

MTHONJANENI MUNICIPALITY



HUMAN CAPITAL RETENTION STRATEGY

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1. INTRODUCTION AND PREAMBLE

In today's employment market, competition for employees who are talented, creative, and driven to satisfaction is fierce, amounting to what has been characterized as a war for talent. Thus, a company's success hinges on its ability to attract, motivate and retain a talented pool of employees. Evidence is mounting that a company's corporate social responsibility activities is a legitimate, compelling and increasingly important way to attract and retain good employees as it becomes clear that "The best professionals in the world want to work in organizations in which they can thrive, and they want to work for companies that exhibit good corporate citizenship." But despite this injection of enthusiasm of retention, it is suggested that very few municipalities are able to optimally leverage their retention efforts in winning the war for talent. In this strategy, the Mthonjaneni Municipality identifies the key barriers to effective staff retention and turnover and introduces steps that can be taken to increase the effectiveness in the employee realm. Mthonjaneni Municipality recognizes that the achievement of its service delivery objectives is dependent on its ability to attract and retain quality and committed staff, especially to "key" positions. It has accordingly set the goal of becoming a Municipal "employer of choice". To achieve this goal it shall adopt a Human capital retention strategy which shall ensure that all staff are remunerated fairly and are treated consistently throughout the Municipality, whilst at the same time it shall adopt a proactive approach to attract, retain and motivate management employees and staff with scarce and critical skills.

This strategy forms the basis for the way retention is applied within the Municipality and the Municipality shall establish Retention Remuneration Committee that shall ensure good governance and oversight of this strategy. This strategy has been benchmarked against the remuneration policies of the Department of Public Service Administration and takes into account its guidelines.

2. GENERAL OBJECTIVES

- 2.1. To compete effectively in the labour market
- 2.2. To recruit and retain high caliber human capital
- 2.3. To put in place mechanisms to attract and retain human capital with scarce critical skills
- 2.4. To establish and apply remuneration practices that are fair equitable, competitive and cost effective
- 2.5. To enhance service delivery through improved conditions of service for management of scarce and critical skills employees.

3. APPLICATION OF THIS STRATEGY

- 3.1. This strategy will apply to all the employees with scarce skills
- 3.2. This strategy will apply to all the employees with critical skills
- 3.3. This strategy will apply to all Senior Management and Middle Management positions

4. LEGAL FRAME WORK AND REQUIREMENTS

- 4.1. This strategy is premised on the requirements of the Basic Conditions of Employment Act (75 of 1997)
- 4.2. This strategy is based on the guidelines issue by SALGA on retention of employees

5. GUIDING PRINCIPLES OF RETENTION

- 5.1. **Support for Strategic Objectives:** Remuneration and reward frameworks and decisions shall be developed in a manner that is consistent with, supports and reinforces the achievement of the Municipality's vision and strategy.
- 5.2. **Transparency:** The process of remuneration management shall be transparent, conducted in good faith and in accordance with the appropriate levels of confidentiality.
- 5.3. **Internal equity:** The Municipality shall remunerate all staff fairly in terms of their roles within the organization. All positions shall be formally evaluated and graded to determine their relative weight in relation to other positions within the Municipality. The TASK™ method shall be used to determine the job grade on which the remuneration shall be based.
- 5.4. **Compliance:** The Municipality shall base its salary scales on the applicable SALGBC wage curve.
- 5.5. **Market-Related Remuneration:** The Municipality shall compare its remuneration practices and salary scales against both the local and national market through the use of reputable remuneration surveys and shall apply these benchmarks where it is experiencing difficulty in attracting and retaining staff with critical and scarce skills.
- 5.6. **Flexibility:** Remuneration and reward offerings shall be sufficiently flexible to meet both the needs of individuals and those of the institution whilst complying with relevant tax and other legislation.
- 5.7. **Performance-Driven Remuneration:** The Municipality shall entrench a culture of performance driven remuneration through the implementation of the Performance Management System
- 5.8. **Affordability and Sustainability:** The overall cost of salaries and benefits shall be within the established budgetary parameters and shall be sustainable over the medium to long-term.

