

# REPORT ON THE INDEBTEDNESS OF PUBLIC SERVANTS

PUBLIC SERVICE COMMISSION  
NOVEMBER 2007



Published in the Republic of South Africa by:

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Compiled by Branch: Investigations and Human Resource Reviews

Distributed by Directorate: Communication and Information Services

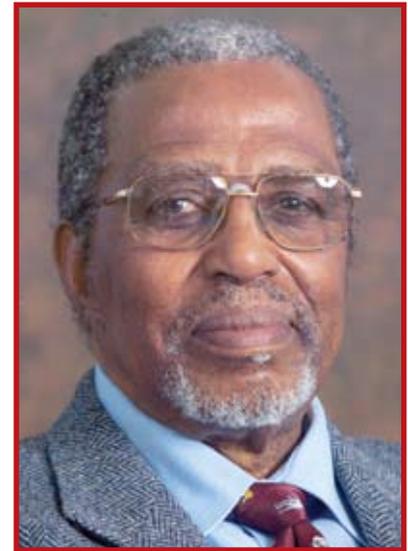
ISBN: 978-0-621-37593-0  
RP: 07/2008



# FOREWORD

I am pleased to present a report on the investigation into the impact of micro-lending and garnishee orders on public servants and implications for the Public Service. This report provides some ground breaking research with regard to the extent of micro-lending practices among public servants and garnishee orders issued against them.

Good financial management skills and ability, coupled with financial discipline and planning are crucial competencies for Public Servants. It is these competencies that ensure accountability for public resources and contribute to an ethical Public Service. There is a necessary expectation by the general public for public servants to manage the State's financial resources in a responsible and transparent manner.



It is not too far fetched to suggest that the aptitude for financial management begins with the ability to manage personal finances in a disciplined manner. In this context, the adage of “*charity begins at home*” is apt. Any doubt on the ability of public servants to manage their own finances creates questions on the level of trust, honesty and integrity with which they would manage departmental budgets and assets. Indeed bad financial administration is likely to fuel a negative perception about the standard of ethics within the Public Service. It is therefore not surprising that the Public Service should be concerned about the “*financial wellness*” of its employees.

Startlingly findings are made in this report, especially around the extent of indebtedness of public servants. There are concerns about the number of public servants who made garnishee related payments and the amount paid during 2006/2007, which suggests that a large proportion of public servants are over-indebted.

While accessing micro-loans and other credit is sometimes necessary to alleviate the temporary challenges one may face, it is when such debt is acquired as a result of over-indulgence and as a measure to supplement the monthly salary that the practice raises serious concerns. From an employer perspective, there are far reaching consequences if you have an employee trapped in debt. Least of all is the associated stress related to financial problems and the resultant impact this has on productivity.

The wellness of public servants is a critical aspect of the efforts by the State to create a productive and performance driven Public Service that is committed to service delivery. The Public Service therefore has the task to ensure the maintenance and sustenance of employee wellness through Employee Support Programmes that are designed to provide employees with the necessary skills and tools to manage their own resources.

Stemming from the findings contained in this report, recommendations are made that should assist departments in their efforts to mitigate against the impact that micro-lending and garnishee orders have on public servants, as well as address the subsequent implications for the Public Service.

A handwritten signature in black ink, appearing to read 'S.S. Sangweni'.

**PROF SS SANGWENI**  
**CHAIRPERSON: PUBLIC SERVICE COMMISSION**

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## DEFINITION OF TERMS

<b>Emolument Attachment Order</b>	Legal instruction to an employer to deduct a specific amount from the salary of an employee every month until his/her debt is paid up in full
<b>Garnishee order</b>	Court order for collecting a civil judgement
<b>Micro-lender</b>	Credit grantor who provides micro-finance credit known as micro-loans
<b>Over-indebtedness</b>	Inability to meet periodic installment obligations and being faced with a debt spiral, that is, failure to meet interest payment obligations

## GLOSSARY OF ABBREVIATIONS

<b>EA</b>	Executing Authority
<b>EAP</b>	Employee Assistance Programme
<b>HoD</b>	Head of Department
<b>OPSC</b>	Office of the Public Service Commission
<b>PERSAL</b>	Personnel and Salary Administration System
<b>PSC</b>	Public Service Commission
<b>SAPS</b>	South African Police Service
<b>SMS</b>	Senior Management Service

# Executive Summary

## 1. INTRODUCTION

### 1.1 BACKGROUND

There is an expectation by the South African citizens on public servants to manage the State's financial resources in a responsible and transparent manner. The ability to manage the State's financial resources requires competency in financial management, an ability to manage finances effectively and efficiently, financial discipline and planning.

It is not too far fetched to suggest that the aptitude for financial management begins with the ability to manage personal finances in a disciplined manner. Any doubt on the ability of public servants to manage their own resources creates uncertainty on the level of trust, honesty and integrity with which they would manage departmental budgets and assets. This places a responsibility on the Public Service to show concern about “*financial wellness*” of its employees.

While accessing micro-loans and other credit is sometimes necessary in the alleviation of temporary challenges, it is when such debt is acquired as a result of over-indulgence and as a measure to supplement the monthly salary that the practice raises serious concerns. When the latter happens, employees are often unable to keep up with the payments for the micro-loans and could end up in a debt spiral and subsequently become over-indebted.

Over-indebtedness invariably results in the inability to service the debt acquired timeously and regularly. The current economic/financial climate of rising interest rates also deepens the impact of debt. The resultant effect is that due to the inability to service micro-lending debt, garnishee orders are issued against public servants. What this means is that in the absence of regular payments, micro-lenders approach the courts to have garnishee orders issued to those public servants who have defaulted in repayments.

Once the garnishee order is granted, it is served on the employee to ensure that he/she makes the necessary payments as stipulated in the court order. If the latter fails the micro-lender can apply for an emoluments attachment order, which instructs the employer to deduct a specific amount from the salary of an employee every month until his/her debt is paid up in full. The salary deductions are made directly from the Public Service's payroll, namely, the Personnel and Salary Administration System (PERSAL).

The Public Service cannot afford to ignore trends identified in this report as they have serious and far reaching implications on the State as employer and raise fundamental concerns regarding issues of professional conduct and ethical considerations. Against such backdrop, the Public Service Commission (PSC) deemed it appropriate to commission an investigation into the impact of micro-lending and garnishee orders on public servants and the implications that this has on the Public Service.

The mandate of the PSC to carry out this investigation is derived from Section 196(4)(f) of the *Constitution of the Republic of South Africa*, 1996, as well as section 9 and 10 of the *Public Service Act*, 1997.

### 1.2 OBJECTIVES OF THE INVESTIGATION

The objectives of the investigation are to –

- investigate the extent to which public servants have been served with garnishee orders as a result of indebtedness to micro-lenders;
- comment on the ethical considerations of public servants who have been served with garnishee orders as a result of indebtedness to micro-lenders; and

- advise on the issue of public servants who have been served with garnishee orders as a result of indebtedness to micro-lenders.

### 1.3 METHODOLOGY FOLLOWED

This report covers all National and Provincial departments within the Public Service and will focus on information in respect of garnishee orders issued and micro-lending transactions that took place during the 2006/2007 financial year.

Information was requested from PERSAL on the number of public servants who have been issued with garnishee orders as a result of being indebted to micro-lenders. For purposes of this investigation, data obtained from the PERSAL database was processed according to gender, age, department and component, amount paid to beneficiaries, post level and salary level.

The requested information was provided to the PSC on the basis of anonymity, thus no names, PERSAL numbers, identity numbers, etc., were revealed. This was done in view of the sensitivity of the subject as well as to ensure the confidentiality of the information provided.

### 1.4 LIMITATIONS EXPERIENCED

Information provided by PERSAL to the PSC is based on the data that various departments provided to PERSAL. As a result, in instances where departments failed to update information regarding some of their employees, PERSAL would only be able to reflect the latest information submitted on their records.

Furthermore, as a result of the large volume of data requested from PERSAL, it took a month-and-a-half to process and provide the required data to the PSC. Needless to say, the extraction and summarizing of the data by PERSAL was time consuming.

In respect of both garnishee orders and micro-lending payments, it was not possible to determine the exact numbers of public servants who made payments as one public servant may have more than one micro-loan or could have been issued with more than one garnishee order.

## 2. UNDERSTANDING THE REGULATORY FRAMEWORK AND RELEVANT CONCEPTS

The aspects of micro-lending and the issuing of garnishee orders are fairly technical and require an understanding of the relevant sections of the applicable regulatory framework. In this regard, a synopsis is provided of the following regulatory framework:

- Treasury Regulations, 2001.
- The Usury Act, 1968.
- The National Credit Act, 2005.
- The Magistrate Courts Act, 1944.
- The Basic Conditions of Employment Act, 1997.
- Public Service Act, 1994.
- Code of Conduct for the Public Service.

Due to the technical nature of terminology used in this report, and in order to ensure a thorough understanding of the different concepts, a discussion of terminology and concepts used, namely, micro-lending, over-indebtedness and garnishee order (emolument attachment order) is provided.

### 3. STATISTICAL OVERVIEW AND ANALYSIS: MICRO-LENDING

Detailed statistical information is reflected in Chapter 3 of the report on the extent of micro-lending to public servants in terms of, *inter alia*, race and gender; salary level, age and occupational classification.

#### 3.1 AMOUNT OF MICRO-LENDING DEBT PAID THROUGH PERSAL

According to data provided by PERSAL, the total debt owed to micro-lenders by Public Servants amounted to **R13,3 million** during the 2006/2007 financial year. Of this amount, **R3,3 million** (25%) is attributed to employees based in National departments. The balance of **R10 million** (75%) is attributed to the micro-lending debt of public servants based in Provincial departments.

##### 3.1.1 The amount paid to micro-lenders, reflected according to gender at National and Provincial level

In total, males accounted for R6,4 million payments in respect of micro-lending debt through PERSAL whilst females accounted for R6,9 million. Male public servants paid the highest amount (R2,6 million) in servicing micro-lending debt at National level. This amounts to 82% of the total amount paid to micro-lenders at National level.

##### 3.1.2 Amount paid to micro-lenders, reflected according to salary level

The highest amounts paid to micro-lenders during 2006/2007 were paid by public servants occupying salary level 7 (R3,6 million). The second highest amount paid to micro-lenders was for employees on salary level 8 (R2,4 million) followed by salary level 6 (R1,9 million) and salary level 2 (R1,5 million).

##### 3.1.3 Amounts paid to micro-lenders, reflected according to age-group

Persons in the age-groups 40 – 49 and 50 – 59 paid the highest amounts, namely R6,6 million and R3,6 million respectively to micro-lenders during the 2006/2007 financial years. The two age-groups are collectively responsible for more than three quarters (77%) of all payments made to micro-lenders.

#### 3.2 NUMBER OF PUBLIC SERVANTS WHO MADE PAYMENTS TO MICRO-LENDERS

##### 3.2.1 Total number of public servants who made payments

In total 4 063 public servants made payments to micro-lenders through PERSAL during 2006/2007 to service debt incurred. Of these, 1 304 (32%) were officials at National level and 2 759 (68%) officials at Provincial level.

##### 3.2.2 Public servants who made payments to micro-lenders, reflected according to gender

Of the total of 4 063 public servants who made payments, 1 894 (47%) were females and the other 2 169 (53%) were male public servants.

### 3.2.3 Number of public servants who made payments to micro-lenders, reflected according to race

Most public servants who made payments to micro-lenders were African (3 459 or 85%) followed by Coloureds (397 or 10%), Whites (166 or 4%) and Indians (41 or 1%). The fact that most public servants who made payments were African can be attributed to the fact that Africans constitute 77% of the total workforce of the Public Service.

### 3.2.4 Number of public servants who made payments to micro-lenders, reflected according to salary level

Out of the 4 063 public servants who made payments to micro-lenders during the 2006/2007 financial year, most public servants occupied salary level 7 (1 155) and the least salary level 14 (1).

### 3.2.5 Number of public servants who made payments to micro-lenders, reflected according to age-group

It was found that the majority of public servants who made payments to micro-lenders falls within the age-group 40 – 49, followed by those in the age-group 50 - 59.

### 3.2.6 Number of public servants who made payments to micro-lenders, reflected according to occupational field and amount paid

Of the 4 071 public servants who made payments to micro-lenders, the highest number (1 381) is attributed to persons employed in the occupational category “*Other occupations*”. The South African Police Service (SAPS) recorded the second highest number (843), i.e. 837 (Police) + 6 (SAPS), of public servants who made payments to micro-lenders. This was followed by the occupational category Cleaners (299) and the Nursing occupational category (226).

## 4. STATISTICAL OVERVIEW AND ANALYSIS: GARNISHEE ORDERS

Chapter 4 of the report provides a statistical overview and analysis of the impact of garnishee orders on public servants during the 2006/2007 financial year. It provides a statistical overview of public servants who are servicing garnishee related debt, the number of public servants involved and the total cost of the garnishee orders.

### 4.1 THE TOTAL COST OF GARNISHEE ORDERS PAID BY PUBLIC SERVANTS

According to data provided by PERSAL, the total cost of payments as a result of garnishee orders that were issued to public servants amounted to **R1,01 billion** during the 2006/2007 financial year. Of the **R1,01 billion**, about **R235 million** (23%) is attributed to the garnishee debt of public servants based in National departments. The balance of about **R776 million** (77%) is attributed to the debt of public servants based in Provincial departments.

#### 4.1.1 Distribution of garnishee debt, reflected according to gender at National and Provincial level

Female public servants paid R473 million (46%) of the total amount for garnishee orders through PERSAL during 2006/2007. Males paid R538 million (54%) of the total figure.

#### 4.1.2 Garnishee debt paid, reflected according to salary level

Public servants on salary level 7 accounted for the largest amount of payments towards garnishee debt, namely R269 million. While level 16 accounted for the lowest payments (R21 000), it is of concern that a head of department who is the accounting officer in terms of the *Public Finance Management Act, 1999*, and therefore entrusted with the financial soundness of a department, should have received a garnishee order.

#### 4.1.3 Garnishee debt, reflected according to age-group

Public servants within the age-group 40 - 49 were responsible for the highest amount (R482 million) of garnishee related cost, followed by the age-group 30 – 39 (R280 million), and those in the age-group 50 – 59 (R206 million).

### 4.2 NUMBER OF PUBLIC SERVANTS WHO MADE GARNISHEE RELATED PAYMENTS

This section of Chapter 4 of the report provides information on the number of public servants who made garnishee related payments.

#### 4.2.1 Total number of public servants who made payments

During 2006/2007 there were 216 857 public servants who made garnishee related payments through PERSAL. This figure amounts to a staggering 20% of the total number of public servants employed within the Public Service.

#### 4.2.2 The number of public servants who made garnishee related payments, reflected according to gender

Of the 216 857 public servants who made garnishee related payments, 101 000 (47%) were females and the remaining 115 857 (53%) were males.

#### 4.2.3 The number of public servants who made garnishee related payments, reflected according to race

As in the case of micro-loan debt, it was also found that most public servants who made garnishee related payments during the 2006/2007 financial year were African (86%) followed by Coloureds (9%), Whites (4%), and Indians (1%).

#### 4.2.4 The number of public servants who made garnishee related payments, reflected according to salary level

In total 25% of public servants who made garnishee related payments were on salary level 7. This correlates with the fact that the cost associated with garnishee payments at this level was the highest and the fact that public servants at this level made the most payments to micro-lenders. In addition to the number of garnishee order payments made by public servants at salary level 7, the second highest number of payments were made by public servants at salary levels 6 (33 999) followed by those at salary level 8 (30 486).

#### 4.2.5 The number of public servants who made garnishee related payments, reflected according to age-group

Similar to the payments made to micro-lenders, it was found that the majority of public servants who made garnishee related payments (98 407), that is, 45% were within the within the age-group 40 – 49. The second highest number of public servants to make such payments, were in the age-group 30 – 39, followed by those in the age-group 50 – 59.

### 4.3 THE NUMBER OF PUBLIC SERVANTS WHO MADE GARNISHEE RELATED PAYMENTS ACCORDING TO OCCUPATIONAL CATEGORY

The highest number of public servants (79 360) who made garnishee related payments is attributed to public servants reflected in the occupational field “Other occupations”. SAPS recorded the second highest number (27 653) of public servants who made garnishee related payments. This translates to 20% of all public servants who made garnishee related payments.

