



## REMUNERATION POLICY AND PROCEDURE

## **1. BARGAINING COUNCIL STRUCTURES**

This proposed remuneration policy and procedure for the Ngaka Modiri Molema District Municipality applies to both employees who fall outside of the Bargaining Council Structures i.e. those employees on fixed contracts as well as permanent employees who form part of the Bargaining Council.

The Bargaining Council dictates that conditions of services and minimum salary levels for employees are covered by the collective agreements. The Ngaka Modiri Molema District Municipality will ensure that their salaries are in congruence line with the requirements of the Bargaining Council.

By contrast, employees who fall outside the bargaining unit will be those above the bargaining unit level as defined, and will therefore not have their terms and conditions of employment stipulated and regulated by Bargaining Council agreements.

## **2. INTRODUCTION**

This remuneration policy and procedure is designed to facilitate the recruitment, retention and motivation of a consistently high performing human resource team, thereby contributing to the achievement of the short and long term objectives of the Ngaka Modiri Molema District Municipality.

The goals of Ngaka Modiri Molema District Municipality's remuneration policy are to ensure a reward system that:

- Recognises individual and team contributions to achieving municipalities objectives and motivates high levels of performance;
- Communicates and supports organisational values and strategy and creates focus on key organizational objectives through the performance management system;
- Allows the municipality to compete effectively in the labour market and to recruit and retain high calibre staff;
- Achieves fairness and equity;
- Complies with the requirements as stipulated by the Bargaining Council for bargaining unit employees, and with the BCEA;
  
- Allows the municipality to pay market related remuneration commensurate with municipality's resources and ability to pay, i.e. affordability and other factors into account when deciding on employees remuneration, as well as the justification of decision to remuneration policy and

- Ensures that remuneration is determined in terms of a clearly defined policy administered by a remuneration committee comprised of elected representatives, a remuneration expert and the municipal manager.

### 3. GRADING & SALARY SCALES

1. The Ngaka Modiri Molema District Municipality uses the Task job grading system.
2. The Ngaka Modiri Molema District Municipality Salary Scale for non-bargaining unit employees shall be developed using the lower quartile / median quartile total cost to company figures taken from a salary survey.
3. The Ngaka Modiri Molema Salary Scale for bargaining unit employees shall be developed using the information obtained from the Bargaining Council.
4. Details of the Ngaka Modiri Molema District Municipality grading system with the salary scales are included and illustrated on the following page.

#### Grading and Salary Scales

TASK GRADE	SCALE EXPLANATION	SALARY SCALE	NGAKA MODIRI POSITION PER GRADE
	Responsible for the development and implementation of strategy	Maximum Midpoint Minimum	
	Senior Management: incumbents are required to suggest policy and ensure the implementation thereof.	Maximum Midpoint Minimum	
	'As is' Mid-Manager who ensure effectiveness of operational processes. Senior Professionals and experienced professionals who provide input for policy development.	Maximum Midpoint Minimum	
	Skilled technical and academically qualified workers; junior management, supervisors, foreman, superintendents.	Maximum Midpoint Minimum	

	General staff positions in various divisions performing work within well defined work processes. The level of work is primarily dependent on the work complexity i.e. Semi-skilled and discretionary decision-makers.	Maximum Midpoint Minimum	
	Task based work of a less complex nature having a strong repetitive element i.e. unskilled and defined decision-making.	Maximum Midpoint Minimum	

5. Salary minimum and maximum for grades applicable to non-bargaining unit employees shall be based on a 10 percent spread from the midpoint.
6. The Head of Human Resources shall develop salary scales for non-bargaining unit employees. The appropriate political body e.g. a Remuneration Committee chaired by the Mayor shall approve these salary scales.
7. The Head of Human Resource shall adjust and update salary scales for Bargaining Council, and ensure that there is congruence between salary scales for bargaining and non-bargaining council employees.
8. A salary midpoint reflects the pay level applicable to fully competent performance. Above and below the midpoint is a pay range. An employee's salary should be positioned within the pay range of the applicable grade based on the employee's experience and performance levels.

**+ 10%**

**SALARY MAXIMUM**

(Incumbent is waiting for an opening at the next level or grade)

(SUPERIOR PERFORMANCE)

**SALARY MIDPOINT**

(Competent Job Performance)

**+10%**

**SALARY MINIMUM**

(Very inexperienced and will require significant training or performance is very poor which could require disciplinary action)

9. Newly appointed employees to the Ngaka Modiri Molema District Municipality should be appointed at the salary minimum, or at salary between the salary minimum and the midpoint. Employees will only be appointed above the salary midpoint in exceptional circumstances, which must be authorised by the Municipal Manager.
10. On promotion to a higher grade employees should receive an increase that moves their salary to at least the minimum of the new grade, but not higher than the salary midpoint for the grade.
11. Inevitably, there will be a number of non-bargaining unit employees whose salaries fall above the maximum of the salary scale for their applicable grade, particularly when new salary scales are applied. In these cases, there must not be a sudden reduction in salary, but the salary must be managed down in the salary scale by limiting increases in pay. At the discretion of the Ngaka Modiri Molema District Municipality, non-bargaining unit employees whose salaries are above the maximum of the salary scale may have their salaries frozen i.e. do not receive an automatic cost of living increase or performance increase until their salary falls within the salary scale range. All salaries below 80% of the salary grade midpoint should be revised urgently and brought within the applicable salary range over a specified period of time.
12. A single salary scale for the Ngaka Modiri Molema District Municipality shall apply based on the desired market position. Where it is found that market premiums exist for certain categories of employees, separate salary scales may be developed for these areas.

