HOSPERSA

Public Service Pulse

PUBLIC SERVICE COORDINATING BARGAINING PRE-NEGOTIATIONS SPECIAL COUNCIL MEETING

REPORT 12 OF 2024

14 AUGUST 2024

A Public Service Coordinating Bargaining Council (PSCBC) special council meeting was convened on the 12th of August 2024.

The agenda for the meeting was to allow an opportunity for the Employer to respond to Organised Labour's presentation of the economic outlook presented at PSCBC on 08 August, which was reported on to members in the previous Public Sector Pulse.

THE EMPLOYER INDICATED THE FOLLOWING:

The special council meeting of 12 August 2024 was in response to organised labour's economic outlook presentations.

The Employer tabled a presentation

The respective presentations can be found on the Hospersa website – www.hospersa.co.za

The Employer stated that organised labour had previously indicated that there was a reduction in the wage bill from 35% to 31% which is very true.

The compensation of employees had declined from 35.2% in 2010/11 to 31.8% in 2024/25.

However, the debt service cost had doubled from 8.6% in 2010/11 to 16.5% in the 2024/25 financial year.

The state, however, had to deal with the debt servicing issue, because the government cannot continue to borrow as it is at this stage, i.e. there will be no money left in terms of infrastructure spending.

The state doesn't intend on changing its fiscal strategy, but it's imperative that it deal with the current debt increase that it's facing.

The fiscal deficit of the state has been more than the revenue it is generating, i.e., wage agreements, widening social grant coverage and SoE support by the state have increased and the state had to borrow in making sure that it met its obligations.

The current revenue generation of the state is not sustainable, hence the continued borrowing.

South Africa's government gross loan debt trajectory is about 14% higher than the median emerging market level.

Financial stability in the country is therefore imperative to ensure that even workers are protected in retaining their jobs.

The total gross government debt is projected to increase from R5.5 trillion in the 2024/25 financial year to R6.3 trillion in the 2026/27 financial year.

Eskom Transfers are set for R76 billion in the 2023/24 financial year and R64.2 billion in the 2024/25 financial year, with a R40.2 billion transfer and a R70 billion debt switch in the 2025/26 financial year.

The borrowing requirements will remain significantly higher at R578 billion in the 2025/26 financial year, driven by the large redemptions and Eskom relief.

The Employer agreed that the public service is not bloated, however, there is a trade-off between salary increases of the public service employees and public service headcounts.

Higher salaries and wages would mean less funding available for additional appointments and vice versa.

Given the past trends, high average remuneration levels afforded to the public service employees is mainly responsible for South Africa's high public sector wage bill at the expense of headcount growth which remained stagnant over the past decade.

The conversation of cash gratuity into the baseline prioritised lowerlevel employees and remunerated them for the previous inflationary pressures.

The introduction of the National Health Insurance is expected to mitigate these effects by streamlining healthcare delivery and financing.

The NHI aims to create a more equitable healthcare system by pooling funds to provide comprehensive health services for all citizens, this could lead to more stable or reduced tariffs over time as the system becomes more efficient.

Maintaining a variety of healthcare options is crucial to accommodate the diverse needs of employees, allowing them to choose plans that best fit their unique circumstances.

While we are waiting for the implementation of the NHI, the reduction of options, eradication of co-payments, and the removal of the ability to select GPs or hospitals within a network is not feasible. Co-payments are only applied when generic medications are unavailable, which helps to minimize financial burdens while still promoting cost-effective healthcare solutions.

Regarding the issue of housing allowance, the view that PSCBC Resolution 7 of 2015: Clause 4.5.6.5.3 should be amended is not practical because the housing allowance scheme is designed to promote long-term employment and facilitate homeownership among public sector employees. Allowing those who resign or are dismissed to access their accumulated savings undermines this purpose by incentivising short-term employment and potentially leading to misuse of the scheme.

SoE/SOCs bailouts- Government agrees with labour on bailouts and such have been minimised in recent years.

While government recognises that all its employees should be fairly remunerated, it is obligated to balance wage demands with the broader needs of society and the economy.

The public sector remuneration system includes various dispensations and over 250 benefits and allowances, which aim to provide fair and equitable compensation for different occupational groups within the public service. These dispensations recognize the unique skills, qualifications, and responsibilities associated with specific occupations.

Balancing a budget for wages in a struggling economy with low growth involves a careful and strategic approach. It requires managing fiscal constraints while addressing the needs of essential services and responding fairly and realistically to public sector wage demands.

The challenge lies in finding a middle ground that maintains public sector morale and service quality while ensuring long-term fiscal sustainability. This balancing act is crucial for both economic stability and future growth of the economy.

The Employer is of the view that additional headcounts in frontline service delivery sectors should continue to be prioritized. Hence, government has allocated considerable number of resources in the 2022, 2023 and 2024 Medium Term Expenditure Framework (METF) to the public service wage bill to deal with capacity issues in Education, Health and security cluster for them respond to the service demand pressures.

ORGANISED LABOUR INDICATED THAT:

It noted the Employers presentation, however, the Employer failed to respond to organised labour's economic outlook.

The Employer is continuing to give labour the same information year in and year out, of pleading poverty prior to every PSCBC wage negotiations.

The Employer has also kept pushing a certain narrative, and we need to respond to that narrative, on record, highlighting key areas.

The debt service cost narrative by the Employer should also be continuously demystified going into the upcoming PSCBC wage negotiations. The Employer has never, and still does not provide an in-depth analysis of their public wage bill discussion.

The cash gratuity that was given to our members was a gap year in pension contributions for our members, and the Employer should not misrepresent the facts as they were.

The Employer continues to implement austerity measures by continuing not to fill vacant posts, employees continue to be exploited by acting in positions perpetually.

Organised labour, therefore, still retained its positions as per the presentations that we delivered on 07 August 2024.

The Employer was simply applying scare tactics in the special council meeting of 12 August 2024, and organised labour refuses to be scared by such tactics leading up into the upcoming wage negotiations.

In essence, the Employer, therefore, did not respond to organised labour's economic outlook presentations.

Organised labour thereafter proposed that parties to PSCBC should reconvene on 22 August 2024 for the consolidated labour demands for the 2025/26 public sector wage negotiations to be officially tabled.

The Employer noted the submissions from organised labour and indicated that it agreed with the proposed date of 22 August 2024 for organised labour to table its consolidated demands for the upcoming 2025/26 wage negotiations.

HOSPERSA maintains its position that the employer can no longer be allowed to use our members as the sacrificial lamb to advance its deficit and savings agenda over your decent increases.

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