The occupational fields that recorded the lowest numbers of public servants who made garnishee related payments included, *inter alia*, Prosecutors, Youth Workers and Social Work.

## 5. IMPLICATIONS FOR THE PUBLIC SERVICE

It was found that the over-indebtedness of public servants as a result of micro-lending and garnishee orders has the following implications for the Public Service, namely, ill-health due to financial distress, low productivity, irregular remunerative work outside the Public Service, and ethical considerations.

## 6. RECOMMENDATIONS

In view of the implications of micro-lending and garnishee orders served on public servants, Chapter 6 of the report focuses on the following recommendations which are aimed at ensuring that the implications identified for the State are mitigated:

### 6.1 IMPROVE THE ACCURACY OF PERSAL INFORMATION

Departments should ensure that information is provided in line with the PERSAL data fields to avoid the creation of supplementary data fields such as “other” or “unknown” as these lead to skewed statistical data.

### 6.2 UTILIZING EMPLOYEE ASSISTANCE PROGRAMMES TO ASSIST OVER-INDEBTED PUBLIC SERVANTS

A fully fledged Employee Assistance Programme (EAP) should be embarked upon that would look into personal financial wellness with a key focus on legislative framework on micro-lending, procedure for the issuing of garnishee orders, credit rights, and budgeting, borrowing, saving and how to manage these affectively.

### 6.3 INCULCATING A CULTURE OF PROFESSIONAL ETHICS

The implications of over-indebtedness of public servants could result in an erosion of ethics among public servants as they could be enticed to commit unethical or corrupt practices by accepting bribes and committing fraud as a remedy to their financial strife. It is therefore recommended that the implementation of the ethical framework in place should be strengthened.

## 6.4 CONTINUOUS MONITORING OF INDEBTEDNESS AMONG PUBLIC SERVANTS

Departments are to keep abreast of the level of indebtedness of employees through the continuous monitoring of the records relating to micro-lending debt repayments and garnishee orders issued.

## 6.5 MANAGING THE IMPLICATIONS OF MICRO-LENDING AND GARNISHEE ORDERS ON INDIVIDUALS

The policy framework around disclosure of financial interests should be amended to include such aspects as debt, the nature of the debt and the credit grantor(s) involved. In this way a database could be created of all employees who are indebted and the details of the credit grantor:

## 6.6 MANAGING CONFLICTS OF INTEREST EMANATING FROM OVER-INDEBTEDNESS

It is recommended that the financial disclosure framework for the SMS should be amended to also include information on liabilities to ensure an overall assessment of a public servant's financial situation. Information on debt of public servants, the nature of the debt and the credit grantor(s) involved could assist in determining the public servants' level of indebtedness and whether or not there's a need for intervention by the State as employer.

## 6.7 COMPLYING WITH THE TREASURY REGULATIONS, 2001

In order to alleviate the challenges experienced by the affected public servants, it is recommended that the Accounting Officers of Departments comply with paragraphs 23.2.3(b) and 23.2.4 of the Treasury Regulations, 2001 which reads that –

- after the deduction, the official will have sufficient means for maintenance for him or herself and any dependants; and
- should the deduction not leave the official with sufficient means for maintenance or for that of his or her dependants, the accounting officer must advise the official of his or her right to approach the court to either rescind the order or amend it to affect only the balance of the salary after provision for such maintenance.

## 7. CONCLUSION

The study conducted by the PSC has revealed shocking findings. It must be of great concern that 20% of all public servants made garnishee related payments during 2006/2007. It appears as if public servants are struggling to cope with their personal financial planning. This raises questions about their ability to manage the State's resources with which they are entrusted effectively.

The practice of micro-lending is also of concern. Given the large number of public servants that make micro-lending and garnishee related payments, it is highly possible that there are far more public servants who make use of micro-lenders than reflected in this report.

Based on the PSC's assessment the extent of indebtedness by public servants has negative consequences to both them as individuals and to the Public Service as employer. These consequences can be mitigated if such public servants are provided with guidance on financial planning and management. The use of EAPs by providing financial counseling must be encouraged. It is incumbent on the Public Service leadership to promote the rendering of such assistance to its employees.

# Chapter One

## INTRODUCTION

## 1.1 BACKGROUND

There is an expectation by the South African citizens on public servants to display an ability to manage the State's financial resources in a responsible and transparent manner. This need is also informed by the need to improve service delivery with the limited available resources. Given the above imperatives, the Public Service must comprise of disciplined public servants imbued with an ethical undergirding to manage the limited resources entrusted with them.

The ability to manage the State's financial resources requires competency in financial management, an ability to manage finances effectively and efficiently, financial discipline and planning. Even more pertinent is the realization that given the limited resources of the State, there is an expectation that public servants will manage these economically and derive value for money to the satisfaction of the citizens. There is no doubt that a combination of such competencies and an ability to manage and utilise resources effectively will result in the desired levels of accountability expected of a public servant.

It is not too far fetched to suggest that the aptitude for financial management begins with the ability to manage personal finances in a disciplined manner. Any doubt on the ability of public servants to manage their own resources creates doubt on the level of trust, honesty and integrity with which they would manage departmental budgets and assets. This places a responsibility on the Public Service to show concern about "financial wellness" of its employees. This becomes even more pertinent given the input that the *Careways Group*<sup>1</sup> made at the public hearings of the Joint-Ad Hoc Committee on Socio-Economic Development, during November 2005 with regard to the indebtedness of public servants:

*"... it is in low paying monotonous job categories where volumes of garnishee orders have more than doubled in the last ten years. It is estimated that there are 1.25 million garnishee orders in South Africa, more than 250 000 of them on PERSAL alone".*

The Careways Group further indicates that the above estimated figure of 250 000 garnishee orders accounts for more than 20% of the entire 1.1 million public servants employed within the Public Service.

While accessing micro-loans and other credit is sometimes necessary in the alleviation of temporary challenges, it is when such debt is acquired as a result of over-indulgence and as a measure to supplement the monthly salary that the practice raises serious concerns. When the latter happens, employees are often unable to keep up with the payments for the micro-loans and often end up in a debt spiral and subsequently become over-indebted.

Over-indebtedness invariably results in the inability to service the debt acquired timeously and regularly. The current economic/financial climate of rising interest rates also deepens the impact of debt. The resultant effect is that due to the inability to service micro-lending debt, garnishee orders are issued against public servants. What this means is that in the absence of regular payments, micro-lenders approach the courts to have garnishee orders issued to those public servants who have defaulted in repayments. Once the garnishee order is granted, it is served on the employee to ensure that he/she makes the necessary payments as stipulated in the court order. If the latter fails the micro-lender can apply for an emoluments attachment order, which instructs the employer to deduct a specific amount from the salary of an employee every month until his/her debt is paid up in full. The salary deductions are made directly from the Public Service's payroll, namely, the Personnel and Salary Administration System (PERSAL).

<sup>1</sup> The Careways Group is an employee health and well being consulting company.

The Public Service cannot afford to ignore trends identified in this report as they have serious and far reaching implications on the State as employer and raise fundamental concerns regarding issues of professional conduct and ethical considerations. Against such backdrop, the Public Service Commission (PSC) deemed it appropriate to commission an investigation into the impact of micro-lending and garnishee orders on public servants and the implications that this has on the Public Service. The findings and recommendations made in this report will hopefully assist the Public Service to introduce measures to intervene in regard to the over-indebtedness of public servants and identify the appropriate programmes to provide them with the necessary skills and tools to manage their own resources more effectively.

## 1.2 MANDATE OF THE PUBLIC SERVICE COMMISSION

Section 196(4)(f) of the *Constitution of the Republic of South Africa, 1996*, determines that the powers and functions of the PSC are-

*“either of its own accord or on receipt of any complaint-*

- (i) *to investigate and evaluate the application of personnel and public administration practices, and to report to the relevant executive authority and legislature;*
- (ii) *.....*
- (iii) *to monitor and investigate adherence to applicable procedures in the public service; ...”.*

In addition to the above, the PSC has the mandate to conduct investigations in terms of section 9 and 10 of the *Public Service Act, 1997*.

This report meets the constitutional responsibilities of the PSC in that it investigates and evaluates the application of personnel and public administration practices as well as adherence to applicable procedures within the Public Service.

## 1.3 OBJECTIVES OF THE INVESTIGATION

The objectives of the investigation are to –

- investigate the extent to which public servants have been served with garnishee orders as a result of indebtedness to micro-lenders;
- comment on the ethical considerations of public servants who have been served with garnishee orders as a result of indebtedness to micro-lenders; and
- advise on the issue of public servants who have been served with garnishee orders as a result of indebtedness to micro-lenders.

## 1.4 METHODOLOGY FOLLOWED

### 1.4.1 Scope of the investigation

This report covers all National and Provincial departments within the Public Service and will focus on information in respect of micro-lending transactions that took place and garnishee orders that were issued to public servants during the 2006/2007 financial year.

## 1.4.2 Data analysis

Information was requested from PERSAL on the number of public servants that have been issued with garnishee orders as a result of being indebted to micro-lenders. For purposes of this investigation, data obtained from the PERSAL database for the 2006/2007 financial year was processed in accordance with the following categories:

- Gender breakdown
- Age breakdown
- Department
- Component
- Total amount paid to beneficiaries during the 2006/07 financial year
- Post level
- Salary level

The above requested information was provided to the PSC on the basis of anonymity, that is, no particulars of public servants, e.g. names, PERSAL numbers, identity numbers would be revealed. This was done to protect the identity of the affected public servants, with due regard to the sensitivity of the investigation.

## 1.5 LIMITATIONS EXPERIENCED

During the investigation, the PSC encountered the following limitations:

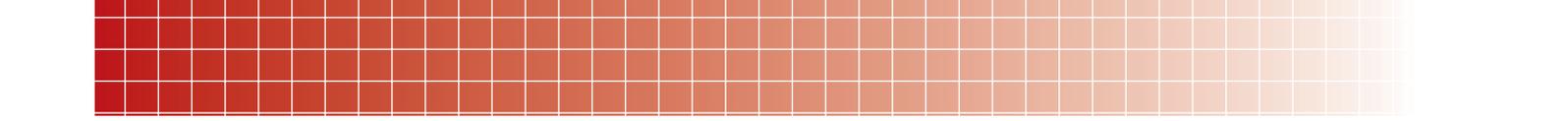
Although the above-mentioned data was gathered from the PERSAL database, note should be taken of the fact that the information provided by PERSAL is formulated on the basis of information that has been provided by departments to PERSAL. Where departments failed to update information regarding some of their employees, PERSAL would reflect only the last entry in terms of their records.

Data provided by PERSAL did not correspond in all instances. For instance, PERSAL indicated that the total number of payments made to micro-lenders during the period under review in terms of the various age-groups (reflected in Chapter 3) was 4 066. However, PERSAL also indicated that the total number of payments made to micro-lenders during the same period in terms of the various occupational groups was 4 071. PERSAL attributes these discrepancies to amendments made by departments on the system. If an employee's age, occupational classification or salary level was amended during the period under review, such employee was *counted* programmatically each time, resulting in skewed statistics.

The PSC could not go beyond statistics provided by PERSAL to determine the extent that public servants are indebted to micro-lenders. There may be many more public servants whose debt repayments are done through stop orders from their personal bank accounts or making direct cash payments to micro-lenders.

As a result of the vastness of the data requested from PERSAL, it took a month-and-a-half to process and provide the required data to the PSC. Needless to say, the extraction and summarizing of the data by PERSAL was time consuming. In this regard, PERSAL specified that these were as a result of the following actions taken:

- Every record pertaining to a garnishee order or micro-loan had to be identified and extracted per month (times 12), per employee (presumably 4 071), per mainframe (6 mainframes), according to each of the five deduction codes that exist.
- More than 3 million records were extracted and sorted according to requested categories which had to be combined from different database files. A total of 11 software programs were used to combine the data requested.



Even after the data had been received, a further request for additional data was made to PERSAL to provide the required data in a summarized format per National and Provincial level. This delayed the finalization of the processing and analyzing of the statistics by a further two weeks.

PERSAL was only able to provide information on the number of payments that were made by public servants to service micro-lending debt and not on the number of public servants who were indebted to micro-lenders during the 2006/2007 financial year. This meant that the report could not make reference to the number of public servants who are indebted to micro-lenders as well as the number of micro-loans that have been taken out and being repaid to micro-lenders.

In regard to garnishee orders, PERSAL could only provide the number of garnishee orders issued against public servants and not the number of public servants who were issued with garnishee orders during the 2006/2007 financial year. As a result, it was not possible to refer to the actual number of garnisheered public servants and determine the extent of over-indebtedness of individual public servants although assumptions in this regard can be made as reflected in Chapter 4 of the report.

Despite the limitations, the PSC believes that it has provided a report that allows for solid engagement on the impact of micro-lending and garnishee orders on public servants and the implications for the Public Service.

## 1.6 OUTLINE OF THE REPORT

This Chapter provided an overview of the background to the investigation. The next Chapter of the report presents a synopsis of the regulatory framework in relation to micro-lending and the issuing of garnishee orders. Chapter 3 provides for a statistical overview of statistical data gleaned from the PERSAL database in respect of the impact of micro-lending, as well as an analysis and findings on this data. This is followed by Chapter 4 which also provides for a statistical overview of statistical data gleaned from the PERSAL database in respect of the impact of micro-lending as well as an analysis and findings on this data. In Chapter 5 a discussion is presented on the implications of micro-lending and garnishee orders for the Public Service. Drawing from the analysis and findings made in Chapter 3 and 4, as well as the discussion that ensues in Chapter 5, Chapter 6 makes recommendations that are aimed at assisting the Public Service with the impact of micro-lending and garnishee orders issued against public servants and implications for the Public Service. The final Chapter of the report provides concluding remarks.

# Chapter Two

## UNDERSTANDING THE REGULATORY FRAMEWORK AND RELEVANT CONCEPTS

## 2.1 INTRODUCTION

The aspects of micro-lending and the issuing of garnishee orders are fairly technical and require an understanding of the relevant sections of the applicable regulatory framework. Given that these matters do not only involve administrative but also legal procedures, it is imperative to provide an synopsis of the relevant provisions and an understanding of the terminology used. This is done with a view to also provide the legal context within which these matters are handled within the Public Service.

This Chapter outlines the regulatory framework and the definition of terms used.

