

## **Watch public sector wage hikes, Commission warns**

**The Financial and Fiscal Commission has warned against the danger of allowing increased allocations to personal salaries in the public sector as this may upset government's fiscal consolidation and pose a danger to service delivery.**

At a Parliamentary press briefing on Monday, the commission's chairperson, Bongani Khumalo, said: "We have not actually sat as a commission and discussed that particular issue but I think in terms of our submission the message basically follows that there is a need to take a handle on the personal salary and wage issues."

Government and the unions representing public servants are due to hold another round of wage negotiations. Unconfirmed reports indicate that the unions are asking for a 7.5% increase, while government is offering 4.5%.

Last year a bruising public sector strike just ahead of the 2010 FIFA Soccer World Cup severely embarrassed the nation.

Khumalo said that high salary allocations in provincial and national budgets was an issue the commission had raised in its 2008 submission to Parliament.

Finance Minister Pravin Gordhan also expressed concern about increasing salary costs to the government in this year's national budget.

Khumalo said high personal expenditure during a time of government fiscal consolidation was posing a threat.

"Collective bargaining happens almost on an annual basis. We would prefer, from the commissions' point of view, multiple-year agreements that basically would allow for a relatively more flexible and certain environment in terms of what happens to the outcomes of the collective bargaining exercises," he said.

The Fiscal and Finance Commission said it was concerned that the growing personal budgets would tend to be unsustainable, given that the projected government revenue going forward was not looking healthy.

Khumalo said the commission would not like to see government having to honour its wage negotiations by having to borrow, because it was not generating enough revenue to meet these commitments.

"We would not like to see government borrowing to finance rising personal budgets (as) that's recurrent expenditure against infrastructure for instance," he said.

Commissioner Tania Ajam said the danger with high salary costs was that they "crowd out" expenditure in other areas of service delivery.

"In the past, what has happened, increasing personal expenditure has also crowded out other forms of inputs. You pay the teachers' salaries, but you don't have text books; you pay the nurses salaries but you don't have medicines," she said.

Ajam said there was also a question on whether or not the policy of increasing salaries had produced commensurate increases in productivity as was intended.

The Fiscal and Finance Commission is a constitutionally mandated advisory institution that has the responsibility to advise and make recommendations to Parliament, provincial legislatures, organised local government and other organs of state on financial and fiscal matters.

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