Fiscal wild card as public servants demand 12% wage hike

'Total madness' and the first real test of the unity government, says Dawie Roodt

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Members of the Public Servants Association protest to drive home their wage demand. Picture: NQUBEKO MBHELE

Union leaders have demanded a 12% wage hike for 1.3-million government workers, setting the stage for tough negotiations and making the R700bn-plus public sector wage bill a wild card in the Treasury's fiscal policy promises.

Other demands include a R2,500 housing allowance increment across the board, a nearly two-fold rise in the danger allowance to R1,000, a performance bonus, bursary schemes for dependants of employees, and permanent employment for education/teacher assistants, community health workers and reservists.

Public Service Co-Ordinating Bargaining Council spokesperson Oomang Parag did not respond to requests for comment. The public service & administration department declined to comment.

The wage demands for the 2025/26 financial year hand the newly installed government of national unity its toughest test yet and throw the new minister of public service & administration, Inkosi Mzamo Buthelezi, into a veritable inferno.

The wage demands also put finance minister Enoch Godongwana, who has kept a tight lid on the wage bill — which was once the fastest-growing expenditure item — in a tight spot as they threaten to undermine his efforts to stabilise the country's finances. In the 2024 Budget Review, the government pencilled in a total wage bill of just more than R750bn for the 2025/26 fiscal year, or about 4.5% higher than the previous year.

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Kevin Lings

In his budget speech in February, Godongwana said the government was exploring other measures, which would be tabled for discussion in the public service bargaining council "as part of a broader discussion on containing wage bill growth".

Efficient Group chief economist Dawie Roodt cast the wage demand as "total madness", saying: "Civil servants in SA, the majority of them, are overpaid and underworked.

"The state is already bankrupt, the fiscal deficit is running at 5%, we simply cannot afford this. This is complete madness. This will be the first real test of this government of national unity."

But there could be a compromise. "My sense is that anything that starts with a double-digit will be negotiated down to a single digit and we might end up [with] 6% or 7%. There has to be a compromise; 12% is way too high," Stanlib chief economist Kevin Lings said.

For Reserve Bank governor Lesetja Kganyago the wage demands, coming on the back of above-inflation settlements in the private sector, are a wild card that could complicate his efforts to keep inflation in check. Consumer inflation eased to 4.6% in July, the lowest rate since July 2021 and just shy of the 4.5% rate at which Kganyago would like it to be anchored.

For hundreds of thousands of workers, from nurses to rubbish collectors, the wage demand is a high-stakes move that could be seen as a reflection of their desperation and determination to secure better pay in the face of the cost-of-living crisis.

“Disposable income is under pressure, households are struggling to get basic goods and services. People are withdrawing funds from the two-pot system to pay for daily expenses,” said Lings.

The latest talks come after public servants received a wage increase of 4.7% on April 1.

The National Education, Health and Allied Workers’ Union (Nehawu), Cosatu’s largest trade union, did not sign the two-year wage deal at the bargaining council in 2023.

Nehawu president Mike Shingange told Business Day in April: “The 2025/26 wage negotiations won’t be easy because workers want to claw back losses suffered over the past five years, since the reneging on the last leg of the wage deal signed in 2018.”

The state backed out of implementing the last leg of a three-year wage deal signed in 2018, citing a lack of funds.

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