UNION NEWS

Behind the public service strike

Public service unions went on a one day strike on the 16 September 2004 in support of their wage demands. **Ebrahim-khalil Hasson** looks at the reasons behind the strike and why it received overwhelming support.

In 1999, trade unions signed a multi-year wage agreement with government covering wage increases and processes to extend benefits in the public service. The life of the agreement ended at the start of the 2004/2005 financial year. Government and the trade unions initiated negotiations.

The negotiations picture was complicated by the April elections. The South African Democratic Teachers Union (SADTU) called for wage negotiations to be concluded before the elections, due to uncertainty in terms of the Ministers appointed as well as the packages being negotiated. The elections also represented a leverage point, with government not wanting to antagonise organised workers in the run up to national elections. Whilst government and trade unions tabled an offer before elections, little negotiations occurred prior to the elections.

One of the major differences in government developing its negotiating positions was the choices between extending benefits on the one hand, and providing a salary package improvement for mid level professionals (like teachers, police, nurses). Several sources in government have indicated that the National Treasury favoured a position of providing professionals with a good salary increase so as to improve productivity, and increase governments ability to attract and retain competent staff. The Department of Public Service and Administration sought to extend so-called macro-benefits to lower ranked workers. The outcome of the debate was that government choose to extend macro-benefits as a key component of there proposal to trade unions.

The fiscal and monetary constraints on public service pay are uppermost in the minds of the government negotiations team. On the fiscal side, the National Treasury has sought to reduce personnel spending as a percentage of the total budget. In fact, the treasury has been successful in reaching this goal, with personnel costs declining from 38.3% of the total budget in 2000/2001 to 34,1% in the current financial year. On the monetary side, the SA Reserve Bank warned against large wage settlements as an inflationary pressure.

Following the elections – with the government negotiations team unchanged – government adopted a harder negotiations strategy. Trade unions rejected the proposed multi-year salary package, due to the agreement not providing for real salary increases. After a couple of meetings the state inexplicably declared a formal dispute in the bargaining council. The intention it seems was to indicate to the unions that government wanted to urgently settle the matter, and that if no agreement was reached the state would unilaterally implement its wage offer. This was more than posturing behaviour as government had unilaterally implemented wage increase in 1999.

The unions wasted little time in responding that government was negotiating in bad faith and that in their view there was still much to negotiate.

Yet, unions saw the opportunity that the state declaring a dispute offered to them. First, the employer declaring a dispute is a rare event in labour relations, as this legally opens the door to unions for strike action. Thus the possibility of a strike was now real, and the unions could finger the employer's unwillingness to talk as the reason for this. Second, the declaration of a dispute reduced the options available to unions. This had a major impact across all unions as it galvanised support for strike action amongst groupings in the union movement seeking a quick agreement.

After government declared a dispute, the question facing the unions was not whether to go on strike, but rather when and for how long. After much debate on the feasibility of a protracted strike, the unions agreed on one day of action. Unions however, retained the option of workers striking for more days, should the initial one day not prove successful.

Government attempted to derail the unions strike plans through introducing three options to reach a settlement. The options included signing a single year agreement or alternatively only discussing salaries and leaving benefits for a separate round. In previous bargaining rounds such last minute proposals had led to trade union unity being broken, as unions sought to get the best deal for their members. Unions however, remained united, due to good coordination amongst the labour caucus.

The strike was an extremely successful one with a large majority of members participating. Whilst the numbers may be disputed, the consensus was that the marches were successful. The leadership of the bargaining council resumed negotiations on the following Friday. By Saturday government had proposed a new offer, which unions agreed to discuss with members. On the 29 September 2004, five trade unions signed the offer. The five unions constituted a majority in terms of the bargaining council constitution, and the agreement has thus taken effect.

KEY FEATURES OF THE AGREEMENT

The fact that some unions signed the

agreement, whilst others did not is indicative of two differing views in the trade union movement. The first view is that unions should not sign the agreement, as government had not moved substantially on its offer. The possibility of continued strike action was raised as an alternative, as well as 'letting the employer implement'. The unions argued that this would ensure that the union leaders retained the faith of its members, and that unions would ready themselves for bigger battles. A cursory review of those who did not sign, indicates that in addition they represent mostly professionals in the health sector. Thus, DENOSA and HOSPERSA were amongst those who did not sign the agreement, indicating that the deal is perceived as not being good for professionals in the public service.

