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## GOVERNMENT NOTICE

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### INDEPENDENT COMMISSION FOR REMUNERATION OF PUBLIC OFFICE BEARERS

No. 58

29 January 2015

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### INDEPENDENT COMMISSION FOR THE REMUNERATION OF PUBLIC OFFICE BEARERS

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#### EXPLANATORY MEMORANDUM FOR ANNUAL REMUNERATION RECOMMENDATIONS FOR 2014 / 2015

##### 1. Introduction

The Independent Commission for the Remuneration of Public Office Bearers ("the Commission") is statutorily obliged by virtue of Section 8 (4) and (5) of the Independent Commission for the Remuneration of Public Office Bearers Act, 1997 ("Commission Act"), to make annual recommendations relating to the salaries, benefits, allowances, and the resources required by public office bearers to enable them to perform their respective duties effectively.

On 18 December 2013 the Commission published the 2013/2014 Annual Recommendations for cost-of-living-adjustment on a sliding scale for public office bearers effective from 01<sup>st</sup> April 2013. In recommending the increase the Commission had considered applicable legislation and the following relevant factors:

- Section 8(6) of the Commission Act
- The level of the Consumer Price Index (CPI) and its forecast
- Market salary increases during the past year
- Forecasted salary increases for the year ahead
- The economic and social environment
- Past recommendations together with the President's determinations
- The inputs from key stakeholders in terms of the mandatory consultation requirements
- Other relevant factors

##### 2. ANNUAL REMUNERATION RECOMMENDATIONS FOR 2014/2015

The Commission at its meetings of 09 May 2014 and 19 July 2014 discussed the Annual Remuneration Recommendations for 2014/2015. Subsequent to these meetings, the Commission consulted with the Minister of Finance, the Minister of Justice and Constitutional Development, the Chief Justice, and the Lower Courts Remuneration Committee (in terms of the provisions of Section 12 of the Magistrates Act No. 90 of 1993). Consultation was also extended to the Minister of Cooperative and Traditional Affairs and the Minister of Public Service and Administration.

The Commission at its meeting of 26 November 2014 discussed at length the stakeholders' responses on the Commission's Annual Remuneration Recommendation for 2014/2015 as received.

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Commissioners: Judge CJ Musi (Chairperson); Adv M Sello (Deputy Chairperson); Mr C Economou; Adv HFN Sephoti;  
Ms TN Mgoduso, Dr R Nienaber; Dr LM Mbabane and Mr AL Pheto

Head of Secretariat: PM Makapan

The Commission considered the comments and inputs from the relevant stakeholders and took into account other factors that are within its mandate in finalizing its Annual Remuneration Recommendations for 2014/2015.

In terms of Section 8 (3B) (a) the Chairperson of the Commission recused himself from the deliberations of Judges and Magistrates remuneration given his conflicted position.

The Commission considered the following factors, namely:

- Section 8(6) of the Commission Act
- The level of the Consumer Price Index (CPI) and its forecast
- Market salary increase during the past year
- Forecasted salary increase for the year ahead
- The economic and social environment
- The past recommendations together with the President's determinations
- The inputs from key stakeholders in terms of the mandatory consultation requirements

## **2.1 Section 8 (6) of the Commission Act**

In relation to Section 8 (6) (i) of the Commission Act, the Commission is of the view that the roles, status, duties, functions and responsibilities of the Public Office Bearers were considered during the last Major Review Report.

Since the implementation of the Commission's Major Review in 2008 and subsequent recommendations, the Commission has received numerous requests from stakeholders to review Public Office Bearers' remuneration. Due to inadequate financial resources and other priorities, the Commission has not been able to deal with stakeholders' requests. The Commission has informed the stakeholders that it will in future advise them of its intentions regarding the review of all Public Office Bearers' remuneration, benefits and allowances.

In the current financial year, the Commission is focusing on the review of the remuneration of local government Public Office Bearers as its major project. In light of the fact that the terms of majority of the current Commissioners end during the current year, the Commission is of the view that it is prudent to defer the decision on the requested review process for other Public Office Bearers to the incoming Commissioners who will be appointed during the year.

## **2.2 The level of the Consumer Price Index (CPI) and its forecast**

Inflation can be defined as the increase in the general level of prices of goods and services in an economy over a period of time. When the general price level rises, each unit of currency buys fewer goods and services. Consequently, inflation also reflects erosion in the purchasing power of money – a loss of real value in the internal medium of exchange and unit of account in the economy.

