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| **COSATU Submission:****Fiscal Responsibility Bill****01 June 2021** |
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**Submitted to:****Standing Committee: Finance****National Assembly****Parliament****Republic of South Africa** |

1. **Introduction**

COSATU notes and rejects in the strongest possible terms the DA’s Fiscal Responsibility Bill. Whilst its objectives of tackling national debt are correct, its proposals on how to do that, e.g. by dumping the bill on nurses and police officers are shameful and would collapse the state’s capacity to deliver public services.

A national debate on public debt is needed. As are what are the correct items in the budget that need to be slashed, and what items should not be cut. What is needed is to debate and tackle the fundamental causes of the fiscal crises, e.g. corruption, wasteful expenditure, mismanaged State-Owned Enterprises, tax evasion and a stagnant economy.

The manner in which this anti-worker bill has been drafted is unconstitutional. The Constitution guarantees workers the right to collective bargaining. This bill seeks to collapse any semblance of collective bargaining by compelling the state to impose brutal wage cuts upon public servants for the foreseeable future.

COSATU is unable to support such a flawed and unashamedly anti-worker bill. The Federation calls upon Parliament to reject it.

1. **National Debt**

COSATU is deeply alarmed not only by the levels of the national debt and deficit, but also the rapid rising trajectory in their growth. This is a matter that should concern all South Africans. The danger of this continued rise in debt levels, is that we will enter a debt trap. This could happen within the next 2 years if not brought under control.

The consequences of entering the debt trap and the state not being able to pay what is due, is that we will go to the International Monetary Fund for a bail out. The conditions for such a bail out will be devastating not only to public servants but to workers and the working class in general.

Public servants will see their wages, pensions and jobs slashed. SOEs will be privatised and workers dismissed. Public services will be scrapped. Public spending in the economy will grind to a halt further choking it and stalling our efforts to lift growth and emerge from the recession.

**COSATU Proposal**

What is needed is a sober national debate on the appropriate debt levels and what cuts can we afford and what cuts can we not afford. What is not needed are populist gimmicks that seek to appease the base of any party, including those in guilded offices in listed companies wringing their hands at the measly salaries of nurses and cleaners.

1. **Bill’s Inherently Flawed Drafting and Processing**

The Bill speaks to the conditions of employment of public servants.

The Constitution guarantees workers the right to collective bargaining, especially on conditions of employment. The Public Service Coordinating Bargaining Council is a creature of statute where all conditions of employment must be engaged upon.

The Nedlac Act requires all legislation affecting the labour market be tabled at Nedlac for engagement. Yet none of these processes has happened. Nor has any attempt or enquiry been made to do so.

In effect, this is an attempt to collapse workers’ hard won rights to collective bargaining and to impose brutal salary cuts upon workers through legislative fiat. This is simply unconstitutional and a recipe for labour market strife.

**COSATU Proposal**

* Any such bills must be tabled at the PSCBC, other relevant bargaining councils and Nedlac for engagement as required by law.
1. **The Truth About the Public Service Wage Bill**

The Bill blithely ignores the true causes of the fiscal crises and public debt. By solely focusing on the public service wage bill, it implies this is the sole cause and the sole intervention needed. Yet this is a deliberate distortion of reality.

The public service wage bill has been stable at 35% of the budget since 2009. The head count increased in 2008 as the state correctly sought to fill badly needed skilled professions e.g. teachers, nurses, doctors and police officers.

The public service to population head count ratio has in fact been plummeting since 1994 when we had 1 million public servants to 34 million South Africans as compared to 1.2 million public servants and 60 million South Africans today. We have also seen a continued decline in head count year after year of between 1% and 2% annually.

This decline in head count numbers is having a negative impact upon the state’s ability to provide quality public services, in particular in schools, clinics, hospitals, police stations, home affairs and correctional services.

The DA and many critics in the private sector have gone to great lengths to complain about well paid public servants and how they live a life of luxury compared to the private sector.