## 2.2 REGULATORY FRAMEWORK APPLICABLE TO MICRO-LENDING AND THE ISSUING OF GARNISHEE ORDERS

The regulatory framework and the relevant provisions applicable to micro-lending and the issuing of garnishee orders within the Public Service are reflected as follows:

**Table 1: Regulatory framework applicable to micro-lending and garnishee orders**

<b>Regulatory framework</b>	<b>Provision</b>
Treasury Regulations, 2001 <sup>2</sup>	<p>The Treasury Regulations, 2001 regulates how garnishee orders are to be managed in the public service and specifically outline the process which must be followed by PERSAL users in the management of the garnishee orders. Regulation 23.2.3 states that:</p> <p><i>“Where such certification is for an emoluments attachment order issued against an official in terms of section 65J of the Magistrates’ Court Act 32 of 1944, the accounting officer must be satisfied that –</i></p> <p>(a) <i>the documentation presented by the judgment creditor or his or her attorney inter alia reflects, as contemplated in this Act –</i></p> <p>(i) <i>that the official has given written consent to the issuing of the order or that a court has authorised it (on application or otherwise), and that this authorization has not been suspended; or</i></p> <p>(ii) <i>that the official has first been sent a registered letter advising him or her of the amount of the judgment debt and costs, and warning that an emoluments attachment order will be issued if this amount is not paid within ten days of the date of its posting;</i></p> <p>(b) <i>after the deduction, the official will have sufficient means for maintenance for him or herself and any dependants.</i></p> <p>Treasury Regulation 23.2.4 further states that <i>“Should the deduction not leave the official with sufficient means for maintenance or for that of his or her dependants, the accounting officer must advise the official of his or her right to approach the court to either rescind the order or amend it to affect only the balance of the salary after provision for such maintenance.”</i></p>

2 Republic of South Africa. Treasury Regulations, 2001. Pretoria.

Regulatory framework	Provision
Usury Act, 1968 (as amended) <sup>3*</sup>	<p>In terms of section 5(1)(e)(i) of the Act, “... no money lender or credit grantor or lessor shall in connection with a money lending transaction or a credit transaction or a leasing transaction obtain judgment for recovery from a borrower or credit receiver or lessee an amount exceeding the sum of, if judgment is obtained for the payment of the principal debt or finance charges owing thereon by the borrower or credit receiver or leasee, legal costs awarded in such judgement; provided that the court in awarding such legal costs may regard the agreement relating to costs between the parties concerned.”</p> <p>The Act makes provision with regard to the recovery of the principal debt together with the legal costs. It does not, however, make mention of how such a debt would be recovered. It is only setting out the circumstances under which it can be recovered.</p>
National Credit Act, 2005 <sup>4</sup>	<p>The National Credit Act, 2005, repeals the Usury Act, 1968, in its entirety with effect from its implementation date which was 15 March 2006. In section 130(1) the Act sets out the circumstances under which the credit provider may approach the courts for an order to enforce a credit agreement.</p> <p>The Act promotes responsible consumer credit granting and provides for debt-reorganization in cases of over-indebtedness.</p>
Magistrate Courts Act, 1944 (as amended) <sup>5</sup>	<p>Section 65J of the Act states that:</p> <p>“4 (a) Deductions in terms of an emoluments attachment order shall be made, if the emoluments of the judgement debtor are paid monthly, at the end of the month following the month in which it is served on the garnishee, or, if the emoluments of the judgement debtor are paid weekly, at the end of the second week of the month following the month it is served on the garnishee, and all payments there under to the judgement creditor or his attorney shall be made monthly with effect from the end of the month following the month in which the said order is served on the garnishee.</p> <p>(b) The judgement creditor or his or her attorney shall, at the reasonable request of the garnishee or the judgement debtor, furnish him or her free of charge with a statement containing particulars of payments received up to the date concerned and the balance owing.</p> <p>(5) An emoluments attachment order may be executed against the garnishee as if it were a court judgement, subject to the right of the judgement debtor, the garnishee or any other interested party to dispute the existence or validity of the order and the correctness of the balance claimed.</p> <p>(6) If, after the service of such an emolument attachment order on the garnishee, it is shown that the judgement debtor, after satisfaction of the emoluments attachment order, will not have sufficient means for his own and his dependants’ maintenance, the court shall rescind the emoluments attachment order or amend it in such a way that it will affect only the balance of the emoluments of the judgement debtor and above such sufficient means.”</p>

3 Republic of South Africa. Usury Act, 1968 (as amended). Pretoria.

4 Republic of South Africa. National Credit Act, 2005. Pretoria.

5 Republic of South Africa. Magistrate Courts Act, 1944 (as amended). Pretoria.

<b>Regulatory framework</b>	<b>Provision</b>
Basic Conditions of Employment Act, 1997 <sup>6</sup>	<p>Section 34(1)(b) of the Act states that "... the deduction is required or permitted of a law, collective agreement, court order or arbitration award."</p> <p>Section 34(4) of the Act stipulates that "... an employer who deducts an amount from an employee's remuneration for payment to another person must pay the amount to the person in accordance with the time period and other requirements specified in the agreement, law, court order or arbitration award".</p>
Public Service Act, 1994 <sup>7</sup>	Section 41(1)(d) of the Act states that the Minister may make regulations regarding, amongst others, "the management of matters regarding conduct, including a code of conduct with which public servants shall comply: Provided that such a code shall only be approved by the Minister on the advice of the Commission".
Code of Conduct for the Public Service <sup>8</sup>	<p>The Code of Conduct indicates to public servants what is expected of them from an ethical point of view, both in their individual conduct and in their relationship with others.</p> <p>In terms of the personal conduct and private interests of public servants, paragraph C.5 of the Code of Conduct specifies that an employee must –</p> <p>"... behaves in such a manner that enhances the reputation of the public service".</p>

\*Note: Although the National Credit Act, 2006, repeals the Usury Act, 1968, in its entirety it is the view that the micro-lending transactions that are referred to in the report were concluded in terms of the latter Act.

Based on the regulatory framework in **Table 1** above, it is clear that the micro-lending practice and the issuing of garnishee orders is mainly regulated by legislation that applies to all citizens and not necessarily specific to the Public Service. However, the Treasury Regulations make adequate provisions for the management of these aspects by accounting officers.

## 2.3 UNDERSTANDING THE RELEVANT TERMS

Due to the technical nature of terminology used in this report, and in order to ensure a thorough understanding of the different concepts, the following section of the report provides a discussion of terminology and concepts used. Given the fact that the word garnishee order and emolument attachment order tend to be used interchangeably in the South African context, for purposes of this report, the latter approach is also adopted by the PSC during the drafting of this report.

### 2.3.1 Micro-lending

Micro-lending is a financial term adopted by the micro-finance industry which refers to the practice of borrowing finance or a micro-loan from a micro-financier or a micro-lender. It is referred to as "the provision of short term loans of small amounts of cash to low-income earners"<sup>9</sup>. A micro-lender is therefore a credit grantor that provides micro-finance credit known as micro-loans.

The micro-finance industry is not a new phenomenon. "Even before the advent of money, people borrowed, lent and saved within their own communities using their own systems and methods without external assistance or resources.

<sup>6</sup> Republic of South Africa. Basic Conditions of Employment Act, 1997. Pretoria.

<sup>7</sup> Republic of South Africa. Public Service Act, 1994. Pretoria.

<sup>8</sup> Republic of South Africa. Code of Conduct for the Public Service (contained in Chapter 2 of the Public Service Regulations), 2001. Pretoria.

<sup>9</sup> South African Concise Oxford Dictionary.

The difference in present day lies in the systems and resources that have become available in response to the inability or apathy of commercial banks and the formal financial system to serve the needs of low-income households"<sup>10</sup>. In practice it also found that micro-lenders tend to provide easier access to credit than commercial banks, which makes them popular among the general public and possibly within the Public Service.

Accessing micro-loans and other credit is sometimes necessary to alleviate the temporary financial challenges one may face. This is particularly the case in instances where the loan is used to attend to an emergency and is paid within a short space of time. However, in instances where a micro-loan(s) is taken out to supplement a person's salary, especially if taken out with various micro-lenders, people struggle to service the debt and eventually fall behind in making payments. Such a situation leads into a debt spiral.

### 2.3.2 Over-indebtedness

"The term over-indebtedness is used to describe debt which has become a major burden for the borrower. Over-indebtedness can be caused by, and contributes to, social exclusion, financial exclusion and poverty"<sup>11</sup>. Over-indebtedness<sup>12</sup> invariably results in the inability to service the debt acquired timeously and regularly. The current economic/financial climate of rising interest rates has also deepened the emerging problems. Judging by the micro-lending debt owed by public servants and especially the cost of the garnishee orders issued against them, it can be argued that some public servants have gone through a debt spiral, which eventually leaves them over-indebted.

In support of the above, the Life Offices' Association (LOA)<sup>13</sup> in its media release of 25 August 2006 reported that "... this extremely high level of indebtedness is causing employees to resign from their jobs to access retirement funds and to escape garnishee deductions. The best way of ensuring that vulnerable consumers are protected is by teaching them basic financial skills". It should also be mentioned that part of such education should particularly be done in respect of the rights of the consumers. For instance, section 65J(6) of the Magistrate Court Act, 1944 (amended)<sup>14</sup>, makes provision for the rescission of the garnishee order(s) if this leaves the debtor with little or no means to provide for him/herself and his immediate family. This is an area that seems to be overlooked often by both micro-lenders and the employers.

What is disturbing about the above is the fact that debtors are being pushed into a debt trap that is threatening their savings for the later years in life, which could mean that by the time that they retire, they could be left with little or no means of financial assistance to provide for themselves and their families. This does not augur well for a Public Service which is underpinned by the principles of professional ethics and good governance.

### 2.3.3 Garnishee orders

In the event that a borrower fails to make payments or defaults in making repayments of a micro-loan, a micro-lender may approach the courts to apply for a garnishee or emolument attachment order to ensure the full recovery of the debt. A garnishee order<sup>15</sup> or garnishment order is a court order or a civil judgment for the collection of debt. This is an order to compel the borrower to make repayments of a specified amount within a specified period. At this stage, the debt is often accompanied by legal fees for collection and administration of the debt and therefore the debt has escalated significantly. If the borrower also fails to keep up with the required

10 Republic of South Africa. Summit Financial News: The Debt-Crisis – Problems and Solutions.

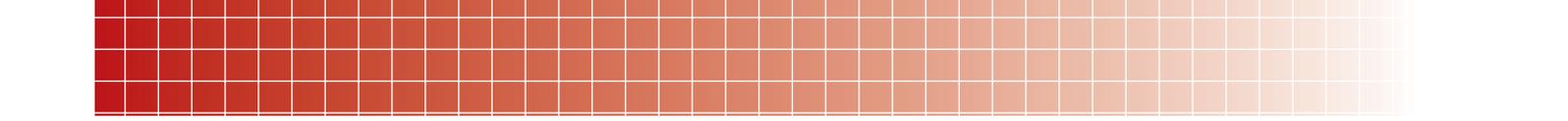
11 [www.dti.gov.uk/consumers/consumer-finance/over-indebtedness/index.html](http://www.dti.gov.uk/consumers/consumer-finance/over-indebtedness/index.html)

12 Republic of South Africa. Summit Financial News: The Debt-Crisis – Problems and Solutions.

13 Media Release. The Life Offices' Association. Life industry spends first R700 000 on financial literacy for Public Servants. 25 August 2006.

14 Republic of South Africa. Magistrate Courts Act, 1944 (as amended). Pretoria.

15 Republic of South Africa. Joint Ad-hoc Committee on Socio-Economic Development: Public Hearings Report: 7 – 9 November 2005. Cape Town. 2005.



payments as stipulated in the court order; then the micro-lender can apply for an **emolument attachment order**<sup>16</sup>. The latter is a legal instruction to an employer to deduct a specific amount from the salary of an employee every month until his/her debt is paid up in full.

Once a garnishee or emolument attachment order has been served, the employer has to comply by ensuring that the required payments made are at the stipulated period of the month. However, the employer also has a responsibility to ensure that the employee has sufficient means to maintain himself or herself and any dependants after making the stipulated payments. If the employer is of the opinion that the official does not have the sufficient means after a salary deduction has been made, the employer must advise the employee of his/her right to approach the courts to request a rescission of the court order. This is to ensure that the employee has enough money left from the salary to deal with his/her monthly financial responsibilities.

## 2.4 SUMMARY

Chapter 2 discussed the regulatory framework applicable to aspects of micro-lending and the issuing of garnishee orders within the Public Service. In addition, the terms that are used in this report are defined for ease of reference and understanding.

Based on the information provided it is clear the administration of debt as a result of micro-lending and garnishee orders is a highly complex area.

# Chapter Three

## STATISTICAL OVERVIEW AND ANALYSIS: MICRO-LENDING

### 3.1 INTRODUCTION

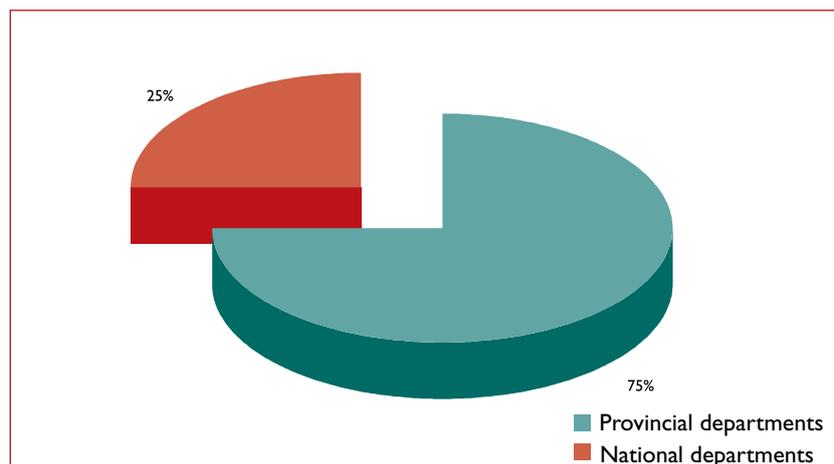
Detailed statistical information is reflected in this Chapter on the extent of micro-lending to public servants in terms of, *inter alia*, race and gender, salary level, age and occupational classification.

It should be noted that information on the payments made to micro-lenders was only obtained in respect of the transactions recorded on PERSAL. Payments can however also be made through stop order arrangements between the public servant and his/her bank as well as direct cash payments to the micro-lender. There could therefore be more persons who made payments to micro-lenders than the number provided by PERSAL.

There is no base line data that exists in this area within the Public Service hence there is no real basis for data comparison.

### 3.2 AMOUNT OF MICRO-LOAN DEBT PAID THROUGH PERSAL

According to data provided by PERSAL, the total amount of payments made to micro-lenders through PERSAL amounted to **R13,3 million** during the 2006/2007 financial year. As indicated in **Figure 1, R3,3 million** (25%) of this amount is attributed to employees based in National departments. The balance of **R10 million** (75%) is attributed to the micro-lending debt of public servants based in Provincial departments.



**Figure 1: Distribution between National and Provincial departments of micro-loan debt paid in 2006/2007**

It is therefore clear that officials in Provincial departments are more inclined to service their debt to micro-lenders through PERSAL than their National counterparts.

#### 3.2.1 The amount paid to micro-lenders, reflected according to gender at National and Provincial level

In total, males accounted for R6,4 million payments in respect of micro-lending debt through PERSAL whilst females accounted for R6,9 million. As indicated in **Table 2** below male public servants paid the highest amount (R2.6 million) in servicing micro-lending debt at National level. This amounts to 82% of the total amount paid to micro-lenders at National level.

The large portion of the total amount at National level paid by male public servants correlates with the fact that male public servants were also responsible for the most number of payments (1 063 of the 1 304 payments made at National level). Another explanation for the higher amount paid by male public servants could be that they incurred higher amounts of debt and that their monthly repayments could therefore be higher than that of their female counterparts.

At the Provincial level, female public servants were responsible for paying the highest amount to micro-lenders (R6,2 million) whilst their male counterparts paid R3,8 million.

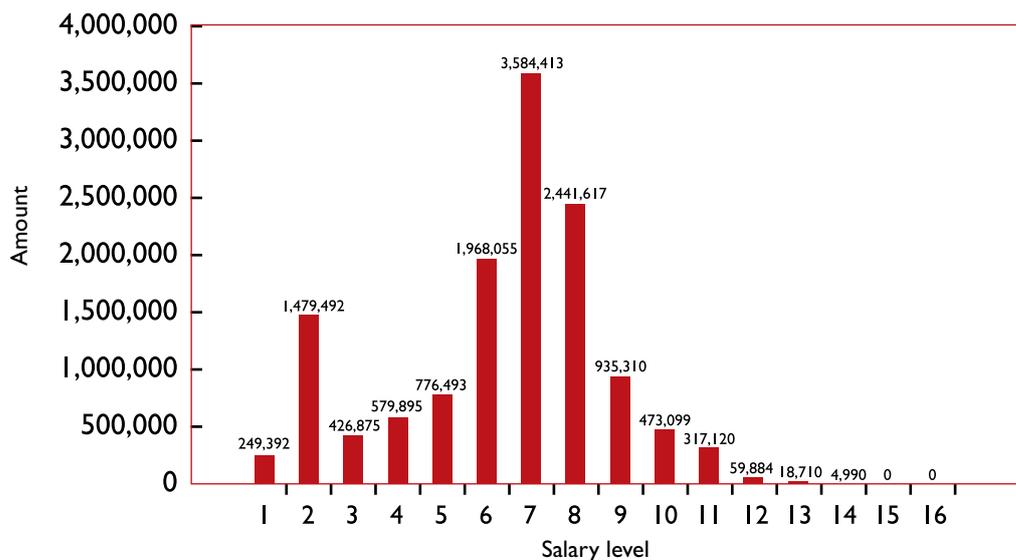
**Table 2: Payments made to micro-lenders, reflected according to gender, National/Provincial level and amount**

		Provincial	National	TOTAL
Female	Number	1 653	241	1 894
	Amount	6 222 204	698 479	6 920 683
Male	Number	1 106	1 063	2 169
	Amount	3 791 420	2 603 244	6 394 665
TOTAL	Number	2 759	1 304	4 063
	Amount	10 013 624	3 301 723	13 315 347

The variances in gender indebtedness between National and Provincial levels could also be explained by the fact that more women (56%) than men (44%) are employed at Provincial level whilst more men (67%) than women (33%) are employed at National level.

