

COSATU Submission:

Fiscal Responsibility Bill

Standing Committee:
Finance

National Assembly

01/06/2021



Introduction

- COSATU rejects Fiscal Responsibility Bill;
- Objective of tackling national debt are correct but its proposals to do that by dumping bill on nurses & police officers are shameful & would collapse public services;
- Debate on public debt is needed, e.g. what budget items should & should not be cut; &
- Debate needed on how to tackle real causes of fiscal crises e.g. corruption, wasteful expenditure, mismanaged SOEs, tax evasion & stagnant economy.

Introduction

- Manner in which this anti-worker bill has been drafted is unconstitutional;
- Constitution guarantees workers right to collective bargaining;
- Bill seeks to collapse collective bargaining by compelling state to impose brutal wage cuts upon public servants for foreseeable future;
- COSATU opposes such a flawed & unashamedly anti-worker bill; &
- COSATU calls upon Parliament to reject it.

National Debt

- COSATU is deeply alarmed by national debt & deficit levels, & rapid escalation;
- This should concern all South Africans;
- Danger of rapid rise in debt levels, we will enter a debt trap in 2 years if not brought under control;
- Consequences of entering debt trap & state not being able to pay what is due, is that we will go to the IMF for a bail out; &
- Conditions for such a bail out will be devastating not only to public servants but to workers & working class in general.

National Debt

- Public servants will lose wages, pensions & jobs;
- SOEs & public services will be privatised & workers dismissed;
- Public spending in economy will cease, choking & stalling it when it needs to recover from recession.

COSATU Proposal

- Sober national debate on appropriate debt levels, & what cuts can & cant we not afford; &
- Populist gimmicks to appease party base or wealthy CEOs of companies at expense of poorly paid nurses & cleaners don't help.

Bill's Inherently Flawed Drafting

- Bill speaks to conditions of employment of public servants;
- Constitution guarantees workers right to collective bargaining on conditions of employment;
- PSCBC is a creature of statute where all conditions of employment must be engaged upon;
- Nedlac Act requires all bills affecting labour market be tabled for engagement; &
- None of this has happened, nor has any attempt been made to do so.

Bill's Inherently Flawed Drafting

- Bill attempts to collapse workers' hard won rights to collective bargaining & impose brutal salary cuts upon workers through legislative fiat; &
- Simply unconstitutional & a recipe for labour market strife.

COSATU Proposal

- Any such bills must be tabled at the PSCBC, other relevant bargaining councils & Nedlac for engagement as required by law.

Public Service Wage Bill

- Bill ignores true causes of fiscal crises & debt;
- Sole focus on public service wage bill implies it is sole cause & intervention needed;
- Wage bill has been stable at 35% of budget since 2009;
- Head count increased in 2008 as state filled critical posts e.g. teachers, nurses, doctors & SAPS;
- Head count ratio has plummeted since 1994 from 1 million public servants to 34 million people vs 1.2 million public servants & 60 million; &
- Annual decline in head count of 1% & 2%.

Public Service Wage Bill

- Head count decline collapsing state's ability to provide quality public services, e.g. schools, clinics, hospitals, police stations, home affairs;
- Public vs private sectors wages incomparable;
- Private sector employs farm, domestic, mine workers, taxi drivers, retail cashiers etc;
- Public service are the doctors, nurses, teachers, SAPS, Correctional Service & SANDF, these are not comparable in to composition of private sector; &
- Compare salaries of doctors or teachers in public vs private sector.

Public Service Wage Bill

- Bill is silent on exorbitant packages paid to politicians & management in public service, sector & SOEs & makes no proposals on reducing these;
- Public sector wage gap is 13 to 1, in the private sector it is more than 33 to 1;
- CEOs of big banks earn R150 000 each day, yet their bank tellers are lucky if they earn even 1%;
- These companies are listed & beneficiaries of public sector workers' pension funds investments; &
- Bill ignores 40% unemployed increasingly dependent upon relatives employed by the state.¹⁰

Public Service Wage Bill

- Bill will spark a brain drain of skilled public servants from the state further collapsing public services;
- Public servants are highly indebted, slashing wages by 10% per annum will make it impossible to pay their loans, leaving banks devastated;

COSATU Proposal:

- Let's have a debate on wage gap, including & private sector & legislation to slash it;
- Slash politicians & managers' exorbitant packages;
- Single collective bargaining process & wage for entire state.

Real Causes of Fiscal Crises

- Real causes of fiscal crises & public debt are:
- Billions lost to corruption & wasteful expenditure annually across the state;
- Billions lost to tax and customs fraud & evasion;
- Billions spent bailing out SOEs run into the ground by corrupt & incompetent managements;
- Stagnant economy with companies closing, workers losing wages & being retrenched & thus not able to pay taxes or spend in the local economy; &
- These are the issues that need to be tackled.

Real Causes of Fiscal Crises

COSATU Proposal:

- Aggressively use Auditing Amendment Act to hold personally liable offending political office bearers, management & officials;
- Single online open public procurement system for entire state;
- Ban national & provincial leaders of ruling political parties & spouses & children of Politically Influential Persons from state tenders; &
- Resource commercial crimes courts & prioritise corruption cases.

Real Causes of Fiscal Crises

COSATU Proposal:

- Table clear turnaround plans for embattled SOEs at Parliament;
- Placing competent management in embattled SOEs;
- Further reinforce SARS to tackle tax & customs evasion; &
- Ramp up Economic Recovery & Reconstruction Plan's local procurement & infrastructure, & other economic intervention & stimulus commitments.

Conclusion

- Bill is nothing less than another attempt to dump the bill for state capture & mismanagement on nurses, teachers, police officers & cleaners;
- Adds no value to what needs to be done to fix the state & grow the economy;
- Adds no value on what is the appropriate level of debt, the best route to get there & over what period;
- Undermines Constitution & labour laws that enshrine the right to collective bargaining; &
- COSATU calls upon Parliament to reject it.