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TO HEADS OF NATIONAL/PROVINCIAL DEPARTMENTS AND PROVINCIAL ADMINISTRATIONS

IMPLEMENTATION OF AN INCENTIVE POLICY FRAMEWORK LINKED TO DEPARTMENTAL PERFORMANCE MANAGEMENT SYSTEMS FOR EMPLOYEES ON SALARY LEVELS 1 TO 12 IN THE PUBLIC SERVICE

1. This Department's letter 1/7/1/4/1 dated 27 January 2003 refers.
2. The purpose of this letter is to clarify the following issues (in the form of questions and answers) pertaining to the Policy Framework attached to the letter referred to in paragraph 1.

A General (matters pertaining to more than one part of the Policy Framework)

- (1) May an employee receive pay progression as well as a (cash) performance bonus based on his/her performance during a single assessment cycle?

Yes.

- (2) May the maximum expenditure allowed on pay progression (1% of wage bill) and financial incentive schemes (1.5% of the remuneration bill) be pooled with the intention to only award higher notches in terms of the pay progression system or to only award once-off performance bonuses in terms of departmental incentive schemes?

No. The expenditure on pay progression has a carry-through effect to next financial years whilst that is not the case with the expenditure emanating from once-off performance bonuses. Pooling of the funds
AIDS is a deadly reality. We are individually responsible to prevent the spread of AIDS



to only grant pay progression would, therefore, create grade drift and it cannot be guaranteed that in the case where an employee is rewarded with multiple notches that such above average performance would be sustained during subsequent assessment cycles.

B Pay progression (Part A of Policy Framework)

- (1) What is pay (notch) progression?

It is the progression from a notch within a salary level to the (next) higher notch within the same salary level.

- (2) When would the first progression take place in terms of the pay progression system?

1 July 2003 and thereafter 1 July of subsequent years based on individual performance assessments.

- (3) May departments change the progression date of 1 July in their departmental performance management systems?

No, pay progression may only be granted on 1 July of a year – this is in line with PSCBC Resolution 6 of 2002 that a pay progression shall be implemented with effect from 1 July 2003.

- (4) What are the criteria that an employee must meet to receive pay progression?

The criteria are twofold, namely-

- An employee must complete a continuous period of 12 months on her or his (relative) notch on 31 March of a year.*

PLUS

- An employee must have been assessed to be performing at least satisfactorily for the assessment period. The assessment period will run from 1 April to 31 March of a year.*

- (5) How should “continuous period of 12 months on her or his (**relative**) notch on 31 March of a year” be interpreted for pay progression purposes?

- With **relative** is meant that a possible change to the value of an employee's notch due to an annual cost-of-living adjustment on 1 July of a year does not disqualify him or her from pay progression (e.g. the 7th notch of a salary level remains the 7th notch).*

- *Due thereto that an employee is awarded a notch in terms of the pay progression system on 1 July of a year (therefore based on the previous assessment cycle for the period 1 April of the previous year to 31 March and with the awarding of the notch with effect from 1 July - a date that falls within the next assessment cycle), it should be regarded for purposes to meet the qualifying criteria of "continuous period of 12 months on her or his notch on 31 March of a year" for the next assessment cycle as if the employee is on the higher notch since 1 April (commencing date of the next assessment cycle).*

- (6) What is the pay progression assessment cycle exactly?

The cycle runs over a continuous period of 12 months, commencing on 1 April to 31 March.

- (7) What happens in practice if an employee is appointed in or promoted to a post or awarded a higher salary in terms of the Public Service Regulations (Chapter I, Part V/C3) on a date other than the date of commencement of the pay progression cycle (for example an employee is appointed with effect from 1 May of a year)?

Such an employee shall not qualify for pay progression for that cycle that commenced on 1 April and will for the first time qualify for pay progression based on the cycle that commences on 1 April after the intervention date and shall be based on performance during the assessment cycle that commences on the subsequent 1 April (e.g. an employee appointed on 1 May 2003 shall only qualify for pay progression on 1 July 2005 and shall be assessed for the period 1 April 2004 to 31 March 2005 for this purpose).

- (8) What assessment instrument should be used to assess employees for pay progression during the assessment cycle 1 April 2002 to 31 March 2003?

