

Public service strike

What was finally agreed?

Many remember the public service strike vividly, but few probably know what the final settlement consisted of. **Ebrahim-Khalil Hassen** gives a useful overview and concludes that the agreement provides the opportunity to address public service delivery.

Public service bargaining can be assessed through scoring the gains for labour versus gains for government. This is especially the case given that the agreement is a result of the month long strike in the public service. However, a more important perspective lies in assessing what the agreements might mean for improving public service delivery and employment creation.

SOMETHING FOR EVERYONE

The agreement reached between unions and government has four elements. The first concerns *salaries*. The agreement provides for a 7.5% increase in salaries in the 2007/8 financial year, and for a 1% inflation linked adjustment in 2008/9. The agreement then directs both parties to negotiate salary agreements for the 2009/10 financial year and beyond.

Secondly, it deals with *benefits and allowances*. The agreement continues a trend towards a 'clean wage bill'. This means that benefits are extended across the public service, especially to lower ranked public service workers. However, this was achieved through delinking

the costs of benefits from medical aid and housing inflation. Thus government agreed to provide a rand amount, not a percentage increase. This means that benefits are pegged to rand increases, rather than increases in medical aid fees, or changes in the interest rates. This was a hard agreement to reach. There are in addition changes to several allowances.

Next there was agreement on *employment* in the public service. The agreement commits government to fill vacancies within 12 months, and that government will provide the Bargaining Council with regular reports. The agreement however does not explicitly commit government to a target, but reinforces the commitment to increasing the size of the public service to meet service delivery challenges.

Finally, the agreement deals with *performance and career pathing*. The bulk of the agreement focuses on creating the building blocks for performance in the public service, and setting in place processes for career pathing through the agreements on occupational specific dispensations.

The agreement for government thus attempts to balance its expenditure on personnel with creating conditions for improved public service delivery. The key strategies adopted by government include delinking payment of benefits from medical and housing inflation, and agreeing to a compressed time frame to finalise in negotiations occupation specific issues.

In addition, the second year of the agreement once again commits parties to the agreement to an inflation-linked increase. Thus it can be seen that for unions, moving government from its 5.3% initial offer to a 7.5% settlement was a significant victory. Also, the unions have been able to craft benefit agreements that see the bulk of public service workers enjoying medical and housing assistance.

Teacher unions however did not sign the agreement. The central reason for not signing was that they felt that tactically a better agreement on occupational specific issues could be reached at the Educational Labour Relations Council. Moreover, as teachers are the only major profession not to have received a 'special dispensation' since democracy, union leadership argued that signing the agreement would renege on commitments that teachers' unions had given to their membership. In other sectors, government has in the past implemented salary revisions to occupations outside of normal cost-of-living increases.



A COALITION FOR CHANGE?

Government officials were incredulous at essential service staff embarking on strike action. Underlying this perspective is that the strike impacted on the delivery of services. Even the South African Human Rights Commission hosted a seminar to assess the impact of the strike on fundamental education and health rights. The argument is a restatement of an old position, that public service unions do not have the interests of the public at heart. At the same time, unions have been disheartened by government's approach to restructuring which seem to prioritise cost cutting over improvements in service delivery. Yet, unions fail to appreciate the development of a set of agreements that see both unions and government beginning to prioritise service delivery.

First, the unions and government have reached process agreements to discuss the transformation of the public service, including the complicated issues of staff performance in the public service, and outsourcing. This process agreement commits parties to host a summit in 2008. This summit has a significantly better chance of success, as the public service strike has created a new balance of power in the bargaining relationship.

At the same time, government's approach to restructuring of the

public service reflects a commitment to dealing with institutional problems, rather than its usual illusive search for a 'rightsize' – which usually means downsizing.

Second, unions and government have committed to developing an Occupational Specific Dispensation for many of the largest occupations in the public service. The process will develop new grades for occupations, determine performance measures and develop career paths. In teaching and nursing, reaching these agreements are crucial, as South Africa faces significant challenges in attracting young people into these professions, and retaining experienced personnel. The agreement on Occupational Specific Dispensation provides a major shift from the macroeconomic level, to resolving challenges at an institutional level.

