

# Risk of budget compromises, experts warn

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Political hot potatoes, such as the National Minimum Wage (NMW) and the #FeesMustFall movement, may have adverse effects on this year's national budget, experts say.

After what some dubbed the most populist ever State of the Nation address by President Jacob Zuma last week, focusing on radical economic transformation, all eyes will be on Finance Minister Pravin Gordhan later this month when he delivers the 2017 budget speech.

Gilad Isaacs, coordinator of the National Minimum Wage Research Initiative at Wits University, said that while the national minimum wage had no effect on tax money spent on permanent government workers, history has shown the minimum wage has a ripple effect on the economy. "In the future, we might see the minimum wage pushing higher wage brackets even higher, as we have seen in other countries."

Isaacs said the NMW was likely to have the biggest effect on the outsourcing of labour in public institutions and the Extended Public Works Programme. "The biggest impact could be on the Expanded Public Works Programme, including those in the care work sector. Those workers are in the public sector, but fall under government and fall outside the minimum wage agreement."

"However, last week the advisory panel was requested to further investigate that issue and make a recommendation. The minimum wage report last year indicated this sector needed further investigation and the conclusion of that research could have a dramatic fiscal implication."

Education expert Professor Volker Wedekind was concerned the massive student protests last year may skew budget priorities.

"Because the student protests have been so high-profile there is a lot of political pressure to solve that problem and there might be reallocation of funds from other essential sectors, which are more crucial in the long term."