is insufficient quantitative data to ascertain the change in remuneration costs across municipalities over time, but sufficient evidence exists that costs are not optimally managed for sustainability over time ● This would ultimately impact on municipalities' ability to execute their mandate and service delivery imperatives

Equitable share is an important budget determinant within LG, which ultimately impacts the ability of a municipality to execute on its mandate and the remuneration paid to staff. The following is applicable regarding the equitable share:

- It accounts for all components that a municipality requires to perform its function
- It considers the revenue needed to run the specific municipality
- It is viewed as a fair representation of size and complexity as it treats every service identically in terms of delivery cost
- Distinguishes between district and municipality and who provides the service
- The equitable share calculation is not performed by individual municipalities and cannot be manipulated.

A major challenge in LG is the lack of a centralised remuneration database. This database would make it easier to access necessary data, which would in turn improve the ability to monitor and track and monitor personnel expenses for the entire sphere.

PER 2022 summary findings: Remuneration and Reward: SoEs	
Criteria	**Findings**
Disparities in salaries and allowances are known and provided for	● SoEs independently acquire their own payroll and HR systems, in compliance with DPE and other shareholder representative requirements and approved by their respective boards ● There is no central repository or management information system for the sector as a whole ● Remuneration discrepancies in terms of salary scales, job grades, allowances and benefits are based on their own unique platforms (e.g. SAP, SAGE) for

	remuneration, finance and grading (e.g. Peromnes, Paterson) purposes ● Where disparities exist, they are generally quantified and well understood in terms of their root causes. In most instances, initiatives and interventions are implemented to rectify prevailing challenges

The total HR cost (including operating, payroll and infrastructure) is known	● Individual SoEs know their total HR costs from an operational, payroll and HRM perspective
	● The total costs of remuneration, benefits and allowances are generally well known as a percentage of total revenue. These range from under 1% to 75% at the highest
	● A key challenge within SoEs is that they generally operate in isolation from each other. This doesn't enhance the sharing of best practices and ways to address common challenges across the sector
	● NT and general oversight are sorely lacking and limited to Presidential Review Commission reports produced in 2013 and the Commission underway in 2022, which emphasise:
	  ○ Operational inefficiencies
	  ○ Lack of sustainability in self-funding mandates
	  ○ The need for collaboration and coordination
	  ○ Duplication of powers and functions
	  ○ Competing scarce and critical skills in expert and specialised areas
	  ○ Disparities in policies, systems, procedures and processes
	  ○ Salary inequities, some of which are way in excess of PS norms and standards, especially at managerial levels
	  ○ Employment norms and standards with overly bloated structures
	● It is noted that some SoEs have been stable over many years, with no need for NT interventions to fund their wage bill and operations

The total cost to employer is known for non-TCE post levels	● Evidence suggests that some SoEs are on a TCE for all post levels and that where this is not the case, the respective boards have mandated for this to be implemented to ensure sustainability and affordability going forward
	● There are SoEs which align their remuneration structures to the Public Service (National and Provincial Departments), which could contribute positively to the concept of a 'Single Public Sector narrative'
	● SoEs that have not brought about the necessary changes and best practices experience similar difficulties manifested in the PS, relating to:
	  ○ Leakages and malpractices in remuneration and reward practices
	  ○ Difficulties in reporting, monitoring, evaluating and data integrity to enhance decision-making
	  ○ Increased administrative burdens based on cumbersome and ineffective manual interventions

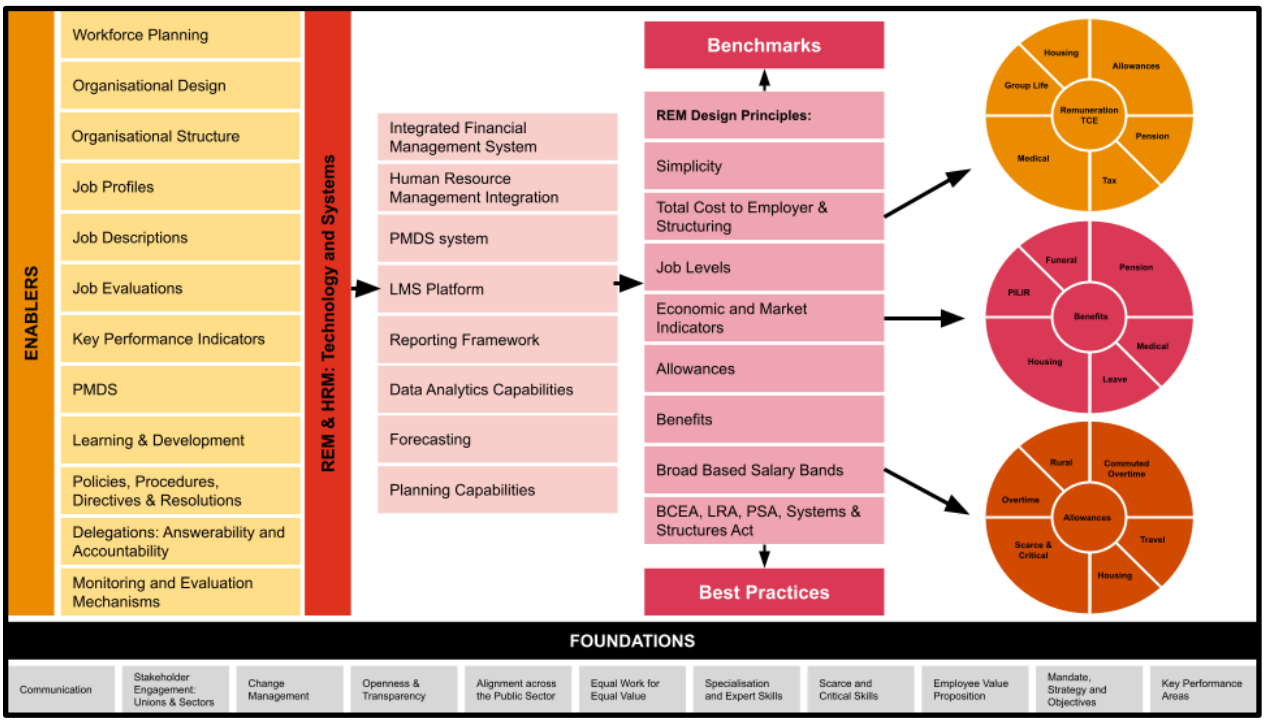
The HR budget forecast encompasses all HR activities of the business (projects, overheads and operational)	● SoEs are generally able to use technological systems and processes to enhance forecasting and to make decisions based on accurate information available ● Financial impact is assessed to identify areas of cost savings ● The HR ROI is assessed to ascertain the output value generated from implemented processes and initiatives using electronic PMDS to assess employee output against strategic and operational business activities ● HR and Finance collaborate to ensure there is alignment to HRM, projects, operations and other overheads ● Turnaround times are generally faster in ensuring the alignment of HR to the business drivers
The HR budget is linked to the strategy execution	● Sufficient time is taken to consult the appropriate stakeholders to solicit buy-in and commitment, which ensures linkages to the strategy and ensures affordability

The total percentage of time spent on transaction processing, controls and decision support strategy are acceptable	● Time spent on transactional activities within SoEs is generally streamlined based on appropriate standards and the integration and use of technology and systems ● HR personnel are leveraged as organisational and business partners in ensuring efficient and effective support to line managers ● HR is viewed as a strategic partner that contributes to the organisational mandate and objectives
The HR function	● HR plays a key role in addressing risks ● HR is involved in the initiation, design and implementation of cost saving initiatives within SoEs
The average HR costs per employee has increased more than inflation	● In the absence of sufficient quantitative data for the purposes of this report, qualitative evidence exists to suggest that employee costs have risen above inflation over the last ten years ● This is as a result of wage negotiation outcomes, where above inflation yearly increases are generally awarded based on negotiations with organised labour ● The sustainability of wage increases in relation to revenue generated remains a challenge ● There are SoEs which are making an effort to guide the financial affairs of their respective institutions towards more sustainable outcomes ● Some SoEs have commenced cost saving initiatives by deploying non-monetary incentives ● There are instances where the increasing average cost of employees has led to financial challenges ● Some SoEs have implemented moratoriums on the filling of positions to curb the Wage Bill ● In some instances, SoEs have embarked on the process of early retirements and, in the worst case scenario, the retrenchment of staff associated with the core business
The monitoring of the budget is common practice	● Through the use of digital tools, most SoEs are able to track and monitor budget allocations in an efficient and effective manner

	● Reconciliation of allocated budgets to actuals is generally accurate
Costs are effectively contained	● There are a number of SoEs which are lagging behind in containing costs and enhancing optimal service delivery ● Effective cost containment for some SoEs, whose activities and ability to generate revenue were significantly impacted and were overcome through prudent and proactive repositioning and the use of accumulated funds to overcome COVID-19 challenges ● Some SoEs are bloated and malaligned, which requires a significant review and containment of existing costs, with specific reference to: ○ Refinement of strategy and associated objectives ○ National shareholder interventions with NT and other stakeholders ● Some SoEs generate surplus funds, which are transferred to the National Treasury ● Some of the containment initiatives initiated by SoEs include: ○ Not awarding salary increases, especially on higher grades ○ Revising existing salary structures and benefits, in line with organisational restructuring initiatives ○ Removal of certain benefits for new employees across all post levels

iii. Recommendations: Public Service, Local Government and SoEs

Below is a diagrammatic representation of a Remuneration and Reward Framework for the Public Sector:



A typical implementation plan, as detailed below, spans over approximately 0 - 4 years and needs to be driven by a detailed strategy and operational plan whereby risks and dependencies are proactively monitored and mitigated. The successful implementation of this framework additionally requires strong M&E and continuous improvement capabilities.

Phase 1: Foundations and enablers

Estimated duration: 18 months

The following foundations relating to the creation of a new remuneration framework need to be formalised and established:

- A robust change management framework is essential to commence the process and should include specific detail relating to the following:
  - Clear and unambiguous communication plan detailing:
    - The need and purpose.
    - Objectives.

        - Outcomes.
        - The need for buy-in and commitment.
        - Measures of success.
        - Forms of communication to be adopted and the frequency at which feedback will be provided.
    - Stakeholder engagement framework which includes:
        - Political realm, including Cabinet and Parliament.
        - All employer groupings at all spheres of government.
        - Employees at all levels.
        - Unions and organised labour.
        - An element of accommodating individual choice, input and respect for Constitutional rights and obligations.
        - An understanding of the need for future focus and sustainability.
        - A distinction between employees currently employed and new entrants.
    - Alignment and understanding of the unique characteristics of each sphere of government in relation to:
        - The principle of equal pay/value for equal work.
        - Identification of specialised, expert, scarce and critical skills going forward.
- What constitutes a Public Sector employee value proposition, in relation to:
    - Addressing issues which would promote the motivation and retention of employees while also limiting the budgetary constraints faced by the sector.
    - Assessing all the benefits that are offered by the Public Sector, in relation to their current affordability, value and relevance in a changing world of work.
    - The views of employees to obtain a better understanding of which non-financial benefits are preferred.
    - A customised solution for employees that are in different stages of their life and which would impact their preferences.
- Clear understanding of each department/entity of State's mandate, strategy and key performance areas to:
    - Eradicate duplication which exists.
    - Enhance coordination and collaboration.
    - Promote efficiency and effectiveness.
    - Ensure answerability and accountability.
    - Ensure the principles of good governance.

The enablers which will ensure a sound remuneration framework are essential to achieving a successful end state. Any initiative which does not consider the following key enablers will not result in a sustainable path going forward. These enablers have been dealt with in significant detail in the preceding sections to this report:

- Workforce planning in which the future role and purpose of the future-focused Public Sector departments are clearly articulated and defined to deliver on the need of the citizenry and the country, through a review, with a clear understanding of the need for an action-driven approach which includes:
    - Reviewing current objectives aligned to the desired future state and service delivery imperatives.
    - Understanding the current workforce in relation to the pool of talent which exists and the future needs which need to be addressed.
    - Identification of existing gaps which exist with due consideration to supply and demand criteria in the market as a whole.
    - Determining an approach that will be adopted to fill the existing gaps by:

        - Re-allocating resources.
        - Upskilling initiatives for existing employees.
        - Employing new staff, and by so doing, creating new opportunities to enhance employment creation.
        - Considering all supply and demand related issues.
    - Reviewing and revising existing programmes to address the skills gaps identified.
    - Compiling a detailed plan of action which is solution-orientated with measurable outcomes.
    - Implementation of the plan in an incremental manner to secure quick wins and successes.
    - Continuously monitoring and evaluating successes which can generate new insights and applications going forward.
- Organisational design to align the organisational structures of the Public Service for the achievement of objectives and outputs required, in line with the detailed findings and recommendations in this report.
- Job profiles and job descriptions which document the:
    - Name of the job.
    - Description of the job with specific reference to:
        - Skills and competencies required such as qualifications, experience, attributes, behaviours, and proficiency levels associated with the job.
        - Key performance indicators.
        - Measures of success.
- Each job category needs to be job evaluated based on the following criteria, using a JE tool/method as identified in the PS Terms of Reference in 2023, EQUATE in LG and Peromnes or Paterson applied in SoEs:
    - Complexity of work and operational effort required: Skills, competencies, specialist or expert outputs.
    - Roles and responsibilities.
    - Reporting framework.
    - Job ranking and measure of impact.
    - Functional, operational, or managerial requirements.
- It is essential that KPIs be identified for each job which can be measured and assessed to validate performance.
- The implementation of a PMDS is essential based on the findings and recommendations in this regard. Increases should only be given to performing employees and these should not be applied across the board.
- Learning and development interventions, opportunities and capacity enhancement are essential enablers at all levels. This needs to include orientation, on-the-job training and specialist training, all of which should be supported by an entrenched process of mentoring and coaching to achieve optimal outcomes.
- The review, revision and refinement of the following governance and empowerment frameworks need to be undertaken to ensure that the foundations and enablers comply with the Public Sector regulatory requirements:
    - Policies and legislation applicable to all spheres of government.
    - Operational procedures and approaches.
    - Directives.
    - Resolutions.
    - Bargaining council agreements.
    - Delegations of authority which enhance reporting, decision making, answerability, accountability, and consequence management.
    - Clearly defined processes for monitoring and evaluation.

Phase 2: Systems, technology, and implementation

Duration: Concurrently with Phase 1 and an additional 24 months, for a total of 42 months
The foundations and enablers above need to be supported by key HRM, remuneration and reward systems, supported by the appropriate use of technological interfaces and systems which are key to ensuring and enabling:

- Consistency in application across HRM, REM, benefits and allowances.
- Information systems which are integrated and aligned.
- Accurate planning and forecasting.
- Decision-making that is based on data and information which can be quantified and analysed accurately and expeditiously.
- Affordability and efficiency determination.
- Electronic interfaces which will replace manual processes associated with cumbersome and costly processes and inaccuracies.
- Huge cost savings in executing support functions, which will allow for consistent applications an enhanced focus on service delivery and a greater strategic focus.
- A systems approach to enhancing a PMDS characterised by measuring outputs and awarding increases based on individual performance criteria.
- The management of learning and development which is based on the real needs and skills gaps determined by the PMDS, and which is monitored and managed in terms of cost and return on investment.
- Supplementing costly in-person training curricula and content with on-line programmes and assessments over a broad range of areas, and which are aligned to the professionalisation of the Public Sector.
- The use of data analytics to dictate service delivery imperatives and which can inform strategic decisions and policy direction.
- The determination of cost drivers relating to HRM, budgeting and expenditure frameworks
- Leave management thresholds and approvals for all categories of leave.

The following remuneration design principles and implementation guidelines, based on sound best practices and benchmarks, are recommended going forward:

- Simplicity and functionality.
- Affordability and return on investment in the medium to long term (4-6 years).
- Redefined job levels.
- Job level pay scales which are based on the principle of broad banding of job levels, and which should be considered, to eliminate the use of automatic pay progression and notch increases, to be replaced by:
    - Merit-based annual increases based on performance outcomes.
    - Awarding of bonuses and other incentives associated with an employee value proposition.
    - Competitive salaries which are benchmarked where possible.
- A TCE salary at all levels which includes benefits such as:
    - Medical aid contributions (including a move to the NHI for all Public Sector employees over time and as it is legislated).
    - Housing subsidies and savings plans.
    - Pensionable contributions.
- It is further recommended that all allowances and benefits be reviewed in line with the guidelines and recommendations in this report.

- The following job levels are recommended as a guideline in reducing the current job levels from 16 to 12, as a possible alternative going forward:
    - PL 1: Operational support: NQF <3
    - PL 2: Operational support: NQF 4
    - PL 3: Operational support/clerical: NQF 5
    - PL 4: Clerical/administrative support: NQF 6
    - PL 5: Clerical/administrative support: NQF 7 + 0 Yrs Exp
    - PL 6: Clerical/administrative: Supervisory: NQF 7 + 3 Yrs Exp
    - PL 7: Specialist/expert: NQF 7 + 6 Yrs Exp
    - PL 8: Specialist/expert/MMS: NQF 7 + 8 Yrs Exp (Director Level 1)
    - PL 9: Specialist/expert/MMS: NQF 7 + 12 Yrs Exp (Director Level 2)
    - PL 10: Specialist/expert/SMS: NQF 8 + 12 Yrs Exp (Chief Director)
    - PL 11: Deputy HoD/CFO/COO/SMS: NQF 8 + 14 Yrs Exp (DDG)
    - PL 12: HoD/CEO/SMS (Director General): NQF 8 + 16 Yrs (DG)
- All the recommendations made are within the confines or realities of the following limitations of applicability:
    - Conditions of employment of existing employees cannot be changed in the positions they occupy at the date of translation.
    - All conversions to TCE will not result in the employee being worse off than what they were prior to translation.
    - Designations will be changed at the time of translation, but the employee will not be worse off in relation to TCE.
    - All new employees, from the date of translation, will be appointed on TCE and new job levels.
    - Some metros and SoEs, as evidenced in the assessments contained in Appendix 2 to this report, are more advanced in relation to these recommendations and will therefore serve as good points of reference and best practices which exist in the Public Sector.

Key recommendations for remuneration matters under Local Government

- Align the categorisation of municipalities.
- Align the Senior Managers' Performance Regulations with the remuneration framework to allow movement between notches.
- Conduct a pilot study to move all categories of officials to TCE.
- Establishment of a centralized repository system. This will assist with the total HR cost, including operating, payroll and infrastructure.
- Alignment of remuneration framework to avoid salary creep between 3rd level managers and senior managers.
- The sector to conduct an analysis of driving cost of the public sector wage bill and put measures in place to curb high spending.

33. Benefits and allowances

i. Context and overview

Benefits and allowances are a key component of the conditions of service of employees in the Public Service (National and Provincial Departments), Local Government and SoEs. They are used as a mechanism to attract and retain required skills in organs of state and enable the employers to differentiate their offering in an effort to compete and be more attractive than competitors such as the private sector in certain instances.

The Basic Conditions of Employment Act (BCEA) regulates the minimum provisions employers must grant to employees for benefits such as leave. The Public Sector typically grants employee benefits over and above the conditions stipulated in the BCEA, to attract and retain personnel in the sector. The extent to which the sector exceeds the provisions of the BCEA differs between the PS, LG and SoEs, which will be unpacked further in the findings.

An Employee Benefits Guide, 2021 Report by RemChannel, provides key insights in terms of the trends and best practices identified in organisations across both the private and public sectors.

Retirement funds

- Employees' basic salaries have been used as a basis to determine the pensionable income
- The trend to use a percentage of the total package, or a combination of package elements, has grown to the extent that more than half of the surveyed organisations indicated something other than basic salary as the pensionable base
- In 23.3% of organisations, they indicate more than one basis being used for the calculation of the pensionable income
- Calculated on 100% of the basic salary where a fixed percentage of basic salary is utilised as the basis for calculating pensionable emolument
- Additional input from organisations which indicated basic salary as the pensionable base, used the following:
    - 65% of basic salary
    - 80% of basic salary
    - 91% of basic salary
    - 93% of basic salary
    - 97% or 100% of basic salary, depending on the grade
    - Range between 30% and 70% of basic salary
    - Range between 46% and 100% of basic salary
- The organisations that indicated that a fixed percentage of total package was used as the base for the pensionable emolument calculation, utilised percentages that ranged between 70% and 100% of package, with the latter being more predominant

- The organisations that indicated that a percentage of flexible package was used as the base for the pensionable emolument calculation, indicated the use of the following:
    - 58% of flexible package
    - Range between 50% and 80% of flexible package
    - Range between 50% and 100% of flexible package
- There is no clear trend in terms of the pensionable base. The most frequently utilised percentage was 100% of the respective remuneration structure as the base for the calculation of the benefit salary (pensionable emolument)
- The tax treatment of retirement fund contributions has changed significantly due to the introduction of retirement reform with effect from 1 March 2016
- For all practical purposes, the tax deduction available for contributions to pension, provident and retirement annuity funds is now the same
- Employer contributions to any of these retirement funds for the benefit of their employees are now treated as a taxable fringe benefit in the hands of the employee; however, the amount included as a fringe benefit is then in turn deemed to be an employee contribution which is considered in determining the tax deduction for the employee
- The amount which the employee is entitled to as an annual tax deduction is limited to the lesser of:
    - R350,000
    - 27.5% of the greater of the employee's remuneration or their taxable income
    - Taxable income
- Tax legislation states that, at the option of the employer, the employer may take any contribution to a retirement annuity fund by an employee into account in calculating the employee's monthly tax obligation:
    - This is, however, only allowed where proof of payment has been provided to the employer by the employee
- Almost all organisations indicated that they provide retirement funding as a benefit to employees
- The majority (64.3%) of the organisations that have a defined contribution pension fund indicated that employees have an elective portfolio choice of contributions, e.g. high/medium/low risk
- Some funds allow employees to make additional voluntary contributions
- 21.4% of organisations reported that supplementary retirement funding is offered as an option to employees
- This would mean that employees would be able to make their own arrangements and the deductions would be permitted to go through the organisation's payroll as a deduction
- Both the normal retirement age and the compulsory retirement age range between 60 and 65 years across all the employee levels
- Very few organisations indicated that they differentiated by employee level in terms of the normal retirement age, which has meant that only very small average differences are noted between the levels.

Normal vs. compulsory retirement age

Employee level	Normal retirement age			Compulsory retirement age		
	Minimum	Average	Maximum	Minimum	Average	Maximum
Top management/executives	60	62.5	65	60	62.9	65
Senior management	60	62.5	65	60	62.9	65
Professionally qualified and experienced specialists	60	62.6	65	60	63.1	65
Skilled technical and academically qualified employees	60	62.7	65	60	63.1	65
Semi-skilled and discretionary decision-making	60	62.6	65	60	63.1	65
Unskilled and defined decision-making	60	62.7	65	60	63.2	65

Source: RemChannel 2021 benefits guide

Early retirement age

Employee level	Early retirement age		
	Minimum	Average	Maximum
Top management/executives	50	54.8	55
Senior management	50	54.8	55
Professionally qualified and experienced specialists	50	54.8	55
Skilled technical and academically qualified employees	50	54.8	55
Semi-skilled and discretionary decision-making	50	54.8	55
Unskilled and defined decision-making	50	54.7	55

Source: RemChannel 2021 benefits guide

Disability benefit

- The majority of organisations (69.8%) indicated that they provide a lump sum benefit (permanent disability benefit) to their employees
- The majority (83.7%) of the organisations provide an income disability (temporary disability) benefit
- 83.7% of organisations indicated that benefits are paid to employees for temporary disability
- In most of the responses, the income disability benefit was recorded as compulsory for all employees
- The trend (77.8%) indicates that the benefit would continue until the employee recovers, reaches retirement age, is rendered permanently disabled or dies, i.e. not a fixed period
- The confirmation period (i.e. waiting period) required before income disability pay-outs would be initiated, ranged from immediate pay-out to twelve months for very few organisations

- The majority (58.3%) of the organisations indicated a three-month waiting period before the income disability benefits would be paid out
- Additional insight provided by employers was the following:
    - The benefit equals payment of up to 60% of total guaranteed package plus an additional amount of 10% to fund the employer contribution to the retirement fund, subject to a pre-determined maximum, for the period of the disablement
    - Where compulsory (permanent employees below the policy max age) this is a dual payment between employee and employer, where it is voluntary (non-permanent employees) the benefit is funded in full by the employee
    - Temporary disability of 100% of average weekly earnings is paid and is capped at 104 weeks.

Medical scheme benefit

- Almost all organisations offer a medical aid benefit to employees
- Most of the responses indicated that the benefit is compulsory for all employees unless they could prove membership of the spouse's scheme
- Most of the organisations that have a medical scheme/benefit treat the membership as compulsory for all employees, except for employees on their spouse's/life partner's medical scheme
- 47.6% of organisations indicated that they provide more than one medical scheme
- The major reason for employers to provide more than one scheme type or to allow employees the option to choose alternative medical cover was to provide maximum flexibility and choice
- The number of medical schemes per organisation ranged between one and six, with the majority indicating either one or two scheme options
- A number of employers indicated that the contribution to the medical scheme formed part of the package or that there was no employer payment toward the medical benefit
- 45.7% of organisations indicated that full contribution forms part of the total package
- The proportional employer contributions vary between 25% and 100%, and most of the employer contributions indicated a 50%:50% split of employer contribution vs. employee contribution
- A selected number of organisations indicated that they provided a post-retirement benefit (or access to the benefit)
- The other organisations all indicated that whilst the benefit was offered it would be at the full expense of the retiree
- Organisations may provide 'access' to a post-retirement medical scheme benefit for some or all employees but there does not appear to be any trend in terms of this being an employer expense.

Housing assistance

- Organisation support in the form of the following scheme types was reported:
    - Housing loan or negotiated interest rate - 33% of organisations
    - Housing subsidy - 19% of organisations
    - Housing allowance - 21% of organisations
    - Free or cheap accommodation - 19% of organisations
    - Hostel benefit - 8% of organisations
- A number of organisations indicated that they provide a housing loan or negotiated interest rate or permit a loan through the retirement fund (or a combination of the options).

Housing subsidy

- 20.9% of organisations indicated that they offer a housing subsidy benefit to employees across some of the employee levels
- Several organisations (of the 20.9%) qualified their policy as follows:
    - First time house homeowners from Paterson D Lower and below are eligible. First time homeowners qualify for an amount up to R125,000. Payment is made once the mortgage bond has been approved. Employees are only allowed to participate once in this scheme
    - Permanent employees qualify for a bond subsidy (housing subsidy) under certain conditions. Paterson grade monthly paid B1-B5 = R600 and C1-C3 = R820, staff B3-C3 = R770 and C4-E2 = R1,245
    - Employee cash earnings must be less than R25,000 to qualify, and the subsidy is R1,500
    - Allocated in specific situations and ranges between R100 and R5,100
    - Differs per employee level and ranges between R541 and R833.

Housing allowance

- Certain organisations indicated that they provide a housing allowance as a benefit to employees
- A number of organisations indicated additional details as follows:
    - The value of the housing allowance is based on Paterson levels: B1-C1 (R1,145), C2-C5 (R1,448), D1 (R2,500), D2-D3 (R2,800), D4 above (R3,500). Top management living in employer housing don't qualify for the housing allowance
    - The values differ between employee levels and range between R1,590 and R2,980
    - Some qualify for housing allowance and others qualify for a living out allowance. Set monthly value as per wage agreements ranges from R1,600 to R8,127
    - Included in total package or basic package (value not specified)
    - Housing allowance of R9,000 is provided to some employees (senior management and professionally qualified employee levels) who are based in one specific area
    - This is not an additional amount to the employee. The employee can structure such an ‘allowance’ within the guaranteed total package.

Overtime

- In terms of the BCEA, overtime means ‘the time that an employee works during a day or a week in excess of ordinary hours of work’
- The BCEA in section 10 defines the conditions of overtime as:
    - “Subject to this Chapter, an employer may not require or permit an employee:
        - To work overtime except in accordance with an agreement
        - To work more than ten hours’ overtime a week
    - An agreement in terms of sub-section (1) may not require or permit an employee to work more than 12 hours on any day
- An employer must pay an employee at least one and one-half times the employee's wage for overtime worked
- Despite subsection (2), an agreement may provide for an employer to-

    - Pay an employee not less than the employee's ordinary wage for overtime worked and grant the employee at least 30 minutes' time off on full pay for every hour of overtime worked; or
    - Grant an employee at least 90 minutes' paid time off for each hour of overtime worked
- An employer must grant paid time off in terms of subsection (3) within one month of the employee becoming entitled to it. An agreement in writing may increase the period contemplated by paragraph (a) to 12 months
- An agreement concluded in terms of subsection (1) with an employee when the employee commences employment or during the first three months of employment, lapses after one year"
- As per Regulations issued, only employees who earn less than the prescribed minimum remuneration threshold (currently R211,596.30 per annum for 2021/2022) are by law entitled to payment of overtime worked at the prescribed rate of 1.5 times normal wage
- Statutory overtime pay also does not apply to senior management, sales staff who travel to customer premises and regulate their own hours or employees who work less than 24 hours a month for an employer
- The payment of overtime (or time off in lieu of overtime) is far more prevalent at the lower employee levels
- At the top management and senior management employee levels, few organisations indicated payment eligibility
- Additional policy details were noted as follows:
    - Overtime for employees who earn more than the earnings threshold will be calculated on the earnings threshold amount
    - Professionally qualified employee levels, where eligible, are only paid overtime on public holidays
    - The organisation has different overtime rules for different employee groups Paterson B Band and C Band (monthly paid B1-C5) are paid overtime as per BCEA, staff employees receive two days overtime for every eight hours overtime worked on a day off/holiday. Levels D2 above don't qualify for any overtime payment. Sunday work allowance is only paid to Paterson B Band employees
    - Overtime must be agreed to and approved prior to working overtime
    - Unskilled and defined decision-making staff should not work overtime (e.g. in-service trainees). Apprentices can claim overtime once they have qualified and start with practical training.

Educational assistance

- In order for a bursary provided by an employer to be tax exempt, it must be provided to an employee or to a relative of an employee, and the following requirements must be met:
    - The bursary or scholarship must be bona fide
    - The bona fide bursary or scholarship must be granted to enable the person to study (i.e. must be to enhance knowledge, intellect, or expertise)
    - The study for which the bursary or scholarship is granted must be at a recognised educational or research institution
    - Where the bursary or scholarship is provided to the employee, the employee must agree to reimburse the employer if he/she fails to complete his/her studies for reasons other than death, ill-health, or injury
    - Where the bursary or scholarship is provided to a relative of an employee, the employee's 'remuneration proxy' (essentially the employee's remuneration in the

prior year of assessment) must not exceed R600,000 and the value of the bursary or scholarship must not exceed R60,000 during the year of assessment in the case of higher education (NQF level 5 and above) or R20,000 in the case of basic education (from grade R to grade 12 or NQF level 4)

- 95.3% of the organisations indicated that they offer educational assistance as a benefit to employees
- 73% of the organisations indicated that the educational assistance would be subject to management discretion and/or relevance of studies
- In addition to the main selection criteria as summarised above, the following additional points were noted:
    - Performance, succession/talent pool is considered
    - Budget constraints within a branch are also a consideration - relevance to organisation and job
    - Employee performance and career development plan
    - Minimum service requirement and performance to be considered
    - Skills training
    - Length of service and performance score
    - Based on the skills needed in the business
    - Enrolment is with approved institutions, SAQA
    - Competence assessment
- The majority (83.2%) of the organisations indicated that the study assistance extended to all employees
- The trend for the type of educational assistance indicates that the bursary and fully subsidised selections were the most popular and accounted for 77% of the responses
- Additional insights from selected organisations were noted as follows:
    - MBA studies are not covered by the employer
    - Bursaries will only be made available for learning and development programmes that are not offered in house. The bursary award must align to an employee's career development and approved development plan, taking sustainable performance into account. All studies must be aligned to the organisational needs as determined by the relevant business unit and take into account the workforce skills plan as well as the employment equity plan
- 43.9% of organisations indicated that employees who fail a module or a year of study will be required to repay the full costs of the programme
- 41.5% of organisations indicated that the obligation would be that the employer would not pay a second time for courses that had been failed and the cost would then be for the employee's own account
- 34.9% of organisations indicated that they offer educational assistance as a benefit to the family members of employees.

Annual leave

Number of working days per annum		
Employee level	**Minimum** (As per BCEA provisions)	**Average**
Top management/executives	15	23
Senior management	15	22
Professionally qualified and experienced specialists	15	21
Skilled technical and academically qualified employees	15	20
Semi-skilled and discretionary decision-making	15	19
Unskilled and defined decision-making	15	19

Source: RemChannel 2021 benefits guide

- The average number of working days leave granted by organisations ranges between 16 and 23 days per annum
- The trend across all industry sectors is that annual leave is granted based on working days
- The trend shows that the majority of organisations use the employee start date as the basis for the leave period calculation
- The trend indicates that 62.8% of organisations differentiate by employee levels in terms of the number of days granted, with the more senior employee levels being granted additional days
- The trend shows that a portion of the annual leave may be accumulated, meaning it may be carried over from one leave cycle to another
- 86% organisations indicated that they allow the accumulation of annual leave, a few organisations indicated that they based the accumulation of leave on calendar days across some or all employee levels
- The maximum cap on the accumulated leave days (based on calendar days) was noted as 25, 26, 50, 70 and 137 days respectively
- The BCEA contains the requirement in terms of the statutory leave portion (i.e. 15 working days) that must be granted by the employer no later than six months after the end of the annual leave cycle in which it accrues, so it is expected that all organisations that permit

the accumulation of leave refer only to the non-statutory leave portion in their accumulation of leave policies
- The number of working days that may be accumulated range from five days per annum up to a maximum cap of 100 days overall
- 86% of organisations indicated that they do not offer mental health days. Whilst most of the organisations reported that they have wellness programmes in place, 10% introduced these programmes during the lockdown period
- Organisations have different methods of managing their excess leave balance with a high proportion opting to forfeit excess employee leave
- Selected organisations indicated the following:
    - Discretionary leave may be accumulated up to a maximum of 50 days until 31 August 2022. As from 1 September 2022 this limit reduces to 20 days. Any balance remaining over 20 days on 1 September 2022 will be automatically forfeited
    - Employees cannot carry over more than 30 days, excess has to be used up in two months or be forfeited
    - Leave balances are monitored and communicated monthly, employees with excess balances are encouraged to take leave. Any annual (statutory) leave in excess of one year is not paid out on termination. The annual leave is deducted before long service / non- statutory leave
    - The non-statutory annual entitlement portion of leave may be accumulated to a maximum of three years (under 50 years old) and five years (50 years and older). Statutory and non-statutory leave are capped based on leave entitlement (years of service) and age
    - Best practice would be to stipulate the maximum cap and to differentiate between statutory and non-statutory leave within the accumulated leave policy
    - The BCEA is clear in terms of the six-month period after the end of the leave cycle within which the statutory leave must be granted, hence the need to differentiate between the different leave types
- Section 20(11) of the BCEA specifies that an employer may not pay an employee in cash instead of granting paid leave, except on termination of employment. This applies to statutory leave only
- The BCEA defines remuneration as follows:
    - ‘Remuneration means any payment in money or in kind, or both in money and in kind, made or owing to any person in return for that person working for any other person, including the State, and "remunerate" has a corresponding meaning’
- Detailed regulations (Government Notice 24889 of 23 May 2003) further prescribe what exactly is included and what is excluded from the calculation of remuneration for purposes of, amongst others, leave pay
- This implies that South African organisations must encash accrued statutory leave at termination of employment, based on the definition as specified by the BCEA and its accompanying regulations, or be in contravention of the Act
- Accumulated non-statutory leave, however, is not governed by the Act and different practices apply on encashment at the time of termination of employment.

Alternative leave policies for employees that do not work a five-day week

- Includes a six-day working week as well as shift workers

- The overall trend indicated that the leave would be pro-rated to close to the equivalent of the normal five-day workers with 18 days leave being granted to six-day work week employees
- Days are pro-rated based on working hours per week
- A to C Band six-day workers would be granted 22 days, D Band six-day workers would be granted 24 days
- For this purpose, the leave entitlement is calculated to include Mondays to Saturdays (both inclusive). Employees are entitled to annual leave of 26 working days per year. For employees based at head office or part of a head function, the annual leave entitlement is 22 working days per year
- Maximum 26 days for continuous shift employees
- For employees working different work weeks, the statutory leave days granted will vary. A two-day work week would be granted six days statutory leave, a three-day work week would be granted nine days statutory leave, a four-day work week would be granted 12 days statutory leave, and a six-day work week would be granted 18 days statutory leave
- Professionally qualified employees who are six-day workers will be entitled to 21 days. Unskilled and skilled six-day workers will be entitled to 18 days

- Employees that work a six-day week: top executives, senior management, and professionally qualified receive 24 working days leave; skilled, semi-skilled and unskilled receive 18 working days leave. Hourly paid employees receive the same allocation as the latter, but it is calculated depending on the number of hours they work
- For six day per week employees the number of days is 18
- Six days per week: A-C band employees would be granted 18 days, and D band employees would be granted 24 days
- Employees that work shift schedules would qualify for 18 days annual leave
- Six-day shift workers on Peromnes grades 1 to 12 have 26 days annual leave due to them. Six-day shift workers on Peromnes grades 13 to 16 with less than five years' service have 18 working days annual leave due to them.

13th cheque

- 58.1% of organisations reported that they provide a guaranteed bonus or 13th cheque as a benefit to employees
- The bonus is more likely to be a package allocation at the more senior employee levels
- It differs year-on-year based on the increase negotiations with the union.

Family responsibility leave

Number of working days per annum		
Employee level	**Minimum** (As per BCEA provisions)	**Average**
Top management/executives	3	5

Senior management	3	5
Professionally qualified and experienced specialists	3	5
Skilled technical and academically qualified employees	3	5
Semi-skilled and discretionary decision-making	3	5
Unskilled and defined decision-making	3	5

Source: RemChannel 2021 benefits guide

- The trend shows that more than 60.5% of organisations grant more than the statutory three days
- The number of days that may be granted ranges between 3-20 days
- Most organisations that grant additional days indicated that they grant a total of five days, i.e. the statutory three days plus an additional two days
- The trend shows that about 79.1% of organisations grant between three and five days for family responsibility leave per annum
- In some organisations, where more than the statutory three days are granted, the additional days may allow for different types of family responsibility leave
- There is almost no differentiation between the various employee levels in terms of the number of days that are granted for family responsibility leave
- Effective 1 November 2019, legislative changes impacted on the clauses relating to family responsibility leave, and specifically when an employee's child is born. The latter no longer forms part of family responsibility leave. The Labour Laws Amendment Act, 2018 now provides for parental, adoption and commissioning parental leave for all employees.

Paternity leave

- All surveyed organisations provided for the BCEA statutory minimum of ten consecutive days for paternity/parental leave
- The trend shows that majority of organisations state that their employees would be paid in full for the paternity/parental leave benefit.

Adoption leave

- Just over half (51.2%) of the employers indicated that they would grant the statutory minimum of ten consecutive weeks adoption leave
- The trend from the majority of the organisations (72.1%) is that employees would be fully paid for the full period of adoption leave, for both the statutory period and the additional period (81.0%).

Adoption leave – additional policy criteria

- A number of organisations indicated that the age limitations of the child are more generous than the 'below the age of two' specified in BCEA
- Additional insights were included as follows:
    - Up to 18 years
    - Child under the age of 17 years, to allow that parent to care for and bond with the child
    - No age restriction
    - Duration and payment are related to the age of the child. In the event of a legal adoption of a child who is 12 months or younger, the employee adopting the child may be granted five months adoption leave with full pay. In the event of a legal adoption of a child who is older than 12 months and younger than 24 months, the employee adopting the child may be granted four months maternity leave with full pay
    - Three years or younger
- Selected organisations indicated that if both parents are employees, both employees will qualify for the adoption leave
- Closer inspection however tended toward the inclination to award one parent the adoption leave and a different leave type to the second parent
- Selected employer additional insights were noted as follows:
    - The primary caregiver is granted four months paid leave and the secondary caregiver is granted ten days paid leave
    - The mother will be granted 15 weeks, and the farther ten days parental plus seven days family responsibility leave
    - One partner will be entitled to four full weeks paid leave and the other partner to paid maternity leave
    - Parents can share the adoption leave
    - No restrictions as both parents qualify
    - In the case of a relationship between persons of the same sex both working at the organisation, only one would be entitled to adoption/commissioning parental leave. The other parent would be entitled to normal parental leave. It is up to the parents to decide who takes adoption/commissioning parental leave and who takes normal parental leave
    - One gets adoption leave and one gets parental leave
    - They are given the flexibility to decide how the leave entitlement will be shared between them
    - If an adoption order is made in respect of two adoptive parents, one of the adoptive parents may apply for adoption leave and the other adoptive parent may apply for parental leave
    - Only one parent qualifies and the other will be eligible to take ten consecutive parental leave days
    - The same policies as maternity leave will apply to adoptions
    - The primary caregiver will receive ten weeks and the other party will receive paternity leave of ten days
    - The adoptive child must be less than two years old and adoptive leave cannot be applied for by foster parents. If both parents are employed, the one will qualify for the paid 16 weeks maternity leave and the other parent can apply for the ten days parental leave
- Best practice would be to ensure that clear guidelines are specified in terms of how the policy would be applied if both parents are employees, and to include any service criteria, payment options, payback clauses etc.

Maternity leave

- In line with the BCEA all the organisations offer maternity leave as part of their overall benefits offering, which is an entitlement of at least four consecutive months
- The BCEA provides for unpaid leave, with the employee claiming maternity benefits from the Unemployment Insurance Fund
- Overall, 69.8% of the organisations indicated that payment would be in full, 18.6% indicated that payment would be in part and the remainder (11.6%) indicated a combination of payment methods
- All of the organisations grant their employees maternity leave, but not necessarily at full pay or partial payment
- The paid maternity leave ranges between two and six months
- The most common period for fully paid maternity leave is four months which is made up of 60.5% of organisations
- The partially paid maternity leave ranges between one and six months
- The most common period for partially paid maternity leave is for months which is made up of 14% of organisations
- Partially paid maternity leave could be combined with paid and/or unpaid maternity leave
- No partially paid leave amounts for 74.4% of the responses
- Unpaid maternity leave would be granted in instances where employees were not eligible for the paid or partially paid leave (usually due to tenure conditions) or where they were not permanent employees
- The trend in organisations is not to include unpaid maternity leave
- The majority (86%) of organisations reported that employees accrue annual leave, either partially or in full, whilst on maternity leave
- The trend is that annual leave is accrued in full during the maternity leave period, regardless of payment
- The trend is that eligible employees would be paid their performance bonus either in full or pro-rated for the period they were away on maternity leave
- Whilst normal employer payment policies would be applied there would be no restriction to their eligibility.

Sick leave

- All the organisations indicated their sick leave over a 36-month period and the number of days granted ranged between 30 and 45 working days
- Some employer sick leave policies are more generous than the statutory minimum as stipulated in the BCEA, and 34.9% fall outside of the statutory minimum of 30 days over a 36-month cycle
- In instances where the employee has utilised all the available sick leave days in a specific leave cycle, and requires additional sick leave, organisations reported the following practices:
    - Either annual leave or unpaid leave must be taken
    - Additional leave may be granted at management discretion on full pay
    - Management discretion
    - Employee must apply for disability benefits
    - Only if employee has a good sick leave record
    - Extended sick leave / additional leave may be granted on reduced pay
- In addition to a good sick leave record, the seriousness of the illness would need to be considered and all approvals would probably be in consultation with management, HR and in some cases the medical advisors and insurers for temporary disability cover

- For employees that abuse the sick leave days the likely route would be that they would be required to take annual and/or unpaid leave if they had depleted their available sick leave
- Best practice is to have some form of written policy and procedure to follow that clearly states the number of days, approvals required, payment details, etc.
- Eighteen (41.9%) of the organisations indicated that they have a policy to provide additional sick leave for life threatening/dreaded diseases
- The overall trend indicated that individual cases would be considered at management discretion and that the employer disability insurance cover and related benefits would form part of the solution.

Study leave

- Although the BCEA provides very definite guidelines in terms of annual leave, family responsibility leave, maternity leave, and the different forms of parental leave and sick leave, it does not provide for the granting of study leave
- It is therefore not legal prescripts, but best practice that dictates what employers provide for such
- All organisations indicated that they have a study leave policy
- The trend indicated by the majority of the organisations (78.5%) across each qualification type, reflected paid study leave of one day for the exam and one day for study prior to the exam, i.e. a total of two days leave per exam paper, with a maximum overall cap per annum
- The overall number of capped study leave days varies between eight and 30 days per annum, and the majority (70.9%) of the total selections made indicated a maximum cap of between ten and 14 days per annum
- The trend was noted to be 10 or 12 days maximum cap per annum for study days
- Just over half (51.2%) of the organisations indicated that they would not grant additional study leave days for rewrites
- Where granted the days granted were one day, two days or six days. The latter being for post graduate studies only
- A number of organisations added policy details as follows:
    - If maximum days per annum are not depleted, it can be used for rewrites, otherwise no additional study leave for rewrites
    - You may have as many study days as you wish but you only get one exam day and one day for a rewrite and if you have exhausted your study leave you do not get extra but just the one day for a rewrite
    - No study leave for rewrites. Employees must apply for annual leave, and if the test/exam is passed, the annual leave will be reversed to study leave for the number of days taken. If the employee fails the exam/test, no study leave is applicable
    - Rewrites can be at the discretion of management, pending the failure rate of the employee.

Study leave days for rewrites	**Certificate**	**Diploma**	**Degree**	**Post graduate studies**

One day	10	10	10	10
Two days	11	11	11	10
Six days	-	-	-	1
Not granted for rewrites	22	22	22	22

Source: RemChannel 2021 benefits guide

Sport leave

- More than half (55.8%) of the organisations provide some form of sport leave to their employees based on their own policy, past practice, or ad hoc management discretion
- Time off to represent South Africa at international sports events was confirmed by 23 of the 24 organisations that have the benefit.

Organisational rights leave

- 25.6% of the organisations indicated that they provide organisational rights leave to union representatives and/or shop stewards
- Organisational rights are governed by Chapter 3 of the LRA, but the details of how they are exercised are left to the collective parties to decide and normally considers the level of representation of a union in a particular workplace
- Leave for trade union activities during working hours is covered in the LRA
- Union representatives are entitled to reasonable time off with pay during working hours to perform their functions as union representatives, and secondly to receive training in the functions of union representatives
- The amount of time to be taken, as well as the number of days' paid leave, is a matter for negotiation between the union and the employer.

Long service awards

- Most organisations indicated that they have long service awards
- The format of the awards would generally be a certificate and monetary award/gift
- The employers that indicated 'Other' provided the following additional insight:
    - Monetary award or service leave days
    - Acknowledgement email is sent to the employee
- There was no clear trend in terms of the value of the award granted.

PER 2011 summary findings:

- The practice of using allowances to supplement employee income has been discouraged and the regulations relating to allowances have been tightened
- Certain allowances have not been reviewed for an extended period in terms of their purpose, criteria, and applicable amounts

- The housing allowance is raised as an area of concern as it remained difficult to control and administer, despite the challenge already having been highlighted in the 2006 Personnel Expenditure Review (PER)
- The highest increase in housing allowance across Provincial and National Departments from 2007/08 to 2010/11 was observed within Mpumalanga. However, all Provincial and National Departments reflect an increase in excess of 200% over the five-year period
- No consistent pattern was identified regarding growth of the housing allowance that could be linked to specific events in time
- Leave being taken without being recorded and appropriate approval processes not being adhered to
- PILIR resulted in an improvement in sick leave administration; however, departments indicated that the management of PILIR is a challenge and leads to yearlong backlogs in the application process.

In summary the PER 2011 found that the incorporation of benefits and allowances in a TCE remuneration approach was best practice. PER 2011 identified the need to prevent leakages and provide mechanisms for increased transparency and monitoring, which would allow better control and management. Furthermore, unethical behaviour as a result of inappropriate practices was flagged as a matter of concern.

PER 2011 Recommendations

- Incorporate the housing allowance amount into all basic packages and remove it as a separate allowance. This would eliminate the need for administration of the allowance
- Review all allowances in terms of must have job-based rules and be clearly defensible
- Allowances on PERSAL need to be reviewed and all duplications/erroneous codes removed
- Proper workforce planning should be done to ensure continuity of services whilst officials are on leave as well as curtailing the need to appoint temporary/relief staff and/or incur the costs of overtime to fill the places of officials on leave
- Environmental factors influencing allowances should be benchmarked against best practice
- Further training of capturers will be required in some areas where competencies currently don't exist, and capturers need to be properly supervised and managed. HRM must ensure that all leave forms are captured onto PERSAL correctly and should be captured in the same month it is taken and control mechanisms put in place to prevent backlogs in capturing occurring.

Findings: PER 2022: Based on the recommendations of the PER 2011

The PER 2022 findings on benefits and allowances, based on the recommendations made in PER 2011, relating more specifically to the Public Service, have been identified based on the following sources of information/data obtained and consulted:

- Literature reviews conducted based on information in the public domain
- Best practices based on PwC research and methodologies in South Africa and globally
- Interviews conducted with stakeholders and functionaries
- Qualitative engagements conducted in accordance with a structured questionnaire
- Documentation provided by the DPSA, and other government organisations engaged

- PERSAL and PERSOL data analysed.

The progress and developments can be summarised as follows and are dealt with in more detail in the 2022 criteria matrix assessment and narrative which follows:

- Incorporate the housing allowance amount into all basic packages and remove it as a separate allowance. This would eliminate the need for administration of the allowance:
    - This recommendation has not been implemented, given that in the PER 2022, the housing allowance continues to be remunerated as an add-on to employee packages on salary levels 1 to 10
- Review all allowances in terms of must have job-based rules and remove all duplications/erroneous codes:
    - No evidence suggests that a review of all allowances has taken place prior to PER 2011. PERSAL/PERSOL quantitative analysis to follow provides some insights regarding the status of benefits and allowances from a cost perspective and identifies potential savings
- Proper workforce planning should be done to ensure continuity of services whilst officials are on leave as well as curtailing the need to appoint temporary/relief staff and/or incur the costs of overtime to fill the places of officials on leave
- There are pockets of excellence in certain departments in terms of how they carry out their workforce planning. This has enabled departments to better analyse, forecast, assess gaps, and align their supply and demand requirements. However, such practices have not become the norm, which indicates a lack of management responsibilities being executed in other departments
- Environmental factors influencing allowances should be benchmarked against best practice:
    - Evidence suggests that very little has been done to benchmark allowances and benefits over the last ten years to align to benchmarks and best practices
- Further training of capturers will be required in some areas where competencies currently don't exist and there is a need for capturers to be properly supervised and managed. HRM must ensure that all leave forms are captured onto PERSAL correctly and should be captured in the same month it is taken and control mechanisms put in place to prevent backlogs in capturing occurring
- It is generally accepted that the quality of PERSAL data currently available for PER 2022 relative to PER 2011 has improved dramatically, which is indicative of enhanced capturing by HR personnel
- Control mechanisms regarding leave have improved overall but are still lacking in certain departments and remain an area that requires improvement.

The qualitative questionnaire and guidelines were used to engage numerous Public Service National and Provincial Departments. The findings which emanate from the application of the questionnaire are best captured in accordance with the areas covered and responses which have been received and analysed.

It should be noted that the responses vary from department to department and within the provinces. The reflection on which the findings are portrayed cannot provide for outliers of compliance or excellence and those departments which lag behind significantly. The departmental reflections are contained in a colour-coded summary outcomes attached as Appendix 2 to this report.

The reflection of the findings is based on the most common responses to the areas and criteria listed in the table below. The PER 2022 does not express any views in relation to the level of service delivery and impact of departmental performance. Any reference to service delivery and impact is anecdotal. The questionnaire responses often result in a view on the impact of the criteria on delivery efficiency and effectiveness.

It is important to note that, due to the lack of a centralised system to source payroll and HR data in Local Government and SoEs as a whole, which would be the equivalent of PERSAL/PERSOL in National and Provincial Departments, qualitative inputs and documentary evidence received was relied on.

ii. Findings: Public Service, Local Government and SoEs

PER 2022: Findings: Public Service, Local Government and SoEs

PER 2022 summary findings: Benefits and Allowances: Public Service	
Criteria	**Findings**
The extent and cost of is known and monitored	● Evidence suggests that the cost of benefits and allowances is generally known ● Data is sourced from the PERSAL (PERSOL for the Department of Defence) system, which is a standardised HR and payroll system for National and Provincial Government Departments ● However, qualitative engagement inputs indicate that certain departments lack the necessary monitoring of benefits, allowances, and their associated costs ● This is concerning given the high monetary value of benefits and allowances
Reviewed every three years based on applicability and need	● Most benefits and allowances have not been reviewed in over ten years in terms of their need and purpose ● The relevance and applicability of benefits and allowances have not been assessed for more than ten years ● Changing financial circumstances and the impact on affordability have not been consistently reviewed ● Applicable due diligence processes to inform the removal of redundant allowances have not taken place

Housing allowances are allocated, reviewed and verified in terms of accuracy and adherence to policies	● The current qualifying criteria for housing allowance allow for both homeowners and employees who are renting to receive the allowance on salary level 1 - 10 ● Employees on salary level 11 - 16 structure the housing allowance as part of their total package ● The housing allowance was therefore found to be an entitlement for all PS employees ● Due to their sheer quantity, ownership and rental agreements cannot be effectively verified or audited ● Except for the above, the general administration of housing allowances in their current format is stable
Acting allowances	● The acting allowance in the Public Service is calculated on the difference between the employee's current salary notch and the commencing notch of the higher post ● A key challenge that was raised was employees acting in positions which they did not necessarily qualify to hold, as per the job description for the vacant position ● There were instances where departments interpreted policies incorrectly which results in incorrect applications that create a precedence
Annual leave	● The annual leave granted is generally above the benchmark thresholds and the minimum provisions of the Basic Conditions of Employment Act (BCEA) ● Annual leave in the Public Service starts at 22 working days and increases up to 30 working days, after specific long service milestones have been reached; for example, after ten years of service employees qualify for 30 working days
Sick leave	● The Public Service provides 36 working days in a three-year cycle for normal sick leave ● Consensus from qualitative engagements highlights the potential use of sick leave as an 'entitlement' by employees ● A key challenge is the lack of line management control and accountability in managing sick leave in their respective units, which results in potential abuse. The abdicating of sick leave management

	to HR personnel is ineffective in ensuring accountability ● This also leads to potential mismanagement of other categories of leave such as incapacity leave, in instances where the employee exceeds their normal allocation of sick and annual leave
PILIR or equivalent	The challenges of **PILIR** identified in PER 2022 are collaborated by a 2016 KPMG review of the PILIR modality in a report issued through the DPSA. The report references a 2010 Public Service Commission (PSC) evaluation of PILIR, which highlights issues which continue to be prevalent in the PER 2022. The challenges have compounded over time and can be summarised as follows: ● The manual paper-based management of leave applications, approvals and records, which is inadequate and is open to potential abuse ● The commitment of managers to ensuring proper leave management and reporting ● While PILIR had an apparent positive contribution to changing employee mindsets and behaviours, the reports specified above found that employees continued to be absent on sick leave on Mondays and Fridays (without providing the appropriate certificates), which appears to be a trend consistent with the pre-PILIR era ● Both public and private sector medical practitioners were reluctant to complete the temporary/permanent incapacity leave forms when requested to do so by employees. The sentiment expressed by medical professionals is that the process is cumbersome and time-consuming ● There appears to be limited adherence to the timeframes set out in the policy for the incapacity leave assessment process ● PILIR resulted in an increase in the workload of employees ● Departments experienced challenges in processing PILIR applications due to a lack of administrative capacity ● In some instances, where health risk managers (HRMs) recommended that

	applications should be declined on the grounds of insufficient information, it was found that this was due to the reluctance of medical practitioners to breach confidentiality ● This all relates to challenges which have not been resolved in over a decade. Engagements with stakeholders across most departments confirmed that the situation has deteriorated over time ● The lack of understanding relating to the purpose, procedure, and applicability of PILIR is a matter of concern. This leads to unnecessary grievances being lodged, which adds to the administrative burden of labour relations units given that: ○ HRM provides recommendations and the final decision rests with the department ○ PILIR, as a policy, creates opportunities for grievances to be lodged when employees are dissatisfied with the outcomes ● PILIR, as a policy, has a number of benefits, such as the improvement in the management of sick leave, if applied and managed correctly
Study leave	● Study leave granted ranges between ten to 12 working days per annum ● The overarching authority on special leave resides with the sectoral bargaining councils ● Departments however have the ability to make amendments for the specific departments ● This has resulted in inconsistencies in terms of the policy and the implementation of caps
Other diverse special leave categories	● The special leave policy provides for requirements such as: ○ Study ○ Examinations ○ Military service ○ Resettlement due to transfer ○ Collective bargaining or other labour relations necessities ○ Participation in sports ○ Sabbaticals ○ Other

	● Apart from the lack of harmonisation between certain departments, the management of special leave is stable and consistent
Medical benefits	● The administration and management of medical aid benefits is found to be controlled ● Salary levels 1-10 are not on a TCE
Retirement fund benefits	● Retirement fund contributions on behalf of employees is an area that is generally well controlled across the Public Service
13th Cheque	● Is a form of savings facility in the Public Service and no challenges were highlighted regarding the 13th cheque, which is also referred to as a service bonus ● This is well controlled, and no major findings exist
Performance bonuses	● Performance bonuses have been discontinued in National and Provincial Departments due to affordability ● The last payments were made in the 2019/20 financial year ● There is dissatisfaction amongst employees in terms of not being incentivised to perform ● However, there is a lack of appreciation amongst employees of the need to justify the guaranteed remuneration packages received for the work that is executed for the salaries they earn ● Other challenges relate to the manner in which PMDS is implemented and which is dealt with in a different section
Motor vehicle and car allowance	● This is a structured allowance in the Public Service for officials on salary level 11 upwards ● These employees are on a TCE approach ● There were no challenges highlighted for this allowance
Travel allowances	● The challenge with travel allowances is related to the verification of trips travelled by officials in terms of: ○ Vehicles used ○ Distance travelled ○ Compliance with approval processes which verify the need and purpose of travel ○ Post-travel reporting

	● Challenges that were highlighted were not from a policy perspective but were due to a lack of required managerial, approval and monitoring ● Reservations were raised in relation to the need, volume and control of travel claims generated through unjustified work-related commitments
Overtime	● The main cause of overtime was the lack of capacity within departments. This is as a result of a shortage of staff, due to vacancies that are not filled in a timely manner, or a freeze on employing more officials in an attempt to curb the Wage Bill ● A Public Service Commission (PSC) report dating as far back as 1999 highlighted challenges that resulted in overtime, which are still prevalent in the PER 2022: ○ The occurrence of unplanned events or additional tasks for which prior planning could not be done ○ Work that cannot be performed during official hours ○ The recruitment and retention of staff in particular specialised fields, for which there is a scarce supply ○ Lack of trained staff with appropriate experience ○ Inefficient work procedures ○ Absenteeism ○ Backlogs in work ● Initiatives to curb the high cost of overtime have already been put in place through the proclamation of the 2016 Public Service Regulations ● Regulation 49(1) stipulates that an employee's monthly overtime pay is limited to 30% of their monthly salary or the limitation determined by the Minister, whichever is the lessor ● Furthermore, an executive authority no longer has the authority to bypass the 30% threshold

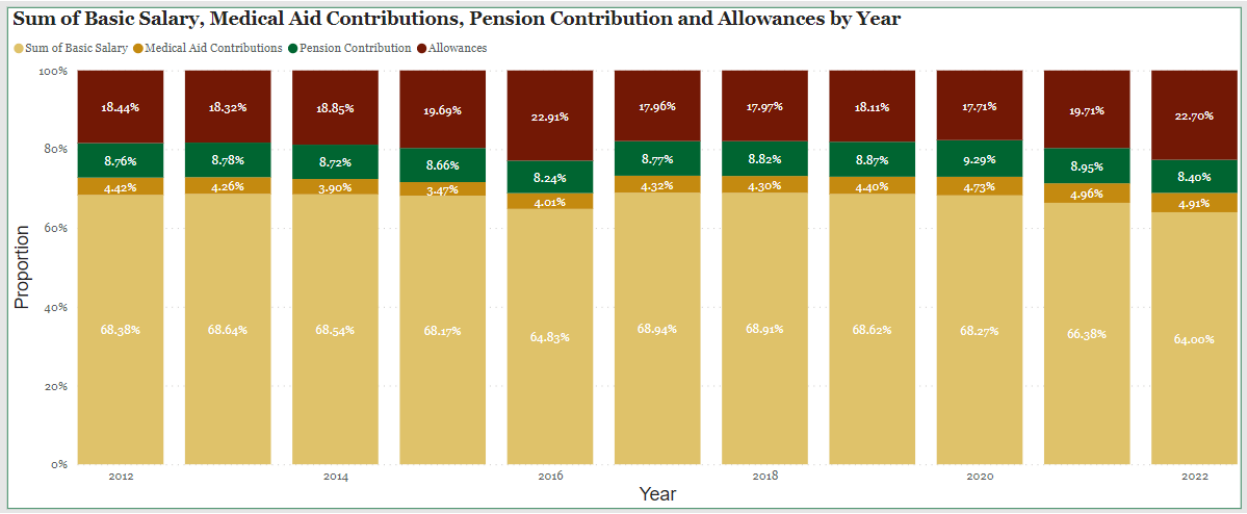
Prevalent challenges with benefits and allowances in the Public Service (National and Provincial Departments) related primarily to the following areas:

- The complex array of benefits and allowances
- The basic salary plus benefits remuneration structure for salary levels 1 to 10
- Possible leakages due to the creation of PERSAL codes which were not universally understood and applied in the Public Service. These allowances have cost implications on a monthly basis. An example of this is the 'compensation allowance' as a PERSAL category
- The employer carrying the cost of increases for benefits such as medical aid contributions made on behalf of the employer
- Increased strain on capacity given the need to administer benefits and allowances, with some departments having directorates focused solely on such roles
- Manual leave applications in most departments which compromised optimal monitoring and the prevention of unaccounted leave. Despite being unquantified, qualitative consultations indicate that the leakage could be quite high, especially in more remote areas. This could be a larger challenge in terms of managers fulfilling their contractual obligations regarding the management of leave and abdicating the role to HR personnel.

Overall Public Service remuneration structure

The following graph illustrates the composition of TCE for the Public Service, from 2012 to 2022

Graph 1: Sum of basic salary, medical aid contributions, pension contributions and allowances, over time

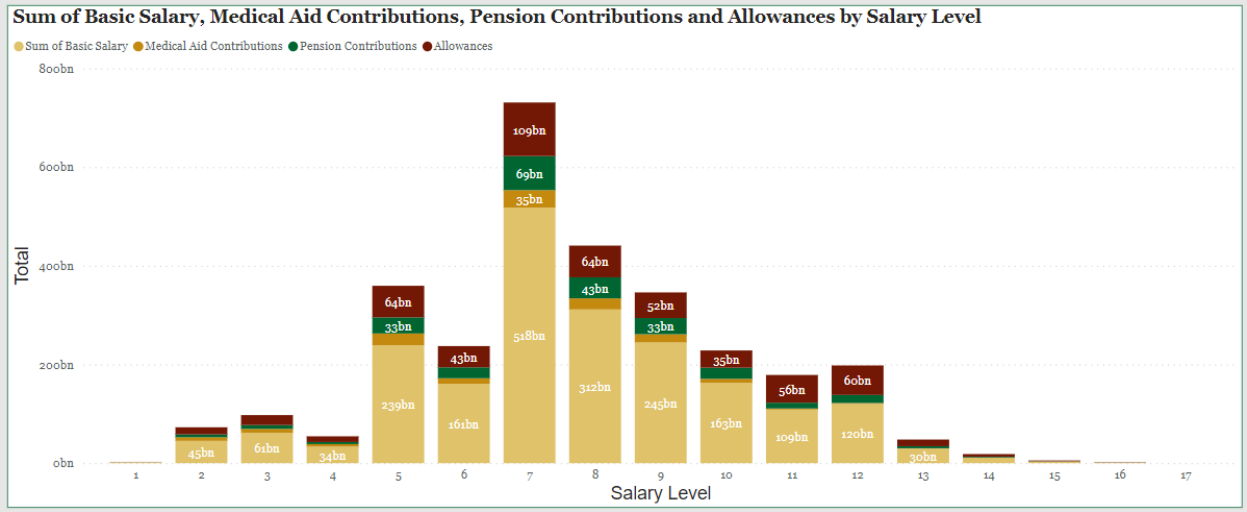


The above graph illustrates the split between basic salary, medical aid contributions, pension contributions and various allowances. As noted above, allowances and benefits comprised a high and increasing amount of the overall TCE over time, which is eroding resources for the delivery of services. These components will be important when considering any trends in the overall wage structure.

The graph below shows the absolute amounts of the TCE components per salary level. The graph depicts that TCE is concentrated in the middle salary levels as expected.

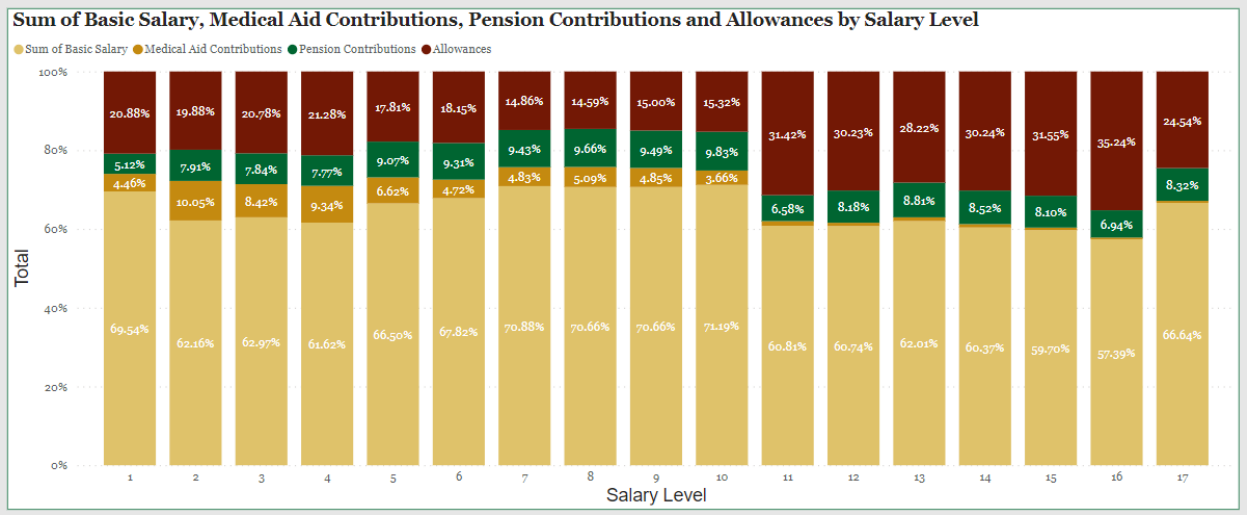
- The highest concentration of TCE is found on salary level 7, followed by SL8, SL5 and SL9 respectively.

Graph 2: Sum of basic salary, medical aid contributions, pension contributions and allowances, by salary level



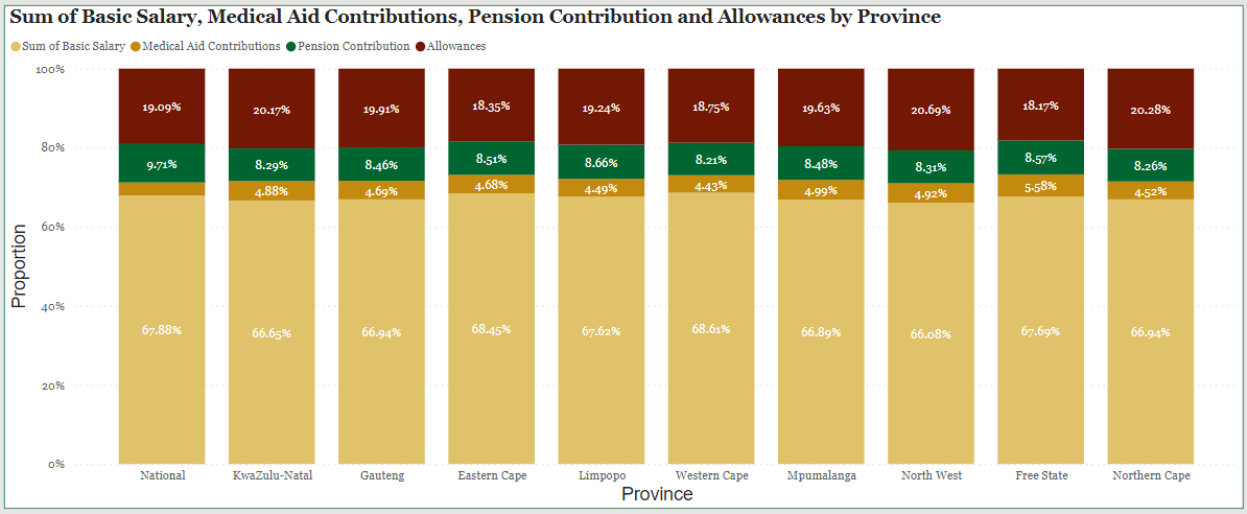
As noted in the graph below, when looking at the salary level composition in relation to the components of TCE, we see a shift from salary level 11 onwards. As individuals from salary level 11 onwards are on a TCE package, differences would be expected. This view provides structuring insight especially for salary levels 1 to 10, which are currently remunerated on a non-TCE approach. The composition of these salary levels informs us that the sum of the basic salary makes up a greater proportion relative to benefits and allowances, in relation to TCE remuneration.

