



Government Gazette Staatskoerant

REPUBLIC OF SOUTH AFRICA
REPUBLIEK VAN SUID-AFRIKA

Vol. 565

Pretoria, 26 July 2012

No. 35543

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GOVERNMENT NOTICE

No. 583

26 July 2012

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INDEPENDENT COMMISSION FOR THE REMUNERATION OF PUBLIC OFFICE BEARERS

EXPLANATORY MEMORANDUM FOR ANNUAL RECOMMENDATIONS FOR 2012/2013

1. Introduction

The Independent Commission for the Remuneration of Public Office Bearers (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, to make annual recommendations relating to the salaries, benefits, allowances, and the resources required by public office bearers.

The Commission on the 29 August 2011 published its annual recommendations for cost-of-living-adjustment (COLA) of 5% for public office bearers for 2011/2012 financial year. In recommending the increase the Commission considered applicable legislation and below factors to be relevant in forming the basis for its decision:

- The Consumer Price Index (CPI) trends
- Affordability
- National market trends including the private and public sector
- Consultation with relevant stakeholders

2. ANNUAL REMUNERATION RECOMMENDATIONS FOR 2012/2013

For annual remuneration recommendations for 2012/2013 the Commission considered the following, namely:

- Consumer Price Index (CPI) and future forecast
- Market salary increase of the past year
- Forecast salary increase for the year ahead
- Economic conditions
- The past recommendations and the President determinations
- Inputs from relevant stakeholders

A handwritten signature in black ink, appearing to be 'PA'.

Commissioners: Judge LW Seriti (Chairperson); Ms MV Phiyega (Deputy Chairperson); Dr MHR Bussin; Dr MP Sithole;
Mr BK Mosley-Lefatola; Adv HFN Sephoti; Mr C Economou; Mr LWJ Matlhape

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2.1 CONSUMER PRICE INDEX (CPI) AND FUTURE FORECAST

Inflation is a rise 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.

Below is a table indicating the annual percentage average for CPI, PPI, GDP and interest rate data from 2006 to 2011:

YEAR	CPI	PPI	GDP	PRIME INTEREST RATE
2006	4.6	7.7	5.8	12.5
2007	6.5	10.9	5.7	14.5
2008	11.3	14.2	3.43	15.0
2009	7.1	0.1	-1.48	10.5
2010	4.3	6.0	2.98	9.0
2011	5	8.4	3.1	9.0

Below is a table indicating the CPIX data from January 2006 to March 2012:

CPIX FROM 2006 TO OCT 2011 (%)							
MONTH	2006	2007	2008	2009	2010	2011	2012
JAN	4.3	5.3	8.8	8.1	6.2	3.7	6.3
FEB	4.5	4.9	9.4	8.6	5.7	3.7	6.1
MAR	3.8	5.5	10.1	8.5	5.1	4.1	6.0
APR	3.7	6.3	10.4	8.4	4.8	4.2	
MAY	4.1	6.4	10.9	8.0	4.6	4.6	
JUN	4.8	6.4	11.6	6.9	4.2	5.0	
JUL	4.9	6.5	13.0	6.7	3.7	5.3	
AUG	5.0	6.3	13.6	6.4	3.5	5.3	
SEP	5.1	6.7	13.0	6.1	3.2	5.7	
OCT	5.0	7.3	12.4	5.9	3.4	6.0	
NOV	5.0	7.9	12.1	5.8	3.6	6.1	
DEC	5.0	8.6	10.3	6.3	3.5	6.1	
AVR	4.6	6.5	11.3	7.1	4.3	5	

The inflation forecast of the **South African Reserve Bank** is subjected to a further upward revision. Inflation is now expected to remain outside the upper end of the target range for the whole of 2012, and to peak in the second quarter at around 6,6 per cent before declining gradually and returning to within the target range in the first quarter of 2013. Inflation is expected to measure 5,5 per cent in the final quarter of 2013.

