

## **4. PAY CONSIDERATION AND STRATEGY**

- 4.1 It is in a very challenging and highly complex environment that this general review is being conducted. Besides having to deal with the short comings of the current salary structures arising out of the implementation of the recommendations of the Errors, Omissions and Anomalies Committee (EOAC) Report, the Bureau had to come up with an aligned, fair, acceptable and sustainable salary structure. Ensuing are the main considerations of this Report.

### **EOAC recommendations**

- 4.2 As observed by the staff side, the EOAC has recommended a general increase in salary rather than addressing issues of errors, omissions and anomalies. In so doing, it is viewed that the Committee has ventured beyond its set terms of reference and has perturbed salary differentials for no valid reason even for grades where no representations have been made to the EOAC.
- 4.3 On top of recommending up to a certain level salary increases in the range of 19% to 26% over the 2012 gross salary, the EOAC has also recommended that the periodicity of the review of pay and grading structures and conditions of service in the Public Sector should be once every three years.

### **Government's stated objective and vision**

- 4.4 In line with government policy, the Bureau has remained mindful on the responsible and judicious use of public funds to ensure that taxpayers' money are spent responsibly.
- 4.5 The Bureau has focussed on the transformation of the Public Sector Institutions to inject productivity, efficiency and quality service to meet government objectives and espouse its vision and target to transform Mauritius into a vibrant, innovative global city with high quality of life and social inclusiveness, among others.

### **State of the Public Finance**

- 4.6 The economic situation of the country has been a major consideration in this Review. An in-depth analysis of the state of the Mauritian economy has been reproduced at Chapter three of Volume 1 of this Report. It is to be noted that the recommendations of this report have kept in mind the macro-economic stability in the country and the need for fiscal prudence and close monitoring of the budget.

## **Internal Relativities**

- 4.7 Appropriate pay differentials among different grades/skills play a significant role in maintaining a harmonious employee relationship, motivating employees at all levels and retaining talented people to meet the organisational objectives and contributing to the effectiveness of the public service.
- 4.8 In determining internal pay relativities, and setting a job hierarchy, the Bureau bases itself on the point rating job evaluation scheme, where a number of compensable factors are considered. Though this system may not be perfect, it has stood the test of time and has been accepted as equitable and fair by the majority of employees over successive PRB Reports.
- 4.9 During consultations with the Federations and Unions, it was repeatedly voiced out that the EOAC pay recommendations have seriously disturbed relativity among grades. This further resulted in a distortion of the salary structures established by the PRB. Hence pressing demands were made to re-establish previously set relativities to the extent possible. To bring corrective measures, many adjustments had to be made in the pay and grading structure and including even rationalisation of the qualification requirements of grades in extreme cases.
- 4.10 We consider that Job Evaluation should continue to be used as a basis to establish the relative worth of jobs for a balanced and equitable pay structure.

## **Loss in Purchasing Power**

- 4.11 The loss in purchasing power for the period January 2013 to December 2015 has been an important consideration in this review. On average, the erosion in purchasing power is estimated to reach 5.6 % by December 2015.
- 4.12 The EOAC has recommended that compensation for increase in cost of living for the years 2014 and 2015 would be payable to employees as may be determined/decided by the National Tripartite Forum. However, no compensation for increase in cost of living was paid to the employees concerned in 2014. In 2015, Rs 600 was paid as extra remuneration to employees across the Board.
- 4.13 In calculating the salary increase, the cumulative rate of inflation and the cumulative rate of compensation since the last review have been taken into account. Employees up to a certain level have been fully compensated for the loss in purchasing power.
- 4.14 We hold the view that in times of economic hardship it is the lower levels that are the hardest hit and therefore need greater insulation against inflation.

### **Salary Ratio/Claims of unions**

- 4.15 The pre-tax General Worker: Permanent Secretary ratio which was set at 1:7.5 by the EOAC Report in 2013, now stands at 1:7.3. The post tax salary ratio works out to 1:6.9 in 2015.
- 4.16 Submissions have been received from the main Federations to maintain an acceptable salary ratio to ensure a fair and reasonable salary distribution among the grades in the public sector. Demands were made for a minimum salary of Rs 15000 for the General Worker.
- 4.17 On the other hand, during consultations, we have received strong arguments for large pay hikes from professionals and the higher echelon on account of their responsibilities, accountabilities and working conditions. Representations were made for upgrading the posts of Senior Chief Executive and Permanent Secretary.
- 4.18 The Bureau has examined all the arguments put forward and considers that acceptability and sustainability of its salary recommendations are of overriding concern. We are, therefore, in this Report bringing the salary ratio to 1:7 by setting the top salary of the General Worker to Rs 17375 and that of the Permanent Secretary to Rs 122000.

### **External relativities**

- 4.19 Like in any general review, it is important to examine the pay relationship between the public and the private sector for broadly comparable grades to ensure the external competitiveness of the pay structures. For this purpose, the Bureau relied on published Salary Surveys, Remuneration Orders and other secondary data sources.
- 4.20 To take into account market realities, the Bureau has based itself on the 2014 Remuneration Barometer for Mauritius, an initiative launched by the Mauritius Employee's Federation (MEF) to provide the latest trends in remuneration in the Private Sector. An examination of the salaries of the different categories of employees reveals that, comparatively the Private Sector has a pay lead at the top level where the salary level ranges from Rs 106000 to above Rs 420000. At the middle management level (e.g., Diplomates, Degree holders, Associate Professionals, Professionals) there is more or less some equality in the pay rates. Similarly at the lower end, salary levels somewhat converge except that the starting salary in the Private Sector revolves around Rs 5500 whereas the minimum salary in the Public Sector is Rs 6400.

