

**NATIONAL ASSEMBLY**  
**QUESTION FOR ORAL REPLY**  
**QUESTION NUMBER: 401 [NO3737E]**  
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**Dr M J Figg (DA) to ask the Minister of Finance:**

- (1) What effort is he making to ensure that the annual public sector wage increases for the 2015-16 financial year remains within the inflation target range in all spheres of government;
- (2) are the annual wage increases going to be within the inflation target range; if not, (a) what are the rates of increase likely to be and (b) how will other expenditure be reduced in order that the expenditure ceiling for the 2015-16 budget is not breached?

NO3737E

**REPLY:**

- (1) Salary improvements for non-SMS government personnel in 2015/16 have been determined in terms of agreements reached at the Public Service Coordinating Bargaining Chamber. This includes an across-the-board cost of living adjustment of 7%, a R300 improvement in the housing allowance for each employee and a 28.5 percent improvement in the employer's contribution to medical benefits. Salaries will also improve on average by 1.5 per cent as a result of notch progression in terms of the performance management system of the public service, which is also governed by collective agreements. In the context of these collective agreements, annual public sector wage increases for the current fiscal year is likely to exceed consumer price inflation significantly. The National Treasury and the Department of Public Service and Administration are working on a programme to curtail wage bill pressures in the current year and over the medium term, with a view to preserving fiscal space and limiting the impact of wage pressures on service delivery and capital budgets. Elements of this programme, which will be presented to Cabinet, may include, measures to limit headcount growth or selectively reduce headcounts, reviewing the allocation of resources towards performance bonuses and notch progression. Provincial government has already curtailed the growth of headcounts, and this will also need to be sustained in the medium term.
- (2) Government does not maintain an "inflation target range" for public sector salary increases. Nevertheless the 2015 budget assumed that wage improvements would closely track inflation. Taking account the impact of all the improvements discussed above, public service earnings for non-SMS personnel will improve by 10.1 per cent in 2015/16. Proposals to adjust the budget to take account of this reality will be tabled in Parliament as part of the adjustments budget process in October.