

Public purse: Behind Minister Senzo Mchunu's sweetened final offer to civil servants

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BUSINESS MAVERICK 168 Public purse: Behind Minister Senzo Mchunu's sweetened final offer to civil servants By Ray Mahlaka • 11 July 2021 Thousands of public sector workers protest in Cape Town. (Photo: EPA / NIC BOTHMA) It seems the public sector salary negotiations are over. Minister of Public Service and Administration Senzo Mchunu has handed a political hot potato to National Treasury, which will have to find R18-billion to fund his improved offer to trade unions. First published in the Daily Maverick 168 weekly newspaper. Senzo Mchunu, the man responsible for the terms of employment in the public sector, has found a way to gain the upper hand in resolving the government's protracted battle with trade unions over salary increases for South Africa's public servants. After talks with trade unions deadlocked for more than a year, Mchunu has moved to sweeten his remuneration offer to SA's 1.3 million public servants, which will cost the fiscus an additional R18-billion that has not been budgeted for by the National Treasury. Don't want to see ads? Mchunu, the Minister of Public Service and Administration, has proposed that every public servant – regardless of the number of years in service – receive a monthly cash gratuity (like a bonus) of between R1,220 and R1,695. This sliding scale will ensure that all public servants receive a cash gratuity of R1,000 per month in their pockets after tax. On top of the cash gratuity, public servants will also be awarded a “once-off pensionable” salary increase of 1.5% in 2021. The monthly cash gratuity has been sweetened because Mchunu initially tabled an offer of R978 in May 2021, which was rejected by trade unions and labour federations – including the Public Servants' Association of South Africa, affiliates of Cosatu and the Federation of Unions of South Africa. In coalition, they represent a majority of public servants such as doctors, nurses, teachers and police officers. Mchunu's improved cash gratuity seems to have worked because trade unions are willing to accept his generous offer, ending a long-standing impasse between both parties that could have shut down public sector services through a possible general strike. Mchunu, his negotiators and trade unions have been locked in meetings at the Public Service Co-ordinating Bargaining Council (PSCBC) – where the terms of employment in the public sector are negotiated – to finalise an agreement on remuneration in the public sector for the 2021/22 year. Two trade union sources, who are part of the PSCBC discussions, told DM168 that public sector salary negotiations are a done deal. At the time of writing, trade unions had, in principle, accepted Mchunu's improved offer, and were only left with signing a final (and binding) agreement at the PSCBC. Trade unions seem to have accepted that Mchunu's offer cannot get any better, since South Africa's public finances have deteriorated during the Covid-19 pandemic. They were steadfast on consumer inflation plus 4% salary increases – effectively 9%. Briefing the media on 5 July, Mchunu described the offer as “reasonable” under the circumstances. “We may not say it is all that the unions were looking for, but it would be extremely hard for us to say that this [the improved offer] is very little amid the difficulties in [the economy],” he said. And arguably, trade unions didn't have much negotiating room or fighting power, because they lost their court case in December 2020 at the Labour Court to challenge the government's decision not to implement salary increases for public servants in 2020. But Mchunu has handed a political hot potato to the National Treasury, which will have to find money to fund his improved offer to trade unions. Mchunu's department told DM168 that the improved offer has been approved by the Treasury. The 1.5% salary increase offer is not new, since it has already been budgeted for by the Treasury and is part of its existing pay progression framework for the next three years. This increase will be implemented from July 2021 but will be backdated to 1 April 2021, a period in which the government adjusts the remuneration of public servants. The public purse The Treasury expects to spend R650.4-billion in the 2021/22 financial year to compensate public servants (excluding the monthly cash gratuity), which accounts for about 35%

of government expenditure. The cash gratuity of between R1,220 and R1,695 is new and has not been budgeted for by the Treasury, which has only done the costing for Mchunu's initial gratuity offer of R978. The monthly cash gratuity of R978 would cost the fiscus R14-billion to fund, but the improved version will add another R4-billion. Put differently, the Treasury must find R18-billion in the budget framework to fund the cash gratuity by either pooling existing benefits for public servants or cutting wafer-thin departmental budgets. Said Mchunu: "Where will we get the money after signing the salary agreement? We will still discuss this and find a solution." Credit rating agencies won't be happy about this because they want the government to cut its expenditure on remunerating public servants by R300-billion over the next three years, and not add to it. DM168

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