



**DEPARTMENT: PUBLIC SERVICE AND ADMINISTRATION
REPUBLIC OF SOUTH AFRICA**

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**TO ALL HEADS OF NATIONAL/PROVINCIAL DEPARTMENTS AND
PROVINCIAL ADMINISTRATIONS**

CIRCULAR NO. 1 OF 2004

IMPROVEMENT IN CONDITIONS OF SERVICE: 1 JULY 2004

INTRODUCTION

- 1 A multi-term agreement (Resolution 2 of 2004) (attached as Annexure A) was concluded in the Public Service Co-ordinating Bargaining Council (PSCBC) on the improvement of conditions of service for personnel who fall within the registered scope of the PSCBC, and is effective for the 2004/05, 2005/06 and 2006/07 financial years.

PSCBC RESOLUTION 2 OF 2004

2. The Resolution provides for the following:

- (a) **Cost-of-living adjustments for the 2004/05, 2005/06 and 2006/07 financial years:**

- (i) 2004/05 financial year (effective from 1 July 2004)

Projected CPI-X for the period 1 April 2004 to 31 March 2005, determined as 5% for the 2004/05 financial year, *plus* an additional 1.2% - **therefore totalling a cost-of-living adjustment of 6.2% with effect from 1 July 2004**

(ii) 2005/06 financial year (effective from 1 July 2005)

Projected CPI-X for the period 1 April 2005 to 31 March 2006 for the 2005/06-financial year, *plus* an additional 0.4%.

(iii) 2006/07 financial year (effective from 1 July 2006)

Projected CPI-X for the period 1 April 2006 to 31 March 2007 for the 2006/07-financial year, *plus* an additional 0.4%.

(iv) If there is a difference between the actual CPI-X and the average CPI-X for the periods referred to in (i), (ii) and (iii) above, the difference shall be dealt with in the adjustment for the subsequent year in the following manner:

- ❑ If the actual CPI-X is higher than the projected CPI-X paid, the full difference shall be added to the adjustment for the following year, namely 1 July 2005 and 1 July 2006.
- ❑ If the actual CPI-X is higher than the projected CPI-X paid for the period 1 April 2006 to 31 March 2007, the full difference shall be added to the outcome of the next round of the salary negotiations.

(v) It should be noted that those employees who are on personal notches on the salary grading system above the maxima of the salary levels attached to their posts due to the implementation of PSCBC Resolution 7 of 2002 (so-called restructuring agreement), are eligible for the cost-of-living adjustments provided for in this multi-term agreement.

(b) Scarce Skills Framework

- (i) Implementation of a Scarce Skills Framework, that provides for the payment of non-pensionable scarce skills allowances to identified scarce skills occupations.
- (ii) In short, an Executing Authority may implement a departmental or provincial strategy with the view to pay scarce skills allowances in terms of the Scarce Skills Framework to employees in occupations or sub-occupations who are identified as scarce skills occupations in terms of the prescribed criteria.
- (iii) Before an Executing Authority may implement the departmental or provincial strategy to pay scarce skills allowances, he/she **must**

obtain the Minister for Public Service and Administration's and the Minister of Finance's concurrence – requests should be submitted to the MPSA.

(c) Review of remuneration packages for identified categories of employees

- (i) Review of the total remuneration packages payable to identified categories of employees in consultation with the relevant departments, with the view to ensuring that these employees are appropriately remunerated. Trade unions would be involved with the identification of the categories. Health Care and Social Workers have been identified as part of the first group of occupation categories to be reviewed.
- (ii) The outcome of the review will be subjected to negotiations in the PSCBC, with regard to matters of mutual interest, with the view to implementation by 1 January 2006.

(d) Pay progression

- (i) A joint Review between the employer and trade unions of the current Pay Progression System that is part of the existing Incentive Policy for the Public Service. The Review shall be completed and recommendations be subjected to negotiations, where applicable, in the PSCBC, with the view to implementation with effect from 1 April 2006.

