TRADES UNION CONGRESS (GHANA)

PRESS STATEMENT ON DOMESTIC DEBT EXCHANGE PROGRAMME AND MATTERS ARISING FROM THE 2023 BUDGET STATEMENT AND ECONOMIC POLICY

READ BY
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Comrades, ladies and gentlemen from the media, good afternoon and welcome to the press conference.

We are meeting you this afternoon to present our position on the Domestic Debt Exchange Programme which was launched by the Minister for Finance on 5th December, 2022. We will also state our position on various IMF-inspired measures announced in the 2023 Budget Statement.

DOMESTIC DEBT EXCHANGE PROGRAMME

According to the Minister for Finance, the domestic debt operation involves an exchange for new Ghana bonds with coupons of a longer average maturity. Existing domestic bonds as of 1st December 2022 will be exchanged for a set of four new bonds maturing in 2027, 2029, 2032 and 2037. The annual coupon on all of these new bonds will be set at 0% in 2023, 5% in 2024 and 10% from 2025 until maturity. Coupon payments will be semi-annual. The domestic debt exchange programme will not affect individual bondholders.

TUC's Statement on the Debt Exchange Programme

Immediately after the announcement, TUC released a press statement. In that statement we expressed grave concern about the Domestic Debt Exchange Programme because of the negative impact on workers' pensions. We also complained about the lack of prior engagement with Labour given that substantial portion of workers' pension is invested in government bonds.We took special notice of the statement by the Minister for Finance that the Debt Exchange Programme is **voluntary**. We promised our members that we will scrupulously analyse the propriety or otherwise of the participation of our pension funds in the Debt Exchange Programme. We then assured the working people of Ghana that the TUC and its Affiliate Unions will do everything in our power to ensure that workers are fully protected and that not even a pesewa of pension funds is lost in the Debt Exchange Programme. Finally, we appealed to all workers and unions to remain calm as we work to protect our retirement funds. We thank all our Affiliate Unions and members for their patience.

Analysis of the Debt Exchange Programme

After a thorough analysis of the Debt Exchange Programme and extensive discussion of its implications, we have come to a firm conclusion that the programme will negatively affect pension funds of our members and, consequently, their retirement income security.

Therefore, the Trades Union Congress (TUC) and its Affiliate National Unions have decided that the pension funds of our members will not be part of the Domestic Debt Exchange Programme.

Letter to Minister for Finance

We have already dispatched a letter to the Minister for Finance demanding that all pension funds invested in government bonds should be completely exempted from the Domestic Debt Exchange programme. We are also demanding that, within one week from today, government should publicly announce that all pension funds, including SSNIT, are exempted from the Debt Exchange Programme. In the letter, we have served notice that if government fails to accede to our demand within one week, we will advise ourselves. *(Copies of the letter are available in hard copies and on the TUC website).*

2023 BUDGET STATEMENT AND ECONOMIC POLICY

Before government announced the Debt Exchange Programme the Minister for Finance had presented the 2023 National Budget and Economic Policy to Parliament.

In the Budget, government announced various IMF-inspired measures to deal with the economic and financial crisis some of which are clearly inappropriate. They include the following:

Taxation

Government has announced increases in taxes starting from January 2023. Value Added Tax (VAT) rate will go up by 2.5 percentage points; the maximum personal income tax margin will be raised from 30 to 35 percent; and the E-Levy threshold of will be removed.

These taxes will obviously hurt poor people and workers on fixed and low incomes because, as usual, businesses will pass on their share of the additional tax burden onto consumers.

In our comments on the Budget Statement, which was submitted to government just about a week ago, we vehemently opposed these tax measures and challenged government to use other measures to mobilize revenue including plugging the leakages in the tax system, improving efficiency in tax collection, and dealing decisively with the serial infractions in Auditor-General's reports.

We take this opportunity to reiterate our demand for immediate and radical downsizing of government. This exercise must include a substantial reduction in the number of ministries and ministerial portfolios. These measures are needed now to assure the Good People of Ghana that government is doing its part to reduce expenditures.