Graph 3: Proportion of basic salary, medical aid contributions, pension contributions and allowance of TCEs, by salary level



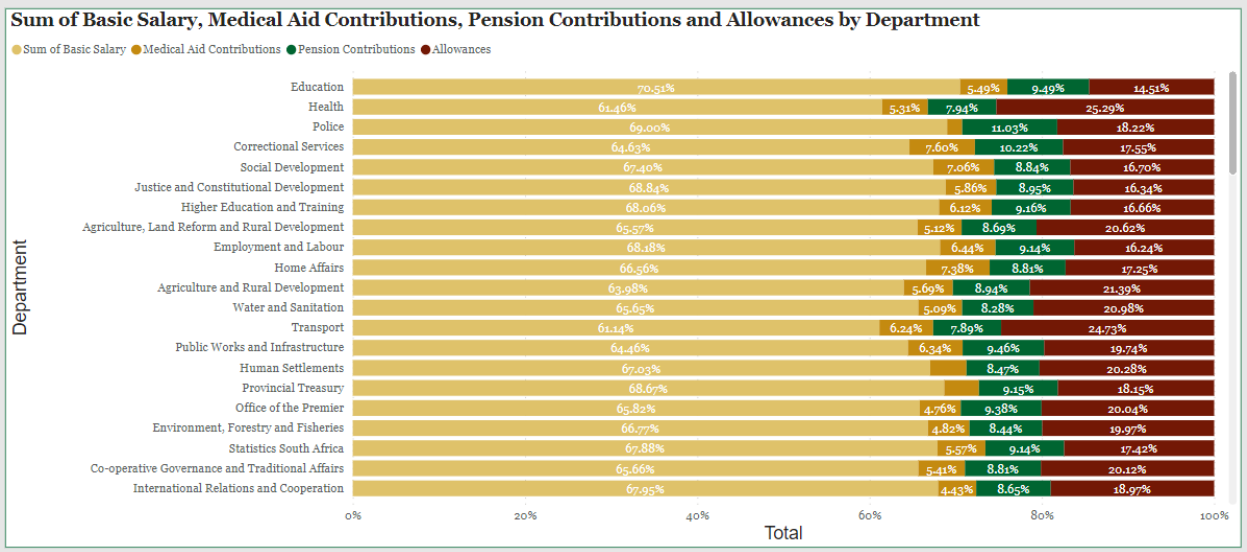
When investigating the TCE trend across National and Provincial Departments below, no significant difference is noted in terms of the composition and a fairly stable composition is observed across. This is encouraging, as it provides evidence of uniform application within the Public Service.

Graph 4: Sum of basic salary, medical aid contributions, pension contributions and allowance, by province



The following graph illustrates the composition of TCE for the Public Service, by department:

Graph 5: Sum of basic salary, medical aid contributions, pension contributions and allowance, by department



The largest departments from a TCE and headcount point of view have been listed first. The following high-level observations can be drawn:

- The Department of Health has a high proportion of allowances. This is as a result of overtime and fixed overtime, which is investigated in a later section
- The Department of Transport has a high proportion of allowances
- The Department of Agriculture, Land Reform and Rural Development high allowances
- Pension is fairly consistent over time
- Medical aid is fairly consistent with the exception of the SAPS, which is on the POLMED scheme.

Summary findings

- The Public Service levels 1 to 10 continue to be remunerated on a basic salary and additional benefits structure. It should be noted that the need for a TCE was recommended in the PER 2011
- The management and complexity of administering non-TCE remuneration components requires extensive time and effort of HR personnel, which is a challenge given the limited resource capacity and consistency of application
- The manner in which remuneration is currently operated does not allow for easy benchmarking activities to be conducted, especially on levels 1 to 10
- Though this assessment did not assess service delivery but covered the operational environment of organs of state, anecdotal evidence suggests that the largest output costs of the state relate personnel expenditure, which detracts from the expenditure needed for actual service delivery imperatives
- The consistent tracking and monitoring of these increases is crucial, as there are trade-offs that have to be made by the employer to accommodate increases. These trade-offs, from overall TCE point of view, include capacity increases in personnel numbers, which have been lagging due to affordability challenges
- Spending on allowances from 2012 to 2021 has almost doubled, increasing from R55bn to R108bn, which is a R53bn rise. This can be partly attributed to increases in salaries in the same period and increases to allowances, for example housing allowances. This adds to the trade-offs narrative relating to the lack of increases in personnel numbers, and the following allowances (as contained in graph 30) which were the most material:
    - Housing allowance
    - Commuted overtime
    - Overtime
    - Housing allowance and GEHS individual-linked savings account
    - Travel and subsistence allowance
- Medical aid contributions and payment parameters are found to be consistent and generally well managed and controlled
- The analytical data points to an increasing trend in medical aid contributions since 2016, which is largely due to the increase in employer contributions to medical aids and not due to an increase in headcount
- The implementation and management of pension contributions, by all accounts, are stable
- Pension contributions almost doubled from R26bn in 2012 to R49bn in 2021, which amounts to a R23bn increase, while headcount has only increased slightly. However, it is important to note that, as salaries increase, pension contributions would also increase
- It is evident that allowances have not been reviewed or revised in any significant way over the last ten years
- Where revisions have taken place, it is evident that these changes mainly have the effect of increasing and adding to the current benefit structures. This is understood in the context of bargaining council processes, negotiations and settlements reached over time, which are clearly employee centric
- It is found that the administration and execution of implementing these allowances is overly complex and open to variances in interpretation and application which result in:

    - Inconsistencies in application
    - Complex processes in ensuring answerability and accountability
    - Difficulties in conducting monitoring and evaluation
    - Benchmarking and best practice determination
- The quantitative data reveals that allowances have continued on an upward trend, while basic salaries and the other benefits have remained relatively steady. Over a period of ten years, from 2012 to 2021, allowances have increased from R51bn to R100bn
- There is evidence to suggest from the qualitative engagements that overtime is being used to perform functions that could be performed in normal working hours. This points to the following challenges identified during engagements:
    - Lack of measurement of work performed during normal working hours
    - Poor controls
    - Lack of answerability from managers that are meant to approve overtime schedules and the work that needs to be performed and quantified
    - Lack of monitoring and evaluation of the impact of overtime hours being correlated to output and enhanced service delivery
    - By all accounts, based on qualitative and quantitative analysis, the combination of overtime in conjunction with commuted overtime within the DoH is a matter of concern and open to potential abuse. This correlates with findings as far back as the Deloitte OSD report (2012)
- In accordance with the quantitative data analysed, the distribution of overtime payments appears to be prevalent from salary levels 2 to 12, with significant peaks on salary levels 5 to 7 based on a snapshot of the situation in 2021
- By way of example, the quantitative data reveals an increasing trend from 2018 (R3.6bn) to 2021 (R5.5bn) with the highest prevalence being the DoH and SAPS, as would be expected and with due consideration to the impact of COVID-19
- It is observed that there is generally an increasing trend in the count of overtime claims towards the end of the year
- Housing allowances, in their current form, are largely administered in accordance with the policy prescripts. The findings suggest that there is a lack of auditing capabilities in the Public Service to continuously monitor and validate:
    - The existence and accuracy of rental contractual agreements
    - Home loans and whether the employee receiving the allowance actually resides in the property and that the property is not sublet to other PS employees receiving the housing allowance for the same property
- Qualitative engagements indicate that travel allowances are sometimes abused by the creation of the need to travel to supplement salaries, which in extreme cases can be as much as the employee's monthly salary, without providing and substantiating the purpose and outcomes of the travel incurred. This points to poor management, approval and monitoring of travel claims and the objectives achieved. This was anecdotally referred to by participants as a 'monthly 13th cheque'
- Rural allowances have generally outlived their original purpose of attracting and retaining expert and professional skills in rural and outlying areas where it is challenging to access amenities and accommodation. The highest prevalence, based on the analysis of the

quantitative data, is in provinces such as Limpopo, Mpumalanga, Eastern Cape, and North West, and is primarily associated with the DoH

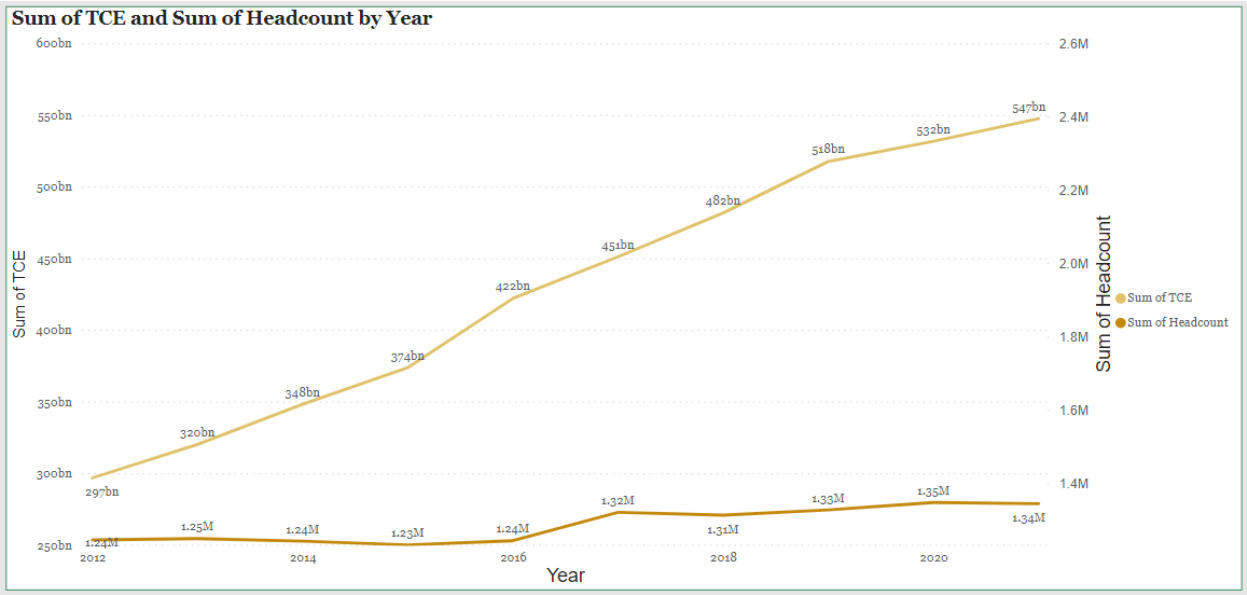
- The finding of the PER 2022 is aligned to the recommendations of the PER 2011 and significant inputs throughout the PS in relation to its continued relevance and accuracy
- In the PS the majority of departments capture all types of leave manually (paper-based) once received by HR. This results in the following challenges which have been observed:
    - Significant time delays from the time of submission to approval being provided. Scenarios in large departments reveal that leave forms need to be collated and transported long distances to be captured by the closest regional office
    - Poor oversight by line managers as to whether all approval processes (for all types of leave) have been complied with and captured, as well as verifying that leave was taken in accordance with the application. This could result in significant leakages which in turn have huge consequences in terms of cost, oversight, and the accuracy of leave records, with specific reference to:
        - Leave forms being lost or misplaced
        - Integrity of leave data and balances
        - Poor managerial oversight
        - Potential for abuse
        - Increase in uncontrolled absenteeism
        - Deficits with specific reference to accumulation of work and the need to work overtime, where this is allowed
        - Verification of the leave process in leave reports, monitoring, evaluation, and exposure are largely inaccurate and unverifiable, based on the time delays between taking, approving, and capturing leave
- In the limited instances where National and Provincial Departments apply a custom-made electronic leave system, it is observed that all leave processes from application to capturing and reporting are more efficient and effective
- The different leave entitlements (policies and directives) for employees are generally understood and applied at the respective levels
- In terms of the requirements of the BCEA and in comparison with leave entitlements in terms of the best practices identified in the context and overview, it is evident that leave benefits across the spectrum are generally higher and used as an incentive and employee value proposition (EVP)
- The challenge can best be summarised as the lack of application, consistency, answerability, accountability, monitoring and reporting
- It is also observed that the use of a combination of various categories of leave could result in employees being absent from work for periods up to three months
- The issues relating to annual leave are characterised by the general findings, as listed above
- Qualitative engagements reveal that sick leave in a three-year cycle is increasingly being used as an entitlement and that some employees plan to use sick leave based on the number of days available for each year of the three-year cycle
- The consistency of the application of incapacity leave and the time frames adopted are found to be challenging, as specified in the summary PS tables above.

Comparison to headcount

The section below compares the remuneration components discussed in the previous subsection.

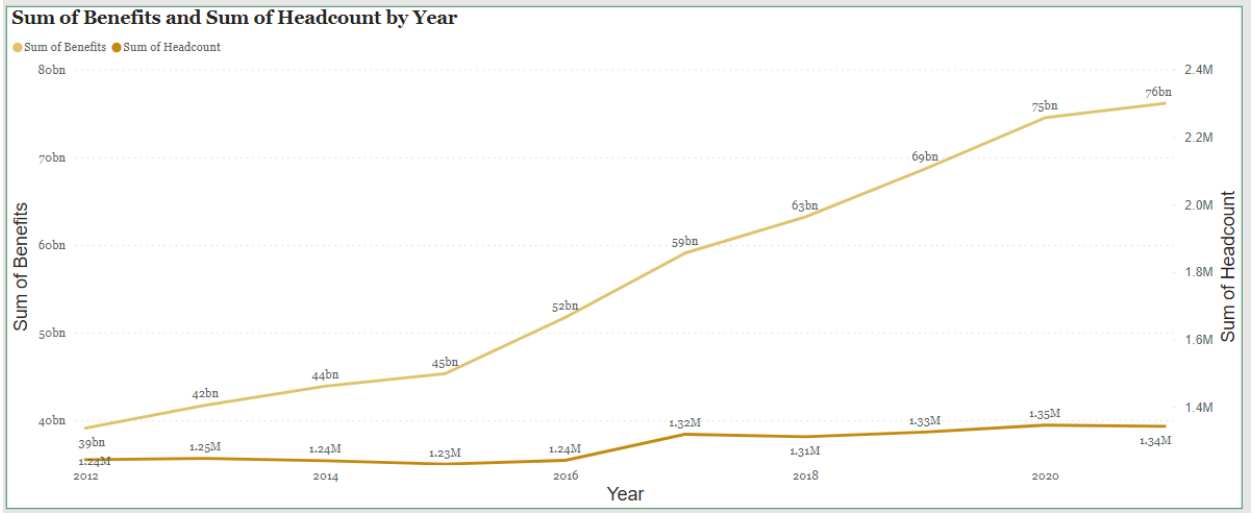
The graph below depicts a comparison of overall TCE and overall headcount from 2012 to 2021. We observe that, while personnel numbers have remained fairly flat, TCE has increased from R297bn to R547bn which is a R250bn rise, meaning TCE has almost doubled. It is understood that inflation would account for part of the increase; however, this still remains in excess of what could reasonably be expected. Though this assessment did not assess service delivery but covered the operational environment of organs of state, anecdotal evidence suggests that the largest output costs of the state relate to personnel expenditure, which detracts from the expenditure needed for actual service delivery imperatives.

Graph 6: Sum of TCE compared to sum of headcount, over time



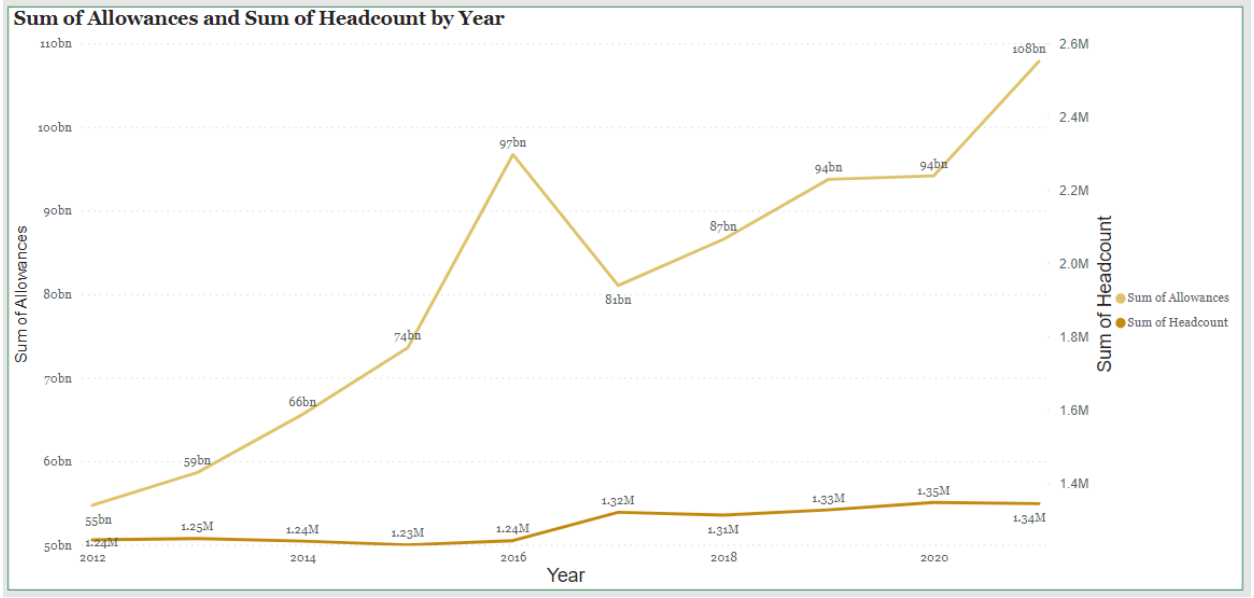
The graph below depicts a comparison of overall benefits (medical and pension contributions) and overall headcount. This is to provide a differentiated view which informs the trends from 2012 to 2021. Similar to the overall TCE comparison, personnel numbers have remained fairly consistent. However, the spend on medical and pension benefits has increased by R37bn, rising from R39bn in 2012 to R76bn in 2021. The consistent tracking and monitoring of these increases is crucial, as there are trade-offs that have to be made by the employer to accommodate increases. These trade-offs, from an overall TCE point of view, include capacity increases in personnel numbers, which have been lagging due to affordability challenges.

Graph 7: Sum of benefits compared to sum of headcount, over time



The graph below depicts a comparison of overall allowances and overall headcount. The trend of remuneration components increases significantly, outpacing personnel headcount which prevails over time. Spending on allowances from 2012 to 2021 has almost doubled, increasing from R55bn to R108bn, which is a R53bn rise. This adds to the trade-offs narrative relating to the lack of increases in personnel numbers.

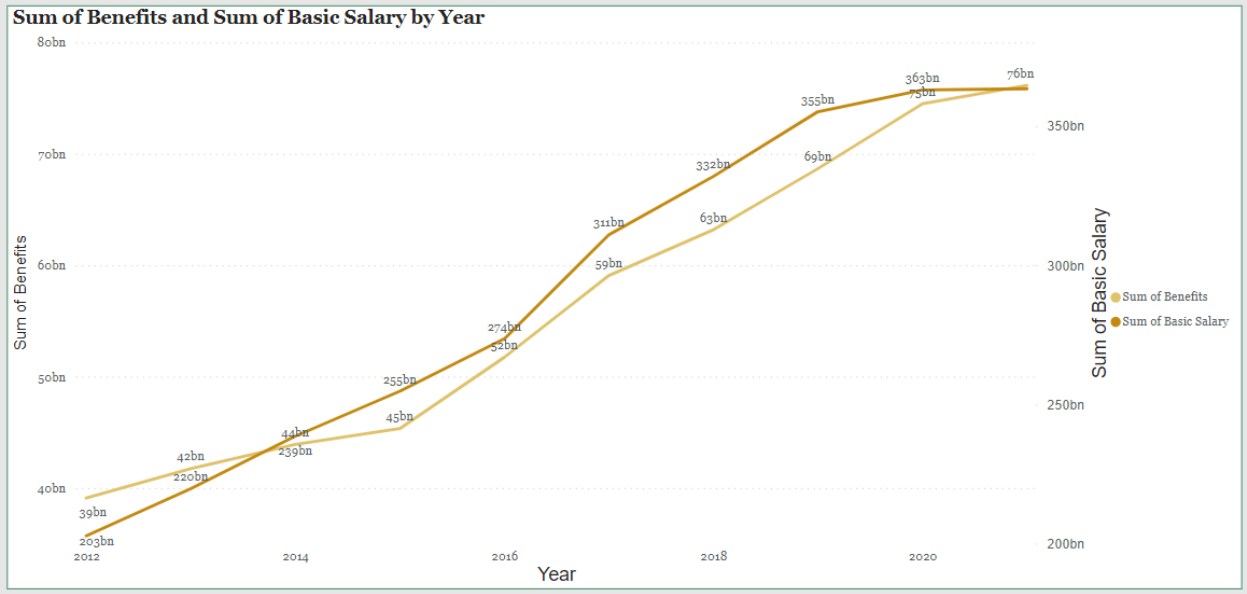
Graph 8: Sum of allowances compared to sum of headcount, over time



The following graph provides a comparison of benefits and basic salary to scale from 2012 to 2021. Benefits have increased at a slightly faster pace relative to basic salaries. However, basic salaries remain a higher pressure point from an absolute amount perspective. Basic salaries overall increased from R203bn in 2012 to R363bn in 2021, which amounts to a rise of R160bn.

Allowances between 2015 and 2016 significantly escalated by approximately R23bn due to numerous factors that are further detailed within the housing allowance section of this report.

Graph 9: Sum of benefits compared to sum of basic salary, over time

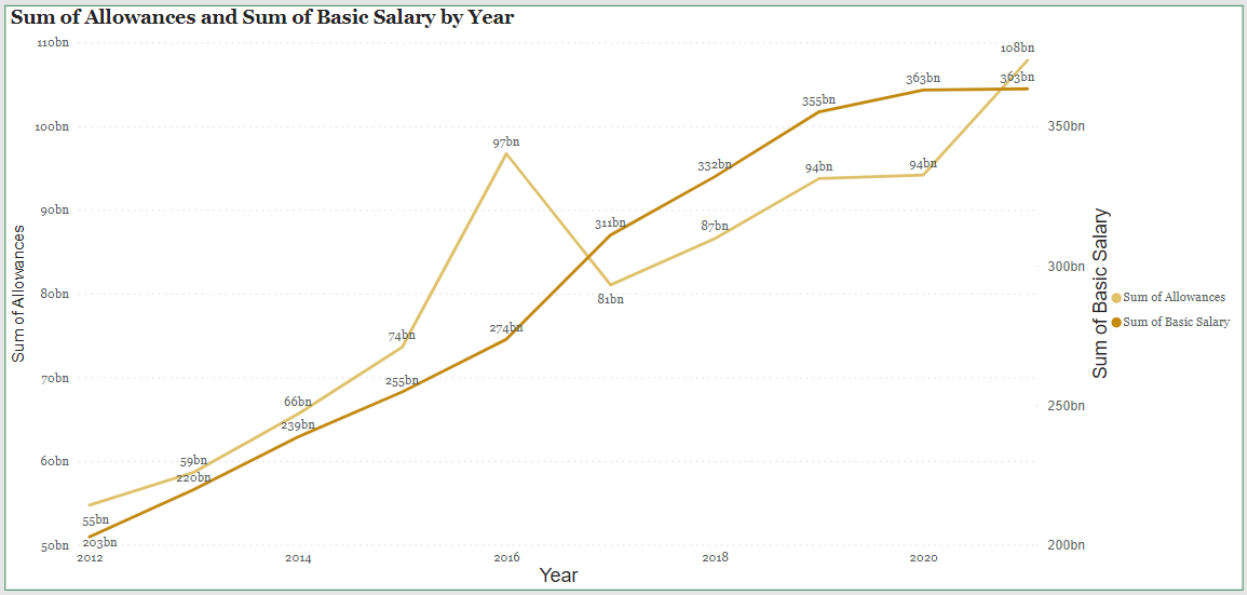


Benefits increased from R39bn to R76bn, which is a rise of R37bn. What is becoming apparent is that solving the Wage Bill pressure will have to involve a strategy that addresses multiple monetary components, which include:

- Medical aid contributions
- Pension contributions
- Allowances
- Salaries.

The graph below provides a comparison of allowances and basic salary to scale from 2012 to 2021. Both remuneration components have almost doubled for the period of this assessment, with allowances increasing from R55bn to R108bn and basic salaries rising from R203bn to R363bn. Whether these increases can be justified in terms of the output they generate in the form of service delivery is an issue for further investigation.

Graph 10: Sum of allowances compared to sum of basic salary, over time



In summary, the first three graphs above indicate the relationship of overall TCE, benefits and allowances to headcount. The last two graphs illustrate the relationship between basic salary and benefits and allowances, respectively.

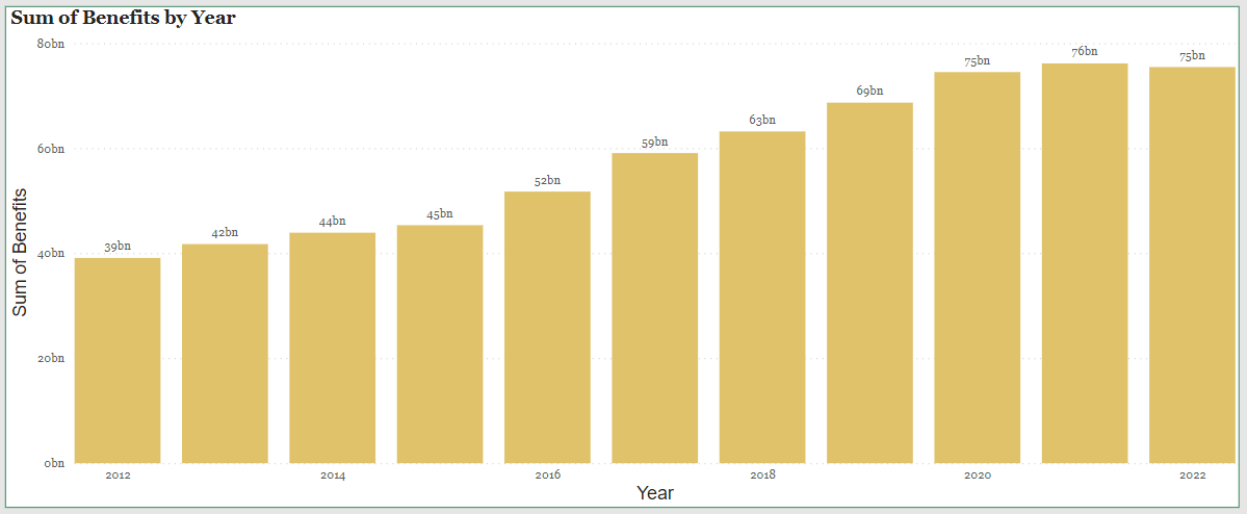
As noted above, the TCE, along with allowances and benefits increase substantially compared to headcount, which stays stable and follows basic salary closely. The 2016 spike in allowance is as a result of housing allowances. This is discussed in more detail below.

Benefits

Benefits, as described in this section, includes medical aid contributions and pension contributions. Leave is discussed in a separate section.

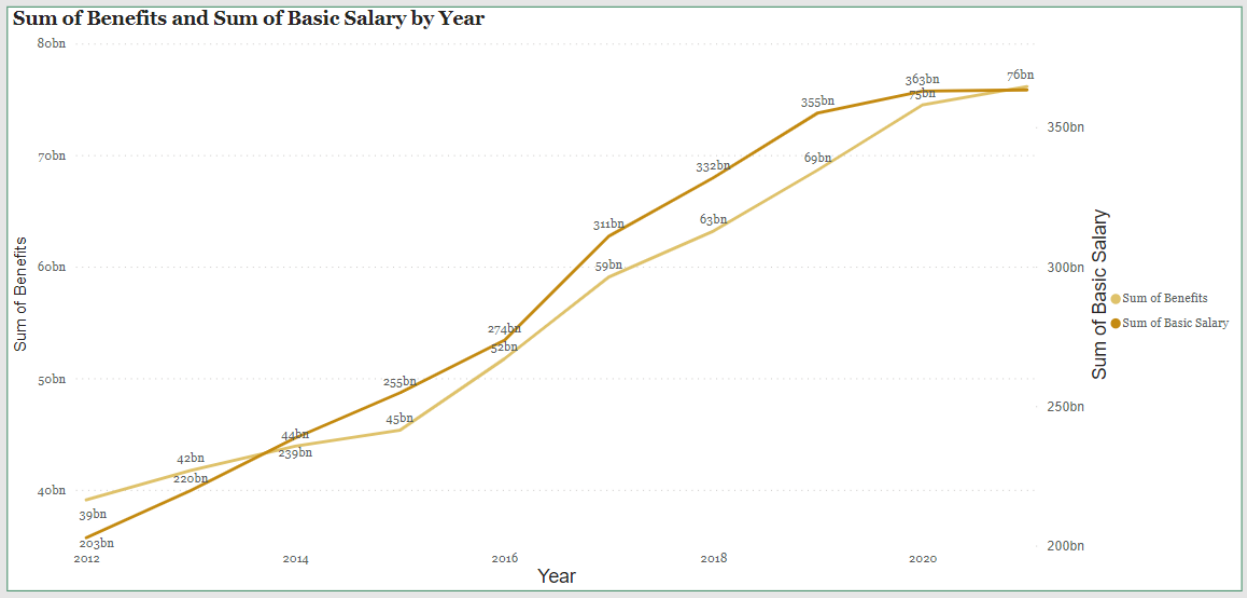
The graph below shows benefits as a combination of medical aid and pension contributions. These benefits have seen an increasing trend from 2012. The trend has started to level off in 2022, which is encouraging. Whether the observed levelling off in 2022 will continue going forward is a matter which needs to be monitored.

Graph 11: Sum of benefits (medical aid and pension contribution), over time



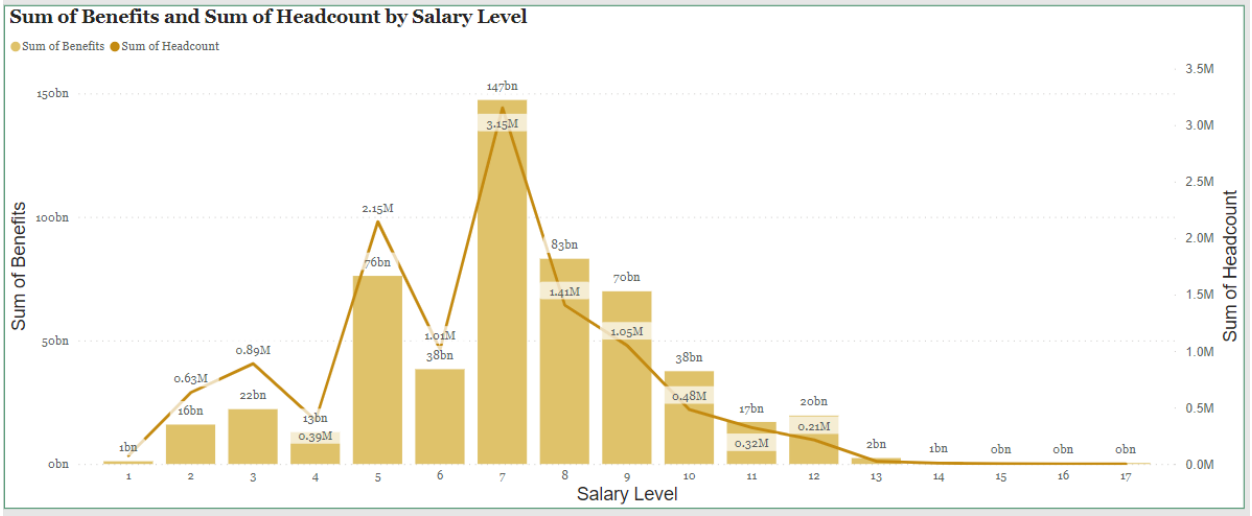
The benefits trend closely follows the increasing trend of basic salaries from 2012 to 2021, which would be expected and is observed in the graph below:

Graph 12: Sum of benefits compared to sum of basic salary, over time



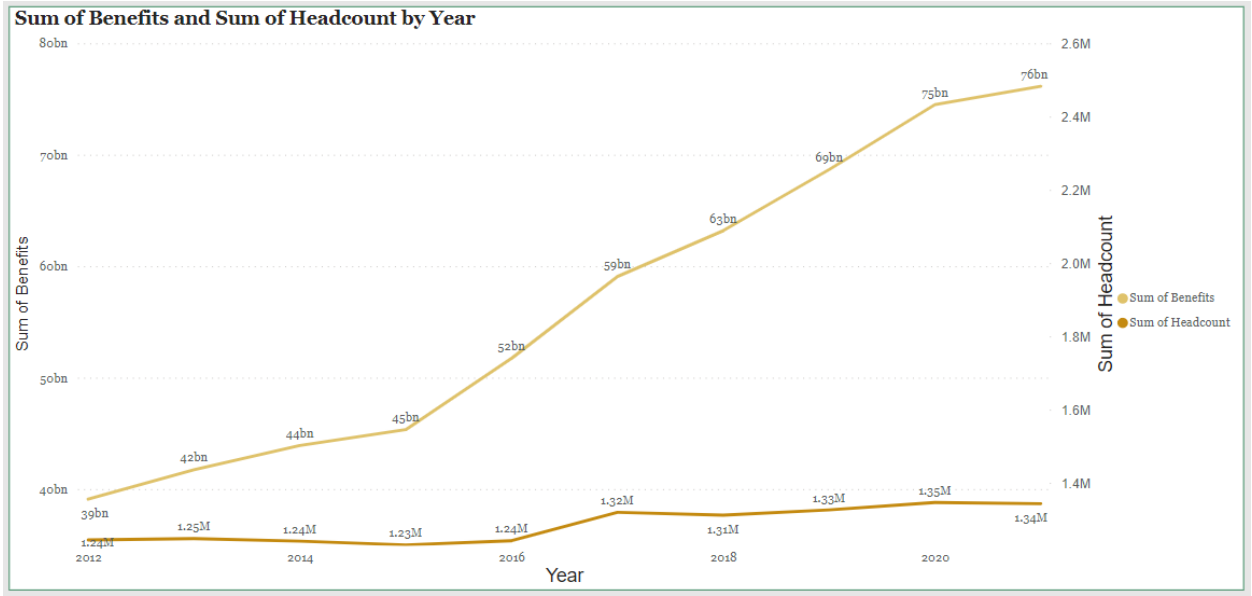
The graph below depicts benefits per salary level, compared to headcount. The concentration of benefits follows the headcount concentration which would be expected.

Graph 13: Sum of benefits and headcount, by salary level



In the graph below, however, we see that benefits have increased substantially, while the headcount has stayed consistent, at the same scale.

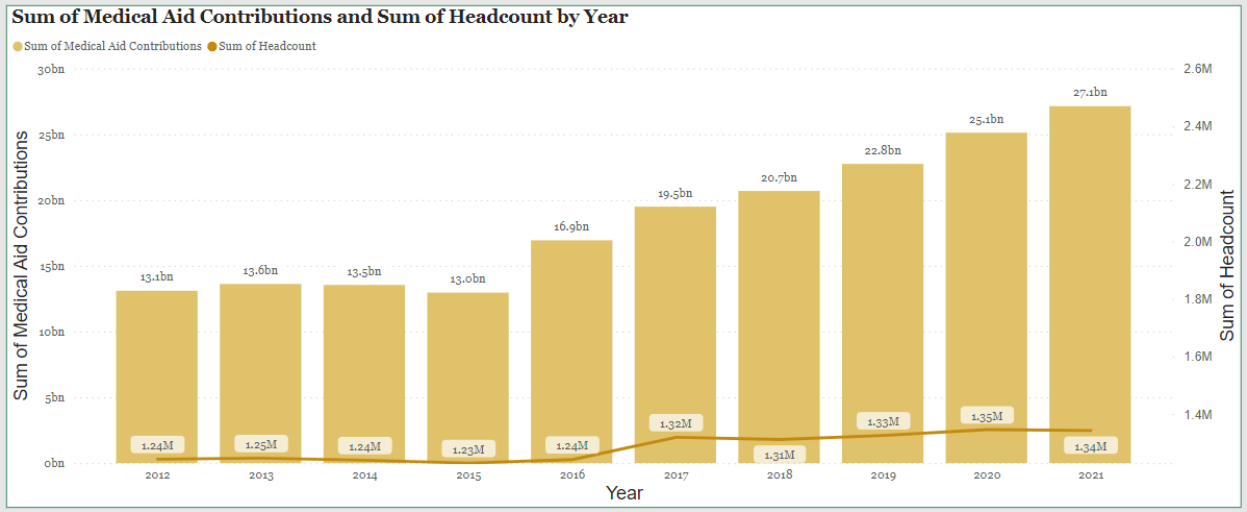
Graph 14: Sum of benefits compared to sum of headcount, over time



Medical aid

The graph below shows medical aid contributions over time, as per the bar graphs, and headcount over time as per the line graph:

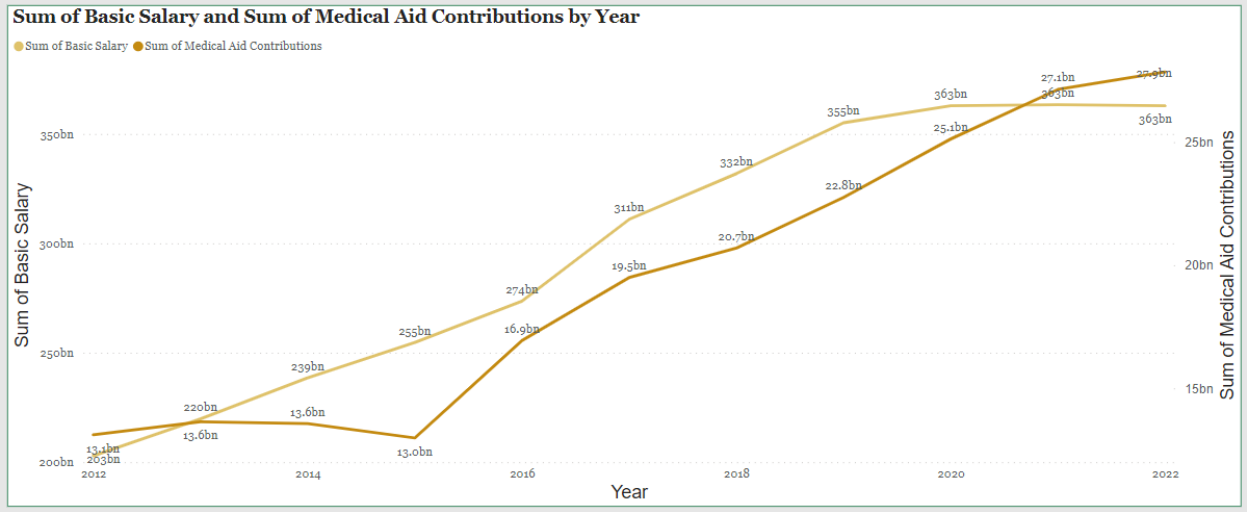
Graph 15: Sum of medical aid contributions and sum of headcount, over time



It is evident that there is an increasing trend for medical aid contributions and a more stable, but increasing, trend for personnel numbers over time. In the 2012 to 2021 period of assessment, medical aid contributions remained fairly consistent from 2012 to 2015, and increased more substantially from 2016 onwards when payment thresholds and tariff increases were reviewed, resulting in an overall percentage increase in contributions. Medical aid contributions increased by more than 50% from 2016 at R16.9bn to R27.1bn in 2021, which amounts to a change of R10.2bn. On the other hand, headcounts only increased slightly for the same period. This provides evidence that it is not headcount numbers exerting pressure on the Wage Bill, but rather the monetary increases of remuneration components, which in this instance is medical aid contributions.

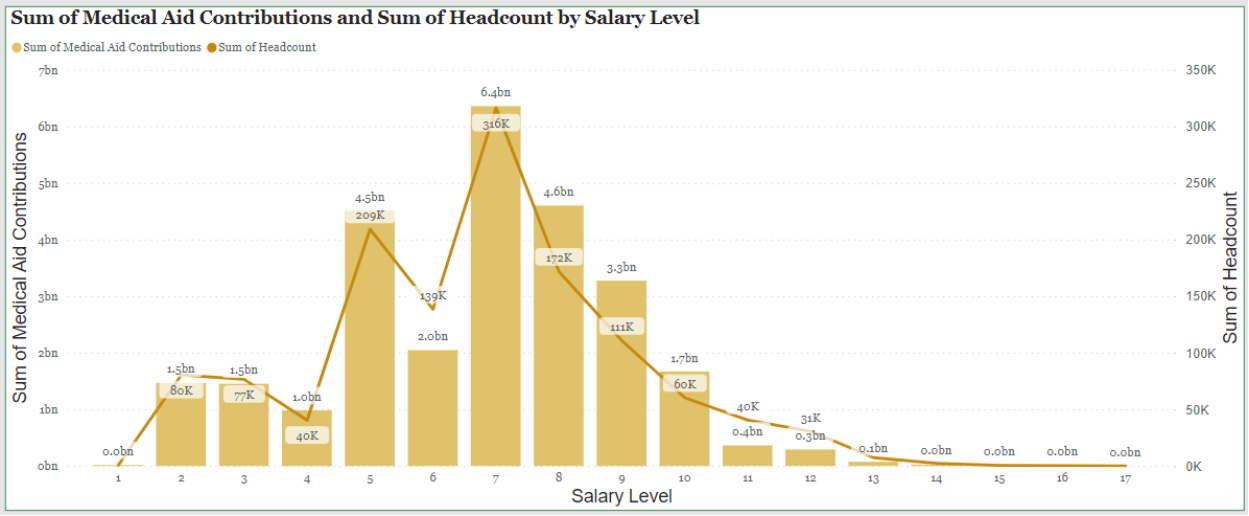
The following graph shows medical aid contributions compared to basic salary. With the exception of 2012-2015, the two line graphs correlate well, which implies that they follow the same trend. This implies that implemented increases across remuneration components generally have a compounding effect on Wage Bill pressures. This is due to the fact that increases have to be accommodated for multiple remuneration components simultaneously.

Graph 16: Sum of medical aid contributions compared to sum of basic salary, over time



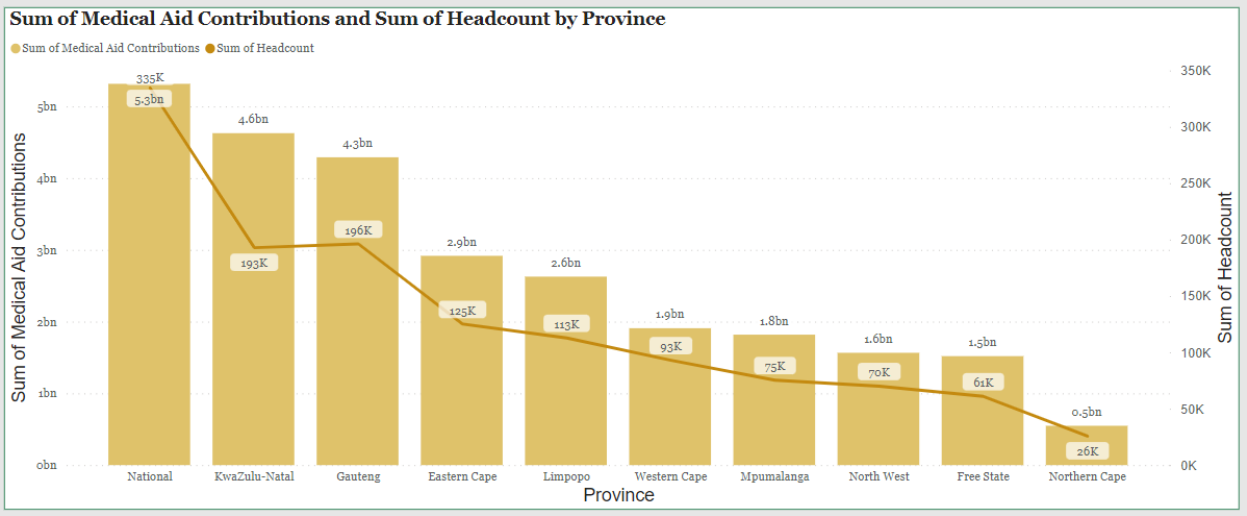
The below graph depicts medical aid contributions per salary level, compared to headcount. The graph compares total medical aid contributions as per the bar graphs, compared to headcount as per the line graphs. This provides a view of the medical aid concentration trend at each salary level, which varies with headcount as would be expected.

Graph 17: Sum of medical aid contributions and sum of headcount, by salary level



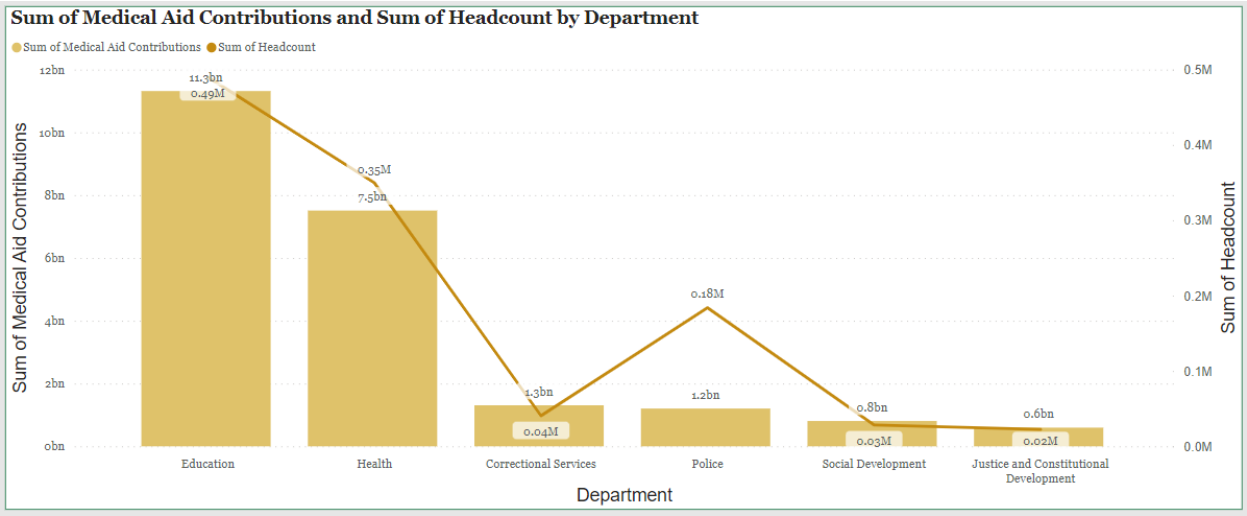
The following graph provides medical aid contributions for National and Provincial Departments, compared to headcount. The bar graph represents medical aid contributions, and the line graph illustrates headcount. A trend is observed where higher headcounts result in higher medical aid contributions, except in KwaZulu-Natal and Gauteng, where the opposite trend is observed. No reasons for this deviation are provided.

Graph 18: Sum of medical aid contributions and sum of headcount, by province



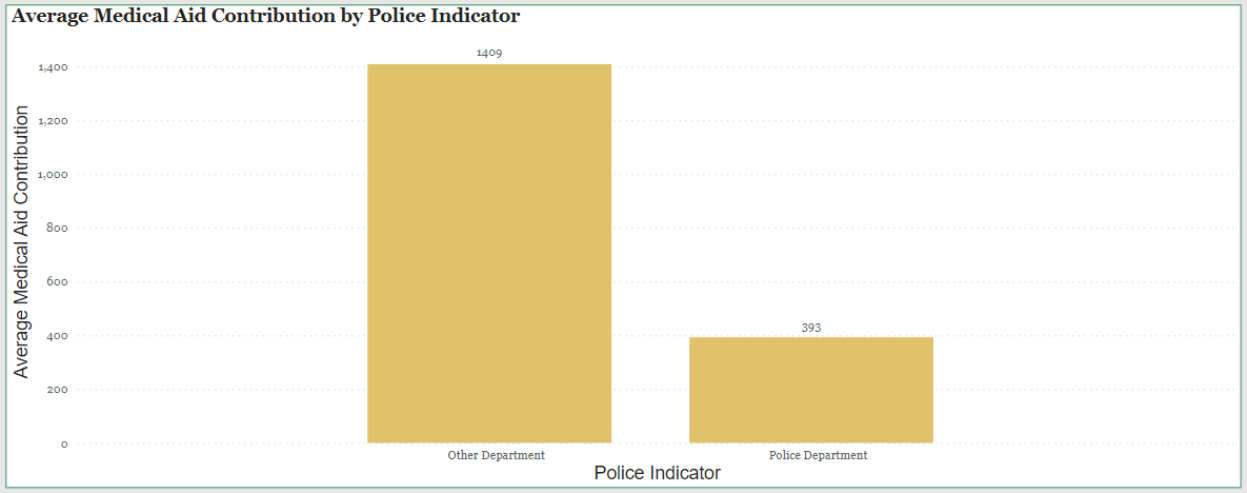
The graph below compares total medical aid contributions as the bar graphs, to headcount as the line graphs, for the largest departments. The same variance with headcount is seen, but it is noted that the SAPS medical aid differs from the trend. This deviation by the SAPS is most distinguished when compared with the Department of Correctional Services, which has substantially lower personnel numbers relative to the SAPS, but contributes more to medical aid contributions at R1.3bn relative to the SAPS at R1.2bn.

Graph 19: Sum of medical aid contributions and sum of headcount, by the largest departments



The graph below compares average medical aid contributions between the SAPS and other departments. The average medical aid contributions in the SAPS are relatively lower than other departments. The SAPS uses their own medical aid scheme (POLMED), which may provide a reason for the trend deviation by the SAPS.

Graph 20: Average medical aid contributions: Department of Police compared to other departments

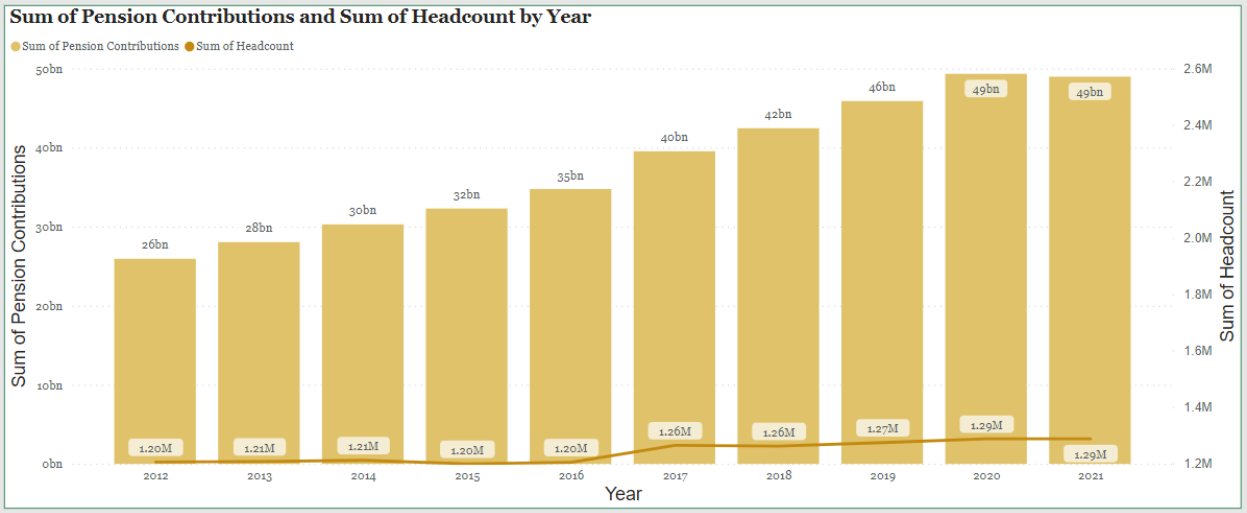


Pension

The graph below depicts pension contributions from 2012 to 2021, as the bar graphs, and headcount over time as the line graph. An increasing trend for pension contributions and a stable but increasing trend for headcount are observed.

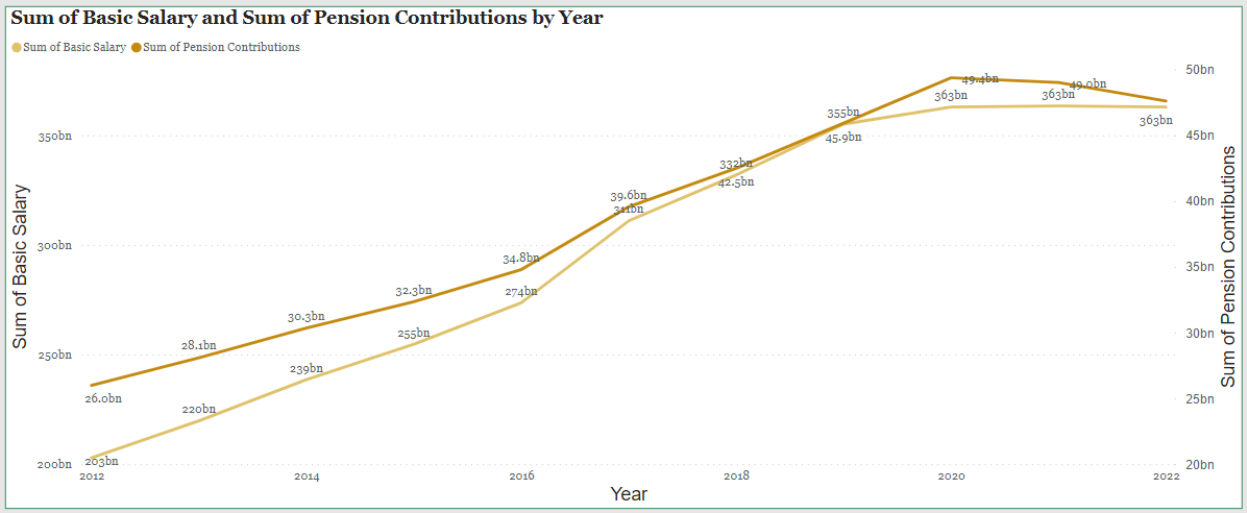
Pension contributions almost doubled from R26bn in 2012 to R49bn in 2021, which amounts to a R23bn increase, while headcount has only increased slightly. This further adds to the narrative that the Wage Bill pressure is not due to the personnel numbers but the increasing cost of the remuneration component, which in this instance relates to pension contributions.

Graph 21: Sum of pension contributions and headcount over time



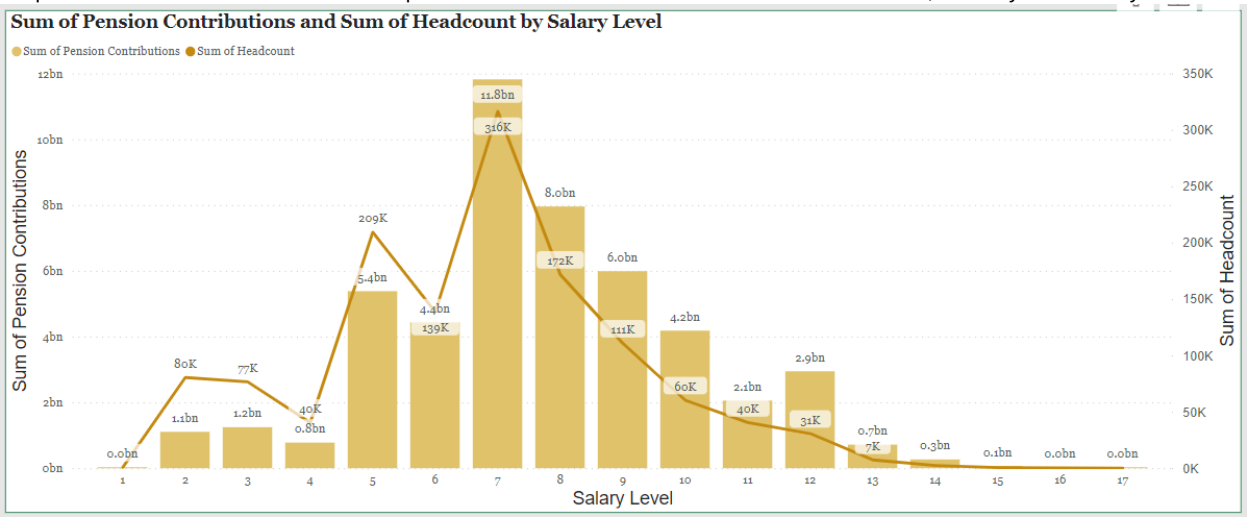
The following graph shows pension contributions compared to basic salary from 2012 to 2022. The two correlate well as expected, given that increases in pensionable salaries lead to increases in pension contributions.

Graph 22: Sum of pension contributions compared to sum of basic salary, over time



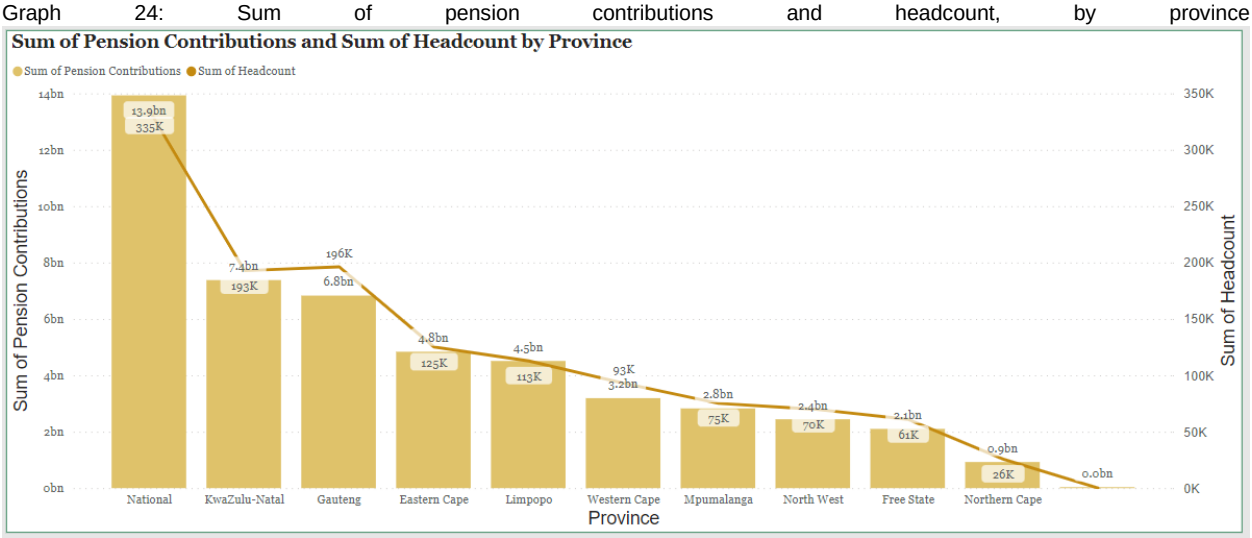
The graph below compares total pension contributions, as the bar graphs, compared to headcount as the line graphs per salary level. This varies with headcount as expected and no other trend is noted.

Graph 23: Sum of pension contributions and headcount, by salary level



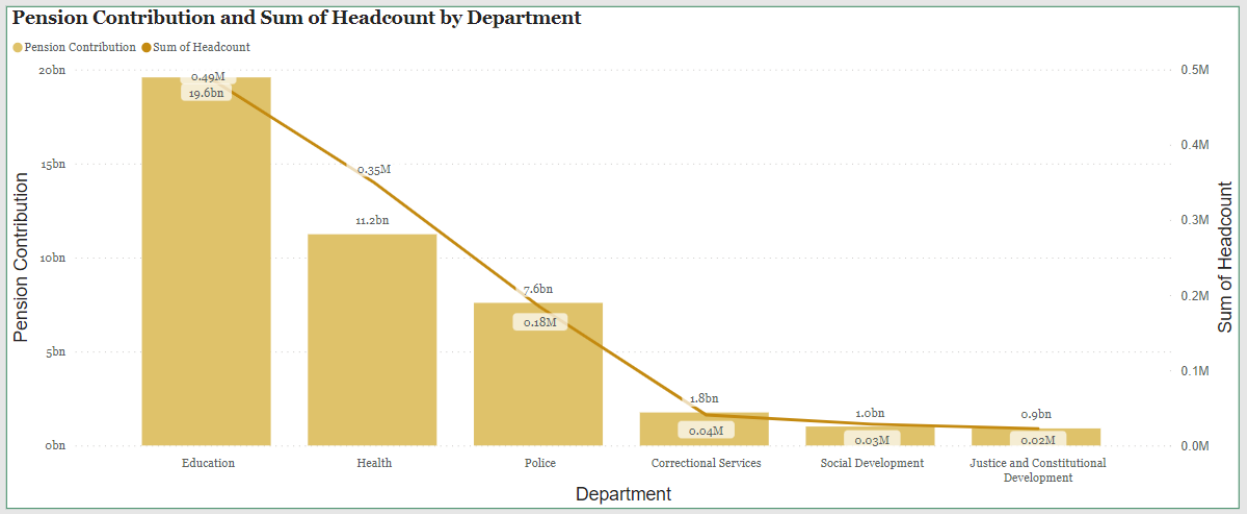
The graph below compares total pension contributions, as the bar graphs, compared to headcount as the line graphs, for National and Provincial Departments. The higher the headcount, the higher the pension contributions are, with the exception of KwaZulu-Natal and Gauteng, where the opposite is noted.

Graph 24: Sum of pension contributions and headcount, by province



The graph below compares total pension contributions, as per the bar graphs, compared to headcount as per the line graphs, for the largest departments. The larger the department, the higher their pension contribution, which is expected. Education is the largest Department, with pension contributions amounting to R19.6bn.This is followed by the Department of Health with R11.2bn and SAPS (Police) pension contributions amounting to R7.6bn for the period of assessment.

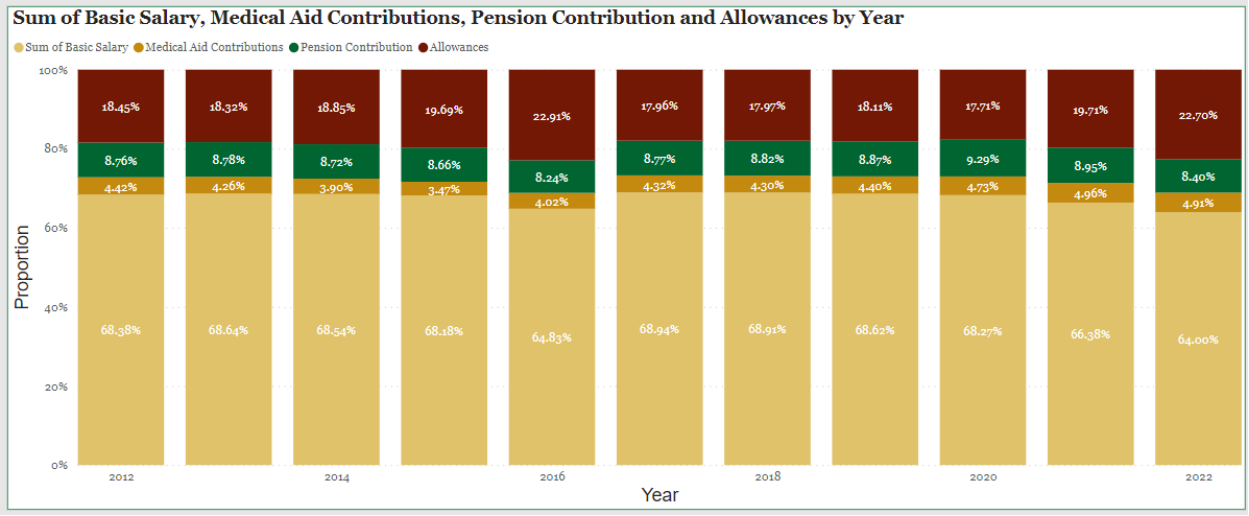
Graph 25: Sum of pension contributions and headcount, by the largest departments



Allowances

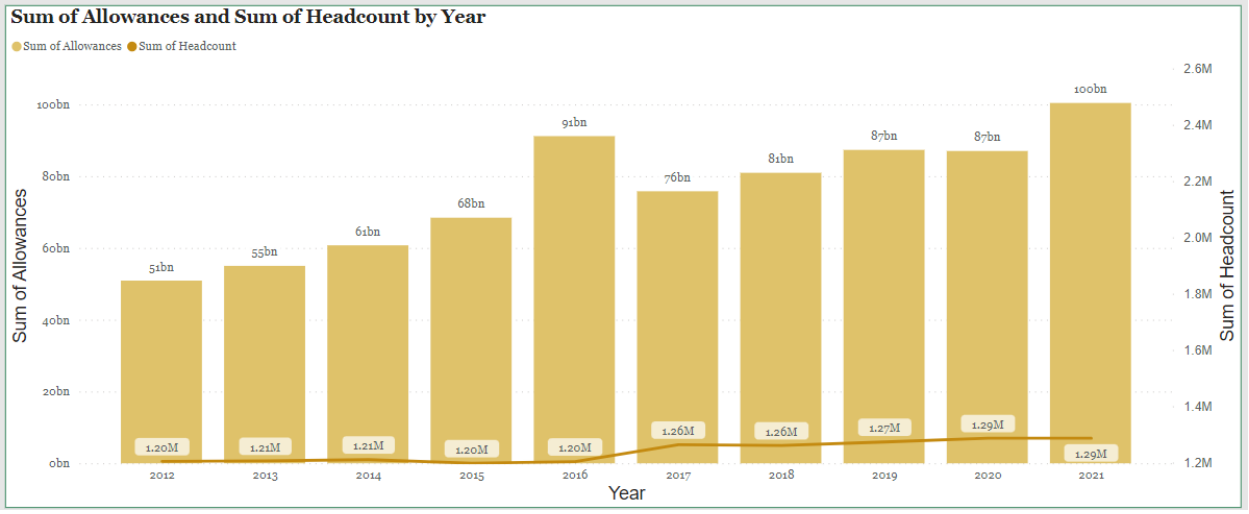
The graph below illustrates the TCE of the Public Service from 2012 to 2022 annually. This is split between basic salary, medical aid contributions, pension contributions and various allowances. Allowances make up a greater proportion of TCE over time, with a spike in 2016. From 2012 to 2022, the pension contribution and salary proportion of TCE dropped, which saw allowances taking up more of those proportions together with medical aid contributions. Allowances are explored further in the analysis to follow.

Graph 26: Sum of basic salary, medical contributions, pension contributions and allowances, over time



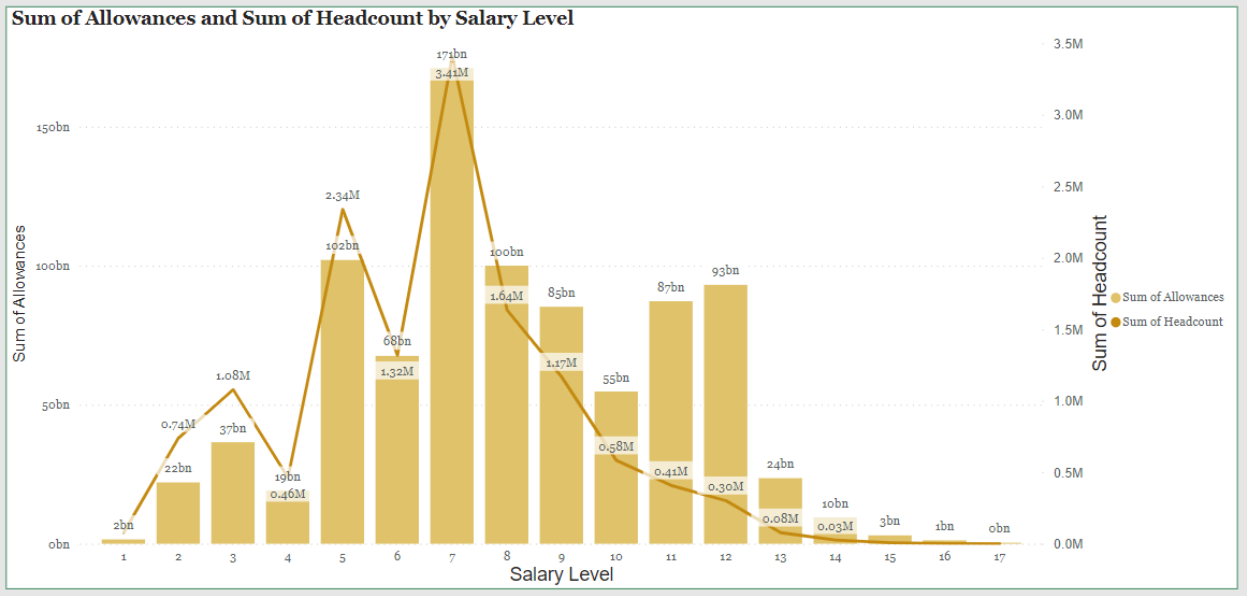
As noted in the graph below, allowances have continued on an upward trend, while basic salaries and the other benefits have remained relatively steady. This holds true when compared to the personnel numbers as well.

