

**OVERVIEW OF SOUTH AFRICA'S PUBLIC SERVICE: A DIALOGUE ON CAPACITY  
BUILDING, SKILLS READINESS AND SERVICE DELIVERY**

**By**

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**ACRONYMS AND ABBREVIATIONS**

<b>ADP</b>	Accelerated Development Programme
<b>ASGISA</b>	Accelerated Share Growth Initiative South Africa
<b>COGTA</b>	Cooperative Governance and Traditional Affairs
<b>CFO</b>	Chief Financial Officer
<b>CPI</b>	Consumer Price Index
<b>DOL</b>	Department of Labour
<b>DC</b>	District Councils
<b>DHET</b>	Department of Higher Education and Training
<b>DPLG</b>	Department of Provincial and Local government
<b>EPWP</b>	Expanded Public Works Programme
<b>ETQA</b>	Education and Training Quality Assurance
<b>ETD</b>	Education, Training and Development
<b>FOSAD</b>	Forum for South African Director- Generals
<b>FET</b>	Further Education Training colleges
<b>GNU</b>	Government of National Unity
<b>GEAR</b>	Growth Employment and Redistribution
<b>GDP</b>	Gross Domestic Product
<b>HEI's</b>	Higher Education Institutions
<b>HESA</b>	Higher Education South Africa
<b>HBU's</b>	Historically Black Universities
<b>HRDS</b>	Human Resource Development Strategy
<b>HR</b>	Human Resources
<b>HWUs</b>	Historically White Universities
<b>IDP</b>	Integrated Development Plans
<b>IPAP</b>	Industrial Policy Action Plan
<b>JUPMET</b>	Joint Universities Public Management Education Trust
<b>JIPSA</b>	Joint Initiative on Priority Skills Acquisition

<b>LGSETA</b>	Local government Sector Education Training Authority
<b>LOGOLA</b>	Local government Leadership Academy
<b>MFMA</b>	Municipal Finance Management Act
<b>MEC</b>	Member of Executive Cabinet
<b>NSF</b>	National Science Foundation
<b>NSFAS</b>	National Student Financial Aid Scheme
<b>NHRD Council</b>	National Human Resources Development Council
<b>NT</b>	National Treasury
<b>NYDA</b>	National Youth Development Agency
<b>NQF</b>	National Qualifications Framework
<b>NSDS</b>	National Skills Development Strategy
<b>NPM</b>	New Public Management
<b>NGOs</b>	Non-governmental organizations
<b>PSC</b>	Public Service Commission
<b>PALAMA</b>	Public administration Leadership and Management Academy
<b>PSETA</b>	Public Service Sector Education and Training Authority
<b>RDP</b>	Reconstruction and Development Programme
<b>RPL</b>	Recognition of Prior Learning
<b>SETAs</b>	Sector Education Training Authorities
<b>SAMDI</b>	South African Management and Development Institute
<b>SAQA</b>	South African Qualifications Authority
<b>SSPs</b>	Sector Skills Plans
<b>SDF</b>	Skills Development Facilitator
<b>SMS</b>	Senior Management Service
<b>TLC</b>	Transitional Local Councils
<b>TRC</b>	Transitional Rural Councils
<b>UNISA</b>	University of South Africa
<b>WSP</b>	Workplace Skills Plans

## ABSTRACT

This longitudinal study is an extension of a Master's dissertation entitled "*The state of skills readiness in the South African Public Service: an overview of the Department of Provincial and Local government*" Sheoraj, R (2008).

The earlier research project examined the capacity of the state to deliver on its promise for improved service delivery and a better life for all citizens. The National Skills Development Strategy, 2010 (NSDS) was evaluated to determine its effectiveness in tackling the serious challenge of skills in South Africa.

This study examines the state of skills at local government, the underlying causes of capacity constraints and their implications for service delivery in the context of a developmental state.

The argument is that local government is in the process of transformation. One of the critical constitutional features of local government in South Africa after 1994 is its developmental orientation. Local government requires appropriate skills to deliver on its mandate.

Chapter 1 provides an overview of South Africa's transition to democracy. It provides an overview of the transformation and recruitment practices of the Public Service and the skills policy interventions. Lastly, a brief overview of the framework of the study is provided.

Chapter 2 describes the methodology of the research that is followed for gathering and analysing information for the purpose of this study.

Chapter 3 explores the literature associated with the development of the practice and theory of public administration. The skills challenges that the current administration

faces is also examined in this chapter. The significance of public administration theories in South Africa's modern Public Service is also expanded upon.

Chapter 4 provides a background to the case study and profile of local government. It explores the role and characteristics of a developmental local government.

Chapter 5 analyses the state of skills in municipalities with reference to a case setting of the uMgeni municipality in KwaZulu-Natal and the implications for good governance and service delivery.

Chapter 6 encapsulates the dialogue generated in previous chapters. It will discuss research findings and propose recommendations to the challenges identified. It provides suggested responses, demonstrates examples of good practices adopted to address the complex issues relating to skills shortages and proposes a number of strategic approaches to address the issue of skills shortage.

This study found that municipalities are mandated by various acts to become more developmental. In assisting them with the increased pressure to effectively deliver basic services and clear the current service backlogs, the Local government Municipal Structures Act 117 of 1998 mandates the implementation of Integrated Development Plans (IDP) as the main planning instrument for a municipal area.

It was also found that along with the implementation of IDPs, the Municipal Structures Act mandates the implementation of performance management systems within the structures of the municipality. Currently, not a week passes without a news headline announcing that in one of the municipal areas of South Africa social unrest is high because of the lack of service delivery from the relevant municipality.

The purpose of this study was not to find solutions for the lack of service delivery, but to critically evaluate the state of skills in local government and the implications for service delivery. The central aim of the study is, therefore to establish "***What is the state of***

***skills at local government in South Africa and to what extent can government intervention impact on skills development and service delivery to restore confidence in this sphere of government?”***

Even if the study does not aim to provide answers to the reasons related to poor service delivery the assessment provides insight into the formulation of policy processes. This study recommends that a vibrant interventionist policy approach by local governments will be the right step to address the issues of a developmental state and those of skills acquisition.

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## **CHAPTER 1: BACKGROUND AND HISTORICAL OVERVIEW**

### **1.1 INTRODUCTION**

This chapter provides an overview of South Africa's transition to democracy; it also describes the fragmented Public Service the present government has inherited. In addition, this chapter provides an overview of the transformation and recruitment practices of the Public Service. Lastly, a brief overview of the framework of the study is provided plus concluding remarks.

Government is responsible for the planning, delivery and maintenance of key and essential infrastructure and services to communities throughout South Africa. Increasingly, it is becoming the principal provider of these services to local communities on behalf of government. Local government is also a significant employer in South Africa, employing approximately 278 600 people (National Treasury, 2012: 15). Local government plays a key role in ensuring economic and infrastructure development in local communities owing to its regulatory function in relation to planning, building and resource management.

At the same time local government is a major provider of a diverse range of services to local communities. Local government in South Africa has contributed to the achievement of a number of significant social and economic development advances, since the ushering in of the new democratic municipal dispensation in December 2000. The majority of South Africans have increased access to a wide range of basic services and more opportunities have been created for their participation in the economy. Notwithstanding the valuable role that municipalities have played in the new democratic dispensation, key elements of the local government system are showing signs of distress. This study provides an analysis of the performance and state of local government and begins to point to key matters that must be attended to in the

turnaround strategy for local government. Urgency, prioritisation, speed and timing are important in addressing the critical issues identified in this study.

The new administration has a clear electoral mandate to deliver on key priorities that must ensure that visible, tangible and positive changes are felt in all rural and urban communities. These must focus, inter alia, on the Millennium Development Goals (MDGs) and universal household access to basic services by 2014. With this in mind, the 2009 Government Programme of Action is committed to build a developmental state, improve public services and strengthen democratic institutions. This is the point of departure for the priority of intervening, stabilising and supporting local government in order for it to fulfil its core mandates.

In summary, the central question that this study poses is, “What is the state of skills at local government in South Africa and to what extent can government intervention impact on skills development and service delivery to restore confidence in this sphere of government?”

The past nineteen years of democratic rule in South Africa have been characterised by policy making and legislative reform aimed at correcting the injustices of the past. Skills development is incontestably crucial to debates regarding the effectiveness of a developmental state, local government and broader government structures more generally. Governments globally see education and skills as a core tool for increasing economic competitiveness and promoting social inclusion.

The nature, understanding and context of the skills deficit have been identified at all levels. A review conducted by the Presidency of the Republic of South Africa in 2010 highlighted the need for accelerated service delivery during the second decade of democracy. To enhance the implementation of strategic objectives and outputs in departments, capacity building coupled with enabling processes for improving the delivery of services on provincial and local government levels are crucial. The South African government is currently faced with the challenge of reconstructing the public

service into an institution which is representative of all South African citizens. In doing so it must reconcile the historical labour imbalances caused by apartheid as well as the skills required to address the pressing need for service delivery for millions of South Africans. It is therefore critical that public service institutions have the required skills to effectively discharge their mandates. If these skills are lacking in public service institutions the impact will have severe repercussions on the country.

## **1.2 STATEMENT OF THE PROBLEM**

Skills are the backbones on which every successful country rests. Successful east Asian countries such as Malaysia, India, China and Japan confirm this essential truth. In all these countries their economic revival and turn around had the skills revolution at its core. As a country, South Africa has not yet taken the matter of skills to a skills revolution. The quest to be a competitive economy and a winning nation depends on equipping the nation with the appropriate skills.

The issue of skills in South Africa cannot be divorced from its historical context. When addressing the issue of skills in South Africa it is important to reconcile the present state of skills with the historical imbalances caused by apartheid. It is therefore, clear that any examination of the issue of skills in South Africa cannot be discussed in isolation but must be explained in the context of South Africa's history.

The South African government has embarked on a number of intervention strategies to address the disparities of skills in South Africa; such interventions include policy interventions as well as legislative measures.

The impetus that informs the drive for a developmental state that promotes growth and development hinges on the capacity of the local sphere of government to effectively discharge its responsibilities. This study examines the state of skills at local government, the underlying causes of capacity constraints and their implications for service delivery in the context of a developmental state.

The argument is that local government is in the process of transformation. One of the critical constitutional features of local government in South Africa after 1994 is its developmental orientation. Local government requires appropriate skills to deliver on its mandate.

Lack of capacity is one of the perennial explanations for shortcomings in municipal service delivery. Core to this capacity problem are the very high vacancy rates in local government, which are aggravated by the job losses. A municipality needs sufficient workers and the right skills mix to deliver services effectively. Municipal employees and the skills they bring to the workplace are a critical input in the delivery of all services a municipality delivers. The objective of managing municipal personnel is therefore not necessarily to minimise the “wage bill”, but rather to ensure that people with the required skills are recruited, retained and appropriately deployed. Another enormous challenge confronting local government is the decline in public trust in municipalities. This is being reflected in various ways namely, increased public protests, more militant ratepayer associations, as well as in public opinion surveys. There is growing public frustration with poor governance and corruption, resulting in poor service delivery in many municipalities

The guiding research question of the study is, therefore to establish “***What is the state of skills at local government in South Africa and to what extent can government intervention impact on skills development and service delivery to restore confidence in this sphere of government?***”

### **1.2.1 Research objective**

The intention of this study is to propose possible solutions to the problem statement. The problem statement informs the research objectives. A problem statement, therefore, can be equated to a statement of intent which clarifies limits and constitutes a very distinct aspect and image of a particular problem in a specific field or particular discipline. A statement of the problem is a declaration of policy which brings to the

attention of the researcher and influences the choice of the route to be followed during investigation (Bailey, 1994: 36).

### 1.2.2 Secondary research questions

Making use of the human capital theory and political economy theory this thesis will examine the following critical questions in relation to the case studies of the uMgeni municipality in Kwa-Zulu Natal:

- What is the current skills profile of local government generally and the uMgeni municipality in particular?
- Taking into account this skills profile, does a critical shortage of skills exist in local government?
  - What are the challenges confronting the local government, specifically to what extent does:
    - South Africa's historical legacy and transformation affect the skills debate;
    - lack of experienced managers, political deployment, absence of training and performance interventions, career path, succession planning, values and culture affect public sector skills profile;
    - does a disconnect exist with tertiary institutions supplying the correct skills? Is South Africa's education system fulfilling its role in producing an educated labour force?
    - the extensive use of consultants reflect the shortage of critical skills in Public Service;
    - does the emigration of skills affect the public sector?
    - can the attraction of immigrant labour contribute positively to Public Service delivery?
    - the shortage of skilled public servants impacts services delivery and by implication places a constraint on economic growth?
- What are the skills development policy initiatives of the SA Public Service?
- What role can the public sector play in addressing unemployment, in particular youth unemployment and is the Public Service doing enough to attract the right skills?

- can internships provide a stepping stone to attracting qualified graduates into the Public Service? If so, what is the current state of internships and what are the barriers to entry?
- does the proposed youth wage subsidy address the concern of youth unemployment?
- what role does remuneration play in retaining skilled public sector employees?
- what role can public private partnerships play in addressing the skills shortage in key areas such as finance, engineering, doctors, lawyers, managers?
- what extent can government intervention impact on skills development and service delivery in the South African Public Service, in the context of SA becoming a developmental state?
- What role can a National Skills Development Framework for each critical sector of the economy play including line Ministries?
- What lessons can SA draw from the growth model of East Asian tigers countries such as Malaysia

### 1.2.3 Research Issues

According to Bailey (1994:45) the topic for a research study must offer the researcher the opportunity to make a contribution to existing knowledge in any of the following instances:

- to gather and present new or improved evidence for supporting or disproving existing concepts, theories and models;
- to furnish new or improved methodology for research work with respect to both the subject of investigation as such, and the paradigm of its understanding;
- to conduct new or improved procedures of analysis of the subject and of the topic by virtue of the innovation of new paradigms of understanding and new procedures of investigation; and
- to postulate new or improved concepts or theories on the topic.

#### **1.2.4 Significance of study**

The issue of skills has been a hotly debated subject in public and private circles; it is also an issue which elicits a strong negative emotional response from many. This negative response can be attributed to the nexus between skills, employment and the ability of an individual to contribute meaningfully to society while also providing an income to support a family.

At the core is the issue of service delivery, which is intertwined with the issue of skills to effectively deliver such services. Much debate has also centred on the introduction of affirmative action policies and legislation and whether such methods create further divisions in local government or in actual fact embrace the ideology of addressing the labour imbalances caused by apartheid.

This study is significant as it serves to put the skills debate in its historical context while also examining interventions adopted by the government to determine their effectiveness in addressing the problem. It is the realisation that if South Africa is to succeed in building a country, which can compete on an international playing field, then each and every citizen must positively participate in the growth and development of this country.

#### **1.3 BACKGROUND TO LOCAL GOVERNMENT LEADING TO SKILLS READINESS**

The South African legislation on local government emphasises that municipalities have the pivotal roles of democratizing society and of development within the current dispensation. Developmental local government requires strong leadership and a clear vision for local government. This requires municipal officials to discharge their responsibilities with prudence in an efficient, transparent, and accountable manner thus promoting good governance. For democracy to materialize at the municipal level, citizens should hold local government accountable.

Local government administration has seen changes in recent years. However, these changes have not always been informed by a clear and coherent vision of the roles and responsibilities of municipalities in a new era. The process of amalgamating the old race-based municipal administrations, initiated by the Local government Transition Act No. 209 of 1993 proceeded very differently in different municipalities. In many cases the structures and systems of better established municipal administrations (usually former white municipalities) were adopted and extended to “absorb” staff from the smaller administrations (usually former black local authorities).

Transformation for developmental local government requires a further process of administrative reorganisation to gear municipalities to meet the considerable challenges of social, economic and material development in all communities. Such a process cannot hope to succeed unless management, organised labour and other stakeholders develop a common vision and work together to achieve it.

The fundamental goal of a democratic system is citizen satisfaction. Therefore, the effectiveness of good local governance needs to be judged by the capacity of local government structures to provide an integrated development approach to social and economic development issues and to supply essential services congruent with the needs and desires of the local communities. In this regard, municipalities should be able to identify and prioritize local needs, determine adequate levels of services and allocate necessary resources to the public. The delivery of social and economic development requires concerted effort and a more coordinated approach from local government.

### **1.3.1 A historical review of the evolution to democracy**

The genesis of South Africa’s skills policy regime is intricately linked to its history as an apartheid state, the legacy this presented in the labour market, and the efforts post-1994 to ameliorate the inequities of the education system. As a democratic nation, South Africa therefore found itself not only having to deal with the legacy of the education system and the resultant (absolute and relative) skills shortages associated with this, but was also in a situation where reintegration into the international economy

mandated skills biased changes to the methods of production and the world of work. This resulted in, too few workers with adequate skills, or labour supply was not able to match labour demand. At the same time, the country faced an unemployment crisis of historic proportion and the labour demand was not large enough to absorb the supply of labour. This seeming contradiction came to be known as the mismatch between labour demand and supply. The South African government has prioritised training and education as a means towards cultivating a competent and skillful Public Service. Evidence of this is the number of pieces of legislation and policy frameworks that the government has adopted to address the problem of skills shortage both within and without the South African Public Service.

The attainment of democracy in 1994 brought the possibility for South Africa to address poverty and inequality and to restore the dignity of its citizens. In line with the democratic Constitution of 1996, new policies were put in place in an attempt to improve peoples quality of life. This has entailed a systematic effort to dismantle the social and economic relations of apartheid and create a society based on equity, non-racialism and non-sexism. The Reconstruction and Development Programme, 1994 (RDP) outlined the key objectives as follows: meeting basic needs, building the economy, democratising the state and society, developing human resources and nation-building.

The Medium Term Strategic Framework for 2004-2012 defined the following priorities for government:

- “The central and main intervention required is to grow the economy
- The state has to intervene decisively to promote the involvement of the marginalized in economic activity, including sustainable livelihood
- To the extent that able-bodied South Africans are reliant on welfare grants, these grants should be seen as a temporary intervention that diminishes in the same measure as the economic interventions succeed

- The performance of the state, the campaign against crime and our international relations should improve, in the main to promote economic growth and social inclusion”.

The MDG provide more detailed targets and commitments consistent with the broad thrust of government’s priorities. Translating RDP objectives into practical policies has been shaped by the twin challenges of dealing with the legacy of apartheid and integrating the country in a rapidly changing global environment.

### **1.3.2 The changing nature of the state**

The period since 2004 has seen clarity of thinking about what is required to strengthen the state’s capacity to achieve its objectives and overcome its limitations. A seminal finding of the *Ten Year Review* was that most progress had been achieved in policy areas most directly under the control of the state compared with those that depended also on action by other sectors of society (SALGA Annual Report, 2011/2012).

This was informed by an understanding of the nature of state power, its constraints and limitations; and consequently what it could feasibly have achieved on its own, and what would be in reach only in partnership with others and through their actions. Success of the developmental effort depends on harnessing networks in ways that ensure that interests become complementary to the developmental effort.

Since 2004, the South African state has attached particular importance to this quest, through its emphasis on social partnerships and attention to the concept of a developmental state. To the extent that it succeeds, it could be said to be not only empowering the state but contributing to a change in its nature.

However, globalisation does limit what the state can achieve. South Africa seeks to transform its deeply divided society in a situation in which nation-states are subjected to varying global influences which may not be supportive of their national agendas.

Adeptness at identifying the national interest, pursuing it in a creative way and engaging the support of civil society, is part of the challenge of governance and state leadership.

In assessing the success of government in achieving its objectives, this multiple role of the state should be taken into account as an actor providing services and helping to create an appropriate environment for development; as a leader in forging a framework of encompassing interest among social actors; and as an agent of its own transformation.

### **1.3.3 A review of transformation in the South African Public Service**

The transformation of the South African Public Service has been a pressing priority for government following the transition to democratic rule in 1994. This should not come as a surprise given that the Public Service is a key institution through which government interfaces with the public to deliver services and it was, therefore, found necessary to transform it in such a manner that it can be orientated towards the vision, values and principles of the new democratic dispensation. In this regard, a key consideration is that the country "...cannot lay hold of an apartheid or colonial state machinery and try to use it to achieve what would in fact be an anti-thesis of what that state was..." Post-apartheid South Africa, therefore, required the creation of a new order and the Public Service that was inherited in 1994 was inappropriate for this order.

Since 1994, the Public Service has undergone a number of transformation processes that have sought to reposition it as a key implementation arm of the state. These transformation processes can be divided into three broad phases, namely, the Rationalisation and Policy Development phase (1994 - 1999), the Modernisation and Implementation phase (1999- 2004) and the Accelerated Implementation phase (2004 - current).

The first open and non-racial democratic elections in South Africa took place in 1994 following a negotiated settlement involving various political groups. Measures had to be put in place to ensure that the pace and direction of transformation is in keeping with the

cherished ideals of reconciliation and nation building. In this regard, one of the immediate priorities was to rationalise the Public Service into one institution to replace the eleven disparate racially- and ethnically-based Public Services inherited from the apartheid establishment.

Alongside this rationalisation process, an important complementary priority was the revision of existing policies to create the necessary regulatory and legislative frameworks that are in line with the imperatives of the new democratic establishment. Most of the transformation efforts of this period were guided by the White Paper on the Transformation of the public service which was published in 1995. The White Paper sought to set a framework for “...a transformed public service which is representative, coherent, transparent, efficient, effective, accountable and responsive to the needs of all”.

Guided by the above vision, the White Paper on the Transformation of the public service, 1995 identified the following eight key transformation priorities:

- “rationalisation and restructuring of the Public Service;
- institution building and management to promote greater accountability and organisational and material effectiveness;
- representivity and affirmative action;
- transforming service delivery to meet basic needs and redress past imbalances;
- democratisation of the state;
- human resource development;
- improved employment conditions and labour relations; and
- the promotion of a professional service ethos”.

Given that at the time the White Paper came into effect it was only a year since the new government had come into office, it was recognised that more legislative and normative frameworks would still follow to further sharpen the transformation trajectory of the Public Service. Indeed, the White Paper was followed by a range of other legislative

instruments, including the Constitution, the White Paper on Transforming Public Service Delivery, and the White Paper on Affirmative Action in the Public Service, 1998 among others. The development of these policies ensured that by the time of the second term of democratic government, the legislative foundation had already been laid to facilitate reconciliation and rationalise the Public Service into a single institution.

The second national democratic elections were held in 1999, and these led to Mr Thabo Mbeki taking over as the next President of South Africa. Given what had already been put in place during the first phase of transformation, this new term of office for the democratically elected government was seen as that of delivery.

During this period the public service transformation agenda was taken further through implementation and introduction of processes that sought to promote modernisation in administration and service delivery. Through the introduction of, among others, Public Service Regulations (1999), amendments to the Public Service Act No. 103 of 2004, the Public Finance Management Act No. 1 of 1999 and a number of collective agreements reached between government and organized labour, greater space was provided for Executing Authorities and Heads of Departments to be responsible for the overall running of their respective departments.

This decentralisation was introduced in order to empower departments to exercise decision-making authority and thus strengthen the service delivery value chain. The creation of a policy framework and institutional arrangements for electronic government also took shape, and this sought to enable the Public Service to take advantage of the opportunities for efficiency and effectiveness that could be derived from the use of Information Technologies (IT).

While all these initiatives were being undertaken, there was, nonetheless, recognition of the fact that the Public Service transformation process was still far from over. According to the White Paper on the Transformation of the South African Public Service (1995)

the following key priorities were identified for the second term of democratic government:

- right sizing the Public Service;
- raising the skills levels within the public sector and retaining professional staff;
- improving management, financial accountability and service delivery;
- combating corruption and the abuse of public resources; Improving efforts to further motivate/improving the morale of all public sector workers; and
- increasing the proportion of public funds spent on investment.

The above constitutes a basic reference point for transformation efforts following the second democratic elections in 1999. However, ensuring that these priorities are effectively implemented proved to be a more challenging task. Adherence to key pieces of legislation remained inadequate, and capacity constraints slowed down the implementation of departmental plans and programmes. Going forward, what was required, therefore, was the third phase, that is, a deepening of the implementation process.

At the beginning of the second decade of democracy in 2004, it was generally acknowledged that the key policy frameworks for transformation had been put in place. An important follow up step was to consolidate the gains made and to accelerate implementation. In order to provide a strategic focus for such consolidation and acceleration, the electoral mandate given to government set out clear objectives with targets for the period ending in 2009.

In line with the emphasis on implementation, the electoral mandate also underscored the importance of creating the necessary capacity to achieve the above objectives. According to the White Paper on the Transformation of the South African Public Service 1995 the transformation priorities that needed attention post-2004 included:

- beefing up the capacity of the state to deliver;
- strengthening public management;

- fostering and nurturing Public Service Leadership;
- accelerating service delivery; and
- achieving social development and addressing poverty through mechanisms that promote greater public participation”.

The second decade of democracy has, therefore, been largely viewed as a time to act. Any assessment of the post-2004 transformation phase should, therefore, take into account the implementation focus that was pointed out by government. This approach does not necessarily suggest that no further pieces of legislation were introduced after 2004. Indeed, it should be noted that during this period other policy changes were also introduced. Notably, the Public Service Act was amended, and a new Bill on the creation of a Single Public Service is underway. These legislative developments are arguably the most profound since the policy changes introduced in the mid- to late 90s. However, the legislative review initiatives did not constitute a major focus of the transformation process after 2004.

The Public Service remains a key institution through which government can realise its commitment to bettering the lives of its citizens. As an important implementation agency of the state, the Public Service has received a lot of attention since 1994 through efforts to position it to better deliver on the priorities of government. It is, therefore, fitting that as the third term of democratic government nears its end, there is an assessment which reflects on the progress that has been made with the deepening of the transformation agenda of the Public Service.

The public sector is important, not only because of its role and function in the transformation process in South Africa, but also because of its contribution to the economy. While they may share a number of characteristics with private sector enterprises, the organisations in the public sector have significantly different roles and responsibilities, organisational structures, as well as complex decision-making processes and accountability requirements. The Public Service is a large employer and

therefore has a significant economic impact. In March 2010, employment in the Public Service constituted 9.9 % of total employment in South Africa.

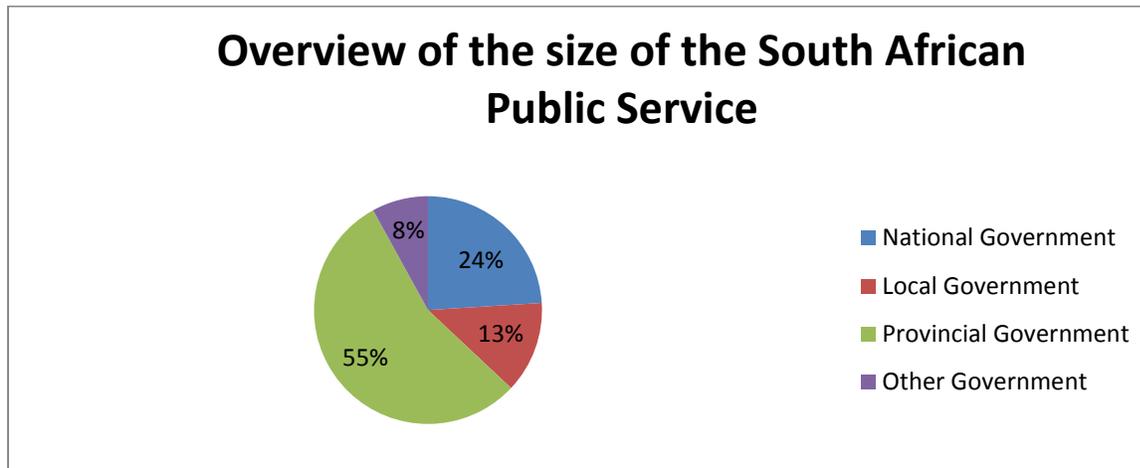
**Table 2.1 Public Service as a percentage of total employment**

Province	Total employment	Public sector employment	% of total provincial employment
Eastern Cape	1,243,000	142,076	11.4%
Free State	768,000	56,599	7.4%
Gauteng	3,703,000	148,269	4%
KwaZulu-Natal	2,418,000	186,945	7.7%
Limpopo	859,000	116,169	13.5%
Mpumalanga	852,000	73,133	8.6%
North West	777,000	55,473	7.1%
Northern Cape	268,000	22,300	8.3%
Western Cape	1,915,000	77,696	4.1%
National Departments		393,651	3.1%
Total	12,803,000	1,272,311	9.9%

Sources: LFS Q1, 2010; PERSAL, March 2010

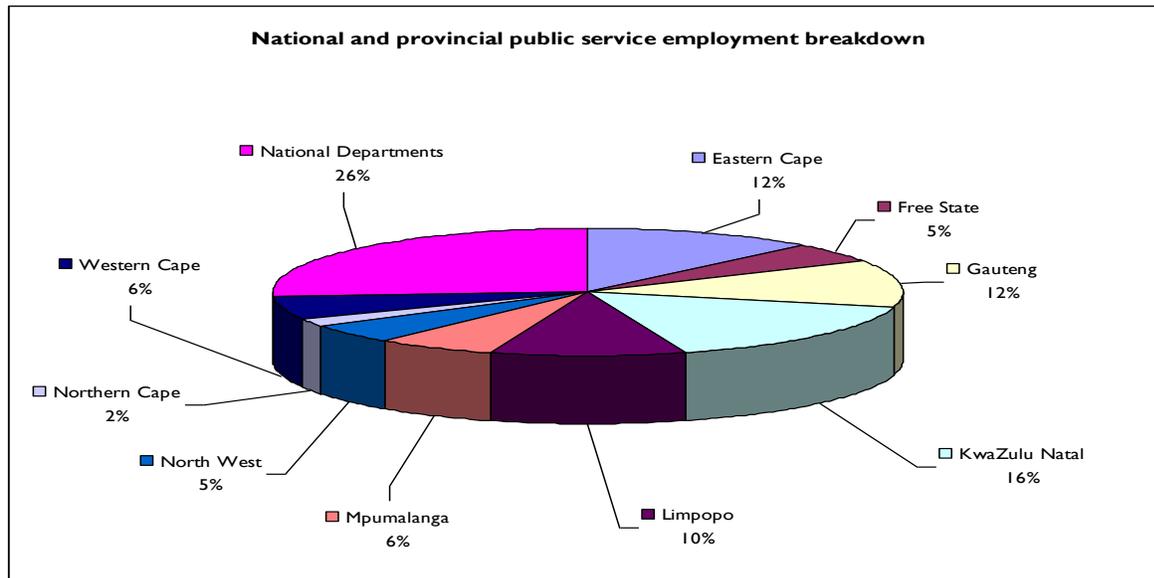
By the end of October 2011, the Public Service had nearly 1,3 million people in its employ (including members of the South African National Defence Force). National government employed 391 922 people and the nine provincial governments 891 430 people.

**Figure 1.1: Overview of the size of the SA Public Service in 2011**



**Source: Bloomberg 2011**

With its broad roles and responsibilities, the Public Service impacts on all other economic sectors and industries and public servants need to be responsive to the needs of other sectors. Moreover, the varied roles and responsibilities in the public sector give rise to a wide range of skills needs in the sector. In March 2010, the Public Service employed 1,272,311 people, which is a 21 % increase from the SSP update of 2008/2009. Of this number, 393,651 (31%) - a 43 % increase from the previous update - were employed in national government departments. Provincial administrations employed 878,660 (69%) of the total number of public servants, which represents a 13 percent increase in employment in the 2008-09 SSP update. KwaZulu-Natal employed the largest proportion (14.7%) of public servants among the provincial administrations, followed by Gauteng (11.7%), the Eastern Cape (11.2%), and Limpopo (9.1%) as shown in Figure 2 below.

**Figure 1.2 National and provincial Public Service employment breakdown**


Source: PERSAL, March 2010

### 1.2.1.9 Employment by population group and gender

Table 1.2 provides a snapshot of the total number of persons, by population group and gender, employed in the Public Service in March 2010. Black africans comprised 78.2 % of the total number of persons employed in the Public Service in 2010. The racial profile changed slightly since the 2008-09 SSP update with blacks increasing from 75.7 % to 78.2 % and whites decreasing from 11.9 percent to 9.8 percent.

**Table 1.2 Number of persons employed at national and provincial government by race and gender in 2010**

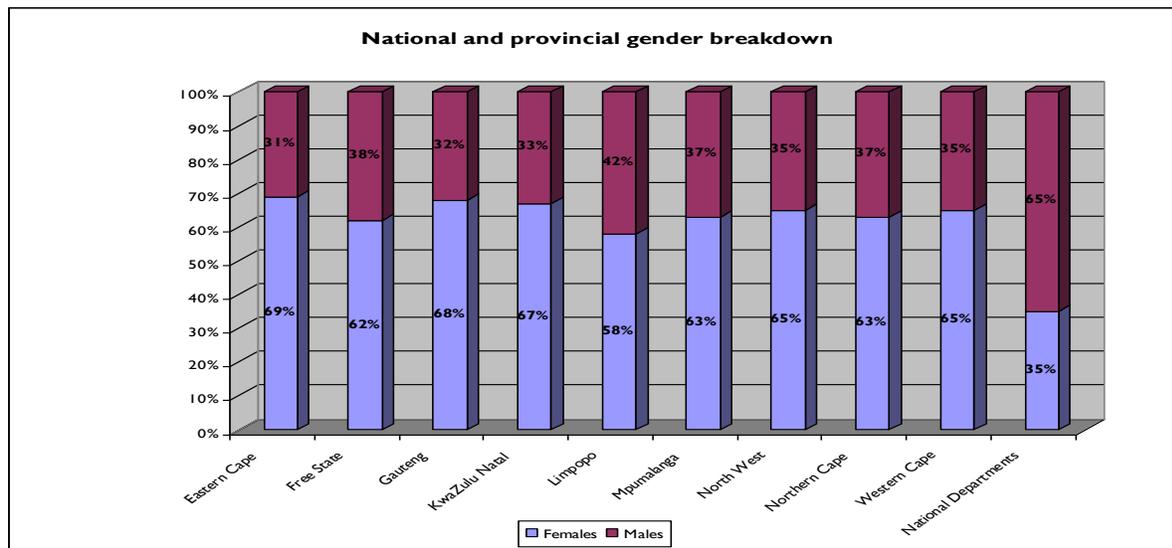
Area	Black		Coloured		Indian		White		Unknown	Total
	Female	Male	Female	Male	Female	Male	Female	Male		
Eastern Cape	86922	38357	6126	3311	363	367	4549	2081		<b>142076</b>
Free State	28202	18330	1177	632	34	36	5729	2459		<b>56599</b>
Gauteng	80113	38014	3033	1336	2286	1077	16198	5130	1082	<b>148269</b>
KwaZulu-Natal	106146	52688	2032	771	11503	6808	4892	2105		<b>186945</b>
Limpopo	65897	47695	82	47	85	87	1566	710		<b>116169</b>
Mpumalanga	42677	25193	257	90	183	179	3258	1296		<b>73133</b>

Area	Black		Coloured		Indian		White		Unknown	Total
	Female	Male	Female	Male	Female	Male	Female	Male		
North West	32241	17725	583	301	132	130	3191	1170		<b>55473</b>
Northern Cape	6509	3994	5610	3502	58	61	1879	687		<b>22300</b>
Western Cape	10879	5654	30059	16231	449	289	9399	4736		<b>77696</b>

Source: PERSAL, March 2010

In terms of the gender distribution of the workforce, men are more predominant within national departments (65%) and the opposite is true at a provincial level, with men comprising an average of 35 % of the provincial workforce.

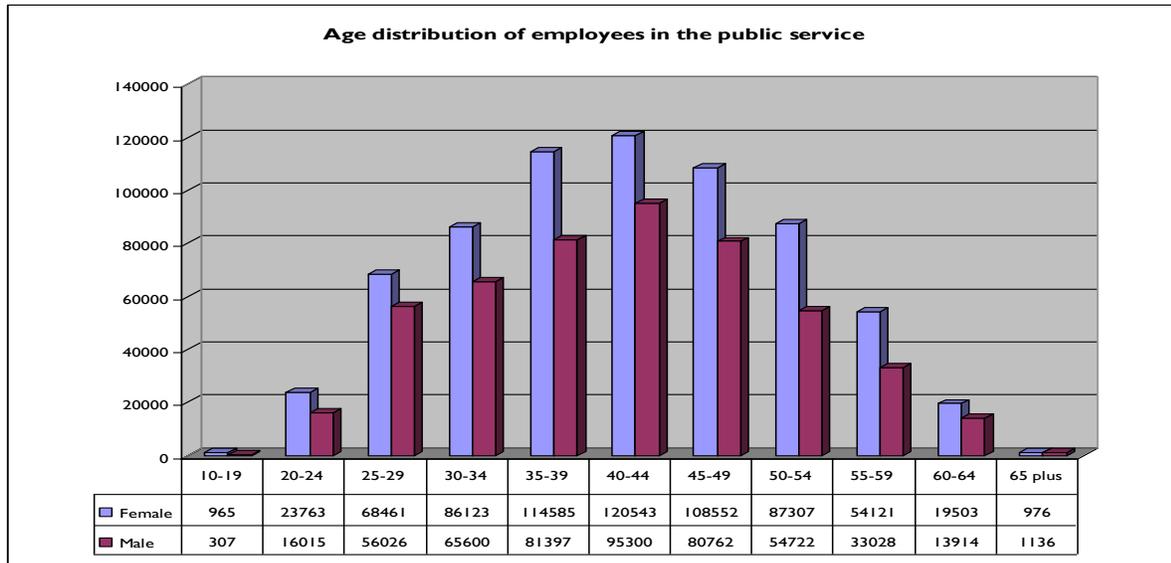
**Figure 1.3 National and provincial gender breakdown**



Source: PERSAL, March 2010

The age distribution of public servants is illustrated in Figure 1.4 below. As the figure indicates, 2.4 % of women and 2.8 % of men employed in the Public Service will reach the retirement age of 65 in the course of the then current planning period.

**Figure 1.4 Age distribution of employees in the Public Service**



Source: PERSAL, March 2010

### 1.2.9.2 Education qualifications of Public Service employees

For the public servants whose level of education is known, the majority (30.8%) have a high school education with just fewer than 12 % having a university degree. According to PERSAL data, the level of education of almost half of Public Service employees is not known or not specified.

**Table 1.3 Level of education achieved by Public Service employees**

Education achieved	Number	Percentage
Less than Grade 3	1592	0.2 %
ABET I – 4	9772	1 %
Grade 9 – 12	312610	30.8 %
Higher/Advanced Certificate	88363	8.7 %
Bachelors Degree/Honours	120009	11.8 %
Masters/PhD	7936	0.8 %
Education level not specified	476233	46.9 %
<b>Total</b>	<b>1016515</b>	<b>100 %</b>

Source: PERSAL, March 2010

There are more males with a high school education than there are females and more females with graduate and postgraduate qualifications.

**Table 1.4 Level of education achieved by gender in 2010**

Education achieved	Males (%)	Females (%)	Unspecified (%)
Less than Grade 3	0.12 %	0.18 %	0.26%
ABET 1 – 4	0.72 %	1.13 %	1.27 %
Grade 9 – 12	33.73 %	28.56%	52.13 %
Higher/Advanced Certificate	6.78 %	10.02%	14.99%
Bachelor's Degree/Honours	9.25%	13.6%	14.86%
Master's/PhD	0.72%	0.82%	1.62%
Education level not specified	48.68%	45.67 %	14.86%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: PERSAL, March 2010

### 1.2.9.3 Nature of appointment of Public Service employees

Almost 90 % of public sector employees have permanent contracts proving the popular saying that Public Service employment is the most secure form of employment.

**Table 1.5: Nature of appointment of Public Service employees**

Nature of appointment	Number	Percentage
Permanent	911648	89.68 %
Temporary	98946	9.73%
Casual	499	0.05 %
Part time	2693	0.26 %
Relief	2387	0.23 %
Other	361	0.04 %
<b>Total</b>	<b>1016534</b>	<b>100 %</b>

Source: PERSAL, March 2010

Public sector organisations that submitted WSPs to the PSETA in 2010 represent a total of 517,532 employees. The majority (80.7 %) of these employees are African with Indians having the least number of people employed in the Public Services sector (2.4%).

### 1.2.9.4 Race and gender by occupational categories (excluding employees with disabilities)

**Table 1.6 Race and gender by occupational categories in 2010**

Occupational category	Black		Coloured		Indian		White		Total	
	M	F	M	F	M	F	M	F	M	F
<b>Managers</b>	24730	43263	5675	6014	1003	884	5802	6884	<b>37210</b>	<b>57045</b>
<b>Professionals</b>	32420	78638	5511	10168	2120	3514	5494	10280	<b>45545</b>	<b>102600</b>
<b>Technicians &amp; trade workers</b>	9895	10599	653	488	263	163	1154	724	<b>11965</b>	<b>11974</b>
<b>Clerical &amp; admin workers</b>	28581	48335	2519	5382	928	1079	3116	6244	<b>35144</b>	<b>61040</b>
<b>Sales workers</b>	240	148	16	15	2	3	34	9	<b>292</b>	<b>175</b>
<b>Community &amp; personal service workers</b>	15816	49448	671	1746	683	1106	431	1143	<b>17601</b>	<b>53443</b>
<b>Machine operators &amp; drivers</b>	4147	1001	155	28	73	6	83	20	<b>4458</b>	<b>1055</b>
<b>Elementary workers</b>	32207	36965	2420	2109	321	300	860	1019	<b>35808</b>	<b>40393</b>
<b>Total</b>	<b>148036</b>	<b>268397</b>	<b>17620</b>	<b>25950</b>	<b>5393</b>	<b>7055</b>	<b>16974</b>	<b>26323</b>	<b>188023</b>	<b>327725</b>
<b>Grand total</b>	<b>416433</b>		<b>43570</b>		<b>12448</b>		<b>43297</b>		<b>515748</b>	

Source: PSETA WSPs 2010

Table 1.6 shows that 28.7 % of employees are in the professional occupational category, 18.7 % in the clerical and administrative workers category, 18.3 percent in the managers category, 14.7 % in the elementary workers category and 13.7 percent in the community and personal service workers category.

### 1.2.9.4 Race and gender by occupational categories (employees with disabilities)

**Table 1.7 Race and gender by occupational categories in 2010**

Occupational category	Black	Coloured	Indian	White	Total
Managers	201	36	13	71	321
Professionals	261	21	16	62	360
Technicians and trade workers	93	15	23	29	160
Clerical and admin workers	460	55	18	123	656
Sales workers	1	0	0	1	2
Community and personal service workers	82	8	2	11	103
Machine operators and drivers	9	0	0	0	9
Elementary workers	157	7	1	8	173
Total	1264	142	73	305	1784

Source: PSETA WSPs 2010

### 1.2.9.5 Occupational categories by age groups

Table 18 shows that nearly 59 % of employees fall in the age group 35 – 55 years and that just under 15 % of public sector employees are above the age of 55. The table also paints a picture of very few professionals being represented in the age group below 35 years. This might be interpreted as there being very few young professionals coming into the Public Service and since most professionals are in health services, could be a result of the requirement for young health graduates to undergo Public Service.

**Table 1.8 Occupational categories by age groups 2010**

Occupational categories	Below 35 yrs		35 yrs – 55 yrs		55 and over		Total	
	No.	%	No.	%	No.	%	No.	%
Managers	15650	3%	53689	10.4%	24916	4.8%	94255	18.3%
Professionals	35549	6.9%	93144	18%	19452	3.8%	148145	28.7%
Technicians &	7112	1.4%	14570	2.8%	2257	0.4%	23939	4.6%

Occupational categories	Below 35 yrs		35 yrs – 55 yrs		55 and over		Total	
	No.	%	No.	%	No.	%	No.	%
trade workers								
Clerical & admin workers	35843	6.9%	52906	10.2%	7443	1.4%	96192	18.6%
Sales workers	210	0.04%	233	0.04%	24	0%	467	0.1%
Comm./personal service workers	30300	5.9%	35860	6.9%	4884	0.9%	71044	13.8%
Machine operators & drivers	889	0.2%	3596	0.7%	1028	0.2%	5513	1.1%
Elementary workers	11725	2.3%	48520	9.4%	15956	3.1%	76201	14.8%
Total	137278	26.6%	302518	58.6%	75960	14.7%	515756	100%

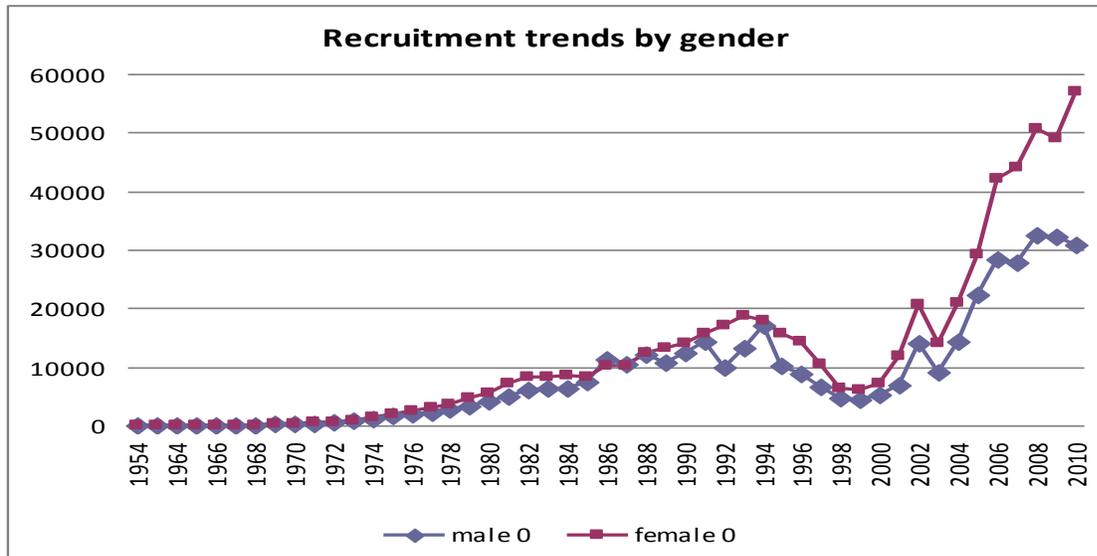
Source: PSETA WSPs 2010

By its size and nature, the South African public service consists of a wide range of occupations that are spread across all occupational categories. Because of the work done and services provided in this sector, it has almost all the occupations one would find in any economy including occupations that are only specific to the Public Service such as diplomats and electoral officers. The professional category consists mainly of educators and health professionals (they make up the majority of occupations in this category).

The technicians and associated professional category includes occupations that require specialised top-up skills such as appraisers and evaluators, logistical support personnel and regulatory inspectors. The clerical positions include general administrative workers as well as more specialised clerks such as financial and human resources clerks. It also includes personal assistants, secretaries and receptionists. The occupational category of sales and service workers consists largely of police officers and nursing staff.

The following graphs show a picture of past and current trends in annual employment in the Public Service. These brief descriptions provide some insights into the future trends of employment in the sector. In terms of gender (Figure 1.5), there has not been a large difference between the number of males and females employed each year until the last decade when females have been employed in the Public Service much more significantly than males. In fact, while the number of additional males employed has been decreasing, females has been on the increase. This could be due to the expansion of health and education sector employment such as teachers and nurses where females dominate.

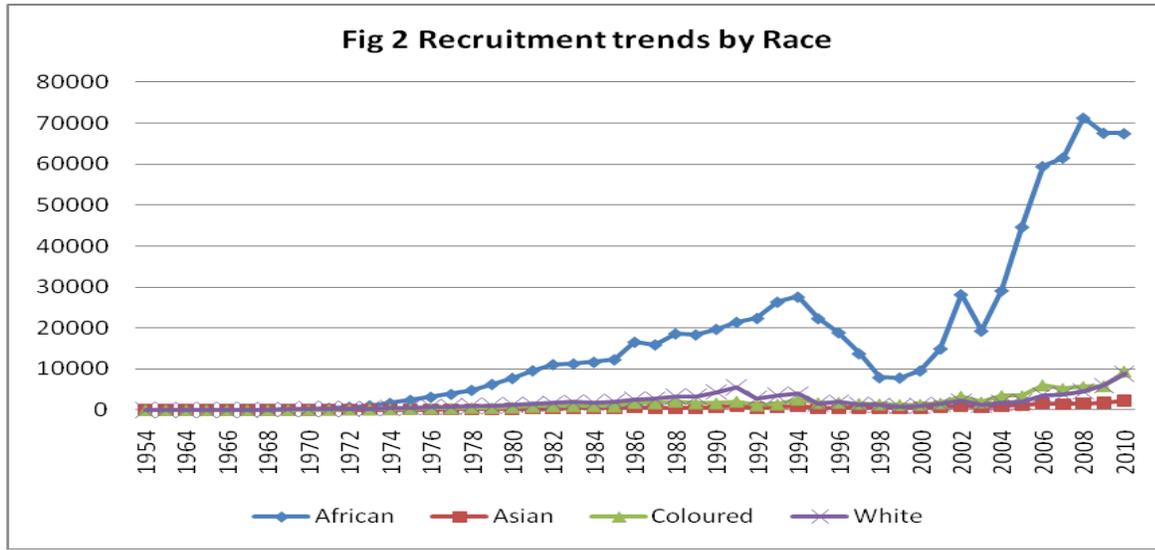
**Figure 1.5 Recruitment trends by gender**



Source: PERSAL, March 2010

Also in the last decade, the significant increase in the employment of the black South Africans could be due to adherence to the equity labour laws in the public sector in general and probably the Public Service in particular. While there are some increases in recent years in the employment of Whites and Coloured people that of Asians has remained relatively the same over the years (see Figure 1.6).

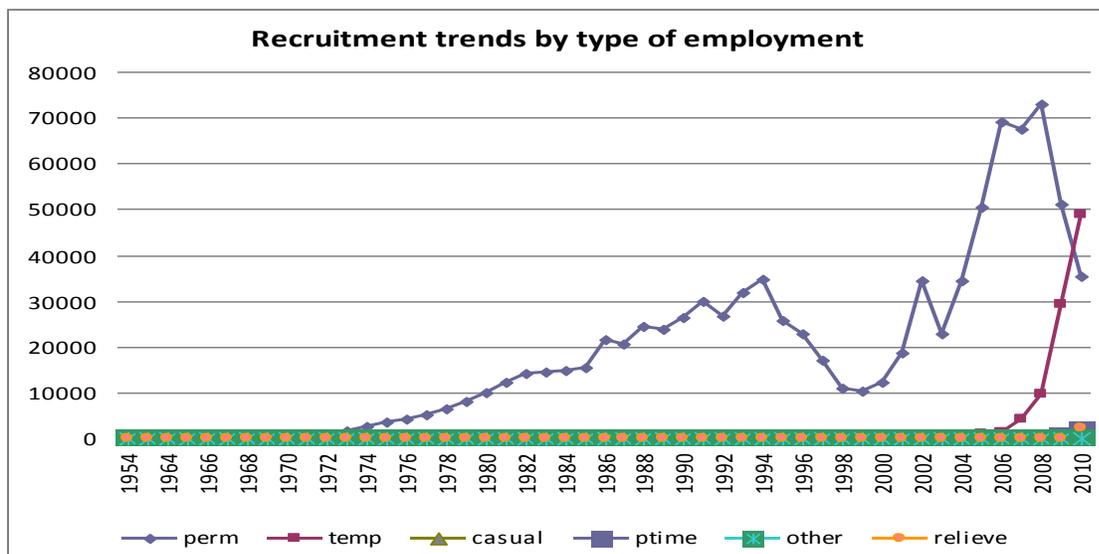
**Figure 1.6 Recruitment trends by race**



Source: PERSAL, March 2010

Figure 1.7 reveals interesting relationships between the recruitment of permanent and temporary personnel. Temporary employment includes fixed contracts and outsourcing. Clearly the two have an inverse relationship. Perhaps a more significant phenomenon here is the increasing use of temporary employment in the sector in between 2006-2010. Otherwise all the other forms of employment have been the same over the years.

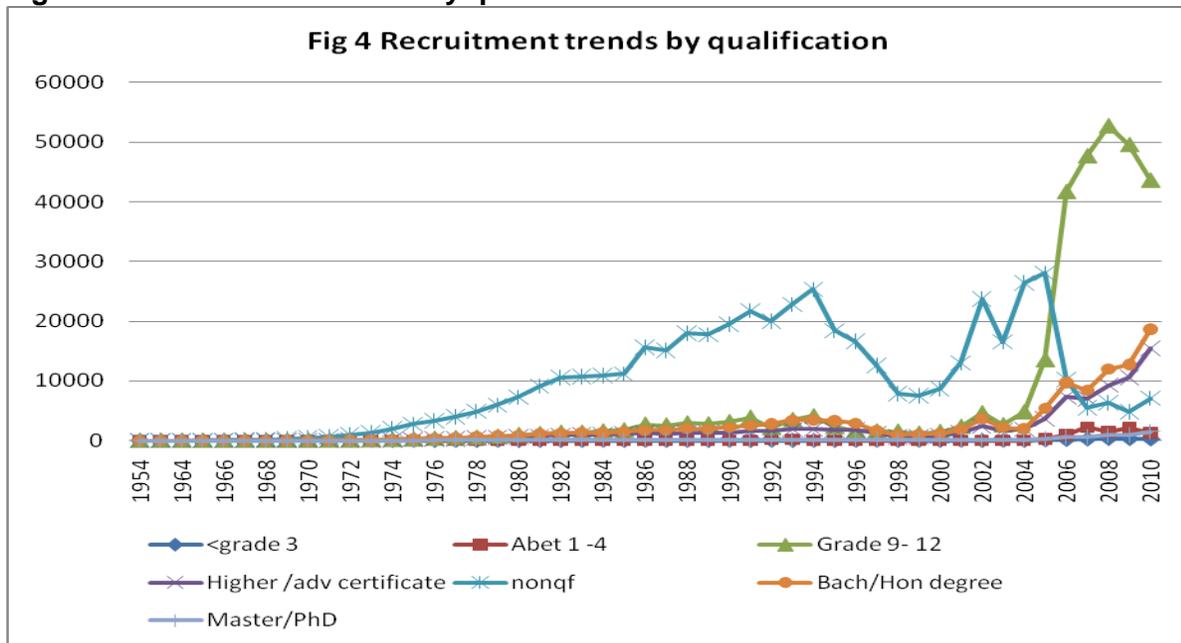
**Figure 1.7 Recruitment trends by type of employment**



Source: PERSAL, March 2010

Figure 1.7 presents various levels of qualifications of employees over the years. This is not necessarily the level of qualification at the time of employment, but it gives a picture of dominant qualification levels at different times. For many years the Public Service was dominated by employees who joined and remained in the sector with various in-house courses. That trend has ceased in the last decade. It appears as if the sector is now increasingly employing people with Bachelor's and Master's degrees or advanced certificates. Another implication of this more recent trend is a drastic fall in the employment of school leaving certificate holders as shown in the figure. This and other trends described above give an indication of the nature of skills the Public Service will be using in the future.

**Figure 1.8 Recruitment trends by qualifications**



Source: PERSAL, March 2010

### **1.3.4 Terms and concepts**

#### **1.3.4.1 Public administration**

Public administration relates to the activities of the executive branch of government, deals with the formulation and implementation of public policies and involves issues of human behaviour and cooperative human effort (Salman, 2000:3)

According to Nigro (2006;77) public administration is, broadly speaking, the study and implementation of policy as a moral endeavor, public administration is linked to pursuing the public good through the creation of civil society and social justice. The adjective 'public' often denotes 'government', though it increasingly encompasses nonprofit organizations such as those of civil society or any entity and its management not specifically acting in self-interest. The term public administration sometimes is taken to refer narrowly to government bureau.

Public administration theory is an academic subject concerned with questions of organisation, governance, budgeting, personal administration and other factors associated with the planning and operation of governments, civil society, and quasi-governmental entities. Public administration theory is the amalgamation of history, organizational theory, social theory, political theory and related studies focused on the meanings, structures and functions of Public Service in all its forms (Nigro 206; 78).

#### **1.3.4.2 Public Service**

Public Services is a term usually used to mean services provided by government to its citizens, either directly (through the public sector) or by financing private provision of services. The term is associated with a social consensus (usually expressed through democratic elections) that certain services should be available to all, regardless of income. Even where Public Services are neither publicly-provided nor publicly-financed, for social and political reasons they are usually subject to regulation going beyond that

applying to most economic sectors. It is also an alternative term for civil service (Hugo 1992; 34).

Public Services tend to be those considered so essential to modern life that for moral reasons their universal provision should be guaranteed, and they may be associated with fundamental human rights (such as the right to water).

Hugo (1992; 39) argues that a Public Service may sometimes have the characteristics of a public good (being non-rivalrous and non-excludable), but most are merit goods, that is, services which may (according to prevailing social norms) be under-provided by the market. In most cases Public Services are services, i.e. they do not involve manufacturing of good. They may be provided by local or national monopolies, especially in sectors, which are natural monopolies. They may involve outputs that are hard to attribute to specific individual effort and/or hard to measure in terms of key characteristics such as quality. They often require high levels of training and education. They may attract people with a Public Service ethos who wish to give something to the wider public or community through their work and are prepared to work harder for less pay as a result. Historically, the widespread provision of Public Services in developed countries usually began in the late nineteenth century, often with the municipal development of gas and water services. Later, other services such as electricity and healthcare began to be provided by governments. In most developed countries such services are still provided by local or national government, the biggest exceptions being the US and the UK, where private provision is more significant. Nonetheless, such privately-provided Public Services are often strongly regulated, for example (in the US) by Public Utility Commissions (Hugo, 1992:39).

In developing countries Public Services tend to be much less well developed. Water services, for example, may only be available to the wealthy middle class. For political reasons the service is often subsidised, which reduces the finance available for expansion to poorer communities.

The Public Services Act, 1994 (Act 103 of 1994) and the Constitution of the Republic of South Africa provides the framework within which Public Service institutions must operate in South Africa.

In terms of section 8 of the Public Services Act, 1994 (Act 103 of 1994) the South African Public Service constitutes all persons holding fixed positions or permanent additional appointment in the service, and the state educational institutions excluding members of the National Defense Force, the National Intelligence Agency and the South African Secret Police. Section 197 of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) states that a Public Service shall be established within the public administration of the Republic of South Africa. The South African Public Service shall function and be structured in terms of national legislation and shall also be responsible for the loyal and lawful execution of government policies.

According to Van Dijk (1997:4-5) “The South African Public Service is instituted to protect the rights of South African citizens. Public servants will be obliged to implement government decisions loyally and with due expedience.”

The South African Public Service is further divided into departments, which, according to Section 1(1) of the Public Services Act, 1994 (Act 103 of 1994) could be defined as an organisational component at the national sphere of government. Departments could also be found at the provincial sphere or could refer to the provincial administration

### **1.3.4.3 Public Sector**

According to Hugo (1992; 53) employment in the public sector can be either broadly or narrowly defined. The narrowest definition is referred to as the “Public Service” and includes only employment in central government departments and the provincial administrations. A wider definition is that of ‘exchequer personnel’ and includes, in addition to the Public Service, the government service of self-governing territories, parastatals, universities and technikons. The broadest definition of ‘public sector’ further

includes employment in local authorities, agricultural control boards, public corporations such as Transnet, Post and Telecommunications.

#### **1.3.4.4 Public Management**

Public management is a perspective on government and non-profit administration which contends that public and private-sector management are alike in most important ways. As such, there are management tools to be taught to bureaucrats whether public or private and those are applied to maximizing government efficiency and effectiveness. This is often contrasted with the study of public administration, which emphasizes the public good as well as social and cultural drivers of government that many contend make it inherently different from managing in the private sector. The trust placed in public managers, and large sums spent at their behest, makes them subject to many more conflict of interest and ethics guidelines in most nations (Hugo, 1992;45).

#### **1.3.4.5 Personnel Administration**

According to Stahl (1997;3) public personnel administration does not exist in a vacuum. It is the product of basic public policy, which operates under public scrutiny, it mirrors general social and economic conditions, and it has a continuous impact upon the general welfare. To treat it as merely another technical function of government is a mistake. Personnel policy and performance is the responsibility of every individual in the Public Service but most especially its administrators, managers and supervisors.

Personnel administration is greatly influenced by what transpires in society as a whole, it must be responsive to those impacts, and in turn it may exercise a profound effect on the operations of society.

“Personnel administration in government involves the implementation of public laws and the enforcement of regulatory policies. Human resources units are also responsible for operations like payroll and the benefit administration. More broadly, however, it would be a mistake to underestimate the importance of carrying out these traditional personnel functions in an efficient and timely manner. The public personnel administration of the

early 21<sup>st</sup> century is far more than an organizational maintenance and rules enforcement activity. Public personnel administration is rapidly coming to be seen as a key element of successful public management and strategic planning. As such, public personnel administration focuses on helping public managers on all levels to meet the challenges of attracting, retaining, motivating, and developing the large and diverse pool of highly qualified people needed to staff modern government agencies” (Nigro, 1980; 324).

#### **1.3.4.6 Service Delivery**

Service delivery is a customer-oriented activity. Service delivery activities are carried out by organisations and are oriented towards meeting customer needs and expectations. Service delivery means supplying users with services needed or demanded. This can be done by government institutions, parastatal organisations, private companies, non-profit organisations or individual service providers (Damachi, 1987:35).

#### **1.3.4.7 Affirmative Action**

Affirmative action is a term, which has different intentions and connotations across interest groups in South Africa. Innes (1986:34) defines affirmative action as a “Set of procedures aimed at proactively addressing the disadvantages experienced by sections of the community in the past. It is not necessarily a single policy or strategy; rather there can be a number of different ways of implementing affirmative action”.

Innes (1986, 38) identifies two major approaches; those which seek to simply remove obstacles which stand in the way of achieving equality of employment (no discrimination) and those which introduce preferential policies aimed at promoting some groups over others so as to achieve equality of employment (positive discrimination). Although most interest groupings in South Africa have recognised that affirmative action must move beyond the removal of discrimination, there is considerable difference amongst them once the positive discrimination debate is entered.

According to Thomas (1996;5), the term 'affirmative action' appears on corporate agendas, is debated at national conferences. However, when one questions the understanding of this term, a lack of consensus is evident. The Sullivan Code of Principles applicable to US corporations present in South Africa gave rise to programmes of affirmative action accelerated during the early 1990s in the light of socio-economic and political change in the country.

In a broad context, affirmative action has been seen as a means of correcting historical injustices and an attempt to work from there to eventually creating level playing fields where everyone can compete, based upon equal access to education, training and other opportunities formerly restricted to the white minority population. The motivation for instituting programmes of affirmative action generally lies in moral, legal and social responsibility issues.

Thornhill (1985;49) captures the definition of affirmative action to mean implementing positive remedial action, programmes and procedures to address historic and existing inequalities, imbalances, prejudices and injustices in the workplace; taking particular care to ensure that historically disadvantaged people are no longer unfairly held back by discrimination in recruitment, selection, skills development or promotion to management, supervisor, administrative, technical and professional positions and actively pursuing an ongoing strategy to address imbalances in the workplace to reflect the relevant labour market.

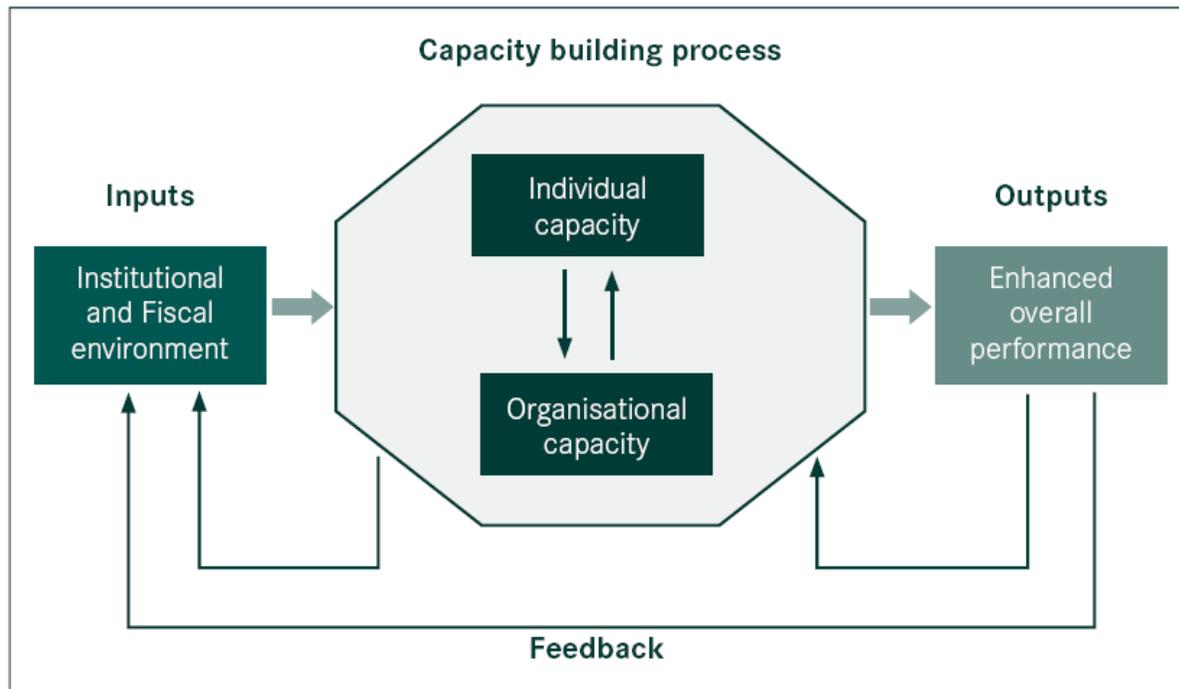
#### **1.3.4.8 Defining Capacity**

The concept of capacity is described by Morgan (2006) as the concept and practice of capacity development as a part, but only a part, of the development puzzle. We do not see it as the 'missing link' in development or something that provides an overarching framework for all other interventions. Rather it contributes to and borrows from other ways of thinking such as governance, institutional development or organisational development. Indeed, it must borrow liberally from these other ways of thinking in order to generate real insights. Without the experience of public management, for example,

the concept of capacity can tell us little about the structure of and behaviour of public agencies. Without political economy, capacity analyses have little to offer in terms of the effects of political power on organisational adaption. Without institutional economics, capacity cannot tell us much about the rules of the game that shape the effectiveness of many capacity development interventions. Without systems thinking and ideas such as ‘emergence’, capacity analyses are limited in explaining the dynamics of capacity development”.

To understand the capacity challenges in local government, it is essential to develop a clear definition of capacity. The *National Capacity Building Framework for Local government* (DCoG, 2008) defines capacity as “the potential for something to happen”. The framework furthermore distinguishes three types of capacity: individual, institutional and environmental. The difficulty in defining capacity is not just evident in the South African public sector, but also among a myriad of international organisations. The term ‘capacity building’ was introduced at least partially to improve on the practice of providing technical assistance. Public sector capacity is a multi-dimensional issue, consisting of human capacity, organisational capacity and institutional capacity (World Bank, 2005). This is further refined by Williams (2006) in his capacity model (Figure 1).

**Figure 10: Components of capacity-building**



Individual capacity is the potential and competency, or lack thereof, found within a person, normally reflected through his or her specific technical and generic skills, knowledge, attitudes and behaviour, accumulated through forms of education, training, experience, networks and values' (DCoG 2011). In the local government context, this means appointing appropriate individuals to the post in which their specific capacity can be used to the maximum advantage of the community served. Individual capacity is built through training, mentoring and establishing learning networks.

In 2009, the DCoG reported that local government had an overall vacancy rate of 12 % among senior management. In one example, a municipality in Limpopo had all senior management (also known as Section 57) posts vacant, except for the chief financial officer and the director of community service (DCoG, 2009). The Limpopo example highlights the difficulties that rural and poorer municipalities have in attracting and retaining scarce skills, which has a severe impact on service delivery. However, the manner in which capacity building is defined is a contentious issue. This is because capacity constraints or capacity challenges or a 'lack of capacity' are used continuously

to excuse serious underlying pathologies, such as a lack of accountability, the practice of cadre deployment and the flouting of credible recruitment and selection processes.

Institutional capacity can be defined as ‘the potential or competency, or lack thereof, found within organisations. It includes human resource (collective individual capacities), strategic leadership, organisational purpose, orientation, institutional memory, internal confidence, partnerships, inter-governmental relations, powers and functions, resources and support systems, infrastructure and financial abilities, structures, processes, culture and by-laws’ (DCoG, 2011).

The municipal institutional capacity needs to ‘encompass a broad range of issues, such as policies and procedures, knowledge management and institutional memory, competency profiles of staff, background and experience and organisational ethics’ (National Treasury, 2011). Municipalities should ensure that institutional capacity, which includes operational capacity, is maximised for the benefit of service delivery.

Environmental capacity is found outside municipalities’ formal structures, in areas that are beyond the control of the municipality. Examples include socio-economic and demographic composition; the political, legislative and social capital within communities; the ecological, geographic and non-municipal infrastructure; and the natural, mineral and environmental resources available. Environmental capacity can be enhanced by interventions that might improve the intergovernmental fiscal system and operating environment of a municipality, and changing national policies and legislation that affect the municipality (DCoG, 2009).

#### **1.3.4.9 Skill**

The 1997 Green Paper, Skills Development Strategy for Economic and Employment Growth in South Africa, defines skill as the necessary competencies that can be expertly applied in a particular context for a defined purpose. The Green Paper went further to outline a number of competencies that denote what is meant by a ‘skill’ these include:

- Practical competence – the ability to perform a set of tasks.
- Foundational competence - the ability to understand what people are doing and why.
- Reflexive competence – the ability to integrate or connect our performance with an understanding of the performance of others, so that we can learn from our actions and are able to adapt to changes and unforeseen circumstances.

The new demarcations which now labeled jobs and tasks as ‘unskilled’, ‘semi-skilled’ and ‘skilled’ mapped on to social class divisions which in turn contributed to the categorisations adopted by national education systems. Skill is, then, a tricky concept, as Gallie (1988, 7–8) explains:

The very complexity of the task of defining skill makes it implausible that skill classifications in industry reflect in an unproblematic way some objective hierarchy. Rather, they are likely to be the product of a continuous action in South Africa as far back as the 1970s. However, this strategy has been negotiation between employers and employees, in which both relative power resources and prevalent cultural beliefs will influence the grading structure.

Gallie’s (1988) emphasis on the relationship between the status afforded to certain skills and their position vis-à-vis workplace power structures presents a challenge to one of the central tenets of the concept of the ‘new economy’, now being created in advanced countries and itself a by-product of globalisation. In this ‘new economy’, the service sector is dominant as manufacturing operations are moved to countries offering cheaper labour costs. The skills, which are now prized, are so-called soft or personal skills such as listening and responding to customers, collaborative team working, and multi-tasking. These skills have traditionally been classed as ‘feminine’, epitomised by nurses, secretaries and housewives. In line with Gallie’s power analysis, these skills were thought to be intuitive or dispositions of character, rather than acquired through education and training, and so of a lower status.

Harrison (1993:264) defines the concept skill as the process of enabling individuals to assume new roles and implement systems effectively in order to successfully achieve stated performance outcomes. It is also important to mention that the concept skill is frequently and correctly identified as an important area of knowledge that is mostly needed to be acquired to function effectively and efficiently in any task that is supposed to be executed and implemented. Rubbin (1995:15) defines skill as the ability to demonstrate behaviour that is realistically related to the attainment of a performance goal.

Skill is further explained as a capability that can be transferred from one person to another, this means that skills are more concerned with the art of knowledge application. So an attempt to strengthen the capacity of the public servants should not only be on creating knowledge workers, but also on assisting the public servant to acquire the art of being able to apply knowledge towards the success of the institution (Rubbin, 1995:15)

#### **1.3.4.10 Competence**

Competence is widely used in the Public Service to express adequacy and having the necessary ability, capacity, skills and knowledge that would endow a person with the ability to properly execute the task and mandate assigned to him/her for the work (Cayer, 2003:234). In addition to that, competence can be understood as a reference for someone who is effective and efficient and possesses the complete ability to perform to a high standard. Hellreigel et al (1999:5) stress that competence is related to the ability and capacity of a person to perform a task through the integration of knowledge, skills and abilities which will lead to behaviour that is required to complete a task according to predetermined and desired levels of performance.

As stated in the *Public Service Regulations, 2001* (Government Notice (R1 of 2001)) competence can further be defined as the blend of knowledge, skills, behaviour and aptitude that a person applies in a work environment and that person's competence should always indicate the ability that can be properly used to meet the requirements of

the job that person is tasked to perform. In the *Public Service Handbook* (2003 Chapter 5) eleven competencies are identified. Although most of them are directed towards the senior management service they are also equally critical to other public officials. These competencies include financial, project, and change management, service delivery innovation, problem solving, customer focus, honesty and integrity.

The concept competency denotes the ability of a person after obtaining the necessary or adequate qualification, specific skills and knowledge to properly perform allocated tasks. For the public servants to be competent the government of the day should develop sustainable, simple and realistic means of fast-tracking skills development in the Public Service. This will not only assist the public servants to have skills, but will also assist the community because once public servants display skill and competency in discharging their tasks, this will have the effect of improving efficiency and effectiveness in terms of service delivery.

#### **1.3.4.11 Training and Development**

The concept training can be defined as a systematic process of changing behaviour and attitudes of functionaries or public servants into a desirable direction in order to increase goal achievement within the institutions (Maserumule, 2008:11). Development is seen as a process within which individuals learn through experience to become more effective. Development is further aimed at utilising skills and knowledge that have been acquired through education and training (Van Dijk, 2003;24). This buttresses the fact that training and development are a *leverage for change*, as correctly averred in both the *White Paper on Public Service Training and Education*, 1998 [Notice 1428 of 1998] and *White Paper on Transforming Public Service Delivery*, 1997 [Notice 1459 of 1997].

The training and development of public servants is extremely important because it plays a crucial role in equipping public servants with the necessary skills, knowledge and competencies which are vital for them in the effort to deliver effective and efficient service. Proper training and development of public servants, through quality skill

development practices, are important towards improving organisational performance and the capacity of employees to deliver high quality services to the public.

#### **1.3.4.12 Learnership**

According to Thomas(1996, 61), “Learnerships are new professional and vocational education and training programmes. They combine theory and practice and culminate in a qualification that is registered on the National Qualifications Framework (NQF). A person who successfully completes a learnership will have a qualification that signals occupational competence and which is recognised throughout the country.”

Learnership is a work-based education and training programme that is linked to a qualification registered on the NQF with the SAQA. Learnerships are occupationally directed programmes that consist of both structured theoretical learning and practical workplace experience.

Learnerships will include traditional apprenticeships, but will also go beyond them in important ways. As in a number of other countries, traditional training programmes are not proving to be sufficiently flexible to changing needs.

#### **1.3.4.13 Redeployment**

Redeployment refers to situations when an employee declared ‘surplus’ may be redeployed to a position within the department (or another department) where there is a similar match of skills between the employee and the skill requirements of the position. (Thomas 2006;65)

According to Damachi (1987:56) a brain drain or human capital flight is an emigration of trained and talented individuals (“human capital”) for other nations or jurisdictions, due to conflict, lack of opportunity and/ or health hazards where they are living. It parallels the term “capital flight” which refers to financial capital, which is no longer invested in the country where its owner lives and earned it. Investment in higher education is lost when the trained individual leaves, usually not to return. Also whatever social capital the

individual has been apart of is reduced by their departure. 'Brain drain' is a perception that is hard to measure. An opposite situation, in which many trained and talented individuals seek entrance into a country, is called brain gain; this may create a brain drain in the nations that individuals are leaving.

#### **1.3.4.14 Human Resource Development Strategy**

The purpose of a Human Resources Development (HRD) Strategy is to provide a plan to ensure that people are equipped to participate fully in society, to be able to find or create work, and to benefit fairly from it. The organising principle, which has been used to cohere the various components of this strategy, is the concept of "work". This is not a narrow understanding of work, and must be understood as being the full range of activities that underpin human dignity by achieving self-sufficiency, freedom from hunger and poverty, self-expression and full citizenship. Nationhood and productive citizenship are inter-dependent, and it is in this sense that we speak of a nation at work for a better life for all (Stahl 1997:82).

#### **1.3.4.15 Training**

Training involves identifying and helping to develop in a planned manner the key competencies that enable an individual to perform current or future jobs. Training and development concentrates on people in organisational roles or jobs, and it uses a variety of methods, including on-and off-site training according to Nigro (2006;324) "Training is widely accepted as a necessary function of managing a large enterprise. The development of staff is the very essence of supervision, and it clearly assumes a role of great significance to the quality of service and long range effectiveness" Stahl (1983;225).

### **1.3.5 Framework**

#### **Chapter 1 (Histography)**

Chapter 1 provides an overview of South Africa's transition to democracy as well as the need for redress in the form of affirmative action policies. It explains the type of Public Service the ruling government of the day has inherited and the challenges that the new

governments must grapple with. It elaborates on the impact of the sun set clause and its implications for skills in the Public Service. Lastly a brief overview of the framework of the study was provided and concluding remarks will be made.

## **Chapter 2 (Methodology)**

Chapter 2 describes the methodology of research that was followed for gathering and analysing information for the study. This chapter deals with the statement of the problem, the research objectives, the research question, research design, significance of the study, limitations of the study, research methods that will be employed and various data collection techniques that will be used.

## **Chapter 3 (Theoretical framework)**

Chapter 3 provides the theoretical framework for the study. It describes the development of the practice of public administration and the theories of public administration. The challenges that the current administration faces is also examined in this chapter. A review of some of the relevant literature associated with public administration will be discussed. The significance of public administration theories in South Africa's modern Public Service will also be expanded upon.

## **Chapter 4 (Background to the case study and profile of Local Government)**

This chapter aims to explore the relationship between the state of skills readiness in South Africa and the needs of a "Developmental State". This chapter gives an overview of local government and the national economy; municipal finance reform programme; how the budgeting and planning processes are being strengthened; strengthening of oversight through improved transparency and reporting practices; the strengthening of the regulatory environment for municipal financial management; institutional strengthening and capacity building; trends in local government employment; the implications for local government's role in fostering economic growth and combating poverty and efforts to strengthen financial management capacity; employment data and personnel expenditure trends across municipalities and their various functions; and the factors that influence the contribution of municipalities to job creation

## **Chapter 5 (Analysis of case)**

Chapter 5 analyses the state of skills in municipalities with reference to the case of the uMgeni municipality in KwaZulu-Natal and the implications for good governance and service delivery.

## **Chapter 6 (Concluding Chapter)**

Chapter 6 encapsulates the dialogue generated in previous chapters. It will discuss research findings and propose recommendations to the challenges identified. It provides suggested responses, demonstrates examples of good practices adopted to address the complex issues relating to skills shortages and proposes a number of strategic approaches to address the issue of skills shortage.

### **1.3.6 Summary**

This chapter presented a history of developments in South Africa's transition from apartheid to a democratic country. Chapter one provides the context for the study, it depicts the complexities introduced by the "sunset clause" which provided for the retention of civil servants within the line departments of government structures. The retention of key personnel within state departments, also laid bare the challenge of building and transforming state institutions which had to overcome public mistrust often associated with them under apartheid. This chapter also expanded upon the transition from a fragmented Public Service that the present government inherited from its predecessors and the challenge of building a unified Public Service which will meet the needs of a development state. Further regard was given to the challenges faced by local government which must deal with the mounting pressures of service delivery while faced with challenges of inadequate capacity to respond to these challenges.

In conclusion the foundation for building a developmental state will be dependant on South Africa's ability to establish an educated population with high levels of numeracy as well as computational skills, creating a harmonious society with strategic partnerships amongst labour, government, industry and society as well as efficiently allocating and distributing resources.

The current employment profile in the public sector presented in this chapter provides insight into the kind of occupations available and needed in the sector across all occupational categories. The profile shows that the Public Service relies to a very large extent on skilled labour, with professionals being the largest occupational category. The profile also shows very few young professionals in the Public Service which could mean that new graduates are not attracted to the sector due to a range of perceptions they have about the sector including low wages compared to the private sector, unfavorable working conditions and limited prospects of career advancement. These are perceptions that can be changed and PSETA's development of a career guide that also explains the advantages of working in the Public Service will go a long way towards addressing and changing these perceptions. Although employment in the Public Service has grown over the last four years, it is unlikely that this growth can be contained over the next five years. Social needs and government's plans to stimulate economic growth through infrastructural development will probably result in a steady growth in employment, albeit at a relatively low level because of the shortages of qualified personnel.

