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REPUBLIC OF SOUTH AFRICA

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//March 2022

**PORTFOLIO COMMITTEE ON DEFENCE AND MILITARY VETERANS (PCD&MV):
REVISED 2022 FIRST TERM PROGRAMME**

Appendix A: Report and Presentation to the Portfolio Committee On Defence and Military Veterans (PCD&MV) in accordance with the Revised 2022 First Term Programme

1. The preparation to brief the PCD&MV according to the Revised 2022 First Term Programme refers.
2. Appendix A denotes a report to the PCD&MV scheduled to take place on 23 March 2022 and it includes a presentation aligned to the programmed activities of the PCD&MV: Briefing by DOD regarding Progress on Engagements with National Treasury on (1) DOD budget cuts (2) assistance to the DOD to curb irregular expenditure on Compensation of Employees, (3) funding of an Exit Mechanism and (4) feedback on the 20221 BRRR recommendations.

(A.E. KUBU)
CHIEF HUMAN RESOURCE: V ADM

DISTR

For Action

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REPORT TO THE PORTFOLIO COMMITTEE ON DEFENCE AND MILITARY VETERANS (PCD&MV) IN ACCORDANCE WITH THE REVISED 2022 FIRST TERM PROGRAMME

Appendix 1: Presentation: A Brief to the PCD&MV on the DOD HR Strategic Plan to Implement HR Measures to Reduce HR Cost Pressures: 2021 MTEF and MTSF

1. The preparation of a brief to the PCD&MV according to the Revised 2022 First Term Programme refers.
2. The aim of this correspondence is to provide a progress report on measures to reduce HR cost pressures as recorded in the programmed activities of the PCD&MV: Briefing by DOD regarding Progress on Engagements with National Treasury on (1) DOD budget cuts (2) assistance to the DOD to curb irregular expenditure on Compensation of Employees, (3) funding of an Exit Mechanism and (4) feedback on the 2021 BRRR recommendations.
3. The DOD has engaged the PCD&MV iro planned HR interventions to reduce HR cost pressures on the following occasions:
 - a. On 3 February 2021, concurrence was reached on a course of action to implement HR cost savings.
 - b. On 24 August 2021, the DOD reported on the fact that the Minister of Defence and Military Veterans (MOD&MV) has issued a directive with the express purpose to fit within the CoE allocation over the 2021 MTEF and MTSF. In addition, that the Secretary for Defence (SEC DEF) and Chief of the SA National Defence Force (CSANDF) have issued co-ordinating instructions to that effect.
 - c. On 24 November 2021, the PCD&MV was made aware of the detail implementation outcomes expected by introducing such HR interventions being a forecast HR cost saving of Rb1,1 in FY2022/23; Rb1,5 in FY2023/24 and Rb1,8 in FY2024/25.
4. This report details the progress since 24 November 2021 iro HR interventions listed below:
 - a. Maintaining an average planned HR strength of 73,000 over the MTEF.
 - b. Reduce Reserve Force mandays to 1,990 259.
 - c. Recruit Military Skills Development System intakes every alternate calendar year.
 - d. Cap annual increases of regimental- and operational allowances as well as allowances paid in lieu of scarce skills retention.



REPORT TO THE PORTFOLIO COMMITTEE ON DEFENCE AND MILITARY VETERANS (PCD&MV) IN ACCORDANCE WITH THE REVISED 2022 FIRST TERM PROGRAMME

- e. Re-activate the implementation of exit strategies i.e. Mobility Exit Mechanism (MEM) and Employee Initiated Severance Package (EISP).

5. The DOD remains committed to implement HR cost saving measures aligned to planned HR interventions. Since the last report, great strides have been made to inculcate implementation across Services and Divisions as well as engagements with National Treasury. The relationship between these departments have strengthened and regular engagements have taken place at both the staff and senior levels.

6. Indicative of the positive relationship and on the back of high level intervention, parliament has appropriated the Defence Vote 23 for the 2022 MTEF and has confirmed the compensation of employees' ceiling as Rb30.6 for FY2022/23, Rb29.6 for FY2023/24 and Rb30.9 for FY2024/25. Additional funding (earmarked), was allocated to support the implementation of an exit strategy for SANDF members, of Rb1 for FY2022/23 and Rm800 for FY2023/24, respectively. The forecast additional compensation of employees' budget requirement for the 2022 MTEF is projected to remain at an estimated Rb3.1 per year for the foreseeable future. The latter is expected to taper-off as HR interventions take effect.