Graph 27: Sum of allowances and headcount, over time

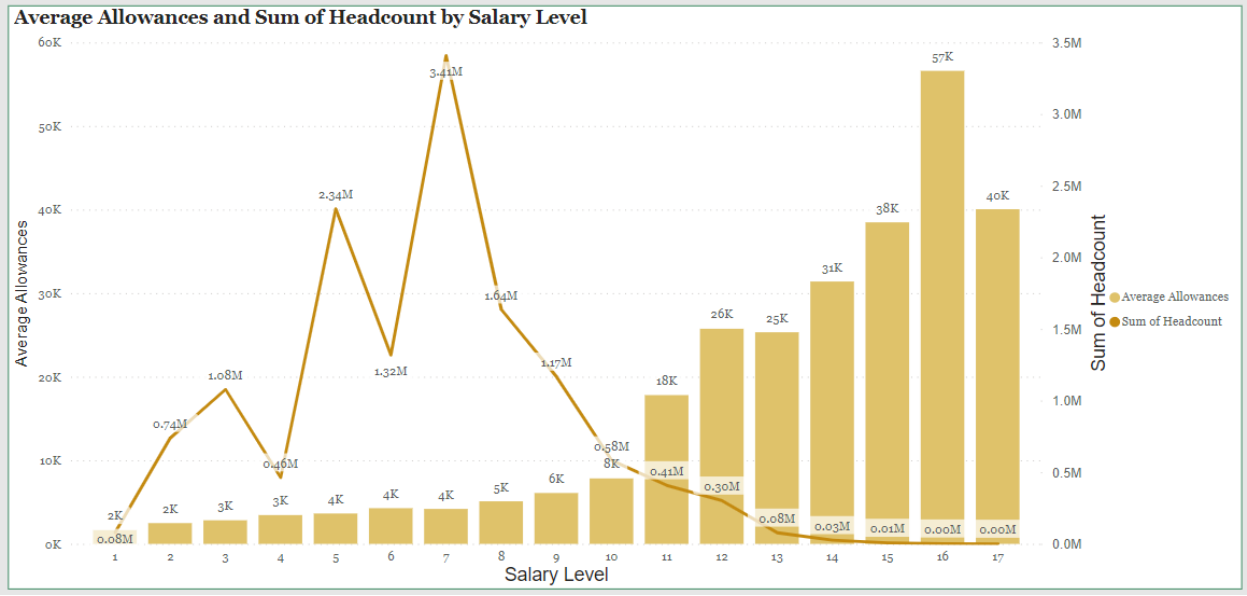


The two graphs below indicate overall and average allowances by salary level, respectively. The total allowances amount follows headcount closely, as expected. The averages increase substantially in higher salary levels. However, it should be noted that salary level 11 and above follow a TCE model. Concentration of allowances in terms of absolute amounts is observed on salary level 7, which is expected given the personnel numbers concentration at the same level.

Graph 28: Sum of allowances and headcount, by salary level

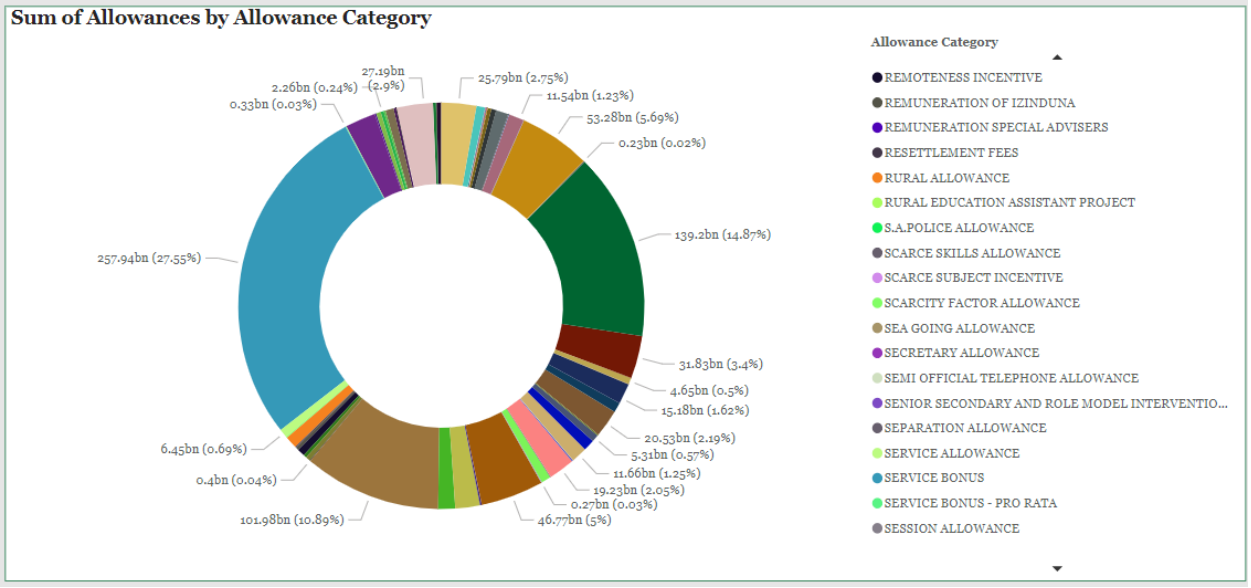


Graph 29: Average and sum of headcount, by salary level



The following graph summarises the amount that specific allowances contribute to the total spend.

Graph 30: Proportion of allowances by category

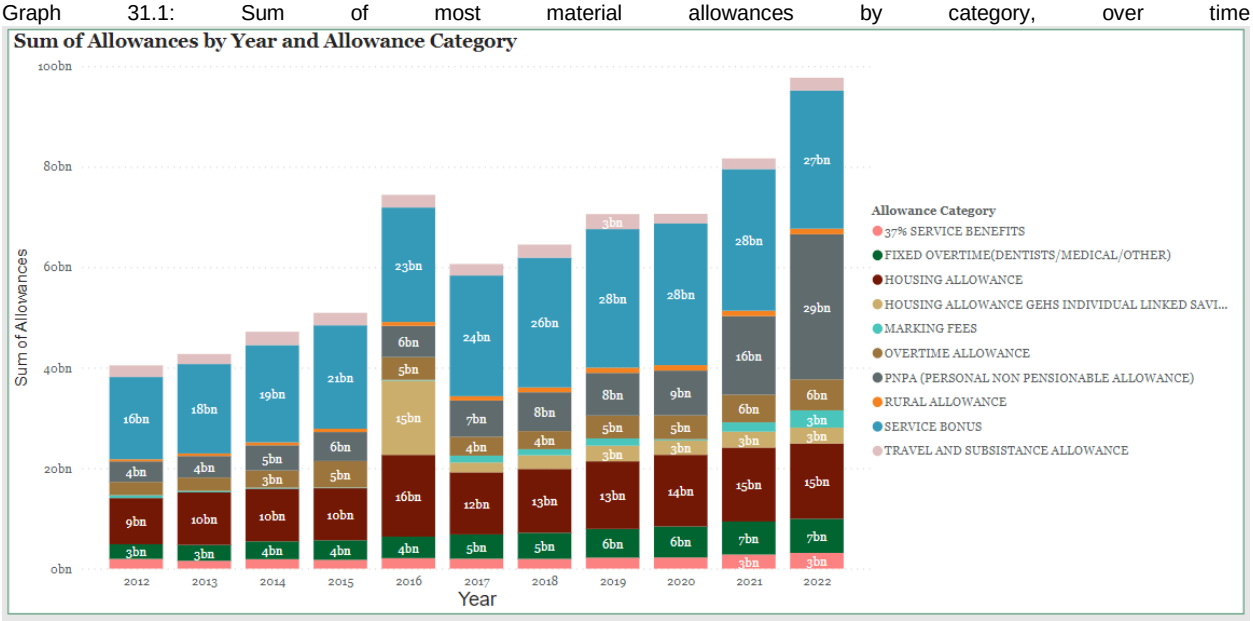


From the graph above, it is noted that the most material allowances are the following, and as such formed the focus of the analysis (the 'Housing allowance' category and the 'Housing allowance and GEHS individual-linked savings account category' were received as separate PERSAL data fields):

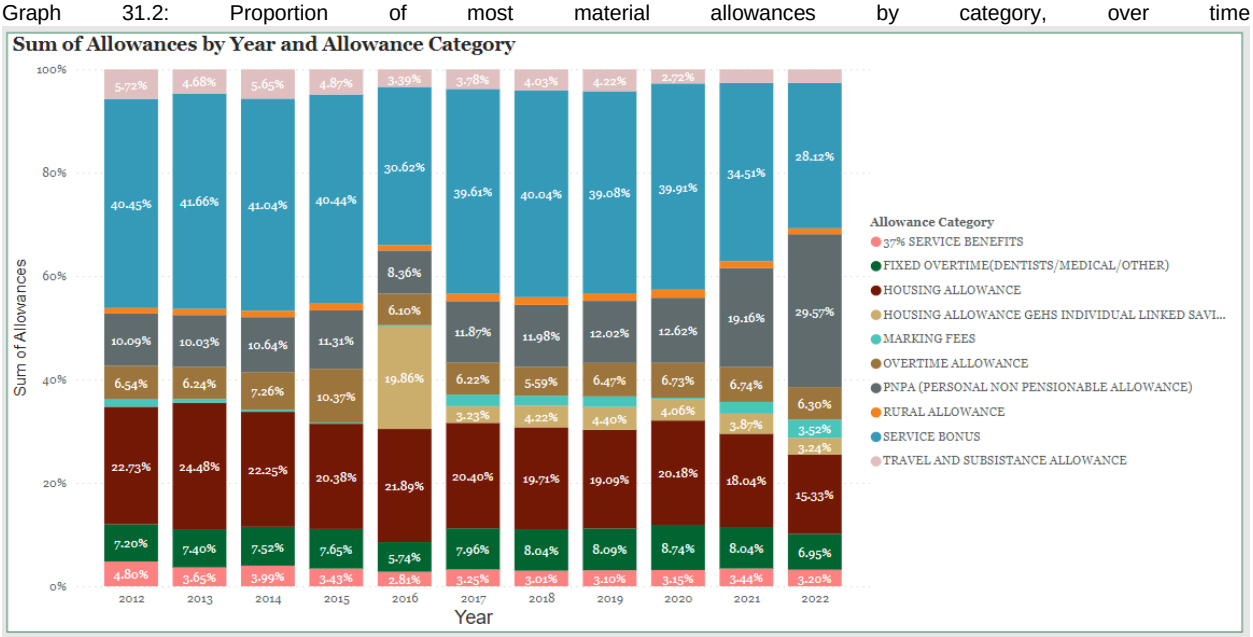
- Service bonus
- Housing allowance
- Personal non-pensionable allowance (PNPA)
- Commuted overtime
- Overtime
- Housing allowance and GEHS individual-linked savings account
- Travel and subsistence allowance
- 37% in lieu of service benefits.

The following two graphs show individual allowances noted above as a proportion of the total in absolute and percentage terms by year, from 2012 to 2022. The proportion of allowances from an absolute amount perspective is the highest in the year 2022, followed by 2016 and 2021.

Graph 31.1: Sum of most material allowances by category, over time



Graph 31.2: Proportion of most material allowances by category, over time



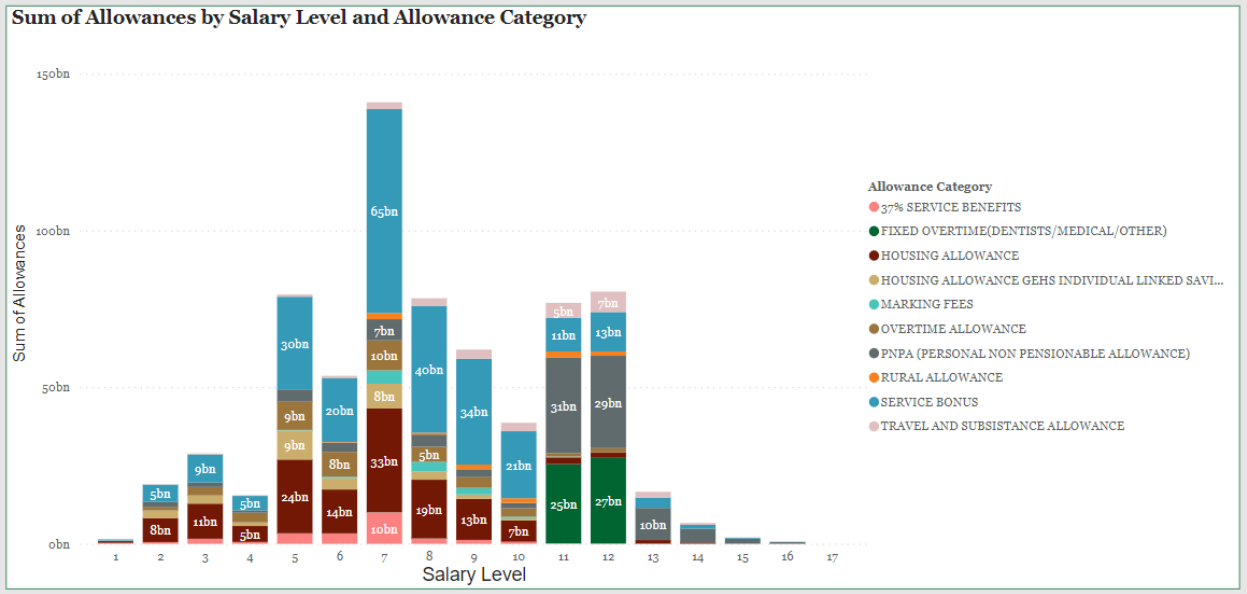
The following observations can be made from the graphs above:

- There is a spike in the housing allowance and GEHS linked saving amount in 2016 due to its introduction at this time as a result of the PSCBC Resolution 7 of 2015 and stable thereafter
- Marking fees (specific to the DoE) dropped significantly in the year 2020. This would be expected as a result of exams being deferred to the following year due to the COVID-19 pandemic.

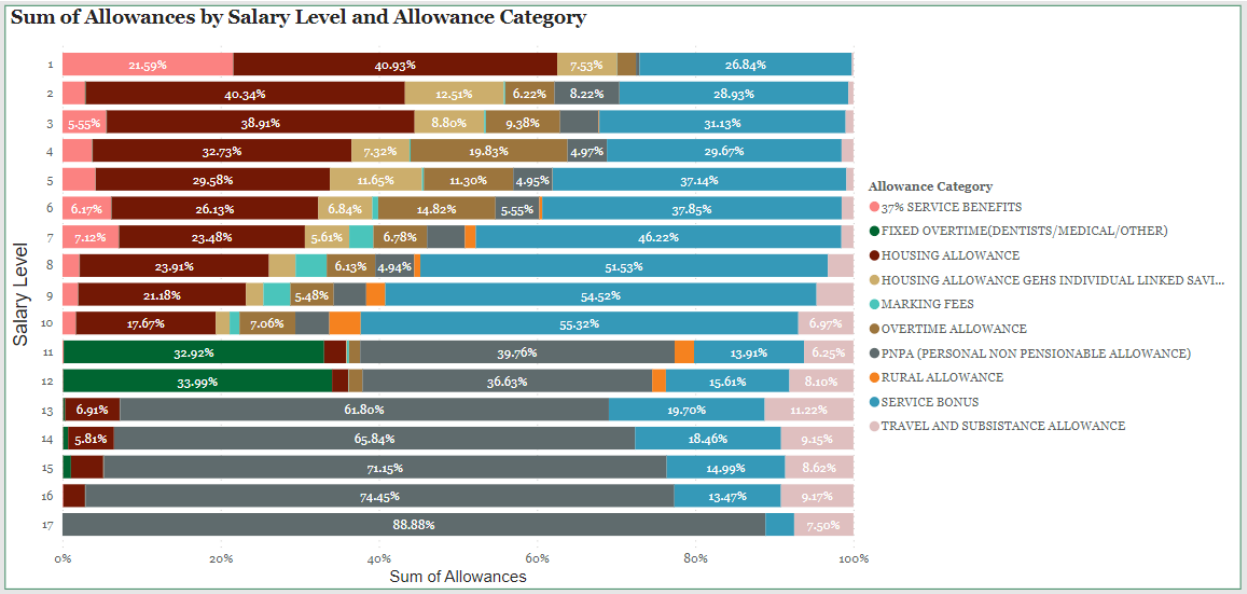
- The PNPA increased substantially in 2021 and 2022. After consultation with the DPSA, this was noted to be due to its use to adjust TCE for cost of living amounts.

The following two graphs analyse the individual allowances noted above as a proportion of the total in absolute and percentage terms by salary level.

Graph 32: Sum of most material allowances by category, by salary level



Graph 33: Proportion of most material allowances by category, per salary level



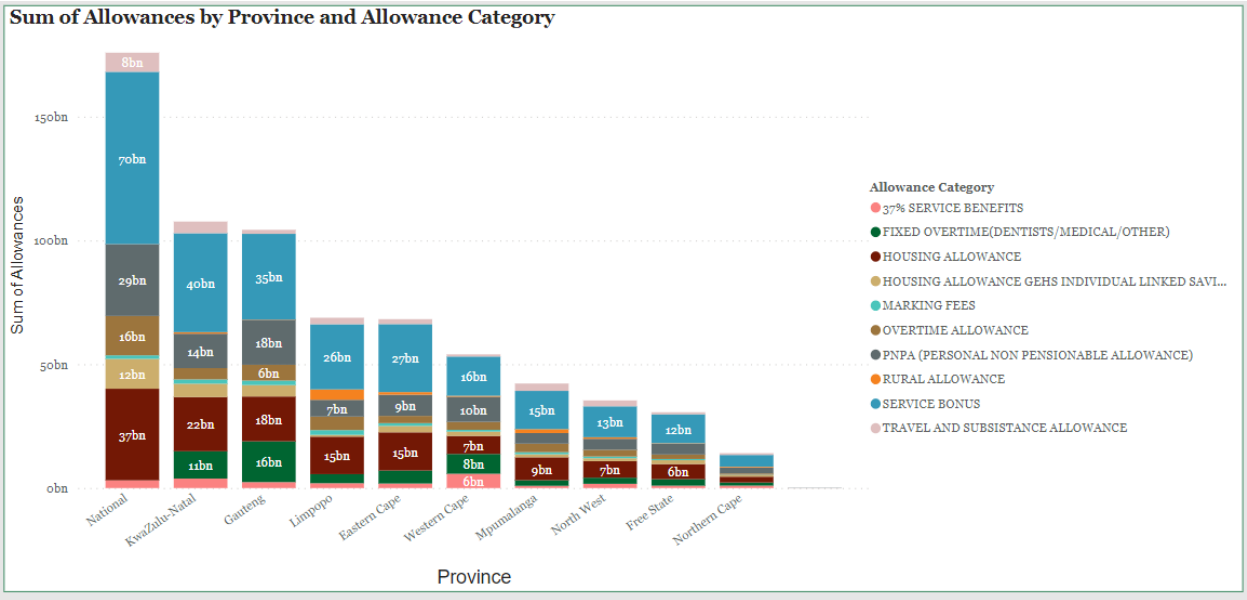
The following observations can be made from the graphs above:

- For salary level 1-10, there is an increasing proportion of service bonus. This would be expected as it is proportional to salary level, which is not the case for the other allowances
- Housing allowance contributes a significant portion of allowances for salary levels 1-10

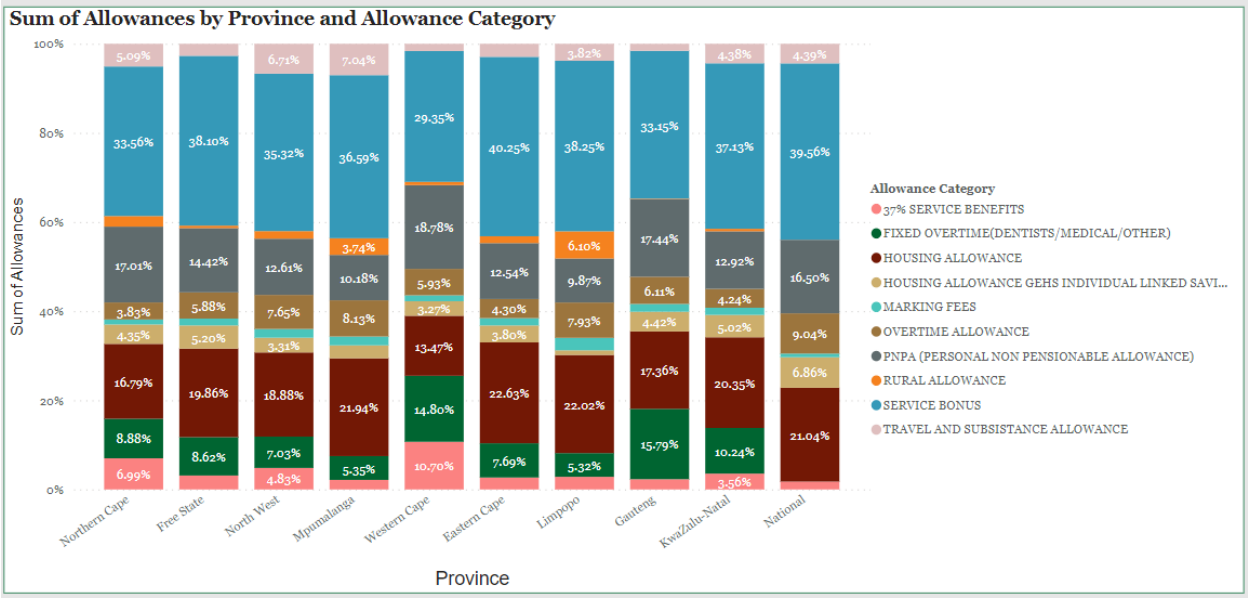
- PNPA contributes a significant portion of allowances for salary levels 11 and above
- Commuted overtime is concentrated at salary levels 11 and 12 and is only applicable to the Department of Health. This is unpacked in detail within the OSD 2022 report
- Travel and subsistence allowance contributes a significant portion of allowances for salary levels 11 and above.

The following two graphs analyse the individual allowances noted above as a proportion of the total in absolute and percentage terms by National and Provincial Departments. From an absolute amount perspective, National has the largest spend on allowances, followed by KwaZulu-Natal and Gauteng.

Graph 34: Sum of most material allowances by category, by province



Graph 35: Proportion of most material allowances by category, by province

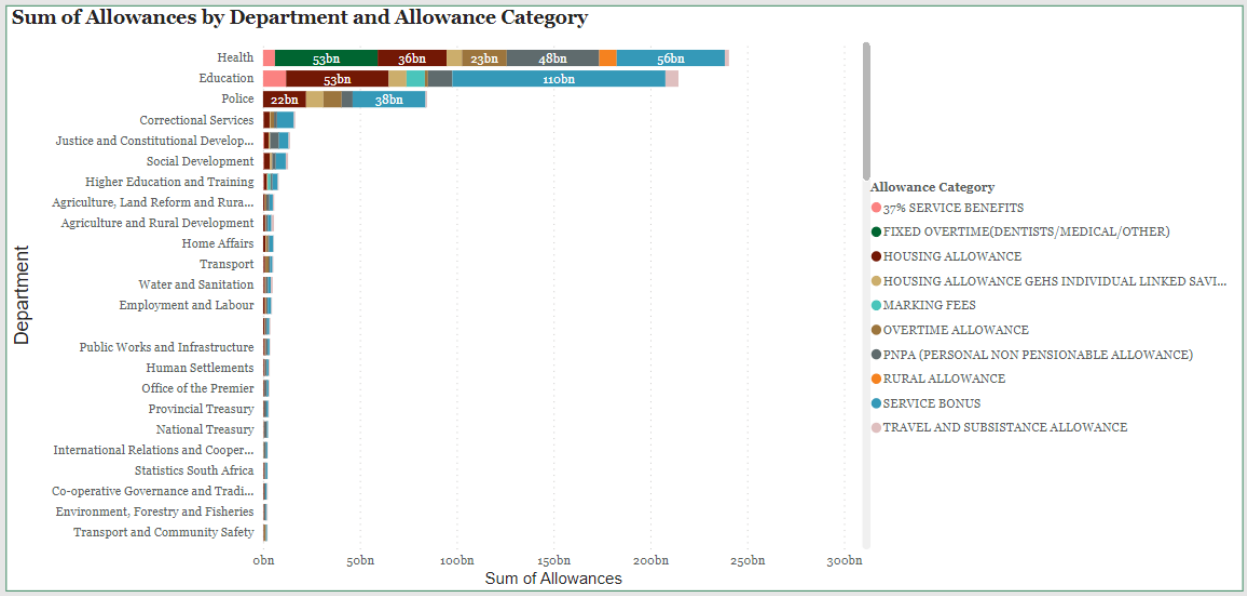


Further observations are made from the graphs above:

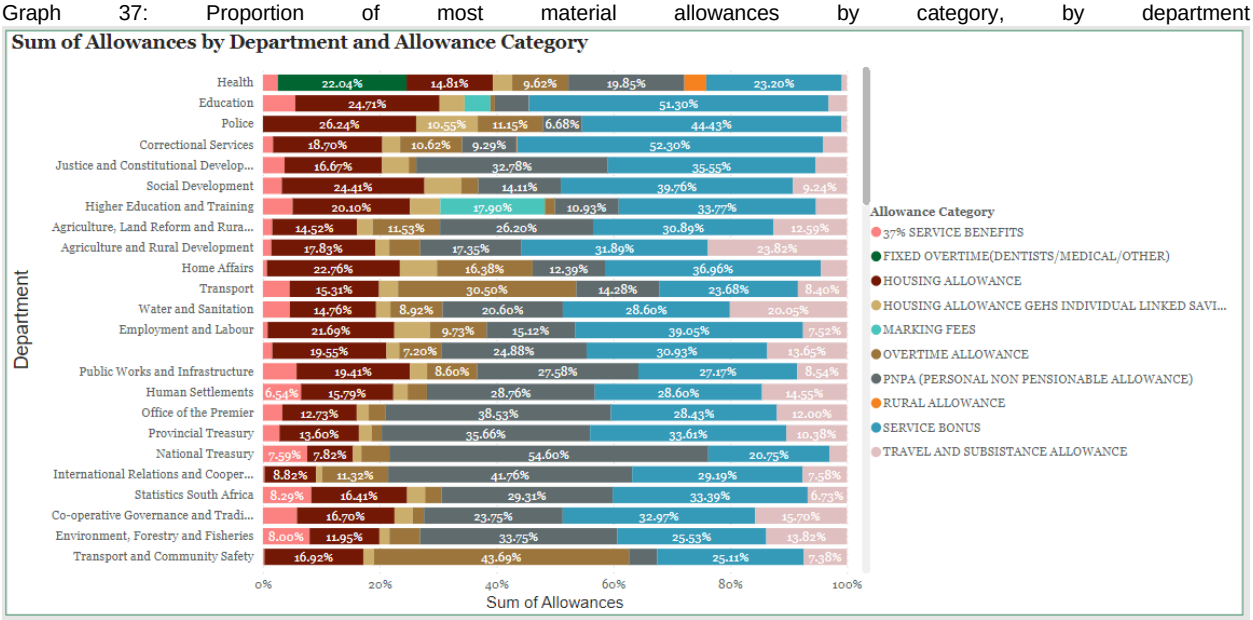
- Commuted overtime and the PNPA are most significant in the Western Cape and Gauteng
- Travel and subsistence allowance contributes a significant portion of allowances for salary levels 11 and above
- 37% service benefits are highest in the Northern Cape and Western Cape
- Rural allowances are highest in Limpopo and Mpumalanga.

The following two graphs analyse the individual allowances noted above as a proportion of the total in absolute and percentage terms by department. From an absolute amount perspective, the Department of Health has the highest spend on allowances, followed by the Department of Education and the SAPS respectively.

Graph 36: Sum of most material allowances by category, by department



Graph 37: Proportion of most material allowances by category, by department



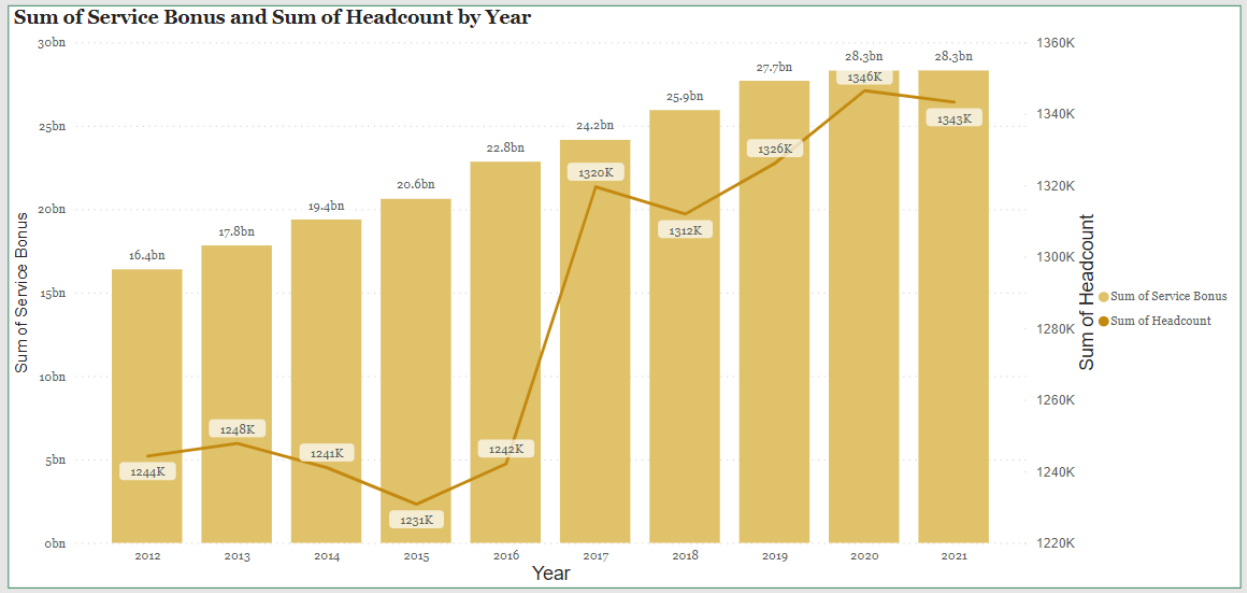
The following section investigates the most material allowances with a specific focus on the observations above.

Service bonus

The service bonus acts as a 13th cheque and is part of all employee packages. The three graphs below analyse the total amounts as bar graphs, and the headcount as the line graph by year, salary level, department, and province respectively. Qualitative engagements did not indicate any challenges with the administration of the 13th cheque and the quantitative analysis is provided to contextualise the as-is situation for enhanced tracking and monitoring.

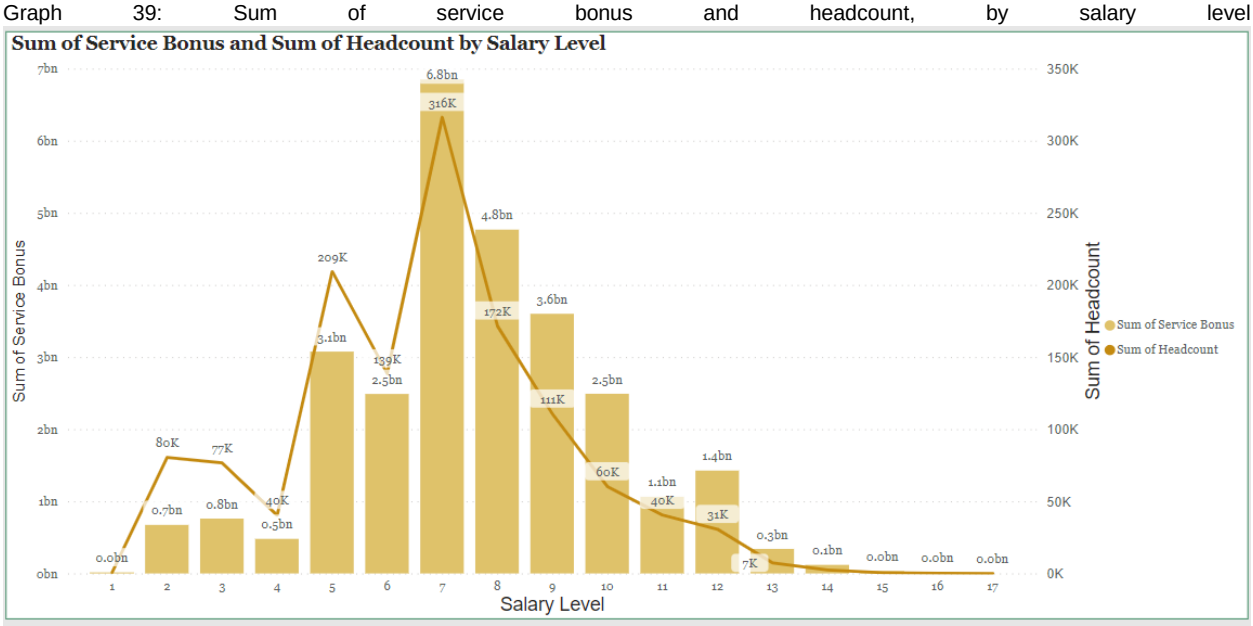
The following graph analyses total service bonus, as a bar graph, compared to headcount, as a line graph, over time.

Graph 38: Sum of service bonus and headcount over time



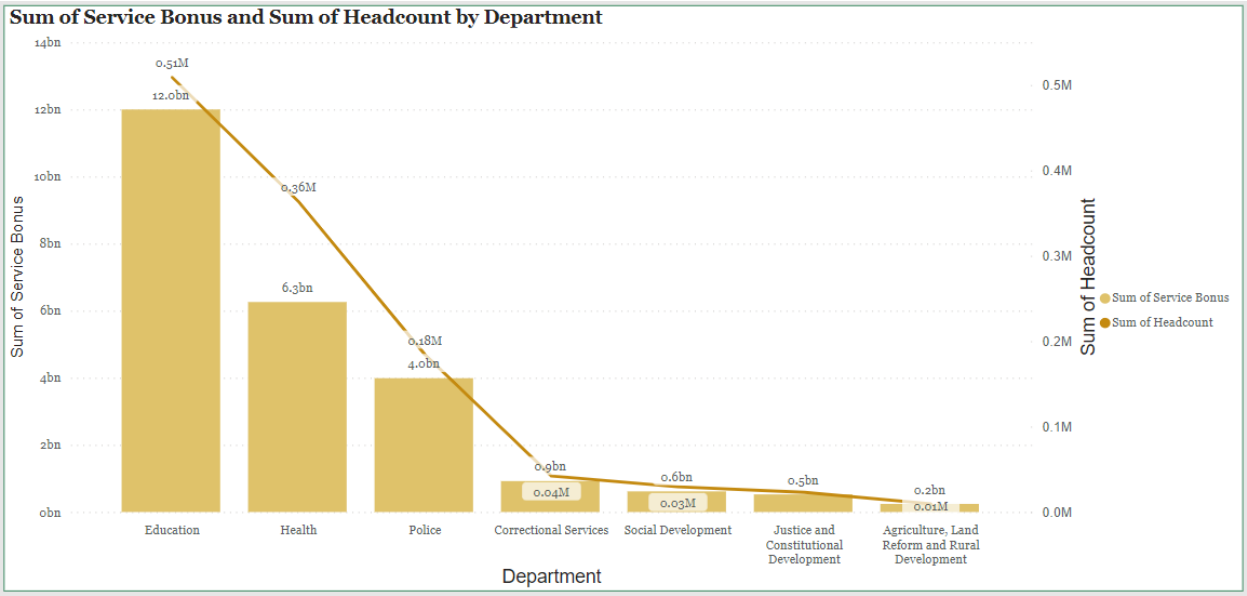
The following graph analyses total service bonus, as a bar graph, compared to headcount, as a line graph, by salary level:

Graph 39: Sum of service bonus and headcount, by salary level

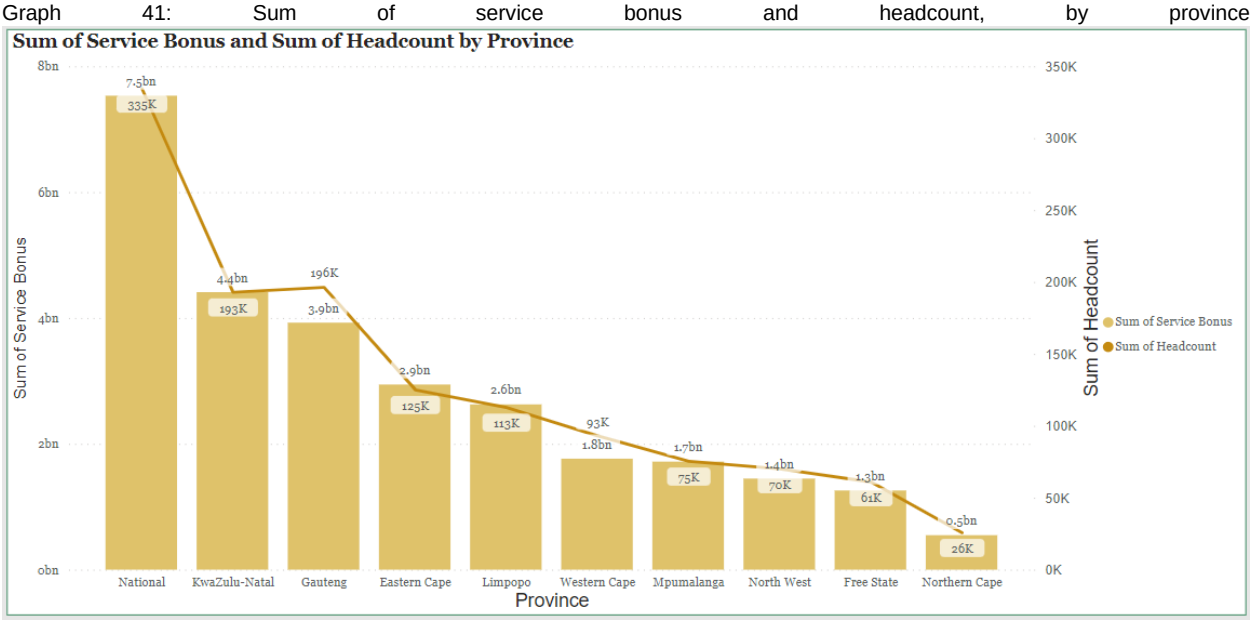


The following graph analyses total service bonus, as a bar graph, compared to headcount, as a line graph, by the largest departments:

Graph 40: Sum of service bonus and headcount, by department



Graph 41: Sum of service bonus and headcount, by province

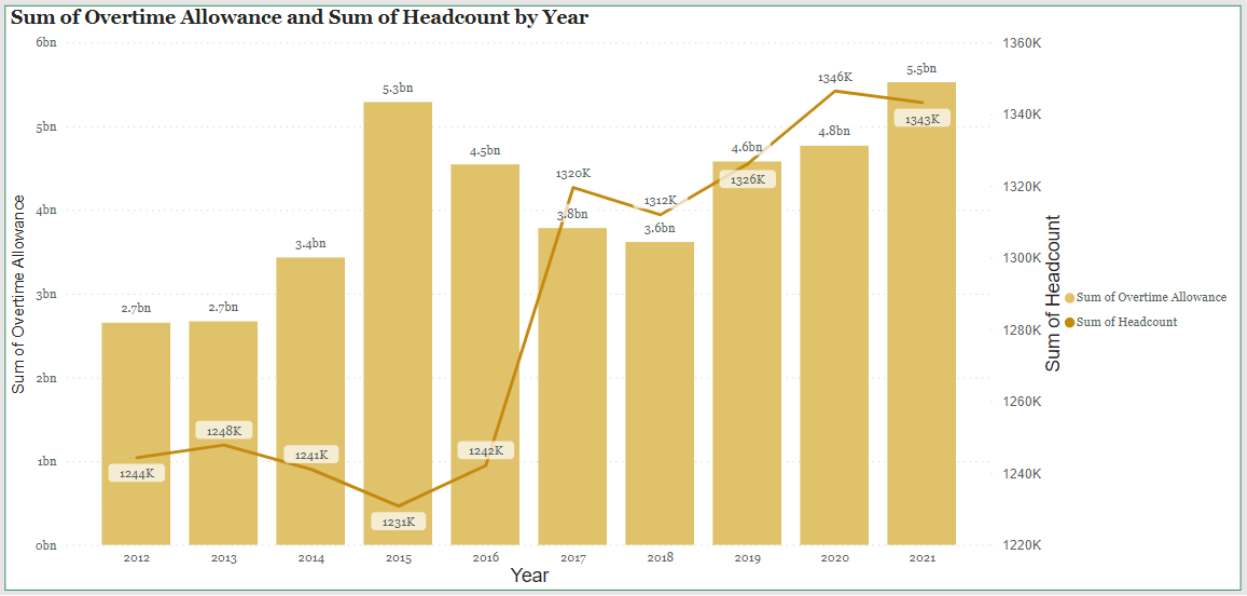


As the four graphs above indicate, service bonus follows headcount closely and, outside of this, no specific trend can be noted.

Overtime

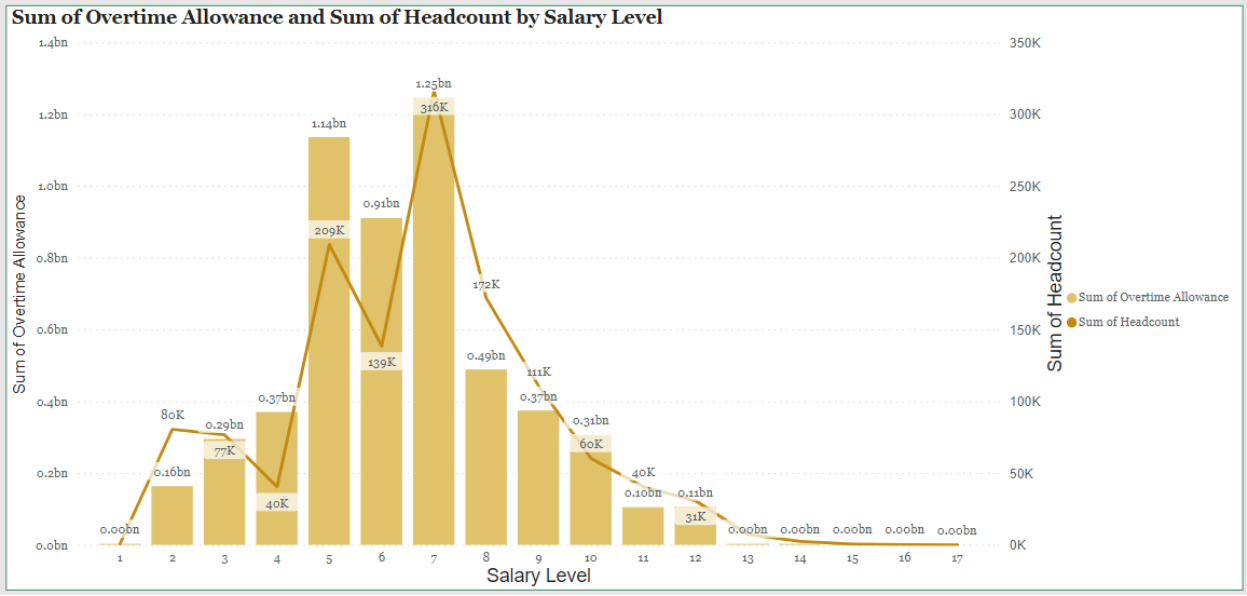
The following graph analyses total overtime, as a bar graph, compared to headcount, as a line graph, from 2012 to 2021. In the year 2013, the absolute overtime amount remained the same as the previous year. The period 2014 to 2021 saw the overtime amount and personnel numbers move in opposite directions; this is expected. As headcount increases the expectation is that overtime would decline and vice versa. This trend is observed, except for the period 2018 to 2020, where overtime and personnel numbers trended in the same direction.

Graph 42: Sum of overtime and headcount, by year



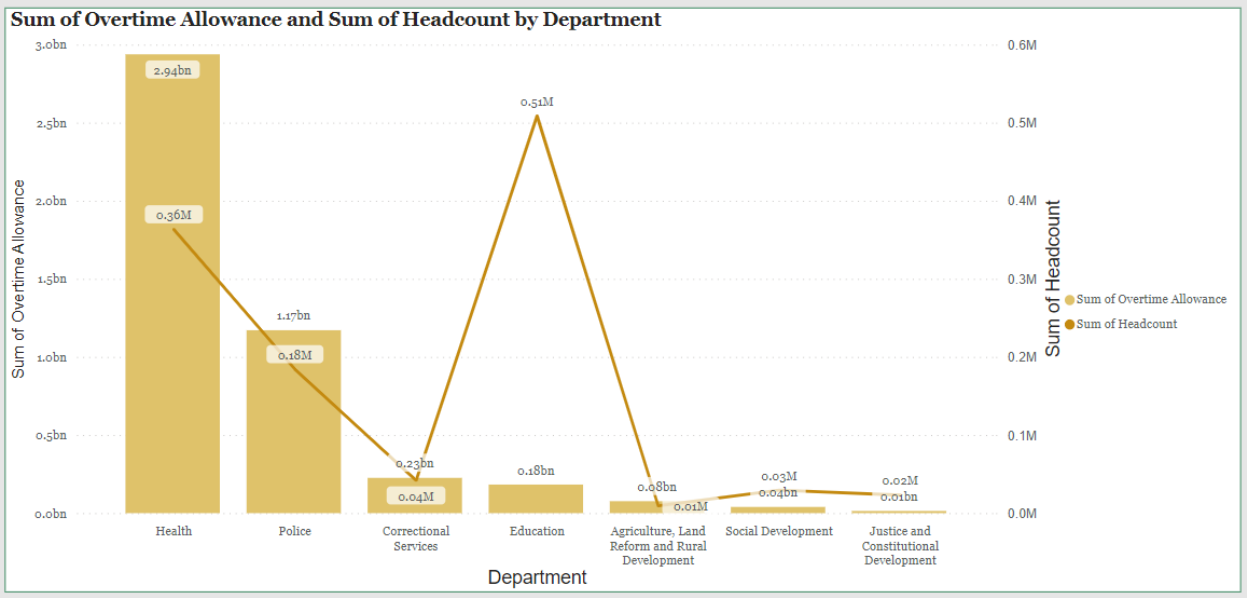
The following graph analyses total overtime, as a bar graph, compared to headcount, as a line graph, by salary level. The concentration is on the middle salary levels, which is expected.

Graph 43: Sum of overtime and headcount, by salary level



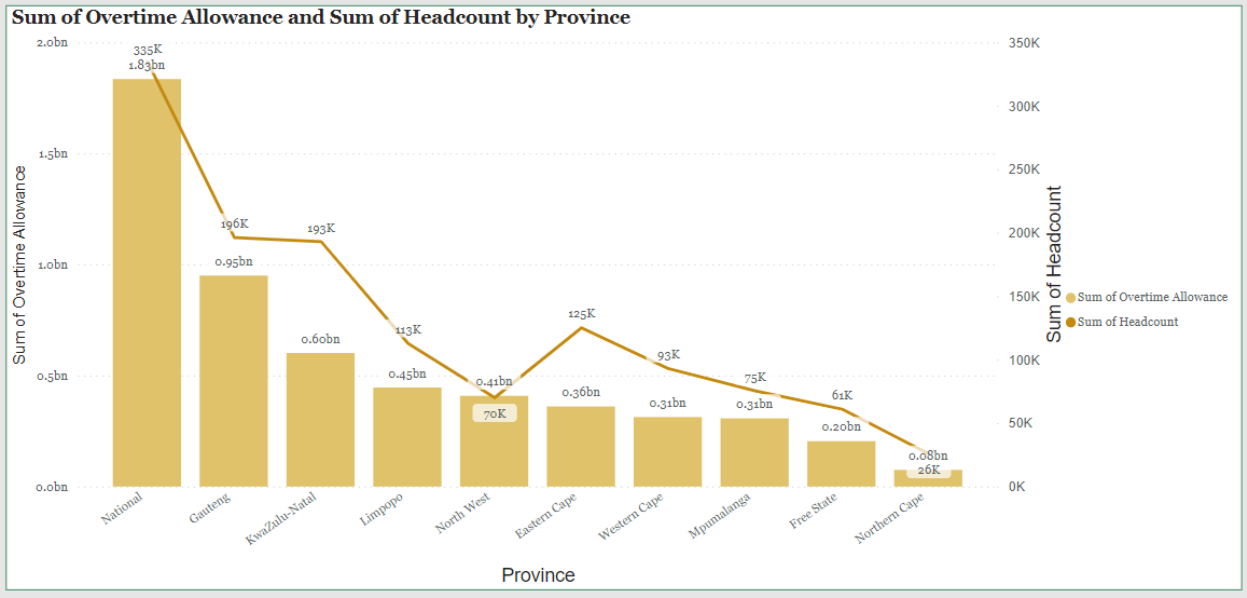
The following graph analyses total overtime, as a bar graph, compared to headcount, as a line graph, by the largest departments. The Department of Health has the largest spend, followed by the SAPS (Police) and Correctional Services.

Graph 44: Sum of overtime and headcount, by department



The following graph analyses total overtime, as a bar graph, compared to headcount, as a line graph, by National and Provincial Departments. The largest spend in absolute terms is observed in National Departments, followed by the Gauteng and KwaZulu-Natal provinces respectively.

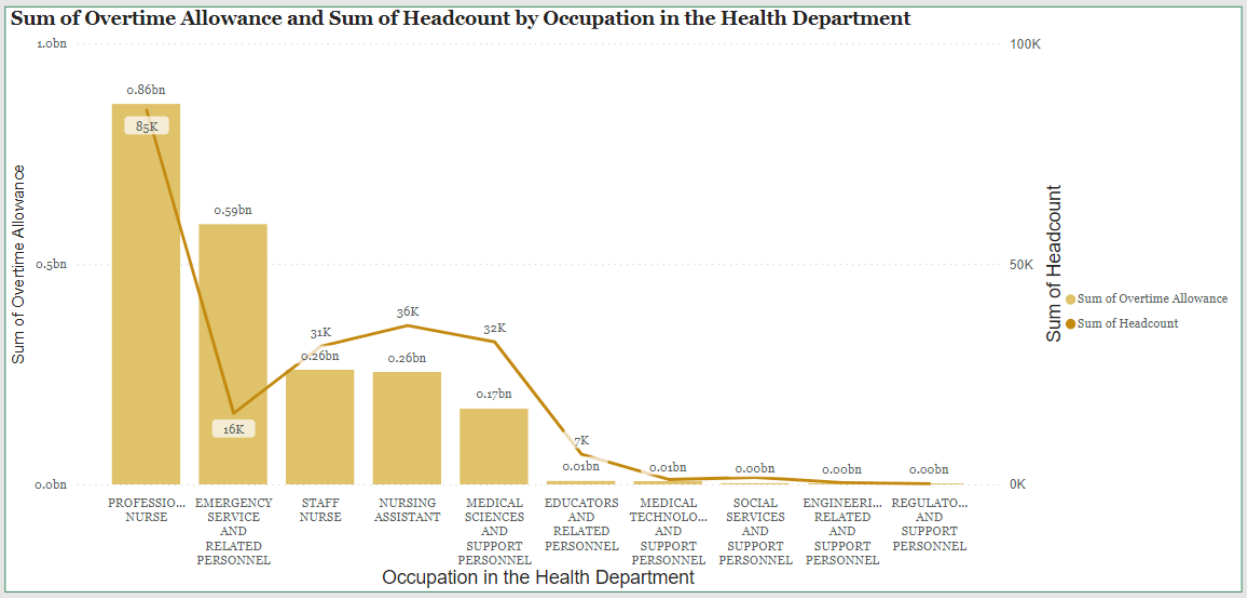
Graph 45: Sum of overtime and headcount, by province



From the graphs above, we note that overtime varies with headcount, but is concentrated particularly in the Department of Health.

The following graph analyses overtime by occupation within the DoH:

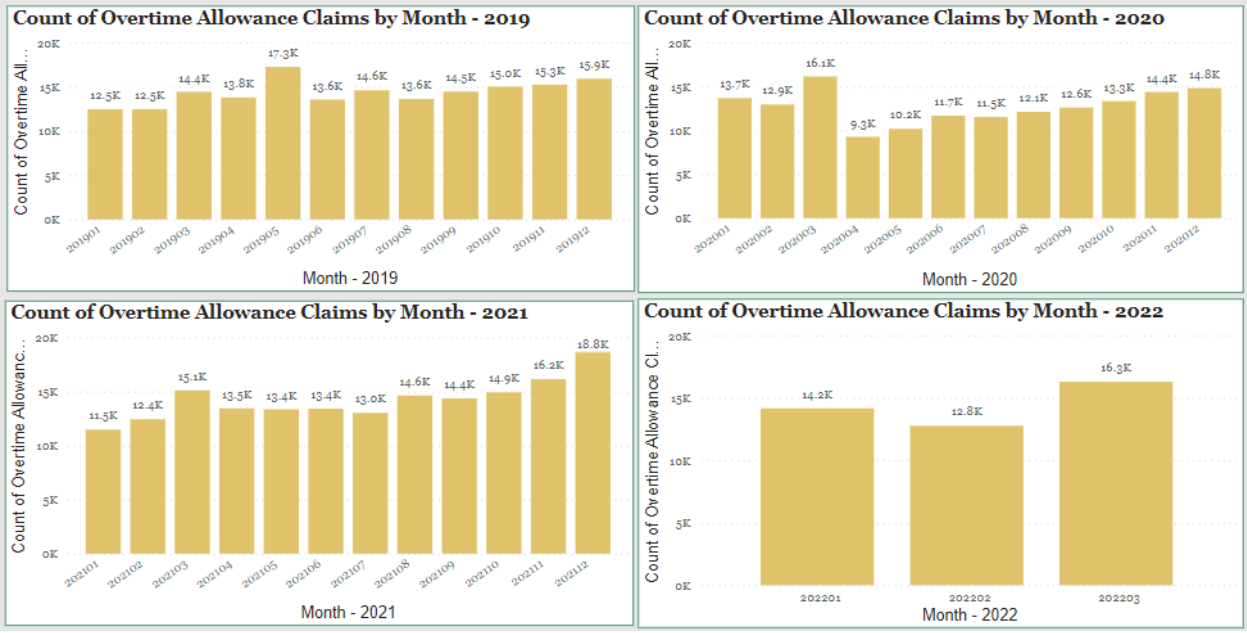
Graph 46: Sum of overtime and headcount, by occupation within the Department of Health



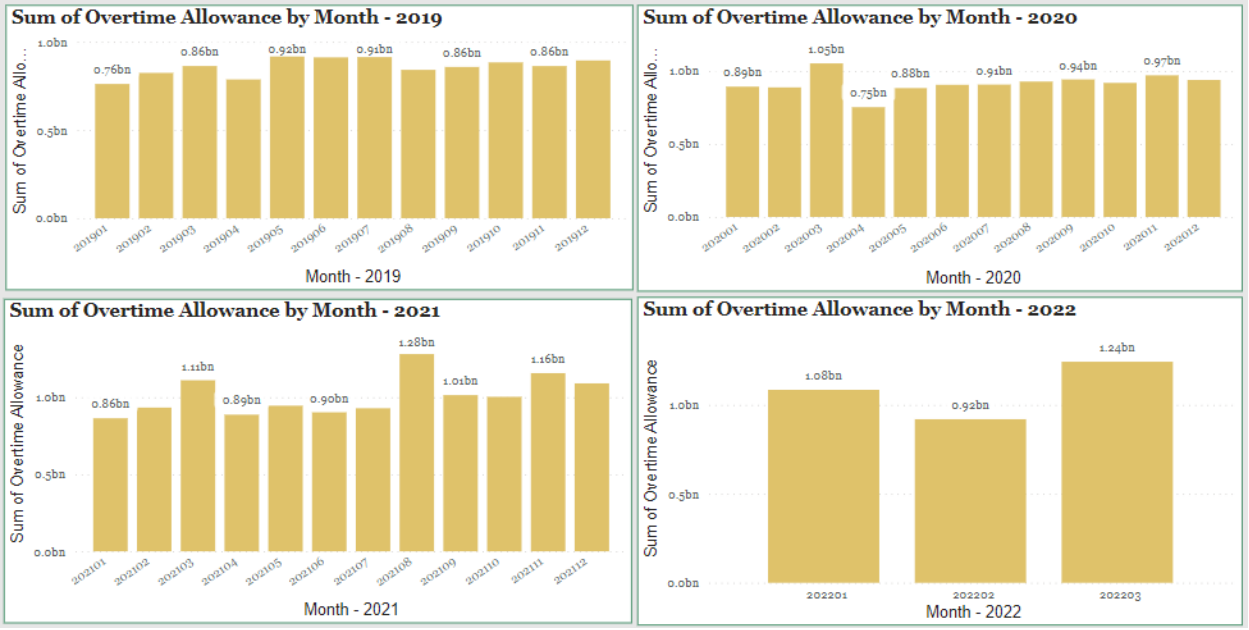
As noted above, overtime is particularly high for nurses and emergency staff as would be expected.

The graphs below further analyse the overtime trends, monthly, for the years 2019-2022. The following two sets of graphs are counts of overtime claims and the sum of overtime payment per month, respectively.

Graph 47: Count of overtime allowance claims per month, for 2019-2022



Graph 48: Sum of overtime allowance claims per month, for 2019-2022

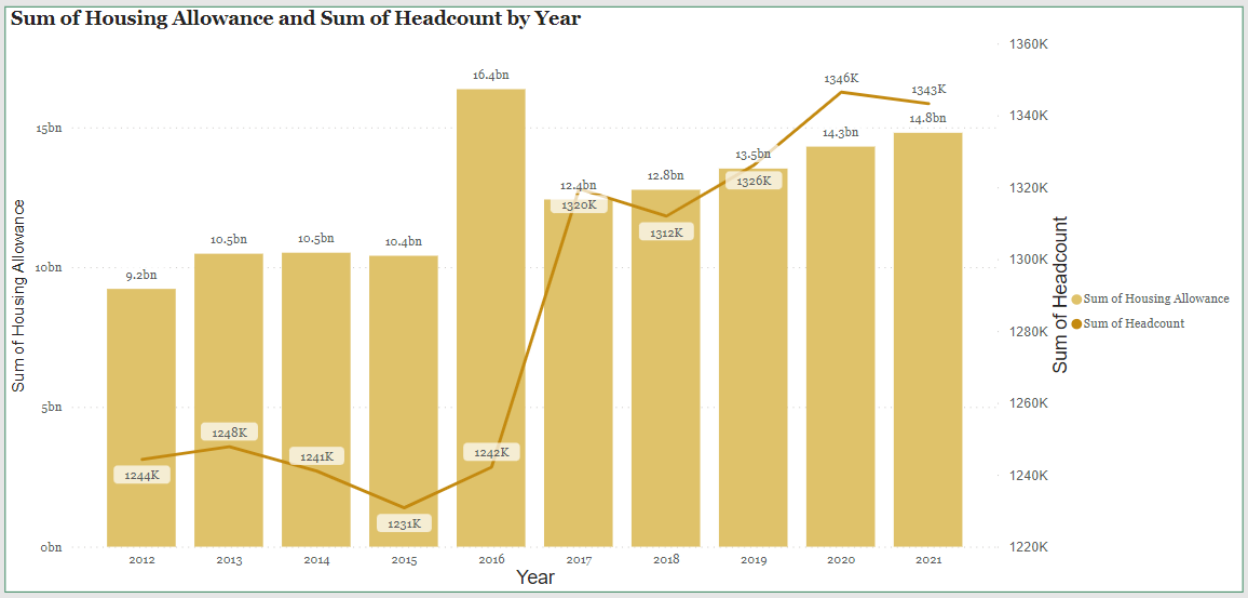


It is observed that there is an increasing trend in the count of overtime claims towards the end of the year.

Housing allowance

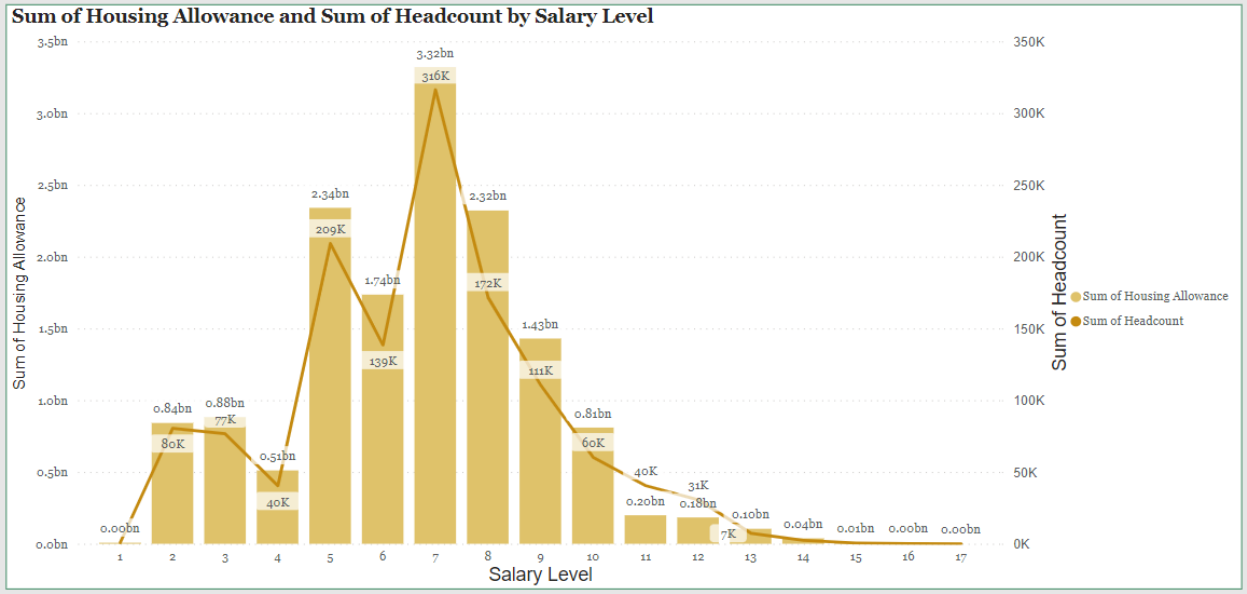
The following graph analyses total housing allowance, as a bar graph, compared to headcount, as a line graph, from 2012 to 2021. From an absolute amount perspective, a spike in the housing allowance was observed in 2016, increasing by R6bn, which is a rise by over 50% from 2015 to 2016.

Graph 49: Sum of housing allowance and headcount, over time



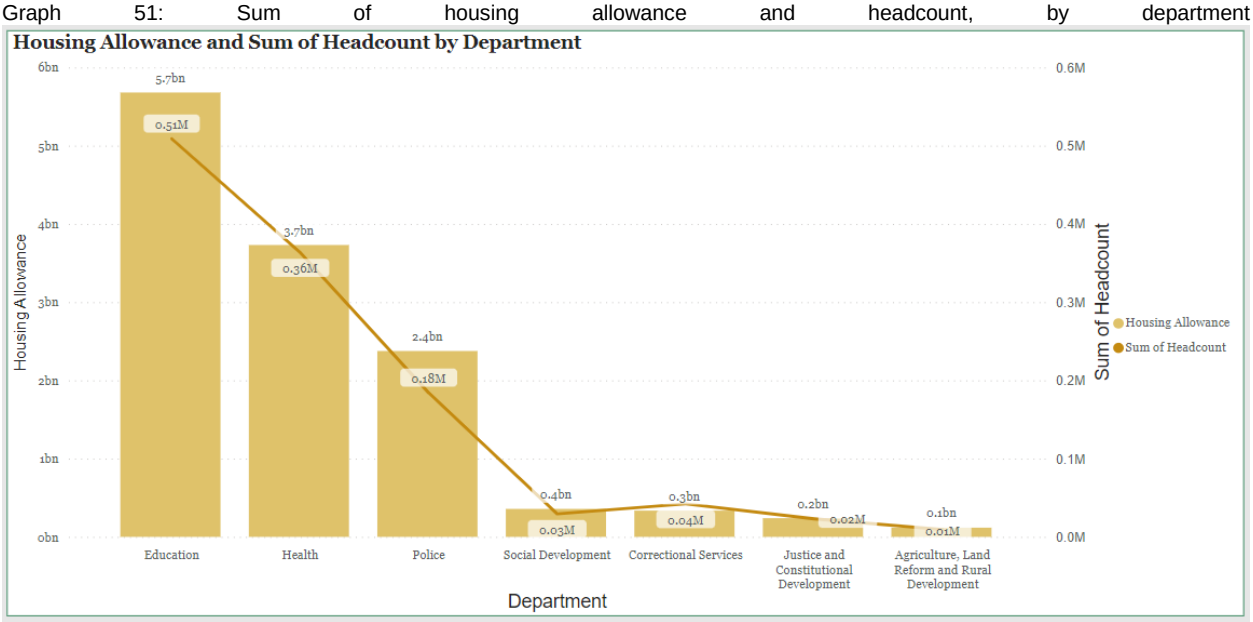
The following graph analyses total housing allowance, as a bar graph, compared to headcount, as a line graph, by salary level. Concentration is observed within the middle salary levels, which is expected.

Graph 50: Sum of housing allowance and headcount, by salary level



The following graph analyses total housing spend, as a bar graph, compared to headcount, as a line graph, by the largest departments. Education has the highest spend, followed by Health and the SAPS (Police) respectively. These departments have the highest personnel numbers, therefore the higher housing concentration is warranted.

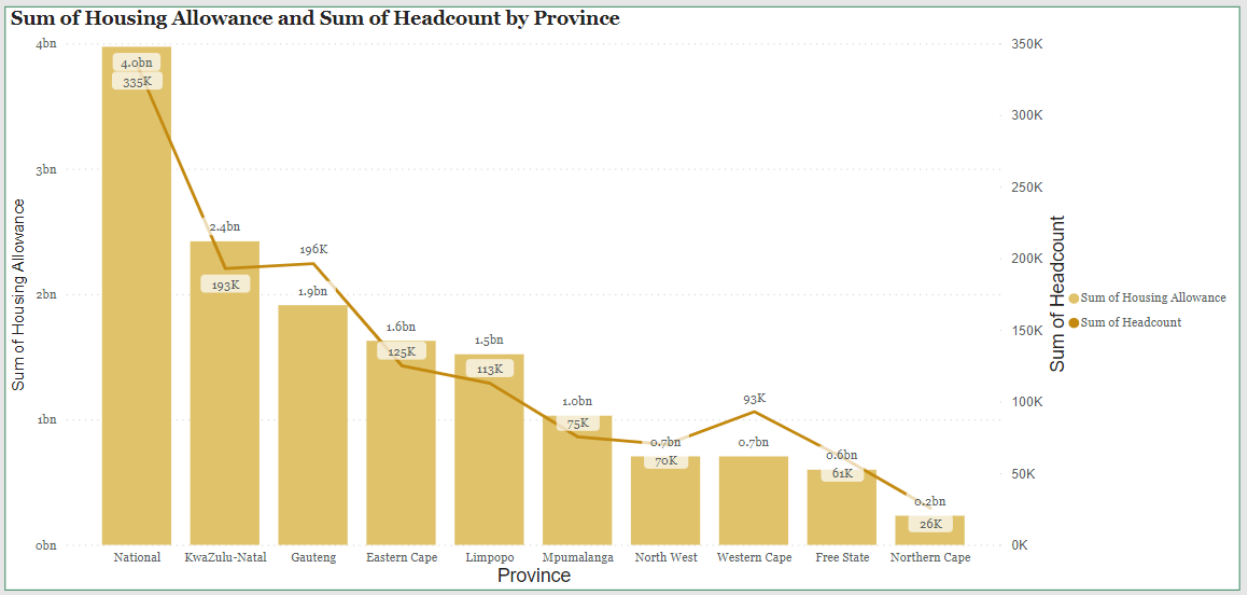
Graph 51: Sum of housing allowance and headcount, by department



The following graph analyses total housing spend, as a bar graph, compared to headcount, as a line graph, by National and Provincial Departments. National has the highest housing allowance

spend, followed by KwaZulu-Natal and Gauteng. A similar trend has been observed for other benefits and allowances, informed by the high personnel numbers for these three spheres. What is notable, is that Gauteng has more personnel at 196k relative to 193k for KwaZulu-Natal but spends less than KwaZulu-Natal on housing allowance at R1.9bn compared to KwaZulu-Natal's R2.4bn amount.

Graph 52: Sum of housing allowance and headcount, by province



As the four graphs above indicate, housing allowances follows headcount closely and it should be noted that the allowance is prevalent throughout the Public Service, which builds a case to include the allowance as a part of employee total remuneration packages for administrative relief, given the limited capacity and alignment to national and global best practices.

Housing GEHS individual-linked savings facility

The GEHS individual-linked savings facility (ILSF) was established in terms of clauses 4.5.6.3 and 4.5.6.4 of the PSCBC Resolution 7 of 2015.