Freeze in Public Sector Employment

It was announced that government will freeze employment in the public sector in 2023. We think that the decision to implement a hiring freeze in the public sector is wrong. We had thought that protecting employment would have been at the heart of the recovery process. Employment freeze in the public sector will be adding to the pain of Ghanaians, especially young graduates struggling to secure employment. Already too many workers are losing their jobs in the private sector. To close the public sector to new entrants is a stab in the back of young Ghanaians who have been educated at great costs to their families and to the nation. What is the point of free SHS if graduates cannot secure jobs? Moreover, employment freeze will negatively affect public service delivery. As thousands of workers retire every year and government fails to replace them, existing workers will be overburdened. This will negatively affect their performance.

We demand that government should reverse the decision to freeze employment in the public sector. This is not the time to destroy jobs. This is the time to create and protect jobs.

Public Sector Pay

The surge in inflation has completely eroded the purchasing power of workers, especially those in the public service. The value of the cost-of-living-allowance (COLA) granted in July 2022 has been completely wiped out. Workers on the Single Spine Salary Structure (SSSS) are receiving the lowest salaries in the public sector.

It is time for a substantial increase in salaries for workers, especially those on the Single Spine Salary Structure who are providing important public services such as health, education, security and other public/civil services. That is why we will continue to demand a realistic pay increase that reflects current inflationary trends in the ongoing public sector pay negotiations. Anything short of that will push many public sector workers and their families into severe poverty and destitution.

Salaries of State-Owned Enterprises (SOEs)

The Minister for Finance announced government's decision to impose "a cap on salary adjustment of SOEs to be lower than negotiated base pay increase…".

We hold the view that the problem is not with the salaries for workers in the SOEs. The fact is that salaries on the Single Spine Salary Structure are unjustifiably low.

Therefore, the single spine structure should not be the standard for resetting salaries in the public sector. A more realistic approach is to raise salaries on the single spine structure to match salaries on the structures being implemented by the SOEs for their staff.

We further remind government that salaries in the SOEs are determined within a collective bargaining framework. Government cannot unilaterally impose salary caps on unionized workers. We use this occasion to caution government that we will resist any attempt to take away the bargaining right of our members in the SOEs.

A major source of pay inequality in the public sector has to do with salaries for chief executives and management staff of the SOEs. As we have pointed out time and again

CEOs of some SOEs are earning multiple times the salary of the President of the Republic of Ghana who appointed them. Any cap on salary adjustment in the SOEs should be directed to the salaries and allowances of the Chief Executive Officers (CEOs) and management staff as well as other political appointees. These are the people whose large salaries and allowances are impossible to reconcile with their outputs. This is particularly true for the SOEs that are making perennial losses.

PENSIONS

We recall that at the 2020 May Day National Parade which was held at the forecourt of the Trade Union Hall, President Akufo-Addo promised to top up the lump sum of workers who received lower lump sums compared to what they would have received if they had retired under the old pension law – PNDL 247. In spite of the hardship pensioners are facing, government has failed to honour the promise after many appeals from TUC

We demand that government should immediately honour its promise to top up lumpsum benefits to all those whose lumpsum payments were lower than what they would have earned on PNDC Law 247.

We are appealing to SSNIT Board to take into account the adverse impact of the prevailing high inflation on the living standards of pensioners and increase pensions in line with inflationary trends.

It has come to our notice that, since February 2022, government has defaulted in its contribution to pension schemes on behalf of over six hundred thousand public sector workers. We demand the payment of pension contributions without further delay.

PLAN OF ACTION

At a meeting on Thursday, 8th December, 2022, the leadership of TUC and its Affiliate Unions discussed these issues and proposed some actions for the consideration of the General Council of TUC. The Council will meet on Thursday and Friday, 15th and 16th December, 2022.

Before I conclude, I would like to remind you that the one-week ultimatum for government to announce the exemption of pension funds from the Debt Exchange Programme will expire on Monday, 19th December, 2022. We will hold another press conference at 12:00 noon on that day (Monday, 19th December, 2022) to update our members and the general public on General Council decisions and actions that will be taken, in the event that government refuses to accede to our demand to exempt pension funds from the Debt Exchange Programme.

All workers must be ready to participate fully in any industrial action to protect our pension funds. Workers will no longer bear the consequences of any IMF-inspired or IMF-sponsored policies and programmes. Government is responsible for all the consequences of its decisions, including the decision to seek IMF bailout.

Long Live the Working People of Ghana!
Long Live TUC!

Thank you for your attention.