# B

Compensation and employment data

Introduction

Over the past several years, government has taken steps to contain consolidated compensation costs, which account for 31.4 per cent of consolidated expenditure in 2022/23 – down from 34.5 per cent in 2019/20. Managing the wage bill is critical for ensuring sustainable public finances. The government wage bill in this annexure is presented in three categories:

- **Public service,** the narrowest category, refers to national and provincial departments, including components managed in terms of the Public Service Act (1994) and public-service regulations.

- **Consolidated**, a broader category, includes national public entities along with national and provincial departments.

- **Public sector** is the broadest category; it includes national, provincial and local government, as well as public entities and state-owned companies.

Previous versions of this annexure focused on the wage bill and headcounts in the public service. The annexure is now expanded to cover the public sector to provide more complete compensation and employment trends across government.

Figure B.1 compares the consolidated wage bill with nominal GDP and gross tax revenue growth since 2012/13.

Figure B.1 Growth in the consolidated wage bill compared with GDP and tax revenue
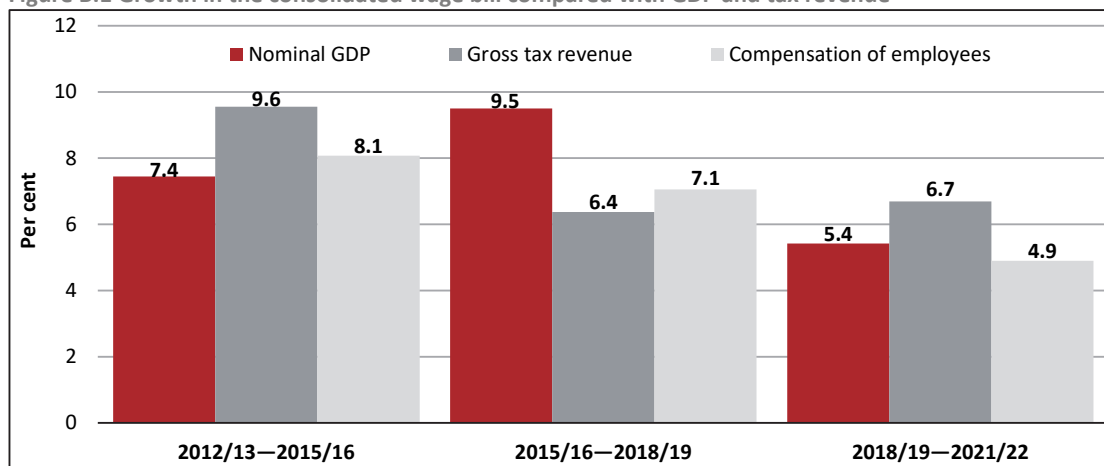

Source: National Treasury

Over the past 15 years, the consolidated wage bill grew significantly, mostly as a result of above-inflation wage increases. In the context of slow economic growth, the growing wage bill began crowding out spending in other critical areas, including service delivery. Between the 2020 Budget and the 2021 Budget, government reduced the medium-term compensation of employees' baselines by more than R300 billion to stabilise the public finances. The slowdown in compensation growth from these fiscal consolidation measures is reflected in Figure B.1, and aligns with slower growth in revenue and nominal GDP since 2018/19. Future wage negotiations will aim to strike a balance between remuneration increases and the need for additional staff in services such as education, health and police.

Public-sector remuneration reforms

Remuneration practices have become misaligned because of a fragmented system. This is reflected in a similarly fragmented collective bargaining process in the public sector. In this regard, there are significant differences between the remuneration of senior managers in the public service and those in municipalities and public entities. The Department of Public Service and Administration, working with the National Treasury and other national departments, is reviewing remuneration policies across government. The aim is for the public sector (excluding state-owned companies) to move towards a single remuneration framework in line with the principles of fair, equitable and sustainable remuneration. This will reduce current remuneration inequality for employees performing similar tasks in different spheres of government.