6. APPROACHES TO REMUNERATION

- 6.1. The "Base Pay Add" on approach is based on the SALGBC salary structure for a particular grade to which prescribed benefits are added on which will be applicable to permanent employees.
- 6.2. Another approach is the Total Cost of Employment (TCOE) is a commonly applicable to relatively senior position which will be applicable to Senior Management and Middle Management positions.
- 6.3. For the attraction and retention of Senior and Middle Management employees, the TCOE will be implemented for the following advantages:

- 6.3.1. Transparent budgeting and planning
- 6.3.2. Greater flexibility in remunerating individuals according to their market scarcity and individual worth.
- 6.3.3. Flexibility for employees in structuring packages of the personal needs within the prevailing legislation and Municipal parameters.
- 6.3.4. Reduction of the Municipality's exposure to open ended benefit liabilities
- 6.3.5. More equitable and defensible approach to remuneration
- 6.3.6. Supports modern organizational designs
- 6.3.7. Fair and accurate market comparisons
- 6.3.8. Employment costs are known upfront allowing for more accurate budgeting and planning
- 6.3.9. Supports performance remuneration
- 6.3.10. Favourable environment for the municipality to attract and retain high quality staff.

7. DEFINITION AND APPLICATION OF RETENTION PRINCIPLES

- 7.1. The definition of retention has two meanings: "to hold or keep in possession" and "to engage the services of".
- 7.2. The traditional focus has been to hold or keep rather than to engage a service. High –value employees want to be "engaged" and not "kept".
- 7.3. The municipality needs to shift its thinking and focus on what needs to be done to help the employees become fully engaged in the services of the municipality.
- 7.4. The Municipality will in consistency with the objectives of this strategy make all efforts to retain and employees by top skilling and exposing them to a new set of ideas and technology.
- 7.5. Mthonjaneni Municipality will set aside funding for various Human Capital Retention programmes.

8. APPLICATION OF THE TCOE APPROACH

- 8.1. All Management positions shall be benchmarked against a set of key and strategic post levels or grades or ranks of management positions within any prevailing job evaluation system in the local government undertaking.
- 8.2. The principles of uniformity and consistency with the organizational positioning, job knowledge, complexity and responsibility will be applied in benchmarking management positions.

- 8.3. All management employees falling within positions post levels of 0 to 4 or equivalent will be appointed on Total Guaranteed Remuneration Package(TCOE) principles .
- 8.4. For the purposes of this strategy, all benefits, allowances, awards, adjustments and gratuities shall be calculated and expressed as a percentage of the total remuneration package.
- 8.5. Staff members shall be permitted to revise the breakdown of their total remuneration package once every year at the time of the salary increase or more than once a year should there be any need for such review, in terms of requirements expressed in the remuneration policy of the Municipality.

9. ROLES AND RESPONSIBILITIES OF THE HUMAN RESOURCES AND LINE MANAGEMENT IN THE IMPLEMENTATION OF HUMAN CAPITAL RETENTION

- 9.1. Senior Managers, Managers and Supervisors and the Human Resources Section shall work together in people management issues in discharging the following:
- 9.1.1. to effectively lead, coach and mentor staff;
 - 9.1.2. to provide proper feedback;
 - 9.1.3. to align work processes and jobs with organizational goals;
 - 9.1.4. to create a culture of life-long learning and development in which employees can grow;
 - 9.1.5. to grow and improve their employee competencies.
 - 9.1.6. to provide line managers with relevant, efficient and strategic human resource advice and interventions; to provide the line manager with cutting edge of new people management thinking.

10. REASONS WHY EMPLOYEES LEAVE

- 10.1. Some of the reasons for staff turnover are unavoidable but the following can be avoided:
- 10.1.1. Financial consideration
 - 10.1.2. Work environment
 - 10.1.3. Career development
 - 10.1.4. Lack of benefits
 - 10.1.5. Resistance to change
 - 10.1.6. Internal mobility and job-hopping
 - 10.1.7. Leadership and management style
 - 10.1.8. Lack of effective communication

11. EARLY WARNING SIGNALS TOWARDS LOSING TALENTED AND HIGH QUALITY EMPLOYEES

- 11.1. Employees who suddenly show an increase use of sick or annual leave
- 11.2. Employees who suddenly get a lower than average performance review
- 11.3. Employees who get transferred to another department against their wishes

- 11.4. Employees who have not had a financial increase for over 24 months.
- 11.5. Lack of enthusiasm in participating in the activities of the department or of the Municipality.