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Market expectations of inflation, as reflected in the *Reuters* survey of financial analysts, show expectations to be anchored around the upper level of the inflation target range over the medium term. In the October 2011 survey, inflation was expected to peak at an average of 6.1% in the first quarter of 2012, and to measure 5.4% by the second quarter of 2013.

The report from 21st Century Pay Solutions Group indicates a summary of the forecasts provided by the "BIG 4" banks. The table below depicts this information for 2011 and 2012.

Bank	2011 Forecast	2012 Forecast
ABSA	4.4%	5.5%
First National Bank	4.275%	5.5%
Nedbank	4.4%	5.9%
Standard Bank	4.2%	5.3%
SARB	4.7%	5.7%
Average	4.395%	5.58%

The outlook then for 2011/ 2012 is as follows:

Year	Average CPI forecasts	Current CPI Average for 2011
2011	5.06%	4.5%*
2012	5.58%	

*Please note that the current CPI average for 2011 is based on an 8 month period from January 2011.

2.2 MARKET SALARY INCREASE OF THE PAST YEAR

Senior Management Services (SMS)

In January 2011 the Senior Management Service within the Public Service and Administration received a 5% COLA salary increase. In January 2012 the SMS received 4,5% with additional 0,5% adjustment with effect 01 April 2012.

Local Government and Public Service Employees

The South African Local Government Bargaining Council signed an agreement in 2009 for a multi-term agreement indicating, amongst others, a COLA increase in 2011 of CPI plus 2%. All Public Service employees to level 12 (Deputy Directors) received a COLA of 6.8% for 2011/2012.

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General Market

21st Century Pay Solutions Group reported the following salary increases for 2011 at each level:

Actual increase – Total Guaranteed Package		
CEO	Executive Management	Management
5.32%	5.72%	6.55%

2.3 FORECAST SALARY INCREASE FOR THE YEAR AHEAD

According to a Snap Survey Report from 21st Century Pay Solutions Group it is anticipated that the market increases for 2012 would range as follows:

Projected Increases (%)– Total Guaranteed Package		
CEO	Executive Management	Management
6%	6%	6%

The 21st Century Pay Solutions Group further stated that the positive sentiments currently prevailing in the market will carry over to the next year, with the resultant effect of increases to range from 6.75% to 7.5%.

According to Andrew Levy Employment Publications the overall average wage settlement rate in collective bargaining agreements amounted to 7,7 per cent in the first nine months of 2011, compared with 8,2 per cent in 2010. However there are indications that the downward trend in nominal remuneration may have reversed. According to Statistics South Africa, growth in average remuneration per worker increased by 8,6 per cent in the third quarter of 2011 compared with the same quarter in 2010, up from 6,4 per cent and 7,4 per cent in the previous two quarters respectively.

2.4 ECONOMIC CONDITIONS

On the 25 October 2011 during the medium term budget policy statement the Minister of Finance indicated that government aimed to strengthen infrastructure investment and maintenance, because this is a key contribution to the underlying growth potential of the economy. The Minister called for moderation in the growth of the wage bill and spending on good and service over the MTEF period ahead.

The Minister further indicated that over the past three years, the public service wage bill has increased from 35% to nearly 40% of non-interest expenditure. The proposed framework for the 2012 budget provides for more moderate cost-of-living-adjustments for public sector employees than in previous years, to be implemented with effect from April each year.

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The Minister called all to share in creating a greater momentum for growth, jobs and investment. The Minister sees the need for the same principles of moderation to be applied to Cabinet Ministers and other political office bearers. The call was extended to senior management in the public service, executive of state entities and responsible leadership to private sector on the matter.

2.5 THE PAST RECOMMENDATIONS AND THE PRESIDENT DETERMINATIONS

The following are past cost-of-living-adjustment recommendations of 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%
Average	7.8%	7%

2.6 OTHER FACTORS FOR CONSIDERATION

The Commission will consider the following factors for its final decision on COLA:

- The stakeholders inputs and concerns
- The current remuneration structure of POB
- The public perception towards Commission recommendations

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 applicable legislations, the Commission is proposing a 5.5% salary increase for 2012 / 2013.



