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CIRCULAR 17 / 2018

FROM : CHIEF EXECUTIVE OFFICER

TO : ALL EXECUTIVE MAYORS / MAYORS
ALL MUNICIPAL/ CITY MANAGERS

DATE : 20 APRIL 2018

UPDATE ON THE SALGBC NEGOTIATIONS AROUND SALARIES AND WAGES, THE WAGE CURVE AND THE PENSION FUND RESTRUCTURING

Our **Circular 11/ 2018** dated the **15 March 2018** in the above regard bears reference.

As per the afore-stated Circular, SALGA advised all municipalities that the SALGBC parties had agreed to an additional round of negotiations was to take place on the **16 – 18 April 2018**. We have just emerged from these negotiations and a substantial progress has been made as it will be outlined below.

However, before we deal with the salary and related matters, it must be mentioned that the parties commenced with the formal finalisation and adoption of the **Agency Fee Shop Collective Agreement** which deals with subscription by employees who fall within the bargaining range but do not belong to the recognised trade unions. The SALGBC General Secretary will be issuing a **Circular** in this regard once all parties' signatures have been secured.

Thus, the SALGBC parties continued with negotiations with more emphasis on the Salaries and Wages. There was a brief session on the Pension Fund Restructuring but the Facilitator was mandated to go back and review his proposals in the matter. A separate communication/ Circular shall be issued in this regard once the **final Facilitator Proposal** has been received.

EMPLOYER POSITION:

With regard to salaries and wages, municipalities have mandated SALGA negotiators to negotiate for a **multi-year salary and wage collective agreement** and the salary increases should be **inflation-linked**. During the fourth round of negotiations, SALGA proposed three (3) year Multi-Wage Collective Agreement and placed its **final offer** as follows:

Year 1 (2018/ 2019 financial year): An across the board increase of **6.6%**;

Year 2 (2019/ 2020 financial year): Projected CPI for 2019 financial year **plus 1%**;
and

Year 3 (2020/ 2021 financial year): Projected CPI for 2020 financial year **plus 1%**.

With regard to “**housing**”, **SALGA** proposed as follows:

- That the “**Home Ownership**” shall always be promoted;
- That an increase of the current home owner allowance shall be the same margin as indicated for **Year 1**;
- That the **existing** monthly **Non-Pensionable Allowance** of **R350. 00** shall be payable to employees who fall within the “Gap Market” and who earn a monthly salary of **R8 000. 00** and below.
- That the parties should expedite the current investigation which is under way with regard to a local government specific housing model.

With regard to the threshold for employer contribution towards medical aid, **SALGA** proposed an increase by the same percentage increase for Year 1 to R4 203 and the trade unions are not opposed to the principle but insist on their demanded quantum.

SALGA strongly opposed the trade unions’ dual approach to housing which called for both the percentage increase as well as attaching a monetary value as this is viewed as insensitive to the financial disposition of our municipalities.

The afore-stated offer translates to the **minimum wage** in the local government that increases to **R7 296**. **SALGA** has proposed that a “**protection clause**” should be incorporated in respect of the outer years to which the trade unions did not object.

LABOUR POSITION:

The trade unions’ also formerly revised their **demands** as follows:

Year 1(2018/ 2019 financial year): An across the board increase of **8%**;

Year 2(2019/ 2020 financial year): Projected CPI for 2019/20 financial year **plus 2.25%**;
and

Year 3(2020/ 2021 financial year): Projected CPI for 2020/21 financial year **plus 2%**.

The **minimum wage** in the local government shall increase by the same margin as demanded by the trade unions for **Year 1** to **R7 392. 69**.

In addition, the **trade unions** have insisted on the following demands regarding **Housing**:

Year 1: To increase by the same percentage for salary increases and an additional **R150.00**;

Year 2: To increase by the same percentage for salary increases and an additional **R100.00**;

Year 3: To increase by the same percentage for salary increases and an additional **R50.00**.

The unions further demanded that employees whose income is regarded as too low to access mortgage finance but also too high to qualify for **RDP** housing, should receive a **non – pensionable allowance** of **R378.00**. Over and above this, the unions also demanded that the threshold for this category of employees should be elevated from **R8000.00** to **R15 000.00**.

THE HIGH LEVEL FINANCIAL ANALYSIS OF LABOUR DEMANDS:

The effect of the demands by the unions will increase the current municipal wage bill from **R87.3 billion** to **R94.9 billion**. The Finance Minister has correctly cautioned that negotiations should always be conducted in a responsible manner and that priority should be given to the delivery of basic services to our communities. SALGA could not be cajoled in terms of the reasoning behind the dual approach to housing. The implications for the latter relate to the uplifting of the base in terms of employer contribution towards housing and this is not affordable. Equally, the escalation of the housing threshold from the existing **R8 000. 00** to **R15 000.00** will have the effect of incorporating employees that are eligible to acquire mortgage finance.

AGREEMENT TO ROPE IN THE FACILITATOR:

Notwithstanding the above and in the interest of an amicable conclusion to these negotiations in the best interests of the local government sector, the parties agreed to the development of a settlement proposal by the appointed Facilitator which is referred to as a “**Facilitator Proposal**” (*copy attached*). The parties will further take this Facilitator Proposal to their respective constituencies for further mandates. All parties shall revert to the bargaining council on or before the **16 May 2018** on the acceptance or none thereof. SALGA shall be conducting mandate seeking sessions in this matter before submitting to the SALGA Mandating Committee for final decision.

THE REALITIES FACING MUNICIPALITIES:

In an environment where the economy is significantly weak, with high levels of unemployment, many of our municipalities are buckling under the pressures of service delivery, poor and/ or non-payment of services, with many of our communities still lacking basic services. SALGA’s determined resolve to find a careful balance between the need to protect municipalities against unaffordable and unsustainable wage increases versus the municipal core abilities to deliver on their mandates remains; our guiding anchor of our negotiating platform. SALGA also has to navigate through the escalating living costs associated with **VAT** and **Fuel** increases as the negotiating team has to defend the plight of our municipalities. Equally and of crucial importance is the imperative to secure an amicable outcome by all parties to secure the stability of the sector and reach an agreement that will once more and consecutively for **nine (9) years** result in a “**no wage strike**” in the sector.

THE WAY FORWARD:

SALGA negotiation team shall be engaging all municipalities between the period **24 April till 07 May 2018** to secure mandates on the Facilitator Proposal. Our **Programme Managers** in Provinces have been requested to identify suitable dates for this exercise. SALGA administration shall be tabling the proposals, as guided by municipalities, at the SALGA NEC meeting scheduled for the **10 - 11 May 2018** wherein the final decision shall be taken on the Facilitator Proposal.

SALGA shall be guided by the advent consultation process on the next step to take. It is trusted that you'll find the above in order. For any enquires, do not hesitate to contact our **Mr. Zwe Ndlala** on Tel: **012 369 8000** and/or via e mail on zndlala@salga.org.za

Yours Sincerely,



XOLILE GEORGE
CHIEF EXECUTIVE OFFICER