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FROM : CHIEF EXECUTIVE OFFICER
TO : ALL EXECUTIVE MAYORS / MAYORS
ALL MUNICIPAL/ CITY MANAGERS
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UPDATE ON THE SALGBC NEGOTIATIONS AROUND SALARIES AND WAGES, THE WAGE CURVE AND THE PENSION FUND RESTRUCTURING

As mandated by municipalities during the respective Provincial Members' Assemblies held in October/November 2017, SALGA is currently engaged in negotiations on Salaries and Wages, Wage Curve for the Local Government sector as well as the Pension Fund Restructuring at the level of the South African Local Government Bargaining Council. This circular is intended to provide a detailed update to all municipalities on the following developments to date:

1. SALARIES AND WAGE NEGOTIATIONS

The SALGA leadership has mandated its negotiators to negotiate for a **multi-year salary and wage collective agreement** and the salary increases should be **inflation-linked**. Indeed, the **4.6%** SALGA offered, with sweetened outer years, was recorded as the year-on-year CPI for November 2017. At the third round of negotiations, held from 05 – 06 March 2018, SALGA tabled its revised offer of **5.9%** to the trade unions and this includes an improvement factor for the outer years of a multi-year agreement. This was informed by the average CPI expected for 2019 as per the South African Reserve Bank MPC statement for January 2018.

By the same token, organised labour also revised their salary and wage demand from the original **15%** to **10%** and the latter was further applied on the other related demands such as the minimum wage and other benefits. However and notwithstanding the cited reviewed set of demands, SALGA views the insistence on a **10%** demand by the Unions as not only **unaffordable** but also insensitive to the current economic environment which South Africa finds itself in, and municipalities in particular. Although the Unions' demand appears to be a **10%** at face value, it in actual fact, with further associated demands, results in a **16.49%** or **R14.4 billion** increase to the Local Government Wage Bill, which effectively will mean a further burden on the ratepayers of the country.

SALGA would like to reiterate that the unreasonable demands by the Unions would have major financial implications on ratepayers and may threaten job security in the sector. Local Government pays market-related salaries and in some instances even leads the market. For example, the current contributions by the municipalities to pension funds are between 18% - 32% as opposed to normal market rates of between 10%-12%.

SALGA remains committed to securing not just a reasonable Salary and Wage agreement but an agreement that will endure for multiple years and contribute to a sustainable municipal environment, with labour stability and salary increases aligned to municipal budgets. SALGA is still committed to a negotiated outcome that is just, fair and conducted in a professional manner and has further invited the Unions to reconsider their position towards the next round of negotiations schedule for **16 -18 April 2018**.

2. THE WAGE CURVE

The SALGA decision to negotiate the Wage Curve implementation dates back to 2010. The intended objective is to ensure that there is uniformity in the remuneration regime for municipalities of the same category. Once more, the SALGA leadership mandated its negotiators to engage on the resuscitated process of introducing a uniform Wage Curve for local government. The SALGBC parties have already adopted the report on the re-categorised municipalities and this was shared with all municipalities during the feedback sessions held around November 2017.

At the commencement of the negotiations, SALGA proposed that there needs to be an “**impact assessment**” done on the Wage Curve. The same reputable company that authored the Wage Curve report was directed to conduct the said exercise. The revised report has been developed and shared with all municipalities.

Emanating from the third round of negotiations, the parties further enlisted **critical negotiation matters** which entail the following:

- ***Adoption of the Revised 21st Century Report;***
- ***Determination of Pay Scales that will be utilised for negotiation purposes;***
- ***Frequency of Review of Municipal Categorisation model and Salary Scales;***
- ***Handling of Migration of existing employees from Old Employment Contracts;***
- ***Handling of municipalities that currently have salary scales that are higher than their actual grades/ categories;***
- ***Handling of Appeals against Municipal Categories;***

- **Management of Job Evaluation as a pre-cursor to the Wage Curve implementation;**
- **Adoption of the Interpolation Scenario as recommended by 21st Century;**
- **Incorporation of “Performance Management” System to regulate Notch increments;**
- **Dealing with “mergers/ dissolution” of municipalities during the tenure of the Wage Curve Collective Agreement;**
- **The “implementation date/ timing of implementation vis-a-vi the salary and wage agreement effective date;**
- **Handling of “Person to Holder” cases.**

The above negotiation items are further indicative of the relationship the Wage Curve has to the salary and wage increases within the local government sector. The parties further resolved that a small team of two (2) per party should engage on the above and formulate positions for further negotiation at the next round of negotiations scheduled for the **16 – 18 April 2018**. The said small team is expected to convene, under the supervision of the Facilitator, on **06 April 2018**.

3. PENSION FUND RESTRUCTURING

During the negotiation session of the 07 December 2017, the parties resolved to direct the Facilitator to re-visit the Facilitator proposal and attend to the following:

- The re-look of the definition of “**Member’s Interest**”;
- The potential challenges that might be occasioned by the “**Decentralisation**” of the “accreditation process” to the SALGBC Divisions;
- The creation of the “**choice option**” for employees while maintaining the limitation of funds that can be allowed to operate in a municipality;
- The consideration of the “**concurrent legislation**” through COGTA to assist in the implementation of the restructuring process; and
- The consideration of the fact that some funds might have allowed members to acquire “**home loans**” with their promised pension as a guarantee.

The report from the Facilitator has since been received and awaits further engagements at the next round for negotiations as indicated above. The Pension Fund Task Team will be convening on the **28 March 2018** to iron out any outstanding matters.

SALGA remains positive that the negotiations on all the afore-stated matters are still under control and the encouraging factor is the positive spirit that the parties have adopted in the process, save for some minor glitches. It is envisaged that at the next (fourth) round of negotiations the parties may fine tune whatever the Facilitator will produce as his settlement proposal.

SALGA will continue to provide periodic updates on these matters as the processes unfold. 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