

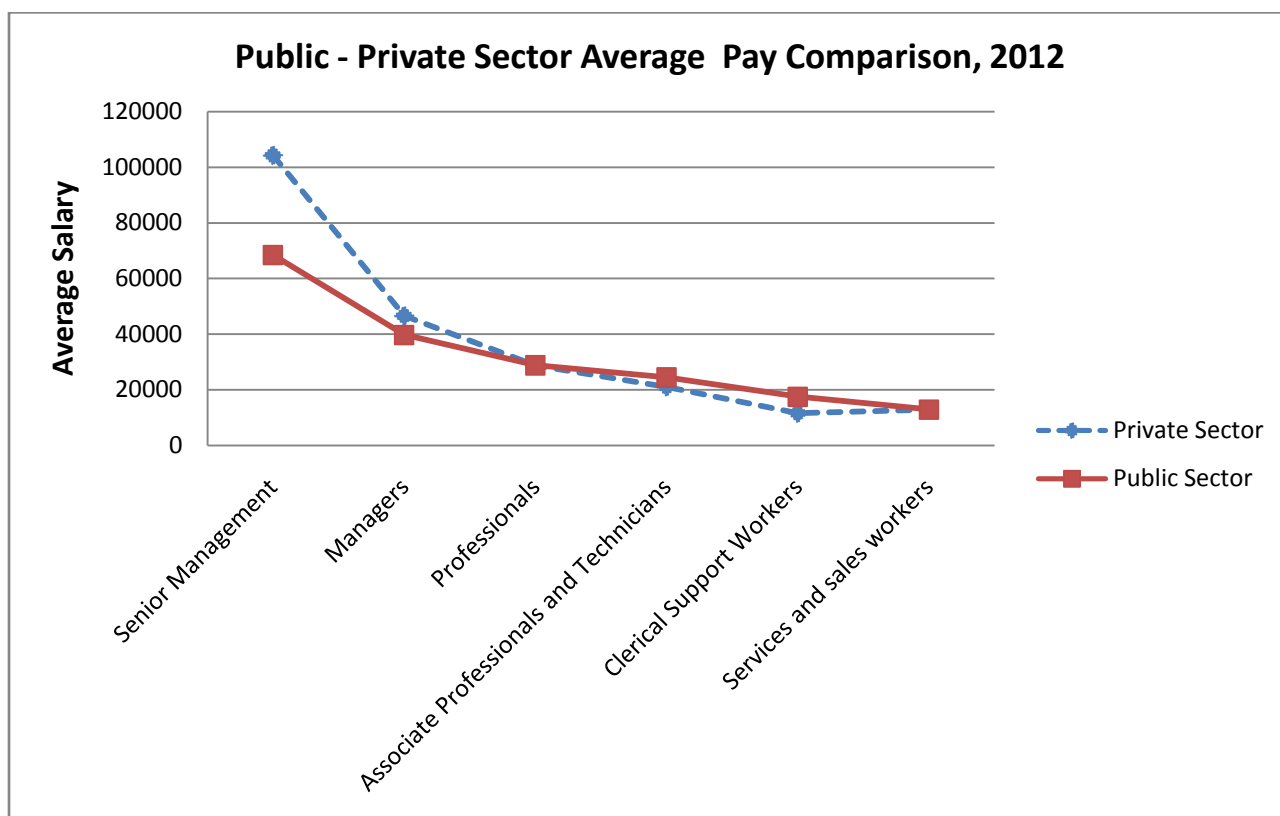
4. PAY CONSIDERATION AND STRATEGY

- 4.1 In this Chapter, we outline the multiple considerations that led to the formulation of the pay package, benefits, conditions of service, and other compensation strategies.
- 4.2 The aim of the Review is to evolve a pay package for the employees in the Public Sector that comprises **guaranteed remuneration** (financial and non financial reward), conditions of service and benefits and such incentive schemes (Performance Related Incentive) which would enable the Public Sector to attract, recruit, motivate and retain people of desired competence, experience, qualification, skills and personal attributes to efficiently achieve the Government's set strategic objectives.
- 4.3 Despite a difficult economic situation, Government has given the nod for the quinquennial overall Review of Pay and Grading Structure and Conditions of Service in the Public Sector. The main challenge for the review of pay has been to evolve a **socially acceptable and sustainable pay structure that fits the resource envelope of Government while:**
- catering for manifold **expectations** of employees at all levels for a reasonably good salary, fair working conditions and opportunities for career advancement;
 - offering a **remuneration package** so that the Public Sector has its share of experienced and scarce talents for a seamless service delivery;
 - setting **fair and acceptable pay** relativities; and
 - using **pay as an instrument** to motivate employees at all levels to deliver on targets and inculcate a result oriented culture for greater efficiency and effectiveness; and inducing desired employee behaviours for a customer centric service.
- 4.4 The other challenge has been to mitigate the nuanced view that the private sector has repeatedly voiced about fiscal deficits and pay review although the private sector, in principle, recognises the crucial role of Public Sector and looks upon it to provide efficient social services - education, health, transport, public infrastructure, protect people (police, fire, prisons), protect intellectual property, build skilled workforce, deal with climate change, food security, address inequality, reduce poverty, etc.

External Comparisons

- 4.5 Though the pay structure and conditions of service of the Public Sector have to be determined on their own merits, the structure of emoluments in the private sector has to be kept in view. Our efforts have been to seek some commonness in the grades of these two sectors as a basis for comparison.

- 4.6 The private sector is vast, heterogeneous and most of them have a commercial objective as compared to the Public Sector which is mainly a service provider and homogeneous to a large extent.
- 4.7 Our findings on pay and conditions of service in the private sector are based on: survey data from Mauritius Employees Federation (MEF) – Salaries in Selected Occupation February 2012, National Remuneration Board (NRB) Awards and other data sources.



- 4.8 For the purpose of comparison, employees in the public/private sectors were grouped into three main categories:
 - (i) Lower Level : Manual Workers and General Support Services (Clerical Support Workers; Services and Sales Workers)
