

The public sector

The public service, and the public sector more broadly, is the biggest employer in South Africa. It accounts for nearly a third of all non-agricultural formal sector employment.

Internationally, public employment has been a major source of jobs which are often better-paid, more secure and distributed more equitably than private sector jobs. It is an important employer of women and people living in more rural areas.

The public sector is also one of the biggest spenders in the economy. It is at the forefront of delivery of key social services - education, health care, infrastructure and municipal services. South Africa cannot afford to discount the role of the public service in developing an employment strategy.

Creating a sustainable public service is, however, difficult in the current economic climate. There are pressures to reduce the size of government and, as a consequence, public employment. There can also be no doubt that the service needs to be restructured.

An overall employment strategy should:

- ***Create the conditions for sustaining the public service***
This does not mean rolling back the size of the public service. Lower interest rates, a broadening of the tax base, restructuring the taxation system and reducing the apartheid debt

burden are all policy measures which can dramatically increase the sustainability of the public service. There is also a link between public expenditure and economic growth. Public spending on infrastructure, education and training can increase investment and boost growth. Downsizing the sector will reduce its capacity to do these things.

- ***Restructure the public service***
The public service could serve as a model for improving the quality of employment in South Africa. To do this, however, the service needs to be fundamentally restructured.
- ***Create planning instruments***
Planning for the evolution, development and extension of the public service requires the creation of effective planning instruments and budget processes. A multi-year budget tool is needed. The Department of Finance recently released its medium-term expenditure framework (MTEF). While the MTEF could form the basis for planning, labour and civil society did not participate in its development. Moreover, it explicitly embraces a macro-economic strategy which could compromise public employment in South Africa. An alternative medium-term budget framework should be developed, with employment creation at its centre.



Spending on education can boost growth.

□ **Focus on local government**

Many local governments are in fiscal crisis. These crises have a number of causes, ranging from non-payment for services to poor financial management. The crisis in local government has prompted many to turn to private-public-partnerships (PPPs) to generate scarce financial resources for delivery of basic needs. The lack of funds has also had a damaging impact on public service employees at local level. These developments threaten the sustainability of local public service jobs. The roots of the crisis in local government must be investigated and addressed to prevent a further erosion of the situation.

State asset restructuring

The restructuring of state assets poses many challenges for an employment strategy. The international trend towards

privatisation has, almost universally, been accompanied by substantial job loss. Privatisation has also led to a depletion of governments' wealth. With every sale of an enterprise, governments forfeit future income generated by that enterprise.

While state asset restructuring does not necessarily mean privatisation, the push to make parastatals and public enterprises more productive and competitive can translate into job loss unless steps are taken to prevent labour shedding. Between 1985 and 1996, up to 60% of labour in certain public enterprises has been shed as a result of commercialisation and corporatisation.

A sectoral approach to state asset restructuring is needed. The links between state asset restructuring and industrial policy also need to be more fully explored. Such an integrated approach will ensure that economic development is directly linked to employment creation. Both the

RDP and the National Framework Agreement (NFA) state that the restructuring of state assets must not be at the expense of jobs. Nonetheless, appropriate policies to ensure job retention are not guaranteed.

During the last decade of apartheid, there was a systematic under-investment in state-owned enterprises and public corporations. This crippled their ability to efficiently deliver goods and services.

Substantial capital resources are now needed to revitalise the parastatals. The public sector is finding it very difficult to mobilise these resources. Finding strategic equity partners in the private sector or overseas is one way of addressing these needs. The danger is that the delivery of basic needs will be surrendered to private, profit-driven corporations.

The case of Korea

The state sector in Korea has played an important role in directing development. State enterprises produce about 9% of GDP.

Korea went through two periods of state asset restructuring which involved partial and complete privatisation of state industries. There was a minimal loss of jobs, mainly because:

- ❑ Korea adopted an integrated approach to restructuring. Employees were retrained and redeployed between enterprises.
- ❑ An effective voluntary retrenchment package was offered.
- ❑ Limits of new hiring were imposed for several years, which forced enterprises to use the employees they had in different capacities.
- ❑ Employees were given the option of transferring to private enterprise, but those who wished to remain in the public sector were able to do so.

It should be noted that many of Korea's state enterprises were experiencing substantial growth at the time of the restructuring, which made the whole exercise easier.

State direction

Clearly, the government must play a critical role in restructuring state assets. What needs to be determined is whether that role is one of ownership or production management. The state must create the regulatory framework, ensure that basic needs are met and ensure that jobs are retained and created. Whether this requires ownership should be determined for each enterprise, within an integrated framework. In some instances, restructuring can provide opportunities for redistribution - for example, community and worker ownership of state forests.