International benchmarking

South Africa's public-sector wage bill is substantially higher than that of its peer countries, and one of the highest among emerging markets. Figure B.2 shows that South Africa's public-sector wage bill is about 5 percentage points greater than the Organisation for Economic Co-operation and Development average as a share of GDP. At the same time, public-sector employment as a percentage of total employment is significantly less than in countries such as Norway and Denmark. This suggests that high average compensation levels are mainly responsible for South Africa's high public-sector wage bill rather than headcount growth.

Figure B.2 Public-sector wage bill as a percentage of GDP, 2021

Figure B.3 Public-sector employment as a percentage of total employment, 2021

Source: OECD Data Library, 2021
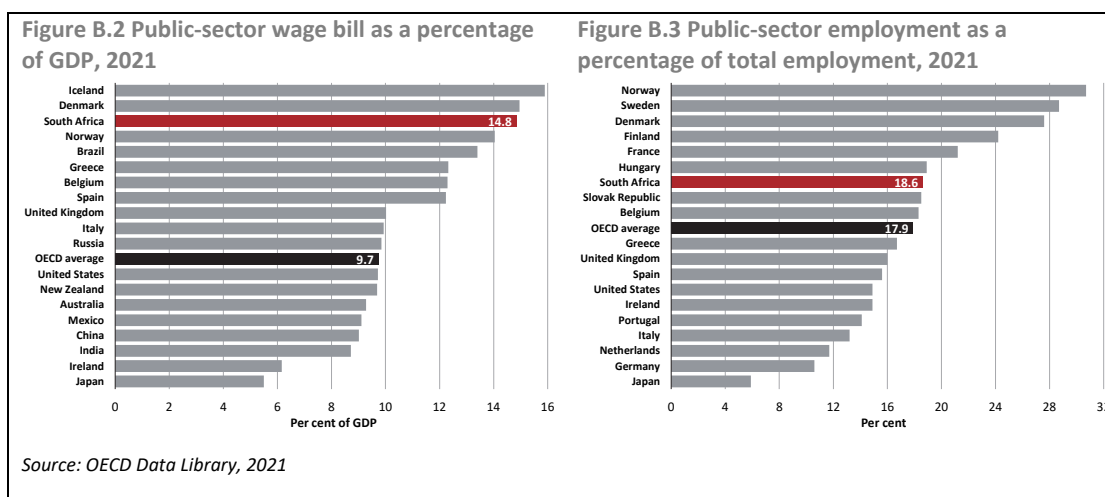
Consolidated wage bill and employment trends (including local government)

The wage bill can be disaggregated into remuneration per person and the number of people employed. Much of the rise in the consolidated wage bill since 2008/09 is a result of large increases

in remuneration rather than in the number of people employed. Table B.1 reflects how headcounts have grown across different parts of government relative to salaries and wages since 2015/16. Headcounts have increased by 0.2 per cent on average per year, while salaries and wages have grown on average by 6.2 per cent per year over the same period.

Table B.1 Consolidated wage bill and headcount trends[1], 2015/16 to 2021/22

R million	2015/16	2018/19	2021/22	Average annual growth 2015/16 – 2021/22
		Outcome		
National departments				
Salaries and wages	136 387	165 433	181 628	4.9%
Headcount	427 160	408 962	395 267	-1.3%
Provinces				
Salaries and wages	288 910	358 278	416 458	6.3%
Headcount	893 221	883 730	912 856	0.4%
Local government				
Salaries and wages	81 757	105 152	130 032	8.0%
Headcount	314 446	329 918	342 048	1.4%
National public entities				
Salaries and wages	44 813	56 423	62 829	5.8%
Headcount	109 285	104 377	117 619	1.2%
Total				
Salaries and wages	**551 867**	**685 286**	**790 948**	**6.2%**
Headcount	**1 744 112**	**1 726 987**	**1 767 790**	**0.2%**

1. Includes local government
Source: National Treasury, Statistics South Africa

Headcounts in national departments declined by an annual average rate of 1.3 per cent between 2015/16 and 2021/22, yet spending increased by 4.9 per cent over the same period. Police, defence and correctional services account for the largest share of spending and headcounts in national departments. Provincial headcounts also declined between 2015/16 and 2018/19, but the numbers increased significantly in 2021/22 largely due to COVID-19-related appointments in health and education. Headcounts and spending in both local government and national public entities increased significantly between 2015/16 and 2021/22.