 - (ii) Middle Level : Diplomates; Degree Holders Professionals; Associate Professionals
 - (iii) Upper Level : Professionals (Experienced/Scarce professions); Senior Management; Managers

- 4.9 The findings reveal that at the upper echelon (Upper Level), the private sector employees are much better paid as compared to the Public Sector. As regards Professionals, and Associate Professionals and Technicians (Middle Level), the pay level is more or less equivalent in both sectors though there are certain groups of Managers who are better remunerated in the Private Sector. However at the lower level there is a pay lead for Public Sector employees.
- 4.10 The rates of pay in the private sector vary from industry to industry. They are largely dependent on costs of operation and financial conditions – i.e. ability to pay. The NRB determines minimum wages on an industry by industry and occupation by occupation basis, and which in principle are benchmarked on the survival of the least economic firm. Even salaries of middle and upper levels grades in the private sector vary from sector to sector. As in the Public Sector, the pay in the private sector is a mix/package. It comprises the salary plus benefits which can be in the form of cars, air tickets, bonuses, stock options, making the comparison between the two sectors still more difficult. In any case there is no standard way in which salaries are set in private sector whereas in the Public Sector, salary and benefits are determined in a systematic manner by a central body and are applicable across.
- 4.11 As explained in the foregoing paragraphs, pay in the Public Sector at the lower level is high compared to the private sector/National Remuneration Board (NRB) Award salaries. This makes the Public Sector very attractive at this level where a relatively larger number of people are willing to join. It is found that for every vacancy in the lower grades there are about 70-100 applications. There is need here to let the private sector catch up.
- 4.12 At the middle level where there are fresh graduates/professionals into the service, some similarities exist in the salary levels between private and the Public Sector. At times the pay of similar grades in the private sector may even be lower than their counterparts in the Public Sector. However, after a few years this pay may hike up. At the upper levels the private sector leads. Pay thereat has remained well ahead of public service jobs of comparable weight. Many professions (Medical Practitioners, Specialist Doctors, experienced Engineers, Legal Officers) have argued on the need for larger pay increases based on private sector comparators.
- 4.13 It is indeed difficult to make a reliable pay comparison with grades of equal value in the private sector because of the problems of matching jobs. Grades with same appellations in many instances have different job descriptions. An Accountant, for example, in the private sector has a bigger role, which can be equated to that of a Principal Accountant in the Public Sector. The comparison on the compensation package becomes even more difficult when no information about the benefits/perks offered in the private sector could be obtained.