(e) Housing benefits

- (i) Except for the current basis of calculating the Home Owners allowance, Part IV of Annexure B to PSCBC Resolution 3 of 1999 is repealed and replaced with the housing allowance. The housing allowance will be revised based on the basis applicable to that of the repealed Home Owners Allowance Scheme, i.e. the Minister for Public Service and Administration will revise the allowance quarterly based on the weighed average interest rate levied by the five biggest financial institutions. This value will be capped with effect from 1 January 2009.
- (ii) The housing allowance would be payable to a permanent employee who owns or rent a home in South Africa and which is occupied by the employee and/or his/her spouse and/or dependant children.
- (iii) The housing allowance is-

- ❑ subject to the submission of proof of ownership and lease agreement;
 - ❑ in respect of one home;
 - ❑ for one spouse if both are in the employ of the Public Service, unless for operational reasons they are stationed at different magisterial districts and maintain two separate homes; and
 - ❑ where a number of independent employees, having separate rental agreements, live in one house, payable to each employee.
- (iv) Employees who are current beneficiaries of the repealed Home Owner Allowance Scheme will qualify immediately for the housing allowance, equal to the value of their current home owners allowances as revised on a quarterly basis. The housing allowance of employees, which is less than the maximum housing allowance, will be increased as part of the phasing-in process referred to hereunder. Employees who purchased a home on or after the date of the signature of the Resolution will qualify immediately for the maximum housing allowance of R 403 per month, as revised on a quarterly basis.
- (v) Other employees, i.e. those with rental agreements and who could submit proof of ownership may qualify for the housing allowance, which will be phased in over a period of 5 years. The phasing-in will commence on 1 January 2005 with a minimum amount of R 100 per month, which amount will be increased every year on the basis agreed to in the Resolution to the maximum of R 403 p.m.
- (vi) The rental payable by employees occupying State Housing, as required by the employer, shall with effect from 1 January 2005 be increased on the basis contemplated in clause 7.1.8 of the Resolution. The applicable clauses in Part XVI of Annexure B to PSCBC Resolution 3 of 1999 are amended accordingly.
- (vii) The rental payable by employees occupying other housing than State Housing as provided for in terms of Part XVI of Annexure B to PSCBC Res. 3 of 1999 shall be in terms of a departmental policy, provided that the rental is not less than that applicable to State Housing.
- (viii) The current State Guarantee Scheme will remain in force.

- (ix) A system to manage and control the housing allowance should be developed by the employer to ensure that the allowance is paid only to the employees who do qualify for the housing allowance. Further guidelines, should be developed and distributed in consultation with Labour on procedure, etc.
- (x) The PSCBC should develop and present mechanisms to encourage and promote home ownership, which includes among other awareness and access programmes. To this end, departments should note that the PSCBC would take the lead to develop mechanisms to encourage and promote home ownership. Such mechanisms would include awareness and access programmes. An appropriate communication will be issued once information and/or implementation of such programmes become(s) available.

(f) Medical assistance

A joint task team is to be established between the DPSA and National Treasury to develop the membership enrolment strategy.

(g) Review of PSCBC Resolution 3 of 1999

A joint review between the employer and trade unions of all allowances provided for in PSCBC Resolution 3 of 1999 is envisaged. The review will be completed and recommendations will be subjected to negotiations on matters of mutual interest in the PSCBC by 31 December 2006.

(h) Minimum service level agreements on essential services

The relevant sectoral bargaining councils would deal with agreements that provide for the maintenance of minimum services in a service designated as an essential service, as envisaged in section 72 of the Labour Relations Act, 1995. These agreements must be finalised by 15 November 2004.

SCOPE OF APPLICABILITY OF THIS CIRCULAR

- 3. The salary adjustments and improvement in conditions of service contained in this Circular apply to personnel appointed in terms of the **Public Service Act, 1994 and the Correctional Services Act, 1998** who are in service on the **date of implementation** of the adjustment.
- 4. The measures contained in this Circular do not apply to the personnel groups listed below. The (possible) adjustment of salaries or improvement in

conditions of service of these personnel groups, or the implementation/adjustment of the formulae to accommodate such improvements, is being dealt with separately and, where applicable, particulars thereof will be announced as soon as possible by the Executing Authorities concerned:-

- (a) Senior Managers/Professionals on SMS Grades A to D (former salary levels 13 to 16) appointed in terms of Public Service Act, 1994, the Correctional Services Act, 1998, the Defence Act, 1957, South African Police Service Act, 1995 and the Employment of Educators Act, 1998.
- (b) Personnel on salary levels 1 to 12 employed in terms of the Employment of Educators Act, 1998.
- (c) Personnel on salary levels 1 to 12 employed in terms of the South African Police Service Act, 1995.
- (d) Members on salary levels 1 to 12 employed in terms of the Defence Act, 2002.
- (e) Personnel employed in terms of the National Prosecuting Authority Act, 1998 and the Magistrates Act, 1993.

