

PUBLIC SECTOR FOCUS:

Public sector pay cuts: **a challenge for the unions**

SALB Writer Deanne Collins reports on a recent workshop for COSATU's public sector unions, and reflects on the problems facing public sector workers as government juggles with the conflicting demands of its IMF public sector pay commitments, its RDP promises, and its low-paid public sector employees.

Introduction

During the pre and post-election period, frequent calls were made for cut-backs in the public sector. The agreement signed between the TEC and the IMF (International Monetary Fund), which is binding on the new government, explicitly calls for "wage restraint" in the civil service as a condition for an \$850 million loan from the IMF. The agreement states that the government will "contain the civil service wage bill consistent with no real increase in wage rates." In addition, there is widespread expectation that in order to deliver on the RDP, government expenditure in other areas will have to be cut.

At the end of May, NALEDI, the

research institute which is associated with COSATU, held a day long workshop on the subject of "cutbacks, public sector wage restraint, and the costs of transition." The workshop, which was attended by representatives of most of the COSATU public sector unions, provided a opportunity to focus on these important issues.

A paper presented by NALEDI pointed out that the new government already faces many demands on its budget. These demands will limit the amount of money available for wage increases in the public sector.

Transition Costs

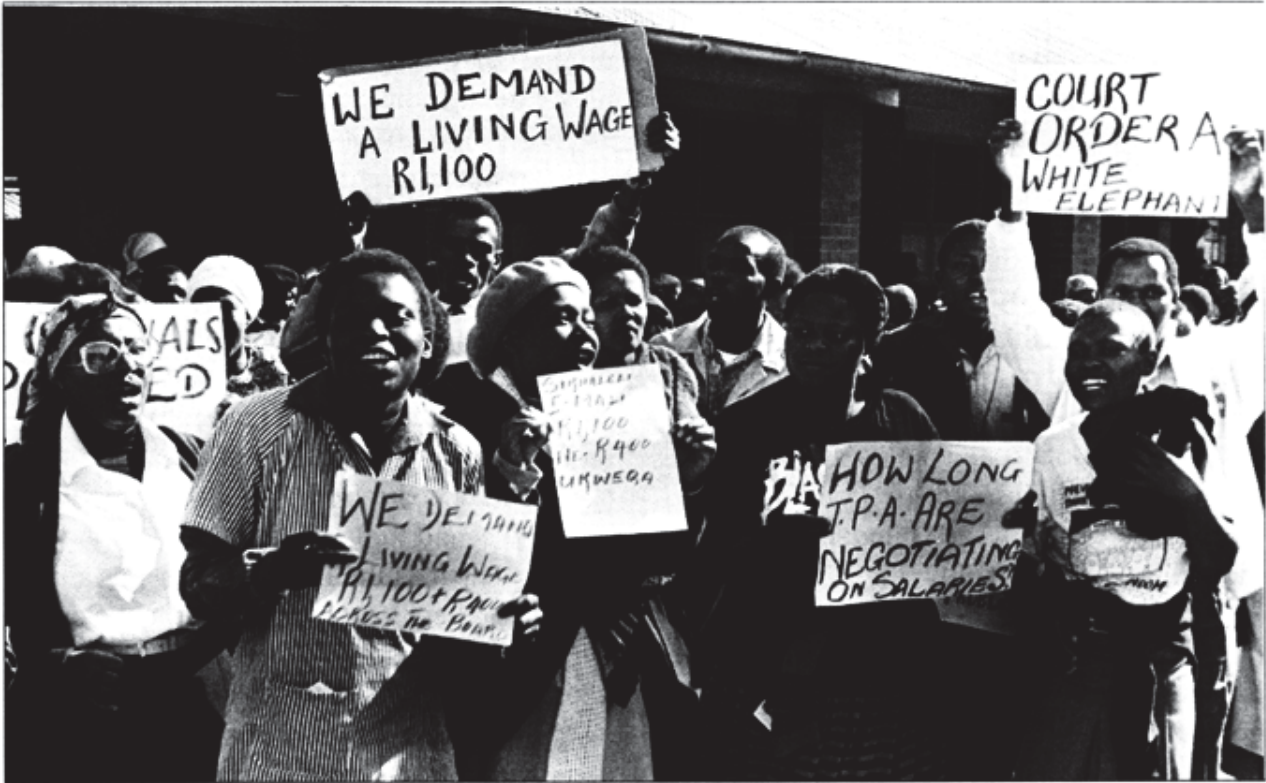
The costs of the transition to a democratic government have proved to be far higher than was expected. These costs now total over R3 billion, and may go as far as R5 billion once all the accounts have come in. The biggest costs were the elections, the integration of the armies, and pay increases for the police and National Peacekeeping Force.

The costs of transition will add up to between 2,4 and 4% of the proposed budget for 1994/95.

The government is already committed to keeping expenditure down and not increasing its budget. It did not set aside nearly enough money for the costs of transition. The only way it can meet these costs is by cutting back in other areas or by raising tax or borrowing more.

Paying for the RDP

The cost of funding the Reconstruction and Development Programme (RDP) will also affect government expenditure. The RDP is



Hospital workers picketing at Bara: Their wages are low – can they endure a wage freeze?

not intended to result in an increase in government spending. Instead, money will be reallocated from other items of government expenditure - like salaries - to investment in the RDP. NALEDI points out that “the state - and the wider public - may see a trade-off between higher salaries for public servants and increased expenditure on services and infrastructure ”

The commitment contained in the RDP to improving conditions in the poorest areas of South Africa means that richer areas, like the PWV region, are going to have to subsidise development in the poorer areas, like the former “homelands”. The large majority of ANC members live in these poorer areas, so there will be great pressure to deliver.