### 3.2.2 Amounts paid to micro-lenders, reflected according to salary level

The highest amounts paid to micro-lenders during 2006/2007 were paid by public servants occupying salary level 7 (R3,6 million). The amounts paid per salary level are graphically illustrated in **Figure 2** below:



**Figure 2: Amounts paid to micro-lenders, reflected according to salary level**

The second highest amount paid to micro-lenders was for employees on salary level 8 (R2,4 million) followed by salary level 6 (R1,9 million) and salary level 2 (R1,5 million). Salary levels 2, 6, 7 and 8 collectively made payments

that constitute 60% of the total amount of R13,3 million. As reflected in **Table 3**, which provides a breakdown of the number of public servants employed at each level, the majority of public servants (61.9%) are employed at these salary levels and a correlation therefore exists in relation to the number of public servants employed at these levels and the amounts paid to micro-lenders. For example, at salary level 2, 10% of all public servants are employed whilst employees at this level are responsible for 11,2 % of micro-loan payments. Similarly at salary level 6, 14,6% of public servants are employed whilst employees at this level are responsible for 14,2% of micro-loan payments.

**Table 3: Population of public servants employed, reflected according to salary level**

Salary level	Total population of public servants	
	Number of public servants	Percentage
1	37 299	3.4%
2	109 367	10%
3	105 854	9.6%
4	69 346	6.3%
5	82 887	7.5%
6	160 645	14.6%
7	220 701	20.1%
8	188 928	17.2%
9	61 693	5.6%
10	27 656	2.5%
11	16 517	1.5%
12	10 928	1%
13	5 600	0.05%
14	1 716	0.2%
15	797	0.07%
16	124	0.01%
<b>TOTAL</b>	<b>1 100 058</b>	<b>100%</b>

Note The colour RED denotes the salary level with the highest number of public servants who made payments to micro-lenders.

The colour GREEN denotes the salary level with the lowest number of public servants who made payments to micro-lenders.

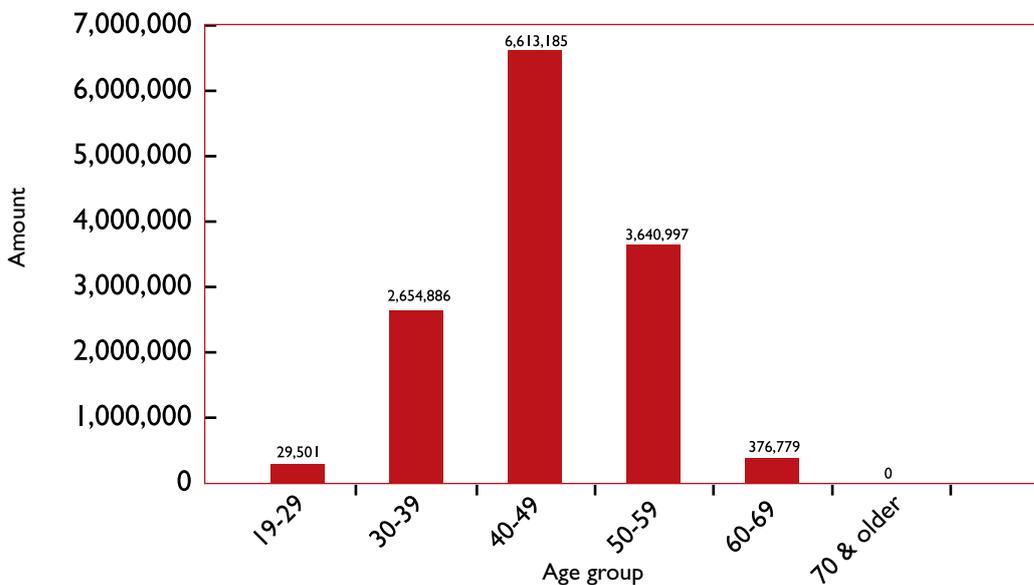
Based on the above, a parallel can be drawn between information on salary levels that were found to be prone to micro-lending and the findings of the PSC's Report on Financial Misconduct<sup>17</sup>. According to the latter report, cases of financial misconduct are more prevalent at the production level of the Public Service, that is, among salary levels 1 – 8. The report further indicates that public servants "... on salary level 6 – 7 committed the highest number of financial misconduct cases". Given these findings, there could be a correlation between the level of indebtedness of public servants and the likelihood to commit financial misconduct. However, such an assertion must be viewed against the fact that there is also a correlation with the number of public servants employed at these levels and that the trend may be incidental to this fact.

17 Republic of South Africa. Public Service Commission. Report on Financial Misconduct for the 2005/2006 Financial Year. Pretoria. 2007.

Relatively small amounts were paid by members of the Senior Management Service (SMS) at salary levels 13 and 14 respectively, totaling R23 700. The fact, however, that SMS members engage in the practice of obtaining micro-loans is of concern given their leadership roles and the financial responsibilities attached to their positions in terms of the *Public Finance Management Act, 1999* (PFMA). Better financial planning on their part would have been expected. In terms of financial planning there are more appropriate and less expensive options in terms of obtaining funds acquired to deal with medium term and short term priorities that cannot be dealt with through a person's basic salary. This includes fixed terms loans from accredited financial institutions, advances on mortgage bonds and temporary increases on overdraft facilities. Using micro-loans which require less scrutiny in terms of approval processes seems to point to a level of desperateness on the side of such managers.

### 3.2.3 Amounts paid to micro-lenders, reflected according to age-group

The amounts paid by public servants in terms of age-group are illustrated in **Figure 3** below:



**Figure 3: Amounts paid to micro-lenders, reflected according to age-group**

**Figure 3** shows that persons in the age-groups 40 – 49 and 50 – 59 paid the highest amounts, namely R6,6 million and R3,6 million respectively to micro-lenders during the 2006/2007 financial years. This correlates with the fact that the highest number of payments are also made by persons in these age-groups. The two age-groups are collectively responsible for more than three quarters (77%) of all payments made to micro-lenders. At ages 40 - 59, there is an expectation that most persons either have property or other assets and/or have accumulated reasonable levels of wealth to look after themselves and their families. Such persons should have been gainfully employed for long periods hence the use of micro-lending services among persons at this age-group comes as a surprise.

The practice of dual employment by public servants to supplement their salaries is prevalent in the Public Service. The PSC has done two separate studies that reflect on remunerative work outside the Public Service. The first reflected on the dual employment of medical personnel in the Gauteng Province<sup>18</sup>. Given the findings of the PSC in a previous study on the Management of Public Servants who were elected as Municipal Councillors in the

<sup>18</sup> Republic of South Africa. Public Service Commission. Remunerative work outside the Public Service. Pretoria. 2004.

Limpopo and Western Cape Provinces<sup>19</sup>, there were concerns about the level of indebtedness of persons in this age-group and the pursuit of remunerative work outside the Public Service. While it is expected that employees should not spend more than they earn, persons in the age-group 40 – 49 were found to be taking up municipal councillor positions as second employment. Although it is understood that becoming a councillor is primarily the result of a person's political aspirations, it cannot be ruled out that there are instances where taking up such positions could be motivated by the need for supplementary income.

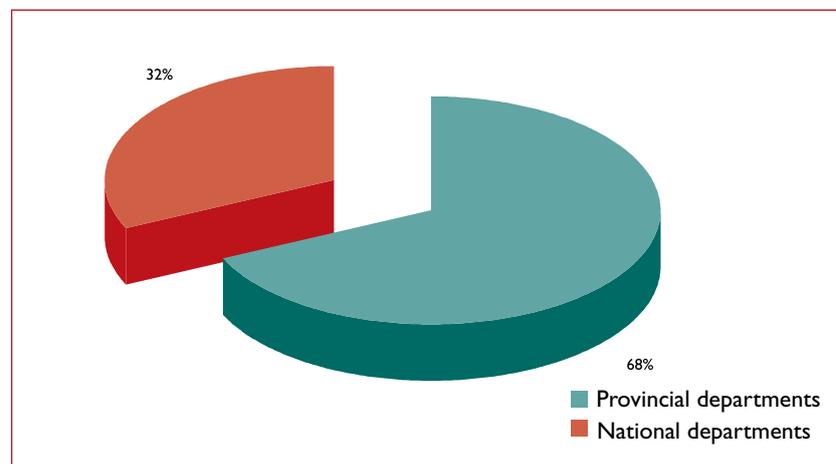
### 3.3 NUMBER OF PUBLIC SERVANTS WHO MADE PAYMENTS TO MICRO-LENDERS

This section provides information on the number of public servants who made payments to micro-lenders. This analysis provides an overview of the number of public servants who made payments in terms of gender, race, salary level and occupation. Based on the analysis, comments are provided on the correlation between the amount paid and number of public servants involved.

#### 3.3.1 Total number of public servants who made payments

During 2006/2007 there were 4 063 public servants who made payments to service micro-loan debt through PERSAL. As indicated in section 3.2 of this Chapter, payments made by public servants indebted to micro-lenders amounted to R13,3 million.

As reflected in **Figure 4**, of the 4 063 public servants who made payments, 1 304 (32%) were officials at National level and 2 759 (68%) officials at Provincial level. There appears to be some level of correlation between the number of public servants who made payments and the rate of employment at National and Provincial level. Approximately 73% of public servants are employed in the provinces whilst 68% of public servants who made payments to micro-lenders are employed in the provinces.



**Figure 4: Percentage of public servants who made payments to micro-lenders, reflected according to National and Provincial level**

<sup>19</sup> Republic of South Africa. Public Service Commission. Report on the investigation into the Management of Public Servants in Terms of Prevailing Prescripts who are elected as Municipal Councillors in the Limpopo and Western Cape Provinces. Pretoria, October 2007.

### 3.3.2 Public servants who made payments to micro-lenders, reflected according gender

Given confidentiality of individual salary information, PERSAL did not provide details of individuals to the PSC. It did, however, provide a breakdown of the number of public servants who made payments according to gender. Of the total of 4 063 of public servants who made payments, 1 894 (47%) were females and the other 2 169 (53%) were male public servants. **Table 4** below provides a breakdown of payments per gender and draws comparisons with the total Public Service population, which is 1 100 058<sup>20</sup>.

**Table 4: Public servants who made payments to micro-lenders, expressed as a percentage according to gender vis-à-vis the total population of the Public Service**

Gender	Public servants who made payments		Total population of Public Service	
	Number	Percentage	Number	Percentage
Female	1 894	47%	623 263	57%
Male	2 169	53%	474 795	43%
<b>TOTAL</b>	<b>4 063</b>	<b>100%</b>	<b>1 100 058</b>	<b>100%</b>

The 4 063 public servants who made payments to micro-lenders represent 0,4% of the total population of the Public Service. This is a very low percentage in statistical terms although it could be argued that the amount of R13,3 million paid to micro-lenders is significant. This amount must also be viewed against the fact that debt is mostly paid through debit orders on personal accounts and cash payments.

The percentage of female public servants (47%) who made payments is lower than the overall percentage of females employed within the Public Service (57%). This difference could be indicative of the fact that although females have a higher representation within the Public Service compared to their male counterparts they tend to exercise more restraint in respect of the micro-lending practice as compared to male public servants. Such a practice on their part could also be ascribed to better planning and forecasting of the financial needs and the ability in such planning to provide for unforeseen circumstances.

There is a large variance between the gender breakdown at National and Provincial level as witnessed through **Table 5** below:

**Table 5: Number of public servants who made payments to micro-lenders, reflected according to gender and National/Provincial level**

	Gender	Number of payments	Percentage
<b>National</b>	<b>Female</b>	241	6%
	<b>Male</b>	1 063	26%
<b>Provincial</b>	<b>Female</b>	1 653	41%
	<b>Male</b>	1 106	27%
	<b>TOTAL</b>	<b>4 063</b>	<b>100%</b>

20

The total population of the Public Service according to Vulindlela as at April 2007.

As indicated in **Table 5**, of the 1 894 female public servants who made payments to micro-lenders, a total of 1 653 (41%) were made by females employed in the provinces. Only 241 (6%) female public servants employed at National level made payments. This large variance may be attributed to the fact that approximately 470 000 females are employed in the provinces as apposed to 80 000 at National level.

The number of male public servants who made payments appears to be largely consistent at National (1 063) Provincial (1 106) level despite the fact that more than double the number of male employees are employed at Provincial level than at National level.

### 3.3.3 Number of public servants who made payments to micro-lenders, reflected according to race

In addition to gender, statistics were also provided by PERSAL on trends in terms of the race of public servants who made payments to micro-lenders. Statistics in this regard are reflected in **Table 6** below. As will be noted most public servants who made payments were African (3 459 or 85%) followed by Coloureds (397 or 10%), Whites (166 or 4%) and Indians (41 or 1%).

**Table 6: Number of public servants who made payments made to micro-lenders, expressed as a percentage according to race and gender vis-à-vis total population of the Public Service**

Race	Number of public servants who made payments						Total population of the Public Service					
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
	Female		Male		Total		Female		Male		Total	
<b>African</b>	1 586	84%	1 873	86%	<b>3 459</b>	<b>85%</b>	477 772	77%	366 768	77%	<b>844 540</b>	<b>77%</b>
<b>Coloured</b>	200	10%	197	9%	<b>397</b>	<b>10%</b>	56 313	9%	45 505	9.5%	<b>101 818</b>	<b>9%</b>
<b>Indian</b>	19	1%	22	1%	<b>41</b>	<b>1%</b>	17 291	3%	14 442	3%	<b>31 733</b>	<b>3%</b>
<b>White</b>	89	5%	77	4%	<b>166</b>	<b>4%</b>	71 887	11%	50 080	10.5%	<b>121 967</b>	<b>11%</b>
<b>TOTAL</b>	<b>1 894</b>	<b>100%</b>	<b>2 169</b>	<b>100%</b>	<b>4 063</b>	<b>100%</b>	<b>623 263</b>	<b>100%</b>	<b>476 795</b>	<b>100%</b>	<b>1 100 058</b>	<b>100%</b>

The fact that most public servants who made payments were African can be attributed to the fact that Africans constitute 77% of the total workforce of the Public Service. This could also be a legacy of the socio-economic imbalances that existed between the various racial groupings in South Africa prior to 1994. This is particularly the case in regard to the disparities in respect of access to credit from the commercial banks. The marginalization of Africans by the banking sector; especially during the pre-1994 regime could be one of the factors influencing the outlook in this regard. Suddenly after 1994, Africans had access to a source of credit that had previously been denied to them. This would seem to have provided a good business opportunity for micro-lenders.

Given the above, there is a possibility that Africans could have initially been targeted by micro-lenders in pursuit of their business. Another factor worth noting is the fact that Africans reportedly represent the largest community of the country's population with limited access to banking services offered by commercial banks. This is further confirmed in a media article from I-Net Bridge<sup>21</sup> in which it is stated that "... the majority of micro-lenders render

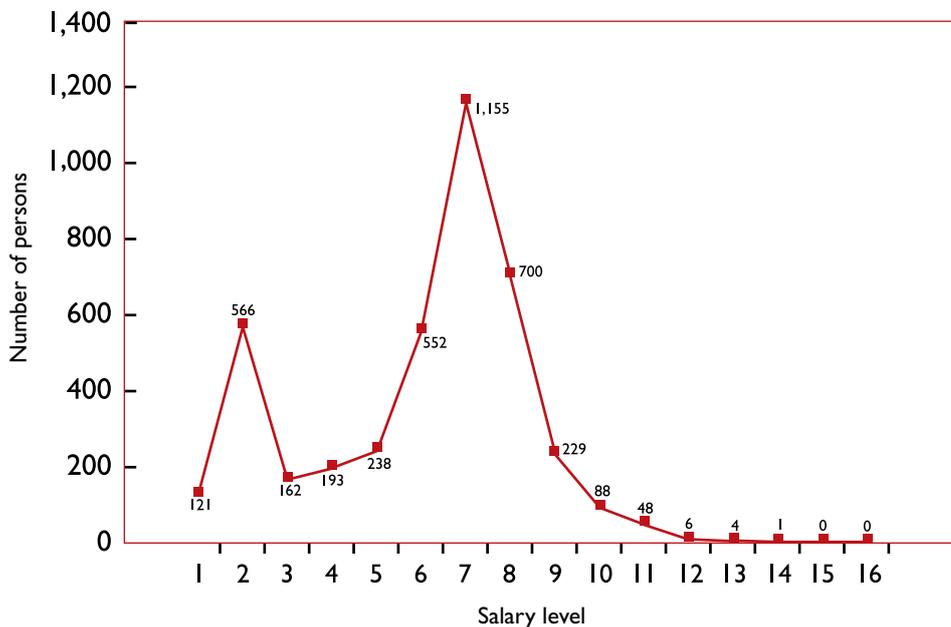
21 I-Net Bridge is an internet based electronic newsletter. New credit bill to protect consumers. March 2005. ([www.business.iafrica.co.za](http://www.business.iafrica.co.za))

a valuable service to the un-banked community...”. This should be considered against the fact that micro-lenders tend to charge higher interest rates compared to commercial banks and therefore are actually costing public servants more.

