

# **Memorandum of Understanding for The Public Sector**

1. The Memorandum of Understanding arrived at on the 16<sup>th</sup> day of February, 2004 between the Government of Jamaica on the one hand and The Jamaica Confederation of Trade Unions on the other hand (hereinafter called the PARTNERS):

2. Acknowledging that the country faces
- (a) A High Debt to Gross Domestic Product (GDP) ratio
  - (b) A large Fiscal Deficit
  - (c) Low Economic Growth and
  - (d) Low Employment Creation

the PARTNERS recognize that these combine to create a path that is unsustainable and therefore agree that in the National Interest it is imperative that all sectors should cooperate to halt and correct the situation. Consequently, the PARTNERS agree that the Government will in good faith pursue the appropriate macro-economic policies, which provide a stable economic environment and encourage GDP growth and employment creation.

3. The PARTNERS recognize the need to chart a new course of co-operation in the achievement of the common objective of the development of the Public Sector and the need to develop and maintain among themselves a satisfactory level of trust and confidence;

4. In recognition of the above the PARTNERS

- (i) Acknowledge that peaceful and harmonious labour-management relations contribute to growth and development in the National Economy and the Public Sector and that these relations must be characterised by conformity to good industrial relations practices.
- (ii) Recognise that such relationships emanate from the acceptance that bi-partisan agreement is an effective strategy through which this commitment to growth and development may be realised.
- (iii) Affirm that sound industrial relations may be maintained by a commitment to the principles expressed in this Memorandum of Understanding and the principles laid down in the International Labour Organisation' Convention No. 87 (Freedom of Association and the Right to Organise) Convention No. 98 (The Right to Organise and to Collective Bargaining), and the Convention relating Social Dialogue and the Labour Relations Code of Jamaica.

5. The PARTNERS agree to the following general principles underpinning the Memorandum of Understanding for the Public Sector, which will form part of an overall strategy for the sustained growth and development of the public sector in particular and the country in general:

- A. A commitment of both PARTNERS to pursuing strategies designed to achieve a reduction in the cost of salary/salary related and ancillary benefits granted to all public sector employees for an agreed period of time.
- B. A commitment of both PARTNERS to the establishment of a mechanism for collaboration and consensus building in the public sector through social dialogue.
- C. A commitment of both PARTNERS to the development of a framework for the conduct of good industrial relations in the public sector.
- D. A commitment of both PARTNERS to work together to preserve employment, improve the quality of the labour force through training, retraining and education and the maintenance of core labour standards in the public sector.
- E. An acceptance by both PARTNERS of the potential societal and economic benefits to be derived from such a Memorandum of Understanding.
- F. An acceptance by both PARTNERS that voluntarism applied to industrial relations practice in the public sector remains critical to the success of any endeavour.
- G. The recognition of both PARTNERS that the success of this Memorandum of Understanding is dependent on the other sectors of society restraining prices.

#### MONITORING COMMITTEE

6. The PARTNERS agree that there will be a Monitoring/Evaluation Committee comprised of representatives from the Government of Jamaica and the Jamaica Confederation of Trade Unions to ensure that the Partners adhere to the spirit and intent of this Memorandum of Understanding.

7. In seeking to attain the objectives of this Memorandum of Understanding, the PARTNERS agree to the following three areas: Restraint, Macroeconomic Management and the Development of the Public Sector.

#### **I. RESTRAINT**

Reduction in the growth of the Wages Bill in nominal terms through:

##### **A. Wage Restraint**

There will be a general policy of wage restraint in the public sector for the period April 1, 2004 to March 31, 2006.

- (i) This policy of restraint will apply to all remuneration under contracts of employment for any kind of work to be performed in the public sector of Jamaica save and except for those instances where increases are arrived at through promotion and increments.

The policy of restraint will extend to all pay, including wages and salaries at all organisational levels, allowances, payments in kind, fringe benefits, and lump sums. It will also apply to all types of employment as well as to both full time and part time work.

During the period of restraint, sessional payments and emergency duty allowances will be paid only when the officer is physically on duty. This does not include the on-call allowance paid in the Health Sector.

Wage contracts to come into effect during the period April 1, 2002 – March 31, 2004 and for which there have not yet been any arrangements are to be settled strictly within a wage bill increase of 3%.

Wage contracts to come into effect during the period April 1, 2003 – March 31, 2005 are to be settled strictly within a wage bill increase of 3% for the period April 1, 2003 – March 31, 2004 except where offers above three (3) percent are on the table, the current offers on the table are deemed to be the final offers and the contracts will be concluded on that basis.

Wage contracts to come into effect during the period April 1, 2002 – March 31, 2004 and for which offers in excess of (iv) above are on the table, the current offers on the table are deemed to be the final offers and the contracts will be concluded on that basis.