12. TYPES OF SKILLS THAT ARE ON DEMAND AND UNAVAILABLE

- 12.1. Electrical
- 12.2. Engineering; Civil Mechanical and Building
- 12.3. Storm water and Roads
- 12.4. Town Planning
- 12.5. Communication
- 12.6. Horticulture
- 12.7. Traffic Management, Examination of vehicles, for driving licenses and learners' licenses
- 12.8. Payroll Administration
- 12.9. Skills development management
- 12.10. LED management
- 12.11. Financial management
- 12.12. Internal auditing
- 12.13. Performance Management
- 12.14. Information Communication Technology
- 12.15. Fleet Management
- 12.16. Environment and Waste management
- 12.17. Geographic information system

13. CHOICES ON STAFF ENGAGEMENT AND RETENTION

- 13.1. According to best practices there is no "one- size- fits- all" retention strategy but the following strategic options will be considered for implementation:

13.1.1. Availability of enough resources to meet the demands of the job

- 13.1.1.1. The Municipality must be ready to avail the resources to meet the demands of the job and create an environment conducive to productivity and creativity with a provision of tools for the execution of the duties.
- 13.1.1.2. The process of review of the Employment Contract of a fixed term contract employee must commence 24 months before the expiry date of the employment contract and be finalized twelve months before the expiry date as a practice of good faith by the Municipality towards the employee

13.1.2. Employee empowerment through training and skills development to meet the job requirements

- 13.1.2.1. It is the duty of the Municipality to train its staff in order to enhance its performance.
- 13.1.2.2. Each Head of Department should assess the training needs of his/her staff in order for their skills to be developed.
- 13.1.2.3. Employees will be asked what they would like to learn and be helped in order to unlock their full potential and talent.

13.1.2.4. Rotating employee assignments and cross training should also be done within the departments.

13.1.3. Culture of ownership – where employees feel part of the organization

13.1.3.1. Employees must own the successes of the Municipality.

13.1.3.2. Involvement of employees will empower them to perform at higher levels.

13.1.3.3. Information sharing and requesting suggestions of strategic choices from the employees will keep them involved in contributing to major decisions and shaping legacy of the Municipality.

13.1.3.4. Each department will have monthly or bi-monthly departmental meetings so as to give effect to the objects of this strategy.

13.1.4. Provision of challenging work

13.1.4.1. Employees will be given a job that provides more opportunity for growth and excitement.

13.1.4.2. Each department should motivate and utilize scarce skilled employees to the best of their ability.

13.1.4.3. Employees will be given the opportunity to voice out what they would like to achieve for the Municipality.

13.1.5. Opportunities for individual & team work and building

13.1.5.1. Employees will be encouraged to work individually and also to work in a team

13.1.5.2. It is the duty of the Head of Department or Line Manager to ensure that they conduct cost effective Departmental individual and team building exercises.

13.1.6. Reward for Good Work and Excellence

13.1.6.1. Immediate superiors and Managers will create positive and sound relationships with their subordinates as an integral part of recognition of their good efforts.

13.1.6.2. The Municipality will continue to recognize and reward employees' hardwork, outstanding achievements, excellence, long service with no record of ill discipline, long service awards, service with loyalty and other good performance or conduct warranting such recognition.

13.1.6.3. Each year the Municipality will host an annual Awards event for recognition of excellence arising from performance and any other act of achievement or good conduct by the employees of the Municipality.

13.1.6.4. Each department will evaluate and recognize performance of employees on a quarterly basis.

13.1.6.5. Rewards for good & patriotic performance and working during awkward hours, such as a day off, when money is not a possibility may be done.

13.1.6.6. Departments will also write letters of appreciation to their staff as and when necessary.

13.1.7. Benefits

The municipality will strive to offer high employee benefits subject to costeffectiveness according to the latest trends in the market especially to management employees and employees whose skills are classified as critical or scarce skills as follows:

- 13.1.7.1. Discount on housing subsidy (interest rates)
- 13.1.7.2. Insurances
- 13.1.7.3. Group Scheme
- 13.1.7.4. Develop a plan to prepare for future retirements

13.1.8. Extra remuneration for employees designated as occupying management positions and possessing scarce and critical skills

- 13.1.8.1. The above category of employees shall be limited to those employees appointed in positions ranging from post level 6 to 0 or equivalent.
- 13.1.8.2. The Municipality may pay a monthly scarce skills/ critical skills allowance of between 10 and 35 % of the employee's basic salary should a need arise as approved by the Municipal Manager subject to the recommendation of the Retention Remuneration Committee.
- 13.1.8.3. The Scarce /Critical Skills Allowance may be paid as a counter offer to an employee meeting the criteria set out in Section No 13 of this Strategy
- 13.1.8.4. Access to Municipal houses will be for post levels 0 to 6 or equivalent employees whose skills or positions are listed in section No 13 of this strategy as a taxable benefit.

