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#### PUBLIC SERVICE WAGE AGREEMENT



IN TERMS of the 2025 public-service wage agreement, the Budget has proposed the remuneration of government employees would rise by 5.5% in 2025/26. | SUPPLIED

# Government aims to dip into contingency reserve to meet public sector wage demands

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THE Budget has been postponed to March 12 after a deadlock within the Government of National Unity coalition partners over VAT. This was part of the proposed Budget that is now under review:

The government will dip into the contingency reserve to meet the financial demands borne by the increase in the public-sector wage bill over the next three years.

This is the second consecutive year that the National Treasury taps the contingency reserve after drawing down R150 billion last year from the country's Gold and Foreign Exchange Contingency Reserve (GFECRA) account to keep borrowing and debt service costs low in the medium-term.

Finance Minister Enoch Godongwana, during his Budget Speech in Parliament on Wednesday, allocated

R23.4bn in the medium-term to implement a higher-than-anticipated above-inflation wage agreement with nearly 1.8 million government employees. The 2025 public-service wage agreement covers a three-year period, in contrast with recent contracts that have covered only one or two years.

Godongwana said this agreement will support greater certainty in budget planning going forward.

"This agreement will cost an additional R7.3bn in 2025/26, R7.8bn in 2026/27 and R8.2bn in 2027/28. Although the agreement exceeds the 2024 Budget and MTBPS projections, its duration reduces uncertainty in budget planning," he said.

In terms of the 2025 public-service wage agreement, remuneration of government employees will rise by 5.5% in 2025/26 – 1 percentage point above projected consumer price index (CPI) inflation. Over the subsequent two

years, remuneration of employees will align with CPI. "Government will partially draw down on the contingency reserve to meet these costs," read the Treasury's Budget Review documents.

To help implement the 2025 public-service wage agreement, provinces are allocated an additional R4.8 bn in 2025/26, R5.2bn in 2026/27 and R5.4bn in 2027/28. In the provincial sphere, the expanded public works programme integrated grant will be merged with the social sector expanded public works programme incentive grant from 2025/26, combining their allocations. Godongwana said the government remained committed to improving performance and efficiency in the public service.

Additionally, Treasury will be kicking off with its early-retirement programme for up to 30 000 government employees in a bid to make the wage bill and has allocated R11bn in funding over the next two years

to incentivise them as announced in October 2024.

"An additional R11bn is provisionally allocated over the next two fiscal years for the early retirement initiative, whose intention is to attract younger employees into the public service. Preliminary savings are expected to average R7.8bn per year over the medium to long term. The savings will be retained by departments, Godongwana said.

Those wishing to pursue this option will have to apply, with approvals given only by the relevant executive authority. The programme aims to manage staff headcount in a targeted manner and revitalise the public service by recruiting younger workers.

The plan is to manage headcounts by incentivising employees over 55 years old to retire and moderate compensation spending as younger employees join the public service at entry level salary grades.