

Press Release

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South African Institute of Race Relations

The power of ideas

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South Africa's bloated and costly public service – a huge political and economic problem

The Public Sector Wage Bill: Slaying the Dragon, the March edition of *Fast Facts* [[Click here](#)] from the Centre for Risk Analysis at the IRR, examines the ramifications of South Africa's ballooning public service, whose wage bill has outstripped not just inflation but wage increases in the private sector, and has become a huge political and economic problem.

Government and unions are currently before the Public Service Coordinating Bargaining Council, trying to negotiate a new wage agreement for civil servants.

Author of the report, IRR Head of Politics and Governance Gareth van Onselen, writes: "The negotiations are a litmus test for Cyril Ramaphosa's administration and the outcome will go some way towards revealing just how much influence the president is able to wield, and, simultaneously, will shed light on South Africa's long-term economic prospects."

Van Onselen adds: "The problem government faces is this: The public sector wage bill is spiralling out of control. As the size of the public service has expanded year in and year out since 1994, so the wage bill has grown, above inflation almost every year, over the same period. The result is a wage bill that, according to the minister of finance, is now so big it is threatening to breach the compensation threshold of many departments and eat into their ability to deliver services."

The public sector wage bill needs to be brought under control, Van Onselen argues. "The South African economy simply cannot afford it as things stand, and the relatively small economic growth forecasts for the future suggest the situation is not going to improve either."

The report points out that the problem has proved to be something of a paradox for opposition parties too. Notes Van Onselen: "The DA has, for example, placed much emphasis on reducing the size of the bill, through wage freezes and cutting the size of the executive. But, at the same time, various policy proposals they have put forward would result in huge increases in the number of civil servants, somewhat nullifying any cuts proposed."

“No one seems to have quite solved the riddle, and time is running out.”

The Public Sector Wage Bill: Slaying the Dragon sets out all the relevant indicators. It demonstrates how the size of the public service has grown, at local, provincial and national level; how the wage bill has outstripped not just inflation but wage increases in the private sector, and how it increasingly dominates South Africa’s GDP. It also shows, for example, how the public sector wage bill, at almost every salary band level, pays better than the equivalent in the private sector.

“Together these indicators paint a picture of a huge political and economic problem, and one that does not enjoy the kind of public scrutiny it deserves,” Van Onselen writes. “It remains critical not just to government’s ability to turn the economic corner, but as a metaphor for our future economic direction.”

Ends.