

SCARCE SKILLS ALLOWANCE POLICY

ITEM A-CORP (01-2014) CM 26/03/2015	CORPORATE SERVICES OVERSIGHT COMMITTEE REPORT ON THE REQUEST TO ADOPT REVIEWED AND NEW HUMAN RESOURCES MANAGEMENT AND DEVELOPMENT POLICIES
--	--

RESOLVED:

1. **That** the report on request to adopt the revised and new Human Resources Management and Development policies **BE NOTED**.
2. **That** the proposed revised Policy attached as **Annexure "A" BE WITHDRAWN**.
3. **That** the proposed revised and new policies attached as **Annexures "B, C, D and E"** to the report of the Executive and the recommendations thereof **BE APPROVED**.

HUMAN RESOURCES MANAGEMENT AND DEVELOPMENT										
Document title	Scarce Skills Allowance Policy									
Creation date	2013-10-1									
Effective date	Date of approval									
Electronic location										
Password Protected	Indicate with X Yes				No	<input checked="" type="checkbox"/>				
Status	Indicate with X Draft			<input checked="" type="checkbox"/>	Final					
Version	V1.1									
Department	Human Resource Management and Development									
Security classification Indicate with X	Unrestricted	<input checked="" type="checkbox"/>	Restricted		Confidential		Top Secret			
Revision	Version No	Revision Date		Revision Details			Revised by			
Revision frequency:	V1.1									
Approved by	EMM COUNCIL			Date: 26 March 2015						

INDEX

1. PURPOSE	3
2. PREAMBLE	3
3. LEGAL FRAMEWORK	3
4. DEFINITION OF TERMS	3
5. DEFINITION OF SCARCE SKILLS	4
6. ADDRESSING SCARCE SKILLS IN REMUNERATION CONTEXT	4
7. DEFINITION OF SCARCE SKILLS ALLOWANCE	5
8. ASSESSMENT	5
9. IDENTIFICATION OF SCARCE SKILLS	5
10. GRADING OF SCARCITY ALLOWANCE	5
11. DISCONTINUATION/REDUCING SCARCE SKILLS ALLOWANCE	6
12. SCARCE SKILLS ALLOWANCE AND COUNTER OFFERS	7
13. DELEGATED AUTHORITY	7
14. RECOURSE ON APPLICATION	8

1. PURPOSE

The purpose of the Policy is to provide a remunerative framework for attraction and retention of employees within the scarce skill domains in Ekurhuleni Metropolitan Municipality.

2. PREAMBLE

The attraction and retention of employees within the scarce skill domains is a common challenge in most organisations.

The loss of experienced employees as well the difficulty associated with recruitment of new incumbents has an impact on service delivery. Although the loss of employees to the external market cannot be prevented in all cases, it is normal and trite human resources practice to adopt a scarce skills allowance by way of policy to mitigate skills loss to a certain extent.

The policy will form part of EMM's overall retention strategy

3 LEGAL FRAMEWORK

3.1 The Constitution of the Republic of South Africa, 1996 (108/ 1996);

3.2 Labour Relations Act (66/ 1995);

3.3 Employment Equity Act (55/ 1998);

3.4 Municipal Systems Act (32/ 2000);

3.5 Basic Conditions of Employment Act (75/ 1997);

3.6 Municipal Finance Management Act, 56 of 2003;

3.7 Any other applicable legislation;

3.8 All relevant Collective Bargaining Agreements of the SALGBC.

4. DEFINITION OF TERMS

“**DHET**” means Department of Higher Education and Training

“

“**EMM**” means Ekurhuleni Metropolitan Municipality and includes any committee or employee of the mentioned municipality who acts in terms of delegated powers in respect of this agreement and delegated to such committee or employee;

“**Employer**” means the same as EMM;

“**Employee**” means any person, excluding an independent contractor, who works for another person or for the State and who receives, or is entitled to receive, any remuneration (for the purpose of the application of this policy: this will exclude people appointed on short term contracts e.g. a person appointed on 4 months contract because an incumbent is on sick or maternity leave);

