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TO ALL HEADS OF NATIONAL AND PROVINCIAL DEPARTMENTS AND PROVINCIAL ADMINISTRATIONS

SMS PMDS CIRCULAR 1 OF 2007

AMENDMENTS TO THE SMS PMDS

Introduction

1. This Circular deals with amendments to the Performance Management and Development System for senior managers (SMS PMDS). The SMS PMDS constitutes the revised Chapter 4 of the SMS Handbook, issued by the DPSA in March 2006 with a view to implementation with effect from the current (2006/2007) performance cycle. The amendments apply to the current cycle.

Scope of applicability

2. The contents of this Circular apply to all departments and institutions using the SMS PMDS for the performance management of their SMS members.

Date of applicability

3. 1 April 2006

Amendments

4. The amended paragraphs 15.3 and 15.6 are attached in Annexure A to this Circular. With a view to the final annual performance assessments for the 2006/2007 cycle, ending on 31 March 2007, departments are requested to ensure that these amendments are implemented correctly in these final assessments.

DIRECTOR-GENERAL

DATE: 24/3/07

AMENDMENTS TO PARAGRAPHS 15.3 AND 15.6 OF THE SMS PMDS

Background

1. In the process of implementing the revised SMS PMDS, certain questions arose on the interpretation of rating and scoring and the categories of performance, which may result in confusion and possible apparent contradictions. To address any possible confusion, certain amendments were made to ensure clarity.
2. The SMS PMDS (Chapter 4 of the SMS Handbook that is currently on the DPSA website – www.dpsa.gov.za) has during previous cycles been used for assessment and rating. However, with a view to the final annual performance assessments for the 2006/2007 cycle, ending on 31 March 2007, departments must be aware of and implement these amendments, which are set out below.

Amendments to the SMS PMDS

3. The current paragraph 15.3 (**Performance rewards**) must be replaced by the following amended paragraph 15.3.

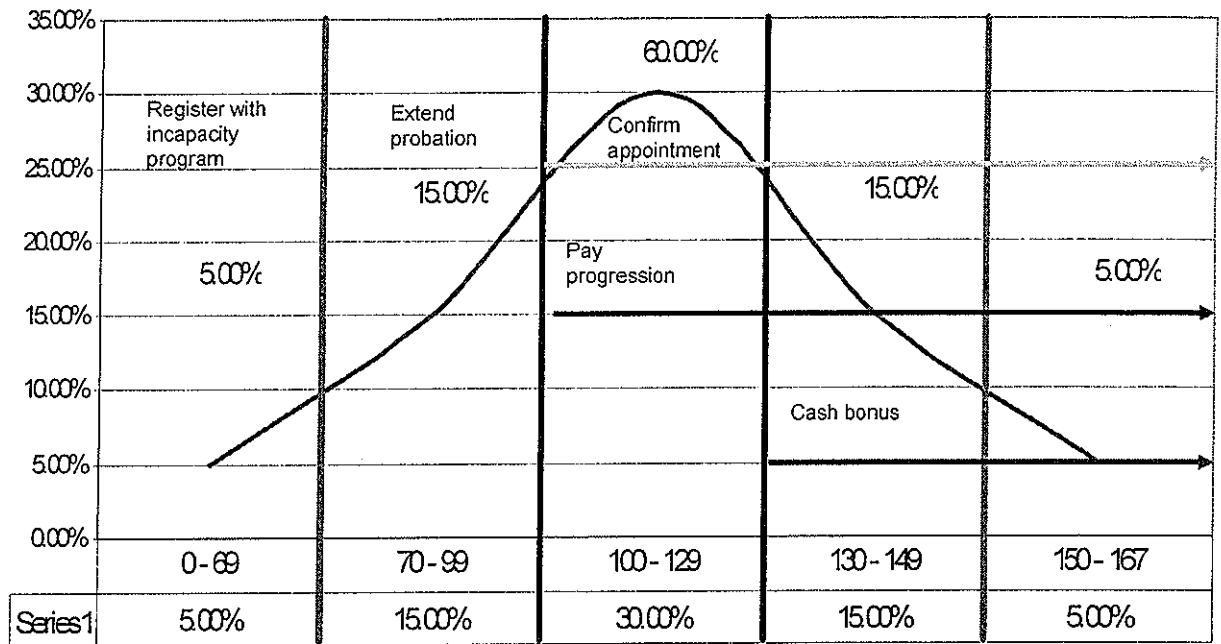
“15.3 Performance rewards (cash bonuses)