## **CHAPTER 2: RESEARCH METHODOLOGY**

### **2.1 INTRODUCTION**

The purpose of this chapter is to describe the methodology of research that is followed for gathering and analysing information for the purpose of this study. It should be noted that the final topic chosen is the outcome of a long internal debate by the researcher. This research will have passed through a number of stages, which may include deviations from the original topic originally. All research topics are subject to changing circumstances within which the study takes place. Some flexibility has been factored into the design phase of the project to allow for a proactive possible alteration or direction in the research project, should circumstances demand.

#### **2.1.1 Description of the research process**

The first stage in the research process is to identify the problem that manifests itself as a challenge for society, thereby creating justification for a study. The identification of the problem requires good exposition or communication skills to elucidate what is required, and the ability to realize the research goal.

Research and its results are determined by the statement of the problem. Research outcomes should be aimed at influencing the overall decision making process and the way that things are done, although the result of the research process may not necessarily result in a change in the way of doing things. The change, if desirable and necessitated by the research outcomes, should be justifiable. Changes in working practice can be justified by the reports of in house research teams, or those of external consultant. Research can also vary in terms of magnitude. To arrive at credible and meaningful findings in a research project poses a huge challenge to any researcher. Furthermore, it should be emphasized that research can be a subjective exercise (Blaxter, Huges & Tight 1995:5).

### **2.1.1.1 Statement of the problem**

Skills are the backbones on which every successful country rests. Successful east Asian countries such as Malaysia, India, China and Japan confirm this essential truth. In all these countries their economic revival and turn around had the skills revolution at its core. As a country, South Africa has not yet taken the matter of skills to a skills revolution. The quest to be a competitive economy and a winning nation depends on equipping the nation with the appropriate skills.

The issue of skills in South Africa cannot be divorced from its historical context. When addressing the issue of skills in South Africa it is important to reconcile the present state of skills with the historical imbalances caused by apartheid. It is therefore, clear that any examination of the issue of skills in South Africa cannot be discussed in isolation but must be explained in the context of South Africa's history.

The South African government has embarked on a number of intervention strategies to address the disparities of skills in South Africa; such interventions include policy interventions as well as legislative measures.

The impetus that informs the drive for a developmental state that promotes growth and development hinges on the capacity of the local sphere of government to effectively discharge its responsibilities. This study examines the state of skills at local government, the underlying causes of capacity constraints and their implications for service delivery in the context of a developmental state.

The argument is that local government is in the process of transformation. One of the critical constitutional features of local government in South Africa after 1994 is its developmental orientation. Local government requires appropriate skills to deliver on its mandate.

Lack of capacity is one of the perennial explanations for shortcomings in municipal service delivery. Core to this capacity problem are the very high vacancy rates in local government, which are aggravated by the job losses. A municipality needs sufficient workers and the right skills mix to deliver services effectively. Municipal employees and the skills they bring to the workplace are a critical input in the delivery of all services a municipality delivers. The objective of managing municipal personnel is therefore not necessarily to minimise the “wage bill”, but rather to ensure that people with the required skills are recruited, retained and appropriately deployed. Another enormous challenge confronting local government is the decline in public trust in municipalities. This is being reflected in various ways namely, increased public protests, more militant ratepayer associations, as well as in public opinion surveys. There is growing public frustration with poor governance and corruption, resulting in poor service delivery in many municipalities

The guiding research question of the study is, therefore, to establish “***What is the state of skills at local government in South Africa and to what extent can government intervention impact on skills development and service delivery to restore confidence in this sphere of government?***”

### **2.1.2 Research method and design chosen for this study**

Silverman (2005:109) defines a methodology as a general approach to studying research topics. In this sense the choice of method should reflect an overall research strategy. The research methodology focuses on the research process and the kind of tools and procedures to be used; it also makes use of the most objective procedures to be employed.

The approach and subjectivity of individual researchers will always differ, taking into account the various schools of thought from which they were nurtured. For example, a view has been states that quantitative strategies tend to be more scientific or objective while qualitative research tends to be dominated by an element of subjectivism.

Quantitative and qualitative approaches differ not only in methods employed but also in the perception of the problem and the type of data they produce (Bailey, 1994, 85). Nevertheless, there are a number of ways in which both qualitative and quantitative approaches can be combined or used simultaneously. Both types of research can bring about valid results and can be usefully applied- they are not mutually exclusive, but can be used to mutually reinforce each other during an investigation of a particular problem.

This study will make use of the triangulation methodology. Silverman (2005:121) describes a triangulation method as enabling the researcher to use different methods or sources to corroborate each other. By having a cumulative view of data drawn from different contexts enables one to triangulate the “true” state of affairs by examining where the different data intersect. Triangulation may improve reliability of a single method. For the purposes of this study, a literature review, data collected from review of annual reports, secondary sources of information and quantitative approaches are used to compare and contrast the different sources of information to draw observations and deductions.

Triangulation may involve mixing quantitative and qualitative research methods. There are three kinds of triangulation, namely, triangulation between methods, within methods, and holistic triangulation (Kuhns & Maratorana, 1982, 45). The notion of triangulation is drawn from the idea of “multiple operationalisation”, which suggests that the validity of the findings and the degree of confidence in them will be enhanced by the deployment of more than one approach to data collection.

Such triangulation of data seeks to overcome the context of the researcher’s materials at the cost of analyzing their sense in context. For the purpose of social research, it may simply not be useful to conceive of an overarching reality to data gathered in different contexts.

The literature review approach has been used to study the problem encapsulated by the problem statement. The advantages of the selected method are that a lot of quality information can be accumulated within a short space of time and at a reasonable cost. This method cites only books and articles relevant to the specific issue; it creates a distinction between the study under review and any other study already conducted (Bailey, 1994:134). It is also a systematic, explicit and reproducible method for identifying, evaluating and interpreting the existing body of recorded work produced by researchers, scholars and practitioners (Bailey, 1994:3).

However a literature review is not simply driven by the research question, so the opposite also applies: the more one reads the more clarity one obtains, which may often lead to a change in the formulation of the research problem. It is truly an interactive cyclical process (Mouton, 2001:91)

The following subset of stages of research was followed

- choosing the research problem;
- formulating the research design;
- gathering data;
- summarizing and analysing data;
- interpreting the findings; and
- formulating recommendations.

Against the above background, this research will be conducted within a qualitative paradigm while using historical data and quantitative findings to support the research.

What follows below is a detailed explanation of each of the elements discussed above and the academic rationale underpinning the different phases of research, design and data collection techniques.

### 2.1.3 Research paradigm

The purpose of conducting research is to contribute towards a particular paradigm. Research outcomes can either reinforce or negate a specific paradigm. A paradigm is a worldview, a general perspective, a way of breaking down the complexity of the real world. As such, paradigms are deeply embedded in the socialisation of adherents and practitioners. Paradigms tell us what is important, legitimate and reasonable. Paradigms are also normative, telling the practitioner what to do, eliminating the need for long existential or epistemological consideration (Kuhns & Martorana 1982:4).

Practical and political constraint, as well as theoretical and research paradigms all influence both the choice of methodology and the practice of the researcher itself. The very first step in the research process is to select a topic for the research work. In this respect, it becomes necessary to ascertain the type and amount of work already done in the area of interest. This is critical in order to contribute to an existing pool of knowledge, while avoiding duplication of work already done in a particular field. The research process, therefore, should be preceded by a thorough consultation not only of completed dissertations and theses, but also of a variety of other sources, in order to make a meaningful academic contribution. Consulting these sources means not merely taking cognizance of them, but scrutinising them critically with a view to identifying linkages and areas of commonality with the researcher's intended topic. It is the view of the researcher that no research topic can be conceived in isolation of the academic and external environment (Kuhns & Martorana, 1982:15).

It is important that the researcher should adhere to the highest research standards possible. This should take into account the fact that there will always be a need for application of new paradigms of understanding and new procedures of research on existing data (Kuhns & Martorana, 1982:35).

Paradigms make it possible for researchers to engage in normal science, the work of filling in the details and testing the individual hypotheses of major theories. Scientists

work from models acquired through education and through subsequent exposure to the literature, often without quite knowing or needing to know what makes a particular problem or solution legitimate, tempts researchers to suppose that, at least intuitively, they know the answer is relevant to their research. Paradigms may be more binding and more complete than any set of rules for research that could be unequivocally abstracted from them (Kuhns & Martorana, 1982:4).

#### **2.1.4 Research objective**

The intention of this study is to propose possible solutions to the problem statement. The problem statement informs the research objectives. A problem statement, therefore, can be equated to a statement of intent which clarifies limits and constitutes a very distinct aspect and image of a particular problem in a specific field or particular discipline. A statement of the problem is a declaration of policy which brings to the attention of the researcher and influences the choice of the route to be followed during investigation (Bailey, 1994: 36).

#### **2.1.5 Secondary research questions**

Making use of the human capital theory and political economy theory this thesis will examine the following critical questions in relation to the case studies of the uMgeni municipality in Kwa-Zulu Natal:

- What is the current skills profile of local government generally and the uMgeni municipality in particular?
- Taking into account this skills profile, does a critical shortage of skills exist in local government?
- What are the challenges confronting the local government, specifically to what extent does:
  - South Africa's historical legacy and transformation affect the skills debate;
  - lack of experienced managers, political deployment, absence of training and performance interventions, career path, succession planning, values and culture affect public sector skills profile;

- does a disconnect exist with tertiary institutions supplying the correct skills? Is South Africa's education system fulfilling its role in producing an educated labour force?
- the extensive use of consultants reflect the shortage of critical skills in Public Service;
- does the emigration of skills affect the public sector?
- can the attraction of immigrant labour contribute positively to Public Service delivery?
- the shortage of skilled public servants impacts services delivery and by implication places a constraint on economic growth?
- What are the skills development policy initiatives of the SA Public Service?
- What role can the public sector play in addressing unemployment, in particular youth unemployment and is the Public Service doing enough to attract the right skills?
  - can internships provide a stepping stone to attracting qualified graduates into the Public Service? If so, what is the current state of internships and what are the barriers to entry?
  - does the proposed youth wage subsidy address the concern of youth unemployment?
- what role does remuneration play in retaining skilled public sector employees?
- what role can public private partnerships play in addressing the skills shortage in key areas such as finance, engineering, doctors, lawyers, managers?
- what extent can government intervention impact on skills development and service delivery in the South African Public Service, in the context of SA becoming a developmental state?
- What role can a National Skills Development Framework for each critical sector of the economy play including line Ministries?
- What lessons can SA draw from the growth model of East Asian tigers countries such as Malaysia

### **2.1.6 Research Design**

According to Kuhns & Martorana (1982:87) the research design of an investigation refers to a plan or strategy for the study. It is based on a notion in the mind of the investigator as to how he or she perceives the way in which he or she will go about the statement of the problem and how solutions will be accomplished. It is therefore a description of how information will be generated including the collation and processing of such information. As is the case with the other aspects of research work, the researcher starts with a preliminary draft design which is finalized during the course of the investigation. In such a design, the researcher will commence with an explanation of which data are needed to address the problem and also where the data are to be obtained. This close interrelationship between the statement of the problem and the design of the study cannot be overemphasized. The strategy of the investigation, as spelled out in the design, must be completely in line with the research questions, hypotheses and the statement of the problem.

The aim of theoretical and conceptual studies is to review and to discuss the most relevant and appropriate theories, models or definitions of a particular phenomenon. In many empirical studies, a review of the most pertinent theoretical positions or schools is seen as the first step in the research process and should influence the design.

This means that the researcher requires some theoretical premise on which to base the study. A review of some theoretical positions forms the theoretical framework for the empirical study, usually by deriving the hypotheses from one or more of the accepted theories or models.

### **2.1.7 Limitations of study**

Having motivated the significance for the study, the research acknowledges the following limitations of the study; the timeframe of the study is limited to reviewing local government capacity from 2003 to 2012. The state of informatics on skills acquisition is

continuously subject to many changes. In addition most historical issues experience a bias. Also current trends in globalisation are expected to impact on this study.

### **2.1.8 Research Methods**

Research methods are an important component or aspect of the research process and are determined by the purpose of the study. The researcher aligns himself with the school of thought that holds that one must first identify a research problem and then decide on a methodological perspective that is superior to others for studying it, namely, that the nature of the stated problem should determine the methods to be used. Methods are tools used to obtain information about a study being undertaken determine the type of tools to be used. It is these tools that also determine the reliability of the data collected, upon which findings are made. The methodology to be used is very important, as the basic virtue of research is accuracy. The methods chosen are also influenced by the theories under investigation.

The research method answers the question of how the researcher intends to go about conducting the research. It is important for a researcher to adopt a methodological perspective that will guide his or her work. The researcher should also state clearly the reason for preferring one method of collecting the data over the others.

According to (Kuhns & Martorana, 1982:87), thinking methodologically can significantly enhance research, because:

- it provides a better appreciation of the advantages and disadvantages of particular methods, on their own or in combination;
- it allows a researcher to relate it to similar projects undertaken by other researchers;
- it may provide an interesting perspective on the research, and
- it provides a range of possible research strategies, approaches and techniques available to the researcher in undertaking research.

Whatever the methods a researcher chooses, he or she should know in advance what the main sources of information required for his or her topic are and most importantly where to locate them. The most important factor influencing the choice of research methods is the purpose of the research.

### **2.1.9 Types of research methods**

This section discusses various types of research methods, namely quantitative, qualitative and action research. A combination of these methods can in some cases be used depending on the topic been researched.

Qualitative and quantitative methods represent distinctive approaches to social research. Each approach is associated with a certain cluster of data collection techniques. Quantitative research is strongly associated with social survey techniques such as structured interviewing, self-administered questionnaires, experiments, structured observations, content analysis, analysis of official statistics and so on. Qualitative research, on the other hand, is typically associated with participant observation, semi and unstructured interviewing and discourse analysis (Bailey, 1994:59).

#### **2.1.9.1 Quantitative research**

Quantitative research refers to those studies in which the data collected can be analysed numerically. Quantitative work implies the application of measurement or a numerical approach to the nature of the issue under scrutiny, as well as the analysis of data. An example of a quantitative research is the use of questionnaires in which the data collected is analysed numerically (Bailey, 1994:56).

Quantitative research is based more directly on its original plans and its results can be scientifically analysed and interpreted. This interpretation will inform the findings and recommendations.

### **2.1.9.2 Qualitative research**

Qualitative research is concerned with collecting and analysing information that can describe events, persons, and so forth, without the use of numerical data. It tends to focus on exploring, in as much detail as possible, smaller numbers of instances or examples which are seen as being interesting or illuminating, and aims to achieve depth rather than breadth (Kuhns & Martorana, 1982: 8-9).

Qualitative research is more open and responsive to its subjects. It is often a micro-perspective, which relies upon case studies or evidence gleaned from individuals or particular situations (Bailey, 1994:85). Examples of qualitative research techniques may include *inter alia*, interviews and observations. However, although an interview is qualitative in nature, it could also be structured and analysed in a quantitative manner.

Qualitative research designs require that the researcher gets close to the people and situations being studied, in order to understand the issues being investigated in their totality. This means that researchers who use qualitative methods strive to understand phenomena and situations as a whole (Kuhns & Martorana, 1982: 8-9).

Blaxter *et al.* (1995:60) argues that qualitative research is harder, more stressful and more time consuming than other types of research. The detailed descriptions, direct quotations and case documentation obtained by qualitative methods are raw data from the empirical world. Qualitative data emerge from a process of naturalistic inquiry. Qualitative designs are naturalistic and do not allow for manipulation of the research setting by the researcher.

According to (Kuhns & Martorana, 1982:6-7), naturalistic inquiry is an approach aimed at understating actualities, social realities, and human perceptions that exist untainted by the obtrusiveness of formal measurement or preconceived questions. It is a process geared to the uncovering of many idiosyncratic, but nonetheless important, stories told by real people, about real events, in real and natural ways. The more general the provocation, the more these stories will reflect what respondents view as salient issues, meaningful evidence, and appropriate inferences. Naturalistic inquiry presents real life scenarios about the state of affairs in real time. This takes into account peoples feelings, knowledge, concerns, beliefs, perceptions and understandings.

The researcher will use a qualitative approach to seek to capture the actual point-of - view of the respondents. Qualitative data describes in-dept, the experiences of people. The data are open ended in order to establish what peoples lives, experiences and interactions imply, in terms of their natural settings. Qualitative descriptions permit the institutional researcher to record and understand people on their own terms. Qualitative data provide depth and detail. This emerges through direct quotation and careful description and will vary depending upon the nature and purpose of the particular study. According to Kuhns and Martorana (1982:6-7), the following six characteristics of qualitative research may be discerned:

- Events can be understood adequately only if they are seen in context. Therefore, a qualitative researcher immerses her/himself in the setting
- The contexts of inquiry are not contrived, but are natural.
- Nothing is predefined or taken for granted.
- Qualitative researchers want those being studied to speak for themselves, to provide their perspectives in words and other actions. Therefore qualitative research is an interactive process, in which the person being studied teaches the researcher about their lives
- Qualitative researchers attend to the experience as a whole, not as separate variables. The aim of qualitative research is to understand experience as a unified event.

- For many qualitative researchers, the process entails appraisal about what was studied.

Blaxter *et al.* (1995:61) argue that qualitative research implies a direct concern with experience as it is lived or felt or undergone. In contrast, quantitative research, often taken to be the opposite approach, is indirect and abstract, and treats experiences as similar, adding or multiplying them together, or quantifying them. The aim of qualitative research, then, is understanding experiences as nearly as possible as its participants feel it or live them.

The merits and demerits of the use of one research technique over the other are debatable and to a great extent depend on the topic under investigation. The debate and competition between paradigms is best replaced by a new paradigm of choice. The paradigm of choice recognizes that different methods are appropriate for different situations (Kuhns & Martorana, 1982:5).

#### **2.1.10 Primary and secondary sources**

There are various social science research techniques that can be used to collect data, for example literature review, document analysis, interviews, observations, case studies and questionnaires (Blaxter *et al.* 1995:63).

For the purpose of this study the researcher has chosen a case study and interviews as instruments for collecting data.

Depending on the topic under investigation, the researcher may use more than one method. This is even more feasible if a research topic is investigated by a team of researchers individually, targeting different stakeholders. One researcher may, for example, use a survey, or a set of interviews, or even a series of observations. The advantage of using more than one method is that complementary findings may be confirmed. Thus, if well managed, a multifaceted approach to the research process may yield a more comprehensive result for the topic under investigation.

There should be good reasons why the researcher opts to use more than one research method, as this may demand more resources, such as time and money. The process whereby two or more methods are used to verify the validity of the information being collected is referred to as triangulation, in which the findings of one method can be checked against the findings yielded by another method. For example, the result of a qualitative investigation might be checked against those resulting from a quantitative study. The aim is generally to enhance the validity of the findings (Blaxter *et al.* 1995:60)

### **2.1.11 Literature review**

There are two perspectives to reviewing the literature: either as a study on its own, which is sometimes referred to as a literature study, or as the first phase of an empirical study. Either way, it is essential that every research project contains a review of the existing literature. Therefore a literature review forms an essential component of any study. Any research is preceded by an acknowledgement of some work already done in a specific field. The initial step is to explore and review the existing scholarship or available body of knowledge, in order to learn how other scholars have investigated the research problem. This then informs the investigation to be conducted.

It is a constructive exercise to learn from other scholars: how they theorize and conceptualise issues, what they found empirically, what instruments they used and to what effect. In short, a researcher is interested in the most recent, credible and relevant scholarship in his or her area of interest. For this reason, the term “scholarship review” would be more appropriate. Ultimately, it should be the aim of all researchers to minimize the effect of error during each stage of the research process, thereby increasing the likelihood of achieving minimum standards of validity in scholarship (Blaxter *et al.* 1995:60).

One reason why a review of the existing scholarship is crucial is that the terms denote far more than what is under investigation. So when reference is made to reviewing a

body of scholarship (a literature review), the researcher is in fact interested in a whole range of research outputs that have been produced by other scholars. Literature refers to the record of earlier work in any field (Barzun & Graff 1985:21).

According to (Blaxter et al. 1995:60), there are a number of reasons why a review of the existing scholarship is so important, key points are:

- To ensure that one does not merely duplicate a previous study;
- To discover the most recent and authoritative theorizing about the subject;
- To find out what the most widely accepted empirical findings in the field of study are;
- To identify the available instrumentation that has proven validity and reliability
- To ascertain what the most widely accepted definitions of key concepts in the field are, and
- To save time and avoid duplication and unnecessary repetition.

A good review of the available scholarship not only saves time in the sense that it avoids errors and duplication of previous results, but it also provides clues and suggestions about what avenues require further attention.

### **2.1.11.1 Interviews**

The unstructured or nondirective interview is an event less structured than the life history interview and the focused interview. The chief feature of the nondirective interview is its almost total reliance upon neutral probes that are generally very short. They are intended to probe the respondent's deepest and most subjective feelings. Unstructured interviews can sometimes be more valid than the highly structured interview, even though the latter is more commonly used and probably thought to be more valid. The unstructured interview may also be more valid if the universe of discourse varies from respondent to respondent (Bailey, 1994:194-5).

Unstructured interviews involve direct interaction between the researcher and a respondent or group of respondents. The advantage of this method is that the interviewer is free to move the conversation in any direction of interest that may emerge. Consequently, unstructured interviewing is particularly useful for exploring a topic broadly (Trochim, 2001:161). Field researchers typically employ unstructured interviews to ask open questions. This conversational approach yields flexibility in that an answer to one question may influence the next question the researcher wishes to ask. Probing is essential.

### **2.1.11.2 Deskwork**

This method of research consists of those research processes which do not necessitate going into the field. It consists, literally, of those things which can be done while sitting at a desk. These may include, for example, the administration, collection and analysis of postal surveys, the analysis of data collected by others, certain kinds of experimental or laboratory work, literature searches in the library, and, of course writing research reports.

As in the case of the qualitative-quantitative divide, the fieldwork-desktop distinction is something of a false dichotomy, since most, if not all, research projects will make use of both sets of approaches. No matter how much time a researcher spends in the field, it is still necessary to summarize and write up the findings. Similarly, though it is possible to carry out useful research without ever leaving an office environment, information is usually still being accessed in some sort of field setting.

### **2.1.11.3 Case studies**

The case study technique uses a mixture of methods: personal observation, which for some periods or events may develop into participation, the use of informant for current and historical data, straightforward interviewing, and the tracing and study of relevant

documents and records from local and central government, travelers or other sources (Blaxter *et al.* 1996:66).

The case study is the method of choice when the phenomenon under study is not really distinguishable from its context. A case study is an intensive study of a specific individual or specific context (Trochim, 2001:161).

The case study is, in many ways, ideally suited to the needs and resources of the small scale researcher. It allows, indeed endorses, a focus on just one example, or perhaps two or three. This might be the researcher's place of work, or another institution or organization with which they have a connection, a company, a voluntary organisation, or a school. Most of the research conducted will be preceded by a discussion of sampling and selection issues, and use a range of data collection techniques, including interviews and observation. Researchers should avoid the temptation of immersing themselves wholly in the case study details.

The researcher should be explicit about how he or she will collect the data (observation, reading files and interviews), and how people have been selected for interviews. It is imperative that a researcher documents the data collected as accurately as possible for the use as a historical record for the researcher himself or herself, and for other possible researchers (Trochim, 2001:161).

### **2.1.12 Summary**

In summary, this chapter identifies various research methods and data collection techniques. It was mentioned that more than one research method and data collection technique may be used in a study, depending on the problem statement and the topic under investigation. For example, a particular investigation may involve both experiments and surveys. Taking into account the various research methods and techniques, the researcher has selected the triangulation methodology.

It is possible to use case study or survey approaches within either a qualitative or quantitative research strategy, though experiments tend to be quantitative in nature. Similarly, case studies, experiments and survey approaches might be employed as part of desk based or field based research strategies. Documents, interviews, observations and questionnaires may be used as part of all the research strategies and approaches identified, though they may be used and analysed differently. The researcher may use alternatives from the different dimensions in combination as appropriate to study a particular set of questions. In the final analysis, approaches and techniques represent various dimensions of the overall research process.

A good literature review should be well organised and not only a mere covering of the information sources and summarising them one after the other. The search of the literature must be structured and logical in order to optimize on the review process. The key concepts in the research problem statement and in the detail research questions that are asked constitute an important guide to the review process.

## **CHAPTER 3: LITERATURE REVIEW**

### **3.1 INTRODUCTION**

The transformation of South Africa into a democratic country has brought into sharp focus the need to develop the Public Service as a key instrument of reform. In line with expectations of democratic governance, new assumptions have emerged, regarding the nature and role of government and the involvement of the public in governmental practice. The nature and purpose of the Public Service must also be redefined in order to meet new demands.

Building an effective developmental state is a central objective of the current government in South Africa. A developmental state intervenes in the economy and society to address social and economic developmental goals. These fundamentally include bridging the historical racial-based divide between the developed first economy and the underdeveloped second economy.

The African National Congress's (ANC) 2004 Election Manifesto, the "People's Contract", calls for the establishment of a unified system of public administration, a key goal of the South African developmental state.

In this context public administration should be given enhanced importance as it serves as the nexus between government policy and the effective delivery of services in South Africa's local government. Consequently, the development of the practice of public administration will be explored and the theories of public administration will also be discussed. The skills challenges that the current administration faces will also be examined in this chapter. A review of some of the relevant literature associated with public administration will be discussed. The significance of public administration theories in South Africa's modern Public Service will also be expanded upon. This section also examines the concept of a "developmental state" and explores the justification behind state intervention and by implication the needs for adequate administrative capacity to fulfil government mandate.

## **3.2 BACKGROUND TO PUBLIC ADMINISTRATION THEORIES**

Administration is an ambiguous word and definitions of it abound. Berkley (2004:23) came to the conclusion that administration is a process involving human beings jointly engaged in working towards common goals. Wissink, H.F. (1990: 25) puts it clearly that administration will be found in all spheres of human activity. Gordon (1947:65) conclude that administration is a cooperative human action that has a high degree of rationality, which means that cooperative action is intended to maximize certain goals.

The word administration is indeed used with a number of meanings or to refer to a number of matters. As used in different situations, the word administration is used to refer to almost every sphere of activity and can be taken to mean anything ranging from the direction of the affairs of an enterprise (public or private). According to a cross section of basic dictionary definitions the verb administers means, inter alia to govern, rule, control, direct, operate or make something work (Gordon 1947:69).

According to Gordon (1947:70) administration can also be linked to the operational area of government. A number of definitions point in this direction, they emphasize the operational or implementation side of administration. For example, Widrow Wilson asserted that administration is the most obvious part of government, it is government in action, and it is the executive, the operative, the most visible side of government.

### **3.2.1 Defining Public Administration**

The nature of Public administration has been the subject of much debate. In particular, questions relate to whether it is an art, craft, science, profession, field of study or discipline. While there has been a great deal of debate over these issues, there are few definitive agreements or answers to the debates. Public administration is each of these things to some degree although individuals may differ on how they view it Cayer (2003:10).

Fry (1989:78) argues that public administration refers to two distinguishable but closely related activities. It refers on one hand to the administration or management of matters which have principally to do with society, politics, and its subparts which are not essentially private, commercial, or individualistic. On the other hand it refers to the disciplined study of such matters. In this simplest meaning, public administration has to do with managing the realm of governmental and other public activities. This simple definition conveys the essence of public administration and probably covers the vast majority of activities and concerns of contemporary public administration.

According to Kuye *et al.* (2002:5) “public administration is a terms used to mean the study of selective practice of the tasks associated with the behaviour, conduct and protocol of the affairs of the administrative state.”

Coetzee (1988:16) is of the view that public administration is concerned with the execution of the laws, rules and regulations of the government of the country. Public administration is also concerned with policy formulation and execution. Public administration deals with the formulation and implementation of policy of governmental and other public programmes and the management of organisations and activities involved.

What a government accomplishes for a society depends on what policies it formulates and adopts and on how effectively these are put into practice. Public administration contributes to both the shaping and execution of policies (policies which find expression in, rules and regulations (Coetzee1988:45).

Cayer (2003:1) compares public administration to life in a swamp, footing is uncertain, the path is unclear, the terrain keeps shifting, and the alligators are mean and hungry. In such a setting a person is hard pressed to survive. Public administrators must conduct their activities in a much more unstable environment than business administrators. They are affected by politics, changing political power relationships, economic swings, and volatile social issues. Public administrators are accountable to numerous authorities

including politically elected officials and the general public. Their accountability includes requirements to use financial resources responsibly but also to be responsive to the democratic values of the governmental system.

Cayer (2003:32) describes the administrative swamp as being inhabited by changing political forces, changing economic conditions, the media, interest groups and citizen demands. Additionally, internal forces such as employee concerns, interagency conflict, and bureaucratic routines lie in wait for the manager who attempts to drain the swamp and establish firm ground on which to work.

Government is involved in almost everything people do because it is the ultimate provider of services that keeps society together and the final arbiter that ensures that the activities of one person are not detrimental to another. Government tries to stabilize the environment and maintain social cohesion and social tranquility. It creates the structure for civility and civil order (Cayer 2003:37).

As governments get involved, agencies are created with administrators to see that government policy is implemented. In policy implementation, administrators also become policy formulators as they develop expertise in what should be done or what will work best in any given situation. Administrators are in a good position to shape the future development of policy through their recommendations to policy making bodies. At the same time they make policy by implementing elected officials general policy to specific situations Cayer (2003: 38).

According to Cayer (2003: 4) all administration including public administration, depends on the cooperative effort of the individuals who make up the administrative organisation. In order to accomplish most objectives, the organisation needs to attract members and gain their cooperation. Securing compliance and support of members requires that they interact with and adjust to each other. Therefore, administration is affected by all the complexities of human nature.

In public administration, the administrators deal not only with those people who make up the organisation but must also work with the interested members of political environments. Included are elected political leaders, citizens, interest groups, and clients of organisations. These elements of the political environment affect the ability of the organisation to accomplish its purpose. Along with the internal human interaction, these external elements create ever changing, often perplexing settings for public administration (Cayer 2003:39).

The scientific management movement crystallized the debate by attempting to establish public administration as a science with universal laws or tendencies that could be applied in any situation. Peters (2003:35) argues that Public administration is part of the social science, which is inexact as measured by the standard of the physical sciences. That caveat does not mean that public administration should not strive for as much certainty as possible. Rather, scientific approaches are incorporated as appropriate while public administrators understand that much of their success depends on adaptation to ever changing circumstances.

Some scholars suggest that rather than using positivist, rational approaches, public administration would be better served by a post-modern approach, which emphasizes discourse and collaboration among citizens, administrators and public officials.

Those who perceive that public administration should aspire to be a practical science believe that political values can be separated from the administrative process. Values are represented by the policy makers who are separated from the administrators. Thus the policy/administrative dichotomy evolved from the effort to establish public administration as a separate entity. Woodrow Wilson (1966:34) gave intellectual legitimacy to the concept of separating politics and administration.

While the separation is continually challenged and public administration now eschews the reality of separation, it is an important analytical distinction for understanding many

aspects of public administration. Until the 1950s and 1960s the separation of policy and administration was accepted as a given in the field (Peters, 2003:54).

In the post-World War eras, scholars began to challenge the purported scientific nature of the Scientific Management School. Herbert Simon (1997) characterised the principles of administration advocated by the Scientific Management School as proverbs that often conflicted with one another or whose opposites were just plausible. Simon favoured attempting to develop a truly scientific approach to administration but also developed a fact value distinction as a guide to the new science. The fact value distinction led to a renewed interest in the policy/administration dichotomy. The major impact of Simon's work was to stimulate a renewed interest in more scientific approaches to analyzing public administration (Jun 2002, 45).

According to Jun (2002:46) as public administration achieved an identity and attempted to utilize the methods of science, it also began to assume some of the characteristics of a profession. As professionalism developed in the field of public administration, new debates emerged. During the 1940s, a debate raged between Herman Finer (1941) and Frederick (1940) and their respective followers. Finer saw a responsibility in public administration requiring responsiveness to elected officials and adaptation to changing environmental forces. Fredrich (1940) took the position that administrators must answer to scientific standards as represented by professional organisation standards and accepted practice.

The debate over responsiveness and accountability had implications for the science versus craft debate about public administration as well as for the development of it as a profession. Those who wish to ascribe strict professional standards to public administration reflect Fredrich's perspective while those who are more concerned with it as a craft and proactive are likely to feel more comfortable with the Finers perspective.

### **3.2.2 Similarities between public and private administration**

Gulick (1936:23) suggested that public administration and private administration are part of a single broad science despite differences in objectives and emphases. Both deal with groups of people working towards specified goals with division of labour, both arrive at policy decisions through planning, both coordinate, direct, hold accountable, both seek to maximize results through incentives and the best use of people, materials and time, both must be sensitive to public opinion and to the continuity of the enterprise in a changing environment (Lerner *et al.* 1992:43).

The similarities between public and private administration are great, because administration as a process is by no means limited to the public sector. Administration is cooperative group effort in a public or private setting. Whereas the common factor is the element of cooperation, the purposes or aims of institutions would vary because the problems of private enterprise vary from company to company. Public or private institutions must meet the challenges of its particular environment. Therefore, the form of administration varies according to the kind of undertaking. However, the administration of a large scale business enterprise and a comprehensive government service is conducted in more or less the same way. Coetzee (1988:29) argues that efficient and effective administration of a big enterprise, whether public or private, requires *inter alia*, policy making, organisation, financing, staffing, determining work methods, coordination and control. Irrespective of whether administration is of public affairs or private business, certain general principles and procedures must be followed to achieve the objectives. Many techniques of management and organisations are common to both the public and private administration. However in spite of these similarities there are some basic differences in approach, attitude and the scope of activities performed by public and private administration.

### **3.2.3 Theories of public administration**

There are at least three broadly identifiable approaches in the study of public administration, namely the Classic Approach, the Behavioural Approach and the

Administration as Politics. The impact of these three approaches on public administration will be discussed.

The beginning of the study of public administration in the United States can be traced back to Woodrow Wilson's 1966 essay *The Study of Administration*. Wilson's definition of administration was widely accepted during the Classical period. Writing in response to an age of widespread governmental corruption and in the spirit of the reform movement, Wilson argued that administration should be separated from political and policy concerns. According to Wilson (1966) public administration should be concerned solely with the "detailed and systematic execution of public law". As for political officials and politics, they should set the task for administration, but not be "suffered to manipulate its offices". Given this separation of administration from politics, Wilson (1966) suggested that the task of the public administrator was not significantly different from that of any administrator which entails the selection of appropriate means to accomplish given ends.

Wilson (1966) called for the development of a science of administration, the objective of which should be the discovery of general principles to guide administrators in the efficient performance of their duties. In Wilson's words, "the field of administration is a field of business. It is removed from the hurry and strife of politics." Wilson's separation of politics from administration, his proposed search for a science of administration, and his assertion that business techniques are applicable in the public sector all became part of the dominant image of public administration in the Classic period. Policy and political matters were conceptually divorced from administrative matters and efficiency in execution seen as the legitimate area of concern for students and practitioners of public administration. Scientific procedures were espoused and many of the techniques suggested to improve the efficiency of public sector operations were based on private sector practices.

### 3.2.3.1 Classic Approach to administration

Two major groups in the Classic period were the Scientific Management movement and the Departmentalists. Together they formed what was considered the “administrative theory” of the day.

Scientific Management which was founded by Frederick Taylor, focused on the performance of routine and repetitive physical tasks. The objective of Scientific Management was to discover the basic principles of motion involved in the performance of physical tasks and then to determine the “one best way” of performing any task. The primary tool of analysis in this endeavour was the time and motion study. Though its analyses were conducted largely in the private sector, Scientific Management attracted a large number of enthusiasts in the public sector (Fry 1989:2).

According to Fry (1989:12) the Departmentalist approach formed a logical complement to Scientific Management movement and was represented by the works of Luther Gulick. Whereas the primary focus of Scientific Management was the performance of physical tasks, the departmentalist focused on organisational structure. Accordingly, while the basic tool of analysis of Scientific Management was the time and motion study, the departmentalist made use of the formal organisational chart.

The general problem addressed by the departmentalist was the identification of the tasks necessary to accomplish an organisational objective and the grouping and coordination of those tasks in a way that would maximize organisational efficiency. Terms such as chain of command, span of control, and line staff are common fare even for those acquainted only peripherally with the literature on organisations. The principles educated by the departmentalist are equally familiar. Principles such as authority should be commensurate with responsibility, there should be unity of command in the organisation, and the chain of command should not be circumvented having become deeply engrained in organisational culture (Fry (1989:22).

The departmentalist, as had Scientific Management sought to establish a science of administration equally applicable in the public and private sectors. They differed from Scientific Management, however, in that their analyses were not as systematic as those of Scientific Management. Moreover, the Departmentalist attempted to derive specific applications from preordained general principles rather than rely on generalizations built inductively from an accumulation of specific observations as has Scientific Management (Fry 1989:22).

The combination of the definition of the field as proposed by Wilson and the Scientific Management and the Departmentalist prescriptions for organisational management and structure relying heavily on hierarchy as a primary mechanism for control and coordination constituted the core of the Classical approach to public administration.

Max Weber can also be related to the Classic Approach in two basic ways. First Weber takes the same position as the Classical authors on the appropriate relationship between the politician and the administrator. For Weber, the bureaucrat should be the neutral servant of his political masters, which is the position embodied in the Classic politics administration dichotomy (Fry 1989:22).

Second Weber's formulation of the ideal type of bureaucracy is perhaps the most famous summary statement of those attributes and bears a close resemblance to the kind of organisation widely prescribed in the Classical approach. Despite those similarities, it would be a mistake to suggest that Weber's influence was limited to the Classical approach. His influence has been pervasive. Weber's support for a value free social science and his sociological interests are related to similar concerns in the Behavioural approach. His concern with power relationships in society is similar to the basic focus of Administration as Politics Approach (Fry 1989: 32).

### 3.2.3.2 Behavioural Approach

According to Bekker (1996:34) though the Classic approach was dominated in the US before 1940, but it did not go unchallenged. In this period, the seeds were sown for the subsequent flowering of the Behavioural Approach. The Behavioural Approach which entails the study of actual behaviour, usually with the individual as the preferred unit of analysis is multidisciplinary in focus; it calls for rigor in the use of scientific procedures, and is primarily descriptive in intent.

Behaviourism incorporates a diversity of perspective, including the Human Relations movement. The Behavioural Approach was not much concerned with the Classic definition of the field of public administration. As had the Classic authors, the Behaviourist sought an organisation theory that would be applicable in both public and private settings. The political environment was more ignored than conceptually separated as it had been in the Classic approach (Bekker 1996:35).

The major thrust of the Behavioural Approach was organisation structure and management, not the definition of the field and here the differences from the classical approach are substantial (Bekker (1996:38).

The Behavioural Approach sought to modify, though seldom to eliminate, the hierarchical organisational structures so ardently espoused by Classic authors. This was thought to be necessary to appeal to a wider range of human needs and thus effectively motivate people in the organisation. Accordingly the Behavioural Approach supported a number of changes in organisational structure and process. Whereas the Classic Approach emphasised executive decision making responsibilities, the Behavioural approach argued for a more participatory decision making procedure.

Supervision under the Classic Approach was to be “production orientated” while the Behavioural Approach supported a more “employee orientated” style of supervision. The Classic Approach preached the benefits of specialization, but the Behavioural

Approach counselled job enlargement to give employees more sense of satisfaction from the performance of their tasks. The Classic Approach urged a restricted span of control to ensure close supervision. The Behavioural Approach suggested a wider span of control to prevent close supervision and allow sufficient latitude for the expression of self-initiative and self-control on the part of the worker (Fry 1989:34).

These contrasts in management style were derived from the more fundamental conceptual differences between the two approaches. The approaches differ most basically in their notions about the relationship between people and the organisation. In the Classic Approach, there was what might be called a “mechanical view” of human resources in the organisation. Given this conceptualization of the relationship between people and the organisation and assuming that money is the primary instrumental reward, it was felt that peoples behaviour in the organisation could be controlled by the judicious manipulation of monetary incentives (Fry 1989:34).

The Behaviourist constructs a substantially different scenario. For the Behaviouralist, peoples behaviour are more visible then had been presumed by Classic authors. In part, this is because man is more totally involved in the organisation and should expect intrinsic, rather than instrumental rewards from the organisational experience. These social and psychological rewards extend beyond money and are less easily manipulated than are monetary incentives. Moreover there are forces affecting people’s behaviour in the organisation that are either beyond the control of the organisation or at least more difficult for the organisation to control (Fry 1989:34).

According to the Behaviourists, the organisation must learn to respond to a wider range of human needs if it is effectively to motivate man in the organisation, let alone control his/her behaviour.

There were also some major differences between the Classic and Behavioural Approaches in the methods employed to realize the common ambition of constructing a science of administration. The Classic Approach was largely deductive and normative in

its emphasis. The Behavioural Approach, in contrast was more inductive and descriptive in emphasis. Normative attributions about organisations were not so much abandoned as deferred pending the acquisition of more descriptive information (Fry 1989:34).

The work of Mary Parker Follet (1924), Elton Mayo (1933) and Chester Barnard (1948) are all integral to the developing challenge to the Classic organisational paradigm and precursors to the development of the Behavioural Approach. Follett's (1924) work was the earliest of these, and her work anticipated by more than two decades some of the central themes of the Behavioural period. Most prominent among them were Follett's (1924) ideas about the nature of authority in the organization.

In contrast to Classic literature, which maintained that coordination flows from the exercise of authority and that authority resides in the apex of the organisational pyramid, Follet (1924) argues that authority flows from coordination and that authority is neither supreme nor is it delegated. Instead authority is pluralistic. Moreover, Follet (1924) argues that authority is exercised increasingly on the basis of the objective demands of the situation rather than personal arbitrary mandates (Fry 1989:38).

Mayo's (1933) famous research at the Hawthorn Plant of the Western Electric Company in the late 1920s laid much of the conceptual and empirical foundation for the Behavioural Approach. This research led directly the Human Relations movement, a major component of the Behavioural Approach. Mayo's (1933) research focused on social and psychological factors in human behaviour in the organisation with particular emphasis on informal group activity. Mayo (1933) asserts that informal groups develop within the organisation in response to needs and expectations not effectively served by the formal organisation and adopt norms of behaviour that are not necessarily the same as the organisations Fry (1989:39).

By directing attention to the social and psychological aspects of organisational behaviour, the Western Electric researchers set the stage for a continuing empirical investigation of the relationship between changes in the organisation, worker

satisfaction, and productivity as emphasis shifted to precisely those elements of human feelings, that were largely ignored in the Classic literature.

Barnard (1948) provides a conceptualization of the organisation supportive of both Follet's (1924) ideas on authority and Mayo's assertions that the subordinate needs, as they perceive them, must be satisfied to achieve organizational effectiveness. Barnard (1948) asserts that the organisation is a system of exchange in which each participant makes contributions in return for inducements offered by the organisation. Both organisational inducements and individual contributions are subjectively evaluated by each participant, and an individual's participation will continue only as long as the participant perceives the value of the value of the inducement required by the organisation.

According to Fry (1989:39) this view lead "Barnard (1948) to formulate a concept of authority which he defines as "the character of a communication in a formal organisation by virtue of which it is accepted by a member of an organisation as governing the action he contributes. As such authority lies in the relationship between a superior and a subordinate, not on its issuance. By doing so, Barnard (1948) emphasis the role of subordinate and the importance of compliance."

### **3.2.3.3 Human Relations Movement**

According to Shafritz (2000:34) the Human Relations movement was a direct outgrowth of research at the Western Electric company. This movement sought ways of restructuring the organisation and revamping managerial styles to become more responsive to a wider range of social and psychological needs in the organisation. The Human Relations approach found that the suggested changes in the organisational characteristics did not as had been expected always lead to a higher level of satisfaction associated with increased productivity.

The response to these empirical difficulties came from the Contingency Approach. The Contingency Approach suggested the Human Relations approach made the same mistake as had the Classic authors in assuming that there is one best way of managing all organisations. The Contingency Approach suggested that management is a relative and adaptive process and that the appropriate style is contingent on a number of organisational considerations (Shafritz 2000:39).

Another response to Human Relations has been what has been called organisational humanism. Based originally on the conceptual apparatus of human psychologists Abraham Maslow, Organisational Humanism is more concerned with the morality of the Human Relations movement than its empirical difficulties. Here it is argued that the Human relations approach as was the Classic Approach, is simple concerned with the raising productivity. The only difference it is argued is that whereas the Classic Approach relied primarily on command, the Human Relations approach employs a more sophisticated form of psychological manipulation. Organisational humanism attempts to establish the intrinsic value of the satisfaction of human needs in the organisation, rather than view it simply as a means for increasing productivity (Shafritz 2000: 40).

The major challenge to the Classic paradigm came in the form of the Administration as Politics Approach, and in combination with the Behavioural Approach questioned every fundamental premise of the Classic perspective. Whereas the basic difference between the Classical and Behavioural Approaches concerns the way organisations should be structured and managed, the basic difference between the Classic Approach and Administration as Politics Approach lies in their differing definitions of the field of public administration (Minogue 1998:67).

Minogue (1998:67) argues that in direct contrast to the Classic Approach, the Administration as Politics Approach, maintains that it is impossible to separate politics from administration. Consequently, public administration is different from private administration with the distinguishing characteristic of public administration being the political milieu in which the public administrator is required to operate. Moreover, this

approach questions the possibility of separating facts and values. The combination of the rejection of the politics-administration dichotomy and the reservations about the fact value dichotomy mean that the Administration as Politics Approach considers public administration to be both art and science perhaps more art than science.

The politics administration dichotomy is rejected on both empirical and normative grounds. Empirically it is argued that even casual observations reveal that administrators are involved in political and policy concerns. An age of size and complexity requires the exercise of administrative initiative in the formulation of policy and the exercise of administrative discretion in its implementation, and both activities involve the administrator in policy and political processes. Normatively, it is maintained that separating the administrator from policy and political matters deprives society of the creative input of those likely to be best informed about the programme they administer and tends to insulate the administrator from the legitimate demands of the public he is charged with serving (Minogue 1998:66).

Minogue (1998:66) concludes that with the rejection of Administration as Politics dichotomy, the central challenge for the Administration as Politics Approach is to seek a satisfactory reconciliation of the necessity of administration and the requirements of democracy. This concern manifests itself in two forms namely a focus on the concept of administrative responsibility and an emphasis on the public policy process itself. The former a focus on administrative responsibility, has concentrated on defining an appropriate role for the administrator in a pluralistic political environment. The Classic Approach had stressed a role of neutrality regarding policy matters.

Hood (2004:191) describes the development in the Administration as Politics Approach has been an analytical interest in the process by which policy is formulated adopted, implemented and evaluated. In part this has led to increasing concern with the techniques of policy analysis, such as planning and evaluation. More generally there has been a focus on the policy process with particular emphasis on the role of the administrator at various stages of the process.

Cotezee (1988:34) argues that the rise of Public Administration can, in no small measure be ascribed to the rise of the discipline of Political Science. The founding fathers of Public administration were trained as political scientists and tended to view Public administration as part of Political Science. However, the year 1900 is generally recognised as the starting point of the separation between politics and administration.

Gulick's (1937) own position on the matter on the politics administration dichotomy was that it is impractical and undesirable to separate politics and policy from administration. For Gulick administration involves the determination of major policy, the development and adoption of specific programs, the creation of the organisation, provision of personnel, authorization of finance, administrative supervision, coordination and control of activities and the audit and review of results. Under this broad definition Gulick (1937) maintains that administration is necessarily involved in both politics and the policy process (Fry 1989:65).

Various scientists studying the field of administration have compiled frameworks of analysis of the activities, which constitute administration and this led to the current existence of various classification models. For example Luther Gulick's well-known POSDCORB classification pointing to the administrative functions, namely planning, organising, staffing, directing, coordinating, reporting and budgeting has been widely adopted (Berkley 2004:54).

The phenomenon known as administration can also be divided into six main groups of functions, namely policy making, organising, financing, staffing, determination of work procedures and the exercise of control over the progress being made to ensure that the objective will be attained (Cloete 1981:34).

**Planning** can be defined as the act of outlining a series of steps to be carried out to achieve an identified goal or attain a desired result. It is the means by which purpose is

translated into programmes and involves the identification of key controllable items that are to be manipulated to achieve organisational objectives (Lerner 1992:56).

The organising, staffing, leading and controlling functions stem from the planning function. The manager is ready to organise and staff only after goals and plans to reach the goals are in place. In the controlling function, the determination of whether or not goals are being accomplished and standards met is based on the planning function. The planning function provides the goals and standards that drive the controlling function (Lerner 1992:56).

Planning is important at all levels of management. However, its characteristics vary by level of management. Strategic planning is one specific type of planning. Strategies are the outcome of strategic planning. An organisation's strategies define the business the firm is in, the criteria for entering the business, and the basic actions the organisation will follow in conducting its business. Strategies are major plans that commit large amounts of the organisation's resources to proposed actions, designed to achieve its major objectives and goals. Strategic planning is the process by which the organisation's strategies are determined (Lerner 1992:56).

The theory of organisation has to do with the structure of coordination imposed upon the work division units of the organisation composed of people and groups of people in order to achieve some shared purpose; through a division of labour; integrated by information-based decision processes; continuously through time. Hence it is not possible to determine how an activity is to be organised without, at the same time, considering how the work in question is to be divided (Simon, 1997:12).

Work division is the foundation of an organisation and planning form the heart of any institutional structure. It is for this purpose that organising can be defined as all those activities grouped or allocated into functional divisions. These activities are grouped in a specific manner so as to achieve institutional objectives (Simon, 1997:12).

There is no general definition of the term “organisation” that will satisfy all the different organisational schools of thought such as the scientific management school established by Taylor (1916) , Fayol’s (1987) administrative school, or the bureaucratic school of Weber.

A commonly established view is to understand organisation as goal attainment systems. Simon (1997:16) defines organisation as special types of social systems characterised by their “primacy of orientation to the attainment of a specific goal.” A similar view is expressed by Malan (2001:33), seeing an organisation as “a co-ordinated body (or system) of individuals (and perhaps machines) arranged to reach some goal or perform some function or service.” Malan (2001:33) states this may be generalised, saying that organisations emerge when there is a shared set of beliefs about a state of affairs to be achieved among people.

In order to do so, work is distributed and patterns develop in the relationships between people to coordinate this division of labour. This structure, often perceived in the form of hierarchies of authority, is what emerges when organisation are formed. The concept of organisational goal attainment to the concept of structure by saying that all organisations have to make provision for continuing activities directed towards the achievement of given aims (Malan 2001:35).

Regularities in activities such as task allocation, supervision, and co-ordination are developed. Such regularities constitute the organisation’s structure, and the fact that these activities can be arranged in various ways means that organisations can have differing structures. There are many characteristics, which define a policy, some of these characteristics that describe a policy are that it defines organisational principles, policy sets out the way that things are done, policy creates a framework for the way work is performed and it sets the standards for the organisation and it generally is formed from best practice. (Malan 2001:54).

According to Malan (2001:55) a policy has a range of elements, which include:

- policy creates a framework for action within the organisation;
- policy is a decision;
- policy is grounded in legitimate authority;
- policy is a written product;
- policy creation is an ongoing process; and
- policy is a wider framework within which the organisation operates.

No administrative action can be taken if specific goals and objectives have not been set; therefore policies provide the framework that guides the daily actions on the job.

People are needed to do the actual work, personnel are required to give effect to government policy, and must therefore be favourably disposed towards that policy. All institutions, either in the public sector or private sector, are dependent on people, money and an organisational structure of some sort with responsibility allocation for accomplishing their missions. It therefore stands to reason that human resources management is central to the functioning of each and every Public Service institution as well as the rendering of various Public Services.

Performance and human resources development plans for staff cannot be separated from the goals and service objectives of the employing organisation, and goals and organisational structure cannot be disconnected from an understanding of the policy framework, including demand for services from the respective citizens. At the same time, the goals, priorities and performance objectives of an organisation cannot be determined outside the broader national and government policy agenda and macro-socio- economic framework (Malan 2001:26).

Although the major activities covered by the terms “personnel administration” vary, they consist of a body of duties, which must be performed by someone in every organisation. Some of the activities that the personnel manager carries out include:

- job analysis and position classification: the description of the work to be performed in a given job which provides the basis for effective recruitment;

- recruitment and placement: the process of matching individual skills and aptitudes with job or class specifications;
- evaluation, promotion and transfer: the procedures used to recognize accomplishment and to use individual abilities to greatest advantage;
- compensation scales: plan for assuring equal pay for equal work, with salary gradations based on skills required for the job;
- training, counselling and improvement of working conditions: designed to motivate employees;
- relations with employee organisations and unions: handling relations within these groups;
- disciplinary actions: the supervision of individual suspension and dismissal cases;
- personnel records: maintaining such employee records as rosters, time cards, sick and vacation leave records, payrolls and employee folders;
- recruiting people with the relevant skills (generalists as opposed to specialists);
- motivating;
- performance agreements/ appraisals;
- career patching; and
- conflict management.

No goal can be achieved without effective work procedures and it is essential that these should be standardised in public institutions. Blaug (1976: 21) defines this function as the compilation of procedural codes and instructions as well as the design of work study systems and methods to increase productivity.

No objective can be reached unless funds are budgeted for that purpose. Blaug (1976: 21) purports that financing is the function through which monies are obtained, spent and controlled. All public institutions are dependant on finance in order to execute their policies. Government is responsible for the collection of money from the public in the form of taxes, tariffs, levies, fines and loans. Thus, government is responsible for the

accountable appropriation of public money with the aim of ensuring service delivery. This practice therefore requires government officials to be capacitated with the relevant skills in order to identify projects and manage the allocation of funds in an efficient and effectively manner.

Just as organisations have goals describing their primary business objectives, they also have goals with respect to controlling how these objectives are met. These are the control goals of an organisation, which are enforced through a system of internal control. Such a system enables them to adhere to internal regulations. Independent of the type of organisation, these internal control systems use common underlying principles to establish and achieve control over business activities (Michelle 1996:62).

Control is a central organisational function and results out of decentralisation efforts. It is the means by which activities and resources are coordinated and directed towards the achievement of an organisation's goal and implies a degree of monitoring and feedback. Salman (2000, 75), argues that "Control means that members of the organisation have their actions, determined, or influenced, by membership of the organisation."

Coetzee (1988:61) proposes that the functional activities are performed to attain the purpose of an institution, in contrast with administrative functions, which are performed as enabling functions for the performance of functional activities. Gulick (1937) maintains that functions must be defined, work divided, structures and relationships formalized, staff professionalized, and activities rationalized.

Accordingly the theory of organisations is concerned with the structure of coordination imposed on the divided work of the organisation. One ingredient of integration is the grouping of similar tasks in the organisation. Gulick (1937) identifies four bases on which the unit tasks of an organisation may be grouped namely purpose (tasks grouped by the service rendered), process (tasks grouped by the skill or technology employed), clientele and place. Although Gulick (1937) emphasises the importance of purpose in

coordinating efforts in the organisation, he notes that the selection of any particular base will depend on the stage of organisational development, technological changes, the size of the organisation, and the specific advantages and disadvantages attached to the use of a particular base in a given organisation (Dwight, 2000:31).

### **3.3 The Basic Theory of Human Capital**

According to Becker (1962:12) human capital theory is the idea that humans are a factor of production in an organisation. It's a factor of production along with certain other factors, like land, labour, and capital goods. Human capital is considered separate from labour in that it focuses on the knowledge and skill sets that a human has, rather than their capacity to perform basic labour tasks. Human capital is by no means a new idea, the idea started along with the other factors of productions in Adam Smith's identification of the mechanisms of capitalism in *The Wealth of Nations*, the treatise that is considered the basis for modern capitalist thought.

Human capital can mean any number of things, but it is usually represented to mean the human traits that a person applies for use in the business. This is difficult to define, because there are so many traits. It is not the actual physical mechanical motions that a human performs, as these could potentially be done by robots, machines, computers, and so on. Education is a factor in human capital, because education alludes to a body of knowledge that a person has underlying their physical functions that informs what they do and how they do it. It could refer to any sort of training or human competency to do something. For example, if a person just has an innate ability to take apart and put together motor engines, then that ability would be considered human capital (Becker, G, 1962:12).

Theoretically, it is these abilities and skills that a person is selling when they provide their services to a company, and this is what the company pays them. They are not selling *themselves* so much as their skills and their competencies. A separate thing they can be viewed as selling is their *time*, which would fall under labour.

Human capital poses an interesting issue in terms of pay. If a person is more competent at their job than someone else, then technically speaking, their human capital should be more valuable to the company, thus meriting more pay. This is difficult to weigh, however, and it can cause a number of problems from within a business. Another issue it raises is that human capital isn't so much inherent as it is learned, meaning that the people with access to this type of education are going to have a better chance of gaining human capital than, say, someone who can't afford that education.

Human capital is also the force behind what is known as "brain drain." Brain drain is when a country has a class of highly educated people who are not properly compensated for their human capital in their country, so they leave the country for another place that is better suited to compensate them for their skills. This leads to there being a lack of talent in this specific country, causing a worsening cycle of dependency on remittances and aid. Ironically, human capital theory suggests that to restrict someone from moving to another country in order to hold onto their human capital would actually lower their human capital (Olaniyan, D.A et al. 2008:23)

Human capital is not dependent on a single person. Human capital is easily replaced by someone with equal or greater skills, and this is considered to be the case more or less across the world. There are very few people whose human capital is irreplaceable, and most of these people are unrivalled geniuses. An Albert Einstein would be an irreplaceable human, simply because his mind was significantly more powerful than most of his peers. Stephen Hawking has irreplaceable human capital. These minds come around once every generation, and they technically aren't permanently irreplaceable so much as they are extremely rare and take a long time to replace.

According to Smith (1976:34) human capital, while empowering to the individual, also worked to enslave the human to the capitalist system, because in order for the worker to be making the management money, they had to be working more than was necessary and making their bosses money beyond what their human capital was worth to the bosses.

One of the most important ideas in labour economics is to think of the set of marketable skills of workers as a form of capital in which workers make a variety of investments. This perspective is important in understanding both investment incentives, and the structure of wages and earnings.

Human capital corresponds to any body of knowledge or characteristics the worker has (either innate or acquired) that contributes to his or her “productivity”. This definition is broad, and this has both advantages and disadvantages. The advantages are clear: it enables us to think of not only the years of schooling, but also of a variety of other characteristics as part of human capital investments. These include school quality, training, attitudes towards work, etc. Using this type of reasoning, we can make some progress towards understanding some of the differences in earnings across workers that are not accounted by schooling differences alone (Smith, 1976:34)

The disadvantages are also related. At some level, we can push this notion of human capital too far, and think of every difference in remuneration that we observe in the labour market as due to human capital.

According to Becker (1962:12) the presumption that all pay differences are related to skills (even if these skills are unobserved to the economists in the standard data sets) is not a bad place to start when we want to impose a conceptual structure on empirical wage distributions. Here it is useful to mention three:

- **Compensating differentials:** a worker may be paid less in money, because he/she is receiving part of his compensation in terms of other (hard-to-observe) characteristics of the job, which may include lower effort requirements, more pleasant working conditions, better amenities etcetera.
- **Labour market imperfections:** two workers with the same human capital may be paid different wages because jobs differ in terms of their productivity and pay,

and one of them ended up matching with the high productivity job, while the other has matched with the low productivity one.

- Taste-based discrimination: employers may pay a lower wage to a worker because of the worker's gender or race due to their prejudices.

In interpreting wage differences, and therefore in thinking of human capital investments and the incentives for investment, it is important to strike the right balance between assigning earning differences to unobserved heterogeneity, compensating wage differentials and labour market imperfections (Smith, 1976:34).

### **3.3.1.1 Uses of Human Capital**

The standard approach in labour economics views human capital as a set of skills/characteristics that increase a worker's productivity. This is a useful starting place, and for most practical purposes quite sufficient. Nevertheless, it may be useful to distinguish between some complementary/alternative ways of thinking of human capital. Here is a possible classification:

- According to the Becker (1962:12): human capital is directly useful in the production process. More explicitly, human capital increases a worker's productivity in all tasks, though possibly in different tasks, organisations, and situations. In this view, although the role of human capital in the production process may be quite complex, there is a sense in which we can think of it as represented (representable) by a uni-dimensional object, such as the stock of knowledge or skills,  $h$ , and this stock is directly part of the production function.
- According to Gardner (1989:42), we should not think of human capital as uni-dimensional, since there are many many dimensions or types of skills. A simple version of this approach would emphasize mental versus physical abilities as different skills..

- According to Nelson, Phelps (1966:24): human capital is viewed mostly as the capacity to adapt. According to this approach, human capital is especially useful in dealing with “disequilibrium” situations, or more generally, with situations in which there is a changing environment, and workers have to adapt to this.
- According to Blaug (1976:23) “human capital” is the capacity to work in organisations, obey orders, in short, adapt to life in a hierarchical/capitalist society. According to this view, the main role of schools is to instill in individuals the “correct” ideology and approach towards life.
- According to Spence (1998: 32): observable measures of human capital are more a signal of ability than characteristics independently useful in the production process. Despite their differences, the first three views are quite similar, in that “human capital” will be valued in the market because it increases firms’ profits. This is straightforward in the Becker and Schultz views, but also similar in the Gardener view. In fact, in many applications, labour economists’ view of human capital would be a mixture of these three approaches. Even the Bowles-Gintis view has very similar implications. Here, firms would pay higher wages to educated workers because these workers will be more useful to the firm as they will obey orders better and will be more reliable members of the firm’s hierarchy. The Spence view is different from the others, however, in that observable measures of human capital may be rewarded because they are signals about some other characteristics of workers.

### **3.3.1.2 Sources of Human Capital Differences**

According to Olaniyan et al. (2008:43) it is useful to think of the possible sources of human capital differences before discussing the incentives to invest in human capital:

- Innate ability: workers can have different amounts of skills/human capital because of innate differences. Research in biology/social biology has

documented that there is some component of IQ which is genetic in origin (there is a heated debate about the exact importance of this component, and some economists have also taken part in this). The relevance of this observation for labour economics is twofold: (i) there is likely to be heterogeneity in human capital even when individuals have access to the same investment opportunities and the same economic constraints; (ii) in empirical applications, we have to find a way of dealing with this source of differences in human capital, especially when it's likely to be correlated with other variables of interest.

- **Schooling:** this has been the focus of much research, since it is the most easily observable component of human capital investments. It has to be borne in mind, however, that the  $R^2$  of earnings regressions that control for schooling is relatively small, suggesting that schooling differences account for a relatively small fraction of the differences in earnings. Therefore, there is much more to human capital than schooling. Nevertheless, the analysis of schooling is likely to be very informative if we presume that the same forces that affect schooling investments are also likely to affect non-schooling investments. So we can infer from the patterns of schooling investments what may be happening to non-schooling investments, which are more difficult to observe.
- **School quality and non-schooling investments:** a pair of identical twins who grew up in the same environment until the age of 6, and then completed the same years of schooling may nevertheless have different amounts of human capital. This could be because they attended different schools with varying qualities, but it could also be the case even if they went to the same school. In this latter case, for one reason or another, they may have chosen to make different investments in other components of their human capital (one may have worked harder, or studied especially for some subjects, or because of a variety of choices/circumstances, one may have become more assertive, better at communicating, etc.). Many economists believe that these “unobserved” skills are very important in understanding the structure of wages (and the changes in

the structure of wages). The problem is that we do not have good data on these components of human capital. Nevertheless, we will see different ways of inferring what's happening to these dimensions of human capital below.

- Training: this is the component of human capital that workers acquire after schooling, often associated with some set of skills useful for a particular industry, or useful with a particular set of technologies. At some level, training is very similar to schooling in that the worker, at least to some degree, controls how much to invest. But it is also much more complex, since it is difficult for a worker to make training investments by himself. The firm also needs to invest in the training of the workers, and often ends up bearing a large fraction of the costs of these training investments. The role of the firm is even greater once we take into account that training has a significant “matching” component in the sense that it is most useful for the worker to invest in a set of specific technologies that the firm will be using in the future. So training is often a joint investment by firms and workers, complicating the analysis.
- Pre-labour market influences: there is increasing recognition among economists that peer group effects to which individuals are exposed before they join the labour market may also affect their human capital significantly. At some level, the analysis of these pre-labour market influences may be “sociological”. But it also has an element of investment. For example, an altruistic parent deciding where to live is also deciding whether her offspring will be exposed to good or less good pre-labour market influences. Therefore, some of the same issues that arise in thinking about the theory of schooling and training will apply in this context too.

### **3.4 STATE OF PUBLIC ADMINISTRATION IN SOUTH AFRICA**

Integrated service delivery, especially delivery aimed at bringing services closer to the people, is a goal for government. Innovative modes of service delivery, especially at integrated service delivery sites, are creating an impetus for institutional integration. At the same time the need for services to be delivered at the most appropriate level

requires that functions and staff be transferred from one sphere to another, or to or from public entities. The harmonization of conditions of service, systems and norms will facilitate these transfers.

Government's broad vision of a unified system of public administration seeks to respond to these practical needs. A unified system of public administration does not seek to undermine the distinctiveness of local government, nor does it seek to inhibit the freedoms that public entities legitimately require to be effective. Achieving greater harmony between the spheres of government and public entities will enable the South African developmental state to increase the effectiveness and impact of its service delivery.

In seeking to achieve developmental goals the country will need to ensure that public administration remains coordinated and planned. This will require a better balance between centralised and decentralised modes of internal and external service delivery in order to optimise the use and deployment of resources. The new public management practices should increasingly be seen as a toolbox of progressive management practices and innovations (popular participation, citizen-oriented service delivery, management empowerment) rather than as a paradigm linked to the weakening of the state to allow markets to operate more freely and efficiently.

#### **3.4.1 The need for redress in the form of affirmative action**

The argument for affirmative action is founded in the active dispossession of the black population of land and the deliberate exclusion of black people from the economy. systematically stripped black people of rights and the capacity to participate in the economy and saw ownership of the country's assets centred in the hands of whites. Labour legislation effectively excluded blacks from the formal collective bargaining system, and restricted them to lower level employment through job reservation in the guise of a "civilised labour policy". In a letter to the Institute of Race Relations in 1935, the Department of Labour stated: "The principle object of the civilized labour policy is to ensure that the class of workers described (25000-30000 unskilled Europeans) is not

denied entry into unskilled occupations by reason of the fact that he had lower standard of living to which the Native is accustomed has hitherto kept the rates of pay and other conditions for work of this nature at a level which will not enable such workers to live in accordance with the standard generally observed by civilized persons (Department of Labour and Social Welfare UG 4/37 1935).”

In 1935 the Department of Labour and Social Welfare noted that it was still faced with the problem of finding suitable work for the ‘untrained, unskilled Europeans, and for the semi-fit’ who came into competition with ‘relatively efficient unskilled natives’ used to lower living standards than those ‘observed by civilized persons’. “The Department has continued its efforts to reduce the handicap under which civilised unskilled workers are thus placed. It is pleasing to be able to record that the policy of employing civilised persons in the ranks of unskilled labour is being increasingly adopted by public employing bodies and local authorities, and that in private employment the civilized labour policy has survived the opposition with which it was first met.” (Department Labour and Social Welfare Report for 1953, UG4/ 37, p 8)

In effect, the civilized labour policy was introduced to limit unfair competition by black people willing to work for less and it in conjunction with a spread of other laws was hugely successful in securing the protection and enlistment of whites and particularly Afrikaners.

The implementation of apartheid policies was built on these foundations. Hendrik Verwoed introduced the Bantu Education system arguing for the need for a separation of education systems along racial lines as follows (Lapping, 1986:155): Bantu education should stand with both feet in the reserves and have its roots in the spirit and being of Bantu society...there is no place for the Bantu in the European community above the level of certain forms of labour...what is the point of teaching the Bantu child mathematics when it cannot practice? This is quite absurd; education must train people in accordance with their opportunities in life, according to the sphere in which they live.

Apartheid was obliged into place on a premise that it was the only means of averting long term racial conflict, and that it would allow separate but equal development within cultural groupings. The Tomlinson commission in backing separatism warned of the costs required for a policy of separate but equal to have any prospect of honesty. It did not take long however for the system to lose its equal element and to assume its truer face of white domination and control, entrenched through a plethora of racial laws. These laws gave rise to a system with a track record of 80 000 detentions without trial, 3000 people served banning or detention orders, 15 000 people charged under security legislation, over a hundred deaths in detention, 21 000 political deaths, 17 million pass law convictions and three and a half million forced removals. (Human Rights Commission 1997, Anstey 1991)

On the economic front the “civilised labour policy” bore fruit quite rapidly in boosting white employment, the number of white unskilled employees on the state railway system rising from 47 105 to 162 48 between 1921 and 1929 as black employment declined from 37 564 to 31 600 over roughly the same period (Hugo, 1992:45).

According to Sachs (1993:29) over time the consequences of systematised inequality reflected in the follow picture:

- The number of Afrikaners in the Public Service doubled between 1948 and 1968;
- By 1979, 35% of economically active Afrikaners were employed by the state;
- 90% of key positions in the public sector were held by Afrikaners;
- Blacks were restricted to ownership of a mere 13.4% of the land
- By 1993 fewer than 3% of executives or managers were black, fewer that 2% of shares of companies listed on the JSE were in the hands of blacks; only 15% of small formal businesses were owned by blacks; blacks had ownership of 4% of the informal sector enterprise; blacks accounted for possibly 10% of total participation in the business sphere.

Affirmative action then is not simply about removing discrimination, it demands redress for normalization to be achieved. It is in the redress zone of the debate that the

dilemmas become apparent and where the gaps in vision between various approaches are most evident. Sachs (1993:54) captures the debate as follows: “Decades, even centuries, of overt discrimination have left us in a most paradoxical situation. While formal discrimination is being phased out, practical discrimination remains largely intact. The consequent anomaly is that the instrument being advanced to maintain the practice of inequality is very principle of equality itself. Put another way, the concept of equal rights is becoming the main barrier to the actual enjoyment of equal rights. Whereas before the inequality was justified on the grounds of the need to discriminate, now it is legitimized on the basis of the need not to discriminate”.

After years of repressive legislation and job reservation by race, black people have a legitimate expectation that political liberation will mean accelerated opportunities for development, education, careers and jobs. The experience of poverty is most immediate within this section of the population and the sense of injustice as a consequence of the apartheid era most salient. Discrimination in the past was not simply about protecting jobs for whites, it was experienced as demeaning of African culture and values. In short it was an experience of subjugation of a people’s identity. The current drive is not simply to remove discrimination or to integrate Africans into past ways of doing things it is about a search for identity and a desire to stamp an African profile onto organisations. As Son (1993: 34) observes, “Affirmative action must reform institutions which are largely bastions of maleness, whiteness and cultural supremacy with women and blacks playing peripheral roles...Advancement programmes cannot have as their goal the mere integration of blacks with the understanding in return that blacks will internalize the values and wrong premises and customs of the institution. Blacks should become part of what is good, but in addition they should be bold and skilful enough to help transform the institutions for the sake of the institutions themselves”.

Within this statement must be recognised a struggle for the ‘soul’ of organisations. It has important implications for the search for a new organisational culture and approaches to affirmative action. If the approach is simply one of equal opportunity and competition on

merit change is likely to be experienced as slow by black people in particular. Perceptions of white resistance to change may emerge and a sense of 'disguise racism' may develop. Black personnel may perceive the system as one of continued racial subordination and respond by job hopping, internal activism or passive resistance to white managers (Spicer, 1996:39)

Grindle (1997:45) acknowledges that if the approach is one of rapid redress through accelerated changes in which black people are pushed through the system, other problems arise. Perceptions of tokenism may arise not only among white but also black personnel. This carries risks of confirming rather than reducing stereotypes of black incompetence resulting in white accusations of reverse racism and a crisis of self-doubt amongst black managers. White personnel may respond by 'emigrating' from jobs or from the country with a consequent loss of skills, or may overtly or actively resist black managers. Thus they may not be able to leave the organisation but they can undermine the performance of black managers who have assumed posts they had aspirations for themselves.

Internationally organisations are trying to realign goals, are reviewing capacities, and reengineering business processes in the search for improved efficiency, reduced costs and improved quality of delivery to customers. The transformation of organisations in this manner has major consequences for the nature and level of employment, employment contracts, job security, human resource requirements, and job grading and remunerations systems. It has demanded new approaches to collective bargaining and revision of strategic direction on the part of trade unions. Organisations and their members are faced with serious challenges of adaptation if they are to deliver effectively to the public. Change environments challenge existing organisational cultures and also demand the rapid development of new cultures if they are to cohere internally sufficiently well to deliver on performance goals. Quite often a new culture is evolved through aligning all members' energies toward such objectives as improved delivery, quality and customer service. (Dollery, 1997:65).

According to Dollery (1997:65) affirmative action imperatives do not deny the reliance of such objectives or process, but they add complex dimensions to the change endeavor. The focus becomes not simply external delivery but also internal transformation along ascriptive lines. While members of an organisation may develop an overtly shared vision for delivery they may not share in the vision for internal transformation and especially if much of this hinges around affirmative action processes. Individuals and groups may actively seek to block or advance change on the internal front regardless of performance goals, or even through their manipulation. Tough performance measures may offer opportunities to undermine individuals and to render them ineffectual. Some may perceive an accrual of advantage in ensuring that a group or individual fails to deliver.

The fact that affirmative action must take place within a job scarce environment may well exacerbate tensions and has the potential to reduce the process to 'displacement' rather than 'diversity' management. It may sharpen black frustrations and aggravate white insecurity producing major obstacles in the development of a coherent unified organisational culture. Affirmative action programmes then have very serious consequences for the development of organizational culture. The potential for raised tensions along ethnic lines, competing cultures and internal plotting to slow or accelerate racial and gender reconfiguration are high. Tactics may range from active resistance to inertia. All have implications for external delivery. Rather than developing organisations cultures centred in a shared sense of responsibility to deliver to the public and seeking means of achieving this, a new era of demographic profiling and racial restructuring may be entered in which competing ethnic groups measure change less by progress in their capacity to 'get along' than simply their relative presence in an organisation.

Removal of discrimination in South Africa is not sufficient; redress is clearly necessary and a moral obligation. However, it has been argued here that positive discrimination or affirmative action produce many tensions of their own. The question is whether a climate conducive to affirmative action and delivery can be created and sustained in

organisations. The period of soft displacement is now behind us. The values of leadership are critically important in the transformation process.

For any efforts by government to shift from a fragmented and disjointed to a coordinated, integrated mode of operation to succeed, there has to be a concerted effort towards aligning all its systems and processes, and achieving a climate of intelligibility and cooperation. Throughout the three spheres of government there has to be a shared common purpose of delivering services to the citizens. While each of the three spheres operates, according to the Constitution, in a distinctive environment, their nature of work forces them to adopt an interrelated and interdependent approach which, in turn, underlines the importance of a unified Public Service.

Some of the advantages of a unified Public Service would include reduced red tape and a relatively faster delivery pace. Of great importance, creating a unified Public Service requires an improved and capable leadership, particularly in provinces. Efforts should be made to prop up provinces that do not have the capacity and also to standardise rules and regulations that apply across the three spheres of government.

### **3.4.2 Legislative framework for a unified public administration**

The Constitution of 1996 provides for certain basic values and principles governing public administration:

- A high standard of professional ethics must be promoted and maintained;
- Efficient, economic and effective use of resources must be promoted;
- Public administration must be development- orientated;
- Services must be provided impartially, fairly, equitably and without bias;
- People's needs must be responded to, and the public must be encouraged to participate in policy-making;
- Public administration must be accountable;

- Transparency must be fostered by, providing the public with timely, accessible and accurate information;
- Good human-resource management and career-development practices, to maximise human potential, must be cultivated; and
- Public administration must be broadly representative of the South African people, with employment and personnel management based on objectivity, fairness and the need to redress the imbalances of the past to achieve broad representation.

These principles form the basis for overarching framework legislation for public administration. The Constitution also provides that legislation regulating public administration may differentiate between different sectors, administrations and institutions. The nature and functions of the different sectors, administrations or institutions of public administration are relevant factors to be taken into account in legislation regulating public administration. These provisions provide the constitutional basis for a unified system of public administration.

The Intergovernmental Relations Act 2005 (Act 13 of 2005) outlines the organisation of government, including national, provincial and local governments, as well as public entities and the categories within public entities. Mechanisms that are required to create public entities and for public entities to change their corporate form. There are also mechanisms for the transfer of functions and personnel within the spheres and between spheres and public entities.

The objectives of the Intergovernmental Relations Act 2005 include:

- To ensure effective, efficient and seamless service delivery;
- To create a broad framework of norms and standards for public administration;
- To allow for a degree of autonomy and differentiation within public administration; and
- To provide for mobility within public administration.

### 3.4.3 A unified Public Service in a developmental state

It would seem logical to suggest that a unified Public Service is consistent with the goals and objectives of the developmental state. This is because the central objective of a unified Public Service as has been argued is improved and integrated service delivery, which in turn is a central goal of the developmental state. The constitutional principles of good governance focus largely on improved citizen-centred service delivery. The principles of New Public Management also resonate with the paradigm that dominated public administration. The NPM is often used to describe a public management culture that puts citizens and the delivery of services to them at the centre and which emphasizes accountability for results and outcomes. Decentralisation and the use of agencies for the delivery of services are often promoted to ensure that things get done better. (Department of Public Service and Administration, 2004).

Typical features of NPM and the related approach to governance include the following (Department of Public Service and Administration, 2004)

- freeing markets from state intervention;
- downsizing the state;
- privatisation of state assets;
- transparency and accountability;
- elections;
- public participation;
- impartiality in service delivery;
- efficient and effective use of state resources;
- sound human resource management;
- performance management; and
- customer orientated service delivery.

This would indicate that while the goals of NPM and the developmental state of citizen-centred service delivery coincide, the route to attaining these diverge. While NPM

emphasises free markets and a weak state, the developmental state is premised on a strong interventionist “activist” state. Public management and Public Service reform in a democratic South Africa has been shaped by the tenets of NPM, including a strong focus on decentralised management of human resources and finance. Decentralisation in the context of a streamlined, relatively “weak” state has not really empowered managers, who have been granted delegations without being equipped with the necessary resources to utilise these delegations effectively (Department of Public Service and Administration, 2004).

The developmental state has taken a variety of historical forms, and is clearly historically contingent and not ideal typical. Post World War construction in Germany under the Marshall Plan, Japan, Taiwan, South Korea and Malaysia are all cited as successful examples of the developmental state. Planning and central coordination have to greater and lesser degrees been characteristics of all of these developmental states. South Africa is in the process of building its own model of developmentalism, in which greater alignment of planning as well as central coordination is being sought. This approach does not of necessity exclude decentralisation. Nevertheless, in a context where skills and managerial capacity are scarce, decentralisation can undermine effectiveness by giving responsibilities to managers and systems that are simply not ready for them, leading to breakdowns in service delivery (Claude, 2006:21).

#### **3.4.4 Challenges that public administration faces in South Africa**

Over the past 10 years, a major new architecture of institutions has been created for the state, spanning the three spheres of government. Many of government's procedures and practices have been revised in line with international best practice. Significant personnel mobility has brought in new skills and motivated people, though it has also led to the loss of experience and institutional memory, especially with regard to civil servants recruited after 1994. The combined impact of these changes has meant that state institutions are still undergoing significant growing pains and face the danger of a permanent and debilitating state of flux.

A 2003 review conducted by the Policy Coordinating and Advisory services for the Presidency, suggests that the capacity and performance of all spheres of the State need to be more critically assessed, and that national or provincial government may need to intervene much more quickly where there is evidence of poor performance. The national government may have to show its strong commitment to improving performance where institutions persistently demonstrate weaknesses of governance. This should happen as an evolutionary process of creating a uniform Public Service across all three spheres unfolds. The state has made significant progress in recent years in improving policy coordination within and across spheres of government, but these efforts need to be further consolidated with greater attention to implementation, now that the basic policy frameworks of the democratic dispensation have been created.

