TO: ALL HEADS OF NATIONAL/PROVINCIAL DEPARTMENTS, OFFICES OF PREMIERS, AND GOVERNMENT COMPONENTS

CIRCULAR ON INTERIM MEASURES IN PREPARATION FOR THE 6TH ADMINISTRATION POST THE 2019 ELECTIONS WITH RESPECT TO ORGANISATIONAL STRUCTURE CONSULTATIONS AND OTHER GENERAL EFFICIENCY MEASURES

INTRODUCTION

1. During and post the 2018 Wage Negotiations, economic realities and financial pressures were discussed with organised labour. The purpose was to jointly look at tangible measures going forward, to remain within the budgetary ceiling without negatively impacting on job security, as well as ensuring continuous efficient and effective functionality of departments within the MTEF and beyond. Numerous HR and non-HR related areas of efficiency gains have been jointly identified between National Treasury (NT) and the DPSA, which will be incrementally introduced post-2019 elections.

2. In the 2018 State of Nation Address (SONA), President Ramaphosa indicated that: “... It is critical that the structure and size of the state is optimally suited to meet the needs of the people and ensure the most efficient allocation of public resources. We will therefore initiate a process to review the configuration, number and size of national government departments. We want to instil a new discipline, to do things correctly, to do them completely and to do them timeously.”

3. Furthermore, the Minister of Finance in his Medium Term Budget Policy Statement (MTBPS) in October 2018 stated that: “.....performance should be measured by whether people are gainfully employed. This Policy Statement highlights the difficult economic and fiscal choices confronting us over the medium term to reduce the structural deficit, especially the consistent high growth in the real public sector wage bill. New fiscal anchors may be required to ensure sustainability, in addition to the expenditure ceiling.”

4. The above contextual background, necessitates clarification to assist Executive Authorities (EAs) in decision making with respect to the following:-

   (a) The creation of crucial temporary or permanent posts for organisational functionality and delivery, which are directly linked to legal policy outcomes that ensures optimal utilisation of resources.

   (b) Employment of persons additional to the establishment.
(c) Organisational Design (OD) consultation requests on organisational structures to support the smooth transition from the fifth to the incoming sixth administration post-2019 elections.

(d) Other efficiency measures, which have an impact on organisational restructuring and optimal utilisation of resources.

A. ORGANISATIONAL STRUCTURES INTERIM MEASURES

5. In terms of Regulation 25(2) of the Public Service Regulation, 2016 (PSR), :- “based on the strategic plan of a department, an executive authority shall

(a) determine the department’s organisational structure in terms of its core mandated and support functions -

(i) in the case of a national department or national government component, after consultation with the Minister and National Treasury; and

(ii) in the case of a provincial department or provincial government component, after consultation with the relevant Premier, the Minister and the relevant provincial treasury.

(b) define and create the posts necessary to perform the relevant functions of the department while remaining within (i) the current budget; (ii) the Medium-Term Expenditure Framework of the department; and (iii) the norms and standards determined by the Minister for post provisioning for occupations or categories of employees;

and the posts so defined and created shall constitute the department’s approved establishment”.

6. In November 2018, Cabinet concurred with the progress made towards the policy framework for the determination of common norms and standards for the establishment of SMS Post Provisioning Norms (PPN), which will inform the supervisor: employee ratios and PPNs for other post levels in administrative offices in the 6th Administration.

7. Based on the above, any requests for consultation on any organisational structure, given the impending changes envisaged post the 2019 elections, should be confined to the following scenarios only:

(a) Addressing a need for posts, which are not located within Programme 1, which are supported by a defined constitutional policy outcome, which justifies the existence of that specific functional policy area aligned to the NDP priorities, which are located within an existing approved programme structure supported by legislation. All Programme 1 structures and the appropriate delivery mode will be reviewed by the 6th Administration in order to remove inefficiencies and duplications.

(b) Where an existing post provisioning norm (PPN) justifies the creation of such post, based on a statutory requirement.

8. In terms of the OD Directive 2016, the incoming EAs post-2019 election will apply their minds, whether a need exists to amend any existing organisational structure, based on
the stipulations in the PSA, the PSRs and the determinations and directives by the Minister for the Public Service and Administration (MPSA).

9. All current requests for consultation on organisational structures, which were forwarded to the MPSA to date, will be returned after application of the above criteria. In view thereof, any proposed changes to organisational structures other than those specified above, should kindly be deferred until the 6th Administration is in place given the anticipated changes expected to the whole Machinery of Government, both nationally and provincially.

B GENERAL EFFICIENCY MEASURES

10. Cognisance must be taken of the following interim measures which support ongoing HR efficiency gains:

(a) Creation and Filling of Posts

(i) EAs should ensure that functional organisational structures are aligned to their respective personnel budgets. Posts should only be created within the available funds in the current MTEF. Where fluctuations in the workload of a department occurs from time to time, voluntary or paid overtime or other appropriate measures should be considered other than employing persons additional to the establishment, unless such employment additional to the fixed establishment, conforms to the provisions as stipulated in Regulation 57(2) of the PSR.

