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Department:
Public Service and Administration
REPUBLIC OF SOUTH AFRICA

PUBLIC SERVICE EARLY RETIREMENT FRAMEWORK: MANAGEMENT OF THE PUBLIC SERVICE WAGE BILL KEY MESSAGES

BACKGROUND INFORMATION

During his Budget Speech, Minister of Finance Mr Tito Mboweni announced that government would implement measures to reduce the public wage bill. Amongst these is to allow for public servants between the ages of 55 and 59 years to go on early retirement without incurring any penalties in their pensions payouts.

In the 2018/19 National Budget, the public sector wage bill was budgeted at R487 billion, and accounts for 35 per cent of projected government spending of R1.67-trillion.

Pursuant to this announcement, the Minister for the Public Service and Administration, Ms Ayando Dlodlo has undertaken to implement the new framework by 1st April 2019. National Treasury will carry the cost of the penalty in relation to pensions for the identified group of employees whilst those who are 60 and above can take normal retirement as per current legislation. Currently, there are about 127 000 public servants falling within the category of 55 and 59 years.

Early retirement is stipulated in terms of Section 16(6) of the Public Service Act of 1994 (as amended).

In the present economic conditions, it is important to balance spending on public servants and resources required for service delivery and other expenditure items, e.g. Health, education, social security and infrastructure. Government is cognisant of the strain in public finances as a result of the sluggish economy as well as the urgent need to contain the escalating wage bill.

KEY MESSAGES	SUPPORTING STATEMENTS
<p><i>Government is committed to reducing the Public Service wage bill.</i></p>	<ul style="list-style-type: none"> • We are hopeful that the new interventions will ensure that the wage bill remains within the existing compensation ceilings. • We will do so in a manner that does not negatively impact on the capacity of the state to deliver quality public services. • Government spending on the public sector wage bill is unsustainable, and there is R30.2 billion deficit from 2018/19, 2019/20 and 2020/21 Public Service wage agreement. • By allowing for early exit, we estimate savings of approximately 20.3 billion in the Medium Term Expenditure Framework (MTEF).
<p><i>We invite qualifying public servants to consider the option of early retirement.</i></p>	<ul style="list-style-type: none"> • The new framework will be implemented from 1 April 2019 to 30 September 2019. <ul style="list-style-type: none"> ○ It is applicable to all public servants between the ages of 55 and 59 years. ○ The process to consider early retirement is entirely voluntary. ○ It should be noted that employees in the Police, Correctional Services, Defence and Intelligence Services will qualify in terms of their own legislation. ○ After this open window period, government will conduct an assessment to determine whether there are sufficient resources to continue with the offer during the remainder of the two year MTEF. • We will ensure that public servants with critical skills such as medical doctors, nurses, maths and science teachers, engineers and other professionals categorised under the Occupation Specific Dispensation (OSD) are not lost during this process. • Employees who are between 60 and 65 years, by law have reached normal retirement age, and therefore, no penalties are levied to their pensions.
<p><i>We are committed to ensuring a sustainable public service</i></p>	<ul style="list-style-type: none"> • The public service is the largest employer in the country with an estimated 1.3 million employees. • The size of the public service is not a concern, however the wage bill currently exceeds the budgeted baselines by about R30.2 billion over the medium term.

KEY MESSAGES	SUPPORTING STATEMENTS
	<ul style="list-style-type: none"> • The Minister for the Public Service and Administration emphasises that there is no retrenchment in the public service. • No public servant should be coerced to take retirement. • The Minister for the Public Service and Administration has revised percentages that can be allocated by departments (National and Provincial) from the remuneration budget for the payment of performance bonus in the next three years. • These measures will be implemented in such a manner that does not negatively impact the capacity of the state to deliver public services.
<p><i>Does a high wage bill not mean a bloated public service?</i></p>	<p>A high wage bill does not mean a bloated public service, but caused by a number of factors:</p> <ul style="list-style-type: none"> • Above inflation salary increases • Unmanageable overtime. • Performance bonuses not in line with organisational performance • Top heavy organisational structures.
<p><i>Public servants play a vital role in society.</i></p>	<ul style="list-style-type: none"> • Public servants are central to improving the lives of all South Africans • Since 1994 the new democratic government has used the public service to help transform the country. • There is no higher calling then to serve the nation and its people. • Public servants are required to respond to complaints and queries fairly, consistently and promptly.