



MEDIA BRIEF: THE 2018 PUBLIC SERVICE WAGE AGREEMENT

1. The public service wage negotiations commenced in October 2017, culminating in a three-year wage agreement on 8 June 2018. The wage agreement will be implemented with effect from 1 April 2018 and covers the period 2018/19 to 2020/21. The key provisions of the agreement that have direct implications for government's budget are:

- A cost-of-living adjustment for employees on salary levels 1 to 12 and employees on Occupation Specific Dispensation (OSD)¹ as set out in the table below.

Cost-of-Living Adjustment	2018/19	2019/20¹	2020/21¹
Projected CPI inflation	5.5%	5.3%	5.5%
Salary Levels 1-7 ²	7%	CPI + 1.0%	CPI + 1.0%
Salary Levels 8-10 ²	6.5%	CPI + 0.5%	CPI + 0.5%
Salary Levels 11-12 ²	6%	CPI	CPI

1. CPI inflation projections provided by the National Treasury.

2. Salary Levels 1-10 includes lower management and other production staff and salary Levels 11-12 includes middle management echelon. Senior managers (salary Levels 13-16) and public office bearers are not covered by the negotiations

- The equalisation of pay progression across the public service at 1.5% per annum. The equalisation will be implemented incrementally over the period covered by the wage agreement. Affected employees include: **(i)** educators appointed in terms of the Employment of Educators Act 76 of 1998 (as amended) and the Correctional Services Act 111 of 1998 (as amended); **(ii)** TVET lecturers appointed in terms of the Public Service Act 103 of 1994 (as amended); and **(iii)** members of the police service appointed in terms of the Police Service Act 68 of 1995 (as amended). Educators and TVET lecturers will receive an increase in the progression rate from 1% to 1.3% per annum with effect from 1 July 2018 and a further increase from 1.3% to 1.5% per annum with effect from 1 July 2019. Members of the police service will receive an increase in the progression rate from an average of 1.3% to 1.5% per annum with effect from 1 July 2019.
- An extension of the housing allowance to cover qualifying spouses of public servants who were excluded in the past. Previously, if both spouses were employed in the public service, only one spouse qualified for the housing allowance. The extension will be implemented incrementally over the period covered by the wage agreement. Qualifying spouses of employees on salary levels 1 to 5 will be eligible for a housing allowance with effect from

¹ Occupations covered by the OSDs include, but are not limited to, nurses, legal personnel, educators, correctional services officials, social services personnel, engineers, and allied health workers.





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1 September 2018 and qualifying spouses of employees on salary levels 6 to 12 will be eligible with effect from 1 September 2019.

2. Estimated costs associated with the above provisions of the wage agreement are as follows:

R million	2018/19	2019/20	2020/21	2018 MTEF
Cost-of-living adjustment	38 777	77 225	119 661	235 663
Equalisation of progression	395	1 326	2 636	4 357
Extension of housing allowance	407	1 097	1 200	2 704
Total	39 579	79 648	123 497	242 724

1. Figures presented are cumulative

3. The agreement commits government to amounts that significantly exceed the resources made available for compensation of employees in the 2018 Budget. The budget had assumed total increase in earnings of public servants would closely track inflation. It did not make provision for the substantial improvements to salaries and other conditions of service that have now been agreed to. National Treasury's estimates of the shortfall against compensation budgets are given in the table below. These estimates could change in the outer years as inflation projections are revised.

R million	2018/19	2019/20	2020/21	2018 MTEF
Consolidated compensation budget ¹	587 124	630 454	677 259	1 894 837
Less Public Entity and Social Security Funds	62 625	67 344	73 633	203 602
Departments' Compensation budget ²	524 499	563 110	603 626	1 691 235
Less SMS, public office bearers and other adjustments ⁵	37 840	39 693	38 980	116 513
Available Non-SMS budget ³	486 659	523 417	564 646	1 574 721
Available Non-SMS Budget growth	32 594	36 759	41 228	110 581
WAGE AGREEMENT IMPLICATIONS				
Non-SMS Budget Envelope	32 594	69 353	110 581	212 527
Less				
Wage agreement cost	39 579	79 648	123 497	242 724
Cost of living adjustment	38 777	77 225	119 661	235 663
Equalisation of progression	395	1 326	2 636	4 357
Extension of housing allowance	407	1 097	1 200	2 704
Estimated Wage Agreement (Shortfall)/Surplus	(6 985)	(10 295)	(12 916)	(30 197)
Revised Non-SMS budget ⁴	493 644	540 698	594 842	1 629 184
Revised Non-SMS Budget growth	39 579	47 054	54 144	140 778



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1. Budget consists of national and provincial government, public entities and social security funds
 2. Budget consists of national and provincial government departments
 3. Budget consists of national and provincial government. These figures are estimates and may differ from departmental schedules
 4. Available non-SMS budget plus estimated wage agreement shortfall
 5. Other adjustments refers to baseline shortfalls not attributable to the wage agreement
4. Government remains committed to compensation ceilings presented in the 2018 MTEF. Government has indicated on several occasions that a wage agreement that departs significantly from inflation would need to be accommodated within announced expenditure limits, failing which such an outcome could have adverse consequences for the composition of public spending and possibly service delivery. Government will actively manage the current situation to ensure that adverse consequences are kept in check.
5. Increased pressure on compensation budgets calls for cost containment measures to ensure that the wage bill remains within the existing compensation ceilings. Several options are under consideration to address the additional cost of the new agreement, as announced by the Department of Public Service and Administration. These include the updated employee-initiated severance package (EISP) and early retirement to encourage qualifying public servants to exit the public service. This will provide government an opportunity to free up certain high earning positions and provide scope to absorb more youth into the public service.²
6. Other cost containment measures being considered include review of performance management and incentive systems, and centralising of job grading and evaluation, amongst others. Full details on these measures and implementation considerations will be communicated by the Ministry for the Public Service and Administration. As far as possible, these measures will be crafted and implemented in a manner that limits adverse impact on service delivery.

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² Annexure B of the 2017 Medium Term Budget Policy Statement provides details on headcount and earnings growth trends over a 10-year period

