B

2024 MTBPS

COMPENSATION AND EMPLOYMENT DATA

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

INTRODUCTION

This annexure provides a broad analysis of public-service remuneration and employment trends, examining the decisions that have influenced the current structure of the wage bill and employment levels. It highlights how past policy choices, economic conditions and labour market dynamics have shaped the public-service workforce composition and compensation practices.

Figure B.1 reflects trends in compensation of employees as a percentage of GDP and consolidated government expenditure since 1994/95. Over the past 30 years, the public-service wage bill has increased as a share of GDP from 5.6 per cent in 1994/95 to 10.4 per cent in 2023/24. This is largely as a result of the fast-growing average remuneration costs of public-service employees over the past three decades.

Figure B.1 Public-service wage bill

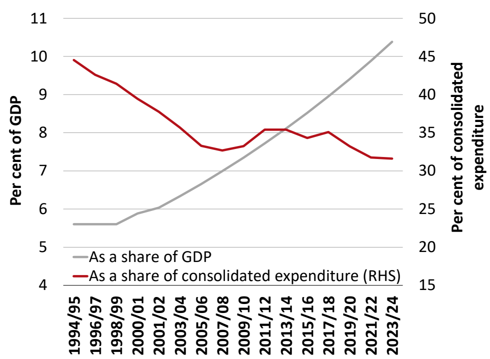
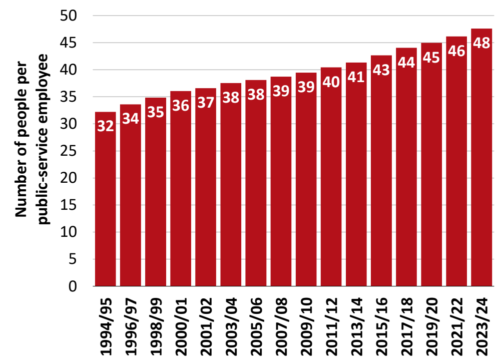


Figure B.2 Number of people per public-service employee



Source: National Treasury

Figure B.2 reflects the increasing burden on public-service employees over time. The ratio of the number of people serviced per public-service employee increased from 32 to 48 between 1994/95 and 2023/24. As the demand for services such as healthcare, education, social welfare and security increases, it adds pressure on the limited number of public-service workers.

Consequently, as part of the strategy to attract and retain skilled professionals in the public sector, government has over the past 30 years reformed public-service remuneration structures and offerings. This was done mainly through higher wages as well as numerous benefits and allowances. However, these higher average remuneration costs have become more expensive over time, hindering government's ability to effectively grow the public-service headcount due to affordability constraints. In response to the increased demand for public services coupled with headcount growth challenges, government has been allocating additional funding to key sectors such as education, health and the security cluster since the 2022 medium-term expenditure framework (MTEF). Further details can be found in Table B.1.

Figure B.3 and Figure B.4 reflect the number of professionals in relation to the population as well as the public-service headcount growth by sector between 2014/15 and 2023/24 respectively.

Figure B.3 Average number of professionals per population

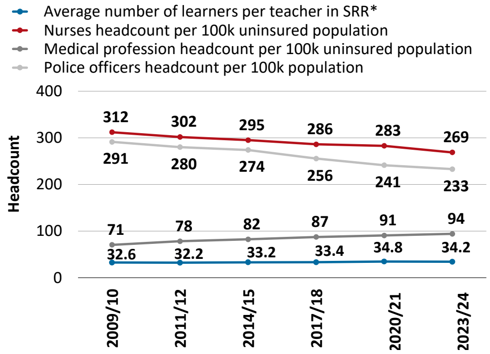
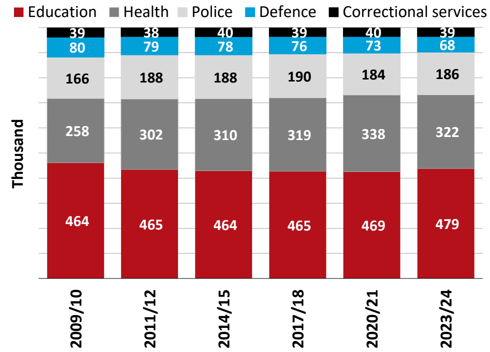


Figure B.4 Headcounts by sector



**School Realities Report*

Source: Department of Basic Education and 2022 Census

COMPARISON WITH THE TOTAL NATIONAL MONTHLY EARNINGS

Historically, public-service wages in South Africa have been relatively high compared to the national average (non-agricultural formal sector). This wage disparity has been driven by a range of factors, including the introduction of occupation-specific dispensations (OSDs) in the public sector in 2007 to retain skilled professionals through competitive salaries, allowances, benefits and other progression opportunities. Furthermore, the median public-service average monthly earnings have exceeded those of the national average monthly earnings by at least 50 per cent since 2019.