The economics of inflation and remuneration increases are interrelated. High inflation demands increase in remuneration to maintain the current lifestyle at higher prices. As is commonly known, people expect higher remuneration increases with higher inflation. When remuneration is increased it further fuels the existing inflation by increasing the demand of commodities.

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The below **Table** indicates the annual average change in Consumer Price Index (CPI), Producer Price Inflation (PPI), Gross Domestic Product (GDP) and interest rate data from 2008 to 2013:

YEAR	CPI	PPI	GDP	PRIME INTEREST RATE
2008	11.3%	14.3%	3.43%	15.0%
2009	7.1%	0.2%	-1.48%	10.5%
2010	4.3%	6.0%	2.98%	9.0%
2011	4.5%	7.4%	3.05%	9.0%
2012	5.7%	5.4%	3.30%	8.5%
2013	5.8%	6.0%	2.10%	8.5%

### **South African Reserve Bank (SARB)**

The Monetary Policy Committee (MPC) meeting of 29 January 2014, forecasted average inflation rate for 2014 to 6,3%, and 6,0% in 2015, with inflation expected to average 5,9% in the final quarter of 2014. Inflation was expected to breach the upper end of the target range in the second quarter of 2014, and to reach a peak of 6,6% in the final quarter of the year, before declining to 6,0% in the second quarter of 2015.

The MPC meeting of 20 November 2014 again forecasted inflation to average 5,9% in the final quarter of 2014, and an average 6,1% for the year.

### **Reuters**

Core inflation, which averaged 5,2% in 2013, is expected to average 5,8% in 2014, compared with 5,6% in the previous forecast, while the forecast for 2015 has increased from 5,3% to 5,9%. Financial analysts have the lowest forecast, which is reflected in the **Reuters** survey that indicates expectations of 5,6% and 5,5% in 2014 and 2015 respectively.

### **BER**

The **BER** in its first quarter publication of 2014, reflect that the CPI inflation is forecast to peak at 6.3% year-on-year in second quarter of 2014 and average 6.1% in 2014. This is an upward revision of 0.4% points compared to September. For 2015, the forecast is 0.2% points higher at 5.7%.

### **Andrew Levy Employment Publications**

The Wage Settlement quarterly report of December 2013 published by **Andrew Levy Employment Publications** indicates that the CPI moved to 5.4% in December and averaged 5.7% in 2013. The downward movement had a moderating effect on wage settlements, 39% of which fell within the 7% to 7.9% band in 2013.

The Wage Settlement quarterly report of September 2014 indicated an average of 8% for wage settlements rates in the first nine months of the year.

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South Africa's big banks have indicated their inflation forecast as follows:

Bank	2013	2014 Forecast	2015 Forecast
ABSA	6.1%	5.7%	5.5%
First National Bank	5.5%	5.6%	5.5%
Nedbank	5.8%	6.2%	6%
Standard Bank	5.8%	5.3%	5.8%
SARB	5.9%	5.5%	5.9%
Average	5.78%	5.66%	5.74

### 2.3 Market salary increase during the past year

#### Public Service Employees Remuneration

In terms of section 3(5) (a) of the Public Service Act, 1994, as amended, read with the Public Service Regulations (Chapter 4, Part 4, Section B1), the Minister of Public Service and Administration determined/approved the cost-of-living adjustment (COLA) with effect 01 April 2014 as follows:

Salary Levels 14 to 16 (Chief Director, Deputy Director-General and Director-General levels)	Salary Level 13 (Director level)
5.7%	6.2%

Employees on salary levels 1 to 12 received the cost-of-living adjustment based on the National Treasury's average projected CPI plus 1% which is 7.2% for the year 2014/15.

#### Local Government Employees

The South African Local Government Bargaining Council signed an agreement in 2012 for a multi-year (3 years) Salary and Wage Collective Agreement indicating, amongst others, a COLA increase in 2013/14 of CPI plus 1.25 %.