7. For the in-year FY2021/22, the compensation of employees' allocation was increased by Rm354 for OP PROSPER and OP VIKELA and an additional allocation was received of Rb1.313 to cover expenditure related to the implementation of Resolution 1 of 2021 (improvement of conditions of service). The compensation of employees' ceiling was increased from Rb29.3 to Rb31.0 (additional Rb1,6). In essence, the additional allocations have stabilised forecasted final HR expenditure of the DOD. The projected compensation of employees' budget deficit for FY2021/22 is now estimated to be Rb2.731. The DOD has reprioritised its operating budgets to fund this shortfall as duly authorised by National Treasury (NT letter dd 22 June 2021).

8. Table 1 summarised the status of implementing HR interventions.

Table 1: Summary Report iro Planned HR Interventions to reduce HR Cost Pressures

Ser No	HR Intervention Description	Status Report
	a	b
1	An average planned HR strength of 73,000 over the MTEF	<ul style="list-style-type: none"> The unfunded vacant normal posts have been identified on the approved post establishment and an estimated 20,000 posts will be de-activated. The average planned HR strength for FY2022/23 is 73,098, FY2023/24 is 72,864 and FY2024/25 is 72,597. The CoE budget requirement for the corresponding average planned HR strength is Rb33,7 for FY2022/23; Rb32,8 for FY2023/24 and Rb34,4 for FY2024/25 respectively. The break-even point is estimated to be achieved in FY2025/26.
2	Reduce Reserve Force mandays to 1,990 259	<ul style="list-style-type: none"> Reserve Force mandays have been adjusted downwards from 2,691,811 for FY2022/24 to 1,985,307, for FY2023/24 to 1,988,352 and for FY2024/25 to 1,987,213. Baseline Reserve Force mandays and financial thresholds were determined for each component.

REPORT TO THE PORTFOLIO COMMITTEE ON DEFENCE AND MILITARY VETERANS (PCD&MV) IN ACCORDANCE WITH THE REVISED 2022 FIRST TERM PROGRAMME

Ser No	HR Intervention Description	Status Report
	a	b
3	Recruit Military Skills Development System intakes every alternate calendar year	<ul style="list-style-type: none"> Planned MSDS Intakes: <ul style="list-style-type: none"> March 2022: 1,997 January 2024: 2,207 January 2026: 2,207
4	Cap annual increases of regimental- and operational allowances as well as allowances paid in lieu of scarce skills retention	<ul style="list-style-type: none"> All discretionary allowances have been identified that will be capped at rate or tariff as on 31 March 2022. An estimated saving of Rm88 is expected.
5	Re-activate the implementation of exit strategies i.e. Mobility Exit Mechanism (MEM) and Employee Initiated Severance Package (EISP)	<p>Regulations on termination of service have been amended and are in the process of approval</p> <p>EISP 67 applications were received of which 10 applications have been approved at a cost of Rm9 to date and 57 are in process.</p> <p>MEM</p> <ul style="list-style-type: none"> The DOD/NT continues to be engaged. Baseline of the department is increased by Rb1 in FY2022/23 and Rm800 in 2023/24 for the funding of the exit strategy/mechanism for the members of the SANDF. Allocation of Rb1.8 is earmarked, not included in CoE allocation and is subject to specific conditions. FY2022/23: The exit of 944 SANDF members at an average cost of Rm1,2 per member is planned and will be effected as from 1 April 2022 in-line with the earmarked funding of Rb1. FY2023/24: The exit of 650 SANDF members at an average cost of Rm1,2 per member is planned in-line with the earmarked funding of Rm800. The planned exits of members summarised and including severance is estimated for FY2022/23 to be 3,129 and for FY2023/24 to be 3,093. On 10 March 2022, the administrative instruction to effect the implementation of the severance mechanism was approved by both CSANDF and SEC DEF and National Treasury has been informed.

9. The DOD has since met the National Treasury conditions being required to submit an exit plan for SANDF members: CSANDF issued instructions to effect implementation on 11 February 2022 and SEC DEF submitted the exit plan for SANDF members to National Treasury on 28 February 2022. A further engagement is to follow in order to address any matters of clarity that may be required.