Figure B.5 shows the share of public-service employment in comparison to total national employment. Public-service employees accounted for about 12.6 per cent on average of total national employment between 2019 and 2024.

Figure B.5 Distribution of employment

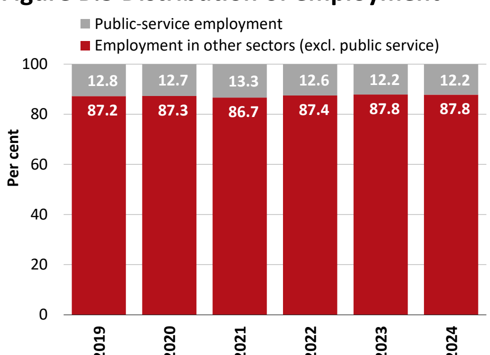
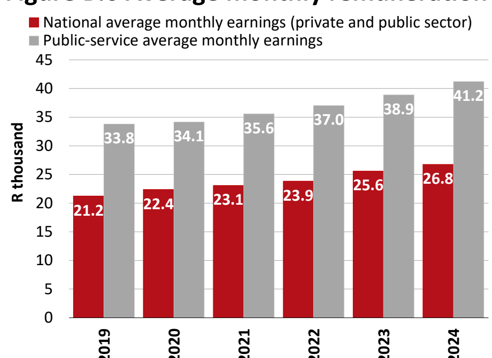


Figure B.6 Average monthly remuneration



Source: Quarterly Employment Statistics

DRIVERS OF AVERAGE REMUNERATION COST

The average remuneration cost per public-service employee refers to the total cost that the employer incurs on average for compensating a single employee. It includes employee salaries and diverse benefits, such as pensions, medical and housing subsidies, bonuses and other forms of compensation. Various policies and reforms have contributed to the increase in average remuneration costs, as discussed below.

The impact of OSDs

Following the 2008 global financial crisis, government faced increased fiscal pressure as revenues declined due to slower economic growth. During this period, OSDs were implemented in the public sector to curb the exodus of skilled professionals to the private sector or abroad by offering competitive salaries and career progression opportunities. While OSDs were necessary at the time to address wage disparities and retain skilled professionals, they added significant pressure to the public-service wage bill during a time of fiscal strain. The OSDs catalysed the high average remuneration cost in years to come.

Figures B.7 and B.8 show the average remuneration trends of OSD public-service employees relative to non-OSD public-service employees since 2009/10.

Figure B.7 OSD and non-OSD remuneration trends

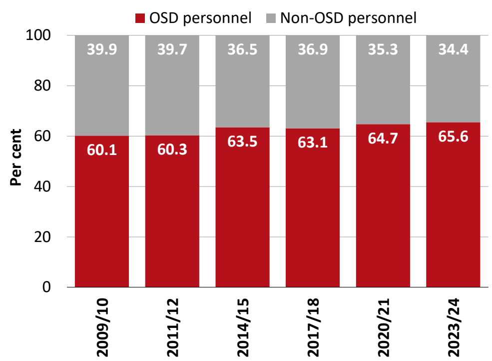
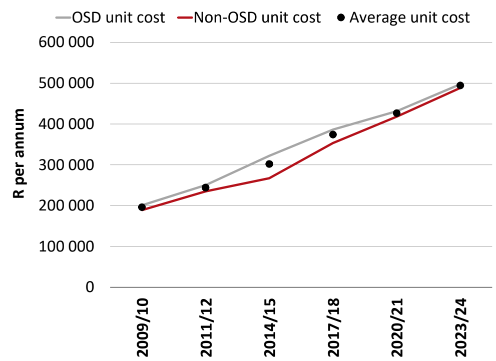


Figure B.8 OSD and non-OSD average unit costs



Source: National Treasury

The impact of other adjustments, allowances and benefits

The cost-of-living adjustments granted to public-service employees are designed to align salaries with inflation, ensuring that their purchasing power is not eroded over time. However, increasing public-service wages compound the financial burden on the state, especially when adjustments exceed inflation rates. Over time, the compounding effect of continuous adjustments has resulted in significant growth in the average remuneration of public-service employees, contributing to a ballooning wage bill that consumes a substantial portion of the national budget.

