REPUBLIC OF NAMIBIA

MINISTERIAL STATEMENT

BY

THE MINISTER OF INFORMATION AND COMMUNICATION TECHNOLOGY

ON

THE STATUS OF NEGOTIATIONS OF SALARIES AND OTHER BENEFITS FOR CIVIL SERVANTS FOR 2021/2022 FINANCIAL YEAR HELD BETWEEN THE GOVERNMENT AND RECOGNISED TRADE UNIONS (NAPWU AND NANTU)

NATIONAL ASSEMBLY, 15 JUNE 2022

Honourable Speaker

Honourable Members

As a matter of public information and in response to the Media Statement by the leadership of NAPWU and NANTU this past Tuesday, 24 May 2022, Cabinet and the Government at large wishes to provide details and clarity on why it could not grant all the demand for increases in salaries and benefits as per the proposal by the two recognised Trade Unions on one hand, and the counter-offer that it has made on the other hand.

We hereby confirm that NAPWU and NANTU, in keeping with their Recognition Agreements with the Government, as exclusive bargaining agents for civil servants, submitted to the Government a demand for increases in salaries and other benefits for the financial year 2021/2022. The initial demand from the Unions had a financial implication in the total amount of N$3,134,102,714. The demand was however revised down to a total cost of N$1,561,043,960 of which N$1,226,126,595 is the cost of a 5% increase in salaries and the remaining amount of N$ 334,917,365 is the cost of benefits.

As civil servants and the general public are aware, our country has been facing and continues to face various challenges, notably stagnant economic growth and consequent reduced fiscal space since 2016, which resulted from a combination of weak global demand, low commodity prices and protracted droughts. Reduced revenue receipts from the SACU common revenue pool and the outbreak of COVID-19 have further exacerbated the situation.

The combined effects of the above are:

- Low economic activity and reduced tax revenues;

- Job losses and reduced opportunities for new jobs;

- An increase in the gap between Government expenditure in comparison to revenue collections; and

- The Government is forced to finance the gap between the high committed expenditure levels and the reduced revenue base by increasing borrowing, which has in turn increased the level of public debt. Public debt currently stands at 75% of GDP, which is extremely high and unsustainable.

Faced with reduced revenue on one hand and high committed expenditure and further new expenditure demands on the other hand, the Government can only sustain existing expenditure levels. Any measure to commit to new expenditures can only be attained by either increasing taxes, borrowing more or cutting expenditures in some areas.

Even in the face of the hardships referenced above, the Government committed itself to neither retrench nor cut the salaries of Government employees, as we have seen in the private sector. Government remains firm in this commitment.

It is however important to recognise that the Government has a responsibility and obligation to safeguard the interests and welfare of the broader society and country, including civil servants. In this regard, the Government is duty bound to ensure a fair balance between the various interests and to endeavour to utilise available public resources in a balanced manner. The Honourable Minister of Finance will explain the fiscal and economic risks involved tomorrow at the Government Information Centre.

Without doubt, the increases in expenditure on salaries and benefits of civil servants as demanded by the Unions entail a huge additional expenditure for which additional revenues need to be raised. Given that retrenchment is not an option and also given the slow economic recovery, the only other options available are to reduce expenditure on other sectors and/or to borrow. The borrowing window has become narrower given the high public debt level. The recent downgrading of the country's credit rating by international rating agencies poses risk and further challenge for accessing external borrowing and where such is possible it is significantly more costly.

Notwithstanding the constrained fiscal position of the Government, the Cabinet of the Government of Namibia, in full appreciation of the hardships that civil servants have been enduring over the years due to lack of increment in their salaries and benefits as well as the negative inflationary effects, approved an offer to improve housing and transport benefits of all civil servants with effect from the current financial year (2022/2023). The offer has a cost implication in the total amount of N$334,917,365. This is the same amount as the cost of the benefits that have been demanded by the Trade Unions.

The only difference is the following:

1. In the Government's offer (Table below), the benefits to be improved/increased are only housing (Home Owners' Scheme for Staff Members and Housing Allowances) and transport, and exclude motor vehicle allowances for management cadres and an increase in the kilometre rate for the use of private vehicles, which are part of the Unions' demand;

GRN's Current/Revised Offer

COMPONENTS & SCENARIOS		FY2021/22	FY2022/23
Basic Salary @ 5%		0	0
Housing	HOME OWNER'S SCHEME FOR STAFF MEMBERS (HOSSM) @ **7%**		N$ 79, 611, 983
	Housing allowance for members below management @ **14.5%**		N$ 128, 906, 212
	Housing allowance for management @ **12%**		N$ 13, 544, 379
	Sub-total : Housing		N$ 222, 062, 574
Transport Allowance for staff member below management @14%			N$ 112,854,791
TOTAL ESTIMATED COST			**N$ 334, 917,365**

2. The other difference between the Government's offer and what the Trade Unions have demanded is that the Government is only able to implement its offer with effect from the current financial year (2022/2023), while the Unions'

demand is for the improved benefits to be implemented from the previous financial year, 2021/2022, which is not affordable to the Government.

3. The other and perhaps main area of disagreement is the Government's zero increase offer on salaries. For the reasons provided above, the Government and the economy is not in a position to take on any further costs at this point in time beyond the N$334,9 million associated with the increase in benefits.

To civil servants, we wish to say the following:

Firstly, we understand the plight of civil servants and that, if resources were available and allow, the Government as it has done in the past years up to 2017/2018 would have agreed to all the demands from the Unions. Times have however changed and become harder resulting in huge reduced revenue at the disposal of the Government to be shared between civil servants and the rest of society. Many will recall that when the economy was doing well and resources were available, the Government granted increases in most cases above the rate of inflation.

Secondly, the responsibility to maintain financial, socio-economic and political stability and sustainability is a collective one for the Government and all citizens. Increasing the public debt burden will negatively impact on the financial stability and prolong economic recovery to the detriment of all.

In this connection, the Government pleads for the understanding of all citizens and continued resilience so as to allow the economy to recover. The Government has embarked upon a number of measures aimed at fostering fiscal prudence and consolidation as well as to stimulate economic recovery. The impacts of such measures can however only be expected in the medium to long term, and we thus appeal for their patience.

While falling short of fully meeting the needs of civil servants, the offer that the Government has made will no doubt have a positive impact and improve the affordability of costs related to housing and transport. The offer is still on the table. Given that non-management job categories are the most affected by the high cost of living, the Government's offer allocates more benefits to these categories in comparison to management.

As the Government has already pointed out to the two recognised Trade Unions, it will be dangerous on the part of the Government, the Trade Unions leadership and civil servants to agree to an expenditure which is beyond the means at our disposal. Trade unions and their members have a responsibility and obligation to their fellow country men and women who also depend on the Government and its limited fiscus for a livelihood and sustenance. The current wage bill takes up more than 50% of total State revenue, leaving very little to be distributed to basic services and other national priorities.

While civil servants are free to exercise their Constitutional rights, we plead with them to have due regard to not only their needs and interests but also those of fellow citizens and the country at large. Let us continue to hold hands and act in the collective interests.

The Government remains open to dialogue and amicable resolution of differences.

Thank you all for your kind attention.