New Regulations published on non-statutory deductions from Government Payroll

The Minister of Finance, Mr Trevor Manuel, today published Treasury Regulations in the Government Gazette for comment. The Regulations effectively stop non-statutory deductions from the government payroll system – also known as Persal.

The only deductions that will be allowed will be those that come as a result of collective agreements, state deductions, or deductions ordered by the courts.

The new regulations allow employees and their creditors a period of 11 months from today to make alternative arrangements. By June 30, 2001 no non-statutory deductions will be allowed.

No new loans or non-statutory deductions will be allowed onto the Persal system. Comments on the regulations can be sent to the National Treasury (Attention: Kuben Naidoo), Private Bag X115, Pretoria 0001 to reach us by the end of August.

The government ruling comes about as a result of the severe debt crisis that many of its employees face. A total of about 497,000 state employees have non-statutory deductions made from the salaries, and the vast majority of these are repayments on micro-loans.

Of those employees subjected to non-statutory deductions, each has an average of 2.1 loans each. This goes to illustrate the debt spiral that can escalate from taking out even one loan.

Moreover, government is gravely concerned at the low level of take-home pay of many employees. Nearly 7,000 employees take home less than R100 a month as a result of micro-loan deductions. Most of these employees are on salary level seven or below.

A total of 68, 659 people take home less than R600 a month as a result of micro-loan deductions. The vast majority is on a salary level 7 or below. This means they earn a gross salary of less than R5,783.50 a month.

The Minister of Finance and officials from the Finance Department have held meetings with stakeholders in the micro-loan and insurance industry to discuss the problems faced both by its employees and by the industry.

Government has heeded the advice of the industry that the initial six months that it stipulated to get loans off its books might not allow employees and the industry sufficient time to make alternative arrangements. Thus it has allowed a period of 11 months – until June 30, 2001 – for this.

Government is also sensitive to the fact that some of the deductions are effectively for savings, and go into burial societies, stokvels or towards insurance premiums.

However, our analysis of our salary figures show that the vast majority of the deductions are for loans, not savings.

Government is committed to providing counselling for its employees to help them to get out of the debt trap that many are in; it will also help them make alternative arrangements, through stop orders, for the payments on policies and other forms of savings they may be investing in.

According to our personnel analysis, relatively few state employees do not have access to bank accounts.

The move to limit deductions directly off payroll, will, we believe, have positive effects. It will:

- push the micro-lending industry to assess people's credit-rating more accurately;
- it will help employees plan their spending and saving better and so protect them from the often usurious interest rates they are subject to;
- and, lastly, it will help stem corruption in the system as a result of inside "agents" who sell high-interest loans to many who can ill afford them.

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