

PUBLIC SERVICE EMPLOYMENT AND JOB CREATION IN SOUTH AFRICA

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Executive summary

The public service is a significant source of employment in South Africa, accounting for about 13% to 14% of formal employment. Until recently, it played a diminishing role, dampening employment growth in the economy. What should its role be in employment creation, if any? This is a particularly important question in the context of high structural unemployment, with a labour market that is characterised by serious racial bias.

The uppermost question that must be answered is what role an expanding public service might play in promoting growth and service delivery. There is a particular and evident need for greater staffing at frontline service delivery institutions to improve performance and productivity.

The second question relates to a specific labour market role often associated with public employment. The state can be an important source of jobs for marginalised people, whether due to race, region, age, networks or experience. The public service is uniquely placed to provide formal employment for lower skilled workers, thus contributing to economic inclusion.

In a SA context, expanding employment in the public service could provide a complimentary relationship between the equity and efficiency objectives. However, in the design of proposals, several challenges are confronted. These include, the decline in tax revenue currently, the danger of an 'over-planned, under implemented state', potential challenges of patronage, performance management and the need for a long term public service reform programme. Moreover, we make some recommendations for promoting more employment at a lower grade, which would require policy decisions and either an expanded personnel budget and/or a change in the approach to balancing pay versus new employment in wage bargaining.

Importantly, the recommendations face a significant challenge. On the one hand, government needs to play a role in direct job creation due to both service delivery challenges and extremely high youth unemployment. On the other hand, the economic downturn will result in reduced fiscal space to fund most government programmes. Consequently, proposals for expanding the public service need to provide strong evidence of improving equity and efficiency to motivate for resource allocations.

Scope of the paper

This paper focuses on the public service (i.e. national and provincial governments). It does not focus on local government and state owned enterprises, which are part of the broader public sector.

Size of the public service

The public service is smaller in 2008 than it was in 1994. However, since 2006 there has been a significant increase in the public service.

The public service in 2008 is slightly smaller than it was in 1994. However, there have been periods of decline, stabilisation, and since 2006 increased levels of employment in the South African public service. The table below provides a summary of these changes:

Table: Summary of changes in employment

Period	Downsizing	Stabilising	Increasing
Year	1995-1999	2000-2005	2006-2008
Change in numbers	(203,142)	(5,826)	90,287
% change	-16.0	-0.6	7.8

Two important trends are observable once the data is disaggregated between provinces and national departments. First, from 2006 both national departments and provincial governments have seen increases in employment. Second, that of the 90 000 jobs created since 2006, National Departments accounted for 27.25% (24 604 jobs), and that Gauteng, Kwazulu/Natal and Eastern Cape combined accounted for 53.81% (48 582) jobs, with the remaining provinces contributing the remaining 18%.

Skills profile in the public service

A significant trend in the public service is that there has been a move towards a more highly skilled public service, particularly in the high skilled supervision category, which has grown from 2% of total employment in 1995 to 14% in 2008. The Senior Management Service (SMS) has grown from 0.2 % (1995) to 1% (2008). Lower skilled and skilled category has however declined from 50% (1995) to 38% (2008). The high skilled production category – which consists mostly of frontline delivery workers – has seen significant fluctuation over the period, but looking at only 1995 and 2008 has remained constant at around 48% of employment.

However, there is still demand for low skilled and skilled work in the public service, shown in analysis of salary levels (1999-2008). Lower and skilled categories (Salary level 5 and below) have also seen increases. Salary level 3 grew by 69 467 jobs, while Salary Level 1 grew by 30 445 jobs. In addition, Salary Level 5 grew by 55 857 jobs. The major growth has been in the high skilled production categories Salary Level 8 in the public service grew by 72 261 jobs, while Salary Level 9 grew by 56 147 jobs. Salary levels 8 and 9 were the majority of teachers; nurses and police persons are employed. It is however not immediately clear why Salary Level 2 and Salary Level 6 have seen the biggest declines in employment levels.

Race and gender

African Females have seen the biggest increase in employment moving from 30.1% (1995) to 43.2% (2008). White males and females have at the same time decreased as a percentage of total employment. In the case of white females the decrease has been 12.8% (1995) to 5.9% (2008). For white males the decrease is more pronounced from 11.9% (1995) to 4.4% (2008). Arguably, the feminisation of the workforce is the most important trend. Moreover, the decline in employment of whites (both male and female) is consistent with the process of moving towards highly skilled public service, and not simply due to affirmative action policies.

Understanding the changes

The changes in employment can be explained through the intersection between budgets and collective bargaining.

Budgets have become more closely aligned to public service reform agenda

In 1999, government adopted the *Personnel Expenditure Review* (Department of Public Service and Administration, 1999), which aligned the objectives of fiscal policy of containing wages to the public service reform programme.

In terms of the budget, employment growth is strongly associated with growing budgets. Moreover, the overall budget for salary bill has been declining as a percentage of total consolidated expenditure. Taken together, the recent increases in the public service employment have been within macroeconomic parameters.

Bargaining processes have played an important role in shaping employment outcomes, in particular because there is has been shift in the relative power enjoyed by either government or trade unions.

The bargaining process in the public service has been a complex process since collective bargaining was recognised in 1993. Whilst this paper cannot summarise this history, two events during this period indicate the ebb and flow of power between unions and government. The first incident was the unilateral implementation of wages in the public service by government in 1999, after a short but failed bargaining process. The second incident was the strike in 2007, which lasted for three weeks, and resulted in the most substantive changes to the grading structure in the public service. There has thus been significant changes and flux in the power relations within public service salary negotiations.

Some Options for a Public Employment Programme

Currently, there is no explicit agreement in respect of how to balance the demands of service delivery with Government's employment creating role. It is urgent that there be a clear path to managing the associated employment-wage trade-offs. The central objective of a public employment strategy is ensuring that the skills and capacity are enhanced in the public service. In turn, two important objectives for proposed: :

- Improving social service delivery
- Improving labour intensity through introducing a targeted public employment programme

The paper investigates and describes replacement capacity, new entry-level position as well as a transitional jobs programme as strategies to increase employment in the public service. The key policy options recommended are:

Ensuring replacement capacity for key occupations: This would entail ensuring supply of key frontline services in education, health and policing. In all scenarios this would be the minimum needed to ensure that service delivery standards are maintained and improved.

Expanding paraprofessionals and clerks hired at lower grades to support front-line delivery professionals such as doctors, nurses, teachers and police. This could include activities such as clerical work in police stations, stock taking in hospitals or clinics, birth registration or teaching assistants. This would expand the lower grades, and substantially relieve professionals to focus on their core work.

Expanding and implementing Grade R to meet Government's stated objectives.

Supporting community services with public servants employed at lower grades: Programmes such as ECD and HBC are delivered usually by community based organisations. These are critical services that support a longer term developmental strategy. The community organisations delivering these services tend to be weak and under-resourced, needing support to access the myriad of funding and government services. Government together with these sectors need to define the role of the public service in supporting community based organisations.

Transitional Jobs: This could be big programme which creates fixed term (such as one year) opportunities aimed at young people. It could have two tracks, one of which could offer post-school learning opportunities. This would require the introduction of a special Grade 0. Grade 0 could potentially feed employment entry to lower ranks of the public service in support of professionals.

Renegotiating the entry level position in the public service: The proposal is for the creation of a set of work opportunities that are formal jobs in the public service. This would require determining lower level jobs created at lower grades.

Scenarios

The paper provides scenarios for future levels of employment in the public service. The scenarios show a wide range of possible outcomes until the 2012/13 financial year, dependent on:

1. How much of the personnel budget would be available for new hires in the public service; and
2. What the impact of labour intensification would be for the public service.

The results show that several policy options exist that increase employment, and provide workers with an inflation related increase (i.e. 6%). The outcomes suggest that based on current assumptions, public service employment would be extremely low growing annually by only 11 000 to 12 000 new jobs. However, at the top end the public service could be growing by around 50 000 new jobs (assuming both labour intensification and significant savings). The optimal level is somewhere between these extremes.

Public Service Employment and Job Creation

1. Introduction

How big should the public service be, relative to challenges of high unemployment and severe service delivery backlogs in South Africa? The answer to this question is an important one, given the very high rates of unemployment and inequality in South Africa. The answer provided in this paper is that the public service and public employment should grow to support performance improvements in the public service, as well as improve opportunity and prospects for those excluded from the economy in a context of extremely high unemployment.

This paper develops proposals for the expansion of the public service, in a manner that strengthens the link between efficiency (e.g. improved service delivery) and equity (e.g. employment for lower skilled workers). In doing this, a defining challenge is addressed. On the one hand, government needs to play a role in direct job creation due to both service delivery challenges and extremely high youth unemployment. On the other hand, the economic downturn will result in reduced fiscal space to fund most government programmes. Consequently, proposals for expanding the public service need to provide strong evidence of improving equity and efficiency to motivate for resource allocations. The policy argument for expanding the public service is also improved when linked into government's performance targets, providing a transparent mechanisms to track performance, and support the realisation of the objectives of the programme.

To these ends, the paper pursues the following sequentially:

An initial discussion about the appropriate size of the public service

A review of the size of public service between 1995 and 2008,

An analysis of the skills composition, affirmative action and remuneration

An explanation of these trends with reference to budgets, collective bargaining and the public service reform project

An analysis of policy options which together could be termed a 'national public employment programme'.

2. Size of the public service in South Africa

This section investigates the size of the public service between 1994 and 2009. To this end, this section initially defines the public service. This is followed by an analysis of the public service headcounts and an assessment of the broader labour markets trends. The central finding is that the public service in 2009 was slightly smaller than the public service inherited from the apartheid government in 1994, but that the public service continued to be the largest source of formal employment.

2.1 Defining the public service

The terms public service and public sector are sometimes used interchangeably. In fact they are not synonyms and have separate, albeit related, meanings as defined in the Constitution and other legislation. Precisely defining the boundaries of our discussion in this paper will be important to clarify the scope of this paper.

The public sector includes:

The public service, defined as national and provincial departments, in terms of the *Public Service Act of 1994*, and other relevant acts¹.

State-owned enterprises, such as Transnet and Eskom

Local government

Other institutions including universities and institutions created in Chapter Nine of the Constitution (Adler, 2000)

This paper focuses on the public service² (i.e. national and provincial government). The term public service is used in this way, whilst public sector refers to a wider category³. The public service however represents the largest segment of the public sector, as shown in Figure 1. The public service accounts for 80 % of the public sector (55% in provinces, and 24% at national government). Local government

¹ For example, teachers and correctional services personnel are employed via different pieces of legislation.

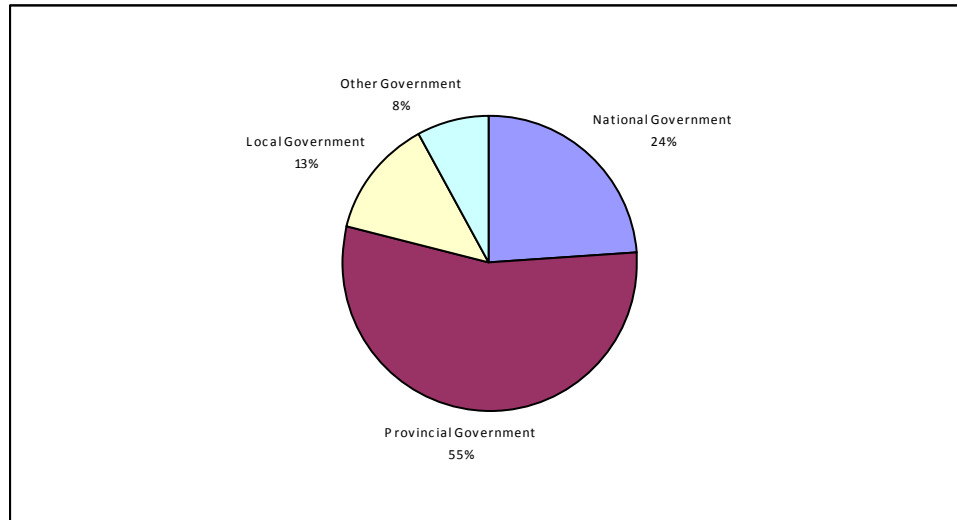
² For international comparisons the definitions of these terms developed by the International Labour Organisation (ILO). When ILO definitions are used, readers will be notified of this.

³ This categorisation of the public sector and the public service will however be changing, should government proceed with the introduction of the 'Single Public Service'. The proposal for the Single Public Service however retains existing collective bargaining councils, employment relations and other conditions of service. However, the initiative seeks to harmonise salaries across the public sector, and introduce standard regulations across national, provincial and local governments. See <http://www.dpsa.gov.za/sps/> for more details.

accounts for 13% of employment, and other public sector institutions account for 8%. Compared to community, social and personnel services category in the national accounts (i.e. once non-government and community services that are not run by government are included, and local government and state owned enterprises), the public service represents 64.1% of the total.

Section on youth employment to be added to paper – MA to do this. (see 2007, pg 38f)

Figure 1: Employment in the South Africa's Public Sector



Source: Statistics South Africa, 2009

2.2 Number of public service workers

The public service at the end of 2008 employed 1,241,047 million people, making it the largest employer in South Africa. The public service headcount is however still slightly below its level in 1995, when it employed around 30 000 more people than at the end of 2008. Figure 2 provides an annual headcount for the public service from 1995 to 2008. It shows periods of decline, stabilisation and increases in public service employment.

Three periods can be identified from the data as follows⁴:

Downsizing (1995-1999) (Black bars)

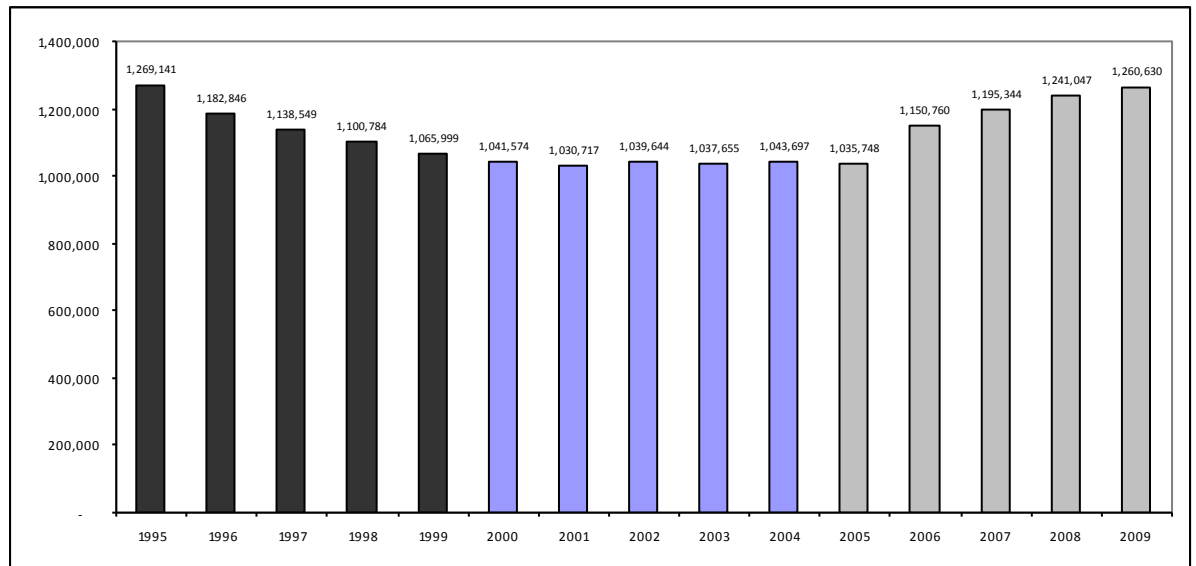
Stabilising (2000-2005) (Blue bars)

Increasing (2006-2009) (Grey Bars)

Table 1 provides a summary, indicating the changes in jobs across the three periods. Job growth of 21,7% between 2005 and 2009 is astonishing, given significant declines (16%), between 1995 and 1999, representing an increase of 224 882 jobs during this period..

