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Interviewee: Judy Parfitt

Interviewer: David Hausman

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HAUSMAN: This is David Hausman, and I'm here with Judy Parfitt in Parkview on Feb. 27, 2010. Ms. Parfitt, have you agreed to be recorded for this interview?

PARFITT: Yes, I have.

HAUSMAN: Great. I wanted to start by asking you a bit about your career background and what jobs you had that led you to become a general manager of human resources at SARS (South African Revenue Service).

PARFITT: *Well, I have a fairly checkered career. I started off in journalism, and that was in the late '70s, the first half of '80s, which was a very interesting time to be a journalist in South Africa. Then I became quite interested in trade unions and was fairly active in the trade union for journalists at the time. Then, because of censorship of the press during the state of emergency, I went back to study and studied industrial relations and then stayed on as a lecturer and researcher. Did that for seven years. Then I got a scholarship to study abroad. I studied at Warwick in the U.K. (United Kingdom), a master's in international relations. My research project was on the role of multinationals in national politics.*

So I did a case study on Volkswagen South Africa and was offered a job there. That was also a fascinating time, because that was in the years around the first democratic election. Trade unions, as you know, were at the vanguard of the struggle. Then, after I'd been at Volkswagen for about four years, I helped to establish the Commission for Conciliation, Mediation and Arbitration in South Africa and specifically set up the Eastern Cape region.

Then I was approached by SARS and never, ever had contemplated a career in revenue administration but met with the then Deputy Minister Gill Marcus and met Pravin Gordhan; I hadn't known him before. I was persuaded to join. So that's the background leading up to this.

HAUSMAN: Do you have an idea of how they found you and decided to hunt for you?

PARFITT: *I actually don't. What I do know is that it was word of mouth. I had previously interviewed Gill when I was in journalism, but I'm not sure if she remembered me from that time.*

HAUSMAN: Were many of your colleagues at SARS hired in the same way?

PARFITT: *Not when I joined. Well, hang on a second; let me qualify that, because the hiring practices at SARS pre-1990s were—I mean, many of those jobs, many of the people in those roles were in protected employment really; it was a jobs-for-votes policy. So most of the people working there would have been ardent Nationalist Party supporters, and in fact the people who had been hired in the customs section of the business, I mean, some of them were really quite dubious characters and their role had been sanctions-busting. So I suppose it was appropriate that some of them were fairly thuggish, but—and then, from the '90s onwards, there was, I think, a much stronger merit-based approach to recruitment, but there are several people in senior positions at SARS—not several, but some—who do have an activist history, like Ivan Pillay and Pravin Gordhan.*

So I think it is a combination of having the right policies and also having relationships that are steeped in trust.

HAUSMAN: What year did you say you joined?

PARFITT: *I joined in 1998.*

HAUSMAN: Can you describe some of the biggest human resources challenges in the—I guess, it was already SARS at the time.

PARFITT: Yes.

HAUSMAN: Can you describe some of the biggest challenges?

PARFITT: *You know, David, it was so broken, and so many of the practices were outdated and inappropriate. So from a human resources point of view, the fact that SARS was given administrative autonomy was absolutely critical to the changes that ensued. We changed everything—from the grading system to the performance management system, to the remuneration system. We changed the labor relations dispensation, administration of grievances, recruitment and selection; everything changed.*

With the benefit of hindsight, I think it is appropriate to say we changed—we were probably far too ambitious in the scale of the change and the time frames for that change, but I think that things got done. There was such a strong sense of higher purpose around making the tax administration more efficient and effective. That became a clarion call, if you like, for mobilizing people. It was one that found easy resonance amongst the staff, even though many of them were not necessarily loyal to the ANC (African National Congress).

So the scale of the change was huge.

HAUSMAN: Before I ask you more about the change—and I'd like to ask you about each different kind in detail—can I ask about how the practices were outdated and inappropriate, in more detail?

PARFITT: *I think probably one of the hallmarks of what was dysfunctional about H.R. (human resources) at SARS was that people were rewarded for loyalty rather than competence. That meant that tenure was the primary determinant of role and pay. Plus, it was a very hierarchical organization, with marked command and control approaches to management. So one of the changes that we introduced was radical de-layering and reducing the levels in the organization, introducing team-based approaches to work organization and design.*

I think it is important to say that not all of these things happened entirely smoothly. There were hiccups. But broadly speaking, the changes to the human resources system, policies, practices, etc., along with wider organization reform started quite quickly to engender the behavior changes that were being sought.

