

## Budget 2020 | Treasury announces three-year R160bn proposal to cut to state wage bill

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Budget 2020 | Treasury announces three-year R160bn proposal to cut to state wage bill 25 minutes ago - Khulekani Magubane Finance Minister Tito Mboweni during a media briefing after his first mid-term budget speech at Parliament on October 24, 2018 in Cape Town. (GALLO IMAGES) ~ Gallo Images Finance Minister Tito Mboweni told reporters ahead of his 2020 Budget Speech that he enjoyed the full political support of Cabinet in his drive to contain the public service wage bill. National Treasury has announced an ambitious plan to cut the public sector wage bill of provincial and national departments by R160.2 billion over three years, a move labour unions have warned will spark protest action. Mboweni tabled his 2020 Budget Speech in Parliament on Wednesday afternoon. In its Budget Review, Treasury has proposed cuts to the wage bill of R37.8 billion in 2020/21, R54.9 billion in 2021/22 and R67.5 billion in 2022/23. During a briefing that took place ahead of the Budget, Mboweni said his colleagues in Cabinet were unusually supportive of his proposals to come to grips with his public service wage bill. 'Nicest' Cabinet meeting "There is political support to contain public service wage bill. I had one of the nicest Cabinet meetings this morning. "It's very rare that it's so nice, actually. There is full support of the direction that we are taking and appreciation for the need to take a tougher stance," Mboweni said. Mboweni said it was to be expected that contesting interests would jostle over allocations. Rump steak vs. pilchards "Some programmes have to be modified and moderated, so we won't necessarily get all that we need. "It's the same at home. You have to modify consumption and it is down to choosing between rump steak and pilchards. "As for me and my house, we will choose the pilchards," said Mboweni. Deputy minister of finance, David Masedo, told reporters that government submitted a proposal to the Public Service Coordinating Bargaining Council on Tuesday to formally table the proposal for discussion with unions, following numerous informal discussions. "The cost of doing public service work is increasingly high. The money we have and expenditure in providing public service is increasing. The wage bill is one of the cost drivers in the rise of expenses in providing services," said Masedo. Since 2016, the state's policy has been to allow natural attrition of older public servants retiring from the public service to reduce total numbers. This was combined with a freeze in non-essential appointments and salary increases where possible. But public servants are not retiring fast enough for the attrition to add up to meaning savings in the public service wage bill, according to Treasury. "Take-up of the early retirement initiative has been slower than anticipated and only the Department of Police has finalised implementation during 2019/20," Treasury said. READ | Govt reviews pay of public servants, Cosatu threatens 'declaration of war' Declaration of war A proposed cut in the state's compensation bill has already been slammed by Public Servants Association and labour union federation Cosatu. Cosatu's Central Executive Committee said on Tuesday evening that reducing wages to cut costs could "never be accepted" and amounted to a 'declaration of war'. Some form of cut to the state's wage bill was largely anticipated by analysts, who noted ahead of the Budget that the state had struggled to reduce spending by others means to stop the gap caused by weaker-than-expected tax revenues. "Urgent additional actions to stabilise the debt outlook and improve the composition of spending are thus vital, with a reduction of the public wage bill a priority," said Investec in a preview. In its Budget Review, Treasury said that civil servants' salaries had grown by 40% in real terms over the past 12 years, "without equivalent increases in productivity". "Growth in the wage bill has begun crowding out spending on capital projects for future growth and items that are crucial for service delivery". During a separate briefing on Monday, Democratic Alliance MP Leon Schreiber said freezing the wages of supervisors and managers among public servants would yield R138.6 billion in adjustments for the national fiscus. He said a freeze on appointments would free up an additional R29.4 billion. "We can achieve the cuts we need while

protecting hard working public servants. A third of public service is management and administrative staff and they must face the freeze because that is where the highest increases have been," Schreiber said..