IMPLEMENTATION OF PROVISIONS CONTAINED IN THE PSCBC RESOLUTION 2 OF 2004

General

5. The Minister for the Public Service and Administration (MPSA) has determined the following:

- (a) Cost-of-living salary adjustment with effect from 1 July 2004
 - (i) Implementation of the salary levels contained in Annexes B, C and D for full-time and part-time (5/8th and 6/8th) employees on salary levels 1 to 12.
 - (ii) The adjustment of salaries of the employees referred to in (i) who are on salary notches on the salary key scale implemented with effect from 1 July 2003, in accordance with the translation keys attached as Annexures E, F and G.
 - (iii) The translation of personnel currently on personal salary scales (on the salary key scale which applied on 30 June 1996 or who

were awarded a (personal) salary scale or notch since 1 July 1996 that is not reflected on the salary grading system key scale) to the salary grading system in terms of this Department's circular minute 1/2/1/P dated 11 January 1999. Such employees must again exercise the choice as per the form attached as Annexure H.

- (b) Implementation of the Scarce Skills Framework (Annexure I), which provides for the payment of non-pensionable allowances to employees in identified scarce skills occupations.
- (c) In order to give effect to the contents of clause 7.1 of the Resolution 2 of 2004, the MPSA also—
 - (i) approved that the implementation of the housing allowance be dealt with in two phases, i.e.
 - Phase 1 will deal with issues that warrants immediate implementation, e.g. issues related to the payment of the housing allowance to employees who are presently in receipt of a home owner allowance or became home owners on or after the date of signing of the agreement;
 - Phase 2 will deal with implementation issues that will become effective from 1 January 2005, i.e. issues related to the introduction of the housing allowance in the case of rentals, etc. (the MPSA will during this phase develop detailed determinations and guidelines to give effect to these issues);
 - (ii) made a determination that the conditions of service contained in clauses 7.1.1, 7.1.2 and 7.1.7 of PSCBC Resolution 2 of 2004 replace the conditions of service contained in Part IV of Annexure B to PSCBC Resolution 3 of 1999, effective from 29 September 2004;
 - (iii) made a determination that the conditions of service contained in clauses 7.1.8 and 7.1.9 of Resolution 2 of 2004 amends the conditions of service contained in Part XVI of Annexure B to PSCBC Resolution 3 of 1999, effective from 1 January 2005; and
 - (iv) made a determination in terms of section 3(3)(c), read with section 5(4) of the Public Service Act, 1994, regarding the

conditions of service contained in clauses 7.1.1 and 7.1.6, read with clauses 7.1.3 and 7.1.4(a) and (b) of PSCBC Resolution 2 of 2004, as at Annexure J.

Measures that must be complied with when translating personnel

6. Certain employees on personal salary scales/notches on the salary key scale that applied on 30 June 1996 or who were awarded a (personal) salary scale or notch since 1 July 1996 that is not reflected on the salary grading system key scale, will again have to be afforded the choice to be translated to the revised salary levels of the salary grading system. Such persons must again exercise the choice as per the form attached as Annexure G.
7. The employees referred to paragraph 7 above who would have qualified for an annual notch increment on 1 July 2004 on their personal scales, but who will be translated to one of the salary levels of the salary grading system, will not receive the increment on the personal salary scales on the said date on translation to the salary grading system.

Effect of the cost-of-living adjustment on general conditions of service

8. For the purpose of classifying officers and employees according to their salaries, when applying the directives with regard to official journeys, means of transport, subsistence allowance etc., officers and employees who receive personal salaries higher than the maximum of the standard salary levels attached to their ranks are deemed to be in receipt of salaries equivalent to the maximum notches of the standard salary levels attached to their ranks.
9. Should any remuneration, rates, allowances, etc. exist which have to be adjusted and which are not covered in this Circular or the Annexures thereto, proposals for the adjustment thereof should be submitted to this Department.