New rates due for the same period 2002/2004 will be scheduled for payment in fiscal year 2004/2005 in accordance with the Government's cash flow situation whilst retroactive payments will be made in fiscal year 2005/2006 except where a payment schedule has already been committed.

For those groups with a current contract that extends into fiscal year 2004/2005, further implementation of that contract to be delayed until 2006.

During the period of restraint, there will be no reclassifications. Any requests for special cases are to be submitted to the Monitoring Committee.

## **B. Employment Constraint**

There will be a general policy of employment constraint in keeping with the Ministry of Finance and Planning's circular number 21 dated September 22, 2003.

- (i) The PARTNERS accept that there are certain critical groups within some Ministries to which consideration/exemption would be given. These groups are:
  - The Health Professionals
  - The Jamaica Constabulary Force
  - The Correctional Officers
  - The Jamaica Fire Services and,
  - Teachers.

The general principles of the circular will continue to apply to ALL other groups. The Post Operation Committee will provide reports to the Monitoring Committee as requested.

During the period of restraint the PARTNERS agree that there will be no separation of employment in the public sector except for justifiable dismissals, and through restructuring and mergers of entities as agreed. All proposals for mergers and restructurings will be brought to the prior attention of the Monitoring Committee.

In keeping with the instructions/policy of the Office of the Services Commissions, as far as is possible no officer should be acting in a clear vacancy for more than six months. The PARTNERS agree that during that period, an evaluation of the officer's performance should be carried out with a view to confirmation or otherwise.

Where, at the time of signing of this agreement, persons have been employed or are acting in a clear vacancy for over six months, the PARTNERS agree that such persons are to be evaluated with a view to appointment within the first six months of the signing of this Memorandum of Understanding unless valid reasons exist why such persons should not be appointed.

The PARTNERS agree that all acting arrangements and appointments for Senior Management personnel must, as far as is possible, be subject to competition internally and then externally if necessary.

The PARTNERS agree to support the principle of filling jobs with employees rather than contractors. Also, the practice of outsourcing jobs will be curtailed.

### **C. Expenditure Restraint**

The PARTNERS agree that there will be a general policy of expenditure restraint.

- (i) The PARTNERS agree that this policy is to include but will not be limited to the following areas:
  - Motor Vehicle Purchase (Make and Model)
  - Purchase of Office Equipment
  - Social Functions
  - Rental of Property
  - Foreign Travel
  - Utilities.

Additionally, Ministries will be required to implement systems to monitor expenditure patterns and the use of assets to ensure that there is a reduction in the abuse of Government assets with the aim of reducing expenditure on these items.

- (ii) The PARTNERS agree that the Government through the Ministry of Finance and Planning will issue the necessary policy advice on expenditure restraint to the Ministries and Departments in respect of the agreement arrived at between the PARTNERS.

### **D. Cost Saving Measures**

- (i). The PARTNERS agree that the Government through the Ministry of Finance and Planning will circulate a general policy statement in respect of cost saving measures to be adopted in the Public Sector. Each agency will establish a Cost Saving Committee to effect general cost saving measures as well as those that are peculiar to the respective agency. Each Committee to submit through the Permanent Secretary/Head of Department/Chief Executive Officer quarterly reports to the Monitoring Committee detailing the savings achieved.
- (ii) The PARTNERS agree that a proportion of the savings achieved will be available to the relevant entity as an incentive to be used for staff welfare.

The PARTNERS agree that there will be an examination of the existing procurement policy and practice so as to identify any areas of deficiency for correction.

Having achieved the aforementioned, the PARTNERS commit to the consistent application of sanctions at all levels as soon as breaches are confirmed.

## **II. MACROECONOMIC MANAGEMENT**

In response to the fiscal constraints occasioned by the increase in expenditure over revenue the PARTNERS agree that the Government will commit to pursuing

complimentary fiscal and monetary policies to sustain real economic growth over the medium to long term.

#### **Fiscal and Monetary**

- (i) The PARTNERS agree that the Government will manage its economic policies in order to ensure that the inflation rate remains within the Government's targeted band of 8% to 9% in 04/05 and 6% to 7% in 05/06.
- (ii) The PARTNERS agree that Fiscal policy will be implemented in order to generate a fiscal deficit in the range of 3% - 4% in 04/05 and a balanced budget in 05/06.

