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NAPTOSA RESPONSE TO MEDIUM TERM BUDGET SPEECH 2020

NAPTOSA is not in the business of economic analysis, but even in layman's understanding an expected economic contraction of 7,8% this year and an even more uncertain outlook for 2021, announced by the Minister of Finance in his Medium Term Budget (MTB) Speech on 28 October 2020, sounds ominous. The Minister's forecast of a 3,3% economic growth in 2021 is therefore questionable.

In view of this economic position we find ourselves in there was very little expectation of any positive announcements. But to despair will not improve the situation and it is therefore necessary to take a step back and look for glimmers of hope. And for education and the public service there are a few.

The announced spending of R 1,2 trillion on learning and culture over the 2021 Medium Term Expenditure Framework is welcomed. It shows that government still believes that the future of our country lies in an effective education system. The confirmation of the R 7 billion to create and support jobs in schools as part of the economic stimulus package, reported on in an earlier National News Flash, will also benefit education.

The hard line previously taken by the Minister and the Minister for Public Service and Administration regarding the public service wage bill (i.e. no increases) seems to have somewhat softened with the Minister's announcements that-

- "public sector employee compensation will, over the next five years, have to grow much, much slower" – at least this leaves open the door for collective bargaining that is currently under threat; and
- "our civil service cannot be expected to carry the burden of nation building alone".

We would need to see concrete proposals on the envisaged across-the-board compensation pay reductions to management-level positions, across national, provincial and municipal governments, state-owned entities and for all other senior public representatives. It is assumed that, as far as the public service is concerned, this is reference to employees that fall outside the bargaining unit of the PSCBC. Be it as it may, we will not readily accept any of our members being affected in this regard.

On the issue of prescribed assets (where pension funds will be forced to invest a percentage of their funds in economic recovery projects, mainly State-owned Enterprises) there also appears to be a thought shift. According to the Minister a process is underway to make it easier for retirement funds to increase investments in infrastructure. The caveat that it should only be done if the relevant pension fund's board of trustees opt to do so, while, at all times, putting the interests of retirement fund members first, is encouraging. We trust that the board of the GEPF will do just that.

The announcement that Government will present legislation next year to allow for limited pre-retirement withdrawals under certain circumstances linked to mandatory preservation requirements could, at face value, be beneficial to employees in the public service who often have no other option but to resign to access pension funds to cover critical expenditure. The details of the proposed legislation will, however, need to be carefully studied before definite support could be given to such a scheme.

As far as other, general, announcements are concerned, NAPTOSA supports the envisaged investment in the announced infrastructure projects, because we believe that creating sustainable jobs is an important component to put our country on the road to economic recovery. We also commend the funding set aside during the pandemic for the social protection of the most vulnerable members of society and the decision to extend the Social Relief of Distress grant to the end of January 2021. Sadly, the menace of corruption has seriously dented the good intentions of government in this area and the Minister's effort to downplay the matter by stating that "It is not true that the R500 billion relief package has been entirely lost to corruption" is not appreciated.

NAPTOSA's biggest gripe with the MTB is the R10.5 billion allocated to SAA to implement its business rescue plan and the fact that the allocation is to be funded through reductions to the baselines of national departments, public entities and conditional grants. It makes no sense to channel such a huge amount to an entity that has a dismal track record at the expense of education and other critical public service functions. A reduction in provincial budgets will mean that activities such as desperately needed school building projects, infrastructure development and maintenance in schools, anti-SRGBV programmes and LTSM will be negatively impacted.

The State as Employer can be assured that this issue will feature prominently in the arguments of labour in the next round of salary negotiations.

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