

06 October 2017

Attention

THE PRESIDENTS:

SAMWU

Mr Pule Molalenyane
84 Fredericks Street
JOHANNESBURG
2001

IMATU

Mr Stan Khoza
47 Selati Street
PRETORIA
0081

Dear Messrs.. Molalenyane and Khoza

RE: SALGA PROPOSALS FOR THE 2017/ 2018 SALARY AND WAGE NEGOTIATIONS

The receipt of the consolidated "***Trade Unions' Demands***" dated the **26 September 2017** is hereby acknowledged.

SALGA views the process of salary and wage negotiations in a very serious light but with a very positive spirit given the importance thereof on the positive morale and productivity of our workforce in municipalities that needs to translate to efficient service delivery.

We have equally observed with great appreciation the level of maturity that has manifested itself at the multiple engagements that have been taking place at the level of our Bargaining Council. It is our prayer that the SALGBC parties continue to build on the improved relations while in pursuit of the mutual interests within the local government sector.

It is also common cause that there are a number of "***parallel***" negotiations on matters that all have a bearing on the budgets of our municipalities. Equally, we should all take note that there is only one budget source for our municipalities. It therefore becomes imperative that we all approach these salary and wage negotiations with an open mind but without confusing the matters. It is viewed as our collective responsibility to avoid compromising any of the other negotiation items. In the circumstances, our proposals for the advent "***salary and wage***" negotiations are as follows:

A. WAGE AND SALARY INCREASES

1. We propose a **Five (5) Year Wage and Salary Collective Agreement** in the following terms:
 - a) i. **For Year 1 (2018/ 2019)**, an across the board increase based on the **Year on Year CPI** rate of the **May 2017 CPI (4.6%)**, excluding section 57 Managers.
 - ii. **SALGA** would like the parties to further engage on the continued implementation of the **2.5% notch increases** for some employees particularly regarding the Wage Curve implementation. SALGA proposes that **notch increases** should be linked to “**employee performance**” to avoid rewarding mediocrity.
- b) **For Year 2 (2019/ 2020)**, we propose a percentage increase equal to the average CPI for the period February 2018 to January 2019 **plus 0.25%**.
- c) **For Year 3 (2020/ 2021)**, we propose a percentage increase equal to the average CPI for the period February 2019 to January 2020 **plus 0.25%**.
- d) **For Year 4 (2021/ 2022)**, we propose a percentage increase equal to the average CPI for the period February 2020 to January 2021 **plus 0.25%**.
- e) **For Year 5 (2022/ 2023)**, we propose a percentage increase equal to the average CPI for the period February 2021 to January 2022 **plus 0.25%**.

The above does not only provide “stability” within the Local Government sector but equally aligns with the term of the current political SALGA leadership.

B. MINIMUM WAGE

2. It is our position that the “minimum wage” has been adequately addressed within local government sector. We view the wage and salary dispensation within local government to be comparing relatively well and, in some instances, even more with other sectors (public and private) within the South African Labour Market as well as internationally. In fact, our local government minimum wage is “double” what the national government and NEDLAC have approved for the country.

C. DURATION OF THE WAGE AND SALARY AGREEMENT

3. SALGA proposes a “multi-year” agreement as indicated in paragraph 1, above.

D. MEDICAL AID SCHEME

4. SALGA proposes that the local government sector must ensure the maximization of employee “access” to medical aid through retention of the current employer contribution rate (**R3 942. 23**) and the application of the **60/40** principle.

No further increases of the contribution rates should be made as the current rates are considered as “excluding” low income group. The current maximum employer contribution needs to be capped as provided for in **Clause 9.1.2 of the Main Collective Agreement**.

5. In view of the mandate the SALGBC parties have given to the Employee Benefits Working Group with regard to the Benefit Instrument that targets Low Income Earners, we further propose that the outcome thereof should promote “access” to medical aid by the majority of local government employees and **subject to the agreed 60/40 principle**.
6. Further, SALGA proposes that the afore-stated **60/40 principle** caters for any medical schemes’ tariff escalations as the employer will incur the **60%** of the costs subject to the set maximum threshold and the employee picks up only **40%** of the costs.
7. In addition, we propose that all the SALGBC parties should commit to monitoring the current initiative the National Health Minister is driving to introduce the National Health Insurance (NHI) in so far as it may be beneficial for employees in local government.

E. RETIREMENT/ PENSION FUND (PF) SCHEME

8. We propose that the maximum employer contribution towards Defined Contribution (DC) pension/ retirement funds remains capped at **18%** and this shall be “subject to the provisions of the PF rules” as these remain determinants to any PF contribution adjustments in terms of the Pension Fund Act.
9. The current existing “funds” with an employer contribution beyond 18% should be “ring-fenced” and no further new entrants should be entertained towards the Defined Benefits (DB) Funds.

10. We further propose that all SALGBC parties should commit to the “rationalization” process that is currently under way and supervised by the agreed upon Facilitator.

F. HOME-OWNER/ HOUSING ALLOWANCE

11. SALGA is opposed to any notion of promoting rental through a housing allowance that does not discriminate from home owners as it encourages “home ownership”.
12. SALGA proposes that an increase on the “Housing Allowance” shall be guided by the same percentage increase as indicated in paragraph 1, above (4.6%)
13. We further propose that the SALGBC parties should commit to the expedition of the investigation for the introduction of a housing allowance which will be accommodative of the employees that constitute the “gap market” within the local government sector.

G. PROTECTION CLAUSE

14. SALGA proposes that the protection clause should be inserted for every financial year and the percentage thresholds should be negotiated by the parties and be part of the final Salary and Wage Collective Agreement,

Yours faithfully


XOLILE GEORGE
CHIEF EXECUTIVE OFFICER