

Circular No. 32

Ref. No. 59/33

**MINISTRY OF FINANCE AND PLANNING
(Public Service Establishment Division)
30 National Heroes Circle
Kingston 4**

July 25, 2006

Permanent Secretaries

Heads of Departments

Chief Executives of

Statutory Bodies and

Government Companies/Agencies

2006/2008 Wages Policy for Public Bodies

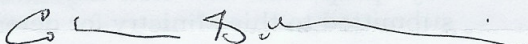
The procedures set out in this circular are based on previous Cabinet directives, the Public Bodies Management and Accountability Act and the principles set out in the Memorandum of Understanding signed on May 30, 2006 between the Government and various Unions and Associations representing public sector employees.

2. Based on the foregoing the following measures should be applied in determining wages in Public Bodies:

- i. Union claims should be referred, along with management comments and proposals, to the Ministry of Finance and Planning for advice.
- ii. Pay proposals for non-unionised staff should also be submitted to this Ministry for determination.
- iii. Requests for reclassifications/job evaluations or for market pay adjustments to critical jobs are also to be cleared with the Ministry of Finance and Planning. The Ministry is not bound by the outcome of these exercises and reserves the right to revise the proposals.
- iv. With regard to (i) (ii) and (iii) above, no offers are to be made or proposals implemented prior to approval from the Ministry of Finance and Planning.

- v Generally pay increases should be contained within 20% of the wages bill of the respective entities, groups or bargaining units. The 20% wage fund is to be spread over the two (2) year period 2006/2008 and is subject to the entity's ability to pay. For the purposes of this policy, **the wage bill** and **wage fund** applicable are defined at **Appendix A**.
- vi Those entities deemed to have the ability to pay more should present the rationale and proposal to the Ministry of Finance and Planning for assessment. For guidance **Appendix B** sets out the definition for **ability to pay**.
- vii The Compensation Unit and/or the Industrial Relations Unit of this Ministry should be contacted for advice on the claims and the distribution of the wages fund which is to be used for determining the wage increase which is to be applied for the respective entities over the 2006/2008 period.
- viii. Failure to comply with the directives set out above will be cited as breach of the Public Bodies Management and Accountability Act and sanctions will be instituted for any violation. In this regard the powers vested in the Financial Secretary, in the Financial Administration and Audit Act will also be applied where applicable.

3. Please ensure that the contents of this circular are brought specifically to the attention of the relevant operational personnel and generally to all employees in your entity. Permanent Secretaries are requested to bring this circular to the attention of the various entities falling under the purview of the respective Ministries.



Colin Bullock
Financial Secretary

APPENDIX A

- i. **Wage Bill** is for the purposes of the current wages policy, the aggregate cost of basic salaries and taxable cash allowances paid to employees for the preceding year or base year.
- ii. **Wage Fund** is derived from the wage bill and is the amount available for distribution for increases in the new period or year(s) i.e. years 1 and 2.
- iii. Travelling, subsistence, meal and other reimbursable allowances are **not** to be included in the wage bill.
- iv. Although compensation costs for overtime, pensions/gratuity, statutory payments and benefits are part of an organisation's wage bill these are **not** to be included to determine the wage fund.
- v. When the wage fund is being distributed no more than 75% of the increase should be applied in year 1.
- vi. For the 2006/2008 wages policy, 2005/2006 is the base year, 2006/2007 is year 1 and 2007/2008 is year 2. This formulation is applicable to those entities which did not pay any increase during the period of the MOU.

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APPENDIX B

Ability to Pay

Definition: The capacity of an organization to provide base salaries/allowances and increases out of current income. The organization's ability to pay implies that the following criteria have been satisfied.

- i. The entity is generating profits/surpluses and will not need to borrow or seek additional subsidies from the Ministry of Finance and Planning on account of a decision to make adjustments to compensation packages.
- ii. The profits/surpluses are not primarily as a result of a statutory obligation.
- iii. The payment will not have a negative impact on the achievement of outputs and outcomes contained in the corporate plan and budget. In particular, it should not jeopardize achievement of liquidity and investment targets.
- iv. Debt service commitments and statutory obligations are not in jeopardy of being dishonoured.

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