- 4.14 In the light of the foregoing, subject to affordability and acceptability, we consider that some broad comparison may be maintained between Public Sector pay and private sector pay taking into account the existing differences between the two sectors. We are of the view that Public Sector pay should follow and not lead private sector pay though on grounds of social policy a marginal lead may be allowed at the lower levels.

Total Remuneration Package

- 4.15 The remuneration package in the Public Sector comprises a basic pay and other financial and non-financial benefits. There is a general tendency from Public Sector employees to compare their base pay with the pay obtainable in the private sector, when in fact the total remuneration packages (pay and benefits) ought to have been compared. Viewed in terms of total package, career in the Public Sector is more appealing than it might first appear. Besides security of employment and career development opportunities, civil servants enjoy benefits such as leave, passages and duty exemption/concession, among others. We have taken all these into consideration in arriving at the recommended salaries.
- 4.16 Representations have also been made for the trading off of part of the benefits into monetary terms. The Bureau still considers that **both affordability and social acceptability set limitations to the extent that non-financial benefits can be converted into monetary terms.**

Internal Equity

- 4.17 The Public Sector comprises a diverse range of grades. In maintaining internal pay relativities, the Bureau ascertains a degree of consistency in the determination of the different pay levels. It bases itself on **established processes for measuring the value of jobs** through job evaluation and **schemes to remunerate both in financial and non-financial terms.**
- 4.18 Using the point rating job evaluation scheme, a job hierarchy is developed that reflects the relative value of jobs on the basis of compensable factors (such as decision making, complexity, creativity, responsibility, working conditions). Pay is then set commensurate with the relative internal value of the jobs. This system of grading has been maintained as employees who perceive equitable pay treatment are more motivated to perform better.

Pay the Person

- 4.19 The need for “Pay the Person” has been proposed, in an attempt to bring the person more directly into the pay equation. It does so by providing **additional money for additional competencies learned** on or through the job. “Pay for knowledge” and “Pay for skills” systems allow employees to **earn more and more if they acquire additional qualifications and demonstrated competence in additional skills.**

Stagnation

- 4.20 There are individual pay scales with limited span and it often leads to stagnation. To ease this situation, promotional avenues have been created even though no functional justification for higher posts may exist. We have in such circumstances **merged the grades/levels and provided for a combined salary scale with enlarged duties and responsibilities and enhanced earnings. This has helped in reducing the number of grades, flattening structures and improving career earnings where levels have been traded off.**

Performance Related Incentive Scheme

- 4.21 Existing pay practices tend to be unaligned with results. We have, in this Report, **linked reward and performance** taking into consideration performance, conduct and behaviour, efficiency, diligence including availability and regularity at work. We are further reiterating that **the grant of increments should be linked to the rating in the Performance Appraisal Report.**
- 4.22 The current system of pay does not allow us to reward a very good performer. Additionally it does not sanction anybody for low or mediocre performance. More than 68% of the people (as revealed by our survey on performance) favour the need for a “variable pay” dependent on performance and output. Relating pay to performance is not new. In the private sector, Performance Related Pay is part of the industrial landscape for many years now.
- 4.23 We hold the view that there is **need for a Performance Related Incentive Scheme** in the Public Sector. This sends a strong message that **pay may be influenced by individual performance.** This form of incentive can be a percentage increase in pay, a lump sum or an additional incremental progression on the salary scale but has to be based on a well established Performance Management System and well designed Incentive plans.