Judge Legoabe Willie Seriti
Chairperson

SCHEDULE 1				
REVISED REMUNERATION LEVELS ADJUSTED BY 5.5% WITH EFFECT FROM 1 APRIL 2012				
NATIONAL EXECUTIVE AND DEPUTY MINISTERS				
GRADE	PAY LEVEL	POSITION	RECOMMENDED TOTAL REMUNERATION 1 APRIL 2011	RECOMMENDED TOTAL REMUNERATION 1 APRIL 2012
EA	1	President	2,485,839	2,622,561
EB	1	Deputy President	2,237,308	2,360,360
EC	1	Minister	1,901,699	2,006,292
ED	1	Deputy Minister	1,566,089	1,652,224

Commissioners: Judge LW Seriti (Chairperson); Ms MV Phiyega (Deputy Chairperson); Dr MHR Bussin; Dr MP Sithole; Mr BK Mosley-Lefatola; Adv HFN Sephoti; Mr C Economou; Mr LWJ Matlhape

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SCHEDULE 2				
REVISED REMUNERATION LEVELS ADJUSTED BY 5.5% WITH EFFECT FROM 1 APRIL 2012				
NATIONAL PARLIAMENT				
GRADE	PAY LEVEL	POSITION	RECOMMENDED TOTAL REMUNERATION 1 APRIL 2011	RECOMMENDED TOTAL REMUNERATION 1 APRIL 2012
PA	1	Speaker: National Assembly	2,237,308	2,360,360
		Chairperson: NCOP	2,237,308	2,360,360
PB	1	Deputy Speaker: National Assembly	1,566,089	1,652,224
		Deputy Chairperson: NCOP	1,566,089	1,652,224
PC	2	House Chairperson	1,454,263	1,534,248
		Chairperson of a Committee	1,118,654	1,180,180
	1	Chief Whip: Majority Party	1,230,480	1,298,156
		Chief Whip: NCOP	1,230,480	1,298,156
PD	1	Parliamentary Counsellor: President	1,230,480	1,298,156
		Parliamentary Counsellor: Deputy President	1,230,480	1,298,156
		Leader of Opposition	1,230,480	1,298,156
PE	1	Deputy Chief Whip: Majority Party	1,006,828	1,062,203
		Chief Whip: Largest Minority Party	1,006,828	1,062,203
		Leader of a Minority Party	1,006,828	1,062,203
PE	2	Whip	934,285	985,671
		Member: National Assembly	843,017	889,383
		Permanent Delegate: NCOP	843,017	889,383

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SCHEDULE 3				
REVISED REMUNERATION LEVELS ADJUSTED BY 5.5% WITH EFFECT FROM 1 APRIL 2012				
PROVINCIAL EXECUTIVES AND LEGISLATURES				
GRADE	PAY LEVEL	POSITION	RECOMMENDED TOTAL REMUNERATION 1 APRIL 2011	RECOMMENDED TOTAL REMUNERATION 1 APRIL 2012
LA	1	Premier	1,789,873	1,888,315
LB	1	Member of Executive Council	1,566,089	1,652,224
		Speaker	1,566,089	1,652,224
LC	1	Deputy Speaker	1,230,480	1,298,156
		Chief Whip: Majority Party	1,118,654	1,180,180
	2	Chairperson of Committees	1,006,828	1,062,204
		Leader of Opposition	1,006,828	1,062,203
		Chairperson of a Committee	1,006,828	1,062,203
	3	Deputy Chairperson of Committees	947,248	999,347
		Deputy Chief Whip: Majority Party	947,248	999,347
		Chief Whip: Largest Minority Party	947,248	999,347
		Leader of a Minority Party	947,248	999,347
LD	1	Parliamentary Counsellor to a King	843,017	889,383
		Whip	843,017	889,383
	2	Member of Provincial Legislature	815,912	860,787