HAUSMAN: So let me now just go through the changes one by one if I could, starting with recruitment.

PARFITT: *Fine.*

HAUSMAN: How did recruitment work when you arrived, and then how did you change it?

PARFITT: *It used to be an incredibly bureaucratic process. David, I must say I can't remember the detail of what it was like before, but what we introduced was a more competency-based approach to recruitment and selection, what were then unorthodox sourcing processes, including Web-based processes—but also working through agencies that we knew would source good black talent, because the demographics of the organization in 1998 were hopelessly unrepresentative.*

For managers, we introduced a leadership competency assessment, and that was informed by a competency framework that it was designed for the new SARS manager. That framework derived in turn from the organizational strategy. So we were looking for obviously job specific knowledge and skills, but there were generic competencies that were tested for all managers, including collaborative working style, including values fit.

HAUSMAN: How do you test that?

PARFITT: *We worked with a psychometrist to design role-plays and simulations, and we also used some off-the-shelf psychometric tests. You alluded earlier to Siyakha and the restructuring. We decided that all the management jobs were going to be up for grabs. No one would be appointed to a management role unless they were successful in this assessment process.*

So many of the existing managers weren't successful and either chose to exit or redeployed. I think another critical success factor to the successes that SARS did achieve was a compact that we reached with the unions. So, David, when I joined, the approach to union recognition was an all-comers approach. My sense is, I don't know this for a fact, but management saw this as an opportunity to divide and rule. So we negotiated a new recognition agreement which obliged a minimum level of representivity for a union to be recognized, which reduced the number of recognized unions to two. That was significant. Also, I mean we were very careful not to play them off against each other, because the one union had a predominantly white membership and the other union had predominantly black membership.

There was a very concerted effort, led by Pravin, to ensure non-racialism in the organization. So, to the extent that there were ideological differences between the unions that started to play themselves out in collective bargaining situations, we would sometimes try and help them get beyond those differences.

HAUSMAN: Which were those two unions?

PARFITT: *It was the PSA (Public Servants Association), they're still there, which is an affiliate of FEDUSA (Federation of Unions of South Africa) which is a nonaligned union federation. The other one is NEHAWU and they are an affiliate of Cosatu (Congress of South African Trade Unions).*

HAUSMAN: You mentioned before that you looked to work through agencies that you knew would source good black talent. Which agencies were those?

PARFITT: *The one that we used at the time, and I think it was black-owned at the time, it's still around, it's called Landelahni.*

HAUSMAN: What sort of agency was that?

PARFITT: *It was a recruitment agency. But we also—what was also a bit unorthodox, David, is that for example we would hire black school teachers, accountancy teachers for example. So we looked quite carefully at the specifications for jobs to assess whether they were not perhaps overstated, given the need to bring in black people. I can think of two people, one was actually a shop steward in Port Elizabeth but who had very obvious leadership qualities.*

Oh, that was the other thing we did. We said to black people and women in the organization that if they felt they had leadership potential, they could put their hands up for this assessment. Then when jobs became available, if they performed well in the assessment, they would be considered as applicants for those jobs. This man was one of those. He later became a branch manager in Port Elizabeth.

There was another woman who was an accountancy teacher at a colored school in Johannesburg, and she also rose through the ranks very quickly. So that was also a bit unorthodox, and I think it worked. Our sense was that, I mean there are so few chartered accountants (CAs) who are certified by the South African Institute of Chartered Accountants, and the number of black CAs is so small. So we also, we spoke to them about accelerating the—“production” is the wrong word, but the throughput of black CAs, weren't warmly received and decided then to rather form links with ACCA, which I think is the Association of Certified Chartered Accountants. It is an international body.

The threshold for admission to their programs is lower than the South African Institute of Chartered Accountants one. So with ACCA and with one of the local universities, we developed a program that would, first of all, admit black people with a lower entry threshold and, secondly, had a stronger tax element to it. That worked well.

