# Public sector wage bill 'not sustainable'

by Linda Ensor, 28 May 2013, 06:31

Bongani Khumalo, acting chairman of the Finance and Fiscal Commission. Picture: TREVOR SAMSON

THE Finance and Fiscal Commission (FFC) has warned of the dangers of the rapid escalation of the public sector wage bill and urged the government to moderate its expenditure on salaries in order to achieve its goal of fiscal consolidation.

South Africa's public sector wage bill of more than R400bn ranks among the highest compared with countries at a similar level of economic development. There are about 1.3-million funded posts in the public sector and the rise in their wages over the past few years has not been matched by productivity increases.

The FFC warned that if the trend of above-inflation wage increases continued, it could become unsustainable and potentially crowd out other important forms of government expenditure. The commission said in its submission to Parliament on the 2014-15 division of revenue that personnel expenditure could be reduced as part of fiscal consolidation without this necessarily compromising economic growth.

Another key element of a successful fiscal consolidation, the FFC suggested, would be to increase the rate of value-added tax (VAT). The FFC recognised that increasing the rate of VAT would be a regressive measure affecting both the rich and poor alike and, therefore, potentially unpopular.

However, it noted that collection of VAT as a percentage of gross domestic product had remained constant since 1994, while the shares of personal income tax and corporate income tax had increased.

The commission urged against limiting the growth in future spending on the child support grant. It said this grant had a significant impact on children and households.

An estimated R38bn will be spent in the 2013-14 financial year on the child support grant. The FFC urged that the government move more rapidly towards extending the child support grant to all who qualify.

The FFC report noted that between 2008-09 and 2011-12, remuneration in the public sector grew an average of 8.3% a year.

FFC acting chairman and CEO Bongani Khumalo said the rising wage bill was because of above-inflation salary increases and a "substantial expansion of the public service at a time when private sector employment was stagnant". The agreement on a three-year, inflation-linked wage pact with public sector trade unions last year was an important step in controlling and stabilising the wage bill.

"The high levels of inefficiency in the use of resources by all spheres of government need to be curtailed," Mr Khumalo said. "(These created) the breeding ground for … abuse of state resources, including corruption and fruitless expenditures.

"The government needs to tighten its accountability framework to ensure that state resources are utilised in a manner that is consistent with the prescripts of the laws."

The FFC report suggested that the national government should set norms and standards for the numbers of administrators relative to service delivery workers as there were too many administrative staff.

Mr Khumalo said some provinces worked well in terms of producing the maximum output with the minimum number of staff. Cases of this nature should be used to determine national benchmarks.

Public Service and Administration Minister Lindiwe Sisulu has committed herself to trimming the "bloated" public service, which employs about 1.3-million people, over the next few years. The department estimates that about R8bn could be saved annually by reducing the number of funded vacant posts.

The Treasury has also emphasised the need to change the composition of government spending away from consumption expenditure towards more investment.

The FFC also highlighted the need for municipalities to provide for the maintenance of infrastructure.

http://www.bdlive.co.za/national/2013/05/28/public-sector-wage-bill-not-sustainable