

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

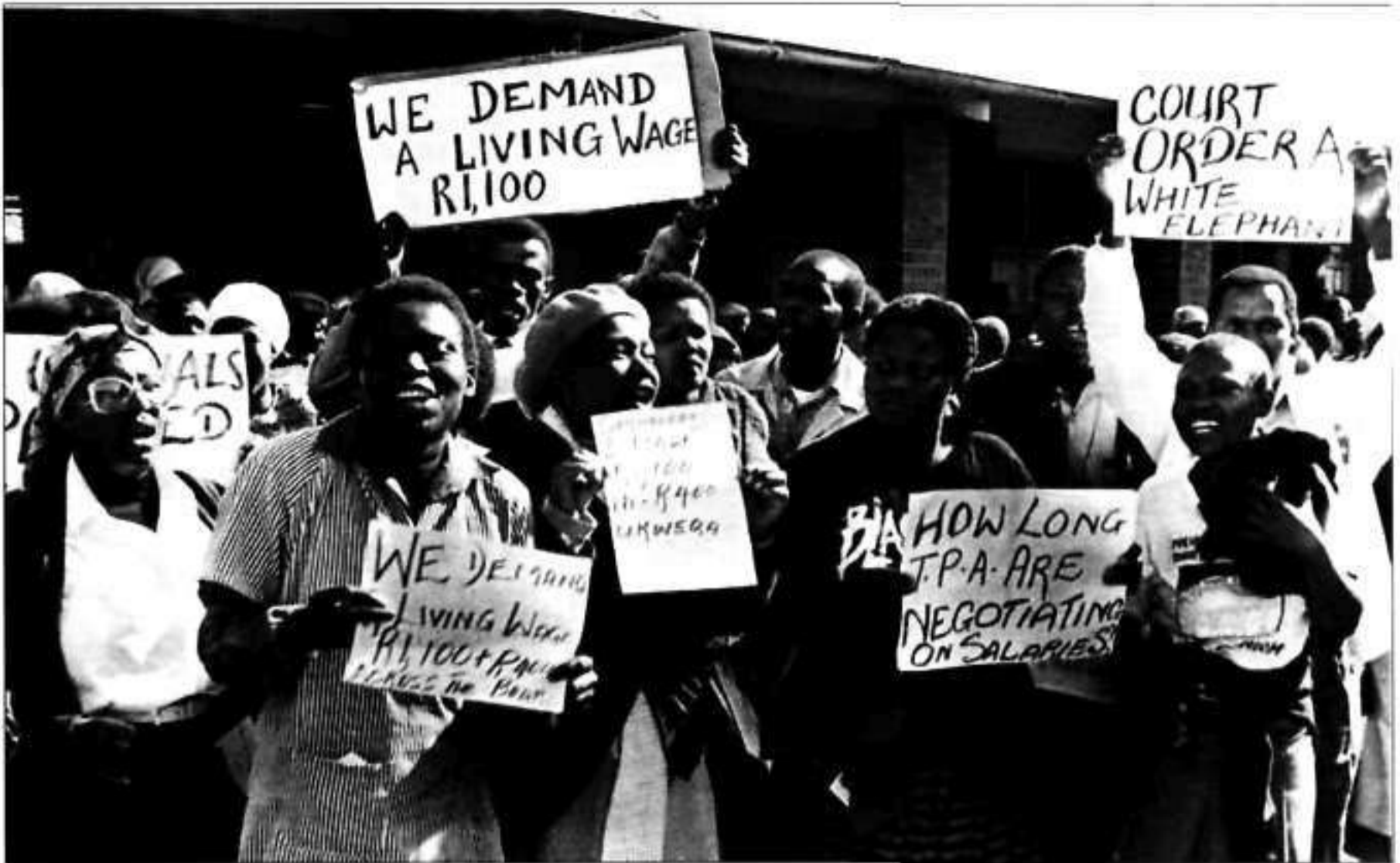
The costs of the transition to a democratic government have proved to be far higher than was expected. These costs now total over R3 billion, and may go as far as R5 billion once all the accounts have come in. The biggest costs were the elections, the integration of the armies, and pay increases for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

Consultation Before Legislation: *democratising the public service*

By LUCI NYEMBE and DEANNE COLLINS

Changes in the Civil Service announced by Public Service and Administration Minister Zola Skweyiya have drawn response from a variety of interested players.

The Minister announced steps to address apartheid imbalances in the public service and said he was setting up a permanent mechanism to monitor "racial representivity".

Filling of posts recommended by previous Public Service Commissions have been halted. These will be re-advertised. In addition, 1 000 new posts will be made available. These posts include director-generals of government departments. These posts are aimed at "under-represented" groups.

The predominantly white Public Servants Association, as well as the National Party expressed grave reservations about these measures. From a different perspective, so, too, has NEHAWU, which has put forward its own vision of the transformation of the public service.

Transforming the Public Service

NEHAWU points out that the public servant is central to the process of transformation.

This process will take place over a number of years. It is essential that institutions and structures are set in place which will ensure harmonious employer-employee relations in the public service.

