



What are the emerging challenges in Local Governments regarding the decentralised payroll reforms during the COVID-19 pandemic?

Overview

The 2019 Coronavirus Disease (COVID-19) is the latest pandemic to spread across the globe becoming an accelerator for one of the greatest workplace transformations in our life time.

Globally the pandemic has disrupted organizations and caused human resource managers to think differently about their role as they adjust to social distancing practices and a new work environment. To prevent the spread of the virus, organizations have switched to a remote work model.

In response to the pandemic, the Ministry of Public Service (MoPS) issued guidelines to the entire Public Service on preventive measures to mitigate the spread of the virus. This required each Ministry, Department and Agency (MDA), and Local Government (LG) to identify core staff that will remain on duty to ensure continued provision of essential services. The guidelines included Circular Standing Instructions Nos. 3, 5, 6 and 7, 2020.

The suspension of movements and social distancing has affected timely implementation of the decentralised payroll reforms especially where normal payroll and recruitment cycles were not adhered to.

This policy brief highlights the emerging challenges towards the decentralised payroll reforms in LGs during the COVID-19 pandemic, and proposes recommendations.

Key Issues

- Persistent accumulation of pension, salary and gratuity arrears in LGs arising from newly recruited staff and recently retired pensioners who may not have accessed the payroll in May 2020.
- Poor wage absorption and performance in FY 2019/20 arising out of District Service Commissions (DSCs) postponing interviews indefinitely because of the lockdown.
- Slow accountability for pensions and salary arrears in LGs which was exacerbated by the lockdown.
- Insufficient digital infrastructures and information technology (IT) rigid staffing structures in LGs worsened the situation.
- Restricted movements affected LGs not yet connected to the Integrated Personnel Payroll System (IPPS).

Introduction

The payroll reforms are implemented in accordance with Section 45(1) (a-c) and 11(2) (c-d) of the Public Finance Management Act (PFMA), 2015. This is in conformity with Section 4 (1) (4) of the repealed PFMA, 2003 as per Section 85 of the PFMA, 2015. The decentralized payroll management processing was aimed at addressing deficiencies such as consistent delayed payments of salaries, persistent wage shortfalls, errors and inaccuracies arising from the management of a centralized payroll.

In addition, the process of correcting errors and inaccuracies on the centralized payroll was lengthy leading to constant reports of non-existent employees. The reform has led to the removal of invalid records on the pension payrolls and ghost employees, promoted ownership, transparency and accountability by the respective institutional payroll managers.



MoPS response to the COVID-19 pandemic

The World Health Organization declared COVID-19 a pandemic after rapidly spreading across the globe and leaving unprecedented impact on personal and professional lives. Following the confirmation of cases in Uganda, on 30th March, 2020 His Excellency the President of the Republic of Uganda declared a lockdown, and accordingly motor vehicle stickers were issued to only staff with special assignments.

In response to COVID-19 pandemic, the Permanent Secretary in the Ministry of Public Service issued guidelines on continuity of services as follows:

- 1) In accordance with Circular Standing Instruction No.3 each MDA and LG was to identify skeleton staff that would remain on duty to ensure continued provision of essential services.
- 2) In accordance with Circular Standing Instruction No.5 of 2020, on contingency strategies to process salary, pension and gratuity during the lockdown to contain COVID-19 stated that;
 - Processing and payment of salaries including deductions for the month of April 2020 would be undertaken using March 2020 payrolls. These included newly recruited public officers who were on the IPPS by 31st March, 2020.
 - The processing and payment of pension for April 2020 was also based on the March 2020 pension payroll records. These included new pensioners whose retirement requests had been approved on the IPPS by 31st March, 2020.
- 3) In accordance with Circular Standing Instruction No.6 of 2020, on working remotely or working from home; and No.7 on post lockdown standard operating procedures for office operations public

officers were required to adopt telecommuting as one of the work methods to ensure continuity based on the needs of respective MDAs and LGs for 70% of staff whereas 30% worked in office.

