



NEHAWU RESPONSE TO THE 2025 BUDGET

MEDIA STATEMENT FOR IMMEDIATE RELEASE

Wednesday March 12, 2025

The National Education, Health and Allied Workers' Union [NEHAWU] notes that finally the Minister of Finance, Enoch Godongwana, tabled the 2025 Budget and medium-term spending estimates as well as the tax proposals of the Government of National Unity (GNU) today in Parliament.

MACROECONOMIC AND FISCAL POLICY

Despite the fact that the Minister presented the four pillars of the GNU's economic strategy anchored under the rubric of "Fostering Faster Inclusive Growth", in the overall the budget plans barely represent a shift away from the fiscal framework of austerity as the consolidated spending grows by a mere 1.1% over the medium-term, taking into account the medium-term inflation forecasts. This is underscored by the negligible R46.7 billion to be spent on infrastructure over the medium-term.

The Treasury has been fixated on following a strict fiscal framework of austerity, the objective of which is to reduce the deficit, attain a primary budget surplus and to contain the public debt amidst deepening socioeconomic crises of unemployment, inequality and poverty. In his address today, the Minister stated that the budget should be characterised by its boldness and that a debate on VAT is not as important as to how we grow the economy. The economic growth rate of 0.9% projected for 2025/2026 is abysmal and contradicts the very principle that the Minister states the 2025/2026 budget is based upon.

NEHAWU condemns the Minister's unwillingness to comprehend the impact that an increase in VAT rate will have on the working class and poor, as the proposed increase of 0.5% in VAT this year followed by another 0.5% the following year, bringing the VAT rate to 16% in 2026/2027. This is an indication of how far removed the state is from the struggles facing our people. Despite the commitment to ensure the zero rated items are not included alongside in the VAT rate increase, the general impact on working class families will translate in another sharp increase in the cost of living. In the run-up to the budget speech, a number of alternatives were developed which highlighted the regressive nature of increasing the VAT rate and they included considerations for a slight increase in Wealth Tax. Accordingly, a 0.5% increase in wealth tax would equate to the same funding hole that the Treasury sought to close with the increase of the VAT rate.





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Recently the Treasury has in fact been misleading the South African public with a host of misinformation and falsehoods. The Minister of Finance has acted with concerning impunity in pushing a VAT rate increase, he has further crossed the line with his remarks preceding the budget speech by creating a false dichotomy – claiming that it is either an increase in VAT or the scrapping of the SRD Grant. This amounts to the most vulnerable and marginalised in society having to bear the burden of Treasury's political and economic blundering. Millions of working class and unemployed South African's cannot afford an increase in an already skyrocketing cost of living. Millions more are solely reliant on the vital support in the form of the SRD Grant to get them through the month.

We acknowledge that the South African Revenue Service (SARS) has been collecting and collating data related to wealth through the High Net Worth Individuals Unit, (In South Africa, the top 10% own 86% of total net wealth) yet a strategy in this regard has been seemingly been muted. The allocation of R500 million to better capacitate SARS ability for revenue collection is not enough, we therefore expected greater prioritisation in supporting SARS.

PUBLIC SERVICE

Despite the fact that "improving state capability" is set out as one of the four pillar of the GNU's economic strategy, the Treasury is hell-bent on implementing the early retirement scheme to blanketly reduce the public service personnel by 30 000 in 2025/26 and 2026/27, at the cost of R11 billion. Accordingly, these would be public servants who are above 55 years, regardless of the essential nature of the positions that they occupy or whether they are located in the front-line service delivery departments or not. The claim that these public servants shall be replaced by new and young public servants is nothing but a ruse as there are no parallel plans to recruit them simultaneously. As NEHAWU we remain vehemently opposed to this scheme as we believe it is part of the continuation of the austerity measures by other means to further reduced the public service bill by reducing personnel headcount through this blunt lawn-mower approach.





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Already the public service is woefully understaffed with huge vacancies in all essential functions and frontline services, which has resulted in increased work-overloads and the loss of critical experience, especially in professions such as nursing and teaching. This is aggravated by the fact that the budget of the Home Affairs department is now set to shrink by 1.6% over the medium-term despite the fact that the public continues to experience long queues due to huge amounts of vacancies.