Attraction and Retention of Scarce Skills

- 4.24 As revealed by our survey, a skill shortage problem in respect of certain categories of professionals and technical specialists still exists in certain Public Sector organisations e.g. in the management of projects and contracts, in the fields of radiation protection, wastewater treatment and in conduct of energy audits, in specialised software, maintenance of medical equipment and in the preparation of a housing policy and strategy, among others. As a result these organisations are facing difficulties in providing an adequate service for want of the skills sought. This situation needs to be redressed and hence the need for a special package.
- 4.25 Factors leading to low retention rates include limited career prospects, morale, overqualification and uncompetitive pay, particularly at the upper echelon when comparing the private/public sector pay package. The short-term attraction and retention strategies include changing the design of total pay while responding to competitive practice and using pay as a “lever” to control talent shortages. These

nimble approaches include higher entry point, negotiable salary, payment of special retention allowance and the long term strategy is making the attraction lasting through development and training opportunities in addition to the continued additional payments for scarce skills that are in demand.

Special Considerations

- 4.26 A few disciplines like Science, Technology, Architecture, Quantity Surveying and Specialised Medical fields require formal training overseas at very high costs and longer length of study. These elements have been taken into account in the pay strategy adopted by the Bureau.
- 4.27 The mismatch between educational qualifications and the needs of the economy in terms of qualified candidates in the field of Science/Advanced Science has remained unchanged. In line with the policy of Government to give a boost to the teaching of science and technology at all levels, the Bureau considers that there is a case for an enhanced reward strategy for scientific positions in the Public Sector.
- 4.28 Certain categories of officers, by virtue of the specific nature of their duties or their posting to a workplace, are exposed to higher risk in their jobs. This element (i.e. risk) has been taken into account in the pay strategy for these categories of officers.

Pay Differentials/Salary Ratio

- 4.29 Unions members have during the consultative meetings wished the compression of pay differentials without going into the details of it. We hold the view that **high quality public service require high calibre leaders to deliver them**, especially in difficult fiscal conditions. Services have to be maintained and improved and pay and grading structures redesigned accordingly. Equally vital is to ensure that **public service leaders are adequately and fairly rewarded**.
- 4.30 As a result of tapering increases for cost of living compensation, pay differential between the higher and lower levels have been gradually reduced. Such compression, to our belief, have demotivational effects on employees at the higher echelon.
- 4.31 In the 2008 PRB Report, the pre-tax General Worker: Permanent Secretary salary ratio was set at 1: 8.6. This has dropped to 1: 7.7 today. The post-tax salary ratio would work out to 1: 7.1. Such a ratio is low and not conducive to motivating leaders in the delivery of quality service.

Economic Situation/Public Finance

- 4.32 In setting up the pay package for Public Sector employees, we have taken into account the economic situation which has changed significantly and rapidly in the period since the last review was undertaken. The resilience of the economy in face of a morose world economic situation has been an important consideration.

- 4.33 We equally paid special attention to the affordability and sustainability of our pay recommendations. The share of Public Sector pay bill which stood at around 8.2% of GDP in 2008, is estimated to be 8.8 % in 2013. This to our judgement is fair and reasonable as compared to middle income level and high income level countries where this share is estimated at 8.7% and 10% or above respectively.

Erosion of Purchasing Power

- 4.34 The erosion of purchasing power as measured by the difference between the cumulative rate of inflation and cumulative rate of compensation has been an important consideration for the Report. On average, the loss in purchasing power since the 2008 Pay Review is estimated at around 17% (ranging from 5% at the lower levels up to 22% at the highest levels).

Unions' Claims

- 4.35 The staff side had at some point in time, argued on the need to set a **minimum wage** and thereafter moved to the demand for a **living wage**. Representation was also made to reduce the salary gap between employees at the lower levels and those at the higher levels.
- 4.36 On their part, senior civil servants demanded huge pay hikes on the basis of private sector comparators and alignment on salaries obtainable for other Chief Executives within the Civil Service.
- 4.37 There was need, therefore, to reconcile all the above demands with affordability and acceptability constraints while ensuring a fair and equitable pay structure.