10. The DOD expects to remain on the trajectory of implementing measures to reduce HR costs. The PCD&MV and National Treasury will be kept abreast of developments as and when required to the requirement to report on DOD performance on a quarterly basis.



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*Draft 22 11/23
D. M. Meyer*



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A BRIEF TO THE PCD&MV IRO THE DEPARTMENT OF DEFENCE HUMAN RESOURCE STRATEGIC PLAN TO IMPLEMENT HR MEASURES TO REDUCE HR COST PRESSURES: 2021 MTEF AND MTSF

Tasking. Briefing by DOD regarding Progress on Engagements with National Treasury on (1) DOD budget cuts (2) assistance to the DOD to curb irregular expenditure on Compensation of Employees, (3) funding of an Exit Mechanism and (4) feedback on the 20221 BRRR recommendations

Presented by CHR on 23 March 2022



AIM AND SCOPE

- Aim
 - To address HR matters raised at the PCD&MV on 9 March 2022, and;
 - To provide a status report on measures to reduce HR cost pressures with specific emphasis, as recorded in the programmed activities of the PCD&MV.

- Scope
 - Personnel Trends and Related Factors
 - HR Interventions (measures) & Progress (status report)



Personnel Trends and Related Factors

- CoE Allocation vs Expenditure vs HR Strength
- End Strength, Appointments (MSDS+PSAP) and Attrition
- Attrition Types: per Financial Year
- Attrition Types: per Month (FY2021/22)



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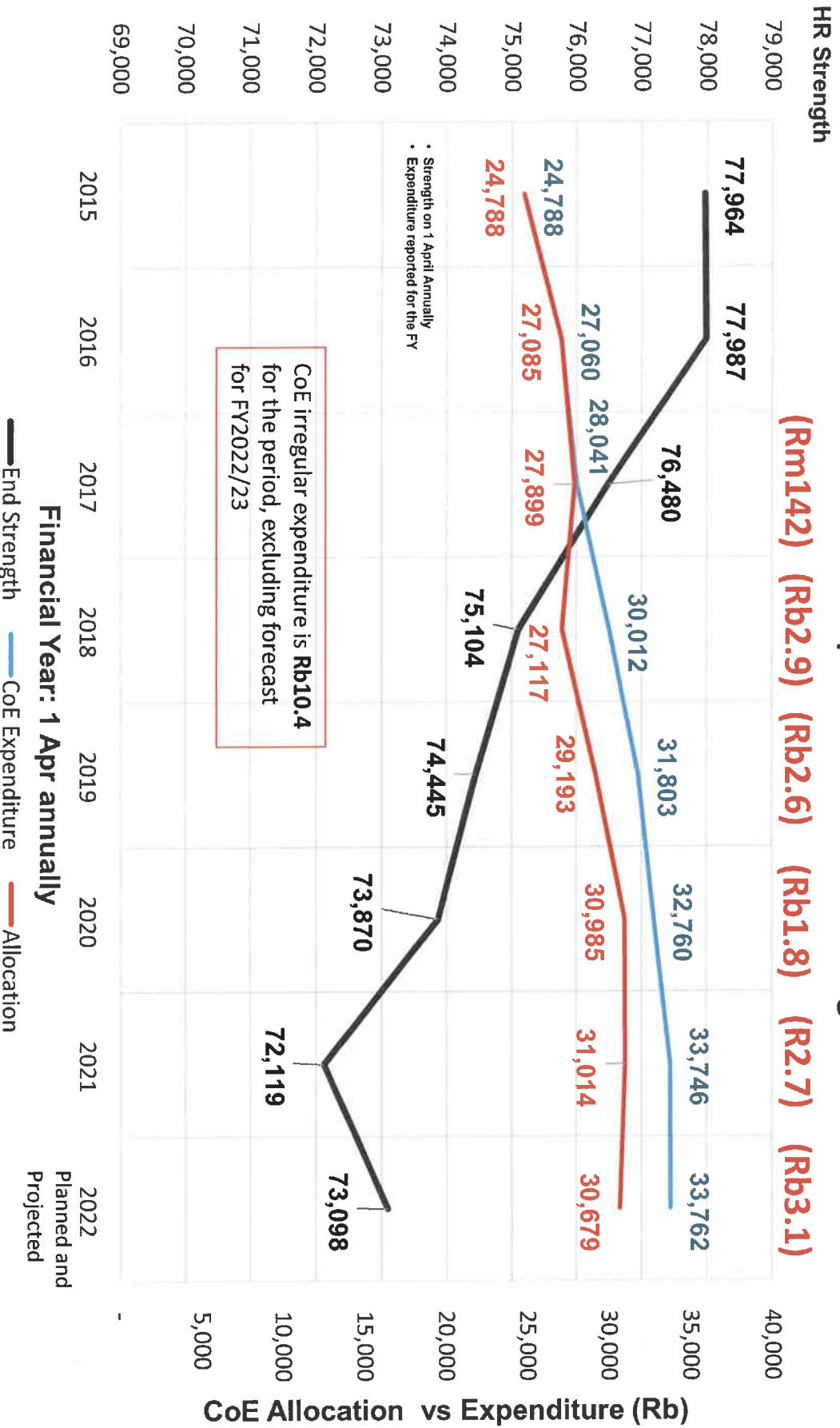
PERSONNEL TRENDS AND RELATED FACTORS (2/7)