Public-service wage bill spending and employment trends

The COVID-19 pandemic affected the size and composition of the public service, partly through deliberate choices to increase the health response capacity. The health sector grew by more than 18 500 employees between 2015/16 and 2021/22 as employment in the rest of the public service (excluding the education sector) shrank by about 30 000 employees over the same period.

Table B.2 shows changes in employment by major functions since 2015/16. Education, health, police and defence account for over 80 per cent of total public-service employment. The biggest increase in headcounts over this period occurred in the health sector, followed by education, while other sectors experienced a consolidated decline in headcounts. In some departments this may be attributed to the early retirement dispensation without penalisation that was made available by government in 2019. Although take-up of this measure was lower than government anticipated, about 3 000 personnel have left as a result of this initiative.
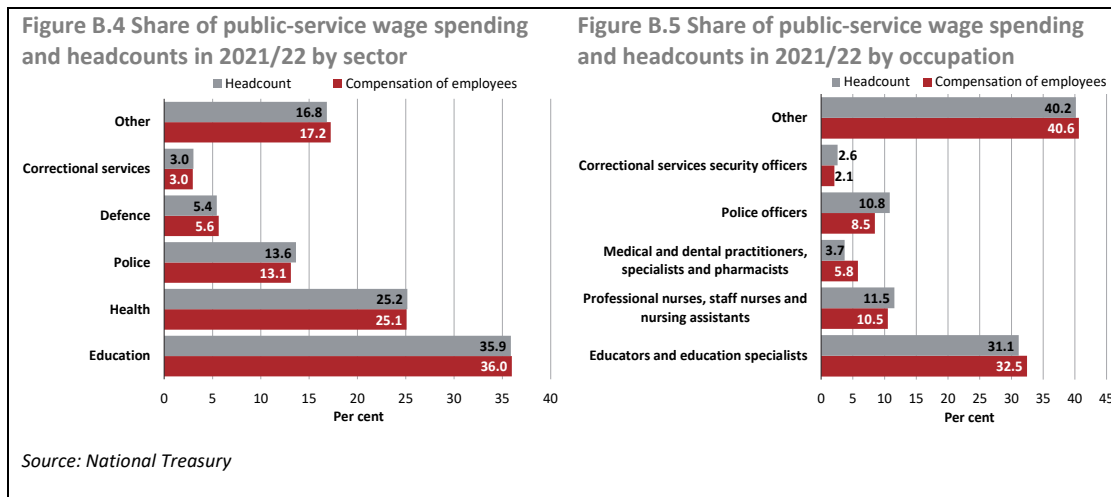
Table B.2 Public-service salaries and wages and headcount[1] by sector, 2015/16 to 2021/22

R million	2015/16	2018/19	2021/22	Average annual growth 2015/16 – 2021/22
		Outcome		
Education				
Salaries and wages	151 657	190 274	215 138	6.0%
Headcount	465 098	465 343	469 390	0.2%
Health				
Salaries and wages	96 586	122 755	150 070	7.6%
Headcount	310 744	302 898	329 269	1.0%
Police				
Salaries and wages	57 478	71 282	78 412	5.3%
Headcount	192 026	189 914	178 451	-1.2%
Defence				
Salaries and wages	24 788	30 012	33 722	5.3%
Headcount	77 391	74 448	71 235	-1.4%
Correctional services				
Salaries and wages	13 189	15 835	17 678	5.0%
Headcount	39 626	39 096	39 568	-0.0%
Other				
Salaries and wages	81 599	93 553	103 066	4.0%
Headcount	229 839	220 889	220 211	-0.7%
Total				
Salaries and wages	**425 297**	**523 711**	**598 086**	**5.8%**
Headcount	**1 314 724**	**1 292 588**	**1 308 123**	**-0.1%**

1. Headcount numbers are based on full-time equivalents
Source: National Treasury

Figures B.4 and B.5 show associated expenditure and headcount share by sector and occupation category in 2021/22. Educators remain the single largest occupation category in the public service, both in terms of expenditure and headcount. About 52 per cent of the wage bill is spent on educators, nursing personnel and police officers. Table B.3 shows the salaries and wages expenditure and headcount by salary levels since 2015/16.

