

NATIONAL ASSEMBLY
QUESTION FOR ORAL REPLY
TRANSFERRED TO WRITTEN REPLY
QUESTION NUMBER: 2120 - 685 [Nw3484E]
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2120★685. Dr M J Burke (DA) to ask the Minister of Finance:

On what number of occasions in the past five years has the actual public sector wage increase exceeded the amount tabled in the Medium-Term Budget Policy Statement or the National Budget? NW3484E

REPLY

Over the past five years wage increases were as follows compared to the budgeted amounts:

- In 2019/20, the average increases were on a sliding scale based on Public Service Coordinating Bargaining Council (PSCBC) Resolution 01 of 2018 multi-year wage agreement and departments were instructed to budget for it as part of the budget process.
- In 2020/21, the wage increase for public service employees was zero per cent due to the fiscal consolidations that were implemented in the 2020 and 2021 MTEFs.
- In 2021/22, the wage increase for public service employees was 1.5 per cent which was budgeted for plus the once-off cash gratuity (equivalent to 4.5 per cent) that was introduced for the first time. The cash gratuity was funded during the 2021 MTBPS at a cost of R20.5 billion.
- In 2022/23, the cash gratuity that was introduced in 2021/22 was budgeted to continue due to a clause that was in the 2022 wage agreement which stated that it could only lapse once a new agreement has been reached. The outcome of the wage negotiation process resulted in both labour and the employer not reaching any agreement for 2022/23. As a result, government unilaterally implemented its last wage offer that was tabled before the PSCBC which entailed the continuation of the cash gratuity plus an additional 3 per cent. The cash gratuity amount of R20.5 billion was budgeted for in the main budget fiscal framework and the 3 per cent which amounted to R14.6 billion with carry-through costs during the 2022 MTBPS. Departments were fully funded for the increase.
- In 2023/24, government and labour reached an agreement for the conversion of the cash gratuity that was first introduced in 2021/22 into the baseline plus an additional 3.3 per cent. The total costs of this agreement amounted to R37.4 billion for that financial year with carry-through costs. Funding for this increase was not provided for in the main budget fiscal framework as government at the time had agreed with labour during the public service labour summit not to

announce in the budget any provision for wage increases before the conclusion of the bargaining processes. However, after signing the agreement the country started facing various macroeconomic challenges that negatively impacted the fiscal framework including the financing instruments. This made the work of trying to accommodate such additional spending within the fiscal framework very challenging. As a result, funding was provided for labour-intensive departments during the 2023 MTBPS.

- In 2024/25, the wage increases were aligned to projected CPI at the time of main budget and departments were instructed to budget for it as part of the 2024 MTEF budget process.
- Table below show the average cost of living adjustment for public service employees relative to consumer price index over the past five years

Table. Public Service Cost-of-Living Adjustments vs actual CPI for the past 5 years

	2019/20	2020/21	2021/22	2022/23	2023/24
Cost of Living Adjustment	5.7%*	0,0%	6,0%	3,0%	3,3%
Actual CPI	4,2%	2,9%	5,2%	7,2%	5,5%

* Sliding scale as per the 2018 wage agreement