### 3.3.4 Number of public servants who made payments to micro-lenders, reflected according to salary level

Out of the 4 063 public servants who made payments to micro-lenders during the 2006/2007 financial year, most public servants occupied salary level 7 (1 155) and the least salary level 14 (1). This correlates with the amounts paid as discussed in paragraph 3.2.2.

The number of public servants who made payments made to micro-lenders is graphically illustrated in **Figure 5** in respect of each of the 16 salary levels applicable to the Public Service.



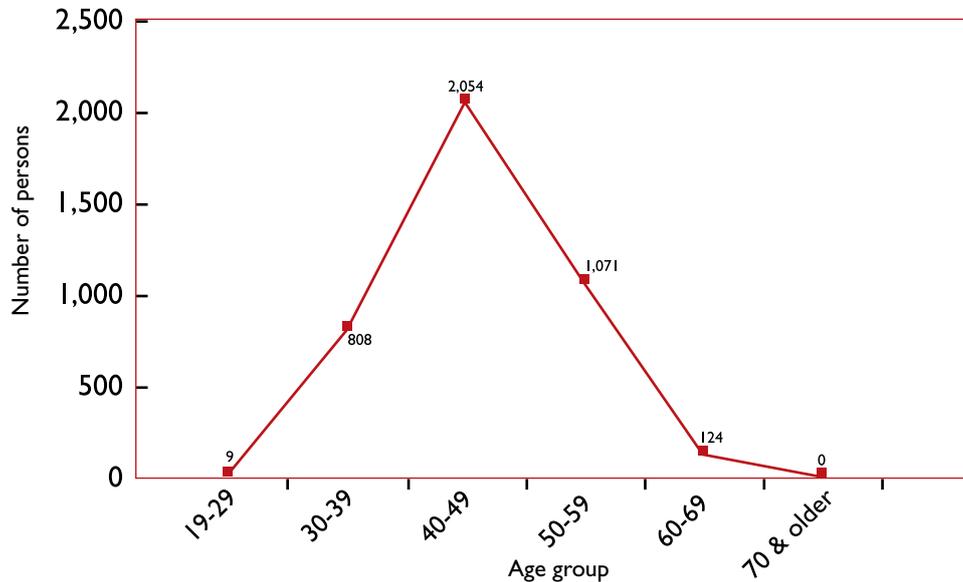
**Figure 5: Number of public servants who made payments made to micro-lenders, reflected according to salary level**

From **Figure 5**, it is clear that public servants occupying salary level 8 (700), 2 (566) and 6 (552) were also responsible for a high number of payments to micro-lenders. Salary levels 8, 6 and 7 accounted for 61% of the 4 063 public servants who made payments to micro-lenders during the 2006/2007 financial year. As indicated in paragraph 3.2.2, these levels also constitute the levels at which the most public servants are employed (60% of all public servants).

In relation to the SMS, the PSC noted that there are five members, i.e. four at salary level 13 and one at level 14, who made use of the services offered by micro-lenders during the 2006/2007 financial year. One of the Core Management Competencies (CMCs) that all senior managers are evaluated against is Financial Management which requires managers to possess sound financial planning, budgetary and control skills. The involvement of the SMS in the practice of micro-lending could be seen as indicative of the inability of the affected SMS members to plan their personal finances properly given that the SMS level is regarded as being “well paid” in remuneration terms. This raises concerns about the extent to which this deficiency impacts on the performance of their financial responsibilities within the Public Service.

### 3.3.5 Number of public servants who made payments to micro-lenders, reflected according to age-group

It was found that the majority of public servants who made payments to micro-lenders falls within the age-group 40 – 49, followed by those in the age-group 50 - 59. The distribution in micro-lending payments per age-group is graphically illustrated in **Figure 6:**



**Figure 6:** Number of public servants who made payments made to micro-lenders, reflected according to age-group

### 3.3.6 Number of public servants who made payments to micro-lenders, reflected according to occupational field and amount paid

**Table 7** below reflects that of the 4 071 public servants who made payments to micro-lenders, the highest number (1 381) is attributed to persons employed in the occupational category “Other occupations”. It would seem that instead of determining and capturing the correct/specific occupation, data capturers simply capture the occupational group of the affected officials as “Other occupations”. Another unidentified occupational field that falls in this category is identified as “unknown”.

The figure of 4 071 presents a difference of 8 persons from the 4 063 figure that is presented in the previous sections of the report. This inconsistency in figures could be ascribed to the duplication of occupational entries made by departments to PERSAL.

**Table 7:** Number of public servants who made payments made to micro-lenders, reflected according to occupational category and amounts paid

Occupational field	No of persons	Amount
1. Unknown	1	1 800
2. Administrative related	12	76 880
4. Agricultural Animal related	1	1 905
5. Agriculture related	1	3 180
6. All artisans in building industry	32	114 449

<b>Occupational field</b>	<b>No of persons</b>	<b>Amount</b>
7. Ambulance & related	4	11 851
8. Appraisers-Valuers	31	60 134
9. Archivists/Curators	1	6 256
10. Artisan Projects	1	3 081
11. Auxiliary & related	41	160 383
12. Biochemistry pharmaceutical	1	2 246
13. Boiler & related occupations	11	38 614
14. Building & other professions	44	122 351
15. Bus & Heavy Vehicle Drivers	5	20 320
16. Cartographic surveying	2	5 123
17. Chaplain & related	2	4 762
18. Cleaners in offices	299	740 966
19. Client Information	15	41 039
20. Communication	1	3 391
21. Conservation Labourers	3	5 374
22. Custodian Personnel	3	12 555
23. Custodian Personnel:	177	544 016
24. Engineering Sciences	1	1 436
25. Farm Hands & Labourers	35	83 728
26. Finance & Economic	4	30 866
27. Financial & related	10	24 905
28. Financial Clerks & related	15	50 262
29. Food Services	46	113 287
30. Food Services Worker	5	8 044
31. Forestry Labourers	14	41 862
32. General Legal Administrative	4	12 044
33. Health Sciences related	7	36 412
34. Horticulturists Forestry	6	27 059
35. Household & Laundry	92	249 465
36. Human Resources & Organization	12	23 990
37. Human Resources Clerks	48	128 653
38. Human Resources Related	8	24 261
39. Identification Expert	2	3 716
40. Inspectors of Apprentices	1	5 832
41. Language Practitioner	4	11 507
42. Library Mail & related	10	40 714
43. Light Vehicle Driver	8	18 920
44. Logistical Support Personnel	12	31 132
45. Material-Recording	14	45 987
46. Mess Porters & Delivery	45	126 668
47. Motor Vehicle Driver	9	17 236

<b>Occupational field</b>	<b>No of persons</b>	<b>Amount</b>
48. Motorised Farm & related	6	17 262
49. Nature Conservation	1	222
50. Nursing Assistants	121	423 759
51. Other Administrative Policy	25	1 19 961
52. Other Administrative	168	631 454
53. Other Information Technician	2	14 147
54. Other Machine Operator	2	3 706
55. Other Occupations	1 381	5 598 723
56. Pharmaceutical Assistants	3	5 023
57. Police	837	1 963 150
58. Printing & Related Machine Operator	1	2 074
59. Professional Nurse	105	431 257
60. Prosecutor	1	5 626
61. Radiography	2	17 321
62. Regulatory Inspector	4	16 010
63. Road Workers	65	175 176
64. SAPS	6	17 787
65. Secretaries & Other	20	61 113
66. Security Guards	45	134 217
67. Security Officers	11	38 999
68. Senior Managers	3	8 653
69. Social Sciences & Support	9	23 783
70. Social Sciences Related	1	1 106
71. Social Work & related	1	1 821
72. Speech Therapy	1	16 718
73. Staff Nurses & Pupil Nurse	66	227 546
74. Supplementary Diagnostic Radiographer	2	2 475
75. Trade Labourers	70	184 525
76. Translators	8	25 494
77. Water Plant & Related Personnel	3	7 944
78. Youth Workers	1	79
<b>TOTAL</b>	<b>4 071</b>	<b>13 315 347</b>

Note: The colour RED denotes the occupational field with the highest number of public servants making payments to micro-lenders.

The colour GREEN denotes the occupational field with the lowest number of public servants making payments to micro-lenders.

The South African Police Service (SAPS) recorded the second highest number (843), i.e. 837 (Police) + 6 (SAPS), of public servants who made payments to micro-lenders. This was followed by the occupational category Cleaners (299) and the Nursing occupational category (226). In essence, SAPS employees accounted for 20% of payments to micro-lenders. Such findings must be considered within the context of the perceived insufficient



income for members of the police.

The occupational categories Cleaners and Nursing were each responsible for 7% and 5% of the public servants who made payments made to micro-lenders respectively. It would seem that Cleaners constitute a lucrative market for the micro-lenders since most persons within this occupational field do not possess tertiary qualifications. As a result, they are often talked into signing legal contracts without fully understanding the legal implications of such documents. Although persons employed in this category (i.e. Cleaners) may be remunerated better than their Private Sector counterparts, it represents the second lowest paid category in the Public Service and the high cost of living could therefore impact on the extent of their indebtedness.

Teachers and/or educators are not listed as a category in **Table 7** above according to the information provided by PERSAL. The integrity of the data therefore must be questioned given that teachers are amongst the biggest occupational categories within the Public Service. A possibility exists that teachers may have been recorded as part of the “*other occupations*”.

The occupational fields that recorded the lowest number of public servants making payments to micro-lenders include, *inter alia*, Prosecutors, Youth Workers and Social Workers. This information can, however, be misleading since it cannot be ascertained how many persons in these occupations are categorised under the occupational field “*Other occupations*”. It was also noted that the SMS is not listed amongst the categories although payments were effected by employees on salary levels 13 and 14. It is therefore probable that SMS members were grouped under “*other occupations*” as well.

### 3.4 SUMMARY

This Chapter dealt with the amount of micro-lending debt and the number of public servants who made payments to micro-lenders through PERSAL during 2006/2007 financial year. Unfortunately, it could not be ascertained how many payments were made per individual.

However, it can be stated with certainty that there are 4 063 public servants who made payments to micro-lenders through PERSAL. The age-group responsible for the most payments, namely 40 - 49, comes somewhat as a surprise as it would have been expected that persons within this age-group would have attained a measure of financial maturity.

In Chapter 4 a statistical overview and analysis is provided of the impact of garnishee orders served on public servants as a result of, amongst others, indebtedness to micro-lenders.

# Chapter Four

## STATISTICAL OVERVIEW AND ANALYSIS: GARNISHEE ORDERS

## 4.1 INTRODUCTION

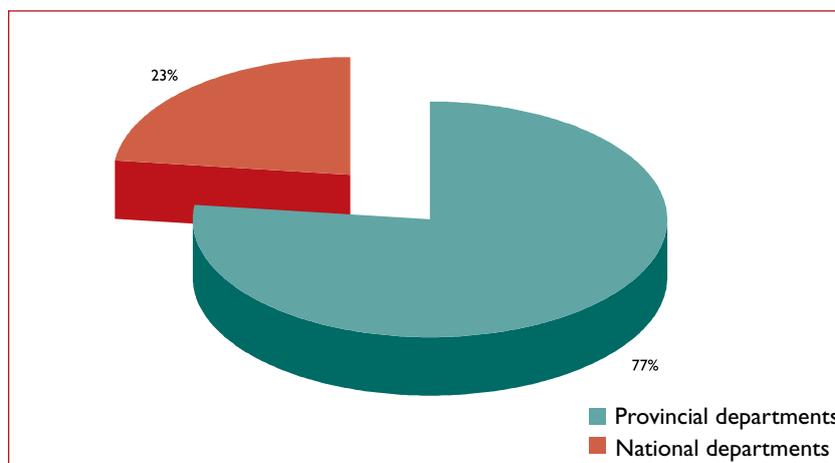
While the extent of micro-lending within the Public Service is a concern, even more concerning is the deepening of indebtedness among public servants. Garnishee orders are a significant barometer of indebtedness as such orders indicate that the debtors, in this case the public servants, are unable to service their debts. In essence it is at this stage that an indebted public servant requires external management of his/her debt. Such garnishee orders place an obligation on the State as employer to ensure that the required payments are made at the stipulated period of the month.

This chapter provides a statistical overview and analysis of the impact of garnishee orders on public servants during the 2006/2007 financial year. It provides the number of public servants that are servicing garnishee related debt as a result of defaulting on debt with micro-lenders and other financial institutions and the total cost of the garnishee debt.

In extracting the information, the PERSAL numbers of employees who made garnishee related payments were used to help determine the actual number of public servants involved.

## 4.2 THE TOTAL COST OF GARNISHEE ORDERS PAID BY PUBLIC SERVANTS

According to data provided by PERSAL, the total cost of payments as a result of garnishee orders that were issued to public servants amounted to **R1,01 billion** during the 2006/2007 financial year. As depicted in **Figure 7** below, of the **R1,01 billion, R235 million** (23%) is attributed to the garnishee debt of public servants based in National departments and the balance of about **R776 million** (77%) is attributed to the debt of public servants based in Provincial departments.



**Figure 7: Distribution of garnishee debt between National and Provincial level**

From the above figure it is evident that the level of indebtedness of public servants is more pronounced at the Provincial (77%) than at the National level (23%). On the other hand, these statistics are not surprising given that almost three quarters of public servants are employed at Provincial level, whilst a quarter are employed at the National level.

The astronomical debt of R1,01 billion emanating from garnishee orders not only reflects the extent of indebtedness but also clearly demonstrates the need to create financial management awareness amongst employees in the Public Service. When measured against the total budget for the compensation of employees in the Public Service, namely R174,2 billion (for 2007/2008), public servants paid 0,58% of State salaries to debtors through garnishee orders. Such employees need to be provided with the necessary financial counseling through the relevant Employee Assistance Programme (EAP). Unless the situation is arrested, the consequences for the affected

employees and for the State will be damaging as is reflected in Chapter 5 when dealing with the implications for the Public Service.

#### 4.2.1 Distribution of garnishee debt, reflected according to gender at National and Provincial level

**Table 8** provides an overview of the debt serviced by public servants as a result of garnishee orders reflected according to gender and at National and Provincial level. Overall, females paid R473 million (46%) as a result of garnishee orders through PERSAL during 2006/2007 whilst males paid R538 million (54%).