- 13 To ensure that the increases match the market over the complete 12-month period a lead/lag approach will be followed. The salary scales will be moved 6 months ahead of the increase date i.e. the Ngaka Modiri Molema District Municipality increases will lead the market for 6 months and then lag the market for the remaining 6 months.
- 14 Salaries shall be reviewed on 1 July each year and new salary scales shall be applied accordingly.

## **5. TOTAL PACKAGE**

Ngaka Modiri Molema District Municipality remuneration for non-bargaining unit employees is based on a total package i.e. total cost to employer, from which salary and benefits are funded. This allows the employee flexibility in determining his/her level of contributions to retirement and medical funding within certain broad parameters.

Total remuneration packages for non-bargaining unit employees are based on total **Cost to Company** and are determined in relation to the employees job and level within the organisation.

### **Packages may include:**

- Basic salary
- Pension fund contributions
- Provident fund contributions
- Medical Aid and Health Insurance contributions (unless an employee is a dependant on a spouse/partner's scheme)
- Travel allowance (if applicable)
- Entertainment allowance (if applicable)
- Housing subsidy
- Cell phone allowance
- Petrol allowance

The package must be structured over 12 months.

## **6. MEDICAL AID AND HEALTH INSURANCE**

Medical Aid and Health Insurance for non-bargaining unit employees is the sole responsibility of each individual employee. The employee is required to provide evidence to show that he/she is a member of at least a Hospital Plan.

Permanent employees are required to belong to any medical aid scheme recognised and approved by the bargaining council or a division thereof.

## **7. RETIREMENT FUNDS**

Pension Fund and retirement planning will be the sole responsibility of each non-bargaining unit employee. Employees may elect to join any Retirement Fund of their choice, including retirement funds recognised and approved by the bargaining council or a division thereof.

Permanent employees are required to belong to retirement Fund/s recognised and approved by the bargaining council or a division thereof.

## **8. TAXATION**

Ngaka Modiri Molema District Municipality cannot guarantee net earnings, after taxation, and it is the employee's responsibility to calculate the effect of deductions on their take-home pay.

Non-bargaining unit employees are encouraged to consult tax advisors for specialist information on tax. Taxation is related to the particular personal circumstances of each individual and should take into account all income, not just remuneration.

It is the responsibility of the employee to ensure that they comply with tax legislation by registering as a taxpayer when their allowances, such as the car allowance, as part of their remuneration. Each member of staff accepts the inherent risks with regard to the worth of the remuneration package, which may result from any changes in the applicable tax legislation.

## **9. THIRTEENTH CHEQUE**

Since Ngaka Modiri Molema District Municipality operates on a total annual cost to company package for non-bargaining unit employees, an annual guaranteed bonus or thirteen cheque is not included as part of the remuneration.

Permanent employees i.e. bargaining unit employees are entitled to receive the annual thirteen cheque as determined by the Bargaining Council.

## **10. TOOLS OF THE TRADE**

Tools of trade refer to equipment that is required by the employee in order for him/her to perform his/her job. Such equipment could include a cellular phone or laptop computer for staff members who travel extensively. The allocation of such equipment will be solely at the discretion of the Ngaka Modiri Molema District Municipality.

Tools of trade do not form part of the employee's total remuneration package.

## **11. ANNUAL SALARY REVIEWS**

Increases for non-bargaining unit employees are not guaranteed. They are at the sole and absolute discretion of the Ngaka Modiri Molema District municipality and are dependent on the economic circumstances of the Ngaka Modiri Molema District Municipality and the employee's performance. Salaries are reviewed annually in July. Should an employee be granted an increase, factors that may be considered in determining the amount are the following: employee's position on the salary scales, performance and enhanced qualifications related to the job. Changes to the salary amount are effective from the 1<sup>st</sup> July of each year.

Interim increases may be made exceptional circumstances where there have been consequential changes in the employee's job or position, e.g. change in market conditions, on promotion.

## **12. INCENTIVE SCHEME**

In order to encourage high standards of performance it is recognised that outstanding performance should be rewarded. This reward is structured differently at various levels within the organisation as follows:

### **Rewarding Performance of Non Bargaining Unit Employees**

#### **Objectives**

The purpose of the bonus scheme is to incentives the senior management team of the Ngaka Modiri Molema District Municipality to achieve the objectives set out in the manual performance agreements. These performance agreements are developed using both the short and long term strategic guidelines for the Ngaka Modiri Molema District Municipality. Essentially the scheme is designed to focus effort on objectives vital to the achievement of this vision, to stimulate managerial excellence in the pursuit of this vision and to provide additional recognition for high performers.

