

Circular No. 16

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Ministry of Finance and Planning
(Public Service Establishment Division)
30 National Heroes Circle
Kingston 4

April 4, 2006

Permanent Secretaries
Heads of Departments
Chief Executives
Public Bodies and Government Agencies

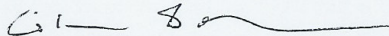
Public Sector Wages Policy

As you may be aware the Government has been in discussions with the Trade Unions with a view to determining the public sector wages policy for the 2006/2008 periods. These discussions are guided by the fiscal and economic imperatives facing the Government and its employees.

In this regard, the Minister of Finance and Planning made a presentation to a wide cross section of public sector managers and employees at the Jamaica Conference Centre on Friday March 24, 2006. This presentation is attached for your attention and for dissemination to public sector employees.

It is important that the factors outlined in the Minister's presentation are taken on board and be communicated in discussions with employees in relation to claims/proposals for wage increases.

Your co-operation in this very important issue will be greatly appreciated.



Colin Bullock
Financial Secretary

The Jamaican Economy and the Wages Policy 2006-2008

Presented by Dr. the Hon. Omar Davies, MP
Minister of Finance and Planning
Friday, March 24, 2006; 10:00am
Jamaica Conference Centre



Outline

- ◆ Background
- ◆ MOU Performance
 - Gains and Shortfalls
- ◆ Context
 - Macro-economic Performance & Challenges
- ◆ Medium Term Projections
- ◆ The Way Forward

Reasons for MOU I


- ◆ Large, unsustainable fiscal deficit
- ◆ Need to contain public expenditure to achieve MT target of balancing budget
- ◆ Desire to maintain levels of employment consistent with efficiency
- ◆ Major chunk of non-debt expenditure – wages
- ◆ 2 Choices
 - Higher paid but smaller public sector
 - Preservation of existing public sector jobs with moderation in wage increases
- ◆ In response, landmark agreement between Gov't & Trade Unions

Wages Dominate Non-Debt Expenditure

Central Government Wage Bill and Inflation Rate


FY 2003/04-2005/06

	2001/02	2002/03	2003/04	2004/05	2005/06 Budget	% change 2001/02- 2005/06
Wages Bills - Cash Payments						
Wage Bill inclusive of back Pay (Mn)	\$42,588.2	\$51,496.7	\$60,463.1	\$63,516.8	\$61,386.9	44.1
% change in Wages	21.1	20.9	17.4	5.1	-3.4	
Non-debt Expenditure (Mn)	72,978.5	86,908.5	90,562.6	106,703.6	\$116,900.9	60.2
Wages as % of Non-debt Exp	58.4	59.3	66.8	59.5	52.5	
Revenue (Mn)	109,721.5	118,458.4	151,434.3	172,798.4	204,479.8	86.4
Wages as % of revenue	38.8	43.5	39.9	36.8	30.0	
Wages+Debt Service/Total Exp (%)	85.9	85.2	89.2	86.9	84.0	
Capital Exp as % of Total Exp	4.7	3.3	2.0	3.4	5.0	
Capital Exp as % of Revenue	9.2	6.7	3.6	6.4	8.4	



MOU I – Summary Performance

- ◆ Employment was preserved
- ◆ Fulfillment of commitment of Public Sector Training
- ◆ 18 identified entities achieved savings of \$49M
- ◆ Great value from the social dialogue
 - Contributed to ameliorating difficulties & resolving industrial relations differences
- ◆ Response to higher than projected inflation – speedy negotiation, implementation of “Hardship Allowance”



Challenging Environment

- ◆ Consistently high oil prices
 - Average price projection:
 - US\$38/bl *vis-à-vis* outturn of US\$45/bl in 2004/05;
 - US\$52/bl *vis-à-vis* outturn of US\$60/bl in 2005/06
- ◆ Record onslaught of hurricanes and floods
 - Charley, Ivan, Dennis, Emily, Rita, Wilma
- ◆ Agriculture sector devastated
- ◆ Road infrastructure severely damaged islandwide
- ◆ Recovery from hurricanes in 2004 stymied and further exacerbated in 2005
 - Recovery time was virtually non-existent