Following the pandemic, the Ministry of Finance, Planning and Economic Development (MFPED) issued a Circular to all Accounting officers in LGs and MDAs prioritizing salary, wage and pensions payments. To that effect, salaries and pension were paid on time for the month of April 2020 in most LGs. However, interviews with several Accounting Officers, Human Resource Managers and some beneficiaries indicated critical challenges emerged with restricted movements and social distancing during the implementation of the payroll reforms in LGs.

Emerging Challenges

Persistent accumulation of arrears in LGs:

Previously there was a wage shortfall of Ug shs 56.831 billion for primary teachers and Ug shs 14.971 billion for secondary school teachers. These shortfalls arose out of salary enhancements. There will be persistent accumulation of arrears arising out of; inability to access all newly recruited staff on the payrolls, payment of all pension and commuted gratuity to the newly retired public officers, payment of gratuities of estates of the deceased, all staff and pensioners who had been removed from the payroll on account of non-validation and had not yet been submitted by 31st March, 2020.

Slow accountability of salary, pension and gratuity arrears released to LGs:

Despite the prompt release of funds by MFPED in FY2019/20 to MDAs and LGs, accountability for arrears by March 2020 was slow because of; delays by MoPS to transfer and decentralize pension files, constant and abrupt transfers of accounting officers, laxity of accounting officers and this was exacerbated by restricted movements due to COVID-19 lockdown. For salary arrears in LGs; out of

Ug shs 1.879 billion that was accounted for by 31st March, 2020, 17 Votes had fully accounted for Ug shs 0.778 billion; 21 Votes had partial accounted for Ug shs 1.101 billion, whereas 62 Votes did not account for funds spent across all the four regions in Figure 1.

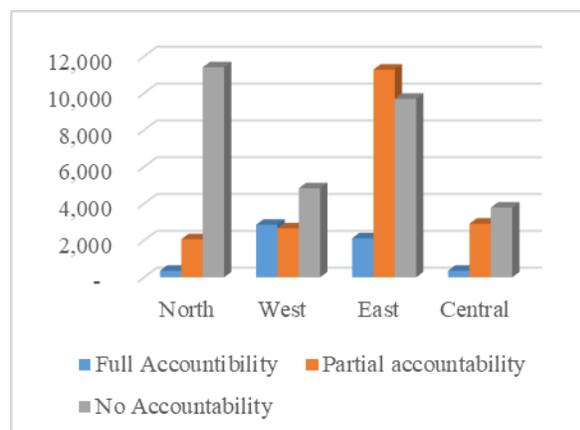
Figure 1: Accountability status of salary arrears of Votes by region in Ug Shs billions as at 31st March, 2020



Source: MFPEd

For pension and gratuity arrears, out of Ug Shs 24 billion that was accounted for by 31st March 2020, only 14 Votes had fully accounted for Ug shs 5.834 billion, whereas 31 Votes had partially accounted for Ug Shs 18.9 billion as shown in Figure 2.

Figure 2: Accountability status of pension and gratuity arrears of LG Votes by region in Ug Shs billions as at 31st March, 2020



Source: MFPEd

A total of 53 Votes did not account for the funds spent across all the four regions. Local Governments that have not adhered to MFPEd deadlines will not be paid arrears during FY 2020/21.

Insufficient digital infrastructure and rigid IT staffing structures in LGs: Information technology is one of the most important facets of business in the new normal. Currently the IT staff structure is rigid. For example, an IT Officer in LG is under Administration has insufficient digital infrastructure to operate and skills in systems analysis, networking, and cybersecurity to cope up with the new normal. Besides, most LG officials have not embraced remote working, and lack knowledge in zoom and video conferencing which is still a big challenge. Following the pandemic, there is need for strong well-organized IT in the LGs.

