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FROM : CHIEF EXECUTIVE OFFICER

TO : EXECUTIVE MAYORS / MAYORS
SPEAKERS, POLITICAL HEADS OF CORPORATE SERVICES PORTFOLIOS
MUNICIPAL / CITY MANAGERS

DATE : 29 JULY 2024

UPDATE REPORT ON THE PROGRESS WITH REGARDS TO THE 2024 SALARY AND WAGE NEGOTIATIONS FOR THE MUNICIPAL SECTOR

1. PURPOSE

The purpose of this circular is to provide an update to municipalities on the progress made regarding salary and wage negotiations which commenced on 15 July 2024.

2. BACKGROUND

The Salary and Wage Collective Agreement for the period 1 July 2021 to 30 June 2024 has expired, and the South African Local Government Bargaining Council (SALGBC) parties are required to conclude a Salary and Wage Collective Agreement for 2024/25. SALGA embarked on consultation sessions with municipalities between 7 -20 June 2024 to obtain a mandate in response to the strategic choices presented in the Risk Adjusted Collective Bargaining Strategy for 2024 and Beyond. The mandating sessions were convened from the first week of June 2024, to allow for the stabilizing of our leadership in municipalities post the national and provincial elections held on 29 May 2024.

The first round of negotiations was further preceded by a Planning Meeting that took place on the 09 May 2024. The said meeting confirmed the appointment of two Facilitators for the salary and wage negotiations. This decision was by itself a confirmation of the difficult process given the economic conditions that confront not only our country but globally.

3. DISCUSSION

SALGA entered the negotiations having the recorded number of about One Hundred and Fifty-Seven (157) municipalities in financial distress. Notwithstanding such, SALGA had been presented with trade union demands that pretended it was business as usual. SAMWU demanded **15%** while IMATU demanded **10%** across the board increases. SALGA had done the costing of all the demands from the two trade unions. The total cost of demands from SAMWU was actually 31.67% which represented R33.3 billion increase to our wage bill in the municipal sector. The total cost of demands from IMATU was 14% which represented a R15.3 billion increase on our wage bill. The motivation for these demands never accounted for the 61% of municipalities that are financially distressed nor the fact that about twenty-seven (27) municipalities are currently unable to pay salaries to their employees. In some instances, these municipalities are even unable to fulfil their third-party financial obligations. SALGA then made the following initial offer to the trade unions:

a) The multi-year collective agreements are more beneficial to municipalities to the extent they bring about certainty in terms of budgeting processes as well as stability within the municipal sector.

   SALGA therefore **proposes a Five (5) Year** Salary and Wage Collective Agreement.

b) **"Inflation-based" increases** also provide the Parties with the ability to justify their concessions when interacting with their members.

c) Municipalities that have been categorized as **financially distressed won't be included in the Collective Agreement**. History has proven that the "**Exemption Option**" is not an option for Municipalities as the **SALGBC parties opposed all of those**. Municipalities that can afford will apply for inclusion.

d) **Productivity** should be a guiding factor for salary increases within the municipal sector as this talks to **Service Delivery**.

e) **Focus** of the parties should be to **build resilient municipalities** that respond to their constitutional obligations to their communities.

f) There is a need to adopt a **differentiated levels of increases** based on affordability.

g) Should it be practically possible, the **re-vamped exemption** procedure will be discussed by the parties.

h) SALGA proposed a Salary increase of **3.3%** across the board.

The **3.3%** increase proposed by SALGA was aligned with the increases that have been awarded to Senior Managers within municipalities as the trade unions would normally prefer the said benchmark. SALGA insisted that the financially distressed municipalities will only be included in the collective agreement if the parties managed to agreed on the Exemption Procedure that is user-friendly, simple and less onerous for our municipalities. To this end, SALGA further undertook to submit the proposed re-vamped exemption procedure. The exclusion of financially distressed municipalities would insulate them from the provisions of Section 71 of the Municipal Systems Act which makes it mandatory for all municipalities to implement the signed collective agreements within the municipal sector.