⁴ The categorisation of periods as downsizing, stabilising and increasing is different from those used in Hassen and Altman (2007). This is due to data for three additional years being added to the analysis.

Figure 2: Number of public service workers (1995-2008)



Source: PERSAL Database, various years

Note: The numbers in this paper are not exactly the same as those presented in Hassen and Altman (2007). This is due to Department of Public Service and Administration auditing of payroll data, which results in revisions based on departmental reporting. Also, note that 2005 is used as a base year, as it more accurately reflects changes during the period of increasing employment. Data for 2009 is for September.

Table 1: Summary of changes in employment across three periods

Period	Downsizing	Stabilising	Increasing
Years	1995-1999	2000-2004	2005-2009
Change in numbers	(203,142)	2,123	224,882
% change	-16.0	0.2	21.7

Source: Authors calculations from PERSAL data

2.2.1 Changes at National and Provincial Levels

Across the three periods, there are significant differences at national and provincial governments staffing levels. Table 2, shows the changes in employment for national departments and provinces across the three periods. Significantly, provincial level employment decreased during the stabilisation period, but has increased significantly since 2005. National department employment has increased in the most recent period, and during the stabilisation period

Table 2: Changes in employment for national and provincial departments

	Decreasing	Stabilising	Increasing
Departments	1995-1999	2000-2004	2005-2009
National	(107,708)	20,911	123,569
Provincial	(95,434)	(18,788)	101,313
Total	(203,142)	2,123	224,882

Source: Authors calculations from PERSAL data

The picture across provinces is equally mixed. Provinces such as Northern Cape and Mpumalanga have increased across all three periods, whilst the North West is the only province to experience decreased across all three phases. Table 3 in addition shows that of the 224 882 jobs created since 2005, National Departments accounted for 123 569 (55%) (24 604 jobs), and that Gauteng, Kwazulu/Natal and Eastern Cape combined accounted for 33% (74 028) jobs. The remaining 12% (27 285) of jobs are spread across provinces. These results are important, as they indicate that certain provinces and national departments have responded rapidly to increase employment levels. The question must however arise, whether this will constitute a pattern for growth in the public service, and if so, if this is optimal for reducing poverty and inequality. At face value, the data could be seen to indicate a growing public service, and on this basis one could intuitively argue that the public service has recently played a labour absorbing role. However, in the section that follows we argue that the changes in employment indicate a significant move towards strengthening the number of managers in the public service, as opposed to frontline delivery staff. In addition, we argue that improvements in policy might be better achieved through a better selection of provinces that should be targeted for increased levels of employment.

Table 3: Changes in employment by province and national departments

Provinces/ National Department	1995-1999	2000-2004	2005-2009
Eastern Cape	(14,248)	(6,952)	20,439
Free State	(10,396)	(4,345)	1,332

Gauteng Province	1,930	(1,877)	27,776
KwaZulu/Natal	(21,899)	7,442	25,813
Limpopo Province	(6,254)	(8,981)	2,388
Mpumalanga	5,648	1,514	15,953
National Departments	(107,708)	20,911	123,569
North West	(2,049)	(1,614)	(4,849)
Northern Cape	9,989	380	5,360
Western Cape	(58,155)	(4,355)	7,101
Totals	(203,142)	2,123	224,882

Source: Authors calculations from PERSAL data

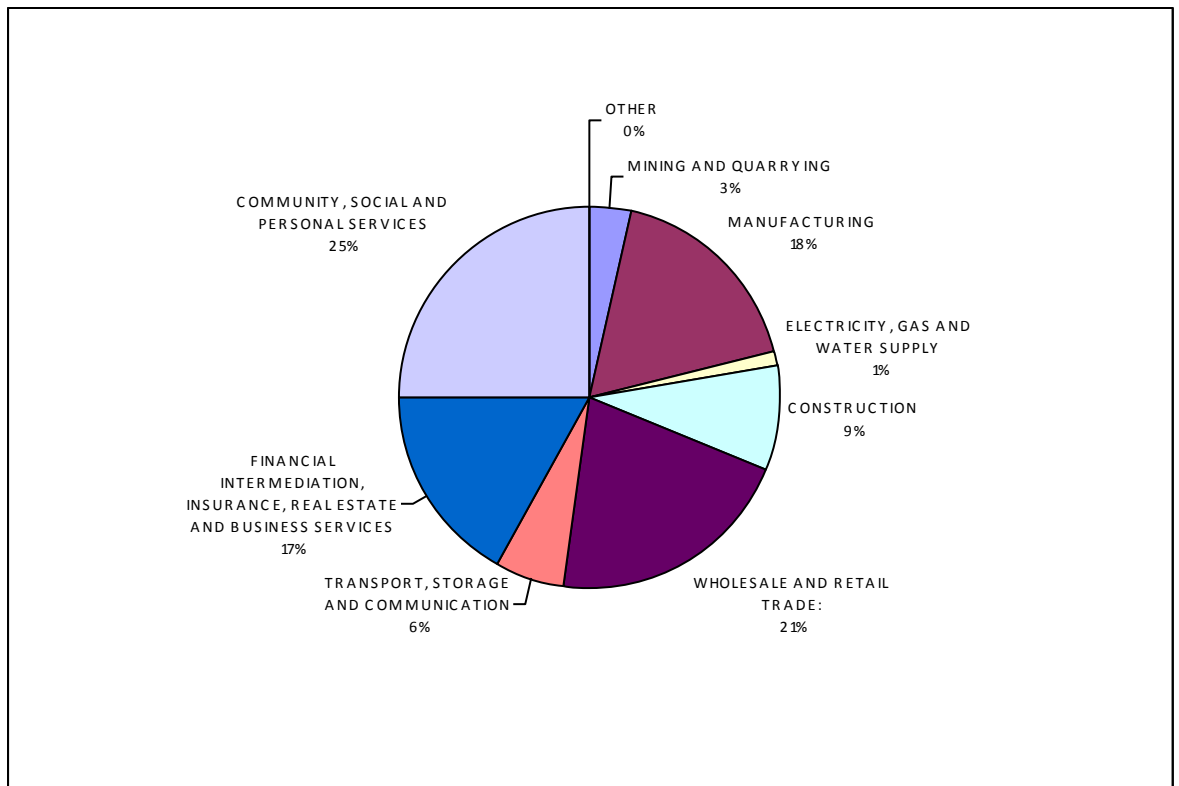
2.3 Public service in the broader labour market

The South African public service provides good quality formal sector work. Jobs such as these are crucial to South Africa embarking on a growth trajectory that results in employment supporting households to build assets and create opportunities for upward mobility. This section starts with an exploration of formal employment using employment and national accounts data. Next, the public service as a source of employment growth is explored. Finally, the downward trend in public service employed between 1970 and 2008 is explored.

2.3.1 The share of the public service in total formal employment

The public service belongs in the “Community, social and personal services” sector. This category accounts for exactly one quarter of all formal jobs in South Africa, followed by wholesale and retail trade (21%) and manufacturing (18%). Figure 3 shows that the “Community, Social and Personnel Services” category in national accounts has the highest share of formal employment.

Figure 3: Percentage share of formal employment



Source: Quarterly Employment Survey, 2009

The significance of the public service is given even more prominence if the data is looked at more closely⁵. Figure 4 breaks down data for the share of General Government total employment (i.e. including both formal and informal employment) from 1970.

The data shows that the public service grew as a share of total employment until 1993. From the onset of democracy in 1994 the percentage share of general government to total employment has declined until 2006. In 2007 and 2008, there has been an increase in the contribution of the public service to total employment which stands at 13,5% in 2008, but still lower than in 1994 (14.2%).

However, the general government category has increased as a share of formal employment, as shown in the next figure. The data shows that general government

⁵ This data is disaggregated at the 3 digit level using the Standard Industrial Codes (SIC). These codes **do not** exactly line up with the definition of the public service used, however for explanation purposes offer a reliable indicator, if one wants to compare public service employment to other industries.

remains a significant contributor to formal employment standing at 16,3% of total formal employment in 2008. Importantly, the gap between formal and informal percentage shares is growing from late eighties onwards, indicating both the importance of general government to formal employment, but also that the labour market has become increasingly informal. Box 1 provides a succinct review of international comparisons on the size of the public service, which indicates that comparatively the South African public service remains small.

Box 1: Comparing the size of the public service

The public service can play an important role in job creation and in creating a floor for low skill wages. In South Africa, the public service has also been important as a first recruiter of black graduates. There is no specific size that the public sector should be. Some less-developed economies may have a larger civil service which is an important source of formal employment – almost akin to a social insurance policy in countries that lack sufficient sources of stable employment (e.g. see Rodrik, 2000). In some countries it is used as a way of absorbing graduates and of reducing social tensions. The figures vary depending on the source, but it could be said that the public service in Latin America and East Asia respectively accounts for about 14% and 11% of the labour force. These figures are much higher when taken in proportion to the non-agricultural labour force, rising to 18% and 20% respectively.

It is, however, perhaps surprising that industrialised countries have, on average, higher proportions of their labour force employed in the public service (about 17%) (Marinakas, 1994; Rodrik, 2000). Economies such as Sweden or Norway that have strong welfare states employ a large proportion (more than 30%) of the formal workforce (Hammouya, 1999), and at some points in time this has been an explicit or implicit part of their employment solution.

South Africa's public service is smaller: it employs about 9% of the labour force, about 10% of the non-agricultural labour force and accounts for about 18% of formal employment. In South Africa, public employment contracted in the 1990s (it was previously equal to 15% of the labour force in 1995), and was stagnant up to 2005 and has since been growing.

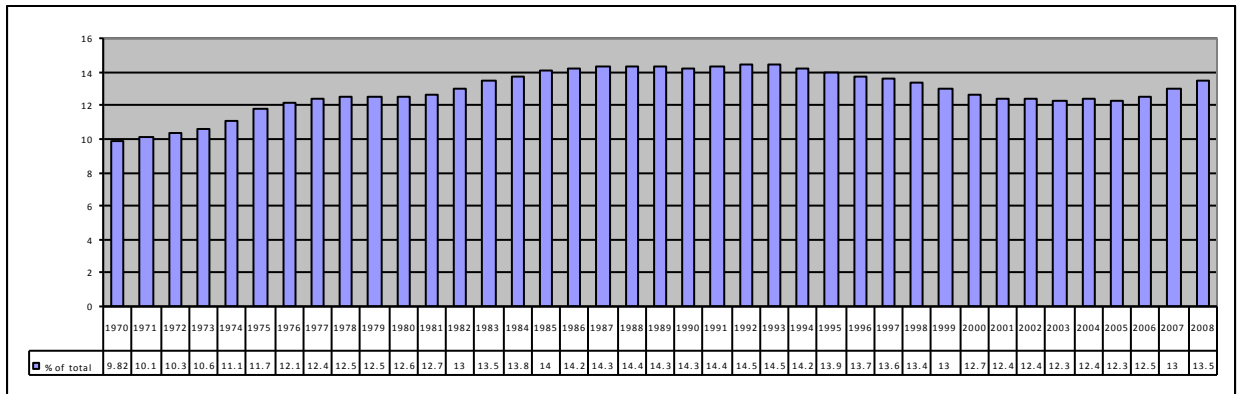
The choice to expand public employment is a purely administrative or political choice.

Source: QX

It is expected that Government employment would be more stable than market based employment. However, our analysis shows that public employment over the past 40 years has been less stable. Public employment has increased more quickly (year-on-year) when total employment increased and decreased more quickly (year-on-year) when total employment growth decreased. This is shown in Figure 6 below. The finding is thus a counter intuitive one, that public service employment does not generate employment stability in a macroeconomic sense.

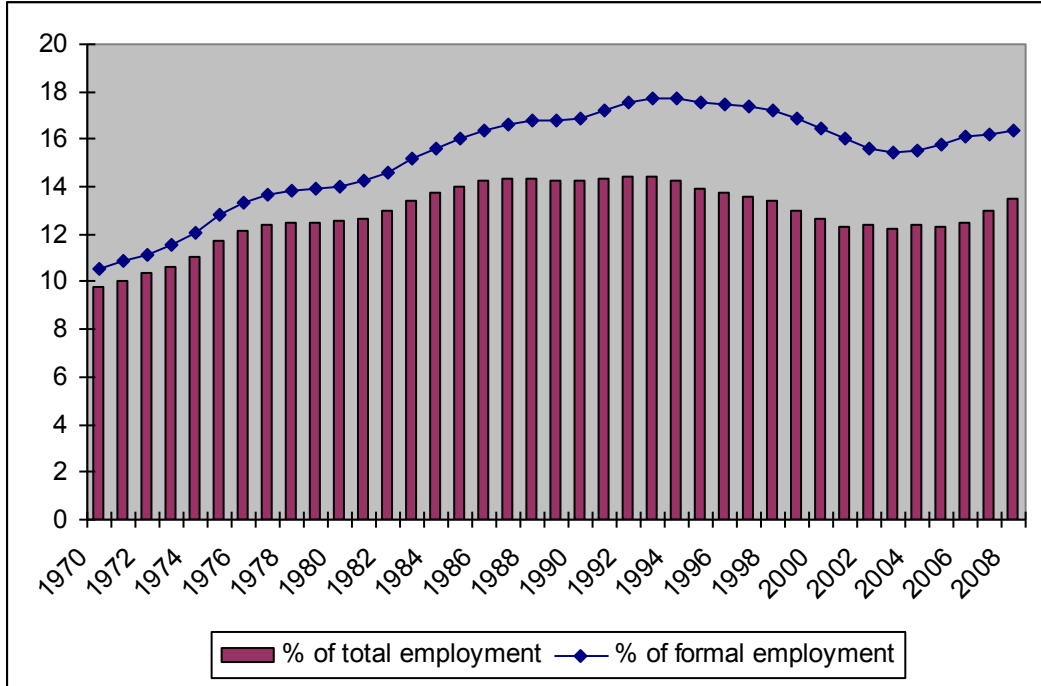
Figure 4: General government as a share of total employment