Principles

Restructuring state assets can be directly linked to job retention, job creation and job enhancement. Elements of a programme which promote these goals include:

- ❑ **Employment equity**
Employment equity and affirmative action within the parastatals can be used to improve access to jobs.
- ❑ **Investment and training**
Retrenchments must not be used as a tool for improving productivity and performance. Instead, capital resources must be mobilised to re-tool our public corporations. Employee training will ensure that the skills base of these institutions is improved.
- ❑ **Employment impact assessments**
All restructuring processes should be required to produce a medium-term (four to six years) assessment of the impact of the proposed restructuring on job retention and creation. This research should be conducted by an independent agency which has been approved by all stakeholders.
- ❑ **Job retention and employment security policies**
An explicit policy statement of how the

restructuring proposal will contribute to job creation or ensure job retention must be developed. In cases where retention of jobs is simply not possible, a social plan to provide employment security (for example, re-training, placement in another public sector position) must form part of the process.

Improving labour standards and conditions of employment

Restructuring can also be used to enhance public sector jobs. As assessment of current labour standards and employment practices within the enterprise should be undertaken. From this assessment, a plan for improving the conditions of employment can be developed.

Public works programmes

Internationally, public works programmes (PWP) have proved effective as a short-term job creation strategy, with important implications for long-term development.

PWPs can play a critically important role in alleviating poverty. The benefits of PWPs include improved nutrition, greater income security, direct and indirect job creation and the provision of infrastructure.

PWPs must play a key role in addressing the unemployment crisis in South Africa. Job creation through PWPs must be prioritised in terms of allocation of resources.

In South Africa, a national and community-based PWP is in place. These programmes are, however, driven by inadequate, and at times inappropriate, strategic approaches and policy vision. Government needs to show the political will to channel human and material resources into these programmes. Excessive adherence to GEAR's fiscal

requirements could undermine the programme and diminish its focus on job creation.

A basic framework of implementation strategies should include:

- co-ordination of policies across government departments;
- reorientation of public sector investment and restructuring the industrial and agricultural base;
- the creation of productive, labour-absorbing jobs through labour intensive approaches;
- large-scale programmes, including the mass provision of housing;
- effective targeting strategies;
- education and training for participants;
- early and full involvement of local communities;
- adequate incomes and labour standards for workers;
- effective administration, monitoring and evaluation.

There are further issues which require particular attention:

- The overall goal of a PWP should be to facilitate sustainable income generation through education and training, which will lead to longer-term, permanent employment in the formal sector.
- PWPs should be located within the context of longer-term development strategies. They should not be seen as a trade-off for immediate needs.
- PWPs should be maintained for as long as serious poverty and unemployment prevail.
- Projects must be targeted at the most vulnerable and marginalised of society. Government's current approach threatens to undermine the effectiveness of the programmes.

The state must not only prioritise PWPs, but must commit the necessary resources to ensure their success. The current

emphasis on rapid deficit reduction means that the possibility for a large-scale public works initiative is diminished. While fiscal responsibility is a legitimate concern, there should be sufficient flexibility in macro-economic targets to allow a PWP to take shape.

Social wage

A social wage is a direct transfer of income (for example, an old age pension) and a set of social subsidies (for example, free health care) for the cost of basic needs. A social wage is actually a set of policies which create a social safety net below which no one should be able to fall.

There are generally two broad models for a social wage programme. The first is a targeted, means test. Only those people who are considered particularly vulnerable will receive the social wage.

The second is a universal social wage, where all citizens have access to the services provided. The financing of this package would be progressive, in the sense that wealthier families would contribute more to support the programme.

This type of social wage programme depends on the level of development of an economy and the relative strengths of the social forces in the society. In many respects, the extent of a social wage programme reflects the ability of civil society to stake its claim on the output produced in an economy. In this way, it can challenge capitalist power.

On the other hand, it can help sustain a capitalist economy by providing a solid base of demand during economic slumps. Business could benefit from a modest social wage programme, but it is likely to resist any comprehensive scheme, which could challenge its power.

A social wage could contribute to gender equality in our society because it

supports those, mainly women, who perform unpaid household labour. Through providing services such as child care, it could also free women to enter the formal labour market.

There are two ways a social wage can impact on job creation. Firstly, it increases the level of demand in an economy. Secondly, it can reduce the indirect costs of hiring workers.

A social wage programme needs to take the following approaches into account:

- There should be a movement towards a comprehensive social security system. A means-tested system will allow the social wage to be targeted at the most vulnerable segments of the population. Scarce resources would be directly effective. A more universal system would be more costly and would mean that scarce resources are spread more thinly. Such a system would, however, be closer to an ideal of widespread provision of basic needs.
- The process of designing a social wage programme must embrace broad principles of equity, transparency and democracy.
- The non-wage costs of employment must be socialised. This could prove difficult. Employees might not be willing to give up their private benefit packages because they see public services as a poor alternative. Improvements in public service delivery could change this perception.
- There should be a consistent move to de-privatise the social wage. While a combination of private and public benefits may persist for some time, a commitment to move away from private provision as a means of strengthening the public sector should be adopted. ★