(ii) Only critical posts required in a department should be filled in term of Section 9 of the PSA. The filling of critical posts is defined as those posts that are required to render a regulated or obligatory service to citizens, or the performance of a legislative function. This must be in line with an existing PPN where applicable.

(iii) Where the creation of a post is based on the redirection of funding from an abolished post to another post, the redundant post must first be abolished before the creation of the newly funded post. In a newly defined job, the EA shall evaluate the job in terms of the job evaluation system, in line with the requirements of the PSRs 39 to 46. A composite summary of the job evaluation outcomes and the recommendations of the job evaluation panel should be attached to the consultation documents to obtain the concurrence of the MPSA, if the posts are evaluated at levels 9 and above as contained in the 2016 OD Directive.

(b) Employment of Persons additional to the approved fixed establishment

(i) Regulation 57(2) of the PSR stipulates that "an executive authority may, unless otherwise authorised by the Act, within the available budget and at a salary level linked to a grade determine through job evaluation or as determined in an OSD, employ persons additional to the establishment where-

(a) the incumbent of a post is expected to be absent for such a period that his or her duties cannot be performed by other employees;

(b) a temporary increase in work occurs or it is necessary for any other reason to temporarily increase the staff of the department;

(c) an employee’s post has been abolished and he or she cannot be
transferred into another post; or

(d) an employee is part of a development programme as contemplated in regulation 58.

(ii) Regulation 57(4) of the PSR clearly stipulates that the employment of persons additional to the establishment shall not exceed 12 consecutive calendar months unless otherwise directed by the MPSA. Noting the above, departments should endeavour to deal with extra pressures through reassignment of responsibilities as far as possible before appointing persons additional to the establishment. The provision for additional employment should strictly adhere to the PSA, Sections 8 and 8A, regulations 57 and 82 read in conjunction with regulations 25(2) and 26 of the PSR.

(iii) Requests made for the extension or continuation of the employment for periods longer than 12 months, must be assessed against the original reason for the employment of persons additional to the fixed establishment specified in regulation 57(2) of the PSRs. Departments are to assess whether the original need for the function is still valid and justifiable based on why such persons were originally appointed, especially if such appointments emanated from transient needs of a previous principal, which may no longer be necessary.

(c) Posts in the Offices of Executive Authorities

Chapter 8 of the Ministerial Handbook and Regulation 66 of the PSRs, read in conjunction with section 9 of the PSA stipulate the standard configuration of Offices of Executive Authorities and the capacity requirements for such offices. Appointments made in terms of Regulation 66 of the PSRs, which stipulates that posts should only be filled linked to the term of office of the executive authority or the Deputy Minster. Where such staff posts exist, in the Offices of any former Ministers or Deputy Ministers in a portfolio where such office bearer position no longer exists, such staff posts must be abolished on the organisational structure of that specific department and funds must be redirected to the core line posts within that department. Temporary or contract staff within such offices cannot be converted to permanent appointments, nor can they be transferred into any post within the department.

(d) Programme 1: Administration Functions

Programme 1 is currently a generic support back-end function in all departments driven mainly by the PFMA and the PSA legislative requirements. Most of these highly repetitive functions are generally oversubscribed in most departments irrespective of compliance requirements, usually at the expense of core policy mandate line posts required in other policy delivery programmes. Therefore, moving into the 6th Administration, standardised PPNs will start becoming applicable, including how Programme 1 functions are currently structured, especially where a number of departments report to one Executive Authority. NT and DPSA are currently exploring the most efficient model or delivery mode for these administrative regulatory functions to release savings towards core line posts.
(e) **Revision of Programmes align to defined Policy Outcomes**

Currently, NT and DPSA are exploring the revision of the current approved Budget Programme Structure going forward, to ensure that each programme is aligned to a defined Policy Outcome based on legal mandates that must be funded. This will entail removing any superfluous or duplications of programme functions based on overlapping policy functions within and between departments. This will have a direct impact on the resultant approved organisational structures going forward.

(f) **Granting of Early Retirement without penalty for employees between 55 and 60 years**

Although this is a delegated function to each EA in terms of the PSA Section 16(6), the MPSA has an obligation to guidelines on standards to be applied when using this PSA provision. This will be supported by conditionalities provided by NT’s Funding Guideline for Early Retirement approvals, where support funding has been made available to assist identified departments who need to apply this provision for various efficiency reasons.

(g) **Decremental Budgets allocated for payment of Performance Bonus**

A strategy to decrease the percentage of a department’s allocated remuneration budget for the payment of performance rewards, that shall not be exceeded in terms of Regulation 73 (3) of the PSRs determined by the MPSA for the payment of rewarding performance in the current MTEF, has been developed together with NT. A complete review of the total PMD systems in the Public Service is underway, as the dimensions of the performance assessment and measurement must measure productivity of employees, as employees need to be rewarded for productivity and not for outputs only, as this has a direct impact on the salary bill. This decision does not however have any effect on the current prevailing PMD systems used to determine payment of annual pay progression. This however will be reviewed in line with the revised PMDS generic dimensions for all sectors.

11. In case of any enquiries, relevant officials may contact Mr Cornel Uys at the following contact details: Tel: (012) 336 1171 or cornel@dpsa.gov.za.

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