Bargaining and Policy-Making

The Union envisages the need for separate institutions to deal with :

- labour matters
- policy matters

A Bargaining Council already exists where annual improvements to conditions of service are negotiated. In the Bargaining Council, the employer and employee representatives are the only interested parties.

NEHAWU sees a need for a much more broadly representative forum to deal with major policy issues such as the reform of public sector labour legislation and the development of employment and pay equity policies. The Union points out that "these are matters where a majority vote cannot resolve disagreements, but where consensus is required to see effective implementation of agreed policies."

In April 1994 a Public Service Forum was established to deal with the crisis in the public service prior to the elections. The Forum has become non-functional, and NEHAWU is calling for it to be re-convened to discuss the issues raised above.

Consultation before Legislation

The Union has also called for worker organisations in the public service to be given first hand information about any changes taking place in the administration. It feels that communication forums should be set up, and unions and staff associations given the opportunity to feed back information to members and make comment before legislation is published.

NEHAWU is calling for channels of communication to be set up between the Minister of Public Service and Administration and other parties to prevent "unnecessary misunderstandings" arising in the future. ☆

Stopping the gravy train

'Gravy train' heading for a collision

There has been an outcry from unions and civic organisations over the Melamet Commission salary recommendations.

SACP wants Cabinet pay cut

Pay our MPs well, says union chief

Committee member speaks out

SALB writer DEANNE COLLINS enters the debate about pay scales and values in the public sector – and in society in general.

Introduction

The public furore around the salaries to be paid to public office bearers, as well as the steady exodus of staff from trade unions and other progressive organisations into government and business, emphasises the need for debate around salary packages generally and the basis on which these are determined. COSATU, NEHAWU, the SACP, SANCO and the ANC Youth League have come out strongly against the proposed salary packages for MP's and other public office bearers. The ANC itself has appointed its own investigation into the issue.

What are the politicians earning?

Table 1 below shows some

of the salary packages recommended by the Melamet Committee on Remuneration of Politicians, which have been accepted by the Cabinet.

Salaries are based on the private sector

One of the main criticisms which has been made of the salary packages is that they are

Table 1

Position	Annual Salary Package
President	R784 350
Deputy Presidents	R681 600
Regional Premiers, Cabinet Ministers	R470 400
Deputy Ministers	R372 000
MP's, National Assembly	R193 200
MP's, Provincial Legislatures	R184 800

based on salaries paid to executives in the private sector. COSATU points out that "South Africa is internationally notorious for the obscene gap which exists between workers and executives".

A survey by the Labour Research Service of the average wages paid to directors of large South African companies shows that a "labourer" would have to work about 48 years to earn what most directors get in a year. Table 2 below shows the gap between directors pay and "labourers" wages at some South African companies.

While investigations are continuing, the members of government are receiving these amounts every month.

How do the Unions Compare?

Other articles in this issue of the SALB point to a virtual flood of all levels of staff out of the

Table 2

Company	Monthly Pay		Gap
	Directors	"Labourers"	
Engen	R 83 333	R1 846	45
ABSA	R108 333	R1 125	96
Anglo American	R 41 666	R 676	62
Murray & Roberts	R109 524	R 866	126

trade unions. Apart from those serving in government, many are going into the civil service. Still others are moving to agencies in the development or NGO sectors, while some are "crossing the line" to work for business.

One reason for this exodus is the perception that wages and working conditions in the unions are very poor.

One of the difficulties in assessing whether

Table 3

JOB CATEGORY	WAGE RANGE PER MONTH	
	UNION	NGO
General Secretary/Director	R1900 – R4100	R3152 – R12500
Head of Department	R1865 – R3395	R2406 – R 4705
Organiser/Fieldworker	R1300 – R2651	R2000 – R 4500
Administrator	R1231 – R2651	R1591 – R 2281

or not union conditions are in fact bad, is establishing which yardstick to measure them against.

Table 3 below shows the range of wages currently paid to different categories of union staff in a cross section of COSATU unions surveyed by SALB writer Zolile Mtshelwane. These are compared to comparable jobs in the NGO sector.

Most unions and NGO's also offer additional benefits, the most common of which are medical and provident funds and transport or car allowances.

It is understood that salaries paid by parties such as the ANC and the SACP are close to those of union officials.