Instead of allocating R11 billion to this early retirement scheme, Treasury should prioritise the resourcing of thousands of vacancies in the public service, including doctors, nurses, Community Healthcare Workers (CHWs), teachers and police. NEHAWU's landmark High Court case this year, which represents a victory for CHWs, is indicative of the state's refusal to honour decisions based on good faith, the fact that we as workers have to take our own government to court to ensure the health of our community is not affected by austerity is disgraceful.

SOCIAL SERVICES

NEHAWU notes inflation-adjusted allocations made to social grants which support close to 19 million vulnerable South Africans. We are however extremely aggrieved by the Minister's previous remarks related to the SRD Grant. It is a disgrace that the Minister decided not to make an inflation-adjusted increase in the SRD Grant. This vital social security net provides families who are carrying the burden of South Africa's socio-economic crisis on their shoulders with a small reprieve in the form of the R370.00 grant. NEHAWU wishes to remind the Minister and the state, that their unwillingness to fulfil Constitutional obligations led them to be taken to the High Court, the judgement of which lambasted the Treasury. We are disgusted that this outcome has now been appealed and the decision to appeal also takes place in the context of the seventieth anniversary of the Freedom Charter.

The Minister must also be reminded of the previous commitments made in terms of the SRD Grant, that the SRD Grant would lay the basis for the realisation of a Universal Basic Income Grant (UBIG). These commitments are also contained in the African National Congress's election manifesto and in the 08 January 2025 Statement. The Minister's speech however speaks to the reneging of this commitment, by adopting the Democratic Alliance's "job-seekers" grant and placing further draconian regulations in place, thus restricting potential beneficiaries as well as cutting off this vital support to many of the current 8 million beneficiaries.





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We note, with grave concern, the drastic cut over the 2026/2027 and 2027/2028 period to Women, youth and persons with disabilities, equating to approximately 4.7%. It is these sections of society that face some of the worst systemic challenges associated with the triple crisis, this cut represents placing the most vulnerable in an even more precarious conditions.

HEALTHCARE

We note the MTEF allocation of R941 billion to health with 44% of this allocation being directed to funding district health services, particularly primary healthcare facilities such as clinics and community health centres. The Minister made this allocation merely “to maintain an adequate number of healthcare personnel, especially doctors and nurses” when the country does not even have adequate ratios of doctors and nurses and he said nothing about the filling the prevailing vacancies in our public healthcare system.

NEHAWU recognises the commitments made in the MTEF period to strengthening the health system in preparation for the phasing in of National Health Insurance (NHI), this includes allocations to cover the much overdue creation of the patient information system. The total infrastructure allocation to health equates to R37.4 billion over the MTEF period, whilst this initiative must be welcomed, it falls far short of the required resources to maintain and fix dilapidating infrastructure. The Minister missed yet another opportunity to express support and place political will behind the rollout of NHI, this includes promoting the recent bill published for public comment on the Proposed Governance Regulations for the NHI Fund.

We are disappointed that the Minister did not adequately address the need to resource the shortfall as a result of Donald Trump's decision to halt President's Emergency Plan for AIDS Relief (PEPFAR). This erratic decision by a megalomaniac cuts access to resources supporting millions of South Africans, research, treatment centres, CHWs and those affected by certain diseases, including HIV-AIDS.

EDUCATION

We value the allocation of R10 billion over the medium-term to the Early Childhood Development (ECD), which amounts to 17.8% growth over the medium-term. This is to increase coverage over the medium-term, of which R210 million is to upgrade and build EDC centres.





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However, this is still paltry and it is an improvement from a low base as the EDC has suffered marginalisation over the years, which has now resulted in the crisis of numeracy and literacy in basic education. Expanding access to, promoting and developing a quality ECD strategy that is properly funded is an essential ingredient in addressing many systemic flaws in the basic education system and this includes addressing the horrifying reality that 80% of Grade 3 learners in South Africa cannot read for meaning in any language.

As NEHAWU we have consistently warned against budget cuts in higher education, especially in terms of university subsidies which have resulted in the unfolding crises of registration and accommodation for students. Now the Treasury plans to cut allocations for infrastructure in higher education institutions by a devastating 12.5% over the medium-term. As NEHAWU we strongly condemn this measure. Nonetheless, we welcome the planned increase of TVET infrastructure allocation by 26.3% over the medium-term.

END

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