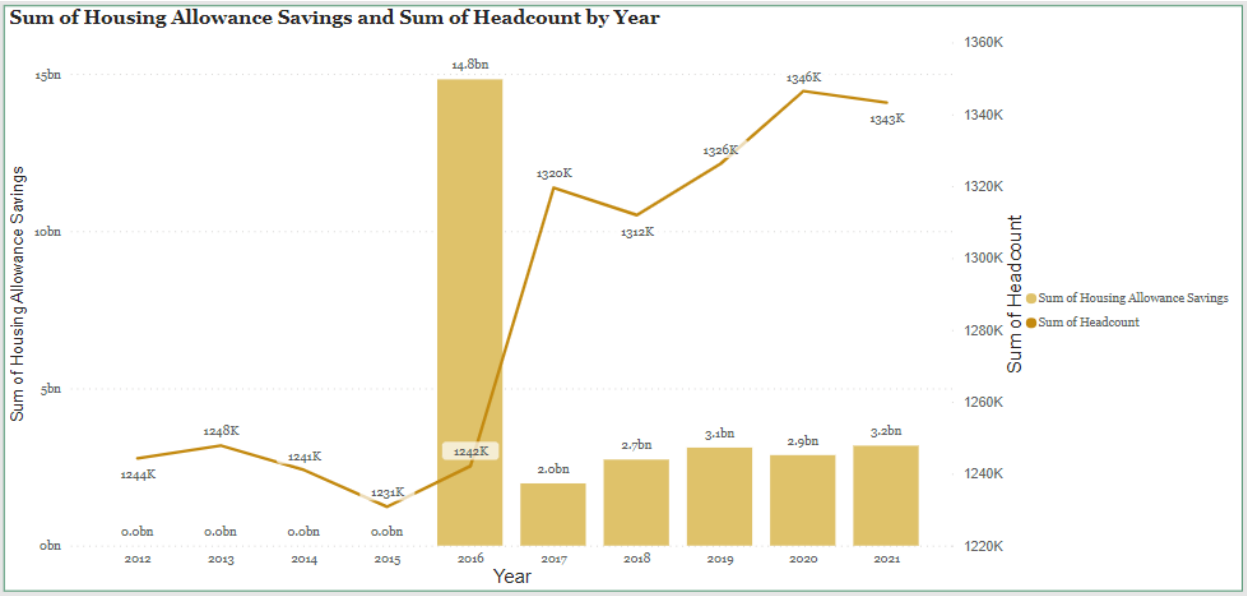
Accumulated savings shall only be accessed for the purpose of acquiring homeownership, building and/or improving a home acquired for ownership, death and retiring or medically boarded employees.

Features of the individual-linked savings facility are noted below:

- Administered by the GEHS office (including all liaisons)
- The National Treasury is the fund's manager
- Saved funds earn interest
- Employees will receive periodic balances (quarterly) of accumulated savings including interest
- Tax deductions are deferred until funds are withdrawn
- Applications for withdrawal are submitted to HR units in departments. Funds are meant to be ready for withdrawal in October 2016
- The ILSF is to be audited annually.

The following graph analyses savings facility, as a bar graph, compared to headcount, as a line graph, from 2012 to 2021. The ILSF commenced in 2016, hence no prior savings amounts being observed.

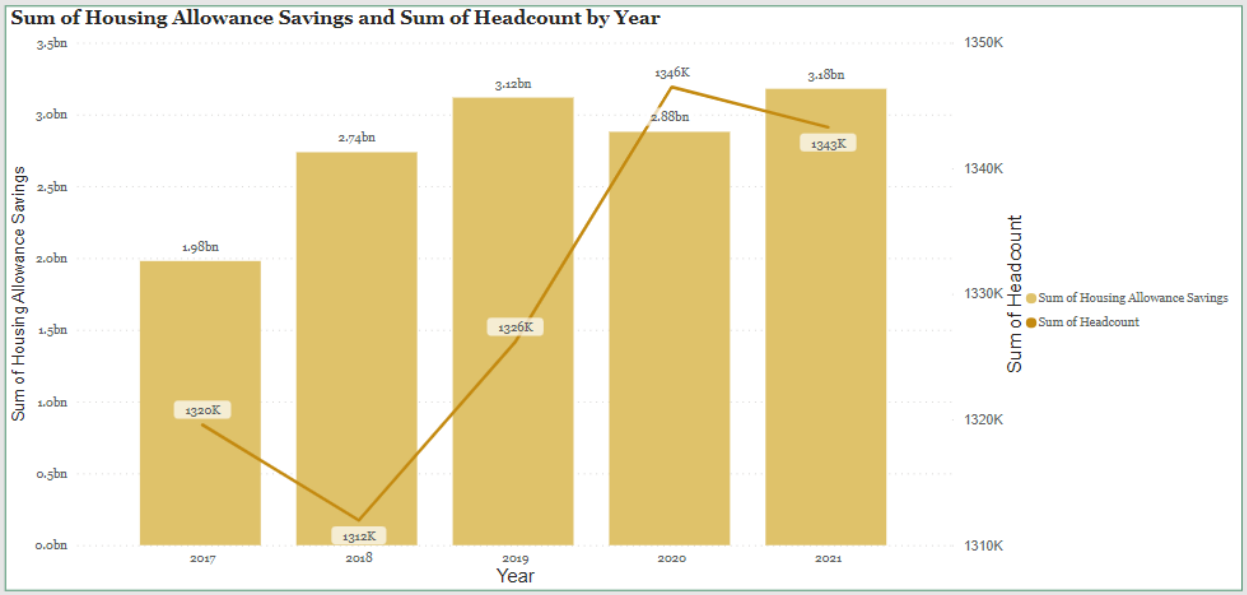
Graph 53: Sum of housing allowance savings and headcount, over time



As noted above, the fund was accumulated during 2016 and the first withdrawal only took place in October of 2016. As a result, this is an anomalous year, and the withdrawal is not reflected as data for 2016 was pulled at the 31 March snapshot.

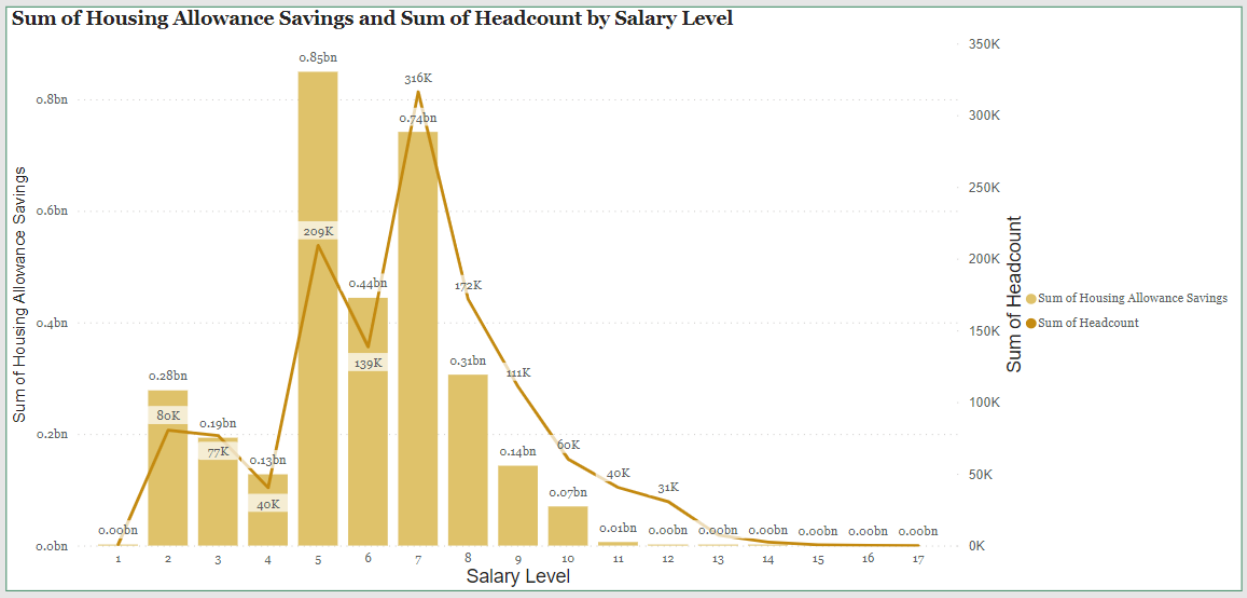
The following graph depicts the trend, excluding data prior to 2017, by analysing total housing allowance savings, as a bar graph, compared to headcount, as a line graph, over time. The absolute savings amounts increased from R1.98bn in 2017 to R3.18bn in 2021.

Graph 54: Sum of housing allowance savings and headcount, over time post 2017



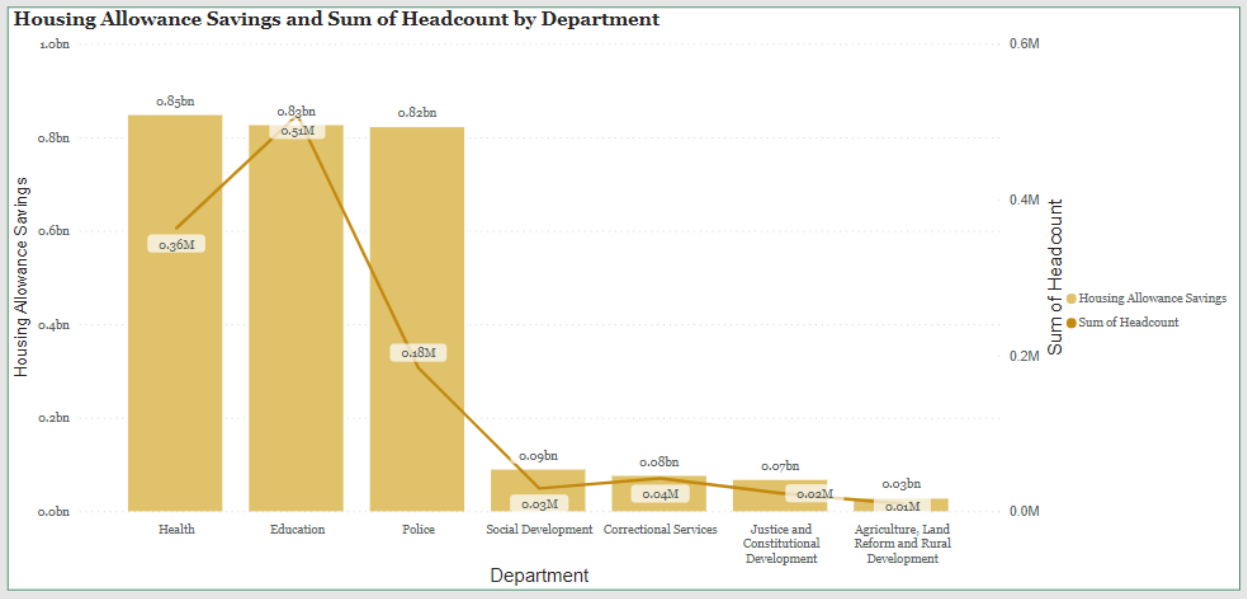
The following graph analyses total housing allowance savings, as a bar graph, compared to headcount, as a line graph, by salary level. Concentration is observed within the middle salary levels, which is expected given the personnel numbers on the same levels.

Graph 55: Sum of housing allowance savings and headcount, by salary level



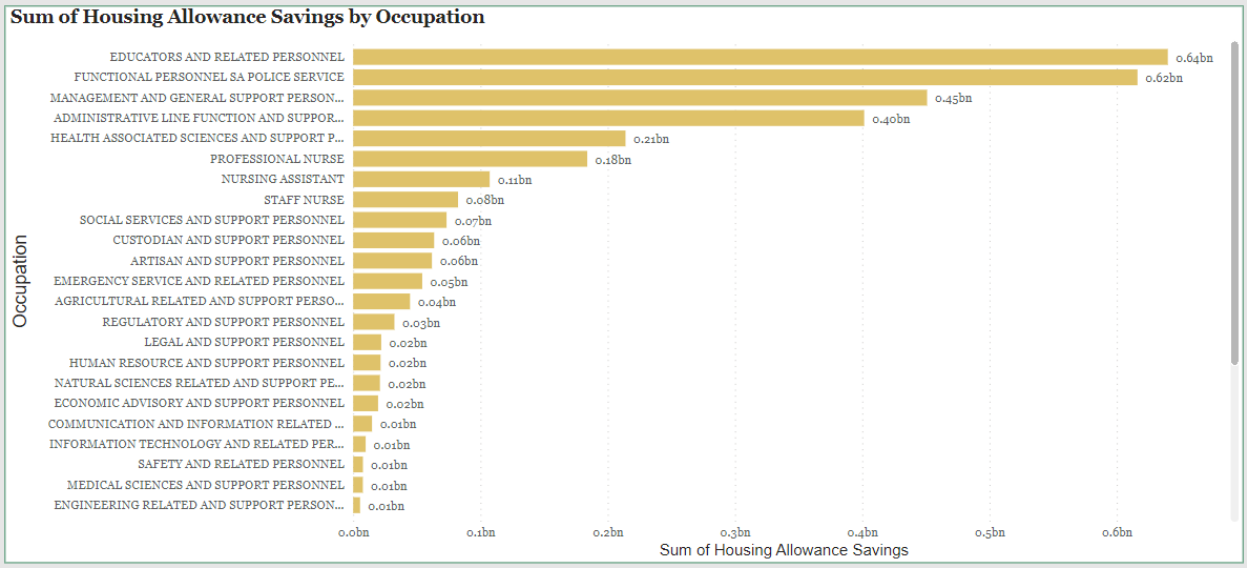
The following graph analyses total housing allowance savings, as a bar graph, compared to headcount, as a line graph, by the largest departments. The DoH has the highest savings while having the second largest headcount, followed closely by the DoE which has the highest headcount and the SAPS (Police), with substantially lower personnel numbers between the three. The savings are warranted given the concentration of personnel.

Graph 56: Sum of housing allowance savings and headcount, by department



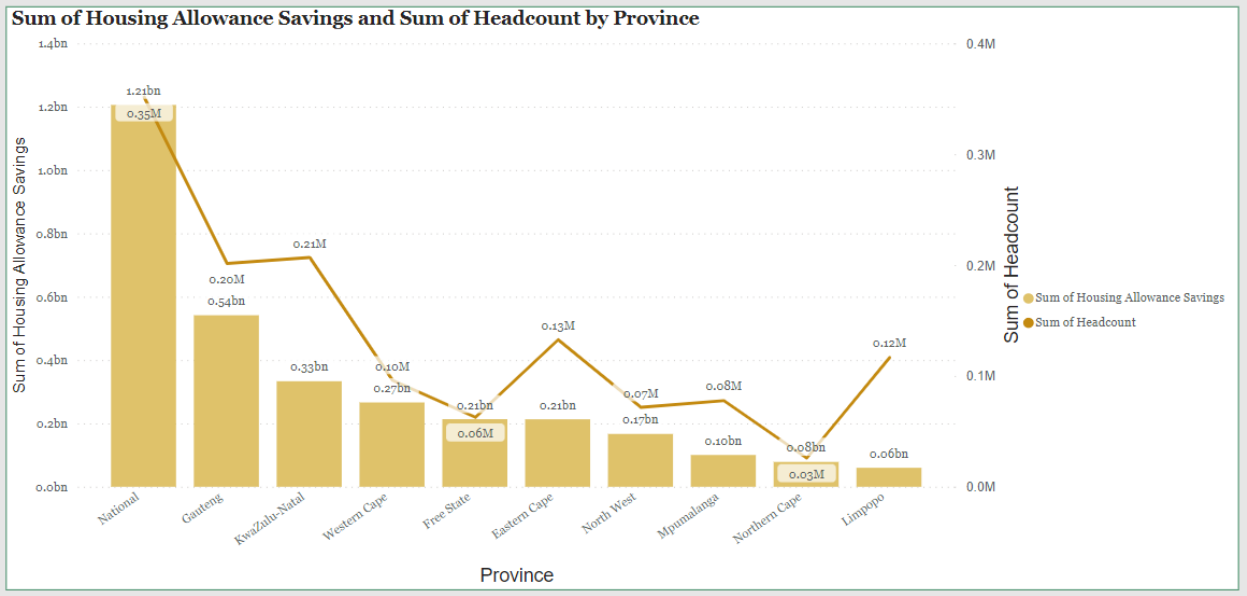
The graph above illustrates a high concentration of the benefit within the Health, Education and Police sectors. Viewing this according to occupations below paints the same picture.

Graph 57: Sum of housing allowance savings and headcount, by occupation



The following graph analyses total housing savings, as a bar graph, compared to headcount, as a line graph, by National and Provincial Departments. National has the highest savings, followed by Gauteng and KwaZulu-Natal. Personnel numbers follow a similar trend, with National having the highest headcount, followed by KwaZulu-Natal and Gauteng, which sees a change in order between the two provinces.

Graph 58: Sum of housing allowance savings and headcount, by occupation



PNPA

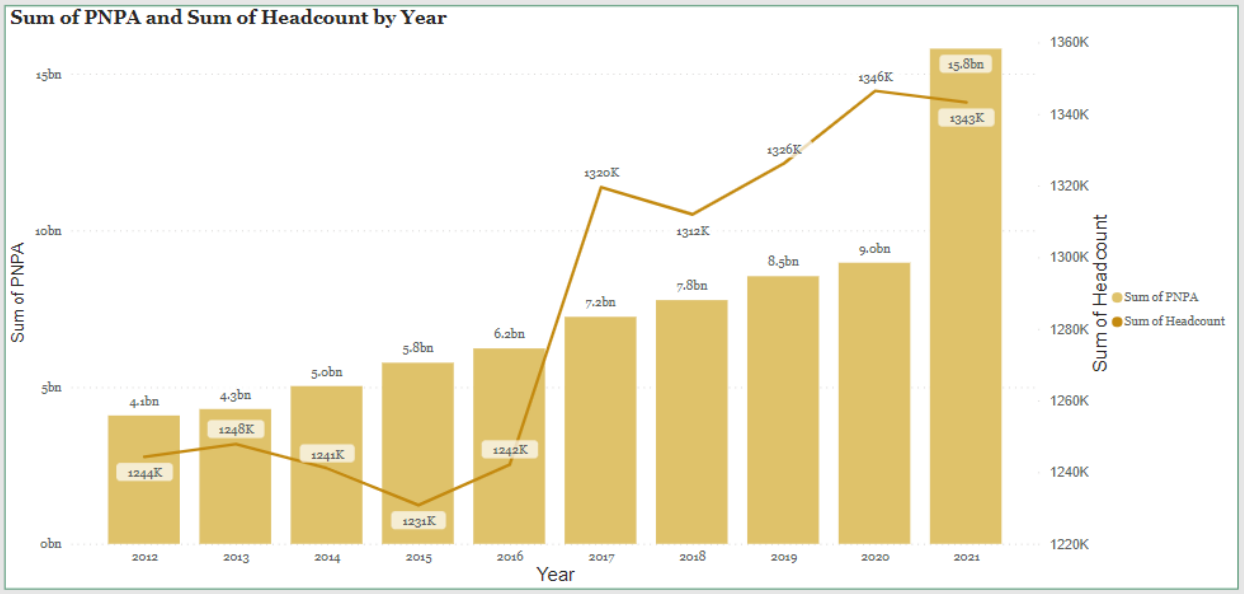
Personal non-pensionable allowances (PNPAs) were created for individuals on salary levels 11 and above in the MMS and SMS dispensations (SMS).

The inclusive remuneration package per employee consists of a basic salary, the State's contribution to the Government Employees Pension Fund (GEPF) and a flexible portion. The basic salary for the SMS on levels 13 to 16 consists of 60% of the inclusive flexible remuneration package. Employees on levels 11 and 12 or MMS have a choice between 75%/ 76% (set 1) or 70% (set 2). The remaining portion may be structured by the employees as they choose. The flexible portion may be structured as follows:

- A motor-car allowance for SMS employees only, to a maximum amount of 25% of the total package per year. MMS employees are allowed to structure the flexible portion for a motor-vehicle allowance
- A service bonus or 13th cheque: This is structured as a once-off non-pensionable bonus paid to employees in the month of birth
- Medical assistance: The State provides medical assistance, known as the Government Employees Medical Scheme (GEMS). The State pays 75% of the employee's total monthly contribution on any selected option from GEMS, which is capped
- Housing allowance: SMS employees are able to decide on an amount within the flexible portion limitations
- Non-pensionable cash allowance: This is any remaining amount in the flexible portion. The total amount structured for these allowances/benefits must equal the amount available in the flexible portion of the package.

The following graph analyses total PNPA, as a bar graph, compared to headcount, as a line graph, over time:

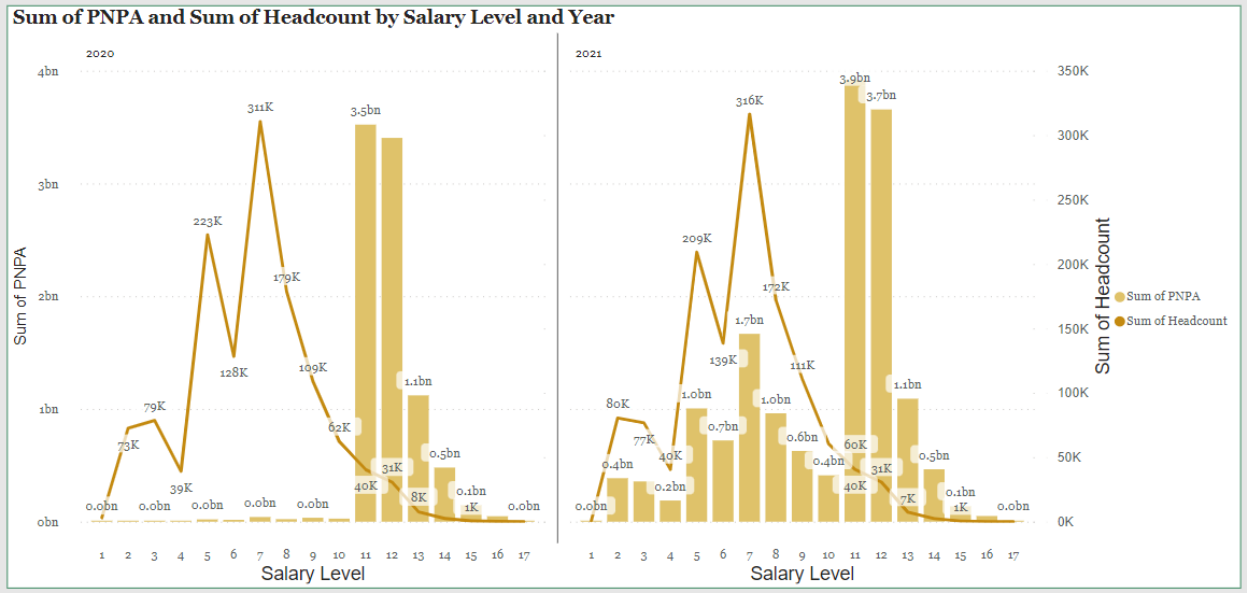
Graph 59: Sum of PNPA and headcount, over time



The graph above depicts a spike in PNPA in 2021. As noted above, this is as a result of the payments made to salary levels below 11 for that year.

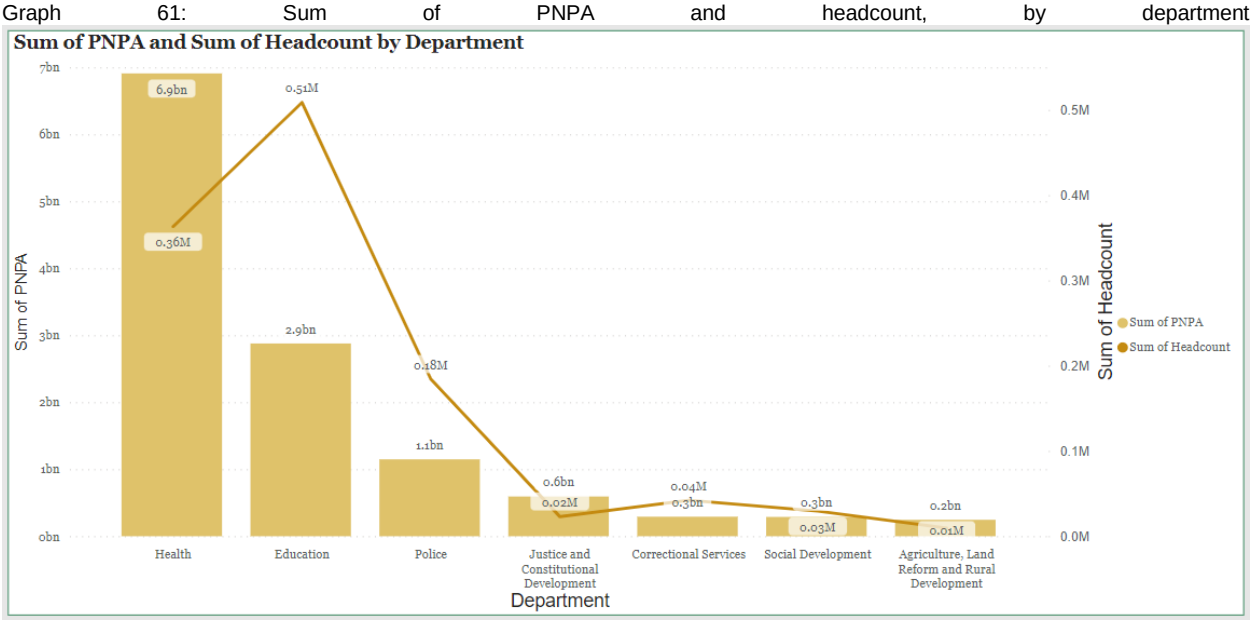
The graph below illustrates the total PNPA, as a bar graph, compared to headcount, as a line graph, by salary level:

Graph 60: Sum of PNPA and headcount, by salary level for 2020 and 2021, respectively



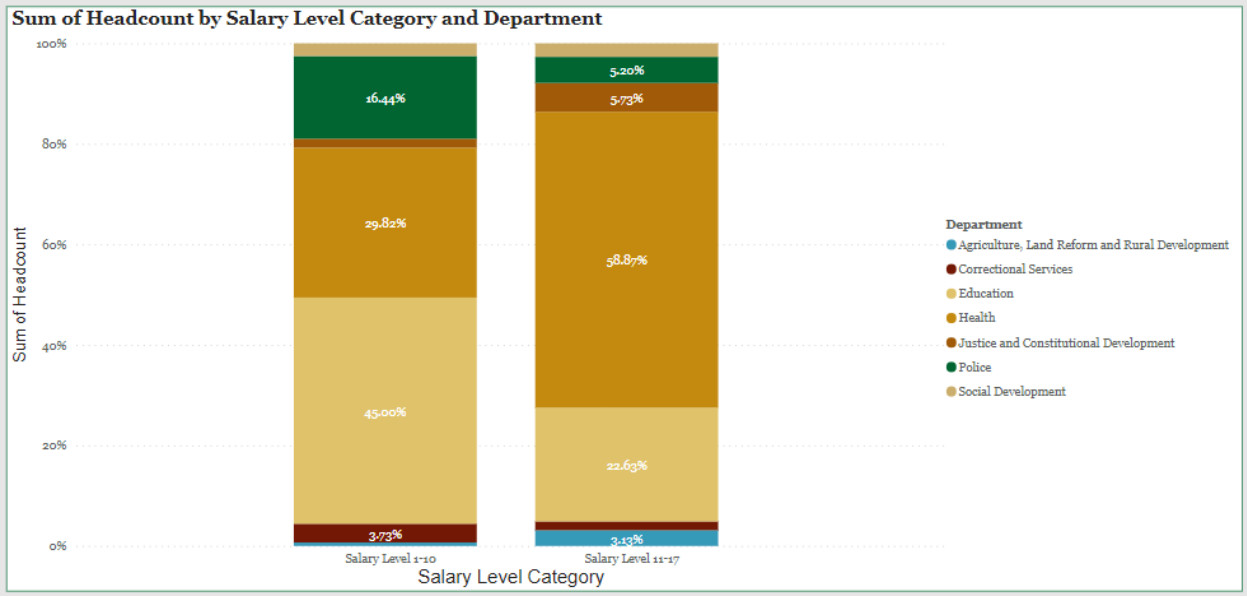
The following graph analyses total PNPA, as a bar graph, compared to headcount, as a line graph, by the largest departments. Health had the highest spend at R6.9bn, with more than double that of Education, which had the second highest spend at R2.9bn, with a similar relationship to the SAPS which spent the third-highest amount at R1.1bn. The order changes in terms of personnel numbers, between Education and Health, with SAPS (remaining) third:

Graph 61: Sum of PNPA and headcount, by department



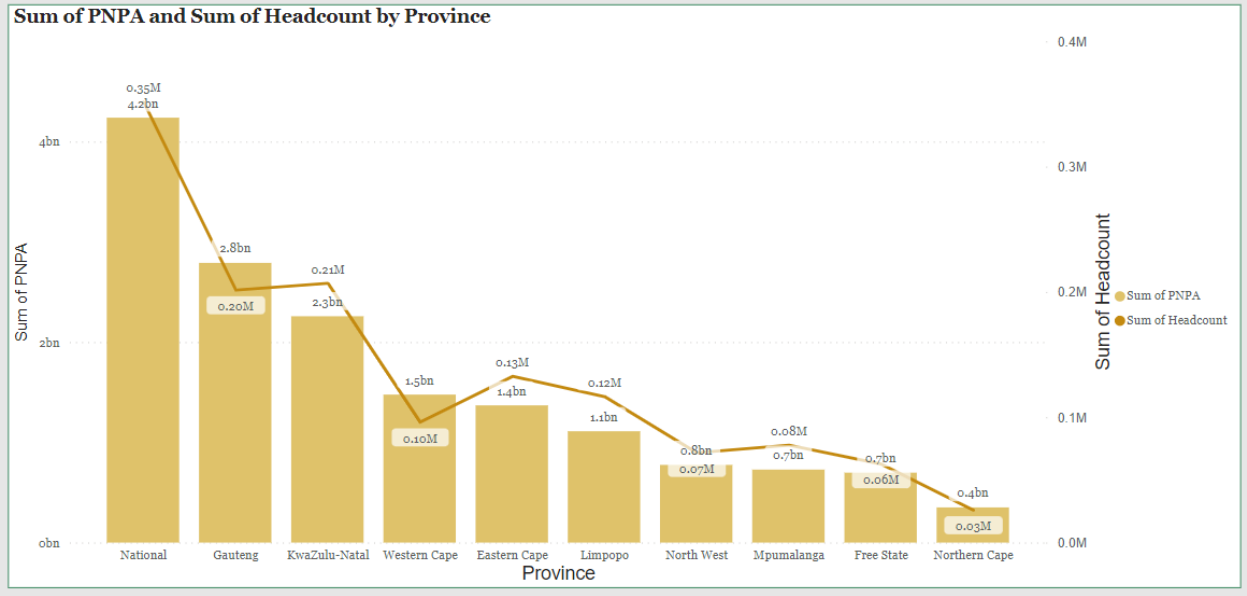
The significant concentration of the PNPA within the DoH is as a result of a high concentration of staff above salary 10 within the Department, as noted below:

Graph 62: Proportion of headcount by department, by salary level group



The following graph analyses total PNPA, as a bar graph, compared to headcount, as a line graph, by Provincial and National Departments. National has the largest spend, followed by Gauteng and KwaZulu-Natal. Personnel numbers feature the same top three, with the only difference being a change in order between the provinces.

Graph 63: Sum of PNPA and headcount, by province



Commuted overtime

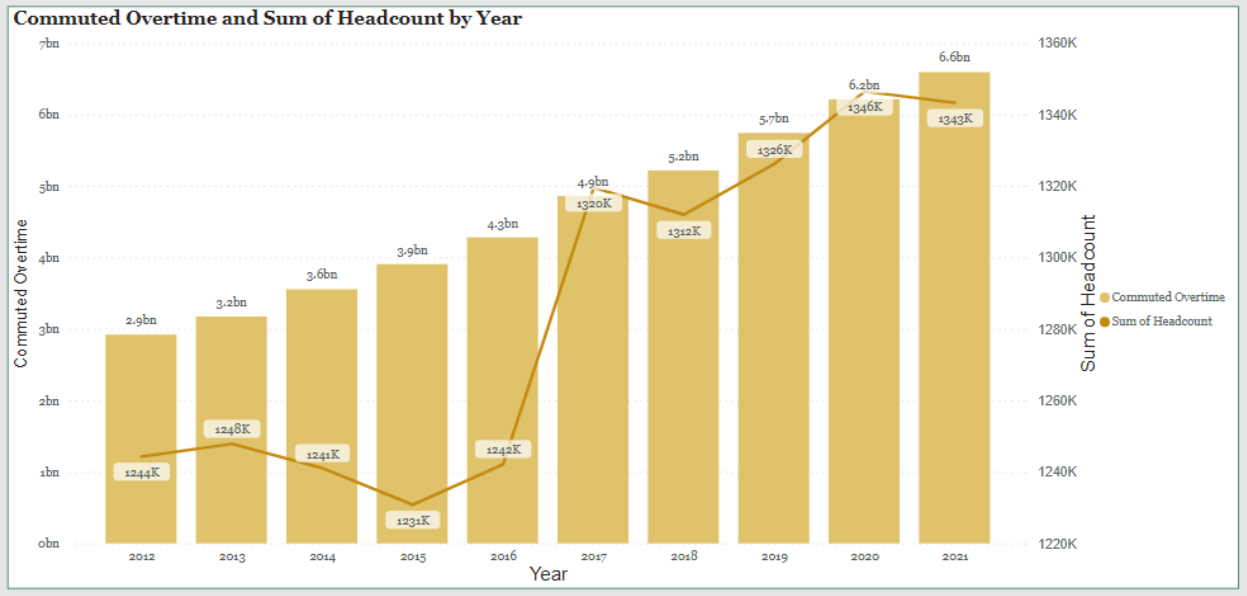
Commuted overtime refers to hours of work additional to the total number of normal hours of work required by the employer to render a health service within a health facility in terms of operational needs.

Commuted overtime is the allowance negotiated between the union and the employer, paid in lieu of actual overtime worked, for a group of employees occupying positions which require work to be performed consistently and regularly outside and in excess of the prescribed hours of duty.

In the Public Service context, commuted overtime only applies to OSD medical practitioners within the DoH. Further detail is provided in the 2022 OSD report and are therefore discussed at a high level below.

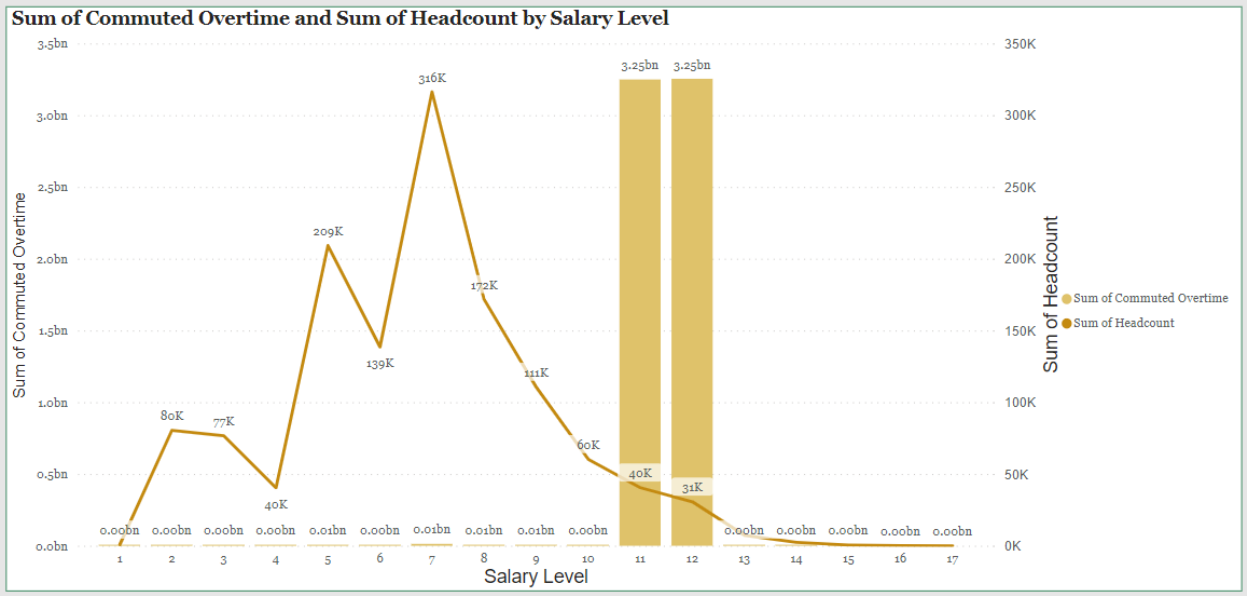
The following graph analyses commuted overtime, as a bar graph, compared to headcount, as a line graph, over time:

Graph 64: Sum of commuted overtime and headcount, over time



The following graph analyses commuted overtime, as a bar graph, compared to headcount, as a line graph, by salary level.

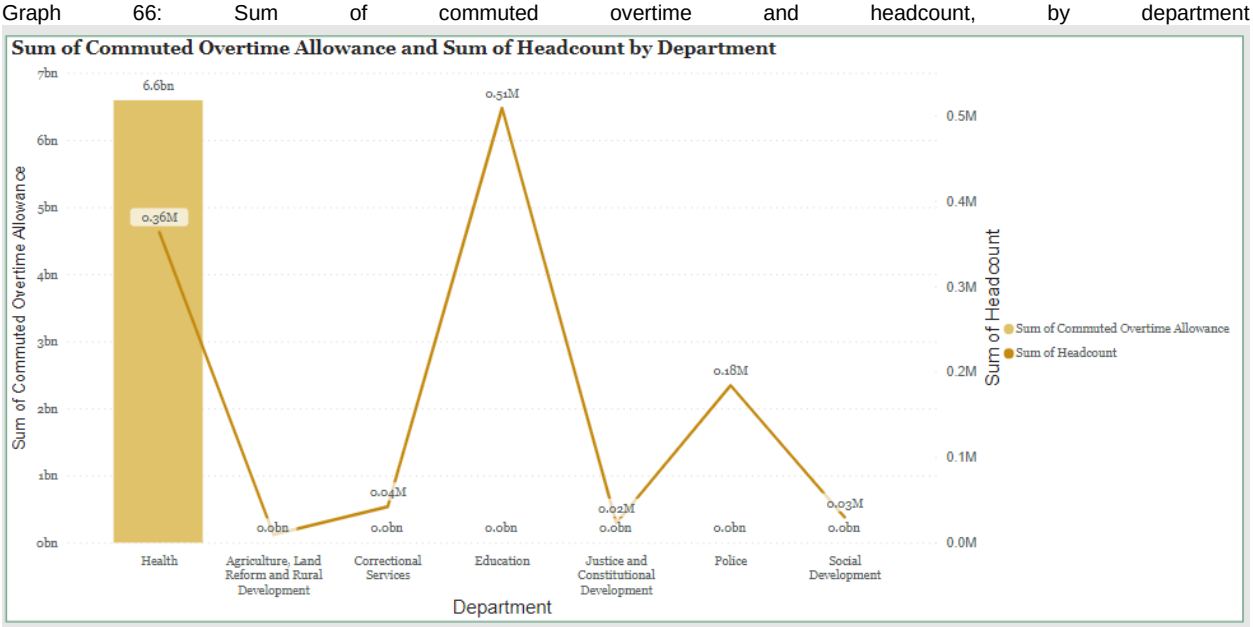
Graph 65: Sum of commuted overtime and headcount, by salary level



The trend seen above is as a result of medical practitioners occupying levels 11 and 12 as a result of being on occupation specific dispensations.

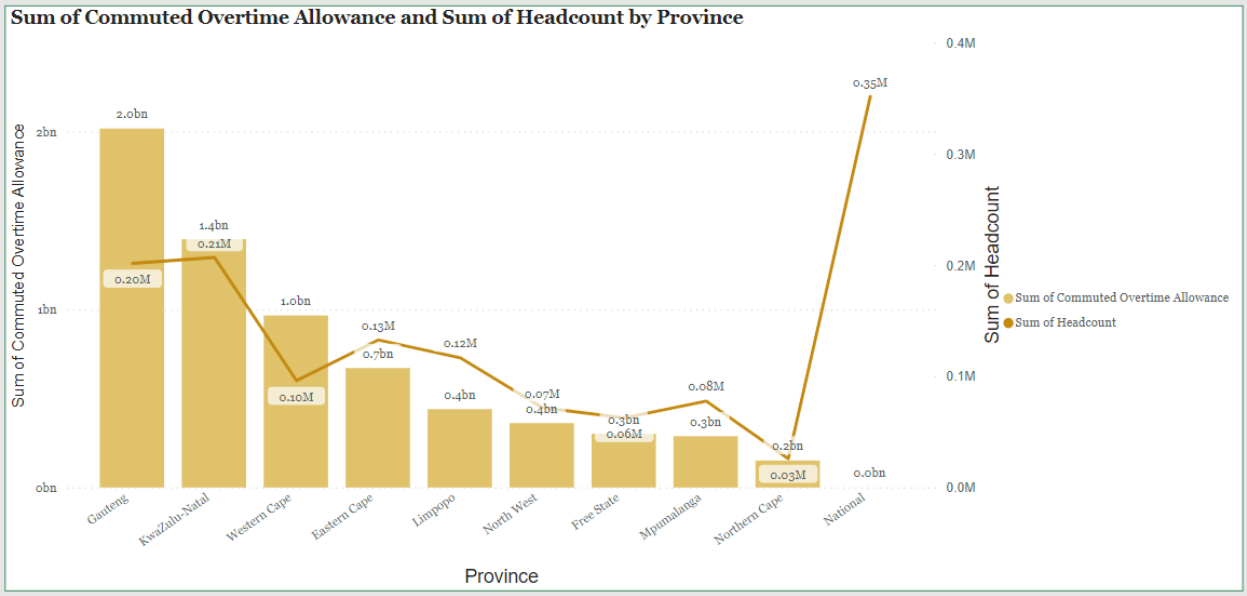
The following graph analyses commuted overtime, as a bar graph, compared to headcount, as a line graph, by the largest departments. Zero amounts can be noted for other departments given that this allowance only applies to the DoH:

Graph 66: Sum of commuted overtime and headcount, by department



The following graph analyses commuted overtime, as a bar graph, compared to headcount, as a line graph, by National and Provincial Departments. The largest spend is observed in Gauteng, followed by KwaZulu-Natal and Western Cape respectively.

Graph 67: Sum of commuted overtime and headcount, by province



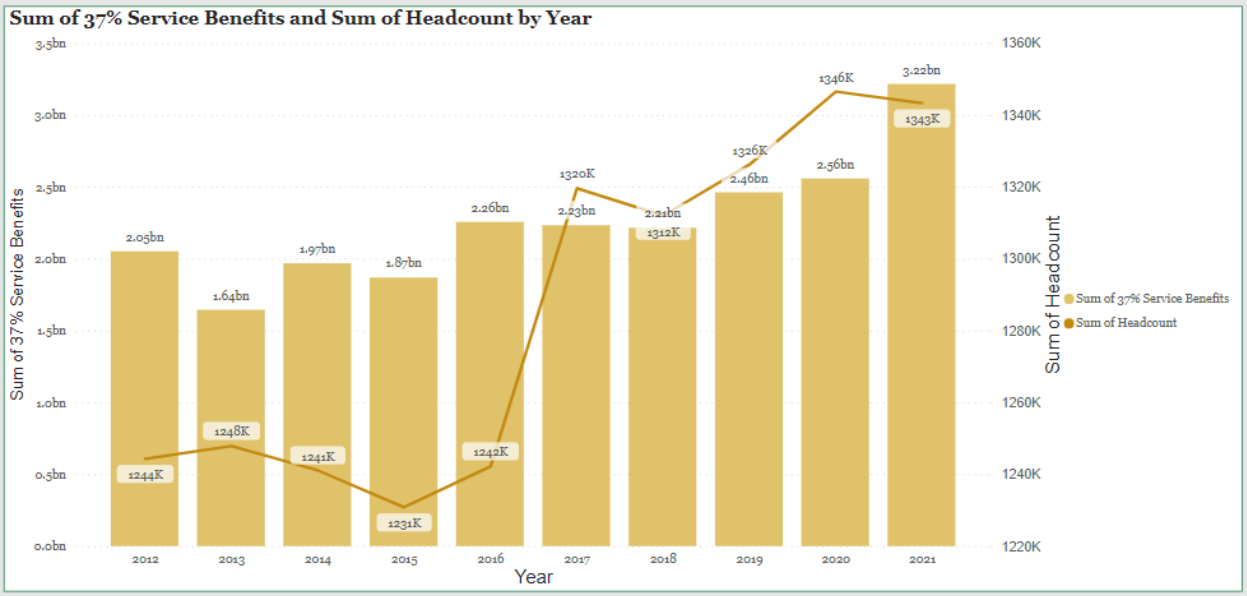
The graphs are as expected and vary with the headcount of medical practitioners.

37% in lieu of service benefits

A contract worker employed for less than six months shall receive their basic salary plus 37% in lieu of benefits, excluding leave.

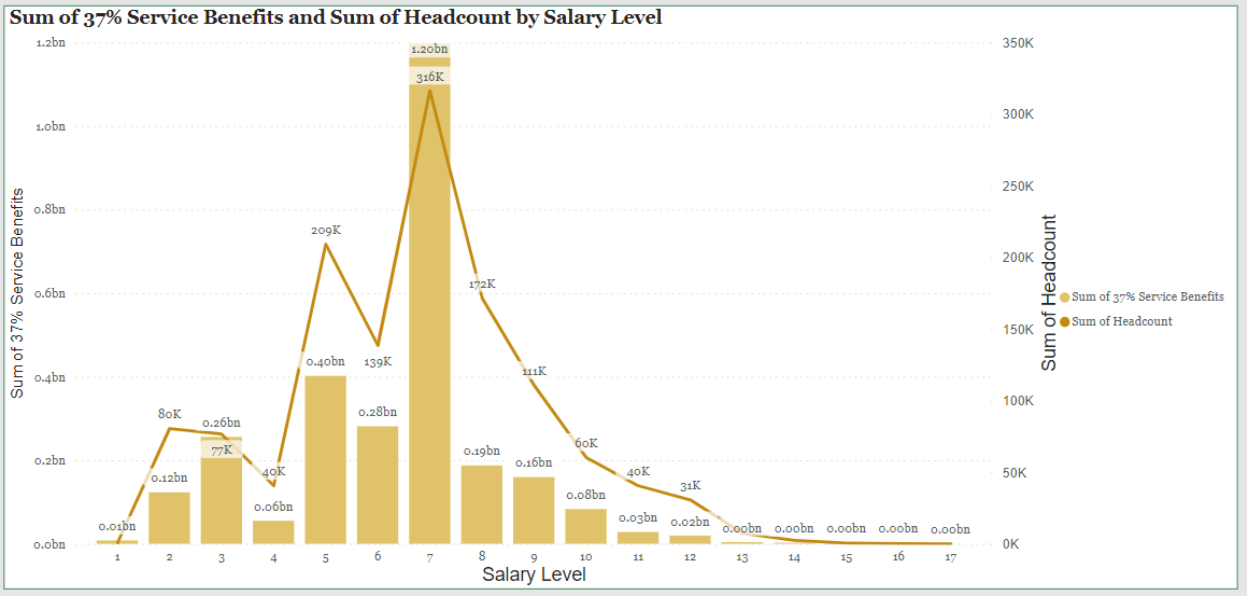
The following graph analyses the 37% service benefit, as a bar graph, compared to headcount, as a line graph, from 2012 to 2021.

Graph 68: Sum of 37% service benefit and headcount, by over time



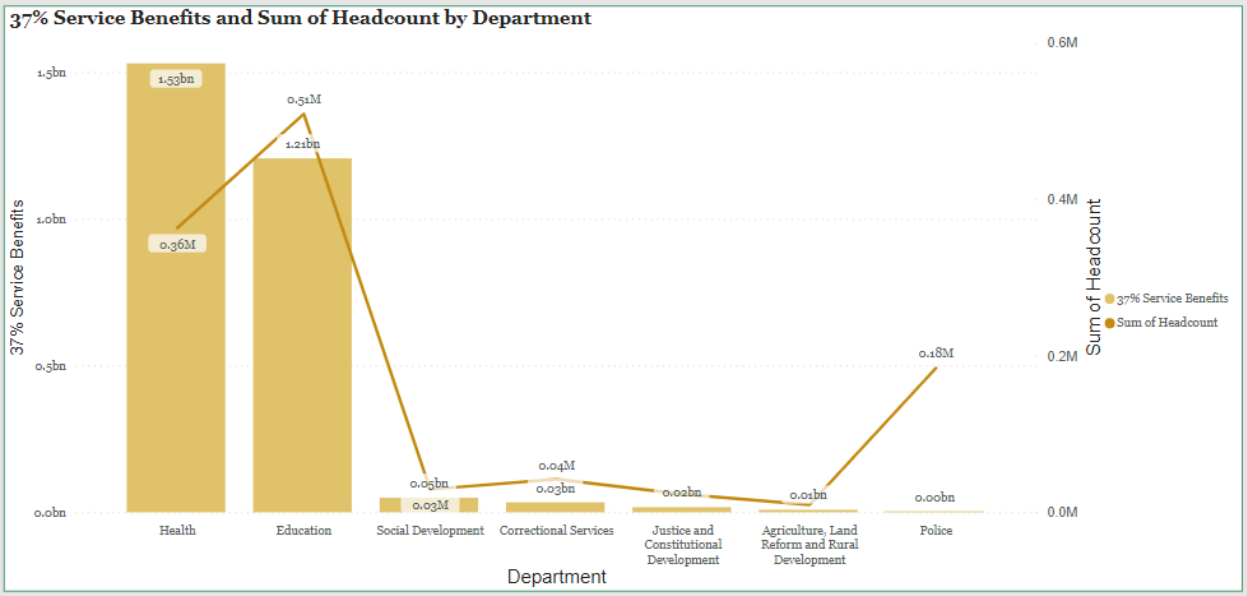
The following graph analyses the 37% service benefit, as a bar graph, compared to headcount, as a line graph, by salary level, with concentration observed at salary level 7.

Graph 69: Sum of 37% service benefit and headcount, by salary level



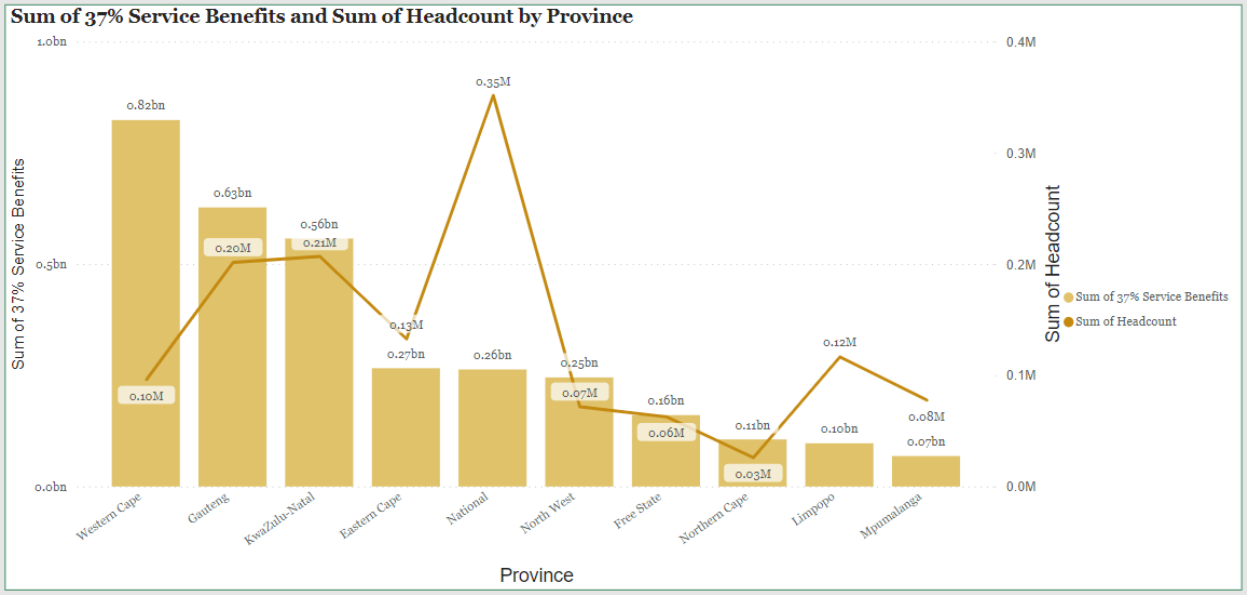
The following graph analyses the 37% service benefit, as a bar graph, compared to headcount, as a line graph, by the largest departments. The DoH has the highest spend, meaning they make relatively more use of contractors employed for less than six months, which is expected. This is followed by the Department of Education. Both departments combined make more than 95% of the total Public Service spend.

Graph 70: Sum of 37% service benefit and headcount, by department



The following graph analyses the 37% service benefit, as a bar graph, compared to headcount, as a line graph, by National and Provincial Departments. The Western Cape has the highest spend, followed by Gauteng and KwaZulu-Natal.

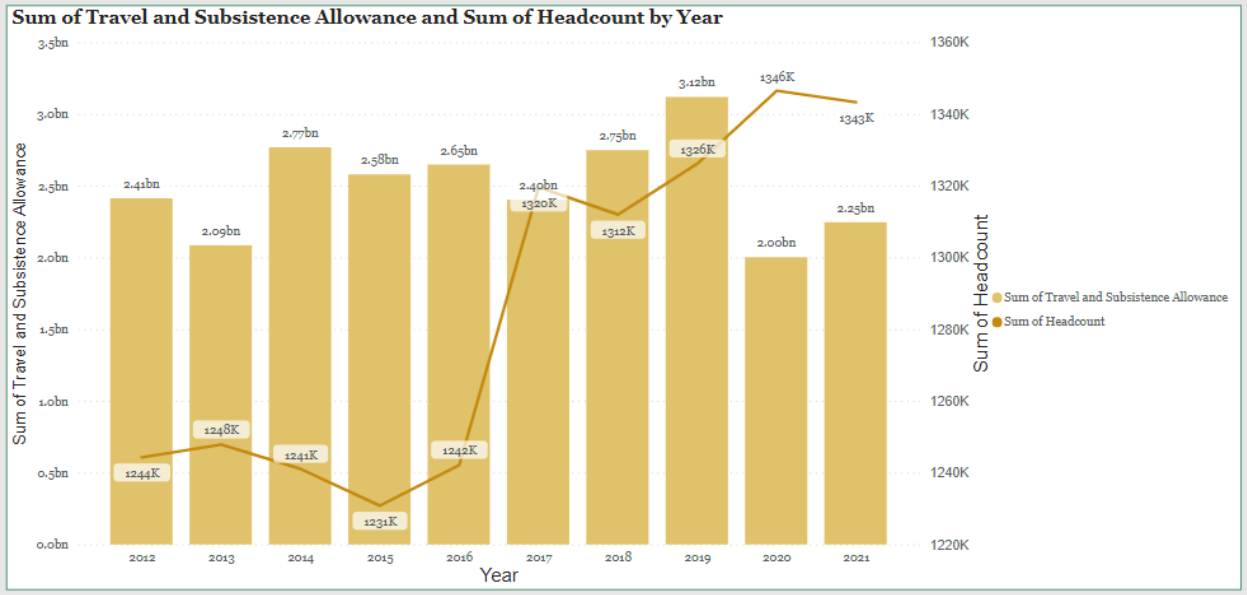
Graph 71: Sum of 37% service benefit and headcount, by province



Travel and subsistence

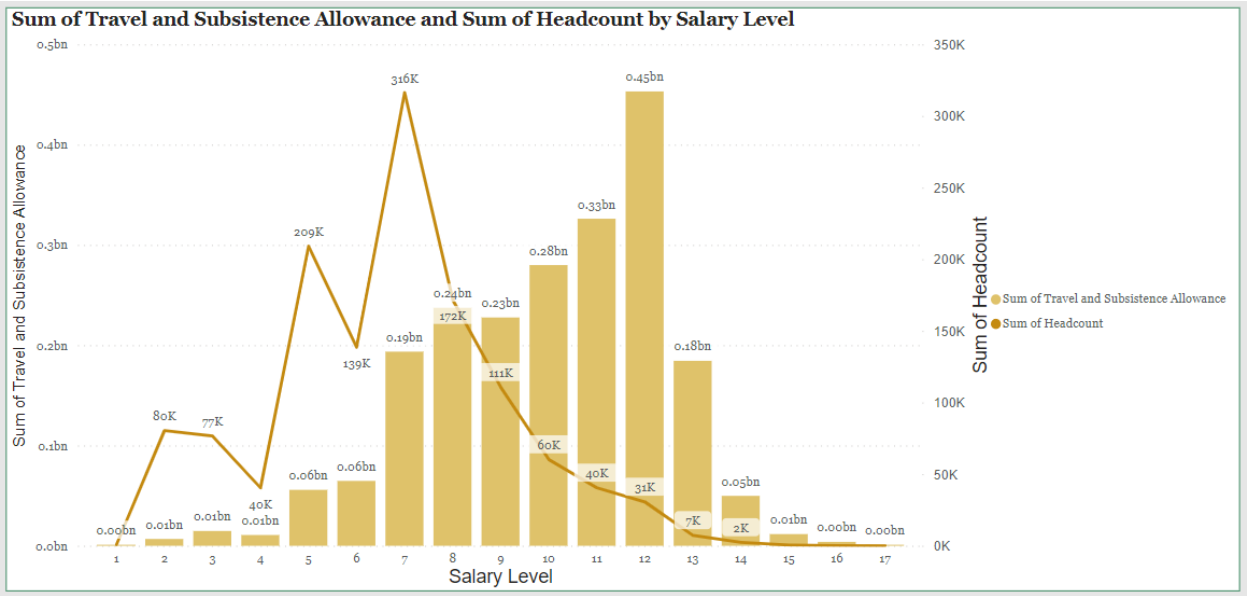
The following graph analyses travel and subsistence allowance, as a bar graph, compared to headcount, as a line graph, by year from 2012 to 2021.

Graph 72: Sum of travel and subsistence allowance and headcount, by year



The following graph analyses travel and subsistence allowance, as a bar graph, compared to headcount, as a line graph, by salary level

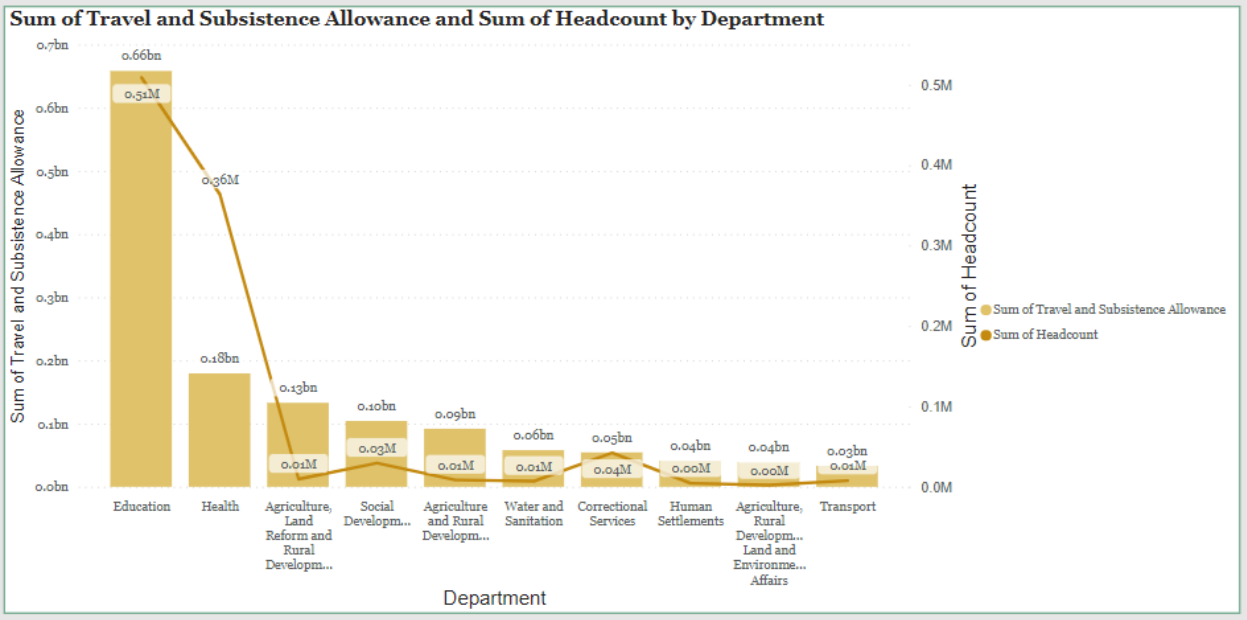
Graph 73: Sum of travel and subsistence allowance and headcount, by salary level



The graph above shows a concentration of travel allowances at higher salary levels, which is expected.

The following graph analyses travel and subsistence allowance, as a bar graph, compared to headcount, as a line graph, by the largest departments.

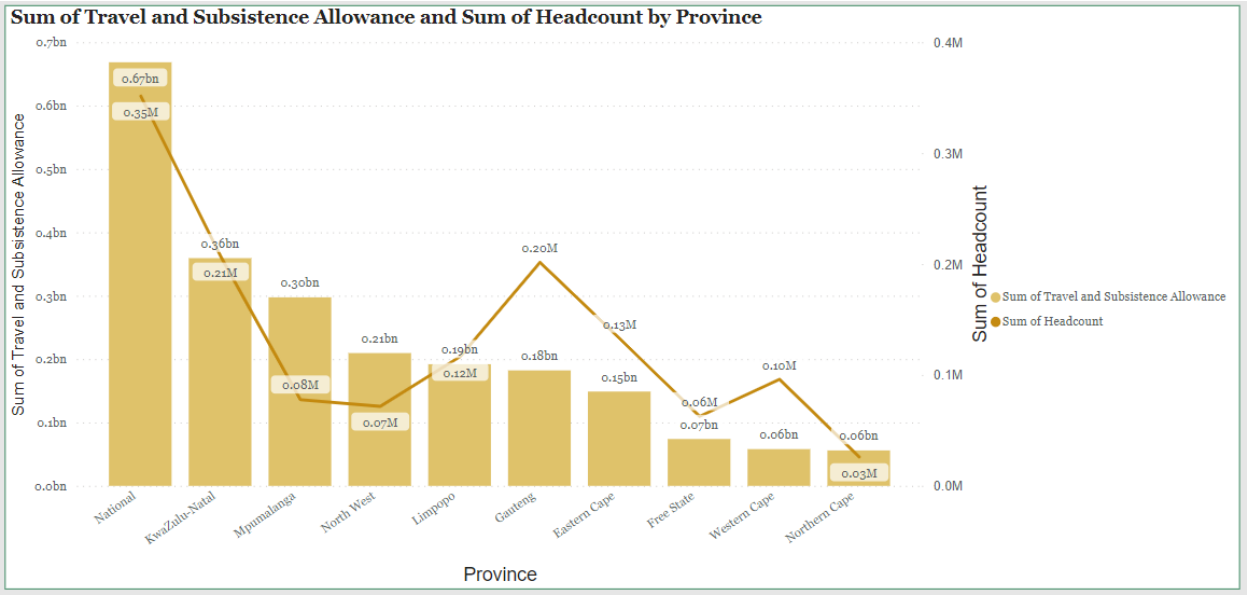
Graph 74: Sum of travel and subsistence allowance and headcount, by department



This shows high concentration in the Agriculture, Water and Sanitation sectors, along with high headcount departments, being Health and Education, which is significantly higher.

The following graph analyses travel and subsistence allowance, as a bar graph, compared to headcount, as a line graph, by National and Provincial Departments. National has the highest spend, followed by KwaZulu-Natal and Mpumalanga.

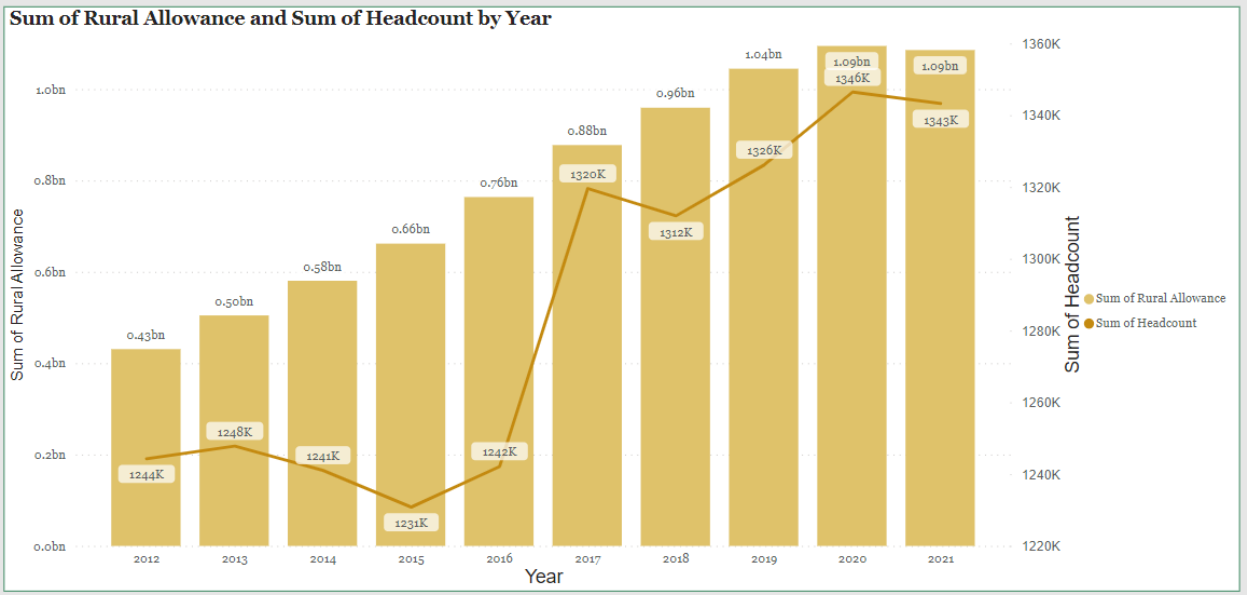
Graph 75: Sum of travel and subsistence allowance and headcount, by province



Rural allowance

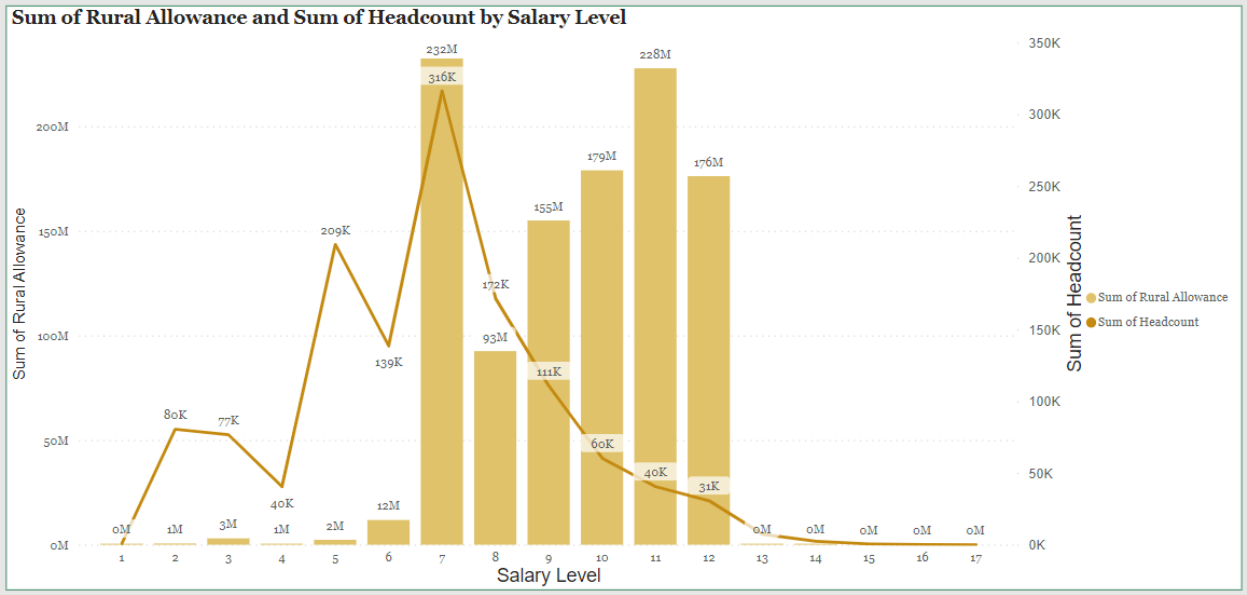
The following graph analyses rural allowance, as a bar graph, compared to headcount, as a line graph, from 2012 to 2021. An increasing trend is observed over time

Graph 76: Sum of rural allowance and headcount, over time



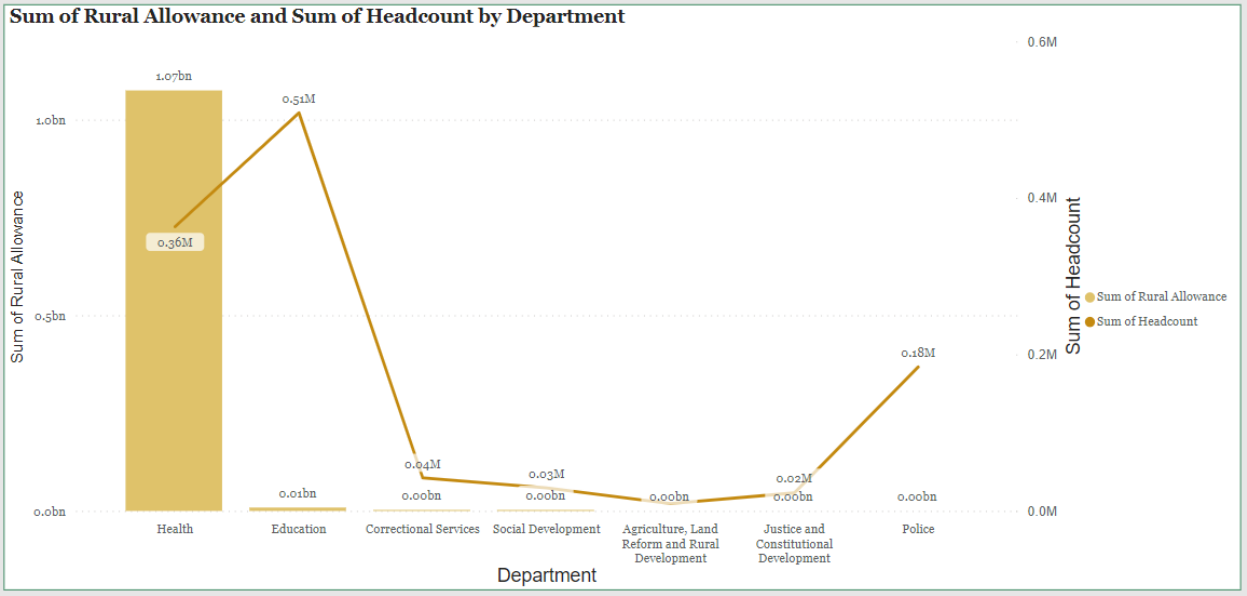
The following graph analyses rural allowance, as a bar graph, compared to headcount, as a line graph, by salary level.