1.3.1.8 COUNTER OFFER

To regulate the counter offer of employees as part of the Human Capital Retention Strategy:

- a) As and when the employee has declared an intention to terminate his or her services with Mbonambi Municipality, the Council will be entitled to negotiate in writing a counter offer of 20% of the employee's gross salary in terms the Human Resources Retention Strategy.
- b) The Council reserves the right to make a counter offer.
- c) The counter – offered employee reserves the right to accept or decline the counter offer. The intention to accept or decline the counter offer should be reduced in writing.
- d) Upon the receipt of an employee's intention to remain within the employ of Mbonambi Municipality, the counter offer will be effective on the same month the employee would have commenced his duties with the prospective employer.

- e) The Council will only be entitled to counter offer an employee who has expressed in writing his or her intention to terminate their services with the Municipality, The adjustment of gross salaries at 20% for employees falling with the same level with the counter offered employee will not be subject to a 20% increment and will accordingly remain the same.

14. COMPOSITION AND TERMS OF REFERENCE OF THE AD HOC RETENTION REMUNERATION COMMITTEE OF COUNCIL

14.1. In order to ensure good governance and oversight a Retention Remuneration Committee shall be established.

14.2. The membership of the ad hoc committee shall be as follows:

14.2.1. The Head of Department concerned

14.2.2. The Head of Department: Corporate Services

14.2.3. The Chief Financial Officer

14.3. The committee shall be chaired by the HOD: Corporate Services

14.4. The Committee shall meet as and when required

14.5. The Committee shall report directly to the Municipal Manager

14.6. This committee shall make recommendations to the Municipal Manager

14.7. The Committee shall deal with the retention remuneration for employees below section 56/57 posts.

14.8. Retention remuneration for section 56/57 employees will be dealt with by the Office of the Municipal Manager.

14.9. The ad hoc Retention Remuneration Committee shall discharge the following:

14.9.1. Evaluation of a request or motivation for payment of a retention remuneration in terms of this strategy and other sister policies.

14.9.2. Making recommendations of the best form retention option within the ambit of this policy

14.9.3. Advise the Municipal Manager on whether to approve funding for a particular retention or not.

14.9.4. Sign off the report or memorandum and its recommendations sent to the Municipal Manager

14.9.5. Maintain a high level of confidentiality with regard to discharging its responsibilities

15. COMMENCEMENT

15.1 This strategy will come into effect on the date of adoption by the Council.

16. INTERPRETATION OF THIS STRATEGY

16.1 All words contained in this policy shall have an ordinary meaning attached thereto, unless the definition or context indicates otherwise.

16.2 Any dispute on interpretation of this policy shall be declared in writing by any party concerned.

16.3 The Office of the Municipal Manager shall give a final interpretation of this strategy in case of written dispute.

16.4 If the party concerned is not satisfied with the interpretation, a dispute may then be pursued with the South African Local Government Bargaining Council/ or Arbitration

17. PERMANENT/TEMPORARY WAIVER OR SUSPENSION OF THIS STRATEGY

17.1 This strategy may be partly or wholly waived or suspended by the Municipal Council on a temporary or permanent basis after consultation with Management and Trade Unions.

17.2 Notwithstanding clause No. 18.1 the Municipal Manager may under circumstances of emergency temporarily waive or suspend this strategy subject to reporting of such waiver or suspension to Council and Trade Unions.

18. AMENDMENT AND/OR ABOLITION OF THIS STRATEGY

18.1 This strategy may be amended or repealed by the Council after consultation with Management and Trade Unions.

19. COMPLIANCE AND ENFORCEMENT

19.1 Violation of or non-compliance with this strategy will give a just cause for disciplinary steps to be taken.

19.2 It will be the responsibility of all Managers, Supervisors, Executive Committee and Council to enforce compliance with this policy.

Policy reviewed by Directorate	:	Corporate Services
Presented to LLF	:	
Presented to CSPC	:	
Presented to ExCo	:	
Council adoption	:	