Public-service employees receive a range of allowances and benefits designed to support their financial well-being and compensate for their various roles in government. These benefits include housing allowances, medical subsidies, danger allowances, clothing (uniform) allowances, pension fund support and many other sector-specific allowances. These allowances and benefits are structured to ensure that public-service employees, especially those in lower income brackets, can maintain a reasonable standard of living. Many of the allowances and benefits are linked to resolutions agreed on in the Public Service Co-ordinating Bargaining Council, which require them to grow in line with the relevant inflation rate every year.

The impact of the permanent conversion of the 2021/22 non-pensionable cash gratuity

During 2021/22, government implemented a once-off cash gratuity for public-service employees as part of its wage negotiations. This measure aimed to provide immediate financial relief amid economic challenges, while avoiding long-term wage commitments during a period of fiscal restraint. The cash gratuity was structured progressively, offering lower-paid public servants a more significant financial benefit. The lowest-earning public servants received an additional R1 220 per month, while those earning closer to the highest non-senior management salaries received R1 695 per month.

The cash gratuity translated into an 18 per cent salary increase for the lowest-earning public-service employees and a 5.5 per cent increase for those at the higher end of the non-senior management scale. This disparity reflects government's intention to cushion the financial burdens on lower-income public-service employees, who are more vulnerable to economic shocks.

In 2023/24, this temporary gratuity was integrated permanently into the salaries of public-service employees. As a result, lower-income employees saw double-digit salary increases, a substantial rise compared to typical wage adjustments.

RESPONDING TO WAGE BILL AND HEADCOUNT GROWTH CHALLENGES

Since the 2022 MTEF period, government has prioritised key services by allocating additional funding to address growing compensation pressures and capacity constraints as well as for wage increases. Additional funding amounting to about R65.8 billion and R87.8 billion was allocated to sectors in basic education, health and the security cluster to address compensation pressures in the 2022 and 2023 MTEF periods respectively. Over the 2024 MTEF period, R145.5 billion has been allocated for wage increases and wage pressures. This funding also includes the reversal of the reductions that were implemented against the wage bill during the 2023 *Medium Term Budget Policy Statement* in labour-intensive departments such as Education, Health, Police, Defence, Correctional Services, Justice and Home Affairs.

Table B.1 shows the total additional funding that has been allocated to the compensation baselines since the 2022 MTEF.

Table B.1 Compensation of employees additional funding to deal with additional headcount and spending pressures

R thousand	2022/23	2023/24	2024/25	2025/26	2026/27	Total over MTEF
	Additional funding allocated					
2022 MTEF	**36 488**	**13 642**	**15 624**	**-**	**-**	**65 755**
Cost-of-living adjustments	**20 512**	**-**	**-**	**-**	**-**	**20 512**
2022/23 wage increase costs (3%)[1]	14 602	-	-	-	-	14 602
Non-pensionable cash gratuity continuation	20 512	-	-	-	-	20 512
Additional funding for capacitation and wage spending pressures	**15 976**	**13 642**	**15 625**	**-**	**-**	**45 243**
Education	8 987	7 615	7 957	-	-	24 559
Health	5 500	3 558	4 178	-	-	13 236
Social security cluster	1 489	2 470	3 489	-	-	7 448
2023 MTEF	**-**	**26 615**	**29 292**	**31 850**	**-**	**87 756**
Cost-of-living adjustment	**-**	**14 973**	**15 198**	**15 426**	**-**	**45 597**
Carry-through of 2022/23 wage agreement (3%)	-	14 873	15 198	15 426	-	45 497
Additional funding for capacitation and wage spending pressures	**-**	**11 642**	**14 094**	**16 424**	**-**	**42 159**
Additional 5000 police trainees per annum	-	14 490	2 792	3 949	-	21 230
Education	-	5 700	6 650	7 600	-	19 950
Health	-	4 452	4 652	4 875	-	13 979
2024 MTEF	**-**	**23 558**	**46 499**	**48 472**	**50 496**	**145 466**
Cost-of-living adjustment	**-**	**23 558**	**46 499**	**48 472**	**50 496**	**145 466**
2023/24 wage increase and carry-through costs (2023 MTBPS)[1]	-	23 558	27 886	29 285	30 710	87 881
Additional funding for 2023 wage agreement (Post 2023 MTBPS)	-	-	18 613	19 187	19 786	57 585
Total additional funding allocated	**36 488**	**63 815**	**91 415**	**80 322**	**50 496**	**298 978**

1. Additional funding allocations for wage increases (excl. carry-through costs) tabled in special/adjusted appropriations
Source: National Treasury

CONCLUSION

Public-service remuneration is a complex issue that requires a delicate balance between attracting and retaining skilled personnel, ensuring fiscal sustainability and promoting economic growth. It will be essential to implement reforms that align public-service compensation with broader economic growth while addressing the pressing issues of growing public-service employment.

This page was left blank intentionally.