

Enquiries: Zwe Ndlala  
Tel : 012 369 8000  
Fax : 012 369 8001  
E-mail: zndlala@salga.org.za

## CIRCULAR 32 / 2018

**FROM : CHIEF EXECUTIVE OFFICER**

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

**DATE : 28 AUGUST 2018**

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### SALARY AND WAGE COLLECTIVE AGREEMENT 2018-2021

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Our **Circular 22/2018** dated the **29 June 2018** in the above regard bears reference.

In the afore-stated Circular we informed all municipalities about the following:

- That the “Conciliation” of the IMATU dispute had taken place and the Certificate of Non-resolution had been issued as SAMWU could not agree to the adoption of the Facilitator Proposal;
- That there was an impending “conciliation” relating to SAMWU dispute which was scheduled to take place on the 16 July 2018;
- That IMATU had already filed its application for “Interest Arbitration” and it was already scheduled to take place on the 23 July 2018; and
- That the implications of the delays in finalizing this matter would be “no salary increases for employees in the sector come the end of July 2018;
- That, as a consequence to bullet 4, above, municipalities would have to “discontinue” the implementation of the “Non-Pensionable Housing Allowance of R 350.00” for those municipal employees who were getting same. It should be corrected that the said allowance was not subject to any annual adjustment for the duration of the 2015/ 2018 Salary and Wage Collective Agreement.

The “Conciliation” of the SAMWU dispute could not take place on the 16 July 2018 as scheduled. SAMWU requested postponement of the same as they awaited a final decision of their Central Executive Committee (CEC) meeting that was scheduled to take place on the 18 July 2018. The matter was then deferred to the 23 July 2018 and the IMATU “Interest Arbitration” was then moved to the 24 July 2018.

Indeed, the SAMWU dispute conciliation took place on the 23 July 2018 and a Certificate of Non-resolution was issued as no agreement could be reached. SAMWU was then “joined” in the IMATU arbitration application and a “Pre-Trial Arbitration Minute” was signed by all parties to the dispute. It is of fundamental importance to note that the latter “minute” recorded that SAMWU was also happy with all the elements of the Facilitator Proposal save for the “implementation date” of the 0.5% for employees earning R9 000. 00 and below which would be implementable from January 2019. Thus, both trade unions wanted the 0.5% for the cited employees to be implemented from the 01 October 2018. The latter effectively constituted the only dispute to be argued during the actual arbitration as SALGA insisted on the retention of the original 01 January 2019 per the Facilitator Proposal which is its mandated position by all municipalities

Having narrowed the issues and indicated above, the “Arbitration” then took place on the same day (23 July 2018). Both SALGA and the Applicant called one (1) witness each to testify and they all filed their closing arguments. The Arbitrator is therefore expected to make a determination on whether the 0.5% should be implemented in October 2018 or January 2019.

The Arbitration Award been issued by the Arbitrator in the matter. It is the Arbitrator’s directive that the additional 0.5% for employees earning R9 000.00 and below, as at the implementation date, should be implemented on the 01 October 2018.

The SALGBC parties assembled a “Drafting Team” on 14 August 2018 to generate the Collective Agreement on Salaries and Wages which incorporated all the elements of the Facilitator Proposal as well as the Arbitrator’s directive on the implementation date of the additional 0.5% for the qualifying employees.

The SALGBC parties adopted the Salary and Wage agreement on 15 August 2018 which was signed by all parties and issued to municipalities on 16 August 2018 by the SALGBC.

## **IMPLEMENTATION OF THE SALARY AND WAGE AGREEMENT – GUIDELINES**

### **1. Scope and exclusions (Clause 1 & 2 of the agreement)**

The Collective Agreement binds all employees excluding S54A, S56 and S57 employees (Municipal Managers and managers directly accountable to the Municipal Manager in terms of the Municipal Systems Act).

### **2. Period of operation (Clause 3)**

The agreement come into operation on 1 July 2018 and will end on 30 June 2021 when the third year increase from 1 July 2020 – 30 June 2021 has been effected.

### **3. Salary increases (Clause 6)**

**For the financial year 2018/2019** all employees who fall in the scope of the agreement shall

receive a 7% increase with effect from 1 July 2018.

In addition, all employees who earn less than R9000 per month on 30 September 2018, shall receive an additional 0.5% with effect from 1 October 2018.

**For the financial year 2019/2020** all employees covered by the agreement shall receive an increase based on the projected CPI plus 1,5% with effect from 1 July 2019.

The projected CPI to be used is the forecast of the Reserve Bank, in terms of the January 2019 Monetary Policy Committee Statement.

