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Rightsizing the public sector - Klaus Schade

Personnel expenditure has increased from 39.7 percent of the total budget in the 2016/17 financial year to 44.9 percent in the current financial year. If we had frozen salaries at last year's level, the wage bill would have dropped to 39.1 percent of the total budget and some NAD3.6 billion could have been used to invest in vital infrastructure, reduce debts or for other essential goods and services such as textbooks for schools. In addition, 4.1 percent of the total budget is allocated to the Public Service Employees Medical Aid Scheme (PSEMAS).

Government has acknowledged that the current level of the wage bill is not sustainable and needs to be cut back. So, what could be done? There is no quick-fix. The necessary reduction of the public wage bill needs to be part of a broader public sector reform that will require a clear vision for the public sector, a strategy and political will. Government could work closely with the broader public – civil society, public sector, etc. – to develop this vision and identify the range and level of services the public sector is expected to provide.

The redesign of the public sector should not only include the Offices, Ministries and Agencies (OMA), but also the close to 100 State-owned Enterprises (SOEs). There is certainly room to merge and streamline functions of OMAs and SOEs, which will not only reduce costs, but can create new business opportunities for the private sector to provide services. While streamlining the public sector will increase its efficiency, it is likewise important to identify the right skills and qualifications required for the established positions.

A public sector reform needs to include a review of the current salary structure, and replace current basic wages and the additional wide variety of allowances with decent wages and salaries, which will increase transparency and comparability. The salary review should also include a review of the medical aid contributions. Currently, public sector employees contribute lumpsums that are not linked to their wages or salaries and hence burden low-income earners more than the better off. A percentage contribution to the medical aid scheme would not only reduce the burden for low-income earners, but could also provide an opportunity to recover a larger share of the total medical aid costs and hence reduce government's subsidies.

The choice is not between public sector employment and unemployment, but between financing a bloated public service including SOEs and investing in vital infrastructure that provides additional business opportunities, attracts investment and consequently employment opportunities in the private sector and eventually results in additional tax revenue for the state.

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