

Press Release on Persal Deductions Regulations

31 August 2000

On 1 August 2000, the Minister of Finance published draft regulations regarding discretionary deductions from the Government payroll system – Persal. The publication of these draft regulations arose from Government's concern over the high level of indebtedness of civil servants, the rampant abuse of Government's payroll system by various players in the financial service industry and the ease with which civil servants could access unaffordable levels of credit and insurance cover.

The draft regulations proposed that no new discretionary deductions be allowed from 1 September 2000 and that all existing deductions be removed from the payroll system by 30 June 2001. The only deductions to be allowed would be statutory deductions, employee benefit deductions, amounts owing to the state, and deductions relating to collective bargaining agreements between the state as employer and trade unions registered in the Public Service Co-ordinating Bargaining Council (PSCBC).

The Treasury has received hundreds of written submissions from individual civil servants, organisations representing the financial service industry, legal practices, trade unions and individual micro-lenders. In addition to these submissions, the Treasury has also held meetings with numerous organisations and individuals. Many of the submissions support Government's view that there has been rampant abuse of the payroll systems and exploitation of employees. Almost all the submissions support the efforts of Government to clean up the payroll system and to regulate discretionary deductions.

The Treasury has received a number of useful inputs to solve the problems that have arisen around the current system of deductions. The suggestions include a cap on the percentage of an employee's salary that can be deducted, ways of consolidating both debt and insurance policies, and rules that will prevent the abuse of the system in future.

Government has carefully considered these recommendations and is encouraged by the commitment of the financial services industry to solve the problems on the payroll system. However, much more work needs to be done by both Government and the financial services industry to find a lasting solution to this problem. The solution needs to balance the needs of individual employees, the role of Government as an employer and the role of the financial service industry as a service provider.

Tomorrow, September 1, 2000, Government will issue final regulations in terms of the Public Finance Management Act stopping all new deductions from the payroll of the public service, including the SANDF and the intelligence services, with immediate effect. Government will use this opportunity to reduce the number of deductions on the payroll system and to monitor the indebtedness of its employees. However we will continue to talk to all parties who have an interest in this a matter in the spirit of finding acceptable solutions for all, particularly for lower-paid civil servants.

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