- (1) EAs have the authority to reward SMS members for meritorious performance. Performance that is fully effective (average, satisfactory) is generally rewarded by means of the annual salary, a thirteenth cheque, the annual salary adjustment and pay progression. Only performance that is significantly above expectations and outstanding should qualify for performance awards. The following guideline, based on the statistical normal distribution curve principles, serves to assist the Moderating Committee to evaluate the summarised analysis of the outcome of performance ratings. In terms of the normal distribution, about 15 to 20 percent of staff could generally qualify for a performance bonus. This guideline should be taken into account in identifying trends and making recommendations for performance rewards within the 1.5% of the remuneration budget –

Performance Category	Total Score	The following % of staff should normally fall in this category
Unacceptable performance	69% and lower	5%
Performance not fully effective	70% - 99%	15%
Performance fully effective (and above)	100% - 129%	60%
Performance significantly above expectations	130% - 149%	15%
Outstanding Performance	150% - 167%	5%

This can be illustrated in the following way —

NORMAL DISTRIBUTION OF EMPLOYEE PERFORMANCE (SMS)



- (2) A cash bonus is a financial award granted to a member in recognition of sustained performance that is significantly above expectations and is rated as such in terms of the rating scale. To understand the relationship between scoring an individual KRA or CMC on the 5 point rating scale, on the one hand, and total scores on the other hand, it must be kept in mind that a total score can be a variable mix of the five categories (1,2,3,4 and 5). A total score must therefore not be read mechanically into the description of a specific performance category, because a total score might contain a mix of KRA and CMC ratings ranging from 1 to 5, depending on the weighting of the elements. For purposes of illustration the following three broad groups of total performance scores can be distinguished, with the corresponding performance categories, percentages and outcomes:

Performance groups	Percentages	Performance categories	Percentages	Outcomes
Below satisfactory performance	99% and below	Unacceptable performance	69% and below	No notch increase No cash bonus
		Performance not fully effective	70% - 99%	No notch increase No cash bonus
Satisfactory performance	100% - 129%	Performance fully effective (and above)	100% - 129%	Notch increase No cash bonus
Above satisfactory performance	130% and above	Performance significantly above expectations	130% - 149%	Notch increase Cash bonus: 5%– 9%
		Outstanding performance	150% - 167%	Notch increase Cash bonus: 10%– 14%

- (3) In the granting of cash bonuses, the pro rata principle does not apply. For a member of the SMS who has achieved a total score of 130 - 149%, a cash bonus calculated between 5% and of 9% of her/his total remuneration package, may be awarded. For a member of the SMS who has achieved a total score of 150% and above, a cash bonus calculated between 10% and 14% of her/his total remuneration package may be awarded.
- (4) A cash bonus can only be granted to SMS members who have completed an assessment period of at least 12 months commencing on 1 April of a year and ending on 31 March of the following year: Provided that the member remained on the same level (band) for the duration of this period. Moreover, departments must not spend more than 1,5% of their total annual SMS remuneration budget (i.e. the budget for the all inclusive flexible remuneration packages of their SMS members) on performance rewards for the SMS. This may in exceptional cases be exceeded with the approval of the relevant EA.
- (5) Should the budgeted amount (i.e. 1,5%) for cash bonuses prove to be insufficient to award the maxima of 9% and 14% to deserving members, departments will have to manage the situation by scaling down the applicable percentages to be granted or setting tighter standards for the granting of cash bonuses.
- (6) In the case of HoDs of national departments and of those provinces who have adopted the system for the evaluation of HoDs issued by the Office of the Public Service Commission, the assessment processes outlined by the Commission must be followed. HoDs will, however, qualify for the same performance rewards as other SMS members, with the understanding that the 10% non-pensionable HoD allowance should not be factored into the total remuneration package when calculating the percentage cash bonus.
- (7) The following table summarises the cut-off points and maximum percentages that will apply for the awarding of cash bonuses:

