2027 POLICY BRIEF

POLICY BRIEF NO. 6

Public Sector Wage Bill Series

FINANCIAL AND FISCAL COMMISSION

For an Equitable Sharing of National Revenue

Budgetary and payroll discrepancies and their implications for ghost worker fraud

Executive Summary

As part of its Annual Submission for the 2027/28 Division of Revenue, the Financial and Fiscal Commission conducted research to explore what insights can be drawn from a comparison of public sector payroll data and government budgeted personnel figures in relation to the ghost worker issue in South Africa. The key findings reveal discrepancies in both workforce planning and the budget process, which collectively create an environment conducive to payroll fraud. At the national level, erratic control over staffing and persistent budget underspending generates financial ambiguity. Provinces demonstrate a more severe structural weakness: they chronically overspend on personnel costs while failing to fill tens of thousands of budgeted posts, thereby creating pools of vacant, funded positions. These misalignments – overspending on a smaller-than-planned workforce – unnecessarily inflate the wage bill and provide the precise conditions where ghost workers can be hidden.

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FOCUS AREA: Public sector wage bill & payroll integrity

RELATED: ENE & PERSAL discrepancy analysis, 2007/08–2018/19

THE FINANCIAL AND FISCAL COMMISSION

The Financial and Fiscal Commission is a constitutional institution that makes recommendations to organs of state on financial and fiscal matters. As an institution created in the Constitution of the Republic of South Africa, it is an independent juristic person subject only to the Constitution itself, the Financial and Fiscal Commission Act, 1997 (Act No. 99 of 1997) (as amended) and relevant legislative prescripts. It may perform its functions on its own initiative or at the request of an organ of state.

The vision of the Commission is to provide influential advice for equitable, efficient and sustainable intergovernmental fiscal relations between national, provincial and local spheres of government. This relates to the equitable division of government revenue among three spheres of government and to the related service delivery of public services to South Africans.

Through focused research, the Commission aims to provide proactive, expert and independent advice on promoting the intergovernmental fiscal relations system using evidence-based policy analysis to ensure the realisation of constitutional values. The Commission reports directly to both Parliament and the provincial legislatures, who hold government institutions to account. Government must respond to the Commission's recommendations and the extent to which they will be implemented at the tabling of the annual national budget in February each year.

The Commission consists of commissioners appointed by the President: the Chairperson and Deputy Chairperson, three representatives of provinces, two representatives of organised local government and two other persons. The Commission pledges its commitment to the betterment of South Africa and South Africans in the execution of its duties.

Budgetary and payroll discrepancies and their implications for ghost worker fraud

Background

Public finance management (PFM) plays a critical role in ensuring that governments allocate resources efficiently, deliver essential services effectively, and maintain fiscal credibility. In South Africa, the integrity of PFM is especially important given the country's intergovernmental fiscal relations (IGFR) framework, which devolves significant financial responsibilities to provinces and municipalities. However, persistent governance failures and systemic vulnerabilities have undermined the effectiveness of PFM. Among the challenges facing the country's PFM system is that of the “ghost workers” phenomenon. This form of payroll fraud represents a severe drain on public finances, directly inflating the wage bill – which already consumes over a third of consolidated government expenditure – and diverting critical resources from service delivery in health, education, and infrastructure.

As part of its Annual Submission for the 2027/28 Division of Revenue, the FFC conducted a quantitative discrepancy analysis utilising data from National Treasury's Estimates of National Expenditure (ENE) and the government payroll system – Personnel and Salary System (PERSAL) – over a twelve-year period from 2007/08 to 2018/19, focusing on two key metrics: personnel headcount and compensation of employees (COE) expenditure across both national and provincial governments.