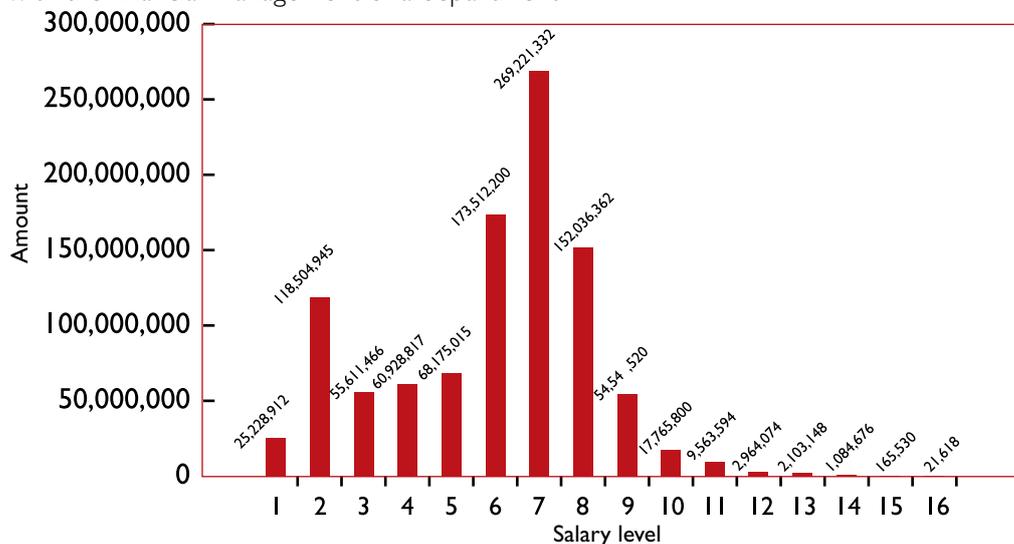
**Table 8: Debt serviced in respect of garnishee orders issued to public servants, reflected according to gender and National/Provincial level**

	Amount	Level		TOTAL
		Provincial	National	
Female	Amount	416 402 260	56 740 993	473 143 253
Male	Amount	359 250 198	179 040 558	538 290 756
TOTAL	Amount	775 652 457	235 781 551	1 011 434 008

Although there are more females (57%) than males (43%) employed within the Public Service, males made the most garnishee related payments. For instance, **Table 8** indicates that males are responsible for R179 million or 76% of the total amount paid at National level, whereas females accounted for R56,7 million or 24%. This suggests that males are more indebted and may display a greater lack of financial discipline, compared to their female counterparts. Implications of such levels of indebtedness are more compound given that males are generally the breadwinners in their families.

#### 4.2.2 Garnishee related debt paid according to salary level

The actual amounts paid in respect of garnishee orders issued per salary level are reflected in the **Figure 8** below. As in the case of micro-loan debt, salary level 7 accounted for the largest amount of payments towards garnishee debt (R269 million). Unlike in the case of micro-lending where no persons on salary levels 15 and 16 made payments, a total amount of R 187 148 was paid towards garnishee orders by public servants at these levels. This does raise some concerns, especially since a head of department (compensated at salary level 16 and in the case of most Provincial departments at salary level 15) is the accounting officer in terms of the PFMA and entrusted with the financial management of a department.



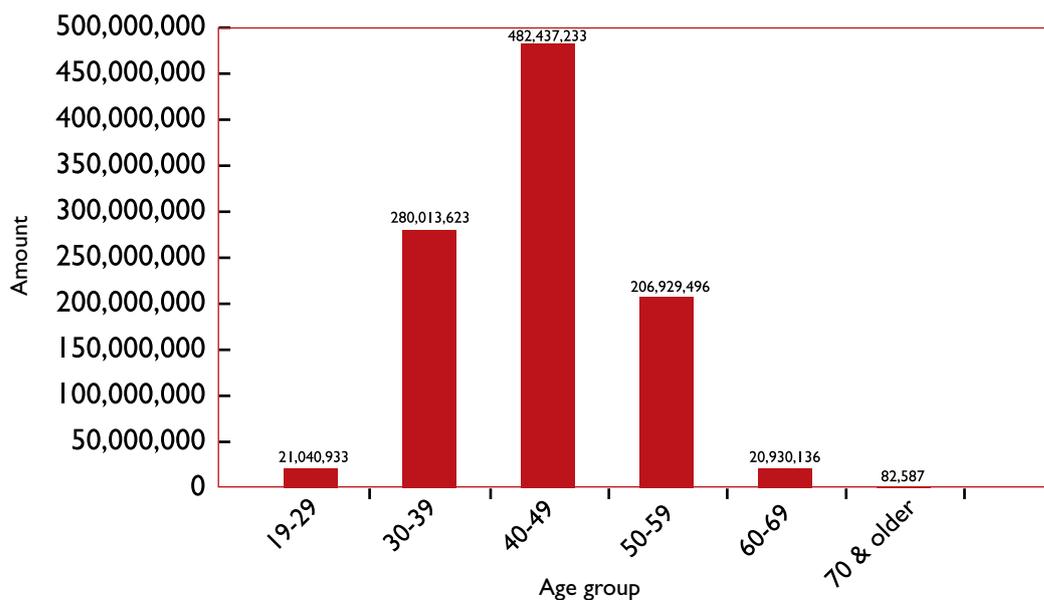
**Figure 8: Amounts paid for garnishee orders by public servants, reflected according to salary level**

Salary levels 2, 6, 7 and 8 are collectively responsible for R713 million (71%) of the total cost (R1,01 billion) of garnishee orders. As indicated in the discussion of micro-loan debt, these are also the levels where the majority of public servants are employed (60%). On the other hand, middle management (salary levels 9 – 12) accounted for R84,8 million (7,7%) of the total cost of garnishee orders. Given that middle managers comprise 10,6% of the total workforce of the Public Service, it would appear that financial discipline at these levels is better than compared to especially levels 2, 6, 7 and 8.

The amount for which the SMS level was issued with garnishee orders is R3,4 million and represents 0,34% of the total cost of garnishee orders issued. Although this percentage appears insignificant, this must be weighed against the fact that SMS members have express financial responsibilities in terms of the PFMA and one of the obligatory CMCs which they are evaluated against is financial management. Furthermore, proper planning is a prerequisite to sound financial management. If their personal finances are not in order it raises concerns about their ability to manage public finances.

### 4.2.3 Garnishee related debt according to age-group

As can be seen from **Figure 9** below, public servants within the age-group 40 - 49 were responsible for the highest amount (R482 million) of garnishee related costs, followed by the age-group 30 – 39 (R280 million), and those in the age-group 50 – 59 (R206 million).



**Figure 9: Amounts paid as a result of garnishee orders issued to public servants, reflected according to age-group**

Public servants who fall within the three mentioned age-groups are collectively responsible for garnishee related costs amounting to R969 million, which is 95% of the overall amount of R1,01 billion.

What was also surprising is the fact that there are public servants who are 70 years and older who paid garnishee related debt during the 2006/2007 financial year. According to the report on sick leave trends<sup>22</sup>, employees in the age group 66 years and older are those whose periods of service were extended due to their expertise, specialist knowledge or the scarcity of the discipline. The fact that persons at this age are faced with such levels of indebtedness is quite disconcerting given that they are already passed their retirement age and should have attained financial stability. Such a state of affairs may also be related to the residue of Apartheid in that the majority of such persons could be from previously disadvantaged groups.

22 Republic of South Africa. Public Service Commission. Report on Sick leave trends within the Public Service. February 2007.

## 4.3 NUMBER OF PUBLIC SERVANTS WHO MADE GARNISHEE RELATED PAYMENTS

This section provides information on the number of public servants who made garnishee related payments in terms of gender, race, salary level and occupation. Based on the analysis, comments are provided on the correlation between the amount paid and the number of public servants who made the payments.

### 4.3.1 Total number of public servants who made payments

During 2006/2007 there were 216 857 public servants who made garnishee related payments through PERSAL. This figure amounts to a staggering 20% of the total number of public servants employed within the Public Service. This means that a fifth of all public servants are over-indebted. This could have severe consequences if such public servants resort to unlawful practices to relieve their personal circumstances. Such actions could include fraud and corruption.

Of the 216 857 public servants who made garnishee related payments, 59 987 (28%) were made by officials at National level and, 156 870 (72%) by officials at Provincial level. There appears to be some level of correlation between the number of public servants who made payments and the rate of employment at National and Provincial level. Approximately 73% of public servants are employed in the provinces whilst 72% of payments for garnishee related debt were made by public servants employed in the provinces.

The above figures are once more indicative of the lack of proper financial planning and forecasting among public servants, particularly those employed at Provincial level.

### 4.3.2 The number of public servants who made garnishee related payments, reflected according to gender

**Table 9** presents statistics regarding the number of public servants who made garnishee related payments, expressed as a percentage according to gender. For comparative purposes, the total population of the public servants is also provided per gender:

Of the 216 857 public servants, 101 000 (47%) were females and the remaining 115 857 (53%) were males.

The details of garnishee payments per gender are presented in **Table 9** below.

**Table 9: Number of public servants who made garnishee related payments, expressed as a percentage according to gender**

Gender	Number of public servants making payments		Total population of public servants	
	Number	Percentage	Number	Percentage
Female	101 000	47%	623 263	57%
Male	115 857	53%	474 795	43%
<b>TOTAL</b>	<b>216 857</b>	<b>100%</b>	<b>1 100 058</b>	<b>100%</b>

The percentage of female public servants who made garnishee related payments was 47%. This is significantly lower than the overall percentage of women within the Public Service (57%) and can be attributed to better financial discipline by women than their male counterparts. Although the Public Service comprises of 43% male employees, the percentage of male public servants who made garnishee related payments was 53%.

**Table 10** provides a breakdown of the number of public servants who made garnishee related payments according to gender at National and Provincial level. As indicated in **Table 10**, there were fewer female public servants who made garnishee related payments at National level (14 750) than those at Provincial level (86 430). This large variance may again be attributed to the fact that approximately 470 000 females are employed in the provinces as apposed to 80 000 at National level.

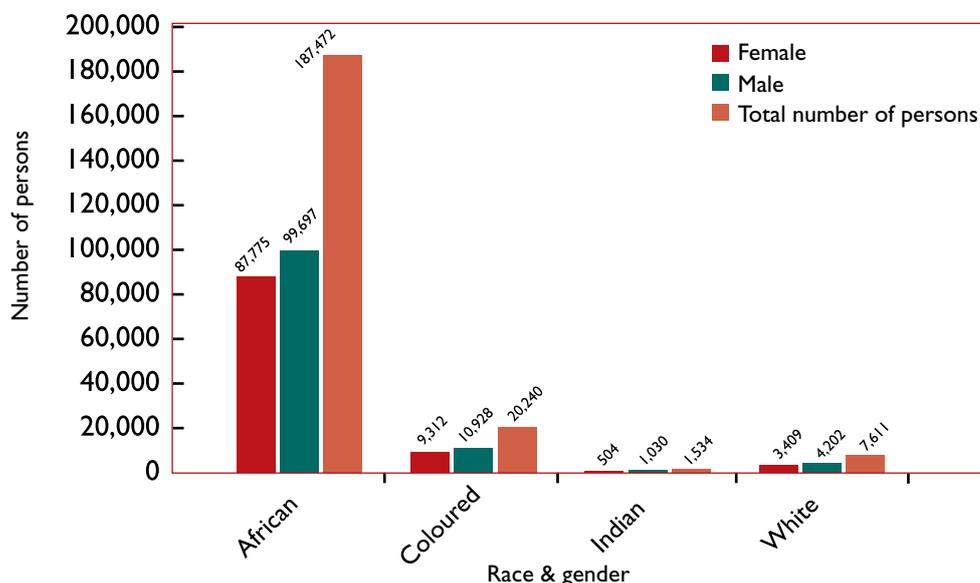
**Table 10: Number of public servants who made garnishee related payments, reflected according to gender and National/Provincial level**

		Level		TOTAL
		Provincial	National	
<b>Female</b>	<b>Number</b>	86 430	14 570	<b>101 000</b>
<b>Male</b>	<b>Number</b>	70 440	45 417	<b>115 857</b>
<b>TOTAL</b>	<b>Number</b>	<b>156 870</b>	<b>59 987</b>	<b>216 857</b>

The majority of public servants who made garnishee related payments at National level were males (76%), whilst females were in the majority (55%) at Provincial level. As in the case of micro-loan debt the variances in gender indebtedness between National and Provincial levels could be explained by the fact that more women (56%) than men (44%) are employed at Provincial level whilst more men (67%) than women (33%) are employed at National level.

#### 4.3.3 The number of public servants who made garnishee related payments, reflected according to race

As in the case of micro-lending debt, it was also found that the most public servants who made garnishee related payments during the 2006/2007 financial year were African (86%) followed by Coloureds (9%), Whites (4%), and Indians (1%). This is graphically illustrated in **Figure 10** below:



**Figure 10: Number of public servants who made garnishee related payments, reflected according to race and gender**

This reflects to a large degree the racial composition of the Public Service as it stands currently with some variances as depicted in **Table 11**.

**Table 11: Number of public servants who made garnishee related payments, expressed as a percentage according to race and gender**

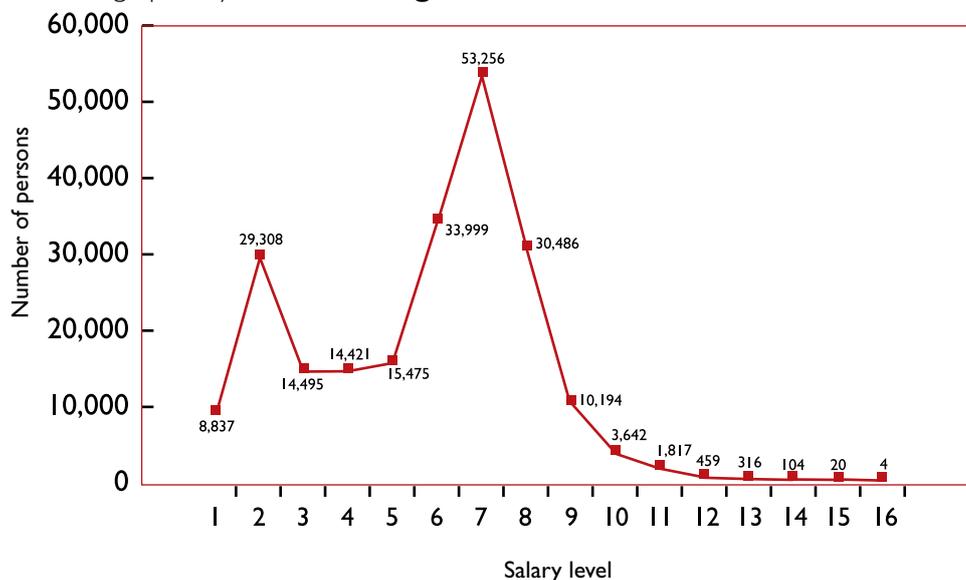
Race	Number of garnishees issued to public servants						Total population of Public Service					
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
	Female		Male		Total		Female		Male		Total	
African	87 775	87%	99 697	86%	187 472	86%	477 772	77%	366 768	77%	844 540	77%
Coloured	9 312	9%	10 928	9%	20 240	9%	56 313	9%	45 505	9.5%	101 818	9%
Indian	504	0.5%	1 030	1%	1 534	1%	17 291	3%	14 442	3%	31 733	3%
White	3 409	3.5%	4 202	4%	7 611	4%	71 887	11%	50 080	10.5%	121 967	11%
<b>TOTAL</b>	<b>101 000</b>	<b>100%</b>	<b>115 857</b>	<b>100%</b>	<b>216 857</b>	<b>100%</b>	<b>623 263</b>	<b>100%</b>	<b>476 795</b>	<b>100%</b>	<b>1 100 058</b>	<b>100%</b>

The percentage of White public servants who made garnishee related payments was much lower (4%) than the corresponding representative percentage of 11% within the Public Service. Although this state of affairs could be ascribed to numerous factors, including the potential financial advantages that accrued to such officials as a result of the past dispensation, the 1% of Indian public servants who made garnishee related payments was similarly much lower than the corresponding representative percentage of 3% employed within the Public Service.

#### 4.3.4 The number of public servants who made garnishee related payments, reflected according to salary level

There is an inconsistency between the total number of public servants who made garnishee related payments provided per salary level (216 833) and the global figure (216 857). PERSAL indicated that this could be attributed to incorrect entries that were made by departments on the PERSAL database in terms of salary levels.

Of the 216 833, the largest number (53 256) were employed at salary level 7 and the smallest number (4) at salary level 16. This is graphically illustrated in **Figure 11** below:



**Figure 11: Number of public servants who made garnishee related payments, reflected according to salary level**



In total 25% of public servants who made garnishee related payments were on salary level 7. Public servants at salary level 7 were followed by those at salary level 6 (33 999) and salary level 8 (30 486) respectively which again follows the trends observed in terms of the cost of payments made at these levels. It would seem that employees at these levels lack financial discipline and are reckless and negligent when it comes to proper financial management. Given the amounts of money deducted from these employees' salaries to repay debt, it is of concern how they manage to raise money to meet their financial responsibilities for the basic necessities such as groceries and electricity bills. As indicated in Chapter 3, the findings of the PSC's Financial Misconduct report<sup>23</sup> also revealed that public servants employed at salary level 7 committed the highest number of financial misconduct cases across the Public Service. Whilst such a finding must be viewed against the fact that this salary level employs more public servants than any other, the possible inferences that can be drawn cannot be ignored. It would appear that there could be a correlation between indebtedness and financial misconduct.