Poor wage absorption and performance: Most LGs were cleared by MoPS in FY 2019/20 to recruit health workers for upgraded Health Centre IIIs, and teachers for both primary and secondary seed schools. However, most DSCs postponed all interviews indefinitely because of the transport restrictions. Furthermore, most DSC Commissioners and applicants lack digital skills to conduct interviews online. The unsuccessful recruitments will affect the wage absorption and performance for FY 2019/20 as unspent balances will be retained by MFPEd.

High rate of labour turnover of Principal Human Resource Officers (PHRO): The biggest problem with these reforms is the PHROs in LGs originally trained by MoPS in decentralized payroll reforms have either joined other institutions, or been relinquished of the position by Accounting Officers because of corruption tendencies. The acting human resources officers working as skeleton staff during the pandemic are not trained and conversant with the reforms and Public Service guidelines. This was evident in the districts of Kayunga, Luweero, Bugiri,



Kyotera, Jinja, Nakasongola, Nakaseke, Mukono, Kabarole, Napak, Moroto, Mayuge, Busia, Arua, Packwach, Kagadi, Kikuube Kabale, Masindi and Busia Municipal Councils.

Connectivity with the IPPS: A total of 242 MDAs and LGs use IPPS to process salary, pension and gratuity. Of these, 173 were connected to IPPS on site, and the rest of 69 Votes access the system at the 10 Regional Support Centres. Districts not yet connected to IPPS were affected as they could not access the Regional Centres and MoPS because of restricted movements and social distancing. The most affected districts are the hard-to-reach and border districts across the country such as the Karamoja region districts, Buhweju, Ntoroko and Bundibugyo.

Conclusion

Although guidelines during the pandemic were issued and salaries and pensions accordingly paid on time by MoPS and MFPED to LGs; the accumulation of salary, pension and gratuity arrears will persist due to changes in payroll and recruitment cycles, and non-accessibility of IPPS Regional Centres that are far from district headquarters; insufficient digital infrastructure coupled with limited IT knowledge; as well as rigid IT staffing structures. Some of these emerging challenges faced by the LGs during this pandemic should be addressed to check the persistent salary, pensions and gratuity arrears.

Recommendations

- 1) The MFPED and LGs should re-budget for salary, pension and gratuity arrears to allow the newly recruited staff and pensioners access funds and also review stringent accountability guidelines.
- 2) The MoPS and ICT should review staffing structures of Human Resource and IT departments in LGs. The IT units should be independent with at least a Senior Officer and Two IT Officers with knowledge in systems analysis,

networking, business intelligence and cybersecurity.

- 3) The Public Service Commission should ensure that DSCs embrace the new world of work by receiving online job applications, shortlisting and video conference technology to facilitate interviews.
- 4) The MFPED through the Resource Enhancement Programme (REAP) should support IT departments, staff in LGs and DSCs in terms of training, mind set change and retooling in light of the COVID-19 pandemic to enhance efficiency and save costs.
- 5) The MoPS in consultation with MFPED should work out modalities to ensure that all districts access the IPPS. In addition, they should tender technical advice to LGs, and train acting human resource officers in LGs on payroll management and basics of public service human resource management.

References

1. MFPED, Public Sector Management Semi-Annual Budget Monitoring Report, FY 2019/20.
2. BPED, MFPED, Status on Accountability, March 2020 Performance Reports from FY 2015/16-2018/19.
3. MoPS; Circulars Nos. 3, 5, 6 and 7; Guidelines/ Contingency Strategies to ensure continuity of Public Service; March 2020.
4. <https://www.independent.co.ug/the-potential-impact-of-covid-19-on-local-governments>.
5. eprcug.org/ Effectiveness of the Public Payroll Decentralization Reforms in Uganda

For more information, contact
Budget Monitoring and Accountability Unit
Ministry of Finance, Planning and Economic
Development
P.O Box 8147, Kampala
www.finance.go.ug