

**SECTORAL DETERMINATION NO 4: CONTRACT CLEANING SERVICES:  
ESTABLISHMENT OF A PROVIDENT FUND**

I, Membathisi Mphumzi Shepard Mdladlana, Minister of Labour, in terms of Section 52 (1), read with Section 55(4)(m), of the Basic Conditions of Employment Act, No 75 of 1997, hereby invite interested providers to establish and administer a Provident Fund for the Contract Cleaning Sector as set out in the Schedule below. Potential providers should forward their proposals to: The Directorate: Employment Standards, Department of Labour, Private Bag XI 17, Pretoria within 60 days of the publication of this notice.

M M S MDLADLANA, MP  
Minister of Labour

**SCHEDULE**

**ESTABLISHMENT OF A PROVIDENT FUND FOR THE  
CONTRACT CLEANING SECTOR**

**1. TOPIC**

1.1 The purpose of this notice is to invite interested providers to establish and administer a provident fund for the Contract Cleaning Sector. A contribution collection service is also required.

**2. BACK GROUND**

2.1 Section 55(4)(m) of the Basic Conditions of Employment Act, 1997 stipulates that the Minister of Labour may make a sectoral determination regulating pension, provident, medical aid, sick pay, holiday and unemployment schemes or funds on recommendation of the Employment Conditions Commission.

- 2.2 An investigation into minimum wages and conditions of employment for the Contract Cleaning Sector was completed in 1999 and a sectoral determination published on 14 May 1999. Provident fund provisions were not included in the Sectoral Determination since the Employment Conditions Commission had recommended that the legislation of a provident fund stand over until the Sector has completed its deliberations on the issue.
- 2.3 The sector consists of approximately 326 employers that employ an estimated 55000 employees, nationally. A bargaining council is registered for the sector in KwaZulu Natal. The agreement for the Bargaining Council Contract Cleaning (Natal) covers approximately 11000 employees or 20% of all employees in the sector.
- 2.4 The employers organizations and employee organizations active in the sector are:
- National Contract Cleaning Association (NCCA)
  - National Organization of Employers South Africa (NOESA)
  - Consolidated Employers Association of South Africa (CEASA)
  - Transport and General Workers Union (TGWU)
    - NASAWU
    - SACSAWU
    - NEGEWU
    - BAWU
    - FOCSWU
    - HOTELICMA
    - FGWU
- 2.6 The NCCA and the Trade Unions mentioned in point 2.4 have formed a Bargaining Forum that negotiates wages and conditions of employment. The NCCA represents the majority (220) of employers in the sector.
- 2.7 In an agreement signed on 24 November 1998 the parties to the Bargaining Forum had agreed to a provident fund contribution of 4%.
- 2.8 Minimum wages are determined for the sector as contained in the wage schedule below. The wages became binding on 24 May 1999:

AREAS	AREA B		AREA C			
	Magisterial districts or Municipal areas of:  Alberton, Bellville, Benoni, Boksburg, Brakpan, Germiston, Goodwood, Johannesburg, Kempton Park, Krugersdorp, Kuilsriver, Mitchells Plein, Nigel, Oberholzer, Paarl, Port Elizabeth, Pretoria, Randburg, Rand fontein, Roodepoort, Sasolburg, Simons Town, Somerset West, Springs, Stellenbosch, Strand, Cape Town, U Uitenhage, Vanderbijlpark, Vereeniging, Westonaria, Wonderboom, and Wynberg	In the rest of Kwa-Zulu Natal excluding any area covered by a bargaining council		In the rest of the RSA*		
	RATES PER HOUR		RATES PER HOUR			
<b>MINIMUM WAGES FOR ALL EMPLOYEES</b>	<b>First 12 months</b>  R6,00	<b>Second 12 months</b>  R6,42	<b>First 12 months</b>  R5,13	<b>Second 12 months</b>  R5,49	<b>First 12 months</b>  R4,80	<b>Second 12 months</b>  R5,14

2.9. The sector is labour intensive and the majority of employees consist of women. Fixed contracts are concluded with clients. The duration of these contracts is normally one year.

### 3. TASKS THAT THE PROVIDER WILL BE REQUIRED TO CARRY OUT

3.1 The providers are required to establish and administer a national provident fund for the Contract Cleaning Sector. The provider will be expected to submit quotations pertaining to the following services:

3.1.1 Benefit Portfolio

3.1.2 Collection of Contributions Service

## 3.1.3 Administrative Service

## 3.1.4 Investment Portfolio

- 3.2 Providers may submit quotations to render a collection of contribution or administrative service only.
- 3.3 To facilitate the quotation/tendering process all providers have to answer the following questions as thoroughly as possible.