Third, performance in the public service is more firmly on the agenda. The previous agreements on performance have failed to reach intended objectives. Government's push for a greater focus on performance in delivery is one of the crucial elements to providing opportunities to poor households. Tackling the question of performance will entail revision of the existing performance management systems, and must also address structural challenges, for example limits to increasing employment. The public service

output needs to match the significant deployment of resources that the public provides through taxes.

These agreements are based on an assumption that the unions and government will be able to build and sustain a coalition for change, that has as a central objective developing a public service that can undertake the tasks of a 'developmental state'. Realising this coalition in practice will be a daunting task. A number of requirements for achieving this coalition are needed.

Firstly, it needs a committed and innovative leadership. Both government and the unions will need to consistently focus on the broader task of transforming the public service. In other words, both parties need to view the agreement as a shared mission. Sustaining the agreement and creating a shared sense of outcome is the task of political leadership from government, and especially from unions.

The current macroeconomic conditions provide the space for introducing new pay packages and increasing employment and salaries. The continuation of government's moderately expansionary stance, is a requirement for unions and government reaching agreements. There is a strong relationship between increased employment and above inflation increases and the rate of growth in the budget. In the context of a declining government budget, a wage-employment trade-off will result. However, the budget envelope under any macroeconomic strategy has limits. Unions and government will need to focus on the mix between salary increases and new employment.

The ink was hardly dry on the signed agreement when both



parties realised that the deadlines in the salary agreement were unlikely to be reached in time. After all, determining new grading structures and career pathing mechanisms are complex undertakings. For this reason, parties have already agreed to an amendment to the original agreement which provides them with more time to reach agreement on the Occupational Specific Dispensation.

Process management also needs to be examined. The Public Service Coordinating Bargaining Council (PSCBC) is one of the best run bargaining councils in the country. However, the tasks arising from the agreement will place significant stress on the PSCBC to provide process support on multiple fronts. Whilst, the PSCBC has the capacity and a dedicated staff to run a process, it does not have the mediation skills needed in-house to keep the process moving. Bringing in mediators early in the process could provide additional capacity for both unions and government to keep the dialogue going.

The most important outcome of the public service strike, is that there has been a reconfiguration of power and a new policy agenda. Most obviously, the unions have managed to reassert themselves after the unilateral implementation of wages in 1999. This is an important victory for unions, as

equalising power relations was a central requirement to shifting focus towards institutional issues. Unions and government will need to navigate through a very complex set of processes.

REMAINING CHALLENGES

The agreement in the public service could be described as a watershed. There are however several thorny issues that will need navigation. The most important of these is the cost of employment for entry level positions, as outsourcing remains a strong feature in the public service. Unions are concerned that outsourcing is a disguised form of privatisation. However, the push for outsourcing services is driven partly by a significantly higher wage for entry-level jobs in the public service than outsourcing allows for. This will require a careful strategy that protects existing benefits and rights, with a strategy to increase low level employment in the public service.

For government, its targets for halving unemployment require that it finds around 200 000 additional jobs per year. It can find some of these jobs in the public service, through a targeted public employment programme. Targeted public sector employment programmes are narrowly focused and designed to deal with unique problems facing groups who fare much worse than other workers.

These are workers who are less likely to be employed when the economy is strong as they are marginalised, for example young African graduates. In other words, the programme will target sections of the labour force that are unlikely to benefit from economic growth.

Targeted public service employment programmes are part of what are called active labour market policies. The prospects for a targeted programme are greater given wide recognition that unemployment is structural. Moreover, a sizeable section of South African society does not participate in economic growth. The intention of the proposal is to provide a response to structural unemployment and target those who are unlikely to benefit from economic growth. These jobs could improve service levels at hospitals, police stations and schools by providing much needed administrative and support services to professionals employed in the public service.

In implementing the salary agreement and undertaking dialogue, unions and government must link their agreements to improving the public service in a labour absorbing way. The agreement lays the foundation for improved service delivery, although the process will be a difficult one to manage as both parties need to debate a labour absorbing role for the public service.

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