Research commissioned for the 2000 Review suggests that the needs of local government are most critical, with most municipalities not having the requisite capacity to perform their service delivery functions. This means that while government should make every effort to work within the current framework of institutions and practices, where serious capacity constraints persist, government may need to consider changing responsibilities and structures, as is being done with the introduction of a National Social Security Agency. Government also needs to further promote the participation and interaction of the people with the state.

#### **3.4.4.1 Managing diversity in the workplace**

South Africa can be characterised as a nation, which is steeped in cultural, religious and political diversity. Considering that the Public Service is representative of all South African citizens, this essentially means that there will inevitably be instances of conflict, which will arise. The Public Service must be geared to deal with difference and this can be effectively dealt with by instituting proper mechanisms of communication.

#### **3.4.4.2 Lack of representativeness**

Discriminatory practices and lack of representativeness in management positions will not be erased overnight. Whites still occupy key decision-making positions. In 1994, even after the population register had been abolished, it was indicated that 36 % of the public-sector employees were white but that some 90 % of middle and senior management positions were held by whites. (Department of Public Service and Administration, 2004)

Urgent attention is required to address the issue of representativity within the civil service, particularly in a society where government had deliberately developed imbalances. Redressing racial and gender imbalances is high on the agenda of the new government.

#### **3.4.4.3 Lack of development culture**

The lack of a developmental culture and an inherent tendency to treat communities as passive recipients of service is in direct conflict with the new spirit of community involvement and self-reliance. This is linked to a lack of transparency and accountability to communities. Centralised control and top-down management comes as part of the legacy of the past, encouraging rule-bound approaches and limiting efficiency and productivity. A paradigm shift has occurred, demanding a move away from administration and control towards the management of development.

There is a need to reorient civil service towards the community. Unresponsiveness to citizen consumers has been identified as a problem. The standard services rendered by the administration machinery did not cater for the differentiated needs of consumers. Increasing demands by civil society to be actively involved in governance impinge on the traditional monopoly of the civil service.

The implications of transformation and the renewal of the Public Service and democratization of the country require that a new framework of governance be established. The relationship between state and society is being redefined, allowing

those who are governed to have more say in governance. It is important to establish the implications of a shift from government to governance with regard to the purpose and function of the Public Service.

#### **3.4.4.4 Management information systems**

The absence of reliable, relevant, open and effective management information and financial control systems is also a limitation. The lack of appropriate information systems leads to inappropriate mobilization and utilization of human resources (Wissink, 1990:21).

#### **3.4.4.5 Career paths**

Human resource development has to address the lack of adequately defined career paths and under-provisioning of related training. This becomes more crucial in view of the policy of affirmative action, which presents a greater need to hasten the development of disadvantaged groups to ensure that they can occupy higher positions and succeed in their work (Wissink, 1990:21).

#### **3.4.4.6 Lack of a professional ethos**

A sad legacy of apartheid is the lack of professional ethos and poor work ethics, which developed out of a sense of helplessness created by a lack of opportunities. It is also said that a lack of commitment can be viewed as a subtle sabotage of the apartheid government. With the establishment of a democratic government, the aspirations and energies that were suppressed need to be revitalized (Wissink, 1990:21).

#### **3.4.4.7 Rule-driven approaches**

Inappropriate principles and management approaches present a challenge. International experiences indicate an increasing need to shift from administration and

bureaucracy to management and professionalism. The South African public service has operated as a rule-driven bureaucracy. This undermines innovation by emphasizing adherence to rules and red tape over achievement of results. Management techniques have lagged behind international thinking by being authoritarian and fear-driven.

Increasing recognition of the need to focus on programme results instead of structures and administration deserves notice. Productivity in the public service can benefit from the emphasis on results rather than rules and procedures. Appropriate systems of evaluation are required to promote productivity and a sense of achievement. A performance-oriented Public Service, as espoused by the present Minister of Public Service, requires mechanisms to make it a reality.

#### **3.4.4.8 Lack of transparency and accountability**

Transparency and accountability are critical as civil society positions itself to be a watchdog of the Public Service. With the demand to be involved comes the need of communities to be informed about reconstruction and development. Thus, the lack of transparency is being challenged. Information has traditionally been left in the hands of senior officials, denying both the public and the front-line workers access to information on which key decisions are based. Access to information is critical to enable meaningful participation of citizens in governance (Wissink, 1990:21).

The international shift towards operational accountability promotes the accountability of State employees. In the past accountability was practiced largely as bureaucratic accountability, making employees accountable to a hierarchy and rules. Greater accountability of the civil service to the public is essential in order to enhance credibility (Wissink, 1990:21).

#### **3.4.4.9 Issues relating to training and development**

The current challenges facing government departments in many African countries are quite complex and should not all be referred to training as the one size fits-all solution; training is not a panacea but only one option for dealing with the myriad challenges

affecting human resource management in African public organisations. However, the shortage of skilled personnel in many African countries is sometimes related to training and development matters; this results in inappropriate recruitments and appointments that lead to bad governance, maladministration, and mismanagement (Wissink, 1990:21).

Frequently, this is because of a combination of several factors that ultimately undermine training and development in government departments. Among others, these include inappropriate training or training materials, lack of training, unqualified and inexperienced trainers, Public Service managers who undervalue or ignore the value of training, and public servants who disregard or do not understand the strategic importance of training to the advancement of the vision and mission of their departments.

The key questions that must be asked (and answered) by public servants, especially those who work in human resource management sections of their departments, are: What kind of training is appropriate for our department? Who provides training for us? What kind of courses will ensure the success of our programmes? What standards should we use to evaluate and monitor training; what kind of training institutions do we need to ensure that we deliver services efficiently and effectively? Where such training should be provided, for example in-house or externally? More important, public servants must examine the supply and demand issues with regard to the availability of human resources with relevant skills that they need for their departments.

Public servants have to collaborate with a variety of relevant stakeholders from civil society and private sector to be able to provide appropriate answers to these questions. A starting point in this regard could be that all the above factors have to be examined strategically through the establishment of well-organized and resourceful departments that have specific policies and long-term visions in relation to training.

#### **3.4.4.10 Cooperative governance**

To respond to challenges, it is necessary that government organises itself in such a way that as many government services are concentrated in a single location. In the light of this vision of future service delivery, it is necessary to take stock of the constitutional framework in terms of which we currently deliver services. Underpinning our system of governance is the concept of cooperative governance, which is enshrined in the Constitution. As a function of cooperative governance, the spheres are required to coordinate their actions so as to provide coherent government for the country as a whole. This mandate provides the backdrop for both integrated service delivery and institutional integration.

One of the key principles contained in the Constitution is that the spheres of government are “distinctive, interdependent and interrelated”. A system of unified public administration would not seek to undermine the distinctiveness of local government as a sphere; rather, it seeks to improve the manner in which the spheres interrelate. The recently published Intergovernmental Relations Act 13 of 2005 will assist by formalising the intergovernmental forums and regulating dispute resolution. However, it is necessary to do more than this in order to facilitate seamless service delivery.

#### **3.4.4.11 Mobility of staff**

One of the strongest arguments for a unified public administration is the facilitation of mobility between the institutions of government. Greater mobility facilitates the transfer of functions between spheres, to allow services to be delivered at the most appropriate level, and also enables the deployment of managers to where they are most needed in government (Wissink, 1990:21).

Numerous complications have arisen in transferring personnel between the spheres. The conditions of service in the Public Service and local government are significantly different. In the Public Service, a job is evaluated and calculated to have a certain job weight, which corresponds to a salary grade. The job weight determines the salary, and the salary grades are uniform throughout the Public Service, with some sectoral

exceptions. In a municipality, remuneration is determined in line with the revenue collected by the municipality. Affordability to a large extent determines the salary level. In practice this means that there is a multiplicity of pay scales in local government.

This makes the transfer of staff very complex; given those overall conditions of service must be retained. The harmonisation of conditions of service requires initially that local government rationalise its conditions of service.

### **3.4.5 Public administration and the future**

Cayer (2003:56) observes that a particular problem for public administration will be the challenge of new form of administration responsibilities. Organisations of the future will be less bureaucratic, increasingly of amid public-private nature, more systems of organisation, than unitary organisation band more international in their operations. These organisational styles raise questions about how to develop less bureaucratic organisations without encouraging chaos, how to deal with increasing ethical complexity, and how to cope with the increasing likelihood of conflict and crisis. Moreover, public administration is apt to be called on to perform even more functions. This raises the danger of overload in a system that already has responsibility beyond the authority it commands or the virtue it can summon.

The implication of this future for public administration is important. Cayer (2003:59) contends that public administration is a primary mechanism for dealing with inherent forces. It will thus be centrally involved in change and transformation. The decisions of public administrators will necessarily be a combination of policy judgments, instrumental judgments, legal judgments and moral judgments. The enterprise of public administration will be marked by philosophical, disciplinary and methodological pluralism as we attempt to survive, adapt and control change.

### **3.5 The role of a developmental state in the South African context**

The goal of a democratic state is to establish a society in which the citizens are intellectually, socially, economically and politically empowered (Marwala, 2006:32). In order to achieve this noble goal, certain conditions need to be in place in order to mobilize social, economic and political forces to capacitate the state to galvanize the productive forces that would ensure that these goals are achieved (Marwala, 2006:31). One school of thought regarding the mechanism, through which these productive forces can be galvanized, is to reorientate the state as a developmental state (Chang, 1999:45). By so doing, sufficient productive forces will be unleashed to advance industrialization and this will principally require significant investment into technical education in primary, secondary and tertiary levels (Marwala, 2006). This technical education should focus on creating a society that has sufficient analytical, numeracy, creative, computer and communication skills in society.

According to (Marwala, 2006:43) a developmental state is a state where government is intimately involved in the macro and micro-economic planning in order to grow the economy. It has generally been observed that successful developmental states are able to advance their economies much faster than regulatory states that use regulations to manage the economy. As an example, it took the United States American approximately 50 years to double its economy while it took China, which is a developmental state, approximately 10 years to double its economy. Based on these findings, is it logical to infer that for a country to meet its social, economic and political obligations, it should become a developmental state.

As a comparative analytical concept, the 'developmental state' was first coined by Chalmers Johnson (1982) as a concept descriptive of how Post-Second World War Japan was able to reconstruct itself successfully. It was subsequently used to describe the significant development strides made by the 'Asian Tigers' (South Korea, Singapore, Taiwan and Hong Kong). A distinctive feature of these countries was the centrality of

government in leading a concerted drive for economic growth, and ensuring the mobilisation of national resources toward national development priorities.

In summary, a developmental state is one where government plays a central and dynamic role in shaping the economy domestically while asserting its international autonomy. Critical for a government to fulfil this role is strong capacity and capability, which enable it to respond proactively to domestic and global challenges and opportunities. The route and approaches followed by individual developmental states will not necessarily be identical and will be shaped by their national histories and current realities, as well as by the choices made by citizens and leaders. However, a common feature of all developmental states is the need to establish a coherent and effective system of public administration and public sector training and capacity building.

### **3.5.1 Characteristics of a developmental state**

In order to understand the concept of a developmental state, it is important to highlight some of the characteristics of a developmental state (Marwala, 2006:43). Developmental states generally put strong emphasis on technical education and the development of numeracy and computer skills within the population. This technically orientated education is strategically used to capacitate government structures particularly the bureaucracy.

Developmental states are able to efficiently distribute and allocate resources and, therefore, invest optimally in critical areas that are the basis of industrialisation such as education. The other characteristics of successful developmental states is economic nationalism, emphasis on market share over profit. Developmental states protect domestic industries and focus on aggressive acquisition of foreign technology. This they achieve by deploying their most talented students to overseas universities located in strategic and major centres of the innovation world and also by effectively utilizing their foreign missions (Marwala, 2006: 54). Furthermore, they encourage and reward foreign companies that invest in building productive capacity such as manufacturing plants with the aim that the local industrial sector will in time be able to learn vital success factors

from these companies. On constructing a harmonious social-industrial complex, developmental states strike a strategic alliance between the state, labour and industry in order to increase critical measures such as productivity, job security and industrial expansion.

The vital driver for success in developmental states is industrialisation. The goal of industrialisation is to create a country that produces goods and services with high added values. For example, instead of exporting minerals unprocessed, people can be employed to beneficiate these minerals and manufacture goods such as watches and thus add economic value to the final products. The process by which countries add aggregate economic values to the products and services they offer is directly dependent on the level of industrialisation in the country's economy. The South African economy can be segmented into the so-called "two economies" where one part is highly industrialised and the other is underdeveloped.

### **3.5.2 The developmental state and transformation of the South African Public Service**

A theme in public discussion has been the state of skills in the South African economy and society. This issue has been approached in a number of ways but three important points emerge as markers in the debate on skills development. Firstly, the South African economy continues to experience a shortage of skills in key economic and public sectors. Such a shortage is not a new phenomenon. A shortage of skills has long been a feature of South Africa's economic, public and social landscape. The principal, but not the only, cause of persistent skills shortages has been the effects of pre-1994 apartheid government policies and the structural shifts that have occurred in the economy, from being an inwardly focused economy concentrated on minerals and manufacturing to becoming a more diversified and globally orientated economy.

A second marker in discussions about skills shortages is that there is no quick fix solution to the skills problems that have developed over a substantial period of time. Improving and developing SA's stock of skills will not be fully resolved through short-

term measures, such as increasing the flow of immigrants to the South African labour market.

Thirdly, skills development is one way of supporting economic growth. This is an important and complex issue. It is not one that can be approached in terms of simple relationships between skills and growth. There are numerous factors that impact on a country's economic performance. Availability of skills in the labour force is one of these. However, other equally important factors are the level of inequality and access to markets. What is clear is that the availability of skills is an increasingly important factor affecting the level of investment in any economy.

The South African government has set a target of halving poverty and unemployment by 2014. This is an ambitious goal given the country's legacies of economic stagnation and racially based poverty, inequality, and social exclusion. Until the mid-1990s, apartheid policies sought to exclude the black majority in South Africa from participating equally in all areas of society while perpetuating a strict racial hierarchy, with the greatest allocation of resources going to people of European descent and black Africans receiving the least.

Since 1994, a range of policies has been introduced to transform South African society by reorganising politics, the economy, and society through democratic and highly participatory modes of governance. To date, the outcomes of official policies aimed at stimulating economic growth are mixed.

The initial attempt by the government at increasing rates of growth came in the form of the RDP which was adopted in 1994 as the basis for bringing about this transformation through government-funded infrastructure development. Government, through the implementation of the RDP, set a number of goals to develop strong and stable democratic institutions and practices characterised by representativeness and participation; to become a fully democratic and nonracial society; to embark on a

sustainable and environmentally friendly growth and development path; and to address the moral and ethical development of society.

The implementation of the RDP brought about stability and moderate annual economic growth of about 3 % during the period between 1994 and 1996. According to (Simkins, 1996:34) the RDP represented a highly interventionist micro economically orientated policy of physical and social infrastructure development targeted at the poorer sections of South African society. It required a sophisticated state bureaucracy to succeed and appears to have failed at least in part because the South African state did not possess the requisite administrative capacities.

The RDP was replaced by the Growth, Employment and Redistribution (GEAR) Macroeconomic Strategy in 1996. Attempts to enhance economic growth centre on the GEAR policy initiative. In contrast to the microeconomic focus of the RDP, GEAR is intrinsically a macroeconomic strategy based on "... the premise that job creation is the way to address poverty and that to increase employment opportunities higher economic growth is required" (Nomvete et al. 1997:3).

Key elements of GEAR include a deficit reduction scheme, tariff reductions, stable real exchange rates, conservative monetary policies, and "moderate wage demands" (Nomvete et al. 1997:31). Although macroeconomic policy frameworks such as GEAR play a vital role in the process of economic growth, the strategy had a much greater focus on achieving macroeconomic stabilization and economic growth by lowering the country's budget deficit and reducing inflation and redistributing economic resources by creating employment opportunities. GEAR aimed at achieving annual economic growth rate of 6 % by 2000. A more central role for the private sector was envisaged in GEAR through increased investment and manufacturing-led export growth. The economy performed reasonably well in an unstable international environment, averaging about 2.8 % per year from 1996 to 2000, while employment continued to fall or stagnate in the latter half of the 1990s.

According to Borat (2001:54), "A shift in the policy stance towards government having a more direct role in promoting economic expansion" has taken place in South Africa. This shift is evident in the implementation of a host of microeconomic strategies aimed at improving people's skills, increasing public sector efficiency, and removing constraints to business development. These efforts arise from the theory that increased government expenditures on social and economic infrastructures will encourage private economic investments. The Accelerated and Shared Growth Initiative (ASGISA) for South Africa, launched in 2006 as the latest policy framework for pursuing economic growth and development, emphasizes the importance of publicly funded infrastructure projects as a key to improving the productive capacity and the future growth potential of the economy.

The increasing role of the state in addressing the challenges of poverty and inequality in South Africa should be viewed in the context of government's conception of the role of the state as developmental. This conception of the state as developmental locates the national government at the forefront of directing social and economic development policy and implementation.

Fulfilment of its envisaged role places enormous pressure on the Public Service, a key component of the state machinery in South Africa. It assumes that the Public Service has the capacity to meet this obligation, both in terms of effective strategic policy making and delivering and expanding essential and basic services. However, the shortages of appropriately skilled people at all levels of the Public Service inevitably negatively impact the effectiveness and efficiency with which the national government supports and enables social and economic development. Concerted efforts have been underway to transform the Public Service and build its capacity to deliver in accordance with the expectations of a developmental state. Three phases characterise this process of transformation: rationalization and policy development; modernization and implementation; and accelerated delivery.

These phases have not been sequential, as activities have often moved back and forth through the phases at different times, with government engaging simultaneously in policy formation, elaboration of legislation, and implementation. In the first phase, the legal apparatus of the apartheid state was replaced by policies and laws that are consistent with the values, rights, and obligations enshrined in the 1996 Constitution of the Republic of South Africa. In this phase, key undertakings in the Public Service were to amalgamate previous homeland administrations and racially segregated departments and to start addressing the inherited and profound racial and gender biases and imbalances, particularly at the management level of the DPSA.

In the second phase, the benefits of fiscal discipline were starting to bear fruit, as the government sought to foster the conditions for sustainable economic growth and create more opportunities for employment while competing in global markets and intensifying the fight against poverty by improving the social security net and expanding the social wage. In the third phase the emphasis has been on accelerating service delivery. It is now widely recognised that development requires an effective state that can play a catalytic role, encouraging and complementing the activities of individuals and business firms" (Chhibber, 1997:17). An essential prerequisite of the "developmental state" is some minimal level of administrative capacity. Simkins (1996: 85) has argued that the RDP failed because of the "lack of state capacity".

Simkins (1996:89) identifies three dimensions of this "state incapacity". First, there exists "program incapacity" which refers to the difficulties involved in implementing specific programmes in a complex, evolving and uncertain policy environment. Secondly, the reconstruction of the South African civil administration at the provincial and local levels from the former provincial and homeland bureaucracies has created a structure incapable of efficient policy implementation. And thirdly, the establishment of the controls essential to good government takes time and is not always adequate.

### 3.5.3 The evolution of the development state in South Africa

The period 2002-2004 reflected a watershed time in South Africa's post-apartheid history. Having established macroeconomic stability based largely on orthodox measures of fiscal discipline imposed on first economy, and having realized the depth of structural inequalities between the first and second economies, government has resorted to a more interventionist role aimed at resolving the problems of joblessness and poverty.

The concept of a "Developmental State" is a core element in government's programme. The concept goes back to some of the African National Congress' (ANC's) original policy texts developed in the early 1990s. These are now gaining ascendancy in the implementation phase. A "developmental state" is an enabling state that is able to intervene strategically while carefully marshaling scarce resources. State intervention will be selective and targeted, based on sectorial planning. However, where the state chooses to intervene, its intervention would be pervasive and far-reaching (Erwin, 1992: 38). At the heart of many ANC government policies is a strong emphasis on state coordination that will strategically steer the system via a regulatory framework of legislation, financial incentives, reporting and monitoring requirements. Much of this steering requires high levels of management information, state planning and cross, departmental coordination (Chang, 1994:23).

The conventional economic rationale for government intervention rests heavily on the concept of market failure. According to Peters (1997:34), market failure can be narrowly defined in terms of economic efficiency or more broadly defined to include both economic efficiency and equity considerations. In the narrow definition, market failure refers to the inability of a market or system of markets to provide goods either at all or in an optimal manner. A somewhat broader definition is contained in Wolfs (1989:19) observation that "... markets may fail to produce either economically optimal (efficient) or socially desirable (equitable) outcomes..." serves this purpose. In the real-world government intervention occurs to ameliorate both forms of market failure. Traditionally

economists argued that the existence of market failure justified state intervention in those areas of economic activity where market failure was deemed present. Evidence of market failure thus provided a prima facie case for microeconomic policy intervention, and the purpose of such policy intervention was to induce allocative efficiency in market outcomes (Chang, 1994:34).

In addition to government intervention aimed at generating economic efficiency in cases of perceived market failure, common ethical arguments are often used to justify government intervention. Widespread support exists for the contention that the distributive results of efficient markets may not meet socially accepted standards of equity, or accord with a desire to reduce extremes of wealth and poverty. A common ethical argument for public policy intrusion into economically efficient market outcomes is based on the idea of equal economic opportunity. Markets resort to ethnic, gender or racial stereotypes as a filtering device in labour markets, and that these biases are reflected in employment patterns. Exponents of these arguments call for government intervention in labour markets in the form of equal opportunity programmes and affirmative action schemes. (Chang, 1994:35).

#### **3.5.4 Constraints to implementing a developmental agenda in South Africa**

Economic development plays a pivotal role in the alleviation of endemic poverty in South Africa and the attendant success or failure of South Africa's fledgling democracy. Rapid economic development is crucially dependent inter alia on an efficient public service, which can effectively implement government policy. The economic literature on government failure generally, and public choice theory specifically, can shed considerable light on the nature and limitations of government intervention in market economies. Both anecdotal evidence and the Ncholo Report (1997) provide graphic illustrations of widespread attempts by government to intervene through the creation of policy. In South Africa administrative capacity represents an important role in developmental policy making.

The most significant approach to the phenomenon of government short-coming is public choice theory. In essence, public choice theory applies the postulate of non-market or political processes underlying policy formulation and implementation, and has developed a critique of government intervention flowing from the application of this methodology (O'Dowd 1978: 67).

O'Dowd (1978: 9) argued that all forms of government failure fell into a generic tripartite classification namely, "inherent impossibilities", "political failures", and "bureaucratic failures". The first type covers the cases where a government attempts to do something which simply cannot be done; the second, where although what is attempted is theoretically possible, the political constraints under which the government operates make it impossible in practice that they should follow the necessary policies with the necessary degree of consistency and persistence to achieve their stated aim. The third type covers the cases where although the political heads of the government are capable of both forming and persisting with the genuine intention of carrying out a policy, the administrative machinery at their disposal is fundamentally incapable of implementing it in accordance with their intentions. In the current context, O'Dowd's (1978) notion of "bureaucratic failures" category is especially salient since it encapsulates the problem of state incapacity dealt with by the Ncholo Report (1997).

The public choice perspective on government failure draws heavily on agency theory, which views the public sector in a representative democracy as an interlocking series of principal-agent relationships. For instance, Moe (1984:765) observes that "the whole of politics can be seen as a chain of principal agent relationships, from citizen to politician to bureaucratic superior to bureaucratic subordinate and on down the hierarchy of government to the lowest-level bureaucrats who actually deliver services directly to citizens". This view leads to an approach to public sector reform, which seeks to reduce the scope for agency failure in these relationships. Agency failure basically arises because agents lack the incentives to act in their principal's interest.

The most prominent approach to this problem has been a contractualist one. Perhaps the most radical application of this approach has been followed in New Zealand, although the wide range of contractualist instruments introduced in that country have mainly sought to govern relationships in which bureaucrats function as agents either of elected officials, funding agencies, or civil servants placed further up the hierarchy of government. These contracts have included performance agreements between departmental heads and their portfolio ministers, contracts between funders and purchasers, purchasers and providers, funders and regulators. Although the legal status of these contracts varies, with only some being legally binding, their general aim has been to specify as precisely as possible the requirements of the principal and to ensure that agents can be held to account for their performance (Moe, 1984:765).

This contractualist approach can often only be followed after a major restructuring of the public sector has occurred with large scale bureaucratic structures being broken up into single-objective, trackable and manageable units so that it is easier to devolve managerial responsibility and establish clear lines of accountability. Agents can then be held accountable to single rather than multiple principals, resources can be matched to defined tasks, and agency failure can be addressed by shifting from controlling the input to monitoring the output of these organisations (Moe 1984:34). The managerialist emphasis on organisational restructuring, and giving managers "the freedom to manage", would seem to be an important aspect of what Hood (1991:3) calls the "New Public Management" (NPM), that is, "the set of broadly similar administrative doctrines which dominated the bureaucratic reform agenda in many of the OECD group of countries from the late 1970's" which prepared the way for New Zealand style contractualism.

The difference between the widely applied managerialist approach and the contractualist approach, which has been distinctive to New Zealand parallels the contrast between "letting managers manage" and "making managers manage". The managerial approach assumes that once public managers have been released from detailed regulation of their resource decisions, they will be empowered to search for and implement more efficient ways of delivering their department's services. The impact on

organisational efficiency of managerialist reforms does, however, depend crucially on the generic management skills and commitment to efficiency values of the people appointed to management positions in the public sector (Moe 1984:45). From a contractualist perspective, there is always the risk that managers will opportunistically prefer the *status quo* to the difficulties of uprooting established practices and "downsizing" their workforce. To reduce this risk, managers need to be made accountable for output which are specified through contractualist instruments, since the supply of such outputs can be directly attributed to public managers and their departments whereas the outcomes of their activities tend to be influenced by many factors, some of which are beyond their control.

The release of the *Provincial Review Report* by the Department of Public Service and Administration (DPSA) in September 1997 marked the beginning of a new era of transparency in South African public administration. The Ncholo Report (1997) provides a frank analysis of state capacity in South Africa. Although claims by Simkins (1996) that state incapacity has been a crucial factor in constraining economic development in post-apartheid South Africa have validity, it must nevertheless be recognised that numerous other domestic, regional and international influences have also contributed to retarding the rate of economic development. For instance, since the mid-1990s South Africa has experienced a massive emigration of skilled human capital, chiefly young educated middle-class English-speaking whites. Similarly, during the transition period from apartheid, senior Afrikaner bureaucrats designed and implemented lavish redundancy schemes and pension plans which they then took advantage of once the new administration assumed office, thus depleting the public sector of experienced managers (Simkins 1996).

Since April 1994, considerable progress has been made in the consolidation and reorganisation of these inherited structures. The Ncholo Report (1997:2) has outlined the main features of this reorganisation as follows:

- “Amalgamation of the previous racially based administrations (RSA, Own Affairs administrations, Homelands, Self-Governing Territories, and previous provincial administrations) into a single Public Service split between nine provinces and the new national departments,
- reallocation of staff and resources by the provinces into new departments based on the national structures,
- creation (in some cases) of new district level services, and
- rationalisation of provincial departments in line with the allocation of resources”.

At the same time, the Government of National Unity (GNU) has sought to change the objectives and priorities of the South African Public Service along the following lines (Ncholo Report 1997:2). It has begun the longer and more difficult process of improving service delivery whilst at the same time having to cut expenditure. Provincial administrations have reprioritised services in accordance with the policies of the new government, begun to develop management skills to make sure that services are delivered better, improved the representativeness of the Public Service, especially at senior levels, made efforts to bring services closer to the people of the country, especially in rural areas, and begun to re-orientate services to focus on the disadvantaged groups in society.

In addition to the severe constraints imposed by the negotiated guarantee of job security for all serving civil servants, the transformation process was further constricted by a deliberate policy of changing the employment profile to better reflect the demography of South African society. In practice, this has meant hiring people of colour and women wherever possible. The instrument used to circumvent the job security guarantee has been a "voluntary severance package (VSP) scheme", in terms of which substantial payments are made to bureaucrats who decide to leave the Public Service. The effects of these constraints have been to severely damage the administrative capacity of the South African public sector. In many key departments, virtually all of the former top managers, predominantly white male Afrikaners, have taken voluntary redundancy. The result is a dearth of expertise, with national and provincial

departments competing for scarce experienced public administrators (Ncholo Report 1997:23).

Ramatlhodi (1997:21) has summarised the latter problem as follows, “the situation at the moment is far from ideal. Some national departments appear to be more determined to siphon off what little capacity we have left rather than to strengthen our structures. Far too often, provinces work hard to find suitable managers to serve their various administrations, only to find that their most capable people are ‘hijacked’ by a national department - sometimes with a mere three days’ notice.”

One way of comprehending the myriad findings of the Ncholo Report is to conceptualise them in the language of public choice theory. This not only enables one to reduce an exceptionally long list of government failures to manageable proportions, but also paves the way for a useful discussion of rational policy formulation in the face of constraints on administrative capacity.

A broader perspective would locate the problem of government failure and its role in retarding economic development in South Africa within a more universal state-economy-society set of relationships, both nationally and internationally. After all, the demise of the apartheid state has coincided with the intensification of globalisation and the widespread adoption of “neo-liberal” policy prescriptions by international financial agencies. South Africa is by no means alone amongst transitional economies in experiencing economic and social difficulties and many of these can doubtless be traced back to changes in the structures of international economic exchange processes. (Simkins, 1996:34).

The Ncholo Report (1997) illustrates government failure, although the nature of this government failure appears predominantly in the form of bureaucratic failure and is overwhelmingly concentrated at the provincial level; other kinds of government failure are also evident. Moreover, notwithstanding the promising prospects for the GEAR macroeconomic strategy of the GNU, the current degree of bureaucratic failure has

already severely inhibited development-orientated microeconomic policy making (like the RDP) and seems set to preclude the formation of a "developmental state" in South Africa. By retarding the rate of economic growth and undermining the success of development projects aimed at poor South Africans, state incapacity could threaten the very basis of political stability in South Africa (Simkins 1996:39).

Accordingly, the question arises as to how policy makers should react to government failure. The 1997 *World Bank Development Report* identifies two generic approaches to this problem. First, policy makers can attempt to "... match the state's role to its existing capability, to improve the effectiveness and efficiency of public resource use" (*World Bank Development Report*, 1997:25). Secondly, they can seek to "... reinvigorate the state's capability through rules, partnerships, and competing pressures outside and within the state" (*World Bank Development Report*, 1997:25). Although these approaches can be employed as alternative strategies, they can also be used in tangent as complementary strategies as in the *World Bank Development Report's* conception.

The development of state capacity in South Africa is not a controversial issue and represents an important dimension of the Ncholo Report (1997). At least three possibilities seem feasible, two of which have been extensively canvassed in the Ncholo Report (1997). First, the administrative doctrines of New Public Management (NPM) could be invoked that is, a contractualist approach emphasising performance monitoring, managerial responsibility, output rather than input evaluation, and other organisational restructuring strategies could be adopted. Much of this is recommended by the Ncholo Report, for example, the Report (1997:15) notes that "monitoring of provincial administrations and their departments does not focus on using the information gathered to improve service delivery". Similarly, it argues that "... regulations and the resulting culture of a lack of initiative and not holding individuals accountable ..." must be changed in favour of the NPM stratagem of "letting managers manage" (Ncholo Report, 1997:16)

Whilst the introduction of NPM techniques should reduce the degree of bureaucratic failure in the South African public sector, good reasons exist for believing that it will not be as successful as it seems to have been in advanced industrial democracies. Chief amongst these is the lack of administrative training and experience in the South African civil service attendant upon its transformation. It follows that NPM policies should be augmented by a second approach aimed at building up administrative skills through educational programmes. This is well recognised in the Ncholo Report, for instance, offers the following diagnosis of incapacity, “the staffing of new department structures in some provinces has resulted in an unevenness in skills among staff, especially at the lower levels. This lack of skills in addition to the numerous vacancies in many provinces, has created an urgent need for capacity building in the areas of management, finance, administration, technical and professional staff (Ncholo Report, 1997:16).

However, experience in other less developed countries has indicated these kinds of reforms seldom effectively reduce bureaucratic failure. Grindle (1997) has examined the behaviour of public organisations in several countries and has argued that organisational culture plays a decisive role in organisational performance. This line of argument has a conceptual counterpart in the debate over the NPM-inspired reforms in advanced countries, where it has been argued that leadership can have decisive effects (Dollery, 1997). The significance of leadership has been endorsed in a series of case studies of cultural transformation in New Zealand government agencies. The primary catalysts for the development of a "commercialist" culture in these agencies have been the "change agents" who were recruited from the private sector to fill the chief executive positions in these organisations. (Spicer et al. 1996)

To break the hold of a bureaucratic Public Service culture at the senior levels of these organisations, many of these chief executives took the radical step of requiring all managers to reapply for positions. This enabled them to rapidly build up a management team comprising senior managers drawn from outside the organisation as well as relatively junior staff who were not only expected to be less resistant to change but also to welcome the opportunity to leapfrog their more senior colleagues into management

positions. They clearly saw their leadership role as being to transform their organisations but also to "infiltrate" these organisations with "followers" who could strive with them to affect this transformation by overcoming resistance to change from those individuals with an interest in protecting their jobs, careers, "turf", professional standards and cherished organisational beliefs. It would thus appear that cultural change would have to accompany NPM policies and administrative capacity building in the South African public service for these latter two strategies to prove successful. Regardless of whether this overall approach of raising "... state capacity by reinvigorating public institutions" (*World Bank Development Report*, 1997:3) does indeed ameliorate bureaucratic failure in South Africa, what cannot be doubted is that it is a medium-term strategy. But the fledgling transformational democracy in South Africa is too fragile and the need for state-enhanced economic growth too urgent for time-consuming policies to be allowed to run their course. Accordingly, the second broad approach of "matching the state's role to its capacity ..." should be employed in the special circumstances of contemporary South Africa, at least in the short-term (*World Bank Development Report* 1997:3).

In essence, limiting the role of the state in South Africa to perform only vital core functions follows the second public choice policy prescription for decreasing the extent of government failure. It accepts the reality that in modern South Africa the scarcity of administrative capacity represents an important constraint on developmental policy making. This assumption has the implicit support of the Ncholo Report (1997). Over and over again its authors stress the inhibitory character of the skills shortage in the Public Service. The following extract (Ncholo Report, 1997:49) exemplifies this line of reasoning, but there are similar sentiments expressed elsewhere in the Report: "Whilst there are many skilled and capable people in the provincial Departments, there is a serious skills deficit. This has been compounded by a loss of experienced staff through the granting of unplanned and non-systematic voluntary severance packages, and the restrictions of the Public Service Regulations on the numbers of senior posts. Competition from the private sector for professionals with suitable financial qualifications and the limit on the salaries, which provinces may offer has further reduced the

availability of these staff. Provinces have no mechanism for providing incentives for such staff to join them.”

Given conventional wisdom on the crucial role the "Developmental State" can play in the development process (Chhibber 1997) the demands on national resources for poverty alleviation and other vital tasks are so acute that South Africa simply cannot afford the vast resource-intensive and highly inefficient public sector that it has inherited. Accordingly, scarce public administrative skills should be concentrated in those areas where they can yield the greatest social benefits. The *World Bank Development Report* (1997:4) identifies the core functions of the state to include the establishment and maintenance of law and order, the maintenance of macroeconomic stability and "a no distortionary policy environment", the provision of basic services and infrastructure, environmental protection, and "protecting the vulnerable".

It could be argued that focusing the South African public sector on vital core functions and “privatising” the delivery of other public goods, such as social welfare services, might well serve to enhance the economic and political power of the white community who have traditionally controlled many of the most important non-government organisations. Moreover, given the existing highly unequal distribution of wealth and power in South African society, any further concentration of economic control towards the white community could have a serious destabilising effect on the process of democratic transition. What is abundantly clear from both the Ncholo Report itself and the present analysis is that the status quo in South African public administration is untenable. Not only has state incapacity frustrated efforts to date to ameliorate the lot of poor communities in South Africa, but unless urgent steps are taken to improve matters this is likely to remain the case. Moreover, in the developing world South Africa is by no means alone in facing the problem of state incapacity. As 1997 *World Bank Development Report* has argued, state incapacity has inhibited numerous attempts by poor countries to deal effectively with the problem of poverty. Accordingly, the problem of state incapacity deserves far more attention from scholars in policy analysis and public administration.

### 3.5.5 Foundations for building a developmental state

How does South Africa build a robust developmental state? What are the important characteristics of the industrial strategy that would get South Africa to advance at the fastest rate possible? What are the vital drivers in South Africa's social sphere that would accelerate development? On building a robust developmental state two aspects are vital and these are to vastly increase the level of educational attainment in the South African population and to increase the knowledge content in society particularly in the field of mathematics, science and computing. In particular, South Africa ought to vastly increase the numeracy and computer skills in the population and this can be achieved by introducing a robust early education strategy. It follows that by the time the young learners go to school they would have already acquired all the skills they require to develop numerical, computer and visualisation skills.

It is vital that South Africa produces a cadre of highly educated people who are able to conduct advanced research and development strategies to identify important areas of growth potential, to plan the execution of the required solutions and monitor the implementation of the solutions proposed with a view to correcting the mistakes and reinforcing the successes. The vital characteristic of South Africa's industrial policy should be manufacturing but this should be synchronised with other key strategies such as rural development and agricultural policy. Since manufacturing is highly dependent on the productivity and the efficiency of the workers, it is vital that government, labour and industry reach a strategic pact that is focused on long term strategic goals rather than short term goals.

In summary, the foundation to building a developmental state is to develop: (1) an educated population with high levels of numeracy and computer skills; (2) a knowledgeable society with high levels of scientific literacy which appreciates the role of computers in building a knowledge economy; (3) a harmonious society with a strategic partnership amongst labour, government, industry and society; and (4) a society that

efficiently allocates and distributes resources. In order to build this foundation it is important to pay a particular attention to engineering education.

### 3.6 Overview of skills policy interventions

The South African government has prioritised training and education as a means towards cultivating a competent and skilled Public Service. Evidence of this is the number of pieces of legislation and policy frameworks that the government has adopted to address the problem of skills shortage both within and without the South Africa Public Service.

The policy framework includes, among other:

- *South African Qualification Authority Act No. 58 of 1995*: provides ways of ensuring that training in South Africa is of a high quality and is able to address skills shortages.
- *White Paper on Public Service Training and Education, 1997*: the purpose hereof is to provide a policy framework to enable appropriate, adequate and accessible Public Service training and education which will meet current and future requirements of public servants, the Public Service and the general public;
- *White Paper on Human Resource Management in the Public Service, 1997*: the purpose of this document is to provide a framework that will facilitate the development of human resource practices which support effective and efficient Public Service;
- *Skill development Act No. 97 of 1998*: this Act was passed to provide an institutional framework to devise and implement national, sector and workplace strategies to develop and improve skills of the South African workforce;
- *Skills Development Levies Act No. 9 of 1999*: it provides for the imposition of a skills development levy to finance the process of skills development;
- *Public Service Sector Education and Training Authority, 2000*: its mission is the development of a coordinated framework for ensuring the provision of

appropriate and adequate Public Service education and training which will be sufficient to meet current and future needs of the Public Service; and

- *National Skills Development Strategy 2005*: the aim of this strategy is to contribute towards the sustainable development of skills growth and the development and equity of skills development institutions by aligning their work and resources to the skills needs for effective delivery of services;
- *National Skills Development Strategy 3, 2011*: follows the integration of higher and further education and skills development into a single Department of Higher Education and Training partnerships between employers, public education institutions (FET colleges, universities, of technology), private training providers and Sector Education Training Authority (SETAs) will be promoted so that the integration of education and training becomes a reality experienced by all South Africans. Priority will be given to strengthening the relationship between public colleges and universities and the SETAs, as well as with employers.

Besides the skills development legislation that the new democratic government formulated to address the problems of the skills shortage in the South African Public Service, there were also plans which were solely developed to assist in terms of solving the skills development. These plans include the introduction of Accelerated and Shared Growth Initiatives for South Africa (AsgiSA) that is aimed at addressing matters pertaining to skills development and the efficiency of the state system; the introduction of the Joint Initiative on Skills Acquisition (JIPSA) that is aimed at ushering in a skills revolution by bringing government, business, labour and training institutions together to boost economic growth.

### **3.6.1 National Skills Development Strategy**

The Skills Development Act No. 97 of 1998 and the Skills Development Levies Act No. 9 of 1999 (SDA) were passed in 1998 and 1999 respectively. The legislation charged the Minister of Labour to prepare a National Skills Development Strategy, as South Africa was not yet equipped with the skills it needed for economic growth, social development and sustainable employment growth.

The purposes of the SDA, as expressed in the legislation are:

- To improve the quality life of workers, their prospects of work and labour mobility
- To develop the skills of the South African workforce
- To improve productivity in the workplace and competitiveness of employers
- To promote self-employment
- To encourage employers
- To use the workplace as an active learning environment
- To provide employees with the opportunities to acquire new skills
- To provide opportunities for new entrants to the labour market
- To employ persons who find it difficult to be employed
- To encourage workers to participate in learnerships and other training programmes

The SDA was successful in establishing a single national regulatory framework consisting of a National Skills Authority (NSA), and the Skills Development Levies Act, which was promulgated a year later made provision for the collection and transfer of levies to SETAs. These in effect linked the training programmes at the national level with those at the sectoral level. Furthermore, the WSP that all firms are required to submit to the SETAs link the firm level to the sectoral level. The importance of this relationship between micro (firm) level data, sectoral aggregation via the Sector Skills Plans, and national aggregation is perhaps one of the most undervalued aspects of the SETAs' work, for it represents a highly coherent framework for (firm-level) data collection that facilitates both the analysis and implementation of policy.

The NSA was a replacement for the previous National Training Board (NTB), while the SETAs were a replacement of the former Industry Training Board (ITB) (Kraak, 2004). Kraak (2004) contends that the NSA was an improvement over the NTB, because the NSA had more advisory power than the NTB in the form of being responsible for defining national skills development policy and for approving the allocation of funds from the National Skills Fund.

With this new institutional framework established under the SDA, the path was set for a substantive change to skills development and the method of training workers. However, enterprise training in South Africa was also at historic lows up to this point, and the Skills Development Levies Act (1999) sought to correct this by creating a national levy system applicable to all enterprises based on taxing one % of payroll expenditure. Important to note in this regard is the fact that, while Government now levied one % of payroll, the King Commission's recommendations on Corporate Governance in South Africa suggested that enterprises invest four % of payroll expenditure on training. In this context, Government's levy can in fact be considered as crowding out enterprise's own training initiatives.

The logic here is that public provision of these services is necessary to correct the market failures associated with historically poor levels of investment by enterprises in personnel training. The Department of Labour's NSDS (DOL, 2001) reiterated the importance of learnerships as part of the SDA. Learnerships were seen as a complement to apprenticeships and a key method to improve skills development for high, intermediate and low-level skills. The Human Resources Development Strategy (DOL & DOE, 2001) sought to target all three levels of skills development by focusing on linking general education provision (schooling, early childhood development, and adult basic education and training), the supply-side dimensions of human resource development (including the provision of further and higher education and training), demand-side dimensions (i.e. demand for skills from employers in both the private and public sectors), and national systems of innovation, research and development.

### **3.6.2 Overview of National Skills Development Strategy 1 of 1998**

The NSDS of 2001 was driven through legislation promulgated since 1998, and attempts to align the participation of workers and employers with the initiative to broaden and deepen the profile of skills in the economy. Most of these anticipated outcomes are as relevant today and have been given further expression by the Human Resource Development Strategy (HRDS) for the Public Service 2002-2006 that was

introduced in 2002. The NSDS sets out a broad national framework for skills development and the development of a lifelong learning culture in the country as a whole, and complements skills legislation (such as the Skills Development Act of 1998 and the Skills Development Levies Act of 1999) which, among other things, established the SETAs and set out the basis for the introduction of work-place skills plans.

The NSDS is built on legislation that was promulgated to advance the process of skills development in South Africa. The importance of the strategy is that it shifts the focus towards target setting, monitoring and evaluating of the process of skills development in South Africa (Department of Labour, Preliminary Annual Report 2001/2002;7). The NSDS identifies the priorities for skills development and provides a mechanism for measuring progress. It also charts the way forward for the Department of Labour, the SETAs and other key institutions. The vision was driven by six guiding principles:

- Lifelong learning – continually upgrading and improving
- The promotion of equity – Opportunities for disadvantaged as well as advantaged
- Demand Driven to support and enhance productivity
- Flexible – Employers, both Public and Private as well as the workers are best placed to make judgements about priorities
- Partnership and cooperation between and amongst the social constituencies
- Efficiency and effectiveness in delivery leading to positive outcomes for all those who invest in training and skills development

According to the NSDS to reach this vision five objectives were identified:

- To develop a culture of high quality lifelong learning
- To foster skills development in the formal economy for productivity and employability
- To stimulate and support skills development in small businesses
- To promote skills development for employability and sustainable livelihoods through social development initiatives
- To assist new entrants into employment

The NSDS is made up of five strategic objectives:

- Strategic Objective 1: Developing a culture of high quality life-long learning.
- Strategic Objective 2: Fostering skills development in the formal economy for productivity and employment growth.
- Strategic Objective 3: Stimulating and supporting skills development in small business.
- Strategic Objective 4: Promoting skills development for employability and sustainable livelihoods through social development initiatives.
- Strategic Objective 5: Assisting new entrants into employment.

The objectives of the NSDS are underpinned by a number of key principles:

- Lifelong learning;
- Promotion of equity;
- Demand-led skills provision;
- Flexibility and decentralisation; and
- Partnership and co-operation at a national, sectoral, provincial, community and workplace level.

These objectives are primarily driven by a few key pieces of legislation. These consist of:

- The Skills Development Act, 1998, which aims to address South Africa's skills needs across and within the country's social and economic sectors; and
- The Skills Development Levies Act, 1999, which ensures that industry contributes to the skills development strategy in the form of a monthly levy.

The SDA is designed to link the worlds of education and work and, in so doing, to the needs of the economy. The SDA aims to develop the South African workforce and to encourage employers to become active contributors to education and training in the workplace. The SDA also establishes the requirements for developing learnerships and skills programmes, an important part of the National Skills Development Strategy.

To improve the employment prospects of persons previously disadvantaged by unfair discrimination and to redress those disadvantages through education and training the SDA made provision for the establishment of the NSA, which is a national stakeholder body that allows all stakeholders to participate in the Skills Development Strategy. The representatives on the NSA include organised labour, organised business and community and development interests (women, youth, people with disabilities, etc). The NSA is required to advise the Minister of Labour on:

- A national skills development policy;
- A national skills development strategy;
- Guidelines for the implementation of the national skills development strategy;
- The allocation of monies from the National Skills Fund.

The NSA also liaises with SETAs on the national skills development policy and strategy. The SDA also resulted in the establishment of the National Skills Fund. In terms of the SDLA, approximately 20% of skills development levies paid is allocated to the NSF. This money is to be used for projects, many of which are aimed at specific social target groups, i.e. women, youth, the unemployed, and people with disabilities, in order to encourage access, equity and redress at this level.

The Skills Development Strategy is also concerned with the retraining of the existing workforce and the growth of a wider layer of incumbents with higher level skills. The legislative interventions tailored to advance the process of skills development, however, were preceded and supported by earlier laws that were concerned to reform particular aspects of vocational and professional education and training. These include the South African Qualifications Authority Act No. 58 of 1995, the Further Education and Training Act 98 of 1998 and the Employment Equity Act No. 98 of 1998.

The South African Qualifications Authority Act contributed to the creation of the South African Qualifications Authority (SAQA) and in addition established the National Qualifications Framework (NQF) and empowered a wide spectrum of stakeholder groups to become involved in the generation of standards for qualifications. The Further

Education Act aims to transform a FET so that they are in alignment with the National Qualifications Framework. The Employment Equity Act largely seeks to end discrimination in the workplace and provide for equality of opportunity in the sphere of employment.

The initiatives concerning the national skills development strategy, therefore, led to the formation of new institutions to support the process of skills development in South Africa and through it a new configuration of institutions came to the fore. Among these, was the formation of specific organisational entities that are referred to as SETAs to drive the process and the present report will be focusing on the activities and performance of these in particular.

Although there is a significant degree of overlap between the labour market and human resource development policies, and the instruments of legislation, which are designed to put these policies into practice, the organs from which directives of command and authority is owed rests within different state departments. The overlaps, which embody coherence in policy and practice, are referred to within state strategic planning parlance as 'transversal' activities. Transversal responsibilities are contrasted with functional responsibilities or the responsibilities and authority which are specific to particular departments of the state bureaucracy (DoE & DoL 2001;17)

Within the auspices of a large state bureaucracy, the concept of the 'transversal' can therefore be interpreted as contributing to interventions that are directed to the amelioration of similar problems. However, in the absence of sufficient levels of coordination, different solutions are often formulated to reach the desired solution to the problem, resulting effectively in a duplication of effort. Under such circumstances, the subsequent wastage of resources is unavoidable. Thus, the outcomes have a high propensity to reach solutions that are mixed or even incompatible and therefore, transversal responsibilities within public policy require an integration of strategies within state departments, especially when the overlap in functions and roles of responsibility is significant.

In the formulation of a Human Resource Development Strategy for South Africa, the Department of Education (DOE) and the Department of Labour have synchronized and aligned their respective strategic action interventions into one document under the clarion of '*A nation at work for a better life for all*'. The report embodies the educational strategies of the DoE with the skills development strategies of the DoL and was released jointly by the ministers of each Department who provided a joint forward to the document.

A perusal of the strategic objectives and the indicators of those objectives shows that the HRDS for South Africa designates the principal responsible agents as the DoE and the DoL. However, there are a large number of public institutions that are tasked with the responsibility of contributing to the attainment of particular indicators. These agencies include other government departments, statutory bodies, universities and technikons as well as national research agencies such as the Human Sciences Research Council.

### **3.6.3 Overview of National Skills Development Strategy II of 2005 to 2010**

The National Skills Development Strategy for the period 2005 to 2010 (NSDS II) was launched by the Minister of Labour at the National Skills Conference in March 2005. The adjusted Strategy replaced the first National Skills Development Strategy 2001 - 2005. The title of NSDS II was 'Skills for sustainable growth, development and equity'

According to the NSDS II (2005) the vision was driven by five objectives as listed below:

- Prioritising and communicating critical skills for sustainable growth, development and equity
- Promoting and accelerating quality training for all in the workplace
- Promoting employability and sustainable livelihoods through skills development
- Assisting designated groups, including new entrants to participate in accredited work, integrated learning and work-based programmes to acquire critical skills to enter the labour market and self-employment
- Improving the quality and relevance of provision

According to the NSDS II (2005) the guiding principles of NSDS II include:

- Support economic growth for employment creation and poverty eradication
- Promote productive citizenship for all by aligning skills development with national strategies for growth and development
- Accelerate Broad Based Black Economic Empowerment and Employment Equity. (85% Black, 54% women and 4% people with disabilities, including youth in all categories). Learners with disabilities to be provided with reasonable accommodation such as assistive devices and access to learning and training material to enable them to have access to and participate in skills development
- Support, monitor and evaluate the delivery and quality assurance systems necessary for the implementation of the NSDS
- Advance the culture of excellence in skills development and lifelong learning

### **3.6.4 Overview of National Skills Development Strategy III**

The third National Skills Development Strategy (2010) follows the integration of higher and further education and skills development into a single Department of Higher Education and Training. Partnerships between employers, public education institutions (FET colleges, universities, universities of technology), private training providers and SETA's will be promoted so that the integration of education and training becomes a reality experienced by all South Africans. Priority will be given to strengthening the relationship between public colleges and universities and the SETAs, as well as with employers. The vision is a skilled and capable workforce that shares in, and contributes to, the benefits and opportunities of economic expansion and an inclusive growth path in order to increase access to high quality and relevant education and training and skills development opportunities, including workplace learning and experience, to enable effective participation in the economy and society by all South Africans and reduce inequalities

According to the NSDS II (2010) the key driving forces:

- The improvement, effectiveness and efficiency of the skills development system

- An explicit commitment to encouraging the linking of skills development to career paths, career development and promoting sustainable employment and work progression.
- NSDS III seeks to encourage and actively support the integration of workplace training with theoretical learning
- Emphasis is placed on training to enable trainees to enter the formal workforce or create a livelihood for themselves.
- Promotion of basic numeracy and literacy

The vision of NSDS III (2010) is driven by eight objectives:

- Establishing a credible institutional mechanism for skills planning
- Increasing access to occupationally-directed programmes
- Promoting the growth of a public FET college system that is responsive to sector, local, regional and national skills needs and priorities
- Addressing the low level of youth and adult language and numeracy skills to enable additional training
- Encouraging better use of workplace-based skills development
- Encouraging and supporting cooperatives, small enterprises, worker-initiated, NGO and community training initiatives
- Increasing public sector capacity for improved service delivery and supporting the building of a developmental state
- Building career and vocational guidance

According to the mandate, NSDS III (2010) must ensure increased access to training and skills development opportunities and achieve the fundamental transformation of inequities linked to class, race, gender, age and disability in our society. We must also address the challenges - of skills shortages and mismatches - we face as a country and improve productivity in the economy. On 1 April 2011 the SETAs entered a new phase. Fundamental changes to the leadership, governance and strategy of the SETAs are required in order to meet the objectives of NSDS III and improve their functioning and performance.

The strategy intended to achieve significant increases in qualifications and skills to support priorities and initiatives such as the New Growth Path, the Industrial Policy Action Plan, the Human Resource Development Strategy and, in particular, sector development plans. Central to the objectives of the NSDS III is improved placement of both students and graduates, especially from the FET colleges and universities of technology. In addition, NSDS places particular emphasis on skills development to support government's goals for rural development.

Significant work was done during the period of NSDS I and NSDS II. Many important building blocks were put in place. However, the economy remains constrained by a severe lack of skills, and so the skills development system as a whole has not yet achieved what was expected. This strategy therefore draws on lessons learned from NSDS I and II, and is aimed at ensuring improved access to quality learning programmes, increased relevance of skills development interventions and building strong partnerships between stakeholders and social partners. For our country to achieve high levels of economic growth and address our social challenges of poverty and inequality, we must work together to invest in education and training and skills development to achieve our vision of a skilled and capable workforce to support an inclusive growth path. NSDS III provides a unique opportunity for the country to achieve some of its goals towards an integrated education and training system, and that, working together, we can indeed achieve the skills revolution that South Africa so urgently requires. The NSDS is the overarching strategic guide for skills development and provides direction to sector skills planning and implementation in the SETAs. It provides a framework for the skills development levy resource utilisation of these institutions as well as the NSF, and sets out the linkages with, and responsibilities of, other education and training stakeholders.

NSDS III (2010) has the following pillars:

- Sector strategies (aligned to government and industry development strategies), programmes and projects developed with, and supported by, sector

stakeholders. The DHET will play a leading role in forging a closer working relationship and collective identification of skills development priorities, amongst all the key institutional players in our education and training system.

- Relevant sector-based programmes addressing the needs of unemployed people and first time entrants to the labour market will be developed and piloted by SETAs, with roll out being planned, managed and funded, where appropriate, in partnership with the NSF. SETA funds will primarily be used to fund the skills development needs of employers and workers in their sector. However, the utilisation of SETA discretionary funds must be guided by the goals of NSDS III.
- Professional, vocational, technical and academic learning (PIVOTAL) programmes. These are programmes which provide a full occupationally-directed qualification. Such courses will normally begin in a college or university and would include supervised practical learning in a workplace as part of their requirement. The courses – especially for workers – could in some cases start in the workplace and then move to a college or university. The courses would culminate in an occupational qualification. PIVOTAL courses will normally be offered by arrangement between a SETA, an educational institution, an employer and a learner. Fundamental to the successful implementation of PIVOTAL programmes will be a model of cooperation between a SETA, a higher or further education and training institution and an employer. This will help ensure responsive curricula and courses.
- Programmes that contribute towards the revitalisation of vocational education and training, including the competence of lecturers and trainers to provide work-relevant education and training, and promote occupationally directed research and innovation.
- Incentives for training and skills development capacity in the cooperative, NGO and trade union sectors, including community and worker education initiatives, contributing to effective training of youth and adults.
- Partnerships between public and private training providers, between providers and SETAs and between SETAs, addressing cross-sectoral and inter-sectoral needs.

- An increased focus on skills for rural development to support government's prioritisation of rural development.

The strategy is informed and guided by other overarching government programmes, especially the Human Resource Development Strategy for South Africa, the requirements of the New Growth Path, the Industrial Policy Action Plan, the outcomes of the Medium-Term Strategic Framework, the rural development strategy as well as the new environment strategy, amongst other priorities of government. It seeks a closer synergy between the world of work and our formal education system.

NSDS III (2010) is a subcomponent of the Human Resource Development Strategy, and will operate concurrently with the first five-year term of the country's second Human Resource Development Strategy for South Africa (HRDSSA II, 2011). The HRDSSA II has eight commitments, listed below.

The following commitments have been made by the HRDSSA II (2011) and will need to be reflected in SETA and NSF plans:

- urgently overcome the shortages in the supply of people with the priority skills needed for the successful implementation of current strategies to achieve accelerated economic growth.
- increase the number of appropriately skilled people to meet the demands of our current and emerging economic and social development priorities.
- ensure improved universal access to quality basic education and schooling (up to Grade 12) that is purposefully focused on: (a) achieving a dramatic improvement in the education outcomes for the poor; (b) equipping learners with optimal capacity for good citizenship; and (3) the pursuit of post-school vocational education and training for employment.
- urgently implement skills development programmes that are purposefully aimed at equipping recipients/citizens with requisite skills to overcome related scourges of poverty and unemployment.

- ensure that young people have access to education and training that enhances opportunities and increases their chances of success in further vocational training and sustainable employment.
- improve the technological and innovation capability and outcomes within the public and private sectors to enhance our competitiveness in the global economy and to meet our human development priorities.
- ensure that the public sector has the capability to meet the strategic priorities of the South African developmental state.
- establish effective and efficient planning capabilities in the relevant departments and entities for the successful implementation of the HRDSSA II.

The strategy places great emphasis on relevance, quality and sustainability of skills training programmes to ensure that they impact positively on poverty reduction and inequality.

### **3.6.5 Establishing a credible institutional mechanism for skills planning**

There is currently no institutional mechanism that provides credible information and analysis with regard to the supply and demand for skills. While there are a number of disparate information databases and research initiatives, there is no standardised framework for determining skills supply, shortages and vacancies, and there is no integrated information system for skills supply and demand across government. SETAs play an important role in gathering statistics and other relevant information on labour market skills needs and training provision. Their close contact with industry places them in a good position to document and communicate recent and emerging trends, as well as to develop solid baseline indicators.

Such information is essential in planning to meet the country's skills needs and guiding investment in education and training provision. Like all other countries, South Africa must seek to supplement its particular skills needs from elsewhere. While priority will be given to meeting our skills needs among our own population, there will be a need to import skills – particularly scarce skills needed for economic growth – from other parts

of the world. Thus, the information gathered by the DHET, particularly from sector skills plans but also from independently commissioned labour market research, will be used to advise the Human Resource Development Council, the Department of Home Affairs and other interested agencies on the country's skills priorities and the areas of particular shortage on an ongoing basis. Close communication with employers – and especially large private and public employers – will be particularly important in this respect.

### **3.6.6 Overview of Sector Education Training Authorities**

SETAs are expected to facilitate the delivery of sector-specific skills interventions that help achieve the goals of the NSDS III, address employer demand and deliver results. The core responsibility of SETAs is to develop sector skills plans (SSPs). SETAs should be the authority on labour market intelligence and ensure that skills needs and strategies to address these needs are set out clearly in sector skills plans. SETAs must be able to coordinate the skills needs of the employers - levy-paying and non-levy paying - in their respective sectors, undertake sector-based initiatives and collaborate on cross-sector skills areas to enable collective impact. Developing SSPs is core to the SETAs' mandate. The SSPs must outline current and future learning and qualifications needs of workers and their employers and develop interventions that are agreed with stakeholders and can improve the match between education and training supply and demand - the current and projected needs of the sector and sector employers. The SSPs are also a critical instrument for building a connected labour market information system across all the sectors, which is an important evidence base for skills development and its impact.

SETAs must ensure that there is strong employer leadership and ownership of sector skills activities and be able to articulate the collective skills needs of their stakeholders/members to the highest standard. Together with the stakeholders and other partners, they are responsible for the monitoring and managing of occupational standards to make sure that provision of training, including the qualifications gained, meet sector, cross-sector and occupational needs. It is recognised that some SETAs have found it difficult to meet the demands of the skills development legislation and

align their work to the NSDS. SETAs are such important institutions and will have such an important role in the NSDS III implementation that it will be impossible to ignore poor performance in the coming period. The DHET will be monitoring functioning and performance closely and will be intervening when it is not of the required level. New constitutions will be adopted by SETAs, based on a common framework provided by the Department. A range of measures are planned to curb excess expenditure on governance and management salaries, and end waste of resources due to corruption of whatever type. SETAs can achieve high performance if there is improved governance and the SETA boards focus on strategy and sector skills development priorities.

### **3.6.7 Overview of the National Skills Fund**

The National Skills Fund is a ‘catalytic’ fund – enabling the state to drive key skills strategies as well as to meet the training needs of the unemployed, non-levy-paying cooperatives and community structures and vulnerable groups. It will promote strategic partnerships and innovation in project delivery. It will drive change towards partnership-based programmes and contribute significantly to raising the low base of education and training in our country, guided by our government policies of redress and promoting equity.

The National Skills Fund is therefore a national resource which will be used to both initiate and respond to national skills priorities. It will be used to target gaps and complement resource shortages for national priorities. Its objectives will be achieved within the overall framework of the HRDSSA II and the NSDS III.

Funds will have been set aside from the NSF, for competitive grants/bids from community-initiated skills development projects and other initiatives, to address skills shortages in South Africa, in line with the objectives and goals of the NSDS III. As one of its primary activities, the NSF is developing a strong monitoring and evaluation (M&E) capacity and system that will provide the necessary management and oversight assurance required to ensure that funds are spent on the intended beneficiaries and in line with the contract and/or Service Level Agreement (SLA). M&E activities urgently

need to be prioritised as a prominent and integral part of the NSF. This will also support the monitoring and evaluation of the NSDS.

Priorities that will take precedence in the NSF are the following:

- Identified priorities that advance the Human Resource Development Strategy, decided upon in consultation with the Human Resource Development Council
- Priorities identified by the Minister after consultation with the National Skills Authority (NSA), and that support the NSA in its advisory work and building the capacity of the social partners (constituencies) to strengthen their role in and delivery of our National Skills Development Strategy
- Projects that are in alignment with the National Skills Development Strategy and support the new economic growth path, the Industrial Policy Action Plan, rural development, skills to support the green economy, and skills development in education and health, and that contribute towards capacity building and skills development for institutions dedicated to the fight against crime and corruption, as key priorities of government.

A partnership and collective responsibility among stakeholders, government, business organisations, trade unions, constituency bodies – and delivery agents – SETAs, public bodies, employers, trade and professional bodies, public and private training providers, community-based organisations, cooperatives and NGOs – is critical to achieving aspirations of higher economic growth and development, higher productivity and a skilled and capable workforce to support a skills revolution in our country. Innovative ways of working together need to be found to improve the efficiency, quality and, crucially, the impact of education, skills development and training. The partnership requires that we improve the linkages between universities, colleges, SETAs and employers, particularly at a national and local level. This includes promoting training to meet the needs of both public and private sector employers and increased university research collaboration with industry. Partnerships should also be extended to building international links as well as supporting the role of community partnerships in planning and delivering local employment and skills support services. The higher education, FET

and skills summits have laid a very strong foundation for building strong partnerships for skills development for an inclusive growth path.

### **Implementation of NSDS III**

Implementing the NSDS III is a collective responsibility. To varying degrees, responsibility lies with all the stakeholders and partners in skills development. The DHET plays a leading role in ensuring that the goals and objectives of the NSDS III are realised. The DHET will build the necessary capacity for effective monitoring, evaluation and support to the entire skills development system and its institutions. A clear framework and institutional measures will be developed to undertake effective monitoring, evaluation and support. For the SETA-related activities, tight service level agreements will be entered into with the Department and indicators and targets set. Having learned lessons from NSDS I and II, this strategy veers away from setting national targets. Instead, each SETA has targets which are applicable to its skills set and level, to ensure that the programmes and activities of the SETAs are relevant to the sector. Where required, cross-SETA collaboration has been included in the agreements between DHET and SETAs.

The monitoring and evaluation of this strategy also focuses on qualitative indicators. It is important to evaluate the impact of the initiatives of the strategy and ensure that the programmes provided meet the required quality and relevance. The evaluation part of M&E will therefore be prioritised. Part of the performance monitoring, evaluation and support system is also to intensify the fight against corruption and 'fly by night' institutions and training initiatives. In addition, the NSDS III aims at eliminating unnecessary 'middlemen' in the provision of services, in order to maximise the impact of the resources in all our institutions and in our skills levy system.

### **3.6.8 Policy background of public sector training and education**

The White Paper on Public Sector Training and Education (WPPSTE) sets out a compelling case for the need to transform Public Service training and education into "a

dynamic, needs-based and pro-active instrument, capable of playing an integral and strategic part in the processes of building a new Public Service for a new and democratic society in South Africa” (WPPSTE, para 1.1).

The HR Development Strategy for the Public Service seeks to ‘...maximise people development, management and empowerment through quality skills development to accelerate transformation and service delivery that will benefit the people of South Africa. It seeks to achieve this by increasing employer participation in lifelong learning and improving the supply of high quality (scarce) skills that are responsive to societal and economic needs. Skills development in this context is seen not only as a way to improve capacity for individual employees of the state, but also as a means of strengthening the most important vehicle available to the state to achieve its goals for changing the entire South African society in accordance with the principles of a developmental state. Particular emphasis is placed on the way in which effective skills development can help to transform the less tangible aspects of public servants - their attitudes, their commitment and the manner in which they relate to the people of the country.

The HRD strategy for the Public Service puts forward key strategic objectives and a programme of action to address the human resource capacity constraints that continue to hamper the effective and equitable delivery of Public Services. The strategic objectives are:

- To drive full commitment to promote human resource development in all Public Service institutions.
- To establish effective strategic and operational planning in the Public Service.
- To establish competencies in the Public Service those are critical for service delivery.
- To drive effective management and coordination of developmental interventions in the Public Service.

The strategic priorities that flow from the HRD strategy in the current period include, amongst other things:

- Refining and accelerating implementation of the Government's comprehensive, credible and outcomes-focused programme for capacity development within the framework of the HRD strategy.
- Improving the coherence, coordination and efficacy of all government policies, institutions and mechanisms that are responsible for training and capacity development of the Public Service.
- Implementing a credible and comprehensive programme to address strategically scarce skills, such as financial management, communication skills, and project management.
- Ensuring that this programme pays equal and sufficient attention to the critically important areas of norms, values, attitudes and orientations of public servants that are in line with the objectives of the developmental state.
- Ensuring the effective integration between strategic planning, budgeting, HR strategy, HR development, institutional systems and structures and monitoring and evaluation.

The White Paper on Public Service Training and Education 1997 (WPPSTE) considered a number of possible models for Public Service training, from highly centralised to highly decentralised. The model that was recommended for South Africa and subsequently enshrined in the Public Service Regulations, 1999 was one, which combined strong central strategic direction and the adherence to national norms and standards, with the increasing decentralisation to departments and provincial administrations of day-to-day managerial responsibility and decision-making. Such an approach is based on the principle that the actual provision of training should be delivered by in-house and external providers on an equal and competitive basis.

The policy and legislative framework for the NSDS and the Public Service HRD strategy is supported by a number of statutory institutions that bear responsibility for the formulation, monitoring, management, implementation, and quality assurance of skills

development. With respect to the national skills development as a whole, the SETAs and the Department of Labour have the key responsibility. With respect to the Public Service HRD strategy, and specifically Public Service training, the Department of Public Service and Administration has the overall responsibility for formulating policy and for its effective implementation. The Public Service Commission is tasked with the investigation, monitoring and evaluation of Public Service training, as part of its broader constitutional mandate.

The Department of Cooperative Governance and Traditional Affairs (COGTA) is responsible for capacity development in the local government sphere, in collaboration with other stakeholders, notably the South African Local government Association (SALGA). The Department of Higher Education and Training has overall responsibility for the higher education sector and through the Council for Higher Education (and its Higher Education Quality Committee) for its quality assurance. Many line departments, such as Education, Health, and Police are actively involved in capacity development of personnel and institutions within their specific areas. For the successful implementation of the NSDS and the public sector HRD strategy, it is clearly vital that all these institutions collaborate and work together effectively.

### **3.6.9 A review of the Accelerated and shared growth initiative**

In 2004 the government of South Africa committed itself to the halving of poverty and unemployment in the country by 2014, in line with the UN Millennium Development Goals. In the first decade of freedom, the annual economic growth in South Africa averaged about 3% per annum, a level much higher than the 1% per annum achieved in the decade before 1994. However, this was still not enough to achieve the goals of reducing unemployment levels to below 15% and poverty levels to less than one-sixth of households, by 2014 (Hausmann, R 2008;3).

The South African government initiated a discussion on growth at the 2005 Cabinet Lekgotla. Conscious of the fact that growth was lackluster and that inequality was still

very high, the government proposed in 2005 the Accelerated and Shared Growth Initiative for South Africa (AsgiSA).

### **3.6.10 Recent economic trends post AsgiSA**

Since 2004, growth has accelerated to close to 3 % in per capita terms. Employment has expanded, and the unemployment rate has begun to decline from its peak in 2002 of close to 30 % to a level close to 25 % in 2007 in spite of a very rapid increase in the number of South Africans searching for jobs. Inflation has in general remained very close to the targeted levels in spite of the increase in the international price of energy and raw materials. Consumer confidence has been strong, buoyed by an emerging black middle class. Investment has risen from about 16 per cent of GDP in 2000-2002, to over 18 % of GDP in 2005-2007. However, the acceleration of growth has been driven mainly by domestic demand and has been financed through a rising current account deficit, which has moved from close to balance around the year 2000 to about 7 % of GDP at the start of 2007 Hausmann (2008;5) .

This indicates that domestic demand has been growing faster than GDP and that investment has risen faster than savings. The external balance expresses these growing gaps. This has happened in spite, and maybe because of rising prices for South Africa's mineral exports. Moreover, the composition of domestic demand shows that the bulk of the increase took place in consumer durables and in investment in the non-tradable sector, such as real estate, finance and services. Investment in tradables has been rather flat indicating that the external borrowing is not being used to finance the capacity to produce exports with which to pay back the debt. Hausmann, R (2008, 5)

This indicates that the growth acceleration observed since 2004 does not appear to be externally sustainable. Eventually, domestic demand will have to grow more slowly than GDP in order to reestablish external balance, but as demand slows down, it will bring down the growth in the non-tradable sector: (construction, finance, retail and other services). To maintain overall growth and employment, the country will need to rapidly

increase its exports. The recent growth spurt has also highlighted the importance of infrastructure bottlenecks. Over the long period of slow growth since 1980, the country has invested little in its transportation and energy infrastructure and this translates into congestion and brown-outs as the increased demand pushes against a limited supply.

### **3.6.11 A review of the Joint Initiative on Priority Skills Acquisition**

Twenty years into democracy, education and skills remain a critical constraint on economic growth and development, and the ability to improve the quality of life and life-opportunities of South Africa's people. The Joint Initiative on Priority Skills Acquisition (JIPSA) was established by Cabinet to support AsgiSA. AsgiSA's objectives are to reduce the unemployment rate from 30% to 15% by 2014, reduce poverty from one-third to one-sixth of the population by 2014 and to increase the annual GDP growth rate from an average of 3% to 4,5% per annum for the period 2005 to 2009 and to 6% for the period 2010 to 2014 (Mogale, 2003:34) .

JIPSA has rightly seen skills acquisition as an economic and labour market issue, as well as a problem of education and training, meaning that the resolution of these issues is dependent on the social partners, as well as on government. It is clear that this initiative has successfully embedded itself in the drive for skills development and economic intervention. At the same time, there has also been some confusion around the aims and purpose of JIPSA, possibly stemming from the complexity of the skills development arena and the many challenges surrounding it.

Prior to 1994, the South African economy represented one of the most appalling examples with regard to the interaction between the institutions of human capital and their final users. The education and training environment was passive and lacked dynamism. Many institutions were very weak and employers lacked any interest in developing their employees. Universities operated within a vacuum, often offering programmes that bore little relation to the needs of a developing economy. There was no stratum of efficiently functioning FET institutions, and there were immense difficulties in the basic education system.

In the years since the democratic election, significant efforts have been made to restructure institutional support for skills development, including the introduction of the SETAS and an increased focus on technical training. However, the lack of interface between the users and suppliers of human capital still meant that these institutions have not been effective in developing the skills required by the economy.

Measured against this benchmark, JIPSA has demonstrated that for the first time in many decades an interaction between the users and suppliers of education is both desirable and possible. Behind this lies the *raison d'être* of JIPSA, namely that it is a programme designed to deal with a very particular economic problem - the supply of skills in relation to the economy and the labour market and the concomitant role of education and training.

JIPSA was thus established in March 2006 with the following mandate:

- to lead the implementation of a joint initiative of government, business and organized labour;
- to accelerate the provision of priority skills to meet the AsgiSA objectives;
- give momentum and support to the implementation of AsgiSA;
- prioritise key skills and develop appropriate human resource development strategies to address these in the short to medium term;
- mobilise senior leadership in business, government, organized labour and institutions concerned with education and training and science and technology to address national priorities in a more co-ordinated and targeted way;
- promote greater relevance and responsiveness in the education and training system and strengthen the employability of graduates;
- lay the foundations for more co-ordinated and effective human resources development strategies report to the AsgiSA Task Team and Cabinet on progress made towards agreed objectives;
- identify blockages and obstacles within the system of education and training that stand in the way of the achievement of JIPSA's objectives; and

- lead an effective programme to communicate JIPSA's objectives and consult with stakeholders.

The JIPSA approach is anchored on the view that the state of the education system and skills development imposes binding constraints on economic growth and development. In particular, the state of this system potentially threatens the achievement of the various targets set out in the Asgisa national plan. Furthermore, the issue of skills shortages is very much a cross-departmental matter, involving a range of government departments and affecting institutions both in the public and private sectors. JIPSA is not linked to a specific line department, making it possible to facilitate interaction and engagement across different players within the education and training environment. Being housed within the Office of the Deputy President, JIPSA operates in a policy and institutional space, which is simultaneously separate from, but also part of government. It draws its strength from The Presidency and the Office of the Deputy President.

This status supports JIPSA in its efforts to engage across a range of different government departments. The co-ordination role that JIPSA plays is thus made possible because it is a creation of the Presidency and, in addition, because it is not managed or overseen by any one government department. Off this base, JIPSA has attempted to translate the aggregate skills shortage in South Africa into a short-term operational plan, focused on a defined set of skills priorities. Its approach has been to generate the information required to define the skills shortages more closely, create the environment in which government departments can fast-track some of their own skills development plans and work more closely together, and to engage more effectively with the private sector and organized labour to increase the supply of priority skills.

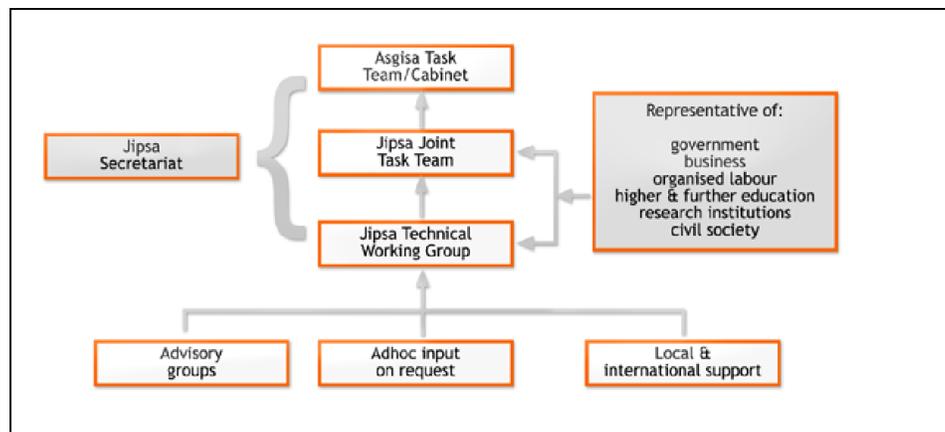
The JIPSA three-point strategy rests on the assumption that skills acquisition is not merely a numbers challenge, but a systems challenge. It involves broadening the training pipeline, retaining people in skilled employment and training them more effectively and to higher quality standards. Along with the setting of targets (e.g. the output of trained artisans or engineers), it is equally important to address the system

blockages and inefficiencies and problems of quality that impede the acquisition of relevant, high-quality skills to sustain growth over the medium to longer terms.

In 2006, the Joint Task Team adopted a three-point strategy for the acquisition of priority skills and this continues to govern JIPSA's focus and activities: Five high-profile priority skills areas were identified for immediate attention:

- high-level, world-class engineering and planning skills for the “network industries” – transport, communications, water, energy;
- city, urban and regional planning and engineering skills;
- artisan and technical skills, with priority attention to infrastructure development, housing and energy, and in other areas identified as being in strong demand in the labour market;
- management and planning skills in education and health; and
- Mathematics, Science and Language Competence in public schooling.

**Figure 1.9 JIPSA structure**



Source: Jipsa Annual Report 2008

Key ‘project owners’ and role-players were engaged regarding the skills required to underpin AsgiSA projects and increase labour absorption. This has led to concrete proposals for priority skills initiatives in the fields of tourism, telecommunications, business process outsourcing, and biofuels.

Constraints and inefficiencies in the current frameworks and institutional arrangements for skills delivery were tackled. These include:

- the problem of unemployed graduates;
- strengthening the labour market and skills information system;
- the National Qualifications Framework Review and quality assurance mechanisms; and
- artisan training capacity.

JIPSA's focus on this limited number of priority skills is viewed as central to the objectives of AsgiSA and wider economic growth and development. JIPSA continues to focus on these priority areas because the achievement of targets and resolution of blockages require ongoing, intensive engagement to gain results e.g. the training of artisans is starting to yield results, but is not yet fully resolved. JIPSA's mandate is not to deal with weaknesses in the whole skills development system, but to engage with systemic issues to unblock obstacles in respect of the priority skills identified.

This operational focus of JIPSA has been a characteristic of the programme, but has not always been adequately grasped within the public domain. The focus on specific priority skills has two important consequences: firstly, while skills are scarce in areas outside those identified above, their challenges do not belong to JIPSA's agenda. This is a crucial point to grasp, namely, that JIPSA has deliberately focused on a list of priority skills to avoid the danger of attempting to stretch its human and physical resources too thinly.

Secondly, the attention given to priority skills means that the work of JIPSA is short-term in nature, seeking to yield results within two to three years. Over the longer term, more structural and systemic problems (for example, within the schooling system) will no doubt fuel the economy's skills crisis, but they continue to remain outside of the domain of JIPSA because they are the core work of government.

### **3.6.12 An overview of the New Growth Path Strategy**

At the global level, the New Growth Path responds to the severe economic downturn from late 2008 as well as accelerating technological change. The global economic crisis means that South Africa must re-think historical patterns of trade and investment. In the past two years, slow growth in our traditional partners in the global North has been offset by the rapid recovery of growth in China, India and Brazil. Africa's importance has also grown in recent years, as a source of resources and a potential market with one billion consumers as well as one of the fastest-growing regions in the world. Shared development across our region is a pre-condition for sustainable prosperity in South Africa. Global economic turmoil has also opened up new policy space for developing economies to go beyond conventional policy prescriptions. The strategic objective must be to forge a consensus on the new opportunities within South Africa, across the continent and globally, and how these can be seized to achieve socially desirable and sustainable outcomes.

The government has a critically important role to play in accelerating social and economic development including through effective regulation of markets. The world economy faces far-reaching changes as a result of efforts to reduce global warming. While efforts to control emissions will impose heavy costs – especially on relatively carbon-intensive economies like South Africa – they also lay the basis for major new industries. More broadly, accelerating technological change promises to transform the world economy in the coming years, with new job opportunities in areas such as biotechnology and nano-technology. The New Growth Path also responds to domestic developments (Mogale, 2003: 39).