Where the projected CPI is less than 5% (i.e. 4.5%) the projected CPI will be deemed to be 5%. If the projected CPI is above 10% (i.e. 11%), the projected CPI will be deemed to be 10%.

**For the financial year 2020/2021** all employees covered by the agreement shall receive an increase of the projected CPI plus 1.25% with effect from 1 July 2020.

The projected CPI to be used will be the forecast of the Reserve Bank in terms of the January 2020 Monetary Policy Committee Statement.

In the event that the projected CPI is less than 5% or above 10% the agreement provides for a protection clause whereby the CPI will be deemed to be 5% (if real projection is less than 5 %) or 10% (where the real projected CPI is above 10%) respectively.

#### **4. Linked Benefits and Conditions of Service (Clause 6.9)**

Any benefit or condition of service that ordinarily increases by virtue of its link to the increase in the salary of an employee, shall increase by the same rate as the salary increase in each financial year. This includes all benefits or conditions of service that is calculated from the basis of an employee's basic salary such as Pension Fund contributions, overtime etc. but exclude benefits that is not linked to an employee's salary and paid at a fix rate for example a cellphone allowance or medical aid where the 60/40 principle applies.

#### **5. Minimum Wage (Clause 7)**

With effect from 1 July 2018, the minimum wage will increase by 7% to Seven Thousand Three Hundred and Twenty-Four Rand and Twenty- Four Cents (R7 324.24).

The minimum wage will increase on 1 January 2019 with an additional 0.5% to Seven Thousand Three Hundred and Sixty Rand and Eighty- Six Cents (R7 360.86).

**Note:** This clause was directly taken from the facilitator proposal and the arbitration award. In reality and based on the 0.5% increase towards employees earning less than R9000 with effect from 1 October 2018, the minimum wage of R7 360.86 will be applicable as from 1 October 2018.

**Parties to the agreement signed an addendum on 23 August 2018 that changed the date effectively to 1 October 2018.**

With effect from 1 July 2019 the minimum wage will increase with the same percentage increase

for the 2019 financial year and with effect from 1 July 2020 the minimum wage will increase with the same percentage increase for the 2020/2021 financial year.

## **6. Home owners allowance (Clause 9)**

The home owners allowance will increase with 7% with effect from 1 July 2018 to R852.37

With effect from 1 July 2019, the home owner allowance will increase with the same percentage increase applicable for the 2019/2020 financial year.

With effect from 1 July 2020 the home owner allowance will also increase with the same percentage increase applicable for the 2020/2021 financial year.

The agreement reiterated that home ownership should be encourage and parties committed themselves to complete the housing investigation to determine an appropriate Home Owners Allowance.

**Gap Market employees** defined as employees who on 1 July 2018 earn a basic salary of R9000 or less per month shall receive a non-pensionable allowance of R350 per month with effect from 1 July 2018. This allowance will increase with the same percentage as the percentage increases applicable in the 2019/2020 financial year with effect from 1 July 2019 and 2020/2021 financial year with effect from 1 July 2020 respectively.

Employees who are eligible for the non- pensionable allowance on 1 July 2019 shall receive the allowance for the whole duration of the agreement even if their salaries goes beyond R9000 in year 2 or 3 of the agreement.

Should the housing investigation been concluded during the period of operation of the agreement and a more favorable home owners allowance than the R350 becomes applicable, the non-pensionable allowance will fall away.

## **7. Medical aid (Clause 10)**

The 60/40 principle shall apply whereby the employer will pay 60% of contributions up to a maximum of R3942.22 and the employee pays 40% of the medical aid contribution or the remainder of a premium where an employee already receives the maximum contribution currently.

The maximum contribution will increase with effect from 1 July 2019 to R4218.17.

With effect from 1 July 2019 the maximum employer contribution will increase with the same percentage as the salary and wage increase applicable for the 2019/2020 financial year and with effect from 1 July 2020 the maximum employer contribution will increase with the same percentage as the salary and wage increase applicable for the 2020/2021 financial year.

## 8. Exemptions (Clause 11)

The agreement makes provision for any party or person bound by the agreement to apply for exemption of any provision of the agreement to the General Secretary of the SALGBC. Municipalities that wishes to apply for exemption are advised to approach SALGA in this regard for assistance.

It is trusted that you'll find the above in order. For any enquires, do not hesitate to contact our **Mr. Zwe Ndlala/ Johan van Zyl** on Tel: **012 369 8000** and/or via e mail on [zndlala@salga.org.za/](mailto:zndlala@salga.org.za)  
[jvzyl@salga.org.za](mailto:jvzyl@salga.org.za)

Yours Sincerely,



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**XOLILE GEORGE**  
**CHIEF EXECUTIVE OFFICER**