Public service employment and job creation in South Africa



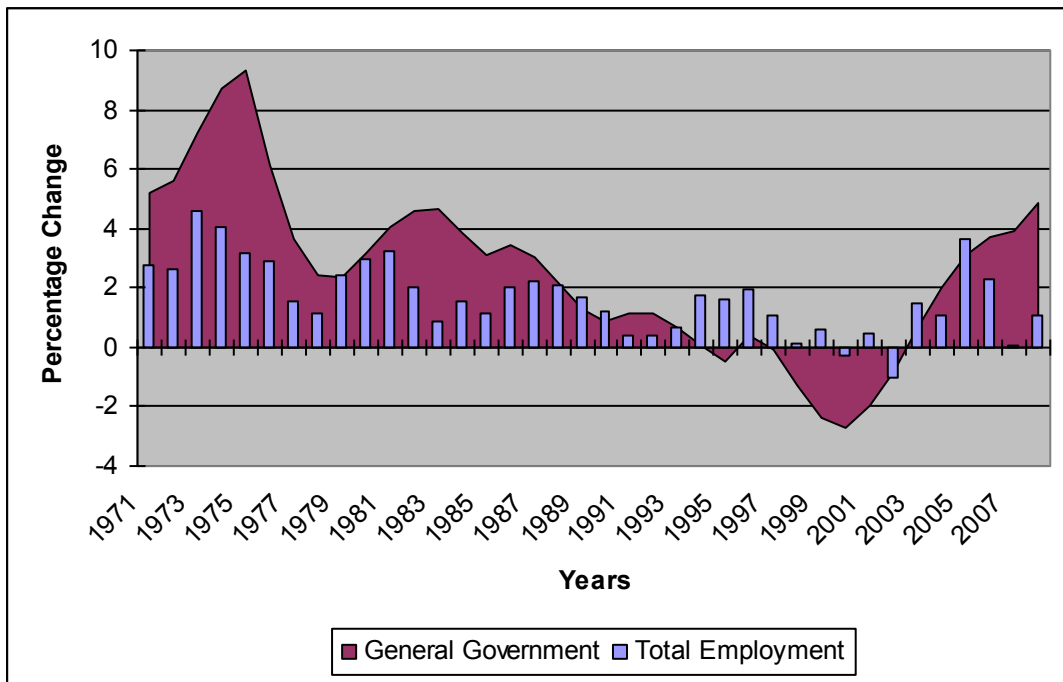
Source: Authors calculations using Quantec Database on National Accounts

Figure 5: General government as a percent of formal employment and total employment (formal and informal)



Source: Authors calculations using Quantec Database on National Accounts

Figure 6: Percentage change in general government and total employment

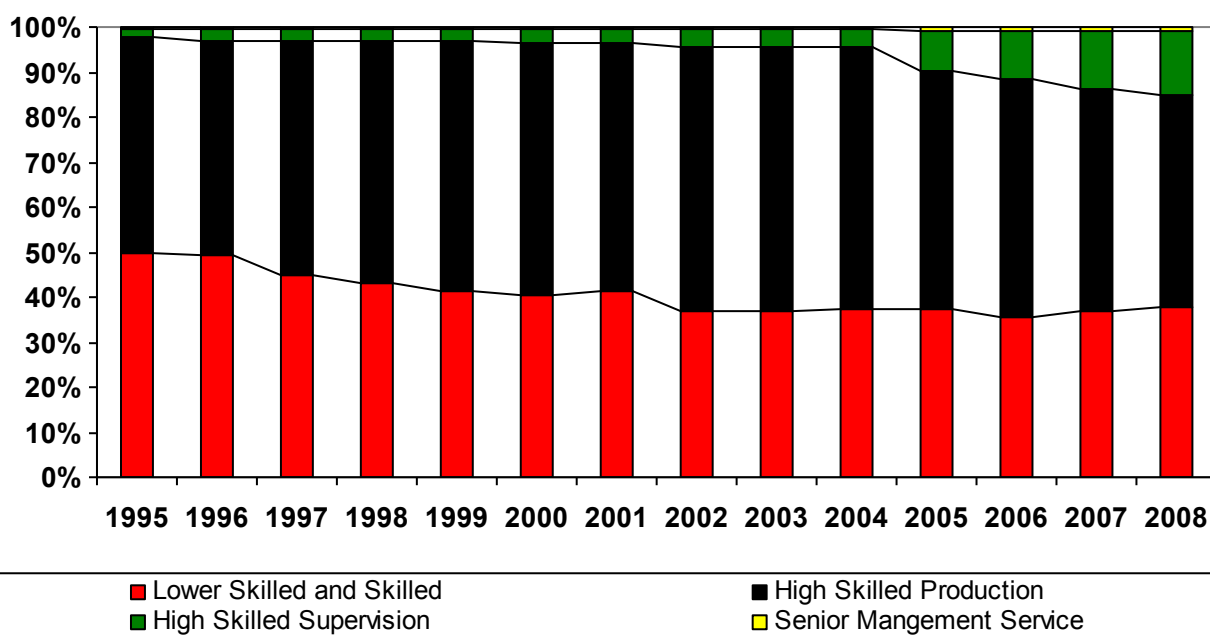


Source: Authors calculations using Quantec Database on National Accounts

2.4 The skills profile of the public service

One of the central features of the restructuring of the public service has been a focus towards creating a more highly skilled public service. This section tracks this trend with reference to data from government's payroll system. Figure 7 shows the changes in skills profile of government from 1995 to 2008. Whilst, the data is drawn together from data at different points in time⁶, the trend is a justifiable one. The trend has been towards greater skills intensification in the public service since democratisation.

Figure 7: Skills profile of the public service (1995-2008)



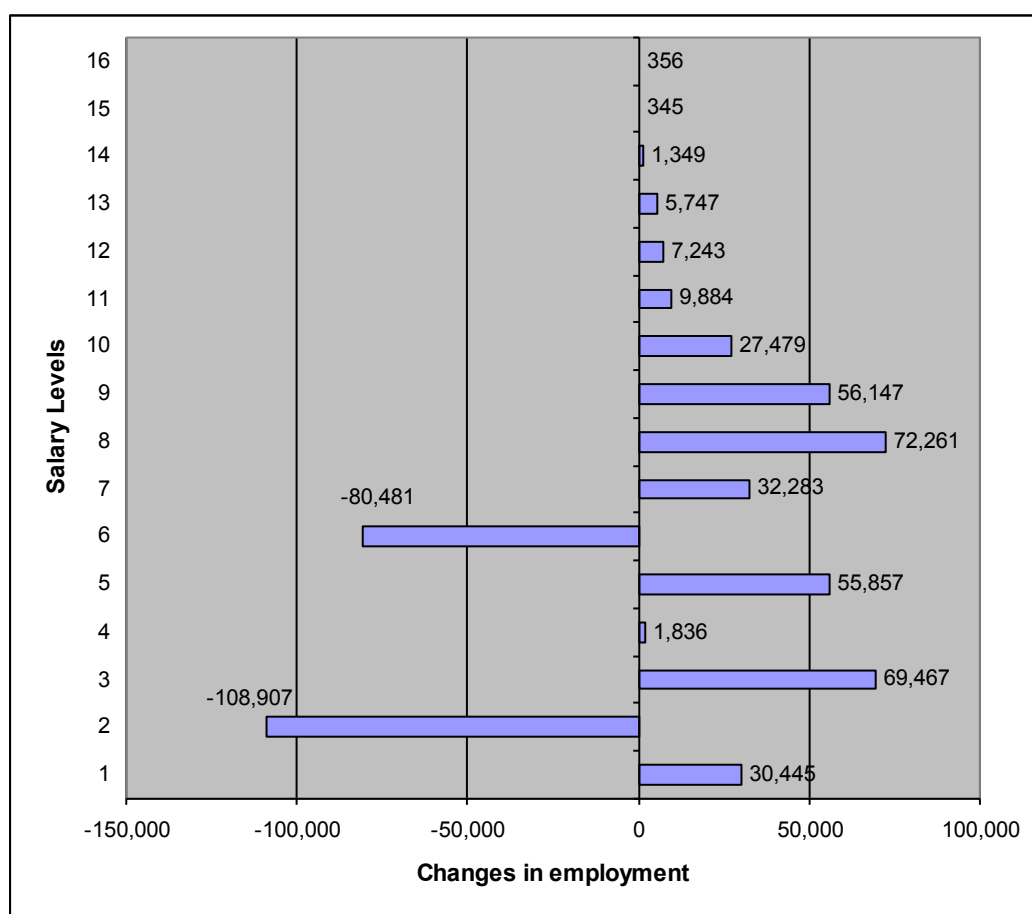
Sources: Authors calculations based on Persal data provided in 2000 and 2008. See footnote below for an explanation on data sources.

The trend towards a more highly skilled public service is evident, particularly in the high skilled supervision category which has grown from 2% of total employment in

⁶ The DPSA has indicated that it is still verifying data before 1999 on skills levels. The author has utilised this information together with information provided in 2000 on skills level as part of the NALEDI public service transformation project.

1995 to 14% in 2008. The Senior Management Service (SMS) has grown from 0.2 % (1995) to 1% (2008). Lower skilled and skilled category has however declined from 50% (1995) to 38% (2008). The high skilled production category – which consists mostly of frontline delivery workers – has seen significant fluctuation over the period, but looking at only 1995 and 2008 has remained constant at around 48% of employment. The data is the best available, as the clean up of data in government continues, although it is unlikely that the overall trend towards a higher skilled public service will change.

Figure 8: Changes in employment by salary level (1999-2008)



Source: Authors calculation from Persal data

However, disaggregating the data for skills level indicates significant variance across skills level. Figure 8 shows the changes to the number of jobs for each salary level between 1999 and 2009⁷. It is important to remember that the data does not cover 1995 to 1998, which were the years of the biggest reductions in the public service. Nonetheless, the data indicates Salary Level 8 in the public service grew by 72 261 jobs, while Salary Level 9 grew by 56 147 jobs. Salary levels 8 and 9 are where the majority of teachers, nurses and police persons are employed. More surprising though is that lower and skilled categories (Salary level 5 and below) has also seen increases. Salary level 3 grew by 69 467 jobs, while Salary Level 1 grew by 30 445 jobs. In addition, Salary Level 5 grew by 55 857 jobs.

Salary levels that have decreased since 1999 are located at Salary Level 2 and Salary Level 6. The reasons for why these salary levels have decreased are not immediately clear, however with regard to Salary Level 2 this might be due to the closing down of posts at that level, as departments opt for lower entry level positions (i.e. Salary Level 1) or alternatively that significant numbers of Salary Level 2 employees have moved up the grade into Salary Level 3.

The promise of a highly skilled public service has thus been realised in practice, however the intended outcome of improved performance has not been realised. This is due to a combination of prioritising head office staff, through the introduction of the Senior Management Service (SMS). The SMS reform programme was a response to real wage decreases experienced by senior managers to meet the government objective of reducing the wage differentials, or more colloquially the wage gap, in the public service. Moreover, it sought to retain and attract talent into the public service through providing more flexible and highly paid salary packages. The reform was however incomplete in three ways:

Incomplete reform: The reform process increased salaries without adequately adjusting the entry requirements to become a public service manager.

Skills at frontline institutions: The grading system precluded school principals, superintendent in police stations or hospital managers from being part of the reform programme. The introduction of the Occupational Specific Dispensation (OSD) begins to remedy this.

Ineffective implementation: A cornerstone of the reform process was the focus on linking new salary structures to performance contracts. The enforcement of the system has been exceptionally weak, with the Public Service Commission (PSC) indicating that approximately 25% managers had not even completed the process of signing and lodging their performance agreements with the public service (QX-Reference).

⁷ Data for 2009 is until March 2009, while data for all the other years are for full year headcounts in December of each year.

Running in tandem with the shift towards SMS, was the closure of nursing and teaching colleges motivated in part by the need for formal qualifications through universities. There is a link towards the high skilled ethos as it emphasised the formalisation of qualifications, usually in universities based in urban areas. Taken together, the shift towards higher skilled levels in the public service has seen important shifts, however there is still evidence that there remains demand for low and skilled work in the public service.

2.5 Teaching, nursing and police

Table 4 provides data on changes in key frontline delivery positions, showing that policing has increased more quickly (percentage change) than the overall increase in the public service, while nursing is on par with the overall public service. Teaching however has seen a much slower increase in employment when compared to the public service.

Table 4: Changes in employment for teachers, nurses and police (2006-2009)

	Dec 2006	Dec 2007	Dec 2008	Mar 2009	Increase in Jobs	% increase
Unit	Total	Total	Total	Total		
Teachers	384,447	391,781	400,685	396,846	5,065	3.2
Nurses	109,989	114,811	117,310	118,918	4,107	8.1
Police	149,228	156,670	165,388	169,854	13,184	13.8
Total	643,664	663,262	683,383	685,618	22,356	6.5
Total Public Service	1,150,760	1,195,344	1,241,047	1,248,660	53,316	8.5
Key Frontline Positions as % of total	55.93	55.49	55.07	54.91		

Source: Data provided by the Department of Public Service and Administration

Note: For this table March 2009 data is used, but for other analysis data for September 2009 is used.

Taken together these occupations constitute around 55% of total public service employment. Being the biggest occupations however does not imply the availability of human resources to fulfil service delivery. This is aptly seen in the need to recruit maths and science teachers internationally (Department of Home Affairs, 2007). The need to recruit internationally for maths and science teachers not only indicates the lack of skills, but also raises a fundamental question around governments human resource planning. This is not limited to teaching, as significant skills shortages are evident in the legal and medical services provided by the state (Kraak, QX).

Government's response to this situation has been two fold. First, as discussed above, has been the introduction of OSD which aims to provide salaries able to attract graduates into the public sector, and to ensure retention through career pathing. There are however significant differences in the OSD agreements reached for each of

these sectors. For instance, for the nursing sector there are detailed job description, training requirements for promotion are set out, and alternative career paths (i.e. either into management or alternatively remaining as a specialist frontline nurse) have been developed. In the education sector, the level of detail and definition of jobs is much less defined, as are requirements for promotion. Policing has not yet implemented an OSD, but there has been an OSD for correctional services staff. This agreement focuses on differentiating between 'center-based' occupations and those not 'center-based'. In other words, an attempt has been made to define jobs that will be undertaken in prisons, and those that are undertaken outside of frontline delivery institutions.

Second, there has been a strong focus on increasing the supply of graduates into these occupations. In the health sector, the Department of Health has begun reopening nursing colleges to increase the number of people training to become nurses (Department of Health, 2006). Government has undertaken a range of activities to boost enrolment numbers, providing bursaries and designating certain areas as scarce skills for immigration purposes. These are important interventions, as the number of teachers required to meet new and replacement demand between 2001-2006 is estimated at 73,070. For nurses it is 35,461 (Woolard I, Kneebone P and Lee D; 2003). Furthermore, government is committed to reviving training colleges for nursing and teaching, and there are specific financial aid programmes available to students in these areas.

An important feature for both nursing and teaching is that there has been significant mobility out of the profession. Subedar (2005) shows that for nursing there is a significant gap between graduate output on the one hand, and registration with the South African Nursing Council (SANC) on the other hand. The gap is high with only one in three graduates with nursing qualifications between 1996 and 2004 registering with SANC. It would be reasonable to surmise that many of these nurses entered into other occupations. Teaching, however, provides a clearer picture. Perry and Crouch (2005) find that in 2001, 191,421 persons trained as educators were not working as educators. Teachers and nurses working in other sectors is an under-researched area. From a policy perspective it is an area that we must understand, especially since these are occupations that require significant replacement capacity to meet future demands. A central intervention should thus focus on bringing these skills into the public service, or understanding better the transition from qualifying in one position and then doing something different.

3. Race and gender in the public service

At the start of democracy there were already more blacks employed in the public service than whites (Naidoo, 1995; McLenan, 2005). Posel (2002) shows the changes that had occurred in the public service racial profile under apartheid, including evidence of black workers working at cheaper wage rates than other races. This is due partly due to the shift towards employing blacks at lower levels, but also the incorporation of 'homeland' administrations into one public service. Figure 9 shows changes by gender and race from 1995 to 2008.

The major feature of the changes in composition of the public service is that African Females have seen the biggest increase in employment moving from 30.1% (1995) to 43.2% (2008). White males and females have at the same time decreased as a percentage of total employment. In the case of white females the decrease has been 12.8% (1995) to 5.9% (2008). For white males the decrease is more pronounced from being 11.9% (1995) of total employment to 4.4% (2008).