The transition to democracy emerged when the economy was already undergoing considerable structural change. Reintegration with the world economy as well as changes in mining and agriculture saw extensive job shedding. In the late 1970s, around two thirds of all working-age South Africans were employed – just on the international norm. By the early 1990s, in contrast, fewer than half had employment.

Despite substantial improvements in employment creation from 1994, in 2010 South Africa still ranked amongst the ten countries with the lowest level of employment in the world. The upswing from the 2000 to 2008 built on South Africa's traditional strengths, as booming international commodity prices combined with high global liquidity to foster significant short-term inflows of capital. One consequence was that this enabled the country to spend more than it earned; another was that it increased the nominal value of the rand. It also resulted in what has been described as consumption-led growth that was not underpinned by a strong production base, with rapid growth in retail, the financial sector and telecommunications and comparatively slow expansion in manufacturing, agriculture and mining.

The New Growth Path responds to emerging opportunities and risks while building on policies advanced since the achievement of democracy. The RDP advocated greater equity as the basis for long-term development and growth. AsgiSA renewed government's commitment to addressing joblessness and poverty and identified infrastructure needs, skills shortages and unnecessary regulatory burdens as core constraints on growth. In addition, in the face of the global crisis in 2008/9, government, organized business, labour and community groups forged a response to minimise the impact on the economy and on working people. That constructive and collaborative approach to meeting the challenges facing South Africa informs our strategies going forward.

The New Growth Path starts by identifying where employment creation is possible, both within economic sectors as conventionally defined and in cross-cutting activities. It then analyses the policies and institutional developments required to take advantage of these opportunities. In essence, the aim is to target our limited capital and capacity at activities that maximise the creation of decent work opportunities. The growth path therefore proposes strategies:

- To deepen the domestic and regional market by growing employment, increasing incomes and undertaking other measures to improve equity and income distribution, and
- To widen the market for South African goods and services through a stronger focus on exports to the region and other rapidly growing economies.

The measures in the New Growth Path, taken together, constitute a key means to address the income inequalities in South Africa. They place decent work (more and better jobs) at the centre of the fight against inequality, but also include measures such as skills enhancement, small enterprise development, wage and productivity gain-sharing policies, addressing the excessive pay gap between top and bottom, progressive taxation and support for the social wage, meaning Public Services targeted primarily at low-income households. The connection between economic and social measures needs to be further strengthened. In addition to their important social goals, basic and secondary education plays a crucial role in long-run equality, access to employment and competitiveness. So does investment in health, including effective measures to address HIV/AIDS. Government has prioritised health and education investment and delivery. While the detailed measures are not spelt out in the New Growth Path, these services are critical success factors for this employment-rich strategy. The next section reviews opportunities for employment creation – the ‘jobs drivers.’ The following section outlines core cross-cutting policy proposals, followed by a brief review of resourcing opportunities. After a brief discussion of institutional and spatial requirements, the final section sets out actions to finalise work on the growth path and begin implementation.

### **3.6.13 Summary**

People are the lifeblood of any organisation and the agents of reform and renewal in public administration. The knowledge, skills, values and attitudes of public servants are at the heart of State performance. The revitalisation of public administration, however, must be seen from a holistic perspective. For example, the training of individuals cannot be isolated from the performance expectations of a specific function or position.

Performance and human resources development plans for staff cannot be separated from the goals and service objectives of the employing organisation, and goals and organisational structure cannot be disconnected from an understanding of the policy framework, including demand for services from the respective citizens. At the same time, the goals, priorities and performance objectives of an organisation cannot be determined outside the broader national and government policy agenda and macro-socio-economic framework. Political leadership is the prime mover in bringing about alignment between capacity-building efforts of the public administration system and national development goals. Without effective and determined leadership, it is difficult to revitalize public administration in any country.

While the importance of developing sound policy and institutional frameworks for revitalizing public administration cannot be overemphasized, it is leadership that primarily drives the change process. A major weakness of many public sector reform programmes, in fact, has been the lack of genuine leadership commitment to those efforts. These ingredients, policy and institutional reform and leadership commitment, are therefore essential prerequisites for the formulation of a strategy to strengthen the capacity of human capital in order to revitalize public administration at the national level. The reform of public administration is a long-term process, requiring the adoption of a comprehensive strategy that fosters the development of core capacities to provide leadership; to formulate sound public policies; to foster greater performance-orientation in service delivery; and to enhance professionalism in public management.

## **CHAPTER 4: BACKGROUND TO THE CASE STUDY AND PROFILE OF LOCAL GOVERNMENT**

### **4.1 INTRODUCTION**

Apartheid fundamentally damaged the spatial, social and economic environments in which people live, work, raise families, and seek to fulfil their aspirations. South Africa has been given an opportunity to transform local government to meet the challenges of the next century. Local government, therefore, has a critical role to play in rebuilding local communities and environments, as the basis for a democratic, integrated, prosperous and truly non-racial society by providing efficient, effective and timely services to communities.

In terms of the Constitution, local government is a sphere of government in its own right and no longer a function of national or provincial government. Local government has also been given a distinctive status and role in building democracy and promoting socio-economic development. The process of transforming the institutions of the South African state is premised on the idea that the new democratic state has a specific mission; that of meeting the new developmental objectives which will help to create a better life for all. Local government must also promote the Bill of Rights in terms of Chapter 2 of the Constitution, which reflects the nation's values on human dignity, equality and freedom, and uphold the principles enshrined in the Constitution.

South Africa's 228 municipalities operate in a wide range of social and economic contexts. The priorities of fiscal policy, such as poverty alleviation or job creation, present them with different challenges and opportunities. Regardless of their specific contexts, all municipalities must play a role in supporting economic development and alleviating poverty. Municipalities must remain responsive to challenges and opportunities presented by social and economic trends and by fiscal policy. A key justification for a system of local governance is that it is better able, than national or provincial governments to respond to local trends, needs and priorities by being closer to the concerns of citizens in communities.

South African citizens are increasingly dissatisfied with the quality and quantity of services provided by local government, this is evidenced by the numerous service delivery protests in 2013. This is despite local government in South Africa improving its service delivery substantively over the past ten years at a pace and extent rarely seen anywhere in the world. Nevertheless, the sense among citizens in South Africa is that local government is removed from “development”, and demands more and better services while being less willing to contribute to local development through their own actions and initiatives. While this phenomenon has certain unique South African features, this disillusionment by citizens is experienced all over the world where welfare programmes have turned self-reliant citizens into dependent clients. To counteract this trend, local government institutions should pay more attention to “good governance” and to providing citizens with tools and resources to change their own situation and stimulate citizens’ agency instead of making them dependent upon government.

If municipalities are to meet the critical demand of service delivery to communities then sound financial management practices which are essential to the long-term sustainability of municipalities must be in place. They underpin the process of democratic accountability. Weak financial management results in the misdirection and under-utilisation of resources and increases the risk of corruption. The key objective of the Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA) is to modernise municipal financial management. The reforms introduced by the MFMA are the cornerstone of the broader reform package for local government outlined in the 1998 White Paper on Local government. The MFMA, together with the Local Government Municipal Structures Act, 1998 (Act 118 of 1998), the Local Government Municipal Systems Act, 2000 (Act 32 of 2000) and the Municipal Property Rates Act, 2004 (Act 6 of 2004), sets-out the procedures and processes for municipal operations, planning, governance and accountability.

This section explores the role of a developmental local government - the central responsibility of municipalities to work together with local communities to find

sustainable ways to meet their needs and improve the quality of their lives. It discusses the characteristics of developmental local government, sets out a series of developmental outcomes. It is in the interest of the nation that local government is capacitated and transformed to play a developmental role.

## **4.2 DISCUSSION**

### **4.2.1 A history of local government**

Local governments are defined as political units constituted by law (the peculiar or unique characteristics of which is their subordinate status to the central government) which have substantial control over local affairs and likewise have the power to tax. It is also defined as 'a set of rule-making and rule enforcement activities binding upon a set collectivity, when the same collectivity is also subject to rules building on at least one more inclusive collectivity (Cahill and Friedman 1964:35).

Local governments have defined areas, populations, continuing organisations, and the authority to undertake and the power to carry out public activities in a particular area. Local governments are under the national government in a unitary system and under the central and the state levels in federal systems. Local government has three essential characteristics: 1) a set of local authorities or institutions with a separate autonomy and a legal status distinct from that of the central government, 2) power of the autonomous local institutions to raise their own revenue and spend it on the discharge of their functions, as assigned to them by the law, and 3) power of the local institutions to make decisions as responsible organs in their own right and not as an extension of the central administration (Humes and Martin, 1961:23).

Generally, the laws for local government in South Africa provide for these essential characteristics. For the purpose of this paper the concept of local government as applied to the South African situation has referred to the lowest level of government, that is, municipalities. However, local government is often used in a broader sense to refer to all spheres of sub-national government, including the provincial level.

The historical norm in South Africa during most of the 20<sup>th</sup> century was racial segregation and control of the influx of blacks into the city (Pieterse, 2002:12). Black people were barred access from living in so-called white reserved areas. Those areas reserved for black people were underdeveloped and characterised by poor service conditions as opposed to the areas reserved for white people. In black cities and towns, little attention was paid to everyday spatialities such as home environment, neighbourhoods and trans-local social networks in the social construction of living space. By contrast, in the 'white' cities, these aspects received attention, with parks, libraries, schools and public facilities abounding often creating model environments not even found in more developed countries (Zegeye and Maxted, 2003:1).

Local government was structured to facilitate and regulate this agenda of racial segregation and exclusion. Consequently, each 'racial group' was afforded its own type of local government and the different types coincided spatially with the formal segregation of races in terms of the Native Areas Act, 1923 (Act 21 of 1923) and later, the Group Areas Act, 1952 (Act 54 of 1952) (Group Areas Act). Practically, it meant that the four designated 'racial groups' (in terms of the Population Registration Act of 1950), whites, coloured, indians and blacks, had their own version of local government, although with very different capacities and powers (Cameron, 1999:45). Naude (2001:56) deemed the Group Areas Act as one of the most notorious centrepieces of apartheid legislation, legislating the residential segregation and compulsory removal of Africans to 'Own Group Areas'. It restricted, until 1982, the permanent presence of Africans in urban areas through the notorious 'pass system'.

The pre-1994 local government system was effectively established in the early 1920s with periodic reforms in an attempt to make the racially discriminatory system more palatable, but with minimal success (Cameron, 1999:36). The local government system made provisions for race-based municipal authorities. White (group) areas were governed and administered by White Local Authorities (WLAs) that were fully-fledged municipal institutions with a political council and, administration to carry out the functions of the council and taxation powers. Management Boards and Local Affairs

Committees technically governed coloured and indian areas. Both these institutions relied on the administration of WLAs and/or provincial administration to provide services on its behalf. Typically, these Management Committees were established through elections characterised by very low levels of voter participation and were generally regarded as illegitimate (Cameron, 1999:78). African communities fell under the jurisdiction of Black Local Authority (BLAs).

These were beleaguered structures from their inception due to militant opposition from the black community and a well-established reputation for inefficiency, graft and collaboration with white's interests (Shubane, 1991:56). The apartheid government thus made South African cities develop along unequal social, spatial and economic lines, with white reaping most of the benefits and being more privileged than the other race groups. The primary role of local government under apartheid was to create and perpetuate local separation and inequality. This was reflected in separated municipal institutions with different political and financial power bases (Naude, 2001:98). Therefore, in the past municipalities were geared for the implementation of urban and rural apartheid agendas.

Before the transition to democracy in April 1994, local government in South Africa was based on apartheid racial division. The 'apartheid city', as it has become known, had a number of key characteristics: first, environment, health and other administrative structures were duplicated for each race group and between local, provincial and national levels of government. This resulted in fragmentation in terms of legislation, policy, and programmes and led to inefficient and wasteful operations. In the Cape Metropolitan Area (CMA), for example, there were prior to 1996 some 18-20 different local government administrative structures with little metro level co-ordination. Second, local government was unaccountable, with black South Africans having no elected representatives (Naude, 2001:98).

Finally, service delivery was characterised by great inequalities in access between well-resourced white suburbs and poor rural communities. Historically, therefore apartheid

policies of segregation fragmented the city in how and where the public sector delivered goods and services (Smith and Vawda, 2003:42).

Apartheid was not the beginning of geographic, institutional and social separation at the local level. Segregation was already a policy by the time apartheid was introduced in 1948. However, the Group Areas Act 41 of 1951, the key piece of apartheid legislation, instituted strict residential segregation and compulsory removal of black people to “own group” areas. Through spatial separation, influx control, and a policy of “own management for own areas”, apartheid aimed to limit the extent to which affluent white municipalities would bear the financial burden of servicing disadvantaged black areas. The Group Areas Act restricted the permanent presence of blacks in urban areas through the pass system, and reserved a viable municipal revenue base for white areas by separating townships and industrial and commercial development.

Various attempts were made under apartheid to introduce “own management” structures for black residents at the local level. This was in part to compensate for restricted rights, and in part to bolster the political and economic privileges of racial exclusion. In black areas limited local government was established. Traditional leaders were given powers over land allocation and development matters in areas with communally owned land. Some small rural townships (the so-called “R293 towns”) were given their own administrations, but these lacked real powers (Smith and Vawda, 2003:42).

To some extent these forms of “own local government” acknowledged the permanent presence of black people in urban areas. However, they were designed to reinforce the policies of segregation and economic exclusion. None had resources to make any real difference to the quality of life of their constituents.

Historically, most local government revenue in urban South Africa was self-generated, mainly through property taxes and the delivery of services to residents and business.

This particularly suited white municipalities which had comparatively small populations to serve and large concentrations of economic resources to tax.

Financial shortfalls were built into local government for black areas. Apartheid regulations barred most retail and industrial developments in black areas. This limited the tax base and forced residents and retailers to spend most of their money in white areas. Municipalities in black areas were therefore deprived of the means to meet the needs of local residents. In rural areas, discrimination and segregation were equally stark. Water and electricity were supplied to white residents in rural areas at enormous cost, while scant regard was given to the needs of the rural majority. Crisis and collapse were inevitable. Communities began to mobilise against the apartheid local government system.

Black Local Authorities attempted to impose rent and service charges on township residents to increase revenue. This revenue source could never have provided for meaningful delivery. It only served to anger increasingly politicised communities. The rejection of Black Local Authorities in the mid-1980s led to a popular uprising (Smith and Vawda, 2003:42).

#### **4.2.2 Protesting against a distorted system**

As the 1984 uprising gathered momentum, civic and other community bodies started to organise. Their rallying cry was the appalling social and economic conditions in townships and bantustans. Their chief weapons were the organised boycott of rents and service charges, and consumer boycotts. For the first time people began to protest systematically against the way human settlements were spatially and economically distorted (Smith and Vawda, 2003:42)

In the late 1980s the apartheid state attempted to prop up collapsing Black Local Authorities and calm political tensions by redirecting funds to disadvantaged areas. A system of ad-hoc intergovernmental grants was developed to channel resources to

collapsing townships. Regional Services Councils and Joint Services Boards were established to channel funds to black areas. However, by the late 1980s most townships and many homeland rural areas were effectively ungoverned, and it was clear that Black Local Authorities (or any similar structures) would never be viable.

The crisis opened up by the collapse of the apartheid local government system eventually led to the realisation that a new deal was needed. White municipalities, experiencing the financial impact of organised consumer, service and rent boycotts, began to enter into negotiations with township representatives. Initially these forums were little more than crisis management structures. However, these initial talks formed the basis for later local negotiations, and the system of local government we have now.

The crisis in local government was a major force leading to the national reform process which began in 1990. National debate about the future of local government took place in the Local government Negotiating Forum (1993), alongside the national negotiating process. The Local government Negotiating Forum framed the Agreement on Finance and Services writing off arrears to Black Local Authorities. It also negotiated the Local government Transition Act of 1993. The Local government Transition Act 209 (Act 209 of 1993) did not provide a blueprint for a new local government system but simply sketched a process for change. The process put forward in the Local government Transition Act was essentially a locally-negotiated transition and it has resulted in a wide range of forms of local government.

#### **4.2.3 The new system of local government in South Africa**

According to Pieterse (2002) the crisis in local government was a major force leading to the national reform process that began in 1990. Systematic protests in the 1980s against the way human settlements were spatially and environmentally distorted contributed to the collapse of the apartheid local government. Democratic national elections in April 1994 were followed by local government elections in 1995/1996. Notably, apartheid left South Africa with many scars.

Zegeye and Maxted (2003:67) contended that colonial and apartheid policies have left the majority of South Africans living in a highly unequal society in which poverty and social dislocation have had profound and traumatic effects on the social fabric. They further stated that the democratically elected government inherited a system which was aimed at providing quality services for a racially defined, privileged minority whites systematically excluded the majority of South Africans from owning land in urban areas, employment, education, health and other basic services. When the new government came into being in 1994, it inherited a country with high levels of poverty, social disfunctionality and growing levels of inequality (Smith and Vawda, 2003:36).

In an attempt to redress the legacy of apartheid, the new government reformed legislation and policies to address issues pertaining to segregation, inequity, inequality, discrimination and poverty by establishing new transitional local authorities. For Naude (2001:3) after 1994 the local government transition process was given a very strong legal driving force through the Local government Transition Act (LGTA of 1993) which provided for transitional local government as well as for a clearly defined transition process.

Prior to the Constitution and preceding the transition to democratic local government, local authorities, as they were then known, were statutes created by provincial governments. Although the different provincial ordinances led to a variety of procedures, structures and processes, the municipalities, established in terms of the ordinances had a common feature. Because of their lack of constitutional status, they were statutes, and possessed only such rights and powers as was specifically granted to them by the legislature. It rendered all their actions, including the passing of by-laws, administrative actions, subject to judicial review. Municipalities thus existed at the mercy of the provinces.

According to Zegeye and Maxted (2003:67) in 1990, when the process of democratisation began with the unbanning of various liberation movements, local

governments were subordinate statutes, comprising a multiplicity of fragmented institutions, racially segregated, which, as a result, provided massively unequal services to different communities. The transformation of local government was directed at removing the racial basis of government and making it a vehicle for the integration of society and the redistribution of municipal services. This process occurred in three phases:

- The first, pre-interim phase commenced with the coming into operation of the Local government Transition Act 209 of 1993 (LGTA) and the establishment of the negotiating forums in local authorities pending the first local government election.
- The second phase began when the first local government elections were held in 1995/1996, establishing integrated municipalities although these were not fully democratically elected.
- The third and final phase commenced with the local government election on 5 December 2000, establishing integrated municipalities although these were not yet fully democratically elected.
- The third and final phase commenced with the local government election on 5 December 2000, establishing the current municipalities. Underpinning the transition process were the interim Constitution of 1993 and the final Constitution of 1996.

The Constitution, the White Paper on Local government 1998 and the legislative framework for local government provide municipalities with a structure to manage their administration. It also outlines political decision making systems, and defines principles for structuring administrations. The current policy and legislative requirements affecting local governance are primarily contained in the Constitution, the Local government White Paper, the Local government Municipal Demarcations Act, No. 57 of 1998, the Local government Municipal Structures Act, the Local government Municipal Systems Act, the Disaster Management Act. No. 57 of 2002, the Municipal Finance Management Act, 2003 and the Municipal Property Rates Act, 2004. The amounts for

Intergovernmental fiscal transfers are published yearly in the Division of Revenue Act No. 1 of 2010.

Local government in South Africa entered a new era with the adoption of the 1996 Constitution. The Constitution introduced, for the first time, a local government system by providing that municipalities be established for the whole of the territory of the Republic’.

One of the major innovations of the 1996 Constitution was the elevation of local government to a sphere of government, firmly establishing local government’s autonomy. A municipality now had the right to govern, on its own initiative, the local government affairs of its community. This means that while national and provincial governments may supervise the functioning of local government, this must be done without encroaching on the institutional integrity of local government. The Constitution further allocates the functional areas of local government competency in Schedules 4B and 5B.

The Constitution introduced three categories of local government:

- Single tier Category A municipalities
- Two-tier local government in Category B and C municipalities where a Category C municipality shares jurisdiction with a number of Category B municipalities. A metropolitan municipality has exclusive municipal executive and legislative authority in its area.

Subsequent to the adoption of the Constitution, a comprehensive policy was developed to give effect to the new constitutional vision of local government, which led to the adoption of the White Paper on Local government by Cabinet in March 1998. This White Paper spells out a framework and programme which would radically transform the existing local government system. The cornerstone of the White Paper was the notion of developmental local government.

The developmental mandate of local government is effected through metropolitan municipalities in the eight largest urbanised and industrialised centres in the country. They are charged with addressing the key challenges outlined in the White Paper on Local government, namely, the legacy of urban apartheid by establishing a basis for equitable and inclusive metropolitan governance and development. They have legislative competence over all the areas listed in Schedules 4B and 5B of the Constitution.

Outside the metropolitan areas, the local government mandate is pursued by two-tier local government: 228 local municipalities grouped into 44 district municipalities, sharing the functional competencies listed in Schedules 4B and 5B of the Constitution. The allocation of responsibilities between the two tiers of local government is prescribed by the Municipal Structures Act, 1998 which must take into account need to provide municipal services in an equitable and sustainable manner. The Structures Act (as adjusted by MECs) does so by allocating district municipalities' functions with those not listed falling under the purview of local municipalities.

The transformation of South Africa from a society rooted in discrimination and disparity to a constitutional democracy founded upon freedom, dignity and equality posed, and continues to pose particularly profound challenges at local government level. It is here that acute imbalances in personal wealth, physical infrastructure and the provision of services were and are often most patent. The establishment of non-racial municipalities has not eliminated the divisions of the past, the provision of services and the distribution of resources are the challenges that the legacy of apartheid poses to local government Zegeye and Macted (2003:67).

Poverty is experienced locally; municipalities are confronted daily with the consequences of apartheid. As a result, a large part of the burden of addressing this falls upon local government, as it is the provider of primary services such as water, electricity and sanitation which are essential to the dignity of all who live in its area of jurisdiction. Thus, local government is the key site of delivery and development and is

central to the entire transformative project of South Africa. It is therefore a key mandate of local government (with the support of provincial and national government) to eliminate the disparities and disadvantages that are a consequence of the policies of the past and to ensure, as rapidly as possible, the upgrading of services in previously disadvantaged areas so that equal services will be provided to all residents (Zegeye and Maxted 2003:67).

The Constitution, the White Paper on Local government and the legislative framework for local government provide municipalities with a structure to manage their administration. It also outlines political decision making systems, and defines principles for structuring administrations. The current policy and legislative requirements affecting local governance are primarily contained in the Constitution, the Local government White Paper, the Local government Municipal Demarcation Act, the Local government Municipal Structures Act, the Local government Municipal Systems Act, the Disaster Management Act, the Local government Municipal Finance Management Act and the Local government Municipal Property Rates Act. The amounts for Intergovernmental fiscal transfers are published yearly in the Division of Revenue Act.

The organisational structuring of local government is explicitly prescribed in the Municipal Systems Act, specifically in Section 51 which provides that

“A municipality must, within its administrative and financial capacity, establish and organise its administration in a manner that would enable the municipality to:

- be responsive to the needs of the local community;
- facilitate a culture of Public Service and accountability amongst its staff;
- be performance orientated and focussed on the objectives of local government set out in Section 152 of the Constitution and its developmental duties as required by Section 153 of the Constitution;
- ensure that its political structures, political office bearers and managers and other staff members align their roles and responsibilities with the priorities and objectives set out in the municipality’s integrated development plan;

- establish clear relationships, and facilitate cooperation, coordination and
- communication, between –
  - its political structures, political office bearers and its administration
  - its political structures, political office bearers and administration and the local community
- organise its political structures, political office bearers and administration in a
- flexible way in order to respond to changing priorities and circumstances;
- perform its functions;
- through operationally effective and appropriate administrative units;
- mechanisms, including departments and other functional or business units; and
- when necessary, on a decentralised basis;
- assign clear responsibilities for the management and co-ordination of these administrative units and mechanisms; and
- hold the municipal manager accountable for the overall performance of the administration.”

It is primarily against these and the constitutional prescripts that the effectiveness of municipal performance may be assessed. The ideal functional municipality can thus be measured against these indicators.

Other sections of important legislation were the Development Facilitation Act 67, (Act 67 of 1995) which attempted to address the ‘mindset’ of local governments and to steer them in the direction of being more participative, and the Municipal Demarcation Act, 1998 that allows for the radical reconsideration of the geographical areas of jurisdiction of local governments to ensure that every area of South Africa falls under democratically elected local government. The aim of these three Acts can clearly be seen to enable newly elected, fully democratic and demarcated municipalities to begin functioning in a democratic and development orientated manner after December 2000 (Naude, 2001:67).

The Local government Transition Act, 1993 provided the background for the function of municipalities until transition completed. Within the interim measures of the Local government Transition Act, 1993 the structures of local government consisted of 843 municipal institutions, which differ according to the location of local government (I will discuss the categories of local government in great depth later). In Metropolitan areas a two-tiered system of metropolitan governments were established. In nonmetropolitan areas, cities and towns were governed by Transitional Local Councils (TLCs) (Zegeye and Macted 2003:67).

In rural areas Transitional Rural Councils (TRCs) and Transitional Representative was created. Furthermore, in nonmetropolitan and rural areas District Councils (DCs) have been established as higher administrative levels of different local councils. However, the LGTA does not provide for clear functions and powers for DCs- these are determined by provincial proclamation, which may differ from province to province (Naude, 2001:4). The Development Facilitation Act, together with the LGTA, is the second piece of legislation that steered South Africa's local government transition (Naude, 2001:78).

The crucial contribution of the LGTA is to make it obligatory for all local governments to become 'developmental' local governments through compiling Land Development Objectives (LDOs) and Integrated Development Planning (IDP). The LDOs are to provide a strategic framework for the area development of the community (spatially) which has to be done in a consultative manner. The IDP is to empower local authorities to prioritise and strategically focus their activities and resources according to people's needs (Naude, 2001:4).

The Municipal Demarcation Act, 1998 has led to the complete change in the size of local governments in South Africa, by reducing the number of municipalities from 843 to 288. This demarcation was largely driven by economies of scale imperatives.

The Constitution explicitly provides for local government. The Constitution renders the local government as a distinct governmental sphere with executive and legislative

authority and powers. Chapter 10 of the states that local government shall be established for the residents of areas demarcated by law of a competent authority. Section 179 stipulates that a local government shall be elected democratically. Most importantly, the new Constitution provides a local government with more complete autonomy than ever before.

As defined in Section 151.3, Chapter 7 of the Constitution ‘a municipality has the right to govern, on its own initiative, the local government affairs of its community, subject to national and provincial legislation, as provided in the Constitution’. Local government autonomy is two-fold in the sense of having relative freedom from central government control over local affairs and other community concerns, on one hand, and in the sense of providing essential and emergency services effectively and efficiently to respective localities as well as to improve the general welfare of the local citizens, on the other hand. However, in a sense, the kind of autonomy vested in local government is fragile or subject to supervision, as Section 139 of Chapter 6 states: ‘ when a municipality cannot or does not fulfil an executive obligation in terms of legislation, the relevant provincial executive may intervene by taking any appropriate steps to ensure fulfilment of that obligation’.

Local government is empowered through the Local government Transition Act (1993), Development Facilitation Act (1995) and the Constitution, to take responsibility for development and ultimately eradicate mounting cases of poverty, and overall past apartheid legacies. For Makobe (2002:67) these legislations are the building blocks, which have created the vision and the way forward for post-transitional and post-apartheid local government systems.

According to Smith and Vawda (2003:90), this legislative framework emphasises co-operative governance with other spheres of government, as well as with multiple sectors of the public through bottom-up planning: for instance, the cooperation between different spheres of government sets up the framework for delivering housing services through a shared responsibility between national (funding provision for low-income

housing), provincial (allocation of subsidies for housing), and local (freeing up the land providing the appropriate services for new housing construction) governments.

#### **4.2.4 Achievements in Local government**

According to Zegeye and Maxted (2003:67) Massive strides have been made transforming local government since 1994 and more recently since 2000. The ANC-led government has primarily driven this change and shaped the building a developmental local government system. The achievements in local government have been of a policy and legislative nature, but more importantly have been reflected in material advancement in people's lives as highlighted below:

- The Constitutional and legislative framework of local government in South Africa is recognised internationally as progressive in providing for local governance, democracy and development.
- 283 fully democratic municipalities have been established across the entire landscape of the country. All municipal elections to date have been free and fair and have gained substantive integrity across all sectors of the population. Our system of local government has been complemented by a local public participation system of ward committees. In March 2009 a total of 37 900 ward committees were established. A key challenge however has been the functionality of these committees.
- Massive strides have also been made by municipalities in extending service delivery to our people. This is the most important measure of assessing our contribution of creating a better life for all. By the end of the First Decade of Freedom in 2004 the ANC government achieved the following:
  - Approximately 1,9 million housing subsidies were provided and 1,6 million houses built for the poor of the country
  - More than 70% of households were electrified
  - 9 million additional people were provided with access to clean water
  - 63% of households had access to sanitation

#### 4.2.5 National fiscal policy and local government

The national fiscal stance for 2011/12 to 2013/14 targets a combination of revenue and expenditure that will enable government to pay for existing programmes, while reinforcing the sustainability of the public finances. The main features include higher GDP growth and reduced inflation, increased tax revenue and a reduction of debt stock as a percentage of GDP over the long term. The national budget policy framework is informed by the requirements of the new growth path, in which six key sectors and activities have been identified for unlocking employment potential. These are:

- infrastructure, through the expansion of transport, energy, water,
- communications and housing
- agriculture and the agro-processing sector
- mining and mineral beneficiation
- the green economy and associated manufacturing and services
- manufacturing sectors identified in the industrial policy action plan
- tourism and selected services sectors.

National fiscal policy continues to recognise that municipal expenditure makes a significant contribution towards alleviating poverty and economic development: municipalities contribute to providing a social wage through providing free basic services to poor households; and municipal infrastructure investment contributes to total fixed capital formation by the public sector and the provision of associated services is critical for economic activity and household welfare. National government's fiscal policy has four implications for local government. First, government has again sought to insulate local government from the ongoing impact of the economic downturn. The increases in government spending favour local government and result in additional resources being made available to municipalities. Due to the tight fiscal circumstances, the pace of increase is slower than in the past ( Zegeye and Maxted 2003:67)

**Table 4.1 Division of revenue**

R million	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	% Ave annual growth	
	Outcome			Revised Estimate	Medium-term estimates			2007/08 - 2010/11 -	2010/11 - 2013/14
<b>National departments</b>	<b>242 580</b>	<b>289 236</b>	<b>345 366</b>	<b>359 120</b>	<b>380 154</b>	<b>408 439</b>	<b>439 049</b>	<b>14.0%</b>	<b>6.9%</b>
<b>Provinces</b>	<b>207 505</b>	<b>246 836</b>	<b>293 164</b>	<b>323 080</b>	<b>357 929</b>	<b>380 449</b>	<b>404 251</b>	<b>15.9%</b>	<b>7.8%</b>
Equitable share	171 054	201 796	236 891	265 139	288 493	305 725	323 604	15.7%	6.9%
Conditional grants	36 451	45 040	52 073	57 941	69 436	74 724	80 647	16.7%	11.7%
Gautrain loan	-	-	4 200	-	-	-	-	-	-
<b>Local government</b>	<b>38 482</b>	<b>45 488</b>	<b>51 537</b>	<b>61 152</b>	<b>70 171</b>	<b>77 029</b>	<b>82 316</b>	<b>16.7%</b>	<b>10.4%</b>
Equitable share	20 676	25 560	23 845	30 559	34 108	37 573	39 960	13.9%	9.4%
Conditional grants	17 806	19 928	20 892	23 051	27 490	30 416	32 743	9.0%	12.4%
General fuel levy sharing w with metropolitan municipalities	-	-	6 800	7 542	8 573	9 040	9 613	-	8.4%
<b>Total</b>	<b>488 567</b>	<b>581 560</b>	<b>690 067</b>	<b>743 352</b>	<b>808 254</b>	<b>865 917</b>	<b>925 616</b>	<b>15.0%</b>	<b>7.6%</b>
<b>Percentage share</b>									
National	49.7%	49.7%	50.0%	48.3%	47.0%	47.2%	47.4%		
Provincial	42.5%	42.4%	42.5%	43.5%	44.3%	43.9%	43.7%		
Local	7.9%	7.8%	7.5%	8.2%	8.7%	8.9%	8.9%		

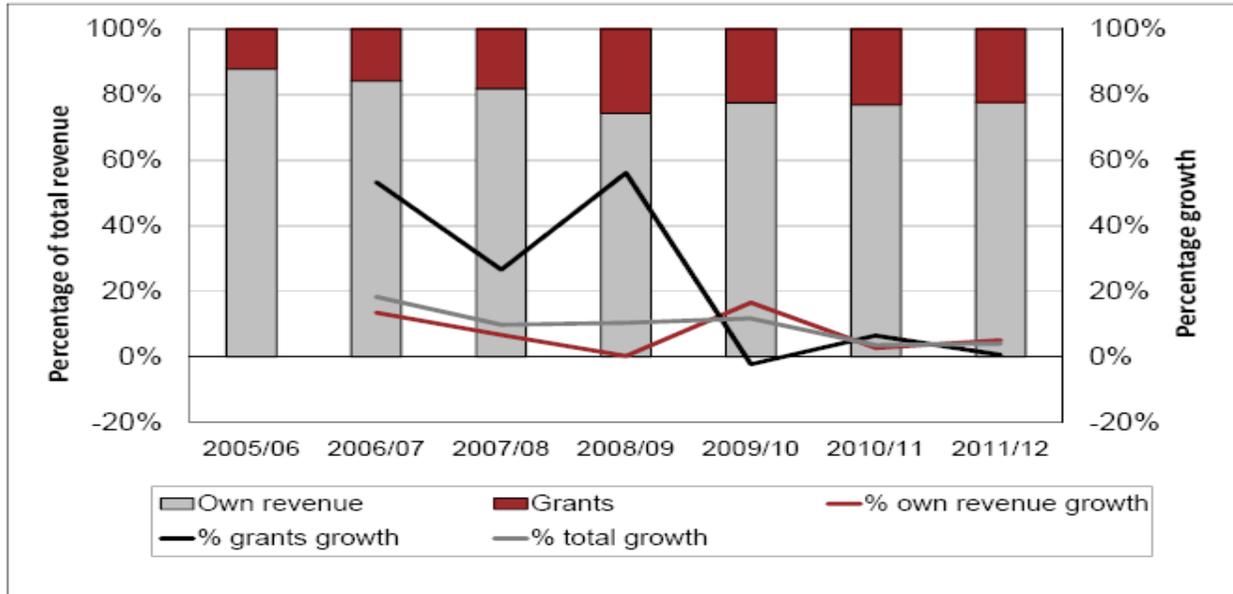
**Source: National Treasury 2012**

Table 4.1 shows that direct transfers to local government grew by R21 billion over the medium term, of which R5.1 billion is additional to the baseline.. This suggests that fiscal policy recognises the important role of local government and the need to channel more resources to it. Several amendments have been made to the local government fiscal framework over the last few years to direct more funding towards poor municipalities. A comprehensive review will be undertaken over the medium term that may lead to significant changes in the future configuration of the local government fiscal framework (National Treasury. 2012. *Local government Budget and Expenditure Review*).

Second, transparent and responsible fiscal policy has created a comparatively stable economic and fiscal environment for municipalities to operate in. Figure 4.1 shows that current trends in national transfers to local government are sustainable over the medium term. This is complemented by a provision in the annual Division of Revenue Act, 2010 that enables municipalities to pledge conditional grant transfers to accelerate capital spending. In addition, this stability enables more accurate planning and better financial management by municipalities. The introduction of the Municipal Budget and Reporting

Regulations in July 2009 has placed greater emphasis on ensuring that municipal budgets are funded, and on better management of municipal cash resources (National Treasury. 2012. *Local government Budget and Expenditure Review*).

**Figure 4.1 Revenue trends per major source, 2005/06 – 2011/12**



Source: National Treasury local government database

Third, the prudent fiscal stance of national government provides room for expanded borrowing by municipalities. However, as Table 4.2 shows, municipalities generally are not fully utilising the borrowing space available to them. Government has also increased the callable capital of the Development Bank of Southern Africa (DBSA) to R20 billion to facilitate greater scope for lending to municipalities (National Treasury. 2012. *Local government Budget and Expenditure Review*).

**Table 4.2 Borrowing Trends**

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
R million	Outcome			Revised Estimate	Medium-term estimates		
<b>National budget</b>	<b>-19 352</b>	<b>27 158</b>	<b>167 518</b>	<b>143 361</b>	<b>159 066</b>	<b>161 713</b>	<b>148 715</b>
Extraordinary payments	776	4 284	671	802	150	–	–
Extraordinary receipts	-1 850	-8 203	-6 435	-3 148	-1 350	–	–
<b>Borrowing requirements</b>	<b>-20 426</b>	<b>23 238</b>	<b>161 754</b>	<b>141 015</b>	<b>157 866</b>	<b>161 713</b>	<b>148 715</b>
Social security funds	-8 614	-12 362	-10 624	-10 778	-10 388	-11 578	-11 208
Provinces	-1 062	8 927	189	1 587	-1 094	-3 138	-5 973
Extra-budgetary institutions	-6 155	3 802	3 993	8 183	7 215	5 870	3 052
Local authorities	4 571	13 298	16 723	7 470	9 105	8 152	8 641
<b>General government borrowing</b>	<b>-31 686</b>	<b>36 904</b>	<b>172 036</b>	<b>147 478</b>	<b>162 704</b>	<b>161 020</b>	<b>143 227</b>
<i>Percentage of GDP</i>	<i>-1.5%</i>	<i>1.6%</i>	<i>7.0%</i>	<i>5.5%</i>	<i>5.6%</i>	<i>5.0%</i>	<i>4.1%</i>
Non-financial public enterprises	35 503	61 804	45 325	133 731	113 718	99 063	78 733
<i>Percentage of GDP</i>	<i>1.7%</i>	<i>2.7%</i>	<i>1.9%</i>	<i>5.0%</i>	<i>3.9%</i>	<i>3.1%</i>	<i>2.2%</i>
<b>Public sector borrowing requirement</b>	<b>3 817</b>	<b>98 708</b>	<b>217 361</b>	<b>281 209</b>	<b>276 422</b>	<b>260 083</b>	<b>221 959</b>
<i>Percentage of GDP</i>	<i>0.2%</i>	<i>4.3%</i>	<i>8.9%</i>	<i>10.5%</i>	<i>9.5%</i>	<i>8.1%</i>	<i>6.3%</i>
Gross domestic product	2 078 822	2 312 965	2 442 593	2 666 894	2 914 862	3 201 299	3 536 002

1. A negative number reflects a surplus and a positive number a deficit.  
 2. 2010/11 - 2013/14 are based on National Treasury estimates.

**Source: National Treasury Budget Review 2011**

Finally, for municipalities, expanded public spending by other public entities places pressure on development planning, zoning and environmental approval processes. In addition, it extends demands for municipal infrastructure. For example, a new school or a shopping mall will require infrastructure such as local roads, water, electricity and sanitation. Effective mechanisms to coordinate and sequence public investments are thus required (National Treasury. 2012. *Local government Budget and Expenditure Review*).

#### 4.2.6 Challenges faced by municipalities

Local Government in South Africa is responsible for delivering basic services to communities, investing in and maintaining physical and social infrastructure, and promoting economic growth and poverty alleviation. Local government also has considerable financial powers, including the right to raise income through property taxes

and user charges for services. Local authorities raise most of their operating budgets from their own income. However the level of municipal debt and illegal connections suggest poor capacity, and that many citizens do not understand their obligations. Yet, according to the Demarcation Board's assessment of municipal capacity, local authorities tend to be better at performing their income generating functions versus the performance of their service delivery and developmental functions. The service delivery and developmental functions are largely linked to the capital budgets (National Treasury. 2012. *Local government Budget and Expenditure Review*).

The Department of Cooperative Governance and Traditional Affairs. *Report on State of Local government in South Africa* (2009) highlights a number of critical challenges facing municipalities. These challenges include:

- Political challenges affecting municipalities: In the 2013 the local government elections the ANC received a strong mandate to drive the transformation and service delivery agenda of municipalities in pursuit of a national democratic society. A number of political factors which are internal to the ANC and the alliance continue to negatively affect the performance of municipalities
- Deployment Processes within the ANC: This has affected the performance of municipalities in three ways: First, the most mature and seasoned cadres of the movement have been deployed to national and provincial government. Secondly, good and experienced cadres, including women cadres were ignored through misaligned policy. Finally, continuity in municipal political leadership across election mandate periods has been inadequate.
- Councillor Accountability and Implementation of the Code of Conduct: Formal mechanisms exist in the ANC and in municipalities to manage the Code of Conduct of Councillors as outlined in the 2013 Manifesto, but it is not implemented. Very few are sanctioned for non-compliance and therefore the code becomes useless or "non-existent" through disuse.
- Political-Administrative Interface: This is characterized by tensions and a blatant transgression of recognized roles and responsibilities. There are instances where administrative municipal officials are also office bearers resulting in tensions in

the day to day execution of duties while interfacing with councilors in municipalities. This is undermining council institutional intergrity which leads to lack of professionalism

- Intra-Party and Intra-Alliance Dynamics: Tensions and factionalism in the ANC and alliance and opposition parties play themselves out, thus affecting the smooth running of municipalities.
- Service Delivery Related Protests: Local community protests have become a worrying trend. A multiplicity of factors have informed these protests, some of which directly relate to the ANC and the alliance (such as contests for the 2011 municipal elections) and service delivery issues pertaining not only to local government but also to other spheres of government. Trends show that the number of local protests have increased from 10 in 2004 to 105 in 2009 (2009 saw a particular high spike). By June 2010, 83 protests had been recorded across the country. These protests generally speak to a breakdown in local democracy in municipalities. Some communities have established 280 Ratepayers associations, they are paying municipal rates and taxes into Trust accounts.

Against this background, it is clear that local government stands to inherit growing responsibility for service delivery, primarily because South Africa has inherited a public sector marked by fragmented and gross inequalities at all levels of state activity. It is, acknowledged that local government is also marked by deficiencies in terms of its capacity and structure to meet those demands of service delivery. A number of interrelated factors that have contributed to the current state of local government in South Africa (Department of Cooperative Governance and Traditional Affairs. *Report on State of Local government in South Africa*. 2009)

- The administrative fragmentation of the past compounded by the lack of an overarching metropolitan authority, and a metro level environmental management policy for the metropolitan areas such as Cape Metropolitan Area (CMA).

- Previous policies enforcing inequitable service delivery have left metropolitan areas (such as the CMA) with substantial infrastructural and service backlogs in black townships; with higher capital and ongoing costs for quality facilities in white areas, and with an inadequate revenue base for attaining greater parity in services. Far from promoting ecological and social sustainability, land use planning was a fundamental instrument of the Apartheid City, leading to not only great power and inequity but also environmental degradation and wasteful use of natural resources.

Makobe (2002:67) stated that South African municipalities today find themselves in a constant state of change or transformation. Part of their major problem is that they are struggling to shake off their apartheid legacy. Despite the political changes ushered in by the 1995/1996 local elections, the legacy of apartheid local government remains embedded in many municipalities.

Makobe (2002:89) therefore identified some of the elements that are still visible in many municipalities which have not yet gone through a fully flashed transformation programme includes amongst others the following:

- many such municipal administrations are still traditional, rule driven bureaucracies which are used in servicing the public in a responsive manner;
- in this instance, the administration is not structured in a manner that lets it undertake multi-dimensional activities (such as Integrated Development Planning –IDP) or Local Economic Development (LED). Many departments within the same organisation do not co-ordinate their activities with one another;
- many administrations are inward looking and cannot respond to changes in their technological, economic or policy environments;
- many municipal administrators remain locked in old work practices and a managerial culture which is usually top-down and non-creative;
- municipal service delivery is often neither cost-effective nor efficient and;
- apartheid employment regulations are often still in place, creating a degree of inflexibility in the system.

Municipalities in South Africa are faced with new changes and challenges. Among other challenges facing municipalities in South Africa today are the following (Makobe 2002:89):

- the creation of larger areas of jurisdiction through the drawing/ demarcation of new municipal boundaries. The joining of former black townships and rural areas with established municipalities;
- a corresponding increase in service backlogs, which new municipalities must eliminate;
- a complete redefinition of local government roles;
- the devolution of several new powers and functions to local government, without an accompanying increase in its fiscal base; and
- increased demands and opportunities provided by the information age; A new and evolving relationship between councillors and officials, for example, the introduction of Executive Mayor Speakers.

It is therefore not difficult to understand why local sustainable development is a major issue in South Africa today. Local level actions have not been good enough. At the local community level poverty is still rife, local environments are under threat and local governance is in crisis. The multi-faceted responsibility of local government to deliver services to their communities and promote local economic development has a long way to go. Municipalities face enormous challenges to fulfil the developmental mandate given to them by the Constitution. They also face challenges to transform completely apartheid institutional structures (Makobe 2002:89).

A new local government system needs to build on the strengths of the current system. Equally it needs to address its weaknesses, and build the capacity of municipalities to address the considerable challenges they face. Municipalities the world over face the challenge of managing viable and environmentally sustainable urban and rural systems.

South African municipalities face additional challenges, including the following (Makobe 2002:89):

- Skewed settlement patterns, which are functionally inefficient and costly.
- Extreme concentrations of taxable economic resources in formerly white areas, demanding redistribution between and within local areas.
- Huge backlogs in service infrastructure in historically underdeveloped areas, requiring municipal expenditure far in excess of the revenue currently available within the local government system.
- Creating viable municipal institutions for dense rural settlements close to the borders of former homeland areas, which have large populations with minimal access to services, and little or no economic base.
- Great spatial separations and disparities between towns and townships and urban sprawl, which increase service provision and transport costs enormously. Most urban areas are racially fragmented, with discontinuous land use and settlement patterns. Municipalities in urban areas will need to develop strategies for *spatial integration*, while managing the continuing consequences of rapid urbanisation and service backlogs.
- Creating municipal institutions which recognise the linkages between urban and rural settlements. There is a wide variety of urban settlements, ranging from those which play the roles of local or regional service centres (supplying services to rural areas and other towns), to functionally specialised towns (such as mining towns) and administrative centres (common in former homeland areas). Importantly, almost all towns are functionally linked to rural areas, relying on their hinterlands for productive economic activity and providing critical centres for the delivery of social services.
- Entrenched modes of decision-making, administration and delivery inherited from municipalities geared for the implementation of urban and rural apartheid.
- Inability to leverage private sector resources for development due to a breakdown in the relationship between capital markets and municipalities, the lack of a municipal bond market and the poor creditworthiness of many municipalities

- Substantial variations in capacity, with some municipalities having little or no preexisting institutional foundations to build on.
- The need to rebuild relations between municipalities and the local communities they serve. Municipalities should be particularly sensitive to the needs of groups within the community who tend to be marginalised, and responsive and accessible to people with a disability.

Local government has emerged from a prolonged transition to face a second generation of challenges, regarded as the engine of service delivery, interfacing directly with the pressing needs and challenges of local communities, the expectations and demand for delivery are enormous which requires public officials to be skilled and capacitated to deal with the service delivery challenges that confront communities. Increasingly evidence suggest local government is not equipped with the personnel to deal with a growing economy and urbanisation which has resulted in increased demand for economic infrastructure, ageing assets requiring upgrading, rehabilitation or replacement and the location and nature of poverty are changing. Yet the context and pressures of individual municipalities differ widely. Levels of economic activity and poverty are markedly different. Large urban municipalities are coping with rapid demographic and economic growth, while more rural municipalities face huge challenges in addressing backlogs in basic services (Makobe 2002:89).

Municipalities are the custodians of public funds, whether raised from their own revenues or received through intergovernmental grants. They are tasked with using these resources to respond to the needs of their communities for infrastructure, local services such as water, electricity and refuse removal and enabling and guiding the spatial development of their localities.

While there are many examples of exceptional efforts and remarkable successes by individual municipalities, the local government system does not, at present, appear to be responding to these challenges very effectively. The evidence suggests that, in aggregate, the demands of a growing economy are no longer being met by the levels of

municipal investment. Asset maintenance and life-cycle management are very weak as the low levels of maintenance expenditure reflect.

Governance and spatial planning responses tend to be both fragmented and delayed. While they were successful in the past, the strategies to address service backlogs for previously ignored communities are coming up against significant cost pressures that partially result from inappropriate decisions by municipalities on the level of service to be provided. Balancing the tough choices of investing in social infrastructure to meet the targets of the Millennium Development Goals with investing in infrastructure that would stimulate and support local economic development is becoming increasingly harder. The result of these trends is that the limited provision of strategic infrastructure and a declining quality of service are growing constraints to economic growth and poverty reduction. If this trend is not arrested it might undermine the future sustainability of everything.

A shortage of national funding is an inadequate explanation for these trends. Significant real increases in resources have been transferred to local government and proportionate to the location of poverty. This has resulted in growing under-spending and unclear value for money in outputs. Municipal revenue collection has begun to fall as greater reliance is placed on transfers as a revenue source. Indeed, the growth in transfers may impact on the ability of municipalities to respond to local contexts, as local needs may increasingly diverge from the requirements that other spheres of government impose through the grant conditions.

Government has introduced a range of reforms to support municipalities in addressing the challenges they face. To encourage better planning, government has legislated that municipalities must produce Integrated Development Plans (IDPs). These plans are supposed to interface with the provincial growth and development plans and the national spatial development perspective to provide an overarching plan of how infrastructure services are to be provided within the local geographic area.

While some municipalities have come a long way, integrated planning in the true sense is not sufficiently recognised by the existing institutional and financing arrangements. Financial management reforms have begun to improve the transparency, credibility, timeliness and usefulness of municipal financial information. This process began in 2004 in larger municipalities and is now being rolled out to smaller municipalities. The reforms are intended to empower both municipalities and citizens.

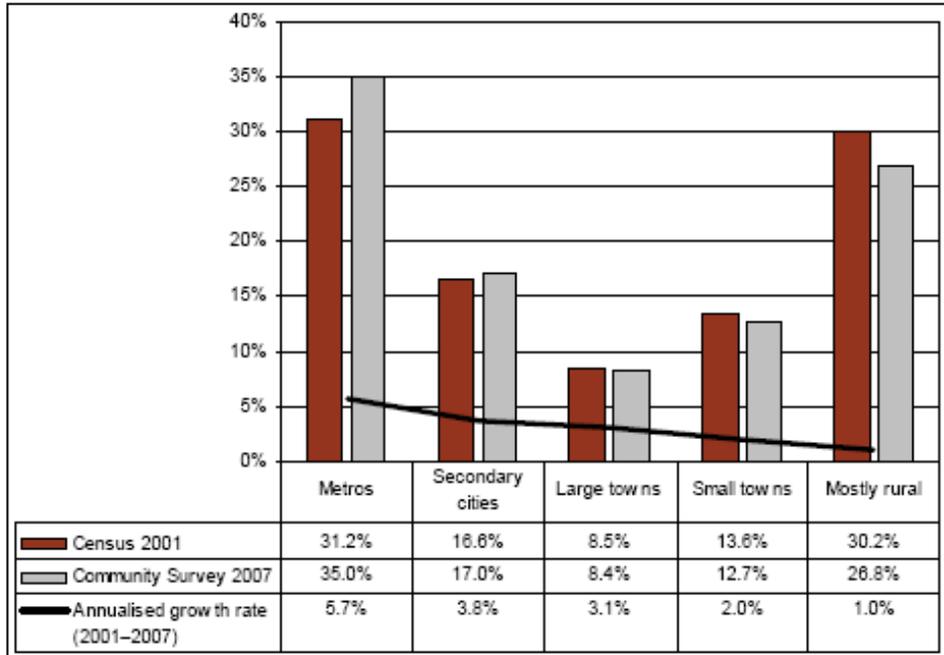
Municipalities are more able to respond to local demands for infrastructure, services and the facilitation of spatial development through allocating available public resources in an effective and sustainable way. Communities are increasingly able to hold their municipalities to account for their expenditure choices and performance. Collectively, this helps municipalities to realise value for money in the use of public resources.

#### **4.2.7 Variations between municipalities**

There is considerable variation in the social and economic contexts and trends between municipalities. Trends in the social and economic contexts, the scale of service backlogs and the rate at which they are being addressed vary markedly.

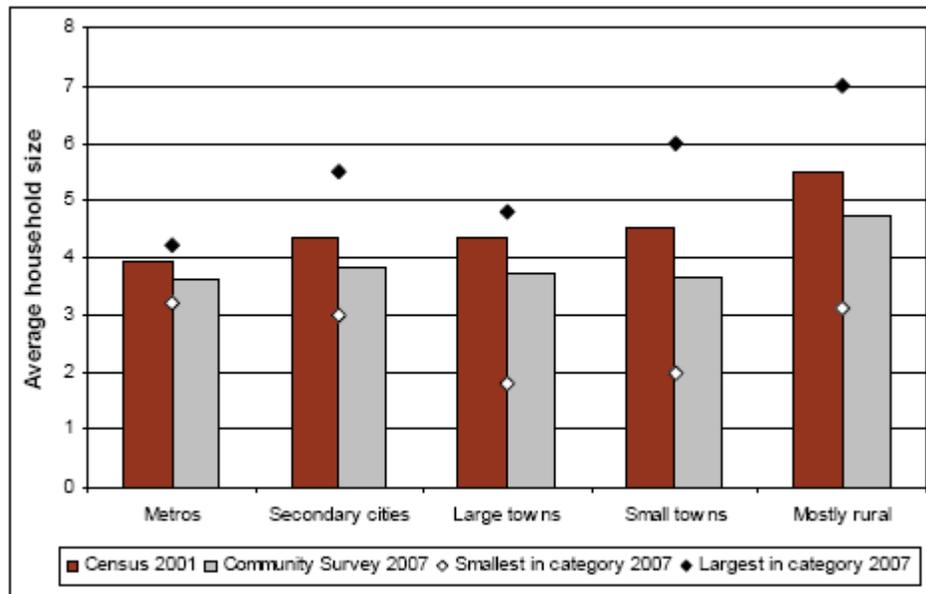
The current demographic trends of urbanisation and a reduction in the average size of households are reshaping the contexts for service delivery and governance in most municipalities in strikingly different ways. According to Stats SA Community Survey (2008) 52 % of South Africans live in metropolitan areas and secondary cities. The proportion of the population in mostly rural municipalities has declined since Census 2001. This reflects the strong growth in the population of the metros, which rose by 5.7 % per year between 2001 and 2007.

**Figure 4.2 Share of population/annual growth rate by category of municipality**



**Source: Stats SA, Census 2001 and Community Survey 2008**

The drop in the average size of households is a common trend across all categories of municipalities. In larger urban areas this is associated with an increase in the absolute number of households. But, due to out-migration, this process of household decompression is most marked in small towns and mostly rural municipalities, where the variation in average household sizes between individual municipalities is also greatest (Stats SA Community Survey 2008).

**Figure 4.3 Average household size by municipality, 2001 – 2007**


**Source: Stats SA, Census 2001 and Community Survey 2008**

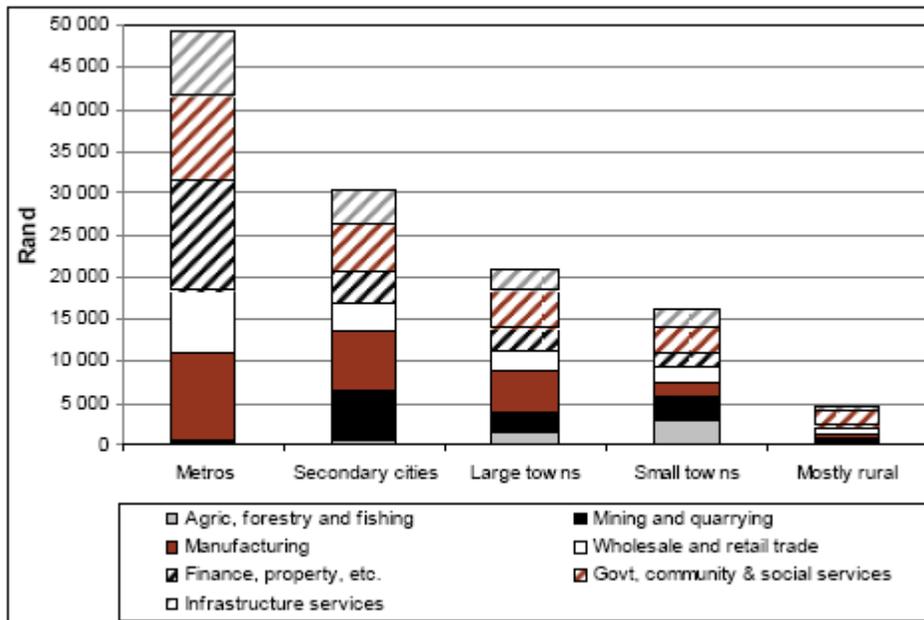
The processes of urban population growth and the reduction in the average size of households create significant fiscal challenges for all municipalities. In more rural jurisdictions the out-migration of individuals to urban areas has been accompanied by falling average household sizes. This reduces the number of persons reached by each household service connection while simultaneously adding to backlogs in the urban centres. Also, while it is likely that new household formation has been limited, significant backlogs in access to basic infrastructure persist (Stats SA Community Survey 2008).

In larger urban areas, the process of rapid population growth and falling household size combine to extend the service delivery challenge facing these municipalities. In essence, each infrastructure connection installed and operated serves fewer people in a household, but the absolute number of connections required increases as the number of households rises. In addition, the HIV and AIDS pandemic has begun to fundamentally alter the definition of household units, with an increased prevalence of child-headed and multi-family units that have lost their primary income earners to illness or death. Most directly, this presents municipalities with more of a challenge when it comes to

implementing their indigent policies and generating revenue (Stats SA Community Survey 2008).

There is also significant variation in the level and nature of economic activity across different municipal contexts. Figure 4.4 demonstrates the strong bias in most economic sectors towards larger, more urban municipalities and the contrasting weak economic base of mostly rural municipalities. This results in the revenue base of rural municipalities being constrained and the need for high levels of grant support from national government.

**Figure 4.4 Gross value added (GVA) per capita by type of municipality, 2004**

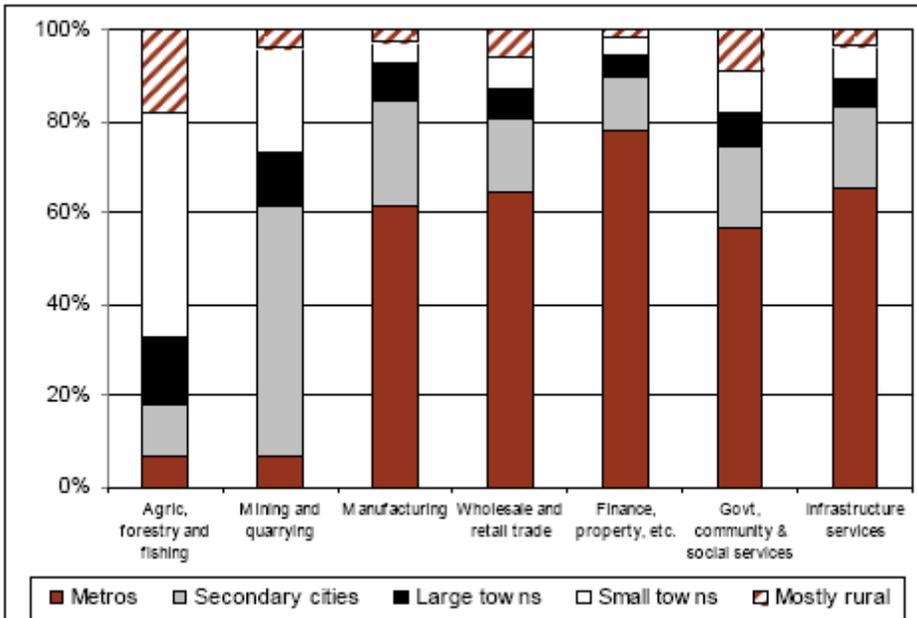


Source: Stats SA, Census 2001 and Community Survey 2008

Figure 4.5 shows that mostly rural municipalities and small towns are predictably reliant on agriculture, fishing and forestry activities, while other economic sectors are more dominant in metropolitan areas. The mining and quarrying sector is most dominant in secondary cities, reflecting both the location of these activities and their significant contribution to the national economy. These differences underscore the need for

individual municipalities to pursue vastly different infrastructure investment and service delivery strategies (Stats SA Community Survey 2008).

**Figure 4.5 Municipal types and share of GVA by economic sector, 2004**

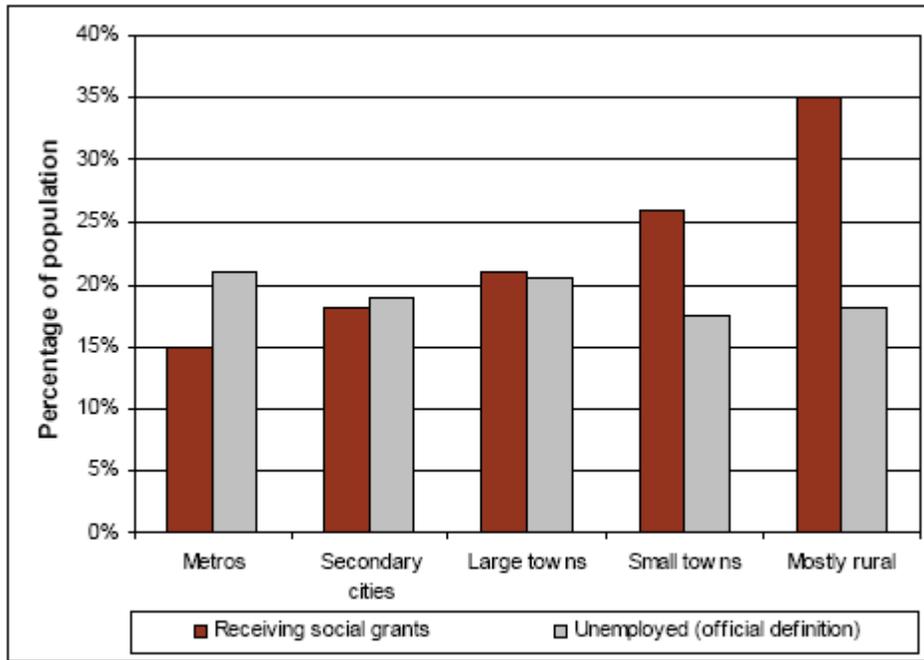


Source: Stats SA, Census 2001 and Community Survey 2008

There are wide variations in levels of poverty and access to services between the different categories of municipalities and individual municipalities within the same category. Reliance on social grants is highest in mostly rural municipalities, reflecting the weak economic base of these areas. Unemployment is highest in metropolitan areas. Both these factors constrain the own revenue potential of municipalities. High levels of poverty limit the ability of residents in more rural municipalities to pay for even basic services and constrain the ability of these municipalities to introduce significant cross subsidies between richer and poorer consumers. Although metros do have the capacity to generate consumer cross-subsidies, they must ensure resources are effectively targeted to those in need in order to limit the overall size of the subsidies that are required

Backlogs in access to basic levels of services are most significant in the sanitation sector. Again, the mostly rural municipalities face the most significant absolute backlogs in access to services, while metros report high levels of backlogs in access to electricity for lighting and formal housing (Stats SA Community Survey 2008).

**Figure 4.6 Proxies of poverty by municipal location, 2008**



Source: Stats SA, Community Survey 2008

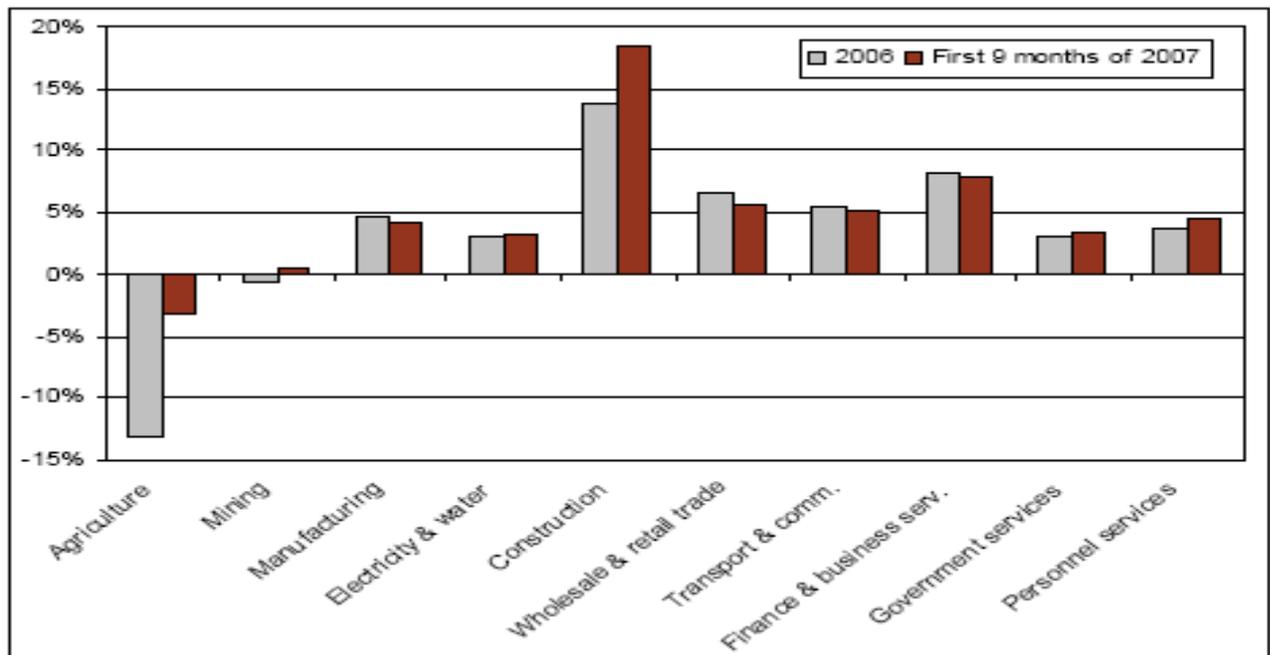
#### 4.2.8 The economic outlook and local government

The 2012 Budget Review provides a more detailed analysis of the current economic outlook. It notes that the economic advances of the past five years have benefited all South Africans through higher employment, rising public spending, strong welfare gains and substantive investments in productive capacity. The economic outlook in the short term, however, is clouded by a deteriorating global economy, rising inflation and supply constraints.

Economic growth is projected to slow from 5 % to 4 % in 2008, rising to about 4.6 % by 2010. Gross fixed capital formation reached 21 % of GDP in 2007 and the pace of investment is expected to remain robust. Public sector infrastructure spending is increasing rapidly to alleviate capacity constraints and congestion in various network industries. Two specific factors are of relevance to local government. First, wide variations in growth trends between different sectors of the economy place different pressures on individual municipalities, depending on the sectoral make-up of their local economies (Budget Review 2008)

Construction, financial services, transport and communication and wholesale and retail trade continued to grow at rates above 5 %, while the agriculture, forestry and fishing sector contracted by 3.1 % in the first nine months of 2007 compared with the same period in 2006. The mining sector grew at a sluggish pace in the first three quarters of 2007, with gross value added rising by only 0.5 % compared to the same period in 2006 (Budget Review 2008).

**Figure 4.8 Sectoral growth, 2006 and 2007**

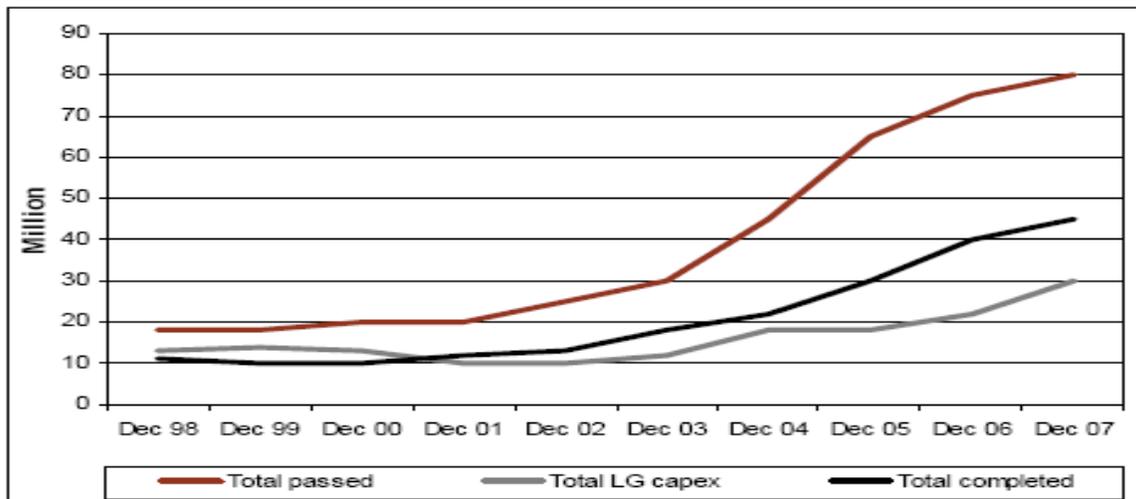


Source: 2008 Budget Review

Mostly rural municipalities tend to have a greater reliance on agriculture and related sectors, while secondary cities are largely reliant on the mining sector. Growth in these sectors can have knock on effects for local economies and particularly for household spending, which ultimately impacts on municipal revenues (National Treasury *Budget Review*, 2008).

In municipalities with economies based in higher growth sectors, growth has led to an expansion in demand for municipal infrastructure and services. Figure 4.9 shows the widening gap between municipal capital expenditure and the value of buildings completed, which serves as a proxy for demand for municipal infrastructure (National Treasury *Budget Review*, 2008).

**Figure 4.9 local government capital expenditure, 1998 – 2007**



Source: Stats SA and National Treasury local government database

As reported in the 2008 Budget Review, this trend mirrors the declining share of gross fixed capital formation by general government between 2000/01 and 2006/07 (of which municipalities contributed approximately 36 %). This was due to the rapid expansion in investment by the private sector and public corporations. The municipal share of public infrastructure expenditure by general government is projected to fall from 38.2 % in 2007/08 to 33.4 % in 2010/11.

Economic developments are creating pressures for an increase in municipal taxes and user charges, even as growth in some sectors is showing signs of slowing due to capacity constraints, rising interest rates and more moderate household spending. Municipalities need to address capacity constraints through increasing the supply of local infrastructure and services (through infrastructure investment and refurbishment), as well as through measures to moderate the growth in consumption. Both of these requirements have significant price implications for local services. Infrastructure investment requires additional resources, while demand management is most effective when transmitted through pricing signals to consumers (Budget Review, 2008).

The major challenge facing municipalities is to reconcile the need for price increases with the imperative of ensuring that services remain affordable to consumers, in an environment where household budgets are tightening. In this environment, price increases will need to be balanced with efforts to improve internal cost efficiencies. Expenditure side productivity improvements remain largely unexplored in municipalities. Most municipalities do not operate their trading services as full cost centres with applied business logic. Few municipalities operate coherent or effective public works programmes. Ancillary measures by municipalities to reduce the costs of doing business in their jurisdictions, through streamlining by-laws and development approvals, may provide some scope for offsetting the negative effects of price increases without expenditure side reforms, but this cannot be the only solution (Budget Review, 2008).

#### **4.2.9 National fiscal policy and local government**

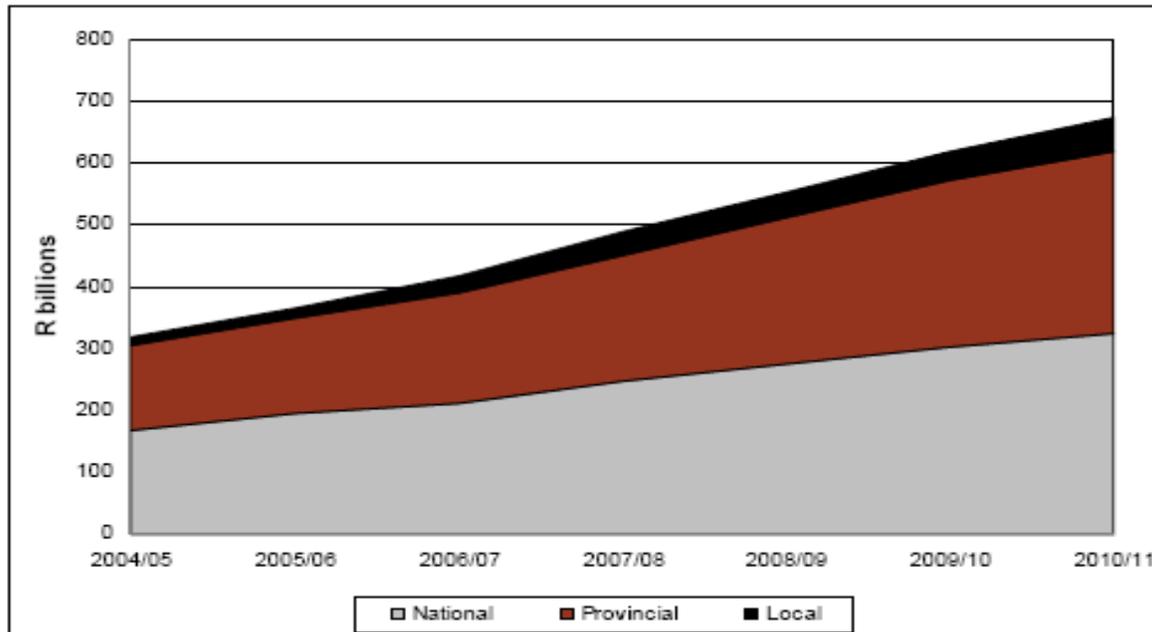
In the face of economic developments, the core priorities of public policy and the 2008 Budget are focused on investment in sustainable long-term growth and progressively raising living standards. The fiscal stance enables government to raise public spending in key areas – increasing fixed investment, creating jobs, boosting export capacity, fighting poverty and improving Public Services – while providing a cushion against global volatility. Rising fixed investment, together with further microeconomic reforms,

will raise the competitiveness of the economy, while reducing constraints in key areas, such as electricity (Budget Review, 2008).

According to the Budget Review (2008) National fiscal policy has long recognised that municipal expenditure makes a significant contribution towards alleviating poverty and economic development. Municipalities contribute to providing a social wage through providing free basic services to poor households. Municipal infrastructure investment contributes to total fixed capital formation by the public sector and the provision of associated services is critical for economic activity and household welfare. National government's fiscal policy has four implications for local government:

First, the growth in government spending and its bias towards increased transfers to local government will result in additional resources being made available to municipalities. The broadly equitable nature of the distribution of these resources ensures that all municipalities benefit fairly and will experience significant real growth in national financial support over the medium-term. Local government's share of nationally collected revenues increases relative to the national and provincial spheres. This suggests that fiscal policy recognises the important role of local government and the need to channel more resources to it. However, these resources are intended to contribute to the capital and operating costs of providing basic services to poor households, rather than as a general subsidy to municipal operations. The costs of providing infrastructure and services to non-poor households and firms must continue to be fully financed from local taxes and service charges. But municipal own revenue collection has declined as a portion of total revenue, with service charges in particular having grown at the slowest pace of all revenue sources. As a result, municipalities have become increasingly reliant on grants, indicating that there may be significant leakage of national resources to non-poor households (Budget Review, 2008).

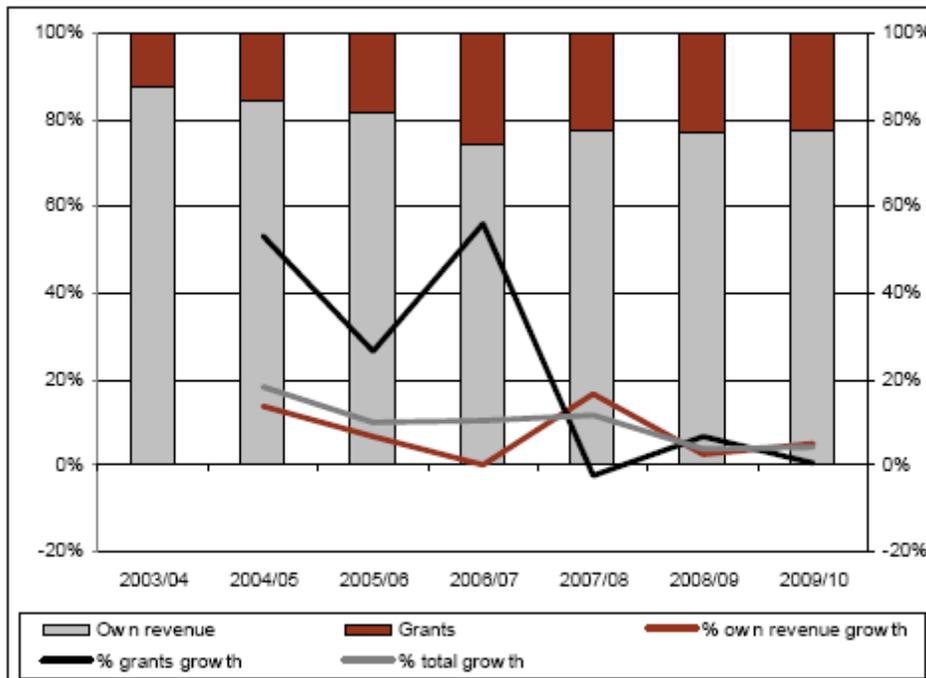
**Figure 4.10 Historical nominal vertical division of revenue, 2004/05 – 2010/11**



**Source: 2008 Budget Review, National Treasury database**

Second, transparent and responsible fiscal policy has created a comparatively stable economic and fiscal environment for municipalities to operate in. Current trends in national transfers to local government are sustainable over the medium-term. In turn, this stability enables more accurate planning and financial management by municipalities. Regulatory reforms to planning and budgeting processes have provided the legal basis on which municipalities can take advantage of this trend (Budget Review, 2008).

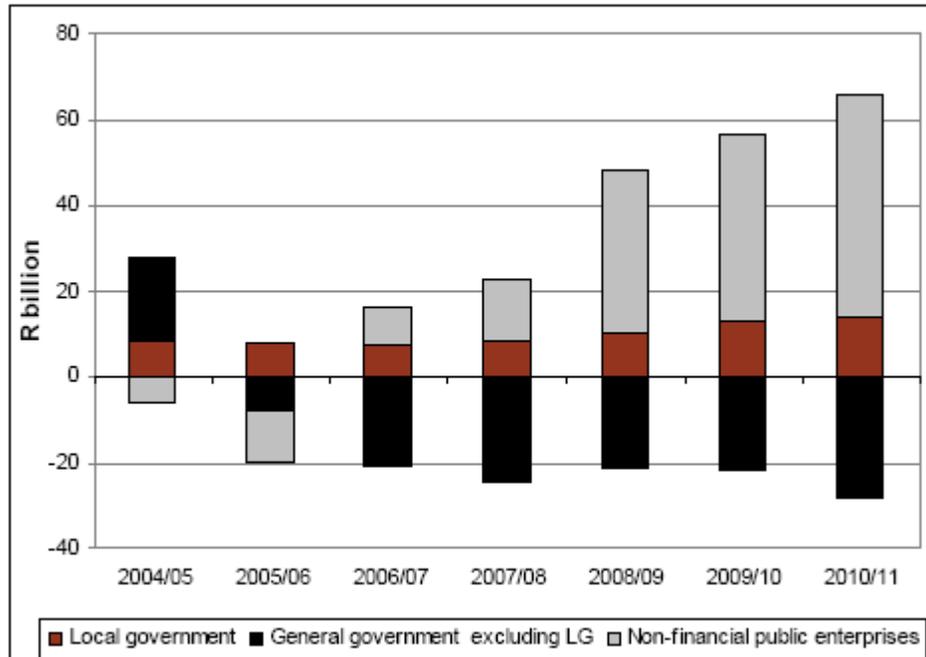
**Figure 4.11 Revenue trends by major source, 2003/04 – 2009/10**



**Source: National Treasury local government database**

Third, the prudent fiscal stance of national government provides room for increased borrowing by sub-national entities, including municipalities. However, although not all municipalities are able to access private capital markets, those that can have not shown much initiative (Budget Review, 2008).

