NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 964 [NW1122E]
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964. Dr D T George (DA) to ask the Minister of Finance:

Whether the National Treasury has modelled the impact of above inflation public sector salary increases on continuing fiscal sustainability; if not, why not; if so, what are the relevant details?

NW1122E

REPLY:

As reported in the 2015 Budget Review, latest work conducted by National Treasury reveals that most Public Servants are in the top 30 per cent of wage earners nationally. Consolidated national and provincial wage bill, including public entities, stands at 40.6% of gross total revenue as of 2013/14 compared to a level of 31.5% of gross total revenue in 2006/07. Over the same period, the share of wage bill on GDP rose from 9.4% to 11.3%, respectively. The greatest proportion of wage increases is explained by wage adjustments, while personnel growth explains a significant but smaller proportion.

An increase in salaries of 10%, as demanded by Labour Unions currently, will lead to an increase in the wage bill of R20bn over and above the baseline for 2015/16. This will increase the share of the wage bill on gross tax revenue by 1.7 percentage points, its share on GDP will increase by 0.5 percentage points, while overall change in composition of total government expenditure will be 1.5 percentage points in favour of compensation of employees.

In previous budget cycles resources were available to accommodate unanticipated wage pressures. The three year wage agreement that was linked to CPI further made it easy for government to budget. Given the current economic constraint coupled with high government debt, there is limited scope to provide more resources over the MTEF period. Any departure from the path of CPI-linked cost-of-living adjustments cannot be financed through debt issuance and will therefore require either a reallocation of resources from other spending areas (capital, goods and services, transfers), or prompt a need to reduce government employment.