Graph 77: Sum of rural allowance and headcount, by salary level



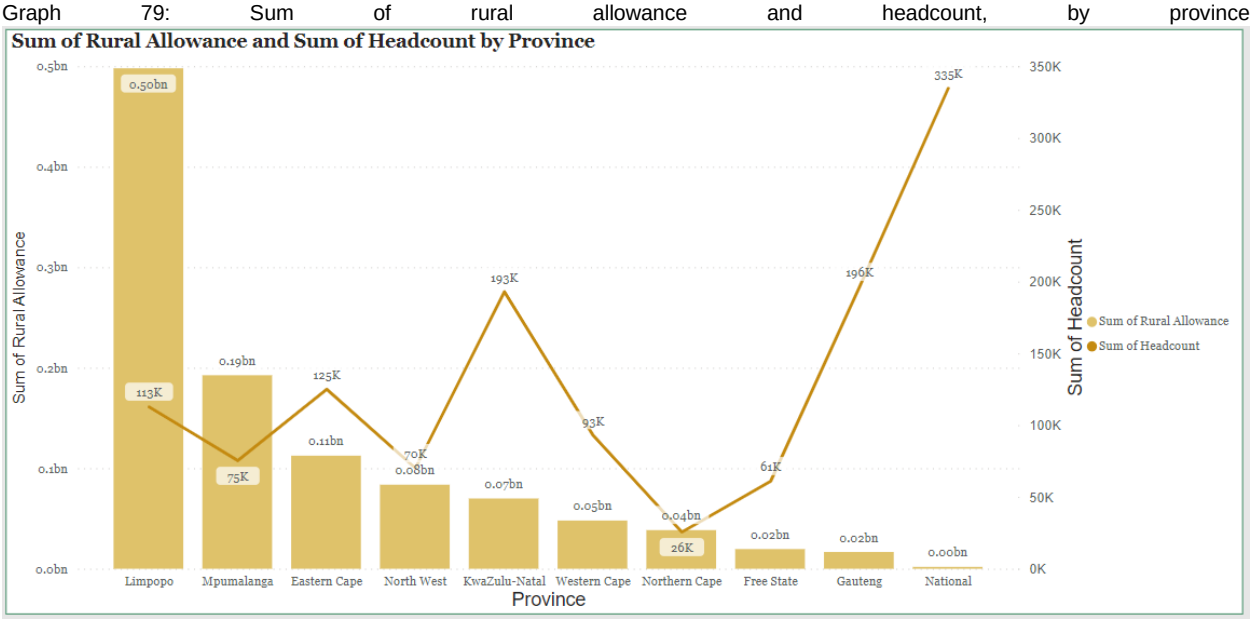
The following graph analyses rural allowance, as a bar graph, compared to headcount, as a line graph, by the largest departments, which informs that the rural allowance is only applicable to the DoH, which is expected.

Graph 78: Sum of rural allowance and headcount, by department



The following graph analyses rural allowance, as a bar graph, compared to headcount, as a line graph, by province:

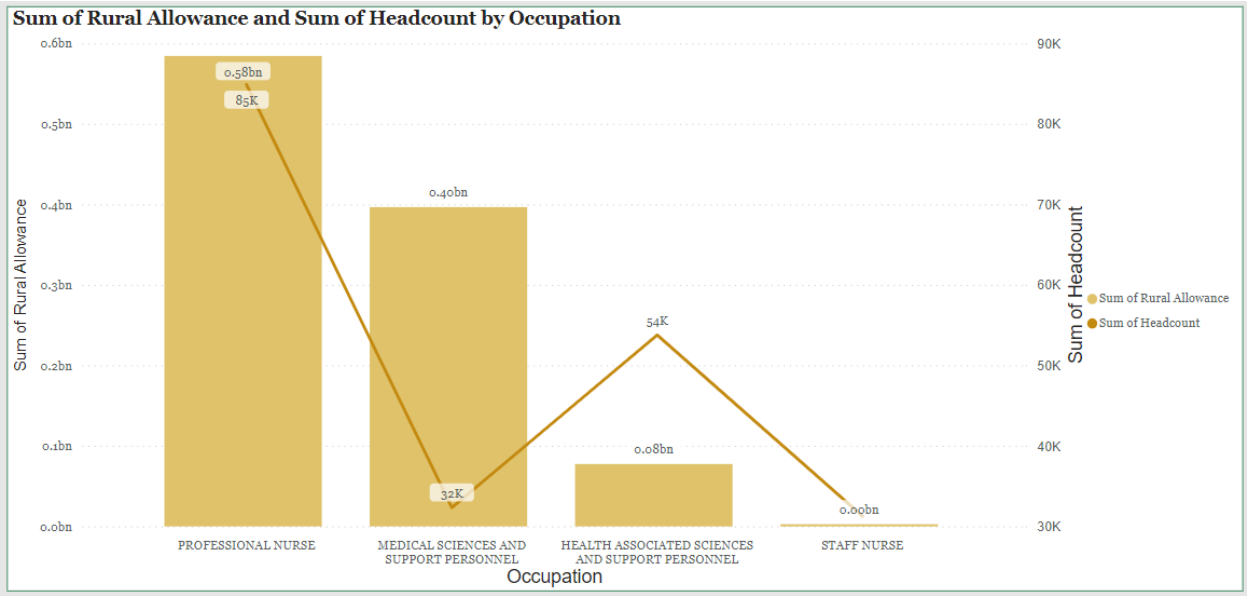
Graph 79: Sum of rural allowance and headcount, by province



From the graphs above, it is observed that the rural allowances are concentrated in the DoH and, from a provincial perspective, Limpopo, and Mpumalanga. Within the DoH it is evident that the allowances are rewarded significantly to medical practitioners, which would be expected.

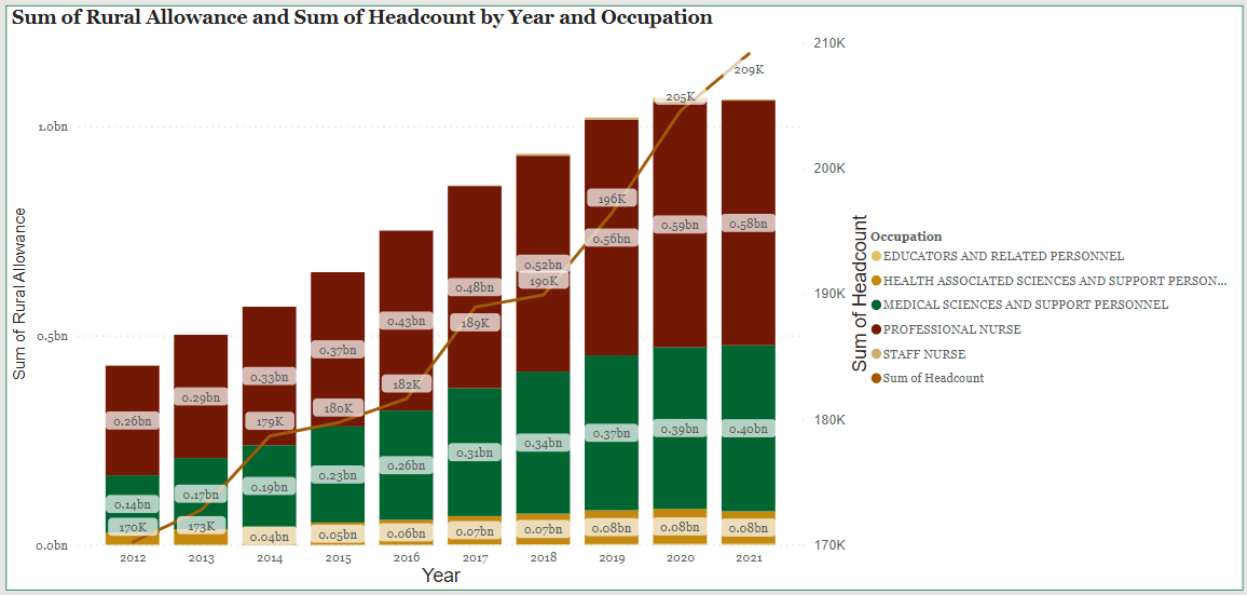
The graph below shows the isolation of the rural allowances of these DoH professionals over time and a trend similar to that of basic salary is seen, which would be expected.

Graph 80: Sum of rural allowance and headcount, by occupation



The graph below shows rural spend across selected occupations from 2012 to 2021:

Graph 81: Sum of rural allowance and headcount, by year and occupation

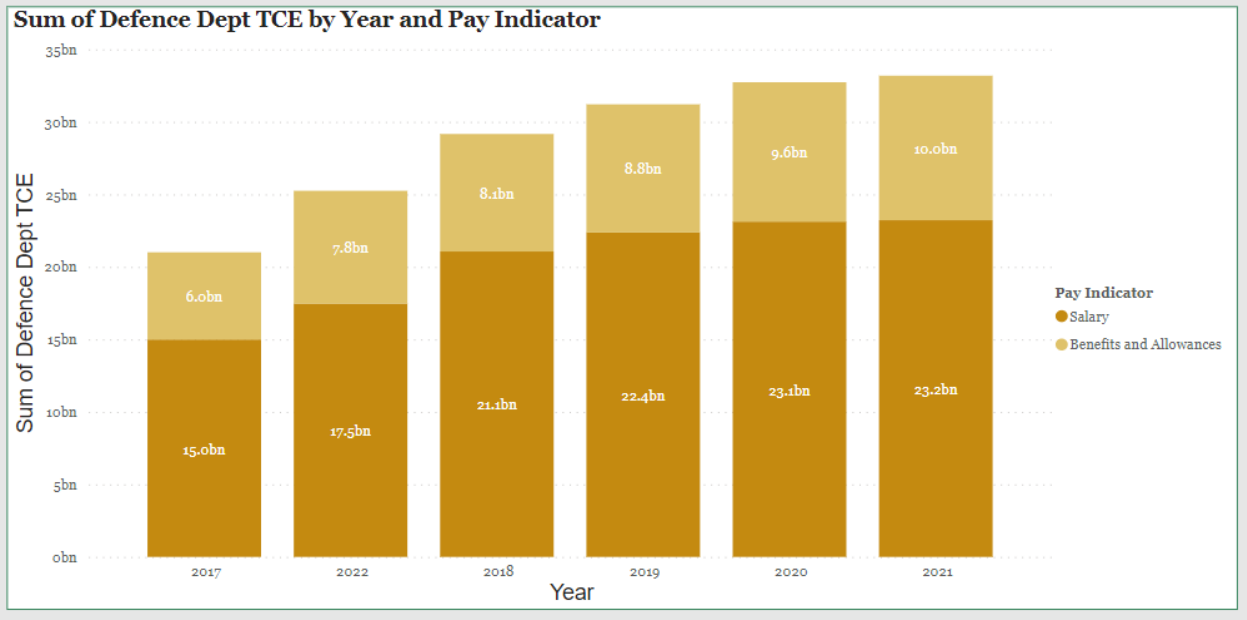


Department of Defence - Benefits and allowances

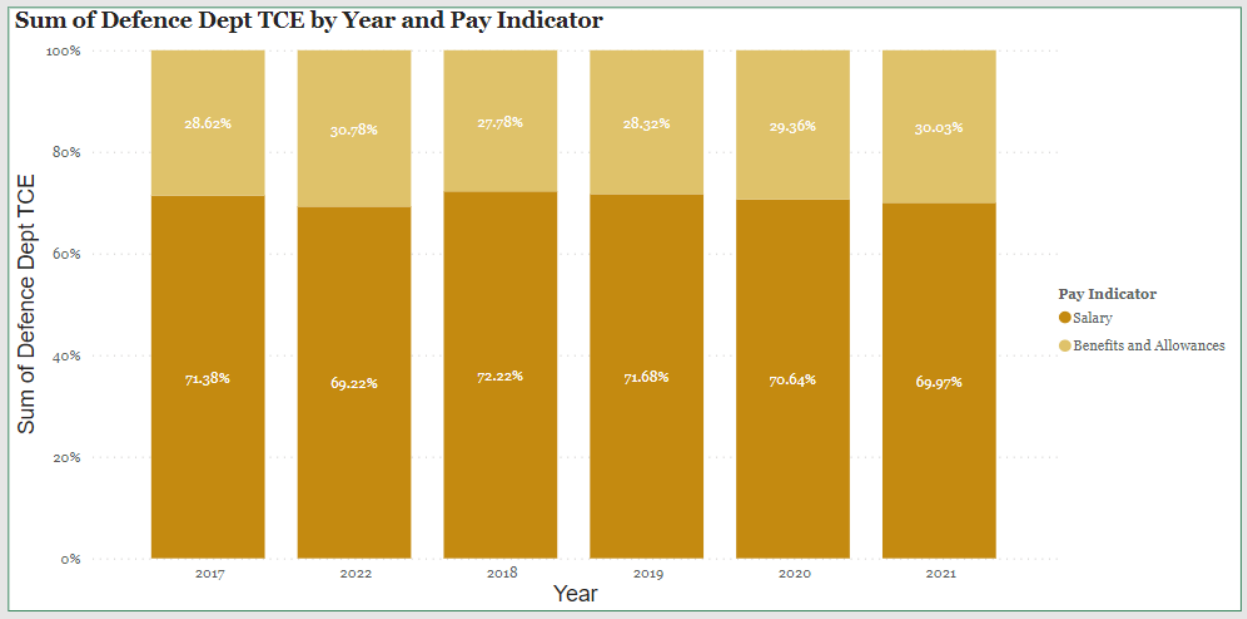
The data for the Department of Defence (DoD) is housed on PERSOL, a different system to data for the public servants in other departments (PERSAL). As a result, this department is analysed separately.

The following two graphs depict a split of the overall TCE over time in the DoD between basic salary and the combination of benefits and allowances, on an absolute and relative basis, respectively.

Graph 82: Sum of TCE, split by basic salary and benefits and allowances, over time



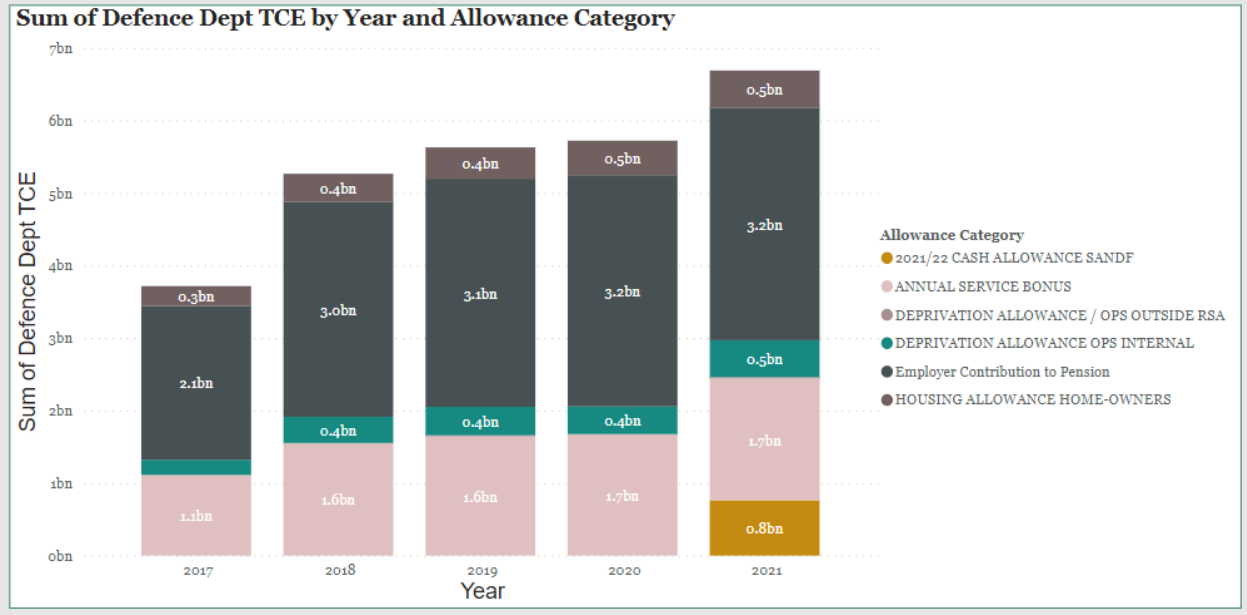
Graph 83: Proportion of TCE, split by basic salary and benefits and allowances, over time



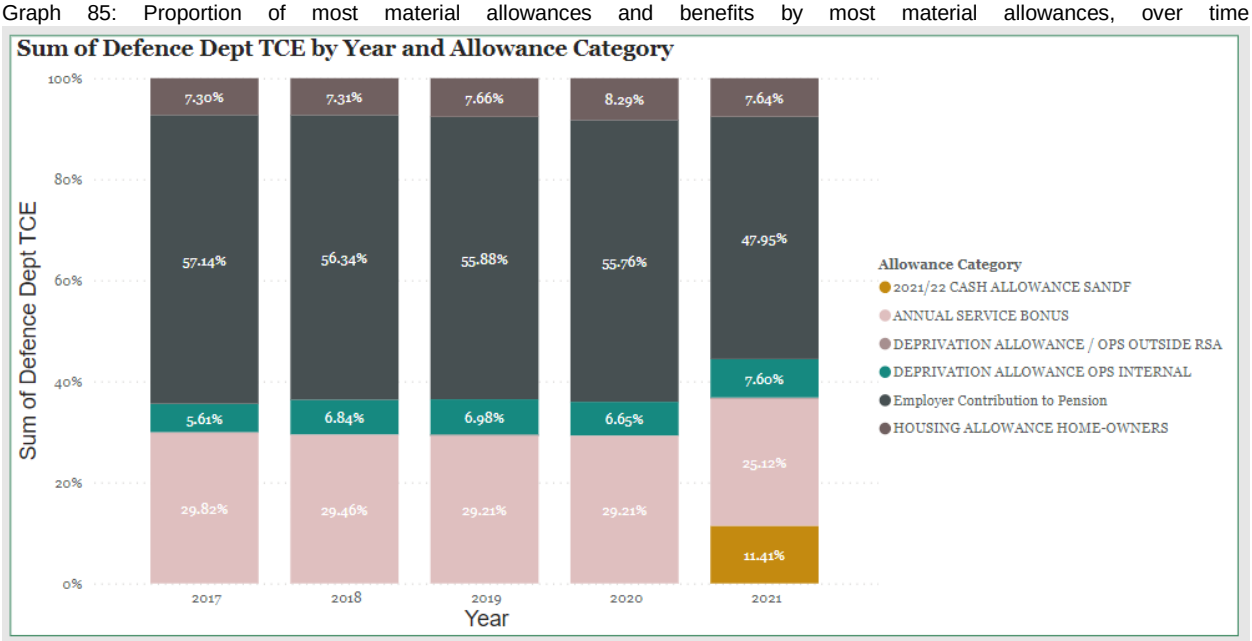
As noted in the PERSOL data, the trend shows a high proportion of the overall TCE dedicated to benefits and allowances.

The following graph depicts the TCE split by the most material allowance on both an absolute and relative basis, over time, respectively:

Graph 84: Sum of most material allowances and benefits by most material allowances, over time



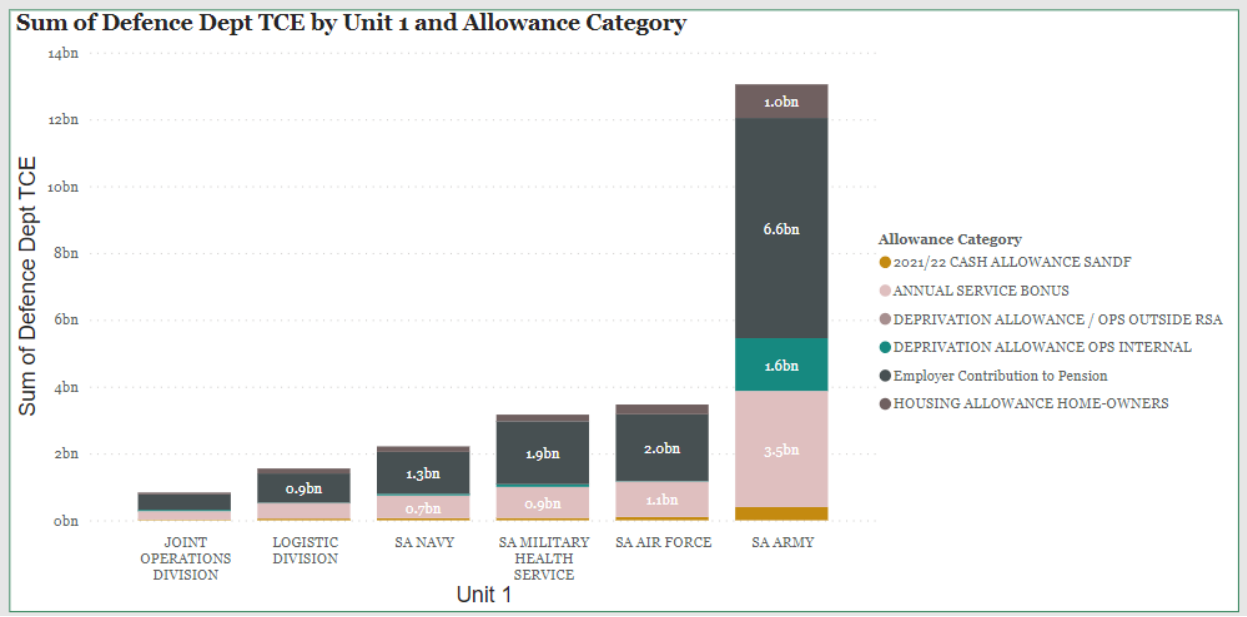
Graph 85: Proportion of most material allowances and benefits by most material allowances, over time



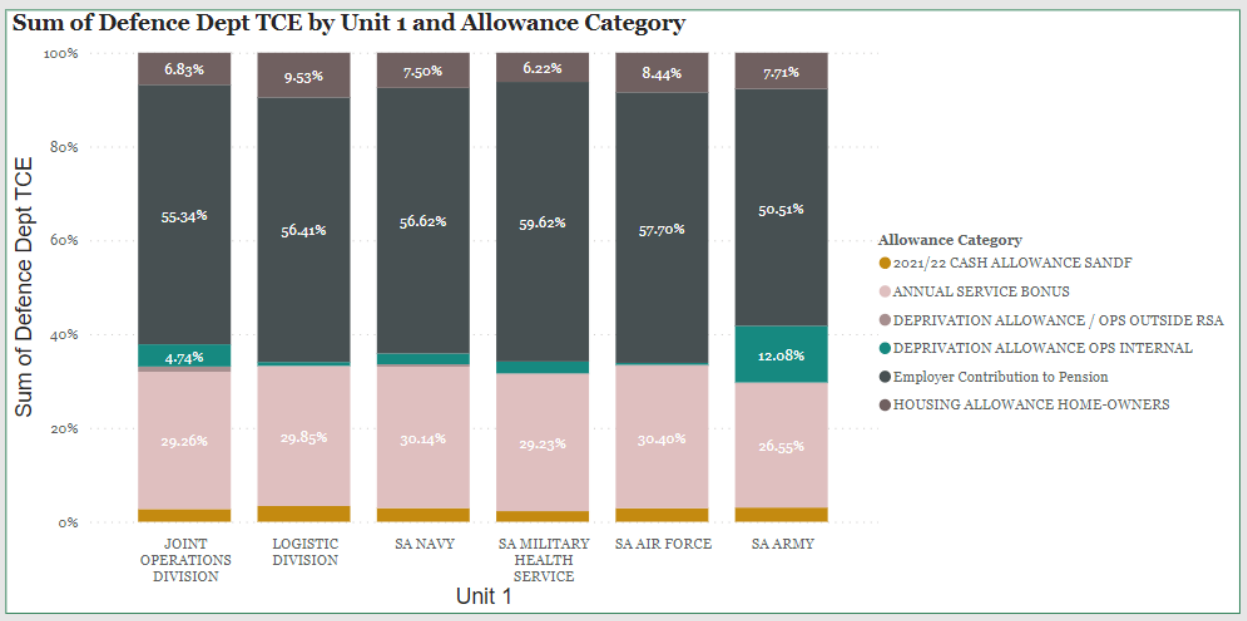
In the above graphs, it is observed that the payment of a cash allowance commenced in 2021.

The two graphs below indicate the prevalence of these benefits and allowances in the largest units on an absolute and relative basis:

Graph 86: Sum of most material allowances and benefits by most material allowances, by unit



Graph 87: Proportion of most material allowances and benefits by most material allowances, by unit

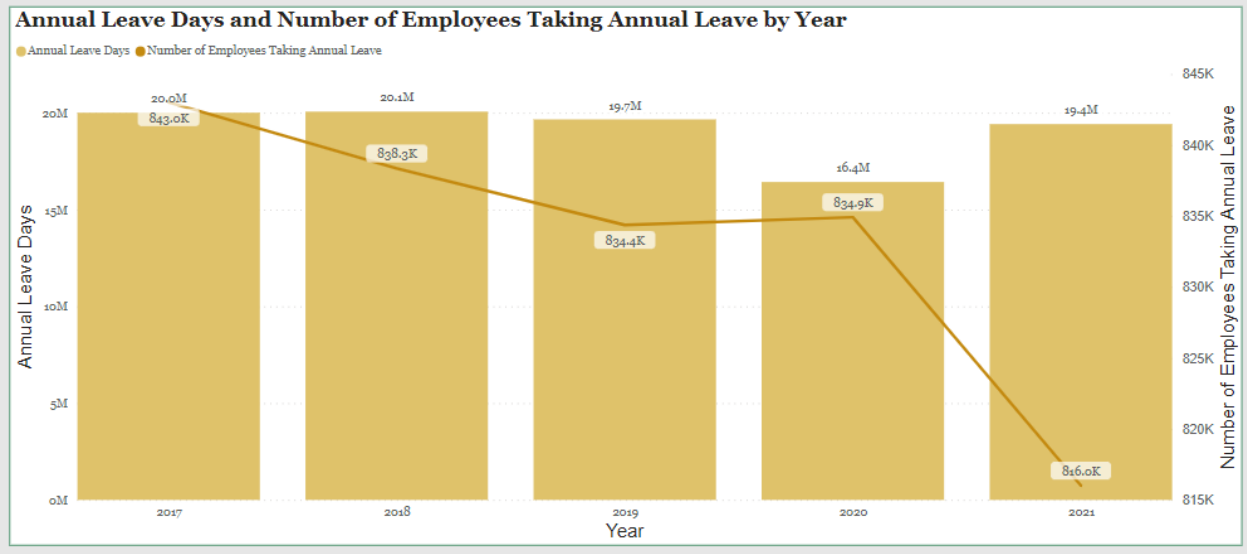


As observed above, there is an increased prevalence in the deprivation allowance in the SA Army and Joint Operations Division.

Annual leave

The following graph depicts annual leave, as a bar graph, over time compared to the number of employees taking it.

Graph 88: Sum of annual leave days and number of employees taking, over time

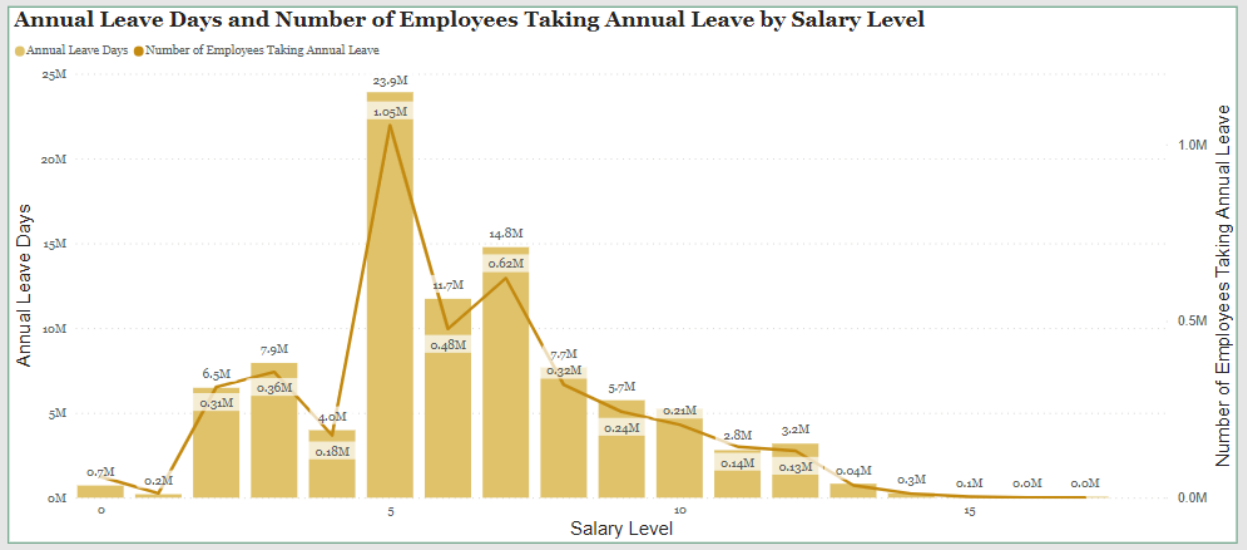


The following graph depicts annual leave, as a bar graph, over time compared to the number of employees taking it.

As noted previously, there was a slight decline in 2020 as a result of the COVID-19 pandemic.

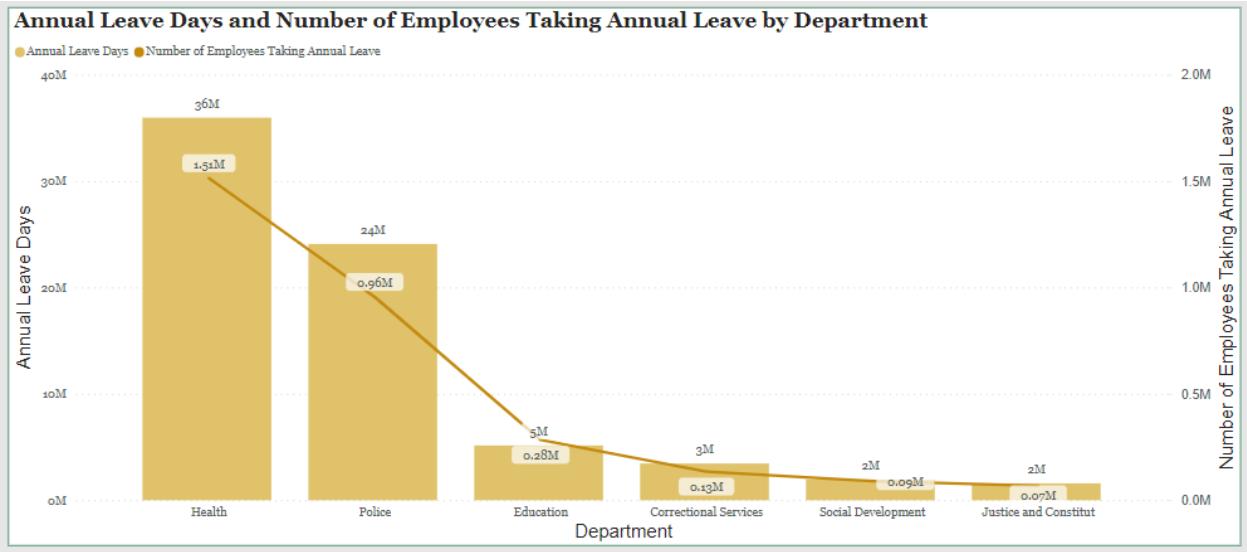
The following graph depicts annual leave, as a bar graph, per salary level compared to the number of employees taking it.

Graph 89: Sum of annual leave days and number of employees taking, by salary level



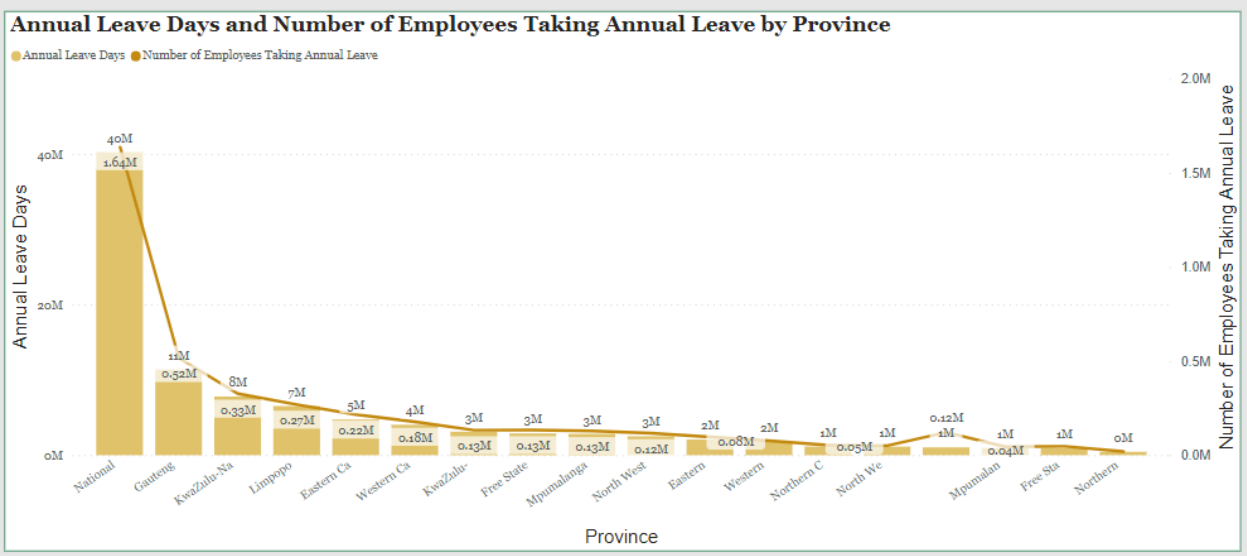
The following graph shows annual leave, as a bar graph, per department compared to the number of employees taking it.

Graph 90: Sum of annual leave days and number of employees taking, by department



The following graph depicts annual leave, as a bar graph, per province compared to the number of employees taking it

Graph 91: Sum of annual leave days and number of employees taking, by province

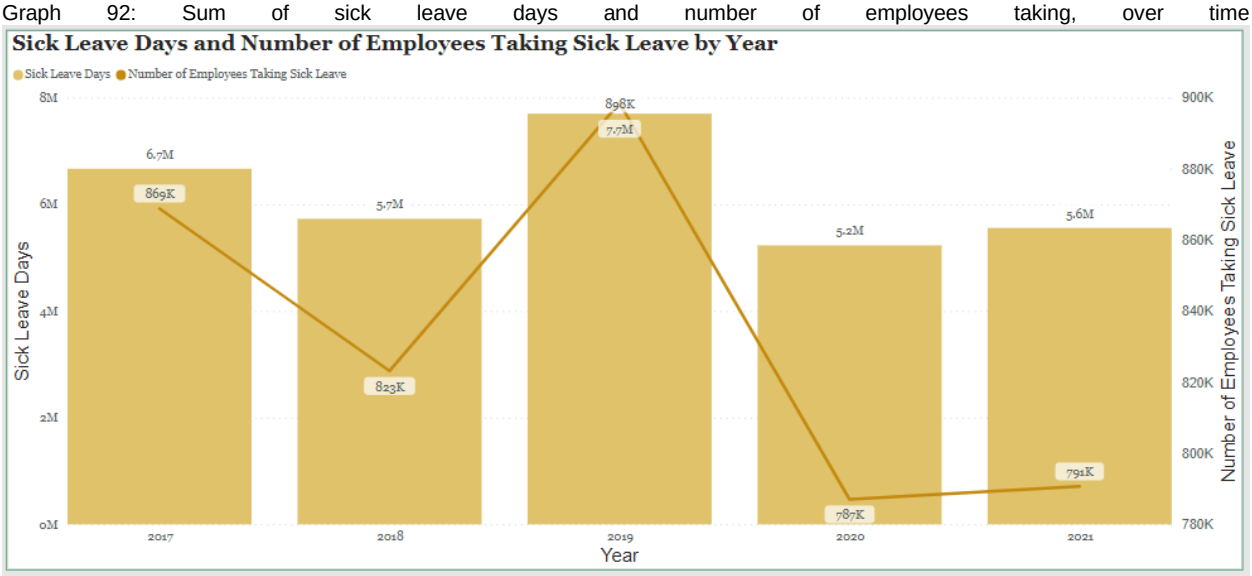


The graphs above follow the headcounts in the different categories. The trend to be noted is the slight reduction in leave taken in 2020.

Sick leave

The following graph depicts sick leave, as a bar graph, over time compared to the number of employees taking it.

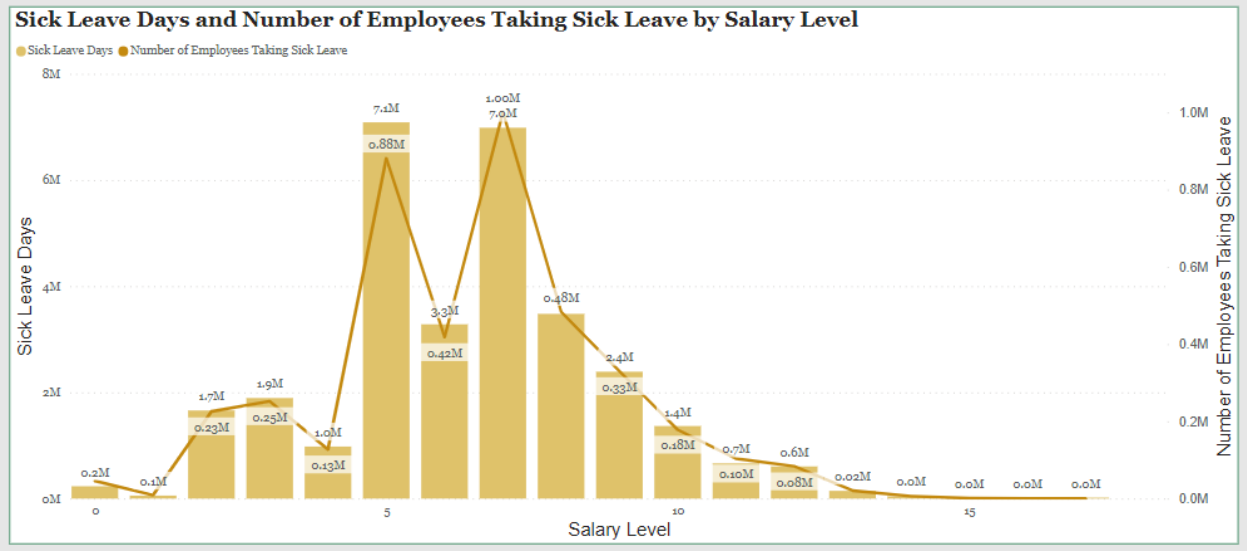
Graph 92: Sum of sick leave days and number of employees taking, over time



As noted previously, there was a slight decline in 2020 as a result of the COVID-19 pandemic.

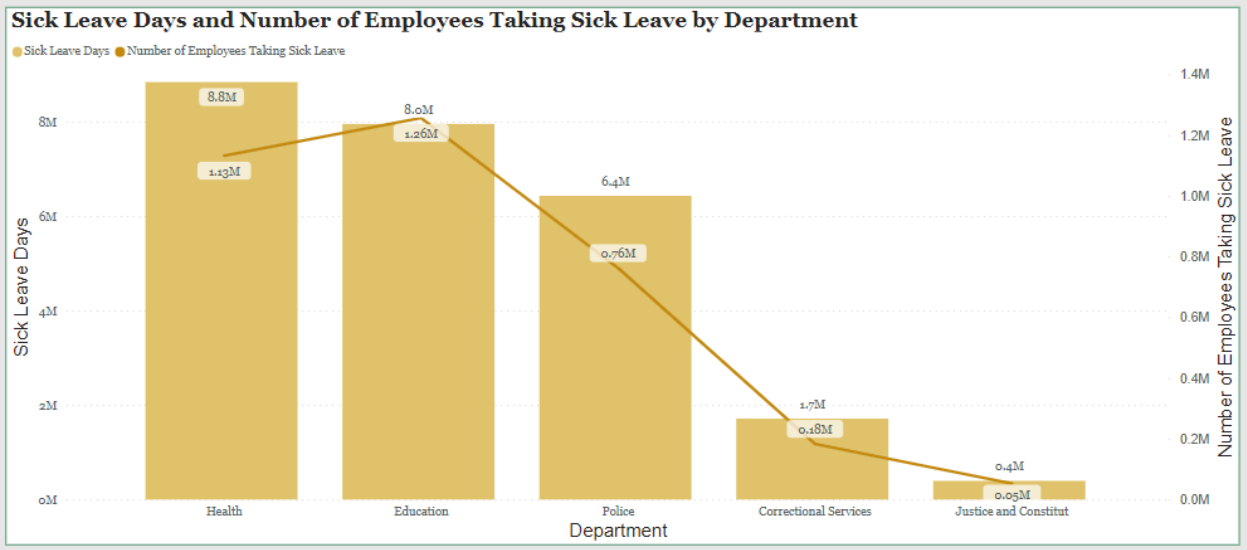
The following graph depicts sick leave, as a bar graph, per salary level compared to the number of employees taking it.

Graph 93: Sum of sick leave days and number of employees taking, by salary level



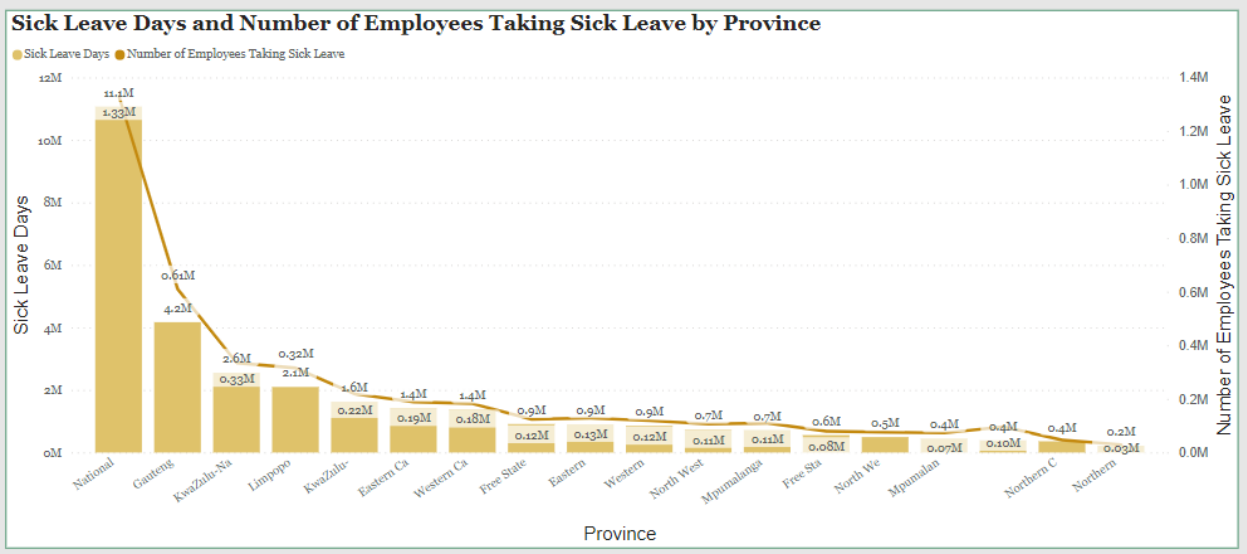
The following graph depicts sick leave, as a bar graph, per department compared to the number of employees taking it.

Graph 94: Sum of sick leave days and number of employees taking, by department



The following graph depicts sick leave, as a bar graph, per province compared to the number of employees taking it.

Graph 95: Sum of sick leave days and number of employees taking, by province



The graphs above follow the headcounts in the different categories. The trend to be noted is the slight reduction in sick leave taken in 2020.

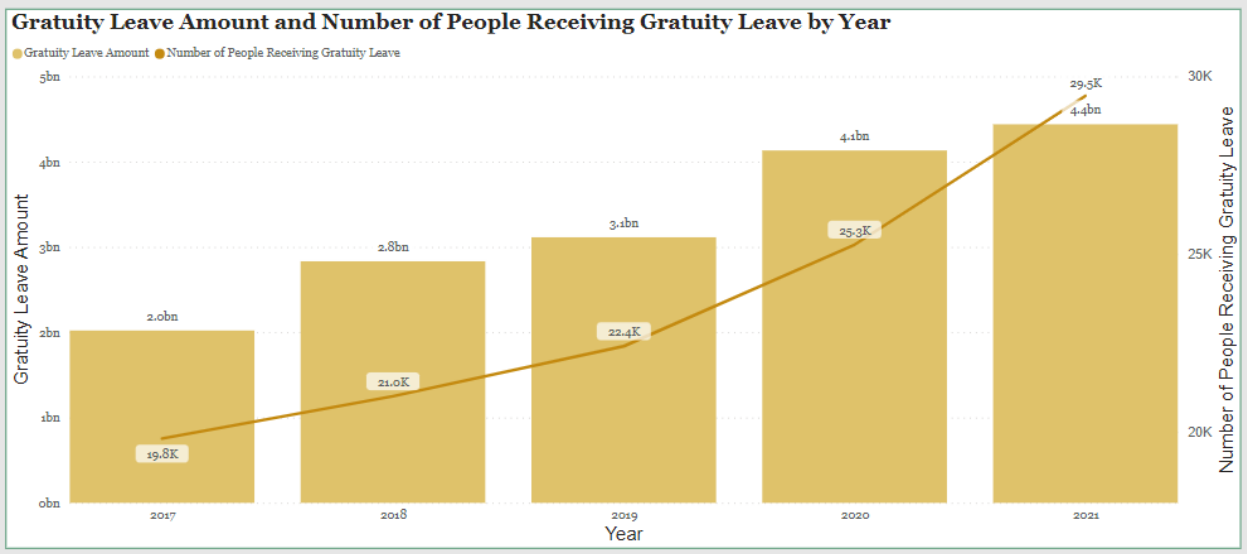
Leave gratuity

Leave gratuities, calculated by multiplying an official's total number of days accrued leave by their annual salary on termination of service and dividing it by 365, are payable to officials whose services terminate for one of the following reasons:

- Retirement
- Discharge
    - On account of continued ill-health (without own default)
    - Owing to the abolition of his/her post as a result of reduction/reorganisation
    - If it will promote efficiency/economy (reasons other than unfitness or incapacity)
    - On account of unfitness for his/her duties or incapacity to carry them out efficiently (not misconduct)
- Death
- Termination of a contract employee's services
- Termination of an official's services due to his/her spouse being transferred and there is no vacant post available in any department at the spouse's new headquarters.

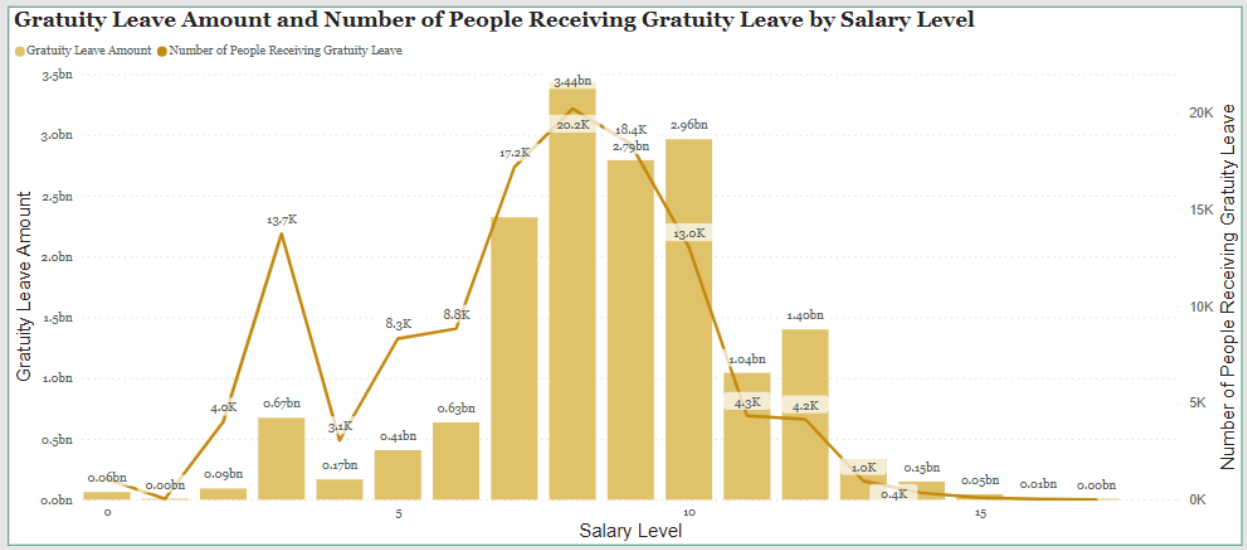
The following graph depicts leave gratuity amount, as a bar graph, over time compared to the number of employees taking it.

Graph 96: Sum of gratuity leave amount and number of people receiving it, over time



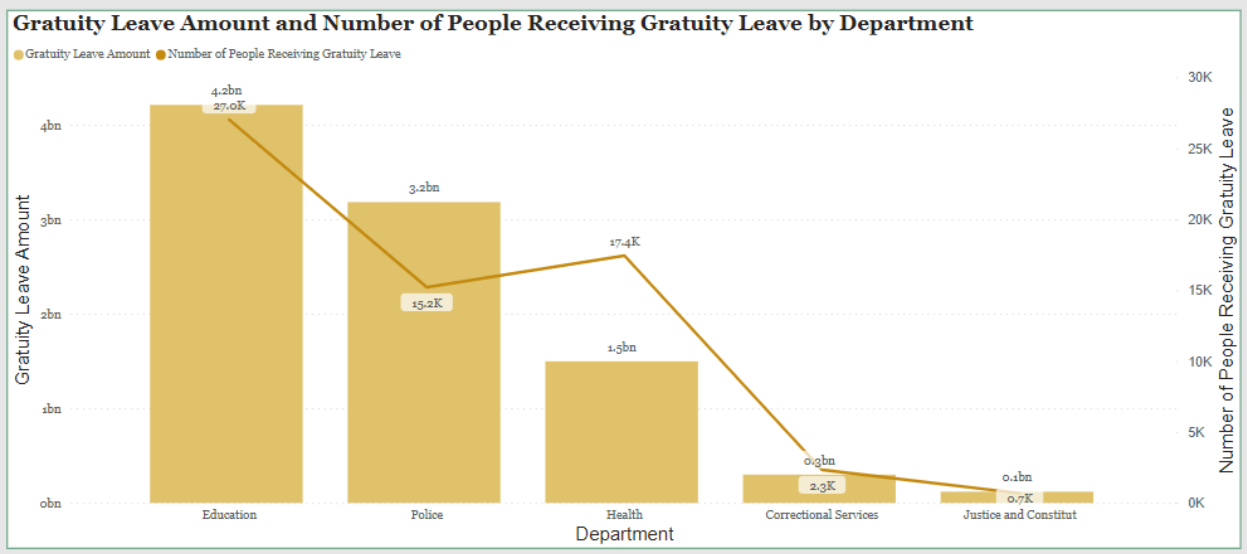
The following graph depicts leave gratuity amount, as a bar graph, over time compared to the number of employees taking it.

Graph 97: Sum of gratuity leave amount and number of people receiving it, by salary level



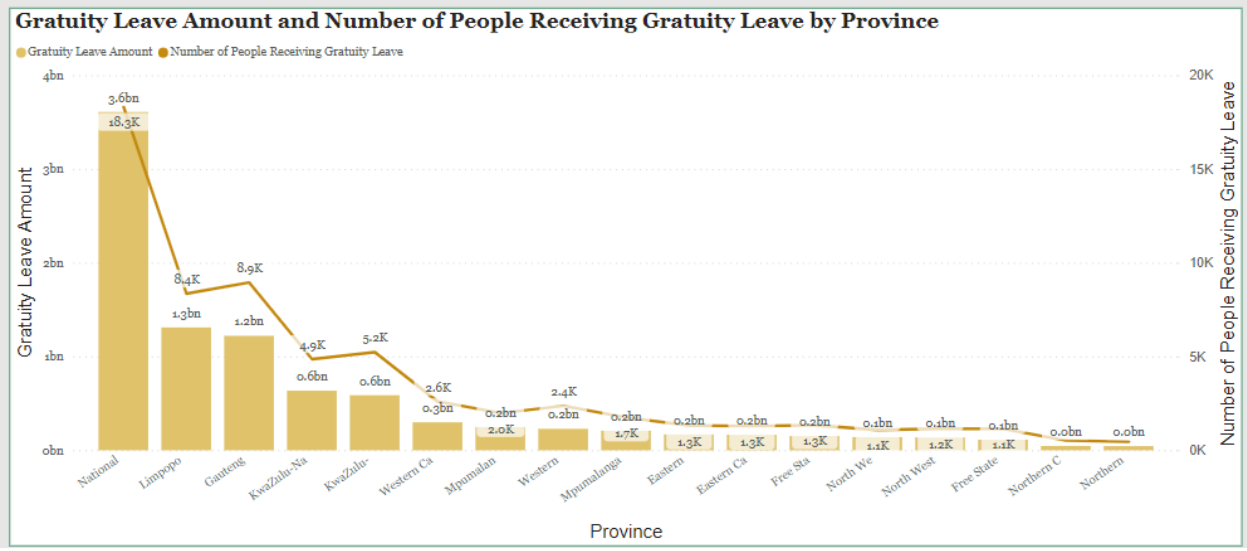
The following graph depicts leave gratuity amount, as a bar graph, per department compared to the number of employees taking it.

Graph 98: Sum of gratuity leave amount and number of people receiving it, by department



The following graph depicts leave gratuity amount, as a bar graph, per province compared to the number of employees taking it.

Graph 99: Sum of gratuity leave amount and number of people receiving it, by province

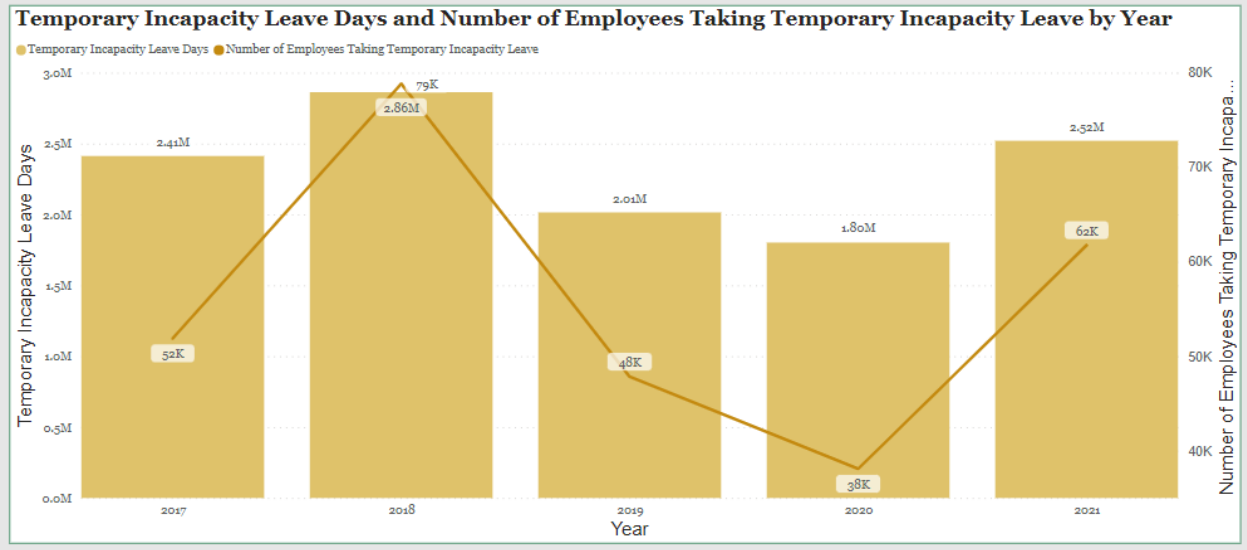


From the graphs above we note a rising trend in leave gratuity over time. It is crucial to monitor both the number of individuals opting for leave pay-outs and the associated costs over time, especially if there are ongoing exits from the organisation.

Temporary incapacity

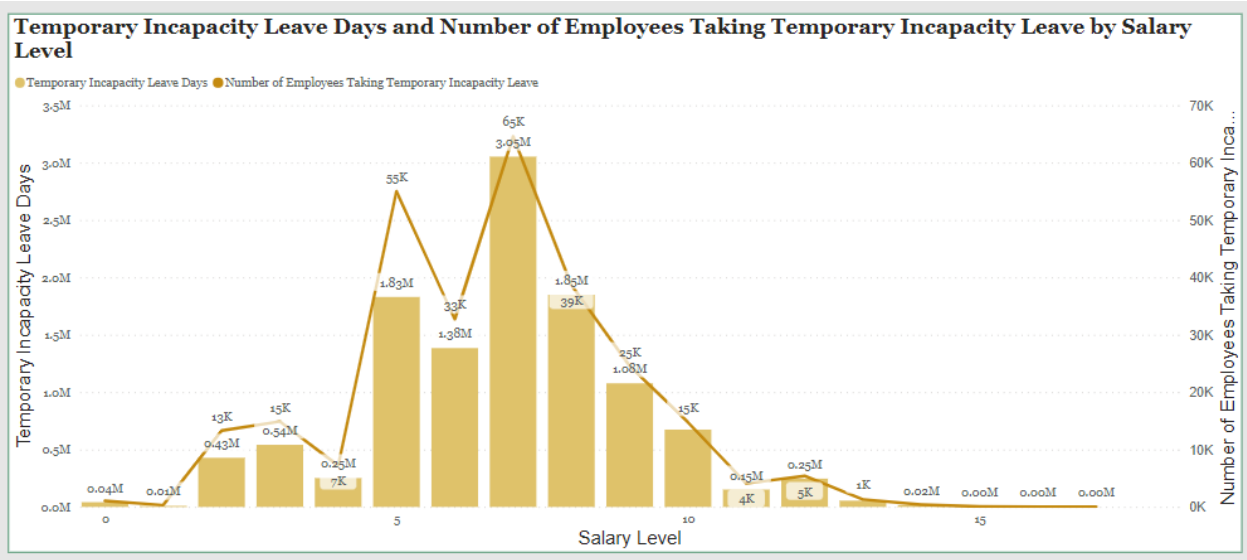
The following graph depicts temporary incapacity leave, as a bar graph, over time compared to the number of employees taking it.

Graph 100: Sum of temporary incapacity leave days and number of employees taking it, over time



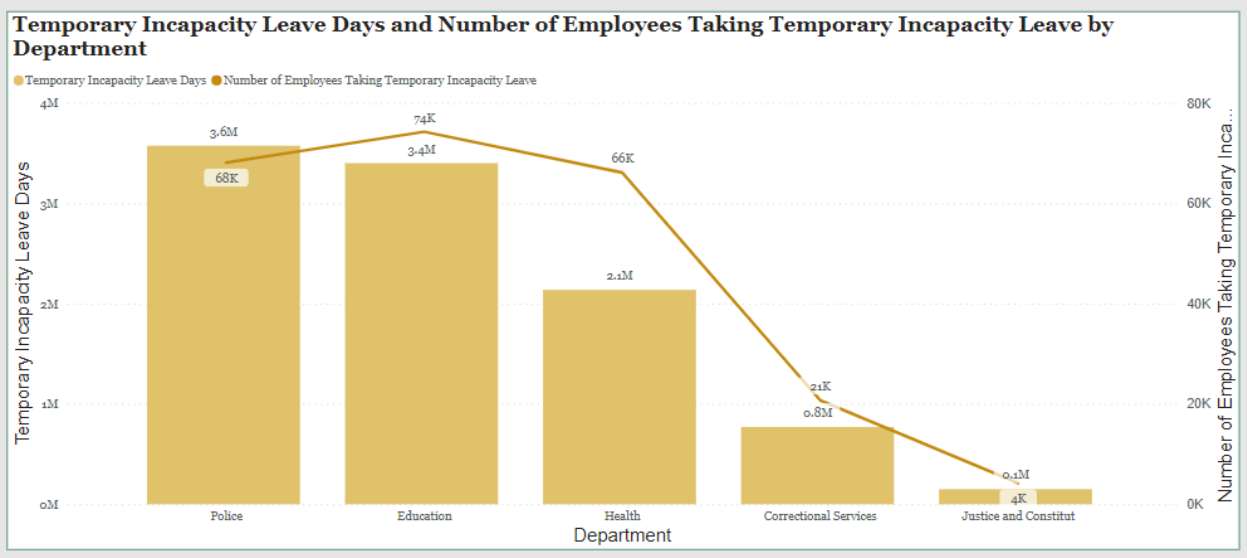
The following graph depicts leave gratuity amount, as a bar graph, over time compared to the number of employees taking it.

Graph 101: Sum of temporary incapacity leave days and number of employees taking it, by salary level



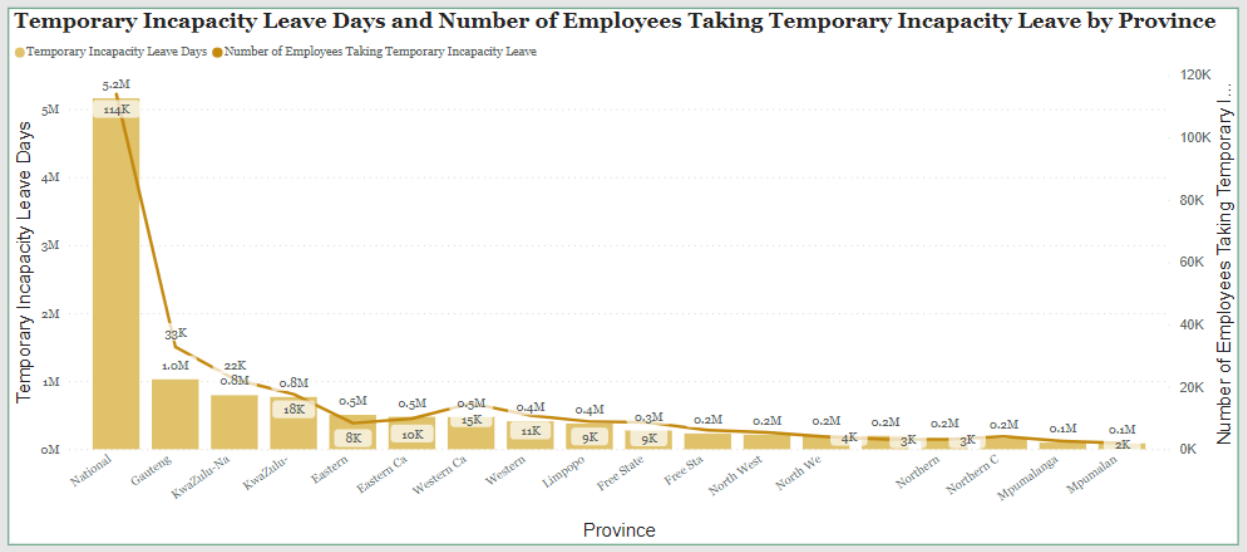
The following graph depicts temporary incapacity leave, as a bar graph, per department compared to the number of employees taking it.

Graph 102: Sum of temporary incapacity leave days and number of employees taking it, by department



The following graph depicts temporary incapacity leave, as a bar graph, per province compared to the number of employees taking it.

Graph 103: Sum of temporary incapacity leave days and number of employees taking it, by province



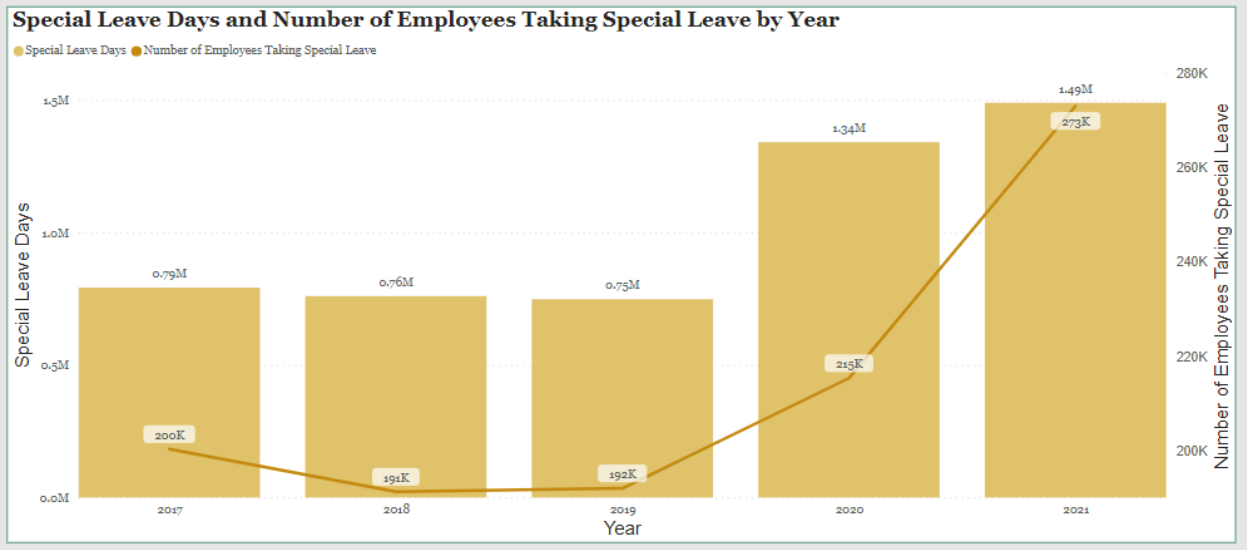
From the graphs above we note an increase over time of incapacity leave.

Special leave

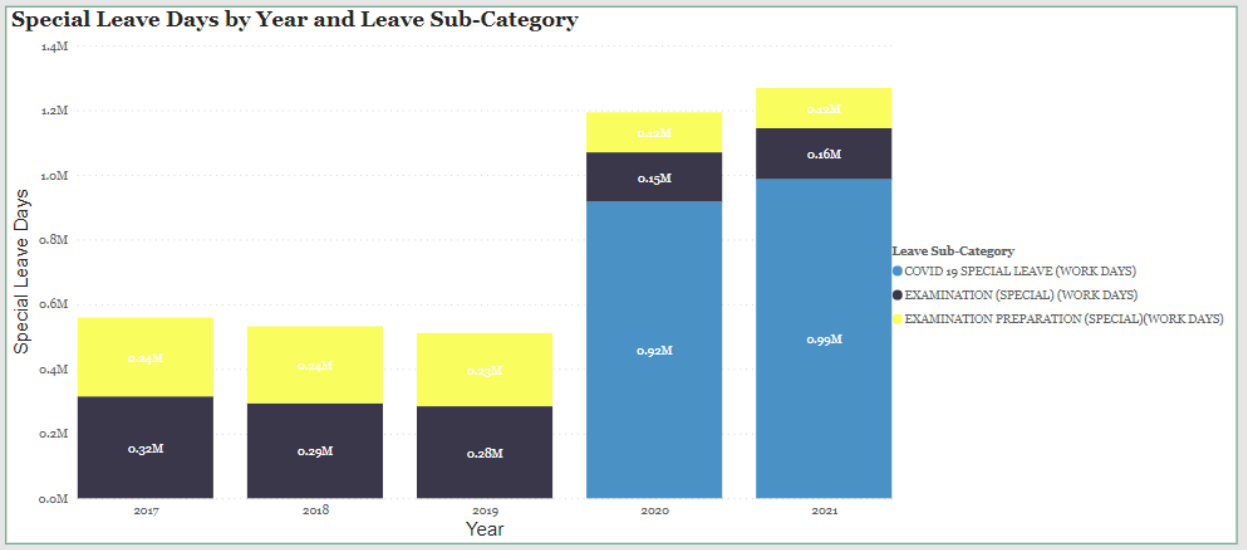
Special leave comprises a number of different categories.

