

## Business Day

### Fiscal watchdog calls for a 'radical rethink' to cut public service wage bill

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*The Financial and Fiscal Commission, which makes recommendations on the state's fiscal plans, is concerned that the wage bill is rising while capital spending declines.*

Cutting the public sector wage bill would require a "radical rethink" of government employment policies, the Financial and Fiscal Commission (FFC) said Tuesday.

The commission, a statutory body established by the Constitution to make recommendations on the government's fiscal plans and structures, presented its view on the 2017-18 budget to a joint meeting of Parliament's finance and appropriation committees on Tuesday.

The public sector wage bill will rise by a real annual average growth rate of 1.31% over the next three years, from R550.4bn in 2017-18 to R631bn in 2019-20. This is despite the government's efforts to curb the growth in public servants' salaries.

The next multiyear wage negotiations will take place in 2018, adding further uncertainty to Treasury's projections.

Financial and Fiscal Commission economist and research director Ramos Mabugu told MPs that "a radical rethink of current labour policies should go hand-in-hand with efforts to streamline government operations and reduce duplication across government".

He reiterated the commission's recommendation that the salaries of public officials should be linked to productivity increases.

While the wage bill shows real growth, the allocations to capital assets take a "severe knock with a 0.8% decline in real annual average growth over the 2017 medium-term expenditure framework", Mabugu said.

"This decline is of concern especially since government's growth path is dependent on an infrastructure-led strategy."

Expenditure on capital assets is projected to rise from R101.4bn in 2017-18 to R107.8bn in 2019-20.

The commission was also concerned about the reduction in conditional grants to local government, and in particular the municipal infrastructure grant, water services infrastructure grant, urban settlement development grant and the public transport network grant.

Mabugu said these cuts would affect municipal service delivery.

Another concern was the mounting consumer and municipal debt, which the commission said was affecting the fiscal health of municipalities and other public entities.

Municipalities currently owe Eskom more than R10bn and as at June 2016 were owed R113bn by national and provincial governments, businesses and households.

Generally the commission supported Treasury's approach of gradual fiscal consolidation but emphasised that more needed to be done to reignite higher economic growth.

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