

#BUDGET2020: ANALYSIS: Public servants' wages no longer sacred in a time of doing more with less

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By Marianne Merten Source Daily Maverick 1 hours ago BUDGET2020: ANALYSIS: Public servants' wages no longer sacred in a time of doing more with less By Marianne Merten Tito Mboweni has gone where previous finance ministers have feared to tread — slashing the public wage bill. The political landmines are about to explode. Save The numbers behind the public sector wage cuts are simple. To balance its books, the government needs to chop R160.2-billion from public servants so expenditure comes closer to revenue. Again, the numbers are simple. Debt service costs are the fastest-rising expenditure item, by 12.3% to R229-billion in 2020, or 15.2% of the R1.95-trillion budget. And borrowing keeps on rising — to R497.5-billion in 2023 from R407.3-billion in 2020, that was up by just short of R72-billion from just 2019 — because South Africa . But Budget politics are never simple. And while Finance Minister Tito Mboweni indicated in the traditional pre-Budget media briefing that he had political support for his Budget reforms, his Cabinet colleagues who must spearhead the public sector wage cuts were even less forthcoming. Labour and Employment Minister Thulas Nxesi referred questions to Public Service and Administration Minister Senzo Mchunu, who in turn told Daily Maverick: “For now, we are not making any statements on that (public wage bill cuts) except to say we are engaging.” Cosatu had no such qualms — and the response was sharp and hot. “They are acting like pyromaniacs,” Cosatu parliamentary liaison officer Matthew Parks told Daily Maverick , saying workers could not simply be made scapegoats. In reference to the trade union federation’s proposal for government workers’ pensions to offload R250-billion of Eskom’s R450-billion debt: “I’ m wondering if the Eskom deal will survive now because the mood is very dark. Members are already asking questions...” Central to achieving the public wage bill cuts is a proposal that government dropped off at the Public Sector Co-ordinating Bargaining Council — Daily Maverick is told that happened at the 11th hour — to stop the salary increases scheduled to kick in from 1 April 2020 as part of the 2018 public service wage deal. The motivation for government’s proposal was that it could not afford the salary increases, although a day later, in delivering his Budget speech, Mboweni styled it as a focus “to discuss containment of costs in the final phase of implementation of the current wage agreement”. Late on Tuesday night, Cosatu warned in a statement that it would be “a declaration of war” if this government proposal made its way into the next day’s Budget. But that’s what happened. Budget documentation talked of public sector wage cuts of R37.8-billion in the current 2020/21 financial year — attrition, resignations, incentivised early retirement and such measures would not hit this target by themselves. Budget2020’s proposed further public wage bill cuts of R54.9-billion next year and R67.5-billion in the 2022/23 financial year would fall under a new three-year wage settlement for which the negotiations are scheduled from June 2020. Government’s move to table the proposed April 2020 wage freeze is widely seen as bad faith — and as undermining the previous engagements between government and organised labour, not only Cosatu, the ANC’s alliance partner, but also the rival South African Federation of Trade Unions (Safu). Even the usually mild-mannered, largely white-collar union representing some 230,000 members, the Public Servants Association, issued a statement rejecting government’s proposal. “The timing of the proposal, a few days before the adjustments were due to be implemented, speaks of a government that regards public servants as an easy target to resolve its financial woes. It is clear that proposals to the government on how it could curb wasteful expenditure fell on deaf ears and instead of tabling clear proposals on how it intends to address its financial inefficiencies, public servants are made the scapegoat.” The PSA statement also cautioned the government against unilateral actions outside formal structures such

as bargaining councils. The first public-sector strike in a decade may well be in the making. Over the next few days it will depend on what, if any, steps the government is taking to lower temperatures — and to restore goodwill and trust. Speaking in the traditional briefing ahead of his Budget speech in the National Assembly, Mboweni maintained a resolution would be found. “For the credibility of our fiscus, the R160-billion or so must be found for all our sakes. There’s no point in being victorious, trying to keep your cents, but losing our pounds...” he said, adding later: “On the wage bill issue, we will find each other. It will take a bit of time.” After the Budget speech, ANC national spokesperson Pule Mabe remained confident. “If there are more engagements, they should be able to find some form of consensus,” he said in an overall positive response to the Budget: “We are turning South Africa into a construction site. We are going to create jobs”. While opposition parties widely welcomed the public wage bill cuts, DA finance spokesperson and MP Geordin Hill-Lewis raised questions on whether this was not overly ambitious. “Can the number he (Mboweni) spoke about — R160-billion — be delivered? That’s far from certain,” he said, adding that the DA also welcomed the personal income tax breaks. “We welcome no new taxes. It’s good for the economy, for growth and for the pockets of hard-working families.” IFP national spokesperson Mkhuleko Hlengwa said, “at least the minister was honest”, welcoming the public wage bill cuts. However, he raised caution about the impact not only of departmental spending cuts, but also in the transfers to provinces and local government. EFF leader Julius Malema said the Budget was as good as it could get under the current circumstances, but he welcomed the announcement of what he claimed as EFF policies — a state bank and sovereign wealth fund that would be launched with some R30-billion. “We know conditions are not favourable. We are finding ourselves in a tight space... But we don’t welcome the wage cuts. We want the employer to pay (the current adjustments). In the next round they can negotiate for the circumstances we find ourselves in.” In a low growth, high unemployment and declining revenue environment, the government has few options on how to balance income and spending. The Budget Review does not mince words over the need to chop the public wage bill, pointing out civil servants’ salaries had grown 40% since 2008, but without the related increase in productivity. “Growth in the wage bill has begun crowding out spending on capital projects for future growth and items that are critical for service delivery,” says the Budget Review. “Government recognises that public service employees should be fairly remunerated, but is obligated to balance compensation demands with the broader needs of society as reflected in the Budget.” The politics of the Budget, perhaps ironically, at one stage have Mboweni and organised labour on the same side, focusing on closing off leakages, wastage and inefficiencies. In the immediate aftermath of the Budget address, Parks said the government should have looked at closing off corruption and the billions of rands of losses incurred as irregular expenditure and fruitless and wasteful expenditure across all spheres of government. It was something Mboweni also raised in his speech, the need to get value for money. Budget2020 proposed to abolish the “current wasteful subsidy and travel system” and reiterated what had already been raised a year ago in Budget2019 — changes to government cellphone policy and economy-only domestic flights for all (barring exceptional circumstances). The Budget address was rather low key. And even though Mboweni clearly had been briefed to stay on message, a sense of frustration broke through at the pre-Budget speech briefing. “R100-billion [is] floating around in legal-medico (malpractice) and police litigation. There are people stealing all the time; they should be locked up...” But right now with the need to balance the books, or at least to get the numbers to match on the expenditure and income side, it’s the public wage bill that’s in government’s sights. These cuts needed to be found, as Mboweni put it, “for the credibility of our fiscus... for all our sakes”. Budget numbers are simple compared with the unfolding politics — and test of political will — that may yet lead to the first public service strike since 2010.