Figure B.4 Share of public-service wage spending and headcounts in 2021/22 by sector

Figure B.5 Share of public-service wage spending and headcounts in 2021/22 by occupation

Source: National Treasury

Table B.3 Public-service salaries and wages and headcount[1] by salary band, 2015/16 to 2021/22

R million	2015/16	2018/19	2021/22	Average annual growth 2015/16 – 2021/22
		Outcome		
Lower skilled (level 1-5)				
Salaries and wages	78 362	93 583	100 125	4.2%
Headcount	449 455	407 753	384 211	-2.6%
Highly skilled production (level 6-8)				
Salaries and wages	125 026	167 278	195 726	7.8%
Headcount	554 881	563 532	598 496	1.3%
Highly skilled supervision (level 9-12)				
Salaries and wages	97 738	119 700	136 604	5.7%
Headcount	214 603	209 899	217 247	0.2%
Senior management (level 13-16)				
Salaries and wages	19 987	15 495	14 919	-4.8%
Headcount	17 032	11 925	11 364	-6.5%
Other[2]				
Salaries and wages	104 184	127 656	150 713	6.3%
Headcount	78 753	99 479	96 805	3.5%
Total				
Salaries and wages	**425 297**	**523 711**	**598 086**	**5.8%**
Headcount	**1 314 724**	**1 292 588**	**1 308 123**	**-0.1%**

1. Headcount numbers are based on full-time equivalents
2. Includes temporary or sessional workers that do not fall within any particular salary level
Source: National Treasury

The bulk of public-service employees are those employed in salary levels 6 to 8. These employees account for about 46 per cent of the total public-service headcount in 2021/22 and about 33 per cent of the public-service wage bill. The number of employees and the wage bill for this salary band grew significantly between 2015/16 and 2021/22. Teachers account for about 47 per cent of total staff within this category and are the main contributors to the growth in headcounts. The number of personnel in salary levels 1 to 5 has declined since 2015/16, mainly due to rank promotions in police. Headcounts and the wage bill for senior management have been decreasing since 2015/16.

Table B.4 reflects the number of professionals in relation to population growth between 2015/16 and 2021/22. Although the number of professionals has grown, the overall population has grown faster. This is particularly evident in the South African Police Service, with the number of police officers declining from 260 per 100 000 residents in 2015/16 to 236 per 100 000 residents in 2021/22. A similar trend is evident among educators and nursing professionals.

Government is focused on increasing capacity in these critical service delivery areas over the medium term. The 2022 Budget included allocations of about R50 billion over the 2022 medium-term expenditure framework (MTEF) period to education, health and the security cluster to respond to spending pressures and changes in headcounts. Additional funding amounting to R43.6 billion over the 2023 MTEF period has been made available to increase headcounts, mainly in education, health and police. The allocation to police will allow the department to recruit nearly 5 000 officers annually over the 2023 MTEF period. Education and health will also be able to increase headcounts.

Table B.4 Average number of professionals per population, 2015/16 to 2021/22

|	2015/16	2018/19	2021/22	Average annual growth 2015/16 – 2021/22
		Outcome		
Educators/ teachers				
Headcount	379 613	398 789	405 050	1.1%
Average number of learners per teacher in POS[1]	32.3	30.7	31.4	-0.5%
Professional nurses, staff nurses and nursing assistants				
Headcount	139 297	140 129	150 976	1.4%
Headcount per 100 000 uninsured population	299	287	294	-0.3%
Medical and dental practitioners, specialists and pharmacists				
Headcount	39 602	42 586	48 656	3.5%
Headcount per 100 000 uninsured population	85	87	95	1.8%
Police officers				
Headcount	143 634	144 939	141 633	-0.2%
Headcount per 100 000 total population	260	251	236	-1.6%

1. Public ordinary schools
Source: Census 2021, School Realities

Historical cost-of-living adjustment in the public service

Over the last decade, negotiated annual cost-of-living adjustments have exceeded consumer price index (CPI) inflation by an annual average of 2 per cent. In some financial years, this resulted from wage agreements set well above the prevailing inflation rate. This was particularly noticeable during 2007/08 to 2009/10 when occupation-specific dispensation was introduced and implemented for public-service employees in selected sectors. Figure B.6 reflects the cost-of-living adjustments in comparison to average CPI since 2007/08. The growth of the public-service wage bill is largely driven by cost-of-living adjustments for employees below senior management level. As a result, some occupation-specific dispensation posts have surpassed the remuneration levels for senior management over the years.