There is widespread perception that increasing public sector workers wages will result in squeezing services to the public at large, especially the poor majority. This is the explicit conclusion of the World Bank, whose opinions carry weight amongst some South African policy-makers.

Up until now, local governments have been earning money through providing electricity. In line with the RDP, it is likely

that they will now lose this revenue, as Eskom needs that money in order to be able to provide electricity to Black areas. This means that municipal workers may also face cut-backs.

Cutting the Cake a Different Way

A 10 % across-the-board increase for all public sector workers -which would give workers a small increase over and above inflation - would cost in the region of R4 billion. This is 3 % of the budget. In NALEDI’s opinion, given all the demands on the state budget outlined above, the state will probably resist any such increases. NALEDI suggests that one strategy the public sector unions could adopt is to explore ways and means of working within current budgetary constraints to secure the best deal for their members, particularly the lowest paid workers.

Higher Increases for the Lowest Paid

NALEDI suggests that the unions push for higher wage increases for the worst paid workers. Most of the worst paid workers are

found in education, health and the police, as well as in local government. These workers also make up the majority of members of COSATU's public sector unions.

15% of workers employed by the Central Government earn below R1250 per month. The overwhelming majority of these workers are black, and many are women. In black education, more than one in ten workers earn less than R1250 per month. In the police force, the figure is one in seven.

The worst-off state employees work in small municipalities and local authorities, where the average wage is under R700 per month. This is way below the Minimum Living Level (MLL).

NALEDI says that the state could afford to increase the wages of central and local government workers earning below R1250 by 10 % in real terms - in other words, inflation plus 10 % - if other workers got very low or no increases. For local government workers who earn below the MLL, the increase should be higher to at least bring them in line with the MLL of around R1000 per month.

These ideas have already been punted by some of the public sector unions. During the last round of public sector wage talks NEHAWU called, without success, for a wage freeze for higher earners so as to be able to upgrade the wages of the lowest paid.

Equitable Benefits

Wages are one part of a total remuneration package. The workshop also discussed ways of introducing a more equitable distribution of benefits in the public sector.

Luci Nyembe of CALS pointed out that currently a large number of workers employed by the Central Government, particularly women and black people, are excluded from the home owner allowance scheme. There are also inequalities in the treatment of women and men in the retirement scheme and the payment of retirement benefits.

She suggested that, if workers are to accept any kind of wage restraint, this should be conditional upon equal benefits being

extended to all workers. In addition, a programme of affirmative action and training must be put in place to ensure that workers are given opportunities for promotion and better remuneration.

Challenging the System

Phillip Dexter, ex-NEHAWU general secretary and now an ANC MP, focused on the need for the public sector unions to present alternatives to the current mind-set on the public sector. He emphasised the need to shift the debate from "voodoo" capitalist economics and to break the rules set by agencies such as the IMF.

Researchers have pointed out that South Africa still has comparatively low debt, both internationally and to the IMF. The fiscal restraint accepted as part of the RDP was done without exploring all the implications this would have. Much more discussion is needed on what level of expenditure and borrowing South Africa can sustain before decisions are taken on issues like public sector cut-backs.

The negotiations with the IMF were wrapped in a cloak of secrecy and were concluded without any consultation with labour. This is the way in which the IMF operates. It was suggested at the workshop that labour should campaign that the IMF conditions should be withdrawn and that any future dealings with the IMF must be done openly.

Charting a Way Forward :

The workshop recognised that public sector workers are critical to the delivery of the RDP. Currently, delivery of services is very bad. Public sector workers are the people who will make sure there is efficient administration and service delivery. For this to happen, however, government has to make a commitment to invest in public sector workers. It was agreed that workers and communities must develop a common understanding of the way forward on the RDP which will not go against the interests of workers. For this to happen, there needs to be much closer consultation and co-operation



"Large numbers of government workers (especially women and blacks) are excluded from home-owner allowance schemes"

between the unions and organisations like SANCO.

It is also clear that at this stage, government does not have a clear idea of how it will bargain with public sector workers. The workshop agreed that strong centralised bargaining structures are imperative and that there should be one set of negotiations to look at public sector restructuring. The public sector unions need to become much more involved in the restructuring of institutions such as the Commission for Administration, and in the reinstatement of the Public Sector Forum. COSATU unions also need to take control of co-ordination of collective bargaining out of the hands of the more conservative staff associations.

In addition, the unions need to involve themselves in concerted lobbying at the political level. This will include individual policy makers and members of government, as well as linking into departments responsible for financing and implementing the RDP.

Conclusion:

The issue of public sector cut-backs has the potential to create severe discord between government and the public sector unions. This is already an extremely volatile sector, as events in the weeks before and after the elections have shown.

It is clear that government needs to urgently rethink a number of fundamental policy issues. Unilateral decisions will only exacerbate the situation. Appropriate bargaining structures need to be set up as a matter of urgency where the voice of public sector workers and other parties on these issues can be heard.

At the same time, the public sector unions need to devote substantial time and resources to ensuring that they are equipped to intervene in these critical issues. With some exceptions, these unions have lagged behind in the area of policy making and intervention. Hopefully the process initiated at the workshop will be pursued vigorously in the months to come. ☆