Conclusion

- 4.38 The following have been key considerations in evolving the pay package formula for this Review:
- (a) the capacity of the Government to pay;
 - (b) the share of public sector pay bill in GDP (**which stood at 8.2% in 2008 and is expected to reach 8.4% in 2012**);
 - (c) the economic and financial **development in the country**;
 - (d) the **remuneration trends in the economy**;
 - (e) the pre-tax salary ratio of the General Worker to Permanent Secretary, **which was 1: 8.6 in 2008 now (31 December 2012) stands at 1:7.7**;
 - (f) the fact that salaries at certain levels in the private sector **are considerably higher than those of corresponding position in the Public Sector while the latter sector has a lead in respect of certain grades at the lower levels**;
 - (g) the need to partially bridge the gap between Public Sector and private sector **at the appropriate levels of the echelon to facilitate recruitment and retention of required talents**;

- (h) **the need to establish fair relativities to maintain harmonious employee relations;**
- (i) **the general levels of salary adjustment that were made since our last review;**
- (j) the erosion of purchasing power **since the 2008 Pay Review;**
- (k) **adequacy of competitiveness of pay package (conditions of service, career path, development opportunities) that attracts, motivates and retains** people with required skills in required numbers;
- (l) **the need to compensate additionally some talents which are scarce;**
- (m) **the need to reward those who make results happen** e.g. performance related incentive;
- (n) the conditions of service **which induce** desired employee behaviour **and attitude for improved performance;**
- (o) the value of benefits and conditions of service **which form a significant part of the compensation packages;**
- (p) the unparalleled job security, pension benefits, **work life balance and status provided by public sector jobs;**
- (q) **the principle that every rupee spent on salary, allowances, facilities and other benefits is translated into a specific measure for public good, the need to provide appropriate structures (levels) which are fit for purpose so that decision making and delivery is expedited by:**
 - (i) reducing superfluous levels (at times created, merely to afford channels of promotion);(ii) merging layers **where there is excessive overlapping of duties with a view to reducing complexity, increasing efficiency;** and
 - (iii) creating levels for greater **control/accountability on the basis of functional needs or to respond to a crisis, regulatory pressure;**
- (r) **the need to promote assimilation of technology for better performance and service delivery; and**
- (s) **the need to strike the right balance in setting salary levels, which enable** adequacy of the package while ensuring social acceptability, **among others.**

Pay Strategy Adopted

4.39 In the light of the foregoing considerations, we adopted a pay and benefit strategy to:

- (i) keep the share of pay bill in GDP between 8% to 9%;
- (ii) re-establish the loss in purchasing power of public officers since the 2008 Pay Review;
- (iii) partially bridge the gap between public and private sector pay at the higher levels;

- (iv) extend downward certain salary scales in line with the market to comfort the private sector and to lower the costs of future recruitment without affecting employees in post;
- (v) ensure an acceptable increase at the lower levels;
- (vi) trade off multilayer structures for flatter structures and longer salary scales, wherever desirable and feasible;
- (vii) provide pay package to recruit employees with the required skills (negotiable to entry points);
- (viii) link the grant of increment in salary scales with performance and result;
- (ix) allow scheme for choices with regard to certain conditions of service e.g. duty free/official car or cash in lieu;
- (x) grant either monetary or non-monetary reward to exceptionally performing teams or individual employees who have excelled well beyond the call of duty; and
- (xi) provide additional incentives/compensation on basis of performance.

4.40 The Pay package is offered as an organic whole since all the recommendations on pay and conditions of service, benefits, contained therein are inextricably intertwined. The recommendations are provided as a package (pay, conditions of service and organisation design) and they cannot be treated separately nor can they be implemented piecemeal. Any modifications therein may impact on the total Reward Package and the thrust of the Report.