The second view - held by those who signed the agreement – argued that the strike action had opened key opportunities for the unions. Moreover, this grouping argued that the worst elements of the state proposals had been changed and replaced with better provisions. Finally, this grouping argued that the agreement is good for both lower ranked workers and so-called professionals (e.g. teachers, nurses). In order to assess the validity of these views, an assessment is made of the agreement:

- Multi-term salary adjustment: The agreement runs until March 2007, and is based on projected inflation. This means that wage increases for the following year are based on a consensus forecast of inflation using CPIX (i.e. inflation minus mortgage rate). This is widely seen as a coup for government as it brings greater levels of certainty for budget planning, and may set an example for private sector bargaining. It is important to note the increases are set at projected inflation, and thus imply a costs of living increase. Mechanisms are outlined in cases where the inflation projections are wrong.
- Scarce skills allowance: The parties agreed to a framework to deal with scare skills, which includes a premium on existing pay levels to recruit skills levels.
- Review of remuneration packages for identified categories: This is an important gain for unions as it opens up the space for regrading existing jobs, particularly in the teaching and medical professions. This is important to government as it seeks to build a committed mid level professional layer. The impact on lower ranked workers is however, likely to be negative, with them either being ignored in this process altogether or the state arguing that wages in these categories are too high.
- Pay progression: Government and the unions agreed to conduct a review of the pay progression system. Teachers however scored a major victory on the issue of pay progression. To right the historical wrong of teachers not reaching pay progression notches since 1995, the teacher unions got government to agree to an additional R 500 million. Moreover, the unions received a national sanction for the career progression system developed in the Education Labour Relations Council.
- Macro-Benefits: Unions and government agreed to introduce a non-pensionable housing allowance to a maximum of R 403-00 for all permanent employees. The allowance will be phased in until 2009. The allowance will be available for both renting and ownership options. Further, government recommitted to developing a medical insurance system that covers all workers in the public service.
- Review of allowances: Unions opened the door on negotiating allowances which have been previously agreed to, by committing government to a review of these allowances. However, government has developed proposals for the phasing out of many allowances and this may prove to be a difficult area for unions to consolidate gains.
- Minimum service level agreements: A curiosity in the signed agreement is that sectoral councils will determine minimum service agreements in terms of the labour Relations Act. Whilst this has been under discussion for some time, the agreement seeks to finalise these minimum service agreements by 15 November 2004.

The argument against the agreement is that the unions only managed to get a 0,2% adjustment, meaning that the agreement was not substantively different to the one initially proposed by government. Government officials have reinforced this message saying that they were within the budget envelop provided by the National Treasury. In the Medium Term Budget Policy Statement however, treasury has indicated that the costs of the package exceeded its initial estimates for public service wages in the outer years.

Moreover, it seems that on-balance the trade unions who signed have a deal that ensures at a minimum inflation linked increases, and extends benefits to members. This deal is however far from an ideal one, but in the context of a predetermined budget allocation provides a good platform for workers.

The other side of the coin is that government argues that the deal provides for stability in planning and ensures that the wage bill does not increase exponentially. It however, seems that the stability envisaged in the agreement, may come unstuck should GDP growth projections be lower than expected. The agreement in the minds of top economists in government begins to make fiscal and monetary policy more congruent. In other words, by limiting increases to inflation, government is supportive of the Reserve Bank meeting its inflation targets.

LESSONS LEARNT

A central lesson is that public service wage negotiations become more complex with each round, making it more difficult to assess the winners and losers. In this bargaining round, there is no doubt that the unions moved government from their opening proposals. In this way it demonstrates that worker still have a strong voice in collective bargaining in the public service.

In the public relations battle, the unions exceeded expectations. Through a series of localised campaigns, unions effectively argued the case for industrial action in communities. This was buttressed by scholars, parents, patients and other uses of public services coming out strongly in favour of the public service workers. This was significantly different from previous wage bargaining rounds, where government seized the initiative. The difference this time around was that it was government that declared a dispute, making the message to communities a lot easier.

The most important omission in the agreement relates to measures to improve service delivery. This may not ultimately be part of wage negotiations, but the tone and content of the negotiations prevented government from achieving wider agreement on improved services that it is seeking with the unions. LB

Ebrahim-Khalil Hassen is a senior researcher at the National Labour and Economic Development Institute (Naledi).