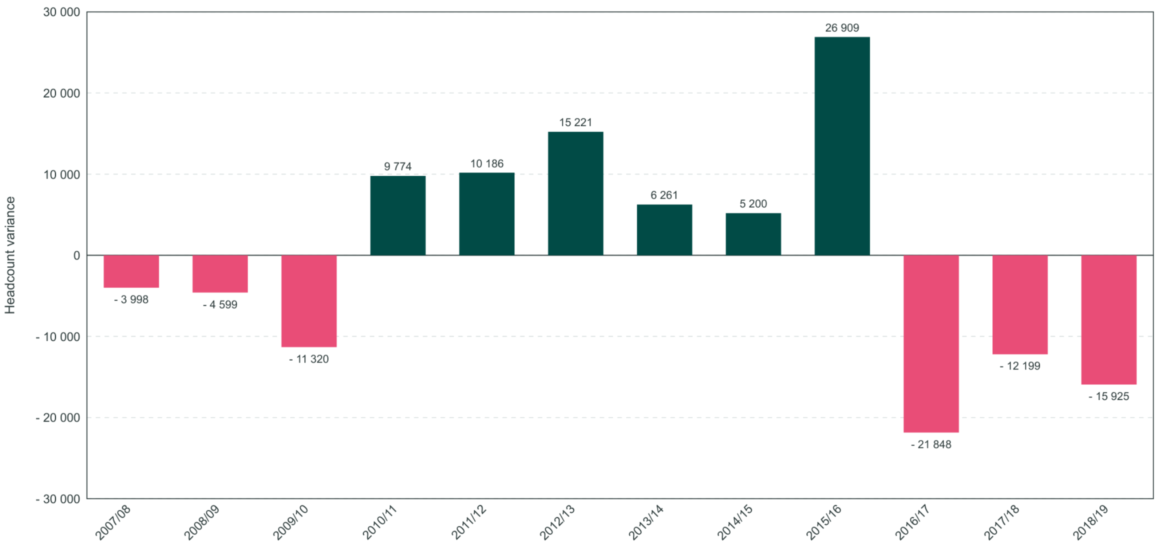
It is important to note that any identified discrepancies between the PERSAL and ENE datasets serve as indicators of systemic vulnerabilities that may be exploited, but do not constitute definitive proof of fraud. To confirm the existence of ghost workers, these quantitative findings must be complemented by forensic investigations, such as physical headcounts or biometric verification. Consequently, the findings presented here should be interpreted as a measure of the opportunity for fraud rather than a census of actual fraudulent entries.

Research Findings

Poor Workforce Planning

Figure 1 reveals that the headcount variance (PERSAL headcount minus ENE budgeted headcount) displays significant volatility over the 2007/08 to 2018/19 period, indicating misalignment between staffing policy and administrative reality. Periods of significant negative variance, such as the extreme deficit of 21,848 employees in 2016/17, suggest that government budgeted for significantly more personnel than were on the payroll. Conversely, the positive variances, exemplified by the peak of 26,909 employees in 2015/16, indicate substantial over-recruitment relative to the original budgetary limits.

Figure 1: National government: annual fluctuations in headcount variance



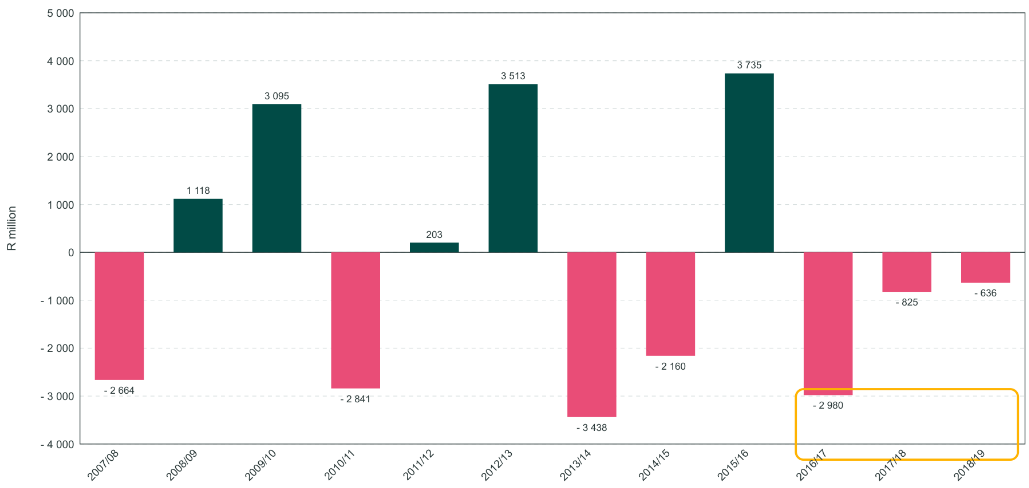
Sources: FFC calculations (based on PERSAL dataset, 2007/08 - 2018/19), National Treasury Estimates of National Expenditure (2007a, 2010a, 2013a, 2016a)

For workforce planning, it demonstrates a lack of control, with recruitment cycles being erratic and misaligned with budgetary forecasts, compromising capacity building and stability. Regarding the ghost worker challenge, the negative variance trend is particularly revealing – it contradicts the expectation that ghost workers would create positive variances. Instead, the data suggests that even if ghost workers exist, their financial impact is absorbed within budgets inflated beyond legitimate staffing needs, creating a budgetary buffer that could mask potential payroll irregularities through apparent underspending.