However, a clearer picture emerges if changes in employment are divided into two periods (i.e. 1. periods of decline and stability and 2. periods of increase). The figure below shows that data for job increases and decreased between from 1995-2005 and for 2006-2008 and has some surprising findings.

Figure 9: Race and gender profile of the public service (1995-2008)

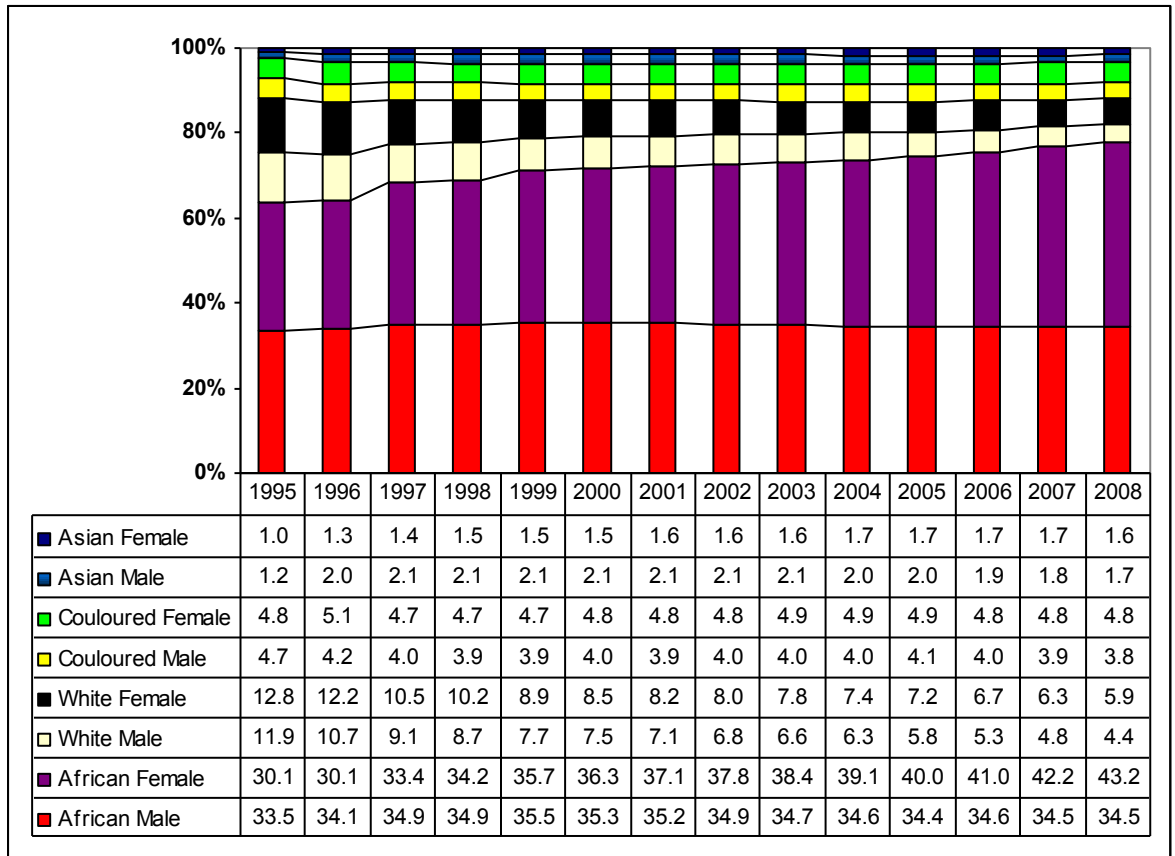
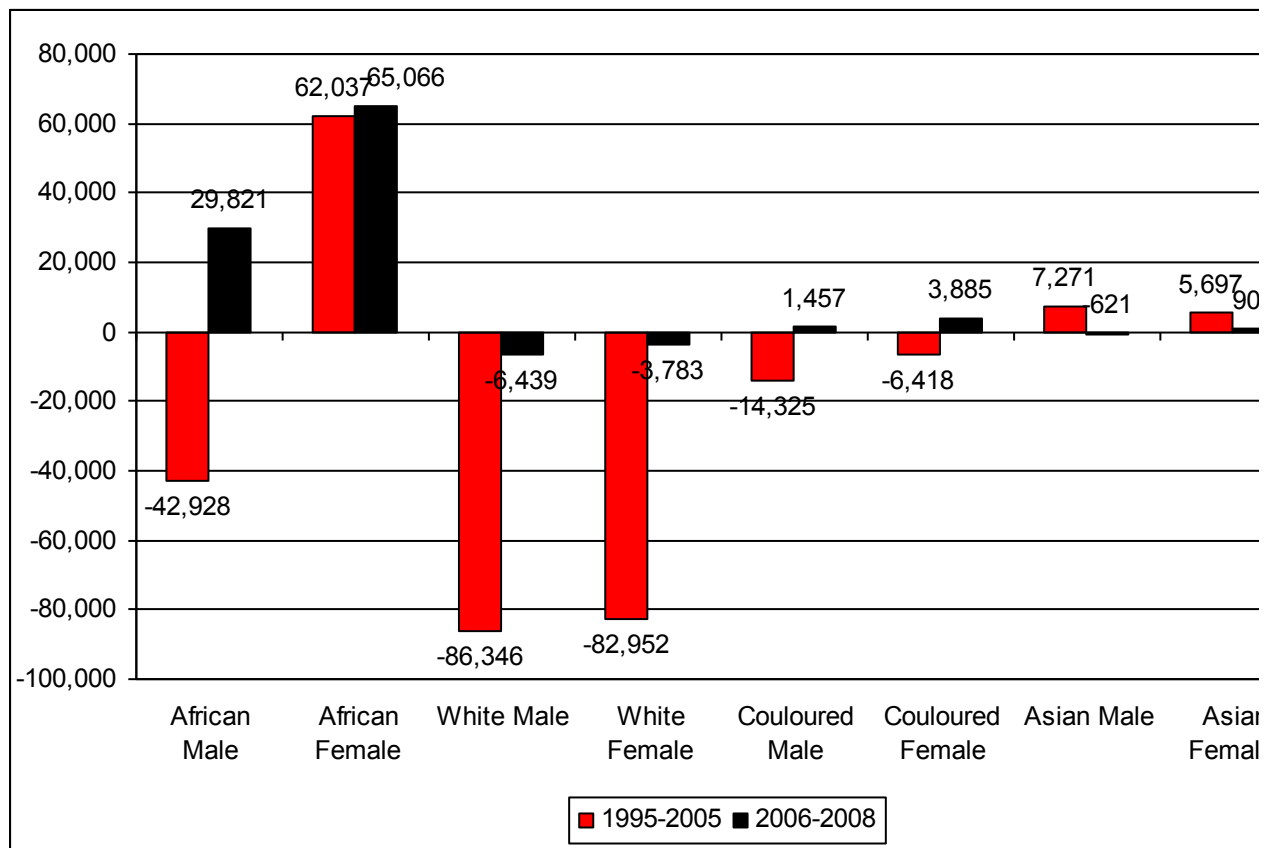


Figure 10: Changes in employment by race and gender (1995-2005 and 2006-2008)



Source: Authors calculations based on Pearsal Data

The major findings are that:

African Females have increased their share of employment across both periods.

African males lost jobs between 1995-2005, and have only since 2006 increased their employment levels.

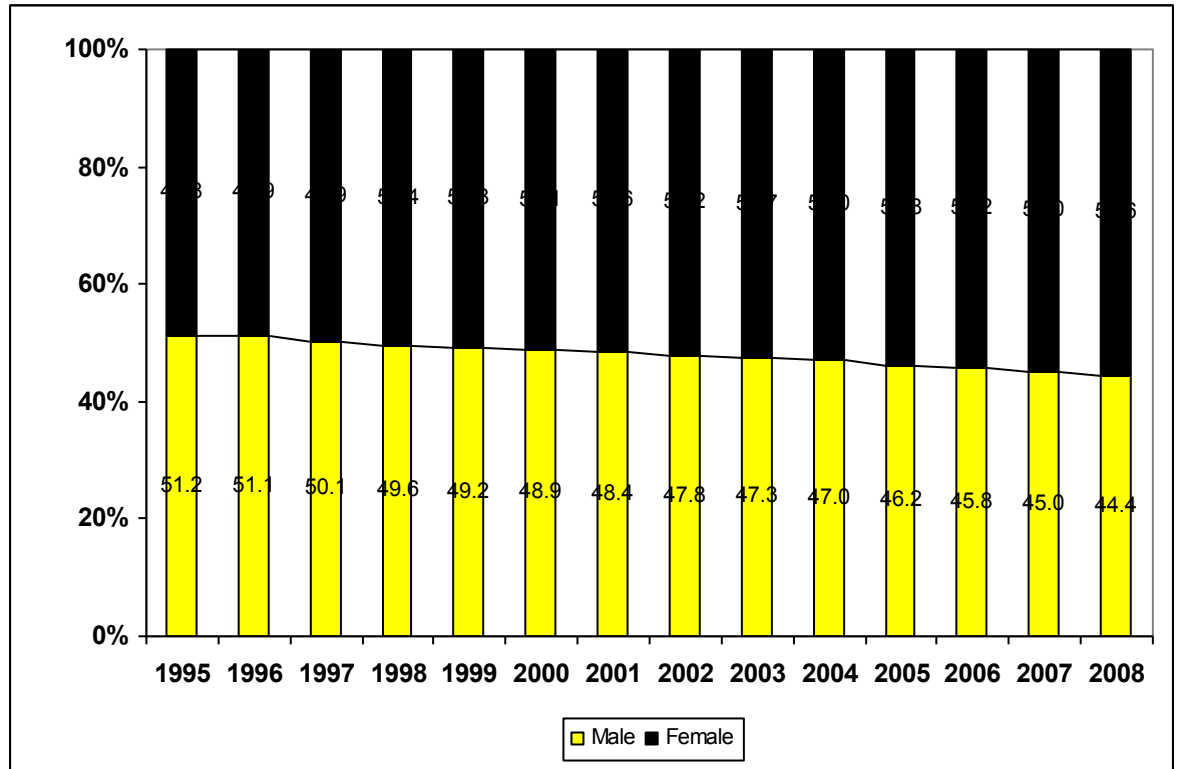
Whites whether male or female have reduced their employment levels in both periods, although the biggest change can be attributed to the shift towards higher skilled public service rather than affirmative action. This is due to a large percentage of particularly white males being employed at lower levels of the public service in 1994.

Coloured males and females have seen an increase in employment since 2006, but not in the period before that.

The overarching picture is that the public service has become a more feminised workplace, evident in females having a higher share of employment. Arguably, this process of feminisation of the public service has been more important than racial changes in the public service. Figure 11 shows the changes in percentage of male and females in the public service, showing that female employment has grown from 48,8% (1995) to 55,6% (2008).

However, inequities remain in place with males still outnumbering females in high skilled supervision and senior management service.

Figure 11: Gender breakdown of the public service (1995-2008)



4. Understanding the changes

The public service is slightly smaller today than at the onset of democracy, making it a smaller share of total employment in South Africa. There has been a trend towards creating a higher skilled public service. This section aims to ascertain the interactions between budgets, collective bargaining and the broader public service reform programme that have led to the trends described in preceding sections. In arguing that these constitute the primary drivers of public service employment, the paper recognises that due to decentralisation of organisational structure to departments, the behaviour of public service managers at a departmental level is an important determinant of change. This section does not explore this behavioural aspect in detail, due to a lack of data.

4.1 Budgets and employment

In 1999 government adopted the *Personnel Expenditure Review* (Department of Public Service and Administration, 1999), which aligned the objectives of fiscal policy of containing wages to the public service reform programme. The review suggested a set of policy instruments to contain wages and increase salaries for senior managers, who

had received small or no increases since 1996. The alignment between fiscal policy and public service reform to contain wages cemented a trend of reducing personnel as a percentage of government spending that started with the adoption of *Growth, Employment Redistribution: A Macroeconomic Strategy* (GEAR).

The year 1996 was notable not only for the adoption of GEAR, but also the adoption of the first ‘three year agreement’ between unions and the democratic government. The agreement streamlined public service jobs into 16 grades, provided for annual salary increases, restructured pension benefits and raised transformation issues related to the size of the public service. Its outstanding achievement was to provide near complete common service conditions across public service structures by raising salaries to those enjoyed by white public service workers under apartheid on the principle of equal pay for work of equal value⁸.

At the time it is understandable that cohesion in the public service was very important to stabilising democracy, and extending services. However, the agreement was surprising as government departments had already indicated the need to reduce personnel spending as a share of total expenditure. The financing logic behind the deal was that as Voluntary Severance Packages (VSPs) were taken, recurrent costs to the state would be reduced, and these reductions would fund, in part, the salary increases. The choice was for either smaller wage increases and increased numbers on the one hand, or larger wage increases and smaller employment on the other. It is widely argued that the parties to the three-year agreement effectively made choice for smaller employment with higher levels of remuneration (Adler, 2000).

In the 2000/01 financial year, government adopted a moderately expansionary stance. Since then there has been a moderate increase in budgets for every consecutive budget. During the current economic downturn, public spending still remains moderately expansionary with projections of an approximate inflation plus 1% increase for consolidated expenditure.

In this section, we argue that the budget envelope is an important determinant to increasing levels of public service employment. In understanding this relationship, this section first investigates the year-on-year changes in budget envelope for public service salaries, and the proportion of consolidated budget going to personnel spending. Next, the comparative increases in personnel spending versus overall budget growth is explored, with a focus on unit costs of employment. Finally, a schematic representation of budgets and employment levels is presented to summarise the available data.

4.1.1 The public sector salary bill

Figure 12 shows the changes in the budget vote called “compensation for employees” recorded in the economic classification of government’s budget, including projections

⁸ In other areas, notably social grants, government reduced the grant values to extend access.

