Business Day

EDITORIAL: Scrutiny of state wage bill needed

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LITTLE has been heard lately of the Financial and Fiscal Commission, the independent body that is supposed to scrutinise the public finances each year and make recommendations on what the government should be doing.

The bold comments in the commission's latest report might help to raise its profile — and ask important questions about how the government should be spending its money, on the public service in particular.

The government has for the past couple of years committed to capping its spending growth at about 2% in real terms, and there has been a broad commitment to cap the number of public servants and rein in the growth in the public sector wage bill, which makes up nearly 40% of government spending.

The commission has gone one step further, however, and has warned that the government actually needs to cut the wage bill — otherwise it will not be able to maintain the level of expenditure on service delivery or improve the quality of services.

This is hardly likely to go down well with the ministers newly appointed to SA's ever more swollen Cabinet, who will no doubt have hiring aspirations of their own, nor with the public sector trade unions whose members make up an increasingly large share of the membership of the Congress of South African Trade Unions.

But the government would do well to heed the commission's advice, especially now that economic growth is faltering, putting budget projections — and SA's sovereign credit ratings — at risk.

In his February budget, former finance minister Pravin Gordhan pencilled in a 4% budget deficit for the 2014-15 fiscal year, based on a projected economic growth rate of 2.7% for this year.

That was already looking way too optimistic even before the latest gross domestic product figures. But the figures, which showed the economy contracted by 0.6% in the first quarter, suggest we will be lucky to see 2% growth this year.

That implies that the government will collect significantly less revenue than it had hoped, and that the deficit will be higher — which in turn means that the government's debt level, which is already hitting 40%, will be climbing for some time. Interest on government debt is already the fastest-growing item of state spending, crowding out expenditure on other, service delivery orientated items.

As it is, the latest monthly fiscal numbers released last week suggest last year's deficit was higher than projected and that the current year has got off to a bad start. The risk is that SA's sovereign rating could be downgraded, driving up the cost of government debt still further.

If the government wants to retain the space to spend on services for its citizens, it needs to look at that 40% of the budget that goes to paying SA's 1.25-million provincial and national government staffers (excluding municipal staff) — a number that has grown by 250,000 since 2005 while private-sector employment has languished.

It is not enough for the government just to tinker at the margins with public-sector pay. What is required is a deep-dive look at what it is that SA needs in terms of people to ensure that quality public services in every area, from education and healthcare to policing and welfare, can be delivered to citizens in a cost-effective, sustainable way.

The Public Service Commission exists precisely to consider this sort of issue, and it should be mandated to do so. There are benchmarks internationally for the number of people with which skills, and how they should be remunerated and their performance monitored.

We have been promised many times that the African National Congress will deliver a more capable state to do better by its people.

A thorough look at who should staff that state and how much should be spent on them would be a good place to start.