The following graph depicts special leave, as a bar graph, at an overall level over time compared to the number of employees taking it. The second graph splits special leave by its most material components.

Graph 104: Sum of special leave days and number of employees taking it, over time



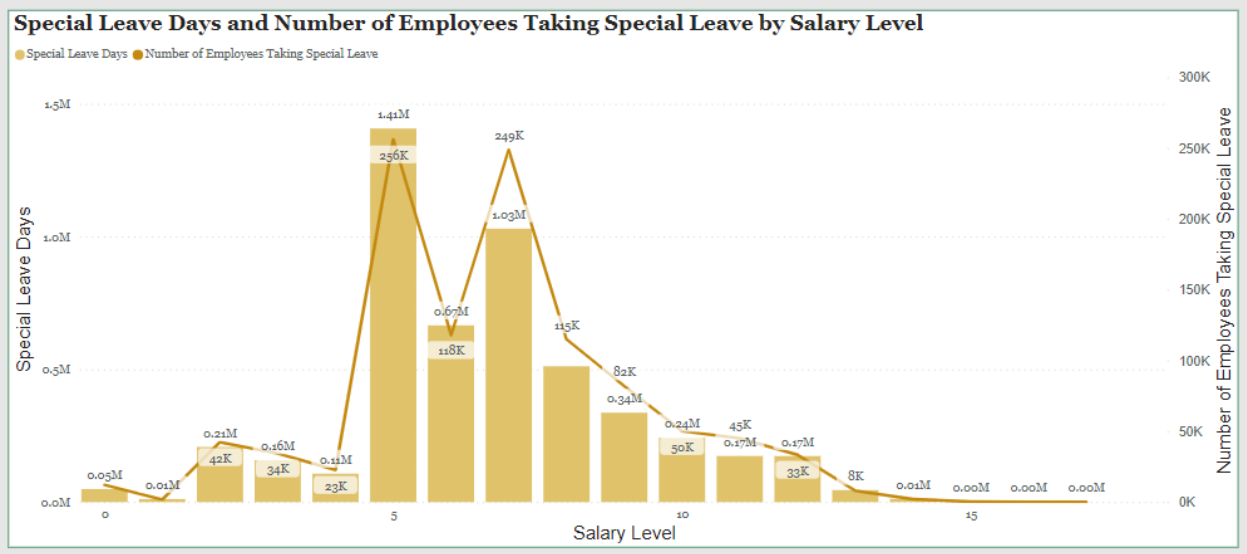
Graph 105: Sum of special leave days split by the most material sub-categories



As noted above, the large increase in special leave is as a result of COVID-19 special leave in 2020 and 2021.

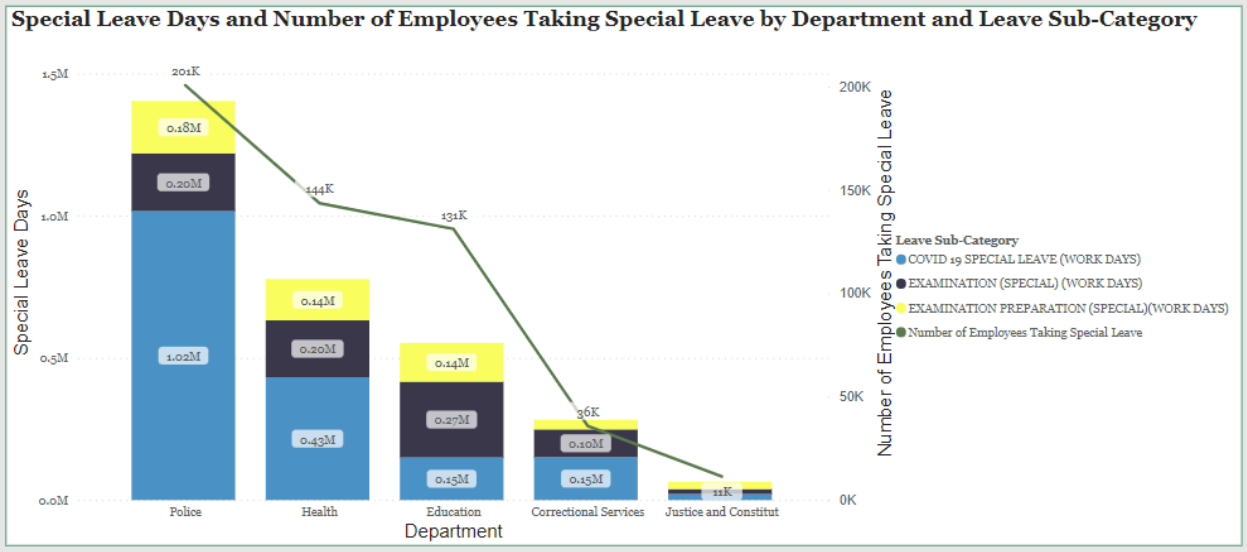
The following graph depicts special leave, as a bar graph, over time compared to the number of employees taking it.

Graph 106: Sum of special leave days and number of employees taking it, by salary level



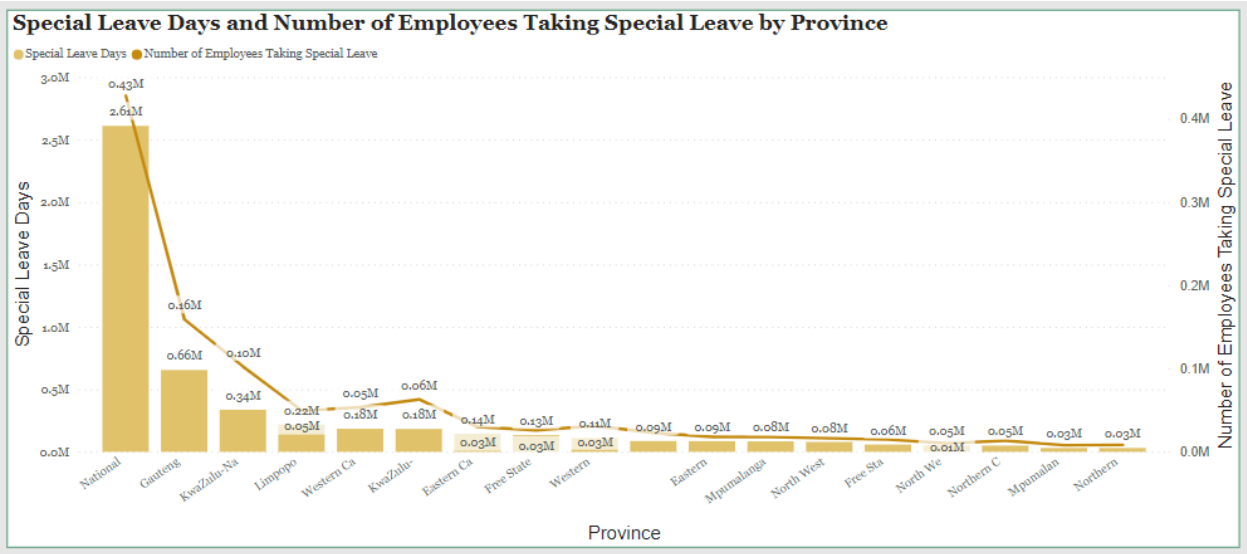
The following graph depicts special leave, as a bar graph, per department compared to the number of employees taking it.

Graph 107: Sum of special leave days and number of employees taking it, by department



The following graph depicts temporary incapacity leave, as a bar graph, per province compared to the number of employees taking it

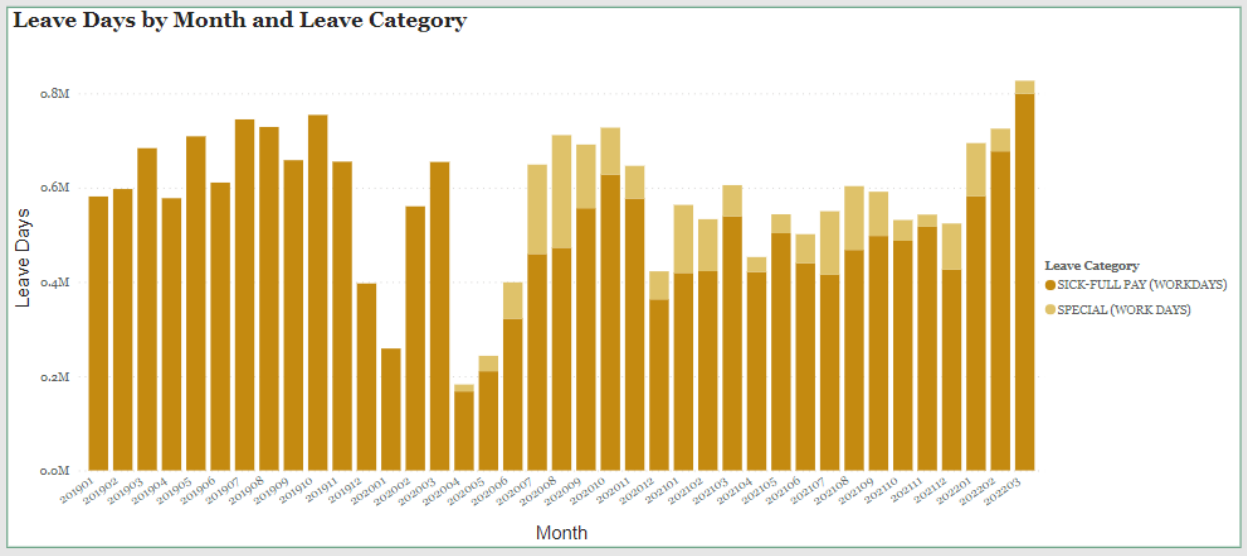
Graph 108: Sum of special leave days and number of employees taking it, by province



The observation to note above is the large increase in COVID-19 special leave in 2020 and 2021, compared to the annual leave reduction in 2020 and the sick leave reduction in 2020 and 2021.

The following graph below shows sick leave and COVID-19 special leave over time, monthly.

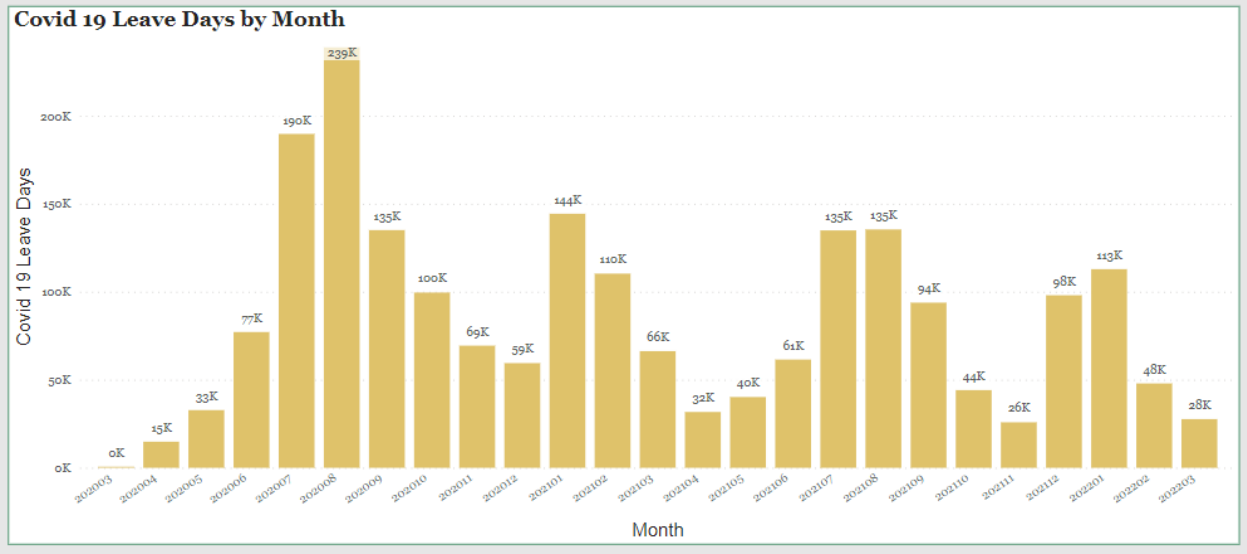
Graph 109: Sum of sick leave and COVID-19 special leave per month, over time



As noted above, sick leave has reduced on average and COVID-19 special leave has risen substantially.

Further to this, the graph below indicates a cyclicality to the COVID-19 leave, on a six-monthly basis:

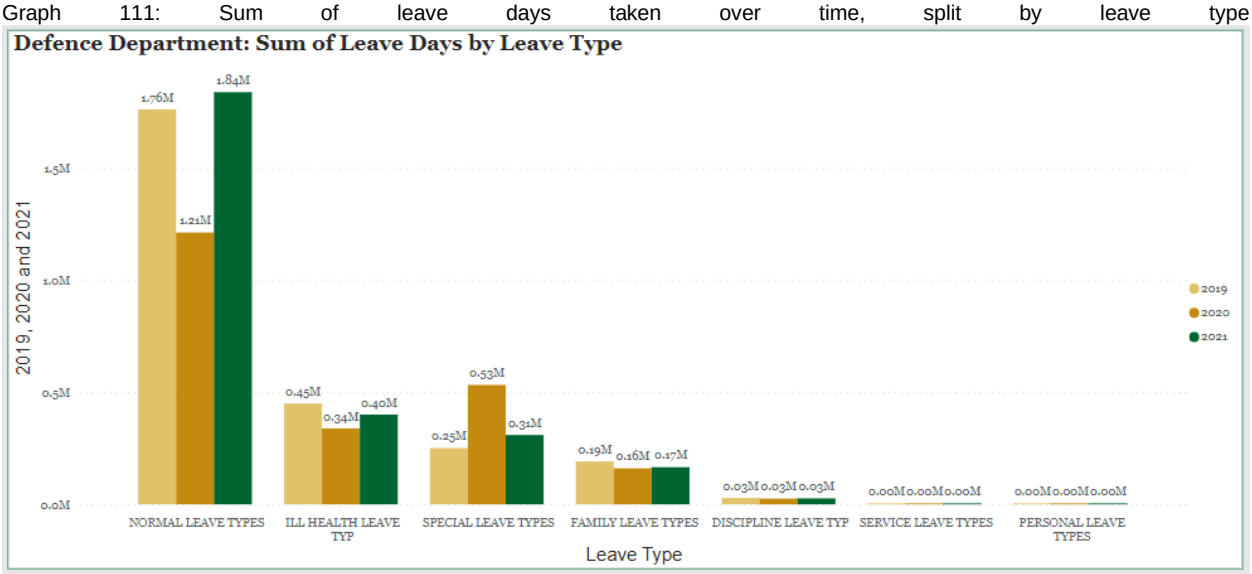
Graph 110: Sum of COVID-19 special leave per month, over time



Department of Defence:

The following graph depicts the number of days of leave taken for different leave types in the Department of Defence over time:

Graph 111: Sum of leave days taken over time, split by leave type



The trend above is stable for some categories, but we see the same trend of increased special leave as a result of the COVID-19 pandemic.

Findings: Local Government

PER 2022 summary findings: Benefits and Allowances: Local Government	
Criteria	**Findings**
The extent and cost are known and monitored	● The extent and cost of benefits and allowances are generally known at a municipal level, except for the authorities which have significant challenges based on the ratings contained in Appendix 2 ● However, given the lack of a centralised repository system for the sector, it is impossible to analyse and understand the cost of benefits and allowances for Local Government as a whole ● This limits quantitative insights which can be generated for the sector, in an effort to curb the Public Sector Wage Bill ● Municipalities operate independently from each other and adopt different payroll and

	HR systems in executing their respective mandates ● Joint initiatives by COGTA and SALGA point to the fact that these challenges have been identified and that concrete plans are devised to address these issues by June 2023. It should be noted that the responses by municipalities have been delayed since 2021. It is noted with concern that the compliance has had a low uptake during this period, which can be ascribed to the lack of answerability, accountability, and consequences ● In some instances, capacity constraints in ensuring compliance are lacking ● Employees are remunerated in the form of a TCE and non-TCE approach, based on operational and managerial levels, which is similar to the Public Service ● There is generally a high proportion of employees remunerated on a non-TCE approach, which would mean more benefits and allowances being administered as add-ons
Reviewed every three years based on applicability and need	● Very little evidence suggests that an applicability review of benefits and allowances takes place in most municipalities ● There are some municipalities which are a centre of excellence, given that they conduct annual reviews of applicable allowances to assess the need and purpose ● Frequent reviews, where executed, have contributed to ensuring that allowances in place are justified. This enables more informed decision-making (i.e. cost saving initiatives) given the enhanced application of monitoring and evaluation mechanisms ● However, this is not the norm as regular reviews are not done across LG, to enable the identification of redundant allowances which can then be addressed in accordance with prevailing circumstances
Challenges relating to current allowances are understood and quantified	● Allowances included in total guaranteed packages do not present any issues in terms of their administration, assessment, and quantification

	● In instances where electronic systems are utilised to track and monitor allowances, it is evident that leakages are identified and mitigated ● Evidence suggests that employees not on the TCE model present an administration strain in terms of allowances, especially given the limited HR personnel capacity that exists ● Given that municipalities have implemented the negotiated remuneration increases, the employment of new personnel has not been prioritised ● In instances where there was greater reliance on manual systems, process inefficiencies in terms of the following were observed: ○ Capturing backlogs ○ Inaccuracies in data and capturing ○ Time delays
Housing subsidy	● The qualifying criteria are as follows: ○ Permanent full-time employees ○ Permanent part-time (5/8th) employees ○ Non-permanent employees on fixed term contract, for more than three months, unless specifically excluded as per their contract of employment ● For employees not remunerated on a TCE approach, the following are applicable: ○ Must have property and housing mortgage bond registered in his/her/spouse's name and excludes subsidies on rental agreements ○ No subsidy is payable on retirement/pension fund housing loans ○ Must reside in property. Council must immediately be notified when employee moves out of the house as subsidy must then be cancelled ○ Maximum amount on which subsidy is based is determined by the South African Local Government Bargaining Council (SALGBC)

	○ Subsidy is reviewed on a quarterly basis based on fluctuations in interest rates ● For employees remunerated on a TCE approach, housing subsidies are included as a part of their total package ● The administration of which was found to be fairly stable and consistent
Acting allowances	● The following employees are eligible: ○ Permanent and non-permanent full-time employees ○ Permanent and non-permanent part-time (5/8th) employees ● For employees on a TCE and non-TCE approach, the following apply: ○ Employees must act for at least 30 consecutive working days ○ Difference between current basic salary and the minimum notch of the acting position, or 10% of employee's salary, whichever is the greater ○ Subject to the respective municipalities' acting allowance policy
Annual leave	● Leave within municipalities is typically provided to employees over and above the provisions of the BCEA ● Five-day employees receive 24 working days, and a minimum of 16 days leave must be taken in each leave cycle ● Six-day employees receive 27 working days and a minimum of 19 days' leave must be taken in a leave cycle ● Leave dispensation for employees working less than five days per week is pro-rated, e.g. an employee on a four-day working week will be based on four fifths of the relevant leave allocation applicable to a five-day working week employee ● A maximum of 48 working days non-compulsory leave may be accrued at any point in time, and leave in excess thereof will be forfeited
Sick leave	● 80 days in a three-year cycle are granted, which is very generous given the BCEA minimum provisions of 36 working days in a three-year cycle, which is typically adopted in other spheres of government

	● Local Government is intentional about this benefit, as it is utilised as a mechanism to attract and retain employees with the required skills to the sector ● New employees may not take more than 30 days sick leave in the first year of employment ● Leave dispensation for employees working less than five days per week will be pro-rated, e.g. an employee on a four-day working week will be based on four fifths of the relevant leave allocation applicable to a five-day working week employee ● A medical certificate from a registered medical practitioner is required if more than two consecutive days are taken as sick leave ● The employer is not required to pay an employee if they are absent on more than two occasions during any eight-week period and on request fails to submit a medical certificate from a registered medical practitioner
Incapacity leave	● Where sick leave has been exhausted, employees can apply for 40 days additional leave for chronic medical cases from the employer. This would have to be applied for and approved by the employer and should be accompanied by the necessary medical endorsement
Study leave	● The following employees qualify: ○ Permanent and non-permanent full-time employee ○ Permanent and non-permanent part-time (5/8th) employee ● Subject to SALGBC-approved education, training and development policy
Family responsibility leave	● A total of five working days is granted to employees who have been in service for four months or longer and is used when: ○ An employee's child is born ○ An employee's child under the age of 18 years is sick ○ The employee's spouse or life partner is sick ○ Death of a close family member
Maternity leave	• Three months paid and one month unpaid leave are granted to employees with 12 months' unbroken service as at the date

	of proceeding on such leave for the birth of her child, stillbirth of her child after the 28th week of pregnancy; or ● Four months unpaid leave will be granted to employees with less than 12 months' unbroken service as at the date of proceeding on such leave with regard to the above events
Adoption leave	● Employees with 12 months of service qualify as per the BCEA ● Two months of paid leave granted in the event of the legal care and/or adoption of a child between the age of three months and two years
Long service leave	● Has the same benefit and qualifying criteria for non-TCE and TCE employees; the breakdown is as follows: ○ Ten years of unbroken service results in employees receiving ten working days ○ 15 years of unbroken service results in employees receiving 20 working days ○ 20 years of unbroken service results in employees receiving 30 working days
Medical benefits	● Compels employee membership, subject to the rules of the applicable scheme ● Qualifying staff include: ○ Permanent full-time employees ○ Permanent part-time (5/8th) employees ○ Non-permanent employees on fixed term contract of more than three months, unless specifically excluded as per their contract of employment ● For employees not remunerated on a TCE approach, the following is applicable: ○ Employer contributes 60% and employee 40% of scheme membership fees ○ Employer contribution is capped by the SALGBC and is adjusted annually ○ No post-retirement medical subsidy is applicable to employees appointed on or after 15 December 2000

	○ Only spouse and financially dependent children as per the council's policy are subsidised ○ The council must immediately be notified when employee's marital status changes, e.g. as a result of a divorce ● For employees remunerated on a TCE approach, the following is applicable: ○ Employees fund both employer and employee contributions ○ No post-retirement medical subsidy is applicable to employees appointed on or after 15 December 2000 ● Qualitative engagements with the various Local Government stakeholders did not indicate any material challenges. This is in terms of the quantum and management of medical scheme contributions, however administrative benefits of a TCE approach were highlighted ● Base on the 60/40 principle set out in the Main Collective Agreement, a 0% increase was determined for the 2021/2023 financial year, with the maximum medical aid employer contribution rate to accredited medical schemes remaining as R4,773.12 ● The medical aid contribution for the 2022/2023 and 2023/2024 financial years is scheduled to follow the percentage changes to salaries and wages
Retirement fund benefits	● Eligible employees do not have the option of opting out and are subjected to the rules of the applicable fund ● 'Qualifying staff' follows criteria detailed for medical aid contributions above ● The retirement age for all employees is set at 65 years ● Staff on basic salary plus benefit remuneration structure, which typically range from (task) T1 to T13, have a pension contribution made by the council on their behalf ● Employees on a TCE remuneration structure have to fund both employer and employee contributions from their total remuneration package ● Qualitative engagements with the various Local Government stakeholders did not

	indicate any material challenges regarding the quantum and management of retirement fund contributions, however administrative benefits of a TCE approach were highlighted ● Through a negotiated process with labour, changes to employer contributions have been based on adjusted employee salaries per annum
Annual bonus	● The following is applicable for non-TCE employees: ○ Officials with 12 months of service as at 30 November each year receive a full bonus equal to one month's basic salary ○ Permanent employees with less than 12 months of service as at 30 November each year receive a pro-rata bonus ○ Non-permanent employees must be at least three months in service as at 30 November (appointed on or before 1 September) to qualify for a pro-rata bonus ○ An employee must be in service on 30 November to qualify for a bonus ○ No pro-rata bonus is paid on resignation ● For TCE remunerated employees, their bonus is included in their packages
Annual notch increment	● This is applicable to the following employees: ○ Permanent full-time employee ○ Permanent part-time (5/8th) employee ○ Non-permanent employee ● Employees not on a TCE approach must be in service in the same position for at least six months to qualify for a notch increase the following January ● Employees on a TCE, typically (TASK) T14 to T22 in municipalities, do not qualify as per SALGBC remuneration policy. A performance increment may be paid as at 1 July each year to eligible TCE employees
Standby allowance	● This is granted to operational employees using the following formula:

	○ Daily tariff = annual salary / 260 / 8, paid as follows: ■ Weekdays = daily tariff x number of days on standby ■ Saturday = daily tariff x 1.5 ■ Sunday = daily tariff x 2.0
Shift work allowances	● Designated shift workers are eligible, limited to 10% of an employee's basic salary ● Where shift work allowance is paid, an employee no longer qualifies for night work allowance
Night work allowance	● Designated night workers are eligible, limited to 13% of an employee's basic salary, for actual hours worked ● Payable for hours between 6pm and 6am ● Where night work allowance is paid, an employee no longer qualifies for the shift work allowance
Severance pay	● Employees who are dismissed for operational reasons are eligible for the allowance ● Qualifying employees receive three weeks' remuneration for each completed year of service, capped to the equivalent of nine months' pay
Overtime	● The key reasons that resulted in overtime were the following: ○ Services being provided 24/7 ○ Staff shortages ○ Increase in client base and informal sectors in need of service ○ Ageing infrastructure ○ Emergency work ○ Work required over weekends ○ General crime such as illegal connections, theft of infrastructure and illegal dumping

- Human error in manual workarounds poses a challenge when there are no integrated electronic systems for smart HR processes like leave management. This has adverse implications on:
  - Effective monitoring and evaluation
  - Accuracy of data to ascertain trends
  - Generation of trusted insights to inform decision-making
- There are benefits and allowances which are currently being managed well, in terms of their required administration and applicable quantum. This is as a result of controls,

approval processes, qualifying criteria, and overall employee entitlement. These benefits and allowances include:
    - Medical aid contributions
    - Retirement benefits
    - Housing
    - Acting allowances
    - Standby allowances
- Benefits and allowances comprise around 37% to 40% of compensation in LG
- A key challenge is the difficulty of removing benefits and allowances which no longer serve their purpose. Once these are awarded to employees, they are considered as a permanent component of their employee remuneration package
- Some municipalities address this challenge by implementing an upfront management and review process for general market allowances. These allowances, which amount to approximately R5000, are provided to attract and retain scarce and critical occupations
- The market allowance is reviewed annually and can be removed with a three-month notice to employees. This provision is communicated and formally agreed with employees before the allowance can be paid, to prevent grievances being lodged in the case that the allowance is no longer payable.

Findings: SoEs

PER 2022 summary findings: Benefits and allowances: SoEs	
Criteria	**Findings**
The extent and cost are known and monitored	● SoEs operate independently of each other and make use of their individual acquired payroll and HR systems, such as ESS SAGE and SAP, which enable the calculation, management and monitoring of benefits and allowances ● Generally, SoEs have less prevalent issues with the administration of benefits and allowances. SoEs were observed to be demonstrating best practices, given the prevailing use of the TCE approach Those who do not adopt TCE are in the process of doing so. This approach has the following impact: ○ Preventing leakages and unnecessary administrative interfaces ○ Enabling enhanced and optimal monitoring due to reduced complexity ○ Allowing for wage negotiations on total remuneration received by employees and not only the cash component

Reviewed every three years based on applicability and need	● Evidence suggests that the applicable benefits and allowances within SoEs is regularly reviewed in terms of their purpose and need ● SoEs regularly update the qualifying criteria of allowances to ensure the needs and purposes are aligned ● Regular benchmarking (PE Corporate, 21st Century and RemChannel) of allowances in terms of prevailing market conditions takes place ● SoEs identify and modify allowances as the need arises
Housing allowances	● Generally included as a part of the total remuneration package of employees ● This alleviates the administration strain that would otherwise be required to manage the allowance ● Where the allowance is granted, the quantum varies between SoEs from around R1,200 to the extreme of R5,000 a month
Acting allowances	● The formula for the payment generally consists of similarities and nuances in the respective SoEs ● Fairly stable in monitoring and implementation
Annual leave	● The quantum of leave within SoEs had varying ranges, typically in excess of what is provided for in terms of the BCEA. This is often viewed as a form of a non-monetary benefit, used by the entities to attract and retain skilled personnel in the sector ● SoEs generally use electronic leave management systems, which enables enhanced control mechanisms and ease of use by all stakeholders ● This includes reporting, managerial control and monitoring functions ● SoEs have optimised their approval process and have auditable leave process trails ● Evidence suggests that there is accurate data which could allow for data-driven decisions to be taken ● Annual leave ranged from 21 to 36 working days per year, impacted by years of service and the policies governing various entities

Sick leave	● Sick leave ranged from 36 to 45 working days in a three-year cycle ● Given the electronic management systems which are in place in most entities, the sick leave processes are controlled ● A challenge that was highlighted was employees using sick leave as an entitlement
Special sick leave	● Where applicable, SoEs have different provisions covering special sick leave ● Certain SoEs have implemented a policy referred to as 'Special leave 65%', which entails the following: ○ 65% is leave used if the employee's disability claim has not been finalised after the additional 90 days of special SL: full pay. Payment to the employee will be reduced to 65% of the employee's pensionable salary for employees who are members of the employer retirement fund
Study leave	● Employees generally granted a day preceding an examination and another for the examination day ● This appears to be stable within SoEs
Maternity leave	● Generally, employees are entitled to –four to five months maternity leave, which is fully paid, provided that the employee has completed 12 months service with the employer ● Employees who have not completed 12 months pensionable service shall be prorated to the length of service
Family responsibility/Contingency leave	● Employee entitlements range from –five to fourteen working days in the event of a death of a relative, birth or illness of a child or spouse
Adoption leave	● 90 days at full pay and 30 days at 30% as regulated by the BCEA
Medical benefits	● Compulsory for all employees, except in the case of a married person already covered by their spouse's medical aid ● Employees typically have a number of benefit schemes which can be selected by employees based on individual choice ● Employer subsidies generally vary from 50% - 100%, which is an attractive benefit to employees, and which is a huge cost to

	employers where the TCE is not adopted as a practice ● SoEs have generally introduced caps on medical aid contributions and the number of dependents that are covered. In instances where this practice has not applied, extreme cases of amounts as high R21,000 have been observed
Retirement fund benefits	● SoEs generally make use of employer retirement funds managed by external providers ● Employer contributions generally range from around 6.5% - 16.32% ● Employee contributions often commence at 7%
Bonuses	● Have been discontinued in a number of SoEs due to affordability concerns ● Where bonuses are still being paid, SoEs generally include both individual and organisational performance as a determinant for awards being made ● Bonuses are generally paid post Auditor General South Africa outcomes ● In some instances where employees were rated as poor performers, bonuses were still awarded based on the achievement of organisational targets. This is contrary to best practice
Motor vehicle and car allowance	● Fairly stable given that employees on a TCE approach and have the option to structure their packages accordingly
Overtime	● Challenges highlighted in both the Public Service and Local Government exist within the SoE sphere. However, this is less prevalent but remains a huge cost ● Generally, where overtime is needed, a manager would have to make a business case to substantiate the need for overtime ● SoEs generally grant overtime time in lieu of leave instead of monetary payments ● Given the reliance on electronic systems, overtime is typically used by IT personnel over the weekend in order to execute software update activities

SoEs embrace the use and integration of technology and appropriate enterprise resource planning (ERP) systems, amongst others, to optimise and streamline their operational environment to bring about efficiencies. The effectiveness of bringing people and technology

together ensures that the operational environment provides ease of access to systems for employees, both in office and remote work applications.

It is observed that employees could:

- Submit leave applications electronically and receive the necessary approvals from supervisors, with applicable software which allows for these processes to take place using mobile applications
- Completion of performance management processes electronically, allowing for less cumbersome and timely submissions, which promote a transparent environment given the audit capabilities enhanced by technology. This is an important aspect given that it informs the payment of performance bonuses.

Technology integration in the workplace is a general practice that is aligned to best practices in enhancing efficiency and effectiveness. The use of appropriate systems can help with the following:

- Alleviate capacity constraints
- Generate savings in the long term due to improved process efficiencies
- Create an attractive working environment for the workforce of the future.

iii. Recommendations: Public Service, Local Government and SoEs

- Improving processes, applicability, monitoring, and reconciliation of allowances and benefits is crucial to prevent leakages. This can be achieved by moving away from manual, paper-based systems to electronic systems, and will lead to:
    - Improved transparency as a result of audit trails
    - Enhanced data efficiency and integrity, which can be used to make informed decisions and strategic direction
    - Quicker processing time which would reduce the administrative processes
- The acquisition and implementation of such advanced ERP systems carries a high initial cost. This impacts and drives the following cost factors:
    - The number of personnel
    - The software modules
    - Implementation timeframes
    - License cost and duration
    - Data hosting
    - Cyber security
    - Historical data transfer and system integration requirements
    - Hardware and other diverse infrastructure costs

- The long-term benefits by far outweigh the initial investment costs which, if implemented and integrated correctly (PS, LG and SoEs) can achieve the following benefits:
    - Continuity and interfaces between all spheres of government
    - Enhancement of collaboration, coordination, and synergy
    - Integrated reporting
    - Measurement in terms of the respective mandates and objectives
    - Overcoming duplication of roles and activities
    - Significant cost savings in terms of bulk usage and licensing fees, where applicable
- A move to a TCE remuneration structure is recommended based on the following advantages, and which will hold for the Public Service going forward:
    - Process efficiencies
    - Reduced administration of benefits and allowances going forward, if these were not administered for new joiners in the PS going forward and included, in cost value, to existing employees' TCE packages
    - Enhanced monitoring and evaluation
    - Reallocating employees operating in these functions to other areas where capacity is required to enhance achieving the mandate through optimal service delivery
    - Simplicity in managing the Wage Bill and the clear line of sight of all employee-related expenditure
    - The adoption of a TCE remuneration structure would align the Public Service to national and global best practices
- It should be understood that no employee should be financially disadvantaged during such a conversion
- A move to TCE will make benchmarking of PS remuneration easier in relation to specific industries, occupations, and specialisations
- The TCE overall remuneration represented by the quantitative analysis above provides a view of what the potential structure and TCE proportions could look like going forward
- TCE will also provide consistency in application of all remuneration across National and Provincial Departments
- Consideration and planning should commence to deal with the implications of current practices relating to medical aid and the adoption of the National Health Insurance (NHI) with specific reference to:
    - Employee/employer contributions in line with the principles of the NHI
    - Considering the potential cost savings associated with such an initiative
    - Using the Public Service as an initial pilot in implementing the NHI
- Consideration should be given to moving away from a defined pension plan and benefit system within the following guidelines:
    - Existing employees to remain on the defined benefit system
    - New employees from the date of implementation should be moved to a new contribution system to achieve the following benefits:
        - Significant savings in employer contributions based on a TCE model
        - Reduction in the management and administration by the employer
        - Savings incurred by the Public Service can be deployed to enhance service delivery or simply to reduce personnel expenditure

- It is recommended that a total review of allowances be conducted with specific reference to:
    - Their intended purpose, objective, and continued applicability in the PS
    - Considering possible alternatives which are less costly and easier to apply
    - Uniformity of application and market comparators as discussed in the context and overview
- Considerations for the review of allowances need to be contextualised and motivated from a perspective of future sustainability with the respective bargaining councils and renegotiated accordingly as part of the wage negotiation processes and outcomes that need to be achieved
- It is recommended that overtime be reduced significantly in all areas, in line with unique service delivery needs in Departments/entities specific operational realities, and that the savings incurred be used to fill critical vacant positions which exist in these areas. This will enhance optimal efficiencies which are measurable in terms of the outputs required, using the PMDS for its intended purpose
- The inability of the current application of the PMDS needs to be transformed to measure the following:
    - Execution of functions in accordance with departmental objectives and concrete delivery outcomes
    - The requirements and specific outputs, including justifying the need, for paid overtime
    - Determination of the benefit of paying overtime as opposed to making substantive appointments to fulfil the departmental objectives
    - Motivation to use overtime payments instead of new appointments need to be accompanied by motivation for the choice made for the use of overtime
- Implementation of clear lines of accountability and answerability for decisions made
- Monitoring and evaluation of the quality and quantum of the outcomes achieved
- Overtime in larger departments such as the DoH and SAPS should be restricted to a recommended maximum of 15% of monthly salary to:
    - Enhance work-life balance and overcome fatigue at the expense of personal wellbeing and enhancement of outcomes
    - Bolster the existing workforce with new recruits and skills
    - Address the challenges relating to unemployment and the creation of opportunities for the youth, many of which have relevant qualifications that can be utilised to fill existing gaps in the PS workforce
    - Give preference to granting time off in lieu of overtime worked instead of monetary payment
- The qualitative and quantitative analysis reveal that the increases in overtime towards the last quarter of the year are to make provision for December leave periods. This practice must be closely monitored, managed, and reported on
- It is recommended that housing allowances be incorporated into the TCE for all existing employees and that all new employees be engaged by the Public Sector as a TCE without a separate allowance

- Discontinue the use of the 37% service benefit allowance for all new PS contract workers going forward as this does not manifest itself in any of the best practices reviewed for the purposes of this study. Based on quantitative data analysed for 2021 as an example, the saving that can be incurred amounts to R3.22bn
- A need exists to align travel for the purposes of conducting State business with an assessment of the concrete outcomes and objectives achieved, which indicates the need for greater answerability and accountability by approving managers
- It is recommended that all areas classified as rural and for which the allowance is applicable be reviewed, in conjunction with:
    - The DPSA
    - The National Treasury
    - Statistics South Africa
    - The DoH and other relevant departments
- The following criteria are recommended:
    - Accessibility
    - Urbanisation
    - Ease of doing business and proximity to closest economic hub
    - Quality of life and employee value proposition (EVP)
    - Cost of living indicators
- It is strongly recommended that an electronic system be developed and implemented in the PS (LG and SoEs are largely deploying such a system). It is further recommended that the following key criteria be considered in developing such a system:
    - Electronic and web-enabled
    - Should be used for:
        - Applications for all types of leave
        - Capturing for all types of leave
        - Directing automatic approvals
        - Weekly and monthly reporting
        - Continuous monitoring and reconciliation of all types of employee leave categories by supervisors, managers, and HR
        - Providing on-demand leave balances to employees
        - Interfacing with the PERSAL, PERSOL or any integrated financial and human resource management system that may be adopted in the PS
    - It is recommended that a system which complies with the minimum requirements, as specified above, should be developed, piloted, and implemented over a period of two years
    - The cost of such an initiative will depend on the interfaces which need to be established, but it is recommended that existing electronic systems within the PS be considered to reduce the cost implications
- It is further recommended that the future state of a leave management system should:
    - Allow for approvals prior to taking leave, time thresholds and discipline which need to be adhered to, with the resulting consequences
    - Provide continuous monitoring and oversight in ensuring answerability, accountability, governance, and risk determination

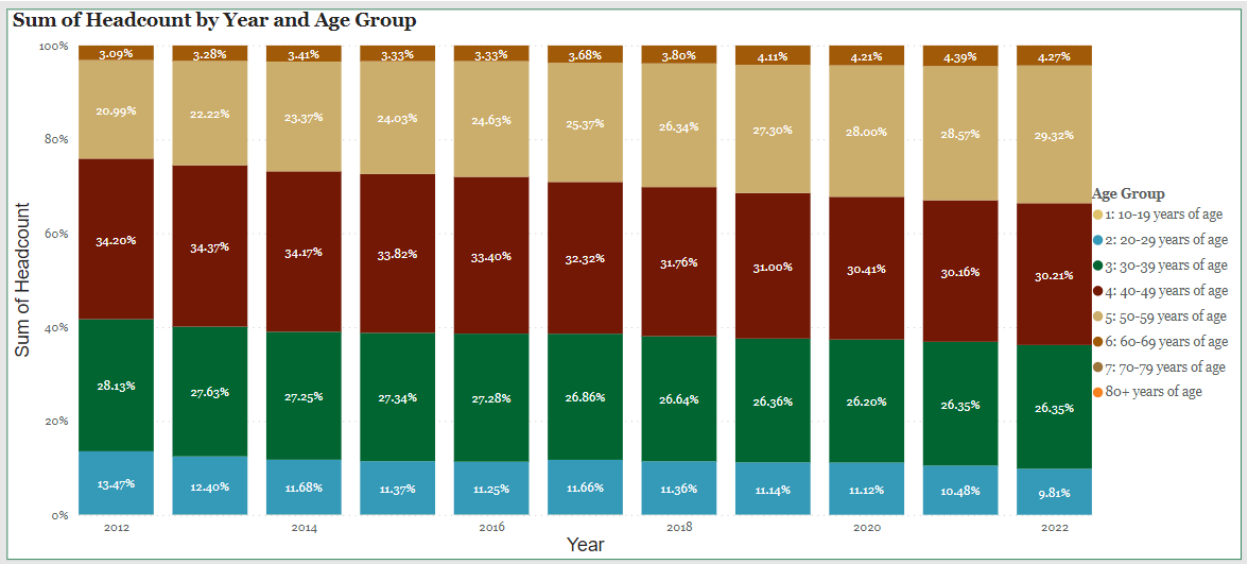
    - Be able to quantify the cost of all leave categories and the liability to the State, in terms of current and future leave payments
- The conceptualisation of leave entitlements, within the context of the PS value proposition as part of its attraction and retention strategy, which is evidenced in some of the LG and SoEs that were consulted
- There is a need to manage all leave categories and to continuously review the use of a combination of the various categories of leave to prevent misuse and extended periods of absence that can create capacity limitations.

Early retirement implementation

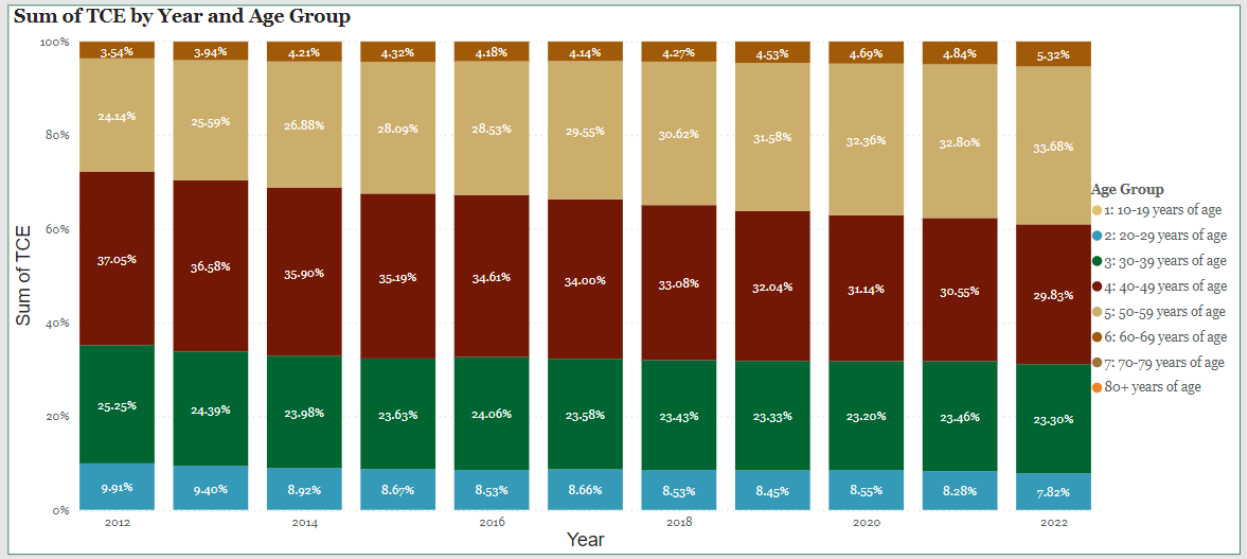
A theme existing in the public service for over the last number of years is the progressive ageing of the workforce. Considering the level of youth unemployment in the country, this may become a concern.

The following two graphs depict the distribution of headcount and TCE in different age groups, over time, respectively.

Graph 112: Proportion of headcount in different age groups over time



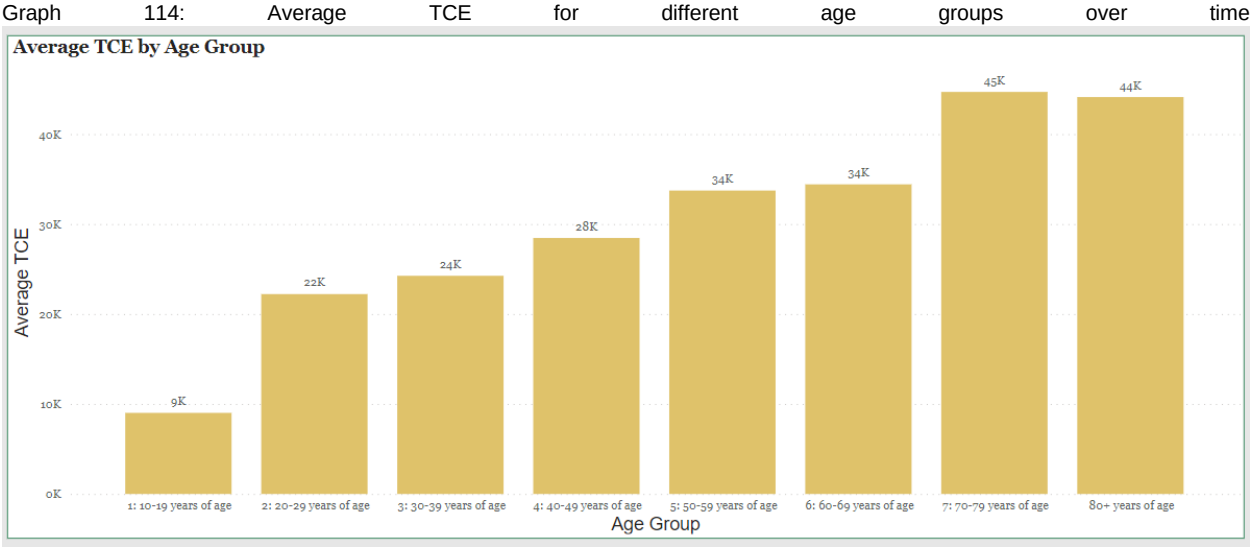
Graph 113: Proportion of TCE in different age groups over time



The graphs show increasing proportions at higher age groups, supporting the notion of an ageing workforce.

The following graph below shows the average TCE by age group. As would be expected, average TCE increases with experience and age.

Graph 114: Average TCE for different age groups over time



As a result of this, an ageing workforce may place greater pressure on the overall Wage Bill.

A possible intervention for this may be to introduce offers of early retirement for individuals from age 55. Offering early retirement packages to employees over 55, the Government would need to fund the penalties. The benefits and penalties can be estimated using the Government Employee Pension Fund (GEPF) formulas as follows:

The once-off gratuity and the amount of the annual annuity income are calculated according to the following formulas:

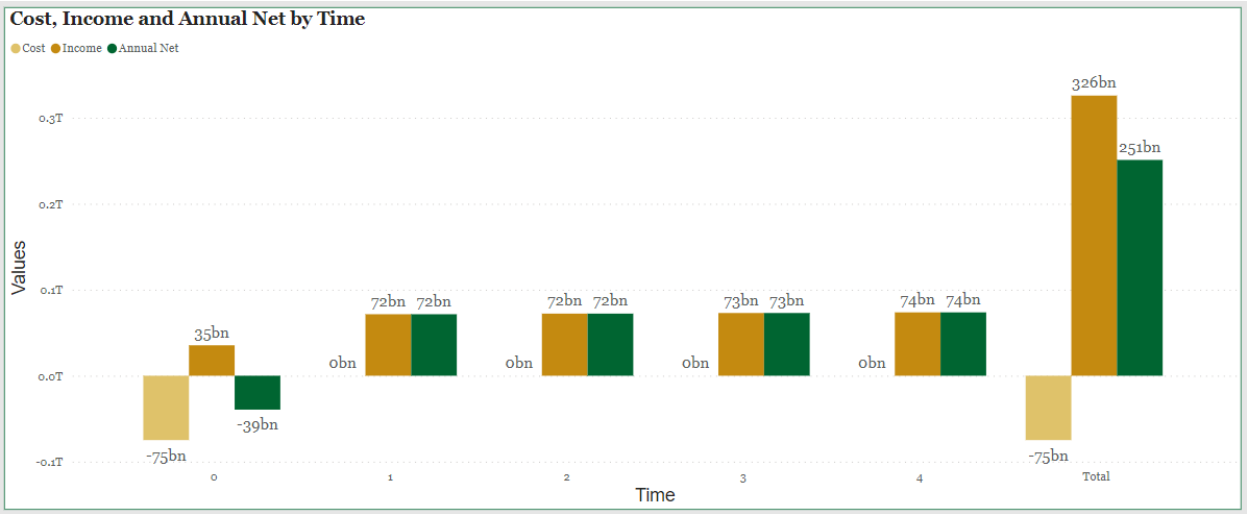
- Gratuity = 6.72% x final annual salary x years of pensionable service
- Annual annuity = (1/55 x final annual salary x years of pensionable service) + R360

The amount of reduction payable to the GEPF is one third of a percent for each month between the employee's retirement date and their 60th birthday. For example, if an employee elects to retire at 55 with a reduction in benefits this would amount to 0.33% x 60 months = 19,9% reduction, averaging 4% per annum.

Using this formula, the estimated penalty for employees between 55 and 59 would be approximately R74bn. This estimation assumed average annuity in payment time of 12 years after retirement and an annual inflation rate of 6%.

The net cost and saving over the next five years is illustrated below:

Graph 115: Cost and saving of early retirement implementation over time and NPV of savings



The annual net saving would amount to approximately R251bn compared to a first-year net cost of R39bn. This assumes the take-up of early retirement in the first year will be gradual and half of annual TCE between age 55 and 59.

The actual savings would depend on assumptions, particularly take-up rate, and any other costs associated with implementation.

34. Learning and development

i. Context and overview

As one of the major employers in the country, the Public Service has over 1.3m employees representing about 9.5% of total employment in South Africa. As a sector with significant economic impact, the Public Service must compete for the nation's skills for it to remain viable. This constitutes a major challenge for public organisations as they seek to maintain an adequate skills base, especially in occupations and areas where skills are scarce.

The success of the Public Service depends on its capabilities to maintain a sound administration, deliver services to communities, and design and implement development programmes. These capabilities, in turn, depend on the skills, performance, integrity, and motivation of the Public Service personnel. These include:

- Recruitment
- Career management
- Performance management
- Continuous professional development.

In evaluating the effectiveness of HR practices, it is essential to first consider the purpose of the practice followed by compliance with all personnel administration prescripts and labour agreement.

The identification of credible capability is required to identify the demand for priority skills and to formulate effective strategies to ensure supply (including the development of talent within timeframes) that mitigates the negative impact of any growth shortages. Furthermore, it is vital to ensure that there is optimal responsiveness of education and training programmes to the development agenda of the State as well as the demand for skills in the market.

Key to supporting the Public Sector to plan, drive, monitor and measure the roll-out of skills development programmes in the Public Sector is the Sector Education and Training Authorities (SETAs). Through the drafting of annual skills plans, the State is well placed to drive its own training needs through the SETAs' skills planning processes.

In addition to the SETAs, the State is also supported by the Human Sciences Research Council (HSRC) to collect and analyse HRD data on an ongoing basis. This data is expected to provide insights about strengths and weaknesses in the HRD system and guide the relevant agencies or systems in addressing these. Other bodies that have a role to play include the Council on Higher Education, the National Board for Further Education and Training, and the South African Qualifications Authority, all of which perform key advisory and quality assurance functions. An important structure mandated to build the capacity of the state is the National School of Government (NSG) who plays a key role in facilitating and developing training programmes aimed at professionalising the Public Service.

Building a capable and developmental state has been a key mandate for Government since 1994. The various components across the human resource management value chain have been identified for targeted support to ensure that the Public Sector is capacitated to deliver on the mandate.

The capacity and capability development across the Public Sector is driven through the promulgation of legislations, regulations, and policy directives. Key directives and mandates are contained in the National Development Plan (NDP)-Vision 2030, which sets out a comprehensive plan to drive an inclusive economy and build key capabilities including the requisite skills and infrastructure, the Strategic Development Goals (SDG) and national priorities. The key imperatives which mandate Government as a whole and the DPSA specifically to ensure that the Public Sector is capacitated are contained below.

The National Development Plan-Vision 2030

Key aspects extracted from the NDP that specifically emphasise skills development include:

- The need for a capable and developmental state that acts to resolve historical inequities through delivering better public services and facilitating investment, including improvement in the administrative/political dichotomy and interface, long-term skills planning, and strengthening accountability
- Implicit in all the principles outlined in the NDP is the requirement that public office bearers must have the competences and abilities demanded by the offices they hold. Therefore, in theory, and in practice, there must be an appropriate relationship between the job content, complexity, and competence, on the one hand, and the size of the remuneration, on the other
- The National Planning Commission outlined:
    - The need to improve the skills of public servants but also noted the erosion of the State's role in producing skilled professionals (e.g. the closure of teacher and nursing colleges)
    - This erosion also applies to the training of engineers, planners, and artisans
    - Past practices of engaging professional institutes in the training, selection and development of senior managers have largely been unsuccessful, while some bodies have little influence over appointments to critical positions in the Public Service. The result has been a reduction in the number of professionals available to the State, and a looming crisis in the generational reproduction of professional expertise as the ageing cohorts with expertise and knowledge continue to leave the system
    - Even when these functions are contracted out, Government needs to have the technical expertise and experience to commission and oversee contractors
    - South Africa faces the inherited and residual challenges of:
        - A lack of service delivery
        - An absence of effective management information
        - Low productivity
        - A lack of clearly defined roles and responsibilities
        - A lack of coordination
        - A lack of skills and capacity.

The Public Service Human Resource Development Strategic Framework (PS-HRDSF)

To give expression to the goals of the both the NDP and the SDG, the DPSA together with key stakeholders, compiled and, on an ongoing basis, reviewed and revised a Public Service Human Resource Development Strategic Framework (PS-HRDSF) which outlined strategic priorities to achieve these goals. The PS-HRDSF is organised under four pillars namely:

- Pillar 1: Capacity Development Initiatives
- Pillar 2: Organisational Support Initiatives
- Pillar 3: Governance and Institutional Development Initiatives and Economic Growth
- Pillar 4: Development Initiatives.

Key to building the capacity and capability under Pillar 1, the strategic imperatives included:

- Strategic Priority 7.1: To improve the credibility and impact of training in the Public Sector by improving service delivery
- Strategic Priority 7.2: To leverage the SETAs to contribute optimally to capacity development in the Public Sector:
    - Take active measures to promote the emergence of sufficient capacity, quality, and cost-effective training providers in the area of skills development
    - Actively support the strengthening and growth of vocationally linked training institutions
    - Take active measures to ensure the integration of education and training policy provisions, including as it pertains to skills development policy provisions and the functioning and policy frameworks for FET and HET institutions.

The PS-HRDSF depends upon effective coordination of implementing the different strategic priorities. To successfully deliver on these priorities, there is a need for coordination and integration of various processes which span across the education and training ecosystem. The dependencies include:

- Securing a supply of skills, especially scarce skills, within the Further and Higher Education and training bands of the National Qualifications Framework (NQF), which anticipate and respond to specific skill needs in society, through state and private sector participation in lifelong learning
- An articulated demand for skills, generated by the needs of the public and private sectors, including those required for social development opportunities, and the development of small business
- A vibrant research and innovation sector which supports industrial and employment growth policies.

Enhancing the skills and capacities of employees in the Public Sector is determined by:

- An emphasis on decreasing personnel expenditure in the Public Service
- An emphasis on improving service delivery in the Public Service
- Increased levels of decentralisation of management control leading to greater needs for flexibility and accountability
- The loss of skilled people and the overall under-performance of the workforce
- Increasing level of scarcity of skilled and professional people due both to external and internal factors.

Some results from the research conducted by the DPSA indicate that the Public Service is most in need of middle managers and professional staff (particularly engineers and IT specialists).

Based on the above findings as well as the input from individual departments on their learning and development needs, the following training priorities have been identified for the Public Service as a whole:

- Project management
- Strategic planning
- Financial management
- Monitoring and evaluation of policy implementation
- Human resource management (including performance management), supervisory skills and industrial relations
- Leadership development
- Team building
- Adult basic education and training (ABET) and training aimed at improving career path development for lower-level workers.

In addition, the following transversal training needs were identified across the Public Service:

- Service delivery and public service ethics
- Information management and its use (including technology)
- Policy formulation, implementation, monitoring and evaluation
- Conflict and diversity management
- Research skills.

The Public Service Review Report (PSRR)

- To inform the planning, development, implementation and measuring of priority learning and development initiatives, various insights and inputs from the PSRR have been considered. These include, but are not limited to:
    - Improve management capacity
    - Improve the quality of service delivery
    - Better people management
    - Increase the use of information technology
    - Perform skills audits and assessments, and ensure competency frameworks and concrete support and capacity development
    - Develop skills of Local Government through programmes developed and facilitated by the National School of Government, and skills development plans for National and Provincial Government and for development institutions
    - Ensure greater articulation and more uniformity and interface in the systems, processes, and role of SETAs in relation to Government departments
    - Improve capacity in the Public Sector for planning and procurement (delivery) of training (capacity and skills development) services
    - Strengthen systems and improved strategies for workplace learning and delivery of HRD initiatives and an integrated ABET framework through:
        - Leadership development management strategies
        - A more strategic role for professional bodies (norms, standards)
        - Capacity development

- Promoting learnerships, internships and traineeships
- E-learning for the Public Service
- Fostering HEI and FETC partnerships
- Improving HR planning (supply and demand management) capacity in the Public Service. Implement credible sectoral human resource plans (e.g. Health, Education, Justice) and improve human resource planning capacity in the relevant departments
- Improving the Government's role in the functions of SETAs
- Improving the performance within the Public Sector to determine service delivery training needs and to effectively procure training services
- Ensuring that HR planning and development decisions are based on systematic and relevant evidence maintained in an appropriate management information system
- Ensuring that credible supply and demand projection models are developed and maintained for large occupational categories within the Public Sector (such as for educators, medical doctors, nurses, judicial officers, engineers, technicians, police, and military)
- Ensuring that government departments and entities invest more than the statutory minimum of 1% of payroll costs in training
- Implementing a compulsory induction programme for all new entrants to the Public Sector
- To implement large-scale public service training for junior and middle managers in critical generic and functional management learning areas.

The Medium-Term Strategic Framework (MTSF) for 2019-2024

- A capable state has the required human capabilities, institutional capacity, systems, service processes and technological platforms to deliver on the NDP through a social contract with the people
- The State therefore needs to take a long-term perspective on public service training and capacity building, and needs a clear direction as to where the next generation of public servants will emerge from and how specialist, professional skills will be reproduced for the future
- The MTSF emphasises, as key to building institutional capability, the professionalisation of certain categories of occupations in the Public Sector, over and above what is already recognised through statutory professional bodies
- Establish partnerships with HEIs and professional bodies (statutory and non-statutory professional bodies that are recognised by the South African Qualifications Authority (SAQA)) to develop the Career Led Professional Development (CLPD) programme aimed at optimising its value as a capacity development intervention for all levels of employees.

The PSC's 2016 report, Building a Capable, Career-Oriented and Professional Public Service to Underpin a Developmental State in SA, highlights:

- The fragmentation and disparate processes within the Public Sector regarding the career system

- That the careers are unstructured with no standardised probation, task proficiency, promotion and continued professional development requirements
- That the career system is open to all, with senior posts advertised outside the Public Service, with neither internal nor external candidates tested against objective criteria.

The need to monitor and measure the progress against the various plans and strategic priorities lies with the DPME. Reports compiled by the DPME highlight the following:

- Concerns relating to the shortage of technical and managerial skills within the Public Service and the outsourcing of professional and technical services
- The State needs to proactively plan for strengthening technical and professional skills in the Public Service, as well as ensuring clear career paths for managerial and technical echelons
- To have meaningful impact, not just across the Public Sector, but across society, there must be an integrated capacity development approach.

While building a capable and development state has been a key focus contained in national plans, strategic frameworks and reports, it is entrenched through the publication of various acts, regulations, gazettes, policies, collective bargaining agreements and resolutions and standard operating procedures.

The basis of the appointment and performance management of the public servants, as noted in the PMDS Section: 9, shall be based on training, skills, competence, knowledge, and the need to redress, in accordance with the Employment Equity Act (EEA), 1998 (Act 55 of 1998).

The PSR, Sections 74-77 deal specifically with training to ensure that public servants are kept up to date with recent developments in their various fields of practice. This aims to ensure that their skills are kept 'sharpened' so that they can deliver professional services to citizens.

According to the PSR, Chapter 5, organisational, managerial, professional, and strategic expertise needs to be transferred across the Public Service. It stipulated programmes that needed to be implemented to ensure that the skills were developed and had a direct impact on improved service delivery. Key programmes included:

- The Directive on Compulsory Capacity Development outlined mandatory training days and minimum entry requirements for members of the SMS to address poor performance levels and lack of training, resulting in inadequate service delivery. It also outlined pre-entry to the SMS and required qualifications for SMS posts
- Public Service Internship Programme: The Public Service Internship programme is a Public Service graduate work experience programme targeting unemployed graduates to provide them with work experience or an opportunity to practice the work skills they have studied and will practice in the future. The programme is not aligned with the requirements for entry position into the Public Service. It takes two years while the requirement for entry positions in the Public Service is three years' experience
- Implementation of compulsory training programmes: The Government has determined other compulsory training programmes to strengthen capacity and professionalise the Public Sector
- The implementation of the Compulsory Induction Programme (CIP), which is compulsory for every newly appointed public servants, from entry to senior management levels, and

serves to introduce employees to the Public Service and educate them about ethics and professionalism. The CIP programme aims to build a Public Service cadre that demonstrates developmental values, zeal, knowledge, skills, and commitment to serving the ordinary citizens of South Africa

- It is mandatory for all new entrants to the Public Service to attend the CIP during the first twenty-four months of employment. Failure to complete the CIP will result in the non-confirmation of permanent appointment in the Public Service and illegibility to qualify for an annual pay progression incentive.

The SDA, 1998 (Act 97 of 1998) sets the professionalisation agenda by providing for:

- Learnerships that lead to registered qualifications associated with a trade, occupation, or profession
- The financing of skills development through a levy-grant scheme and a National Skills Fund
- The regulation of employment services, which sets out an institutional framework to devise and implement national, sector and workplace strategies to develop and improve the skills of the South African workforce and integrate those strategies within the NQF.

Accompanying the SDA of 1998 is the Skills Development Levies Act, 1999 (Act 9 of 1999) which imposes a levy to encourage learning and development in South Africa and is determined by an employer's salary bill:

- The funds are expected to be used to develop and improve the skills of employees
- The Act provides for employers to pay at least one percent of its payroll for the education and training of its employees and to contribute funds to a SETA, where necessary.

The Skills Development Levies Act is meant to ensure that employees, particularly at the coal face of service delivery, are qualified, skilled, and capable of delivering on the mandate of the department, in accordance with the PFMA of 1999 and the MFMA of 2003.

According to the Government Gazette - No. 45181, dated 20 September 2021, Chapter 5 provides clear directives processes to implement to ensure that the capacity and capability of the municipalities are developed. The gazette requires that municipalities conduct skills gap analysis, skills audits, and the development of personal development plans. Emanating from the skills audits and performance reviews as well as the compilation of Workplace Skills Plans which arises from the outcomes of institutional skills needs analysis and the individual skills audits. These are also meant to include the interventions that the municipality would be conducting and the learning and development initiatives from staff personal development plans.

While much emphasis has been placed on variables such as qualifications or experience to ensure the professionalism of Public Service, the approach must integrate at an individual, organisational, and societal level. At the individual level the key focus is on skills, qualifications, and experience together with the individual's value system.

At an organisational level, the ethos and its accompanying values and norms help to bind members of an organisation to a common understanding of its mandate, culture, and professional mission. The values and norms at both the individual and organisational level are influenced by the broader societal value system of the nation-state, patriotism and the specific values and principles that bind people as a nation.

To realise the benefits and impact of individual and organisational capability development, it is vital that an integrated learning organisation structure be implemented. Implementing cohesive learning technology ecosystems enhances the L&D organisation's ability to manage learning programmes and update them as business needs change and consolidates fragmented learning systems to make it easier for employees to access/use training.

Studies conducted on the impact of providing learning and development as part of the employee experience reveals that it:

- Promotes employee satisfaction
- Boosts employer attractiveness
- Increases employee retention.

According to Emerald Works[30], organisations **centering around the learner** are more **likely** to:

- Enhance individual wellbeing
- Embed the principles of diversity and inclusion
- Improve employee retention
- Increase on-the-job productivity
- Develop a better qualified workforce
- Provide faster responses to changing business conditions.

With the emerging technologies and transgenerational workforce, learning and development within the Public Service must be 'fit for purpose', incorporating learning approaches and methodologies that are future focused. It is understood that new entrants (Gen Z) into the Public Service prioritise building their careers and acquiring skills According to data obtained from surveys conducted by PwC:

- 69% will spend time learning if it helps them perform well
- 76% believe that learning is the key to a successful career
- 37% of candidates are willing to take a pay cut for the chance to learn new skills at work
- 47% will build skills needed to work in a different function
- 83% want to learn skills to perform better in their role
- 73% want to learn about things they are interested in.

According to a survey by Cognizant[31] key skills for L&D in the coming years focus on leading change, technology acumen, and delivering business results:

- 54% Innovation
- 50% Data analytics
- 47% Growth mindset
- 44% Virtual technology

[30] Emerald Works, 2020. Back to the Future: Why tomorrow's workforce needs a learning culture. https://mindtoolsbusiness.com/research-and-reports/back-to-the-future

[31] Cognizant, 2021. Learning & Development: A Prescriptive Vision for Accelerating Business Success. https://www.cognizant.com/en_us/insights/documents/learning-and-development-a-prescriptive-vision-for-accelerating-business-success-codex6410.pdf

- 44% Learning technology.

The World Economic Forum expects that 85 million jobs will be gone, and 97 million jobs will be created, by 2025 — many of them being technology jobs requiring skills in:

- Artificial intelligence
- Blockchain
- Data security
- Emerging coding languages.

The Public Sector stands to gain significantly from investing in learning and development to build the capacity and capability of the State. According to a survey conducted by Forbes (2019), failure to invest in the employees has a far-reaching impact on the performance of an organisation. It revealed that a lack of engagement and learning can cause:

- 18% drop in productivity
- 60% decrease in output quality
- 1,000% increase in errors
- 37% more frequent absenteeism
- 59% higher turnover.

To gain 'good practice' insights in human resource development globally, PwC conducted a study targeting several countries. These included Switzerland, Austria, Germany, the USA and Australia.

The Belgian Federal Public Service adopted a recruitment approach that is used strategically as a tool to get the right candidates with the relevant skill set and experience crucial for the Public Sector. The use of social media led to high knowledge of vacant positions and positioned the Belgian Federal Public Service of Finance brand as an enticing employer.

The strategic implementation of e-recruitment also led to good quality of candidates through the thorough process of designing the new e-recruitment tool with a clearer focus on the needs of the departments and candidates. Based on these positive results, it is encouraged that strategies around the recruitment of scarce skills within the South African Public Service be geared and flexible to expand more to e-platforms and use mediums such as social media to attract required talents.

However, this is only possible if internal talent strategies are prepared for the recruitment of such talent from a remuneration and retention perspective as well as the governing policies to this effect. It is also recommended that HRM practices become more focused on the specific needs of a department, for tangible benefits to be realised.

To identify where a lack of specific and critical (digital) skill sets exists and strategically plan to attain these skill sets. This is done through a skills assessment that is followed by action plans to attain and retain this talent. The plan resulted in customising and adopting the HRM processes and practices to consider the rareness and differentiation of digital skills set. This required a shift in the management culture of the digital and technology sector including flexibilities in contract agreements.

This case study is an example of how the French administration is adapting HRM/ recruitment practices to the needs of their government's required skills of the future. The case study is also

an opportunity to consider strategic workforce planning in a short-term basis in recruiting for critical and scarce skills within the South African Public Service.

The case study also shows how task team approaches can assist to tackle immediate and prevailing challenges. Having led to flexibilities in contractual agreements of specific skill sets, we are also encouraged to reconsider traditional work agreements to be flexible to changing work requirements of the present and future workforce.

The study on Tanzania investigated whether or not the Tanzanian Public Sector (TPS) addresses the core knowledge needs of the government by solving the daily operational problems and therefore improving service delivery. In addition, it investigated whether leadership positions in the TPS are occupied by people who demonstrate abilities in openness, innovation, creativity, and adaptability to ever change situations.

Leadership competency frameworks are a means for ensuring that leadership positions in the Public Service are occupied by people who can demonstrate abilities in openness, innovation, creativity, and adaptability to ever change situations.

The objective of the study was to develop a skills master plan for scarce and high priority skills in line with national development priorities. The implementation of Public Service Competency Framework was done through identifying the core competencies of occupations and professional groups. It was also done through training employees on the competencies they will need and encouraging participation in professional groups to foster continuous learning about skills. This contributed enormously to supporting the commitment of the government to address skills gaps in all sectors of the economy through the development of a national skills master plan.

In a bid to address the skills shortages and gaps within governments across the globe, there are several initiatives and programmes implemented with varying levels of success and impact on service delivery. There is, however, a greater drive to ensure that upskilling to meet the future world of work is prioritised.