**Figure 4.12 Public sector borrowing requirement, 2004/05 – 2010/11**



**Source: 2008 Budget Review**

Finally, the rapid real growth in capital spending by public corporations and, to a lesser extent, by other spheres of government poses severe co-ordination challenges for public investment in the built environment. For municipalities, expanded public spending by other public entities places pressure on development planning and control systems. In addition, it extends demands for municipal infrastructure. For example, a new school or a shopping mall will require infrastructure such as local roads, water, electricity and sanitation. Effective mechanisms to co-ordinate and sequence public investments are thus required (Budget Review, 2008).

Considerable variation exists between municipalities across South Africa. The impact of the differing demographic and social trends and fiscal policy will require vastly different policy responses from individual municipalities. All municipalities must reconcile the need to fund service improvements, through price increases, with the imperative of ensuring that household bills remain affordable and their jurisdictions remain competitive investment destinations. Short-term price increases appear unavoidable for the major municipal services. Over the medium-term, however, municipalities will need

to increasingly consider mechanisms to improve the efficiency of their expenditures (Budget Review, 2008).

National fiscal policy provides important breathing space for municipalities to address this challenge. Increased grant resources can fund the cost of the required institutional transition, which is already supported strongly by legislation. The scope for increased municipal borrowing will allow municipalities to fund investments up front, while spreading their financing burden over the life of these assets (Budget Review, 2008).

#### 4.2.10 Categories and functions of local government

In terms of the Municipal Structures Act of 1998, municipalities were divided into three categories:

<b>Municipal categories</b>	<b>Description of category</b>
Category A: Metropolitan Council	A municipality that has exclusive municipal executive and legislative authority in its area.
Category B: Local Council	A municipality that shares municipal executive and legislative authority in its area with a category C municipality within whose area it falls
Category C: District Council	A municipality that has municipal executive and legislative authority in an area that includes more than one municipality

The municipalities are required by law to administer, regulate, or provide for the following:

<b>Priority 1</b>	<b>Priority 2</b>	<b>Priority 3</b>
<ul style="list-style-type: none"> <li>• cemeteries</li> <li>• electricity</li> <li>• firefighting</li> <li>• municipal health</li> <li>• municipal planning (both spatial and economic)</li> <li>• municipal roads</li> <li>• refuse</li> <li>• sanitation</li> <li>• storm water</li> <li>• traffic and parking</li> <li>• potable water (water services)</li> </ul>	<ul style="list-style-type: none"> <li>• control of air pollution</li> <li>• regulation and control of beaches and amusement facilities</li> <li>• building regulations</li> <li>• cleansing</li> <li>• control of public nuisances</li> <li>• fencing</li> <li>• regulation of outlets selling food</li> <li>• municipal transport</li> <li>• noise pollution</li> <li>• pontoons and ferries</li> <li>• pounds</li> <li>• street lighting</li> <li>• street trading</li> <li>• trading regulations</li> </ul>	<ul style="list-style-type: none"> <li>• public parks and recreation facilities</li> <li>• municipal sports facilities</li> <li>• public open spaces</li> <li>• local tourism</li> <li>• public amenities</li> <li>• municipal airports</li> <li>• dog licensing</li> <li>• regulation of child care facilities</li> <li>• regulation of outlets selling liquor to the public</li> <li>• markets</li> <li>• burial of animals</li> <li>• municipal abattoirs</li> </ul>

According to the Budget Review, 2008 municipalities must provide democratic and accountable government; provide services to communities in a sustainable manner; promote social and economic development; promote a safe and healthy environment; and encourage the involvement of communities and community organisations in the matters of local government. In a sense, the constitution explicitly mandates local authorities to pledge responsibility to work towards sustainable development. Municipal government in South Africa is thus largely understood in terms of service delivery. The Local government White Paper of 1998 reiterates local government's responsibility for the provision of household infrastructure and a basic level of services on the basis of an incremental approach based upon the following objectives:

- To enable municipalities to extend access to affordable basic services to all South Africans.
- To provide support to municipalities to improve the performance of their service delivery systems.
- To facilitate co-ordination between sectoral delivery programmes

Service delivery and local economic development in South Africa are therefore core concerns of local government. This is prompted by the fact that, the vision of local government after the debut of the new government in South Africa is developmental.

The Municipal Structure Act, 1998 calls for the introduction of three main types of municipalities. There are six metropolitan councils in South Africa and they may have up to 270 councillors. Outside metropolitan areas there is a two-tier system of government with local councils and region wide distinct councils. Local councils exist in smaller cities and towns and have between three and 90 councillors. Local councils with seven or more councillors have wards. There are 232 local councils. The greatest rationalisation of local authorities occurred in the Category B municipalities. District councils cover a wider geographic area than local councils and areas of lower population density. The long-term goal of the district councils is to enable better regional planning and bulk infrastructure delivery (Budget Review, 2008).

In order to achieve the broad goal of developmental local government, the different categories of municipalities enjoy various powers. Metropolitan areas have exclusive authority in their areas of jurisdiction while local and district councils share authority. All local councils fall within a district council and must share powers with the district council. According to the Municipal Structures Act, 1998 district councils must seek to achieve the integrated, sustainable and equitable social and economic development of its area as a whole. As also mentioned above, district councils retain overall responsibility for such services as bulk water and electricity supply, maintenance of municipal roads and other services such as firefighting, municipal airports and health services. Within each of the categories of municipalities the Municipal Structures Act allows for diversity in the manner in which a municipality is organised and managed. For each of the categories there are five general types of municipalities in South Africa (Budget Review, 2008).

Metropolitan areas are large urban settlements with high population densities, complex and diversified economies, and a high degree of functional integration across a larger geographic area than the normal jurisdiction of a municipality. Economic and social activities transcend municipal boundaries, and metropolitan residents may live in one locality, work in another, and utilise recreational facilities across the metropolitan area. Metropolitan governments are governments whose area of jurisdiction covers the whole metropolitan area. Where there is no metropolitan government, the metropolitan area is divided into many municipal jurisdictions (Budget Review, 2008).

#### **4.2.11 Metropolitan Councils with Metropolitan Local Councils**

This two-tier system comprising a Metropolitan Council and Metropolitan Local Councils has been established in six areas: four in Gauteng Province (Greater Johannesburg Metropolitan Council, Vaal/Lekoa Metropolitan Council, Tshwane Metropolitan Council and Khayalami Metropolitan Council) together with the Durban Metropolitan Area and the Cape Metropolitan Area. A clear definition of metropolitan areas is required to determine whether all these areas should retain Metropolitan Councils, and if other areas in the country should be designated metropolitan areas (Budget Review, 2008).

There is considerable variation in the size of the current areas of jurisdiction of both Metropolitan Councils and Metropolitan Local Councils, and in the number of Metropolitan Local Councils within each metropolitan area. Metropolitan Local Councils perform different functions in different metropolitan areas, and some have assumed a wider range of service delivery functions than others. Generally, metropolitan residents have not identified with the new Metropolitan Local Council boundaries, and large Metropolitan Local Councils (sometimes with over a million residents) have struggled to facilitate community participation in municipal affairs (Budget Review, 2008).

The Local government Transition Act, 1993 allowed for a local negotiation process to define the allocation of powers and functions between the Metropolitan Council and Metropolitan Local Councils. This has resulted in different allocations in each area. In some cases the location of municipal functions does not enable sound management and administrative practices, and simply reflects the balance of local power relations. The current lack of clarity regarding the specific powers and duties of each tier has resulted in considerable confusion and inefficiency, and in some instances has strained relations between the Metropolitan Council and Metropolitan Local Councils (Budget Review, 2008).

In all cases some redistribution occurs between high-income and low income consumers of services, and through the allocation of Regional Services Council levies (employment and turnover levies) to underdeveloped parts of the metropolitan area. In some metropolitan areas a metropolitan levy is also charged on Metropolitan Local Councils, and re-allocated across the metropolitan area. These mechanisms for intra-metropolitan redistribution are not optimal, do not facilitate targeted redistribution, and have resulted in significant tensions (Budget Review, 2008).

The current transitional arrangements are not optimal for addressing many of the service delivery, governance and management problems within metropolitan areas. A new system of metropolitan government will need to be more clearly defined, and

provide both clear guidance on the role of metropolitan government, and sufficient powers to fulfil this role(Budget Review, 2008).

#### **4.2.12 Metropolitan government institutions**

The choice of institutional arrangements for the municipalities which will govern South Africa's metropolitan areas is a key policy issue which not only impacts on the lives of millions of metropolitan residents, but is central to the economic well-being of the nation as a whole. Metropolitan areas, which are densely concentrated centres of economic activity, generate the bulk of the country's gross domestic product. However, they are also home to a large (and increasing) number of citizens who live in dire poverty, often lacking secure and decent shelter or access to basic services. The form of urban governance adopted in metropolitan areas will therefore be a critical factor in determining the future economic prosperity and social stability of the nation (Budget Review, 2008).

Over the past year, national government has facilitated an inclusive and intensive process of debate on the issue of metropolitan government systems. What has become clear is that the fragmentation of metropolitan areas into separate municipal governments will perpetuate inherited economic inequities and social divisions, and therefore cannot be favoured as an option for the future. Equally, it has become increasingly clear that the existing system of metropolitan government, designed as an interim mechanism to unite the plethora of racially segregated municipalities within metropolitan areas, requires careful rethinking. If the benefits of a metropolitan government system are to be consolidated, it is essential that the Metropolitan Council has sufficient powers and functions to fulfil the roles defined for it and sufficient flexibility to consolidate potential efficiency gains through vertically integrating or decentralising service functions (Budget Review, 2008).

In any system of metropolitan government, it is envisaged that the Metropolitan Council will fulfil the following key roles:

#### **4.2.13 City-wide spatial integration and socially inclusive development**

The concentration of the commercial and industrial tax base combined with the extreme spatial and social segregation along class and race divides within our metropolitan areas demand that particular attention is given to promoting spatial integration and socially inclusive forms of development. Metropolitan governments should utilise their land-use planning and regulation functions to promote integrated spatial and socio-economic development. Land-use planning and regulation is not simply a technical instrument for ordering physical space. If combined with other functions such as transport planning and bulk-infrastructure planning, land-use planning may facilitate the development of a particular kind of urban living environment. Metropolitan governments should use their integrated development plans to articulate a vision for the kind of urban environment in which citizens wish to live, and translate that vision into reality through the combined exercise of land-use planning and other powers. In this sense land-use planning can become an instrument of social equity, which challenges the existing spatial location of poverty, and redirects market dynamics in line with the aspirations of metropolitan residents. The Metropolitan Council should have powers over land-use planning, transport planning and bulk infrastructure planning. The Metropolitan integrated development plan should guide the development of the whole metropolitan area (Budget Review, 2008).

#### **4.2.14 The promotion of equity, social justice and economic prosperity**

The economic and social viability of our metropolitan areas is closely linked to addressing existing inequities and creating a stable environment for the attraction of capital investment. The former requires redistribution across the metropolitan area; the latter requires a clear, transparent and predictable framework in which redistribution can occur. To effectively promote equity and facilitate redistribution between developed and

underdeveloped parts of the city, Metropolitan Councils require strong fiscal powers (Budget Review, 2008).

#### **4.2.15 The promotion of local democracy**

The promotion of local democracy should be seen as a central role for any municipal government - it is given particular attention here because the scale and complexity of metropolitan areas require specific mechanisms to promote local participation and democracy. The local sphere is an arena where citizens can participate in decision-making to shape their own living environments, and exercise and extend their democratic (social, economic and political) rights. It is often seen as critical for enhancing participative democracy because citizens may have greater incentives to participate at the local level and fewer disincentives (Budget Review, 2008).

An individual is likely to exercise some influence over a policy decision in a smaller, local institution, close to home. The perception is that the smaller the institution, the greater the participation. However, in the South African context of vast intra-metropolitan inequities and racially-divided cities, it cannot be assumed that smaller political institutions with maximum autonomy will necessarily enhance everyone's democratic rights. Metropolitan residents should have a voice in decisions which affect them at their work, at home and at places of recreation. As in all democratic systems, there is a need in metropolitan systems to ensure that the exercise of the democratic rights of some groups does not infringe on the economic, social or political rights of other groups. This requires a metropolitan system where no constituent council which represents only part of the metropolitan community has the autonomy to act in ways which limit the rights and opportunities of other metropolitan residents (Budget Review, 2008).

At the same time, a metropolitan government with a large jurisdiction may be perceived by residents as a distant form of government, and discourage their active participation. Our metropolitan areas include diverse communities, with different histories, priorities, needs and aspirations. Metropolitan governments need to be responsive to these

diverse needs, and ensure that all citizens are able to contribute effectively to the governance of their communities. This requires smaller forums which effectively represent the diversity of interests within the metropolitan area (Budget Review, 2008).

Given the social geography of our major cities, it is likely that forums small enough to facilitate direct citizen participation will reflect existing racial divisions in the city. If these forums are independent municipal councils, there is a danger that they will encourage race-based local politics. The need for smaller representative forums can be accommodated at the same time as the concerns that no one Council should be able to act in ways which disadvantage other metropolitan residents, and that statutory divisions between parts of the metropolitan community should be avoided. Smaller political forums could be constituted as committees of the Metropolitan Council, thereby removing the need to create statutory divisions between parts of the city. The Metropolitan Council would need to decentralise powers and functions to these committees to ensure that they act as forums for meaningful participation and interaction with elected representatives, and do not become “talk-shops” (Budget Review, 2008).

#### **4.2.16 The provision of affordable and efficient services**

Efficient delivery mechanisms require the decentralisation of certain functions, and the vertical integration of others. Not only is flexibility required with respect to the degree to which specific functions are decentralised within any metropolitan government flexibility is also required between metropolitan governments. Factors such as the location of existing centres of municipal administrative capacity and infrastructure, population distribution patterns, and the existence of public utilities in some metropolitan areas, implies that effective delivery systems will require different degrees of administrative centralisation and decentralisation between metropolitan areas (Budget Review, 2008).

A two-tier system with a rigid division of powers and functions between tiers of independent municipalities can only allow for this type of flexibility where the allocation of powers and functions is locally negotiated. A legislated allocation of powers and

functions between tiers imposes a standard allocation of functions on all metropolitan areas. However, experience from the past two years suggests that it is exceptional for the local negotiation of powers and functions between independent municipalities to result in an operationally optimal split of functions between tiers, and those political considerations generally tend to override administrative concerns (Budget Review, 2008).

Maximum flexibility with respect to differing administrative arrangements between and within metropolitan areas is best achieved through empowering each Metropolitan Council to decide on the extent of administrative decentralisation required for each function. This can be facilitated through vesting all municipal powers and functions at the metropolitan level, and making provision for the Metropolitan Council to decentralise functions as required. This system will enable different administrative arrangements to emerge in different metropolitan areas, based on a consideration of municipal capacity and infrastructure and end-user needs in each area. It will also allow for administrative arrangements to change over time to respond to changing needs, or to incorporate “best practices” from other metropolitan areas. It has the added advantage of creating a single employer body, thereby facilitating parity in the conditions of service of municipal staff within the metropolitan area, and allowing for the deployment of staff across the metropolitan area as appropriate (Budget Review, 2008).

In terms of Section 155(5) of the Constitution, provincial legislation must determine the type of metropolitan municipality to be established in that province.

Metropolitan governments with Ward Committees are Category (A) municipalities that consist

of:

- A Metropolitan Council which exercises the complete range of (legislative, executive and administrative) municipal powers and duties.
- Ward Committees, which are area-based committees whose boundaries coincide with ward boundaries. Ward Committees have no original powers and duties

They are established as committees of the Metropolitan Council, and their powers and functions must be delegated from the Metropolitan Council. They may have advisory powers and the right to be consulted on specific issues prior to Council approval. They may also correspond to decentralised service centres which bring the administration closer to residents.

The Metropolitan Council will establish a Ward Committee for each ward falling within its area of jurisdiction. Ward Committees should be chaired and convened by the councillor elected to the ward. Each Metropolitan Council must develop procedures and rules to govern the membership and proceedings of Ward Committees, provided that membership rules are applied consistently across the metropolitan area and do not unfairly discriminate against any individual or institution. The central role of Ward Committees is the facilitation of local community participation in decisions which affect the local community, the articulation of local community interests, and the representation of these interests within the metropolitan government system (Budget Review, 2008).

Ward Committees provide a structured channel of communication between geographic communities within the metropolitan area and their political representatives at the ward and metropolitan level. Well-functioning Ward Committees will provide every metropolitan resident with a local point of access to municipal government and strengthen the accountability of ward councillors to local residents. The establishment of Ward Committees should go hand in hand with strengthening support to ward councillors and building accountable and effective local political leadership. The powers and duties delegated to Ward Committees must be determined by the Metropolitan Council. Metropolitan Councils can utilise Ward Committees effectively through the delegation of powers, such as:

- A strong role in determining local needs and priorities which form the basis of the metropolitan integrated development plan.
- Advisory powers with respect to policies impacting on the local area.

- The right to be consulted on specific issues prior to Council approval.

In this type of metropolitan government, the Metropolitan Council may decentralize administrative functions as required. Decentralised administrative units do not need to correspond to ward boundaries, and may service any area determined by the Metropolitan Council. This will allow maximum flexibility with respect to the administrative arrangements adopted by the Metropolitan Council (Budget Review, 2008).

#### **4.2.17 District government**

The only form of local government outside metropolitan areas was found in small market towns and Regional Services Councils. Here, municipalities could stabilise their costs around a geographically contained population, and an economic base of protected agricultural and mining industries. As in the metropolitan areas, groups who would draw more from municipal resources than they would contribute to the municipal tax base, were legally excluded. The bulk-service needs of farmers, which were difficult and costly to provide, were externalised to Joint Services Boards and Regional Services Councils. The service needs of the vast majority of South Africa's non-metropolitan population, including labour reserve populations in small dormitory townships attached to white towns, farm workers, and people forcibly settled in bantustans, went largely unheeded. A new system of local government will need to change this pattern (Budget Review, 2008).

Local government outside the country's metropolitan areas faces a diverse set of challenges. These include the need to:

- Build appropriate municipal institutions in areas which have no existing administrative capacity, which are unlikely to attract strong local government personnel, and which have little or no financial base to support staff complements and sustain service delivery.
- Respond creatively to changes in local economies. This includes kickstarting development in areas where economic potential has not been realised, partly

because of the high production and distribution costs imposed by poor municipal infrastructure; initiatives to manage decline in many small market towns and some regional service centres; and measures to anticipate and manage the effects of rapid growth in others.

- Anticipate shifts in settlement patterns, especially with large numbers of people leaving commercial farmland, and with informal settlements rapidly growing on vacant land/agricultural areas and on the edges of towns
- Provide for the basic needs of people living in historically derived settlement patterns which are difficult and costly to serve. These include settlements on communally owned land where dispersed homesteads are the norm, and in denser areas of “displaced urbanisation” on the borders of former homelands.
- Rapidly build capacity so that municipalities can respond to new opportunities, including the availability of national funding for infrastructure investment, the devolution of national and provincial functions, and a range of sectoral and spatial initiatives.

Some of these challenges can only be dealt with at the local level, and require strong and effective primary-tier local government. Other challenges play themselves out on a larger scale, and clearly demand regional attention through some form of cross-municipal authority. A system of district government is therefore proposed to address regional challenges, and assist in the development of local municipalities. While new district governments will build on the capacity of the transitional district government system which is in place, it is envisaged that it will assume new roles and responsibilities (Budget Review, 2008).

There are considerable variations in the size of the budgets and staffing complements of District Councils. The Local government Transition Act did not provide for clear powers for District Councils. Their powers and functions are determined by provincial proclamations which differ from province to province. Hence the roles played by District Councils vary. In most of the country District Councils build on the old Regional Services Councils and Joint Services Boards. In some areas District Councils are

completely new structures established during the transition. Generally they are responsible for the bulk service functions of the old Regional Services Councils, and in some areas they also provide municipal services directly to the public (Budget Review, 2008).

District Councils have been tasked with assisting in the development of new primary structures in rural areas. Most District Councils have sufficient managerial and technical capacity to fulfil 'original' (or old Regional Service Council) functions. However, some have been slow to implement new functions (including support to rural municipalities, and direct delivery on their behalf). Others have been innovative in assisting small towns and rural areas, and in extending services to poor rural communities. Some have adopted a flexible approach to addressing priority issues that are not formally within their functional scope. Most, however, have not adopted a major role as development agents (Budget Review, 2008).

District Councils have a strong redistributive function. However, this redistributive function is not without problems. The large proportion of District Council levy income is collected from urban areas. These urban municipalities complain that not enough of this income is reinvested in urban infrastructure. Furthermore, wealthy metropolitan areas do not fall within District Council areas. Levy income collected in metropolitan areas is thus used exclusively for the metropolitan area. This can be perceived as unfair to non-metropolitan urban areas – it potentially reinforces the development disadvantages of struggling urban centres outside of the major cities. The role of District Councils in redistribution is complicated in some cases by powerful special interest groups, who continue to wield undue influence over the allocation of funds (Budget Review, 2008).

District Councils operate in very different contexts and serve areas of very different size and settlement patterns, ranging from areas of dense settlements to vast, sparsely populated regions. Generally, District Councils are significant centres of municipal capacity, and consideration should be given to building on this capacity in the design of a new local government system (Budget Review, 2008).

A Transitional Local Council model has been applied to most urban areas, ranging from major cities to small rural towns, with very different economic and social realities. There are major variations in the capacities of municipalities serving cities and larger towns on the one hand, and small towns on the other. Municipalities in cities and larger towns face problems of poverty and uneven development, but have relatively solid administrative and financial capacity. This enables them to address their current responsibilities to a significant extent with their own resources (Budget Review, 2008).

Many small town municipalities, on the other hand, do not have the financial, administrative or service delivery potential to provide adequate services and governance without strong external support or rationalisation. District Councils are increasingly providing financial, accounting and other administrative services for smaller municipalities on an agency basis (Budget Review, 2008).

#### **4.2.18 Roles and responsibilities of district government**

District Councils are very different entities in various parts of the country. Given the numerous different settlement types within district jurisdictions, this is not a bad thing. While a measure of consistency is necessary across all district governments, a measure of flexibility needs to be built into the system. A variable district government system is envisaged in which districts exercise different sets of powers in their areas and the local municipalities that comprise them, depending on local circumstances. It is envisaged that the district governments will fulfill the following key roles:

- District government should be reorganised around a set of standard planning and development regions and given key responsibilities for district-wide integrated development planning, including land-use planning, economic planning and development, and transport planning.

- The role of district governments as infrastructural development agents should be continued through the retention of Regional Services Council levies. District government should also provide bulk-services where required.
- The ability of district government to provide on-demand assistance, as well as systematic capacity building to municipalities will be promoted. The capacity-building role of district government should be focused on increasing the capacity of Category (B) municipalities to assume municipal functions.
- In areas where municipalities with inadequate administrative capacity are established, the capacity of district government to provide and maintain appropriate levels of municipal services will be legally permitted and actively fostered. Each of these roles is further explained below.

#### **4.2.19 Integrated development planning**

The Local government Transition Act, 1993 currently makes the formulation and implementation of integrated development plans by District Councils subject to the approval of municipalities within the district. In the new system, district integrated development plans will be a statutory requirement of all district governments. District-level integrated development planning requires that district government boundaries need to be re-demarcated to reflect the most appropriate areas within which district-level integrated development planning should be exercised. Such boundaries must take into account linkages within a regional economy, existing and potential land usage and transport planning, economies of scale for infrastructure development, and future industrial, commercial and residential development. They should also consider the most appropriate areas within which other sectoral functions might be exercised (regional health services, water resources management, and so forth). As far as is possible, the planning areas of provinces and national departments should coincide with these regions. District-level integrated development planning has both a horizontal and a vertical dimension (Budget Review, 2008)

On the one hand, the integrated development plans legally required of each municipality must be reconcilable with those of neighbouring municipalities. Two sets of plans which counteract each other will detract from development in each locality, for example, when two adjacent municipalities choose to promote very different forms of industrial growth. District integrated development plans must be informed by local objectives set by municipalities. At the same time, district integrated development plans must rationalize municipal development objectives if these contradict each other (Budget Review, 2008).

A number of national and provincial departments intend to decentralise functions to local government level. Some form of vertical coordination between local government and various sectoral departments is essential. It is most rational for this coordination to be focused at the district level. This is because many of the planned service areas for decentralised functions cross municipal boundaries. It is also not cost effective for departments to always interact with each municipality directly. District government provides an appropriate level for vertical integration to occur through district integrated development plans (Budget Review, 2008).

District integrated development plans should provide guidelines for the local development objectives of each municipality, and for the planning and programmes of departments with decentralised field offices in the area. The role of district government in transport planning may also be enhanced. The Department of Transport is proposing to designate municipalities or collections of municipalities as transport authorities. These transport authorities will provide comprehensive transport planning, public transport systems, subsidised services and capital infrastructure development in line with national and provincial guidelines. In many parts of the country district governments should provide the appropriate planning scale, as well as the existing administrative capacity, to become transport authorities (Budget Review, 2008).

As district governments assume responsibility for integrated development plans, their ability to impact on regional economic development will increase. There is wide potential for district governments to play a more active role in promoting economic development

within their areas, though, for example, the provision of labour market information services, or supporting the entrepreneurial efforts of non-governmental organisations, community development corporations, training organisations, small business coalitions and so on (Budget Review, 2008).

### **Infrastructural development**

District governments continue to be the most appropriate site from which to plan and develop bulk infrastructure in non-metropolitan areas. Apart from the clear redistributive possibilities of Regional Services Council levies, there are economies of scale in managing large infrastructure projects at a more regional level. It is envisaged that Regional Services Council levies will continue to be a core source of income for district governments, and their expenditure on infrastructure a key function. Provision will have to be made, however, to ensure that Regional Services Council levies are indeed contributing to infrastructure development and not going solely to maintaining staff and systems. In some areas district governments will play a role in the direct provision of bulk and regional services. Many District Councils have developed systems to manage bulk functions like waste water and sewerage, and where appropriate this role should be strengthened. The role of District Councils in the planning and provision of infrastructure and regional services must occur within the policy and legislative frameworks put forward by national government, such as the Water Services Act, 1997 (Act 108 of 1997).

### **Technical assistance to municipalities**

According to the Budget Review (2008) some District Councils already provide technical assistance on demand to administratively weak municipalities, mainly in the form of town clerk and treasury functions. This role is likely to continue and possibly even expand. District governments may provide meaningful technical support to municipalities in the following areas:

- Facilitating the sharing of specialised capacity and equipment between municipalities, particularly computer systems.
- Assisting in the development of cooperative relations between municipalities which save on overall service costs (joint ventures, cooperative purchasing agreements, etc.).
- Planning and legal services.
- Assistance in the preparation of budgets, consolidated municipal infrastructure programme applications, tenders, draft by-laws, and so forth.
- Some national departments also provide technical assistance to municipalities, for example, the Department of Water Affairs and Forestry provides direct assistance in the areas of contract guidelines and model development plans. District governments could also provide a point of coordination for national and provincial capacity-building programmes and the location of support and training infrastructure.

### **Direct service provision at local level**

While the capacity of Category (B) municipalities to deliver municipal services should be enhanced to meet local needs, there are some areas which do not warrant the building of fully-fledged municipal administrations. Although these areas have insufficient population numbers and densities to justify the establishment of a municipality with a full administration, municipal services still need to be provided. District government should supplement the administrative capacity of Category (B) municipalities in these areas, by providing financial and administrative capacity where it is lacking, or directly providing municipal services where required (Budget Review, 2008).

### **Rural municipalities**

The institutional design of rural municipalities needs to recognise the diversity of rural settlement patterns, and the variations in existing municipal capacity and service demands across rural areas. It is proposed that rural municipalities are allocated a minimum of executive and legislative powers, but are able to “draw down” powers from the district government as they demonstrate sufficient administrative assume a number

of additional powers and functions. In others, particularly in very sparsely settled areas, the rural municipality may assume relatively few powers, and those over a protracted period as capacity increases. The varied allocation of powers and functions between Category B municipalities and district governments will provide the flexibility necessary to cater for the diversity of rural contexts and needs. District government will play an important role in the provision of municipal services where rural municipalities lack administrative capacity. National legislation will provide for a mechanism to facilitate the allocation of powers and functions between Category (B) and (C) municipalities. This mechanism will be applied by provincial governments, in consultation with the affected local governments, subject to national oversight (Budget Review, 2008).

It is envisaged that a system of Category (C) and Category (B) municipalities (i.e. district government with urban municipalities, urban-rural amalgamated municipalities and rural municipalities) will apply in all non-metropolitan areas. However, there are a few exceptional, very expansive sparse settlements in the country where no municipal services are provided, and no sustainable Category (B) municipality is possible. In these areas, district governments would need to assume responsibility for all municipal functions. Special electoral arrangements will be required where this option is exercised to allow the few citizens in these settlements to have representation at the district level (Budget Review, 2008).

#### **4.2.20 Local government finance**

The amalgamation of previously divided jurisdictions has massively increased the population which municipalities must serve, without a corresponding increase in the tax base. Combined with service backlogs, collapsed or deteriorating infrastructure, and deteriorating creditworthiness and borrowing capacity, municipalities are experiencing financial stress, and in some instances crisis. Municipalities are also experiencing upward pressure on salaries and the loss of experienced finance personnel. Although payment for services is improving, problems related to non-payment for services

remain. Extending effective property taxation to the former township areas has also proved difficult (Budget Review, 2008).

Some municipalities have inadequate financial management capacity, and as a result budgeting, accounting, credit control and financial reporting systems are weak. The budget process is often not properly linked to municipal planning, and is not always open to community participation. In some cases revenue is overstated, resulting in unrealistic budgets (Budget Review, 2008).

These problems have put pressure on municipal cash flows and financial management. Many municipalities have responded by spending accumulated reserves, reducing capital expenditure, deferring payments to vendors, utilising bridging finance, and refinancing or extending their long-term debt. The results of national government's monitoring exercise, Project Viability, have confirmed a generally deteriorating aggregate financial position within the local sphere. However, there are great differences between municipalities with respect to their financial position, and many municipalities are financially stable and healthy despite these difficulties (Budget Review, 2008).

#### **4.2.21 Administration**

Most municipalities have undergone some administrative changes as a result of the amalgamation process. However, many administrations are still organised in much the same way as before, and most have not made significant progress with respect to transforming service delivery systems. Many municipal administrations are still characterised by hierarchical line departments, poor coordination between line departments, and authoritarian management practices. Front-line workers remain de-skilled and disempowered, and women and black people are not adequately represented in management echelons. In many cases the lack of performance management systems and poor internal communication contribute to inefficiency in service delivery (Budget Review, 2008).

The changed mandate of local government (with additional developmental functions) requires new capacities, attitudes and approaches, which are only beginning to emerge. Relations between municipal Councils and the administration, between management and the workforce, and between the municipality and service-users, need to be improved. Some progress has already been made with respect to improving the training and labour relations systems, which have historically been poorly organised and ineffective. Agreement has been reached on a process to restructure the training system, and the South African Local government Bargaining Council has recently been established. Significant support and investment are required to build administrative capacity for the new local government system (Budget Review, 2008).

There have been changes in the local government system since 1993. However, many of the laws and regulations which supported the old system remain in effect. In one way or another, these continue to impact on the operation of new municipalities. These inherited pieces of legislation are often applied differently in different parts of the country, resulting in considerable confusion and uncertainty. The current legislative complexities and legal vacuums have to be addressed. The body of inherited law must be rationalised to support the new vision and role identified for local government (Budget Review, 2008).

#### **4.2.22 Global and national trends**

No municipality can ignore the economic changes taking place in its locality, in the surrounding region, in the nation, and globally. The rise or decline of industries can have a marked impact on local income, employment and tax revenue. Globalisation, or the internationalisation of capital, production, services and culture, has had, and will continue to have a major impact, in particular on metropolitan areas. The logic of transnational corporations, the fact that economic transactions and the integration of systems of production occur on a world-wide basis, and the rapid development of information technologies, have resulted in the emergence of the so-called “global

economy". In this context large cities become the nodes or points of contact which connect economies across the globe (Budget Review, 2008).

The Growth, Employment and Redistribution (Gear) strategy places greater emphasis on an export-oriented economy, and will lead to increased international openness and competition. The ultimate aim is to achieve internationally competitive industries and enhance economic growth and well-being. In the immediate term, municipalities will need to manage the consequences of globalisation - such as the restructuring and relocation of industries. Local government has an interest in attracting investment based on promoting the comparative advantages of the area for competitive industries, as well as supporting the growth of local enterprises. It will become increasingly important for municipalities to find the right balance between competition and co-operation among themselves. While some competition will improve both efficiency and innovation, cooperation between South African municipalities is necessary to enhance the performance of the national economy as a whole, and to avoid damaging forms of competition between municipalities (Budget Review, 2008).

#### **4.2.23 The transition process**

Municipalities are all experiencing problems arising from the transition process. Costly and complex administrative reorganisation has tended to focus municipalities' capacity inwards, rather than towards their constituencies and delivery. Prolonged uncertainty about powers, functions, areas of jurisdiction and a host of other matters affecting local government have added to the problem. At the same time, municipalities have faced increasing demands and expectations on delivery, often without an increase in the resources to deal with these demands, or even with shrinking subsidies. They have also faced the difficult task of realigning their operations with a range of sectoral policies and programmes. Overall there has been a lack of information and capacity (Budget Review, 2008).

While grappling with inherited inefficiencies and inequities, municipalities have also had to put in place a system of democratic and equitable governance, often in the face of

resistance from a range of local players who benefited under apartheid. It is essential for the successful implementation of a new system of local government that programmatic support is provided to municipalities to assist them during the next phase of the transition process (Budget Review, 2008).

The transition process has resulted in a local government system consisting of 843 municipalities and over 11 000 democratically elected councillors. Approximately one third of municipalities are facing serious financial difficulties or administrative problems. Serious consideration needs to be given to reducing the number of municipalities and councillors to enhance the viability of the local sphere (Budget Review, 2008).

#### **4.2.24 Settlement patterns and trends**

Given the diversity of settlements across the country, an understanding of settlement types is critical for policy-makers seeking to create appropriate municipal institutions.

- Settlement dynamics have a major influence on the resource demands made on local government, particularly demands for access to basic services and infrastructure. Factors such as the population density and economic base of a settlement influence proximity to bulk services, the cost of installing services and levels of affordability for households. Settlement conditions therefore need to be taken into account when defining approaches to service delivery and appropriate municipal institutional arrangements.
- Changes in population distribution affect the size of *functional boundaries*. Boundary demarcation needs to take into account, and anticipate, the population distribution and concentration which is to be served by any municipality.

#### **4.2.25 The implications of current settlement patterns**

Over half of the nearly 50 million people who live in South Africa are currently urbanised. Increased urbanisation, from natural urban population growth and migration from rural to urban areas, is expected to continue and result in dramatic increases in the proportion of urbanised citizens over the next 20 years. Metropolitan areas and

secondary cities are expected to absorb most of this growth. The population of rural areas is not expected to grow substantially - either as a proportion of the total population, or in absolute terms (in total). The end of apartheid and the removal of legal restrictions to movement (influx control and group areas), demarcation of new boundaries, and migration trends within the Southern African sub-region have not (yet) meant fundamental change in national population distribution, urbanisation and migration. However, research reveals that profound changes may be under way in migration trends and settlement patterns, which will have a major impact on local government in the years to come. Apartheid influenced South African settlement patterns in profoundly inequitable ways, and imposed enormous costs on mobility between rural and urban areas, and within urban areas. Municipalities can play a key role in transforming settlement types, and in addressing some of the existing distortions (Budget Review, 2008).

#### **4.2.26 Characteristics of developmental local government**

Developmental local government is local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives.

The Constitution enshrines the rights of all people in South Africa to dignity, equality before the law, freedom and security. It affirms our rights to freedom of religion, expression, culture, association and movement, as well as our political, labour and property rights. The Constitution commits government to take reasonable measures, within its available resources, to ensure that all South Africans have access to adequate housing, health care, education, food, water and social security.

The reality in cities, towns and rural areas is far from this ideal. Many communities are still divided. Millions of people live in dire poverty, isolated from services and opportunities. The previous local government system did very little to help those with the

greatest needs. The current transitional system has not yet been able to do much to reverse these long-standing patterns of inequity and unmet human needs.

In the future developmental local government must play a central role in representing our communities, protecting our human rights and meeting our basic needs. It must focus its efforts and resources on improving the quality of life of our communities, especially those members and groups within communities that are most often marginalised or excluded, such as women, disabled people and very poor people. Developmental local government has four interrelated characteristics:

- Maximising social development and economic growth.
- Integrating and coordinating.
- Democratising development.
- Leading and learning.

#### **4.2.26.1 Maximising social development and economic growth**

The powers and functions of local government should be exercised in a way that has a maximum impact on the social development of communities in particular meeting the basic needs of the poor and on the growth of the local economy. Through its traditional responsibilities (service delivery and regulation), local government exerts a great influence over the social and economic well-being of local communities. Each year municipalities collect a large sum in rates, user charges and fees. They employ thousands of people throughout the country. In many cases they are responsible for the price and quality of water, electricity and roads, and they control the use and development of land. In parts of the country they own substantial amounts of land. They purchase goods and services and pay salaries, and therefore contribute to the flow of money in the local economy. They set the agenda for local politics, and the way they operate gives strong signals to their own residents and to prospective migrants or investors. These functions give local government a great influence over local

economies. Municipalities therefore need to have a clear vision for the local economy, and work in partnership with local business to maximise job creation and investment.

Local government is not directly responsible for creating jobs. Rather, it is responsible for taking active steps to ensure that the overall economic and social conditions of the locality are conducive to the creation of employment opportunities. Provision of *basic* household infrastructure is the central contribution made by local government to social and economic development. However, simple changes to existing procedures such as affirmative procurement policies, linking municipal contracts to social responsibility, speeding up approval procedures or proactively identifying and releasing land for development could have a significant impact with little or no additional cost. In addition, new policies and programmes can be initiated, aimed specifically at alleviating poverty and enhancing job creation. For example, local government could assist with the provision of support services, such as training to small businesses or community development organisations.

#### **4.2.26.2 Integrating and coordinating**

Within any local area many different agencies contribute to development, including national and provincial departments, parastatals, trade unions, community groups and private sector institutions. Developmental local government must provide a vision and leadership for all those who have a role to play in achieving local prosperity. Poor coordination between service providers could severely undermine the development effort. Municipalities should actively develop ways to leverage resources and investment from both the public and private sectors to meet development targets.

One of the most important methods for achieving greater coordination and integration is integrated development planning. Integrated development plans provide powerful tools for municipalities to facilitate integrated and coordinated delivery within their locality. The principles set out in the Development Facilitation Act should guide municipalities in their approach to building integrated, liveable settlements.

While strategies for building human settlements may differ between localities, it is clear that the establishment of sustainable and liveable settlements depends on the coordination of a range of services and regulations, including land-use planning, household infrastructure, environmental management, transport, health and education, safety and security and housing. Municipalities will need to work closely with other spheres of government and service providers and play an active integrating and coordinating role here.

#### **4.2.27 Local government links to the 12 priority outcomes**

In January 2010 government adopted 12 outcomes underpinning its long term development strategy. Each outcome has measurable outputs with targets. Furthermore, each of the 12 outcomes has a delivery agreement, which in most cases involves all spheres of government. When municipalities embark on reviewing their integrated development plans (IDPs) and developing their new budgets, they will need to ensure alignment with these outcomes. The text box highlights the areas where municipalities will need to contribute to the realisation of each of the 12 outcomes.

<b>Government's 12 priority outcomes and the role of local government</b>	
<b>Cabinet outcome</b>	<b>Role of local government</b>
1 <i>High-quality basic education</i>	<ul style="list-style-type: none"> <li>Facilitate the building of new schools through participating in needs assessments done by provinces, identifying appropriate land and facilitating zoning and planning processes</li> <li>Facilitate the eradication of municipal service backlogs in schools by extending appropriate bulk infrastructure and building connections</li> </ul>
2 <i>Improved health and life expectancy</i>	<ul style="list-style-type: none"> <li>Many municipalities perform health functions on behalf of provinces</li> <li>Strengthen effectiveness of health services managed by municipalities by specifically enhancing TB treatments and expanding HIV and AIDS prevention and treatments</li> <li>Municipalities must continue to improve Community Health Service infrastructure, by providing clean water, sanitation and waste removal services</li> </ul>
3 <i>All people in South Africa protected and feel safe</i>	<ul style="list-style-type: none"> <li>Facilitate the development of safer communities through better planning and enforcement of municipal by-laws</li> <li>Direct the traffic control function towards policing high risk violations – rather than revenue collection</li> <li>Metro police services should contribute by increasing police personnel, improving collaboration with the South African Police Service (SAPS) and ensuring rapid response to reported crimes</li> </ul>
4 <i>Decent employment through inclusive economic growth</i>	<ul style="list-style-type: none"> <li>Create an enabling investment environment by streamlining planning application processes</li> <li>Ensure proper maintenance and rehabilitation of essential services infrastructure</li> <li>Ensure proper implementation of the expanded public works programme (EPWP) at the municipal level</li> <li>Design service delivery processes to be labour intensive</li> <li>Improve procurement systems to eliminate corruption and ensure value for money</li> <li>Utilise community structures to provide services</li> </ul>
5 <i>A skilled and capable workforce to support inclusive growth</i>	<ul style="list-style-type: none"> <li>Develop and extend intern and work experience programmes in municipalities</li> <li>Link municipal procurement to skills development initiatives</li> </ul>
6 <i>An efficient, competitive and responsive economic infrastructure network</i>	<ul style="list-style-type: none"> <li>Ring-fence water, electricity and sanitation functions so as to facilitate cost-reflective pricing of these services</li> <li>Ensure urban spatial plans provide for commuter rail corridors, as well as other public modes of public transport</li> <li>Maintain and expand water purification works and waste water treatment works in line with growing demand</li> <li>Assign the public transport function to cities</li> <li>Improve maintenance of municipal road networks</li> </ul>
7 <i>Vibrant, equitable and sustainable rural communities and food security</i>	<ul style="list-style-type: none"> <li>Facilitate the development of local markets for agricultural produce</li> <li>Improve transport links with urban centres so as to ensure better economic integration</li> <li>Work with provinces to promote home production to enhance food security</li> <li>Ensure effective spending of grants for funding extension of access to basic services</li> </ul>
8 <i>Sustainable human settlements and improved quality of household life</i>	<ul style="list-style-type: none"> <li>Cities to work towards fulfilling the requirements to be accredited for the housing function</li> <li>Develop spatial plans to ensure new developments are in line with national policy on integrated human settlement</li> <li>Participate in the identification of suitable land for social housing</li> <li>Ensure capital budgets prioritise maintaining existing services and extending services</li> </ul>

<b>Government's 12 priority outcomes and the role of local government <i>continued</i></b>	
<b>Cabinet outcome</b>	<b>Role of local government</b>
9 <i>A responsive and, accountable, effective and efficient local government system</i>	<ul style="list-style-type: none"> <li>• Adopt IDP processes appropriate to the capacity and sophistication of the municipality</li> <li>• Implement the community work programme</li> <li>• Ensure ward committees are representative and fully involved in community consultation processes around the integrated development plan (IDP), budget and other strategic service delivery issues</li> <li>• Improve municipal financial and administrative capacity by implementing competency norms and standards and acting against incompetence and corruption</li> </ul>
10 <i>Protection and enhancement of environmental assets and natural resources</i>	<ul style="list-style-type: none"> <li>• Develop and implement water management plans to prevent water losses</li> <li>• Ensure effective maintenance and rehabilitation of infrastructure</li> <li>• Run water and electricity saving awareness campaigns</li> <li>• Ensure proper management of municipal commonage and urban open spaces</li> <li>• Ensure development does not take place on wetlands and other sensitive areas</li> </ul>
11 <i>A better South Africa, a better and safer Africa and world</i>	Role of local government is fairly limited in this area. It must concentrate on: <ul style="list-style-type: none"> <li>• Ensuring basic infrastructure is in place and properly maintained</li> <li>• Creating an enabling environment for investment</li> </ul>
12 <i>A development-orientated public service and inclusive citizenship</i>	<ul style="list-style-type: none"> <li>• Continue to develop performance monitoring and management systems</li> <li>• Comply with legal financial reporting requirements</li> <li>• Review municipal expenditures to eliminate wastage</li> <li>• Continue to implement the municipal turn-around strategies</li> <li>• Ensure councils behave in ways to restore community trust in local government</li> </ul>

#### **4.2.28 Democratising development, empowering and redistributing**

Municipal Councils play a central role in promoting local democracy. In addition to representing community interests within the Council, municipal councillors should promote the involvement of citizens and community groups in the design and delivery of municipal programmes. In the past, local government has tended to make its presence felt in communities by controlling or regulating citizens' actions. While regulation remains an important municipal function, it must be supplemented with leadership, encouragement, practical support and resources for community action. Municipalities can do a lot to support individual and community initiative, and to direct community energies into projects and programmes which benefit the area as a whole. The involvement of youth organisations in this regard is particularly important.

Municipalities need to be aware of the divisions within local communities, and seek to promote the participation of marginalised and excluded groups in community processes. For example, there are many obstacles to the equal and effective participation of

women, such as social values and norms, as well as practical issues such as the lack of transport, household responsibilities, personal safety, etc. Municipalities must adopt inclusive approaches to fostering community participation, including strategies aimed at removing obstacles to, and actively encouraging, the participation of marginalised groups in the local community.

At the same time, the participatory processes must not become an obstacle to development, and narrow interest groups must not be allowed to 'capture' the development process. It is important for municipalities to find ways of structuring participation which enhance, rather than impede, the delivery process. A central principle of the Reconstruction and Development Programme (RDP) is the empowerment of poor and marginalised communities. This is repeated in the Growth, Employment and Redistribution (Gear) strategy which calls for "a redistribution of income and opportunities in favour of the poor". Developmental local government is uniquely placed to combine empowerment and redistribution in a number of concrete programmes. For example:

- Service subsidies are a focused mechanism for providing services to the poor at below cost, and thereby provide an opportunity for low-income households to improve their circumstances. The 'equitable share' will provide the basis for a standardised subsidy mechanism for all poor households. Municipalities need to plan the level and amount of additional subsidies in a way which is affordable within the overall municipal budget.
- Support to community organisations in the form of finances, technical skills or training can enhance the ability of the poor to make their needs known and to take control of their own development process.
- Linkage policies aim to directly link profitable growth or investment with redistribution and community development. An example is a development levy imposed in fast-growing areas and used to subsidise housing or other services for the poor. An alternative is a condition which requires developers to make social responsibility investments in return for planning permission. Another

example is the use of conditions imposed on companies which supply goods and services to a municipality (such as banks) to invest in training, affirmative action or community development.

- Socio-economic development and community empowerment is mainly directed at poverty eradication. The majority of the poor are women, and empowerment strategies which focus on women are likely to prove the most effective and inclusive. Municipalities need to develop their capacity to understand the diverse needs of women in the community, and address these needs in planning and delivery processes to enhance their impact on poverty eradication.

Extremely rapid changes at the global, regional, national and local levels are forcing local communities to rethink the way they are organised and governed. All over the world communities must find new ways to sustain their economies, build their societies, protect their environments, improve personal safety (in particular for women) and eliminate poverty. There is no single correct way to achieve these goals. National frameworks and support from other levels of government are critical, but cities, towns and rural communities are increasingly having to find within themselves ways to make their settlements more sustainable. This requires trust between individuals and open and accommodating relationships between stakeholders. Local government has a key role to play in building this kind of social capital - this sense of common purpose - to find local solutions for increased sustainability. In practical terms, municipalities can build social conditions favourable to development through:

- Building the kind of political leadership that is able to bring together coalitions and networks of local interests that cooperate to realise a shared vision.
- Responsive problem-solving and a commitment to working in open partnerships with business, trade unions and community-based organisations.
- Ensuring that knowledge and information are acquired and managed in a way that promotes continuous learning, and which anyone can access easily and quickly.

- Enhancing local democracy through raising awareness of human rights issues and promoting constitutional values and principles.
- Building an awareness of environmental issues and how the behaviour of residents impacts on the local environment, and encouraging citizens to utilise scarce natural resources in a prudent, careful manner
- Investing in youth development as a key resource for the future, and building on their creativity and motivation through involvement in civic and development programmes.
- Actively seeking to empower the most marginalised groups in the community and encouraging their participation.
- Empowering ward councillors as community leaders who should play a pivotal role in building a shared vision and mobilising community resources for development.

Developmental local government requires that municipalities become more strategic, visionary and ultimately influential in the way they operate. Municipalities have a crucial role as policymakers, as thinkers and innovators, and as institutions of local democracy. A developmental municipality should play a strategic policy-making and visionary role, and seek to mobilise a range of resources to meet basic needs and achieve developmental goals.

Citizens and communities are concerned about the areas where they live: they are concerned about access to services and economic opportunities, mobility, safety, absence of pollution and congestion, proximity to social and recreational facilities and so on. Local government can impact on all of these facets of our lives. The outcomes which developmental local government seeks to achieve may differ over time. However, in our current circumstances the key outcomes are as follows:

- Provision of household infrastructure and services.
- Creation of liveable, integrated cities, towns and rural areas.
- Local economic development.
- Community empowerment and redistribution.

Each of these outcomes needs to be seen within the context of national development and the principles and values of social justice, gender and racial equity, nation-building and the protection and regeneration of the environment.

Local government is responsible for the provision of household infrastructure and services, an essential component of social and economic development. This includes services such as water, sanitation, local roads, stormwater drainage, refuse collection and electricity. Good basic services, apart from being a constitutional right, are essential to enable people to support family life, find employment, develop their skills or establish their own small businesses. The provision of household infrastructure can particularly make a difference to the lives of women, who usually play the major role in reproductive (domestic) work which sustains the family and the local society.

The starting point must be to prioritise the delivery of at least a basic level of services to those who currently enjoy little or no access to services. This can be achieved with the assistance of capital grants from the Consolidated Municipal Infrastructure Programme, or through local cross-subsidisation, or by mobilising private investment in municipal infrastructure. It can also be facilitated by assisting groups within the community to establish their own delivery institutions. An example is the establishment of networks of small businesses to collect refuse in a number of townships. These networks receive payments from citizens and municipalities as well as private loans from banks. Such proactive initiatives by local residents should be encouraged and supported.

As outlined in the Municipal Infrastructure Investment Framework, the levels of services which are sustainable and affordable will vary from one type of settlement to another. The Consolidated Municipal Infrastructure Programme provides grants for bulk and connector infrastructure, to enable municipalities to cover the capital costs of household infrastructure up to a basic level for low-income households. The equitable share of national revenue to which local government is entitled will enable municipalities to subsidise the operating costs of providing basic services to poor households.

Municipalities must ensure that higher levels of services to residents and businesses are provided on a sustainable basis. This requires long-term infrastructure investment planning and a careful assessment of the levels of services which communities can afford. The provision of household infrastructure is also integral to the provision of housing, and municipalities must ensure that strategies and programmes for the provision of housing and infrastructure are appropriately integrated.

Municipal strategies for the establishment of liveable cities, towns and rural areas will differ from area to area. Urban areas face the challenges of integrating towns and townships. Integration must ensure affordable mobility between work, home and recreation; combat crime, pollution and congestion; and structure the built environment to facilitate the participation of disadvantaged groups in the social and economic life of the city. Urban municipalities should promote mixed use and mixed-income development. They should plan and invest to meet current and future land-use and infrastructural needs for residential, commercial and industrial development. Metropolitan areas in particular need to anticipate and provide for the needs of rapidly growing populations.

In rural areas, the challenges of building liveable environments range from securing access to land and services for the rural poor, to addressing the distortions in ownership and opportunity that apartheid created between white and black rural dwellers. Many settlements face particularly acute challenges as a result of the apartheid practice of forcibly relocating communities to 'decentralisation points' in the former homelands. This practice resulted in dense settlements with no sustainable economic base. In many of these settlements the majority of residents commute up to 70 kilometres to work in towns and cities. The distance between home and work not only imposes high transport costs, but also imposes harsh social and personal costs. The creation of sustainable and quality living environments for communities in these settlements requires innovative strategies and programmes.

#### **4.2.29 Summary**

This chapter examines the history and context of local government, in particular the challenges of reforming a distorted system of municipal governance. A review of the new system of Local government in South Africa was discussed, taking into account the achievements in Local government as well as the new legislative, institutional, national fiscal framework. The chapter also examines the challenges and the economic outlook facing municipalities. The different categories and functions of local government and the characteristics of developmental local government was discussed. This chapter also explores the role of a developmental local government - the central responsibility of municipalities to work together with local communities to find sustainable ways to meet their needs and improve the quality of their lives. It discusses the characteristics of developmental local government, sets out a series of developmental outcomes. It is in the interest of the nation that local government is capacitated and transformed to play a developmental role.

## **CHAPTER 5: ANALYSING THE STATE OF SKILLS IN MUNICIPALITIES**

### **5.1 INTRODUCTION**

This chapter analyses the state of skills in municipalities with reference to the case of the uMgeni municipality in KwaZulu-Natal and the implications for good governance and service delivery.

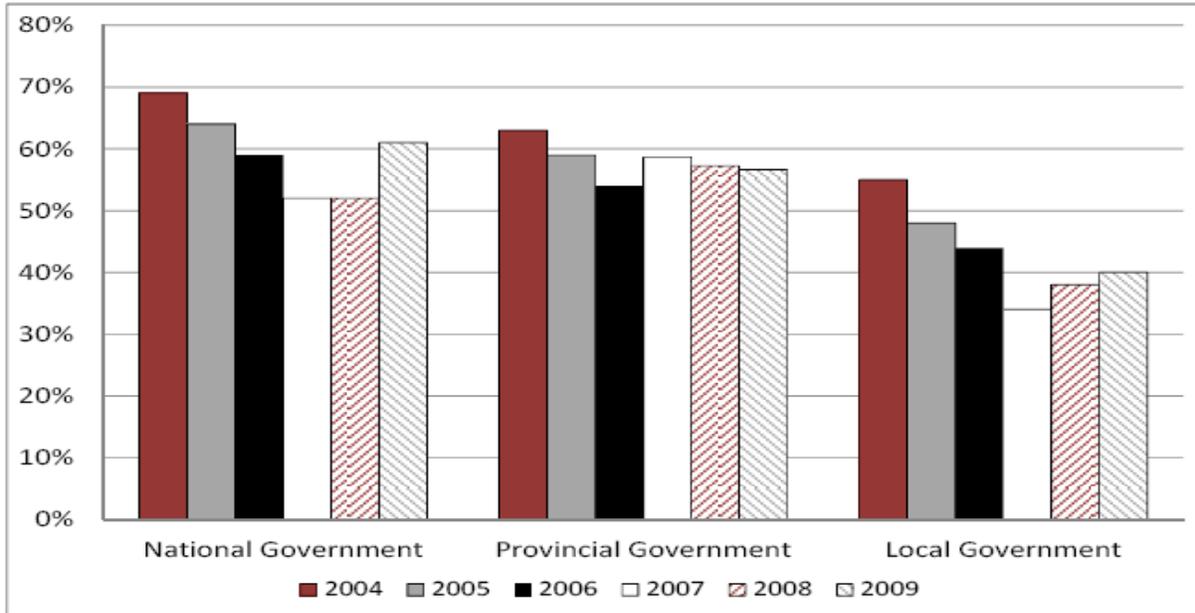
Lack of capacity is one of the perennial explanations for shortcomings in municipal service delivery. Core to this capacity problem are the very high vacancy rates in local government, which are exacerbated by job losses. A municipality needs enough workers and the right skills mix to deliver services effectively. Municipal employees and the skills they bring to the workplace are a critical input in the delivery of all services that a municipality is obliged to deliver.

The objective of managing municipal personnel is therefore not necessarily to minimise the “wage bill”, but rather to ensure that people with the required skills are recruited, retained and appropriately deployed. Another enormous challenge confronting local government is the decline in public trust in municipalities. This is reflected in various ways namely, increased public protests, more militant ratepayer associations, as well as in public opinion surveys. There is growing public frustration with poor governance and corruption a result of which is poor service delivery in many municipalities.

### **5.2 Crisis in the credibility of local government**

Figure 5.1 shows the level of public trust in the three spheres of government as measured by surveys conducted by the Human Sciences Research Council (HSRC), 2003- 2009. Since the inception of these surveys, levels of trust in local government have generally been lower than in National and Provincial Government. From a low of 34% in 2007, trust in local government has gradually increased to 40% in 2009. However, the fact that since 2005, less than 50% of people surveyed expressed trust in local government is cause for concern (HSRC South African Social Attitudes Survey (SASAS) 2003–2009).

**Figure 5.1 Trust in government institutions, 2004 to 2009**



Source: HSRC South African Social Attitudes Survey (SASAS) 2003–2009

The high levels of disenchantment with local government finds expression in two main ways: service delivery protests and action taken by a growing number of militant ratepayers associations. The latest data from Municipal IQ Hotspot Monitor (as at 2 March 2011) indicates that in 2010, there were a record number of 111 protests. The provincial distribution of these protests shows that the majority were concentrated in Gauteng and Western Cape.

Since 2004 an unprecedented wave of popular and violent protests has flowed across the country. With the recent service delivery protests the protesters explain that they took to the streets because there is no way for them to speak to government, let alone get government to listen to them. Local government is the least trusted of all public institutions in the country. This is evidenced by the study undertaken by the Human Sciences Research Council’s Social Attitude Survey for 2003 which shows that only 43% of South Africans trust local government. This shows that while the new system of local government has been established with genuine intentions to positively affect

democracy and to bring about social and economic delivery to the people, the system has not live up to expectations.

The general feeling in the hotspots is that political leadership lack responsiveness to issues raised by communities, incompetence, prone to corruption and with high degree of disregard for the communities.

Another contributing factor is that ward communities are not fully operational, resulting in poor communication with communities. Ward committees have been the focus of considerable attention by government as well civil society, with substantial investment already made in an attempt to ensure that these structures have the necessary capacity and resources required for them to fulfil their envisaged roles as the voices of communities. At the same time, questions that are often asked are how effective these institutions? Are they useful conduits for community involvement in local governance? As created space for public participation, are inherently capable of playing the critical role expected of them? Do they create opportunities for real power-sharing between municipalities and citizens? (HSRC South African Social Attitudes Survey (SASAS) 2003–2009).

The mention of ward committees typically elicits quite negative views. Communities appear to be critical of ward committees, arguing that ward committees do not function as intended. Moreover, ward committees are usually viewed as highly partisan structures aligned to party political agendas.

These protests mirror the crisis of local democracy. It is the nature of local democracy that needs to change. In a democracy, government should listen to the people, do what the majority asks, if that is possible, and, where it is not, to work with citizens to ensure that what is done is as close to what they want as it can be. It stems from the core democratic idea that government works for citizens and that it cannot do this unless it listens to them.

The present developmental local government model is premised on recognition of the primacy of linkages between development, service delivery and local citizen participation, defined as the organized effort to increase control over resources and regulative institutions by groups and movements excluded from such control.

The White Paper on Local government, 1998 urges: “building local democracy is a central role of local government, and municipalities should develop strategies and mechanisms to continuously engage with citizens. Participation is mandated in four major senses:

- as voters to ensure democratic accountability;
- as citizens who through a variety of stakeholder organisations can contribute to policy processes;
- as consumer and end users who expert value for money and affordable services; and
- as organised partners engaged in resource mobilisation for development objectives”.

Brynard et al. (2006) outlines the following as the objectives of citizen participation to:

- provide information to citizens;
- get information from the citizens;
- improve public decisions, programmes, projects, and services; and
- protect individual and minority group rights and interests.

It should be noted that while the causes of the service-delivery protests differ from one province to the next and from one municipality to the next, in all instances people want to be heard and taken seriously. The protesters are aware that they are citizens with rights and that they should be treated accordingly.

It is widely felt that the decisions in South Africa do not respond adequately to the needs and values of the communities, especially the poor and disadvantaged sectors of the community. As a result, planning including the budgets and IDPs has not sufficiently

been reflective of the needs of the community. This is a contradiction to local government legislative framework underpinning local governance and popular belief that some form of stakeholder involvement in the decision-making process is necessary in planning on issues that affect people's lives.

Protesters are adamant that for as long as government officials continue to assume that a mandate at the polls gives them a mandate to act in a unilateral and top-down manner their protests will continue. This approach undermines public participation which is intrinsic to the core meaning of democracy. According to Powell (2009) it is estimated that only 3% of the national population has actually participated in Intergrated Development Plan (IDP) processes.

The Municipal Finance Management Act, 2003 requires municipalities to “take reasonable steps to ensure that the resources of the municipality are used effectively, efficiently and economically”. Good financial management is the key to local delivery. It is quite disturbing to note that many municipalities are generally associated with the worst form of financial management. Corruption, financial mismanagement and non-compliance with financial legislation are common in many municipalities. Consequently, this result in poor performance, thus the delivery of social services is compromised.

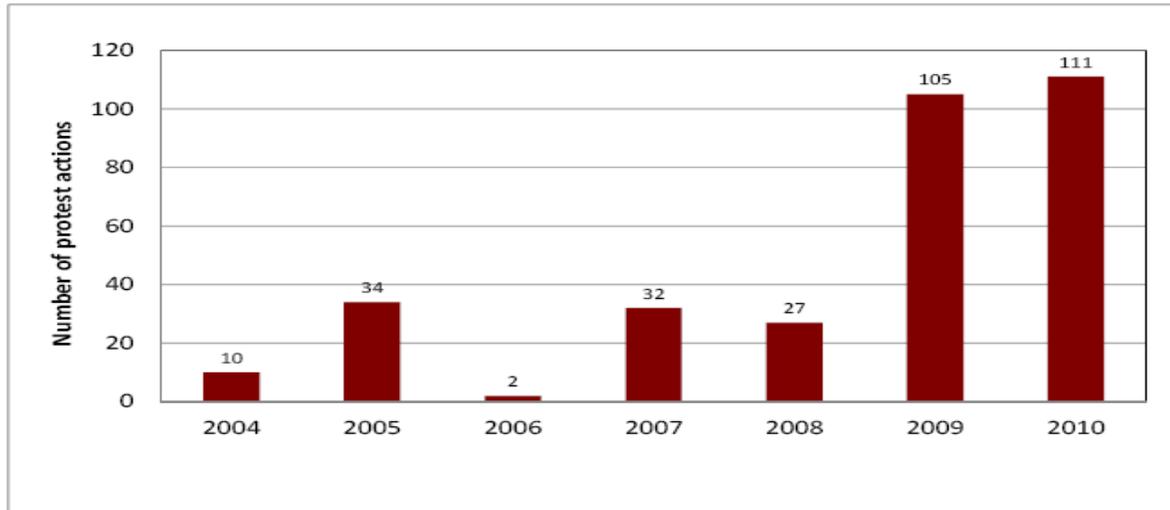
In his 2003/04 report for Local government financing published in March 2004 the Auditor-General of South Africa noted that the basis of income generation might not provide sufficient funds for delivering the services expected of municipalities. This means that sustainability of service provision by local government has to be called into question. In this regard, the financial viability of the impoverished municipalities needs some consideration. These municipalities cannot perform their functions due to fiscal distress. These municipalities do not have extensive powers to raise their own revenues through property and business taxes and nor to impose fees for services. Furthermore such municipalities are overburdened to deliver.

The State of Local government in South Africa Report, 2009 admits that “the national government may have created expectations that local government cannot fulfil, or placed a burden on municipalities that perhaps only the strongest amongst them can carry”. This is the reality for local and district municipalities which largely depend on municipal grants and equitable share.

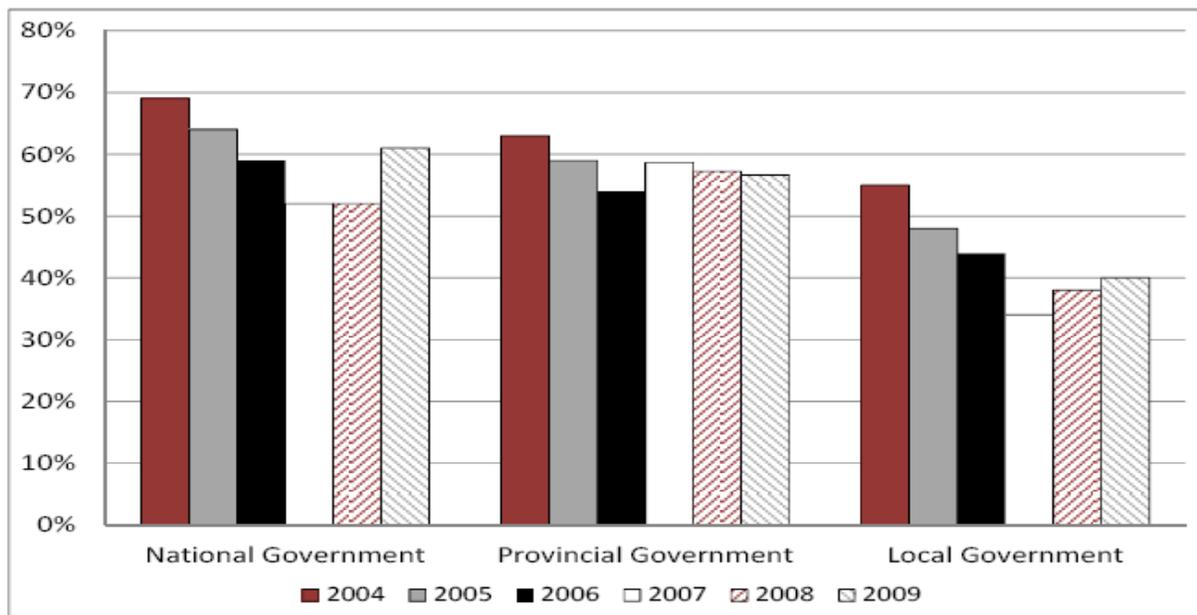
Municipalities with weak revenue bases cannot survive on the current municipal infrastructure grants and equitable share funding allocations to fulfil their mandate. Such allocations are insufficient to ensure universal access to adequate services and will not enable poor and small municipalities to eradicate backlogs. Thus, municipalities with financial limitations cannot translate their IDPs to workable socioeconomic programmes. The State of Local government in South Africa Report (2009) further notes that the “distribution of the equitable share always favours metros over local municipalities and that the national government has failed to devise a sustainable strategy for supporting municipalities that are inherently different and confronting unique problems that are linked to their location in a distorted spatial economy”.

Finally, another factor that undermines the performance of municipalities is the availability and shortage of the required skills. The *State of Local government in South Africa Report 2009*, points out that skills deficit within municipalities remains a major challenge. A significant number of municipalities do not have the managerial, administrative, financial and institutional capacity to meet the rising needs of local people. This situation is exacerbated by the decline of municipal professional and poor linkages between local government and tertiary education sector. As a result these municipalities cannot meet their required performance standards, thus impacting adversely on the delivery of services (The State of Local Government Report in South Africa, 2009).

**Figure 5.2 a Service delivery protests, 2004 to 2010**



**Figure 5.2. b Service delivery protests, 2004 to 2010**



Source: HSRC South African Social Attitudes Survey (SASAS) 2003–2009

While there has been a range of explanations for the growing number of service delivery protests, it would seem that generally poorer communities use these protests to bring their grievances with municipalities to the attention of the government. By contrast, wealthier communities tend to organise themselves into ratepayer associations and

then seek to engage with municipalities on particular issues, either directly through meetings, or indirectly through letter writing and petition campaigns (HSRC SASAS 2003–2009).

According to the National Taxpayers Union of South Africa, ratepayers in 42 towns are currently engaged in legally declared disputes in terms of Section 102 of the Municipal Systems Act (2000), and instead of paying rates and other service charges over to the municipality, they are paying them into trust accounts. In some towns, ratepayer associations have begun to use these funds to do essential maintenance and to pay private companies to deliver the needed services. Both the service delivery protests and actions of ratepayer associations point to the urgent need to improve the service delivery situation in many municipalities.

### **5.3 Getting governance wrong**

Thus far, there has been a tendency to attribute all failings in municipal performance to a lack of capacity, whether it be individual or organisational capacity. However, when evaluating municipal performance failures, the reality is that many municipal failures can be directly attributed to failures in local political leadership. Where there are dysfunctional councils and distrust, important decisions such as the appointment of senior staff or approvals of plans and budgets get delayed or are not taken. This holds back service delivery.

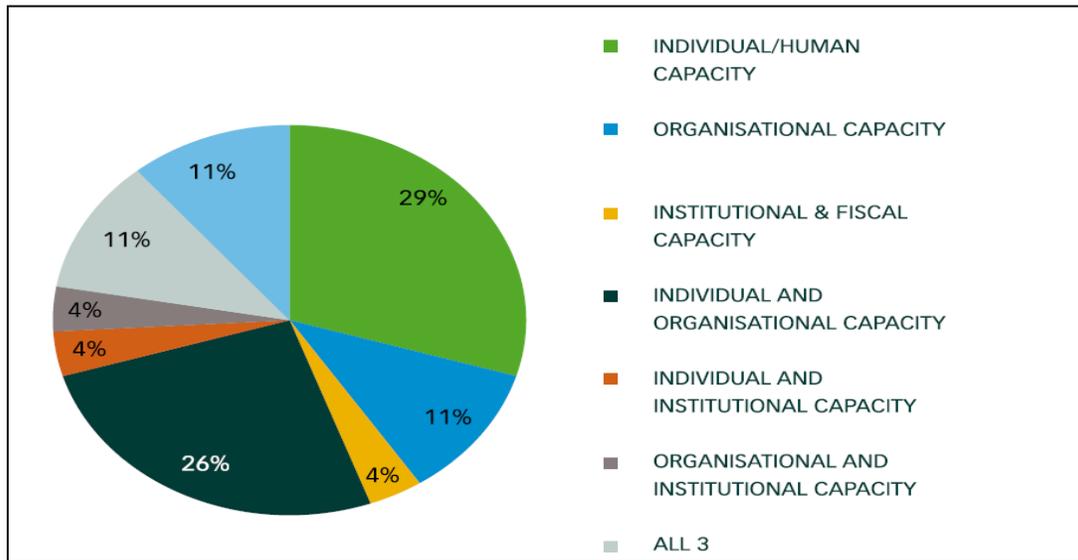
Provincial governments and national government need to be more proactive in holding municipal councils accountable to the extent provided for in the Constitution. National government has tended to take a lenient approach to applying Section 139 of the Constitution, 1996. Although this section provides for the dismissal of municipal councils if its financial affairs are in crisis, this has yet to occur. Also, while Section 216 enables National Treasury to withhold the transfer of funds to a municipality if it does not comply with prescribed treasury norms and standard (i.e., does not comply with the Municipal Finance Management Act (2003)), this has only ever happened once.

Consequently, council members have been allowed to remain in office and have continued to receive transfers from national government despite obvious failures. Generally, the interventions that have occurred have been poorly managed and so have not achieved the desired turnarounds. When governance goes wrong, and concrete steps are not taken to put things right, the municipality's ability to deliver effective services is undermined.

#### **5.4 Capacity Challenges at Local Government Level**

Despite undergoing the biggest transformation process in South African history, municipalities in South Africa still have a long way to go before they can claim to be sustainable and functional. The municipal transformation process itself has been a process beset by capacity constraints and performance failures. Questions have been raised about the viability of such a large number of municipalities in South Africa, the changing powers and functions of various municipalities, political leadership problems, the scarcity of skills, the lack of clarity on roles and responsibilities, and the service delivery protests.

**Figure 5.3 municipalities differ in their definition of capacity building.**



**Source: HSRC South African Social Attitudes Survey (SASAS) 2003-2009**

The skills challenges at municipal level are by no means new. In its submission to the Policy Review Process on Provincial and Local government, SALGA identified a number of challenges. These included the under-investment in people, particularly where technical, management and leadership skills are required, and assumptions about shortcuts to acquiring specialist skills rather than obtaining the required education and work experience (DCoG, 2009).

Municipalities do not appear to have the required skills base for optimal operational results. Between 2006 and 2009, municipal employment in the financial administration and technical sectors declined because of, among other reasons, skills shortages (National Treasury, 2011). The high level of staff mobility has also led to dependency on the services of consultants. The real need is to stabilise the senior management teams of municipalities in order to improve service delivery outcomes.

The 2010 Development Report suggests that the appointments of senior personnel should be subject to relevant and rigorous tests in both key competencies and management expertise (DBSA, 2010). The need for appropriate technical skills to be in

place in order to improve municipal capacity was the motivation behind the Municipal Regulations on Minimum Competency Levels, which was introduced in 1 July 2007 (National Treasury, 2007). Also introduced was the Municipal Finance Management Programme (MFMP), which is a training programme consisting of unit standards at NQF level 5 and 6 certificates in municipal finance management. Service providers are required to apply for accreditation with the Local government Sector Education and Training Association (LGSETA) to provide the training.

However, many private sector service providers have become disillusioned with the overly rigid, prescriptive and bureaucratic processes for applying for accreditation and implementing the programme. The training materials are generic in nature and do not address some of the very real financial management challenges facing municipalities. Even though the Municipal Regulations prescribe general competency levels required of select officials and senior managers, municipalities tend to ignore them (National Treasury, 2011). Generally, when municipalities have had the opportunity to appoint new staff, specifically to Budget and Treasury Offices, they have appointed people with inappropriate qualifications and experience. Therefore, incumbents with inappropriate experience and qualifications are still being appointed to positions. Despite this evidence, municipal respondents interviewed indicated that they believe municipal regulations are proving successful in guiding municipalities to build the needed competencies.

### **5.5 Vacancies and Capacity**

Vacancy rates are an important component of institutional capacity. Service delivery suffers as a result of vacancy rates, which were 12 % in 2009 among senior managers in local government, and the lack of regulations on competency levels for all critical posts.

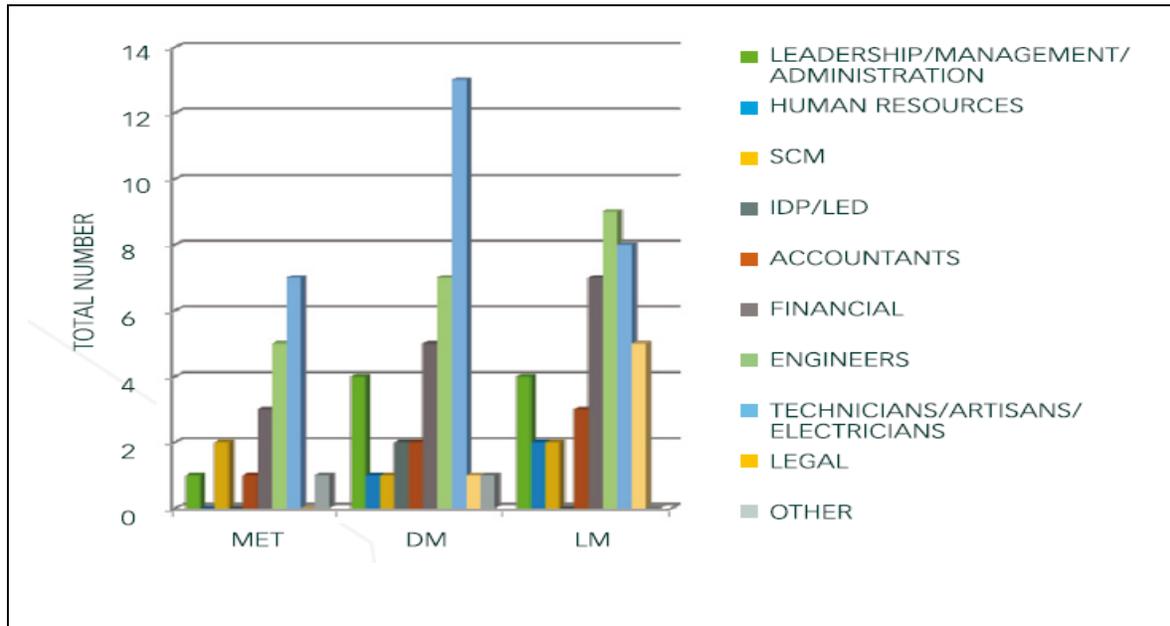
**Table 5.1 Vacancies in key sectors**

	2005	2006	2008	2009
	% positions vacant	% positions vacant	% positions vacant	% positions vacant
<b>Category A (Metros)</b>	23.50%	25.70%	24.50%	24.20%
Financial administration	13.10%	16.20%	15.50%	22.30%
Electricity	17.40%	28.70%	32.40%	33.10%
Water	27.50%	34.80%	30.40%	27.80%
Waste water management			43.50%	46.70%
Waste management			28.30%	26.50%
Sewerage/Sanitation	5.40%	10.70%		
Refuse removal	14.60%	17.00%		
Other	27.10%	26.80%	22.50%	21.20%
<b>Category B + C</b>	15.70%	17.70%	14.10%	15.40%
Financial administration	15.30%	13.90%	16.40%	16.60%
Electricity	15.70%	18.00%	19.80%	19.70%
Water	16.60%	16.60%	13.80%	13.90%
Waste water management			17.80%	23.80%
Waste management			11.10%	11.20%
Sewerage/Sanitation	15.70%	17.40%		
Refuse removal	10.40%	12.20%		
Other	16.70%	20.10%	12.90%	14.50%
Total	19.70%	21.90%	19.30%	19.60%

**Source: HSRC South African Social Attitudes Survey (SASAS) 2003-2009**

As Table 5.1 illustrates, employment in the financial administration sector declined from 2006–09, and employment in the technical sectors fell from 29 % to 23.4 %. During this time municipalities were losing these critical skills, but employment increased in the “Other” sector which covers mainly municipal support functions. These vacancies and the inability to attract scarce skills are not only found at senior management level, as municipalities reported high vacancy rates for artisans, technicians and electricians. Of the 27 sampled municipalities, 29 % indicated difficulties in attracting and retaining artisans, technicians and electricians (HSRC SASAS 2003-2009).

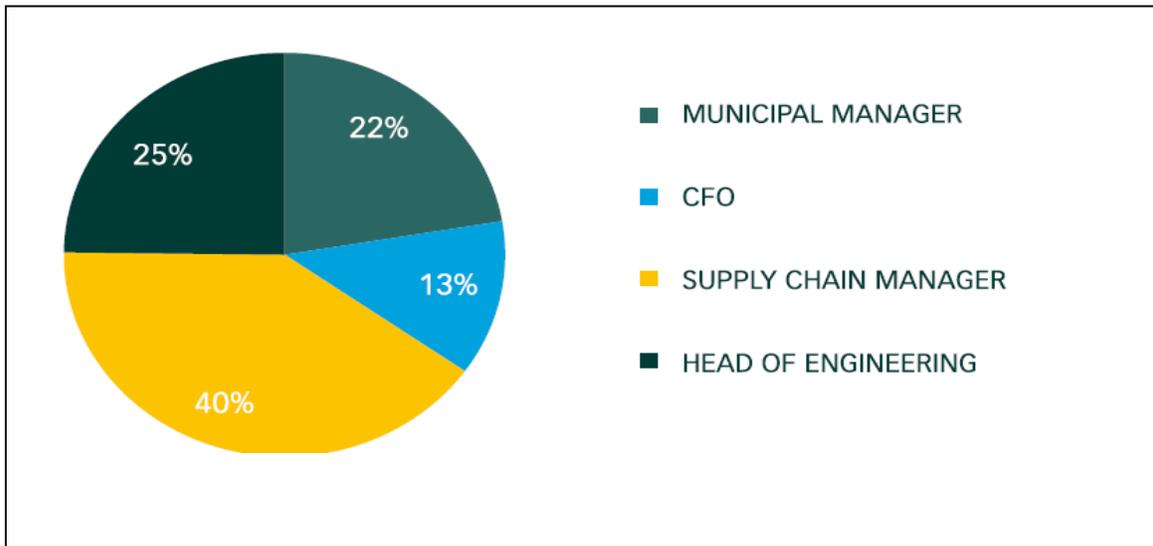
**Figure 5.4 Municipal skills challenges**



**Source: HSRC South African Social Attitudes Survey (SASAS) 2010**

The study found that 22 % of the sampled municipalities also reported difficulties in attracting and retaining engineering skills. The need for financial skills is particularly evident in local and district municipalities, with 16% of municipal respondents reporting on its scarcity. The approach to improving skilled resources should, however, focus on both acquiring, retaining and using skills (Nair, 2003: 67).