“**Remco**” means Remuneration Committee

“**HRM&D**” means Human Resource Management and Development

“**HOD**” means Head of Department

5. DEFINITION OF SCARCE SKILLS

5.1 The Department of Labour defines scarce skills as "an absolute or relative demand: current or in future; for skilled; qualified and experienced people to fill particular roles / professions, occupations or specialisation in the labour market. The differentiation between absolute and relative scarcity is outlined as follows:

- a) **Absolute scarcity** refers to suitably skilled people who are not available in the labour market. Specific contexts in which absolute scarcities may arise include:
- A new or emerging occupation, i.e. there are few, if any, people in the country with the requisite skills.
 - Firms, sectors and even the national economy are unable to implement planned growth strategies because productivity, service delivery and quality problems are directly attributable to a lack of skilled people.
 - Replacement demand would reflect an absolute scarcity where there are no people enrolled or engaged in the process of acquiring skills that need to be replaced
- b) **Relative scarcity** refers, for example, to the context where suitably skilled people are in fact available in the labour market but they do not exhibit other employment criteria, for example:
- High-level work experience, for example project management of large construction sites such as dams or power plants.
 - Geographical location, for example, people are unwilling to work outside of urban areas.
 - Equity considerations, for example, there are few if any candidates with the requisite skills from specific groups available to meet the skills requirements of firms and enterprises.

6. ADDRESSING SCARCE SKILLS IN REMUNERATION CONTEXT

There are various ways in which employees with scarce skills can be attracted and retained.

The most common market practice allows for an easy implementable non-pensionable scarce skills allowance. This option does not interfere with job evaluation and accompanying remuneration practices and can be differentiated from the organisations fixed wage bill.

The benefit of a non-pensionable allowance is also that the employee has more cash in pocket due to the non-deduction of employee pension fund contributions.

Skills “demand and supply” are often cyclical, hence the caution against capturing cyclical tendencies on permanent remuneration scales.

In light of above, policy should thus allow for an annual revision of the EMM scarce skills schedule.

As scarce skills allowances are acceptable market practice, a non-pensionable allowance is therefore proposed for EMM under conditions stipulated below.

7. DEFINITION OF SCARCE SKILLS ALLOWANCE

The scarce skills allowance will be defined as a non-pensionable allowance calculated as percentage of an employee’s monthly basic salary and payable on a monthly basis.

8. ASSESSMENT

The Remuneration Committee (Remco) will preside over the assessment of qualifying posts and post categories as determined.

9. IDENTIFICATION OF SCARCE SKILLS

HRM&D will monitor and review the internal scarce skills schedule annually and submit the recommended schedule to the Remco for adjudication. Within the context of “absolute” and “relative scarcity” the Remco will amongst others, take the following information into account when assessing scarcity:

- The vacancy (turnover) rate of the said posts over a 24 month cycle
- The specialized nature of the skill (special/technical trained or professional employees)
- The availability of such skills in the external labour market
- Cyclical patterns relative to the position
- The dependency on service providers
- Whether scarcity is actually caused by remuneration and not other organisational issues e.g. work place practices/frustrations, supervisor/employee conflict etc.
- Whether the employee(s) can still be retained with counter offers within the approved salary scale
- Whether other non-monetary measures can solve the problem
- Validation of roles against the Department of Higher (DHET) Education’s scarce and critical skills database

10. GRADING OF SCARCITY ALLOWANCE

10.1 In order to ensure that EMM has a sound, defensible and an optimally regulated policy the grading of scarcity should determine the financial premium EMM will incur on a post (or category of posts). Therefore the following categories will apply:

Category	Description	% Scarcity allowance
Category 1	Moderate scarcity – There is constant turnover, but replacements can be recruited again with extra effort, e.g. advertisements in national newspapers. Situation is relative stable, but to be monitored regularly for deterioration.	None (EMM is alert on possible problems)
Category 2	Serious scarcity. Vacancies can only be filled to an extent after a prolonged and extensive recruitment process.	10%
Category 3	Severe scarcity. Vacancies almost impossible to fill even after extensive recruitment processes. A high demand in the external market and/or a general shortage (supply) in the labour market of a highly specialized post/post category	15%
Category 4	Extreme scarcity in high exceptional cases – Each submission will be dealt with on a merit/case by case bases. In cases where remuneration market indicates that a 15% allowance will still not be enough to attract and retain certain extreme scarce skill, the HOD: HRM&D will in highly exceptional cases, increase the 15% up to a higher % suitable for attracting and retaining that specific skill.	HOD:HRM&D Discretion

10.2 The Remco reserves the right, after the necessary assessment of a post's scarcity, to discontinue or to reduce the non-pensionable allowance for a specific post or post category.