If I can come back to the unions, because that was quite important. The scale of the change, David, associated with Siyakha was massive. So the majority of employees in the organization, either what they did changed or how they did it changed, or where they did it, because there were some relocations, or when they did it, because sometimes working hours changed, in some instances, all of those things.

So in an organization that was more than 80% unionized, and significantly, the majority of managers were also union members, getting them on board was absolutely critical. I think that the unions, they were understandably wary, but the fact again that SARS was an agency and that any agreement concluded there wouldn't have application in the wider public service I think made them willing to engage. We engaged intensively and on everything. So sharing the strategy, getting a commitment to the strategic intent and then negotiating in the finest detail how the impact of the transformation on people would be dealt with. It was called the Siyakha protocol. It took, if I remember correctly, it took about eight months to negotiate, and then we had joint road shows, countrywide, where

union leaders and SARS leaders would present on the rationale for the agreement and what it meant.

HAUSMAN: These were internal road shows?

PARFITT: *Yes. And we co-scripted those presentations, and so without them there would probably have been—and this isn't an exaggeration—there would probably have been about 5,000 grievances. But because that agreement was there, the thing held; the process held. And when there were unanticipated consequences or when something went wrong, then we get back to the drawing board and thrash that out. Of course, we agreed that it would be piloted in one region first.*

HAUSMAN: Were there specific concessions that you made in the negotiations, any particular ones?

PARFITT: *The pact was around two things. First of all, the minister at the time made it clear that retrenchments were not an option, because unemployment is too much of an issue. I remember thinking how remarkable that was because of the political allegiances of most of the employees who were going to keep their jobs even though many of them might not deserve to be there. So I in fact was advocating retrenchment and the minister blocked that. I still admire and respect him for that.*

So, David, the quid pro quo was this: SARS gave, first of all, employment security guarantees, not job security guarantees, employment security guarantees. So you wouldn't be retrenched, but you might land up doing a completely different job. We also gave pay protection guarantees for a limited period. So if you found yourself in a lower-graded job after the restructuring, you would retain your earnings—if I remember correctly, it was for two years. During which time you would have an opportunity to up your game or receive training. We didn't always get that right. If you progressed, then there would be no impact on pay; if you didn't, then you'd start being paid the rate for the job.

So it was pay protection for two years and employment security in exchange for flexibility—flexibility about what you did, where you did it, when you did it and how you did it. I think that's fairly unique in the public service. The rest of the public service, certainly in South Africa is so rule-bound and so inflexible, both parties.

HAUSMAN: Were many people moved around physically?

PARFITT: Yes.

HAUSMAN: For example, from the branch offices to the center?

PARFITT: *Yes, that happened. Also, because you understand, David, that in the apartheid years, large tracts of the country were underserved or not serviced at all. So a key feature of Siyakha was to create a SARS presence in those places. By the same token predominantly white areas had been over-served relatively speaking. So to give an example, there was a large office in Pietermaritzburg, which is less than an hour away from Durban, which has its own large office. So just to continue with that example, the Pietermaritzburg office was downsized quite radically, and people working there were deployed to Durban.*

HAUSMAN: Let me go back now to our kind of list of different changes and ask you about how promotion procedures changed.

PARFITT: *Look, first of all, promotions in the past—there was a notch system and it was largely time-based. So if you'd been in a job for a certain length of time, then you'd move to the next notch. I'm not convinced at all that that was a merit-based system, even though there were structures in place that were ostensibly regulating progression. So that was the first thing.*

The second thing was that there was very little room for lateral movements. A third feature was that the system was designed in such a way that you could, after a point, only increase your earnings if you became a manager. So there were a lot of very capable specialists who were very inadequate managers. That was their only way of movement up the organization. So all those things were changed. I'm just trying to think what else was changed about promotion.

We abolished that notch system and introduced—these were, the system needed a lot of subsequent refinement, but career paths for key job families. So, for example, with auditors, given the shift in organizational strategy towards a stronger enforcement orientation, in addition to the service aspect, we wanted to radically increase the number of auditors in the business. So with that career path, that was about identifying with the auditors in the business levels of complexity in that field and identifying key inputs and key outputs and the standards for those outputs.

Then, everyone who was in that sort of role in the business was assessed and located on that career path. There was no ceiling on progression up that career ladder, because it was going to take decades to meet the need. Whereas, for example, in the back-office processing roles, progression up those career ladders was largely vacancy-driven, because there wasn't a serious skills shortage there, and certainly relative to the auditing role, a degree of substitutability.