Departments' should ensure that existing performance management systems are aligned to support the pay progression system (therefore that departments would be able to assess employees for this purpose).

- (9) What assessment instrument should be used to assess employees for pay progression during the assessment cycle 1 April 2003 to 31 March 2004 and subsequent cycles?

Departments' must have in place departmental specific performance management systems which should be aligned to support the pay progression system (therefore to ensure that departments are able to assess employees for this purpose).

Note:

A performance management system for employees on salary levels 1 to 12 is being developed by the DPSSA and departments may wish to utilise this system. The system will be available for implementation for the assessment period 1 April 2003 to 31 March 2004.

- (10) Do employees on probation qualify for pay progression?

Yes.

- (11) Do casual employees (therefore employees who are remunerated on an hourly basis) qualify for pay progression?

No.

- (12) With regard to employees who are on personal notches (on the grading system) above the maximum of the salary levels attached to their positions, do they qualify for pay progression?

No. Departments are, however, advised to evaluate such jobs as soon as possible to determine whether it is correctly graded. (Should a post be upgraded in terms of the Public Service Regulations (2001) (Chapter I, Part V) and the department continue to employ the incumbent employee in the higher graded post and the personal salary of the employee fall within the minimum and maximum of the salary level attached to the upgraded post, the employee would qualify for pay progression.)

- (13) What is meant with the term that employees who are on personal notches (on the grading system) above the maximum of the salary levels attached to their positions will be ring-fenced on PERSAL?

Such employees' notches will be coded on the PERSAL system that would prohibit departments to award higher notches to affected employees in terms of the pay progression system.

- (14) With regard to employees who are on personal salary scales or notches (not on the grading system), do they qualify for pay progression in terms of this Policy Framework?

No.

- (15) With regard to employees who met the criteria for pay progression on 1 July 2003, but the pay progression is only effected on a later date on PERSAL (backdated to 1 July 2003), and who leave the service during the period between 1 July 2003 and the date that the

pay progression is advised (finalised) on PERSAL, do they qualify for such pay progression?

Yes. (It should be noted that this may influence resignation and retirement benefits)

(16) What is meant with the definition "wage bill"?

The wage bill for purposes of pay progression consists of the combined total of the employees' salary notches, the employer's contribution to the GEPF (annual value) and the service bonus (annual value) for the month of July each year, based on a calculation after any general cost-of-living adjustment to be implemented on 1 July.

(17) Does the wage bill include funded vacancies?

Yes, if departments have budgeted for the vacancies it should be included in the calculation to determine the wage bill for the month of July.

(18) Should the higher notches in terms of the pay progression system be awarded first before the annual cost-of-living adjustment?

The higher notches in terms of the pay progression system and the annual adjustment may be implemented in any sequence. Annual cost-of-living adjustments are normally implemented programmatically by PERSAL (from a central basis) and depends on the date that the adjustment is finalised – it may happen that the adjustment is only finalised on a date after 1 July of a year. It should be noted that the employees' final salary position would not be different once their notches are awarded in terms of the pay progression system and the annual cost-of-living adjustment is implemented, irrespective of the sequence.

(19) May departments grant more than one notch to a particular employee based on his/her above average performance during a single assessment cycle?

- The intention of the pay progression system is to award single notches for satisfactorily performance. However, the awarding of additional notches may be done in exceptional cases, provided that the departments wage bill does not grow above 1% per annum. Departments would, however, have to align its performance management system appropriately to allow for the awarding of more than one notch per assessment cycle in terms of the pay progression system.*

- *Apart from normal pay progression (therefore the awarding of a single notch per assessment cycle to above average performers), departments are, however, advised to instead reward above average/satisfactorily performance by means of once-off (cash) performance bonuses in terms of departmental incentive schemes. (See Part B of the policy framework.)*

- (20) What monitoring mechanisms are to be introduced to monitor that departments' wage bills do not grow beyond 1% per year due to pay progression?

The DPSA intends not to introduce any mechanisms from a central basis. Departments have to implement appropriate control mechanisms in this regard.

- (21) May departments exceed the limitation of 1% of the wage budget on pay progression?

No.

C Departmental Incentive schemes

- (1) What is meant with the definition "remuneration bill"?