CASH BONUSES		
CATEGORIES	TOTAL SCORE	CASH BONUS
Outstanding performance	150% - 167%	In the range 10%-14%
Performance significantly above expectations	130 – 149%	In the range 5%-9%

- (8) The cash bonus is calculated on the member's package at the time she/he completed the 12 months assessment cycle, i.e. 31 March.

4. The current paragraph 15.6 (**Linking the rating scale to specific consequences**) must be replaced by the following amended paragraph 15.6.

15.6 Linking the rating scale to specific consequences

- (1) Departmental policy should make either a direct or indirect link between performance appraisal ratings and specific consequences for members of the SMS.
- (2) If a direct link is made, the policy should specify for each rating what such consequences would be.
- (3) Departments may, however, prefer a more indirect link to be made that would enable supervisors to consider other factors in making final decisions. Other situational factors departments might want to consider are:
 - (a) The level of difficulty and uncertainty in a specific job;
 - (b) Whether the incumbent has taken on a new area of responsibility;
 - (c) Whether the incumbent is on probation and not yet familiar with all aspects of the job;
 - (d) Whether the incumbent has acted on learning from past experience; and
 - (e) The labour market and the scarcity of a particular skill or expertise.
- (4) The following illustrates the relationship between performance rating and decisions in other areas:
 - (a) **OUTSTANDING PERFORMANCE (150% - 167%)**
 - Appointment confirmed after probation
 - For a score range of 150% and above, 10 to 14% of total remuneration package may be awarded as cash bonus (taking into account a framework determined by MPSA)
 - Progression to next higher package in remuneration band (within framework determined by MPSA)
 - Access to development opportunities in line with promotion along career path
 - (b) **PERFORMANCE SIGNIFICANTLY ABOVE EXPECTATIONS (130 - 149%)**
 - Appointment confirmed after probation

- For a score range between 130 - 149%, 5 to 9% of total remuneration package may be awarded as a cash bonus (within framework determined by the MPSA)
- Progression to next higher package in remuneration band (within framework determined by MPSA)
- Access to development opportunities in line with promotion along career path

(c) FULLY EFFECTIVE (100 - 129%)

- Appointment confirmed after probation
- Progression to next higher package in remuneration band when total score is 100% or higher (taking in account a framework determined by MPSA)
- Access to development opportunities to improve results in areas of less than excellent performance and in line with promotion along career path

(d) PERFORMANCE NOT FULLY EFFECTIVE (70 - 99%)

- Depending on the percentage in the range: Probation extended, appointment confirmed after probation, or employment terminated (after prescribed incapacity procedures have been followed)
- Performance is not fully effective and therefore does not qualify for package progression.
- Performance improvement measures agreed and responsibility for remedial action identified
- Agreed programme for supporting and monitoring performance improvement

(e) UNACCEPTABLE PERFORMANCE (69% and lower)

- Probation can be extended or employment terminated (after prescribed incapacity procedures have been followed).
- Performance improvement measures agreed and responsibility for remedial action identified
- Agreed programme for supporting and monitoring performance improvement

(5) Departments will need to clearly indicate in their PMDS policy whether there is a direct or indirect link between specific ratings and specific consequences and what that might be. If the link is indirect, departments must indicate what additional factors will be taken into account.”