11 DISCONTINUATION/REDUCING SCARCE SKILLS ALLOWANCE

11.1 Upon promotion/transfer of an employee who is receiving scarce skills allowance, the following guidelines are to be followed/ implemented:

- 11.1.1 Promotion to a post where there is no scarce skills allowance applicable: The allowance will be discontinued.
- 11.1.2 Promotion/transfer to a post with lesser scarce skills allowance than the employee's current post: The employee's scarce skills allowance will be reduced to the relevant allowance as table under clause 10.
- 11.2 In the event the Remco resolves that a certain post or post category's scarce skills allowance be discontinued, the following procedure is to be followed:
 - 11.2.1 The employee will receive one (1) months written notice from the HOD: HRM&D that the allowance will be discontinued.

12 SCARCE SKILLS ALLOWANCE AND COUNTER OFFERS

- 12.1 In cases where a scarce skills allowance is applicable, the allowance may be increased to make a suitable counter offer if EMM stands to lose highly skilled personnel. The following principles will apply:
 - 12.1.1 Counter offers should only be granted in exceptional circumstances where the employee has highly specialized skills, knowledge or expertise and could therefore not be easily replaced,
 - 12.1.2 Counter offers can only be granted when the employee provides an original and valid job offer from an external organisation.
 - 12.1.3 The granting of a counter offer remains the sole discretion of the EMM. Under no circumstances will an employee be allowed to demand a counter offer from EMM.
- 12.2 The following procedure should be followed when granting a counter offer:
 - 12.2.1 The relevant Departmental HOD must motivate such counter offer with a comprehensive report including the cost implication and source of funding (validated and approved by the CFO) to the HOD: HRM&D.
 - 12.2.2 HOD: HRM&D must enter into discussion with the employee and recommend a suitable notch for a counter offer.
 - 12.2.3 The HOD: HRM&D reserves the right to further investigate the granting of a counter offer.
 - 12.2.4 The HOD: HRM&D also reserves the right to amend or not to approve a counter offer.
 - 12.2.5 The Departmental Head and employee will be informed of the final outcome by the HOD: HRM&D. It is therefore important that Departments should not make any promises to an employee before approval by the HOD: HR

13 DELEGATED AUTHORITY

Based on the scarce skill schedule (post and post categories) approved by Remco the approval of scarce skills allowances to qualifying employees should be done very swiftly to prevent the EMM from losing such employees. The latter is also especially true for counter offers as counter offers should normally be made before the employee formally accepts the external job offer. Hence the need is to act quickly.

The Municipal Systems Act, Act 32 of 2000 stipulates as follows:

“66. (1) A municipal manager, within a policy framework determined by the municipal council and subject to any applicable legislation, must –

- (a) Approve a staff establishment for the municipality
- (b)
- (c) Attach to those posts the remuneration and other conditions of service as may be determine in accordance within any applicable labour legislation; and
- (d)”

For practical reasons and the speedily approval of scarce skills allowances and counter offers, the final approval of scarce skills allowance and counter offers needs to be delegated by the City Manager to the HOD: HRM&D

14 REGISTRATION OF SCARCE SKILLS

The Workforce Capability Management division will ensure that the annual Workplace Skills Plan (WSP) lists EMM's scarce skills prior to lodging the WSP with LGSeta, which through its process facilitates the registration of scarce skills with the DHET.

15 RECOURSE ON APPLICATION

In the event that a grievance arises with regard to the application and interpretation of this policy, it shall be handled in terms of the SALGBC Main Collective Agreements.