

It's crunch time for public sector wage bill

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BUSINESS MAVERICK It's crunch time for public sector wage bill By Ray Mahlaka • 30 November 2020 Caption Public Service and Administration Minister Senzo Mchunu. (Photo: Gallo Images / The Times / Tebogo Letsie) The upcoming court battle between labour and the government over salary increases for 1.2 million public servants has big implications for SA and its efforts to avoid becoming a failed state. The dispute starts in court on 2 December. In one corner: there is organised labour that has accused the government of waging a war against 1.2 million public servants by reneging on its promise to award them inflation-beating salary increases from April 2020. In the other: a government at pains to demonstrate that it can no longer afford generous salary increases for public servants, especially during a Covid-19 pandemic that has worsened public finances. Both parties will duke it out on Wednesday 2 December at the Labour Appeal Court, where trade unions representing public servants – including the Public Servants Association, the SA Democratic Teachers' Union, the National Professional Teachers' Organisation of SA, and the Health and Other Services Personnel Trade Union of SA – are looking to enforce the final year of a three-year wage agreement. The wage agreement was signed by the government and trade unions in 2018 at the Public Service Co-ordinating Bargaining Council, where both parties negotiate terms of employment. The year 2020 is the last leg of the wage agreement, which proposed that public servants receive salary increases of between 4.4% and 5.4% – depending on their salary scale, with low and mid-income earners getting a higher percentage. For the first time in about a decade, the government didn't pay salary increases to public servants. The increases were supposed to be implemented on 1 April 2020. The National Treasury and Public Service and Administration Minister Senzo Mchunu, who oversees public sector employment, have gone a step further by pencilling in a three-year wage freeze beginning in 2021/22. Out-of-court settlement The government has made two concessions to settle the wage dispute out of court, which trade unions have rejected. It offered a 4.4% salary increase for lower-paid public servants and no increase for those in higher-income categories. And recently, Mchunu's department asked unions to agree that the December contribution by the employer (the government) to the pension of public servants be used as a once-off bonus for public servants as a settlement to the wage dispute, Business Maverick was informed by a labour representative. Mchunu's department has allegedly sought advice from pension experts to do this. The department was not immediately available to comment. "We had a virtual meeting with him [Mchunu] and we told him that it's rather late [for the bonus proposal]. We wrote several letters from April [asking Mchunu to adhere to the wage agreement] but he never showed us respect. We can't allow any settlement less than what the resolution [of the wage agreement] contains," said the labour representative. The court battle has big implications for SA and its efforts to reform public finances to avoid becoming a failed state. The wage freeze is at the heart of the government's plan to cut its spending by R300-billion over the next three years and bring state debt under control. If spending is not urgently controlled, state debt-to-GDP is expected to grow from 81.8% in 2020/21 to 95.3% of GDP in 2025/26. Arguably, it is not hard to see why the government is targeting the wage bill to cut spending. According to Treasury figures, the wage bill is expected to be R639.3-billion in 2020, up from R154-billion in 2006. Government expenditure and tax revenue grew by an average of 10% and 7.5% annually respectively over the past decade – but the compensation of public servants grew more rapidly, at an average of 10.3% annually over the same period. A lot at stake A loss for the government at the Labour Appeal Court might thwart its plan to cut spending as it will be immediately forced to implement the wage agreement, including back pay for public servants from April. Treasury Director-General Dondo Mogajane has estimated that implementing the wage agreement would cost the fiscus an extra R37.8-billion (excluding back pay), and that would result in the total wage bill taking up 60% of tax revenue – for just 2% of the population. The government will argue in court that clause 3.3 of the wage agreement – outlining percentages of salary increases from 2018 – has become "invalid and unaffordable". In court papers, Mogajane said the Covid-19 crisis has eroded the government's fiscal space to award salary increases. He also said the government – under the Public Service Act (which oversees agreements on wages) – is required to enter into collective agreements only if it can afford to do so through budgeting. But labour doesn't buy this, saying the wage agreement is akin to a contract, which is binding on the government. DM/BM Dondo Mogajane Labour Appeal Court National Treasury public sector wage bill Senzo Mchunu Ray Mahlaka Follow Save More Comments - share your knowledge and experience Please note you must be a Maverick Insider to comment. Sign up here or sign in if you are already an Insider. Everybody has an opinion but not everyone has the knowledge and the experience to contribute meaningfully to a discussion. That's what we want from our members. Help us learn with your expertise and insights

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