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## Government dangles once-off cash bonuses to settle wage dispute with public servants

By Ray Mahlaka • 2 December 2020



*The Minister of Public Service and Administration Senzo Mchunu, who oversees public sector employment, met trade unions representing p...*

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**BUSINESS MAVERICK** Government dangles once-off cash bonuses to settle wage dispute with public servants By Ray Mahlaka • 2 December 2020 The Minister of Public Service and Administration Senzo Mchunu, who oversees public sector employment, met trade unions representing public servants on Monday 29 November via a virtual meeting, where the settlement offer was tabled. (Photo: Gallo Images / The Times / Jackie Clausen) To fund a once-off cash bonus, the Public Servants' Association says the government has proposed using the monthly contributions that it makes to the pension savings of public servants, which are managed by the Government Employees' Pension Fund. To settle a long-standing dispute over salary increases that will push SA towards a fiscal cliff, the government has proposed a settlement offer to 1.2 million public servants that include once-off cash bonuses. The Minister of Public Service and Administration Senzo Mchunu, who oversees public sector employment, met trade unions representing public servants on Monday 29 November via a virtual meeting, where the settlement offer was tabled. Up until now, Mchunu has not revealed details of the settlement offer, but public sector trade unions, including the Public Servants' Association (PSA), have blown the lid off it. Mchunu's office was not available to comment on the offer. Display Adverts The offer is a major U-turn by the government because, since February 2020, it has refused to implement the last leg of a three-year wage agreement which guarantees public servants' inflation-beating salary increases. The government has repeatedly argued that it cannot afford salary increases of between 4.4% and 5.4% for public servants – depending on their salary scale, with low- and mid-income earners getting a higher percentage – saying the Covid-19 pandemic has wreaked havoc on public finances. The government's plan to cut spending by R300-billion over the next three years to bring state debt under control depends on implementing wage freezes for public servants including teachers, nurses, police officers and others. Cost of the settlement offer To implement the wage agreement, National Treasury previously said it would cost the fiscus an extra R37.8-billion and that would result in the total wage bill taking 60% of tax revenue. But the PSA, which attended the Monday meeting with Mchunu, said paying once-off cash bonuses to public servants will cost it R27-billion. The government still requires more time to engage with trade unions on the settlement offer, costing the offer, and to determine whether the fiscus can take on the liability. To fund the once-off cash bonus, the PSA said the government had proposed using the monthly contributions that it makes to the pension savings of public servants, which are managed by the Government Employees' Pension Fund (GEPF). The PSA said the once-off bonus would be

calculated on the Consumer Price Index of 3% as determined in September 2020, which “converts to the lowest-level employee receiving R4,000 and the highest-level employee receiving about R52,000 once-off taxable amount”. Paying the once-off cash bonus by using the government’s contributions to the pension saving of public servants might have a detrimental impact on the GEPF, the PSA has warned. That once-off cash bonuses have been costed at R27-billion means that there might be a hole in the pension contributions of public servants on the GEPF’s books. As a defined benefit fund, any shortfall or hole in the GEPF will ultimately be paid by the fiscus, or the SA taxpayer. Mugwena Maluleke, the chief negotiator for the majority of Cosatu unions, has described the once-off cash bonus offer as “disappointing”, telling Business Maverick that it has the effect of public servants funding the bonuses themselves from pension benefits. The PSA and other trade unions affiliated to Cosatu have rejected the settlement offer, opting to forge ahead with suing the government at the Labour Appeal Court to enforce the wage agreement. The government wants the court case to be postponed to after February 2021, which would buy it more time to negotiate with trade unions about the settlement offer. But the case went ahead on Wednesday 2 December, and judgment was reserved. Some trade unions, including the National Education, Health and Allied Workers’ Union, told the court that although the first prize would be to enforce the wage agreement, it is willing to keep engaging with the government on a “remedy” for the dispute. DM/BM Government Employees' Pension Fund Labour Appeal Court Mugwena Maluleke public sector wage bill Public Servants Association Senzo Mchunu settlement offer Ray Mahlaka Follow Save More Comments - share your knowledge and experience Please note you must be a Maverick Insider to comment. Sign up here or sign in if you are already an Insider. Everybody has an opinion but not everyone has the knowledge and the experience to contribute meaningfully to a discussion. That’s what we want from our members. Help us learn with your expertise and insights on articles that we publish. We encourage different, respectful viewpoints to further our understanding of the world. View our comments policy here. MAVERICK INSIDERS