The remuneration bill relates to all personnel expenditure and therefore include salaries (basic and total packages), employer's contribution to the GEPF, medical aid contributions, service bonuses, home owners 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.

- (2) What happens with incentive schemes and reward programmes already developed and implemented by departments prior to 1 April 2003?

Such existing schemes or policies have to be aligned with the policy framework (i.e. maximum expenditure of 1.5% of the remuneration budget and the maximum performance bonuses of 18% per individual employee per assessment cycle/financial year).

- (3) Should the performance bonus be calculated on an employee's actual salary notch or on the minimum of his or her salary level?

- *Departments may decide on which salary the performance bonus should be calculated and should be included in the departmental performance management system.*

- *The DPSA, however, advises that it is a sound principle to calculate the performance bonus on the salary notch that applies to the employee on the date that he or she complies with the criteria for such performance bonus.*

- (4) May departments exceed the limitation of 1.5% of the remuneration budget on financial performance incentive schemes?

Yes. The maximum percentage may, in exceptional cases, be exceeded with approval of the relevant Executing Authority. Any exceeding of the limitation should rather be the exception than the rule.

- (5) What monitoring mechanisms are to be introduced to monitor that departments do not spend more than 1.5% of its remuneration budget on financial performance incentive schemes?

The DPSA intends not to introduce any mechanisms from a central basis. Departments have to implement appropriate control mechanisms in this regard.

- (6) With regard to employees who are on any type of personal salary scales/levels or notches, do they qualify for performance bonuses in terms of departmental incentive schemes?

Yes.

- (7) What happens to outstanding cases for merit bonuses (e.g. employees who met the criteria for merit bonuses prior to 1 April 2003 and whose assessments are not finalised on the said date)?

Any outstanding cases for merit bonuses up to and including 31 March 2003 (therefore employees who meet the set criteria prior or on this date) should still be dealt with in line with PSCBC Resolution 3 of 1999 (Clause 35).

D Grade progression

- (1) What is grade progression?

- *Upward progression from a lower to a higher grade (salary level) by means of open competition (therefore a vacancy) with the employee acquiring and demonstrating the required competencies and skills to perform the job (generally known as promotion to a higher position).*

OR

- *Changes to the job function which is informed by additional demonstrated competencies and a higher job weight based on job evaluation (generally known as an upgrade in terms of Public Service Regulations (Chapter I, Part V/C5 and 6)).*

- (2) May departments develop their own grade progression systems (career pathing)?

No. Appropriate grade progression systems will be developed and negotiated in the sectoral councils of the PSCBC. Any input that departments wish to make should be directed to the employer's representatives in the relevant sectoral bargaining councils.

E System for the awarding of 2nd and 3rd notches (so-called personal profile system)

- (1) Until which date may departments continue to apply the system for the awarding of 2nd and 3rd notches?

The Minister for the Public Service and Administration determined that departments may continue to apply the system until 31 March 2003 – see DPSA Circular 1 of 2002 in this regard. This means that employees who complied with the criteria prior to 1 April 2003 for the awarding of a the 2nd or 3rd notches of their relevant salary levels may be assessed and awarded such notches on their pre-1 April 2003 salary levels.

- (2) With regard to employees who were awarded a 2nd or 3rd notch during the period 1 April 2002 to 31 March 2003 (including with effect from 1 April 2003 based on assessment for the period 1 April 2002 to 31 March 2003), do they qualify for pay progression on 1 July 2003?

No, such employees would not complete a continuous period of at least 12 months on their notches on 31 March 2003. Furthermore, such employees cannot be rewarded by means of the system for the awarding of 2nd and 3rd notches that applied prior to 1 April 2003 as well as by means of the pay progression system on 1 July 2003 based on the same assessment period.

- (3) With regard to employees who were assessed for the awarding of a 2nd or 3rd notch during the period 1 April 2002 to 31 March 2003 and who were not awarded notches based on these assessments, do they qualify for pay progression on 1 July 2003?

Yes, provided they comply with the criteria for pay progression in terms of the pay progression system.

3. The above questions and answers have been placed on this Department's web site under the heading Remuneration/Remuneration Policy.
4. It is trusted that the clarification would assist departments to implement the Policy Framework effectively.



DIRECTOR-GENERAL

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