- 4.21 On the evolution of salaries in the Private Sector, the National Economic and Social Council (NESC) Report 29 states that:

*“There is no standard pay determination mechanism that is applicable across all the grades and across all the sectors of the private sector. The determination of salary structures depends on a host of factors ranging from the size of enterprises, sectors of operation, profitability, etc. In addition, salaries of middle and upper level grades can include substantial benefits in the form of cars, air tickets, bonuses (profitability, performance & end-of-year), stock options and other perks”.*

- 4.22 In further investigating the salaries for the Private Sector for the period 2005 to 2014, the NESC found that:

*“The rate of increase in salary for a ‘Professional’, middle income earner is lower than that of both the high income earner and the low income earner (same as for the public sector but more pronounced)”.*

*“The ratio of a CEO to Office Attendant salary differential has climbed from 13:1 in 2005 to 14.5:1 in 2014 (a slight increase as in the public sector)”.*

- 4.23 The above has been of consideration in this review.

### **The Total Remuneration Package**

- 4.24 For a meaningful pay comparison, it is important to consider the total remuneration package obtainable in the Public Sector i.e. pay and other benefits such as leave, duty remission, travel grant and other various allowances. Over and above these conditions of service, public sector employees enjoy security of tenure and have career development opportunities. These factors have therefore been considered.

- 4.25 A pay structure should also consider the cost involved in the acquisition of certain specific qualifications in specialised fields and scarce skills which have been taken into account in the remuneration packages.

### **Performance Based Reward**

- 4.26 Over the last Reports the Bureau has systematically advocated for the implementation of PMS in the Public Sector in a surge of Accountability for results. This is testimony to the fact that the Public Sector is heading towards the establishment of a performance oriented culture in line with its vision for “a Professional Public Sector committed to excellence”.

- 4.27 To inculcate a culture of performance, the PRB in its reward strategy has linked the grant of annual increments with the performance appraisal report. Thus based on their performance standards, employees earn their annual increment and progress along their salary scale. While the PMS has been

fully implemented in the Civil Service, some work still remains to be done in the Parastatal Bodies and Local Authorities.

- 4.28 We consider that the grant of the annual increment should continue to be linked with performance standards.

### **Special provisions for graduates and professionals**

- 4.29 Presently there are special provisions for graduates and professionals as well as for officers of the level of Deputy Permanent Secretary to move incrementally in the Master Salary Scale so as:

- (i) to ensure that the remuneration package of incumbents with relevant experience in the Public Sector is competitive, and
- (ii) link the grant of increment to more stringent performance criteria to bring about a performance oriented culture.

- 4.30 This form of incentive is being maintained.

### **Stagnation**

- 4.31 Though the Bureau considers that it is very demotivating to serve in a single grade for long years without any promotion, it is also alive to the fact that promotions are tied to the occurrence of vacancies or existence of positions at higher levels. To circumvent this awkward situation and provide some form of compensation for those who have not been able to get a promotion during their service, the Bureau has made provision for the grant of Long Service Increment (LSI) to certain categories of officers subject to satisfying some conditions. This is being maintained.

### **Recruitment and Retention Problems**

- 4.32 A few public sector organisations are still facing problems of recruitment and retention in respect of certain categories of professionals, e.g., in the Marine Sector. On the other hand, our survey also reveals that there is no strong justification for the continued payment of SPRA in some other sectors because of favourable labour supply conditions.

- 4.33 The Bureau has taken note of the situation and considers the grant of SPRA as a reward strategy to palliate the shortage of scarce talents is of no relevance in the present context. We are however maintaining the payment of SPRA for a transitional period of one year up till December 2016.

### **Conclusion**

- 4.34 With the above policy consideration in mind, the Bureau had regard, among others, to:
- (i) national affordability and social acceptability;

- (ii) the need to establish fair relativities to maintain harmonious employee relations;
- (iii) the need to address, to the extent possible, the relativity concerns of stakeholders to ensure fairness and equity in the Pay System;
- (iv) pre-tax salary ratio between the General Worker to Permanent Secretary which has been set at 1:7;
- (v) the need for senior public staff to show leadership through some pay restraint;
- (vi) ensure adequate differentials in reward to match responsibilities;
- (vii) afford a better salary for the low and middle income earners through a higher percentage increase in salary;
- (viii) reduce future recruitment costs by a downward extension of all salary scales; and
- (ix) the need for a performance oriented culture and inducing desired employee behaviour for an effective and efficient service delivery to meet citizens' needs and for the wider benefit of the community.

### **Caution**

4.35 As a word of caution, we are hereunder drawing attention on the following as we have been doing in past reports:

*“though in general, pay should be more or less in line for comparable jobs, it would be unfair to expect total equality between the public and the private sectors. Factors such as conditions and security of employment, quality of intake, perquisites, hours of work, etc., differ significantly from a public concern to a private concern. In the private sector, the need to remain competitive, to obtain larger and larger share of the market and to be profitable, are factors which set limits to pay increases in many organisations. It would, therefore, be wrong if private concerns were expected to align or to adjust blindly their salaries in the wake of the recommendations contained in this Report. Whereas we do not dispute that in many instances the need for an increase in pay may in fact be warranted. We fear that if this is done too generally and too lightly, many of the benefits so much expected of this review might well be negated”.*

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