



The Saffer Economy is Doomed - The Rand May Be Worthless

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PUBLIC SERVICE

NEVA MAKGETLA: Evidence supports no basis for downsizing

Cost-cutting always sounds good, but not if it undermines education, health and security

BL PREMIUM

28 August 2018 - 05:04 Neva Makgetla



South African Municipal Workers Union members. Picture: THE HERALD/MIKE HOLMES

Social pressure to diet hangs over all women, no matter how slim: restricting calories seems so virtuous and so certain to produce a better you. But dieting can also become anorexia, and deathly.

The call to downsize the public service brings similar risks. Cost-cutting always sounds good, but not if it undermines education, health and security. After all, the Life Esidimeni tragedy was justified by a savings drive.

Shortcomings in core government functions largely result from understaffing combined with poor management. In these circumstances, shedding jobs risks deepening inequality and aggravating inefficiency.

Three justifications for downsizing have been proffered: the sheer size of the public service; its expansion from 2008; and the conviction, rooted in political theory, that state capture inevitably bloats public employment. In the event, the evidence supports none of these arguments.

Understaffed sector

The public service has about 1.3 million members, or 8% of total employment. But according to the 2018 budget, 85% were in education, health, justice and the security forces. About two-thirds were nurses, educators or police.

The evidence suggests that the government is actually understaffed. Benchmarking the size of the SA public service is difficult because health, education and police personnel are employed nationally. In other countries, they fall under provincial or municipal governments, with the national government restricted mostly to administration, defence and economic policy.

Still, in 2017 the International Labour Organisation estimated health and education workers at 12% of total employment in SA, compared to an average of 14% in other upper-middle-income countries. Public administration and defence accounted for 5% in both SA and its peers.

In SA, there were about 350 people per police member; UN data shows an average of 290 for other upper-middle-income economies.

Another argument focuses on recent growth in public employment. From 2008 to 2017, the public service grew 2.1% a year, compared to 1.1% in the rest of the economy. But its expansion was a necessary consequence of the fiscal stimulus pursued in response to the 2008 global financial crisis, and most went to health. Excluding health, the public service expanded 1.7% a year from 2008 — essentially as fast as the population.

Some political leaders have brought in extra staff, sometimes even family members. But that represents only a tiny fraction of the public service and its budget.

These violations should be punished, but don't expect substantial savings.

Reducing the cost of public-service employment requires a review of work organisation and a more sensible approach to wage negotiations.

SA often has unaffordably high qualification levels in the main services, reflecting the norms established for white institutions under apartheid.

In contrast, most developing countries substitute less-skilled personnel where possible, so they can hire more staff while using qualified professionals more efficiently.

Wage negotiations

For instance, SA teachers must have university degrees. They earn less than most other graduates, but enough to make much higher staffing prohibitively expensive. Yet historically African schools still average 40 pupils per teacher, compared to fewer than 25 in historically white schools.

Furthermore, the public service has long had a remarkably unstrategic approach to wage negotiations, which bring a familiar scenario every three years: the budget provides for very low increases, and the government does not engage labour's principles strategically to get some buy-in before negotiations. After considerable acrimony, it agrees to a budget-busting increase. It then threatens to freeze or cut employment, without success.

The public service cannot be downsized while ignoring the shortfalls in the major government services. Cutting personnel to stick within the budget will only further weaken investment in communities, aggravating inequalities and social conflict while slowing growth. Voluntary severance for senior staff, as apparently now

contemplated, only makes the situation worse, because the first to leave are invariably the most experienced and skilled.

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