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Allocation vs Expenditure vs HR Strength

(Rm142) (Rb2.9) (Rb2.6) (Rb1.8) (R2.7) (Rb3.1)

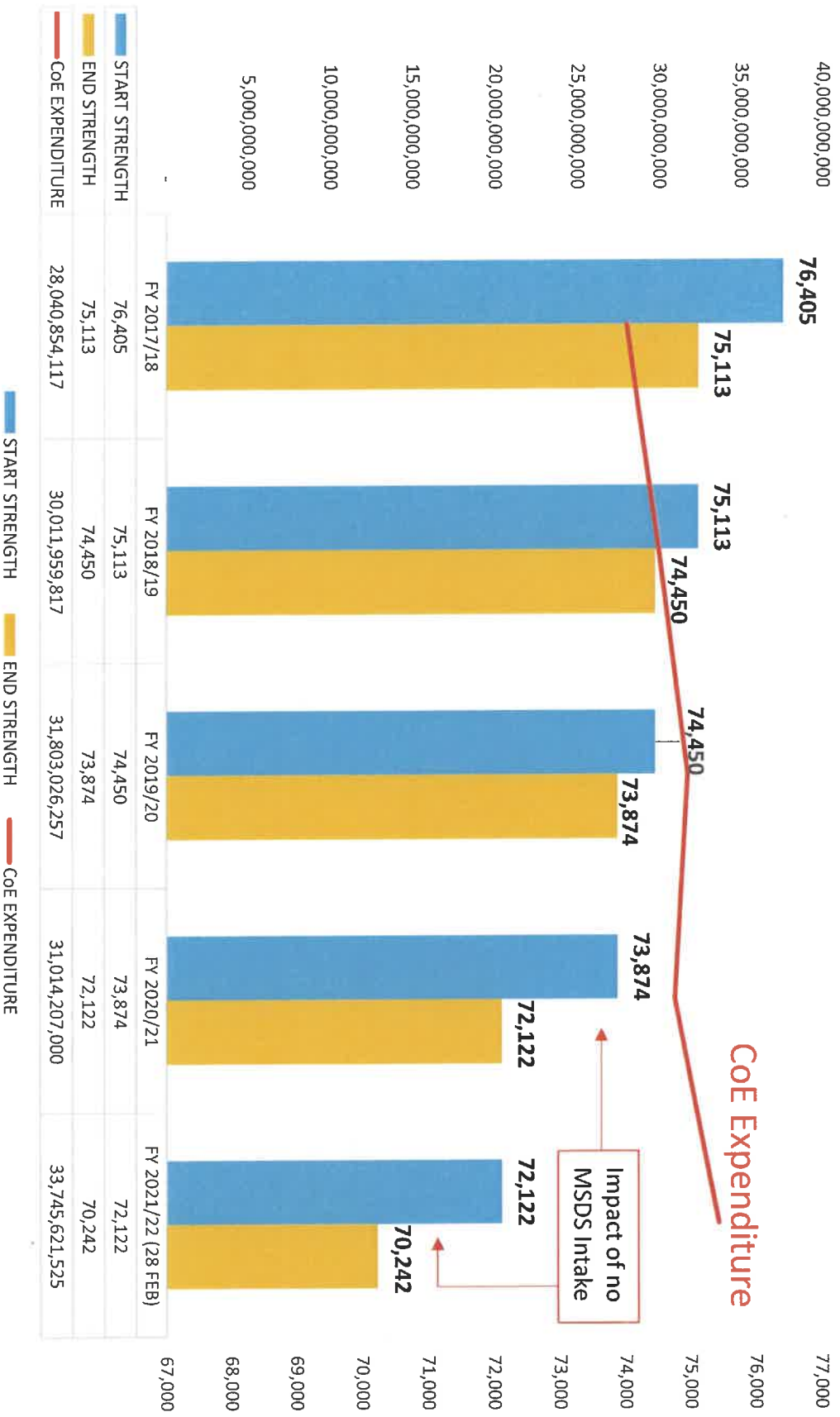




PERSONNEL TRENDS AND RELATED FACTORS (3/7)