The high number of public servants who made garnishee related payments employed at salary levels 2, 6, 7 and 8 correlates with the fact that these are also the levels where the most public servants are employed within the Public Service. Whilst 60% of all public servants within the Public Service are employed at salary levels 2, 6, 7 and 8, 68% of public servants who made garnishee related payments are employed at these levels.

Another concern to the PSC is the 444 SMS members who made garnishee related payments during the 2006/07 financial year. This is in contrast with the trend observed in Chapter 3 where only 5 SMS members were recorded in the PERSAL database during 2006/2007 as being indebted to micro-lenders. However, it should be borne in mind that officials at these levels would be more reluctant to disclose the fact that they engaged micro-lenders by having deductions made through PERSAL.

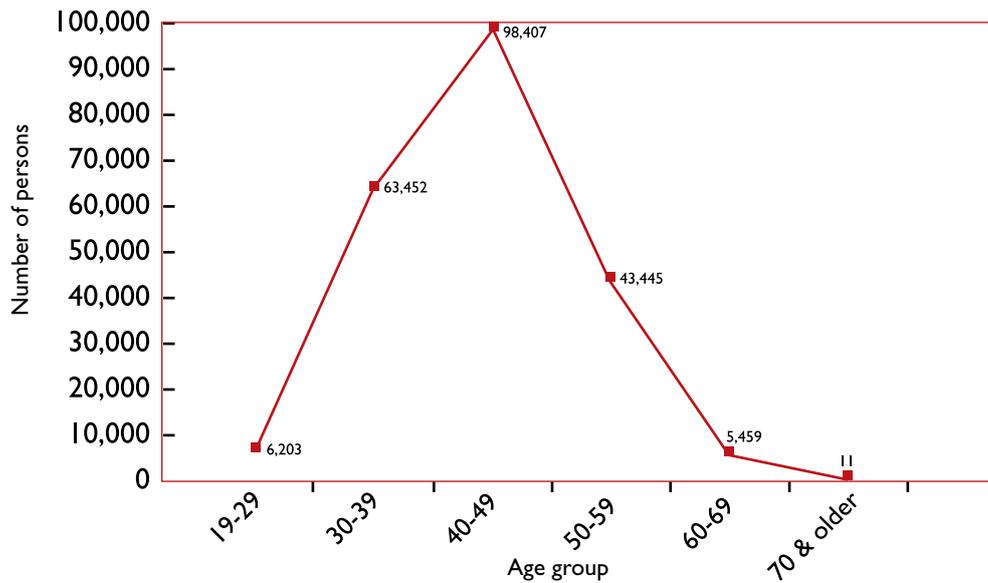
The figure of 444 public servants employed at the SMS level is inclusive of 25 public servants who are at salary levels 15 and 16. These levels represent Deputy Directors-General and Directors-General. In many instances Deputy Directors-General, as is the case with Directors-General at the National level, are also Provincial Heads of Department with accounting officer duties as provided for in the PFMA which are assigned to Heads of Department. These duties require strict financial discipline which if not prevalent in personal life may spill over into the work environment.

The fact that SMS members make garnishee related payments does not auger well for leadership within the Public Service. As leaders SMS members should set the example for their subordinates. Being over-indebted may be the result of various compounding factors affecting individuals. However, the extent of indebtedness of SMS members suggests that this problem goes beyond individual emergencies. Given the responsibilities of the administrative leadership, managers at this level ought to exercise effective financial management and discipline of the highest level.

#### 4.3.5 The number of public servants who made garnishee related payments, reflected according to age-group

Similar to the payments made to micro-lenders, it was found that the majority of public servants who made garnishee related payments (98 407), that is 45%, were within the age-group 40 – 49. The second highest number of public servants who made garnishee related payments were in the age-group 30 – 39, followed by those in the age-group 50 – 59.

The number of public servants who made garnishee related payments per age-group is graphically reflected in **Figure 12:**



**Figure 12: Number of public servants who made garnishee related payments, reflected according to age-group**

The level of indebtedness of persons in the age group 50 – 59 is of concern given that such persons are approaching retirement and should be reaching a level of financial stability. This may be a legacy of the past in that previously disadvantaged individuals could possibly only obtain permanent employment in the Public Service at the later stages of their lives. As such, they may fall in older age categories but may have relatively few years of service.

#### 4.4 NUMBER OF PUBLIC SERVANTS WHO MADE GARNISHEE RELATED PAYMENTS ACCORDING TO OCCUPATIONAL CATEGORY

Data regarding the number of public servants who made garnishee related payments was also obtained from PERSAL per occupational category. The data was analysed and statistics according to occupational field, number of garnishee order payments and the amounts paid are discussed in detail in this section.

##### 4.4.1 Number of public servants who made garnishee related payments, reflected according to occupational field and amount paid

**Table 12** indicates that there were 218 121 public servants who made garnishee related payments linked to the various occupational categories in the Public Service. However, the 218 121 public servants is slightly more than the number provided by PERSAL in respect of the public servants who made garnishee related payments according to the various salary levels (216 833) or according to the global figure (216 857). This variance could not be explained by PERSAL except that certain persons may have been linked to more than one occupational category.

The highest number of public servants (79 360 or 36%) who made the largest number of garnishee related payments is attributed to public servants reflected in the occupational field “Other occupations”. The 79 360 public servants made payments that amount to R439 235 632 or 43% during the 2006/2007 financial year. As was indicated during the analysis in Chapter 3, it would seem that instead of determining and capturing the correct/specific occupation, data capturers simply capture the occupational group of the affected officials as “Other occupations”. Another unidentified occupational field that falls in this category is identified as “unknown”.

**Table 12: Number of public servants who made garnishee related payments, reflected according to occupational category and amount**

<b>Occupational field</b>	<b>No of public servants</b>	<b>Amount</b>
1. Unknown	41	392 504
2. Administrative related	1 451	7 152 954
3. Advocates	30	102 415
4. Agricultural Animal related	86	436 026
5. Agriculture related	107	436 458
6. Air Traffic Control	4	52 926
7. All artisans in building industry	1 720	8 077 369
8. Ambulance & related	1 591	6 699 087
9. Appraisers-Valuers	515	1 511 975
10. Architects, Town & Regional Planners	8	52 075
11. Archivists/Curators	26	116 627
12. Artisan Projects	100	403 158
13. Attorneys	5	47 874
14. Auxiliary & related	3 097	13 111 295
15. Aviation related	2	9 600
16. Binding & related	29	124 832
17. Biochemistry pharmaceutical	132	741 633
18. Biologists/Botanists	5	39 813
19. Boiler & related occupations	96	329 551
20. Bookbinding & related	4	28 790
21. Building & other professions	2 500	9 638 733
22. Bus & Heavy Vehicle Drivers	620	3 130 153
23. Cartographers	11	47 411
24. Cartographic surveying	50	230 915
25. Cashiers & Tellers	4	11 335
26. Chaplain & related	26	73 030
27. Chemical & related	5	25 786
28. Chemists	9	18 438
29. Civil Engineering	66	271 207
<b>30. Cleaners</b>	<b>16 430</b>	<b>57 461 083</b>
31. Client Information	649	3 181 060
32. Communication	113	559 227
33. Community Development	261	1 154 809
34. Composers/Musicians	44	144 940
35. Compositors/Type-setters	10	38 390
36. Computer Programmers	10	71 417
37. Computer System Designers	19	144 257
38. Conservation Labourers	362	1 369 193
39. Crime Prevention	2	8 662
40. Custodian Personnel	243	1 085 501
41. Custodian Personnel:	8 477	43 051 893

<i>Occupational field</i>	<i>No of public servants</i>	<i>Amount</i>
42. Dental Practitioners	10	81 319
43. Dental Specialists	1	2 700
44. Dental Technicians	2	6 108
45. Dental Therapy	15	70 396
46. Dieticians & Nutritionists	9	58 641
47. Diplomats	21	126 137
48. Earth moving & related	10	51 464
49. Economists	20	89 656
50. Educationists	154	794 141
51. Electrical & related	8	48 407
52. Emergency Services related	43	111 648
53. Engineering Sciences	29	122 486
54. Engineers & related	27	165 605
55. Environmental Health	70	382 850
56. Farm Hands & Labourers	2 053	8 410 137
57. Farming Forestry	36	171 538
58. Finance & Economic	176	924 037
59. Financial & related	583	3 441 940
60. Financial Clerks & related	1 436	7 281 503
61. Fire Fighting & related	32	165 289
62. Food Services	1 881	7 311 230
63. Food Services Worker	237	867 187
64. Forestry Labourers	745	2 792 691
65. General & Specific Investigations	2	9 972
66. General Legal Administrative	171	832 353.69
67. Geologists & Geophysics	18	59 479
68. Handcraft Instructor	7	17 760
69. Handymen	3	7 427
70. Head of Department	21	166 036
71. Health Sciences related	235	1 149 632
72. Home-Based Personal Assistant	1	5 989
73. Horticulturists Forestry	453	3 209 161
74. Household & Laundry	4 032	14 912 974
75. Household Food	15	41 192
76. Housekeepers & Laundry	48	187 466
77. Human Resources & Organization	717	3 528 669
78. Human Resources Clerks	2 394	10 560 199
79. Human Resources Related	310	1 371 186
80. Identification Expert	77	264 091
81. Information Technician & related	20	56,132
82. Inspectors of Apprentices	98	482 255
83. Institution Based Personnel	2	3 038
84. Language Practitioner	431	1 743 822

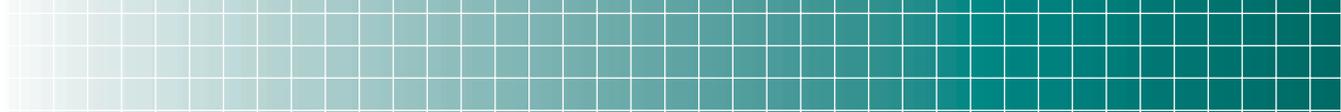
<i>Occupational field</i>	<i>No of public servants</i>	<i>Amount</i>
85. Leather Workers	2	23 497
86. Legal Related Personnel	23	183 649
87. Librarians & related	32	130 657
88. Library Mail & related	924	4 109 617
89. Light Vehicle Driver	745	2 917 728
90. Logistical Support Personnel	539	2 784 508
91. Magistrates	126	840 829
92. Material-Recording	1 412	6 606 576
93. Mathematicians & related	5	54 519
94. Mechanical Engineering	7	26 228
95. Medical Equipment Operator	1	600
96. Medical Practitioner	102	1 148 344
97. Medical Specialists	26	287 156
98. Medical Technicians	41	144 292
99. Mess Porters & Delivery	2 619	10 026 125
100. Meteorologists	2	6 690
101. Mining Geology	5	17 348
102. Motor Vehicle Driver	400	1 903 138
103. Motorised Farm & related	546	3 028 094
104. National Technical & related	1	11 756
105. Natural Sciences related	36	186 725
106. Nature Conservation	66	312 441
107. Nursing Assistants	6 652	29 369 573
108. Occupational Therapy	27	109 509
109. Optometrists	1	100
110. Oral Hygiene	13	71 233
111. Other Administrative Policy	1 727	8 400 446
112. Other Administrative	12 599	56 293 422
113. Other Information Technician	99	427 061
114. Other Machine Operator	49	220 746
115. Other Occupations	79 360	439 235 632
116. Other Printing Trade	4	16 110
117. Pharmaceutical Assistants	89	381 624
118. Pharmacists	21	91 839
119. Pharmacologists	3	10 610
120. Photographic Lithograph	15	59 065
121. Physicists	2	7 550
122. Physiotherapy	27	76 155
123. Police	27 343	91 570 801
124. Printing & Related Machine Operator	117	389 479
125. Printing Management	4	26 060
126. Printing Planners	2	7 255
127. Probation Workers	10	24 210

<b>Occupational field</b>	<b>No of public servants</b>	<b>Amount</b>
I28. Professional Nurse	6 060	27 289 506
I29. Prosecutor	270	896 578
I30. Psychologists	27	73 837
I31. Quantity Surveyors	5	20 959
I32. Radiography	118	450 560
I33. Regulatory Inspector	793	3 007 692
I34. Risk Management	15	93 344
I35. Road Superintendents	20	75 007
I36. Road Trade Workers	116	490 559
I37. Road Workers	2 680	9 738 335
I38. Safety & Health	26	122 233
I39. SAPS	310	1 112 993
I40. Secretaries & Other	1 864	8 086 624
I41. Security Guards	2 540	9 740 564
I42. Security Officers	755	3 513 005
I43. Senior Managers	336	2 448 683
I44. Shoemakers	9	22 703
I45. Social Sciences	381	1 582 213
I46. Social Sciences Related	62	238 998
I47. Social Work & related	369	1 724 474
I48. Speech Therapy	11	86 085
I49. Staff Nurses & Pupil Nurse	3 828	17 171 185
I50. Statisticians & related	49	265 098
I51. Student Nurse	475	1 486 171
I52. Supplementary Diagnostic Radiographer	52	228 998
I53. Trade Labourers	4 686	21 659 799
I54. Trade related	6	31 561
I55. Trade/Industry Advisor	32	175 823
I56. Translators	472	2 596 336
I57. Veterinarians	7	14 437
I58. Veterinary Assistant	2	12 625
I59. Water Plant & Related Personnel	282	1 618 637
I60. Youth Workers	26	149 035
<b>TOTAL</b>	<b>218 121</b>	<b>1 011 434 008</b>

Note: The colour RED denotes the occupational fields with the highest number of public servants who made garnishee related payments.

The colour GREEN denotes the occupational fields with the lowest number of public servants who made garnishee related payments.

Based on the figures reflected in **Table 12** above, the SAPS recorded the second highest number (27 653 or 12,6%) of public servants who made garnishee related payments. SAPS management should be worried about such a figure given the perceptions of corruption in relation to Police officers. While indebtedness does not suggest corruption, it can make an individual vulnerable to suggestions of corrupt practices. In addition, worries about financial difficulties can distract attention from your work and in this instance it would mean less attention to fighting crime.



Public servants employed within the Nursing occupational field (17 015 or 7,8%) made the third highest number of garnishee related payments, followed by Cleaners at 16 430 or 7,5%. The findings in relation to the Nursing occupational field seem to cast some light on the PSC's report<sup>24</sup> on the prevalence of "moonlighting" (doing remunerated work outside the Public Service without seeking prior approval) among nurses to supplement remuneration. During this study, it was found that there was a high prevalence among nurses to hold more than one position to supplement their salaries. This could either suggest that salaries are not adequate or that nurses have a lucrative opportunity through other employment opportunities to enrich themselves.

The relatively low number of teachers who made garnishee related payments (154) comes as a surprise given the fact that the teaching profession are amongst the biggest occupational categories within the Public Service. As indicated in the discussion around micro-loans teachers could form part of the occupational field "Other occupations".

The occupational fields that recorded the lowest numbers of public servants who made garnishee related payments included, *inter alia*, Prosecutors, Youth Workers and Social Work. It is encouraging to see that this practice is far less prevalent amongst Prosecutors and Social Workers. For instance, Prosecutors in their course of duty preside over, amongst others, cases that involve debt, whilst Social Workers provide the necessary counseling to persons experiencing debt related problems.

## 4.5 SUMMARY

This Chapter dealt with the amount of garnishee related debt and number of public servants who made such payments through PERSAL during 2006/2007 financial year. Unfortunately, it could not be ascertained how many payments were made per individual. However, it can be stated with certainty that there are 216 857 public servants who made garnishee related payments through PERSAL. This constitutes 20% of the total population of the Public Service and is a source of concern to the PSC.

The astronomical debt of R1,01 billion emanating from garnishee orders not only reflects the extent of indebtedness but also clearly demonstrates the need to create financial management awareness amongst employees in the Public Service. When measured against the total budget for the compensation of employees in the Public Service, namely R174,2 billion (for 2007/2008), public servants paid 0,58% of State salaries to debtors through garnishee orders. Such employees need to be provided with the necessary financial counseling through the relevant EAP.