When the first round of negotiations ended on the 19 July 2024, the trade unions had revised their demands as follows:

1. **Duration of Agreement**. The trade unions still insisted on the 1-year agreement. However, they would consider a multi-year agreement, subject to the following conditions:
   - 1.1 SALGA abandons its position on the financially distressed municipalities as well as the application-based approach as adopted by SALGA.
   - 1.2 The parties reach an agreement on the exemption process. This matter would be dealt with separately in a dedicated working group.
   - 1.3 The CPI calculation for the outer years to be based on the actual CPI and be averaged from February to January of the preceding financial year.
   - 1.4 The Housing Allowance be extended to all employees in the sector.
   - 1.5 The issue of serviced stands be delegated to LLF for negotiation.
2. **Across the Board Wage Increase: 9%** across the board or **R2000.00**, whichever is the greater. And**,** in the event that parties agree on a multi-year agreement, that the wage increase for the outer years shall be **CPI plus 2%.**

   Minimum Wage: R 11 531. 54 (R9 531. 54 + R2000)
3. **Medical Aid:** 60/40 contribution rate but uncapped.
4. **Housing Allowance:** R2000.00 per month extended to all employees.
5. **Gap Market Allowance:** Incorporated into the Housing Allowance demand.
6. **Benefits and Conditions of Service Linked to Salaries:** To be increased by the same %

percentage as the across-the-board increase.

7. **Exemptions:** All exemptions be filed within 45 calendar days. And, in the event that parties agree on a multi-year agreement, that all applications for exemption be filed by no later than 15 June each year.

To the above, SALGA responded as follows:

1. **Duration of the Agreement:** A multi-year collective agreement for the duration of five (5) years (2024/25; 2025/26; 2026/27; 2027/28; 2028/29). This multi-year agreement is not subject to any conditions as stated by the trade unions.

2. **Financially distressed municipalities:** SALGA has reviewed its position on financially distressed municipalities, and considered the distinction made by National Treasury between severely distressed (66 municipalities) and distressed municipalities (157 municipalities). SALGA is of the view that these municipalities have severe affordability challenges, which should be acknowledged by all the parties.

   Financially distressed municipalities can make an application to pay the increases and related conditions as per salary agreement, should there be a substantial improvement in terms of their financial health. The affected municipalities shall be required to submit copies of their Financial Recovery Plans, that provide assurance that those municipalities are undertaking measures to improving their financial health in terms of the factors as stipulated by National Treasury.

   The following factors to be considered to determine severe financial distress:

   - Operating Deficit > 5% of total direct revenue (MFMA S138(d))
   - Negative / Outstanding Audit (MFMA S138(e) & (f))
   - Negative Cash Position - Two consecutive years (MFMA S138(h))
   - Failure to make payments as & when due (MFMA S138(a))
   - Failure to make any other payment > 40% of operating expenditure (MFMA S140(2)(c))

3. **Across the Board Wage Increase:** SALGA is prepared, pending the cost of the first year, to consider a For Year 1 (2024/25FY) SALGA has revised its offer a 3.5%.
   Year 2: For 2025/26 the salaries shall increase by an average CPI, as published by Statistics South Africa from February 2024 – January 2025, plus 0.25%.

Year 3: For 2026/27 the salaries shall increase by an average CPI, as published by Statistics South Africa from February 2025 – January 2026, plus 0.25%.

Year 4: For 2027/28 the salaries shall increase by an average CPI, as published by Statistics South Africa from February 2026 – January 2027, plus 0.25%.

Year 5: For 2028/29 the salaries shall increase by an average CPI, as published by Statistics South Africa from February 2027 – January 2028, plus 0.25%.

4. **Minimum Wage:** The minimum wage shall be reviewed by 3.5% from the current R9531.54 to R9865.14. The minimum wage will be increased by the same percentage as the increase determined in the outer years.

5. **Homeowner Allowance**: The homeowner allowance shall be reviewed by 3.5% from the current R1066.41 to R1103.73. The homeowner allowance will be increased by the same percentage as the increase determined in the outer years.

6. **Gap Market Allowance:** SALGA retains its position to only pay a homeowner allowance, in order to promote homeownership, however SALGA commits to active participation, if parties agree, to resuscitate the investigation that addresses gap market employees.

7. **Medical Aid:** SALGA retains its position on the **60/40 ratio** in terms of employer contributions to medical aid, with the maximum employer contribution of R5145.43 reviewed by 3.5% to R5325.52. The increase of the medical aid subsidy shall only apply to employees who belong to the accredited medical schemes. The maximum employer contribution will be increased by the same percentage as the increase determined in the outer years.

8. **Conditions of service linked to salaries**: Conditions of service that are linked to salary increases shall increase by the **3.5%.** The increases for the outer years, will be determined as provided for in clause 3 above.