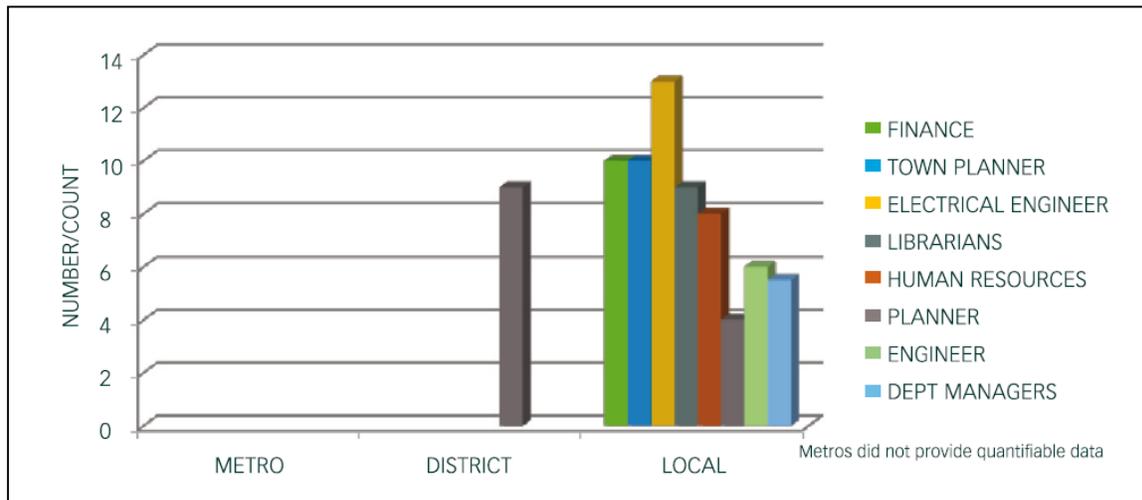
**Figure 5.5 Municipal senior management vacancies**



Source: HSRC South African Social Attitudes Survey (SASAS) 2003-2009

The municipalities also reported difficulties in filling vacancies for most senior management positions. The challenges faced in acquiring and retaining skills undermine continuity in municipal management, which ultimately has a negative impact on service delivery (HSRC SASAS 2003-2009).

**Figure 5.6 Average period that positions remain vacant**



Source: HSRC South African Social Attitudes Survey (SASAS) 2010

The inability of municipalities outside of urban areas to attract experienced technical and professional skills is exacerbated by the decreased opportunities for further skills

development because of weak linkages with tertiary educational facilities and poorly organised professional bodies (DCoG, 2009).

Skills retention is a challenge for all the municipalities interviewed, and some of the main hurdles are:

- A fear that performance contracts will not be renewed, which compels officials to find alternative employment.
- Smaller municipalities being unable to compete with larger municipalities in retaining officials.
- Political interference in administration, which leads to officials seeking other employment opportunities
- A lack of coordinated effort to retain existing skills.

To encourage greater stability, the new *Municipal Systems Amendment Act* provides for a number of strategies to attempt to fill vacancies and to retain senior managers, including:

- Appointing managers, who are accountable to the municipal manager, to permanent rather than fixed-term posts.
- Regulating the minimum skills, expertise, competencies and qualifications for the appointment of senior municipal managers.
- Reducing incidences of nepotism and encouraging the appointment of suitably qualified people, by advertising posts nationally.

Obviously, this legislative amendment is not enough. Municipal councils have crucial roles to play in contributing to the stability and productivity of senior municipal managers. Some municipalities reported successes in retaining certain skills, particularly in the middle and lower management levels. However, senior management levels still appear to be particularly affected by the mentioned hurdles. Individual capacity is developed within an institutional context, which may have positive or negative effects. Organisational factors – such as supply-chain management complexities that hamper the appointment of service providers; cumbersome Human

Resources practices that seldom yield the correct results; poor practices; the complexities of the skills development process; and the amount of paperwork required for training programmes – all compromise the human capacity of municipalities. The evidence of a high incidence of irregular or inappropriate appointments is concerning (DCoG, 2009).

Although vacancy rates are often used as an indicator of organisational capacity, appointments are commonly made to positions that do not exist on approved organisational structures. Organised labour has complained that “nepotism and favouritism result in erratic appointments and promotions. Cases have been cited where posts are filled without being advertised; people are appointed for posts in technical positions where job evaluations and descriptions are not in place” (DCoG, 2009). This is despite the fact that the Institute for Local government Management of South Africa has stipulated that appropriate recruitment and selection processes should be used, and that all employee appointments should be separated from political office bearers (National Treasury, 2011).

The Institute of Municipal Administration for Southern Africa has proposed that the senior management structure of a municipality should consist of officials who are obligated by their profession’s code of conduct. These professionals should be on contracts for longer than five years, to ensure security of tenure (DCoG, 2009).

Furthermore, HR management in municipalities has been beset by poor recruitment practices, rigid enforcement of the employment equity principle, the inability to attract and retain suitably qualified staff, high vacancy rates, a lack of performance management systems and political interference in the appointment and dismissal of staff. Political interference in the recruitment process, disparities in salaries, and deteriorating relations between workers and employers all contribute to an environment that is unattractive to professionals. A poor municipal work environment with vague job descriptions, limited incentives, limited career paths and little scope or encouragement

or initiative is not conducive to attracting and retaining talented professionals (DCoG, 2009).

Given the poor outcomes of HR management's recruitment and selection processes, the independent interview panels should be integrated into the process (DBSA, 2011). However, this alone is unlikely to be enough to counter the strong environmental capacity challenges. Another challenge is that the average cost of employment has increased at rates well above inflation (National Treasury, 2011). As an increasingly cost-effective method of delivering services, many municipalities are outsourcing activities.

This is as a result of the financial pressures, which have constrained municipalities' ability to increase employment. The skills shortages and employment equity requirements make it even more difficult for towns and rural municipalities to recruit staff who are suitably qualified. Municipalities' rigid interpretation of the Employment Equity Act, 1998) has meant that the balance between the need to fill vacancies with competent employees and the objectives of the Act has not been maintained. This has resulted in positions not being filled (particularly in areas of distinct skills shortages) because a suitable affirmative action candidate could not be found, which has had a negative impact on service delivery (National Treasury, 2011).

Capacity gaps are defined as the difference between that which exists and that which is needed in order to comply with legislation, service delivery, the particular mode of service delivery and developmental challenges. Theoretically, these capacity gaps should be clearly defined prior to designing any interventions. For example, an integrated perspective of capacity is needed (including individual, institutional and environmental elements), and so a skills gap should not be considered in isolation. In evaluating an environment in which capacity building may take place, understanding existing capacity is important: what works and how do things work in the current environment, how stakeholders perceive the key operational problems, and the distortive effects of the prospects of funding. A common problem in capacity-

development interventions is the lack of a rigorous needs assessment and poorly articulated results in terms of change process logic. Further, capacity-building initiatives have to date been applied on a 'one-size-fits-all' basis. However, the consensus is growing for a differentiated approach when supporting municipalities (DCoG, 2011).

The Development Bank of Southern Africa (DBSA) introduces a municipal differentiation model (DBSA, 2011) that acknowledges the tendency for capacity development initiatives to follow a one-size-fits-all approach. Instead, the model places municipalities on a continuum, based on how they use their endowments (local space, economy, financial reserves and ability to perform) to achieve their goals and objectives in a sustainable manner. Thus, the DBSA is able to distinguish between municipalities that are functional, structurally dysfunctional or systemically dysfunctional.

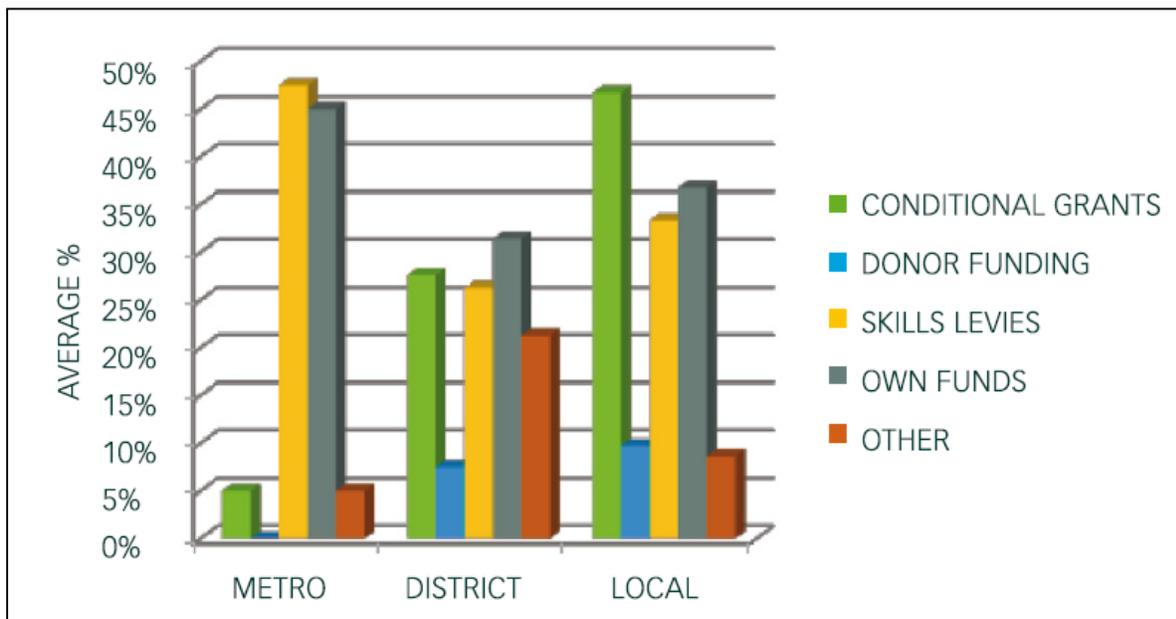
Functional municipalities perform sustainably with the endowments they possess. Structurally dysfunctional municipalities are considered to be under-performing, while systemically dysfunctional municipalities are those that are unable to sustain service delivery without intervention because of their extremely low base of resources (DBSA, 2011). For example, municipalities in remote areas have the added challenge of access to skills and little understanding of their spatial and economic realities.

Municipalities generally lack the financial and human resources to deliver on their constitutional and legal mandate and on citizen expectations (DCoG, 2009) and could be considered systemically dysfunctional. By categorising municipalities, interventions will hopefully be more targeted and appropriate. Insufficient attention has been paid to systemically dysfunctional municipalities to differentiate them from structurally dysfunctional municipalities. Yet, analysing the capacity challenge and type of dysfunction should inform the design of the intervention. However, in practice the uncoordinated interventions by multiple departments and agencies and uniform treatment of municipalities regardless of capacity and socio-economic context are reasons for the limited success in improving local government performance to date (DBSA, 2011).

## 5.6 Budgeting for Capacity

Municipalities indicated four main sources of funding for capacity. As Figure 5.7 shows, local municipalities and, to a large extent, district municipalities across all three provinces are greatly dependent on conditional grants to fund their capacity-building efforts. This is in stark contrast to metropolitan municipalities, which access skill levies to fund capacity-building initiatives. This could indicate that the conditionality of grants can be used to provide incentives for specific changes in municipal performance – the conditional grants can be designed to require that the municipalities undertake particular actions. Examples include: the filling of vacancies, implementing a performance management system or even monitoring and evaluating the outcomes and impact of a particular capacity-building initiative (HSRC SASAS, 2003-2009.)

**Figure 5.7 Municipalities dependent on grant**



Source: HSRC South African Social Attitudes Survey (SASAS) 2003-2009

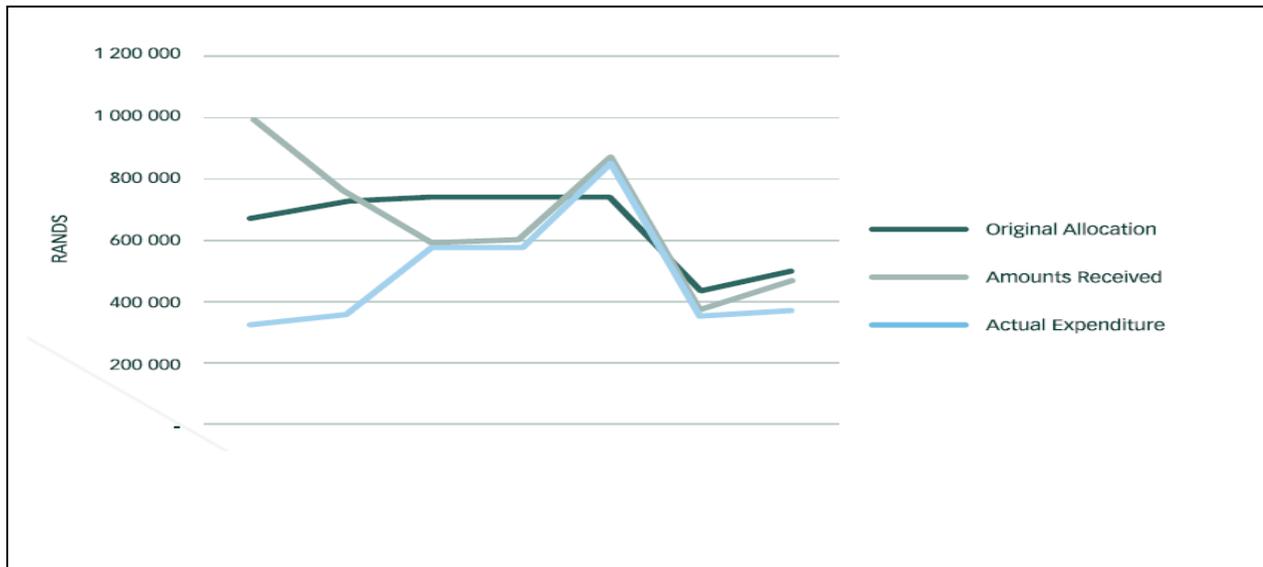
Municipalities find that, despite the urgent need, gaining access to funds for capacity building can be a difficult process. This delay, coupled with the time it takes to gain approval for particular capacity-building projects, affects municipalities' ability to fulfil this function. Some municipalities indicated a disconnection between the available funds

and the market-related costs, particularly for training. Furthermore, supply-chain management processes contribute to delays in securing capacity-building service providers. Municipalities raised concerns that the current percentage growth of capacity grants is not in line with the inflation rates, which makes the funding of future capacity-building programmes even more difficult. Municipalities also highlighted the lack of alignment between the capacity programmes offered by the various spheres of government and the lack of consultation with local government officials regarding their capacity constraints. Internally, municipalities often do not plan properly for capacity building and have poorly aligned planning and budgeting processes (DCoG, 2011).

### 5.7 The linkage between expenditure and performance

Figure 5.8 shows the government expenditure and allocations for capacity-building conditional grants to local government from 2003–2010, with projections over the medium-term period.

**Figure 5.8 Capacity-building national allocations and expenditure**



Source: HSRC South African Social Attitudes Survey (SASAS) 2003-2009

The Local government Budget and Expenditure Review revealed that from 2003–2010 municipalities spent on average 77.99 % of received conditional capacity grants. The Financial Management Grant alone allocated over R2 billion to municipal capacity building for 2001–2012. According to National Treasury *Local government Budget and Expenditure Review (2006/07–2012/13)* the interviewed municipalities, such under-expenditure is attributable primarily to:

- Budgetary constraints (withholding training because of fears of funding shortfalls that do not materialise)
- Funds being diverted from capacity building to other functions
- A lack of proper planning.

Municipalities studied indicated that the under-expenditure is also attributable to a lack of communication both within the municipality and among the various stakeholders involved in capacity building. A lack of internal communication between the HR development officials and finance officials leads to situations where HR development officials are not aware of the available capacity grants and their related conditions. Limited resources and budgetary constraints mean that training programmes are selected based on costs rather than applicability, practicality and quality – the pursuit of cost savings compromises quality. This overemphasis of quantitative targets, such as the number of officials trained, has led to a perverse incentive to train as many officials as possible, without any regard to the qualitative aspect. Therefore, quality and applicability are often sacrificed in the pursuit of numbers. Furthermore, adding to the problem is the absence of any independent evaluation of the outcomes and impact of such training or capacity-building initiatives at municipal level. Although municipalities do monitor capacity-building efforts through monthly and quarterly reports, no evaluations are done to assess the impact of the capacity-building spending on the municipal performance National Treasury *Local government Budget and Expenditure Review (2006/07–2012/13)*.

**Table 5.2 Municipal audit outcomes**

Audit Opinion	2002/ 2003	2003/ 2004	2004/ 2005	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010
Unqualified opinion	39.00%	62.00%	52.00%	1.00%	0.00%	0.00%	1.00%	3.00%
Emphasis of matter	0.00%	21.00%	34.00%	16.00%	21.00%	37.00%	40.00%	51.00%
Qualified opinion	27.00%	0.00%	0.00%	25.00%	29.00%	23.00%	18.00%	21.00%
Disclaimer	27.00%	10.00%	14.00%	48.00%	42.00%	36.00%	37.00%	22.00%
Adverse	7.00%	7.00%	0.00%	10.00%	8.00%	4.00%	4.00%	3.00%

**Source: HSRC South African Social Attitudes Survey (SASAS) 2003-2010**

Since 2006, municipal performance has shown some improvement, but the improvement has not been sustained, according to the Consolidated General Report on Local government Audit Outcomes 2009 2010 (Auditor-General, 2011). This slight improvement appears to correlate roughly with increased expenditure in capacity building in municipalities.

The Auditor-General has pointed out that the lack of capacity and skills to comply with legislative and accounting frameworks will continue to lead to audit qualifications, and provincial assistance is needed to address these capacity constraints (Auditor-General, 2009). To improve their audit outcomes, municipalities employ consultants to address deficiencies in the municipality (Auditor-General, 2011). However, unless the necessary skills and knowledge are transferred to the municipality, this method will only result in a short-term improvement. Despite the glaring skills and capacity constraints, since 2006 municipal employment levels have remained relatively static and can be partially explained by (National Treasury, 2011: 54):

- The prohibitively high (and rising) costs associated with employing personnel directly: municipalities are outsourcing activities as a more cost-effective alternative method of service delivery.
- Municipal financial pressure because of revenue-management problems: over-ambitious capital expenditure, high wage increases and non-priority spending have placed severe pressure on municipal budgets, leading to vacancies remaining unfilled;

- A shortage of skills and rigid employment equity standards that have further exacerbated the ability of municipalities to attract skills.

However, capacity is not static, but it changes over time and is influenced by both internal and external factors. As such, the high level of mobility among municipal officials, changing or new systems and processes, the introduction of new legislation or regulations, and many other factors can have an impact on municipal capacity.

### 5.8 Funding capacity through grants

Technical and management capacity needs building so that local government can perform its functions and fight poverty. Municipalities' inability to comply with the systems and processes prescribed by the Municipal Finance Management Act No. 56 of 2003 has resulted in extensive local government management failures and poor audit reports. Attempts to address these problems through capacity-building efforts have been complicated by national and provincial government's departmental and programmatic approach to municipal challenges, which is often cross-cutting and complex in nature (The Presidency, 2010). Therefore, national and provincial capacity support to municipalities remains fragmented, which is a challenge further intensified by the inability of some provinces to provide the required oversight on their delegated municipalities. This has led to duplication and often contradictory efforts in capacitating local government (National Treasury, 2011).

**Table 5.3 Local government restructuring grant (rands millions)**

	03/04	04/05	05/06	06/07	07/08
Original allocation	315,000	342,900	350,000	350,000	350,000
Amounts received	539,000	387,900	256,000	265,000	530,000
Actual expenditure	225,625	170,518	208,980	203,257	530,000

Source: HSRC South African Social Attitudes Survey (SASAS) 2003-2009

Capacity-building efforts are funded mainly through grants (such as the Financial Management Grant and the Municipal Systems Improvement Programme Grant), skills

levies and donor funds. The Local government Restructuring Grant was established to assist municipalities in their restructuring processes. Transfers of the grant were dependent on reaching specific benchmarks and targets. The prevalently low levels of expenditure were in some instances because municipalities only partially complied with the grant conditions, but also because the onerous application process made municipalities reluctant to apply for the grant (Idasa, 2004:67).

**Table 5.4 Municipal systems improvement programme grant (rands million)**

	04-Mar	04/05	05/06	06/07	07/08	08/09	09/10
Original allocation	150,418	182,243	200,000	200,000	200,000	200,000	200,000
Amounts received	150,293	182,243	200,000	200,000	200,000	200,000	200,000
Actual expenditure	9,767	71,286	54,158	116,215	193,079	188,128	159,078

**Source: HSRC South African Social Attitudes Survey (SASAS) 2003-2009**

The Municipal Systems Improvement Programme Grant focuses on local and economic development, financial viability, institutional development and good governance. In the past, some funds were withheld because of non-compliance with the grant requirements and a lack of reporting. The grant aims to assist municipalities build in-house capacity to perform their functions and stabilise institutional and governance systems. However, the degree of under-expenditure, municipalities' continued dependence on consultants and municipal audit outcomes (Table 5.4) indicate that these outcomes are not being achieved (HSRC SASAS, 2003-2009).

**Table 5.5 Financial Management Grant (rands millions)**

	03/04	04/05	05/06	06/07	07/08	08/09	09/10
Original allocation	151,000	137,000	132,500	145,250	145,250	180,000	299,990
Amounts received	279,910	137,000	132,354	145,250	144,750	180,000	269,490
Actual expenditure	68,325	58,622	78,427	87,473	140,105	170,031	219,387

**Source: HSRC South African Social Attitudes Survey (SASAS) 2003-2009**

The Financial Management Grant aims to support sustainable management of the fiscal and financial affairs of municipalities. Again, municipal audit outcomes (Table 5.5) appear to question the effectiveness of the grant in achieving its outcomes. Considerable ambiguity among municipalities about who can and who cannot access the grant has contributed to the under-spending of this grant. The grant is often primarily perceived as an instrument to use for employing and training financial interns.

Some municipalities are unsure which officials would be eligible to attend capacity initiatives for particular grants. Such confusion needs to be addressed by streamlining management, monitoring and reporting of such grants and improving communication and engagement with municipalities. In its comments on the Division of Revenue Bill in 2010, SALGA reported that capacity-building grants have grown by only 1% over the Medium Term Expenditure Framework period, and therefore the local government turnaround strategy is condemned to failure. Some of the main concerns highlighted by SALGA included (SALGA, 2010):

- No coordination between grants.
- No account of the impact of the grants.
- Local government is not central to setting the agenda for capacity building.
- Reporting burden and duplication.
- Provincial allocations are not gazetted and transferred timeously.

Monitoring and evaluating the actual performance, successes and failures of capacity-building initiatives have proven problematic, and accountability is vague. No reliable, comprehensive data is available for the amounts municipalities spend on staff training or the number of staff who benefit from such programmes. Indeed, information is lacking about whether such capacity-building programmes have achieved their outcomes and impact. Therefore, capacity-building grants should include monitoring and evaluation conditions. Without effective data collection and management, the question of whether capacity building is achieving its desired outcomes and impact will never be answered satisfactorily (SALGA, 2010).

## 5.9 Remuneration and capacity

Significant increases in remuneration levels affect municipalities' ability to fill vacant positions and to address capacity concerns, and thereby undermine service delivery. From 2006 to 2010, total remuneration increased by 52.3%, but employment levels increased only by 4% (National Treasury, 2011). However, this increase is not due to the salaries of senior managers, who account for just 3.4% of the total municipal wage bill.

## 5.10 Outside influences

Narrow definitions of capacity building – referring to accredited training opportunities undermine municipalities' ability to find creative and practical solutions to skills shortages. Such accredited training opportunities require investing time and costs, which poor municipalities cannot afford. The high degree of bureaucracy associated with accredited training provision also makes it prohibitive for private sector institutions to become involved in this market. This overemphasis on individual capacity building leads to other dimensions of capacity building being neglected. However, it should be acknowledged that the *Minimum Competency Framework* will have assisted municipalities tremendously in acquiring the necessary skills to implement municipal finance reforms (National Treasury, 2009). The National Treasury database shows that 1532 officials are registered in 2012 for the unit standards associated with the Financial and Supply Chain Management competency programme. (National Treasury, 2012).

In municipalities, the lines of authority and accountability have become blurred, with contests for authority between unions and administrations. These dual and contradictory structures of authority have created an environment where institutional collapse and lack of performance are ignored and often vehemently denied, despite overwhelming evidence. These structures contribute directly to municipal performance failures and are covered up with references to a 'lack of capacity'. Municipalities must take the necessary action to deal with bad behaviour and bad performance in a decisive manner.

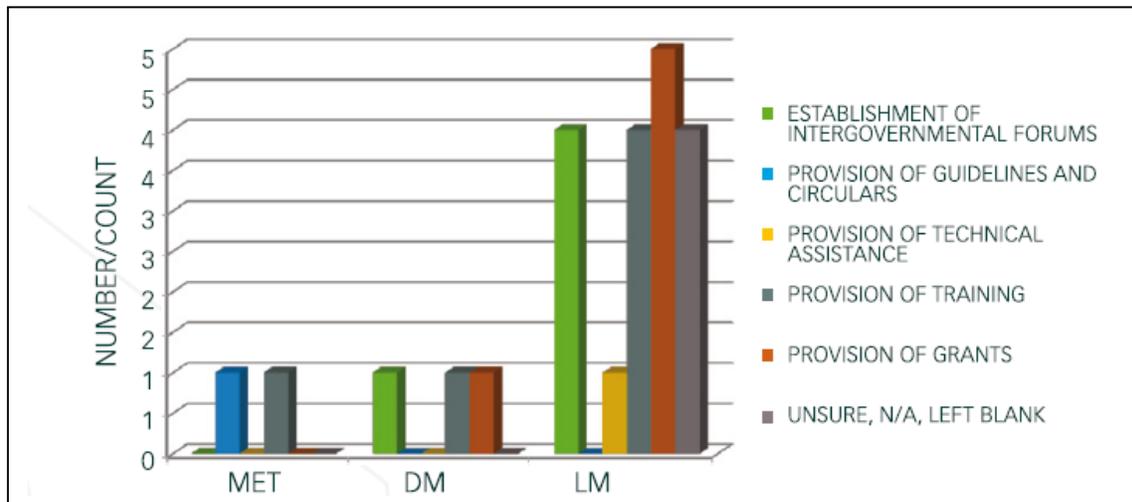
Comprehensive, functional performance management systems are central to such a process. Therefore, it is critical that roles and responsibilities and lines of authority be clearly delineated and enforced (DBSA, 2011).

### 5.11 Capacity roles and responsibilities

In terms of Section 154 of the Constitution, both national and provincial government are required to support and strengthen the capacity of municipalities to manage their own affairs, exercise their powers and perform their functions. However, the degree of success of national and provincial government in fulfilling this role is questionable. Municipalities interviewed indicated that national and government fulfil this role primarily through providing funding, with little practical, hands-on support. The HSRC SASAS (2010) study found that 67% of the municipalities interviewed believed that national government should:

- Provide increased financial and human resources to municipalities;
- Be actively involved in job coaching and skills transfer to municipalities.

**Figure 5.9 National government capacity support**



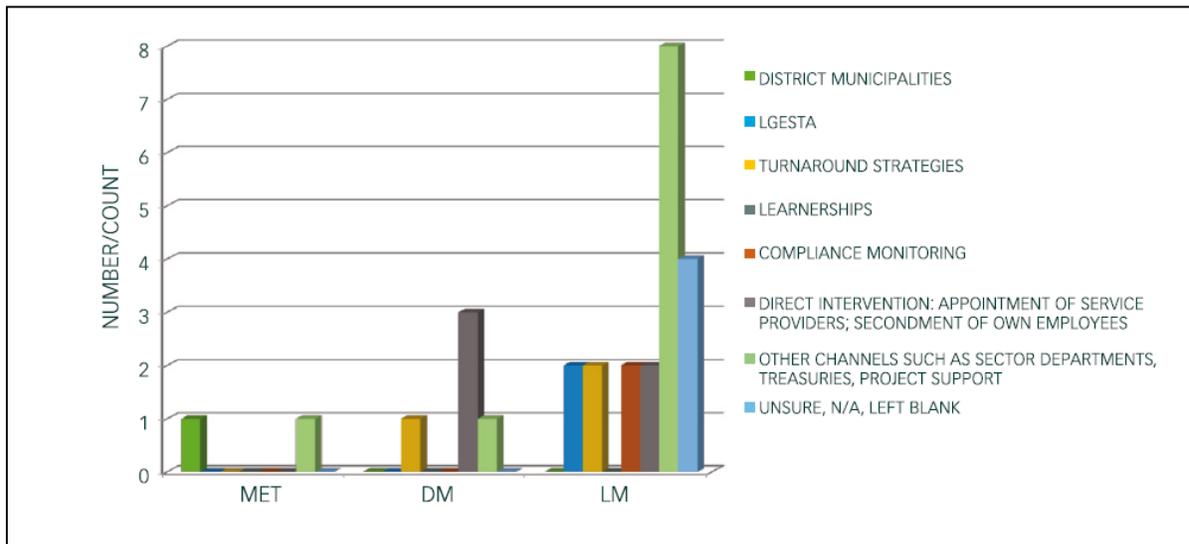
Source: HSRC South African Social Attitudes Survey (SASAS) 2003-2009

In contrast, provincial government support is directed through various provincial sector departments, provincial treasuries and some direct project support. Half the

municipalities interviewed said they would like provinces to increase their capacity support to municipalities and that such support should focus on:

- More direct hands-on involvement through onsite visits, mentoring and training;
- More available resources for capacity efforts; and
- An equal and coordinated relationship with all relevant stakeholders.

**Figure 5.10 Provincial government capacity support**



**Source: HSRC South African Social Attitudes Survey (SASAS) 2010**

Municipalities also questioned the degree to which national and provincial government is able to respond to the challenges faced by local government. National and provincial government need to agree on the capacity needs to be prioritised per province and compile a coordinated strategy to address these capacity needs. For capacity-building initiatives to be successful, considerable work will have to be done in clarifying the roles and responsibilities of all stakeholders involved in providing support to municipalities. The current lack of clarity, failure of departments and entities to cooperate and continued turf battles contribute substantially to the poor outcomes of government's capacity initiatives and the duplication of effort (National Treasury, 2009). Clarification is needed specifically on the roles of (DCoG, 2008):

- Department of Cooperative Governance and Traditional Affairs (DCoG) and National Treasury
- Provincial departments, specifically provincial departments of local government, provincial treasuries and Offices
- of the Premier
- Sector departments
- District municipalities
- Local government Sector Education Training Authorities (LGSETA)
- Public administration Leadership and Management Academy (PALAMA)
- Local government Data Coordination Forum

Provinces play an important regulatory and oversight role for local government. Provincial departments responsible for local government were established to give effect to Sections 154(1) and 155(6) and (7) of the Constitution. However, these departments (along with offices of the premier), which are tasked with oversight and support, are often under-resourced and poorly capacitated and poorly structured. Their low capacity and systemic weaknesses result in poor responsiveness to local government. Consequently, the monitoring, intergovernmental checks and balances, and oversight are insufficient from the main support departments of DCoG and National Treasury, National Council of Provinces and provincial legislatures (DCoG, 2008).

To support local government more effectively, organisational structures at a provincial level should be suited to execute their mandate and be adequately funded and skilled for monitoring and Section 139 interventions, with defined intergovernmental fiscal relations and communication channels (DCoG, 2011). Unless addressed adequately, the continued low levels of capacity, especially in provincial departments, will continue to have a negative impact on municipal capacity and therefore also on municipal performance.

Section 139 of the Constitution allows national government departments to intervene in provincial matters where provincial government has failed, while Section 100 of the

Constitution allows provincial governments to intervene in local government where a municipality has failed. Such interventions should be invoked as a last resort. Clarity is needed concerning the responsibility of national versus provincial government with respect to local government. For example, it is important to determine the degree to which national government can intervene directly in municipalities, and how inclusive provincial interventions should be of national government. In this regard, it is proposed that regulations be developed in terms of Section 154 of the Constitution (The Presidency, 2010). Section 125(3) of the Constitution stipulates that “the national government, by legislative and other measures, must assist provinces to develop the administrative capacity required for the effective exercise of their powers and functions.”

National government has an important role to play in helping provinces improve their capacity to (among others) support local government. Unfortunately, in most instances the effectiveness and impact of hands-on support interventions have not been measured by national and provincial government (The Presidency, 2010). A further complication is the fact that the Constitution does not define the support to be rendered to municipalities or the scale and monitoring that should be provided in general and before an intervention is staged. The most common failures that have triggered Section 139 provincial interventions are those related to governance, financial management and service delivery (DCoG, 2009). However, most municipal interventions have been reactive rather than part of ongoing cooperation and support.

Therefore, to minimise recurrences, building municipal capacity needs to be emphasised during such interventions. To succeed, monitoring and support require cooperation from municipalities. Effective intergovernmental relationships are required for both support and intervention measures, and so the legislative framework needs to provide clarity in this regard. The differing roles and responsibilities of other stakeholders involved in supervising municipalities also need clarifying. The failure to define clearly the roles of various stakeholders in capacity building is a weakness (DCoG, 2011). Although municipalities have autonomy according to the Constitution,

this can contradict the principle of ‘interrelatedness’, which is expressed through the sharing of services and responsibilities.

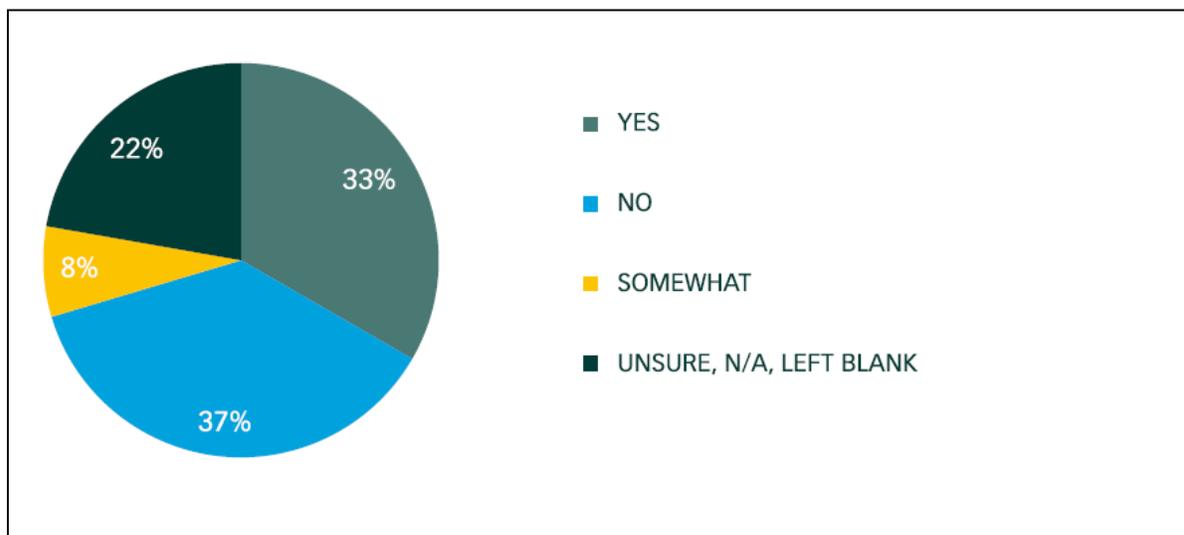
The main national departments that, together with DCoG, have a direct impact on municipalities are National Treasury, Water Affairs, Human Settlements, Energy, Rural Development and Land Reform, and Environment. Operating on a departmental level can make national government departments less sensitive to the often inter-sectoral needs of local government. The Outcome 9 Delivery Agreement proposes a single window of coordination, as a concept and organisational form that will bring about greater cohesion by reducing fragmentation within the cooperative governance arrangements affecting local government. Its practical expression would be that of a cross-departmental committee comprising the -mentioned departments, which would enable better oversight and coordinated capacity building support from provinces. One of the reasons interventions are ineffective is this lack of coordination, which inhibits national government’s ability to assess accurately the relevance, value for money and impact of support programmes (DCoG, 2011).

A more hands-on role is proposed for sector departments, such as Human Settlements and Water Affairs, which currently monitor compliance with regulations but are not structured sufficiently to support municipalities in delivering basic services. Such support will assist in closing the gap between the policy and regulatory environment and execution at the municipal level, which is often hampered by technical capacity. Both national and provincial government have a duty to support and contribute to the building of capacity in local government (National Treasury, 2011). According to the Municipal Systems Act No. 32 of 2000, national and provincial government must ensure that sufficient funding and capacity-building initiatives are available to enable municipalities to carry out their functions.

Municipalities interviewed perceived national and provincial government as lacking the necessary skills and capacity to provide municipalities with required support. However, this failure of national and provincial government to fulfil their capacity-building role

should be viewed in the light of national and provincial governmental capacity constraints. Inappropriate staffing, poor resourcing and unclear mandates contribute to the weak capacity of the Presidency, national and provincial departments engaged in cooperative governance, offices of the premier and national and provincial treasuries – to provide municipal capacity-building support. Municipalities interviewed stated that national and provincial departments do not understand the implementation challenges that officials face “on the ground” and tend to provide municipalities with conflicting interpretations of policies and regulations. The weak capacity of national and provincial departments means that they are unable to analyse and provide useful performance feedback to municipalities. National and provincial governments need to be asked the National Treasury question: Are all municipal performance failures because of a lack of capacity or are they evidence of laziness, mismanagement, incompetence and political interference. This situation should be addressed urgently to ensure proper support is provided to local government for capacity building (DCoG, 2009).

**Figure 5.11 National and provincial departments capacity to address municipal challenges**



Source: HSRC South African Social Attitudes Survey (SASAS) 2003-2009

The Municipal Structures Act No. 117 of 1998 allows municipal functions to be allocated differently, according to the municipal capacity. As municipalities continue to experience capacity challenges, the effectiveness of this classification is increasingly being

questioned. The DBSA has developed an alternative model, which (as discussed) places municipalities on a continuum based on their allocated finances in terms of their local space and economy and financial reserves, as well as their ability to use these allocated finances to achieve their goals and objectives in a sustainable manner. This allows the DBSA to distinguish between municipalities that are functional, structurally dysfunctional or systemically dysfunctional.

The advantage of this model is that it allows municipalities to move along this continuum, as they will not necessarily remain within one specific category for an extended period of time. Municipalities would like provincial and national government to be more focused and coordinated in their approach and support of capacity building in local government. Current capacity-building efforts are based on 'one-size-fits-all' and are not differentiated to the particular municipality's context. As emphasised in the Submission for Division of Revenue 2010/2011, local government capacity-building needs must be taken into consideration when formulating capacity programmes, as local government needs are central in agenda setting.

## **5.12 The Outcomes-based Approach**

Over the years, national government has allocated significant funds to municipal capacity building, but results remain poor. Unresolved problems identified in previous local government assessments should be acknowledged when evaluating these outcomes, (DCoG, 2009). The *Five Year Local government Strategic Agenda (2006–2011)* focused on, among others, mainstreaming hands-on support to local government to improve municipal governance, performance and accountability (DCoG, 2005 ). The *National Capacity Building Framework* recognised how this direct, institutionalised, hands-on approach is favoured, as it provides capacity building more closely linked to workplace needs and the state of the municipality (DCoG, 2008). As a result, many technical advisors have been deployed to municipalities.

The Siyenza Manje is probably the best example of such a hands-on approach to capacity building in South Africa. By June 2009, the programme had 210 experts and 165 interns deployed to 175 municipalities. However, of great concern is that the programme evaluation has found that municipalities felt they would be unable to maintain the improvement levels once the technical experts were withdrawn. Thus, the programme provided short-term solutions, which did not translate into long-term sustainable improvement, indicating that the programme did not succeed in its objective to increase capacity at municipal level (National Treasury, 2009)..

The programme evaluation correctly highlights the dangers inherent in placing technical experts in municipalities where there are no counterpart officials to whom knowledge and skills can be transferred (Genesis, 2010). Such exercises are not sustainable, as they reinforce dependencies and do not build capacity. Furthermore, the evaluation points out the importance of establishing clear implementation timelines and clear entry and exit strategies when designing capacity initiatives. Clear entry and exit strategies are essential in preparing municipalities to continue initiatives under their own power. Therefore, and in line with the requirements of the *National Evaluation Policy Framework* evaluations must be planned and budgeted for appropriately, to ensure that the necessary data are collected, outputs monitored and outcomes and impact of the programmes are evaluated. Although there is little independent evaluation of their effectiveness and sustainability, such technical assistance approaches are resulting in perverse outcomes (National Treasury, 2011):

- ‘Experts’ earn more than people working in municipalities, resulting in an exodus of skilled employees from municipalities of these programmes.
- In practice, most experts are gap filling rather than capacity building because there is no one to train, no time to train, as the focus is on quick-wins in service delivery, and experts who do not have an aptitude for training.
- Individuals and organisations have developed vested interests in the current hands-on-approach and therefore want the programmes to continue because the

programmes are their livelihood or they like the power that comes with allocating assistance.

- Programmes that simply provide additional support to failing municipalities most often treat the immediate symptoms of failure rather than the underlying causes. Unfortunately, there is no evidence that these technical assistance interventions have resulted in knowledge transfer or strengthened institutional memory.

The Outcome 9 Delivery Agreement proposes establishing a SPV to provide the necessary financial and technical support to municipalities for infrastructure delivery. The aim is to provide better technical assistance to municipalities with weak capabilities and to extend financial freedoms and flexibilities to competent municipalities in order to speed up the provision of services (DCoG, 2009). Technical assistance for weak municipalities would include “supporting the municipality to structure capital funding and mobilise operational funding to strengthen service provision and the delivery of new infrastructure to eradicate backlogs, rehabilitate existing infrastructure and the effective operation and maintenance of infrastructure”. However, the proposed SPV and its implementation modality are unclear.

According to the DBSA (2011) this presents at least two challenges. The first is how ‘strong’ and ‘weak’ municipalities are defined. The DBSA distinguishes between two kinds of dysfunctional municipalities that would be considered ‘weak’: structurally dysfunctional and systemically dysfunctional municipalities (DBSA, 2011). Structurally dysfunctional municipalities may exhibit poor financial health because poor revenue collection systems result in poor fiscal effort. Systemically dysfunctional municipalities may also exhibit poor financial health, but, even with full fiscal effort, would not raise sufficient revenue to cover expenditure.

Unless the cause of poor financial performance is clear, an intervention may be misdirected. This is significant because Section 139 interventions are aimed at structurally dysfunctional municipalities. Yet if a municipality is performing poorly because it is systemically dysfunctional, the Section 139 interventions (as seen thus far)

are not going to solve the underlying problems. A consensus is needed on how to differentiate municipalities, and data to support this will need to be collected (if not already done). The lack of a relationship between a system of national indicators is problematic, which enables government to assess the comparative performance of different municipalities, and the planning-related powers and functions assigned to municipalities (DCoG, 2009).

The second challenge relates to the institutions in South Africa created to drive change that are insufficiently resourced, which results in their own capacity constraints. Therefore, caution needs to be exercised when proposing new capacity development institutional mechanisms for capacity development, such as the SPV, as using existing capabilities to support targeted interventions is likely to be more effective (DBSA, 2011). National government's capacity-building efforts could be strengthened by: improving the DCoG's capacity to deliver its mandate, strengthening national and government-wide monitoring and evaluation mechanisms to track the status and assess the impact of capacity-building programmes, and using this to inform planning of future interventions in a manner that encourages positive alignment with initiatives in municipalities (DCoG, 2011).

No accountability framework exists for technical support provided to municipalities, except for accredited training. Furthermore, in South Africa, the tendency is to procure training providers based on the cost of training, rather than obtaining the desired impact from training. For government departments to complain about the quality of capacity building provided by service providers, when they continuously focus on procuring service providers based on cost criteria, is disingenuous. Unless the correct incentives are in place, the approach to training and technical assistance, including its unintended consequences, is unlikely to change. In order to shift behaviour, organisations need to be incentivised to focus on outcomes and longer-term results rather than on outputs and short-term indicators (Nelson, 2006).

However, when organisations do not have to pay for the training they receive, training is rarely owned and, as a result, reduces the incentives for the organisation to ensure that impact is achieved. Often the prospect of funded training leads to organisations going ahead with capacity-building plans without considering whether the intervention has been properly designed and locally owned (Otoo *et al.*, 2009). In addition, if the goal of capacity development is to equip public managers with the competencies required to deal with complex problems faced in public management today, many of the rule-based management processes currently taught should not be in demand (DBSA, 2011).

### **5.13 Causes of underperformance**

Municipalities need to invest in effective training and development initiatives, which could be seen as one of the softer, capacity-building interventions described above. However, these isolated interventions are not going to have a significant or sustainable impact on capacity and therefore on municipal performance. This is because of the tendency to select training initiatives based on cost (in order to increase the number of people being trained) rather than assessing the course content and value to the municipality. The impact of future municipal capacity building can be improved by preparing the 'capacity-building environment' and better integrating the different initiatives within each programme area (DCoG, 2011). However, the broader organisational and environmental factors will also need to be considered.

The lack of capacity at municipal level is often cited as a reason for poor service delivery. Under-performance is presumed to be because of a lack of capacity, but also evidence of laziness, mismanagement, incompetence and political interference. For example, although the number of people employed at municipalities has grown little, expenditure on personnel has been increasing strongly, with no discernible impact on services. Serious questions should therefore be asked about the state of performance management in municipalities. By reducing all municipal performance problems to a lack of capacity, institutions and government officials are able to focus on the softer, capacity-building interventions rather than on the complex process of dealing with poor

performance and on aligning municipal systems and incentives to ensure sound administration (National Treasury, 2011). International experience has shown that transparency and accountability in local government need to be confronted (Vergara, 2003). Municipal performance failures can be attributed to internal or external factors. Internal factors can include:

- Lack of community oversight and accountability
- Weak political leadership
- Organisational capacity

#### **5.14 Economies of scale issues**

The external factors concern the political environment and its impact on roles and responsibilities in local government. The focus here is specifically on the tensions and challenges caused by insufficiently clarified roles and responsibilities. It also emphasises the need for effective and efficient oversight and accountability by councils, but also specifically by provincial executives.

As discussed, Morgan (2006) highlights the need both to narrow the concept of capacity (to have a more grounded and operational way of assessing and managing capacity) and to broaden the issue in order to encapsulate some of the inherent complexities. This would mean that any capacity-building programme should be broad enough to encompass all three dimensions of capacity, but its implementation should be sufficiently flexible, adaptable to municipalities' specific conditions and challenges, and broken down into specific narrow and measurable complementary interventions. At this narrow level, support should focus on the strategically prioritised needs as identified by municipalities themselves. At a macro level, incentives should therefore be created to identify and acquire appropriate capacity and foster behaviour change.

To be successful, such a differentiated approach should address all three dimensions of capacity building in a sustained manner. For example, from an institutional dimension, this would entail greater differentiation and flexibility in the design of the local government fiscal framework and a differentiated approach to assigning functions to

municipalities, based on their capacity to manage them effectively. This should also be seen as a continuum along which municipalities can move freely. Based on this institutional capacity assessment, national and provincial government should compile an organisational support programme for the municipality. To improve the capacity of municipalities to perform their functions, the medium and senior management cadre of municipalities must be stabilised. Furthermore, the appropriate technical skills should be put in place, and minimum competencies should be enforced when recruiting and employing people. This means employing skilled individuals in vacant positions for which affirmative action candidates could not be found. Inputs from national government are also required. The following technical functions require particular attention (Morgan, 2006):

- Sewerage and water treatment plant operators
- Road maintenance supervisors
- Health inspectors
- Planning and project managers.

According to (Morgan, 2006) further strategies for using existing capacity more creatively, including:

- Initiating and maintaining a National Capacity-Building Coordination Committee as a single window of coordination
- Reviewing the division of powers and functions between municipalities
- Consolidating all the capacity-building interventions into one comprehensive programme and using provincial departments as implementing agents.

### **5.15 Overview of municipal personnel profile**

The success or failure of a municipality depends on the quality of its political leadership, sound governance of its finances, the strength of its institutions and the calibre of staff members working for the municipality. Although sound financial governance is perceived to be most important, without proper personnel management, municipalities

are likely to experience difficulty. This has become increasingly evident in a number of large municipalities that have recently found themselves in precarious financial situations, and is certainly true of many smaller municipalities. An analysis of municipal finances suggests that personnel issues lie at the heart of many of the financial problems experienced by municipalities.

There are approximately 200 000 employees in the sector. It should be noted that the local government sector operates within an inflexible labour market (particularly given the fixed ratio of salary as a proportion of operational budget), in as much as whilst the demand for skills may well exist within the sector, the financial constraints and inefficiencies concerning the use of operational budgets (particularly smaller municipalities in poorer communities) and the lack of norms and standards, mean that even if the skills required exist within the labour market, the sector would not necessarily employ them (Binza, 2010).

Operational budgets, which include salaries, are largely constrained by a local authority's ability to raise its own revenue through rates and taxes, or through equitable share transfers from national treasury. The salary bill is restricted to 35% of the operational budget. The poorer the community within which the local authority is located, the more constrained the operational budget. At the same time, aggregated National Treasury figures demonstrate a budgeted surplus of approximately R 4 billion on operational budgets (Binza, 2010).

### **5.16 Addressing municipal finance problems**

The proper management of personnel is therefore crucial to the effective and efficient functioning of municipalities and must be prioritised across all municipal functions. Personnel management should not only be left to corporate services or the human resources department; it needs to be a core responsibility and priority for all managers in a municipality. At an aggregate level, about 30 % of the total municipal operating budget is spent on the remuneration of personnel. This rate varies from municipality, depending on the extent to which they may have outsourced some of their service

delivery functions, or whether they are responsible for the large revenue generating functions or not. More emphasis needs to be placed on whether this expenditure is yielding value for money for municipalities and the communities they serve. This is why measuring and managing the performance of municipalities, and by implication, the performance of municipal employees, is essential (Binza, 2010).

According to Binza (2010) the smaller municipalities regularly point to difficulties with recruiting and retaining suitably skilled staff. One proposed solution is to use a shared service centre model built around the district municipalities. However, local municipalities are generally wary of this proposal owing to concerns about reporting lines and accountability. Personnel management in local government has been marred in many instances by poor recruitment practices, political interference in the appointment and dismissal of employees, the inability to attract and retain suitably qualified staff, high vacancy rates and the lack of performance management systems and other related symptoms.

The Municipal Systems Amendment Act (2011) came into effect on 5 July 2011. This Act seeks to address certain issues, including:

- the appointment and competencies of municipal managers and managers directly accountable to the municipal manager (s57 managers)
- regulating the employment of municipal employees who have been dismissed or are subject to disciplinary processes by other municipalities
- regulating the duties, remuneration, benefits and other terms and conditions of employment for municipal managers and s57 managers.

However, the most topical proposal is the requirement that municipal managers and s57 managers may not simultaneously hold political office in a political party. The aim is to ensure a clear separation between the political leadership roles of the council and mayor and the managerial role of senior managers within the municipal administration, and to ensure lines of authority and accountability between them are aligned with the

principles for public administration set out in Chapter 10 of the Constitution, by ensuring that municipal administrations are non-partisan and professionalised.

### 5.17 Trends in local government employment

The contribution made by local government to total employment in South Africa has remained relatively unchanged since 2006. In 2009, local government employed approximately 278 600 people and contributed just over 2 % to total employment in the country. Table 5.6 shows the contribution made by each category of municipality towards total employment.

**Table 5.6 Local government's contribution to employment by category of municipality, 2006 and 2009**

Category	Local government employment (2006)*	% of Total Employment	Local government employment (2009)	% of Total Employment
<b>Number</b>				
Total Employment	13 601 000		13 369 000	
Category A (Metros)	137 469	1.0%	134 068	1.0%
Category B (Locals)	116 205	0.9%	125 518	0.9%
<i>Secondary cities - 21</i>	35 568	0.3%	48 784	0.4%
<i>Towns - 140</i>	61 946	0.5%	59 415	0.4%
<i>Mostly rural - 70</i>	18 691	0.1%	17 319	0.1%
Category C (Districts)	14 184	0.1%	19 005	0.1%
<i>Category B + C</i>	130 389	1.0%	144 523	1.1%
<i>All municipalities</i>	267 858	2.0%	278 591	2.1%

**Source: Stats SA, Non-financial census of municipalities (P9115 - 2007 to 2009)**

Table 5.6 also shows that the six metros employ more than half of the total municipal workforce, thus making a contribution of 1 % to total employment. The secondary cities, towns and the 70 most rural municipalities together contribute 0.9 % of total employment in South Africa. Although the trend appears stable, it is important to note that over this period, many municipalities opted to outsource certain activities such as debt collection, repairs and maintenance, refuse removal, and meter reading. Employment related to outsourcing is not reflected as part of municipal employment, but

is still paid for by the municipality, usually under 'contracted services' and also 'other expenditure'.

Employment levels are also expected to increase slightly from 2010 onwards as certain municipalities that previously employed temporary workers in functions such as refuse removal, have absorbed these workers into permanent positions. This is in response to pressure from labour unions, and general discomfort with the institution of labour brokering. For example, eThekwini metro has reported that approximately 1 300 temporary positions were converted into permanent positions at the start of the 2010/11 financial year.

### 5.18 Growth in local government employment

Local government employment grew by nearly 11 000 or 4 % between 2006 and 2009. Table 5.7 shows the number of jobs lost or gained per category of municipality between 2006-2009.

**Table 5.7 Total employment in local government by category and by metro, 2006 – 2009**

Number	2006* Total employment	2007* Total employment	Jobs gained (+) and lost (-)	2008* Total employment	Jobs gained (+) and lost (-)	2009 Total employment	Jobs gained (+) and lost (-)
<b>By category of municipality</b>							
Category A (Metros)	137 469	142 593	5 124	136 166	-6 427	134 068	-2 098
Category B (Locals)	116 205	116 050	-155	120 447	4 397	125 518	5 071
<i>Secondary cities - 21</i>	35 568	47 118	11 550	48 068	950	48 784	716
<i>Towns - 140</i>	61 946	52 460	-9 486	56 703	4 243	59 415	2 712
<i>Mostly rural - 70</i>	18 691	16 472	-2 219	15 676	-796	17 319	1 643
Category C (Districts)	14 184	14 763	579	17 000	2 237	19 005	2 005
<i>Category B + C</i>	130 389	130 813	424	137 447	6 634	144 523	7 076
<b>Total</b>	<b>267 858</b>	<b>273 406</b>	<b>5 548</b>	<b>273 613</b>	<b>207</b>	<b>278 591</b>	<b>4 978</b>
<b>By metro</b>							
City of Cape Town	23 420	22 568	-852	26 005	3 437	26 196	191
City of Johannesburg	30 104	31 005	901	31 506	501	29 369	-2 137
City of Tshwane	21 981	22 274	293	17 673	-4 601	18 954	1 281
Ekurhuleni	18 714	17 411	-1 303	17 918	507	18 027	109
eThekwini	35 255	41 569	6 314	35 902	-5 667	34 860	-1 042
Nelson Mandela Bay	7 995	7 766	-229	7 162	-604	6 662	-500
<b>Total</b>	<b>137 469</b>	<b>142 593</b>	<b>5 124</b>	<b>136 166</b>	<b>-6 427</b>	<b>134 068</b>	<b>-2 098</b>
<i>*Revised</i>							

**Source: Stats SA, Non-financial census of municipalities (P9115 - 2007 to 2009)**

Table 5.7 also shows that employment has grown consistently in the secondary cities and district municipalities. Employment in the 21 secondary cities increased by 13 216 or 37 % between 2006 and 2009. Most of this growth occurred between 2006 and 2007, the year following the previous local government elections. By contrast, employment by

the metros, towns and rural municipalities fell between 2006 and 2009. The most notable decrease is evident in the Tshwane metro, where 4 601 jobs were lost between 2007 and 2008. However, there is a corresponding increase in Tshwane's vacancy rates, which indicates the decline in employment resulted from a deliberate policy of not filling certain positions when they became vacant due to normal staff turnover and retirements. This was one of the measures adopted by the metro to deal with its cashflow crisis. Cape Town is the only metro to have expanded its workforce over this period. Table 5.7 examines the growth in employment in key municipal sectors between 2006 and 2009.

**Table 5.8 Growth in municipal positions in key sectors, 2006 and 2009**

<b>Number</b>	<b>2006 Total positions</b>	<b>2009 Total positions</b>	<b>Percentage growth</b>
<b>By category of municipality</b>			
Category A (Metros)	137 469	134 068	-2.5%
<i>Financial administration</i>	13 858	15 713	13.4%
<i>Electricity</i>	10 756	13 632	26.7%
<i>Water</i>	10 987	13 872	26.3%
<i>Waste water management</i>	689	2 540	268.7%
<i>Waste management</i>	8 303	11 226	35.2%
<i>Other</i>	92 876	77 085	-17.0%
Category B + C	130 389	144 523	10.8%
<i>Financial administration</i>	20 094	26 501	31.9%
<i>Electricity</i>	9 335	7 643	-18.1%
<i>Water</i>	11 663	13 985	19.9%
<i>Waste water management</i>	7 826	9 730	24.3%
<i>Waste management</i>	15 769	13 867	-12.1%
<i>Other</i>	65 702	72 797	10.8%
<b>Total</b>	<b>267 858</b>	<b>278 591</b>	<b>4.0%</b>

**Stats SA, Non-financial census of municipalities for the year ended 30 June 2009, (P9115 - 2009)**

Total employment in metros has fallen by 2.5 % between 2006 and 2009. Most of the jobs lost were in the 'other' category, where employment declined by 15 791 or 17 %. Indeed, metro employment in the key service delivery sectors grew between 2006 and 2009, which suggests that the municipalities are prioritising these functions.

## 5.19 Slow growth in municipal employment

The growth in the overall economy since 2006 (before the recession in 2009) brought with it an intensified need to address service delivery backlogs and the pressures created by rural-urban migration. It would therefore have been assumed that municipalities generally would have needed to significantly expand their capacity to deliver by employing more staff. However, municipal employment levels have not grown significantly since 2006.

There are a number of possible explanations. First, as noted above, many municipalities are outsourcing activities as a more cost effective method of delivering services, especially given the rising cost to municipalities of employing staff directly. This means that employment associated with delivering municipal services may be growing, but is not reflected as municipal employment.

Secondly, many municipalities have faced serious financial pressures during this period, which has constrained their ability to increase employment. Problems with revenue management, over-ambitious capital programmes, non-priority spending, high wage increases and increases in the bulk price of electricity have all contributed to placing pressure on municipal finances. Since 2009, these pressures have been further accentuated by the impact the economic recession had on municipal customers' ability to settle their bills. Consequently, many municipalities are delaying filling vacancies as one way of saving.

Thirdly, the towns and rural municipalities may be finding it difficult to recruit suitably qualified staff due to the combined effect of the shortage of certain skills and a rigid approach to employment equity. Also, many people with the necessary skills are reluctant to work for these municipalities owing to the politicisation of municipal work places, and the lack of amenities such as quality schools and health facilities in those areas.

## 5.20 Building municipal capacity

The lack of adequate institutional capacity is often cited as one of the main reasons for poor municipal performance. Despite the substantial investments by national and provincial governments in building municipal capacity, it remains a significant challenge. And yet it seems that capacity building programmes are considered by the departments concerned, to have achieved their objectives. The preferred methodology of the different programmes has been to provide hands-on-support with a view to facilitating learning by- doing. This has involved the deployment of a large number of technical advisors to municipalities.

According to the Financial and Fiscal Commission (2009) the narrative assessments suggest that the impact of the capacity programmes is effective in enhancing service delivery within local government. However, a contrary view is that progress has only been made on mobilising various roleplayers to provide hands-on support, but it is too early to evaluate the overall effectiveness of these programmes. It should also be noted that these programmes are not independently evaluated and therefore run the risk of being overrated.

Another challenge is that the success of these programmes is mostly dependent on the skills of the deployed experts or service delivery facilitators (SDFs). In many cases, municipalities fail to sustain the success factors introduced by SDFs at the end of the deployment term. Despite the attractiveness of the logic behind providing hands-on support, there is growing evidence that the current approach to it is leading to perverse outcomes. These include: 'Experts' earn more than people working in municipalities, which is resulting in an exodus of skilled employees from municipalities to these programmes (Financial and Fiscal Commission 2009).

- In practice most experts are gap filling rather than capacity building, because there is (a) no-one to train, (b) the focus is on quick-wins in service delivery so there is no time to train, (c) the expert does not have an aptitude for training.

- Individuals and organisations have developed vested interests in the current hands-on approach and therefore want the programmes to continue, because it is their livelihood or they like the power that comes with allocating assistance.
- Programmes that simply provide additional support to failing municipalities most often treat the immediate symptoms of failure rather the underlying causes.

The prevailing assumption is that most municipal performance failings are due to a lack of capacity – whether it be individual, organisational or environmental capacity. This is despite there being evidence of laziness, mismanagement, incompetence and political interference. Reducing all municipal performance problems to a lack of capacity enables institutions and government officials to focus on the softer, easier capacity-building type of intervention, rather than the complex processes of dealing with poor performance, and a longer term focus on aligning municipal systems and incentives to ensure sound administration. This is not to say that capacity challenges are not real. They are, but they are not the only cause of poor performance. This therefore suggests that national and provincial support to municipalities needs to address a wider range of root causes than just the lack of capacity. A discussion on municipal institutional capacity needs to encompass a broad range of issues, such as policies and procedures, knowledge management (institutional memory), competency profiles of staff, background and experience and organisational ethics (Financial and Fiscal Commission, 2009).

### **5.21 Municipal spending on training**

Section 195(1) of the Constitution sets out some of the basic values and principles governing public administration, and among other things it requires that ‘good human-resource management and career development practices, to maximise human potential must be cultivated’. This requirement is elaborated on in the Municipal Systems Act (2000). It is therefore important that municipalities invest in effective training and development initiatives. While the LGSETA has some information, there is no reliable, comprehensive data on what municipalities spend on staff training, or the number of staff that benefit from these programmes. However, going forward it is anticipated that the development and implementation of a standard chart of accounts for local

government (which will standardise the classification of items on which municipalities report expenditure) will result in the required data being recorded and reported more accurately. A further consideration is the tendency to select training programmes on the basis of cost rather than assessing the content and the value of the proposed training to the organisation. There is a perception that the cheaper the course, the more people a municipality can train and hence the value derived should be greater. However, this is very often not the case.

## 5.22 Vacancies in municipalities

Given the focus of this chapter, institutional capacity can also be viewed from the perspective of vacancy rates in municipalities. The assumption is that the number of vacant positions in an up-to-date organisational structure is often a first indicator of possible capacity problems. Table 5.9 shows the vacancy rates in the metros between 2006 and 2009.

**Table 5.9 Metro personnel vacancies, 2006 – 2009**

<b>Percentage</b>	<b>2006*</b>	<b>2007*</b>	<b>2008*</b>	<b>2009</b>
City of Johannesburg	4.3%	4.6%	17.2%	14.9%
City of Cape Town	12.7%	11.5%	9.1%	9.3%
eThekweni	40.1%	40.3%	27.8%	29.2%
Ekurhuleni	15.8%	12.1%	13.1%	13.3%
City of Tshwane	48.3%	47.7%	48.8%	51.1%
Nelson Mandela	16.5%	24.7%	17.6%	0.0%
<b>Total for all metros</b>	<b>25.4%</b>	<b>26.2%</b>	<b>24.5%</b>	<b>24.2%</b>

*\*Revised*

**Source: Stats SA, Non-financial census of municipalities (P9115 - 2007 to 2009)**

While the total vacancy rate in metros has been approximately 25 % since 2006, there are notable differences between them. Tshwane reports a very high vacancy rate: from 48.3 % in 2006 it increased to over 51 % in 2009. The increase correlates with the number of jobs lost in this municipality since 2006. However, the level indicates that Tshwane is currently operating with less than half of its approved positions filled. eThekweni also reports high vacancy rates, but these declined by about 10 % between

2006 and 2009 despite a marginal decline in actual employment. This indicates a reduction in the number of positions on the metro's organisational structure. Ekurhuleni has shown some improvement in the filling of vacant positions. Nelson Mandela Bay reported a zero % vacancy rate in 2009, which maybe is probably due to inaccurate reporting.

**Table 5.10 Vacancies in category B and C municipalities, 2008/09**

Number	2008/09				Appointments to non-existent positions <sup>1</sup>
	Currently employed	Approved positions	Funded vacancies	Unfunded vacancies	
<b>By category of municipality</b>					
Category B (Locals)	98 318	128 764	18 958	27 422	15 934
<i>Secondary cities - 21</i>	36 638	54 110	4 629	18 190	5 347
<i>Towns - 140</i>	48 383	57 452	12 267	6 043	9 241
<i>Mostly rural - 70</i>	13 297	17 202	2 062	3 189	1 346
Category C (Districts)	12 376	15 350	3 524	1 348	1 898
<b>Category B + C</b>	<b>110 694</b>	<b>144 114</b>	<b>22 482</b>	<b>28 770</b>	<b>17 832</b>
<b>By province</b>					
Eastern Cape	16 370	20 408	3 298	7 181	6 441
Free State	14 393	19 025	2 037	4 047	1 452
Gauteng	8 354	12 161	477	2 871	-459
KwaZulu-Natal	18 110	21 264	3 186	3 825	3 857
Limpopo	8 780	12 833	2 429	1 951	327
Mpumalanga	11 030	15 157	1 970	2 818	661
Northern Cape	6 602	7 487	1 470	536	1 121
North West	11 489	16 135	2 949	3 116	1 419
Western Cape	15 566	19 644	4 666	2 425	3 013
<b>Total</b>	<b>110 694</b>	<b>144 114</b>	<b>22 482</b>	<b>28 770</b>	<b>17 832</b>

**Source: Stats SA, Non-financial census of municipalities (P9115 - 2007 to 2009)**

In 2008/09, there were about 144 000 approved positions on district and local municipalities' approved organisational structures. Of these positions, 36 % or 51 200 were reported to be vacant, which suggests that municipalities were operating significantly below capacity in 2009. However, Table 5.10 shows that funding is only available for filling fewer than 50 % of the vacant posts. The remaining 28 700 vacancies are reported as being unfunded. To some extent, the number of unfunded

vacancies is offset by the number of appointments to non-existent positions. Municipalities reported that in 2009, some 17 832 people were appointed to non-existent posts. This means that positions that do not exist on the approved organisational structures of municipalities. This number has decreased by almost 46 % since the 2008 *Review*, suggesting that municipalities have been revising their organisational structures to legalise these appointments.

### 5.23 Vacancy rates among senior managers

A key consideration in assessing municipal capacity is the level of vacancies among senior management (s57 managers), as they play a key role in providing strategic leadership in municipalities. Table 5.11 provides information on the level of vacancies among s57 managers in each of the different municipal categories.

**Table 5.11 Vacant posts for section 57 managers, 2006 – 2009**

	2006*	2007*	2008*	2009
<b>Number</b>				
Category A (Metros)	8	7	3	29
Category B (Locals)	206	212	163	206
<i>Secondary cities - 21</i>	25	21	26	31
<i>Towns - 140</i>	135	140	99	111
<i>Mostly rural - 70</i>	46	51	38	51
Category C (Districts)	66	32	49	4
<i>Category B + C</i>	<i>272</i>	<i>244</i>	<i>212</i>	<i>24</i>
<b>Total</b>	<b>280</b>	<b>251</b>	<b>215</b>	<b>27</b>

*\*Revised*

**Source: National Treasury local government database**

Between 2008 and 2009, the number of s57 vacancies among the metros increased from 3 to 29. The detailed information indicates that 24 of these 29 vacancies were in Ekurhuleni, where there was significant managerial instability at the time. There has not been much improvement in filling senior management vacancies in local municipalities when comparing vacancies in 2006 to those in 2009, though there were fewer

vacancies in 2008. The number of s57 vacancies declined by almost 30 % between 2006 and 2009 in the district municipalities.

## 5.24 Sector employment trends

**Table 5.12 Percentage of municipal workers employed in key sectors, 2009**

Number	Headcount of municipal workers	Financial administration	Electricity	Water	Waste Water Management	Waste Management	Other
<b>By category of municipality</b>							
Category A (Metros)	134 068	8.8%	6.9%	6.4%	1.2%	6.7%	70.0%
Category B (Locals)	125 518	13.3%	5.2%	4.9%	5.4%	9.8%	61.4%
<i>Secondary cities - 21</i>	48 784	10.9%	5.7%	3.9%	5.8%	8.7%	65.0%
<i>Towns - 140</i>	59 415	14.0%	5.4%	5.0%	5.5%	10.6%	59.5%
<i>Mostly rural - 70</i>	17 319	17.5%	3.2%	7.2%	3.6%	10.5%	58.1%
Category C (Districts)	19 005	16.0%	0.1%	24.0%	2.3%	0.1%	57.5%
Category B + C	144 523	13.6%	4.5%	7.4%	5.0%	8.6%	60.9%
<b>Total</b>	<b>278 591</b>	<b>11.3%</b>	<b>5.7%</b>	<b>6.9%</b>	<b>3.1%</b>	<b>7.7%</b>	<b>65.3%</b>
<b>By metro</b>							
City of Cape Town	26 196	13.5%	7.8%	10.2%	1.0%	7.0%	60.4%
City of Johannesburg	29 369	7.3%	6.6%	8.9%	0.0%	9.5%	67.7%
City of Tshwane	18 954	12.1%	9.7%	0.0%	5.7%	7.2%	65.3%
Ekurhuleni	18 027	9.4%	5.3%	5.3%	0.0%	7.9%	72.1%
eThekweni	34 860	3.4%	5.1%	5.6%	0.0%	3.2%	82.7%
Nelson Mandela Bay	6 662	14.5%	9.5%	6.3%	5.8%	7.2%	56.6%

**Source: Stats SA, Non-financial census of municipalities for the year ended 30 June 2009, (P911 - 2009)**

The majority of municipal personnel were employed in the category 'other', which includes municipal support functions, such as corporate services, town planning, economic planning and development, the development of integrated development plans (IDPs) and strategic support. Employment in category A and B usually accounts for between 58 and 70 % of total municipal employment and varies among the different categories of municipalities.

Employment in the financial administration sector accounted for between 9 % (in metros) and 17.5 % (in rural municipalities) of total municipal employment. Aggregate employment in the technical service sectors (electricity, water, waste water management and refuse removal) then accounted for the remaining levels of employment. Comparing the above information to similar information for 2006 reported

in the 2008 Review indicates that employment in the financial administration sector has declined from 14.1 % in 2006 to 11.3 % in 2009. Overall, employment in the technical sectors has fallen from 29 % in 2006 to 23.4 % in 2009, while employment in the sector 'other' increased from 56.9 % to 65.3 % between 2006 and 2009.

There are significant disparities in sectoral balance in employment between the different categories of municipalities. Metros employ a significantly lower percentage of their staff to financial administration functions compared to rural and district municipalities. This is probably because there are economies of scale in financial administration. Disparities in trends for the technical sectors can be attributed to differences in the allocation of municipal powers and functions. For example, district municipalities employ a significantly higher percentage of their staff in the water sector compared to electricity and waste management, because most district municipalities have been granted the authority for this water function.

## 5.25 Vacancies in key sectors

Table 5.13 shows the vacancy rates in each of the key sectors per municipal category.

**Table 5.13 Filling positions in key sectors, 2008 and 2009**

Number	Total positions	2008		2009		
		Positions filled	Percentage positions vacant	Total positions	Positions filled	Percentage positions vacant
<b>By category of municipality</b>						
Category A (Metros)	136 166	102 795	24.5%	134 068	101 670	24.2%
Financial administration	13 974	11 812	15.5%	15 713	12 207	22.3%
Electricity	13 592	9 193	32.4%	13 632	9 118	33.1%
Water	12 381	8 615	30.4%	13 872	10 014	27.8%
Waste water management	3 074	1 738	43.5%	2 540	1 355	46.7%
Waste management	12 603	9 033	28.3%	11 226	8 251	26.5%
Other	80 542	62 404	22.5%	77 085	60 725	21.2%
Category B + C	137 447	118 006	14.1%	144 523	122 258	15.4%
Financial administration	23 570	19 694	16.4%	26 501	22 099	16.6%
Electricity	8 189	6 565	19.8%	7 643	6 134	19.7%
Water	12 377	10 667	13.8%	13 985	12 035	13.9%
Waste water management	8 723	7 171	17.8%	9 730	7 413	23.8%
Waste management	13 932	12 382	11.1%	13 867	12 309	11.2%
Other	70 656	61 527	12.9%	72 797	62 268	14.5%
<b>Total</b>	<b>273 613</b>	<b>220 801</b>	<b>19.3%</b>	<b>278 591</b>	<b>223 928</b>	<b>19.6%</b>

*Source: Stats SA, Non-financial census of municipalities for the year ended 30 June 2009, (P9115 - 2009)*

**Source: Stats SA, Non-financial census of municipalities 2009, (P911 - 2009)**

Vacancy rates in metros account for more than 20 % among all sectors. The number of vacancies in waste water management is very high, and the number of positions filled in this function has actually declined over the period under review. Vacancy rates in category B and C municipalities have remained almost unchanged between 2008 and 2009. As previously mentioned, this could be due either to difficulties associated with finding the requisite skills and ensuring that those skills are retained, or it could be due to the fact that the vacant posts are unfunded.

## 5.26 Municipal remuneration

Table 5.14 shows that total remuneration increased by 52.5 % between 2006/07 and 2009/10, while growth in municipal employment over the same period was only 4 %. The result is a significant increase in the average cost of employment.

**Table 5.14 Municipal personnel expenditure by category, 2006/07 – 2012/13**

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	% average annual growth	
		Outcome		Estimate	Medium-term estimates			2006/07 – 2009/10	2010/11 – 2012/13
<b>R millions</b>									
Category A (Metros)	16 776	18 580	21 972	25 450	28 460	30 940	33 655	14.9%	9.8%
Category B (Locals)	11 895	13 368	15 330	17 858	18 833	18 256	19 425	14.5%	2.8%
<i>Secondary cities - 21</i>	5 053	5 584	6 374	7 369	8 095	7 827	8 454	13.4%	4.7%
<i>Towns - 140</i>	5 196	5 886	6 757	7 827	7 945	7 678	8 044	14.6%	0.9%
<i>Mostly rural - 70</i>	1 645	1 898	2 199	2 662	2 793	2 751	2 927	17.4%	3.2%
Category C (Districts)	1 943	2 395	2 881	3 383	3 891	3 847	4 209	20.3%	7.6%
<i>Category B + C</i>	13 838	15 763	18 211	21 241	22 724	22 103	23 634	15.4%	3.6%
<b>Total</b>	<b>30 614</b>	<b>34 343</b>	<b>40 183</b>	<b>46 691</b>	<b>51 183</b>	<b>53 043</b>	<b>57 289</b>	<b>15.1%</b>	<b>7.1%</b>

**Source: National Treasury. 2013. Local government Budget and Expenditure Review**

Between 2006/07 and 2009/10, municipalities' aggregate spending on personnel remuneration grew from R30.6 billion to R46.7 billion, reflecting an average annual growth rate of 15.1 %. This is set to grow by an average annual rate of 7.1 % over the medium term, to reach R57.3 billion by 2012/13. Average annual growth in spending on personnel is generally consistent among the metros and most of the category B municipalities. However, in the case of rural municipalities, between 2006/07 and

2009/10, average annual growth in personnel expenditure was 17.4 %. This is above the average growth rate and must also be seen in the context of overall employment levels in these municipalities dropping by almost 7 % in the same period. This indicates that municipal salaries in rural municipalities have grown very strongly over the period.

While district municipalities also experienced above average growth rates in personnel remuneration during 2006-2009, this can be correlated with the 34 % increase in employment since 2006. In secondary cities, average annual growth in remuneration between 2006/07 and 2009/10 was 13.4 %, which is below the average growth rate for all municipalities. So the increase in overall employment in secondary cities by almost 37 % in this period is possibly an indicator that a number of lower level positions may have been filled.

### **5.27 Salaries and allowances of senior managers**

The salaries of senior municipal managers, particularly municipal managers, attract a considerable amount of public interest, especially given the general perception that municipal officials are overpaid in relation to their performance levels. However, in practice the remuneration of the senior management of municipalities accounted for only 3.4 % of the total municipal wage bill of R46.7 billion in 2009/10.

The metros, and even the secondary cities, are very large, complex organisations (far more complex than the average national or provincial government department). The average salaries for municipal managers and CFOs for these two groups of municipalities do not appear to be out of line with the level of experience, expertise and responsibility required of these positions. In district municipalities, however, the average salaries paid to the municipal managers and CFOs do appear to be out of line and unreasonably high.

District municipalities are relatively straightforward organisations compared to local municipalities with similar sized budgets. They receive most of their income in the form of transfers and they have limited service related responsibilities. It is therefore not clear

what justifies the high average salaries of district municipal managers and CFOs. Nor is it clear why municipal managers of the mostly rural municipalities earn on average more than those of the towns. A possible explanation is that rural municipalities are having to pay a premium to attract senior staff. However, the poor financial performance of many rural municipalities suggests that this premium is not paying off.

## 5.28 Personnel costs as a percentage of operating expenditure

Municipalities in aggregate spend between 25 and 30 % of their total operating budgets on the remuneration of personnel as shown in Table 5.15. This spending trend has remained more or less constant since 2005/06. This is despite the outcome of the municipal wage agreement processes, which saw municipal employees receive increases that were substantially higher than the consumer price index (CPI). Table 5.15 shows municipal personnel expenditure as a percentage of total operating expenditure less the cost of bulk purchases of water and electricity. The reason for excluding bulk purchases is to facilitate greater comparability across the different categories of municipality.

**Table 5.15 Municipal personnel expenditure as % of total operating expenditure, 2006/07 – 2012/13**

	2006/07	2007/08 Outcome	2008/09	2009/10 Estimate	2010/11	2011/12	2012/13
					Medium-term estimates		
<b>Percentage</b>							
Category A (Metros)	39.7%	38.1%	38.1%	38.6%	34.9%	34.9%	34.9%
Category B (Locals)	42.1%	40.7%	37.5%	38.0%	37.7%	37.8%	38.2%
<i>Secondary cities - 21</i>	39.7%	39.7%	34.0%	34.4%	36.7%	36.8%	37.4%
<i>Towns - 140</i>	45.5%	41.6%	41.2%	41.5%	38.5%	38.4%	38.8%
<i>Mostly rural - 70</i>	39.9%	41.0%	38.3%	39.9%	38.2%	39.1%	38.7%
Category C (Districts)	27.3%	26.6%	27.1%	27.9%	33.4%	35.1%	36.4%
<i>Category B + C</i>	39.1%	37.7%	35.4%	35.9%	36.9%	37.3%	37.9%
<b>Total</b>	39.5%	37.9%	36.8%	37.3%	35.7%	35.8%	36.0%

Source: National Treasury. 2013. Local government Budget and Expenditure Review

The trend evident in secondary cities partly reflects the impact of the very strong growth in expenditure on other items thus reducing the share of personnel expenditure, and partly that most of the employment being generated is at lower levels, thus not significantly increasing personnel costs. What this conceals is that between 2006 and 2009 secondary cities increased employment by 37 %, and their personnel expenditure grew by 13.4 % per annum over the period.

Personnel costs as a percentage of the total operating budget (less bulk purchases) are higher than the average in towns and rural municipalities in the period under consideration. It is evident that personnel costs are increasing fast in district municipalities. There are two factors that may underpin this trend.

First, the metros and larger municipalities are better placed to take advantage of the economies of scale associated with mechanisation, and they have been doing this for some time. They are also more able to negotiate the intricacies of outsourcing labour intensive functions. Together, these result in metros and larger municipalities having lower personnel to operating expenditure ratios.

Secondly, as municipalities become smaller in terms of budget size, the more top heavy their governance and management structures become relative to their overall staffing profile, as well as their budget. The problem is particularly acute among small municipalities, where the revenue bases are so limited that they do not allow for much more than the employment of core staff. This translates into the high ratios of personnel expenditure to operating expenditure shown throughout the 70 largely rural municipalities.

### **5.29 Average cost per employee**

Table 5.16 shows the increase in the average cost per employee between 2006 and 2009. Similar to the findings in the 2008 *Review*, the average cost of employment has increased at rates well above inflation, exceeding 20 % in all categories between 2007 and 2008, but then moderating strongly in 2009, except in the metros. The decline in the

average cost per employee between 2008 and 2009 among the category B municipalities is linked to these municipalities employing staff at the lower levels.