HAUSMAN: And what sort of outputs did you find for the auditors?

PARFITT: *I'm really going to have to dredge my memory here, David, but I think the sorts of criteria that would have differentiated, if I remember correctly, the levels of complexity of auditing work were, for example, how many tax types the auditor was dealing with. So historically, you had VAT (value-added tax) auditors and PAYE (pay as you earn) auditors and company tax auditors. So part of the new way of working at SARS was to have auditors audit all the tax types. So that was one criterion. Another would be the size of the organization that was being audited. Then there were others, all of which related to how much more complex the auditing job was—whether it was a multinational, for example, whether there were elements of transfer pricing that needed attention.*

HAUSMAN: Great, so as you changed these promotion policies, what changes did you make to pay policy?

PARFITT: *What we did, and this is part of flattening the organization, we introduced broad-banded approaches to remuneration. So generally speaking—and again market factors played a role here—people would come in at the entry level of the band for that particular career path or for that job. Then progress was competency-*

driven to the extent that there was an unlimited need for progress. But it was all performance-based, so yes, the performance management system. I still have an involvement with SARS. There is a statutory Committee on Human Resources and Remuneration and I chair that committee.

Performance management systems—embedding and institutionalizing them is always a challenge. But it has been great to watch how that has got better and better over the years.

HAUSMAN: This is exactly my next question. There are of course lots and lots of challenges associated with performance management systems, and often when they're introduced they're either ignored or resented. How did you avoid those problems?

PARFITT: *Both of those things presented. I mean there was training. There was monitoring, there was moderating of scores. So initially there was this tendency to sort of average rate and overrate. I speak under correction but I think we did, and I might be getting confused with other work I've done. I think there was a normalization of performance scores that was undertaken. Also for variable reward, David, there is a remarkably—I can't take any credit for this, it happened after I left, a remarkably sophisticated performance management system in place around targets.*

So there is the individual-based performance management system and then there is the collective system. Each year it is fine-tuned and becomes more sophisticated and the information becomes even more reliable.

HAUSMAN: I've been told that at least at the beginning of the reforms, the way bonuses worked was that everyone got a bonus when the agency met its target. What were the effects of that?

PARFITT: *First of all, everyone got a bonus when we joined and the bonus was, in our view, unduly generous. I forget what the percentage was, David, but I think we more than halved it. A, because we were introducing competitive pay, so we weren't paying, I think we were paying just below market median at SARS, that was a key shift. So we were saying A, that bonus doesn't differentiate enough because everyone gets it, even the shirkers. B, we're now paying market-related pay. Then, started work—and this is the work that I'm talking about that has continued and continued—nuancing that system so that the bonus is largely team-based now or divisional-based. This was a big thrust on the part of the previous minister, Minister [Trevor] Manuel—was that it wasn't to be just about revenue collection.*

So we introduced several other indicators into that system relating to enforcement, relating to service and relating to improved efficiencies. So I think that that addressed the concerns of a lot of critics who felt, and probably correctly, that when the old system was in place, that SARS officials were being far too assertive and robust in chasing money because that was the sole criterion for eligibility for a bonus.

HAUSMAN: Was there not a lot of resistance to these changes?

PARFITT: *There was. But again, I come back to the collective agreements, because the resistance would probably have been unmanageable without them. That's not to say that management and the unions held hands and walked into the sunset. There were some bitter disagreements and a couple of disputes and one or two narrowly averted strikes. But I think a deep trust and this very powerful shared commitment to creating a better life for all—it was a wonderfully mobilizing concept.*

I mean one of the—the way that I used to package messages around the changes was to try to elucidate what's in it for you, what's in it for SARS, and what's in it for the country. So those were the sort of themes around communication of all the changes that were being introduced. So for performers in SARS, the future looked very rosy. Jobs were being enriched. Performance-based progression was being introduced, etc. For the dissenters, they might have been a little less enthusiastic.

But, David, the approach to change management was, first of all, to recognize that there would be a group of devotees, a small group of strong dissenters, and a bunch of undecideds in the middle. So we were focused on those that were undecided, to understand what made them anxious or resistant, to try to correct misconceptions, to push and pull and persuade, with—.