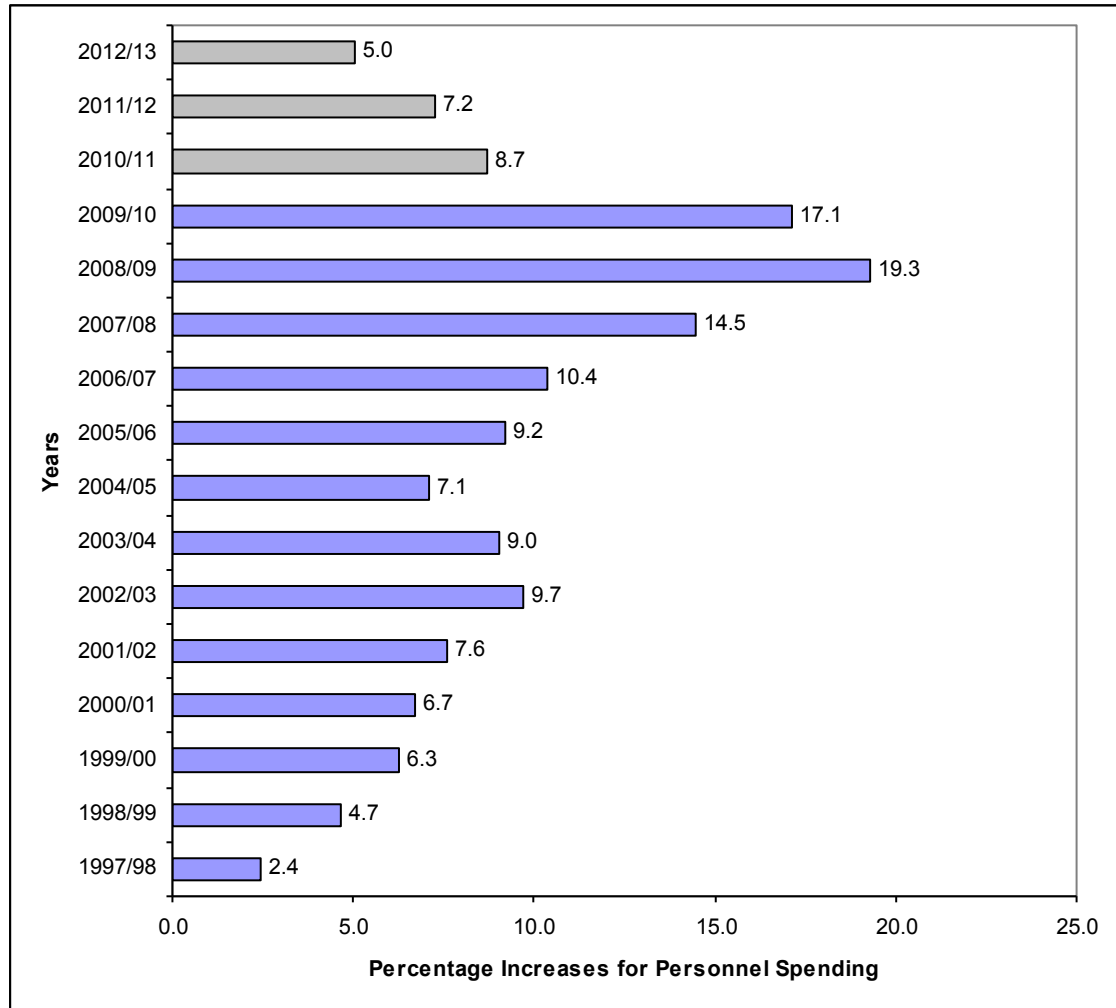
for the current Medium Term Expenditure Framework until 2012/13. A key feature of the data is that since 2005/06 financial year until the 2009/10 financial year⁹, increases on personnel costs have been close to ten percent, peaking in 2008/09 at 19.3%. This peak is explained due to the structural change in public service wage settings that arose from the salary agreements reached in 2007. In summary, the salary agreement introduced significant revisions to the grading of jobs, through occupational specific dispensations. Moreover, as we have seen from earlier analysis of changes in jobs, there has been a significant increase in employment levels during this period.

These increases might be cause for concern, in relation to personnel spending crowding out social spending, but as Figure 14 shows personnel as a percentage of total spending has been steadily falling until 2006, and since then a more moderated reduction (30,5%-31,5% range).

The data in Figures 12 and 13, provide an important lesson: provided that the budget is increasing, a cycle of increased employment, without significant increases to percentage of total spend on personnel is possible. The roots of this outcome are hotly debated. On the one hand, it is attributed to strict fiscal policies implemented from 1996 to 1999. In this argument, without the restructuring that had taken place, the fiscal space for increased employment would not have been created. On the other hand, trade unions have argued that the reality of the social crises, and the continued failings of public service institutions left government with little choice but to increase personnel spending and increase employment levels. Moreover, trade unions point to the mobilisation of their members, and several bargaining agreements in which government agreed to increased levels of employment.

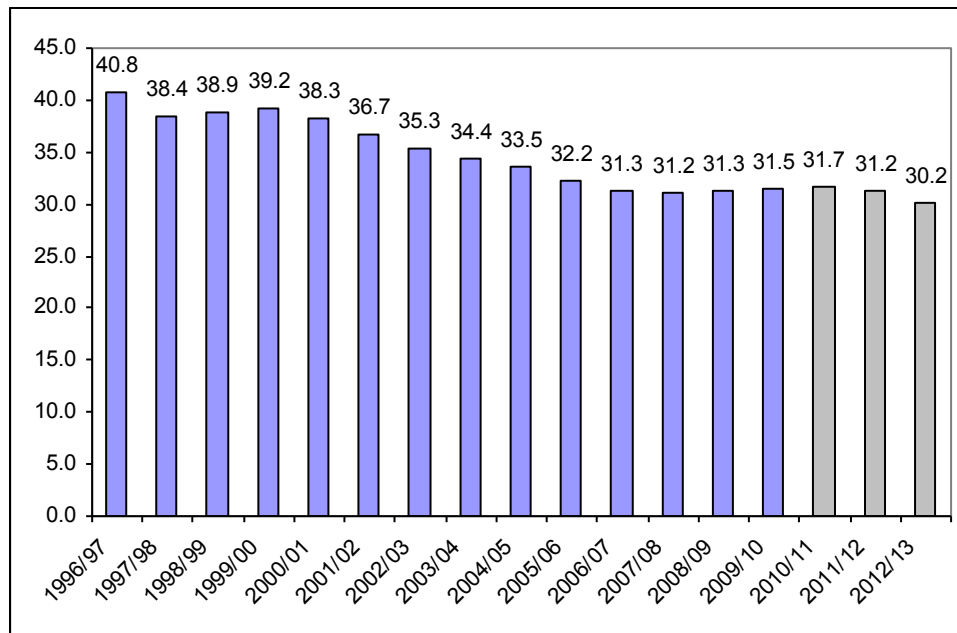
⁹ The current financial year at the time of writing this paper.

Figure 12: Percentage change in budget for composition of employees (1997-2013)



Source: Authors calculations from Budget Reviews, 1999 to 2010. 2010/11 onwards Medium-Term Estimates, shown in grey bars Note: Data for 1995/96 financial year has been excluded due to significantly different estimates from different sources.

Figure 13: Personnel spending as a percentage of total spending (1997-2013)



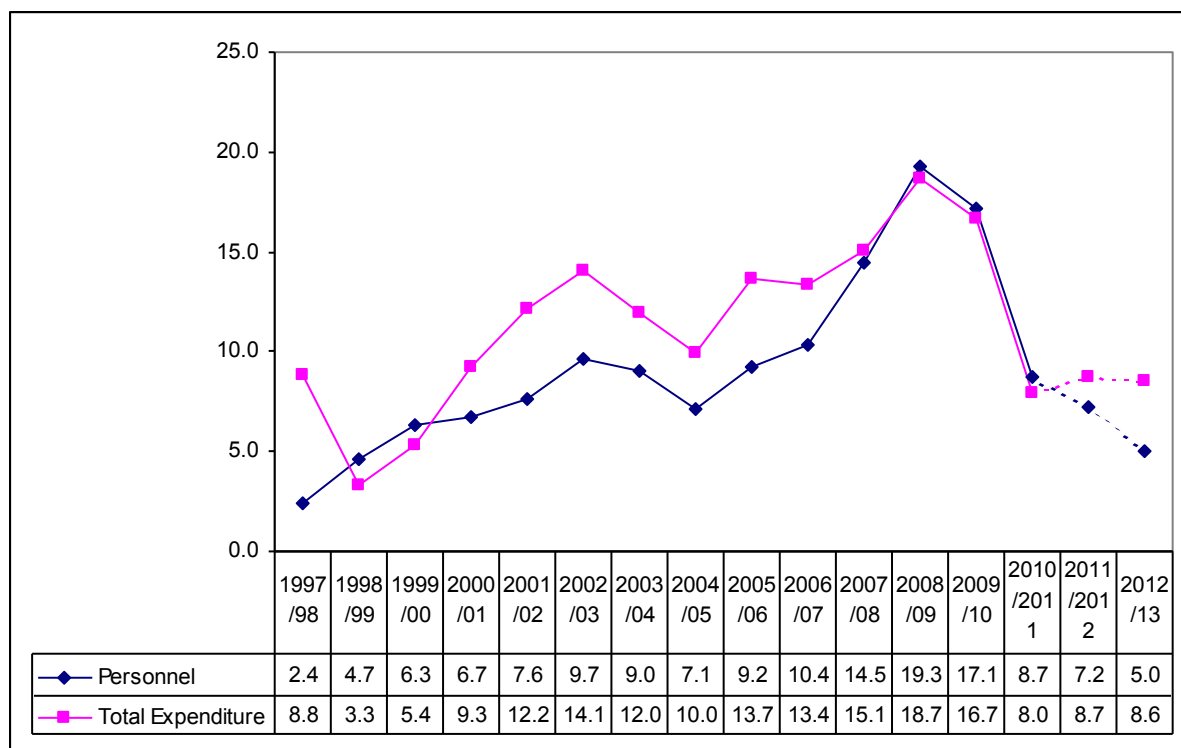
Source: Budget Reviews, 1999-2010. 2010/11 onwards Medium-Term Estimates, shown in grey bars

A more circumspect reading of the data is important, given these competing assessments. For instance, in 1998 the Department of Justice required funding for approximately 1900 posts, which were not funded (National Treasury, 1998). Similarly, analysis indicated that in 1996 the public service would require approximately 3,000 additional nurses in professional and primary health care and the estimated gap for nurses in 2000/01 was forecast to be as high as 12 000. (McIntyre D, Govender V and Maken B: 1997). In most instances, new posts were not created, or the number of new posts created was much lower than human resource planners in departments suggested. In this sense, the arguments of the trade unions holds sway. However, it is important to note that even during the periods of job losses in the public service, government committed itself to narrowing the wage gap through the compression of salaries, and that government has moved rapidly to improve employment levels in the public service.

A key concern for all stakeholders is ensuring that expenditure on social spending remains robust, and that personnel’s spending does not crowd out other forms of social spending. Obviously, this spending should take account that personnel are needed to provide social spending. Unfortunately, disaggregating the data between functional and economic classification is difficult and prone to errors. Figure 15 thus provides the best possible picture of the relationship between increases in personnel expenditure and total consolidated expenditure. This data shows that between 2000 and 2008, the growth in personnel spending has been slower when compared to total expenditure. However, from 2009 it is anticipated that personnel spending will increase in 3 out of 4 years until 2012 more quickly than total expenditure. However, given the structural changes in the grading system and robust increases in employment levels as well as the slowdown in tax revenue, this outcome is predictable and anticipated. The intent of government is however clear represented in Figure 14, with

an intent to ensure that a wide gap does not develop between total expenditure and expenditure on public service salaries.

Figure 14: Percentage change in Total Consolidated Expenditure versus Compensation for Employees (1997/98 – 2012/13 financials years)



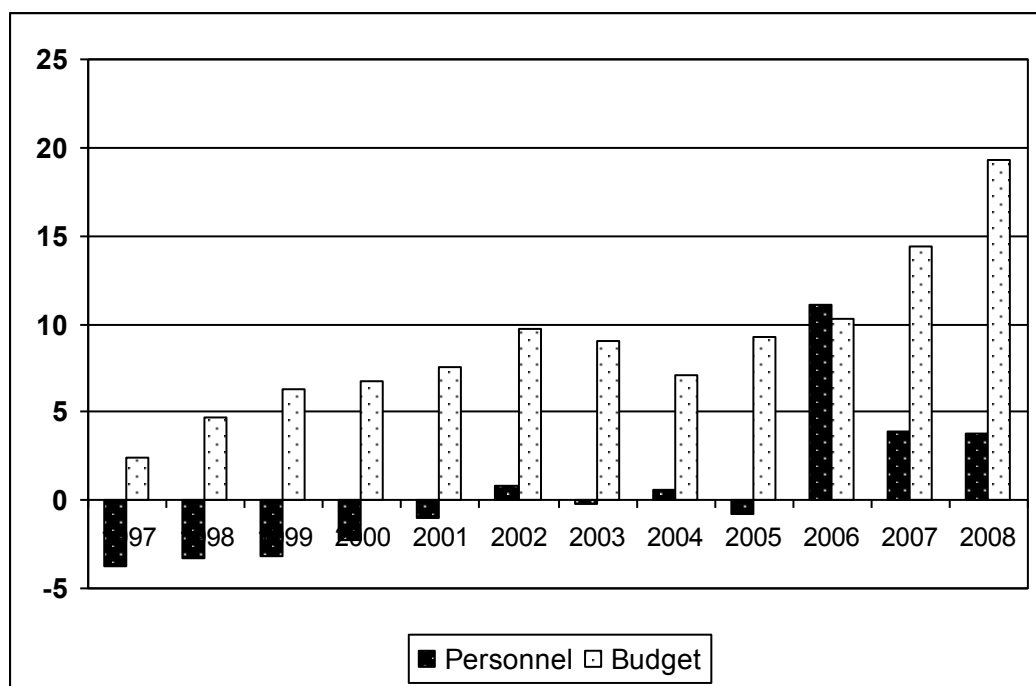
Source: Budget Reviews, 1999-2010 (2010/11 onwards, Medium-Term Estimates, denoted by a dashed line)

The data indicates that the intention of government is to moderate personnel spending increases over the medium-term, an intention signalled clearly in Budget 2010.

4.1.2 Employment and public service wage bill

What then is the relationship between employment and the public service wage bill? At the most basic there is a correlation between rising budgets and rising employment, and vice versa. Figure 16 shows percentage increases year-on-year for both the public service wage bill, and employment in the public service. This figure shows an important relationship between budgets and personnel increases. In the first period (1995-1999) there is a trade-off between employment and wages, with salary budget increasing modestly while employment fell. In the period between 2000 and 2005 employment stabilises, followed by an increase in both employment and wages from 2005.

Figure 15 : Percentage changes in salary budget compared to percentage increase in employment (1996/97 to 2008/09)



Source: Authors calculations based on Budget Reviews and Persal data

The challenge however arises, whether the continuation of both rising budgets and increases in personnel can continue, given the challenges being faced with the global economic crises. This challenge is discussed extensively in the section focussed on scenarios, which shows that a cycle of increased employment and rising budgets is achievable, within the current macroeconomic parameters.

Can table 8 from 2007 paper be reproduced? Done below

In fact, South Africa public service has fallen as a percentage of total consolidated expenditure as shown in the table below. Personnel as a percentage of total consolidated expenditure have decreased from a high of 40% in 1996/97 to an estimated 30.1% in 2009/10. Moreover, personnel spending remains within a range of 30% to 31% over the medium term expenditure framework This is consistent with government's focus on reducing personnel spending as a percentage of total spending with an implicit rule that personnel spending should approach 30% of total spending. Improvements in revenue collection have however allowed for significant increases in personnel spending, and even greater increases in other areas of spending. In the context of significant improvements in revenue collection, the trade-off between reducing personnel as a percentage of spending on the one hand, and providing at

least inflation linked increases to workers on the other hand, has been largely ameliorated.

Table 5: Consolidated personnel spending, 1996 to 2013

Year	Personnel as % of Total Consolidated Expenditure	Amount Billions	% increase in personnel spending
1996/97	40.8	76625.9	-
1997/98	38.4	78486.6	2.4
1998/99	38.9	82136.5	4.7
1999/00	39.2	87300.1	6.3
2000/01	38.3	93170.4	6.7
2001/02	36.7	100240.7	7.6
2002/03	35.3	109941.1	9.7
2003/04	34.4	119885.3	9.0
2004/05	33.5	128384.2	7.1
2005/06	32.2	140201.6	9.2
2006/07	31.3	154735.9	10.4
2007/08	31.2	177122.4	14.5
2008/09	31.3	211321.8	19.3
2009/10	31.5	247535.3	17.1
2010/11	31.7	269128.3	8.7
2011/12	31.2	288610.3	7.2
2012/13	30.2	303117.7	5.0

Source: Calculated from statistical tables in Annex B of Budget Reviews, 1999-2010. Medium-Term Estimates highlighted in grey.