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SCHEDULE 4				
REVISED REMUNERATION LEVELS ADJUSTED BY 5.5% WITH EFFECT FROM 1 APRIL 2012				
LOCAL GOVERNMENT				
GRADE	PAY LEVEL	POSITION	RECOMMENDED TOTAL REMUNERATION 1 APRIL 2011	RECOMMENDED TOTAL REMUNERATION 1 APRIL 2012
MA	1	Executive Mayor	991,115	1,045,626
		Mayor	991,115	1,045,626
MB	1	Deputy Executive Mayor	803,341	847,525
		Speaker/Chairperson	803,341	847,525
		Deputy Mayor	803,341	847,525
MC	2	Member of Executive Council	756,463	798,069
		Member of Mayoral Committee	756,463	798,069
		Chairperson of a Sub-council	756,463	798,069
		Whip	756,463	798,069
MD	1	Municipal Councillor	380,916	401,866

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SCHEDULE 5				
REVISED REMUNERATION LEVELS ADJUSTED BY 5.5% WITH EFFECT FROM 1 APRIL 2012				
JUDGES				
GRADE	PAY LEVEL	POSITION	RECOMMENDED TOTAL REMUNERATION 1 APRIL 2011	RECOMMENDED TOTAL REMUNERATION 1 APRIL 2012
JA	1	Chief Justice	2,237,308	2,360,360
JB	1	Deputy Chief Justice	2,013,525	2,124,269
		President: Supreme Court of Appeal	2,013,525	2,124,269
JC	1	Deputy President: Supreme Court of Appeal	1,901,699	2,006,292
	2	Judge: Constitutional Court	1,789,873	1,888,315
		Judge: Supreme Court of Appeal	1,789,873	1,888,315
	3	Judge President: High/Labour Court	1,678,046	1,770,339
	4	Deputy Judge President: High/Labour Court	1,566,089	1,652,224
	5	Judge: High/Labour Court	1,454,263	1,534,248

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SCHEDULE 6				
REVISED REMUNERATION LEVELS ADJUSTED BY 5.5% WITH EFFECT FROM 1 APRIL 2012				
MAGISTRATES				
GRADE	PAY LEVEL	POSITION	RECOMMENDED TOTAL REMUNERATION 1 APRIL 2011	RECOMMENDED TOTAL REMUNERATION 1 APRIL 2012
JD	1	Special Grade Chief Magistrate	1,006,828	1,062,203
		Regional Court President	1,006,828	1,062,203
JE	1	Regional Magistrate	894,871	944,089
		Chief Magistrate	894,871	944,089
JF	1	Senior Magistrate	738,262	778,866
JG	1	Magistrate	671,219	708,136

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SCHEDULE 7				
REVISED REMUNERATION LEVELS ADJUSTED BY 5.5% WITH EFFECT FROM 1 APRIL 2012				
TRADITIONAL LEADERS				
GRADE	PAY LEVEL	FULL TIME POSITIONS	RECOMMENDED TOTAL REMUNERATION 1 APRIL 2011	RECOMMENDED TOTAL REMUNERATION 1 APRIL 2012
TA	1	King	927,319	978,321
TB	1	Chairperson: NHTL	657,077	693,216
	2	Full time Chairperson: PHTL	541,191	570,957
	3	Deputy Chairperson: NHTL	502,563	530,204
	4	Full time Deputy Chairperson: PHTL	463,803	489,313
TC	1	Full time Member: NHTL	270,530	285,409
	2	Full time Member: PHTL	231,902	244,656
TD	1	Senior Traditional Leader	170,096	179,451
TE	1	Headmen / Headwomen	71,644	75,584
		PART TIME POSITIONS*	RECOMMENDED TOTAL REMUNERATION 1 APRIL 2011 (Per Day)	RECOMMENDED TOTAL REMUNERATION 1 APRIL 2012 (Per Day)
		Part time Member: NHTL	974	1,028
		Part time Chairperson: PHTL	1,159	1,223
		Part time Deputy Chairperson: PHTL	1,042	1,100
		Part time Member: PHTL	808	852
<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>				

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Publications: Tel: (012) 334-4508, 334-4509, 334-4510
Advertisements: Tel: (012) 334-4673, 334-4674, 334-4504
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