When it came to sabotage, though, we dealt with that very robustly.

HAUSMAN: For example?

PARFITT: *For example, there was a manager who was a fairly powerful individual in Mpumalanga and he was playing an incredibly negative role, but thought he was doing it covertly and it wasn't covert. Anyway, he made the mistake of treating a black employee in a very racist way and we lost no time in firing him, but making an example of that as well.*

On discipline generally, any behavior that was dishonest—and obviously especially fraud and theft—it was “name and shame,” in a very public way.

HAUSMAN: You mentioned before that there were a couple of issues where you very nearly came to a standstill in your talks with the union. Which issues were those?

PARFITT: *Look, you could imagine, I think the biggest one was that automatic pay progression. They were very relieved to have the employment security. They were excited about the prospects of enriched jobs, etc. But the pay-progression thing was the one that they were most wary about. That was not the subject of a collective agreement, not in detail. It was just the principle. In fact, David, with those career paths, what we didn't get right—and I left at about this time—was that we didn't have proper training material ready to facilitate the career progression. So that there was a bit of a vacuum that was created and the unions were very disaffected by that. There was a dispute about that a couple of years later. So that was a big source of unhappiness.*

HAUSMAN: You were describing the lack of training material for facilitating this career progression.

PARFITT: *So there was material, but not material that was properly aligned with the career paths and not nearly enough of it. So I think there was something of a crisis of expectations around that.*

HAUSMAN: So let me ask you a couple of more general questions. I've heard a lot about the gradual transition to a performance and service culture in SARS. What do you think were the most important factors in establishing that culture? Do you think it was established by the changes in these formal procedures, or rather that the formal procedures worked because the culture was changing, or some combination of the two?

PARFITT: *I think it's a combination. It's a tricky one. It's a difficult one to answer, sort of the chicken and the egg. Probably it was a combination of the two. I'd like to think that the H.R. side contributed significantly, but I don't think that was the dominant contributor. Having said that, we were testing for service orientation, for customer-facing jobs. So that would have played a role. But when I think back on it now, it is remarkable because a lot of the people who found themselves in service jobs had worked in dark, windowless offices before, probably couldn't speak the language of the people that they were serving, initially, some of them and—. Again, this is not to suggest that everything went swimmingly, David, but when I think about it now, there's so much that could have gone wrong but didn't.*

I think the role that Pravin Gordhan played, cannot be underestimated. He is such an activist and such a good campaigner and all those qualities that had served him so well in his underground days just found perfect expression in that environment. So his ability to engage and mobilize was huge. There was that old story or cliché about success building on success, because the other thing that Pravin was good at was—was publicizing successes, and those would be fed back into the organization as well. I think it developed a momentum that was quite a significant momentum. It would have been hard to stop it.

HAUSMAN: Do you remember when that momentum started to form? Did you already have a sense of it when you first arrived or did it—?

PARFITT: *No. You know, I don't know if Pravin spoke about this, but we arrived within a month of each other. David, I remember going into my office, being shown my office. I mean the smell of the place, it was—and the look and feel of it, it was—I just started thinking, what have I let myself in for, because it was, it just felt so antiquated.*

So when did the momentum start? I think probably—because after Pravin had been there a year in a deputy commissioner role, he was appointed commissioner. David, I think that when that happened, we also changed the composition of the executive committee radically. I don't remember the percentage, but it was probably about 70% of the people on the executive committee that changed. It is important to note that there were long-serving SARS people like Kosie Louw and Thinus Marx who either stayed on the Exco or were brought on to the Exco, because they had seized the new vision and were very competent in their own right but also enjoyed an enormous amount of support in the traditional SARS constituencies.

I don't remember exactly, but I think that momentum probably started to pick up 1999, 2000.

HAUSMAN: Great. Thanks so much. Is there anything you'd like to add?

PARFITT: Just that it was fantastic to be part of it all, and it was exhausting. We worked, David, we worked 75-hour weeks. It certainly felt very, very worthwhile. I suppose also something that saddens me was that I wish that the money was being better spent, because there were several government departments that—. I'm in a consulting job now and do some work in public-sector organizations, and some of them are very broken. There you go.

HAUSMAN: Thank you.