4.2 Bargaining outcomes

The bargaining process in the public service has been a complex process since collective bargaining was recognised in 1993. Whilst this paper cannot summarise this history two events during this period indicate the ebb and flow of power between unions and government¹⁰. The first incident was the unilateral implementation of wages in the public service by government in 1999, after a short but failed bargaining process. The second incident was the strike in 2007, which lasted for three weeks, and resulted in the most substantive changes to the grading structure in the public service. In 1999, government was widely seen as enjoying the balance of power in collective bargaining, but by 2007 trade unions had undertaken the largest strike since democracy, and had emerged arguably victorious. These incidents highlight that collective bargaining in the South African public service has been adversarial, and has not lived up to the vision of “transformative bargaining” – meaning that bargaining would unite the democratic state with democratic trade unions to reach the aim of transforming the public service. In the development of scenarios and proposals for increased labour intensity, discussed later in the paper, a key assumption is that less adversarial negotiations would characterise the next bargaining rounds.

In this section, a summary of the key outcomes arising from bargaining is highlighted. It is important to note, that bargaining agreements have covered the following areas:

Pay increases

Benefits

Restructuring of the public service

Performance

4.2.1 Key features from public service collective bargaining

This section highlights key features that have arisen from the collective bargaining process, focussed on features that have a bearing on the development of employment scenarios. To this end, questions of budgeting, management, benefits and performance systems are succinctly discussed below.

Aligning salary increases with budgets

One of the difficulties about budgeting is that about thirty percent of the budget (i.e. budget for wages) is mediated through the collective bargaining process. There has

¹⁰ Readers interested in more detail on collective bargaining should see Adler (2000), Hassen (XXX), and Hassen 2007a and 2007b. The authors reluctantly cites his own work, but does this due to the paucity of analysis on public service collective bargaining.

thus been a strong focus on reaching multi-year agreements in the public service, that could be linked to the MTEF. The so-called “three-year agreement” signed in 1996 was heralded as a landmark agreement (Baskin, 2000), not only for developing the first grading system, but also for shifting bargaining out of an annual bargaining cycle. The unilateral implementation of wages in 1999 was again followed by another multi-year agreement. Between 2000 and 2006, multiyear agreements continued in the public service. The agreement signed in 2007, provides for a multiyear agreement, but with the caveat that wage increases will be negotiated annually. The current agreement ends in 2008, with early indications that the question of annual bargaining versus multi-year bargaining being a key area of contestation.

Importantly, the implementation of the Occupational Specific Dispensations (OSD) has ensured that the process will become more complex as in effect new grading systems are being developed according to occupations. This means an increasingly decentralised process of determining grading structures, combined with a centralised salary and benefits negotiations process. The occupational specific dispensations completed are listed in Box 2.

Box 2: Occupational Specific Dispensation (OSD) Agreements Reached

Nurses

Medical officers, medical specialists, dentists, dental specialists, pharmacologists, pharmacists and emergency care practitioners.

Medical and therapeutic support services

Social workers

School based educators

Office Based Educators

Legal professions

Engineers, architects, environmentalists and other professions

Correctional Officials

Source: Public Service Coordinating Council and its sector councils

The importance of the OSD process is that is different from negotiations around the value of cost of living increases. In practice, the OSD process has seen significant increases in the value of specific occupations, as a response to labour supply challenges in the public service. Consequently, the dispensations are not aligned to inflation, but rather to the determination of the value of each job. This is important as it provides an additional challenge to collective bargaining process, that has historically linked wage increases very closely to inflation rates. The first ‘three-year agreement’ in its first year provided for a rapid increase in salaries, but in the remaining two years increases were linked closely, if implicitly, to inflation (Baskin, 2000). From 2000 onwards there have been explicit linkages between inflation and salary adjustments. The current wage agreement still links increases to inflation rates. However, arriving at an agreement is likely to be more difficult as unions attempt to represent workers that have benefited from an OSD, and those that have not. Government, as well, will have the daunting task of finding funds to implement much

needed improvements in grades, whilst providing an acceptable cost of living adjustment in a fairly high inflation environment.

Managers and professionals

One of the significant changes in the public service have been the way managers are remunerated in the public service. The first multi-year agreement reached aimed to reduce the wage gap in the public service, which was a policy commitment in the *White Paper on Transformation of the Public Service (1995)*. This agreement increased wages on a sliding scale, with lowest ranked workers receiving high increases, and froze salary increases for higher ranked workers. In subsequent years parties agreed to across the board increases, which represented a shift from reducing the wage gap. Government then introduced the Senior Management Service (SMS), which removed senior managers from the Public Service Coordinating Bargaining Council. Today, senior managers and middle managers have an inclusive and flexible salary structure. These changes saw the wage gap drop dramatically between 1996 and 2000, and then rise after 2001. Since then senior managers have enjoyed increases linked to inflation, but with a more flexible package and an extended set of benefits. Government is extending the flexibility of packages lower down the grades, into the professional categories as a response to significant competition for skills, especially at middle management levels.

Professionals are however not classified as middle management, with the OSD filling this gap. The 2007 agreements thus marks a significant departure for government, which traditionally has focused on senior and middle management in the public service. The change is as a response to significant challenges in filling vacancies and to ensure the continued supply of professionals available to the public service. These changes however pose a significant challenge to arguments being advanced for increased labour intensity especially at lower grades.

‘Clean wage bill’

The democratic public service had to manage a large number of different benefits due to the different administrations that existed under apartheid. During negotiations, there has been a move towards simplification of benefits and allowances, through introducing government run schemes for medical insurance, and delinking the costs of benefits from changes to market prices. The most significant development is the creation of the Government Employee Medical Scheme (GEMS). This gives government the power of a bulk buyer, and hence the ability to negotiate with, and periodically switch, service providers. Government has included medical aid and housing in salary negotiations, but has pegged these at rand amounts, thus mitigating risks associated with rising interest and medical aid inflation. The change has been remarkable extending benefits to lower ranked workers, whilst reducing the costs of providing benefits.

Rightsizing as a managerial prerogative

Unions and government reached an agreement to conduct a skills audit jointly. This effectively meant that rightsizing the public service would be a mutual concern of parties to the bargaining council. After the Public Service Jobs Summit in 2001 unions and government reached an agreement that effectively allowed government to determine the size of public service independently at departmental level. They agreed to continue voluntary retrenchment, but, in addition, introduced employer initiated

retrenchments. This most recent programme represents yet one more initiative to 'rightsize' as shown Box 3 below. The move towards rightsizing being a managerial prerogative has however been characterised by weak instruments to implement changes.

Box 3: Rightsizing and Exit Management Experiments in the South African Public Service

Since 1994, there have been several attempts to determine the 'rightsize' in the public service. Rightsizing is often a euphemism for downsizing. In South Africa the process of rightsizing was spurred, by assumptions of bloated public service and ghost workers. Under the rubric of New Public Management, government spoke of exit management strategies in the public service. Propelling all these initiatives is a doubtful premise that the public service is bloated, or that some jobs serve no purpose and need to be closed down. As the statistics indicate, the public service is smaller than it was in 1995.

An important feature of the bargaining agreements has been a strong focus on determining a 'rightsize' for the public service. The relevant clauses in the 'Three-Year Agreement' read as follows:

A concerted effort to determine on a programme by programme basis the minimum number of staff that would be adequate to deliver a particular programme, having regard to declared policy and priorities.

Whilst the definition of the 'rightsize' can mean opposing things, there has been a strong focus on government to reach an optimal size for the public service.

Key rightsizing initiatives in the public service include:

Three-year agreement: The first agreement signed between government and unions, introduced Voluntary Severance Packages (VSPs). The implementation of VSPs saw 81 187 people leaving the public service. Of these 24 202 were teachers, just under 30% (Baskin, 2002)

Skills audit: Government and unions agreed to a joint process to conduct a skills audit in the public service. The process agreed to never materialised due to fears of employer-initiated retrenchments, and the ascendancy of managerialism in the public service.

Jobs summit and restructuring agreement: The Public Service Jobs Summit and the subsequent collective restructuring agreement reached aimed to speed up rationalisation of the public service, with the unions conceding to employer initiated retrenchments, to a watered down social plan and to making the restructuring process a consultation issue (i.e. not a matter of mutual interest) (Resolution 7 of 2002). The problem with the agreement was that it provided a long and cumbersome process for government and, surprisingly from a government perspective, increased the costs of retrenchments. The Minister of Public Service and Administration reported that this process revealed that there were 28,377 excess employees. Of these 2,507 took voluntary severance, there were 746 resignations, 23 took early retirement and 2,311 were transferred to other departments. It remains unclear what has happened to the remainder of staff declared in excess.

Cabinet skills audit process: In 2007 Cabinet took a decision to implement a common system across the public service and local government to determine skills priorities and gaps.

Sources: Baskin (2000), PSCBC resolutions and Department of Public Service and Administration

Weak performance systems

Despite important attempts to introduce performance systems in the public service that are able to distinguish poor performance from good performance, the agreements reached have unintentionally continued a system of virtually automatic rewards. The introduction of 'rank-and-leg promotions' were meant to be linked to performance assessments, but were scrapped. Government tried to introduce performance management through changes to the Public Service Regulations, and through agreements with labour. However, these systems require four assessments per employee per year, resulting in over 4 million assessments per year. The sheer numbers are daunting, but not insurmountable given adequate management capacity at institutions. This area requires significant intervention in the public service, and more work than the intent of this paper provides for.

4.3 Factors contributing to a falling share of the public service in total employment

Whilst public service employment accounts for the largest proportion of formal employment, South Africa's public service employment could have been anticipated to be higher. Four reasons stand out to explain the relatively small share of public service employment.

First, public service reform was linked to efficiency and cost-savings objectives. The *Reconstruction and Development Programme: A Policy Framework* (RDP) was non-committal on the size of the public sector, state ownership of enterprises and fiscal policy. In each of these instances, the RDP suggested a case-by-case approach, which would reflect on the capacities of the state and other strategic issues. However, the RDP called for the expansion of services, occupations in several areas of the public sector and for an important role for government. The continuation of the lack of clear policy on the size of the public service, as a crucial input into the reform programme can be seen in *The Growth, Employment Redistribution: A Macroeconomic Strategy* (GEAR), which was contradictory on the appropriate size of the public service. On the one hand, it argued that the public service wage bill would need to be reduced. On the other hand, the strategy indicated that public service employment would grow from 10 000 additional jobs per annum (pa) in 1996 to 30 000 jobs pa in 2000. (Department of Finance, 1996). It did not resolve how competing aims of managing the public service wage bill, and increasing public service employment would occur. Despite, there not being clearly developed policy on the size of the public service, it is possible to discern trends over time from understanding the wider context. (See Adler, 2000.).

In 1999 government adopted the *Personnel Expenditure Review (1999)*, which aligned the objectives of fiscal policy of containing wages to the public service reform programme. The review suggested a set of policy instruments to contain wages and increase salaries for senior managers, who had received small or no increases since 1996. The alignment between fiscal policy and public service reform to contain wages cemented a trend of reducing personnel as a percentage of government spending that started with the adoption of GEAR.

However, from 2000 to 2008 government budgets grew above inflation on the back of higher commodity prices, economic growth and improved tax collection. As shown in the data on budgets and employment, this provided a foundation for increasing levels of staffing in the public service.

Second, bargaining agreements reached between government and trade unions have set up systems for determining a ‘right size’ that have only been ideologically polarising, but have been bureaucratic. The year 1996 was notable not only for the adoption of GEAR, but also the adoption of the first ‘three year agreement’ between unions and the democratic government. The agreement streamlined public service jobs into 16 grades, provided for annual salary increases, restructured pension benefits and raised transformation issues related to the size of the public service. Its outstanding achievement was to provide near complete common service conditions across public service structures by raising salaries to those enjoyed by white public service workers under apartheid on the principle of equal pay for work of equal value.

At the time it was understandable that cohesion in the public service was very important to stabilising democracy, and extending services. However, the agreement was surprising as government departments had already indicated the need to reduce personnel spending as a share of total expenditure. The financing logic behind the deal was that as Voluntary Severance Packages (VSPs) were taken, recurrent costs to the state would be reduced, and these reductions would fund, in part, the salary increases. The choice was for either smaller wage increases and more employment on the one hand, or larger wage increases and smaller employment on the other. It is widely argued that the parties to the three-year agreement effectively made choice for smaller employment with higher levels of remuneration (Adler, 2000). In addition, it sought to close the wage gap as per government policy, and implemented a freeze of salary increases for senior managers.

Over the years, there have been several unsuccessful attempts to determine a ‘right size’ for the public service (See Box 2 above). The issue is even more complicated in that there is no certainty on the size of vacancies in the public service, which is discussed below. There seems to be broad agreement – even if implicitly – to have smaller employment but higher wages. At the same time, prior to the OSD, there was an expectation that the expanding budget allocated to public personnel, (expected to be about 1.5 time GDP for a few years at least) would be equally divided between pay adjustments and new hires. This was mostly implemented between 2006 and 2008. In three salary agreements reached between 2000 and 2007 there are commitments made by the state to increase employment (Public Service Coordinating Bargaining Council). With the OSD in a context of falling tax revenue, we expect there to be the shift back to skills intensification. This may be good for service delivery if tied to strong performance management, but might not be appropriate in a context of high unemployment. These trade offs require explicit attention.

Estimates on the vacancy rate in the public service are a source of controversy. The reason for the controversy is that official estimates of vacancy rates have yet to be officially confirmed and announced. The best indication of the skills shortages in the public service however estimates that it might amount to 1 million additional jobs (Department of Public Service and Administration, 2007 quoted in Public Service Commission, 2007). Filling these vacancies would in effect double the public service, highlighting the need for an agreement on vacancy rates. However, estimates based on departmental staffing establishments provide for lower estimates. This paper cannot overcome these weaknesses, since data is not available. Instead, we have pieced together an estimate of frontline vacancies drawing from recent studies on skills availability in the sector, which are discussed later with reference to teaching, nursing and policing.

Third, the interactions between fiscal policy and public service reform have buttressed a view that the “government does not create jobs”. Explicitly the argument is that government should not play a role as a direct provider of jobs, due to the risks associated with large wage bills weighing down on public spending, and a belief that the actors outside of government would be better placed to create employment. The argument is an important one to consider, especially in terms of fiscal sustainability. However, the argument lacks a contextual setting where inequality means that class and race largely determines opportunities for income generation, and in a context of extremely high structural unemployment with particularly detrimental implications for youth.

Fourth, outsourcing of services has been a major trend. The decline of low skilled jobs can in part be explained by increases in outsourcing. The results of a study by Tregenna (2007) indicate that significant outsourcing has occurred in government, particularly in occupations such as cleaners, security guards, business professionals, gardeners, and office clerks. This has displaced jobs from the public to the private sector. Tregenna, decomposes changes in employment from 1995 to 1999, and then from 2000 to 2005 and shows that jobs such as cleaners, security guards and gardeners have been outsourced, increasing employment in other sectors of the economy. Box 4 outlines areas in which outsourcing has been occurring in the public service.

Box 4: Outsourcing in education, policing and health

Education	Policing	Health
In-service teacher training; Development of curriculum and learning materials; Training school managers and governors; Facilitating school improvement and institutional rationalisation processes; Assisting the development of assessment instruments; Project management; Conducting adult education classes	Guarding of government buildings Building maintenance Vehicle fleet management Vehicle pounds Information technology services Gardening, catering, laundry Providing prisoner meals	Fleet and transport Health Care Risk Waste Laundry

Sources: Minaar and Mistry (2004), Pampalis (2004), Hall, du Plesis and McCoy(2002), Hall, Radebe and Roberts (2006), Department of Environment (2004)

The outsourcing of government services is an important feature in explaining why employment growth has not been high at the lower skilled levels.