HR Capacity vs CoE Expenditure

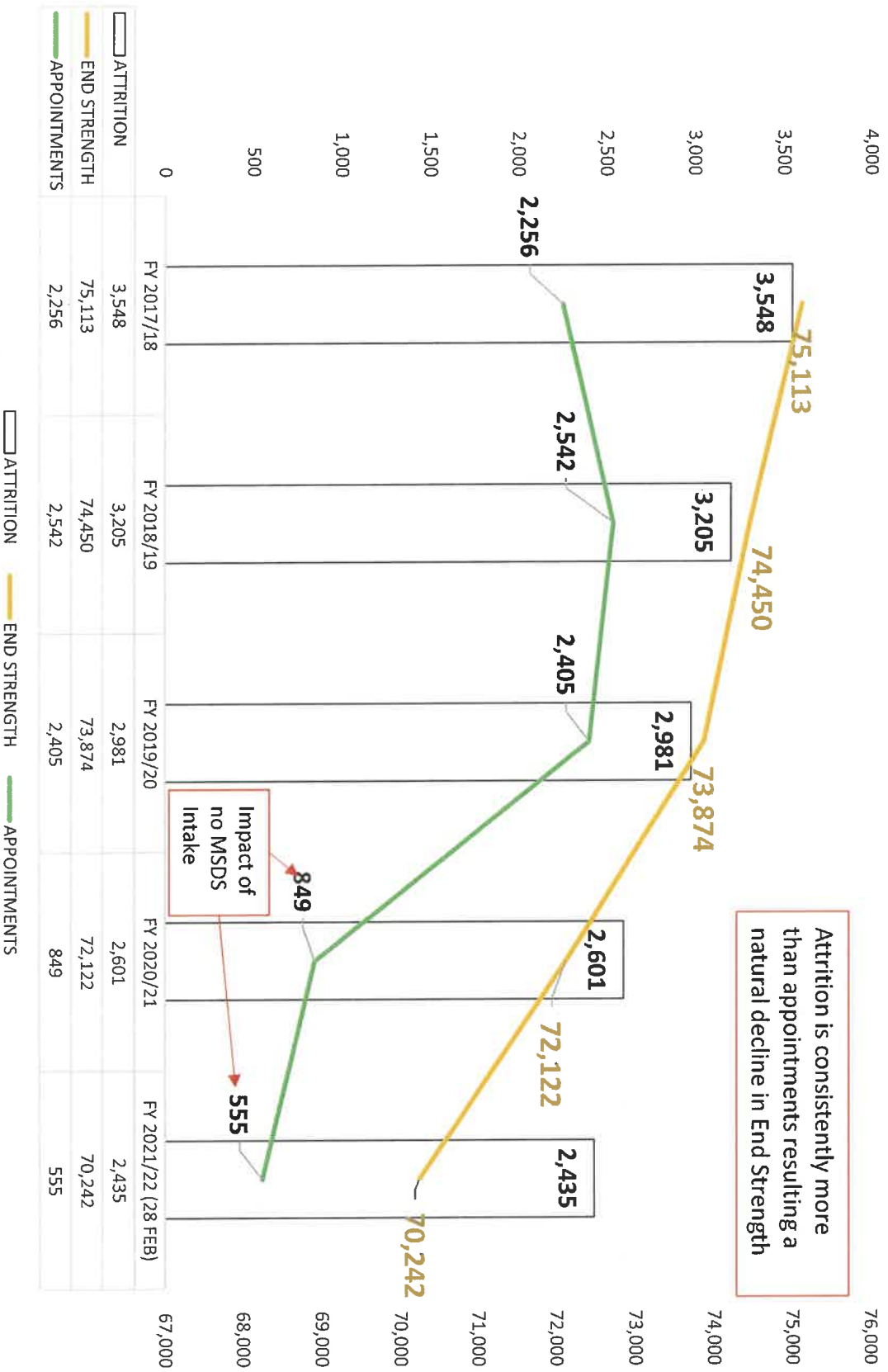




PERSONNEL TRENDS AND RELATED FACTORS (4/7)



PERSONNEL FLOW: APPOINTMENTS, ATTRITION VS END STRENGTH

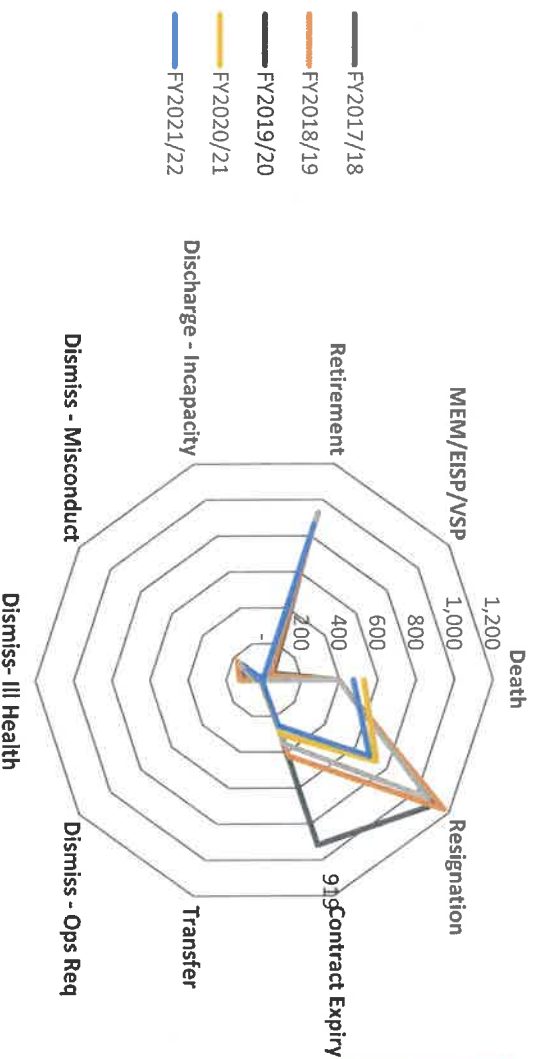




PERSONNEL TRENDS AND RELATED FACTORS (6/7)



Most personnel resigns or allows their contracts to expire, whilst retirements are increasing year-on-year



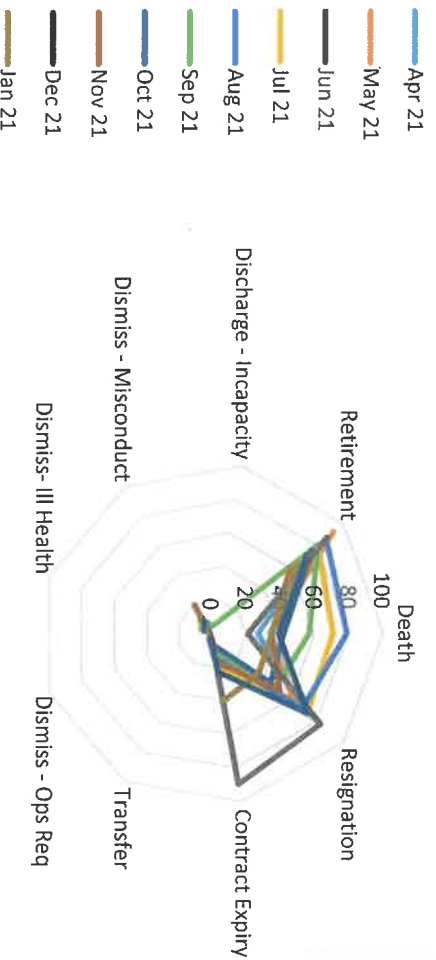
TERMINATION TYPE	FY2017/18	FY2018/19	FY2019/20	FY2020/21	FY2021/22
Death	397	396	396	529	474
Resignation	1,121	1,171	1,069	733	691
Contract Expiry	919	423	356	302	256
Transfer	15	26	21	16	14
Dismiss - Ops Req		1			1
Dismiss- Ill Health	95	129	60	45	29
Dismiss - Misconduct	133	172	151	103	102
Discharge - Incapacity	1				5
Retirement	809	843	927	873	863
MEM/EISP/VSP	58	44	1		
TOTAL	3,548	3,205	2,981	2,601	2,435