The PARTNERS agree that the Government will pursue economic policy to deliver outcomes consistent with a medium term profile as follows:

	2004/05	2005/06
Real GDP Growth (%)	2.0 – 3.0	2.0 – 3.0
Inflation (%)	8.0 – 9.0	6.0 – 7.0
Fiscal Balance (% of GDP)	-3 to -4	0.0

### **III. DEVELOPMENT OF THE PUBLIC SECTOR SO AS TO PRODUCE A SECTOR THAT IS MODERN, EFFICIENT AND OF THE OPTIMUM SIZE, PROPERLY EQUIPPED AND SUITABLY REWARDED.**

#### **Training, Re-Training and Education**

- (i) The PARTNERS are committed to the facilitation of training programmes aimed at realising the full staff complement at the Ministry of Health in respect of the Health Professionals.
- (ii) Recognising the severe shortage of nurses, The PARTNERS agree that the Government through the Ministry of Health will explore the possibility of partnering with the Northern Caribbean University and the Community Colleges to provide additional training facilities to those already provided by the University Hospital of the West Indies and the Kingston School of Nursing for an expanded training programme in Nursing.

The PARTNERS agree that the Government through the Ministry of Education, Youth and Culture will carry out a needs assessment for the training of Secondary School Principals in School administration.

The PARTNERS are committed to the facilitation of training programmes aimed at realising the full staff complement at the Fire Services and the further development of the current staff.

- (v) The PARTNERS agree that the Government through the Cabinet Office will examine and report back to the PARTNERS the feasibility of an “exchange programme” between Ministries that would facilitate cross training in the public sector.

The PARTNERS agree that the government through the Cabinet Office will deliver to the PARTNERS within the first year of the Memorandum of Understanding, a training plan which will have as its objective the preparation of the Public Sector work force for the needs of a modern labour market.

The PARTNERS commit to making the necessary contacts to ensure that a process of cross training with the Private Sector will be implemented during the period 2004 – 2006.

The PARTNERS agree that a programme of training in Human Resource Management with an emphasis on Industrial Relations will be implemented for Managers and Supervisors during the period of restraint.

#### **SPECIAL ITEMS**

8. The PARTNERS agree that persons who belong to those groups with a wage contract that extends into fiscal year 2004/2005 and 2005/2006 and who will proceed on retirement during the period of restraint are to be deemed to have attained the salary that would have been paid 2004/2005 or 2005/2006 (dependent on the date of retirement) for the sole purpose of pension calculations. This provision will also include those persons whose salaries are derived directly from the groups stated above at the time of signing.

9. During the period of restraint the Government of Jamaica commits to reviewing the income tax threshold.

#### **APPLICATION**

10. The PARTNERS agree that the constraints contained in this memorandum of Understanding will apply to **Central and Local Government and all other Government entities, commissions, companies, corporations, institutions and statutory bodies.**

11. The PARTNERS agree that the policy of restraint will apply to all Cabinet Ministers, Ministers of State, Parliamentary Secretaries, Members of Parliament, Mayors and Councillors.

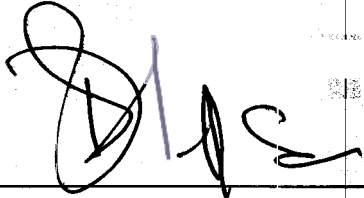
12. The PARTNERS agree that no sector should be treated more favourably than the groups that are represented under this Memorandum of Understanding.

### BREACHES

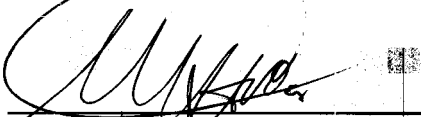
13. The PARTNERS agree that this Memorandum of Understanding will be deemed to have been breached if either partner violates any of the provisions contained herein. Any breach will be reported to the Monitoring Committee, which will decide on an appropriate course of action.

### DATE OF EFFECT

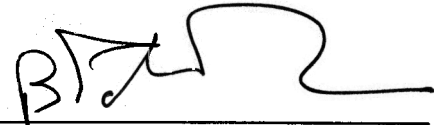
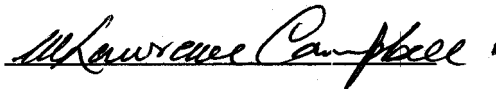
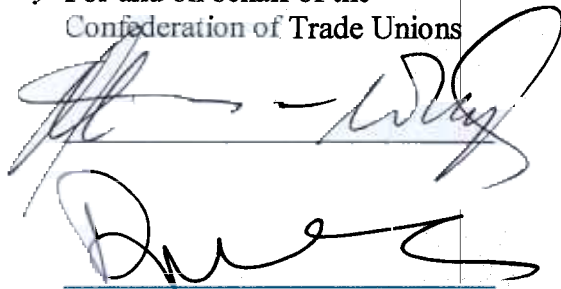
14. This agreement will come into effect on February 17, 2004.



For and on behalf of the  
Jamaica Confederation of Trade Unions



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The Government of Jamaica



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Michels

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