Fifth, there have been significant changes over the period under review not only in terms of employment. The combination of these four factors as well as bargaining and budget factors are summarised in the box below.

Box 5: Summary of factors affecting employment

	Period		
	Declining Employment	Stabilisation	Increased Employment
Impact on employment	Decrease in employment	Slight decrease of but public service employment stabilises.	Significant increases in public service employment, which increases by 10% during this period.
Policy objectives	Contradictory policy objectives of reducing the wage bill, will reducing wage gap	Stronger alignment of fiscal and public service reform agenda. Strong focus on management	Need to improve management capacity in the public service. Lately, a stronger focus on improving capacity of frontline institutions.
Fiscal Environment	Restrictive across the board	Stabilising budgets for personnel, but a strong increase on grants	Moderately expansionary stance
Government Union Relationships	Coalition for change between unions and government, but fiscal policy under GEAR is more powerful	Government implements unilaterally, unions suffer defeat	Growing confidence and radicalisation of public service workers. Service departments, like education and health become more forceful players. Significant changes in approach from DPSA and Treasury as budgets increase.

Furthermore, nascent changes in government policy suggest a process of “continuity and change” which is outlined in Box 6. Clearly, there is a greater emphasis in government policy on the importance of public service employment to broader developmental goals. However, this commitment to increasing the public service will occur in the context of either a continued economic recession, or very low levels of economic growth.

Box 6: "Change and continuity" in government's policy

Government officials have emphasised that there will be “change and continuity” in government policy. Whilst, there are several interpretations to what exactly this means in practice, recent government documents indicate a broad framework on public service employment. Most importantly, the release of the Medium-Term Strategic Framework (MTSF) indicates that the underlying framework supporting greater levels of employment in the public service is implicitly part of government’s strategy. Key features of the MTSF that should be highlighted include:

- A commitment to reducing outsourcing
- Strong focus on ensuring that replacement capacity in teaching and nursing is achieved
- Reducing unemployment will require interventions particularly in the area of

youth unemployment.

This stance reaffirms a commitment to expanding employment in the public service.

However, the proposals for increasing the size of the public service are subject of budgetary and operational constraints which are identified throughout the MTSF.

Source: Medium-Term Strategic Framework (2009)

4.3.1 Key strategic choices

Bargaining outcomes will be central to which scenarios will be realised in public service employment. In the development of the scenarios, several possible permutations on these decisions are included. Three key strategic choices in particular will impact upon the rate at which the public service will grow.

First, the process of determining OSD will impact significantly on the pay and benefits not only for professionals, but also occupations that are described as para-professionals. This is vital as in effect the OSD will set wages, define job hierarchies and responsibilities. In turn, this will impact on the ability of the public service to employ more or less people. There is however significant differences between agreements reached in sectors. As an example, the nursing OSD has a fully developed system of salaries, promotion requirements and alternative paths to nursing specialisation and management careers.

Second, the absence of an overarching agreement on public service reform is a foundational one. Without a broad agreement on the direction of reform programme, we are more than likely to see a continuation of adversarial bargaining, but moreover a paralysis of improvements aimed at systemic improvements in service delivery. This is a likely outcome given the relative strength of parties to the bargaining council. Encouragingly, the 2007 wage settlement commits parties to engaging in such a discussion and a process to reaching such an agreement. The public service summit is likely to be convened in mid 2010.

Third, the determination of wages and benefits will impact upon the cost of employment, given that budgets remain fairly fixed. Importantly, as the data has indicated, robust growth in the public service is foreseeable provided that budgets increase. However, the question does arise whether the public service should position itself explicitly, as intervening through creating employment opportunities as a response to structural unemployment. This is the question we turn to in Section 5.

5. Some options for public employment

The central objective of a public employment strategy is ensuring that the skills and capacity are enhanced in the public service. In turn, two important objectives are important:

- Improving social service delivery
- Improving labour intensity through introducing a targeted public employment programme

The proposals under these headings are discussed in this section. Importantly, it needs to be emphasised that the proposals can only realise impact and scale, by working in tandem with market and non-profit based employment outside of government, and a coherent anti-poverty strategy. In addition, a long run public service reform programme agreed to by partners needs to underpin attempts to improve labour intensification in the public service.

5.1 Improving social service delivery

The proposed mechanisms to improve social service delivery are:

Ensuring replacement capacity for key occupations

Expanding lower grades of the public service to offer paraprofessional and clerical support to front line professionals

Implementing Grade R as per Government's stated objective

Supporting the expansion of community services

5.1.1 Capacity for frontline occupations

As discussed above teaching, nursing and policing constitutes around 55% of total public service employment. Ensuring the availability of skilled workers in frontline institutions is central to building performance and improving service delivery in public service institutions. Current government programmes aimed at ensuring replacement capacity need to be carefully evaluated, but as they are still in the initial stages of implementation definitive answers as to their performance are not readily available.

The key interventions include:

Improving retention through reviewing salary scales, via the OSD process

Improving the entry to graduates through offering a range of financial assistance to students, and re-opening or expanding teacher and nursing training colleges.

These changes should ensure that there is adequate supply of nursing and teaching.

However, an additional recommendation is that support for professionals should be provided. This is primarily through having routine administrative tasks being undertaken by clerical staff, and not professionals. Examples of this sort of work include:

Teaching assistants, that would provide support to teachers in classrooms;

Administrative staff in schools to manage payments and accounts;

Pharmacy assistants at state run hospitals to manage stock, and process scripts that are within their competence;

Entry-level health workers who would be able to deal with routine tasks at ward levels;

Clerical staff to manage records and enter into information systems at police stations, schools and hospitals;

Community development workers who would support the small layer of social workers in South Africa; and

Writing of affidavits and statements at police stations, which currently requires training as a police reservist. These would however still need to be verified by a officer in the police service.

5.1.2 Expanding the lower grades in support of public professionals

It is well known that one major service delivery challenge lies in vacancies in respect of key front line personnel such as doctors, nurses, police and qualified teachers. The available professionals capacity would be substantially bolstered with the support of para-professionals and specially trained clerks, hired at the lower grades. These people would implement functions like taking statements, stock control, teachers' aides, social support to learners, birth registration, amongst other functions.

Below we recommend a transitional jobs programme aimed at youth and set at a new Grade 0, that would effectively be a learnership for a limited time period. In part, these young people could be trained to fill these supporting roles upon completion of an internship-type experience.

5.1.3 Implementing Grade R and Support to Community Services

ECD is important given the long-run focus on improving skills through school readiness. The Department of Education has an ambitious plan to make reception year (Grade R) mandatory. There is further effort to expand services to children under

age five. The HSRC estimates that this could be an extremely important source of job creation, mainly because it represents a large service delivery gap. Government aims to reach four million poor children by 2009/10. Altman estimates that up to 340,000 net new opportunities could be created in the delivery of these services alone. The EPWP employment and training targets are well below this level, partly in recognition of weak capacity in the sector.

However, it is important to distinguish between Grade –R, and ECD provided from 0-4 years. Current government’s plan aims to roll-out Grade-R training universally by 2014. This is an important target to reach as it would ensure that all children in South Africa would be school ready. The proposals outlined in this paper focus on Grade-R. Under current plans it is however unlikely that the target will be reached, and provision of a public employment programme would be necessary. Importantly, in these proposals ECD for 0-4 years would be primarily delivered by community based organisations.

Home based and community based care is another area in which the public service could be expanded to support the national plan for HIV and Aids. Here again, an important feature is to distinguish between what the state is required to do, and what is best left to community based organisations. Government should provide training and facilitate the formation of HBCB organisations, but in addition should be directly providing services in hard to reach areas. This could entail directly employing community health workers, or alternatively strengthening the NGO sector through regular grant funding.

At the core of both ECD and HBCB proposals is recognition that whilst the Expanded Public Works Programme has performed innovative work in these areas, the delivery of these services are continuous in nature. Government and social partners need to recognise this reality and in turn develop proposals that will both strengthen non-state provision, but also provide support and direct employment by the public service.

5.2 A targeted public employment programme

Public employment programmes occur in a variety of different forms, with two major types:

Public works programmes: are responses to widespread and large-scale unemployment in a country, or a geographic region, aimed at putting the jobless to work. The overarching goals are to reduce unemployment, provide a salary to workers and their families, and to provide a cushion in times of hardship. The public works programmes developed as a response to the depression in the United States of America are an example of these sorts of interventions. Less familiar are responses to the oil crises in the 1970s that used public sector employment as a response. Alternatively, the rural job guarantee scheme in India is meant to address structural poverty, where the problem is not a crisis or a cyclical downturn, but instead a structural problem where the economy is simply not generating enough market based opportunities.

Targeted public sector employment programmes: are much more narrowly focussed, designed to deal with unique problems facing groups who fare much worse

than other workers. These workers are less likely to be employed when the economy is strong. The key rationale for these programmes is to provide short-term employment and income for hard to employ groups. In a context of high youth unemployment as in South Africa, targeted public sector employment programmes play a critical role in offering first work experience opportunities. These programmes provide skills, experience and entry into the labour market, which would enhance future employment prospects.

Government generally implements both public works schemes and targeted employment programmes. The choice is a matter of where to place policy emphasis.

As Altman (2007, 2009) shows, there will be a substantial role for government in generating work opportunities so that the objective of halving unemployment by 2014 is reached, even under the best scenario. The question is what sort of opportunity, and will the job be inside government or procured by government. Below, we discuss possible ways of intensifying labour absorption within the public service, with a particular emphasis on the introduction of entry level and transitional jobs schemes. Some overlap is likely to arise in respect of social sector public works programmes, since the boundaries between public service and extremely low paid community services may become blurred.

Two mechanisms are proposed to achieve the objectives of improving inclusion through public service employment. These are:

1. Transitional jobs
2. Renegotiation of entry level salaries in the public service

5.2.1 Transitional jobs programme

The provision of transitional jobs can be defined as programmes that use public funds to provide temporary jobs to help individuals prepare for unsubsidised employment. (Richer and Savner 2001). Internationally, recent public employment programmes are targeted at the young, unemployed and the excluded; as society responds to less absorption of young people into the economy. Countries with strong apprenticeship systems are better able to deal with youth unemployment. It is in countries with weaker links between schooling and the labour market that transitional jobs programmes have emerged strongly.

Youth unemployment in South Africa represents the most challenging social problem that we face. The vast majority of unemployed youth have never worked before, and they are ineligible for social assistance. (See Box The poverty trap requires little explanation: low levels of skills, labour market discrimination, exclusion from networks and a capital-intensive growth path all play a part. There is little disagreement that developing a response to youth unemployment requires deliberate and detailed developmental plans. Instead, government's combined programme to address youth unemployment is not only inadequate, but is poorly conceived, and fails to grasp the extreme challenge that youth unemployment poses in South Africa.

Box 7: Youth Unemployment in South Africa

In 2007, the total number of unemployed youth between ages of 18-24 stood at just over 1,4 million (1 455 711 according to Labour Force Survey) of which:

61,3% (892 508) had a qualification between Grade 10 and Grade 12

37,8% (550 000) had a matric qualification

0,9% (13 203) had a graduate level qualification

This is a huge number of unemployed youth. The problem is further compounded by graduate unemployment in higher age categories. The proposed interventions will thus target this group of young and unemployed youth (i.e. under 35 years old)

The key challenges include:

Dedicated budgets: A transitional jobs programme needs to allocate money from government to support direct employment. The establishment of the National Youth Service is an important step in the right direction, as it provides an institutional voice in government. However, the National Youth Service Unit (NYSU) has an operating budget, but not a budget to establish projects. In some respects the analogy of a lobby group in government seems appropriate. The NYSU attempts to get government departments to allocate resources for programmes that support youth employment. Most developed and developing countries that run transitional jobs programmes have dedicated budgets to support direct employment.

Transitional Jobs Grade (“Grade 0”): a special grade would be needed for transitional jobs, at a level lower than Grade 1.

Policy prioritisation and scale: Governments accept that youth unemployment is structural, but interventions are modest and inadequate. The creation of a system to match unemployed graduates to work opportunities assumes that there are informational asymmetries between work seekers and employers. However, a closer look at graduates that are unemployed indicates that they are overwhelmingly African, hold diplomas as opposed to degrees, and have skills that are transferable into the public service. This last factor provides an opportunity in that unemployed graduates have training in areas that are closely aligned to the public service. Dealing with the structural unemployment of young people requires moving to scale. The combined commitment of learnerships, internships and projects by the NYSP could create a maximum of 50,000 opportunities if these programmes reach their maximum potential, as against more than three million unemployed by the strict definition.

Social security gap: There are at best limited social security interventions targeted at unemployed youths. Current reform programmes are targeted at employed persons, or children and the elderly. There is reluctance to extend social security benefits on a universal basis, for a variety of reasons. Jobs are the alternative proposed – a first best alternative.

Given the structural nature of youth unemployment there is a danger that this grouping will fall through the cracks between social security reform, and an economic growth strategy. A transitional jobs programme could ensure that young adults are provided with opportunities. A transitional jobs programme could provide a policy response that provides employment opportunities and potentially sustainable employment once the programme is completed. A targeted public service employment programme (TPSEP) provides a policy alternative. The programme would have three key focus areas, as identified by the National Youth Service Programme:

Social benefit: The programme should benefit the wider community

Experiential Learning: Providing on-the-job experience linked to structured learning and development

Exit opportunities: Once training has been undertaken young people exit into further learning, employment or self-employment.

A transitional job, whilst not permanent, provides a longer period of employment than the public works programme, and should provide training for skills development. In turn, through providing a first entry point into the labour market, it could potentially provide a stepping stone into formal employment, either in the public or private sectors, or alternatively into self-employment.

Hassen and Altman (2007) provide scenarios for transitional jobs, and their costs. The scenarios show that starting from a base of 10 000 jobs in 2008; such a programme might reach up to 60,000 young people per annum. By 2014, this would cost between R 38m to R171m per annum in current Rand. The cost of the programme would depend completely on its scale. Because this would be a transitional programme, it is worth noting that between 70 000 and 200 000 young people might be reached over this period. The impact is dependent on the ability of government to roll out the programme, entailing more than fiscal considerations. The importance of a transitional jobs programme is that, if well implemented, it provides successful exit opportunities into employment. A more expansive transitional jobs programme is conceivable, provided that administrative capacity exists.

The critical elements of an intervention should include:

There is a need for real capacity development. Some part of this is related to basic capabilities (such as personal presentation, communication, search skills, IT skills, etc), and not only to academic capabilities. Support to young people should ideally include some capacity development.

Matching the skills development to potential work opportunities is sensible. However, there is substantial cross-over of skills sets and so policy makers should not seek a 1:1 relationship.

A first work opportunity is one of the greatest hurdles passed by a young person. Black school leavers in particular, generally do not access these opportunities while studying, and have special difficulties obtaining them after leaving school.

Given the large numbers of young work-seekers, any programme should be scalable. Even if some programme elements are compromised (such as skills development), the

experience of being employed is important, and can give access to information about other job opportunities.