According to the study of the Swiss public service, the emphasis was on building an HR that is fit for the future through the development of a comprehensive leadership model to improve goal attainment and raise the motivation and efficiency of the organisation.

There is a clear recognition that the Public Sector is more than ever dependent on qualified personnel. To ensure the quality of employees, HR implemented a variety of new instruments for people development. They primarily focused on the employee experience across the entire HR value chain.

- Into the job: Onboarding and trainee programmes
- On the job: Mentoring, coaching, job enrichment/enlargement/rotation
- Along the job: Career pathing, appraisal interview and succession planning
- Near the job: Training and workshops on quality
- Off the job: Conferences and seminars
- Out of the job: Retirement preparation
- They developed and introduced a career path model.

For the Austrian government, much emphasis was placed on long term and holistic planning of capabilities and capacities to lower the risk of skill shortages while the Austrian police department centred efforts on the establishment of separate expert and management career paths.

Germany focused on the introduction of performance-based compensation in the Public Sector, turning away from the often stiff and rigid compensation systems. It is understood that this strengthens responsibility and leadership competencies and improves motivation.

The U.S. Securities and Exchange Commission focused on experience and performance-based compensation, a variety of different career paths and distinct differentiation of the expert and management career paths.

The Estonian government, according to the Ministry of Finance, drafted defined training schedules for continuous people development which were both centralised and standardised trainings, distinct in every career level. These schedules are publicly, transparently, and distinctly communicated.

In 2020, the Australian Public Service started a long-term strategic programme of work to reinforce workforce planning in government agencies. Great emphasis was placed on the roll-out of a strategy to plan capabilities and capacities comprehensively and holistically in the Public Sector to hedge skill shortages in the future.

This is a practice noteworthy for South Africa as a more proactive than reactive approach to workforce planning is required for the Government to not only catch up with the changes shaping its environment, but to have a long-term approach in workforce planning initiatives. Bearing in mind the challenges faced by the Government to recruit scarce and critical skill sets within a demographically diverse workforce such as gen X with millennials and gen Z. A long-term strategy focus on workforce planning will go a long way in ensuring that the Government proactively manages its micro and macro forces of change.

In Latvia, a ‘whole of Government approach’ is followed which seeks to maximise limited human and financial resources by building innovative capacity and improving the flexibility and responsiveness of its public administration so that the different parts of the Public Sector, including the state and subnational government, can work as a single government to realise objectives and to prepare for new challenges.

The finance ministry within the Danish government considers themselves the ‘Agency for Modernization’ that aims to realise its vision of being an analytical power centre where employees can realise their full potential and develop into leaders of tomorrow. The Ministry acts as a single corporation and is a role model for efficient management and development of operations in the Danish public sector.

Singapore

- The government has been fostering a learning society, driving upskilling initiatives at both the citizen and public sector levels.
- Unveiled initiatives such as SGUnited, which subsidises on-the-job training opportunities in order to ensure jobs are protected during the pandemic[1].

Malaysia

- The government aims to attain high-income and developed nation status by 2025.[2]
- The government is looking to implement integrated government interventions to nourish lifelong learning (e.g. set up of TalentCorp).[3]
- Upskilling initiatives are geared towards achieving those goals.

Australia

- The government recognises that jobs in Australia are rapidly evolving.
- Intends to reform its Vocational Education and Training (VET) systems (through a new national skills agreement) to ensure upskilling funds are well-invested in relevant and high quality trainings for all Australians.[4]

Western Europe

- The European Union Commission has launched the "European Skills Agenda", with quantitative and qualitative goals set out clearly[5].
- Skills mismatch[6] and high unemployment rates are observed in several types of skills and regions (e.g. Spain[7]).
- Governments are implementing initiatives to understand the baseline skills of learners, and how to cater upskilling programmes to them.

Middle East

- In 2019, youth unemployment was more than twice as high[8] as overall unemployment rates. Yet, many Middle Eastern countries continue to seek talent to fill their vacancies, suggesting a mismatch in skills.
- Initiatives to tackle this mismatch are being made by governments; for example, the UAE government partnered with LinkedIn to upskill 2,000 women for private sector jobs.[9]

South Africa

- High unemployment rates are high amongst citizens, especially youths (64% in July 2021[10]).
- South Africa is faced with the issue of creating jobs that are relevant for its citizens[11].
- While the government has limited upskilling plans to address this situation, they had pockets of upskilling success within the SA government, especially in managerial and leadership skills development.

The PwC approach to learning and development

In the words of PwC Joint Global Leader: People and Organisation, Bhushan Sethi, "There is an upskilling dividend benefitting companies as they face an uncertain economy. Retaining the right talented people and enhancing their skills can help them survive today's challenges and drives competitive advantage in the future".

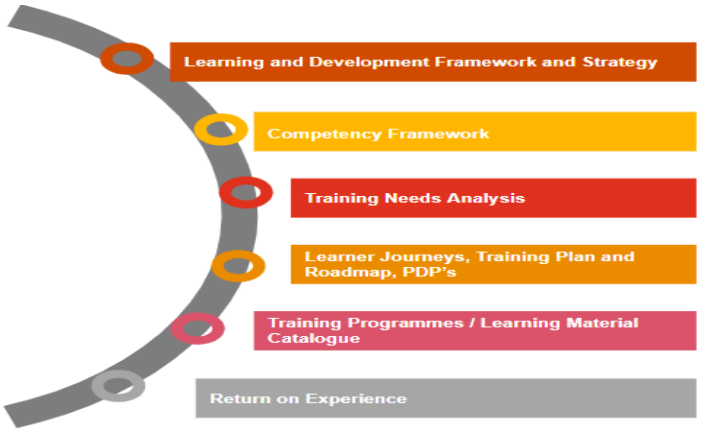
The key trends drivers highlight the need for Public Service departments to be agile and innovative, especially in the areas of digital transformation, and to be responsive and efficient in how services are rendered. The trends denote key shifts in the competency needs for public servants. From blockchain to flexible working hours and virtual workspaces, the African workforce of 2030 will emphasise innovation and empathy and embody a purpose-driven cohort.

Africa will be housing a new workforce that is unique in its composition, demographic, and mindset. This workforce will not be confined by degrees or titles and their expectations of employment will be different to previous generations. As a result, employers will not be seeking rigid qualifications, but behavioural competencies. Fundamental paradigm shifts are already taking place regarding how talent is defined in fulfilling organisational requirements.

The current environment necessitates the acceleration for digital transformation and creating immediate and large-scale workforce and skills challenges. Automation, data analysis, artificial intelligence (AI) and other emerging technologies have demonstrated success in increasing productivity. But technology is only as good as the leaders who identify its opportunities, the technologists who deliver it and the people who work with it every day.

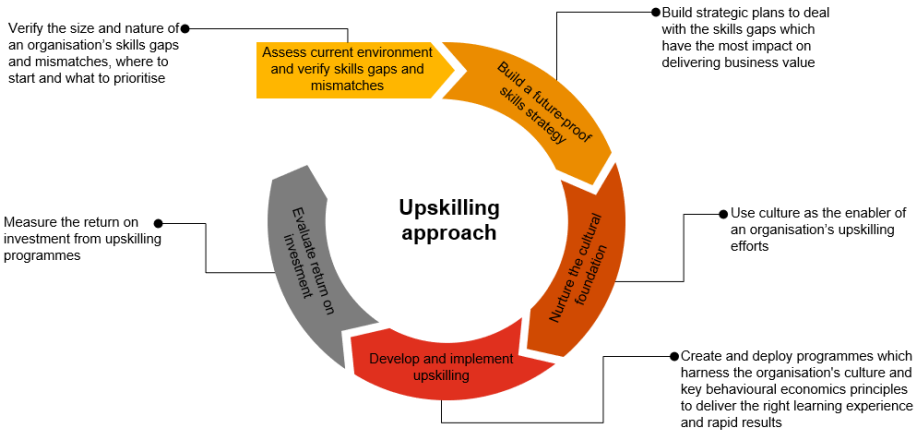
Many leaders are finding that their existing upskilling efforts are not fit for purpose: programmes don't deliver the ROI organisations want or the change they need. Employers who make good-faith efforts to upskill their people build trust and that, in turn, can enhance the organisation's reputation in a world where trust is an increasingly valuable commodity.

When embarking on a learning and development journey within the Public Service, the departure point should be the learning and development value chain which informs the programmes/activities to be implemented. Based on PwC's best practice, the value chain, as depicted below, comprises six components that ensure a comprehensive approach to building the capacity and capability of the State:



Key to this approach, as depicted in the diagram below, is ensuring that an organisation's culture enables a learning environment and that all programmes/plans are aligned to the key function of the organisation. While the drafting of plans and development and implementation of programmes are vital, equally important is the monitoring and measuring of impact of the implemented plans and programmes.

An upskilling future-proof skills strategy to be based on the organisation's unique needs



The journey of building a capable and professional developmental state will necessitate the prioritisation of planning, implementation, monitoring and evaluating learning and development programmes using best practice innovative and future-focused methodologies, approaches and learning curricula.

A summary of the best practices highlighted in the preceding content includes but is not limited to:

- L&D's impact on employee engagement and business results. Learning improves the employee experience, which positively impacts customer experience and satisfaction, leading toward concrete business gains. Employees in the Public Service need to be exposed to high-quality available learning as an integral component of employee experience
- To enable high quality learning that improves the employee experience, a learning culture should be learner-centric and visibly supported by leaders
- Identify skill gaps to develop growth plans through meaningful feedback and solutions
- Visible 'championing' of a learning culture by leading by example and reiterating the importance of learning
- Purposeful, effective structure and operations of the L&D function is pivotal to supporting strong learning culture and high-quality solutions
- Implement cohesive learning technology ecosystems. Focus on a strategy for creating or sourcing content and selecting modalities and technology for effective learning
- Measure learning results and impact on business.

PER 2011 summary findings: Learning and development, skills enhancement, career pathing and succession:

- Some departments indicated they had made progress in the execution of various HRM processes in their individual capacity but there was a noticeable disconnect between the strategic interrelatedness of processes in maximising performance, output, efficiency, and optimum effectiveness
- Skills gaps identified in employees PDPs were not linked to their PMDS for monitoring and evaluation purposes
- There is little evidence to support the existence of plans to close skills gaps in the short, medium, or long term
- No impact assessments have been conducted on whether formal training has improved employees' quality of work
- Managers do not always ensure that training provided is essential to employee development
- Departments were asked to rate the extent to which skills audits had been performed to determine skills requirements. Responses were varied with 26% of national departments and 14% of Provincial Departments stating that these resulted in the development of effective training plans and training interventions
- 18% of national and 19% of Provincial Departments stated that they had not developed competency frameworks for staff below middle management level
- Competency frameworks should be developed for post levels 7 and above and aligned with the PM system to drive the right behaviours and optimise the available training spend
- Align competency frameworks to PM and include in the balanced scorecard. This will assist in achieving an integrated, consistent approach to performance management and in identifying training, learning and development needs
- The recruitment of candidates scoring below the suggested competency score should be discouraged
- Conduct impact assessments after formal training interventions to quantify the ROI
- Departments should maximise performance and outputs following training interventions. Link to performance reviews and evidence provided by the supervisor of improved skills/competencies/efficiencies etc.
- SMS competency assessments should measure technical and management competencies
- The most critical training needs should be identified and addressed with the budgets available
- Consider implementation of a learning management system. This could also contain mandatory training for induction purposes as well as provide training to large audiences
- Training should be aligned with succession planning, retention strategies and workforce planning, to ensure the right people are in the right positions doing the right things
- Resolve the current HR Connect issues and finalise the implementation across all departments and evaluate the impact of the system. Going forward, HR Connect can remain as a 'stand-alone' system or it/its data can be interfaced/integrated into the wider IFMS HR system in the future
- Respondents in most departments indicated that annual performance reviews are conducted

- Departments stated that the PMDS ‘does not measure productivity outputs effectively’. (Accurate performance measures need to be aligned to required outputs)
- The complexity of the PMDS and lack of training/understanding may contribute to lack of compliance.

Open competition prevails and there is little evidence of progress in career management and succession planning:

- Skills gap analysis results have not informed development initiatives
- High levels of turnover (skills leaving the PS) suggest career management, progression and succession planning are not effective
- Departments stated that staff movement within the PS still impacts on them as they lose skilled employees to other departments
- The majority of National and Provincial Departments stated that they did not have an effective succession planning strategy
- Departments stated that the development and implementation of a succession plan contradicts open competition and the advertising of all posts
- Official selection of high-potential employees for higher posts cannot be done. Some departments state they have informal strategies to develop high-performing employees and encourage them to apply for higher positions as they become available
- Develop a framework linked to the PMDS for the identification of competent and high-performing employees
- Develop high-performing employees as part of the talent pipeline
- Mentor and coach identified high performers and monitor their development, progress, and readiness to assume key positions
- Individuals in the talent pipeline should be encouraged to apply for promotional positions in the area(s) in which they have received development.

PER 2011 summary recommendations: Learning and development, skills enhancement, career pathing and succession:

- Ensure that succession planning is factored into the hiring process to ensure the best possible candidates are recruited and the talent pipeline is filled with those with the best developmental potential for key positions
- Consider the inclusion of the development of pivotal talent as a KPI in SMS performance agreements
- Define the attractors and detractors and quantify turnover as part of the monitoring and evaluation process
- Explore the possibility that employees with scarce/critical skills should remain in a position for a prescribed time and demonstrate competency before being able to move
- The implementation of OSDs provided for separate career paths for specialists/professionals and enabled the attraction and retention of scarce/critical skills
- The implementation of OSDs was challenging and resolutions/circulars have been interpreted in a variety of ways, resulting in remuneration disparities across departments
- Respondents reported minimal evidence of improved engagement levels, productivity, and/or service levels due to the OSDs
- It would appear that some departments do not fully understand the concept of dual career pathing.

Findings: PER 2022: Based on the recommendations of the PER 2011

According to the findings and recommendations of the PER 2011, there is evidence of an upward trend in the number of people who hold diplomas, certificates or degrees employed in the Public Service, particularly in the areas of engineering and technology.

- There is great progress made in building a formal structure for HRD in the Public Service. Since the launch of the 2015 PS-HRDSF III Strategy, compliance with HRD planning and reporting has increased. However, there is still a need for improvement in the capacity of departments to appropriately plan for HRD based on organisational skills assessments. While there are identified pockets of excellence relating to the alignment of key HRM processes such as recruitment, learning and development and performance management linked to the strategic mandate of departments, it is still a huge challenge in most departments within the Public Service
- Addressing constraints in the skills pipeline for the Public Service is one of the clear factors that is shaping the improvement of various departments. The development of good quality education accessible to a broad range of the population has been constrained by access and affordability. This shapes the skills base from which our Public Service draws and has special relevance for our ability to attract and retain technical and professional skills. The pool of skills from which the Public Service can recruit is also shaped by perceptions of the desirability of working for the Public Service
- Progress is noted in departments increasing their intake of learnerships and internships to provide workplace experience and build a pool of skills relevant to the Public Service. However, the appointment of these graduates continues to be limited and the manner in which they are exposed to the workplace and utilised in practice is an area which requires significant improvement
- Most departments have not invested in learning management systems to support the integration, coordination, management, and monitoring of training efforts, including tracking employee participation and collecting data to evaluate the impact of training on individual and departmental performance
- The public service moratorium by the National Treasury on recruitment has led to an increased number of acting arrangements, resulting in vacant unfilled posts in some departments which resulted in the emergence of skills gaps as the workforce had to take on new responsibilities without the necessary attributes or capabilities to be effective in their new roles
- Demand for skills varies across occupations and size of the department. In cases where skills gap analysis was done, it identified skills gaps which cut across the various departments as well as some which were unique to departments depending on the mandate and objectives of the specific department. There is, however, little progress made in conducting skills gap analysis or skills audits across the Public Service
- Recruitment, learning and development and performance management are still being conducted in the absence of competency frameworks, often resulting in a failure to appoint employees with the requisite specialised skills required
- Talent-spotting and succession planning in the Public Service may assist in closing the future skills gaps, but this requires identifying suitable candidates and providing them with formal and on-the-job training in the identified area. While some departments have

developed talent management strategies, there is little evidence of consistent implementation in most of the departments

- Organisations need to establish skills gaps per employee and then decide whether to hire new talent or upskill the existing workforce through learning programmes or on-the job training.

ii. Findings: Public Service, Local Government and SoEs

PER 2022: Findings: Public Service, Local Government and SoEs

PER 2022 summary findings: Learning and development: Public Service	
Criteria	**Findings**
The employees in the HR function are engaged in terms of the vision and strategy of the function	• Key documentation indicates the HR departments have articulated the vision and strategy for the function • The HR functions continues to operate very transactionally in a significant number of departments within the Public Service, giving rise to siloed operations which lack coordination and collaboration • The vision and strategy for the function is aligned to the vision and strategy of the departments as well as the PS-HRD strategy; however, these are not aligned in practice • The corporate head plays a key role at executive management level in developing and articulating the vision and strategy of the function. Overwhelming evidence exists to suggest that this is not happening
The business and HR vision and strategy are communicated to the HR employees	• The size of the HR department varies across the Public Service. Where the teams are relatively small, the vision and strategy are communicated and understood • Adherence to Programme 1 across departments is not being applied uniformly • In larger departments there is generally silo functioning with minimal communication of the vision and strategy • Enabled practices and efficiencies are evident where the HR function is centralised at the provincial level and vision and strategy inform the employee performance KPAs

A clear organisation chart exists for the HR function	• In accordance with key legislation and policy prescripts, the HR function is featured on all organisational organograms. However, these have not been reviewed and aligned • Depending on the size of the departments, the organogram provides for specialised and generic functions within the HR directorate, but the need exists to review the purpose, roles, and functions
Duplication of roles is not evident in the HR function	• Roles are clearly defined with minimal duplication in theory, but this does not hold true in practice • There are multiple functions undertaken by single employees where capacity is constrained in departments which are very small
Personal development plans (PDP) are in place for HR employees	• PDPs are drafted in all Public Service departments derived from the performance management processes • Pockets of excellence have been identified where PDPs are also referred to as individual development plans (IDPs). These are aligned to the core mandate and strategies of the departments • The PDPs are generally not consistently monitored nor aligned to the WSP or learning and development opportunities across departments
A formal training needs and gap analysis for HR people is completed on a regular basis to meet the changing needs of the organisation	• Clear evidence of identification of skills gaps and needs in some departments where there is a focus on future requirements and current gaps to address future readiness from a human capital and business practice perspective • Training needs and gaps are not completed on a regular basis • There is little evidence that L&D support is meeting the evolving needs of the departments
Learning and development resources are actively coordinated and optimised across the HR function	• In a limited number of departments where there are HR functions established and functional, evidence of coordination and optimisation of resources is clear. However, this requires attention in a significant number of departments • Provision of resources and training opportunities is disparate and limited • There is a general absence of a coordinated cohesive plan to address skills

	gaps and capacity needs in a significant number of departments
Specialised training/mentoring programmes for grooming the next generation of leaders are in place	• The provision of specialised technical training was limited to some departments • There is a general absence of mentoring programmes which need to be contained in the learnerships and internship programmes • In a few instances where talent management is effectively managed, targeted programmes for the identification and capacitating the talent pool are provided
Talent conversations are held with HR employees	• Talent management conversations that are meant to be included in performance discussions are not executed in terms of the intent and desired outcomes which need to be achieved • Absence of talent management strategy in many departments within the National and Provincial Departments • Targeted and focused talent processes are evident in a minority of functional departments where PMS is core to the management and support of the employees and departmental productivity
Succession and career planning is embraced at the leadership level	• Succession and career planning is not consistently implemented across the Public Service • There is very little evidence to suggest that the talent management strategy is clearly identified, developed, and implemented
An approved HR succession plan is in place	• Succession within the Public Sector is limited given that appointments and promotions are based on an open competitive process
Succession planning and/or localisation is factored into the recruitment process	• The implementation of the HR value chain linking recruitment to succession planning and L&D is fragmented and siloed
HR competency framework which is aligned to the strategy an operating model exists	• The is an absence of competency frameworks across the Public Service • There are significant gaps between the capacity required to deliver on the operating model imperative and the available capacity and capability in most departments which in results in the need to contract in skills
Competency frameworks include essential skills, competencies, and behaviours	• Competency frameworks do not exist in most departments

	• Evidence of the use of competency frameworks for SMS and MMS includes essential skills, competencies, and behaviours • There is a need for the Public Service to compile comprehensive competency frameworks which give expression to the departmental imperatives
Competency frameworks are used by HR and employees to identify and inform learning and development needs	• There is no evidence of competency frameworks being used to determine learning and development needs • There is a reliance on the completion of PDPs to inform L&D needs which is, however, not consistently implemented and are not always a true reflection of the prevailing circumstances
Learning and development needs are addressed by clearly defined interventions and a curriculum which are contained in learning and development programmes	• There is a mismatch between the learning and development needs required to deliver on the mandate of the department and the training programmes offered to employees • Attendance to training programmes is done on an ad hoc basis and targets employees who are available as opposed those who should be attending • The curriculum of the training programmes is generic and at times outdated. These need to be updated to include new trends and innovation that is future focused
Employee surveys in determining L&D needs is implemented	• There is no evidence available of employee surveys being used to inform learning and development needs

Despite the many legislative and regulatory prescripts and policy directives published and issued to departments on the need to ensure that learning and development programmes are planned, implemented, monitored, and evaluated for impact on performance of individual employees and departments as a whole, continued challenges to comply prevail. Key reasons cited for the non-compliance include:

- Positioning HRD to strategically contribute to building the capacity of the Public Service to deliver on the mandate remains a challenge due to a lack of buy-in from senior management for HRD
- Budgetary constraints to provide specialised training programmes/skills development for professionals in the Public Service
- Absence of data on the skills gaps and medium to long term plans to identify and address the skills gaps.

The direct impact of the failure to comply has resulted in the Public Service losing key critical skills as well as declining levels of quality services to communities.

PER 2022 summary findings: Learning and development: Local Government

The assessment conducted with the Local Government sphere provided insights particularly in the metropolitan municipalities. Through the SALGA engagements, information on the district and local municipalities was obtained.

The mandate of building skills within Local Government is derived from national and provincial strategic plans, frameworks, acts, regulations and policies. The key objectives of skills development in the local sphere according to the Government Gazette – No 45181 – 20 September 2021 indicate that:

- Skills development must:
    - Support the achievement of the municipality's goals set out in the Integrated Development Plan by providing critical skills that ensure the delivery of quality services
    - Promote the development and retention of competent municipal staff, including the development of technical, professional and specialist staff who have the required qualifications and skills
    - Support the employment equity objectives of a municipality
    - Be based on high-quality provision and effective workplace learning and development practices, including coaching, mentoring, on-the-job learning and opportunities for the practical application of skills in the workplace
    - Seek to continuously improve its results and returns on learning investments, by defining measures of success, conducting regular evaluations, and improving the impact of learning, training, and development
    - Be designed to support and reinforce other capacity-building programmes in municipalities
- A staff member must take responsibility for his or her development and own career growth
- A municipality must support its staff members by:
    - Clarifying the skills required for jobs, identifying relevant skills needs and developing opportunities to satisfy the skills needs
    - Identifying new skills and knowledge required by staff to support their career growth and progression
    - Creating learning opportunities which will allow their staff to develop the skills and expertise to enable them to compete effectively for placement in new or vacant posts
    - Ensuring that skills development is a KPA in senior managers' and supervisors' performance agreements. This is aimed at promoting career development through consultation with staff members
- The skills development process involves planning, skills assessment, implementation, and review.

Furthermore, the gazette provides a directive on the types of skills development programmes that municipalities should embark on. These include:

- Structured learning programmes, which may include: learnerships, apprenticeships, technicians-in-training programmes, and graduates-in-training programmes

- Structured on-the-job learning and development, which may include:
    - Professional coaching of staff members by an external or internal expert coach, where such capacity exists
    - Coaching of staff by supervisors, including guiding a staff member to develop new skills
    - Mentoring staff to acquire technical, professional or specialist skills, which may include structured mentorship programmes.

Based on the findings and recommendations of the PER 2011 and linked to the directives of the gazette quoted above, it is evident that there is significant progress that still needs to be made in Local Government.

- The roles of HRM are recognised as one that is strategic, especially in the metros, and key to informing the planning and implementation of capacity development programmes. However, the interconnectedness of key processes such as performance, workforce efficiency and outputs continues to be a challenge throughout Local Government
- There are varying levels of success in identifying skills gaps, especially critical and scarce skills, in the metro municipalities; however, key challenges remain in the district and local municipalities
- All municipalities use the SMS and MMS competency framework to recruit and manage performance for senior and middle management and the National Treasury Minimum Competency Framework for the finance function. However, there is little evidence of competency frameworks being used for the recruitment, performance management, upskilling or succession planning for all other employees within municipalities
- In most instances, training programmes are not linked to the employees' PDPs. Generic training is often haphazard and not targeted to the relevant employees. Support to attend training is also considered challenging given that employees are 'pulled out' of training to perform operational tasks in many instances
- There is limited evidence of systematic and consistent measuring of training programmes to determine return on investment or return on experience
- There is an improvement in the provision of bursaries to employees to undertake studies, but in many instances, the processes to ensure that the studies are linked to the work undertaken by the employee is absent. There were, however, instances where bursaries were only provided when employees were able to demonstrate the positive impact the training would have on delivering on the mandate of the municipality.

PER 2022 summary findings: Learning and development: Local Government	
Criteria	**Findings**
The employees in the HR function are engaged in terms of the vision and strategy of the function	• The alignment of the HR function to the municipalities' vision and strategic is generally performed by the corporate head/HR executive • Little evidence that employees within the HR function contribute significantly to the alignment or review thereof

The business and HR vision and strategy are communicated to the HR employees	• In drafting the HR function's annual performance plans and contributing to the SDBIP, the vision and strategy are relayed to HR employees involved in the process • Most employees in the HR function operate transactionally with limited expectation to contribute to the strategic direction of the municipality
There is a strong service-focused culture within the HR team	• HR has largely been considered to be lacking in providing timeous data to inform strategic decision-making • According to anecdotal reports, AG reports and municipal performance reports, HR continues to be identified as a department requiring support and upskilling to improve response time and efficiency
A clear organisation chart exists for the HR function	• The HR function is clearly depicted on the municipal organogram • There are, however, significant capacity constraints reported, especially within the local municipalities to service the municipality
Duplication of roles is not evident in the HR function	• Roles are clearly defined • There are multiple functions undertaken by single employees where capacity is constrained, or where the department is very small • The siloed functioning often leads to duplication of processes or significant delays in turnaround times
Personal development plans are in place for HR employees	• PDPs are drafted in the majority of the municipalities, with the highest rate in the metros • PDPs are referred to as individual development plans (IDPs) • The PDPs are not consistently monitored nor aligned to learning and development opportunities across departments • There is often a mismatch between the PDPs and the WSP due to the timing of completion of these • Some municipalities have resorted to completing the PDPs before submission of the WSP which helps to ensure alignment. This is, however, not consistent across Local Government
The performance review assesses the achievement of the objectives	• The performance reviews for SMS employees and in some instances the MMS are conducted and assessed against

	the achievement of the objectives and strategic priorities of the municipalities using the balanced scorecard • PMS for employees below SMS remains a challenge. In the absence of financial rewards and recognition, PMS is done as a compliance requirement with no alignment to the objectives of the municipality or capacity development provided
A formal training needs and gap analysis for HR people is completed on a regular basis to meet the changing needs of the organisation	• Training needs and gaps assessments are not completed on a regular basis. In some municipalities it is non-existent • There is little evidence that L&D support is meeting the evolving needs of the municipalities • Provision of resources and training opportunities is disparate and limited • Absence of a coordinated cohesive plan to address skills gaps and capacity needs across LG
Learning and development resources are actively coordinated and optimised across the HR function	• A significant number of municipalities, especially the metros, offer learnership and internship programmes adding to the pool of resources to support service delivery • The siloed functioning within the HR function results in limited opportunities to utilise the resources optimally • As a case of good practice identified, municipalities encourage rotation of employees to ensure exposure to the entire HR value chain and to build skills and capabilities within the HR function
Web-based support is available to provide access to performance support tools and development resources	• The use of web-based support is evident in most metros, which is usually an extension of their current HR systems • Local and district municipalities continue to use paper-based processes
Specialised training/mentoring programmes for grooming the next generation of leaders are in place	• The training and mentoring of key talent demonstrating leadership potential is not widely implemented • Linked to the talent management strategy of the municipality where such exists • In some municipalities, there is a continuation of the deployment of professional mentors in the engineering and financial functions by the National Treasury and COGTA

Talent conversations are held with HR employees	• Where talent management is effectively managed, targeted programmes for the talent pool are provided • The talent conversations are generally included in the performance discussions where departments conduct mid- and end-of-year performance discussions • There is an absence of talent management strategy in the majority of municipalities
Succession and career planning is embraced at the leadership level	• Succession within the LG is limited given that appointments and promotions are based on an open competitive process • The implementation of the HR value chain linking recruitment to succession planning and L&D is fragmented and siloed
An approved HR succession plan is in place	• There is little evidence of succession planning • It is generally linked to the talent management process and building of a talent pool
Succession planning and/or localisation is factored into the recruitment process	• The implementation of the HR value chain has little integration of processes with limited evidence of succession planning linked to the recruitment process
Clear career paths are in place for HR staff	• Provision of resources and training opportunities is disparate and limited • Absence of a coordinated cohesive plan to address skills gaps and capacity needs across some of the municipalities
HR competency framework which is aligned to the strategy and operating model exists	• Competency frameworks are absent in most municipalities • The is a need to develop competency frameworks which are aligned and future focused
Competency frameworks include key and essential skills, knowledge, and behaviours	• There are no competency frameworks being used for employees below municipal executives • These are generic competencies focusing predominantly on managerial skills and behaviours • In metros where competency frameworks exist, they are not updated to reflect the evolving skills nor aligned to deliver on the key municipal imperatives
Competency frameworks are used by HR and employees to identify and inform learning and development needs	• In the absence of competency frameworks, there is a reliance on the WSP to determine training programmes
Learning and development needs are addressed by clearly defined interventions and a curriculum	• Generic learning and development programmes are implemented which does

which are contained in learning and development programmes	not address the employee development needs • The curriculum is, in most cases, outdated and does not address the municipalities' service delivery needs • Attendance to training programmes is done on an ad hoc basis • Attendance is compromised by municipal operations reflecting poor planning and management of training and development activities
Employee surveys in determining L&D needs is implemented	• In most instances, there is little evidence of any surveys or information gathering tools used to inform the learning and development needs and demands • Employees provide little to no input on training programmes and development plans

The assessments conducted reveal that skills shortages and administrative inefficiencies are some of the major impediments to effective functioning of the HR function within Local Government. The failure to recruit and promote key talent within municipalities, absence of medium-long term plans and lack of monitoring of the impact of training and capacity development initiatives implementation is evident in the research conducted.

PER 2022 summary findings: Learning and development: SoEs

State-owned enterprises (SoEs) are legal entities created by the Government to undertake commercial activities on its behalf. There are currently over 715 SoEs and SoCs operating in South Africa experiencing varying levels of functionality.

The literature reviewed appears to use the terms State Owned Entities, State Owned Enterprises and State-Owned Companies interchangeably. There are, however, key differences based on the legislation that govern them, viz: the Companies Act and the Public Finance Management Act (PFMA).

As defined in the PFMA, SoEs are public entities and include a wide variety of organisational forms and objectives. Within this are state-owned enterprises, of which state-owned companies (SoCs) are a particular form as in the Companies Act.

The expectations of SoEs are divided into 'commercial' and 'non-commercial' mandates. A non-commercial mandate could be anything that a state-owned enterprise does, or is expected to do, that would not typically be required of a private company that focuses on profit or financial returns to shareholders. Such expectations include:

- Expanding access to services (such as electricity, water, and telecommunications)
- Providing affordable services, even for the poorest citizens
- Investing in infrastructure that has wider social and economic benefits

- Providing, or generating, employment.

Among the expectations one could add in the South African context are skills development, preferential procurement, and small business development.

In principle non-commercial mandates, which include developmental mandates, should follow directly from the rationale for state ownership. Non-commercial mandates unrelated to the primary reason for an SoE's existence could arise where there is poor governance and vested interests.

In recent experience with SoEs in South Africa, inadequately funded non-commercial mandates have been blamed for the poor financial and operational performance of a number of enterprises. It was expected, as part of the State's political priority, to expand the number and size of SoEs after a period of privatisation and restructuring of the SoEs (ANC, 2012). These expectations were reconsidered when a process of rationalisation had to be undertaken by the Government in its attempt to align SoEs to the broader objective of a developmental state.

The PER 2022, for the first time, targeted SoEs for inclusion in the review. The assessment conducted with a selected number of SoEs revealed key insights relating to their commitment to creating service excellence through attraction and retention of critical and scarce skills, an effective talent management strategy and a programmatic approach to building the capacity and capability of the SoEs.

PER 2022 summary findings: Learning and development: SoEs	
Criteria	**Findings**
The employees in the HR function are engaged in terms of the vision and strategy of the function	• The SoEs HR function is actively involved and engaged in determining the vision and strategy of the entity • The vision and strategic imperatives are derived from the mandate of the SoEs
The business and HR vision and strategy are communicated to the HR employees	• The HR function appears to be well capacitated with highly qualified and skilled employees within the function • The strategy and vision are embedded in the performance KPA of all employees
There is a strong service-focused culture within the HR team	• A strong service culture is evident with key processes, programmes and activities meted out to ensure departments within the SoE are supported • While not widespread, evidence of poor culture and low morale impacting on performance of the function
A clear organisation chart exists for the HR function	• The SoEs organogram clearly provides for the inclusion of an HR function • The capacity of the HR function is informed by the size of the SoE
Duplication of roles is not evident in the HR function	• The HR function has very clear and delineated roles

	• In larger SoEs, the function provides decentralised support to the various departments: decentralised HR business partners • The was evidence of siloed functioning in some instances which appeared to create some duplication of roles
PDPs are in place for HR employees/IDP	• The SoE uses IDPs which are drafted for each employee • The IDPs are aligned to the PM processes and capacity development programmes
The performance review assesses the achievement of the objectives	• There is evidence of a robust performance culture within the SoE HR function with ongoing performance monitoring against set performance objectives • Performance reviews are generally included in an electronic system • The performance processes are well documented and used to provide for performance incentives, where applicable and affordable
A formal training needs and gap analysis for HR people is completed on a regular basis to meet the changing needs of the organisation	• There are differing reports on conducting skills audits/skills gaps assessments. At least 50% of SoEs assessed have conducted audits coupled with support plans to address the identified gaps • Provision of resources and training opportunities is disparate and limited in some instances • In highly functional SoEs, comprehensive plans are developed with a programmatic strategy to build the capacity of employees (existence of well-established and functional learning academies) • The absence of a coordinated cohesive plan to address skills gaps and capacity has also been identified in some SoEs
Learning and development resources are actively coordinated and optimised across the HR function	• While L&D opportunities and resources are highly coordinated and highly effective in several SoEs, this does not hold true for all the assessed SoEs
Web-based support is available to provide access to performance support tools and development resources	• All SoEs assessed use web-based support which integrates all HR functions and support tools
Specialised training/mentoring programmes for grooming the next generation of leaders are in place	• Succession and career planning is embedded as a core HR function

	• Linkages to the talent management strategy are established where talent is identified and developed • In highly functioning SoEs, a structured coaching and mentoring programme is implemented linked to the talent pool for upward mobility
Talent conversations are held with HR employees	• Robust talent conversations are generally included in the performance discussions • The impact and effect of these cannot always be measured
Succession and career planning is embraced at the leadership level	• The HR functions of succession and career planning is driven almost exclusively by the head of corporate services and ratified by leadership
Succession planning and/or localisation is factored into the recruitment process	• The implementation of the HR value chain linking recruitment to succession planning, L&D and performance management is in place, reviewed and evaluated periodically
HR competency framework which is aligned to the strategy an operating model exists	• Competency frameworks are used in many of the SoEs reviewed • There is a disconnect between the competency framework and the operating model for employees below management
Competency frameworks include key and essential skills, knowledge, and behaviours	• The competency frameworks for the executives include the knowledge, skills, and behaviour for management • Technical skills are not explicitly included
Competency frameworks are used by HR and employees to identify and inform learning and development needs	• There is little evidence that the competency frameworks are linked to learning needs • Learning and development needs are often determined through the completion of the IDPs during the performance management process
Learning and development needs are addressed by clearly defined interventions and a curriculum which are contained in learning and development programmes	• Structured and relevant capacity development programmes are implemented to address identified L&D needs • There is evidence of partnerships with higher education institutions to provide accredited programmes • These are, however, not fully aligned to the talent management and succession planning processes
Employee surveys in determining L&D needs is implemented	• Little evidence of employee surveys linked to L&D needs and demands

The HR capacity and capability development within the SoEs appear to be managed much more effectively and efficiently than most departments within the Public Service. The performance assessments indicate significant levels of productivity outputs and efficiencies.

Key areas for support include the clarification of the roles, review of policy and governance frameworks of SoEs, which would have a direct impact on providing the requisite evolving capacity needs and demands to meet the revised roles.

While the SoEs have been issued a core mandate, there are requests and expectations to fulfil other government functions, at times, will limited capability to perform. Often this reflects a mismatch between the available skills and the required functions.

iii. Recommendations: Public Service, Local Government and SoEs

PER 2022: Recommendations: Public service, Local Government and SoEs

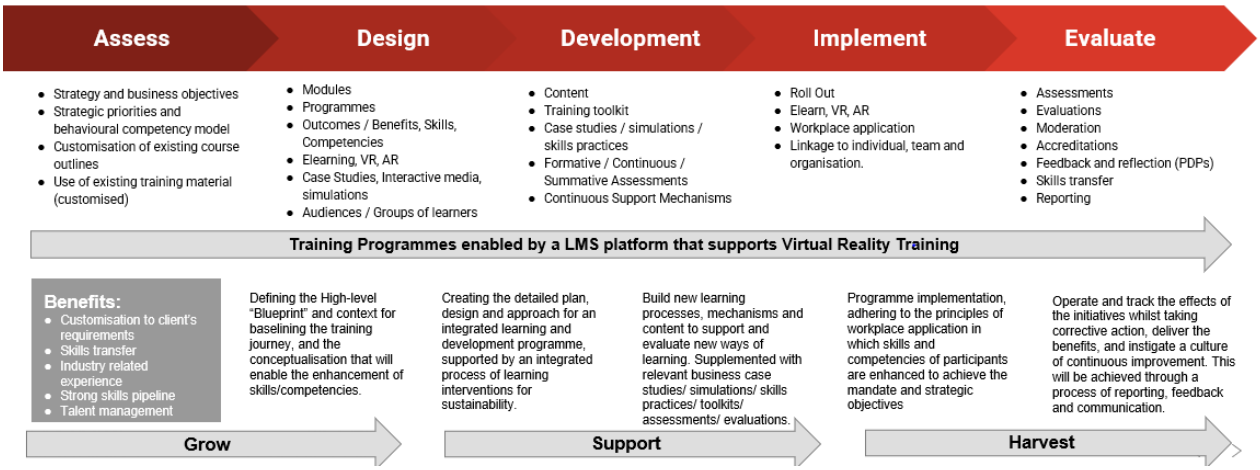
Emanating from the research, engagements and reviews conducted, the following is recommended for enhancing learning and development, succession/career planning and talent management for the PS, LG and SoEs:

- Given that the Public Sector employs over 1.3 million people, the need for harnessing the skills and capabilities of the workforce to respond to both the current and future service delivery needs has never been more urgent. Investing in the workforce through the provision of learning and development opportunities is invaluable to ensuring the sustainability and viability of the Public Sector
- The Government has published a significant number of plans, frameworks, acts, regulations, policies and learning programmes to ensure that public servants are provided with the requisite learning and development opportunities within the Public Sector. Senior management must be monitored and be held accountable for the lack of implementation and measurement in terms of the extensive frameworks and policies which exist and empower the need to achieve concrete results
- Supporting the implementation compliance will necessitate that HRD is elevated to strategic level to ensure that capacity and capability development is embedded in the core processes of organisation (vision, strategy, operating model)
- Only a few of the public service departments, municipalities and SoEs have repositioned the role of the HRD function to enhance optimal learning development and skills enhancement. This must be done across the Public Sector regardless of the location or size of the organisation
- Funding must be ring-fenced for capacity development, especially for programmes targeting specialised technical, technological, digital, and planning skills, by means of the following:
    - Clearly defined plans
    - Monitoring and evaluation
    - Focusing on renewal and compliance with the requirements of the new world of work
    - Impact assessments

    - Integrated mentoring and coaching interventions
- While many departments have very experienced skilled personnel in HRD, there is a need to build the skills and status of HRD practitioners in the Public Sector, to ensure high-quality professional standards for the occupations, and to develop mechanisms of support for HRD practitioners
- It is vital that the Public Sector be supported with the development of a comprehensive learning and development framework based on existing best practices. This may include:
    - NSG
    - SETAs
    - Review of programmes, interventions and curricula which are aligned to concrete needs which are identified at the coal face
- The need to move away from providing generic training to ensuring that capacity development programmes are role-centric, and employee focused. Upskilling or reskilling which focuses on capabilities for specific, in-demand jobs, is essential
- To build the capacity of departments and SoEs, it is vital that strategic partnerships and collaboration with higher education institutions, industry and professional bodies/associations are established
- These should be key in providing the requisite qualifications, training programmes, professional standards, and on-the job support in an integrated and measurable manner
- The NSG and PSETA, supported by DPSA must play a key role in supporting the professionalisation of identified job categories within the Public Sector by providing the requisite accredited or certified training and learning pathways
- To address the disconnect between the various components of the HR value chain, viz: attraction, recruitment, learning and development, performance management and retention, the Public Sector must develop and implement a comprehensive competency framework which is contextually relevant to the organisation's core mandate
- The competency framework must inform all processes along the HR value chain
- The DPSA should leverage off the competency framework guidelines drafted for the PSETA to support the Public Sector
- The competency frameworks compiled for the SMS and MMS members must be reviewed to ensure that it includes evolving technical and managerial competencies to meet the skills of the future
- The Public Sector must develop and promote a compelling employer value preposition (EVP) that positions the Public Sector as an employer of choice
- This will ensure that the Public Sector is able to attract and retain a highly skilled and competent workforce
- A key aspect to ensuring that entrants into the Public Sector are 'fit for purpose' is dependent on the pre-employment process
- Pre-employment training in the form of learnerships, internships or community outreach programmes will provide a solid grounding for employment effectiveness
- The Public Sector, in its quest to drive quality and timeous service delivery, can only accomplish this goal if it has a clear understanding of the skills it possesses and the skills gaps identified to meet the service delivery needs and demands
- Conducting skills audits and comprehensive skills gap analysis to inform capacity development programmes must be done consistently across all spheres of Government, including the SoEs
- The compulsory induction and/or onboarding of newly appointed employees in the Public Service who have already been exposed to pre-employment training needs should be implemented consistently across the Public Sector within the month of employment

- The Public Service needs to reflect on delays in productivity and acclimatisation within the work environment by developing concrete action plans which are implemented and monitored regularly
- Involve industry and professional bodies in the onboarding and orientation to ensure moving towards the professionalising the Public Service
- In addition to upskilling, the Public Sector must include a programmatic approach to reskilling and reorientation to ensure that the skills and values of the employees are aligned to the organisation
- The Public Service will benefit tremendously from encouraging the registration/affiliation of all employees to professional bodies or communities of practice to ensure ongoing development and exposure to trends and practices both locally and globally
- The Public Sector must, as a common practice, establish formal coaching and mentorship programmes especially in areas of updated and reviewed scarce and critical skills
- The capacity building programmes in the Public Sector must be customised to incorporate varied delivery methods (hybrid/blended learning). They should include formal qualifications, skills programmes, on-the-job support, rotation, and twinning with departments across the sector
- Even though talent management and career pathing featured significantly in the PER 2011, the findings reflected little progress in the implementation of a cohesive strategy developed and implemented across the sector
- The development of talent management strategies that map out career pathways for public servants is vital to realise the goal of securing a pipeline of key talent within the sector. This strategy should consider the future of the Public Service and the evolving needs of HRD in various departments
- It is recommended that the fragmentation of capacity building initiatives and poor management of training, reporting, and impact, should be addressed to ensure a robust integrated and automated learner manager system
- An integrated system will facilitate the linkages across the entire HR value chain, tracking development and growth from onboarding through to exit as part of the talent management process
- The support rendered by the Government in building the capacity of the State requires ongoing impact assessments and measurement to determine return on investment as well as return on experience
- The impact of digital disruption must inform the skills and competences needed for the Public Sector.

The following holistic approach is recommended for implementation internally with minimal cost implications in a timeframe not exceeding two years:



35. Key economic considerations

In Budget Review 2023, the National Treasury announced an increase in spending on the compensation of employees totaling R45.6 billion in the next three years (the medium-term expenditure framework). The table below shows how this is to be split over the three years and between National Government and Provinces. This additional spending will provide for the carry-through costs of the 2022/2023 remuneration increase and address the following:

- Shortfalls in compensation budgets for Provincial Departments of Education and Health resulting from previous budget reductions
- Enable hiring of new staff in safety and security departments and entities to fight crime and corruption while improving service delivery.

Table 1: National Treasury budgeted spending on public-service wages 2023/24 to 2025/26

Rm	2023/24	2024/25	2025/26	MTEF total
Carry-through of 2022/23 public-service wage increase	**14,973**	**15,198**	**15,426**	**45,597**
National	4,760	4,831	4,903	14,949
Provinces	10,214	10,367	10,523	31,104

The Budget Review also states that "If a wage agreement is reached in 2022/23 that exceeds the available budget, it would pose a significant risk to the in-year and medium-term fiscal projections".[32]

Public Sector Wage Bill negotiations between South Africa's major unions (including the Public Service Co-Ordinating Bargaining Council or PSCBC), representing over 53% of public sector workers, and the Government were concluded in March 2023 for financial years 2023/2024 and 2024/2025.

For the financial year 2023/2024, the employer is to pay employees on salary levels 1 – 12, including those remunerated in terms of an OSD in the Public Service, an average increase of 7.5%.[33] For financial year 2024/25, the increase is to be in line with the consumer price index for next year, as projected by the National Treasury.

The agreement of this wage increase is well above the 1.6% increase budgeted for in February's Budget Review 2023. The 7.5% includes the R1,000 per month tax cash gratuity granted to public sector workers in 2021 and 2022, meaning it is effectively a 3.3% increase, yet this is still over double the budgeted increase.

In this report, we assess the context around the arguments for and against a higher wage increase from what the National Treasury has budgeted.

This section is structured as follows:

- Firstly, we examine the global and domestic economic context and why fiscal policy tightening is essential. This is a context of decelerating global growth, lower-than-expected GDP in South Africa owing largely to load-shedding, and a domestic debt burden that is higher than previously anticipated, largely due to increased indebtedness and risks posed by SoEs and Local Government
- Secondly, it shows that the Government's investment spending, crucial for economic growth, has been severely neglected over the past years. Meanwhile, compensation spending is the largest expenditure item of the Public Sector, and it has increased more than any other spending item during the last decade. In fiscal year 2022/2023, compensation spending totalled R701.2 billion (compared to R600 billion in 2021/2022), representing 31% of consolidated government expenditure.[34] This has raised borrowing costs, contributing to rising debt service costs. Both compensation spending and debt service costs are crowding out urgently needed investment spending. Budget 2023 aims to ameliorate this situation by creating space for growth-enhancing investment and it is critical that it is allowed to do so
- The next part demonstrates the pressure on households caused by the rising cost of living due to inflation. It also recognises that inflation generally affects different income groups

[32] National Treasury, 2023. Budget Review 2023, p. 51. https://www.treasury.gov.za/documents/mtbps/2022/mtbps/FullMTBPS.pdf

[33] PSCBC, 2023. Press Release: Conclusion of the Public Service Wage Negotiations. https://pscbc.co.za/index.php?view=article&id=221

[34] National Treasury, 2023. Budget Review 2023, p. 51. https://www.treasury.gov.za/documents/mtbps/2022/mtbps/FullMTBPS.pdf

differently. These income groups are compared to the Public Service salary bands to estimate where the largest impact lies with regard to higher prices

- This is followed by comparisons in South Africa's spending on Public Sector wages with international benchmarks. Comparing the country to various cohorts across three key fiscal ratios, we see that South Africa is an outlier in that it has particularly high spending on Public Sector wages compared to other countries internationally. While the headcount of public servants is above that of regional neighbours, it compares to that of higher income countries
- Finally, it concludes with our recommendations.

The need for fiscal policy tightening

Globally, a sharp deceleration in growth is expected

According to the World Bank's Global Economic Prospects report published in January 2023,[35] global GDP growth is projected to slow sharply in 2023 to 1.7 %, from 2.9% in the preceding year. This reflects policy tightening across the globe to contain high inflation, continued disruptions from Russia's invasion of Ukraine, and financial weakness in the US, Euro area, and China.

"The combination of slow growth, tightening financial conditions, and heavy indebtedness is likely to weaken investment and trigger corporate defaults. Further negative shocks — such as higher inflation, even tighter policy, financial stress, deeper weakness in major economies, or rising geopolitical tensions — could push the global economy into recession", warned the multilateral organisation."[36]

The resulting spill overs will affect emerging market and developing economies, including South Africa. "Investment growth is predicted to remain below its average rate of the past two decades. Immediate policy action is needed everywhere to bolster growth and investment, including redirecting existing spending to more productive uses."[37]

In South Africa, COVID-19 aftereffects, electricity shortages and transport infrastructure challenges are further exacerbating the economic slowdown

In South Africa, domestic issues are further adding onto the impacts of a global economic slowdown, combining to produce weaker-than-expected economic and employment growth.

South Africa experienced slow economic growth prior to COVID-19. The country's real GDP per capita declined in four out of the six years during 2014-2019 due to a myriad of negative economic fundamentals and structural challenges. These included significantly increasing electricity costs

[35] World Bank, 2023. Global Economic Prospects. https://www.worldbank.org/en/publication/global-economic-prospects

[36] World Bank, 2023. Global Economic Prospects. https://www.worldbank.org/en/publication/global-economic-prospects

[37] World Bank, 2023. Global Economic Prospects. https://www.worldbank.org/en/publication/global-economic-prospects

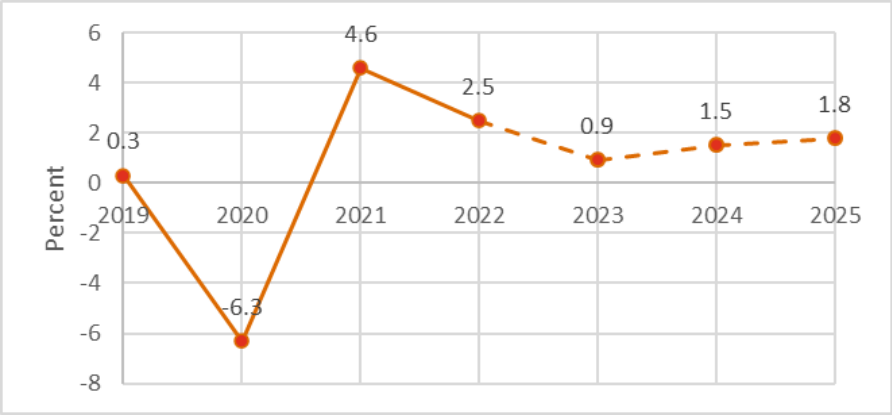
alongside rising incidents of load-shedding, deteriorating transport (road and rail) infrastructure and services, and increased political and policy uncertainty, amongst other challenges.

The local economy contracted by 6.4% in 2020 due to the adverse impact of the pandemic and associated lockdowns. This included the loss of more than two million jobs in 2020Q2 as lockdown regulations required many industries needing to close temporarily. Many businesses could not survive this and were forced to close down permanently. By the end of 2020, the country's employment was 1.4 million jobs lower compared to the close of 2019.[38]

While the economic bounce back in 2021 was able to grow real GDP by 4.9% in the year, formal and informal employment declined by nearly 500,000 positions during the year. Lingering restrictions on hospitality and other sectors, the closure of many small businesses due to the weak state of the economy, as well as weak investment spending across the economy resulted in continued pressure on the labour market.

Budget 2023 estimated that the South African economy grew by more than 2.5% in 2022, with the country adding 1.4 million jobs during the year. Stats SA reported in March that the economy expanded by a smaller-than-expected 2.0% last year following a 1.3% q-o-q decline in real economic activity in the fourth quarter of 2022. Budget 2023 foresees a growth rate of 0.9% for 2023 and an average growth rate of 1.4% over the three-year medium-term period until 2025 (see Figure 1 below).

Figure 1: Real GDP growth (%)



Source: National Treasury, Budget 2023

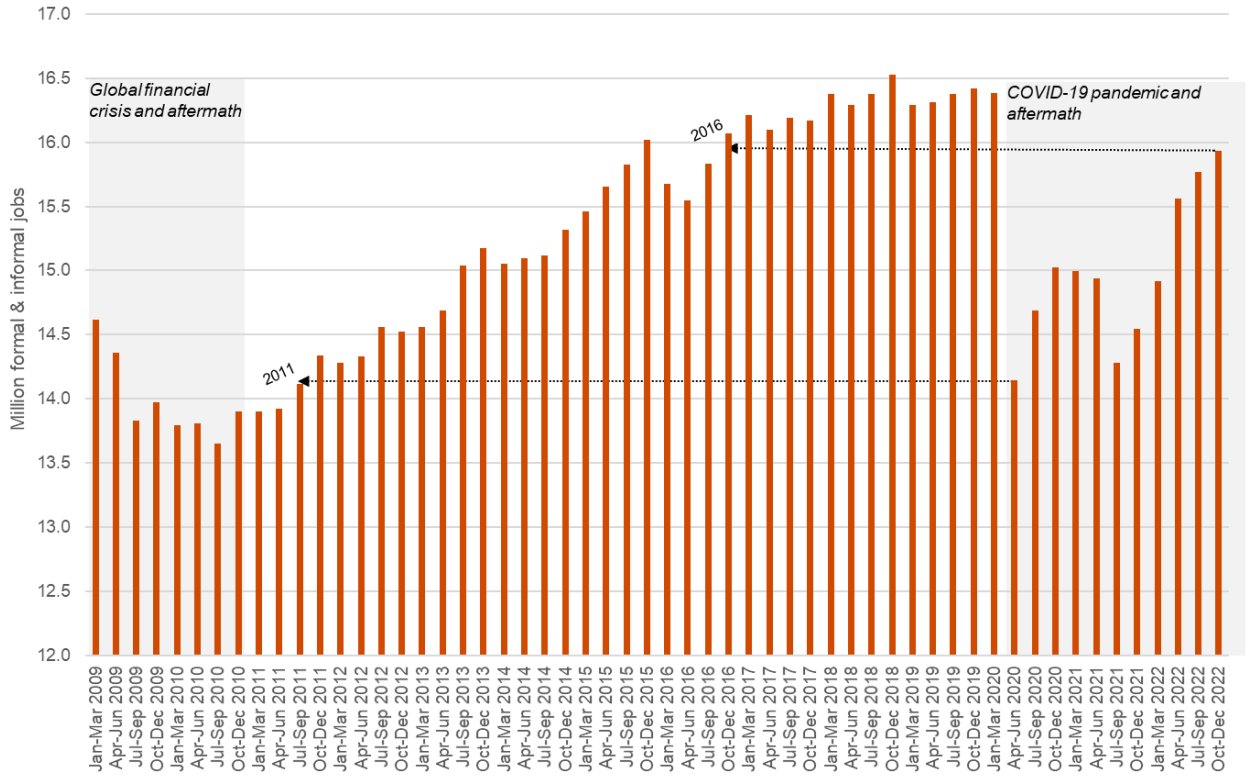
Unemployment remains the highest in the world — and will increase towards 2030

On the back of the significant job gains in 2022, South Africa's unemployment rate decreased to 32.7% in 2022Q4, down from a record-high of 35.3% at the end of 2021 (see Figure 2 below). While the unemployment rate declined, it was still the highest in the world. Youth unemployment

[38] Stats SA, 2020. Quarterly Labour Force Survey (QLFS) Q3: 2020. https://www.statssa.gov.za/publications/P0211/P02113rdQuarter2020.pdf

is particularly high at 71.1% under the expanded definition. The country has 2.5 million youths (aged 15-24) without jobs. Almost a million of these people have given up on finding a job.

Figure 2: Total employment



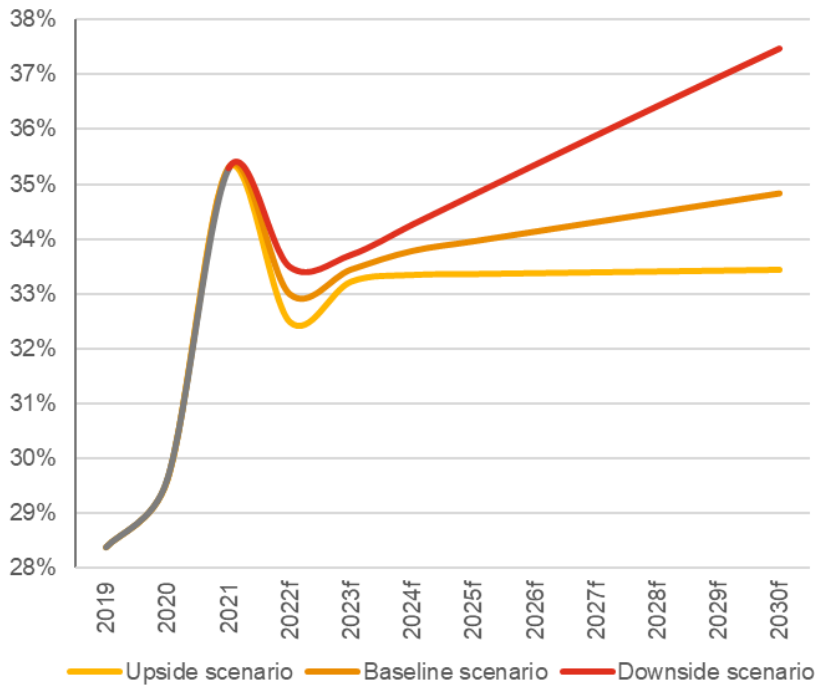
Source: Stats SA

Our current macroeconomic outlook sees real GDP growth moderating to a long-term average of around 1.5% per annum from 2025 onwards. This is close to the country's potential growth rate prior to the pandemic and around the same speed at which the population will grow. While positive developments like the launch of the African Continental Free Trade Area (AfCFTA) and increased investment in renewable energy must be noted, the list of economic challenges remains long. These include challenges to service delivery by state-owned companies like Eskom and Transnet, economic policy uncertainty (e.g. around expropriation without compensation and ownership of the central bank), as well as slower global economic growth as long as the Ukraine-Russian conflict continues.

Based on our statistical analysis of the relationship between economic and employment growth, this growth pace could create nearly 1.5 million jobs by 2030. However, at the same time, the country's labour force will continue growing as more youths enter the labour market, increasing the labour force by three million by 2030. Under our baseline scenario, the new jobs created towards the end of the decade will not be enough to absorb all of these new (unemployed)

jobseekers. As a result, with current trends in mind, PwC expects the narrowly defined unemployment rate to slowly rise in the years ahead towards 37.5% by the end of the decade under our downside scenario.

Figure 3: Unemployment rate (% of labour force) scenarios



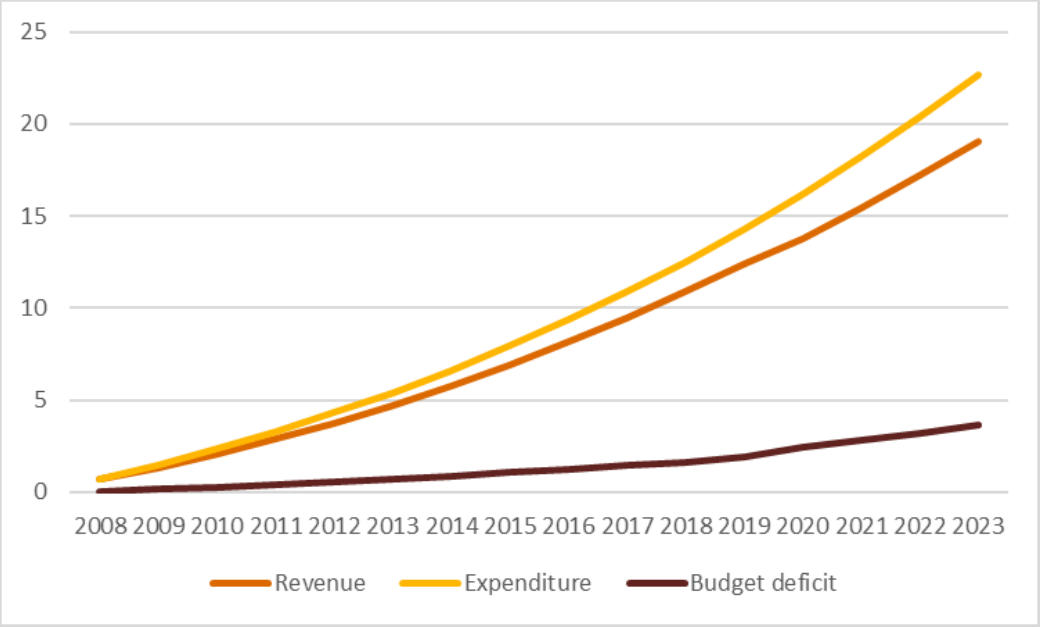
Source: PwC

The debt burden is not going down

South Africa's fiscal deficit and public debt have been on an unsustainable path for over a decade. South Africa last recorded a fiscal surplus in 2007; since then, expenditure has consistently exceeded revenue, bringing about a widening fiscal deficit each year. South Africa's fiscal deficit swelled significantly more with additional spending in response to the COVID-19 pandemic, as the Public Sector had to adjust to lower revenues and increased spending requirements around COVID-19. This pushed the fiscal deficit to a behemoth 9.8% of GDP in 2020/21.

The sustainability of public finances is severely at risk unless the large budget deficits and concomitant rapid increases in the public debt burden are promptly reined in.

Figure 4: Cumulative fiscal aggregates (R trillion)



Source: National Treasury

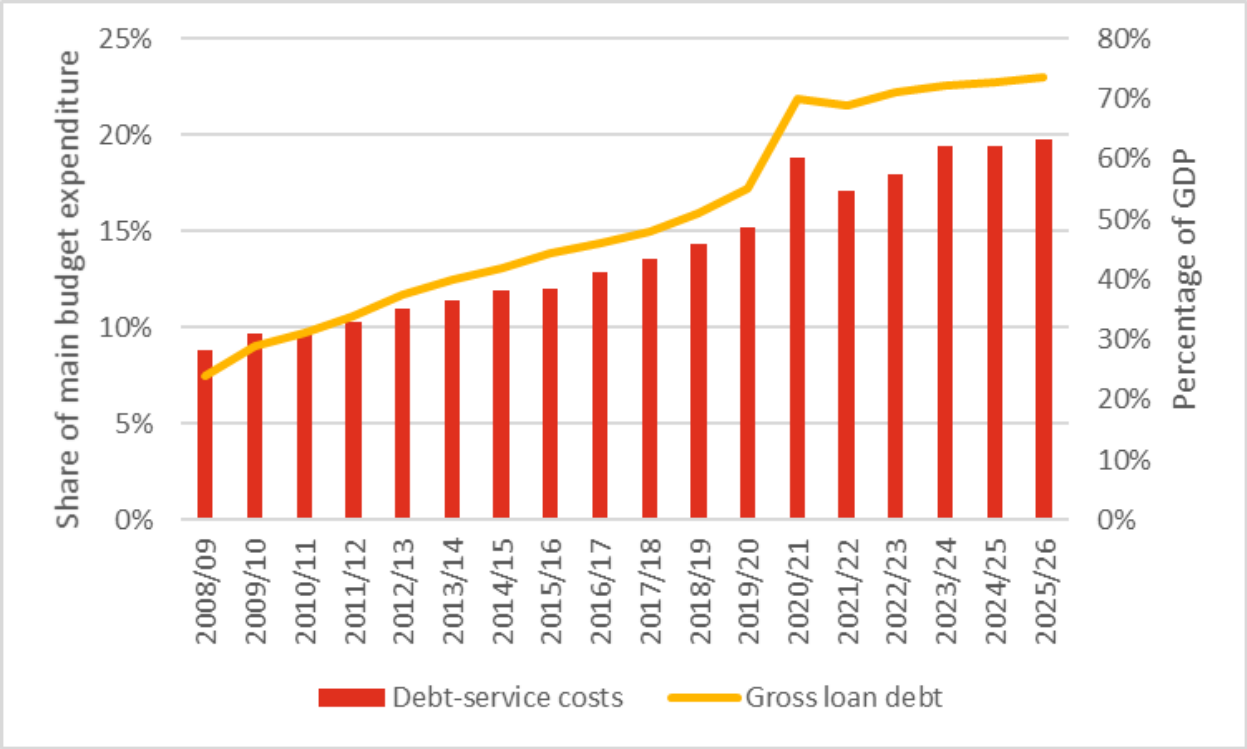
This burden on fiscal expenditure has been repeatedly noted by rating agencies who have lowered South Africa's sovereign bond rating to non-investment grade and deterred investment, which is a prerogative for economic growth. With South Africa's sovereign rating still firmly in speculative non-investment grade territory, it is suffering capital outflows and low levels of foreign investment. Investors use these ratings to guide them - either towards or away from - countries where changing risks impact on expected returns. Even with concerted effort, it has historically taken an average of seven years for a sovereign to return to the investment-grade club.[39]

Beyond the risks to financial sustainability, rising public debt has more immediate impacts on expenditure efficiency: South Africa will spend R1 trillion on debt service costs during the 2022/23-2024/25 period, which could have been spent instead on urgently needed growth-enhancing expenditure items to help the economy bounce back and reduce the unemployment rate. In the current fiscal year, debt payments will amount to R341 billion, equal to 19% of planned

[39] How We Made It in Africa, 2016. How long would it take South Africa to bounce back from junk status? https://www.howwemadeitinafrica.com/long-take-south-africa-to-bounce-back-from-junk-status/54633/

consolidated expenditure.[40] Budget 2023 expects Public Sector debt to increase from 71% of GDP in 2022/2023 to 73.6% of GDP in 2025/2026.[41]

Figure 5: Debt as a percentage of main budget expenditure (red) and Gross debt-to-GDP (yellow)



Source: National Treasury, Budget Review 2023

Reducing the debt burden and consolidating the budget (i.e. cutting less urgent spending and reprioritising towards growth enhancing spending with greater multiplier benefits to the economy) are therefore key for the South African government. The IMF warned in February 2022 already that, as South Africa's debt-to-GDP ratio continues to rise, it will create "significant risks" and leave "no fiscal space to respond to domestic or external shocks that could force an abrupt fiscal tightening with adverse growth and social consequences".[42]

The National Treasury reiterated its commitment to reducing public debt through a narrowing of the fiscal deficit, aiming to narrow the shortfall from 9.8% of GDP in 2020/2021 to 3.3% of GDP

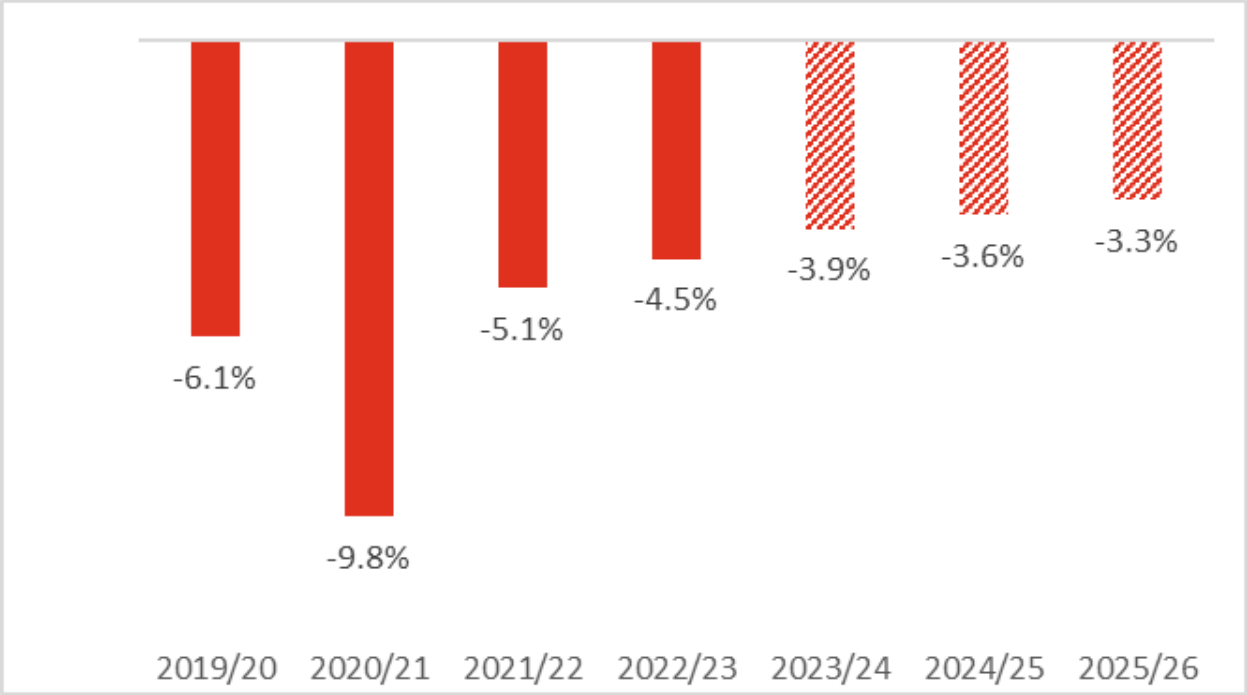
[40] Government of South Africa, 2022. Budget Review 2022. http://www.treasury.gov.za/documents/national%20budget/2022/review/FullBR.pdf

[41] Government of South Africa, 2023. Budget Review 2023. http://www.treasury.gov.za/documents/national%20budget/2022/review/FullBR.pdf

[42] IMF, 2022. Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for South Africa. https://www.imf.org/en/Publications/CR/Issues/2022/02/10/South-Africa-2021-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-513001

in 2025/2026. Budget 2023 aims to achieve a primary fiscal surplus in the current financial year and over the medium term as a critical policy stance. This means revenue will exceed non-interest spending for the first time since 2008/09. Meanwhile the consolidated deficit, which includes interest rate payments on debt, remains at 3.9% for 2023/24.

