

# State and unions closer to pay deal

● *Public Servants Association says agreement is likely on 5.5%*

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The government and unions representing more than 13-million public servants are likely to reach a 5.5% pay agreement in a deal that, if finalised, cements the R700bn-plus wage bill as a big, unpredictable factor amid SA's efforts to stabilise its finances.

"We are hopeful that we are going to conclude the negotiations before month-end. We are not too far apart. We are at 6%, the government is sitting at 5%, so the middle ground is 5.5%. We are likely to reach an agreement on 5.5%," Public Servants Association (PSA) GM Reuben Maleka told Business Day.

PSA, which represents more than 245,000 government employees, along with union leaders from Solidarity and other Cosatu-affiliated unions, are back in the Public Service Co-ordinating Bargaining Council (PSCBC), a wage talks facilitator, this week to hammer out a multi-term agreement.

If finalised, the 5.5% deal turns up the heat on finance minister Enoch Godongwana, piling pressure on him to make good on his promises to convince 30,000 public servants over the age of 55 to take early retirement packages as part of his broader plan to pin down the wage bill. The National Treasury hopes to save R2bn each year from the initiative.

Treasury director-general Duncan Pieterse declined to comment on the prospects of the deal, saying it would be premature to comment on the talks. "There are different amounts

under discussion, we obviously increased our offer to 5%, the unions are at 6%. The teams are discussing," he said.

Cosatu chief negotiator Simon Hlungwani also declined to comment, while the PSCBC said it would provide an update later. Department of public service & administration spokesperson Moses Mushi could not be reached for comment.

Last week saw the government inch its wage offer from 4.7% to 5% for 2025/26, leading to public service unions to slash their demands from a lofty 12% to 6%. The revised offer spurred unions to embark on a mandate-seeking process last week.

For Reserve Bank governor Lesetja Kganyago the potential 5.5% wage deal would undermine his efforts to anchor inflation expectations at 4.5% – the midpoint of the 3%-6% target range. The potential deal exceeds the inflation rate of 2.9% in November last year.

According to the proposed wage offer, wage increases for the 2026/27 and 2027/28 financial years would be indexed to the consumer price index (CPI). PSCBC general secretary Frikkie de Bruin said last week.

"If the projected CPI percentage for the relevant period is less than 4%, the projected CPI for the relevant period will be deemed to be 4% and, in the event the projected CPI for the relevant period is above 6%, the projected CPI will be deemed to be 6%," De Bruin said.

The term of the agreement

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would be three years, he said.

The government has offered increases in various allowances including housing (from R1,784 to R1,900 on April 1, with a further CPI-determination adjustment for 2025/26).

The danger allowance increases from R623.29 to R650 for 2025/26 and thereafter by CPI, while the special danger allowance will be adjusted from R931.82 to R950 on April 1.

"The allowance shall also further be adjusted for the 2025/26 financial year and thereafter by the CPI determination," De Bruin said.

The service allowance for police increased from R700 to R950 from April 1 and would be adjusted with CPI from 2026/27 onwards, he said.

The death grant, childcare and breastfeeding facilities, recruitment policy, bursary scheme for public servants' dependants, standardisation of uniform policy, an incentive policy framework and comprehensive danger insurance, "will be researched, and position papers will be developed for future negotiations", De Bruin said.

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