Of the metros, the most significant increase in the cost of employment is in Ekurhuleni, where a 29.9 % increase was observed between 2008 and 2009. Average growth in the cost of employment in Cape Town, Nelson Mandela Bay and Tshwane is below 20 %. The differences are largely dependent on the levels at which the respective metros have been employing staff, as well as the impact of outsourcing arrangements on the composition of municipal personnel.

**Table 5.16 Average cost per employee by category of municipality, 2006 to 2009**

Rand	2006	2007	Percentage growth	2008	Percentage growth	2009	Percentage growth
Category A (Metros)	122 033	130 303	6.8%	186 907	43.4%	230 777	23.5%
Category B (Locals)	102 361	115 188	12.5%	148 263	28.7%	145 445	-1.9%
<i>Secondary cities - 21</i>	<i>142 069</i>	<i>118 510</i>	<i>-16.6%</i>	<i>153 309</i>	<i>29.4%</i>	<i>160 439</i>	<i>4.7%</i>
<i>Towns - 140</i>	<i>83 886</i>	<i>112 194</i>	<i>33.7%</i>	<i>138 037</i>	<i>23.0%</i>	<i>129 234</i>	<i>-6.4%</i>
<i>Mostly rural - 70</i>	<i>88 029</i>	<i>115 222</i>	<i>30.9%</i>	<i>169 785</i>	<i>47.4%</i>	<i>158 826</i>	<i>-6.5%</i>
Category C (Districts)	137 005	162 260	18.4%	198 989	22.6%	202 438	1.7%
Category B + C	106 130	120 501	13.5%	154 537	28.2%	152 940	-1.0%
<b>By metro</b>							
City of Cape Town	131 366	182 269	38.7%	218 090	19.7%	259 955	19.2%
City of Johannesburg	131 134	141 218	7.7%	185 141	31.1%	235 499	27.2%
City of Tshwane	111 822	121 648	8.8%	205 140	68.6%	235 350	14.7%
Ekurhuleni	137 261	159 771	16.4%	219 150	37.2%	284 775	29.9%
eThekweni	90 546	79 259	-12.5%	131 124	65.4%	165 056	25.9%
Nelson Mandela Bay	191 694	167 684	-12.5%	235 433	40.4%	280 002	18.9%

Source: National Treasury. 2013. Local government Budget and Expenditure Review

### 5.30 Skills profile of the uMgengni municipality

uMngeni Local Municipality is one of the seven local municipalities that form part of the uMgungundlovu District Municipality (UMDM) in KwaZulu-Natal. uMngeni Municipality comprises Howick, Hilton, the World's View area, the small towns and settlements of Nottingham Road, Lidgetton West, Lion's River, Balgowan, Fort Nottingham, Dargle, Curry's Post and a substantial amount of farmland. The Municipal area covers 1 564 square kilometers. The Municipal Head Office is in Howick.

There are three official languages that are mainly spoken in the area: English, Zulu, and Afrikaans. uMngeni Municipality is located on the N3 (Durban to Johannesburg) within the eThekweni – Msunduzi – uMngeni Economic Development Corridor.

The estimated population of uMngeni Municipality was, in 2009, 84 781. The majority of the population (59%) falls within the economically active age cohort (19 – 64 years). The overall population growth rate of 2% per annum for the uMngeni Municipality is slightly higher than the estimated overall population growth rate for South Africa of 1.0% per annum over the period of 2000 to 2010. uMngeni represent just over 7.96% of the population of UMDM.

There were approximately 20 488 households in the uMngeni area in 2001 (based on census data) with a median household size of between two and three persons per house, implying a mix between an urban and rural population. The majority of the population of uMngeni is black South African (70%) followed by a larger than average percentage of white South Africans (20%) in terms of the district average.

**Table 5.17.a uMngeni Population Breakdown per gender, household and employment**

<b>Total Population</b>	<b>84 781 (2007)</b>
Male	36 499 (49%)
Female	37 397 (51%)
Households	20 486
Number of persons employed	22 194
Number of persons unemployed	11 536

**Source: uMngeni Municipality Annual Report 2012**

**Table 5.17. b: Age Breakdown**

0 – 4	5 904
5 – 14	13 758
15 – 34	28 080
35 – 64	21 132
Over 65	5 022
<b>Total</b>	<b>73 896</b>

**Source: uMngeni Municipality Annual Report 2012**

In terms of the Demarcation Board (2000), the estimated population of uMngeni is 73 896, majority (59%) of the municipal population falls within the economically active age cohort (19-64) years.

**Table 5.18 population by ward**

Ward	Population	No. Employed	No. Unemployed	%Unemployed
1	5 503	1 339	1000	43%
2	3 370	879	365	29%
3	8 044	3 721	748	17%
4	6 100	2 293	533	19%
5	6 692	2 737	796	22%
6	8 033	3 035	684	18%
7	5 961	2 362	80	14%
8	993	1 445	2 859	66%
9	8 497	2 331	1 096	32%
10	4 887	792	1 206	60%
11	6 868	1 260	1 870	60%
Total	73 895	22 193	11 536	34%

**Source: uMngeni Municipality Annual Report 2012**

The area has an unemployment rate of 34 % majority of households are headed by a female. Some 13 % of households are headed by a sibling whilst 15% are headed by a grandparent. Pensions and grants account for almost 50% of all income generated in the region and a number of households are dependent on child income. While still high 34 %, uMngeni's unemployment rate is one of the lowest in UMDM in the timeframe under discussion and is actually lower than the national average of 40%. Total individual income for the uMngeni area increased from approximately R729m pa in 1996 to R1.4 bn pa in 2001 and to R1.8bn pa in 2004 in real terms. Income per capita increased from R10 448 per annum in 1996 to R23 187 per annum in 2004. This exceeds the national average of R18 000 per capita in 2004. It is also the highest income in UMDM and exceeds that of uMsunduzi.

### **5.31 Economic Diversification**

uMngeni's economy and strength lies in its strategic position in the Midlands Meander along the Durban-Pietermaritzburg-Johannesburg spatial development initiative. The availability of raw material (forestry and other agricultural products) and good transport linkage (N3) are the added advantage. uMngeni will facilitate improvements linked to industrial protection through its business retention and expansion strategy. Industrialization in uMngeni will require a diversification of the economy into value added manufacturing and beneficiation – sustainable manufacturing, ICT industries, and attempts to commercialize sustainable development (uMngeni municipality annual report, 2012).

Value added processes before exports, by way of processing, are considerations for the further development of the agricultural sector. The Municipality is to develop a bankable Agricultural Development Strategy that will harness other agricultural development initiatives already in place. The ICT sector's potential to absorb and re-skill labour as well as to bring in new aspects to infrastructure will be one of the key areas of exploration by the Municipality. Organic food production and aquaculture are key components to ensure sustainable development. The Municipality will also embark on ensuring adequate level of payment for services and a growth path in the economy through ensuring that finance sector of the Municipality's economy considers access to finance for the unbanked as well as saving credit unions. In the services sector the Municipality will also facilitate the commercialization of home skills such as cleaning, catering and domestic skills through the development of cooperatives (uMngeni municipality annual report, 2012).

### **5.32 Job Creation**

The uMngeni Municipality is committed to contributing to the 2014 millennium goals by reducing local unemployment by half in 2014. This will be achieved through the Municipality's facilitating the creation of an environment that is conducive to labour absorption. uMngeni is committed to economic growth and to bringing about an environment of re-skilling the supply of labour to meet the demands for labour. This will

be done through the leveraging of the national skills by developing strategy linkages needed in the core and dominant industries.

uMngeni is in line with the national objective to half poverty by 2014. uMngeni will strive to meet the above poverty alleviation and 15 unemployment targets by pursuing sustainable job creation in excess of new entrants into the labour market needs. Public investment initiatives and public works programmes can play a significant role in decreasing poverty and unemployment.

uMngeni strives to ensure that local economies are robust and inclusive. This will be done through the fostering of community public private partnership (CPPP). By this economic growth will be sustainable, because the vast majority of wealth will be no longer be in the hands of a small elite. uMngeni will therefore actively promote broad-based transformation of the local economy by instituting a range of measures.

### **5.33 Skills Development**

uMngeni Municipality strives to create a skilled community exhibiting capabilities in self-reliance, innovation and continued re-skilling to meet the needs of a growing economy. The Municipality contributes to sustainable economic growth by facilitating the creation of an appropriately skilled local work force which can support existing economic activity and attract and generate new economic activity.

The 2010/2011 financial year brought many challenges for the Human Resources. Recruitment of staff came to a grinding halt as the municipality had limited resources to carry out this function. The Labour turnover remained challenging because a number of employees were terminated through retirements, medical boarding, resignations, and death. The Employment Equity numerous goals have not changed, as it was a five year projection. The skills development plan was implemented on a limited scale as a result of lack of financial resources. The uMngeni Municipality, have given the youth opportunity to have In-service training, and interns, to acquire on the job experience in the Municipal Environment, for their future development in their careers.

According to Local government Sector Education and Training Authority (LGSETA) Report published in 2007, 31 % of municipal managers have qualifications other than those related to finance, legal, public administration, planning and development and 28 % of chief financial officers do not hold finance related qualifications. Equally, 35 % of technical managers are without engineering qualifications. This state of affairs could clearly impact negatively on the performance of municipalities in question as these senior municipal executives are expected to provide expert views and opinions to the political structures and political office bearers operating within municipalities such as mayoral committees, the executive mayors and mayors.

A report published by South African Local government Association (SALGA) in 2007 identified important issues with regard to councillor capacity, notably, that there is inadequate legal support and advice to council decision-making. In some cases the roles of councillors are not clearly defined and 60 % of councillors who participated in the survey are first time councillors. Kanyane (2006:116) notes that weak leadership in strategic management including corporate governance; shortage of skills to implement financial management; legislation; misplacement of skills within municipalities; and political considerations in appointments of senior managers without required qualification; had tremendously weakened the performance of municipalities.

Some municipalities have inadequate financial management capacity. The result is that budgeting, accounting, credit control and financial reporting systems are weak. Thus, about 60 % of the 283 municipalities could not give evidence to account for the revenue they received in a 2008 survey. These are generally low-capacity municipalities. This means that the municipal managers and financial officers were then unable to depict how and when financial transfers from government took place and cannot provide proof of where the amounts listed in their financial statements originate. The National Treasury reported in June 2009 to the Technical Committee for Finance that 56 local municipalities and eight district municipalities are on their financial distress list. Most of the local municipalities are in the Eastern Cape, the Free State and the Northern Cape.

The others in the remainder of the provinces (Report on the State of Local government in South Africa, 2009).

It is apparent that the local sphere of government is currently faced with critical challenges and problems pertaining to effective and sustainable provision of basic services; administrative capacity and institutional performance to drive service delivery and effective implementation of government policies and programmes. However, the efficacy of local government should be achieved through implementation of appropriate and sound strategies.

**Table 5.19 Recruits for the period 2007/2008, 2008/2009 and 2009/2010**

Race	Gender	2007/2008	2008/2009	2009/2010	2010/2011
African	Male	25	14	0	0
African	Female	24	28	0	0
Coloured	Male	3	1	0	0
Coloured	Female		1	0	0
Indian	Male	2	-	0	0
Indian	Female	4	5	0	0
White	Male		1	0	0
White	Female		-	0	0
Total	Male	30	16	0	0
Total	Female	28	34	0	0
<b>Total Employees</b>		<b>58</b>	<b>100</b>	<b>0</b>	<b>0</b>

**Source: uMngeni Municipality Annual Report 2012**

### 5.34 Performance management

The measurement of municipal performance is crucial to the effective management of municipal performance, and is an essential component to improving the quality of service delivery. Although performance management in local government is governed by a legislative framework and performance management regulations, the actual implementation of performance management systems in municipalities requires significant improvement. While many municipalities have developed sophisticated scorecards to assist in measuring overall organisational performance, the actual

translation of these scorecards into individual performance agreements for senior management is often weak.

Two other issues that have impacted negatively on performance management in municipalities are the number of signed s57 contracts in place, and the tenure of contracts for senior managers. The Municipal Systems Act (2000) provides for a choice between contract employment and permanent placement for s57 managers. The Municipal Systems Amendment Act now provides that all s57 managers, other than the municipal manager, must be appointed on permanent contracts.

### **5.35 Legislative framework**

The legal framework governing performance management in local government includes the Municipal Systems Act (2000) the Municipal Finance Management Act (2003) (MFMA) and the municipal performance regulations for municipal managers and managers directly accountable to municipal managers. The Municipal Systems Act (2000) requires all municipalities to promote a culture of performance through the establishment of a performance management system. The performance management system must set key performance indicators and targets, as well as monitor, review and report on municipal performance based on indicators linked to the IDPs but also including the national indicators prescribed by the minister responsible for local government.

The MFMA requires the mayor to ensure that the performance agreements of s57 managers comply with the requirements of the Municipal Systems Act to promote sound financial management, are linked to measurable performance objectives, approved with the budget and included in the service delivery and budget implementation plan.

In August 2006, the then Department of Provincial and Local government promulgated regulations for s57 managers, by setting out how the performance of municipal managers and their direct reports have to be planned, reviewed, improved and

rewarded. These regulations provide for the conclusion of performance agreements and personal development plans.

### **5.36 The reasons for poor performance**

The performance management system is intended to reflect the relationship between overall performance of the municipality and the performance of individuals employed in the municipality.

Despite having a sound legislative framework governing the management of performance in municipalities, municipal performance in most instances remains inadequate. The recent failures witnessed in some of the country's larger municipalities are clearly indicative of failures in governance throughout all levels. In many municipalities, poor performance is also compounded by the lack of experienced senior managers in critical municipal positions such as planning, infrastructure and financial management.

One of the questions often asked is how a municipality, the performance of which is visibly poor, can award senior managers performance bonuses? If overall organisational performance is suffering, how can individual performance be rewarded? Why is there not a link between the two?

One response to this question is that there is often a link, albeit an extremely weak one, between the scorecard of the municipality, business unit or divisional plans and individual performance agreements. In addition, targets are often unrealistically set, not properly specified and impossible to measure. For instances managers are allowed to revise or change their performance targets late in the year to ensure that they receive their bonuses, but these changes do not align with organisational performance. This makes assessing whether targets have been achieved or not a subjective activity.

### **5.37 Signing of performance agreements**

The response of the CCoGTA on the state of local government, issued in 2010, noted that as at the end of June 2009, 250 out of 283 municipal manager positions have been filled. Of these filled positions, only 196 (78 %) had signed performance agreements in place by the end of June 2009. Although this represented a small improvement of six % from 2008, it is clear that in order to improve accountability, all municipal managers need to sign performance agreements. The report also noted that the failure to sign a performance agreement is a breach of the employment contract and that there are grounds for the employing municipality to terminate the employment contract unless there are sound reasons for non-compliance. National Treasury's (2012) view is that the no performance contract, no bonus principle should apply. There is no information currently available on the actual number of performance agreements signed by s57 managers in general.

### **5.38 Demographic trends**

The prevailing trends of rapid urbanisation and a reduction in the average size of households are reshaping the contexts for service delivery and governance in most municipalities in strikingly different ways. In more rural jurisdictions, the out-migration of individuals to urban areas has been accompanied by falling average household sizes. This reduces the number of persons reached by each household service connection, while simultaneously adding to backlogs in the urban centres. In larger urban areas, the process of rapid population growth and falling household size extend the service delivery challenge facing these municipalities. In addition, HIV and AIDS continues to fundamentally alter the definition of household units, with an increased prevalence of child-headed and multi-family units that have lost their primary income earners to illness or death. Most directly, this presents municipalities with more of a challenge when it comes to implementing their indigent policies and generating revenue (National Treasury 2012).

### **5.39 Profile of the demand for critical skills in local government**

Government is in the process of finalising a monitoring and evaluation framework, linked to municipal key performance areas to enhance performance management of municipalities. While most municipalities currently have performance management systems in place, they are linked to the assessment of the individual job performance of Section 57 (i.e. senior management) employees, and not necessarily to municipal performance. A crucial issue for the sector (indeed for the country as a whole) is not so much how individuals perform within municipalities, but how the municipality itself performs against its key performance areas (National Treasury, 2012).

### **5.40 Employment equity considerations**

Employment equity is an important driver of scarce skills in the sector. Stable staffing complements limit opportunities for addressing employment equity targets through recruitment and promotions. The ability to retain senior and competent employees from designated groups, in particular, is seen as problematic. A disproportionate number of senior managers and professionals are white, despite a current perception that municipalities are inhibited in their attempts to deliver services by an outflow of skilled white staff previously employed within the sector. Smaller and more rural municipalities face acute shortages of black managers and professionals. These municipalities pointed out that the low skills base in surrounding communities required them to 'import' staff, often at high prices. The problem becomes more acute as other sectors of the economy expand providing more attractive employment options for local government and public sector employees.

This suggests that significant numbers of people in this category are leaving the sector (largely among professionals), and the demand for replacement skills is not being fully met, either through recruitment or through skills development initiatives. Yet, significantly, the vacancy rates recorded are at the lower end of the skills spectrum. This suggests that middle management and senior management positions are being filled, but being filled by less well qualified personnel. However, it would be simplistic to claim,

as much political debate does, that this is a direct result of affirmative action, given the disproportionate number of whites still occupying senior and skilled positions.

**Table 5.20 Percentage of employees by NQF Level**

Province/Occupation	NQF Levels - %							
	1 & Bel	2	3	4	5	6	7	8
Leadership & Gov.	0%	1%	0%	1%	1%	1%	0%	0%
Senior Off & Man	0%	0%	0%	0%	1%	1%	1%	0%
Professionals	0%	0%	0%	1%	2%	2%	0%	0%
Tech/Ass Prof	0%	0%	1%	1%	4%	1%	0%	0%
Skilled Agric & Fishery	1%	0%	0%	0%	0%	0%	0%	0%
Clerks	1%	1%	1%	6%	4%	1%	0%	0%
Service Workers	2%	1%	1%	3%	2%	0%	0%	0%
Craft & Related	1%	1%	1%	1%	1%	0%	0%	0%
Plant & Machine Ops	4%	1%	0%	1%	0%	0%	0%	0%
Elementary Occs	34%	4%	3%	2%	1%	0%	0%	0%
	<b>43%</b>	<b>10%</b>	<b>7%</b>	<b>16%</b>	<b>15%</b>	<b>6%</b>	<b>1%</b>	<b>0%</b>

**Source: uMngeni Municipality Annual Report 2012**

Further investigation in 2005 suggests that posts in elementary and clerical positions are simply not filled, as they are viewed as non-essential allowing scope for salary budgets to be diverted to other occupational categories, particularly senior management level. The implications of this for service delivery are profound, as far from these posts being 'nonessential' they are central to municipal capacity, particularly when contrasted with illustrating numbers of employees per household. These vacancies are being incorrectly recorded on WSPs as being due to skills shortages, when they are de facto 'frozen', as little attempt is made to recruit to fill the vacancies. This phenomenon could indeed be one of the keys to the lack of municipal delivery.

**Table 5.21 Reasons for positions being unfilled**

Province/Occupation	Reason for Position being Unfilled - %		
	Skills Shortage	EE	Other
Leadership & Gov.	0%	0%	2%
Senior Off & Man	1%	1%	5%
Professionals	2%	1%	6%
Tech/Ass Prof	4%	3%	7%
Skilled Agric & Fishery	1%	1%	2%
Clerks	4%	1%	17%
Service Workers	4%	1%	6%
Craft & Related	1%	0%	2%
Plant & Machine Ops	3%	0%	2%
Elementary Occs	7%	4%	12%
	<b>27%</b>	<b>12%</b>	<b>61%</b>

Source: uMngeni Municipality Annual Report 2012

#### 5.41 Turnover problems

60 % of respondents (2003) reported high turnover of professional staff, suggesting that this is a serious problem for the sector. This is supported by the high vacancy rates demonstrated on the WSPs. The reasons given for high turnover in municipalities were: remuneration, a lack of development and career progression opportunities, a lack of recognition of staff achievements, poor people management practices and a failure to clarify employee roles and responsibilities. Together with resignations and death rates, this generates a high level of demand for replacement skills.

According to Table 5.21 chronic illness was reasonably low in the rankings as a reason for leaving, in stark contrast 24 % of those leaving the sector were doing so because they were dying. This number would appear to have subsequently declined, although the number of people leaving the sector for unspecified reasons has increased.

The greatest problems with acquiring and retaining skills has been in the occupational categories of professionals, senior management, technicians and associated professionals. This outcome is expected given widespread evidence of skills shortages in these high-end occupations across the economy. Municipalities are increasingly

unable to match the salaries paid by the private sector to finance specialists, engineers and artisans. The Western Cape and Gauteng, in particular, appear to be experiencing a similar shortage for similar reasons, among primary health care staff.

Shortages of artisans in certain trades are widely reported (particularly plumbing and electrical), as are fire fighters and certain categories of medical care and rescue jobs that fall under the service worker occupational category. Municipal planning functions (urban planning, LED, property valuation and management) are underserved. Municipal technical services and engineering services are coming under increased pressure as the demand for service delivery increases. According to the Demarcation Board, municipal public health functions are not being adequately fulfilled. Areas of skill scarcity in public/ environmental health. In community services librarians and library assistants are in short supply as are horticulturalists in the parks and recreation area.

**Table 5.22: Priority Skills**

<b>Priority Skills (job titles)</b>
Chairpersons of Audit Committees
Financial directors/managers, heads of departments/divisions, general managers
Engineers, accountants, economists, nurses, town planners, LED specialists, fire chiefs and librarians, horticulturalists, land surveyors
Financial officers, human resources officers, IT professionals, engineers / technicians and supervisors, paramedics
Financial clerks, general clerks
Fire fighters, traffic and police officers
Electricians and plumbers
Water works operators, sewerage works operators, plant operators, heavy duty vehicle drivers

**Source: uMngeni Municipality Annual Report 2012**

It is noticeable that the majority of the scarce skills areas listed, at all levels, pre-suppose a level of mathematical and scientific literacy to enable access to further training and skills development opportunities. The HSRC HRD Survey (2003) notes the low level of public understanding of science in South Africa, particularly among the youth. In addition, the survey notes the relatively poor achievements of South African school children on standardised mathematics and science achievement tests, along

with the shortage of qualified math and science educators both at school and tertiary level. The need for computer literacy, ABET and communication skills is identified as critical across occupations and occupational categories.

At the most senior level of local government management – municipal managers, the Demarcation Board noted disturbingly in the 2004 review, that 37.4 % of all municipal managers had less than five years' experience in local government i.e. entered the sector after the last local government elections. This is supported by the report finding that the tendency is not to renew Section 57 contracts after the initial five year period. The same Demarcation Board review reported that whilst 82 % of municipal finance managers (CFOs) had finance related qualifications, 59 % of those were at the requisite NQF 4 level. It is questionable whether this is an appropriate level of qualification given the scale and complexity of municipal financial operations.

#### **5.42 Skills requirements by functional area: Good Governance**

Some of the key challenges that have been noted by National Treasury (2012) are:

- Inadequate legal support and advice to support Council decision making
- Uneven enforcement of the Councillors Code of Conduct
- Poor role clarification of councillors
- Poor functionality of Ward Committees, which are often deemed peripheral and marginalised in consultative processes (e.g. IDPs)
- Inadequate interaction between ward councillors, ward committees and officials

Some 9 000 councillors in South Africa in a leadership role are at the 283 councils. Mindful of this, the Cooperative Governance and Traditional Affairs (COGTA) has initiated the Local government Leadership Academy (LOGOLA) developed a qualification in transformational leadership registered with SAQA. Whilst there is no current classification on the Organising Framework for Occupations (OFO) for ward committee members they form a crucial component of the system of participatory local government, and are essential for the effective functioning of municipal systems. There

are close to 4 000 ward committees established country wide, with approximately 40 000 ward committee members (National Treasury, 2012).

#### **5.43 Councillor experience and education levels**

More than 60 % of councillors in all provinces are first term local government political office bearers, hence political experience and experience in local government systems and processes must be developed. 5 % of councillors only have primary school qualifications: so there is a need to continue with adult basic education training (ABET). A significant number (45 %) of councillors have varying levels of secondary school qualifications, indicating a need for General Education and Training (GETC) competence. Quite a large number (49 %) of councillors have tertiary qualifications. It would appear as if councillors with higher qualifications stand a better chance of serving in mayoral committees or executive committees (National Treasury, 2012).

#### **5.44 Skills and training required**

32 % of councillors indicated the need to be trained in ABET. There is overwhelming support for training and education to be conducted within the categories (introduction to local government, leadership development, communication skills, HIV/AIDS and disaster management, LED and procurement, municipal finance management, municipal service delivery, strategic planning, local government law and project management (National Treasury, 2012).

While councillors do not constitute a 'scarce skill' in the Department of Labour definition, along with ward committee members, they do constitute an area of skills focus, particularly in the context of local government elections and the primary importance of councillors in political leadership positions at local level (National Treasury, 2012).

**Table 5.23 Key councillor skills required**

Top 5 skills needs	Top 5 generic skills needs	Main technical skills needs
1. Management skills	1. Customer service skills	Community facilitation skills
2. Communication skills	2. Community awareness skills	Legislative and contextual knowledge with particular reference to social policy
3. Financial manage skills	3. Report writing skills	Community facilitation skills
4. Life skills	4. IT skills	Conflict resolution skills
5. Political skills	5. Analytical skills	

**Source: uMngeni Municipality Annual Report 2012**

In addition, a level of more intensive technical skill and understanding is required, dependent upon the individual portfolio held by the councillor within the council, e.g. the infrastructure portfolio requires a knowledge of contract management and housing, the human resource development portfolio a knowledge of the NSDS and Skills Development Act, audit committee knowledge of auditing procedures, etc. COGTA has argued for the following skills priorities:

- Strategic management skills, including policy skills and those needed to lead, develop, monitor and evaluate IDP's;
- Financial management skills;
- Contract management skills with particular emphasis on building good procurement practices;
- the development of political and administrative leadership in the sector;
- Project management skills; and
- Research and policy skills, linked to conceptual, analytical and problem solving skills for sector decision makers.

**Table 5.24 qualifications profile of municipal managers**

Up to NQF 1	NQF 2	NQF 3	NQF 4	NQF 5	NQF 6	NQF 7	NQF 8
0.2%	0%	0.7%	6.7%	17%	40.8%	20.5%	14.1%

**Source: uMngeni Municipality Annual Report 2012**

It should be noted that the Demarcation Board review (which excludes metros) for the did not disclose the 0.2 % up to NQF 1 which could be the result of an error in the completion of the WSPs, or as a result of stated qualifications not being verified by the Demarcation Board. Aside from this, there is a high level of congruence in the findings. However, the Demarcation Board review, with its added focus on years of local government experience, is more textured than any analysis possible of the WSPs as years of experience are not explored in the WSP template. In addition, the WSP focuses on qualification by NQF band, not particularly on type of qualification. To establish the skills fit between individuals occupying posts and job descriptions for those posts a comprehensive skills audit of the sector, across all occupational categories is required. Whilst a comprehensive skills audit is effectively a precondition for the completion of the WSP, it should not be assumed that municipalities regularly do skills audits with any degree of thoroughness.

**Table 5.25 a Municipal managers by years of experience in local government**

Years experience	0-5	6-11	12- 18	19-24	25- 31	32 - 40
%	37.4	36.7	8.99	6.83	8.63	1.44

**Source: uMngeni Municipality Annual Report 2012**

**Table 5.25 b Municipal managers by type of qualification**

Qualification type	No data	teaching	finance	legal	Public administration	other
%	1.4	14.0	9.7	13.7	37.1	24.1

**Source: uMngeni municipality annual report 2013**

As can be seen in Table 5.25 few municipal managers have specialist management qualifications of any type. Public administration cannot necessarily be equated with management within the local government sector. In addition to a strong focus on leadership skills policy, planning, monitoring and evaluation skills and corporate governance knowledge and skills, are important. The lack of experience within local government is a source for concern when looking at the profile of municipal managers, as this indicates a certain lack of organisational stability. Project Consolidate notes in relation to management and institutional development that:

- there is a lack of accountability mechanisms within the work place to ensure performance;
- performance agreements have not been concluded, hampering the implementation of performance assessment;
- organisational structures are not finalised, or are incomplete;
- labour disputes and disciplinary issues remain unresolved for extended periods of time;
- that there is a lack of support for individual career development and career pathing; and
- inadequate staff recruitment and retention are in place.

#### 5.45 Key performance area: Municipal financial viability and management

The Demarcation Board reports the level of municipal finance manager's qualifications as follows:

**Table 5.26 Municipal financial viability and management**

qualification	No data	matric	Matric + certificate	degree	Degree + diploma	Post – grad degree	Post – grad + diploma
%	1.8	11.5	25.9	34.2	10.8	12.6	3.2

The above Table 5.26 shows 59 % of municipal finance managers have fewer than 11 years in local government. 82 % of municipal finance managers have a finance

qualification. However, in North West Province only 62% of finance managers have an associated qualification. A Deloitte project completion report, compiled for DPLG in October 2004, lists the following training needs within the area of municipal finance:

- Compiling asset registers
- Compiling budgets and financial statements
- Cash flow management
- Supply chain policy and procurement
- Development of revenue strategies
- Preparation of management reports
- Analysing and interpreting financial statements
- Bank reconciliations
- Credit control
- Cost accounting

Project Consolidate (2006) notes the following: 'While there are financial resource scarcity challenges at local government level, the lack of financial resources does not always constitute the primary challenge to performance in municipalities' and that annual financial statements and budgets are often inadequately prepared, resulting in audit qualifications. This is supported by the National Treasury analysis of the municipal financial statements and budgets. Many of the vacancies recorded within the 'clerical' category would affect the capacity of a municipality to implement appropriate revenue strategies. Appropriate career pathing opportunities and recognition of prior learning is important in this area. The LGSETA is currently developing a career path for municipal finance and administration, commencing with a proposed NQF 3 qualification in Municipal Operations, which would assist with financial administration.

A key challenge for the sector is the poorly designed organisational structures in relation to meeting service delivery demands, long delays in resolving disputes and inadequately enforced performance standards and poor career pathing. For example, little attention is focused on human resources management skills. Yet, the reasons given for high staff turnover in municipalities and an inability to attract and retain skills

are indicative of an inadequate skills base among human resource practitioners within local government, i.e. remuneration, a lack of development and career progression opportunities, a lack of recognition of staff achievements, poor people management practices and a failure to clarify employee roles and responsibilities.

Although human resource related issues pose key impediments to the stability and capacity of a municipality to fulfil its functions, human resource departments are seen as having a limited supportive role, rather than a more directive and strategic role. Municipal finance managers tend to have more influence (by virtue of their final responsibility for budgeting and budget control) over organograms, recruitment, and training than the human resources manager or the Skills Development Facilitator. In the majority of municipalities, the human resources manager/director tends to be the least qualified of managers often not possessing specific human resource skills. Human resource management and development systems in local government tend to be underdeveloped, leading to diminished performance both by individuals and the organisation.

The establishment of a single Public Service with uniform conditions of service, particularly in the areas of remuneration, pensions and medical aid will further tax the limited human resource management capacity within municipalities. Training systems within local government are poorly developed. Training committees, which convene as a sub-committee of the Local Labour Forum, often meet irregularly and are poorly capacitated. There is a very high turn-over rate among nominated Skills Development Facilitators which retards efforts to build the capacity of SDFs. The SDFs are often fairly junior staff members, as the function is not seen as being a strategic one, but tends to hinge on compliance.

In the context of the research IT and MIS infrastructure within local government tends to be poorly developed, with 50% of municipalities not having budgets for IT hardware. ICT skills (basic computer literacy), along with ABET, are key skills requirements identified across occupations within the local government. The poorly developed IT systems

within the sector severely hampers municipal planning functions, particularly with regard to social planning and service delivery, municipal finances and the technical services area where GIS systems are important. Basic record keeping within municipalities is viewed as being a challenge for the sector, in particular financial and personnel records. Database and IT systems administrators in positions show vacancy rates within the local government sector.

#### **5.46 Key performance areas: Basic service delivery and infrastructure**

This functional area is particularly important, linking as it does with the provision of infrastructure and basic service delivery. This is an area that is greatly affected by the vacancy rates in elementary occupations, in addition to professional. According to SAICE May 2005 research, 78 municipalities have no civil engineering professionals, i.e no engineers, technologists or technicians. A further 49 municipalities have only 1 civil technician on their staff. Municipalities report an average 35 % vacancy rate among professional staff in technical services (approximately 600 posts). In addition to the obvious lack of civil engineering design and implementation skills, this leaves municipalities with little expertise in project and contract management and in a weakened position when it comes to supervising outsourced functions/ projects. Supervisory, management and planning skills are noted as being weak in this functional area, together with the need to provide ongoing professional development and mentoring of employees. Planning processes are often outsourced, frequently with very poor results. The following data comes from the SAICE research.

**Table 5.27 Engineering professionals employed in local government**

	<b>engineers</b>	<b>technologists</b>	<b>technicians</b>	<b>total</b>
<b>district</b>	43	43	154	240
<b>local</b>	98	100	377	575
<b>metro</b>	240	226	253	719
<b>total</b>	381	369	784	1534

**Source: uMngeni Municipality Annual Report 2012**

Top up skills are required in certain specialist areas such as labour intensive construction.

Pre and post commissioning skills -:

- Specialist contracting skills, including clear specification of objectives, targets, activities,
- outputs and outcomes
- Contract management skills - performance monitoring, customer management, contract
- compliance, contract re-negotiation, dispute resolution, impact evaluations
- Labour intensive construction
- Understanding of and skills to deliver effectively through partnerships;
- Infrastructure asset maintenance
- Service level agreements themselves need to incorporate requirements for the private operator to develop the related capacity and skills of the municipality;
- Regulatory capacity, which includes the systems and skills to effectively monitor, evaluate and negotiate corrective action against service level agreement objectives and targets.

**Roads:** Roads, of which there are approximately 165 000 kms of urban roads in South Africa, along with sanitation and water, can be supported from the Municipal Infrastructure Grant, to support the extension of basic services to every South African household by 2013. Roads, pavements, bridges and stormwater account for the largest share of the municipal capital budgets at R 2,8 billion. The MIG demands the application of labour intensive construction processes, and high levels of both project and contract management ability, in addition to the specialist skills required in road engineering (uMngeni municipality annual report, 2012).

**Electricity:** Bulk electricity purchases constitute 16 % of the expenditure on municipal operating budgets, and sales of electricity contribute 27 % of the income on the operational budgets. However, municipal electricity is characterised by ageing electricity networks and infrastructure, inadequate to meet growing demand. 21 % of urban

households and 68% of rural households lack electricity supply, or 3,65 million households. Electricians and electrical engineers are in short supply within the sector (uMngeni municipality annual report, 2012).

Frequent power failures have significant economic and social impact. A National Electricity Regulator commissioned report on City Power found that in addition to ageing infrastructure, personnel were often not available to conduct maintenance that the working environment within substations was often uncontrolled and unsafe, and maintenance standards and procedures could not be ascertained. The report noted the ageing profile of the maintenance and field staff, suggesting the recruitment of younger staff to “shadow” and be mentored by more experienced senior staff in the field. This is a source of concern as the maintenance and operations of the electricity supply remains a local government function. In addition, there is a need in the electrical area for continuing professional development and updating skills as new equipment gets introduced (uMngeni municipality annual report, 2012).

**Table 5.28 Electricity skills priorities**

Main technical skills needs
Electrical, mechanical engineers/ technicians
Electricians
Fault finding skills
Robots and meters
Electronic systems usage
switching
Asset maintenance and management
Contract management
Environmental protection
Health and safety
Meter readers

**Source: uMngeni Municipality Annual Report 2012**

The bucket sanitation system continues to be utilised, even in newly developed residential areas, where resources are available to improve sanitation. Refuse removal has been noted as being a poor and unreliable service, particularly in poorer

communities and low income housing areas. Both inadequate sanitation and poor refuse removal pose severe environmental threats (uMngeni municipality annual report, 2012).

**Table 5.29 Water, waste, environment and sanitation skills priorities**

Basic science knowledge
civil engineering/ technicians
Instrumentation mechanic
Valve-hydraulics
Welding and plumbing
plant maintenance management and operator skills
Water conservation skills

Water purification and sanitation techniques
Water treatment processes (chemical treatment)
Hazardous chemicals handling
Filtration
Waste treatment
Waste handling ( including hazardous)
Waste management
Infrastructure asset maintenance and management
Occupational health and safety
Heavy duty vehicle drivers

**Source: uMngeni Municipality Annual Report 2012**

According to the Demarcation Board assessment of Municipal Capacity, the area of municipal health functions is underserved. At the same time it is an area where staff require constant updating of skills to keep abreast of technological advances, new clinical requirements and protocols, policy changes and so on. Although municipal health functions have been finalised and include water and air quality monitoring, health surveillance of premises including crèches and outlets selling food, waste and hazardous materials management, disposal of the dead, and the control of pests and communicable diseases , several challenges to municipal health remain. According to the 2005 SA Health Review these include:

- the finalisation of the funding for municipal health services, including those conducted on an agency basis for Provinces eg primary health care, emergency and ambulance services;
- the elimination of the fragmentation of services, strengthening the quality of care at local level and strengthening community participation.

A major stumbling block to the effective implementation of municipal health services is the lack of staffing norms for local government. According to the 2005 Health Review there are only 600 environmental health officers employed throughout the Public Service, with the lowest number being indicated for Gauteng and Western Cape. No training is currently available for Environmental Health Assistants. In addition to municipal health functions, local government provides a number of primary health care functions on an agency basis for provinces e.g. immunisations, health promotion and emergency services. The country-wide shortage of primary health care practitioners affects those areas where local government conducts those functions on an agency basis for Province.

In terms of the integrated development planning processes, municipalities are required to prepare and submit disaster management plans which should be subject to annual review. The implementation of these plans requires extensive intergovernmental co-ordination in relation to emergency management services. Country-wide shortages are indicated of fire and rescue personnel and emergency care workers. The level of training acquired by emergency services personnel defines their scope of practice, ranging from basic through to advanced life support (paramedic). National diplomas and B Tech qualifications are available.

**Table 5.30 Skills required: health and emergency services**

Testing and sampling processes and techniques ( air and water)
Environmental impact assessment
Pollution control
Laboratory technicians
Occupational health and safety requirements
Incident management
Hazardous materials
Advanced rescue
Specialised rescue equipment
HIV/Aids
Clinical skills
supervisory
Specialist management

**Source: uMngeni Municipality Annual Report 2012**

#### 5.47 Municipal planning

This key performance area, for the purposes of this report, includes municipal planning processes, including integrated development planning and local economic development. In terms of the integrated development planning processes municipalities are obliged to prepare disaster management plans, spatial development plans, transport plans and waste management plans. In addition, those municipalities that are water service authorities are required to submit water service plans.

The following weaknesses have been noted in relation to municipal planning and the integrated development planning process:

- Many municipalities are simply going through the motions to meet legislative requirements and deadlines;
- IDP's are generally not backed by coherent development strategies. The focus on economic recovery or regeneration and attracting investment is limited;
- Baseline data and information is weak or unavailable, which means that IDP's are often not empirically rooted;
- IDP planning processes are weak - IDP's are often the product of a single department within municipalities, rather than the strategic blueprint of the municipality;
- budgets are poorly linked to IDP's;
- Monitoring and evaluation systems are absent or weak;

- Limited understanding of local economic potential;
- Long term economic management receives little attention;
- Little emphasis on the role played by municipalities with regard to skills development and sustainable employment creation;
- Inadequate appreciation of the linkage between reliable service delivery; and
- infrastructure and local economic development.

Most municipalities have little economic strategy for their operating areas. The emphasis appears to be far more on piecemeal and narrow projects that are not linked to wider community and regional economic initiatives.

**Table 5.31 LED skills priorities**

Top 5 skills needs	Other generic skills needs	Main technical skills needs
1. Management skills	1. Community awareness	Research and policy skills
2. Technical skills	2. Report writing skills	Economic and LED knowledge
3. IT skills	3. Planning/organising skills	Town planning skills; integrated planning and development skills
4. Communication skills	4. Problem solving skills	Negotiating skills
5. Financial manage skills	5. Analytical skills	Evaluation skills
	6. GIS	Administrative skills
		Marketing skills
		Property valuation
		Property management ( social housing)

**Source: uMngeni Municipality Annual Report 2012**

#### 5.48 The supply of skills

The sector is not undergoing, or poised for, major expansion in terms of employment growth, despite arguments which can be made for the need to expand employment within the sector. Recruitment into the sector is reasonably limited, and is focused on skills replacement. The bulk of the recruitment in the local government sector is in the following categories: elementary occupations (30 %) versus 44% of posts at this level; clerks and service workers (21 %) versus 36 % of posts at this level; senior officials and

managers (11 %) versus 15 % of posts at this level. With the exception of the senior officials and managers, it is clear that recruitment patterns do not relate to the distribution of posts. There is a significant level of ‘under recruitment’ in less skilled posts, doubtless contributing to the high vacancy rates in these categories (uMngeni municipality annual report, 2012).

**Table 5.32 New recruits – all municipalities**

Occupation	%	Race				Gender	
		A	C	I	W	M	F
<b>ALL MUNICIPALITIES</b>							
Leadership and governance	0.4	0.2	0.0	0.0	0.2	0.2	0.2
Senior officials and managers	10.7	8.5	0.6	0.4	1.2	7.0	3.7
Professionals	5.8	4.6	0.4	0.3	0.6	2.5	3.3
Technicians/associated professionals	7.4	5.5	0.1	0.9	0.9	3.9	3.5
Skilled agric and fishery workers	0.1	0.1	0.0	0.0	0.0	0.1	0.0
Clerks	21.8	16.9	2.0	1.9	1.0	9.7	12.1
Service workers	20.6	17.9	0.9	0.3	1.6	13.0	7.6
Craft and related workers	1.8	1.7	0.1	0.0	0.1	1.6	0.3
Plant, machine operators	1.6	1.1	0.4	0.0	0.1	1.6	0.0
Elementary occupations	29.8	26.4	3.1	0.1	0.2	21.3	8.5
<b>Total</b>	<b>100.0</b>	<b>82.9</b>	<b>7.6</b>	<b>3.9</b>	<b>5.9</b>	<b>60.9</b>	<b>39.2</b>

**Source: uMngeni Municipality Annual Report 2012**

#### 5.49 New labour market entrants

The numbers of new labour market entrants in each municipality and province are too small to determine any significant sectoral trends. In fact there was a total of only 465 new labour market entrants in the entire sample. Moreover, there is some doubt about the reliability of the data especially with regard to how a ‘new labour market entrant’ was defined by each respondent. It is likely that some respondents may have interpreted this to mean ‘new employee’. The bulk of the new labour market entrants in the sample were distributed amongst the Amatole District Municipality (61); Mangaung Local Municipality (22); Mafikeng Local Municipality (45); and Johannesburg Metro (69). Amongst these, the significant sectors were client services (Amatole and Mafikeng);

Community Development (Mangaung and Johannesburg); public safety (Mafikeng); and health care (Johannesburg) (uMngeni municipality annual report, 2012).

The system of internship within local government is not at all developed. In terms of the sample few trends can be established given the small number of interns (only 111) in total. In addition there is a possible lack of clarity around the definition 'intern' with most employers seeming to interpret this as being people on 18.2 learnerships. The significant sectors from this small sample appear to be client services, community development, and to a lesser extent public safety. The only significant findings, other than those listed above, are the following (uMngeni municipality annual report, 2012):

- Local municipalities appear to have the bulk of the interns in the local government sector.
- The Johannesburg Metro has most of its recruits in 'Client Services'.

### 5.50 Amount of training

Though the actual numbers need to be treated with some caution, it seems that between 15% and 20% of the local government workforce receive training annually.

**Table 5.33 Staff trained as a percentage of total provincial staff**

Province	% of total provincial staff trained
Limpopo	38%
Western Cape	35%
Northern Cape	32%
North West	30%
Eastern Cape	28%
Kwazulu Natal	22%
Free State	22%
Mpumalanga	20%
Gauteng	12%

**Source: uMngeni Municipality Annual Report 2012**

Three provinces, Gauteng, Kwazulu Natal and the Western Cape, account for 77% of the total number of staff trained in the table above. Tables 5.33 above and 38 below are drawn from the 2003/4 WSP analysis, and demonstrate the distribution of training beneficiaries by occupational category:

**Table 5.34 Percentage distribution of beneficiaries to be trained for all municipalities by occupation**

Occupation	%
Leadership and governance	10.38
Senior officials and managers	5.59
Professionals	6.65
Technicians/associated professionals	12.27
Skilled agric and fishery workers	2.88
Clerks	12.90
Service workers	7.99
Craft and related workers	4.34
Plant, machine operators	9.55
Elementary occupations	27.46
<b>Total</b>	<b>100.00</b>

**Source: uMngeni Municipality Annual Report 2012**

### 5.51 Supply of training

Prior to 1997, the local government sector, through the training board and the Department of Constitutional Development and the Provinces supported approximately 13 training centres and/or their satellites, established in terms of the Manpower Training Act of 1981. Each centre had a training centre manager, fulltime staff, a training centre committee and a provincial training committee. The staffing and equipping of the centres alone has resulted in high ongoing costs (R 6,6 million). In certain areas such as in East London, relationships were developed with for example Spoornet regarding the training of apprentices (uMngeni Municipality Annual Report, 2012).

The 1980's was marked by a steady decline in the number of apprentices across all sectors, including local government. Prior to 1981 apprenticeships, structured along traditional technical trades, in the municipal sector had been the exclusive domain of white males. This demographic tended to be repeated in the staffing of the training centres. The training centres offered in-house accreditation, with no independent quality assurance or validation mechanisms resulting in a very uneven quality of teaching and learning. The focus of the training offered tended to be very occupationally specific, short course offerings (3-4 days) with selected offerings being based on a series of one month modules (mainly in municipal finances). There were no recognition of prior learning processes or procedures developed or applied. Despite the major shortcomings outlined above, the training centres had a significant throughput of trainees, although they did not adequately address many of the training and human resource development needs confronting local government in terms of the Constitution (uMngeni Municipality Annual Report, 2012).

The sector still makes extensive use of 'in-house' training delivered by the municipal training centres operated by the metros - for example, Premos in Tshwane, Nelson Mandela. etc. The LGSETA is currently funding training delivery through the Municipal Training Institute, through discretionary funds. These training centres cite considerable annual training capacity (Nelson Mandela metro, the smallest metro in terms of employee size, claims a training capacity of 2,600 people p.a). The training capacity located 'in house' deserves further development and support in order to ensure that it is outcomes based and unit standards aligned, and can lead to full qualifications. They should become a focus for attention in relation to accreditation as training providers, and should be assisted to fulfil accreditation criteria by the LGSETA. The municipal training centres have the potential to develop into the Institutes of Sectoral (uMngeni Municipality Annual Report, 2012).

### **5.52 Higher Education**

With respect to full qualifications, considerable use is made of universities and universities of technology accredited by CHE (featuring significantly, are: University of

Johannesburg, University of North West, University of the Free State, Rhodes, Fort Hare Institute of Government, University of Kwa-Zulu Natal, University of the Western Cape, University of Pretoria and Unisa). In addition to graduate public administration studies, several institutions have tailor made short courses and certificates linked in to local government at management and councillor level. These generally operate under the auspices of the provincial SALGA structures, provinces and the institution concerned such as University of Johannesburg, University of North West and University of Kwa-Zulu Natal. The University of the Free State is involved with course development and delivery for the Municipal Training Institute, and University of Pretoria has an ongoing relationship with the City of Tshwane in relation to management development and training.

However, there is currently little standardisation around the outcomes of such training. This should improve with the registration of the Certificate in Transformational Leadership, which could be further developed and expanded both in relation to NQF levels and outcomes.

### **5.53 Further Education and Training**

Some of the FET Colleges are being utilised as ‘hubs’ in relation to the delivery of LGSETA pilot learnerships, being an approach which exhibits a considerable amount of potential in the medium term. Given the relative scarcity of funds available for training in the sector, in relation to the need for training partnerships with public institutions rather than private providers, this can be a cost effective vehicle for training delivery.

### **5.54 Constraints on training access and effectiveness**

Financial constraints are often identified as the most important problem affecting both access to training and the quality of training accessed, yet large amounts of municipal budgets available for training remain unspent, or are diverted to other purposes. The second main constraint is the failure of learners to apply skills acquired through training back in the workplace resulting from an absence of post-training support, know-how and

mentoring, which is essential to realising the benefits of newly acquired skills. Poor quality training and a lack of access to training providers are next in line, while lower order constraints on training effectiveness included turnover of trained staff, “time-off-work” for training problems, insufficient access to effective workplace learning modes and a lack of learner motivation (National Treasury, 2012).

### **5.55 Insufficient training funds**

The six metropolitan councils, constituting the top six levy payers in the sector, account for 52 % of total levy income in the local government and water sectors, while 43 enterprises, 12 % of levy paying enterprises, account for 80 % of levy income (National Treasury, 2012).

The general financial inefficiencies and constraints facing many municipalities means that budgeted income for training from transfers and municipal own income will not offset this problem.

The perception within the sector persists that learnerships and skills programmes can only be accessed if they fall within the LGSETA focal areas that have been registered and developed by the LGSETA, and that apprenticeships are no longer current.

### **5.56 Key areas relating to quality assurance and accreditation**

According to the National Treasury (2012) the following key areas are highlighted as important:

- Partnerships between workplaces and providers, particularly public providers;
- Development and registration of trainers and assessors;
- Development and registration of RPL advisors;
- Capacity of municipal training centres/ institutions; and
- Focus on capacitating districts municipalities to assist local municipalities.

Training providers operating in the sector, particularly small ones, also require access to proven training development and delivery capacity. Capacity and expertise needs to be built in the areas of curriculum and materials development, structuring of workplace learning, competent workplace training facilitators, coaches, mentors and assessors, to name but a few of these needs (National Treasury, 2012).

### **5.57 Workplace skills planning**

Very few organisations have formulated skills strategies that are aligned with broader non-people related capacity building plans, or to the broader prioritisation and development requirements of the Integrated Development Plans. Despite problems with the attraction and retention of key high-level skills, very little evidence is found of strategies to address these problems across the sector (National Treasury, 2012)..

In addition, the relative inflexibility of the labour market within the sector and the low level of recruitment into the sector, makes career pathing extremely important, particularly in relation to employment equity criteria. Yet, relatively little attention is being paid to career pathing, appropriate coaching and professional staff development. Some work has been done by the LGSETA in terms of establishing a qualifications framework for the sector however, it is not yet fully inclusive of all municipal functional areas and all NQF levels. Further work needs to be done in this area. According to the (National Treasury, 2012) some of the constraints facing work place skills planning result from the following:

- Amalgamation and restructuring - conditions under which it is difficult to develop workplace skills plans;
- Lack of information - simply unable to gather the necessary information from departments in their organisations; and
- Skills audits are not being conducted within organisations.

## 5.58 The management of workplace training

Further weaknesses with the overall management of training include ((National Treasury, 2012):

- Little consideration of workplace training and development policies and procedures; Limited expertise to evaluate learning programmes and provider offerings against organisational skills needs and too little attention paid to procurement practices as the main vehicle for holding providers accountable for the quality and relevance of the training that is purchased from them (a lack of appropriate contract management expertise);
- Linked to the above is the limited attention paid to monitoring training quality and reporting on progress and achievements against contracts and plans;
- Limited formal assessments of learner achievements on completion of training;
- Limited formalised approaches to evaluating the impact of their training;
- Limited integration of skills development and HRM practices;
- Ill-defined training functions - roles, responsibilities, accountabilities and structures and inadequately capacitated training committees;
- An absence of key skills development systems;
- SDFs often being junior staff within the organisation;
- SDFs often lacking capacity; and
- Skills development objectives and targets are generally not incorporated into managerial performance agreements.

## 5.59 Time-off-work for training

A lack of staff and moratoria on staff appointments in a context of large-scale change and increasing demands for local services have reduced the time available for training in many municipalities. These factors primarily affect training external to the workplace, particularly longer technical programmes with block release components that involve fairly long periods away from work. Moreover, block release training modules have

resulted in increasing instances of learners having to drop out of courses because their line managers have not planned sufficiently for their absence.

Workplace learning constraints:

- The skills to structure on-the-job learning are in short supply in both sectors;
- There is a lack of learning facilitation, coaching, mentoring and workplace assessment skills amongst line managers and supervisors;
- An absence of learning against unit standards, exacerbated by the lack of workplace assessment competencies, also reduces employee incentives to learn on the job; and
- The role of SDFs / profile of SDFs / constant turnover of SDFs.

There is a lack of support and / or know-how amongst supervisors and managers to assist and/or even create the space for learners to apply skills acquired through training back in the workplace. The lack of career pathing and opportunities to increase remuneration as a result of training, together with an absence of formal recognition of skills acquired through training which would increase mobility in the labour market, reduce incentives to go on training (National Treasury, 2012).

### **5.60 External training delivery constraints**

There is a possible mismatch between priority skills needs facing the sectors and the availability and/or readiness of education and training providers to deliver high quality and affordable training in these areas. There is often an absolute shortage of training providers in rural and peri-urban areas. This obviously exacerbates cost and “time-off-work” for training problems facing these enterprises. Access problems are often best addressed by existing providers developing new, more flexible modes of learning, including information and communication technology delivery options that support e-learning and distance learning modes. In addition, the right incentives are needed to get providers to operate in these areas, which mean support will be needed for higher cost training (National Treasury, 2012)..

Another problem is the inability to discern good from bad quality provision and providers. Even if providers are accredited there still needs to be more effective evaluation of provider capabilities, stricter monitoring of training delivery against contracts as well as proper evaluation of provider performance and training impact. This would also support the development of a strong preferred provider partnership, which is more practical than once-off-training contracts and usually supports better training delivery (National Treasury, 2012).

District Municipalities should play more of a role in co-ordinating training delivery, in order to benefit from the resulting economies of scale, and to deliver District Level Skills Plans. The total number and even spread of district councils across provinces make them an obvious point of contact from which to launch capacity building and skills development support for the large numbers of municipalities, in keeping with their mandate to support local municipalities. However, many district municipalities themselves are severely under capacitated (National Treasury, 2012).

Major improvement is needed in each of these areas in most municipalities. In particular, linking skills planning, employment equity planning and career planning were identified as priorities. In addition, the link between staff educational assistance or bursary schemes and skills planning and training, needs to be clarified. An important trend is the low level of motivation amongst staff for training. This is reflected in reasonably high levels of absenteeism from training courses (National Treasury, 2012)..

Providing post-training support to learners is a neglected concept in the sector. Learners often require support to translate learning assimilated in training programmes into practice in the workplace. Appropriate mentoring, along with established internship practises are almost absent within the sector (National Treasury, 2012).

## 5.61 Summary

The role of sound and effective personnel management in the creation of a functionally efficient, responsive and accountable local government should not be underestimated. In this chapter, it has been observed that there has been minimal growth in overall municipal employment. The 30 % growth in employment in both local and district municipalities is concentrated in the financial and administration, water and waste water sectors, suggesting that these municipalities have been ramping up their capacity to deliver these services. While a large number of municipal posts are still vacant in all three categories of municipalities, more than half of these vacancies are unfunded among the local and district municipalities. This problem is further compounded by the general inability of smaller and rural municipalities to attract and retain suitably qualified and skilled professional staff. The Municipal Systems Amendment Act, 2003 seeks to address a number of the fundamental barriers that exist in relation to effective governance and institutional arrangements in local government.

It would appear that training providers, and training systems within the local government and water sectors are relatively rigid, inflexible and unresponsive. Given the nature of the skills required in the sector, and the nature of the training taking place there would appear to be a mismatch between demand and supply. The supply of training in the public sector, including local government, is fragmented between organisationally based and external training, training for local government vs training for the rest of the spheres of government, and between public and private providers. This fragmentation affects both the cost and the quality of training.

The high levels of training taking place within the sector are largely related to upgrading the capacity of existing staff, currently driven by organisational, rather than service delivery needs. There are reasonably high levels of training taking place in the local government sector but, its impact has, on average, been limited. Much of the training is piecemeal, ad hoc and does not lead to full qualifications of any sort.

Much of the training in the sector remains generic in nature, with relatively little of it being devoted to meeting the scarcity of technical and specialist delivery related skills evident within the sector. An important contextual theme running through this chapter is that large-scale institutional change combined with rising service delivery pressures – backlogs, maintenance and extensions have affected the supply of training in past few years, including the supply of apprentices affecting the output of skilled artisans.

## **CHAPTER 6: FINDINGS AND RECOMMENDATIONS**

### **6.1 INTRODUCTION**

The democratic government made a promise of a better life for all to the citizens of South Africa. For the state to make this a reality, the expertise, skills and competencies of its machinery, the Public Service, are critical. Today, the higher than normal vacancy rate in national, provincial and local departments remains one of the critical challenges which threaten the success of the state to deliver on this promise. The failure, or perceived failure, to deliver on the mandate of the state has created a negative perception on the outlook of the Public Service. The effects of the vacancy rates must be viewed against the large number of service delivery protests. Indeed, where posts remain vacant for extended periods, service delivery is constantly under threat in various departments. This study reflects on the findings with regard to vacancy rates in local government with specific reference to the uMgeni Municipality.

Local government faces the daunting task of implementing skills development programmes to improve productivity and meet economic growth and job creation targets. The challenges involved are broad and varied the overwhelming opinion. Skills shortages undermine the capacity of Local government to provide essential and desirable services, negatively impacting on local economic development and local communities. It is critical that employers, employees, government and trade unions make every effort to boost South Africa's skills development so as to compete meaningfully in global markets.

The primary purpose of this chapter is to encapsulate the dialogue generated in previous chapters. It will also discuss research findings and propose recommendations to the challenges identified. The recommendations derived from the findings presented in this Chapter have been developed to present an overview of the complexity of issues confronting Local government. It provides suggested responses, demonstrates examples of good practices adopted to address the complex issues relating to skills

shortages and proposes a number of strategic approaches to address the issue of skills shortage.

In summary, the recommendations presented in this study aim to:

- provide a framework to assist Local government to respond to the challenge of delivering efficient and effective services when faced with the current skills shortages;
- present a range of ideas on new ways for Local government to do business, taking into account the professional roles and tasks to be performed and the impact of location on attracting employees particularly in rural and regional areas;
- promote Local government as an employer of choice; and
- work collaboratively with key stakeholders, including peak professional bodies, to fund and implement a range of innovative programme to address the workforce needs of Local government today and in the future.

In order to achieve the goal of improving the standard of living of the population as a whole, the Public Service has to concern itself with issues of productivity, performance and accelerated service delivery. This study highlights the fact that the Public Service is not only faced with a capacity challenge but also with a severe performance crisis. This has become an issue because of the tension between the expectations of the population and the pace of delivery. The tension is premised on a constitutional imperative that efficient, economic and effective use of resources must be promoted with the aim of improving the quality of life of the people of South Africa.

It has become necessary to debate and adopt measures for the improvement of productivity and performance in the Public Service with the aim of meeting the goal of accelerated delivery. This study amplifies the fact that the most important challenge for the public sector is that of improving capacity and levels of productivity because public administration has come to be associated with delays, red tape, insensitivity and inefficiency in the regulation of cost and time.

In the South African context, productivity in the Public Service is about ensuring the alignment between political and administrative goals, the deployment of government resources and the needs of citizens. A transformed South African Public Service will be judged by one criterion above all, its effectiveness in delivering services which meet the basic needs of all South African citizens. Public Services are not a privilege in a civilised and democratic society, they are a legitimate expectation.

Despite the considerable progress that has been made with respect to public sector transformation and reform in the period since 1994, there are growing concerns that the capacity, commitment and ethos of the Public Service is currently lacking in a number of key respects. Weaknesses in the human resources and skills capacity of state institutions have been identified by the government as one of the key binding constraints on the effective realisation of the core objectives.

Improving delivery of Public Services means redressing the imbalances of the past while maintaining continuity of service to all levels of society. There must be a renewed focus on meeting the needs of the 40% of South Africans who live below the poverty line and those who have been previously been disadvantaged in terms of service delivery, for example, black women living in rural areas. This means a complete change in the way that services are delivered. A shift away from inward-looking, bureaucratic systems, processes and attitudes, towards new ways of working which put the needs of the public first, is better, faster and more responsive to meet those needs.

A fresh approach is required which puts pressure on systems, procedures, attitudes and behaviour within the Public Service. This does not mean introducing more rules and centralised processes or micro-managing service delivery activities. Rather, it involves creating a framework for the delivery of Public Services which puts citizens first and enables them to hold public servants to account for the service they receive. Improving Public Service delivery is not a one-off exercise. It is an ongoing and dynamic process, because as standards are met, they must be gradually raised.

### 6.1.1 Synopsis of previous chapters

**Chapter 1** provides an overview of South Africa's transition to democracy; it also describes the fragmented Public Service the present government has inherited as well as the need for redress in the form of affirmative action policies. It examines the concept of a "developmental state" and explores the justification behind state intervention and by implication the needs for adequate administrative capacity to fulfil government mandate. In addition, this chapter provides an overview of the transformation and recruitment practices of the Public Service and the skills policy interventions. Lastly, a brief overview of the framework of the study is provided plus concluding remarks.

**Chapter 2** describes the methodology of this research that was followed for gathering and analysing information for this study. This chapter deals with the statement of the problem, the research objectives, the research question, research design, significance of the study, limitations of the study, research methods that are to be employed and various data collection techniques that are used.

The guiding research question of the study is to establish "***What is the state of skills at local government in South Africa and to what extent can government intervention impact on skills development and service delivery to restore confidence in this sphere of government?***"

Making use of the human capital theory and political economy theory this thesis will examine the following critical questions in relation to the case studies of the uMgeni municipality in Kwa-Zulu Natal:

- What is the current skills profile of local government generally and the uMgeni municipality in particular?
- Taking into account this skills profile, does a critical shortage of skills exist in local government?
- What are the challenges confronting the local government, specifically to what extent does:

- South Africa's historical legacy and transformation affect the skills debate;
- lack of experienced managers, political deployment, absence of training and performance interventions, career path, succession planning, values and culture affect public sector skills profile;
- does a disconnect exist with tertiary institutions supplying the correct skills? Is South Africa's education system fulfilling its role in producing an educated labour force?
- the extensive use of consultants reflect the shortage of critical skills in Public Service;
- does the emigration of skills affect the public sector?
- can the attraction of immigrant labour contribute positively to Public Service delivery?
- the shortage of skilled public servants impacts services delivery and by implication places a constraint on economic growth?
- What are the skills development policy initiatives of the SA Public Service?
- What role can the public sector play in addressing unemployment, in particular youth unemployment and is the Public Service doing enough to attract the right skills?
- can internships provide a stepping stone to attracting qualified graduates into the Public Service? If so, what is the current state of internships and what are the barriers to entry?
- does the proposed youth wage subsidy address the concern of youth unemployment?
- what role does remuneration play in retaining skilled public sector employees?
- what role can public private partnerships play in addressing the skills shortage in key areas such as finance, engineering, doctors, lawyers, managers?
- what extent can government intervention impact on skills development and service delivery in the South African Public Service, in the context of SA becoming a developmental state?
- What role can a National Skills Development Framework for each critical sector of the economy play including line Ministries?
- What lessons can SA draw from the growth model of East Asian tigers countries such as Malaysia

**Chapter 3** explores the evolution of critical theories underpinning the practice of Public Administration. The challenges that the current administration faces are examined in this chapter. A review of some of the relevant literature associated with Public Administration was discussed. The significance of public administration theories in South Africa's modern Public Service is also expanded upon.

**Chapter 4:** This chapter aims to give an analysis of the state of skills in the local government. This section explores the role of a developmental local government the central responsibility of municipalities to work together with local communities to find sustainable ways to meet their needs and improve the quality of their lives. It discusses the characteristics of developmental local government, sets out a series of developmental outcomes. It is in the interest of the nation that local government is capacitated and transformed to play a developmental role.

**Chapter 5:** This chapter aims to analyse the trends in local government employment. It highlights the increase in service delivery protests, capacity challenges at local government level, the skills profile of local government, municipal spending on training, vacancy rates at municipal, municipality remuneration, profile of the demand for critical skills in local government, turnover problems, the types of skills required by functional areas and constraint to training.

## **6.2 KEY FINDINGS AND RECOMMENDATIONS**

This section will examine the key findings identified in this paper and will seek to provide recommendations to address these findings.

### **Finding 1: High senior management vacancy and turnover rates**

This study found that Local government is a significant employer in South Africa, employing approximately 278 600 people, however, there are a number of vacancies in critical areas. Service delivery suffers as a result of vacancy rates, which were 12 percent in 2009 among senior managers in local government. In 2008/09, there were

about 144 000 approved positions on district and local municipalities' approved organisational structures.

Of these positions, 36% or 51 200 were reported to be vacant, which suggests that municipalities are operating at significantly below capacity. However, the funding is only available to fill less than 50% of the vacant posts. The remaining 28 700 vacancies are reported as being unfunded. To some extent, the number of unfunded vacancies is offset by the number of appointments to non-existent positions. Municipalities reported that in 2009, some 17 832 people were appointed to non-existent posts. This refers to positions that do not exist on the approved organizational structures of municipalities. This number has decreased by almost 46%, suggesting that municipalities have been revising their organisational structures in order to legalise these appointments.

Municipalities have difficulties in filling vacancies for most senior management positions. There is an overall vacancy rate of 12% for senior managers in local government. The number s57 vacancies declined by almost 30% between 2006 and 2009 in the district municipalities employment. In the financial administration sector this declined from 2006–09, and employment in the technical sectors fell from 29% to 23.4%. These vacancies and the inability to attract scarce skills are not only found at senior management level, as municipalities reported high vacancy rates for artisans, technicians and electricians. Municipalities, indicated difficulties in attracting and retaining artisans, technicians and electricians.

Much of the turnover experienced is because of factors that are embodied in the details of the functioning of senior managers and the conditions under which they operate. A number of supportive interventions are needed to enhance senior managers performance and to ensure that they are able to function as expected. These interventions also serve to enhance the retention levels and facilitate a smooth transition between management. A key lesson is that it takes a long-time to establish and stabilise a system that works optimally for a country. Such a system is not only

shaped by culture and tradition, but also by specific realities within the socio-political and economic environment of the country.

Building on the realities of local government vacancies and turnover and its impact, the following options are presented for consideration. These options identify the direction that can be taken and the specific benefits of each option. Careful attention was focused on assisting the process of decision-making on how the matter of senior management turnover might be dealt with in future.

### ***Recommendation 1.1: Strengthening recruitment and selection***

The system that has been introduced in South Africa is fairly young and was established in direct response to a career-based closed Public Service system. As a result of the new systems introduced, it has been possible to attract individuals from outside of the Public Service into most levels of the administration of departments. The system, as established, served to ensure that people with innovative, leadership capabilities could be brought into the Public Service. In addition, the contracting system served to ensure that there is a focus on performance amongst senior management, as their security in the positions and possible contract renewal depends on demonstrating performance.

Senior management positions carry with it a high level of engagement with stakeholders and hence with political implications for government. Thus, having some level of political guidance and involvement is both necessary and appropriate. The position requires people who are able to embody the value perspectives of the new society and who are able to engage with the political policies of the government in power. Local government needs to be strengthened by putting in place rigorous recruitment and selection processes which will ensure that the best talent is attracted to the Public Service and that the senior managers who are appointed have the capacity to understand and engage with political change and political office bearers. If correct choices are made at the outset, this will lead to a general reduction in turnover amongst senior management and it is possible that serving senior management will remain in the Public Service until retirement. Given that these appointments are time bound, the possibility of non-

contract renewal will serve as an effective mechanism to encourage higher levels of performance. This system will also ensure that new people can be brought in when externally infused innovation is needed.

***Recommendation 1.2: Rotation of senior management and establishing a leadership core across government***

The stability of local government is dependent on a core rank within such a service. In such a system, people are appointed through a rigorous and credible process and on the basis of qualifications and skills. On appointment, they should become part of a senior grouping that can be rotated anywhere in the Public Service. If the correct individuals are appointed, they would have the required competencies to be a senior manager across a range of departments. They would have the required skills to ensure that they are able to serve any appointed Executive Authority and clearly articulate their policy perspectives when engaging with stakeholders. The professionalism they will demonstrate will ensure that they can be deployed to any department.

Rather than join a particular department, they will, on appointment, join the Public Service and become part of a leadership core. Entry into such levels should be done on the basis of competitive evaluation procedures and generally only a small number should be accepted to this grouping each year. Application to be a member of such a group can be from within or outside of the Public Service and the entry procedure would be the same. As appointments are to the Public Service and not to specific departments, deployment to posts where a senior manager is needed will be done centrally within the Public Service. This option will require changes to legislation and will require a strategy on how the current batch of senior managers could be incorporated into the permanent Public Service.

Rotation of senior managers and the use of career public servants is an option that must be explored. Creating a continuity balance, requires that the system be open to career public servants, who have no interest in short-term contracts and who remain committed to remaining in the Public Service after serving as senior manager in a

particular department. A rotational system would serve to avoid a situation where permanent public servants are discouraged by the reality of moving from permanence to a contract arrangement. Within a rotational system, serving public servants would be able to be posted to a different senior management position where appropriate or could return to positions held prior to their promotion to senior management positions. As the risk levels are lower for such officials, this will be factored into the senior managers salary level established for serving officials.

Where necessary, an additional salary may be paid as a responsibility allowance. This will, subject to labour law, allow individuals to return to their previous or equivalent positions within the Public Service. This approach will also serve to encourage succession planning and applications for senior management positions from within the Public Service. Whilst the system is open to outside applicants, they would not have permanent status, unless they remain within a contract position for a certain period. This option will require changes to legislation or regulations to govern the specific conditions relating to appointments to senior positions from within the Public Service. The implications of this option would need to be researched further to ensure that there are no negative unintended consequences.

### ***Recommendation 1.3: Enhancing induction programmes***

The role and function of a senior manager is very different to other positions in the Public Service and comparable positions in the private sector, therefore an induction into the Public Service and senior managers roles play a critical role. Senior managers have very specific responsibilities that are defined in the Public Service Act, 1994 (Act 103 of 1994) and the Public Finance Management Act 1 of 1999. Often new appointees from outside and inside the Public Services are not aware of the specific responsibilities. The following induction processes are recommended:

- An induction guide targeted specifically at senior managers should be developed. The guide should contain essential information and the process that departments need to follow to introduce manager to the department and their responsibilities; and

- A short high level executive induction programme should be introduced. The course should be developed in close consultation with the FOSAD and be delivered in each quarter of the financial year. Attendance within the first six months of appointment must be made compulsory. The course should be delivered over three days to avoid non-attendance due to operational work reasons.

#### ***Recommendation 1.4: Enhancing performance agreements***

The development, approval and management of performance agreements is fundamental to ensuring that senior managers perform well and that their performance is central to determining their future in the Public Service. Performance Agreements must be put in place as soon as possible after appointment and performance must be monitored on an ongoing basis. The levels of commitment to completing Performance Agreements remain low and often subject to the completion of departmental plans. Delays create problems and completing very specific Performance Agreements takes time and often internal complexities make them difficult to assess. The recommendations that follow will ensure that senior manager performance is managed despite the limits of departmental planning.

Generic and simplified performance agreements should be developed for all senior managers. These agreements should be signed when contracts are signed and should ideally be accompanied by departmental plans. The generic areas should be such that they can be used to assess the performance of the senior manager on the outputs and outcomes of the department in question. The signing of the generic agreements and the conducting of regular assessment sessions should be non-negotiable. Where performance problems have been identified, appropriate actions should be taken. If support and development is the preferred route, the senior manager should be matched to a more experienced senior manager within the Public Service. Support sessions and open communication between the mentor and the senior manager needing support must be encouraged. This requirement must be in writing and should specify the

number of sessions that need to be held during the developmental period. Failure to comply should, if appropriate, result in contract termination.

***Recommendation 1.5: Managing a smooth transition between senior managers***

As the turnover of senior managers can be disruptive to departments and the Public Service, it is essential that strategies be established to ensure a stable and relatively painless transition between senior managers. Often the senior manager enters the system with little or no knowledge of the logic of past interventions and the reasons why the department is structured in a particular manner and why certain practices were introduced. The following is recommended to guard against disruptive organisational changes when there are senior manager changes. A support guide on managing the transition between one senior manager and another must be developed and be provided to each department. Such a guide should specify all of the actions that need to be taken by the department to facilitate the exit of one senior manager and the entry of another. The guide should specify the information pack that needs to be provided to the new senior manager before he or she assumes duty and the procedure to be followed to brief the senior manager on the department, its history and operations.

***Recommendation 1.6: Managing the executive interface and engagements***

The management of the executive interface and engagements remains one of the biggest challenges for the senior manager. Whilst structural changes to legislation might assist the process, the reality is that senior managers are required to engage with complex and sometimes difficult requirements and balance these with operational realities and constraints. Managing the interface can be very stressful and often senior manager require a level of support and guidance. In this respect it is recommended that:

- As difficulties in the executive interface are attributed to the disjuncture between the Public Service Act and the Public Finance Management Act, this matter be further researched and if necessary changes be made to ensure that the system functions optimally and that a fair balance is established between accountability and domains of control and responsibility for senior managers.

- As changes to legislation or regulations is time consuming and can never fully anticipate all of the likely difficulties that emerge in the relationships, a support and mentorship process should be developed for senior managers. New senior managers and those who confront problems should be able to approach a central authority like the Premier's Office or the Presidency for support. Such an office would then link the senior manager to another senior manager colleague for ongoing guidance and mentorship.
- A dispute resolution process should be established to enhance the prospects of resolving problems before they become a crisis and lead to a complete breakdown of relationships. Such a process would entail allocating the responsibility for mediation and resolution of problems to a senior minister at the national level and a senior MEC at the provincial Level. The designated minister or MEC will be given the responsibility of intervening at the request of either party or at his or her own discretion.

***Recommendation 1.7: Centralise senior management career pathing***

The management of the career incidents of senior manager is currently decentralised to national and provincial departments. In practice, this makes it very difficult to monitor developments across the Public Service and ensure a level of stability and commonality in the manner in which the senior manager are managed. The administrative and management burden of appointing, contracting and terminating senior manager tenure is dispersed across the Public Service. This often gives rise to misunderstandings on the provisions of legislation and conflict often emerges.

The following recommendations will assist in this regard. The management of the career incidents of the senior manager must be centralised. Such an approach will serve to avoid duplication and facilitate the effective management of contracts and performance. It would also ensure that there is compliance with performance evaluation requirements and would serve to ensure ongoing development of senior manager.

**Finding 2: Salaries and allowances of senior managers**

The salaries of senior municipal managers, particularly municipal managers, always attract a considerable amount of public interest, especially given the general perception that municipal officials are overpaid in relation to their performance levels.

The metros, and even the secondary cities, are very large, complex organisations (far more complex than the average national or provincial government department). The average salaries for municipal managers and CFOs for these two groups of municipalities do not appear to be out of line with the level of experience, expertise and responsibility required of these positions. In district municipalities, however, the average salaries paid to the municipal managers and CFOs do appear to be out of line and unreasonably high. District municipalities are relatively straightforward organisations compared to local municipalities with similar sized budgets. They receive most of their income in the form of transfers and they have limited service related responsibilities. It is therefore not clear what justifies the very high average salaries of district municipal managers and CFOs. Nor is it clear why municipal managers of the mostly rural municipalities earn on average more than those of the towns. A possible explanation is that rural municipalities are having to pay a premium to attract senior staff. However, the poor financial performance of many rural municipalities suggests that this premium is not paying off.

Municipalities in aggregate spend between 25% and 30 % of their total operating budgets on the remuneration of personnel. This spending trend has remained more or less constant since 2005/06. This is despite the outcome of the municipal wage agreement processes, which saw municipal employees receive increases that were substantially higher than the Consumer Price Index (CPI). Municipal expenditure on personnel comprises 30 % of aggregated operational expenditure by municipalities. Lack of capacity is one of the perennial explanations for shortcomings in municipal service delivery. Core to this capacity problem are the very high vacancy rates in local government, which are compounded by the job losses (National Treasury, 2009)

Levels of municipal employment have declined, while vacancy rates and the average cost of employment have risen. However, there exists divergent employment and personnel expenditure trends within and between the different categories of municipalities that are masked by the aggregate figures. Municipal employees and the skills they bring to the workplace are a critical input in the delivery of all services a municipality delivers. The objective of managing municipal personnel is therefore not necessarily to minimise the “wage bill”, but rather to ensure that people with the required skills are recruited, retained and appropriately deployed.

It is common knowledge that municipal services differ widely in terms of their skills and labour intensity. Some, by nature, require high-level skills, such as planning, others are skills and capital intensive, such as electricity and water distribution and others are labour intensive such as waste removal. However, in many instances municipalities can choose whether to use more capital intensive or more labour intensive technologies to perform a particular activity or deliver a particular service. It is important to know which way these decisions are going and why.

### ***Recommendation 2.1: Incentivising senior managers through remuneration***

The salaries of senior manager are a matter of concern and are currently linked to the salary structure of the Senior Management Service (SMS) of the Public Service. As senior manager carry a higher level of responsibility and the framework of contracting carries further risks for them, there is a need to reconsider their salaries, relative to other levels within the SMS, they also have very particular responsibilities that go beyond their effective salary band within the Public Service. As senior manager are not often the direct recipients of development opportunities, there is a need to develop interventions that encourage them to stay within the Public Service. In this respect, it is recommended:

- An investigation should be conducted into the salary levels of senior managers with a view to ensuring that senior manager salaries are competitive and are in line with the different levels of responsibility attached to different senior manager positions. Such an investigation should include an assessment of other possible

incentives that could be included for senior manager and that are distinctive to this level of authority and responsibility. Such an investigation should include establishing salary benchmarks.

- Efforts should be instituted towards creating opportunities for senior managers to engage with each other as part of a distinctive grouping within the SMS. These efforts include establishing interventions that serve to establish further non-monetary incentives for the senior manager. These should ideally include learning and development opportunities, social events and privileged access to particular personal services and other indirect monetary incentives.

### **Finding 3: Challenges in acquiring and retaining key skills**

The study found that the challenges faced in acquiring and retaining skills undermines continuity in municipal management, which ultimately has a negative impact on service delivery. For example, municipalities experience difficulties in attracting and retaining key skills. The need for financial skills is particularly evident in local and district municipalities. Professional administration in municipalities is undermined by the difficulty of attracting qualified and experienced technical and management professionals outside of the urban areas. The seriousness of these skills scarcity is deepened by the decline of municipal professional associations and poor linkages between local government and the tertiary education sector. This has contributed to the serious breakdown in the supply of municipal professionals.

There are significant disparities in sectoral balance in employment between the different categories of municipalities. Metros employ a significantly lower percentage of their staff to financial administration functions compared to rural and district municipalities. This is because there are economies of scale in financial administration. Disparities in trends for the technical sectors can be attributed to differences in the allocation of municipal powers and functions. For example, district municipalities employ a significantly higher percentage of their staff in the water sector compared to electricity and waste management, because most district municipalities have been granted the authority for

this water function. Vacancy rates in metros are high – more than 20% among all sectors.

Skills retention is a challenge for municipalities, some of the main hurdles are:

- A fear that performance contracts will not be renewed, which propels officials to find alternative employment.
- Smaller municipalities being unable to compete with larger municipalities in retaining officials.
- Political interference in administration, which leads to officials seeking other employment opportunities
- A lack of coordinated efforts to retain existing skills.

***Recommendation 3.1: Training and career diversity opportunities to retain staff***

Retain existing staff and re-engage staff previously employed in Local government. To retain existing staff and enable former Local government employees recommence career pathways in Local government: A mature aged workforce reaching retirement age. Develop and promote recognition of the skills and expertise of mature workers and provision of skill development into new roles such as mentoring and coaching.