PERSONNEL TRENDS AND RELATED FACTORS (5/7)



Attrition Type per Month: FY2021/22



Monthly attrition types are consistent with annual rates of attrition

TERMINATION TYPE	Apr 21	May 21	Jun 21	Jul 21	Aug 21	Sep 21	Oct 21	Nov 21	Dec 21	Jan 21	Feb 21	Grand Total
Death	27	34	34	71	79	57	42	35	21	35	39	474
Resignation	70	63	78	73	69	49	45	52	83	36	73	691
Contract Expiry	10	12	14	20	13	10	7	17	90	40	23	256
Transfer	3	1			1	3	1	1	1		3	14
Dismiss - Ops Req							1					1
Dismiss - Ill Health		6	1		2	7	1	2	2	3	5	29
Dismiss - Misconduct	6	14	7	6	9	9	5	20	6	11	9	102
Discharge - Incapacity						5						5
Retirement	86	93	74	81	87	81	76	60	88	65	72	863
TOTAL	202	223	208	251	260	221	178	187	291	190	224	2 435



PERSONNEL TRENDS AND RELATED FACTORS (7/7)



MILITARY AGE DISTRIBUTION AND PLANNED ATTRITION AS AT 28 FEB 22

RANK	AVERAGE AGE	18 TO 24 YRS	25 TO 29 YRS	30 TO 34 YRS	35 TO 39 YRS	40 TO 44 YRS	45 TO 49 YRS	50 TO 54 YRS	55 TO 59 YRS
MAJ GEN/R ADM	55	-	-	-	-	-	6	15	20
BRIG GEN/R ADM(JG)	54	-	-	-	-	4	36	54	74
COL/CAPT(SAN)	52	-	-	-	11	69	188	302	276
LT COL/CDR	49	-	-	4	172	348	684	701	358
MAJ/LT CDR	44	-	3	210	901	540	668	457	150
CAPT/LT(SAN)	39	-	101	776	965	315	258	199	113
LT	34	19	266	542	348	33	30	22	6
2LT	28	18	61	13	3	1	-	-	-
CPLN	50	-	-	2	5	15	27	25	31
WO1	53	-	-	1	21	108	543	962	955
WO2	51	-	-	5	145	224	798	1,073	663
S SGT/F SGT/CPO	48	-	3	375	1,291	623	1,649	2,111	1,100
SGT/PO	42	-	259	2,377	2,109	483	1,278	1,677	825
CPL/LS	38	216	1,613	3,415	1,948	258	1,057	1,422	661
L CPL/AB	40	601	1,019	1,189	1,224	101	832	1,654	482
PTE/AMN/SEA	30	1,790	4,437	4,303	968	20	33	26	17
UNIFORM PERSONNEL TOTAL		2,644	7,762	13,212	10,111	3,142	8,087	10,700	5,731

PLANNED ATTRITION: FY2022/23		
PLANNED MEM	PLANNED ATTRITION	TOTAL PLANNED ATTRITION
5	8	13
6	21	27
22	75	97
42	122	164
20	80	100
-	71	71
-	27	27
-	-	-
-	-	-
-	-	-
31	263	294
30	177	207
80	334	414
173	297	470
160	294	454
249	127	376
944	2,185	3,129

Indicates the point of stagnation according to:

- Implementation of Inherent Rank-Age Requirements for the SANDF
- (DODI Pol & Plan NO 80/2002)



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Report since 24 Nov 22

- Background
- HR Interventions
- HR Interventions (measures) & Progress (status report)



BACKGROUND

- Engagement reports to the PCD&MV on implementing HR intervention
 - 3 February 2021: Reached consensus and concurrence on a course of action to implement HR interventions that will reduce HR cost pressures
 - 24 August 2021: DOD confirmed the internal implementation processes denoting the MOD&MV, Sec Def and CSANDF directives and HR plan
 - 24 November 2021: DOD explained the impact that projected HR interventions will have on the forecast CoE spending
- This report details the progress the DOD has made since 24 November 2021.