SCARCE SKILLS FRAMEWORK

10. The problem of scarce skills is historical in nature, and has resulted in under-developed human resources which further impacts on the State's ability to recruit and retain scarce skills that are critically required in order to improve service delivery. Service delivery departments are seriously affected by the skills shortage and this often translates to the lack of capacity to delivery services. One of the strategic objectives of the National Human Resource Development Strategy, which was implemented in the Public Service, is to "improve the supply of high-quality skills (particularly scarce skills) which are responsive to societal and economic needs".

11. The DPSA has provided departments with a policy framework as a guide to develop and implement departmental scarce skills policies. The Policy Framework, inter alia, contextualise the problems being experienced with scarce skill employees in the Public Service in relation to the open labour market and also contains possible strategies, which departments may adopt. These strategies are aimed at ensuring that in the long term, the State as employer has sufficient (perhaps even an excess supply) or pool of skills from which to draw its human resources.
12. With the implementation of the Scarce Skills Framework the payment of scarce skills allowances (monetary compensation) should however not be seen as a panacea to the problems associated with recruitment and retention of scarce skills. Other areas that may require attention, would relate to training and development, work environment and career management. The challenge is for departments to adopt an integrated approach on the issue of scarce skills in order to develop and implement departmental or provincial strategies that incorporate all facets relating to the recruitment and retention of scarce skills. In other words, compensation-related incentives may appear to be the best method (as quick-fix) of ensuring that the required skills are recruited and retained, however, it is important to note that this may only be a short-term solution to the problem. Longer-term solutions need to be found, therefore building skills and competencies by means of providing training, development of employees, issuing of bursaries and learnerships should run concurrently with compensation-related incentives. This would require the full implementation of existing legislative frameworks, the establishment of private/public partnerships and the co-operation of educational institutions.
13. The following provisions contained in the Scarce Skills Framework is emphasised/clarified:
 - (a) Before an Executing Authority implements a departmental or provincial strategy to pay scarce skills allowances, he/she **must** obtain the MPSA's and the Minister of Finance's concurrence – requests should be directed to the MPSA.
 - (b) Executing Authorities shall determine (identify) the occupation/s and sub-categories by means of prescribed criteria in the Scarce Skills Framework and shall classify the identified occupations or sub-occupations in terms of the degree (extent) the occupation is considered as a scarce skills occupation. Representative trade union parties **shall be consulted** in the relevant bargaining structures in this regard. The MPSA would not entertain any requests unless Executing Authorities complied with this requirement.

- (c) The following allowances may be paid to employees (including employees appointed on term contract) in **full-time** employment in approved posts on the establishment or additional to the establishment (therefore excluding employees appointed on a 5/8th or 6/8th basis) in the form of a non-pensionable scarce skills allowance to employees in an occupation or sub-occupation determined by the MPSA for this purpose:

Degree of scarcity	Allowance
Degree 0 and 1	Nil
Degree 2	10% of basic salary (notch)
Degree 3	15% of basic salary (notch)

- (d) Executing Authorities shall, at least every 24 months, review the departmental or provincial scarce skills strategy (including the identified categories of occupations or sub-occupations) to ensure that it is still appropriate and addresses peculiar needs. Any proposed changes that relates to the classification of occupations must be submitted to the MPSA for an appropriate determination.
- (e) Affected employees would have to sign an undertaking that payment of any allowances in terms of departmental or provincial strategies shall be terminated or reduced in the following circumstances:
- (i) In the event of re-classification as a non-scarce skills occupation or sub-occupation or reclassification of degree of scarcity, termination thereof or reduction of the allowance after a written notice period of three (3) months.
 - (ii) In the event of transfer or promotion of the employee to a post in the same or another occupation with a lower classification in terms of the degree of scarcity, termination thereof or reduction of the allowance with effect from date of transfer/promotion.
- (f) The Scarce Skills Framework is implemented with effect from date of signature of the Resolution. This, however, does not imply that any payment of scarce skills allowances would be backdated to this date, but would only be payable with effect from a date as determined by the MPSA, in consultation with the Minister of Finance.
- (g) Implementation of the Scarce Skills Framework does not set aside or vary existing strategies/policies or agreements on scarce skills

allowances at sectoral, departmental or provincial level within the public service.