### 2.4 Forecast salary increase for the year ahead

According to a HR quarterly report published in December 2013 by **PWC** it is anticipated that the market increases for 2014 would range as follows:

Projected Increases (%) – Total Guaranteed Package		
Executives	Management	Key Specialists
6.2%	6.4%	6.4%

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## 2.5 The Economic and Social Environment

In June 2013 *Preparation of Expenditure Estimates for the 2014 Medium Term Expenditure Framework* the Minister indicated that the total compensation of employees' budget baseline ceiling for 2014/15 will be in terms of the current wage bill agreement of CPI inflation plus 1 per cent. For 2015/16 and 2016/17 institutions should budget for a cost of living increase of CPI inflation, in addition to the pay progression and other benefits and allowances that are stated in the current wage bill agreement, and which are already provided for in institutional budget baseline.

According to the *Medium Term Budget Policy Statement* of 23 October 2013, the settlements in the first half of 2013 raised wages by 7.9% on average, up from 7.6% in 2012. Real wage growth exceeded productivity growth, leading to a 6.7% increase in unit labour costs in the first quarter of 2013 relative to the same period in 2012.

## 2.6 The Past Recommendations and the President's Determinations

The following table summarises the past cost-of-living-adjustment recommendations made by the Commission and the President determinations for all public office bearers:

Year	Commission Recommendations	President Determinations
2008	Major review & 11%	Major review & 11%
2009	8%	7%
2010	7%	5%
2011	5%	5%
2012	5.5%	5.5%
2013	Sliding Scale (0% to 7%)	5% for all except the President

## 3. RECOMMENDATION

The Commission is obliged by statutory enactment to make recommendations for salary adjustments of public office bearers. After taking into account all relevant factors mentioned here above together with the provisions of applicable legislation, the Commission is proposing a **5%** adjustment for public office bearers earning more than R 1 000 000 and **6%** for public office bearers earning less than R 1 000 000 with effect from 01 April 2014.

Signed at PRETORIA on 28 January / 2015.

1. Judge C Musi: 

Commissioners: Judge CJ Musi (Chairperson); Adv M Sello (Deputy Chairperson); Mr C Economou; Adv HFN Sephoti; Ms TN Mgoduso, Dr R Nienaber; Dr LM Mbabane and Mr AL Pheto

Head of Secretariat: PM Makapan

SCHEDULE 1				
REMUNERATION LEVELS WITH EFFECT 01 APRIL 2014				
NATIONAL EXECUTIVE AND DEPUTY MINISTERS				
GRADE	PAY LEVEL	POSITION	01-Apr-13	01-Apr-14
EA	1	President	2 622 561	2 753 689
EB	1	Deputy President	2 478 378	2 602 297
EC	1	Minister	2 106 607	2 211 937
ED	1	Deputy Minister	1 734 835	1 821 577

SCHEDULE 2				
REMUNERATION LEVELS WITH EFFECT 01 APRIL 2014				
MEMBERS OF PARLIAMENT				
GRADE	PAY LEVEL	POSITION	01-Apr-13	01-Apr-14
PA	1	Speaker: National Assembly	2 478 378	2 602 297
		Chairperson: NCOP	2 478 378	2 602 297
PB	1	Deputy Speaker: National Assembly	1 734 835	1 821 577
		Deputy Chairperson: NCOP	1 734 835	1 821 577
	2	House Chairperson	1 610 960	1 691 508
PC	1	Chief Whip: Majority Party	1 363 064	1 431 218
		Chief Whip: NCOP	1 363 064	1 431 218
		Parliamentary Counsellor: President	1 363 064	1 431 218
		Parliamentary Counsellor: Deputy President	1 363 064	1 431 218
		Leader of Opposition	1 363 064	1 431 218
	2	Chairperson of a Committee	1 239 189	1 301 148
PD	1	Deputy Chief Whip: Majority Party	1 115 314	1 171 079
		Chief Whip: Largest Minority Party	1 115 314	1 171 079
		Leader of a Minority Party	1 115 314	1 171 079
	2	Whip	1 034 954	1 086 702
PE	1	Member: National Assembly	933 852	989 883
		Permanent Delegate: NCOP	933 852	989 883

