PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA

PO Box 15 Cape Town 8000 Republic of South Africa
Tel: 27 (21) 403 2911
www.parliament.gov.za

4 May 2021

Minister Senzo Mchunu
Minister of Public Service and Administration
Sibongile.Hlongwane@dpsa.gov.za
Zah.Makhanya@dpsa.gov.za
Vukani.Mbhele@dpsa.gov.za

Response to call for advice: DA submits three-step guide to solving public sector wage impasse

Dear Minister Mchunu,

In response to your public call for ideas on how to resolve the ongoing impasse between the government and public sector workers on wages, the Democratic Alliance (DA) today presents a three-step proposal that will provide a sustainable solution to the stalemate. The DA's plan would exceed the target of reducing spending by R160.1 billion over the three-year Medium-Term Expenditure Framework (MTEF) period set by finance minister Tito Mboweni – while still guaranteeing inflation-linked increases for all frontline service delivery heroes.

The basis of our proposal is centred on our long-held position that deep cuts need to be made to the cost and composition of the public sector wage bill, but that our frontline service delivery heroes should be protected as much as possible by focusing cuts on the 29 000 millionaire managers employed in the state as well as on wasteful luxuries.

To achieve this outcome, our model proposes that the government should:

1. Freeze the wages of the 33.7% of public servants who are *not* covered by Occupation Specific Dispensation (OSD). This category includes office managers, administrators and supervisors who spend most of their working hours in airconditioned offices. In turn, this would enable the state to protect the wages of frontline workers by ensuring that the 66.3% of public servants who are covered by OSD receive CPI inflation-linked increases;
2. Reduce the 29 000 millionaire managers in the public service by a third; and
3. Eliminate funding for VIP blue-light security and the New Development Bank.

Our proposal protects frontline staff by utilising the OSD system as it was originally intended. The government in 2007 introduced OSD under the guise of attracting and rewarding skilled personnel – like doctors, engineers, and teachers – through higher salaries. However, OSD has thus far failed, because the government has not limited salary increases to these skilled workers. Instead, wage hikes have often favoured those in senior management positions at the expense of skilled public servants delivering frontline services to citizens.

The DA's plan would entirely flip the script by prioritising our frontline OSD workers over the 29 000 millionaire managers in the state.

In total, our three-step plan would save R163 billion over the MTEF period, exceeding the target set by the finance minister by R2.9 billion and restoring South Africa to the path of fiscal sustainability.

Summary of DA proposal

Action	**Savings over MTEF period**
1) Freeze non-OSD wages	R116.7 billion
2) Reduce 29 000 millionaire managers by a third	R29.4 billion
3) Cut wasteful spending on (a) VIP Blue-Light Security and (b) New Development Bank	(a) R3.4 billion (b) R13.5 billion
Total	**R163 billion**

1) Freeze non-OSD wages to protect frontline workers

The DA believes that the burden of cutting our bloated wage bill should not fall on frontline service delivery staff – mainly nurses, teachers, and police officers. We must do all that we can to provide inflation-linked increases for frontline staff.

We can provide inflation-linked increases for the 66.3% of public servants who work as frontline staff in the OSD category by freezing the wages of all public servants *not* covered by OSD over the three-year MTEF period. This would yield savings of **R116.7 billion** in savings

2) Reduce 29 000 millionaire managers by a third

In order to pay for CPI inflation-linked increases for frontline staff, we need to reduce the number of millionaire managers in the state by a third. This would yield an additional **R29.4 billion** alongside the R116.7 billion saved by freezing non-OSD salaries. Combined, these direct wage measures would amount to cost savings of R146.1 billion.

This saving would entail net retrenchments until the number of posts is reduced by a third – approximately 9 600 posts. Some of these posts are already vacant, so actual headcount reduction would be lower.

There is substantial evidence that head office managers in the civil service are significantly overpaid compared to similar positions in the private sector. These millionaire managers are often not involved in direct service delivery related roles.

The government nonetheless currently spends close to R30 billion per year to fund the millionaire lifestyles of over 29 000 managers in the public services. On average, each of the senior managers in national and provincial government takes home R1.4 million per year, with the highest-level managers being paid just under R2 million per year.

This is in sharp contrast to the average annual salary of R169 466 paid to a police officer, the average public school teacher's salary of R273 209, and the average R302 000 paid to a public sector nurse per year.

As the resource envelope has shrunk over the past few years, average vacancy rates have increased to about 10% in national and provincial government. However, there is substantial evidence that the government has made an immoral choice by using their limited resources to fill management positions rather than frontline service delivery posts.

While the overall government vacancy rate stands at about 10%, most provincial education, health and social development departments currently have vacancy rates of over 15%. This is a clear indication that departments have chosen to protect the millionaire lifestyles of cadres in management positions over the hardworking teachers, nurses, doctors and police officers who deliver vital services to citizens.

3) Cut wasteful spending on VIP Blue-Light Security and New Development Bank

It is unconscionable that the government is set to spend **R3.4 billion** on VIP blue-light security over the MTEF period at a time when millions more people are losing their livelihoods. The state must immediately do away with this grotesque waste of public funds. At the same time, the imminent threat of a debt crisis means that we should cut **R13.5 billion** in funding from the New Development Bank, which is nothing more than a political white elephant. Our country cannot afford to fund an international bank when we cannot even fund our domestic obligations.

Conclusion

The premium paid to public sector workers is a function of patronage-driven wage increases over the last decade, and there is little evidence that productivity has kept pace with wage growth. A 2017 report by the Financial and Fiscal Commission noted that: "Despite a legislative framework that emphasises efficient and effective service delivery, there is increasing concern that government is not achieving maximum value in key areas of its budget."

Exorbitant public sector wages are crowding out productive investment and South Africans are not getting value for money. It is time to choose country over cadres by reigning in spending on salaries for non-OSD personnel so that we can protect our frontline service delivery heroes while cutting the bloated wage bill.

The three-step plan set out above will save R163 billion over the MTEF period without punishing frontline service delivery workers and the citizens who depend on them. In the process, it will correct the immoral choices of the past, protect critically needed frontline services, and put our country on the path to fiscal sustainability.

Yours sincerely,

Dr Leon Schreiber MP