HR INTERVENTIONS REPORTED

- An average planned HR strength of 73,000 over the MTEF.
- Reduce reserve force mandays to 1,990 259.
- Recruit Military Skills Development System intakes every alternate calendar year.
- Cap annual increases of regimental- and operational allowances as well as allowances paid in lieu of scarce skills retention.
- Re-activate the implementation of exit strategies i.e. Mobility Exit Mechanism (MEM) and Employee Initiated Severance Package (EISP).



PROGRESS/STATUS REPORT (1/2)

Ser No	HR Intervention Description	Status Report
	a	b
1	An average planned HR strength of 73,000 over the MTEF	<ul style="list-style-type: none"> The unfunded vacant normal posts have been identified on the approved post establishment and an estimated 20,000 posts will be de-activated as from 1 April 2022. The average planned HR strength for FY2022/23 is 73,098, FY2023/24 is 72,864 and FY2024/25 is 72,597. The CoE budget requirement for the corresponding planned HR capacity for FY2022/23 is Rb33,7; FY2023/24 is Rb32,8 and FY2024/25 is Rb34,4. The break-even point is estimated to be reached by FY2025/26. 2022 MTEF compensation of employees' ceiling for FY2022/23 is Rb30.6, FY2023/24 is Rb29.6 and FY2024/25 is Rb30.9. An additional allocation to fund an exit strategy for SANDF members of Rb1 for FY2022/23 and Rm800 for FY2023/24 was included in the Defence Budget Vote 23.
2	Reduce reserve force mandays to 1,990 259	<ul style="list-style-type: none"> Reserve Force mandays has been adjusted downwards from 2,691,811 in: <ul style="list-style-type: none"> FY2022/23 by 706,504 to 1,985,307 FY2023/24 by 703,459 to 1,988,352 FY2024/25 by 704,598 to 1,987,213 Baselines for reserve force mandays and financial thresholds were determined for each entity and issued.
3	Recruit Military Skills Development System intakes every alternate calendar year	<ul style="list-style-type: none"> Planned MSDS Intakes: <ul style="list-style-type: none"> March 2022: 1,997 January 2024: 2,207 January 2026: 2,207



PROGRESS/STATUS REPORT (2/2)

Ser No	HR Intervention Description	Status Report
	a	b
4	Cap annual increases of regimental- and operational allowances as well as allowances paid in lieu of scarce skills retention	<ul style="list-style-type: none"> All discretionary allowances have been identified that will be capped at rate or tariff as on 31 March 2022. The estimated savings is projected to be Rm88 per year
5	Re-activate implementation of exit strategies i.e. Mobility Exit Mechanism (MEM) and Employee Initiated Severance Package (EISP)	<ul style="list-style-type: none"> Regulations on termination of service have been amended and in process of approval. EISP <ul style="list-style-type: none"> 67 applications were received of which 10 applications have been approved at a cost of R9m to date and 57 are in process. MEM <ul style="list-style-type: none"> The baseline of the DOD is increased by Rb1 in FY2022/23 and Rm800 in 2023/24 to fund an exit strategy/mechanism for SANDF members. Allocation of Rb1.8 is earmarked and subject to specific conditions. CSANDF has issued an instruction to effect its implementation on 11 February 2022 and SEC DEF submitted an exit plan for SANDF members to National Treasury on 28 February 2022. FY2022/23: The exit of 944 SANDF members at an average cost of Rm1,2 per member is planned and will be effected as from 1 April 2022 inline with the earmarked funding of Rb1. FY2023/24: The exit of 650 SANDF members at an average cost of Rm1,2 per member is planned and inline with the earmarked funding of Rm800. The planned exits (normal attrition and severance) is estimated to be 3,129 for FY2022/23 and 3,093 for FY2023/24. On 10 March 2022, the admin instruction to effect the implementation of the severance mechanism was approved by both CSANDF and SEC DEF.
	3/11/2022	



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DISCUSSION