This is a deliberate distortion of facts to suit political agendas. First is that the composition of the public and private sectors are incomparable. The private sector employs farm workers, domestic workers, mine workers, taxi drivers, retail cashiers etc. Government does not.

The public service whom the Bill seeks to throw under the bus, includes 20 000 doctors, 100 000 nurses, 350 000 teachers, 192 000 police officers, 50 000 correctional service officers and 60 military personnel. These are not comparable in number or profession to the composition of the private sector.

It would be more scientific to compare the salaries of doctors or teachers in the public as compared to the private sector. There it would be shown that in fact these professions are paid less in the public sector.

The Bill is silent on the exorbitant packages that members of national and provincial cabinets, mayoral committees, management in the public service and sector and SOEs make. It makes no proposals on reducing this immoral wage gap.

The wage gap in the public sector is 13 to 1. In the private sector it is more than 33 to 1. The CEOs of the big banks earn R150 000 each day, yet their bank tellers are lucky if they earn even 1% of that. A similar picture exists in the retail, financial, mining and other sectors of the economy. Yet these companies are listed and all too often are the beneficiaries of workers, in particular public sector workers’ pension funds being invested in them as shareholders!

The Bill ignores the cold reality that 40% of workers are unemployed. 2.2 million lost their jobs in 2021. Millions have lost wages. More may still. This places a burden upon public servants who are the often the sole source of help and relief to unemployed relatives and other workers.

The consequence of the Bill’s narrow and hostile focus on nurses etc. is that it will spark a brain drain of skilled public servants from the state. Doctors and nurses will be lulled to far better paying jobs in the Gulf or Canada. Teachers will leave to better paying and less stressful jobs in the private sector or New Zealand and Australia. This will further weaken the state and decapacitate it.

Public servants like most South Africans are highly indebted. Slashing their wages by 10% per annum for 4 years will make it impossible for them to pay their loans. Many will lose their homes or cars. The financial sector will be devastated. The local economy will choke.

**COSATU Proposal:**

* Let’s have a debate on the wage gap, including the private sector and legislation to slash it.
* Slash the exorbitant packages paid to political office bears and management in the state.
* Have a single collective bargaining process and agreement for the entire state not only the 800 000 public servants.
1. **Real Causes of the Fiscal Crises and Public Debt**

The fundamental causes of the fiscal crises and ballooning public debt are four fold:

* The billions lost to corruption and wasteful expenditure annually across the state;
* Billions lost to tax and customs fraud and evasion;
* Billions spent bailing out SOEs run into the ground by corrupt and incompetent managements; and
* A stagnant economy with 1000s of companies closing doors, workers losing wages and being retrenched and thus not being able to pay taxes or spend in the local economy.

If we want to place the state on a sound footing, then these are the issues that need to be tackled. Seeking to blame the patient for being ill in a pandemic defies logic.

**COSATU Proposal:**

* Aggressively utilise the Auditing Amendment Act to hold personally liable offending political office bearers, management and officials;
* A single online open public procurement system for the entire state;
* Banning national and provincial leaders of ruling political parties as well as the spouses and children of Politically Influential Persons from state tenders;
* Adequately budgeting the commercial crimes courts and the prioritisation of corruption cases;
* Tabling clear turnaround plans for embattled SOEs at Parliament;
* Placing competent management in embattled SOEs;
* Further reinforcing SARS to tackling tax and customs evasion; and
* Ramping up the Economic Recovery and Reconstruction Plan’s local procurement and infrastructure and other economic intervention and stimulus commitments.
1. **Conclusion**

The Bill is nothing less than another attempt to dump the bill for state capture and mismanagement upon nurses, teachers, police officers and cleaners. It adds no value to what needs to be done to fix the state and grow the economy.

It does not add value on what is the appropriate level of debt and what is the best route to get there and over what period.

It undermines the Constitution and labour laws that enshrine the right to collective bargaining.

COSATU thus calls upon Parliament to reject it. Thank you.

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