9. **Service Stands:** SALGA retains its position on the service stands issue, as it has been mandated not to entertain it at this bargaining level.

10. **Exemptions:** SALGA sees the finalization of the re-vamped exemption process as part of this agreement. SALGA shall table its proposed re-vamped exemption process during the course of next week.

The parties then resumed with the negotiations on the 23 July 2024, with intensive engagements where the facilitators convened in separate break-away discussions with the parties. These separate discussions culminated in the following positions from the parties on 26 July 2024:

COLLECTIVE AGREEMENT ISSUE	ORGANISED LABOUR DEMAND	SALGA OFFER
Duration of the Agreement	The trade unions are considering agreeing to a 5-year multi-year agreement. However, the exclusion of municipalities cannot be considered at all, especially not in the context of a multi-year agreement.	A multi-year collective agreement for the duration of five (5) years (2024/25; 2025/26; 2026/27; 2027/28; 2028/29). This multi-year agreement is not subject to any conditions as stated by the trade unions.
Financially Distressed Municipalities	The trade unions are not going to consider the exclusion of municipalities from the Agreement. This is a non-negotiable issue and the reasons for this is well ventilated.	SALGA is of the view that the state of municipal finances must be strongly considered as the basis of the affordability of the agreement. SALGA has reviewed its position on financially distressed municipalities and submits that the re-vamped exemption process will be used to consider the financial health of municipality as a determining factor for the total or partial exemption of municipalities from the collective agreement. Therefore, SALGA can only be in a position to consider reviewing its position on the financially distressed municipalities, but this is only contingent on the affected municipalities having an instrument in the form of the revamped exemption procedure at its disposal. That is the reason SALGA invested a lot of time on the procedure, so that it can be considered by organised labour as speedily as possible
Across the Board Wage Increase	Increase for Year 1: 8% across the board. Subject to SALGA making a substantive adjustment to their across the board increase offer. Multi-Year Agreement: Should the parties agree on a multi-year agreement, the wage increase for the outer years shall be: Year 2: CPI plus 2%. Year 3: CPI plus 1.5%. Year 4: CPI plus 1.5%.	SALGA is prepared to revise its previous offer of 3.5% to 3.75% across the board for all employees excluding section 56/57 employees, in addition, employees earning a salary of R22 000 p/m or below will receive a once-off ex gratia payment of R3000. For Year 1 (2024/25FY) 3.75% across the board increase to all employees excluding section 56/57 as from 1 July 2024. Year 2: For 2025/26 the salaries shall increase by an average CPI, as published by Statistics South Africa from February 2024 – January 2025, plus 0.5%.

	Year 5: CPI plus 1.5%. CPI calculations for the outer years shall be based on the average CPI, published by STATS SA from February to January of the preceding year. Should the parties agree on a multi-year agreement, the trade unions are prepared to consider the inclusion of a deeming clause for the outer years provided that it is pitched in a manner that is not punitive to the trade unions, therefore it is proposed that the floor be pitched at 5% and the ceiling be pitched at 8%. If CPI falls below 5% it shall be deemed at 5% and if CPI rises above 8%, it shall be deemed at 8%	Year 3: For 2026/27 the salaries shall increase by an average CPI, as published by Statistics South Africa from February 2025 – January 2026, plus 0.5%. Year 4: For 2027/28 the salaries shall increase by an average CPI, as published by Statistics South Africa from February 2026 – January 2027, plus 0.5%. Year 5: For 2028/29 the salaries shall increase by an average CPI, as published by Statistics South Africa from February 2027 – January 2028, plus 0.5%. In the event that the average CPI for the periods as contemplated in the years 2, 3, 4 and 5 above is less than four percent (4%), the average CPI shall be deemed to be three percent (4%), and in the event that the average CPI for the periods as contemplated in the years 2, 3, 4 and 5 above is more than seven percent (7%), the average CPI shall be deemed seven percent (7%).
Minimum Wage	The minimum wage to increase by the same percentage as the across-the-board increase (ATB). In the event that a multi-year agreement is entered into: The minimum wage shall increase, in the outer years, as follows: Year 2: by the same percentage as the ATB. Year 3: by the same percentage as the ATB. Year 4: by the same percentage as the ATB. Year 5: by the same percentage as the ATB.	The minimum wage shall be reviewed by 3.75% from the current R9531.54 to R9890.49. The minimum wage will be increased by the same percentage as the increase determined in the outer years.
Homeowner/Housing Allowance	The home-owner's allowance to increase by the same percentage as the across-the-board increase (ATB). In the event that a multi-year agreement is entered into: The home-owner's allowance shall increase, in the outer years, by the same percentage as the ATB. A housing allowance to be introduced for employees who do not receive a home-owners allowance, as follows: Year 1: R 750.00	The homeowner allowance shall be reviewed by 3.75% from the current R1066.41 to R1106.40. The homeowner allowance will be increased by the same percentage as the increase determined in the outer years.