## 3.3.1 CONTRIBUTION COLLECTION/ CREDIT CONTROL

- a) Will you fulfill this function?
- b) How many full-time staff will be employed to fulfill this function?
- c) How frequently will you report to the Board of Trustees?
- d) How do you envisage establishing the initial database?
- e) Should the Contract Cleaning Sector decide to establish a Bargaining Council some time in the future would you be prepared to **outsource** this function to the Council together with all the historical data?
- e) If so, how do you envisage managing the transition with specific reference to?

Staffing  
 Training  
 Computer software  
 Computer hardware

- f) Would your cost as quoted for this function fall away once the Bargaining Council is fully functional?
- g) What will your cost be for this function expressed as % of total annual payroll?

## 3.3.2 ADMINISTRATION SERVICE

- a) What is the scope of your administration service?
- b) Does your fee include the following?  
 Administration manuals?  
 Toll free call centres?  
 Helpdesks?  
  
 Customized stationery?  
 Centralized or decentralized administration delivery?
- c) Will the fund be registered as a private or an underwritten fund?
- d) How many full-time staff will be employed to fulfill this function?

- e) Will you enter into a written administration agreement with the Industry?
- f) Will you be prepared to commit yourself in writing to specific turnaround times in service delivery?  
(Please stipulate costs if any of the above services are not included in your fee).
- g) What will your cost for this service be expressed as a % of total annual salaries **excluding** Contribution Collection/ Credit Control per item above?
- h) Indicate what statutory obligations have to be adhered to that are not covered by your fees.

### 3.3.3 RISK BENEFITS (DEATH, DISABILITY AND FUNERAL COVER)

- a) Please state your costs expressed as a % of total annual payroll.
- b) State the extent of your risk exposure and the name of your reassurer.
- c) Would you be prepared to enter into a profit sharing agreement with the Industry and if so, on what basis?
- d) State whether your costs are likely to be sustained in the long term.
- e) State whether there will be medical requirements when a new member joins.
- f) What is the minimum number of employees needed for you to hold your quoted rates:
  - On take on?
  - After three months?
  - After six months?
  - After one year?
- g) Can you guarantee your quoted rates irrespective of the claims history?
- h) What will happen if losses are incurred ?
- i) Who will be doing the re-insurance in terms of the Insurance Act?
- j) Will the retirement portion of the contributions have to be invested with your organization or can it be invested anywhere the Board of Trustees chooses?
- k) Will your rules and policies create an “asset locked” imposition and will there be penalties if the Board of Trustees wants to disinvest?
- l) What are your underwriting conditions?

### 3.3.4. BOARD OF TRUSTEES/ SECRETARIAL AND ADVISORY SERVICE

- a) Does your fee include the cost to assist the Industry with the appointment and training of the Board of Trustees?

- b) Do you have the facility to train the Board of Trustees?
- c) How many formal meetings do you anticipate will be held annually?
- d) Does your costs include the provision of formal agendas and minutes for Board of Trustees Meetings?
- e) Does your cost include the provision of an advisory service?
- f) Does your cost include an annual review of the fund's benefit structure?
- g) Does your cost include the availability of an Actuary?
- h) Will you be charging any additional **consultancy** fee for services not mentioned above? (E.g. investment advisory service)?  
(Please stipulate cost if any of the above services are not included in your fee).

### 3.3.5. COMMUNICATION

- a) Does your fee include the following?
  - Annual benefit statements?
  - Member booklets?
  - Newsletters (State frequency)?
  - On site presentations?
 (Please stipulate costs if any of the above services are not included in your fee).

### 3.3.6 EXISTING EMPLOYER FUNDS

- a) How do you propose the Department of Labour deal with existing funds?
- b) Will you assist in the formulation of an exemption policy?
- c) Will there be an additional cost for this service?

### 3.3.7. EMPLOYMENT EQUITY/ AFFIRMATIVE ACTION

- a) Do you have a formal EE/AA policy?
- b) If so, what is your current overall staff composition **and what** are your targets for the next 5 years?
- c) **What is your current composition within the department/ division/ business unit. which will be dealing specifically with the Cleaning Industry and the quotas for the next 5 years?**

### 3.3.8 ESTABLISHMENT PERIODS

How long will it take before the service/s are fully operational?

## 4. TIMEFRAMES

- 4.1 The Department of Labour would like the representations to be submitted within 90 days after the publication of the notice.

## 5. PROPOSALS

1	Detailed cost structure	15
2	Investment history	20
3	Benefit structure	15
4	Quality of service	15
5	Employment Equity	5
6	Acceptability to organised business	5
7	Acceptability to organised labour	5

## 6. OTHER CONDITIONS

7.1 A shortlist of Providers may be requested to verbally present their proposal to the Directorate, Minimum Standards and other role players in the Contract Cleaning Sector.

7.2 A briefing session will be held on \_\_\_\_\_

Venue: Room 102 (M), Laboria House, C/o Paul Kruger and Schoeman Street, Pretoria.

Time:

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