- (h) Any changes to the Scarce Skills Framework (i.e. amendment to the percentage of basic salary that is payable in the form of a scarce skills allowance) shall be subject to negotiation in the PSCBC.
14. The MPSA and the Minister of Finance would consider requests in a comprehensive manner during the implementation phase of the Scarce Skills Framework. To give effect to this, the following processes apply:
- (a) Executing Authorities should submit their requests for payment of a Scarce Skills allowances to identified scarce skills occupations or sub-occupations in terms of the departmental or provincial strategy to the MPSA by the end of March 2005. Any requests received after the said date would only be considered during 2006.
 - (b) The MPSA and the Minister of Finance would consider the requests during the period May to June 2005 with the view that scarce skills allowances be implemented with effect from 1 July 2005 for those approved occupations and sub-occupations.
15. Proposals/requests submitted to the MPSA by Executing Authorities to determine (classify) an occupation or sub-occupation as a scarce skill in terms of the Scarce Skills Framework for purposes of payment of a scarce skills allowances, **must include** the following:
- (a) A comprehensive departmental or provincial strategy to address the shortage of scarce skills by means of an integrated approach that incorporates all facets relating to the recruitment and retention of scarce skills (i.e. capacity building, rotation of employees, special training and educational opportunities, promotional/career opportunities, work environment, payment of study debts).
 - (b) Where necessary/appropriate, these strategies should be co-ordinated between Executing Authorities in the following manner:
 - (i) Premiers of provinces for all the provincial departments collectively in the province.
 - (ii) Two or more Ministers of national departments collectively for their departments.
 - (iii) Minister for a national Department collectively for her/his Department and all provincial departments with a similar mandate,

in consultation with the relevant MECs (i.e. Minister for Agriculture, in consultation with all the MECs for Agriculture).

- (c) Full motivation (per occupation or sub-occupation) why an occupation or sub-occupation should be designated (classified) as a scarce skill in the departmental or provincial strategy in terms of the criteria contained in the Scarce Skills Framework for purposes of payment of a scarce skills allowance.
- (d) Outcome of the consultation process with organised labour on the proposal – organised labour's views.
- (e) Number of employees per identified occupation or sub-occupation (per notch per salary level).
- (f) Expenditure per identified occupation or sub-occupation.
- (g) An indication how such expenditure would be defrayed.

REVIEW OF REMUNERATION PACKAGES FOR IDENTIFIED CATEGORIES OF EMPLOYEES

- 16. Departments would be informed in due course on the identification criteria, timeframes and process in this regard.

PAY PROGRESSION, MEDICAL ASSISTANCE, REVIEW OF PSCBC RESOLUTION 3 OF 1999 AND MINIMUM SERVICE LEVEL AGREEMENTS ON ESSENTIAL SERVICES

- 17. Departments would be informed accordingly on developments on these matters.

GENERAL MATTERS

- 18. The translation of personnel to the revised salary notches will be effected programmatically by PERSAL and PERSOL. The details of payment are as follows:

(a) Employees paid at the end of the month

- (i) The back pay for the months July to September 2004 would be paid on the 14/15 October 2004 by means of a supplementary payment.

- (ii) The adjustment would be included in salaries to be at the end on October 2004 (pay date).

(b) Employees paid in the middle of the month

The back pay for the months July to September 2004 as well as the adjustment would be included in salaries to be paid on 15 October 2004 (pay date).

- 19. Arrangements would be made with PERSAL on the implementation of the housing allowance.
- 20. This Department's Financial Manual will be updated and made available in due course.
- 21. It is possible that the measures contained in this Circular (or Annexes attached thereto) may be erroneous or that errors may be made in the implementation of the measures. All affected employees should be informed in writing that errors will be rectified when it come to light and that any amounts that have been overpaid or underpaid because of errors will be adjusted.
- 22. Departments are requested to ensure that the measures contained in this Circular (and Annexes thereto) are implemented correctly. Should any difficulties arise with the implementation of the measures, departments are welcome to approach this Department for assistance.



DIRECTOR-GENERAL

Date: 21/10/04