	Year 2: increased to 75% of the home-owners allowance. Year 3: increased to 85% of the home-owners allowance. Year 4: increased to 95% of the home-owners allowance. Year 5: increased to 100% of the home-owners allowance. The parties express the joint intent to promote home ownership in the local government sector. The parties shall embark on a Housing Investigation under the auspices of the SALGBC to establish mechanisms by which home ownership can be promoted in the local government sector. This investigation shall include: •The role that Retirement Funds can play to assist employees to become home-owners; • The role that the Department of Human Settlements can play to assist employees to become home-owners; • The means by which financial institutions can be approached provide more favourable terms to home-owners; • Alternative means to assist employees in rural areas in this respect; and • Accessing the national government's FLISP subsidy programme to provide assistance. The parties shall endeavour to complete the investigation within one year after the conclusion of the agreement.	
Gap Market Allowance		SALGA retains its position to only pay a homeowner allowance, to promote homeownership, however SALGA commits to active participation, if parties agree, to resuscitate the investigation that addresses gap market employees.
Medical Aid	The 60/40 contribution rate to be retained. The maximum medical aid subsidy to	SALGA retains its position on the 60/40 ratio in terms of employer contributions to medical aid,

	increase by the same percentage as the across-the-board increase (ATB). In the event that a multi-year agreement is entered into, the maximum medical aid subsidy shall increase, in the outer years, by the same percentage as the ATB.	with the maximum employer contribution of R5277.38 reviewed by 3.75% to R5475.28. The increase of the medical aid subsidy shall only apply to employees who belong to the accredited medical schemes. The maximum employer contribution will be increased by the same percentage as the increase determined in the outer years.
Conditions of Service Linked to Salaries	All benefits and Conditions of Service linked to salaries to increase by the same percentage as the across-the-board increase (ATB). In the event that a multi-year agreement is entered into, the benefits and Conditions of Service linked to salaries shall increase, in the outer years, by the same percentage as the ATB.	Conditions of service that are linked to salary increases shall increase by the 3.75%. The increases for the outer years, will be determined as provided for in clause 3 above.
Serviced Stands	The provision of serviced stands for employees to build homes be dealt at LLF level as a policy matter provided that the trade unions are consulted on the matter. This must include an investigation on availability of land (serviced and/or un-serviced stands) held by municipalities.	SALGA retains its position on the service stands issue, as it has been mandated not to entertain it at this bargaining level. SALGA further considered a number of implications of this demand, which are problematic for our municipalities.
Exemptions	All exemptions be filed within 45-calendar days of the conclusion of the agreement. And, in the event that parties agree on a multi-year agreement, that all exemption applications be filed by no later than 15 June each year. Exemptions to be referred to a technical working group, including the facilitators that can meet outside of the plenary discussions. Such working group to have its first meeting during the week of 29 July – 2 August 2024 in order that a feedback can be provided at the third round of negotiations.	SALGA is of the view that the content of the re-vamped exemption process cannot be deferred to a task team, due to the significance of this consideration for the parties to reach an agreement on the duration of the agreement. SALGA has drafted a re-vamped exemption process as part of this agreement, which has been shared with both trade unions on 25 July 2024.
Maternity, Paternity and Adoption Leave	5-months paid maternity, paternity and adoption leave.	

It is unfortunate that the trade unions opted for the adoption of positional approach to collective bargaining through pitching their demands so high and want to create the impression that they have made some movements. SALGA is confident that from the third round of negotiations on the 12 August 2024, the experienced Facilitators will manage to bring the parties to a settlement zone. We further hope that we'll also emerge with the Facilitators' Proposal for consideration by all parties and municipalities.

It is trusted that you'll find the above in order.

Yours sincerely,

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SITHOLE MBANGA
CHIEF EXECUTIVE OFFICER