Given the number of public servants who made garnishee related payments and the amount owed as a result of garnishee related debt, it would seem that there is indeed a problem of over-indebtedness within the Public Service.

With due consideration of these findings, Chapter 5 provides a detailed discussion of the implications of micro-lending and garnishee orders on the Public Service.

# Chapter Five

## IMPLICATIONS FOR THE PUBLIC SERVICE

## 5.1 INTRODUCTION

It is accepted that public servants access micro-lending services and other forms of debt in their private capacity and that the subsequent agreements between themselves and the micro-lender or debtor is a private matter. However, the management of these agreements sometimes has implications for the State as employer.

Chapter 5 presents a discussion on the implications of micro-lending and garnishee orders on the Public Service, with a particular emphasis on service delivery and employee performance. The chapter examines the consequences of indebtedness to micro-lenders and the garnishee orders issued against them and how the Public Service is affected by the consequences of such actions.

Below is a discussion of some of the implications that the Public Service has to withstand as a result of the over-indebtedness of public servants and the subsequent garnishees issued against public servants.

## 5.2 ADMINISTRATIVE BURDEN

The issue of administrative burden on the State as a result of garnishee or emolument attachment orders is a very serious matter. The personal financial matters of employees which are outside the realm of the work environment are brought to the attention of, and are made the responsibility of the State as a result of an employee's failure to meet his or her payment commitments for debt owed to micro-lenders or any other credit grantor.

A garnishee order is the most preferred way of collecting debt by micro-lenders as it would seem that it has proved to be the most effective and cost-efficient debt collection mechanism. This can be observed in the number of garnishees that have been served against public servants. Once a garnishee order is served on a department as a result of debt owed to a credit grantor by an employee, the information is captured on PERSAL to ensure compliance with the time frames set out in the Magistrates Courts Act, 1944 (Amended)<sup>25</sup>.

Emolument attachment orders *"are issued by the courts to enable debt collectors to appropriate some of the borrower's salary to repay debt. Employers who refuse to collect these debts from payroll face a warrant of execution, allowing the collectors to attach the company's assets."*<sup>26</sup>

Given the 218 121 public servants who made garnishee related payments during 2006/2007 there is a possibility that some National and Provincial departments are experiencing a certain level of administrative burden in this regard.

## 5.3 ILL-HEALTH DUE TO FINANCIAL DISTRESS

According to a research study published in the Consumer Interests Annual<sup>27</sup>, there is a relationship between health and personal finances. Financial difficulties are among the known causes of stress and anxiety. The research study conducted among 3 121 respondents on the negative health effects of financial distress revealed the following problems experienced by financially distressed consumers in descending order:

- Stress/stressed out
- Worry, nerves, tension, anxiety, pressure
- Depression/depressed
- Insomnia and sleep disorders/problems
- Headaches/migraines
- High blood pressure/hypertension
- Stomach/abdominal/digestive problems

25 Republic of South Africa. Magistrate Courts Act 32 of 1944 (Amended).

26 Mail and Guardian Newspaper. Workers docked R1 billion in illegal fees. March 2 to 8 2007.

27 Consumer Interests Annual. Negative Effects of Financial Stress. Volume 51.2005.

- Other aches and pains (e.g. back, chest)
- Ulcers or possible ulcers
- Appetite disorders and weight gain or loss
- Fatigue and feeling tired/weak
- Drug/alcohol, or cigarette use
- General or other sicknesses
- Unable to afford or access health care services

Judging by the illnesses listed above, there is no doubt that persons who are affected by micro-lending debt and especially garnishee orders will tend to get sick more often than persons not affected by such a problem. It stands to reason therefore that if a person already suffers from one or another type of illness, financial distress would worsen their condition or add further illnesses that eventually keep the person away from work for an extensive period.

The PSC's report on Sick Leave Trends<sup>28</sup> listed depression/stress related illnesses among the top five illnesses that resulted in the highest number of days sick leave taken in the Public Service during 2002. Whilst the report reflects on what the status quo was five years ago, the trend cannot be ignored.

Given the rate of indebtedness and the high cost of garnishees issued against public servants during the 2006/2007 financial year, the situation regarding ill-health, particularly financial distress, within the Public Service is cause for concern. If left unmitigated, the situation could worsen.

## 5.4 LOW PRODUCTIVITY

Productivity is a fundamental aspect of service delivery. However, various factors, *inter alia*, ill-health (as previously mentioned), absenteeism and poor performance can negatively influence the level of productivity within an organisation.

For productivity to take place effectively, employees need to be of a good state of health. Once health problems are experienced by employees in the work place, especially ill-health as a result of financial distress, this is bound to have a negative impact on their level of productivity and the productivity trajectory of an organisation. For instance if one or more employees are booked-off from work as a result of ill-health, their absenteeism is likely to contribute to a low level productivity. Since productivity can only take place when an employee is at his/her work station, time away from work due to ill-health translates to a lack of/non-production.

Absenteeism or the continued absence of employees from work deprives the State as employer of the already limited capacity to deliver on its promise of a *Better Life for All* to the citizenry of South Africa. It is also worth noting that according to the findings of the PSC's report on Sick Leave Trends<sup>29</sup>, the level that is most prone to take sick leave are public servants employed at salary levels 1 – 8. These salary levels are the salary levels where most public servants who made both the highest number of micro-lending and garnishee related payments are employed. This highlights the serious problems that beset this level within the Public Service.

It should be noted that performance that is below standard leads to the delivery of goods and services of a poor quality and undermines the State's efforts to ensure the provision of services that are consistent with the ideals of Batho Pele. There is an expectation that public servants must apply their skills, knowledge and abilities to ensure that they are gainfully employed. As a result, a slump in performance means that an organisation is less efficient and therefore negates the expected standard of service delivery and production levels.

28 Republic of South Africa. Public Service Commission. *Sick Leave Trends in the Public Service*. Pretoria. March 2002.  
29 Republic of South Africa. Public Service Commission. *Sick Leave Trends in the Public Service*. Pretoria. March 2002.

The lack of productivity is inconsistent with government's vision to consistently provide services economically, effectively, and efficiently and the causal factors, including over-indebtedness by public servants, therefore requires appropriate intervention measures if the situation is to be improved.

## 5.5 IRREGULAR REMUNERATIVE WORK OUTSIDE THE PUBLIC SERVICE

Public servants who engage in remunerative work outside the Public Service often do so with a view to source additional income to supplement their salaries. While such engagement in remunerative work cannot be attributed to one particular reason, the need to service debt or ease their level of indebtedness cannot be ruled out. For example, in instances where a significant portion of an employee's salary goes towards servicing debt, they face the challenge of providing for their monthly responsibilities.

While the Public Service already has regulatory provisions in this regard, such as section 30 of the Public Service Act, 1994<sup>30</sup>, and the Code of Conduct contained in Chapter 2 of the Public Service Regulations, 2001<sup>31</sup>, some public servants continue to carry out remunerative work outside the Public Service without complying with the regulatory framework. There are instances where some public servants continue to carry out remunerated work without obtaining the necessary permission from the Executing Authorities of their departments. The latter was confirmed during previous studies by the PSC into the dual employment of medical personnel in the Gauteng Province<sup>32</sup>, as well as the management of public servants who were elected as Municipal Councillors in the Limpopo and Western Cape Provinces<sup>33</sup>.

The State cannot afford a situation where employees continue to exercise irregular acts that are contrary to the relevant regulatory framework of the Public Service. Surely the fatigue and stress that is associated with holding two jobs at the same time is likely to impact negatively on the State's capacity to deliver on its service delivery mandate. Some form of action, therefore, has to be taken to curb this tendency among public servants.

## 5.6 ETHICAL CONSIDERATIONS

The endeavour to achieve the ideal of a model public servant remains firmly in the sight of the Public Service. By virtue of being the first constitutional principle under section 195 of the Constitution of the Republic of South Africa<sup>34</sup>, there is a clear intention by policy makers to place emphasis on professional ethical conduct within the Public Service.

To ensure that this is achieved, public servants have a responsibility to ensure that during the performance of their duties within and outside the workplace, they conduct themselves in a manner that promotes ethics and ethical conduct. They have to ensure that they spend most of their time at the disposal of the State and perform their tasks in line with their responsibilities. In doing this, they have to conduct themselves in a manner that befits their positions as cadres for service delivery.

While a sound framework has been instituted to promote a strong culture of ethics within the Public Service, the over-indebtedness of public servants could result in an erosion of ethics among public servants as they could be enticed to commit unethical or corrupt practices by accepting bribes and committing fraud as a remedy to their financial strife.

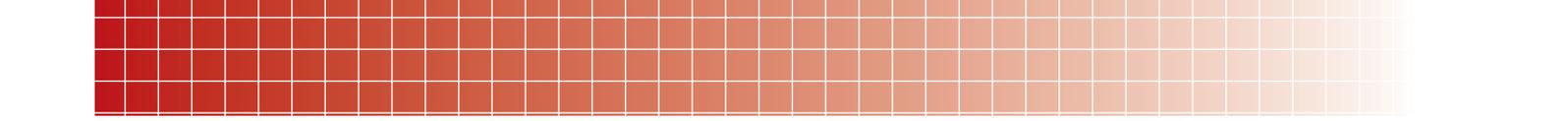
30 *Republic of South Africa. Public Service Act, 1994. Pretoria.*

31 *Republic of South Africa. Code of Conduct for the Public Service (contained in Chapter 2 of the Public Service Regulations, 2001) . Pretoria.*

32 *Republic of South Africa. Public Service Commission. Remunerative work outside the Public Service. Pretoria. 2004.*

33 *Republic of South Africa. Public Service Commission. Report on the investigation into the Management of Public Servants in Terms of Prevailing Prescripts who are elected as Municipal Councillors in the Limpopo and Western Cape Provinces. Pretoria. October 2007.*

34 *Republic of South Africa. Constitution of the Republic of South Africa, 1996. Pretoria.*



## 5.7 SUMMARY

This chapter discussed some of the implications to the State of the public servants' indebtedness as a result of micro-lending and garnishee orders. The discussion focused specifically on issues such as administrative burden, ill-health as a result of financial distress, low productivity, irregular remunerative work outside the Public Service, and ethical considerations. This was done with a view to highlighting the serious implications that such issues have on the State's ability to fulfill its mandate to improve the lives of all South Africans.

Given the significance of such implications, there is an urgent need for the State to take swift action by responding to the above matters and develop clear terms of reference for medium to long term solutions. Furthermore, the implications of the level of indebtedness of public servants need to be monitored closely as this has serious implications for the State.

In Chapter 6, a number of recommendations are made in response to the implications identified for the Public Service as a result of micro-lending and garnishee orders served on public servants.

# Chapter Six

## RECOMMENDATIONS

## 6.1 INTRODUCTION

This report has highlighted serious concerns regarding the level of indebtedness of public servants as witnessed through micro-lending payments and garnishee orders and the impact this has on the State as employer. Based on the findings, this Chapter provides recommendations that seek to assist employees and the State as employer in managing the problems identified.

## 6.2 IMPROVE THE ACCURACY OF PERSAL INFORMATION

The statistical overview in Chapters 3 and 4 have identified a number of flaws in the type and usability of data that is on the PERSAL database. There were also a number of inconsistencies in the figures presented for certain categories of information, such as the total number of payments made to micro-lenders per salary level vis-à-vis the overall figure provided initially. The same problem arose in terms of the number of payments made per occupational field. There is a need for Departments to provide information in line with the PERSAL data fields to avoid the creation of supplementary data fields such as “*other categories*” or “*unknown*” as these lead to skewed statistical data.

The information held by departments and PERSAL should be continuously audited so that the gaps and weaknesses can be identified and solutions provided to prevent the current problems from resurfacing.

## 6.3 UTILISING EMPLOYEE ASSISTANCE PROGRAMMES TO ASSIST OVER-INDEBTED PUBLIC SERVANTS

The role of EAPs in the improvement of employees’ personal finance skills is critical to the success of the Public Service in curbing instances of garnishee orders issued against public servants. While most, if not all, departments have an EAP programme in place, these programmes tend to be reactive to the needs of employees.

It is recommended that where not provided for, current EAPs should offer a personal finance education programme with a key focus on the legislative framework on micro-lending, procedure for the issuing of garnishee orders, credit rights, and budgeting, borrowing, saving and how to manage these affectively.

## 6.4 INCULCATING A CULTURE OF PROFESSIONAL ETHICS

The implications of over-indebtedness of public servants could result in an erosion of ethics among public servants as they could be enticed to commit unethical or corrupt practices by accepting bribes and committing fraud as a remedy to their financial strife. Given the large number of public servants that are making garnishee payments, the risk emanating from this assumption could be quite significant.

Given this state of affairs, it is recommended that the implementation of the ethical framework in place should be strengthened. To achieve this, managers need to be made aware of their roles in ensuring the promotion of professional ethics among public servants.

## 6.5 CONTINUOUS MONITORING OF INDEBTEDNESS AMONG PUBLIC SERVANTS

Given the findings made in Chapter 3 and 4 of this report, it is imperative for departments to keep abreast of the level of indebtedness of employees. This could be done through the continuous monitoring of the records relating to micro-lending debt repayments and garnishee orders issued by checking whether there is an increase or decrease on a monthly basis. This would also require Chief Financial Officers of departments to inform their Accounting Officers of the trends observed through the monitoring exercise and the necessary steps that can be



taken to address the situation. This will ensure that risks are timeously identified and addressed. Such a process could be included in a departmental fraud prevention plan.

## 6.6 MANAGING THE IMPLICATIONS OF MICRO-LENDING AND GARNISHEE ORDERS ON INDIVIDUALS

It is proposed that a provision be included in the Regulatory Framework compelling public servants to disclose their financial status to the Special Programmes Office (SPO) in instances where an employee has been issued with a garnishee order. While it would be incumbent on the employee to disclose his/her status in this regard, the continuous monitoring mechanism referred to in paragraph 6.5 could also be utilised in this regard. For instance, if persons with multiple garnishees issued against them are identified by a department, this would assist departments to take proactive steps where a disclosure by the relevant official is not forthcoming.

## 6.7 MANAGING CONFLICTS OF INTEREST EMANATING FROM OVER-INDEBTEDNESS

Presently, the current financial disclosure framework for the SMS only focuses on assets and income. It is recommended that this framework should also include information on liabilities to ensure an overall assessment of a public servant's financial situation. Information on debt of public servants, the nature of the debt and the credit grantor(s) involved could assist in determining the public servants' level of indebtedness and whether or not there's a need for intervention by the State as employer. More importantly it will also identify whether a persons' indebtedness may constitute a potential conflict of interest.

## 6.8 COMPLYING WITH THE TREASURY REGULATIONS, 2001

Part of the regulatory framework applicable to micro-lending and the issuing of garnishee orders, alluded to in Chapter 2 of this report, is the Treasury Regulations, 2001<sup>35</sup>. The Regulations not only specify how garnishee orders are to be managed in the Public Service, it also outlines the process which must be followed by PERSAL users in the management thereof.

In order to alleviate the challenges experienced by the affected public servants, it is recommended that the Accounting Officers of Departments comply with paragraphs 23.2.3(b) and 23.2.4 of the Regulations which reads –

- “... the accounting officer must be satisfied that after the deduction, the official will have sufficient means for maintenance for him or herself and any dependants; and
- should the deduction not leave the official with sufficient means for maintenance or for that of his or her dependants, the accounting officer must advise the official of his or her right to approach the court to either rescind the order or amend it to affect only the balance of the salary after provision for such maintenance.”

35 *Republic of South Africa. Treasury Regulations, 2001. Pretoria.*

# Chapter Seven

## CONCLUSION



The study conducted by the PSC has revealed shocking findings. It must be of great concern that 20% of all public servants made garnishee related payments during 2006/2007. It appears as if public servants are struggling to cope with their personal financial planning. This raises questions about their ability to manage the State's resources with which they are entrusted effectively.

The practice of micro-lending is also of concern. Given the large number of public servants who make micro-lending and garnishee related payments, it is highly possible that there are far more public servants who make use of micro-lenders than reflected in this report.

Based on the PSC's assessment the extent of indebtedness by public servants has negative consequences to both them as individuals and to the Public Service as employer. These consequences can be mitigated if such public servants are provided with guidance on financial planning and management. The use of EAPs by providing financial counseling must be encouraged. It is incumbent on the Public Service leadership to promote the rendering of such assistance to its employees.