Persistent National Budget Underspending Creates Concealment Opportunities

The analysis of COE variances at the national level from 2007/08 to 2018/19 reveals persistent and deepening weaknesses in payroll and budget management, with fluctuations ranging from an initial deficit of R2.7 billion in 2007/08 to surpluses such as R1.1 billion in 2008/09 and a peak of R3.7 billion in 2015/16, before shifting into a sustained deficit phase thereafter (see Figure 2).

Figure 2: National government: variance in compensation of employees



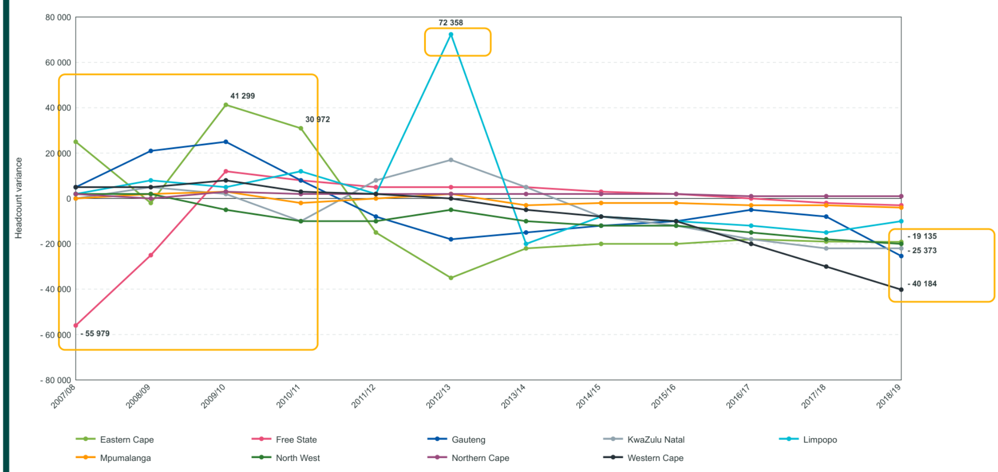
Note: Totals exclude Parliament and Defence votes to align with PERSAL data. Sources: FFC's calculations (based on PERSAL dataset, 2007/08 - 2018/19), National Treasury Estimates of National Expenditure (2007a, 2010a, 2013a, 2016a)

Notable shortfalls of R2.8 billion in 2010/11, R3.4 billion in 2013/14, and R2.2 billion in 2014/15 were followed by ongoing deficits of R3.0 billion in 2016/17, R824.5 million in 2017/18, and R636.1 million in 2018/19, pointing to a structural breakdown in fiscal forecasting and execution. Large and volatile variances in personnel spending create room for payroll irregularities to go unnoticed, increasing the risk of ghost worker fraud by obscuring the link between expenditure and verified employee headcounts.

Persistent Provincial Misalignment Between Funded Posts and Actual Employment

Figure 3 shows that prior to 2010/11, several large provinces recorded substantial positive variances, most notably the Eastern Cape, where actual headcount exceeded funded posts by 41,299 in 2009/10, and Gauteng, which recorded a surplus of 30,972 in the same year – suggesting periods of rapid payroll expansion that outpaced budget controls.