The transitional job programme should recognise the nature of youth unemployment, especially that together with the problem of graduate unemployment, there is a much wider problem of youth unemployment of matriculants and those that have not attained a matric pass. For this reason, it is important to distinguish between first job experiences that are:

Transitional jobs – Targeted at those without a tertiary qualification

Learnerships – Targeted at unemployed graduates, which will be run through the Public Service Sector Education and Training Authority (PSETA)

Internships – Upscaling the existing internship programme developed by the Department of Public Service and Administration

These proposals are summarised in the Box below:

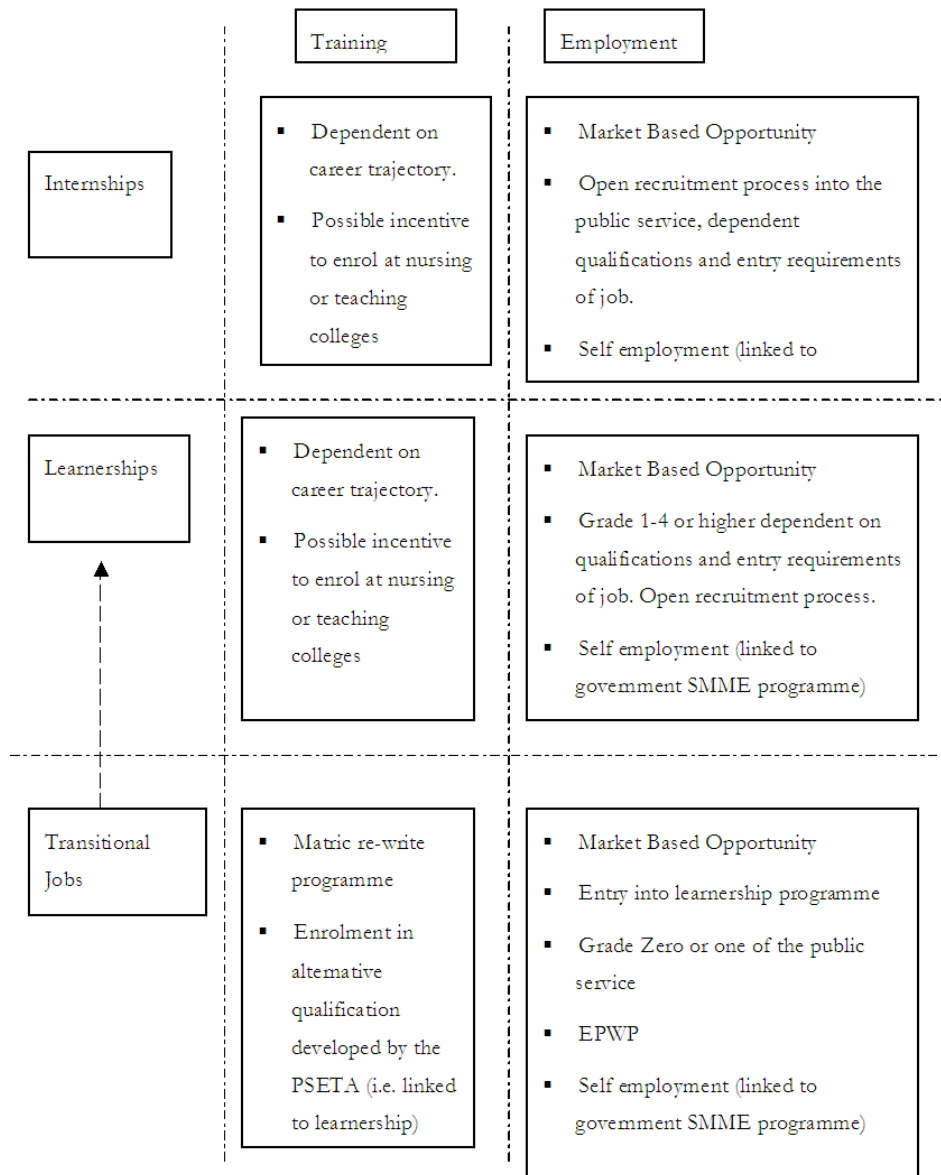
Box 8: Transitional jobs, learnerships and internship proposals

	Transitional Job	Learnerships, Apprenticeships & Skills programmes	Internships
Description	Fixed term appointments that offer a school leaver a first work opportunity for a defined period such as 12 months.	Enables opportunity to gain work-linked training opportunity	Post FET or HET opportunity to gain practical experience
Target	School Leavers without tertiary qualification	School leavers and unemployment graduates	Unemployed Graduates
Length	12 months	12 months, or determined by length of training opportunity	12 months
Funded From	Government	Government	Government

A key requirement for the success of this programme is the availability of exit opportunities into formal employment, or alternatively into tertiary education. In this regard, the proposals for a lower entry level salary in the public service becomes more important, as it could provide a mechanism to absorb a significant number (but not all) of the young adults that participate in this programme. This is discussed in the next section.

The box below provides a sense of the possible exit strategies that could emerge in such a programme:

Box 9: Potential Exit Strategies for Transitional Jobs, Internships and Learnerships



5.2.2 Lower Entry Levels

The debate on lower entry-level salaries has tended to focus on whether there is a wage premium in the public service. One of the central features of the public service is that lowest entry level salaries are high compared to private sector companies, and especially when viewed against EPWP- type opportunities (Woolard, QX). However, when compared to the non-governmental sector entry-level salaries in the public service are comparable. Evidence is thus at best mixed of a salary premium, especially since the usage of labour broking is not prevalent in the public service. Moreover, as the largest provider of formal jobs, salaries need to be compared with other formal work. Framing the debate with reference to a wage premium however muddies more important questions, which need to be framed from a developmental perspective.

First,, the commitment to reducing outsourcing in the public service requires an adjustment in entry-level salaries. One of the primary reasons why public service managers have opted for outsourcing of lower skilled jobs is that the cost are arguably lower, than hiring new staff. The Outsourcing in government has had a significant impact on employment in unskilled and lower skilled levels, which has seen the largest decline in employment by skills levels from 1995. Part of the reason for outsourcing is that it is a cheaper and flexible way to provide services. However, another motivation is the so-called 'hassle factor' of having to manage employees, particularly those that provide routine services. The creation of a new entry-level position could offer a significant avenue for government to employ largely unskilled and semi-skilled workers to provide public services.

This means that to reintegrate these services back into the public service without adding significantly to cost of services provided, requires a bridge between current costs on outsourcing and the costs of providing services within government departments. This suggests that a lower entry-level salary could support a mechanism to incentivise politicians and managers to return services back into the state.

Second, , well-paid formal sector jobs are a vital ingredient in meeting the developmental challenges in South Africa. Trade unions in the public service (supported by government policy until 1999 to close the wage gap and raise minimum salaries) have managed to raise salaries for lowest ranking workers. However, South Africa needs to provide significantly more well paying and decent jobs if poverty is to recede more rapidly. The public sector can create these jobs especially for those traditionally excluded from market-based employment, but needs to do so at scale. However, through providing a lower entry-level salary more unemployed workers could be reached, especially in the areas of ECD, HBC and potentially in renewable energy. Importantly, the jobs being suggested are formal unionised jobs, although salaries are lower than current lowest salary in the public service.

However, the vital question is how long can one go? This is a demanding ethical question, and an even more demanding one as a programmatic response to reducing poverty. According to researchers at the South African Labour Development Research Unit (SALDRU) based at the University of Cape Town, using an upper poverty line of around R 1000-00, approximately 70% of South African could be

classified as poor in 2009. Clearly, the wages would need to be above this above poverty line. However, it would need to be set in a manner that reinforces a strong push to labour absorption in the public service. As a range, it would then be between R 1000-00 and R 4000-00 (the current minimum pay in the public service).

Third, establishing a lower entry-level salary could support expanded public service employment, especially in economically depressed areas. Given the spatial dimensions of poverty, creating these jobs provides (perhaps) secure income, thus stabilising household income. In fact, when viewed from the perspective of residents in these areas, employed paying above R 2000-00 would be significantly higher than the majority of jobs in the area. Consequently, the developmental logic of introducing lower level salaries is a more important motivation than the narrow focus on cost savings that the government has focussed on.

There are legitimate arguments against adopting such a perspective to developing a new entry-level position. Most powerfully, that a slight upward adjustment (adding between R75-00 to R 100-00) to the poverty line might mean that the lowest ranked public service worker is earning below the poverty line. This ethically challenging question must however be seen in the context of 60% of employed people earning under R 2 500-00 per month.

The developmental logic of the proposal however reframes the ethical challenge in a more dynamic understanding of poverty, as follows:

The transfer of resources would provide a hedge against external risk associated with currency, oil, and prices of other commodities. These jobs would provide a cushion against these risks for the poor.

The targeting of these jobs would be the least likely to be employed, thus offering a mechanism to break the generational transfer of poverty, that development thinkers call a poverty cycle.

These jobs would be over and above (a) anticipated increases in public service jobs and (b) transitional jobs.

Household livelihood strategies would be comprised of the public service jobs, plus some form of social grant or grants. Thus the provision of these jobs would work in tandem with other poverty reduction strategies by government.

This perspective argues that the introduction of lower entry level needs to be seen within a household accumulation strategy, and in that sense provides one part of an exit strategy out of poverty. Yet, for such a strategy to have an impact, such jobs would need to scale up to around 250 000 jobs. The estimated costs of around R 9 billion between 2010 and 2014 to create these jobs – excluding benefits – is justifiable, and would not be a drain on public service wage bill.

Box 10: Entry Level Work in the Public Service

Examples of work that could be provided by entry level workers include:

Teaching assistants

Clerical work, such as preparation of dockets in police stations, and stock control in hospitals

Auxiliary services in social work, such as the running of community education programmes on drugs, sex education and career services

(Note to Miriam – This is a deliberate repetition of the areas of work)

The proposals are in fact being implemented across various government departments, including in health and social work sector. The OSD for social workers creates jobs at lower levels in social work, as well as creating a career path for community development workers. These developments in the social sector could be further strengthened through creating an entry-level position for learnership or internships allowing entry into higher wage levels upon completion of certain requirements. Moreover, it would provide ‘first job’ experience which is a key requirement for entering formal employment in either the public or private sectors.

There are three specific dangers with this proposal:

Displacement of private sector activity: targeting persons who would not otherwise be employed in the private sector mitigates the danger of displacing private sector activity. However, the economy wide impacts of this proposal would need to be investigated.

Macroeconomic imbalances: The increase in spending on personnel costs is modest given the size of the wage bill. The impacts on fiscal policy are modelled in the section on scenarios.

Policy capture: A key assumption in the proposal is that the economically marginalised would be able to access these job opportunities, yet this section of society is least likely to have information and resources.

6. Scenarios for public service employment

What then is the possible contribution of the public service to employment creation until 2014? Importantly, the proposals need to factor in an economic environment of reduced economic growth. The scenarios are based on assumptions around how responsive the budget will be towards employment creation in the public service. This section starts by outlining the assumptions used in developing the scenarios, and then provides a summary of the results of the calculations undertaken during the scenario process.

6.1 Key Assumptions

The key assumptions in the scenarios are as follows:

3. **At the upper end 5% of the personnel budget will be available for new hires, but may in fact be as low as 1%:** The reason for these parameters is to

take cognisance of significant adjustments to the National Treasury estimates on salary costs. The reasons for these changes include the introduction of the Occupational Specific Dispensation (OSD) as well as (from a Treasury perspective) a higher settlement than initially intended. The impact of these changes are estimated at between R 20 to R 28 billion over the MTEF.

4. **Salary increases:** An important feature of the scenarios is that salary increases are calculated at 6%, and 7% over the MTEF. In other words, the parameters are that salary increases will not be more than inflation plus 2%. This assumes that the inflation will remain with the inflation-targeting band. These assumptions are used are based on historical settlements in the public service. The manner for calculating salary increases is based on the average unit cost of employment in 2009.
5. **Assumes a fixed budget envelop:** The projections on spending on public service salaries are derived directly from the 2010/11 budget. Whilst there are strong argument for increasing government employment in a downturn (which means more resources), the scenarios assume that such increases in employment would be within the constraints of the current MTEF.

6.2 Results of the scenarios

The results for the scenario are shown in Table 7, assuming a 6% increase in average unit labour costs over the medium-term. In the baseline scenario growth in overall employment has decreased significantly with only between 12 000 to 13 000 new jobs being created. Such an outcome is plausible given the combination of higher than anticipated salary increases, and a slow down in tax revenue.

Table 6: Scenarios for employment at 6% increase in salaries

	2009/10	2010/2011	2011/2012	2012/13	New Jobs Created	Additional Jobs over baseline
Baseline	12,606.30	12,930.16	13,081.29	12,961.17	38,972.62	
At 2%	25,212.60	25,860.33	26,162.58	25,922.34	77,945.25	38,972.62
At 3%	37,818.90	38,790.49	39,243.87	38,883.51	116,917.87	77,945.25
At 4%	50,425.20	51,720.65	52,325.16	51,844.68	206,315.69	167,343.07
Labour Intensification						
At 1%	14,007.00	14,366.85	14,534.77	14,401.30	57,309.91	18,337.29
At 2%	28,014.00	28,733.70	29,069.53	28,802.60	114,619.83	75,647.21
At 3%	42,021.00	43,100.54	43,604.30	43,203.90	171,929.74	132,957.12
At 4%	56,028.00	57,467.39	58,139.07	57,605.20	229,239.66	190,267.04

The results of the scenarios indicate three important features on the relationship between wages and employment in the public service:

1. Assuming a 10% decrease in average unit labour costs employment levels increase between 18 000 to 190 000 jobs. The reason for such a wide variation is the sheer size of the public service personnel bill, where one percent in 2010/11 budget would be around R 26 billion. However, across all the labour intensification scenarios (achieved through reducing average unit labour cost by 10%) employment increases, but not as quickly as an achieving an additional one percent of savings through the budget.
2. The wide range of new jobs that could be created, indicate how important the mix between wage increases, budget and employment growth will play out. Optimal policy would include options that provide an inflation adjusted wage increases, keep within budget parameters and increase employment. Dependent on how much savings can be extracted from other areas of the budget, the increases could be as high as 190 000 new jobs by 2012/13. provided that 4% of the personnel budget is available for new hires.

7. Conclusion

Public service employment is likely to increase over the next decade. The scale of this increase is however unclear, as is the impact on service delivery and performance. The proposals developed in this paper suggest that a dual focus on improving efficiency and equity is needed as a vital contribution to reducing poverty, inequality and unemployment. The proposals in themselves have an internal coherence: they are achievable without having major negative impacts on fiscal policy. However, achieving the promise of these reforms for supporting economic inclusion will need to be premised on stronger employment growth outside of government, and a long-term strategy of public service reform.

The proposals raised for expanding the public service aim to achieve two goals. First, ensuring the provision of services through recognising that replacement capacity at frontline service delivery institutions is an important area. In addition, through building the ECD and HBC sector – with a mix of government and community based delivery – an important contribution to long run development will be accomplished.

Second, the challenge associated with high unemployment requires the development of a public employment programme. The proposals for a transitional jobs programme provide an intervention aimed at increasing access to first job experience and learnerships in the public service. However, ensuring a transition to full time employment may require the creation of lower entry level salaries as a bridge from a transitional job to full time employment.

Taken together the proposals provide a contribution by the public service to employment creation that would improve service delivery, and ensure that government puts in place mechanisms to address structural reasons for high unemployment.

In our 2007 paper on public service employment, we prepared employment scenarios for the public service. We were unable to revise these in time for the public sector summit. We plan to prepare these scenarios again, upon access to up-to-date budgets and personnel data. It is proposed that there be a public employment scenarios process to debate these issues and address the trade-offs explicitly.

Note need for repository for info on salaries. (btw doesn't persal do this?)

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