A shift in Attitude

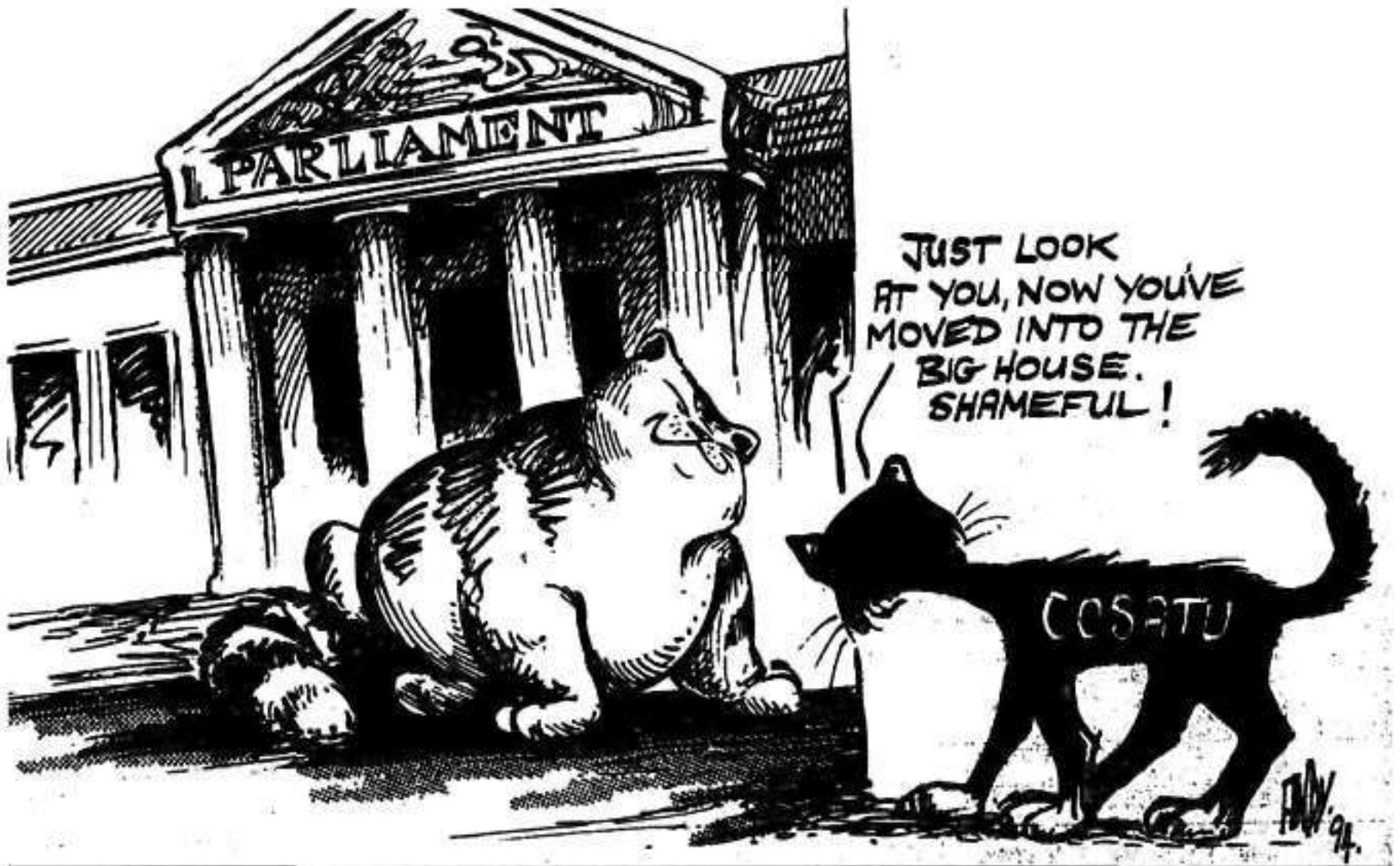
There can be no doubt that the wages and conditions of union and party officials need to be reassessed. However, the terms of reference

of this reassessment will be crucial.

There are disturbing indications that amongst certain sections of our society, which were formerly part of the

progressive movement, a significant shift in values is taking place, which the debate over politicians salaries reflects very accurately.

Condemnation of the proposed levels of pay for politicians has by no means been unanimous amongst progressive circles. The President of the NUM, who sat on the Committee which set the salaries, has publically disagreed with COSATU on the



issue, stating that his union accepts the recommended levels. It is known that a number of the ANC members of government concur.

Service or self-enrichment?

If one looks at the salaries being offered in the private sector (though only, of course, to the select few) as well as the salaries for politicians, it is clear that union officials are comparatively worse off.

This should come as no surprise. It has always been accepted that working for the Union was an act of struggle. The reward for one's work was not monetary, but the contribution that one was making to the liberation of society.

It would appear that for some, since the struggle is now over, so too, is this value system. Many "comrades" are now demanding that their services be valued in terms of entirely different criteria.

The terms of the new value system which is emerging are not unfamiliar: service in and for itself no longer has value. Service to society is replaced by a notion of individual worth which is measured in terms of the "market value" of one's skills and work. The interests of the collective are replaced by the self-interest of the individual.

With the focus on the narrow interests of the individual, it is inevitable that there will be intense competition between individuals in the scramble to secure for themselves the best "deal", without regard to the fact that this approach will generate enormous gaps between the higher and the lower rungs of the pay "ladder". Nowhere is this point better illustrated than in the case of the salaries which directors of South African companies pay themselves. This is the final absurdity – but also the inevitable conclusion – of such a value system.

Stopping the Gravy Train

In its press statement on politicians salaries, COSATU pointed out that "the main aim of public service is not self-enrichment" and called on public office bearers not to continue to ride the gravy train set in motion by their predecessors. But it is clear that the "gravy train" value system does not only operate in the public service: it can be found in all sectors of our economy.

Urgent debate is needed if we are to stop the gravy train approach from becoming the norm in our society. An essential part of this debate will be examining what kind of society we want South Africa to be and whether our struggle is, indeed, over. ☆