SCHEDULE 3				
REMUNERATION LEVELS WITH EFFECT 01 APRIL 2014				
PROVINCIAL EXECUTIVES AND MEMBERS OF LEGISLATURE				
GRADE	PAY LEVEL	POSITION	01-Apr-13	01-Apr-14
LA	1	Premier	1 982 731	2 081 868
LB	1	Member of Executive Council	1 734 835	1 821 577
		Speaker	1 734 835	1 821 577
LC	1	Deputy Speaker	1 363 064	1 431 218
		Chief Whip: Majority Party	1 239 189	1 301 148
	2	Chairperson of Committees	1 115 314	1 171 080
		Leader of Opposition	1 115 314	1 171 080
		Chairperson of a Committee	1 115 314	1 171 080
	3	Deputy Chairperson of Committees	1 049 314	1 101 780
		Deputy Chief Whip: Majority Party	1 049 314	1 101 780
		Chief Whip: Largest Minority Party	1 049 314	1 101 780
		Leader of a Minority Party	1 049 314	1 101 780
LD	1	Parliamentary Counsellor to a King	933 852	989 883
		Whip	933 852	989 883
	2	Member of Provincial Legislature	903 826	958 068

SCHEDULE 4				
REMUNERATION LEVELS WITH EFFECT 01 JULY 2014				
LOCAL GOVERNMENT				
GRADE	PAY LEVEL	POSITION	01-Apr-13	01-July-14
MA	1	Executive Mayor	1 097 907	1 152 803
		Mayor	1 097 907	1 152 803
MB	1	Deputy Executive Mayor	889 901	943 295
		Speaker/Chairperson	889 901	943 295
		Deputy Mayor	889 901	943 295
MC	2	Member of Executive Committee	837 972	888 250
		Member of Mayoral Committee	837 972	888 250
		Chairperson of a Sub-council	837 972	888 250
		Whip	837 972	888 250
MD	1	Municipal Councillor	421 960	447 277

SCHEDULE 5				
REMUNERATION LEVELS WITH EFFECT 01 APRIL 2014				
JUDGES				
GRADE	PAY LEVEL	POSITION	01-Apr-13	01-Apr-14
JA	1	Chief Justice	2 478 378	2 602 297
JB	1	Deputy Chief Justice	2 230 482	2 342 006
		President: Supreme Court of Appeal	2 230 482	2 342 006
JC	1	Deputy President: Supreme Court of Appeal	2 106 607	2 211 937
	2	Judge: Constitutional Court	1 982 731	2 081 868
		Judge: Supreme Court of Appeal	1 982 731	2 081 868
	3	Judge President: High/Labour Court	1 858 856	1 951 799
	4	Deputy Judge President: High/Labour Court	1 734 835	1 821 577
	5	Judge: High/Labour Court	1 610 960	1 691 508

SCHEDULE 6				
REMUNERATION LEVELS WITH EFFECT 01 APRIL 2014				
MAGISTRATES				
GRADE	PAY LEVEL	POSITION	01-Apr-13	01-Apr-14
JD	1	Special Grade Chief Magistrate	1 115 314	1 171 079
		Regional Court President	1 115 314	1 171 079
JE	1	Regional Magistrate	991 293	1 050 771
		Chief Magistrate	991 293	1 050 771
JF	1	Senior Magistrate	817 810	866 878
JG	1	Magistrate	743 542	788 155

SCHEDULE 7				
REMUNERATION LEVELS WITH EFFECT 01 APRIL 2014				
TRADITIONAL LEADERS				
GRADE	PAY LEVEL	FULL TIME POSITIONS	01-Apr-13	01-Apr-14
TA	1	King	1 027 237	1 078 599
TB	1	Chairperson: NHTL	727 877	771 549
	2	Full time Chairperson: PHTL	599 505	635 475
	3	Deputy Chairperson: NHTL	556 714	590 117
	4	Full time Deputy Chairperson: PHTL	513 778	544 605
TC	1	Full time Member: NHTL	299 680	317 661
	2	Full time Member: PHTL	256 889	272 302
TD	1	Senior Traditional Leader	188 424	199 729
TE	1	Headmen / Headwomen	79 364	84 125
		PART TIME POSITIONS*	1 APRIL 2013 (Per Day)	01 APRIL 2014 (Per Day)
		Part time Member: NHTL	1 079	1 144
		Part time Chairperson: PHTL	1 284	1 361
		Part time Deputy Chairperson: PHTL	1 155	1 224
		Part time Member: PHTL	895	949
<p>* In addition to sitting allowances, part time members are entitled to their salaries as Traditional Leaders, as well as subsistence costs (reasonable and actual expenses) and transport costs (Department of Transport tariffs for the use of privately owned vehicles), for their attendance of official meetings, seminars, workshops and conferences of the respective Houses)</p>				