national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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MEDIA STATEMENT

2023 PUBLIC SECTOR COORDINATED BARGAINING COUNCIL OUTCOME

The National Treasury notes the outcome of wage negotiations at the 2023 Public Sector Coordinated Bargaining Council (PSCBC). A majority of parties have agreed to a two-year agreement, which encompasses a 7.5 per cent increase (ie translation of the current cash allowance into a pensionable salary plus an increase of 3.3 per cent) in 2023/24 and a CPI-linked increase in 2024/25. The cost of the agreement is estimated at R37.4 billion in 2023/24, with carry-through effects also applicable for subsequent financial years.

The 2023 Budget did not pre-empt the outcome of the wage negotiations. In this regard, the outcome of the wage bill negotiations was identified as one of the key risks to the fiscal outlook presented in the Budget. This risk has now materialized.

During the tabling of the 2023 Budget the Minister of Finance stated as follows:

"An unbudgeted wage settlement will require very significant trade-offs in government spending because the wage bill is a significant cost driver. It will mean that funds must be clawed back in other ways. Mainly, this will mean restricting the ability of departments and entities to fill non-critical posts. It will also mean achieving cost-savings from major rationalisation of state entities and programmes. As indicated by the President in the SONA, the National Treasury has already identified where large savings can be achieved."

Government remains committed to reducing the fiscal deficit to more sustainable levels (i and stabilizing debt. Therefore, government will initiate processes to ensure that the latest wage agreement is implemented through significant trade-offs in the short-term and over the medium-term. Moreover, the National Treasury reiterates the position that government borrowings will not be increased for the purposes of consumption expenditure, including paying for wages. Fiscal policy will remain focused on reducing fiscal risks and supporting measures to grow the economy. This will ensure that the overall fiscal path as outlined in the Budget is maintained.

Details in respect of the following measures are being finalized for implementation:

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a) Containing as much of the wage increase within the compensation ceiling by restricting recruitment of non-critical posts. In this way, headcount attrition will cushion the blow of the wage agreement;
b) Restricting previously-planned recruitment in certain areas;
c) Delaying projects and programmes funded within the budget and allowing departments to shift funds towards the increased compensation costs;
d) Implementing rationalization measures, including as it relates to public entities; and
e) Reducing out-of-line remuneration in public entities. The National Treasury is concluding a process to identify public entities that receive transfers from government where remuneration policies promote exorbitant or overly-generous pay packages, particularly for entities that do not raise significant own revenue.

As outlined in the Budget and by the Minister of Finance, these and other measures will be aggressively pursued during the current financial year. In addition, medium-term measures to rationalize the operations of the state will be finalized and will be announced during the 2023 Medium-Term Budget Policy Statement.

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