Figure 6: Consolidated budget balance (% of GDP)



Source: National Treasury

If South Africa can achieve the lowering of the deficit set out in Budget 2023, this will set a clear sign that South Africa is serious about bringing the country back onto a fiscally sustainable path. If South Africa instead reneges on its commitment to bringing down the deficit, this may compromise the South African government's credibility and damage the country's long-term ability to attract investment and spur economic growth.

SoE indebtedness is a growing burden on the budget and negatively impacts growth

South Africa's indebted SoEs are impacting the government budget and pose a significant risk to financial stability through various transmission channels. Most direct of these is the need for recurrent and large bailouts from the government. Much of SoE debt is government-guaranteed and SoEs provide key economy-driving services, such as electricity and transport.

In addition to budgeted bailouts, potential future bailouts (contingent liabilities) are uncertain and likely growing. Contingent liabilities risks from SoEs will further limit the capacity of the

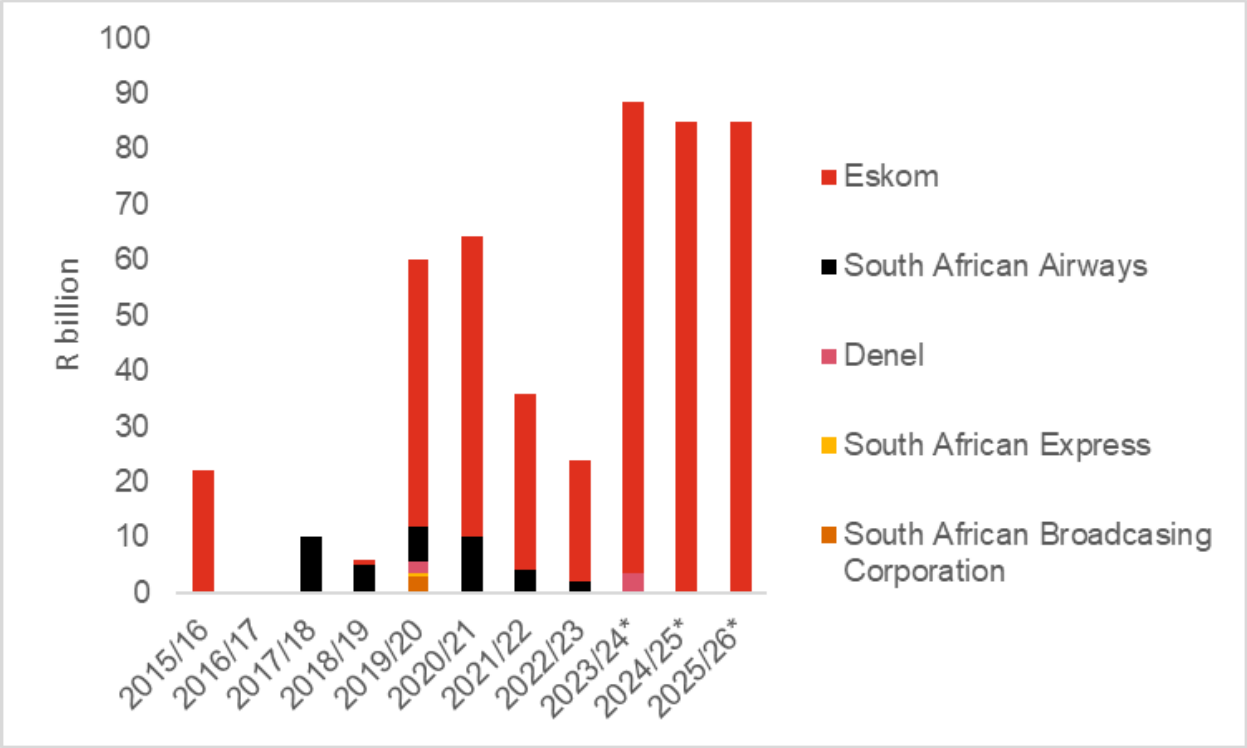
Government to absorb potential shocks or use fiscal stimuli. The contingent liabilities also raise South Africa's risk premium and borrowing costs.

Total contingent liabilities arising from state-owned companies have risen from R84.4 billion in 2008/09 to **R478.5 billion in 2022/23**. The 2022 Special Appropriation Act made way for additional amounts of money to be allocated to the South African National Roads Agency Limited (SANRAL), Denel and Transnet. Further allocations are proposed in the current financial year for South African Airways (SAA) and the South African Post Office.

Since 2008/2009, the Government has provided Eskom alone with R263.4 billion in bailouts. However, this has not stopped the collapse of Eskom's balance sheet and operations. Eskom's debt remains at R423 billion, of which R350 billion is government guaranteed.

In order to help re-establish a stable, uninterrupted power supply, the 2023 Budget reserves a further R254 billion in debt relief for Eskom over the three-year period from 2023/2024 to 2025/2026. This is considerably more than the National Treasury has paid in past bailouts (see Figure 7 below). The scale of Eskom debt relief increases Government borrowing and it means that it will take longer for debt payments to stop rising from year to year. Public debt is now set to peak at 73.6% of GDP in 2025/26.

Figure 7: Financial support provided to state-owned enterprises, 2015/16 - 2022/23



Source: PwC based on National Treasury data

Note: * indicates average budgeted figures over medium-term period

The National Treasury has introduced stricter **conditions on SoEs** to access bailout funds. For example, in Budget 2023, the National Treasury sets out conditions that Eskom must comply with in order to access the funds. For example, the debt relief can only be used to settle debt and interest payments and Eskom may not implement remuneration adjustments that negatively affect its overall financial position and sustainability.

The Government allocated an additional R3.4 billion to recapitalise Denel in the 2022 Medium Term Budget Policy Statement (MTBPS) (above the R5.8 billion it has also provided to recapitalise Denel since 2019/20), under the condition that it completes its turnaround plan. As it has not yet met this condition, Denel has not yet received this additional allocation.

Table 2 below shows the debt stock of South Africa's most indebted SoEs.

Table 2: Estimated SoE debt stock, 2023

Name	Industry	Number of employees	Debt
Eskom	Energy, public entity	42,749 (Eskom Annual Report 2021)	R423bn
Transnet	Transport	55,946 (Transnet Annual Report 2019)	R128bn
Denel	Defence	3,137 (Denel Annual report 2020)	R3bn
South African National Roads Agency (SANRAL)	Infrastructure	439 (Integrated Report 2022)	R48bn
Airports Company of South Africa (ACSA)	Airport management	2,439 (Integrated Report 2022)	R9bn

Passenger Rail Agency of South Africa (PRASA)	Railways	14,625 (Integrated Report 2022)	R122m

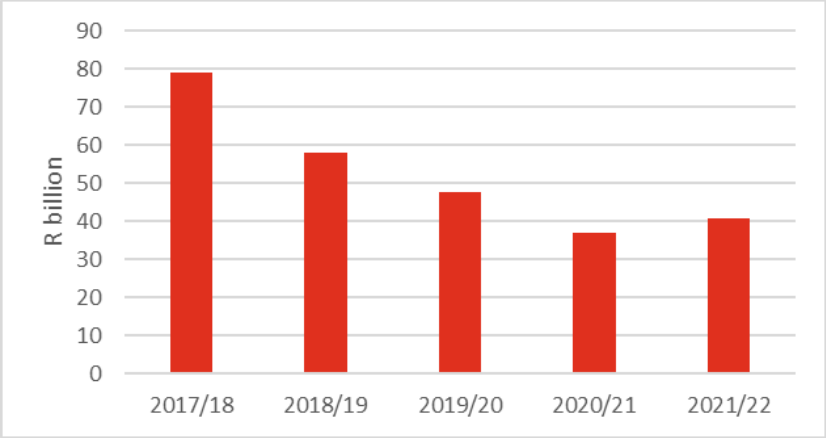
Source: Latest available integrated/annual reports/financial statements

Note: Annual financial statements with transparent debt figures are not up to date for all SoEs.

In addition to the direct pressure that bailout requirements place on public finances, SoE indebtedness is also having negative impacts on the broader economy. As SoEs cut costs to manage their budgets in the short run, they have prioritised operational and debt spending while delaying investment in growth-enhancing infrastructure for several years. Capital expenditure has continuously declined as the enterprises delayed and underspent on infrastructure projects, leading to a deterioration in the provision of key public goods and services, negatively impacting on the economy, and making debt recoverability increasingly difficult in the medium term.

After many years of significant declines in spending, capital expenditure increased slightly during 2021/22 as a result of an increase in repair and maintenance capital spending as shown in Figure 8 below. Due to reporting delays by SoEs, it is yet unclear what was spent during 2022/23

Figure 8: Capital spending by SoEs, 2017/18 - 2021/22



Note: Development finance institutions not included

Source: National Treasury, Budget 2023

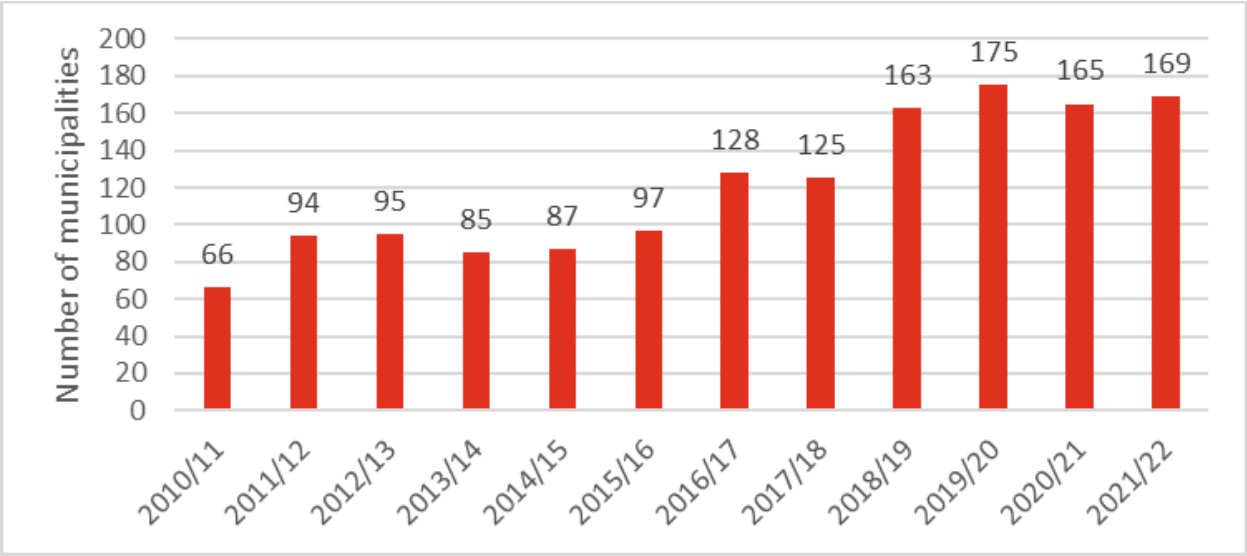
Local Government's financial management problems are negatively affecting growth

Over the past decade, municipal debt has been growing while municipal public services have experienced a deterioration, both of which impact on the Government budget as well as on the broader economy. This trend is expected to continue during the present financial year. This is particularly worrying as municipalities are mandated to provide critical social and economic services.

According to the National Treasury, “Municipalities will realise operating deficits on the operating budgets in the 2022/23 financial year as the total operating expenditure increases at a higher rate than the revenue projections”.[43] By the end of 2022, almost half of all municipalities (47%) experienced a budget deficit. The total deficit in Local Government amounted to R6.63 billion.[44]

As shown in the figure below, the number of municipalities in financial distress has increased from 66 to 169 since FY2010/11.

Figure 9: Number of distressed municipalities, 2010/11 - 2021/22



Source: National Treasury, 2022

In the context of constrained budgets, municipalities have consistently cut costs related to the delivery of public services. Meanwhile, they have consistently allowed debt expenditure and spending on employee-related costs to rise. The table below shows this for the nine metros. Between 2016/17 and 2020/21, **bulk purchases and contracted services declined**, while debt impairment and **employee-related costs increased significantly** as a share of expenditure.

Table 3: Change in contribution of operating expenditure categories (2016/17−2020/21)

[43] National Treasury, 2022. Media Statement: Local Government Revenue and Expenditure: First Quarter Local Government Section 71 Report for the period 1 July 2022-30 September 2022. https://www.treasury.gov.za/comm_media/press/2022/2022121201%20Media%20Statement%20-%20Q1%202022%20Local%20government%20revenue%20and%20expenditure%20Report.pdf

[44] National Treasury, 2022. Media Statement: Local Government Revenue and Expenditure: First Quarter Local Government Section 71 Report for the period 1 July 2022-30 September 2022. https://www.treasury.gov.za/comm_media/press/2022/2022121201%20Media%20Statement%20-%20Q1%202022%20Local%20government%20revenue%20and%20expenditure%20Report.pdf

	Bulk purchases	Employee-related costs	Contracted services	Debt impairment	Depreciation and asset impairment	Other expenditure
JHB	–2.0%	**3.40%**	–5.2%	**2.20%**	0.30%	1.30%
CPT	–4.2%	**4.20%**	–0.3%	**1.70%**	–0.6%	–0.9%
ETH	2.00%	**2.30%**	–1.9%	–1.2%	–0.1%	–1.2%
TSH	–2.6%	**2.60%**	2.80%	**1.60%**	–0.5%	–3.9%
EKU	0.90%	**4.00%**	–0.3%	–1.7%	1.00%	–3.9%
NMB	–3.5%	–4.1%	–6.9%	**7.90%**	4.80%	1.70%
MAN	–8.2%	**1.10%**	8.70%	**7.60%**	2.50%	–11.7%
BCM	–3.8%	**5.30%**	–6.1%	**5.00%**	2.70%	–3.1%
MSU	–7.6%	**3.00%**	–2.8%	**7.70%**	–6.6%	6.40%
All cities	–3.2%	**2.40%**	–1.3%	**3.40%**	0.40%	–1.7%

Further pressure is expected on municipalities as the result of the following challenges:

- **Economic slowdown:** A slow or stagnant economy reduces the intergovernmental transfers that local governments receive in the form of equitable share and conditional grants. These make up a declining percentage of Local Government revenue and have declined in real terms. Between 2016/17 and 2021/22, nationally raised revenues declined by an annual average of 6.9%, while the Local Government share declined by an annual average of 8.3%.

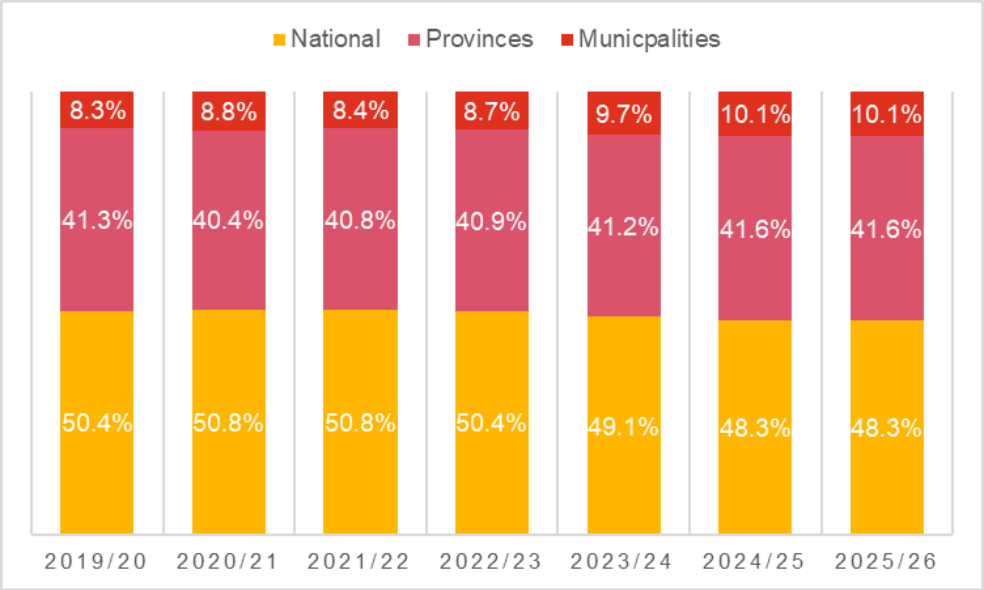
  The economic slowdown also reduces municipalities' ability to generate revenues from paying customers. A deteriorating economy means a decline in property values and fewer customers (both businesses and households) paying property rates, translating into a decline in municipal revenue. As levels of unemployment and poverty increase, fewer households are able to pay for municipal services, resulting in higher rates of non-payment and more households being classified as indigent, requiring subsidy support from the municipality

- **Load-shedding and electricity sales revenue:** Due to increased load-shedding, the municipalities' major source of own revenue (electricity charges) is diminished. Power outages increase damage to network infrastructure, e.g. substations and water pumps and load-shedding has increased illegal connections and theft/damage of municipal power infrastructure. In addition to this, increased tariffs raise costs of collection that municipalities pass on to customers, again increasing non-payment rates
- **Deadlock in coalition governments:** Six out of eight of the country's metros are now headed by a coalition government. Deadlock in decision-making and inaction follow an increased number of coalition local governments
- **Increase in climate-related disaster risk:** The increasing frequency of climate-related disasters, such as the 2022 flooding in KwaZulu-Natal, is expected to put further spending pressure on municipalities.

In this context of severely constrained budgets and increasing pressure on municipal budgets, it is crucial for municipalities to reprioritise and redirect spending towards those spending items that will enhance growth in their localities. Where employee-related spending should rise, this needs to be prioritised more efficiently towards items that improve the business environment (including especially on contributing to closing the energy supply gap) and pass a cost-benefit analysis. Meanwhile, capital spending items with higher positive impacts on the economy need to be increased, such as building, repairing, and maintaining basic infrastructure.

Budget 2023 has increased the share of expenditure going towards Provincial and Municipal Government.

Figure 10: Division of government revenue between Municipalities, Provinces, and National Government, 2019/20-2025/2



Source: National Treasury Budget 2023

Note: Figures for 2022/23 - 2025/26 are budget estimates

The need to redirect spending towards growth- enhancing expenditure

There is an ongoing debate between stakeholders in the fiscal space about the balance between recurrent spending (e.g. salaries) and investment expenditure (e.g. infrastructure development). From an economic perspective, the trade-off between different spending priorities can be tested by determining the economic impact of this expenditure on various factors like, for example, employment.

PwC's Social Accounting Matrix (SAM) estimates the direct, indirect (through the supply chain) and the induced impacts (from spending by employees in all the supply chain) of spending on the economy. In this regard, Government spending impacts the economy through two ways: recurrent spending (on goods, services, and salaries) and investment expenditure. The sum of the direct, indirect, and induced impacts represents the total impact.

According to Keynesian economic theory, any injection into the economy via investment capital, Government spending or the like will result in a proportional increase in overall income (measured through GDP) at a national level. The basic principle of this theory is that increased spending will have carry-through or multiplier effects, which result in even greater aggregate spending over time. The multiplier itself is an attempt to measure the size of those carry-through effects or impacts. The multiplier considers all direct and indirect benefits from that investment, or from the change in demand. The size of the impact or the effect on the economy depends on the size of the multiplier in the economy.

Our calculations show that spending on operational features like salaries and wages has a higher impact on skilled employment for every R1 million spent. What the table below shows is that R1 million spent by the Public Sector on salaries can create 1.1 skilled jobs. Conversely, spending this money on infrastructure development would have a higher impact on semi-skilled and unskilled employment. R1 million spent on infrastructure has a higher jobs multiplier for semi-skilled and unskilled opportunities when considering direct, indirect, and induced impacts. This does not even take into account all the other economic activity that, for example, the construction of a road can support. In other words, the impact of infrastructure spend on skilled, semi-skilled and unskilled jobs is likely much bigger.

Table 4: Employment multipliers per R1 million spent

Total impact on employment (number of job opportunities)	Operational	Infrastructure
Skilled impact on employment	1.11	0.54
Semi-skilled impact on employment	1.14	1.25
Unskilled impact on employment	0.85	1.07

Source: PwC

The Public Sector Wage Bill has crowded out urgent investment spending

Despite the need for investment spending to enable higher economic growth and job creation, investment spending remains low. The trend towards lower investment spending stemmed largely from state-owned companies struggling to access capital markets to finance infrastructure programmes and municipalities underspending on conditional grants and not collecting sufficient revenue to finance their capital budgets. Spending was instead increasingly oriented to current consumption.

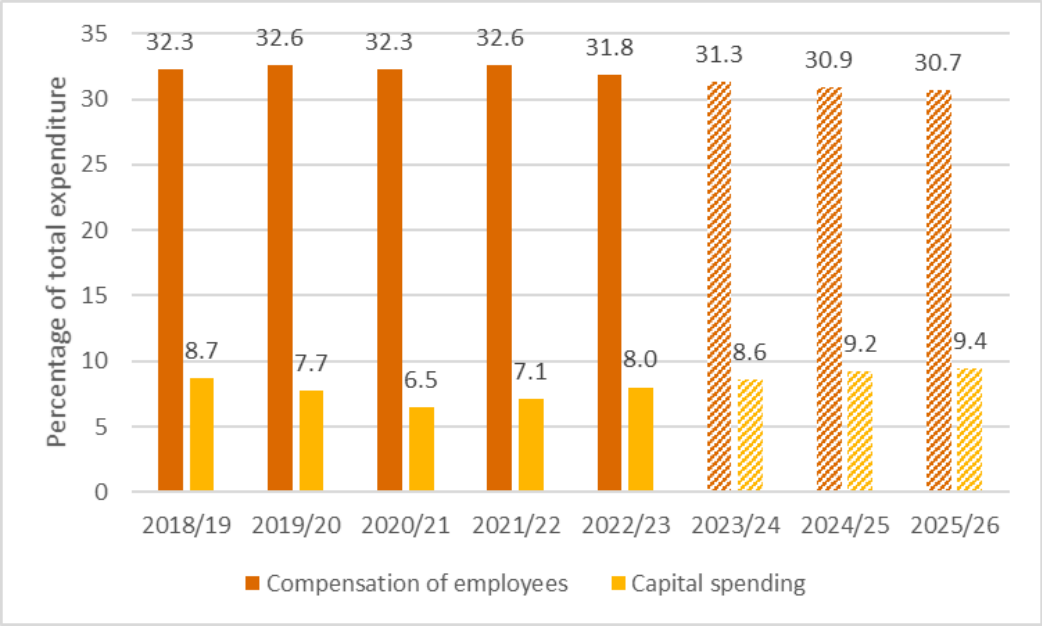
Meanwhile, public wage increases have been consistently above inflation. Research by Intellidex found that spending on public wages increased by an inflation-adjusted 44% between 2006/2007 and 2018/2019. In other words, when excluding the impact of cost-of-living adjustments, the Public Wage Bill increased by a real 44%[45] alongside an increase in staff numbers of less than 10%. Put differently, average public sector remuneration increased by CPI+3% during the 2006/2007-2018/2019 period.

Between 2008/09 and 2017/18 the Public Wage Bill grew from 31% to 35% of consolidated government expenditure, as shown in Figure 11 below. More borrowing was required to pay for this, thus increasing debt-service costs. As the Wage Bill expanded, more elastic spending items (not tied to bargaining agreements) needed to be cut, in real terms, to make space for public wage increases.

The Public Sector Wage Bill and debt service costs have thus crowded out other spending items such as infrastructure investment and transfers to Local Government, negatively impacting on service delivery and taking away opportunities for growth-enhancing and job-creating capital investment.

[45] Mail and Guardian, 2020. Public wage bill is impeding SA's growth prospects — Busa. https://mg.co.za/business/2020-11-09-public-wage-bill-is-impeding-sas-growth-prospects-busa/

Figure 11: Compensation of employees and capital spending (as % of total government expenditure)



Source: National Treasury, Budget Review 2023

Budget 2023 seeks to turn this situation around

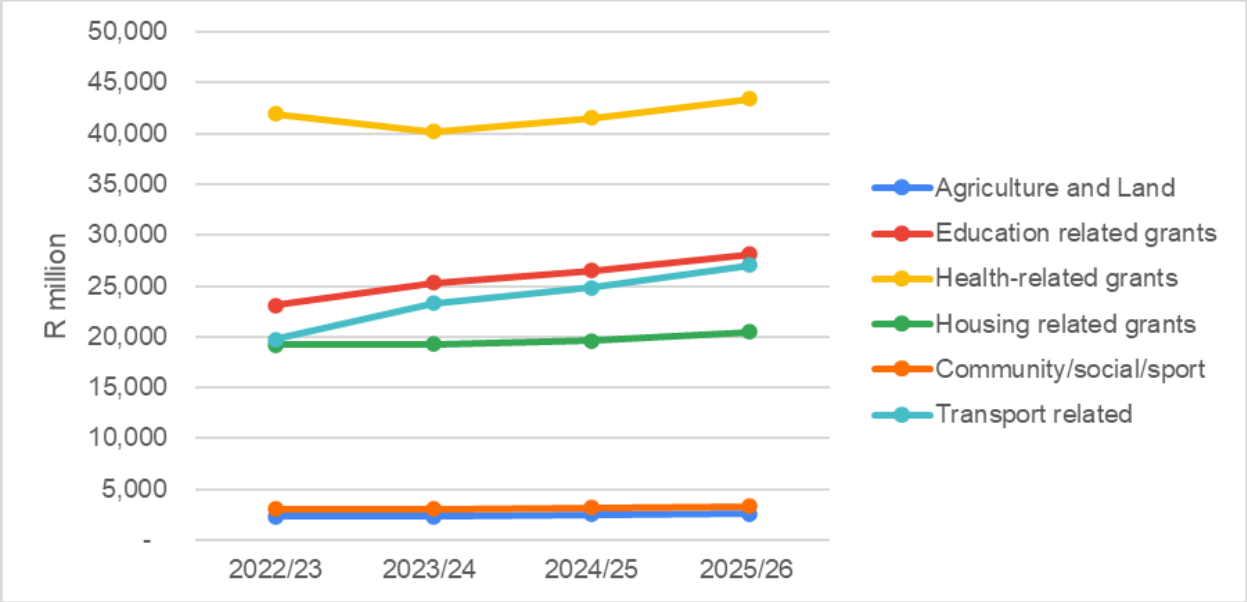
The above-inflation adjustments in public wages agreed in bargaining agreements contributed to an increased fiscal deficit and had to be financed through debt, thus contributing to the ballooning in Public Sector debt and rise in expenditure having to be allocated to debt service payments.

It is only from 2018/2019 onward that the Wage Bill has been steadied as a percentage of total spending, especially in 2020, which saw a particular spike in spending related to the COVID-19 response.

The last two Budget Reviews have tried to remedy the trend by increasing investment spending more than operational spending. According to Budget 2023, Spending on compensation of employees is set to reduce from 32.6% of total expenditure in 2021/2022 to 30.7% in 2025/2026.

Provinces are provided with more conditional grants for transport, education, and health.

Figure 12: Conditional grants, R million



Source: National Treasury, Budget 2023

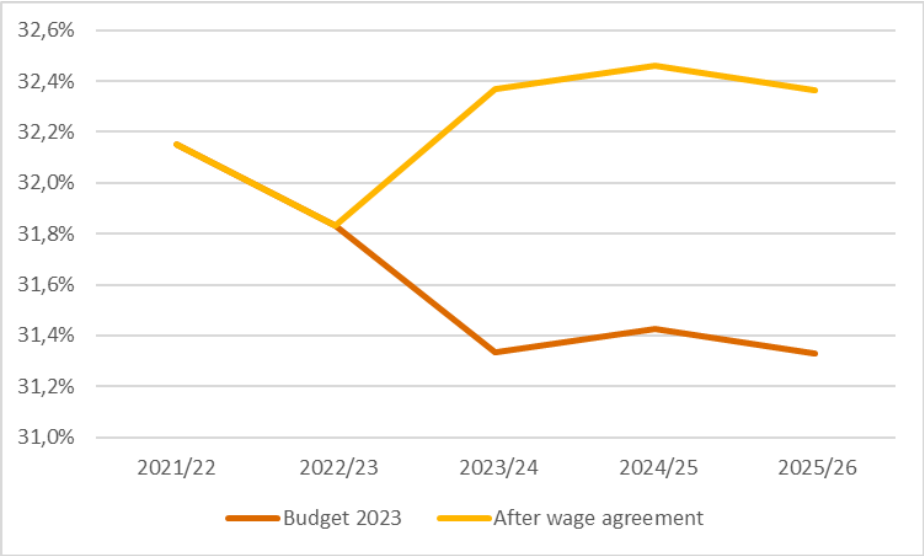
Impact of the Public Sector wage increase

The increase in compensation of employees of 1.6% budgeted for in Budget 2023 added R45.6 billion in expenditure over the next three years. However, the final agreement for wages was settled at 7.5%. This includes the translation of the R1,000 per month after-tax cash allowance into a pensionable salary plus an increase in remuneration of 3.3%.

However, the National Treasury has made it clear that no additional borrowing would be made to pay for the unbudgeted wage increases. Government departments would need to pay for their wage increases by delaying projects and programmes and by restrictions on recruitment, especially non-critical positions. Pay curbs would also be imposed in the over 180 public entities.

Nonetheless, the effective 1.7% increase in wage costs - calculated as the 3.3% increase in remuneration minus the 1.6% adjustment already planned for in Budget 2023 - will cause some fiscal slippage. Specifically, compensation of employees as a share of total spending will not decline as quickly as planned in Budget 2023. Our calculations indicate that, following the wage agreement, this spending component will in 2023/2024 constitute 32.4% of total Government expenditure, compared to a Budget 2023 figure of 31.3%.

Figure 13: Compensation of employees as percentage of total government spending



Source: PwC calculations based on data from the National Treasury

The need to alleviate inflationary pressures

In South Africa's context of structural poverty, income inequality and the world's highest unemployment rate, the need for fiscal consolidation, spending restraints, and spending redirection to growth-enhancing spending lines needs to be reconciled with protection of the poor, creating opportunities for the currently unemployed and especially youths, as well for achieving a more inclusive economic growth pathway.

The cost-of-living crisis: Inflation and inflation expectations

The global economic fallout from the Russian invasion of Ukraine included an increase in commodity prices and the weakening of exchange rates. As a result, the cost of imported goods - and those produced locally from imported inputs - increased significantly over the past 12 months. In December 2022, the cost of South Africa's import basket was 5.4% y-o-y higher.

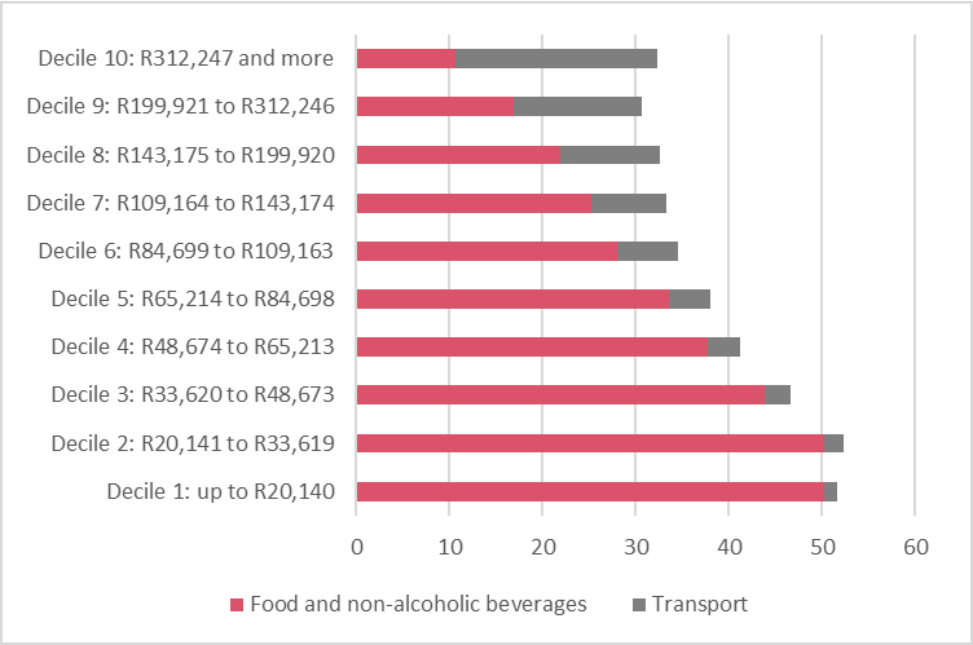
As a result of supply chain costs being pressured, **consumer price inflation averaged 6.9% during 2022** — the highest annual average since 2009. While this was still lower than the double-digit inflation rates seen in many northern hemisphere countries, it nonetheless constituted a cost-of-living crisis for South Africa. It was also accompanied by an increase in lending rates. The South African Reserve Bank (SARB) increased interest rates by a cumulative 3.75 percentage points between November 2021 and January 2023.

The SARB has forecast that inflation will average 5.4% in 2023. The Bureau for Economic Research (BER) Survey of Inflation Expectations shows that the average inflation expectations of

analysts, business people and trade unions for 2023 averaged **6.3%**. They expect inflation to subside to 5.8% in 2024 and 5.5% in 2025.

Of course, headline inflation masks differences in price pressures for households of different income levels. For example, while high-income households spend around a third of their budgets on food and transport, low-income households spend at least 50% on these categories. At present, with elevated food and fuel inflation, low-income households are experiencing more pressure on their budgets compared to higher-income ones. Stats SA reported that households in the decile 1 income category (the lowest annual income group) experienced inflation of 10.4% y-o-y in December 2022 while those in decile 10 (the highest income group) had an inflation rate of only 6.7% y-o-y.[46]

Figure 14: Food and transport spending as percentage of household budget by annual expenditure group



Source: Stats SA

Inflation rates will not affect Public Sector workers as much as the average South African. Public Sector workers fall into the highest income deciles with salary level 1 falling into decile 7 and over 80% of Public Sector workers falling into the top deciles 9 and 10. The majority of Public Sector workers will therefore experience an increase in the cost of living lower than the average.

Food prices in particular affect public employees considerably less than the average South African. With regard to costs of fuel, it is expected that Brent oil prices will fall from their 2022 average of $99 a barrel to an average of $87 in 2023.[47] In addition to this, Budget 2023 has called

[46] Stats SA, 2022. Consumer Price Index, December. https://www.statssa.gov.za/publications/P0141/P0141December2022.pdf

[47] Reuters, 2023. Column: Oil prices expected to average around $90 in 2023-2027. https://www.reuters.com/markets/commodities/oil-prices-expected-average-around-90-2023-2027-kemp-2023-01-13

for no increase to the Road Accident Fund (RAF) fuel levy, and no increase to the General Fuel levy. This means that 2023 is expected to bring a reprieve with regard to transport costs.

Comparing South African public service to its peers internationally

South Africa's Public Sector Wage Bill is high compared to other countries

The National Development Plan (NDP) 2030 noted that there is a need for greater efficiency in all areas of government expenditure and that particular attention needs to be given to managing the government Wage Bill. At the time of the NDP's publication in 2012, the Public Sector Wage Bill (including Local Government) exceeded 12% of GDP. The NDP determined that this was "very high by both developed and developing country standards".[48]

In this section, we interrogate internationally comparative data to determine whether South Africa's Wage Bill is, in fact, high compared to other countries. The data considered is an average for the period 2010-2020 which includes the post-global financial crisis period as well as the first year of COVID-19.

For this quantitative exercise, we made use of data from the IMF's latest Government Finance Statistics[49] and World Economic Outlook (WEO)[50] databases. The data we calculated looked at compensation from three perspectives:

- As percentage of GDP
- As percentage of government revenue
- As percentage of total government expenditure.

We have constructed several comparative groups to benchmark South Africa against. These include:

- All countries - the IMF databases have comparable data for 101 countries
- Group of 20 (G20) - this intergovernmental forum comprises 19 countries and members of the European Union and represents the world's largest economies
- Per capita income status - upper middle-income countries have a gross national income (GNI) of between $4,096 and $12,695 per capita in 2020, based on the World Bank classification
- Sovereign rating - sovereigns that are rated 'BB-' by S&P Global
- Sustainable Development Goals (SDGs) performance cohort - countries scoring between 60 and 70 (out of 100) in the Sustainable Development Report 2021

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[48] Government of South Africa, 2012. National Development Plan (NDP) 2030. https://www.gov.za/sites/default/files/gcis_document/201409/ndp-2030-our-future-make-it-workr.pdf

[49] IMF, 2022. Government Finance Statistics database. https://data.imf.org/?sk=3C005430-5FDC-4A07-9474-64D64F1FB3DC

[50] IMF, 2022. World Economic Outlook database. https://www.imf.org/en/Publications/WEO/weo-database/2022/April

- BRICS - member countries of the BRICS grouping.

The cohorts selected here offer diverse criteria for comparison. For example, the groupings based on G20 membership and per capita income status reflect the economic situation in the country, while the sovereign rating reflects fiscal health. The SDGs reflect socio-economic conditions, and, to a certain extent, the progress made in socio-economic development through fiscal expenditure. Table 5 provides a summary of the data analysis.

Table 5: Public sector wage bill comparison summary

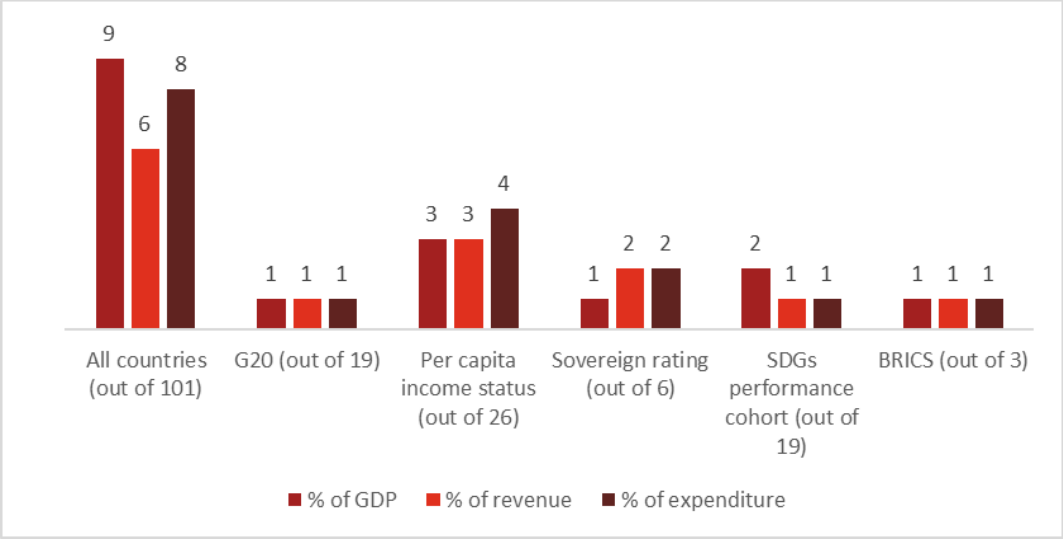
Comparative group	**Relationship**	**List of countries included in comparison. ***	**South Africa ranking**		
			% of GDP	**% of fiscal revenue**	**% of fiscal expenditure**
All countries	All countries in the IMF databases	101 countries	9th out of 101	6th out of 101	8th out of 101
Group of 20 (G20)	Size of the economy	Australia, Brazil, Canada, France, Germany, Indonesia, Italy, Japan, Mexico, Netherlands, Russia, Saudi Arabia, Singapore, South Africa, Spain, Switzerland, Turkey, United Kingdom, United States	1st out of 19	1st out of 19	1st out of 19
Per capita income status	Upper middle-income countries	Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Brazil, Bulgaria, Colombia, Costa Rica, Guatemala, Jordan, Kazakhstan, Kosovo, Marshall Islands, Mauritius, Mexico, Moldova, Namibia, Paraguay, Peru, Romania, Russia, Serbia, South Africa, Thailand, Turkey	3rd out of 26	3rd out of 26	4th out of 26
Sovereign rating	Sovereigns that are rated 'BB-' by S&P Global	Brazil, Côte d'Ivoire, Guatemala, Honduras, South Africa, Uzbekistan	1st out of 6	2nd out of 6	2nd out of 6
Sustainable Development Goals (SDGs) performance cohort	Countries scoring 60-70 (out of 100) in the Sustainable Development Report 2021	Cabo Verde, Cambodia, Egypt, El Salvador, Honduras, Indonesia, Kenya, Mauritius, Mexico, Moldova, Myanmar, Namibia, Nepal, Paraguay, Philippines, Saudi Arabia, Singapore, South Africa, Uzbekistan	2nd out of 19	1st out of 19	1st out of 19
BRICS	Member countries of the BRICS grouping	Brazil, Russia, South Africa.	1st out of 3	1st out of 3	1st out of 3

Source: PwC analysis using IMF data

*Not all countries classified in these groups are included in the IMF database. The countries listed in this column are those classified in the group for which IMF data is available.

It is clear that irrespective of the group or specific indicator used, South Africa's Public Sector Wage Bill is high by international standards. South Africa ranks ninth out of 101 countries with a wage bill averaging 13.3% of GDP during 2010-2020. The top four (Marshall Islands, Kiribati, Nauru, and Palau) on this list could also be considered outliers due to the uniqueness of these small island economies amongst the rest of the group - this would place South Africa fifth globally. In the other groupings, South Africa is consistently placed in the top four of countries included, and in many instances ranked first or second.

Figure 15: South Africa comparative rankings

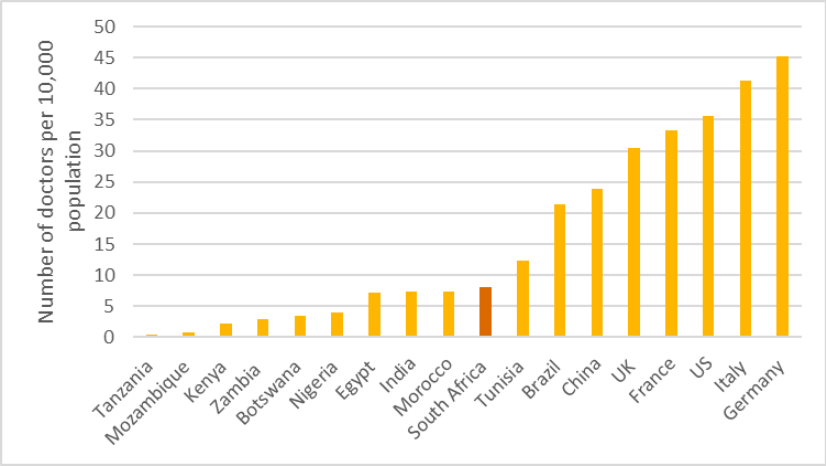


Source: PwC analysis using IMF data

Comparisons in the health and education sectors

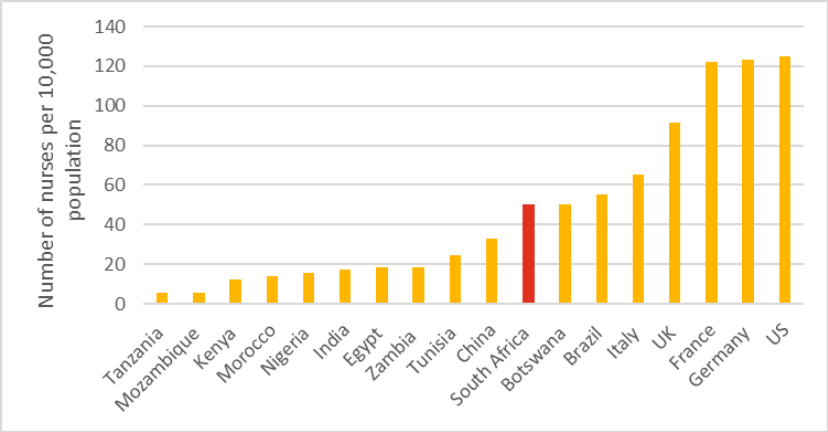
In terms of the health workers, South Africa has a higher number of doctors and nurses when compared to others in the region, but lower than OECD countries (see Figures 16 and 17 below).

Figure 16: Number of doctors per 10,000 population



Source: WHO, 2022

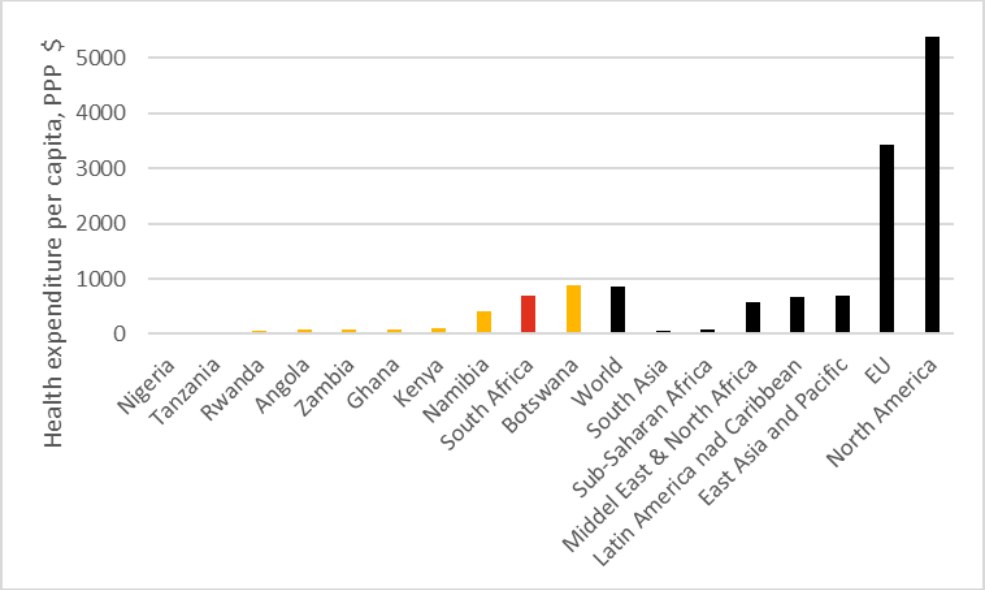
Figure 17: Number of nurses per 10,000 population



Source: WHO, 2022

South Africa's health expenditure compared to total government expenditure follows a similar trend as seen in Figure 18 below.

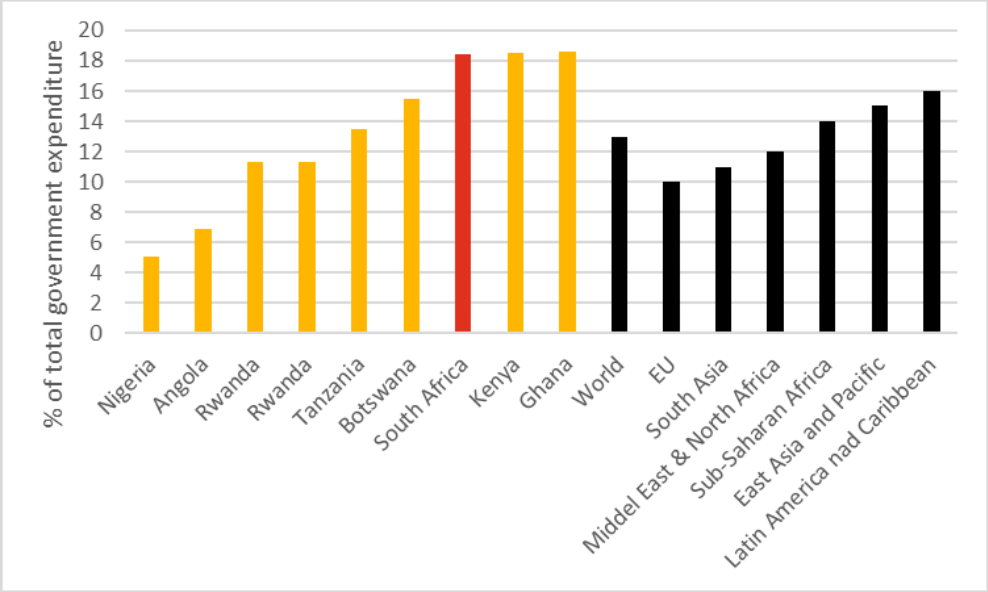
Figure 18: Domestic general government health expenditure per capita, PPP (current international $)



Source: World Health Organisation Global Health Expenditure database, 2022

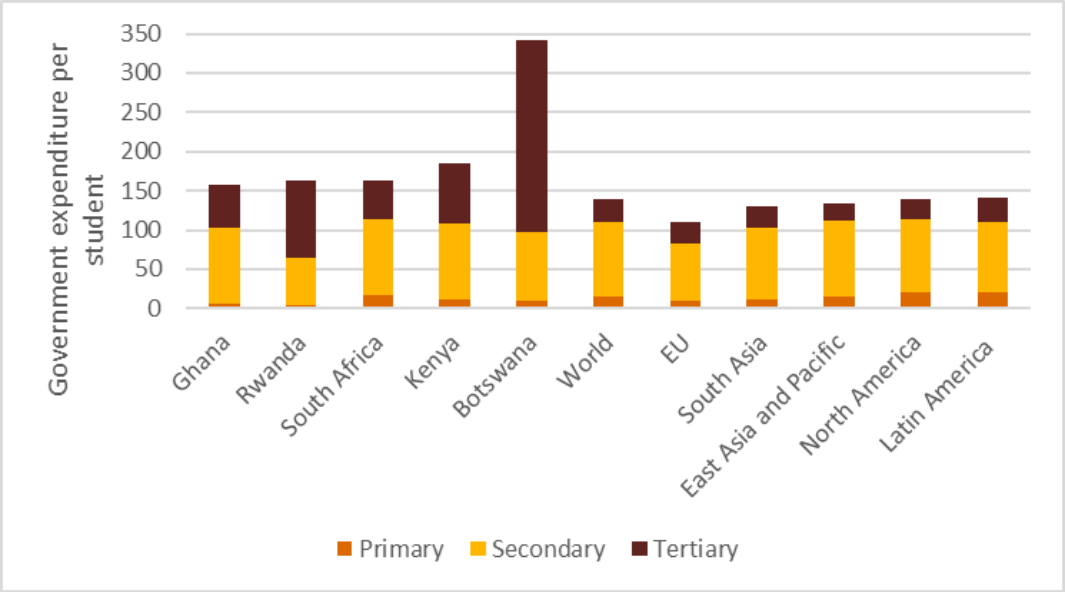
With regard to government expenditure on education, South Africa's is close to peers in the region, Kenya and Ghana, and higher than in other regions of the world (see Figure 19). This is also the case for government expenditure per student, as seen in Figure 20.

Figure 19: Government expenditure on education, total (% of government expenditure)



Source: UNESCO Institute for Statistics (UIS), 2022

Figure 20: Government expenditure per student (% of GDP per capita)



Source: UNESCO Institute for Statistics

There is comparatively less wage flexibility in South Africa

Due to varying production cost breakdowns, individual industries will be impacted differently by higher remuneration requirements to compensate for cost-of-living increases. Trade unions' elevated wage and salary expectations add an additional element of cost pressure for South African companies and the Public Sector Wage Bill. The local labour movement is powerful in its ability to shape remuneration trends due to the country's high rate of unionisation. According to the International Labour Organisation (ILO), South Africa ranks 26 out of 104 countries for union membership with a trade union density rate of 28% in 2016 (latest available comparative data). This is notably higher than an average of 22% amongst the 104 economies recorded by the ILO.[51] Due to this high density rate in South Africa, the flexibility of wage determination is constrained.

The World Economic Forum (WEF) Global Competitiveness Report 2019 ranked South Africa a lowly 134th out of 141 countries for wage determination flexibility. Cooperation in labour-employer relations is ranked an even-worse 139th.[52] As a result, trade unions' expectations of salary and wage increases are considerably more influential in remuneration agreements than in other countries.

[51] ILO database

[52] World Economic Forum (WEF), 2019. Global Competitiveness Report. https://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf

Recommendations

Containing the Public Wage Bill is critical to:

1. Creating the fiscal space urgently needed for growth-enhancing and poverty-alleviating spending items like infrastructure investment
2. Restoring GDP growth and bringing down South Africa's unemployment crisis
3. Bringing down the public debt burden, restoring credibility among investors, and restoring opportunities for South Africa's future.

Reasons supplied in favour of increasing the Wage Bill beyond what the National Treasury has budgeted in Budget 2023 included difficult economic conditions and rising prices for employees. Several factors need to be taken into account to bring this into perspective:

- The Public Sector Wage Bill was consistently increased at rates significantly above inflation over the last decade, forcing a reduction in real terms of other spending items needed to support economic growth and job creation. There is thus a backlog of demand for increases in other spending items, especially infrastructure spending
- Increased inflation and the rising consumer price index disproportionately impact lower income groups. Public Sector workers are not in lower income deciles of the population. They fall into the top three highest income deciles of the population, with 80% of Public Sector workers falling into the top two highest income deciles and not being as affected by rising prices as the average South African
- South Africa's Wage Bill as a share of its GDP is significantly higher than the average relative to various peer groups, including emerging market economies and countries with similar per capita income status and Sustainable Development Goals (SDGs) performance
- The increase in the Public Sector Wage Bill has not resulted in an increase in Public Sector employment.

We therefore conclude the following:

- **A rise in Public Sector wages above the inflation rate,** forecast by SARB to be at 6.0% in 2023, **is not justified**
- **A rise in Public Sector wages at the average inflation rate** forecast for 2023 **is not justified** as Public Sector workers fall into income deciles that are not as affected by rising living costs as the average South African household
- **The decade-long trend of increasing compensation expenditure at the expense of growth-enhancing capital spending needs to be reversed** so compensation expenditure should decrease compared to capital spending items. This is imperative to restore growth and create room for future growth of all spending items
- **The debt burden should not be increased under any circumstances**.

We thus recommend that Public Sector compensation expenditure does not exceed what is laid out in Budget 2023 for the medium-term period. Anything above this should be avoided at all costs. The aim of Budget 2023 to reduce compensation spending, reduce debt, and increase investment spending is highly commendable and absolutely crucial for economic growth and recovery in order to restore opportunities for South Africans, especially the growing youth population, as well as any future spending (including Public Sector remuneration) increases in the future. This will also help to restore credibility of the Government in view of investors and restore the investment climate.

We further recommend that more effort be made instead to redirect staff to growth-enhancing priority areas where staff is lacking, rationalise benefits and allowances, increase output per Public Sector worker, and increase headcounts only where additional personnel is cost effective in view of achieving rapid economic recovery.

36. Conclusion and way forward

The PER 2022 Report covers all the major areas identified in the context and scope determined by the DPSA and the National Treasury. Based on research conducted relating to similar studies conducted across the Public Service and the Public Sector in South Africa, it can be safely assumed that it is the most comprehensive and all-encompassing coverage with the largest stakeholder grouping to date.

A review of this magnitude has limitations due to the accessibility and quality of information and quantifiable data, which in this instance is restricted to the accessibility of data on PERSAL and PERSOL. It is for this reason that the qualitative engagements were deployed to fill the gaps where these existed.

This provides certainty that the views, findings and subsequent recommendations in this report are accurate and defensible. These can be summarised as follows:

- Linking HRM to the institutional strategy and objectives to be monitored by clearly defined systems interfaces and performance criteria
- Enhancement of climate and culture, which incorporate key value drivers and the principles of ‘Batho Pele’
- The creation of an integrated electronic system to manage LR nationally, including the determination of contingent liabilities to the State
- In-depth review of organisational structures (concurrence with the DPSA), job evaluations and job descriptions to ensure relevance and alignment
- Use existing policies and directives to implement a PMDS, which is driven digitally and is linked to measurable KPIs
- PMDS governance and oversight including decisive and accountable management and leadership is an imperative
- Implement an integrated remuneration framework that is systems enabled (IFMS) and based on solid foundations, enablers and critical success factors including a TCE for all post levels

- Review and revise current benefits and allowances in terms of the continued relevance and incorporate into a TCE for all post levels
- Implement a learner management system that oversees the entire L&D process. This system will handle tasks such as identifying employee training needs (WSP), curricula, content, and assessing impact to ensure continued relevance and cost benefit analysis.

An economic overview as it applies to the realities which prevail in the South African context provides perspectives in various industries and sectors of the economy. This includes growth projections which guide employment trends, affordability, and wage considerations over the next three to five years. It is evident that innovative solutions, practices, and priorities will be required going forward, given current fiscal constraints and the general climate that prevails.

This applies equally across all sectors of the economy. Competing priorities in the Public Sector and the forecasted decline in anticipated revenue growth call for new ways in dealing with the wide array of challenges and imperatives to be addressed. The ballooning Wage Bill needs to be addressed by considering of the findings and recommendations identified in the report.

The findings clearly emphasise the need to relook at structures, systems, processes, procedures, and operating models which hamper efficiency and effectiveness in many areas detailed in the report. Best practices and benchmarks have been identified in all areas to assist in identifying existing practices which can be renewed and re-engineered to save costs, overcome duplication, and address the lack of collaboration.

Some best practices and pockets of excellence exist in the Public Sector. These have been identified in the qualitative summary assessments for institutions which were sampled. It is envisaged that these areas of excellence and progress can be expanded without incurring large costs associated with renewal. Expertise does exist and should be deployed and fully empowered to drive these innovations going forward.

There are areas requiring significant attention and which, if left for much longer, will pose a huge risk to delivery and outcomes which need to be achieved. The areas of concern are clear and there is evidence to suggest that very little progress has been made in these areas since the PER 2011. Concrete and descriptive guidelines and considerations have been included in the recommendations.

Priorities need to be determined and addressed with vigour and without incurring huge associated costs. Expertise does exist and should be used to drive these innovations to completion in accordance with the purpose for which they were appointed.

The powers, functions, roles, and responsibilities of the DPSA, as a centralised supra-department need to be restored and capacitated with the skills, expertise and need to drive processes, outcomes, performance measures and implementation without compromise. Monitoring and continuous evaluation with significant consequences for non-compliance is essential. The support of the NT, PSC and the AGSA is also recommended.

37. Appendices

1. Appendix 1: Questionnaire
2. Appendix 2: Summary matrix of findings per Department/entity (colour-coded rating scales)

38. References, interviews, consultative workshops

South African Police Service

3. Generic SMS Annexures 20222023.docx
4. Generic PA Annex A DNC DC 20222023.docx
5. CONCLUDING OF PERFORMANCE AGREEMENTS OF SENIOR MANAGERS.pdf
6. 1 OF 2005 PERFORMANCE ENHANCEMENT PROCESS(PDF)
7. 1 of 2018 COLA 2018 to 2020.pdf
8. 1 OF 2018 PILOTS.pdf
9. 2 OF 2006 NEW SALARY STRUCTURE.pdf
10. SSSBC AGREEMENT 3 OF 2011 PROMOTIONS.pdf
11. 3 OF 2015 PROMOTIONS AND GRADE PROGRESSION.pdf
12. CIRCULAR WORKING HOURS .pdf
13. 5 OF 2002 Working hours in the SAPS.pdf
14. INCAPACITY LEAVE AND ILL HEALTH RETIREMENT 2009.pdf
15. 5 OF 2015 ILL HEALTH RETIREMENT AND ILL HEALTH RELATED MATTERS.pdf
16. 5 of 2019 BOARDS OF INQUIRY ITO SECT 34 OF THE SAPS ACT.pdf
17. 8 of 2019 Rotation of employees (006).pdf
18. 9 of 2019 ABSENTEEISM MANAGEMENT.pdf
19. AGREEMENT 3 OF 2014 OVERTIME.pdf
20. Annual Assessment Certificate SMS 20212022.docx
21. Appendix D 20222023.xlsx
22. INFO NOTE IA ADDITIONAL QUALIFICATIONS.pdf
23. CIRCULAR SCARCE SKILLS.pdf
24. INFO NOTE INTERNAL AUDIT.pdf
25. INFO NOTE CAT APPROVAL.pdf
26. INFO NOTE IA QUALIFICATIONS.pdf
27. SCARCE SKILLS POLICY.pdf
28. INFO NOTE IA RELAXATION 1.pdf
29. CATEGORISATION OF SCARCE SKILLS TO IDENTIFY CRITICAL SKILLS.docx
30. CIRCULAR EQUALISATION OF PAY PROGRESSION 2020.pdf
31. CIRCULAR WORKING HOURS REVISED.pdf
32. CRITERIA FOR THE PAYMENT OF ALLOWANCES .pdf
33. INFO NOTE INCREASE OF ALLOWANCE AND RESPONSE FROM FINANCE OCT 2021.pdf
34. Final PwC Report 26 September 2016.pdf
35. Generic SMS Contract 20222023.docx
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39. PRESENTATION MARCH 2019 LONG VERSION.pptx
40. RETENTION POLICY 7 OF 2017.pdf
41. SAPS Employment Regulations 2018 (Part I).pdf
42. SERVICE ALLOWANCE presentation 21 June 2021.pptx
43. SMS Generic Assessment Form 20212022 Final.xlsx
44. South African Police Service Employment Regulations 2018 (Part 2).pdf

Department of Defence

45. Circular Nr 04 of 2020 on implementation of cash awards for long service recognition
46. 202021 PMDS Instruction
47. CHR Instruction Leave Measures DAP and PSAP 2021
48. CHR Instruction 07 2016 Additional Measures to the Policy on Leave of Absence
49. CHR Instruction New Leave Types in DOD
50. DOD Policy and Procedures on Leave of absence SANDF members
51. Implementation Instruction 07 2016 – Additional Measures to the Policy on Leave of Absence
52. PMDS Presentation to SSO ISS
53. PMDS Report
54. Policy on leave of absence for PSAP in DOD

Department of Social Development

55. Implementation of rural allowance for social service professions - 18 May 2017
56. Report on challenges of the OSD on social service professions - 22 March 2012

Office of the Premier

57. DG to DG on OSD Architect stream (1).pdf
58. WCG CoE report_FINAL_21Mar2021.docx
59. WCG compensation prez_6July21_FINAL3.pptx

Council for the Built Environment

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61. Report on Gaps and Limitations of OSD 2022.pdf

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62. Published Identification of Work Board Notice 27 of 2021
63. SACAP Competencies

Department of Justice

64. Copy of SMS to LP 10 1 July 2007 as at APRIL 2020.xlsx
65. DISCUSSION DOCUMENT ON OSD AND RECOMMENDATIONS ON INTERIM SOLUTIONS (Part 1 to 3)

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66. Annexure A Comp_Mgt_OSD-Inputs_for_NHRC_October 2013 _WC.doc
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68. DPSA Western Cape Radiation Therapist 20220510.pdf
69. KZN Radiation Therapy Circular 20220516.pdf
70. Modified copy of NWDoH_OSD Inputs on Challenges and achievements).docx
71. Occupational Specific Dispensation Office of the Negotiator.docx
72. Response to NDoH re OSD challenges_achievements_corrective measures_WC.docx
73. Mail from GP_OSD Challenges.PNG
74. KZN Email_OSD Challenges.PNG
75. BXT Session - PER - Response re OSDs_final
76. WCGH COE Plan Guide (20211021) Final (Nov 2021)
77. 2012 Deloitte OSD report

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80. COMPARISON BETWEEN DETERMINATION AND LABOUR AMENDMENT ACT.docx.xlsx
81. Dept of Basic Education SCR Dec 2021.docx
82. Dept of Civilian Secretariat Police SCR Dec 2021.docx
83. Dept of Environment, Forestry & Fisheries SCR Dec 2021.docx
84. Dept of Government Communication and Information System SCR Dec 2021.docx
85. Dept of Government Technical Advisory Centre SCR Dec 2021.docx
86. Dept of Health SCR Dec 2021.docx
87. Dept of Higher Education and Training SCR Dec 2021.docx
88. Dept of Home Affairs SCR Dec 2021.docx

89. Dept of Human Settlements SCR Dec 2021.docx
90. Dept of National Treasury SCR Dec 2021.docx
91. Dept of Public Works SCR Dec 2021.docx
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95. DPSA PILIR Review Report_FINAL_LANGUAGE EDITED_KPMG_QUESTIONNAIRES INCLUDED.pdf
96. DPSA PILIR Review Report_SUPPLEMENTARY REPORT_LANGUAGE EDITED.pdf
97. Eastern Cape Provincial Government PILIR SCR Dec 2021.docx
98. EC Dept of Economic Development, Environmental Affairs and Tourism SCR Dec 2021.docx
99. EC Dept of Education SCR Dec 2021.docx
100. EC Dept of Health SCR Dec 2021.docx
101. EC Dept of Human Settlements SCR Dec 2021.docx
102. EC Dept of Local Government and Traditional Affairs SCR Dec 2021.docx
103. EC Dept of Roads and Public Works SCR Dec 2021.docx
104. EC Dept of Rural Development and Agrarian Reform SCR Dec 2021.docx
105. EC Dept of Safety and Liaison SCR Dec 2021.docx
106. EC Dept of Social Development and Special Programmes SCR Dec 2021.docx
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South African Police Services	Western Cape Office of the Premier	Limpopo Office of the Premier
National Department of Health	Western Cape Provincial Treasury	KwaZulu-Natal Office of the Premier
Department of Health Western Cape	Western Cape Provincial Parliament	National Department of Education
National Department of Justice	City of Cape Town	Department of Education Western Cape
Council for the Built Environment	National Parliament	Department of Transport KwaZulu-Natal
Department of Agriculture Gauteng	Ehlanzeni District Municipality	Transnet

Department of Economic Development Limpopo	Department of Social Development Gauteng	Department of Community safety Limpopo
Department of Arts and Culture Limpopo	Social development KwaZulu-Natal	Department of Arts and Culture Gauteng
Department of Community Safety Gauteng	Department of Social Development Limpopo	Department of Arts and Culture KwaZulu-Natal
Department of Correctional Services	Department of Transport Limpopo	Department of Agriculture KwaZulu-Natal
Department of Public Works and Infrastructure Gauteng	Department of Health KwaZulu-Natal	Department of Agriculture Limpopo
Department of Defence	Department of Health Limpopo	Nuclear Energy Corporation of South Africa

Department of Public Service and Administration Directorates	Department of Health Gauteng	Department of Cooperative Governance, Human Settlements and Traditional Affairs Limpopo
National Library of South Africa	Department of Health Free State	Department of Human Settlements Gauteng
Ditsong	Department of Education Gauteng	Department of Human Settlements KwaZulu-Natal
Freedom Park Heritage Site & Museum	Department of Education KwaZulu-Natal	Department of Public Enterprises
Office of the Premier Free State	Department of Education Free State	Department of Public works and infrastructure KwaZulu-Natal
Limpopo Gambling Board	Department of Education Limpopo	Department of Public Works, Roads and Infrastructure Limpopo

Free State Department: Economic, Small Business Development, Tourism and Environmental Affairs	Department of Human Settlements Free State	National Gambling Board
Liquor Board Free State	Limpopo Gateway Airports Authority Limited	Construction Education and Training Authority
National Department of Social Development	Limpopo Tourism Agency	National Skills Fund
Department of Social Development Free State	National Consumer Commission	Council on Higher Education
Department of Agriculture Free State	Companies and Intellectual Property Commission	Airports Company South Africa
Police Roads and Transport Free State	Umgeni Water	Air Traffic Navigation Services
Provincial Treasury KwaZulu-Natal	Mining Qualifications Authority	South African National Roads Agency
Provincial Treasury Free State	West Rand District Municipality	Umhlabuyalingana Local Municipality

Provincial Treasury Limpopo	Mogale City Municipality	Mtubatuba Local Municipality
Cooperative Governance and Traditional Affairs KwaZulu-Natal	Public Service Sector Education and Training Authority	uMlalazi Local Municipality
Cooperative Governance and Traditional Affairs Free State	South African Qualifications Authority	Greater Kokstad Local Municipality
Department of Public Works Free State	Banking Sector Education and Training Authority	Richmond Local Municipality

uMshwathi Local Municipality	Mantsopa Local Municipality
Big 5 Hlabisa Local Municipality	Ngwathe Local Municipality
Mangaung Metropolitan Municipality	Setsoto Local Municipality
CENTLEC	KwaZulu-Natal South African Local Government Association
North West South African Local Government Association	Dr JS Moroka Local Municipality
Mpumalanga South African Local Government Association	Madibeng Local Municipality
Free State South African Local Government Association	Moses Kotane Local Municipality
Tswelopele Local Municipality	SAFCOL
Eskom	