Develop and promote growing skills by supporting the continuing professional development continuing professional development to enable staff to advance their career whilst remaining within Local government, for example provide training for in house staff; seek out scholarships for skills development of staff; recognition of skills and assist with application of Recognition of Prior Learning (RPL) contribution to formal qualification. Providing career diversity through:

- Facilitating secondments between Local governments;
- Development of skills in managing independent contractors;
- Providing skill development in training and support for developing new business opportunities for Local government delivery of services such as setting up business units that contract expertise to other Local governments and the private sector;

- Develop and promote programmes to encourage those employees that may have left Local government and recent retirees, to return to work;
- Develop and promote better use of skilled time by reducing non-skilled work requirements
- Promote and encourage collaboration between Local government and National Government to develop programmes to attract professionals into the Local government sector;
- Promote and encourage collaboration and partnerships between Local governments to share resources and coordinate management following feasibility and resource analysis;
- Promote and encourage development of Local government alliances with the private sector;
- Promote and encourage recognition, through recruitment and professional development support for, senior staff who communicate the vision, develop flexible strategies and tactics to implement the vision and motivate workers.

This requires people who:

- Are adaptive, creative and inspire trust in shared values;
- Can develop transformative processes that eradicate obstacles and empower the workforce and local communities;
- Build teams and directly communicate with staff and community; and
- Take risks, seek solutions and make decisions to obtain best results.

#### **Finding 4: Flawed recruitment system**

Organised labour has complained that “nepotism and favouritism” result in erratic appointments and promotions. Cases have been cited where posts are filled without being advertised; people are appointed to posts in technical positions where job evaluations and descriptions are not in place. This is despite the fact that the Institute for Local government Management of South Africa has stipulated that appropriate recruitment and selection processes should be used, and that all employee appointments should be separated from political office bearers.

***Recommendation 4.1: Revising or developing codes of conduct***

Senior management structure of a municipality should consist of officials who are obligated by their profession's code of conduct. These professionals should be on contracts for longer than five years, to ensure security of tenure. Existing codes of conduct tend to emphasise the prohibition of certain actions, such as corruption or financial and ethical misconduct. While these prohibitions are important and must remain in force, codes of conduct should also bind employees to proactive action. For example, codes of conduct could oblige management to act in the interests of the community, to consult relevant takeholders and to develop staff within their departments. Codes of conduct should also deal with sexual harassment, and provide for investigation, disciplinary and grievance procedures in this regard.

**Finding 5: Ineffective performance management**

It is clear that the intent of the policy and legislation to guide organisational performance is often not matched by practice. Furthermore, there has been almost no expert independent evaluation of municipal performance that enables accurate benchmarking and assessment of which municipalities are succeeding and which are failing. Weak support and oversight, and the lack of differentiated assignment of responsibilities point to the failure to provide an enabling framework to build the institutional strength and functionality of municipalities.

The ineffective management of many municipalities has been attributed to a combination of factors - from the improper political and administrative interface to weak institutional arrangements and poor supervision accountability mechanisms. The Municipal Systems Act 7 of 2011 provides for organisational performance management. In the absence of rules or procedures for dismissals, suspensions and disciplinary cases, councils can proceed with such interventions outside of any framework of accountability. It was found that there were frequent cases of performance management systems not established or complied with, and many municipal managers with non-signed performance contracts.

Failure to sign a performance agreement is a breach of contract and the employing municipality may terminate the employment contract of a manager unless good cause for non-compliance is shown. In principle, the no performance agreement, no performance bonus principle, should be applied. Many municipal managers and managers directly accountable to municipal managers do not conclude their performance agreements within stipulated timeframes as required by regulation 4 of the Municipal Performance Regulations. Many municipalities do not adhere to regulation 5 of the Municipal Performance Regulations which requires copies of signed performance agreements to be submitted to the MECs responsible for local government in the relevant province. This refers to the poor monitoring and oversight capability of provincial government.

***Recommendation 5.1: The introduction of performance-based contracts for senior staff***

Performance based contracts can improve accountability and induce a focus on outputs. Municipalities should consider the introduction of performance-based contracts for the first two or three reporting levels of senior officials. These posts would remain professional appointments, but employment contracts would specify job outputs (results to be achieved) and performance standards. Contracts would be renewable based on an assessment of performance against specified targets. The introduction of performance contracts would need to be in accordance with fair labour practice.

Some of the lessons that should inform future local government capacity-building initiatives are:

- Identifying and addressing the true root causes of local government performance failures;
- Ensuring a sustainable, long-term, dynamic process for performance improvement;
- Incentivising good performance;
- Getting the basics right;
- Sequencing initiatives correctly;

- Properly designing, developing, managing, implementing and evaluating capacity initiatives; and
- Allowing for performance failure in extreme instances.

### **Finding 6: Poor recruitment practices and political interference**

HR management in municipalities have been beset by poor recruitment practices, rigid enforcement of the employment equity principle, the inability to attract and retain suitably qualified staff, high vacancy rates, a lack of performance management systems and political interference in the appointment and dismissal of staff. Political interference in the recruitment process, disparities in salaries, and deteriorating relations between employees and employers all contribute to an environment that is unattractive to professionals. A poor municipal work environment with vague job descriptions, limited incentives, limited career paths and little scope or encouragement or initiative is not conducive to attracting and retaining talented professionals. Organisational factors – such as supply-chain management complexities hamper the appointment of service providers; cumbersome HR practices that seldom yield the correct results; poor practices; the complexities of the skills development process; and the amount of paperwork required for training programmes – all compromise the human capacity. The evidence of a high incidence of irregular or inappropriate appointments is concerning. Appointments are commonly made to positions that do not exist on approved organisational structures. Local government lacks sufficient labour market knowledge and strategies to provide career diversity and development

### ***Recommendation 6.1: Empower, build knowledge and effectively use human resources***

To build and showcase 21<sup>st</sup> Century Local government business practices that empower, build knowledge and effectively use human resources and technology. The challenges that require a response include developing new styles of Local government governance and business operations that can reduce the demand for particular skill sets, create capacity for more flexibility in work structure such as off-site employment,

and facilitate job design enabling the Local government workforce to be deployed across a range of activities and functions.

To promote the use of flexible and leading edge human resource management practices that transforms Local government into a desirable workplace. To become an innovative employer, it must adopt flexible and leading edge human resource management practices.

- Promote and encourage the inclusion of workforce planning as key component in planning;
- Data collection that facilitates the development of workforce planning strategies to attract staff to fill skills gaps, develop incentives for staff retention and phased retirement, and succession planning. Workforce data collection includes:
  - Collecting and maintaining quantitative workforce statistics including workforce turnover, age profile; career patterns, and future skills requirements matched to current skills; and
  - Collecting qualitative workforce data on skills and labour shortages, and employee work intentions.
- Develop and promote a range of incentives to attract and retain staff including:
  - Attraction and retention bonus;
  - Relocation Assistance both financial and housing; and
  - Secondary Job assistance for family members ie: assist other family members with employment.
- Develop and promote, in consultation with the workforce, a range of flexible HR practices that allows older workers to change their work level, focus on non-work priorities, and/or transition to retirement. Activities include:
  - Continuing professional development;
  - New skill development to permit taking on new roles such as mentoring and coaching;
  - Flexible work arrangements to facilitate phased retirement for example, work from home, part-time work or job sharing;

- Extended leave to allow social and caring needs;
  - Leave without pay;
  - Facilitate job change to enable reduced workloads;
  - Creation of a worker pools to cover contingencies such as illness, increased workloads and locums;
  - Offer contracting work role;
  - Review workplace health and safety;
  - Assist with superannuation; and
  - Retirement planning.
- Promote reviews of pension schemes to ensure that they do not act as a disincentive to employees continuing work after reaching retirement age
  - Provide access to relevant and flexible training and development, particularly in the areas of skills shortages
  - Develop and promote responsive HR practices including:
    - Timely decision making on recruitment;
    - Structured processes for new recruits to actively participate in organisational review and reform;
    - Develop career path planning at work commencement;
    - Conduct performance appraisal process;
    - Offer opportunities for leadership and professional development; and
    - Develop secondments and/or swaps between Local governments.
  - The capacity to engage in organisational change process without alienating the workforce or the community by developing and promoting local governance practices, especially Human Resources, that are:
    - Efficient – decisions that are quick, responsive and accurately reflect community needs and aspirations;
    - Transparent – clarity of responsibility for decisions;
    - Accountable – ability to measure activity against policies, plans;
    - Encourage Integrity – high quality standard of conduct that inculcates trust and confidence; and
    - Outcome focused -reduce administrative burdens and red tape.

To win the game the Public Service must improve its salary packages; address the deteriorating working conditions. Attention must be given to talent management, career pathing, motivation and objective performance assessment instruments. Government must begin planning for the efficient and effective utilisation of staff. Consideration must be given to the likely higher impact of HIV and AIDS on staff productivity, increased absenteeism rates, workload and burn-out, strenuous workplaces, resignations, turnover and repeated death as these skills are critical for a developmental state. In this regard Government must urgently introduce succession-planning interventions.

### **Finding 7: Need to strategically position the HR function**

It became evident in the study that until recently, HR in the Public Service and the country as a whole has never been seen as strategic for socio-economic development. In addition, despite the critical role that HR plays in the Public Service for improved service delivery, there has generally been little concern about the capacity of HR practitioners in the Public Service. Also, recruiting HR practitioners has generally not been that vigorous because of a myth that HR qualifications are not a basic prerequisite compared to finance qualifications in accountants. As a result, the Public Service has an abundance of HR practitioners who are actually personnel administrators and do not understand the impact of their work on overall service delivery in the Public Service

### ***Recommendation 7.1: Turnaround strategy***

The HR function in the Public Service must be repositioned to facilitate a massive turnaround strategy to overcome these challenges. HR should be informed by a strategy of the Public Service in fulfilling their role, hence the vision of establishing an integrated HR in the Public Service. HR should be structured in such a way that it becomes part of developing performance consultants who will help line managers to address their performance problems.

***Recommendation 7.2: Empowering line managers***

The HR Management System must be rejuvenated so that line managers can be empowered to make decisions that impact on the people with confidence and are in a position to manage performance.

***Recommendation 7.3: Focus on organizational performance***

HR must be informed by the strategy of the Public Service in fulfilling their roles. In this regard, HR's scope should be broadened beyond administering prescripts to actually driving the organisational performance programme. Until such time that HR people in the Public Service define themselves as being responsible for building and retaining competence across ranks, the transformation of the Public Service will be undermined.

***Finding 8: Professionalisation of human resource management***

The need to professionalise the human resource development practitioners appointed in local government was identified. The importance of building the capacity of those responsible for capacity building within local government therefore becomes of cardinal importance. This calls for a professional and responsive human resource development department in municipalities, with clear and innovative strategies to respond to capacity building, recruitment, staffing, career development and retention.

***Recommendations 8.1: Sustainable capacity building***

With respect to the dynamics of capacity challenges at local government level, it is recommended that:

- Capacity-building efforts should be comprehensive and sustainable, instead of quick fix, short-term solutions. To this end, it is necessary to:
  - Establish a single capacity-support agreement per municipality. This agreement should stipulate all actions to be undertaken by national and provincial government and other relevant role-players. Measurable objectives for capacity development programmes should be clearly defined (relative to credible baselines) and independent exit evaluations should be compulsory.

- Environmental constraints, specifically with respect to the allocation of powers and functions and the formulation of conditional grants, may need to be simultaneously adjusted;
- With respect to capacity-related conditional grants:
  - The grants conditionality must commit municipalities to specific, independently verifiable capacity and performance improvements.
  - Grants should be redesigned to consider the quality of capacity-building interventions, instead of having a narrow quantitative focus.
  - An external, objective evaluation dimension should also be included in capacity grant requirements.
- Capacity-building interventions should holistically coordinate individual, organisational and institutional level dimensions of capacity building in a particular municipality over the medium term. Instead of focusing disproportionately on training, support programmes should include technical support for new systems, business process redesign and change management, based on an assessment of the relevant municipality:
  - Individual: officials must have the necessary technical skills, knowledge, experience and competencies to fulfil their particular functions. This means appointing the correct person to the correct post (adherence to recruitment, selection and any minimum competency requirements) and ensuring that officials then receive training (both accredited and non-accredited) relevant to their areas of responsibilities to ensure continued workplace effectiveness.
  - Organisational: municipalities should be supported in compiling realistic IDPs, implementing functional and effective performance management systems, and knowledge management policies, to enhance organisational memory and data management and to ensure accurate and relevant reporting. Critical vacancies must also be filled and workable strategies for staff retention be implemented. Skilled individuals must be appointed to vacant positions for which affirmative action candidates cannot be found,

and audits should be conducted of municipal positions that fall outside the approved organisational structures.

- Institutional: greater differentiation and flexibility is required in the design of the local government fiscal framework. A differentiated approach is needed for the assignment of functions to municipalities, based on their capacity to effectively manage them. Once a municipality has proved its ability to provide a specific basket of services, decisions can be made regarding expanding the range of services provided by such a municipality. Where service delivery failures persist, such services should be removed from municipalities. Furthermore, the establishment of a coordinated capacity-building function across all local government departments is recommended. These actions must be complemented by simplified, streamlined and coordinated reporting requirements for local government and clearly defined roles and responsibilities for national and provincial departments. To assist rural municipalities, the value and practicality of an assistance programme should be explored, aimed at attracting and retaining scarce skills in these areas (similar to the scarce skills payments made to doctors in rural areas).
- To improve municipal capacity, the middle and senior management of municipalities need to be stabilized urgently, through greater insulation from political interference in the retention of skills and in the recruitment process. The link between actual performance of managers and the renewal (or not) of performance contracts should be strengthened. The human resource function within municipalities needs to be proactive in identifying possible incentives for retaining scarce skills and ensuring that roles and responsibilities are clearly defined within municipal job descriptions. This challenge will only be solved through increasing the pool of available people to fill vacant positions.
- Minimum competencies as entrenched in the MFMA should be enforced so as to ensure that appropriate technical skills are in place. Based on field work conducted by the commission, the following functions require particular attention: revenue management, supply chain management, sewerage and water

treatment plant operators, road maintenance supervisors, health inspectors and planning and project managers.

### **Finding 8: Outsourcing of municipal activities**

Another challenge is that the average cost of employment has increased at rates well above inflation. As an increasingly cost-effective method of delivering services, many municipalities are outsourcing activities. This is as a result of the financial pressures, which have constrained municipalities' ability to increase employment.

#### ***Recommendation 8.1: Contracting out***

It is common practice for municipalities to contract with specialist private companies to provide services. Specialist companies can sometimes provide economies of scale and specialist expertise and experience more efficiently than in-house capacity. Contracting out can range from the contracting of specific aspects of a particular service, to the introduction of competitive tendering for the delivery of most aspects of a service. Where services are contracted out, municipalities should protect standards and promote quality through tender evaluation processes, contract specifications, and contract monitoring and compliance techniques.

In developing and assessing tender documents, municipalities should be aware that the lowest bidder is not always the best contractor. While price is an important factor, the financial standing of the contractor, their commitment to providing training and good employment conditions, willingness to use local labour, technical capacity to undertake the contract, environmental and health and safety record, and commitments regarding service tariffs, quality standards, quality control systems and customer relations are equally important. Municipalities can also use contracting out as a means of empowering local and emerging businesses.

Where a large number of functions associated with a service, or the management of an entire service, are contracted out, the allocation of risk becomes a critical issue. Generally, where the contractor takes on higher risks it also demands a better deal,

either in the form of more control and autonomy over the management of the service or increased financial rewards. Contracting out is most effective when municipalities are both clear and specific about the nature of the service they are seeking from a contractor, and have the capacity to manage the process of tendering and contract development and monitoring in a manner which ensures that municipal objectives are met. Instances may arise where national departments with constitutional mandates to regulate service provision within specific sectors, prescribe matters which must be regulated by contracting out instruments.

### **Finding 9: The extensive use of consultants in Public Service**

Municipalities do not appear to have the required skills base for optimal operational results. Between 2006 and 2009, municipal employment in the financial administration declined because of, among other reasons, skills shortages (National Treasury, 2011). The high level of staff mobility has also led to dependency on the services of consultants. The real need is to stabilise the senior management teams of municipalities in order to improve service delivery outcomes.

This study has found that high vacancy rates in departments and the lack of a performance culture contribute to the use of consultants. Consultants have played a vital role in helping change the way people work and in implementing new technology to improve the quality of Public Services. Many of the best projects in the public sector have been delivered with the help of management consultants. The public sector has tapped into their specialist skills. While there is a real imperative for departments to build capacity which is sustainable there is also a burning need to get the job done. The use of consultants in this equation has been the subject of much controversy and debate.

### ***Recommendation 9.1: Interim measures***

Given the vacancy rate within local administration, the use of consultants as an interim measure is not necessarily a negative development. However, explicit provisions should be built into consultant contracts to ensure a sharing and cross transfer of skills. Given

the vacancy rate within the provincial and local administration, government must make planning, training and capacity building of existing staff a priority. Departments should also put in interventions to improve performance culture by strengthening the performance review and assessment mechanisms.

### **Finding 10: South Africa's historical legacy, implications for employment equity**

The genesis of South Africa's skills policy regime is intricately linked to its history as an apartheid state, the legacy HAS presented in the labour market, and the efforts post-1994 to ameliorate the iniquities of the education system. As a democratic nation, South Africa found itself not only having to deal with the legacy of the education system and the resultant (absolute and relative) skills shortages associated with this, but also in a situation where reintegration into the international economy mandated skills biased changes to the methods of production and the world of work. The result, too few workers with adequate skills, or labour supply was not able to match labour demand. At the same time, the country faced an unemployment crisis of historic proportion. The result, labour demand was not high enough to absorb the supply of labour. This seeming contradiction came to be known as the mismatch between labour demand and supply. The South African government has prioritised training and education as a means towards cultivating a competent and skilled Public Service. Evidence of this is the number of pieces of legislation and policy frameworks that the government has adopted to address the problem of skills shortage both within and without the South Africa Public Service.

The skills shortage and employment equity requirements make it even more difficult for towns and rural municipalities to recruit staff who are suitably qualified. Municipalities' rigid interpretation of the Employment Equity Act No. 55 of 1998 has meant that the balance between the need to fill vacancies with competent employees and the objectives of the Act have not been maintained. This has resulted in positions not being filled (particularly in areas with distinct skills shortages) because a suitable affirmative

action candidate could not be found, which has had a negative impact on service delivery.

This study found that affirmative action currently takes place within a job scarce environment; this may well exacerbate tensions and has the potential to reduce the process to 'displacement' rather than 'diversity' management. It may sharpen black frustrations and aggravate white insecurity producing major obstacles in the development of a coherent unified organisational culture. Affirmative action programmes then have very serious consequences for the development of organisational culture. The potential for raised tensions along ethnic lines, competing cultures and internal plotting to slow or accelerate racial and gender reconfiguration are high.

Removal of discrimination in South Africa is not sufficient; redress is clearly necessary and morally obliged. However, it has been argued here that positive discrimination or affirmative action produces many tensions of its own. The question is whether a climate conducive to affirmative action and delivery can be created and sustained in organisations. The period of soft displacement is now behind us. The values of leadership are critically important in the transformation process

***Recommendation 10.1: Favorable organisational culture***

HR departments in the Public Service must play a crucial role in ensuring a conducive environment for the roll out of affirmative action policies. HR departments must create a favourable organisational culture which supports diversity in the Public Service. It is critical that all employees who are appointed to key municipal positions be subjected to intensive training, which includes core on the job training through mentorship, as well as regular structured training programmes to fast track development. There should be strict monitoring mechanisms to gauge progress as well as strict measurement criteria to determine progress. Accountability frameworks must be strengthened.

***Recommendation 10.2: Develop affirmative action programmes***

Municipalities need to proactively ensure that the gender and racial composition of management reflects the composition of South African society. Municipalities should develop affirmative action programmes in line with the National Labour Relations Forum framework, and develop mechanisms to support and monitor the implementation of their programmes. Management reform goes hand in hand with worker empowerment. The central thrusts of worker empowerment are human resource development and the decentralisation of operational responsibility. In many municipal administrations hierarchical grading systems and narrow job definitions have deskilled jobs at the front-line level. Combined with inadequate training, the lack of opportunities to influence job content and organisation and poor management practices, the result is a demoralised and inefficient workforce.

### **Finding 11: Competition for skills**

This study found that South Africa's Public Service is not exempt from the war for talent, which is a global phenomenon. In fact, the war for talent is particularly fierce in South Africa, which is in the midst of a skills crisis. Public Service departments operate in an increasingly competitive environment when it comes to acquiring talent in a range of scarce-skills categories. Senior managers and high-level professional positions have been identified as pivotal in the delivery of Public Services. To professionalise this important layer of national civil servants, a distinct Senior Management Service (SMS) was established within the Public Service to ensure the uniform application of HRM norms and standards. In spite of such determined efforts, however, an analysis of the vacancy rates (skills demands) in 2006 showed that the highest vacancy rate is within the SMS band.

Recently, South Africa's Public Service departments have been looking towards retention strategies to hold on to talented individuals in scarce-skills categories. The loss of experienced employees has had a severe impact on remaining employees in terms of increased workload and reduced efficiency and morale, as well as on the organisation in terms of interruptions of service provision and development, difficulties in finding qualified staff, and disrupted organisational relations. It is important, therefore, to

incorporate retention efforts into an integrated, holistic talent management program to ensure that the right caliber of people are available at the right time and that those people are able to achieve Public Service strategic objectives.

***Recommendation 11.1: Role of talent management***

Government needs to make talent management a priority to retain managers. Developing and growing talent from within the public sector in the context of an increasing war for talented university graduates in South Africa is a strategic imperative for the Public Service. Government needs to put in steps to identify talent to assess employees' performance, potential, and readiness to advance vertically and horizontally in the Public Services. Competency definition and assessment is another powerful talent management assessment tool. Another important consideration is performance as part of the talent evaluation criteria. Although a performance management system is in place for the Public Service, the practical application is lacking, and the system appears to be mainly used for determining compensation. The different talent classifications have to be approved by managers, and discussions need to be held with the relevant employees. Line manager's needs to have critical conversational skills to discuss employees' strengths and weaknesses with them, and managers may require training and coaching to conduct such discussions effectively. Integrating HR development efforts and career pathing is critical to ensure that employees' individual development plans reflect their department's future development needs.

**Finding 12: Shortages of skilled public servants require new approaches to service delivery**

Under apartheid there was systematic under-investment in municipal infrastructure in black areas. This deprived millions of people of access to basic services, including water, sanitation, refuse collection and roads. Developmental local government has to address this backlog. Its central mandate is to develop service delivery capacity to meet the basic needs of communities. Basic services enhance the quality of life of citizens, and increase their social and economic opportunities by promoting health and safety, facilitating access (to work, to education, to recreation) and stimulating new productive activities.

Municipalities have a range of delivery options to enhance service provision. They need to strategically assess and plan the most appropriate forms of service delivery for their areas. Their administrations need to be geared to implement the chosen delivery options in the most effective manner and so ensure maximum benefit to their communities. Municipalities will need to seek an appropriate mix of service delivery options. Choices about delivery options should be guided by clear criteria such as coverage, cost, quality and the socio-economic objectives of the municipality. Delivery mechanisms which municipalities can consider include the following options:

***Recommendation 12.1: Building on existing capacity***

Municipalities in South Africa have very different levels of administrative capacity. Approaches which build on existing capacity must be based on an evaluation of the skills, capacity and potential of the existing administration. In most instances the bulk of the workforce comprises semi- or unskilled black workers, who have historically been denied access to training and personal development opportunities and thus alienated from the communities they serve. Management remains predominantly white, and historically schooled in rigid, authoritarian and outdated management practices. In this context, two approaches for improving internal efficiency are managerial reform and worker empowerment. Both imply wide-reaching changes in the way the administration is organised and operates. Management reform involves building a culture and commitment to results and value-for money. It also involves a service-orientation where labour is a partner in delivering services to the community. This stands in sharp contrast to the bureaucratic culture of budget maximisation, centralisation and control, and the emphasis on inputs which is prevalent in many municipal administrations.

***Recommendation 12.2: Empowering and enhancing the skills of the front line***

Front-line workers interact with the community and end-users of services on a daily basis. As such, they need to be empowered to provide information, services and advice to the community. The front line needs to be reskilled, and encouraged to play a more active role in building cooperative relations between municipalities and communities. If

capacitated and empowered, frontline staff can utilise the considerable knowledge and expertise of those who actually perform delivery functions to enhance effective operations. Strategies to develop the skills of front-line staff should be included in the integrated human resource development strategies of municipalities, which should cover capacity building, training, staffing, and labour relations.

***Recommendation 12.3: Decentralisation of operational management responsibility***

Within an organisational framework which specifies clear objectives, outputs and performance standards, the decentralisation of operational management responsibility encourages innovation and commitment. Decentralisation can take different forms, from increasing the discretion of operational management to the creation of self-managed work teams. Decentralisation of management responsibility should be accompanied by training, and should be situated within a programme of organisational development.

***Recommendation 12.4: Developing strategies together***

Ongoing consultation and communication ensures that the workforce is informed about and contributes to the development of organizational strategies and vision. Mechanisms to facilitate consultation range from regular meetings between organised labour, management and councillors, to breakaways to discuss specific issues. Training and capacity-building is an essential part of both management reform and worker empowerment. Joint training programmes for managers from different line functions, or for management and workers, can be particularly effective in building a common vocabulary; understanding of concepts, issues and problems; and approaches to service transformation. Whichever combination of alternative service delivery mechanisms is adopted, municipalities will need to invest in restructuring and reorienting their existing administrative capacity and systems.

***Recommendation 12.5: Corporatisation***

Corporatisation refers to the separation of service delivery units from the council (in the same way that an external service provider is separate from the municipality). Service

units which are corporatised may be “ringfenced” or have their budgets separated from the rest of the municipal budget. They will be managed as operationally autonomous units. Corporatisation allows council to set policy and service standards and hold the unit to account against those standards. It also offers greater autonomy and flexibility to the management of the service unit to introduce commercial management practices to the delivery system. Corporatisation can take a number of forms, ranging from the establishment of public utilities similar to the Water Boards which exist in parts of the country, to joint-ventures between municipalities. Corporatisation may be particularly appropriate for municipalities with large areas of jurisdiction, such as Metropolitan councils. Where some municipal functions are corporatised, reporting requirements and accountability mechanisms must be clearly defined by the municipal council. This is to ensure that lessons from policy implementation is fed back into policy development.

***Recommendation 12.6: Public-public partnerships***

Public-public partnerships or public joint ventures allow for horizontal cooperation between municipalities to exploit economies of scale. They also allow for vertical cooperation to improve coordination at the point of delivery. Public-public partnerships are common internationally in areas such as joint purchasing consortia, training initiatives, technical support and information services. Collaborative partnerships should be explored with industry associations, for example the South African Institute of Chartered Accountants to enhance financial and accounting skills in local government. Within South Africa, municipalities are beginning to explore innovative partnership agreements, such as partnering with the Post Office for the collection of municipal revenue. This makes it easier for citizens to pay their municipal bills and decreases the strain which revenue collection places on municipal capacity. Substantial benefits can be derived from public-public partnerships, and municipalities are encouraged to explore the options as individual organisations and through organised local government associations.

***Recommendation 12.7: Partnerships with community-based organisations and non-governmental organisations***

Partnerships with community-based organisations and non-governmental organisations can be effective ways of gaining access to external expertise and experience. They can also stimulate local economic development. Community-based organisations and non-governmental organisations often have particular skills relating to facilitating development initiatives, developing small, medium and micro-sized enterprises, and capacity-building. Another advantage of these partnerships is that community-based organisations and non-governmental organisations often have close links with community groups and can act as effective intermediaries in development initiatives.

Municipalities should also consider including non-governmental organisations and community-based organisations in partnerships with other public or private institutions. For example, some municipalities have found three-way public-private-community-based organisation partnerships to be very effective with respect to maintenance projects such as sewer rodding. In such partnerships the municipality provides funding and project management capacity; the private sector contractor provides access to equipment and training; and the community-based organisation provides functions such as the recruitment and management of local labour and community liaison. This approach enables the transfer of skills, creates employment and provides an effective service without draining municipal capacity.

**Finding 13: Attracting new graduates into the Public Service**

There exists a need to educate, raise awareness and establish pathways to the diverse careers opportunities available in Local government and to engage in internal succession planning for the organic development of senior management skills within municipalities. The challenges requiring a response revolve around the lack of supply of appropriately skilled workers. In 2002 government set out the aim of introducing internships across the provincial and national spheres, thereby making the public sector a model for how to operate internships. Large scale targets were announced amounting to 5 % of the staff establishment of government departments. This target has not been

met. Employers do not necessarily have the facilities (e.g. office space, equipment.) nor can they be assumed to have spare capacity available to allocate to management and supervision of interns.

***Recommendation 13.1: Establish pathways to the diverse careers opportunities***

Opportunities that need to be exploited include restructuring the workforce together with re-skilling and up-skilling the current workforce including older workers. Local governments make substantial contributions to local economies but are faced with lack of a supply of a skilled workforce and the challenge of engaging an under utilised local workforce within the local communities such as members of farming families, indigenous and migrant populations and the long term unemployed. It is important that Local government becomes a career pathway for a range of potential new recruits. Emphasis should be placed on attracting school leavers into Local government. This can be achieved by developing and promoting:

- information regarding career pathways and opportunities for distribution to school career advisors;
- work experience schemes with schools;
- traineeships for school leavers;
- the establishment of direct links with careers advisors in local schools so they will support Local government as a career choice;
- the use of existing relationships with schools in the Local government district, such as with sponsored events, to increase awareness of Local government as a career;
- the creation of coordinated information, to promote Local government career opportunities, in collaboration with peak professional bodies;
- setting up dedicated graduate recruitment programs;
- a strategy for circulating information to parents of school children about Local government careers; and
- nationally funded television and other media campaigns regarding the diversity of Local government careers

Alternative methods to attract new graduates into Local government include promoting and encouraging:

- Local government participation at State and regional career expos and university career days;
- setting up Local government Industry Careers Advisors based in State Local government Associations;
- Scholarships in collaboration with education and training institutions;
- internships for university students;
- growth of Skilled Migrant Programs initiatives for Local governments;
- regional collaboration between Local government, National Government and Private sector to sponsor graduates and share work placements and mentoring
- trainee work programmes in which tertiary students take up supervised part-time or contract work within Local government whilst studying Promote and encourage provision of vacation and part-time work experience in Local government to undergraduates; and
- the provision of graduate development programmes to guarantee diversity of work experience.

#### **Findings 14: Explore policy options to deal with youth unemployment**

Policy options to support youth employment will provide an additional lever for government to create jobs and will not be limited to any particular sector. In certain areas, such as tourism, the New Growth Path already identifies opportunities for youth. These include improving training, as well as identifying employment and entrepreneurial opportunities for youth. Developing a multi-pronged strategy to tackle youth unemployment is a priority in government's programme of action for 2011/12. Activities that will contribute to developing the multi-pronged strategy include:

- Reviewing the legislative environment;
- Identifying the desirable scope and budgetary requirements, of youth brigades and other forms of public employment;

- Conducting a trial of the youth employment subsidy;
- Improving education performance and skills development in the schooling and further education system;
- Improving the public employment services available to the youth to aid matching of skills, job search, career guidance and counselling, skills development and job placement;
- Establishing a monitoring system with regular reports on progress; and
- Strengthening relationships with the NYDA and other youth services agencies.

Education interventions need to raise the quality of basic and higher education, re-engage drop-outs with the education system and provide an environment that cultivates academic, technical and vocational skills. These interventions will take time to implement and have an effect, particularly given current pass rates and the number of young South Africans that do not complete Grade 12. In the interim, government needs policies that actively integrates young people into the labour market.

South Africa has a range of labour market policies that can help lower youth unemployment. These focus on improving the employability of the youth (through existing education policies and skills development via the learnership incentive) or provide direct public sector employment through EPWP. These approaches should be complemented by a youth employment subsidy.

Employers would be able to claim the learnership incentive in addition to any youth employment subsidy if they provide formal training to subsidised workers. Other approaches could be investigated to link the subsidy to job readiness, job search assistance or other forms of training and skills development.

- First, the subsidy reduces the financial costs or risk associated with not knowing the productivity of the person to be employed.
- Second, the youth employment subsidy could help to make the training of young workers more affordable to employers, particularly smaller employers.

- Third, the subsidy may encourage more active job-search because youths believe that are able to find work.

In summary, a youth employment subsidy lowers the relative cost of hiring a young person (while leaving the wage the employee receives unaffected) and therefore increases demand for young workers.

An additional benefit is that the work experience and training gained during the period of subsidised work will improve longer-term employment prospects. Getting that first job is important. Young unemployed people who have some work experience are over three times more likely to find a job than young people have none.

#### ***Recommendation 14.1: Facilitate school to work transition***

Facilitate the school to work transition and encourage employers to experiment with younger workers by a once-and-for-all wage subsidy card of a fixed amount (e.g. 6 months of minimum wage) to all South Africans when they turn 18 year olds. Employers would deduct part of their payments from this subsidy. The subsidy should allow employers to recoup part of their salary payments to young workers from the card. This will allow for a subsidized trial period that is portable between employers while it lasts. Students continuing their education past the age of 18 can use it years later when they decide to enter the labour market. During the subsidized trial period there would be no questions-asked job termination

#### **Finding 15: Inadequate career information, including basic education, to guide learner choices**

The study found that the level of career guidance and employment services is closely linked to the economic development of a country. If this is the case, there are quite a number of distinctive issues that loom large in the South African Public Service that have an impact on the forming of efficient policies in career guidance and correspondingly on the development of systems and services. Government must recognise the importance of career guidance as a facilitation process for their overall

human resource development strategies if they want to be competitive in global markets. This study found that employers are reluctant to take inexperienced graduates into formal employment. There are also difficulties experienced in the school to work transition.

Progress and graduation of students who come from an underperforming schooling system and poor socioeconomic conditions is dependent on subject choice at school, and whether their parents are graduates and/or employed. (Access to career guidance is particularly important for children whose parents are unemployed or have limited formal education experience. In these households children are less likely to be exposed to adequate guidance and opportunities to discuss and consider their own employment and vocational decision making. These children are therefore dependent on inputs from government sources such as career guidance lessons at schools and post-school institutions, and employment advice from labour centres).

These students also tend to have low exposure to career information and knowledge as it is not within their experience. The challenge is to break this inter-generational trend. Exposure and information about career choice needs to be created in an innovative meaningful way.

Students arrive at institutions, wanting to do a particular course of study but do not have the school subjects required. They dropout because they do not have information on what courses require and are unable to decide for themselves what course of study to pursue. Information and guidance about what is needed at higher education institutions for enrollment would contribute to better preparation.

Students do not apply timeously to institutions for admission. There are many causes for this, including examination administration problems in the schools system. The consequences of this are: lack of time for counselling, limited choice for students, narrow window of opportunity to obtain funding. Students who start their courses late are at risk as they need to catch up.

There seems to be a hierarchy of choice of institutions and courses students aspire to, hence they “shop” from one to the next. This is expensive, and results in inefficient admissions, and no time for counseling or opportunity to consider their choice of courses. Students may “walk-in” to an institution and experience delays in securing financing and experience distress in sourcing basics such as food and board.

Students are given an incorrect evaluation of their potential (by the schooling system), about their ability to cope with certain programmes offered in higher education and training. It has to be acknowledged that merely providing career information without reference to the student’s reality will be of little value at all. The challenge is how to design career discussion and career information delivery can be made relevant to the context of the student, but also offer hope for full employment and personal growth in the future.

***Recommendation 15.1: Strategic career guidance***

A strategic career guidance programme must be introduced as a policy response on this issue of career guidance. Such a programme should facilitate school-to-work transition, in a culturally enabling environment. The role of career guidance and employment services is important in the process of school-to-work transition and labour market intermediation. Delivering these services in a developing context bring about many challenges. These challenges need to be addressed through a coordinated framework of policies and established services across the different relevant sectors. This can only be achieved through knowledge gained from research. Research that can identify the needs of the clients in the different sectors, highlight the problems they experience regarding transition to employment, and determine and analyse the major factors that seem to either facilitate or prevent the implementation of successful transition or access to employment.

South Africa’s Public Service is faced with several major policy challenges and related issues. The meeting of these challenges and addressing of the issues will ensure the success and efficacy of career guidance and employment service related exertions in

the broader context of the labour market or the world of work. Important therefore in a developing context are the mechanisms that policy-makers can or should apply in order to establish the framework and priorities to encompass the realities they face.

- Establish a bilateral standing committee between the Departments of Basic and Higher Education to deal with issues at the interface between the schooling system and the post-school system including information about career options, study options and how to go about making a realistic study/career selection. Implement curriculum and support materials for life orientation teachers at school especially to support the subject choices that are made at the Grade 7 and Grade 9 levels.
- Create “hype” at Grades 9 and Grades 12 about choice of subjects and careers. A variety of channels could be used to provide information to students and parents, for example, retail outlets, trade unions, public sector employees, faith-based organisations and the public broadcaster.
- Higher education institutions should review their admissions score criteria and consider introducing additional alternative selection measures as part of their procedures. At the appropriate time conduct public campaigns to promote timeous application, direct students to secure financial aid, counsel students to make best choice of course that matches with their talents.
- Consider the introduction of a central admissions service: this could progressively assist to significantly strengthen selection processes; reduce cost to students; assist students with options for course and institutions based on their applications and provide institutions with information about applicants.

### ***Recommendation 15.2: Focus on lifelong learning***

The South African Public Service career guidance policy must primarily be directed towards the development of services and systems that can enhance the notion of lifelong learning which has become a reality in the world-of-work over the past few years. This means that services are not only needed at one specific point in time, but should be made available to people across their work-life span whenever they need them. Career guidance policies should strive to augment labour market efficiency.

People must have access to information on the labour market in order to make informed decisions and be absorbed into the labour market in positions where they can apply their skills efficiently and effectively.

### **Findings 16: Short comings in basis education**

- Under-preparedness of students that needs to be addressed is said to include fundamental conceptual skills, academic literacy and numeracy.
- In the earlier school phases long before the learner arrives at the door of the post school institution to register, students need appropriate career guidance and life orientation (dealt with separately as a key point in its own right) to make better decisions about their studies.
- There are fundamental challenges associated with the financial sustainability of student status: fees, accommodation, travel, food and books that have been partially addressed by the NSFAS scheme.
- On the teaching side academic staff may have no professional training as teachers. Institutions must improve the ability of staff to deal with student diversity; to appreciate language issues where student groups may be studying through their second or third language; and to select situation appropriate methods to enhance teaching and learning interaction.
- The inroads made by proponents of ‘academic development’ have encountered resistance from some academics, who are not keen to change the way they structure and teach the curriculum, or set up assessment processes. Currently, students resist Academic Development (AD) programmes because they feel stigmatised by association with a ‘special’ class.
- Senior managers and academic staff pose a challenge to AD practitioners, who are viewed as marginal practitioners and not “authentic” academics.
- The teaching and funding implications of mainstreaming an AD-like approach in an institution are very substantial.

**Recommendations 16.1: Improve teaching and learning in higher education**

The overarching goal should be to institutionalise and mainstream improved teaching and learning in higher education and FET colleges. This will require some of the following:

- Fund the development of a rigorously conceptualised and designed high quality academic development programme, including its implementation, and monitor its impact.
- Implement a national benchmarking test to assist students to be placed in programmes and align admissions criteria to programmes based on performance in these tests. Ensure parents, students and student leadership clearly understand the value and use of this instrument.
- Extend the length of time taken to complete a qualification to take into account academic development requirements. Institutionalise a four year first degree at the national level. This should receive incentive funding as compared to individuals that pursue the three-year model.
- The DHET must urgently commission research specifically to understand why 30% of students drop out in the first six months after enrollment in their first year of study. (We need to go beyond anecdotal statements from students.)
- Enlist the assistance of professional bodies in each discipline (e.g. engineering, accounting) to adapt the design of a curriculum and its teaching for an extended programme.
- Reward the professional development of academic staff as educators or as designers and managers of innovative teaching programmes.
- Support the work of the Higher Education Learning and Teaching Association of South Africa to organise practitioners, and to evolve into a national resource.

**Findings 17: Need to build a new generation of lecturers**

It is important to address concerns that FET councils are not well equipped to appoint and manage lecturing/teaching staff. College lecturers require a balance of technical and pedagogical qualifications, as well as industry experience. Currently this does not apply in colleges where few lecturers possess this combination of background and

experience. In the FET colleges it is important to bring all college staff into the same minimum salary structure.

***Recommendations 17.1: Support young academics and teachers***

- Put in place lecturer posts for young academics. This can also slow down the casualisation of the junior academic workforce.
- Put in place and reinforce mechanisms to support young academics and teachers such as: mentoring of junior faculty, effective Faculty Development Programmes; reward senior academics who make significant contributions in the development of young academics.
- Improve the opportunities for black students to study for higher degrees (e.g. financial support, opportunity to work in the faculty/department, career-pathing)
- Initiate a retention plan for retiring academics who are still strongly engaged and effective. Institutional needs, benefits and long-term interests should be considered in this.
- Institutions must encourage cooperation and collaboration across institutions on sharing academic teaching and research resources.
- Develop a Course Experience Questionnaire (CEQ) which offers a reliable, verifiable and useful means of determining the perceived teaching quality of academic units in institutions.
- Consider how the administration burden is shared among academics with a view to shifting this load to non-academic administrators.

**Finding 18: Lack of coordinated approach to higher education**

- In South Africa, developments over the past 16 years have created an environment where “differentiation” exists as a consequence of deficit model approach and reactive, redress modes of thinking. The challenge is to take charge of the landscape, and use mechanisms in a proactive developmental manner to direct innovation, advancement and maturity of the system.

- South African higher education institutions seem to be captivated by a particular paradigm of university development – to be a UCT or Wits graduate when they grow up. This is not necessarily the best paradigm.
- Entrenched vested interests have developed in institutions, such as research and teaching specialisations, and niche programmes. But despite their value, they may not be able to sustain the mother institutions in which they are located. The contribution of all departments/faculties/institutes and programmes needs to be considered as a coherent plan to ensure the sustainability and growth of the institution within a differentiated national system.

### ***Recommendations 18.1: Proactive intervention***

- The Minister and DHET make an informed and in-principle decision that a differentiated and diverse system is the basis for the next phase of development for HE institutions in South Africa. For example:
  - Focus on a particular discipline or field of knowledge;
  - Produce graduates for particular professions e.g. medical school;
  - Teach in general disciplines and undertake limited research;
  - Generate new knowledge, undertake basic and applied research, preferably in specialised fields at post-graduate levels; and
  - Focus on local, regional or international students.
- Decide on the mandate of the Working Group agreed to at the HE Summit; which could include building a system of measurement/benchmarks for the South African system (not to dovetail with international ranking systems) and develop steering mechanisms for each institutional type: funding formula; planning; support for organisational change;
- Based on the above, each institution must produce its developmental plan, based on criteria that may include amongst others, “values, shape, size, infrastructure development needs, strengths and shortcomings” and individual trajectories and goals for 5, 10, 20 and 30 years. Once these plans are mutually agreed upon, the DHET must ensure that progress is measured, the institutions are supported and can access performance related incentives; and

- A special task team must look at the performance of UNISA, its admission numbers and graduation rates and to consider the potential of distance and or online education must be commissioned.

### **Findings 19: Need to improve FET quality and completion rates whilst creating community education and training centres to increase offerings to unemployed youth**

The overall challenge is that the system must grow substantially, produce the quantity and quality of graduates required by the country. The colleges need to be supported in their current extremely ‘fragile’ state. In building the colleges the following challenges need to be addressed:

- The FET system has to grow substantially to address the “hour glass shaped education system”. International experience is that the shape of the education and training system has large numbers at the base in general education; that the next largest volume of students are located in technical/vocational education and training level and the apex consists of higher education with the smallest numbers. In developed countries the ratio is three in vocational education to one in higher education. In South Africa, the ratio is approximately three higher education students to one FET level student.
- The target group is huge, including those who drop out of basic education and post school institutions and those who may have completed the school leaving examination but cannot access work or education and training opportunities. There are one million school leavers each year, at least half of whom do not find work, nor do they go onto tertiary institutions. There is already a pool of 2,8 million 18–24 year olds who are out of school, not at work and not in further education.
- Currently the colleges are not meeting the needs of society or the economy. Industry has taken steps to address its own needs by training people. A BUSA representative expressed frustration at the basic education system and indicated it was a priority to get it to perform better. He observed that basic literacy, numeracy, logic and communication skills are lacking which is an important base from which industry could employ and train people. The issue of broadening the programme mix in FET

colleges is a challenge. For example, BUSA is extremely concerned at the demise of 'NATED' programmes and are in discussion with DHET to reintroduce them.

- There is concern that there is too much emphasis on the National Curriculum (Vocational) (NCV), a three year programme, which is pitched at level 4 of the NQF. 80% of the funds provided to colleges are applied to the NCV programmes. Colleges that offer short courses need to charge fees from the learner or the employer.
- Workplace exposure is critical for several reasons. It is vital for students to acquire readiness for work. Appropriate work placement as part of the learning programme enhances the qualifications of students. Interaction with the workplace is also valuable for ensuring that the curriculum is current and meets the expectations of potential employers. In addition, further workplace exposure could play a role in keeping knowledge of the teaching staff current.
- The image of the sector, better selection by students and colleges, the need for quality inputs from basic education and articulation and accreditation between school and FET, and FET and HEI are further issues.

***Recommendation 19.1: General interventions in the FET colleges***

- Arrange the secondment of experienced public and private sector people onto boards/councils and into management of at least 20 FET institutions, where there is an absorptive capacity and a commitment to a college development plan for at least five years. The outcomes to be achieved may include: that good governance and management practices are implemented. Also, steps must be taken to strengthen teaching so that 80 % of students are placed in appropriate employment.
- Establish a facility to support the regeneration of the colleges and promote the interests of the sector as a whole. This facility should be established by and in the DHET and supported by a small powerful multi-stakeholder group.
- Investigate the potential contribution of the nonprofit sector, the private sector and private training providers and incentivise them to contribute to the goal of enrolling one million students by 2014.

- Manage a strategic, “ruthless” zero-based change process with the existing set of public providers for the medium term to 2020. This will involve ensuring that: staff have both technical and pedagogic skills, there is a good selection process for students, and there are appropriate links with the workplace, improved completion rates and improved governance. Closing sites or colleges that are unable to meet a minimum threshold and are not appropriately located, must be seriously considered.
- Based on progressively improved performance in the basic education system, work towards a more mature FET system, that streams students, offers a good mix of programmes and is confident of the employability of its graduates.
- Investigate novel responses to meet the needs of those who drop out of the education system, rather than expect the FET system to cater for all those not in education, employment or training.
- 70% of FET college resource should be focused on presenting short courses that provide employable skills for unemployed youth. The FET bursary programme should support students on short courses. Employers may contribute to ongoing training through short courses.
- Investigate, design, plan and fund a substantial programme that offers training, basic work-readiness skills and temporary, part time work experience for youth not in education, employment or training. Public, private and civil society sector resources, organisations and programmes are considered in the mix of programmes.
- Subsidise private FET institutions and particular FET-level qualifications provided by other non-public providers subject to quality controls (e.g. independent local or international accreditation/ benchmarking such as: Microsoft, City and Guilds etc.).
- Motivate and lobby for other government departments to sustain or expand their programmes which are labour absorbing (e.g. Expanded Public Works Programme, training young school leavers to become early childhood development practitioners, home-based/community-based care practitioners, and community development practitioners).

**Findings 20: Need to streamline the SETA system to focus on sector priorities and allocate functions to appropriate agencies**

- SETAs have been required to serve too wide a spectrum of beneficiaries. These include target groups of individuals whose work status may be employed, pre-employed and the unemployed. Furthermore SETAs have been required to meet the needs of a range of skills levels from unskilled workers to highly skilled professionals (i.e. a SETA needs to have the capacity to manage skills development from ABET to specialised post-graduate training).
- The skills development opportunities that are mobilised by the SETAs are limited in their impact because of the poor basic skills that learners/workers bring with them from the basic education system into the workplace. As a result, learnerships offered by some SETAs explicitly set out to compensate for the gaps in recent school-leavers basic skills.
- There are low levels of throughput in learnerships and apprenticeship programmes especially in comparison with the need for such intermediate skills
- In the main, sector skills plans present interpretations of the current environment and future skills demand that remain unconvincing to employers, who continue to focus narrowly on their own immediate skills needs.
- Barring some exceptions, employers still observe that SETAs provide poor service (e.g. support, information etc). This means that employers are less likely to participate in the levy-grant scheme and consequently will be less likely to provide training opportunities for their employees.
- The make-up of the levy-grant scheme and the administration of the system by the SETAs has consistently failed to make an impact on small firms. These firms often lack personnel with the skills or cannot spare the time taken in meeting the bureaucratic requirements built into the levy-grant system.
- The SETAs have regularly failed to successfully deploy the income that accrues to them. This cannot be explained solely through reference to inefficiency of SETAs. The SETA system has been associated with maladministration and poor

governance. This is evidenced in qualified audit reports and the need to place SETAs under administration from time to time.

- The training market is over subscribed. This means that especially among large and medium firms, the volume of demand for training service providers is not adequately met, with an impact on quality and variety of training available.
- There is an imbalance between the availability of short largely informal training and more lengthy and formal skills development opportunities. This impression is reinforced by observations that the proportion of occupationally directed qualifications available to workers is lower than desired.

### ***Recommendations 20.1: Enhancing stability and coherence***

- **Stabilisation and strategic choices:** It is critical to recognise and implement existing policy, to build system stability, to create greater coherence, and to monitor progress before making major changes. Where necessary, implementation can be reviewed within the current policy framework, because the current framework offers sufficient flexibility to allow for adaptation of the existing institutions and processes. The appropriate strategic, planning and operational responsibilities of the SETAs, NSF and NSA should be guided by the strategic direction that will be articulated by the Human Resource Development Council and may be expressed through strategic documents – including for instance the National Skills Development Strategy.
- **Range of possibilities for restructuring SETA functions:** Based on the argument that SETAs have too wide a range of functions to perform, it is recommended that the load and variety of responsibilities should be reduced to enable SETAs to focus on a manageable set of core functions. Some possibilities are given below:
  - The administration of grants could be allocated to a centralised function;
  - Quality assurance of providers and or qualifications and their registration could be ceded to an appropriate entity such as the QCTO. The quality assurance and administration of qualifications such as Learnerships and Apprenticeships

could be managed through the QCTO, leaving SETAs with the role of supporting these programmes;

- The development of national and sector skills plans could be ceded to a planning group/committee linked to the NHRD Council which may include representatives from Department of Trade and Industry, Economic Development Department the National Planning Commission and Department of Labour. The HRD Council could add value to strategic skills development planning by the SETAs through modeling and advising SETAs on cross-sectoral economic and labour market trends;
  - ABET programmes could be made the responsibility of the proposed Community Centres or of the Skills Development Institutes mooted in the Skills Development Amendment Act (Act 37, 2008).
- Once some of the above functions are stripped away, the SETAs can focus entirely on operationalising and supporting skills development. SETAs can continue to mobilise industrial groupings together for the purpose of addressing their skills needs, and generating reliable skills forecasting and advisory services for enterprises. In addition, SETAs may also pay more attention to encouraging growth in the number and quality of training providers.
  - Range of possibilities for the allocation of grant monies. This could involve the allocation of parts of the total grant amounts received between the following:
    - To the NSF to continue current practices or new approach as mooted in NSDS III;
    - To the agencies that may take over some SETA functions;
    - To the SETAs in accordance with revised functions and where the SETAs are required to address the needs of new 'client needs' e.g. research, support to academic profession;
    - To the rejuvenation of programmes for artisan development as envisaged in the Skills Development Amendment Act of 2008; and
    - To the creation of a voucher scheme that can be exchanged for placement with employers for important workplace experience.

- Range of options for investment of the current accumulated funds: It is proposed that the current accumulated funds be converted into a capital fund and a multi-year programme to implement any of the following:
  - Implement the Community Education and Training Centres;
  - Create an endowment for teaching, research and academic development;
  - Contribute to developing the guidance, information and selection process;
  - Offer short courses for young unemployed people;
  - Support PPP's with private FET and other institutions; and
  - Implement the concept of Skills Development Institutes.
- Investigate and negotiate with stakeholders on the basis of Section 28 (1) of the Skills Development Amendment Act No. 37, 2008 which provides for the use of funds for “projects identified in the national skills development strategy as national priorities”.

### **Findings 21: Enhancing the Department of Higher Educations capacity**

- The DHET has to meet the needs of a wide range of education and skill needs, establish a new department, launch a national human resource development strategy and manage its relationship with a significant number of institutions, while improving the performance of the system. It is essential it has the information and capability to achieve its goals.
- The DHET has acquired various “post-school” functions. In addition to the higher education institutions, the department now has responsibility for the Skills Development Act, which has moved from the Department of Labour. It is to provide the Secretariat to the Human Resource Development Strategy – South Africa and Council and in due course to the further education and training colleges, which are to become a national competency from being a provincial responsibility.
- Thus the span of issues is very wide: formulating multiple skills strategies, for diverse sectors and labour market needs; addressing the large numbers of young unemployed people needing access to intermediate level skills for employment and self-employment; generating graduates with professional and high level skills for innovation and growth; responding to the needs of a range of existing and new

economic sectors (e.g. as contained in the IPAP and other government programmes).

- The DHET has to implement this through managing a large number of institutions of different types. 23 universities, universities of technology and comprehensive universities; 50 FET colleges; the SETA's, the NSF; statutory bodies such as those for quality assurance, SAQA that is responsible amongst other things for the national qualifications framework; as well as advisory bodies such as the Council for HE and forums such as HESA.
- Extensive information on education and the labour market is available from government agencies, from the DHET's own management information systems and through independent research actors (e.g. universities, NGOs). Despite this, gaps remain, in our existing knowledge – for example, What are the key skills needed for specific economic sectors? What is happening to our skills base? Who is emigrating, What can be done to retain our skilled citizens? How can funding formulas be adjusted to incentivise graduation rates without compromising institutional stability? Why do certain graduates struggle to find employment? With regard to FET colleges important questions include: What is the throughput and performance of each college and of the system? Why have significant numbers of lecturers resigned?, and what impact does this have on the capacity of the system to meet increasing expectations? What is the relationship between the qualifications and years of industry experience of lecturers and the quality of teaching and learning in colleges? What kinds of support do learners need? How can students be assisted to make correct choices of subjects at school or of degree programmes at university? Will tax incentives offered to employers assist unskilled people to gain work experience? Is South Africa getting value for its investment in the education system?
- These knowledge gaps constrain decision making at various levels and a proactive approach to map out the information and knowledge needs of the system, to build on what is already taking place is necessary.

**Recommendations 21.1: Building effective structures**

- Establish a structure, specify functions and recruit people for the DHET to address the expanded responsibilities it has acquired:
  - .Build excellent systems: reliable and systematic information, adequate physical resources, and professional healthy management practices.
  - Acquire and retain staff capabilities such as strategic thinking, (developmental) change managers, education economists; planners; contract managers; monitoring and evaluation specialists.
  - Talents such as stakeholder management, alternate conflict resolution and negotiation should be acquired.
- Establish a facility to manage institutional change. This expertise can be drawn from within the DHET, with specific talents from other public and private actors drawn in as necessary. Recruit the best resources in the country from the Higher Education and Training system, public and private sectors to kickstart delivery, to support action in stagnant statutory structures or to project manage special projects (e.g. FET colleges turn around).
- Extract the best value of the HRDS Council by providing a high quality and consistently professional Secretariat function and maximise the strategic value of the Council through supporting it with excellent quality information and resources.
- Progressively establish an “Education Research Council”, a facility that will manage, without centralising, a comprehensive research agenda. Encourage research, including for post-graduate students. Build a portal for storing, managing, processing and making the information available to a multiple set of stakeholders, across the system at all levels. Build the ability of institutions to capture data, process and use information. Encourage evidence-based decision making processes. Ensure a reasonable budget for functioning of the Council.
- Lead by example (e.g. the HE Summit ran on time). Through good leadership, governance, professionalism and set the tone for institutions accountable to DHET and the Public Service generally.

**Findings 22: Scarce skills list, national skills demand forecasting process, with strategic insights from SETAs and other labour market analysis**

- The quality of sector demand information generated by the SETAs through their aggregation of Workplace Skills Plan (WSP) and Annual Training Report (ATR) data as submitted by enterprises is not sufficiently dependable for signaling the most appropriate direction for skills development in the sector for which they are responsible. This is because the reliability of the process of data inputting by enterprises cannot be guaranteed. Also, low WSP for SMMEs reduces the validity of findings at this level.
- The 'scarce skills list' as generated by the Department of Home Affairs is highly unreliable. SETAs submitted data based on different methodologies, so the list is inconsistent.
- It is doubtful that information about skills development/training in government formations (nearly 40 national departments and more than 130 provincial departments) is made properly accessible. This raises questions about skills planning in government formations.
- This forecasting should not be confused with "manpower planning". Forecasting of skill needs is a process of considering existing and likely demands SSP. It involves a process of scenario development and strategic assessment for informed decision making.

***Recommendation 22. 1: Interventions***

- Labour market information and analysis processes and systems and institutional capacity in the SETAs and in government formations must be improved (including the collection, cleaning, manipulation, storage, security protection and archival conservation of labour market data). This refers to entities other than StatsSA.
- At the national level, enhanced coordination and quality assurance will have to be applied either through the Skills Development Planning Unit (formerly part of the Department of Labour) or an entity of similar or higher status.
- The labour market indicators applied by the DHET should be defined according to internationally accepted standards that can serve as a basis for comparative

analysis. Information on local – at least provincial – supply and demand for skills must be developed for both employers and job-seekers in order to stimulate labour mobility.

- The DHET should consider creating an entity that may be linked to the HRD Council that oversees all agencies involved in generating and maintaining labour market information and in adding value through reporting on labour markets. This unit would focus on useful ways of linking data sets and would identify additional research, on specific questions, that should be undertaken to fill in the gaps in the existing knowledge/ data holdings.

### **Finding 23: Focusing on the needs of the labour market**

The study found that higher education output is clearly still driven by social demands for education. As a result little attention is paid to the needs of the labour market. There is little or no guidance given to students as they enter higher education. HEIs are often too far removed from the ‘coal face’ and are thus out of touch with the needs of a rapidly evolving modern Public Service, the high number of graduates unemployed in the country is indicative of a misalignment of their programmes with skill requirements of the public (and private) sectors. HEIs do not necessarily fully understand or embrace the values of the public sector and are therefore not in a position to fully build the sense or mission, purpose and corporate identity those public servants require. HEIs are not suited to implementing new programmes or courses quickly in response to policy changes or revised political agendas.

#### ***Recommendation 23.1: proper design and development of programmes***

Training is not the only mechanism used to assist office-bearers to acquire the necessary competencies to successfully manage and administer public offices. It is just one of the many and varied mechanisms that should be used to cure maladministration and ensure the proper functioning of the Public Service. It is important that co-operation between government and higher educational institutions be promoted. Higher education training institutions have both the capacity and ability to assist government to develop the professional capacities of political office-bearers and public officials. It is important

that higher educational programmes should always address issues that deal with proper design and development of programmes and curricula which have the capacity to reflect the administrative needs of ongoing governmental activities as well as administrative reforms in the Public Service.

Government departments should always have a workshop with the higher education institutions so that the curriculum of higher education institutions could be developed in such a way that it can address the competency levels that are needed by government. This will also ensure that when the student graduates she/he will have the skills that are needed for a number of vacancies that are not filled in both national and provincial government departments. It is important that those who take the responsibility of providing competency, skills development and training in any higher education, for both prospective public servants as well as public office bearers, should make sure that they adapt programmes which will play an important role in reflecting the demands and realities facing those who guide the Public Service now and in the future.

Cooperation between government and educational institutions should be based on adequate funding for higher education institutions so that the institutions can function effectively. Furthermore, funding should be extended to students who are financially needy, but academically deserving, to allow them to enrol at any higher education institution so that they can develop their skills to ultimately benefit the country as a whole. Moreover, cooperation should also be made for vacation work in the various government departments for students who are about to complete their studies. This will assist such students to know what they should expect when they complete their studies. This should be done on the recommendation of the head of the department concerned in the respective higher education institution. Co-operation between government and higher education institutions should encourage continuous communication and working together, so that the skills, knowledge and competencies that educational institutions offer, should be relevant to the needs of the South African Public Service.

***Recommendation 23.2: Incentivising skills development***

Skills development is mainly the role of the government, private companies or organisations that assist in terms of training their employees and or organisations that contribute financially to the skills development of any person in South Africa should be given some incentives for their noble contribution to skills development in the country.

The most encouraging way could be by reduction tax. This can be done through the system of tax rebates.

Many employers, especially in the private sector, do not want to contribute towards skills development but poach highly skilled people by offering them higher salaries which they can afford because they seldom invest in skills development training. Rankhumise (2008) argues that instead of government using a tax on employment as 'mechanisms' for national skills development, which, according to the Public Service Commission Report on the Audit on the Vacancy Rates in both National and Provincial Departments 2007, are not even bearing any positive results, the system of tax rebates or exemption for skills development should be utilised to compensate or reward those employers who make efforts to improve skills development through financial contribution to training South African citizens.

There is no doubt that tax rebates or tax exemption will be an important incentive which would help to stimulate skills development by the private sector. Such an incentive will definitely be indispensable in making skills development an attractive prospect for the private sector and eventually contribute towards adequate skills development for the South African Public Service.

***Recommendation 23.3: Adapting to the changing needs of the Public Service***

HEIs must adapt to the changing needs of the Public Service, this should be achieved creating mutual respect and trust between government and HEI institutions which is a vital precondition, for the creation of effective partnerships and a well coordinated system of public sector training.

**Finding 24: Disparities in teaching and learning**

The limitations of South Africa from a fiscal and human resources point of view have been shown to be wide ranging and extensive. This study indicated that one serious focus in the attempt to realise education for democracy is at the level of discourse in micro interaction that is teaching and learning. Interaction at this level is multifaceted, pertaining to language use as well as values and attitudes that inform the language use. Limitations at this level are shown to be an outcome of our past education system and social forces of domination relating to the apartheid era, and further into the past, with South Africa's history.

This study found that education provides a tangible link between our collective past and future, where our present actions will determine the outcomes. If South Africa fails in this area, South Africa will fail the post-apartheid generation of young people, who will be unable to find employment. Part of the problem is that South Africa's education system does not produce people with skills to enter growing industries. In 2006 the Institute of Justice and Reconciliation assessed education thus by 2008/2009 South Africa will be spending R112 billion per year on public provision of education." This amounts to nearly 20% of non-interest expenditure, the largest spending on a single sector, and is exacerbated by unemployment in South Africa, more than a decade into its democracy, it still lacks sufficiently skilled people.

***Recommendation 24.1: Integrating teaching and learning***

Attention needs to be paid to integrating teaching and learning. Language barriers can be overcome through equipping more teachers who are skilled in a multiple languages. The longer term objective should be focused on a strong partnership between strong communities, committed public servants and a developmental state. Compensation for teachers must to be reviewed as a mechanism to motivate and retain skilled teachers.

**Finding 25: Governance challenges at Local government**

Poor service delivery and governance remains an overwhelming challenge in most municipalities. Of major concern is the degree of corruption, institutional capacity

constraints relating to appropriate skills and staff, lack of transparency, dysfunctionality of ward committees, a lack of accountability by councilors and municipal officials, a lack of public participation in issues of governance, failure to comply with municipal legislation and other by-laws, failure to prioritize community needs and IDP and budgeting processes not aligned, tensions between the political and administrative sections of the municipalities and weak financial viability of the municipalities. These are factors affect the functioning of municipalities tremendously. As a result this has led to the protests and disgruntlements at local government level. These governance challenges require robust interventions by the national government to expedite local government transformation. Municipalities have a legal obligation to provide basic services to their communities in an adequate and timely fashion. The failure of municipalities to deliver basic services not only causes immense hardship to the residents of municipalities, but they can have a detrimental impact on the social and economic development. To address these formidable governance challenges the following recommendations should be considered:

***Recommendation 25.1: Public participation***

Improving and encouraging the culture of public participation that will promote inclusive participation and actively incorporate public inputs on vital governance issues remains vital in this democratic era. It should be stressed that public participation is a key tenet of democratic governance. Municipalities should engage and consult with civil society more frequently in policy formulation and implementation and incorporate them in governance structures.

In fact, the process to ensure community participation is a core principle of legislation. There is a wide consensus that 'local democracy entails participatory and inclusive decision-making processes in which the beneficiaries have a substantial say in determining local government developmental agendas. To achieve this, it is essential that community awareness of rights and obligations should be enhanced so that citizens can play an instrumental role in municipal affairs and in implementation of MDG-related activities in their localities. For local government to live up to its potential, it depends not

only on availability of skilled personnel and financial resources but also on the role played by communities in the structures.

***Recommendation 25.2: Curbing corruption and promoting financial compliance***

There is an urgent need to rethink the innovative ways of curbing corruption and some other administrative malpractices within municipalities. Local government transformation in South Africa has exerted considerable pressure on municipalities to manage their financial resources effectively, economically and efficiently in order to meet their developmental mandate. Therefore, municipalities need to improve sound financial management requirements as envisaged in the statutory framework by appointing qualified and capable officials, including chief financial officers and internal auditors, with right and appropriate skills. Importantly, municipal officials must account for results, not only for budget spending and as more resources are transferred to local government there is a need to strengthen the institutions that enforce accountability of public resources.

To fight the scourge of maladministration, mismanagement of municipal finances, fraud and corruption, municipalities need to strengthen and review their existing internal control systems that detect the above-mentioned deficiencies. These include verifying the quality and appropriateness of internal audit and audit committees. Therefore, this requires effective monitoring by the officials in managerial positions.

***Recommendation 25.3: Open Local government***

Open government should be emphasized in the management of local affairs. Local government should be accountable, transparent and open to public scrutiny.

***Recommendation 25.4: Budget and IDP's***

The effectiveness of municipalities to deliver on their mandate is largely dependent on their ability to plan and allocate public resources in a developmental and sustainable manner. Therefore, it is significant that municipalities carefully integrate community needs in their development plans and when allocating budget. It is essential to note that

the IDP is informed by the resources which can be afforded and allocated through the budget process. Therefore, the budget must, in turn be aligned with the IDP and its objectives and strategies. The processes are, therefore, not separate and distinct; they are integrally linked and are symbiotic. Furthermore, municipalities must ensure that the budget supports the achievement of the objectives set in the IDP and the attainment of the overall vision of the council. This again requires high leveled community participating in the formulation of IDP's and budget allocations. After all, the content of the IDP must represent consensus reached with the community through various community participation processes. The significance of this is clear in that it enables the community to hold the council accountable for the attainment of the goals and targets set in the IDP.

***Recommendation 25.5: Political and administrative tensions***

It is crucial that current prevailing political and administrative tensions are resolved in order to enhance and deepen local democracy. The relationship between politics and administration should ensure that partisan concerns do not compromise the management of the administration which is the core element of ensuring delivery. For instance, this relationship should guarantee that councilors do not exert pressure on officials to act in the interest of particular constituencies.

***Recommendation 25.6: Intergovernmental Fiscal relations***

The magnitude and urgency of the fiscal problems within municipalities is a cause for concern. The current intergovernmental fiscal system and the equitable distribution of the national revenue should significantly consider the differing challenges, among other things, the relation to rural and urban environments, availability of human resource capacity, degree of economic activity and overall institutional strength. These differing municipal realities show the anomaly of the distribution of resources uniformly to municipalities when in reality there are very different in their economic capabilities. The unintended consequence of such approach is that the economically distressed municipalities (*local and district*) are seriously challenged to fulfil their constitutional obligations. Therefore, the country's current Intergovernmental Fiscal Relations (IGFR)

system is certainly open to question and should consider the fiscal capacity of municipalities.

Rethinking fiscal allocations holds great promise for improving the socioeconomic conditions. Central to this promise is how best the national government redistributes national revenues with a view to equity and poverty alleviation. It is primarily the task of the national government to ensure that it builds the financial and development capacity of local government to effectively discharge their constitutional mandate.

### **Recommendation 25.7: Capacity Building**

Building capacities of municipal officials becomes essential in order for municipalities to fulfil and optimally achieve their obligations envisaged in the constitution and in other national policies. Capacity building is one of the most essential tools available to local government in bridging the gaps in what is expected of municipal officials and what they can deliver. In the context of overall transformation of local government skills development is critical as it lays basis for more people-oriented local government system, able to meet the demands of the people for democracy, reconstruction and development. For local government to work there is a need for investment in capacity building of councilors and officials. Stakeholders involved in such capacity building initiatives need to organize their programs for greater impact and to link it more accurately to the national democratic transition.

## **6.3 CONCLUSION**

One of the central conclusions of this study, when reflecting on the past decade of developments within local government, is the need for a comprehensive response to the skills challenges across local government. Poor service delivery and governance remains an overwhelming challenge in most municipalities. Of major concern is the degree of corruption, institutional capacity constraints relating to appropriate skills and staff, lack of transparency, dysfunctionality of ward committees, lack of accountability by councilors and municipal officials, lack of public participation in issues of governance,

failure to comply with municipal legislation and other by-laws, failure to prioritize community needs and IDP and budgeting processes not aligned, tensions between the political and administrative sections of the municipalities and weak financial viability of the municipalities.

These factors affect the functioning of municipalities tremendously. As a result this has led to the protests and disgruntlements at local government level. These governance challenges require robust interventions by the national government to expedite local government transformation. Municipalities have a legal obligation to provide basic services to their communities in an adequate and timely fashion. The failure of municipalities to deliver basic services not only causes immense hardship to the residents of municipalities, but can have a detrimental impact on the social and economic development.

This chapter has provided a synopsis of the debates introduced in this thesis. The major findings of this study suggest that the subject of skills across local government has many dimensions. Consequently, the supply and demand side of the skills subject was evaluated to isolate the factors which have a direct bearing on skills in the Public Service. Careful attention was focused on ensuring that the recommended interventions could be implemented independently of the overall system choices that are made. However, it is important to recognise that the system needs to be looked at globally and that the isolation of issues would not be prudent as it could result in further problems and unintended consequences.

Ultimately, a response to the research question, ***“To what extent can government intervention impact on skills development and service delivery across local government?”*** the following concluding remarks can be made.

The findings of this study shows that local government has high vacancy rates, however there are no specific strategies in place to effectively deal with the challenges that they face in the filling of posts. The study also notes that although municipalities are able to

report on their funded vacancies, there is no correlation between number of vacancies and the overall spending rate on the compensation of employees. It is clear that municipalities need to put in place monitoring and reporting mechanisms to effectively report on and manage their vacancies.

More significantly, this study highlights issues of non-compliance with regulatory requirements relating to the filling of posts, which invariably impacts negatively on the promotion of sound labour relations. Various recommendations have been made in this study in an attempt to address the shortcomings identified. There is no doubt that the capacity of municipalities to improve its delivery of services remains central in government's efforts to provide a better life for all South Africans. However, if municipalities fail to or unnecessarily delay the filling of vacant posts, this denies the citizenry the promised better life. Therefore, as a starting point, municipalities need to respond with urgency to the filling of vacant posts and ensure that service delivery and the necessary capacity to make it possible is available so that they can realize the service delivery mandate of government.

Monitoring mechanism will have to be considered as to how best to enforce compliance with the MFMA and the PFMA, to build on the key principles espoused to promote good governance, public accountability and transparency in the use of public resources in local government. A combination of measures, such as withholding transfers, implementation of the code of conduct for municipal councillors and officials, withholding performance bonuses when service delivery fails must be introduced.

In terms of skills development in the South African Public Service, the state has the responsibility and role to play in ensuring skills development which will promote the effective and efficient functioning of the government in achieving growth and sustainable development. When implementing the suggested practical and realistic solutions for proper skills development across local government, it is important that there should be quality monitoring and evaluations to assess whether or not the solutions are bearing any positive results as far as its role in skills development is concerned. It is also

important that if the solutions show that they are not capable in contributing towards skills development, they should be changed before they waste time and the resources of government. The role of the Public Service in addressing the skills challenges is brought into sharp focus under the auspices of a “developmental state”.

The analysis of labour issues indicates that the current municipal working environment is not an attractive proposition. The poor human resource management prevalent in many municipalities does not assist in attracting and retaining the skilled and professional staff required to ensure proper service delivery. This is further compounded by political interference in the recruitment process, appointment of persons to non-existent positions and disparities in salaries. A lack of compliance with work place obligations have been widely reported.

There is an urgent need to facilitate engagements between workers and employers to stabilise the deteriorating relationship, illustrated by protracted labour disputes. The way the current organisational rights collective agreement is implemented, mediated and monitored requires review. The need for dedicated and accredited training for local government sector is evident from the lack of current meeting of skills development obligations.

The transformation of local government has probably been the largest undertaking within the entire democratic governance transformation process since 1994. Enormous progress has been made, but much still needs to be achieved before all 283 municipalities are fully functional, effective, efficient, responsive and sustainable. In response to the numerous performance and viability failures amongst municipalities, and the deteriorating service delivery record, government has decided that an urgent and comprehensive intergovernmental Turn-Around Strategy (TAS) for local government is needed.

The process to develop the TAS began with the provincial municipality-by-municipality assessment process. From these assessments the Consolidated National Report

should be compiled. The purpose of the provincial assessments was to ascertain the key problem statement per thematic area and to establish the root causes of poor performance, distress or dysfunctionality in municipalities.

The provincial assessments were based on enquiries focusing on four thematic areas: governance, service delivery, financial management and labour relations. The legacy of apartheid's spatial patterns is analysed in the governance section of this report. The findings point to the need for a number of adjustments and reforms in the leadership, policy, regulatory and oversight environments.

The summary that follows highlights the key problem statements or the impact of the failure on each thematic area and outlines the root causes underlying them. From this exploration of the root causes of pressure points, the Turn-Around Strategy will begin a process of substantiating issues and shaping the roles of government and its partners in the planning and implementation phase of the national Local government Turn Around Strategy.

This study found that most government interventions such as policy, legislative and the institutional framework on resolving the skills development problem in South Africa seem to be poorly implemented. That is why there are still serious challenges and the lack of highly skilled officials which ripple effect is poor service delivery. It was established that the mechanisms which have been created to facilitate the development of skills in the Public Service, must be reconstituted as their effectiveness has been mitigated due to poor implementation. Therefore, there needs to be a rethink of the policy framework governing the development of skills.

The skills development mechanisms in the Public Service are important because they increase investment in education and training that will contribute to raising the skills levels of the public sector. It improves employment prospects and also reduces unemployment as well as the high rate of vacancies, more especially in government

departments. Skills development mechanisms are vital as they assist in providing an environment which is conducive for growth and the development of the country.

Some of the practical, realistic and less complicated solutions for the problem of skills development in the South African Public Service that the government should consider implementing include cooperation between government and educational institutions; national experiential learning, national skills development programme, and tax rebates or exemption for skills development.

This study found that the system of Public Service training that currently operates in South Africa clearly fails to demonstrate, that it is strategically planned and well coordinated, effectively organised and accredited. The system of training has not come close to meeting the requirements of the Public Service Human Resource Development strategy to ensure that the norms, values, attitudes and orientations of public servants are in line with the objectives of the development state. Furthermore, the system lacks effective integration between strategic planning, budgeting, HR strategy, HR development, institutional systems and structures and monitoring and evaluation.

The outcome, in many ways, is that the current system of Public Service training continues to be characterised by many of the weaknesses, particularly in relation to the sub-optimal efficacy of the institutions charged with skills development in the public sector, inadequate linkages and partnerships between government and training providers, and the fact that training is very often of doubtful relevance, rarely focused on carry-through impact or accompanied by post-course support, and often facilitated or taught by people who have a very limited understanding of the public sector. If these continuing weaknesses are not resolved, the consequences for the government's development objectives will clearly be obvious.

Training should be considered to be just one of the many and varied mechanisms that should be used to cure maladministration and ensure the proper functioning of the Public Service. It is important that cooperation between government and higher

educational institutions be promoted. Higher Education Training Institutions have both the capacity and ability to assist government in developing the professional capacities of political office-bearers and public officials.

This study found that it is important that higher educational programmes should always address issues that deal with proper design and development of programmes and curricula which have the capacity to reflect the administrative needs of ongoing governmental activities as well as administrative reforms in the Public Service. This means the training that higher education institutions offer should be directed at government needs. Government departments, more especially the Department of Education should always engage with the higher education institutions so that the curriculum of higher education institutions should be developed in such a way that they can address the competency levels that are needed by government. This will also ensure that when the student graduates she/he will have the skills that are needed for a number of vacancies that are not filled in both national and provincial government departments. It is important that those who take the responsibility of providing competency, skills development and training in any higher education, for both prospective public servants as well as public office bearers, should make sure that they adapt programmes that will play an important role in reflecting the demands and realities facing those who guide the Public Service now and in the future.

Co-operation between government and educational institutions should also be based on adequate funding for higher education institutions so that the institutions can function effectively. Furthermore, funding should be extended to students who are financially needy but academically deserving, to allow them to enrol at any higher education institution so that they can develop their skills to, ultimately, benefit the country as a whole.

Moreover, consideration should be given to vacation work in the various government departments for students who are about to complete their studies. This will assist students to know what to expect when they complete their studies. This should be done on the recommendation of the head of the department concerned in the respective

higher education institution. Cooperation between government and higher education institutions should encourage continuous communication and working together so that the skills, knowledge and competencies that educational institution offer should be relevant to the needs of the South African Public Service. The fragmentation in training institutions presents a threat to the development and retention of skills.

The role of the public sector as an employer is of particular interest. It is the first sector of employment for most graduates irrespective of field of study, race or gender. This is especially true for African graduates who make up higher proportion of those employed in this sector. As graduates change jobs and sectors of employment, Africans and Coloured proportions in this sector increased while that of Asians and whites decreased. This reveals the importance of the public sector in the employment of African professionals. Not only is the public sector the largest employer of graduates, but graduates from previously disadvantaged race groups earn higher wages than those in the private sector of the same race groups. This poses a major challenge to the public sector in view of the restructuring and rationalisation taking place within this sector. The public sector has the potential to play a significant role in redressing the inequalities of the past and achieving rapid and sustained income redistribution.

The study served to explore both the realities of the senior management turnover rate and the impact of the turnover in the Public Service. In moving beyond the quantitative dimensions of turnover, the study also served to reflect on the real experiences of senior management and departments affected by the turnover. In combining the quantitative and qualitative dimensions of senior management turnover, it was possible to extract specific issues requiring consideration.

A number of systemic options and specific recommendations have been presented as a means to improve stability. The acceleration of service delivery is often contingent on institutional stability and continuity in capacities deployed within Public Service implementation organisations. Continuity and stability are, in many respects, necessary to ensure that policy changes introduced are rapidly reflected in operational activities.

By presenting various options and specific recommendations to manage senior management turnover, the PSC has attempted to facilitate deeper compliance with the public administration principles enshrined in the Constitution. Consideration of these issues will ensure that the Public Service is increasingly developmental in its approach and will continue to deliver services, efficiently, effectively, innovatively and responsively to all South Africans.

Grappling with the realities of senior management turnover requires a focus on the overall system of senior management appointment and termination and the development of specific interventions to minimise the impact of turnover on the Public Service. Within the context of the overall system there are various options that may be considered for the future. In shaping these options, it is necessary to draw on the available systems that are in operation across the globe and on the specific realities that face the South African Public Service. The specific interventions to minimise the impact of senior management turnover are separated from the options presented on the overall system.

Findings indicate that the Public Sector is the hardest hit in that it faces a brain drain to the Private Sector and to other parts of the world. The Public Sector will have to improve on its salary packages; address the deteriorating working conditions or compensate for lower standards and engage professional bodies for recognition of public sector experience. The role or function of career guidance and employment services is also important in guiding graduates and school leavers to make an informed decisions about their career options. A policy response on this issue of career guidance and talent management would therefore pertain to the awareness and recognition of cultural diversity, as well as the allocation of resources for the development of indigenous models and systems.

This study found that lack of capacity is one of the perennial explanations for shortcomings in municipal service delivery. Core to this capacity problem are the very high vacancy rates in local government, which are aggravated by job losses. A

municipality needs sufficient workers and the right skills mix to deliver services effectively. A firm foundation of financial management systems and capacity is key to the successful implementation of infrastructure programmes, service delivery expansion efforts, improvements in the level, reliability and frequency of services. It is therefore absolutely critical that the correct skills, mindset and expertise are located at the right place to implement the duties required for the modernisation of the local government sphere. If these are not in place, then there are likely to be more interventions in municipalities to address such weaknesses, before any changes for the better can become evident.

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