Figure B.6 Public-service cost-of-living adjustments between 2007/08 and 2021/22
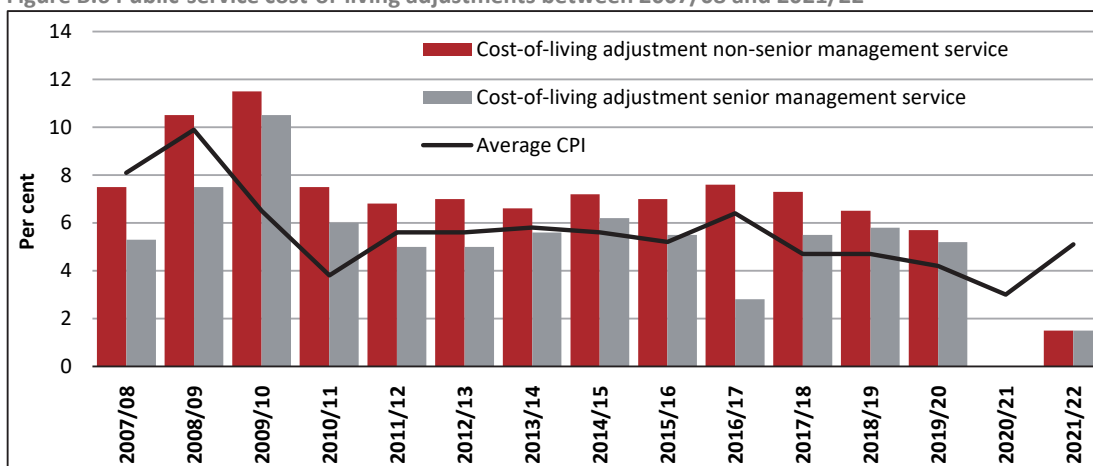
Source: National Treasury

Public-service wage bill projections over the 2023 MTEF period

In estimating the public-service wage bill over the 2023 MTEF period, there are two key cost drivers: remuneration and other employee allowances and benefits, and the number of employees. A once-off payment can skew the wage trend in any particular financial year. For example, the once-off cash

gratuity allocated in 2021/22 and 2022/23 in line with the 2021 public-service wage agreement explains the decline in the 2023/24 wage bill baseline for most departments. To avoid pre-empting the wage negotiation process, no provisions have been made for wage increases in 2023/24 although increases will need to remain within the available fiscal resources so as not to compromise other spending priorities.

Table B.5 Public-service wage bill projections[1] over the 2023 MTEF period by sector

R million	2022/23 Revised baseline	2023/24	2024/25	2025/26	2022/23 – 2023/24	2022/23 – 2025/26
			Medium-term estimates		Average annual growth	
Education	218 047	224 888	232 119	243 375	3.1%	3.7%
Health	149 566	148 421	154 990	162 085	-0.8%	2.7%
Police	79 137	78 431	84 352	89 158	-0.9%	4.1%
Defence	30 984	29 839	30 918	32 303	-3.7%	1.4%
Correctional services	17 855	16 929	17 689	18 481	-5.2%	1.2%
Other	110 121	109 608	114 065	119 123	-0.5%	2.7%
Total	**605 711**	**608 116**	**634 132**	**664 525**	**0.4%**	**3.1%**

1. Excludes provisional wage negotiation adjustment allocations
Source: National Treasury

Conclusion

Government continues to assess trends in employment and compensation across the public sector to ensure sufficient capacity and a fair, equitable and sustainable remuneration policy. Over the medium term, government will focus on increasing capacity in services such as education, health and police and develop a single remuneration policy to guide remuneration decisions across different spheres and entities.

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