#### **Gross Salary vs. Bonus**

The gross salary is designed to reward required performance. The bonus scheme is designed to reward exceptional performance i.e. above that which is normally required. The targets within the performance agreement are therefore set as targets requiring stretch.

The gross salary is set to attract and retain staff. The level of gross salary carries with it an implied minimum level of performance. The annual increase to the gross salary reflects a combination of growth in competence and ability to do the job and the change in market competitiveness adjustment that the organisation wishes to achieve (i.e. the "going rate" or "cost of living"



increase). The annual bonus payout offers reward for high performance by ensuring that targets are stretching.

The bonus payout is concerned with rewarding effectiveness not effort. Up to a maximum of 20% of gross salary is attainable if excellent performance is achieved.

### **Eligibility**

The bonus rules apply to the Municipal Manager and those employees on a fixed term contract as envisaged in section 57 of the Systems Act.

### **Rules**

- The performance score is obtained using Performance Agreement.
- A maximum of 10% of annual salary is allocated to the payment of a bonus depending on the level of the employee. The final decision regarding the amount of money to be allocated to the bonus will be at the sole discretion of the appropriate political forum.
- Should external factors play a major role in impacting negatively on an employee's ability to meet the required standards of performance, it is at the discretion of the Mayor whether or not the employee should be entitled to a bonus payout.
- Provision for bonus payments is made by adding an additional 10% of gross salary for eligible employees to the salary budget. The fact that provision is made in the budget for maximum bonus payments in no way guarantees that maximum bonus payments will be made to eligible employees.
- The bonus payment will be made once a year, after the performance review in June. Should the financial status of the Ngaka Modiri Molema District Municipality be in a predicament the mayor reserves the right not to pay out bonuses in a particular financial year.
- The amount received by the Employee will be subject to current tax regulations.
- The bonus is received as an ex-gratia payment that does not influence pensionable earnings.
- The amount of bonus to be allocated will be determined by the score resulting from the performance review and will be calculated as follows:

<b>Staff Level</b>	<b>Final Score</b>	<b>Bonus Amount</b>
Municipal Manager and Direct Reports	90 – 100	10% of Annual Salary
	85 – 89	7.5% of Annual Salary
	80 – 84	5% of Annual Salary
	Below 80	0% Bonus
Below Director Level	90 – 100	10% of Annual Salary
	85 – 89	7.5% of Annual Salary
	80 – 84	5% of Annual Salary
	Below 80	0% Bonus

- These rules are subject to and can be changed at the discretion of the appropriate Remuneration Committee.

### **Rewarding Performance of Bargaining Unit Employees**

Employees who perform well but who do not qualify for financial rewards will receive some form of non-financial reward. These non-financial rewards are given separately from pay and benefits package and recognise specific achievements identified during the performance review at or near the event.

#### **Non Cash Rewards**

Since the manager cannot use the annual salary increase to reward high performing employees he/she should determine, from the list below, which is the most appropriate non-financial reward to give to a high performing employee to show the organisations appreciation of his/her efforts. Most people don't want just to receive a reward; they want to be seen receiving it. Presentation and delivery can be as memorable as the reward itself. Managers are encouraged to organise a "reward" ceremony for their ceremony for their staff during which the non-financial rewards are distributed.

Examples of non-cash rewards are listed below. The manager should select the most appropriate one for the level of effort put in by the employee (or a combination of them). These rewards should only be given to employees who **EXCEED** performance expectations, not to employees who meet the requirements of their objectives.

#### **Direct praise (Verbal praise)**

This should not only be done on the day of the 'reward ceremony' as rewards/praises are motivational when received immediately after the

- Peer recognition
- Outgoings
- Certificate or plaque
- Lunch or dinner voucher
- Special awards dinner/banquet

- Sport or outdoor activity
- Tickets to sporting events, concerts
- Social function
- Time off
- Circulated and posted letter of recognition especially from very top
- Personal call/visit from Municipal Manager
- Verbal praise
- Additional training
- Passing on customer compliments
- Press release
- Additional responsibilities
- Car parking space
- New/updated tools to do job better

### **The Mayoral Award Programme**

The “outstanding achievement award” is held once a year for effort above and beyond “normal job responsibilities”, where an employee or team:

- Takes corrective action
- Improves process or operation
- Increases savings or reduces waste
- Innovates methods or practices
- Contributes to improved customer satisfaction
- Gives service to charity or community

The more senior the person, the more outstanding the achievement must be to be considered.

The Mayor’s award is handed to a select few employees at an annual management function and takes one or more of the following forms:

- Trophy presented to individual or team at management meeting or other suitable occasion
- Personal congratulations letter / certificate signed by the Mayor
- Public Relations article in internal newsletter