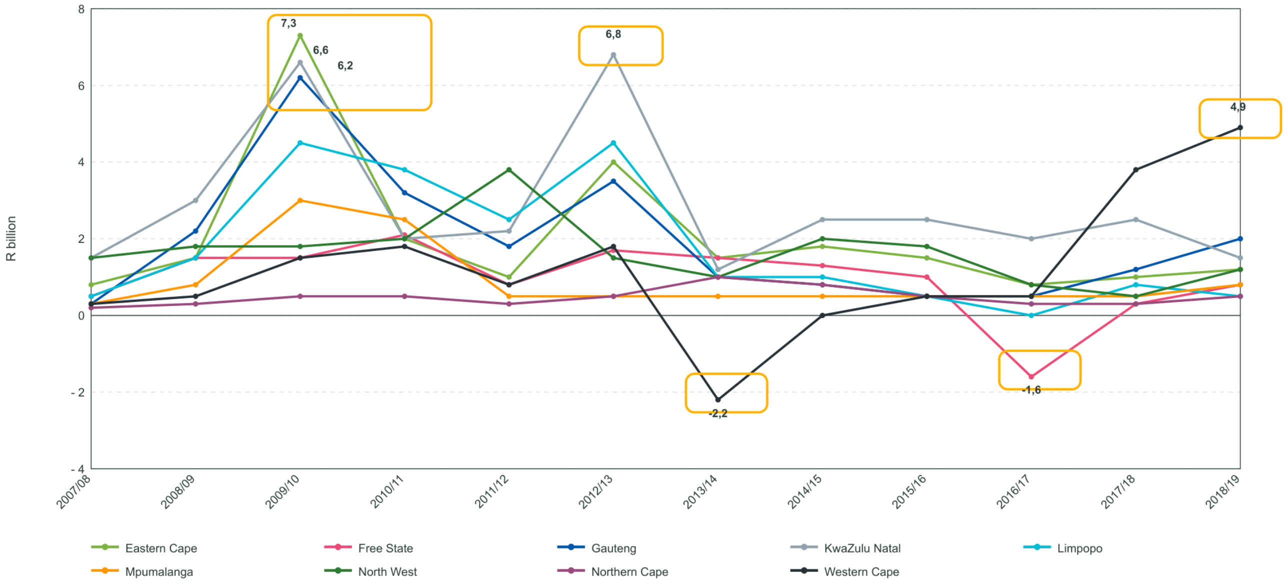
Figure 3: Provincial government: variance in actual vs budgeted headcount by province



Sources: FFC's calculations (based on PERSAL dataset, 2007/08 - 2018/19), National Treasury Provincial Budget Statements (2007b, 2010b, 2013b, 2016b)

From 2010/11 onwards, this pattern reverses, with sustained negative variances becoming dominant: Gauteng's shortfall widened from –8,800 in 2010/11 to –40,184 by 2018/19, the Eastern Cape consistently remained between 17,000 and 36,000 employees below funded levels, and KwaZulu-Natal reached a deficit of 25,373 by 2018/19. Limpopo was the most volatile province, recording an exceptional positive variance of 72,358 in 2012/13 before rapidly reverting to large negative deviations. Overall, these trends point to structural weaknesses in provincial workforce planning, with persistent misalignment undermining the credibility of the ENE and creating conditions in which ghost workers may be concealed within inflated or poorly reconciled personnel establishment figures rather than through excess headcount.

Figure 4: Provincial government: variance in compensation of employees (actual vs budgeted) by province



Sources: Commission's calculations (based on PERSAL dataset, 2007/08 - 2018/19), National Treasury Provincial Budget (2007b, 2010b, 2013b, 2016b)

Figure 4 shows that Gauteng stands out, with overspending peaking at R6.6 billion in 2009/10 and rising again to R4.9 billion in 2018/19, while KwaZulu-Natal recorded overruns of R6.2 billion in 2009/10 and R6.8 billion in 2012/13. The persistence of these overruns over more than a decade undermines fiscal discipline and heightens the risk that inefficient or unverified payments, including potential ghost workers, remain embedded in provincial payroll systems.

Conclusion

At the national level, highly volatile headcount variances alongside fluctuating periods of COE underspending and overspending indicate a persistent lack of control over staffing levels. At the provincial level, large provinces like Gauteng, KwaZulu-Natal, and the Eastern Cape have been primary drivers of a sustained trend of COE overspending, while sustained negative variance in headcount shows funded posts consistently exceeding actual employees on payroll. This combination – overspending on the cost per existing employee while systematically failing to fill authorised positions – creates a dual risk: it wastes resources on an overpriced workforce, while the large pool of unfilled, budgeted posts can create the opportunity for inserting fictitious ghost employees into the system.

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The Commission Recommends That:

1. The Portfolio Committee on Public Service and Administration should strengthen oversight by actively monitoring the link between payroll integrity and public financial management performance. Portfolio Committees should require departments to submit regular reconciliations of compensation of employees expenditure, actual headcounts, and vacancy rates, and use the Estimates of National Expenditure to hold Accounting Officers accountable for persistent misalignments between approved establishments and payroll records.

2. The Minister of Finance should incorporate payroll fraud risk into the Fiscal Risk Statement, including an assessment of fiscal pressures from persistent gaps between budgeted and actual headcounts and compensation of employees, alongside progress on departmental compliance with payroll verification and consequence management.

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