

#### **4. PAY CONSIDERATIONS UNDERLYING THE CURRENT REVIEW**

- 4.1 The world economy has been severely impacted by the COVID-19 Pandemic from a weak and fragile situation to one of the worst-hit for decades. Our country has not been spared as well, though serious efforts are being deployed to facilitate recovery and reset the economy. The current overall review is, therefore, being carried out against a backdrop of unprecedented health and economic circumstances that have compromised the country's state of public finance significantly.
- 4.2 It is also an undisputed fact that employee remuneration remains an important element of government functioning. An adequate remuneration package is necessary to recruit, retain and motivate staff of a suitable calibre to provide the public with an efficient and effective service. All along it is equally important to ensure that the package is regarded as fair by the employees and also by the public they serve through a broad comparison with the private sector.
- 4.3 Pay determination for this review has indeed been very challenging. We have been confronted on the one hand, by the huge stresses on public finances due to the Covid-19 Pandemic and on the other hand, by strong demands from the Federations, Unions and Management for a pay uplift to sustain the morale of employees. The introduction of the National Minimum Wage coupled with the interim monthly allowance granted to public sector employees added to the challenge. Therefore, more than ever, we had to ensure an acceptable and reasonable pay package as far as the parameters of affordability would allow for it to be attainable and sustainable.
- 4.4 Hereunder, we expatiate on the key considerations that informed our pay policies and recommendations.

##### **Economic and Financial State of the Country**

- 4.5 The health crisis triggered by the COVID-19 Pandemic has caused a major overhaul globally as well as on the Mauritian economy, whereby total output underwent a significant contraction, reaching unprecedented levels. The situation became more critical with the different lockdowns imposed around the world, including locally. Governments, as a result, were compelled to resort to tough and bold policies in the emergency phase of the pandemic, with the priority of protecting lives and livelihoods. Many schemes were established in this context. The Mauritian Government put in place various business and citizen support schemes namely, the Wage Assistance Scheme, the Self-Employed Assistance Scheme as well as other support schemes. The financial impact of these schemes caused a marked increase in government expenditure while government revenue dropped due to lower tax receipts.
- 4.6 Under such a scenario, it became imperative for Government to adopt measures that aimed at maximising outcomes at lowest costs. To be consistent with Government's actions in this critical phase of our economic history, the Bureau has ranked high on its agenda, affordability and sustainability as overriding principles in devising its pay policies for the conduct of this overall review.

### **National Minimum Wage**

- 4.7 Further to the recommendations made by the National Wage Consultative Council, Government approved the implementation of a National Minimum Wage ((NMW) of Rs 8140 monthly, with effect from 01 January 2018. The NMW was subsequently revised to Rs 9700 as from 01 January 2020 with a gradual yearly increase of Rs 100 to reach Rs 10200 in 2025.
- 4.8 The National Wage Consultative Council Act provides for the Bureau to take the NMW as the baseline for its salary review. Therefore, the NMW has been a major determinant for setting the lowest starting salary.
- 4.9 It is also worth mentioning that following the introduction of the NMW, Federations claimed an adjustment of all salaries to address any distortion in salary relativity. The Bureau has considered this element and has addressed the intragrade relativity issue that had arisen for the grade of General Worker.

### **Interim Monthly Allowance**

- 4.10 In the context of the 2019-2020 Budget Speech, the Prime Minister, Minister of Home Affairs, External Communications and National Development Unit and Minister of Finance, Economic Planning and Development stated at paragraph 430 *"Madam Speaker, the PRB Report is due in January 2021. I am pleased to announce that pending the publication of the Report, I am providing for the payment of an interim monthly allowance of Rs 1,000 to all public officers as from 1<sup>st</sup> January 2020"*.
- 4.11 It is to be recalled that a similar situation occurred for the 2003 PRB Report where an Interim Special Allowance equivalent to 5% of the basic salary, subject to a maximum of Rs 750, was paid to public officers with effect from 1 January 2003 until the implementation of the 2003 PRB Report. This advance was factored-in while working out the recommended salaries for the 2003 pay review, which took effect as from 01 July 2003.
- 4.12 In view of the foregoing and considering the reasons for which the Interim Monthly Allowance was granted, the Bureau has once again integrated the allowance in working out the recommended revised salaries.

### **Changes in Cost of Living**

- 4.13 Changes in cost of living since January 2016 have been given due consideration so as to account for any loss in purchasing power arising from the effects of inflation. For the period January 2016 to December 2020, the cumulative rate of inflation has been around 11.3%. During the same period out of the four Additional Remunerations that have been paid, two were capped at a certain salary level, resulting in officers at the higher echelon sustaining a comparatively greater loss in purchasing power. The loss in purchasing power for the period January 2016 to December 2020 is estimated to be 6.8% on average, while being more than 9.5% for the high earners.

- 4.14 We are cognisant that employees at the lower echelons have been the most affected by the negative impact of the health and economic crisis and need to be fully cushioned against the erosive effect of inflation. Conversely, we also view that in times of economic hardship as is presently the case, the real erosion in purchasing power cannot be fully restored for high salary earners.

### **Internal Relativity**

- 4.15 An internally aligned pay structure is important to ensure that employees are remunerated fairly and consistently according to their job value. For this Report, we have received a myriad of representations from all quarters whereby alignment of salaries to those of other higher positions was requested, very often premised on the fact that the same qualifications' requirements were set or that incumbents were performing "perceived" higher duties than their counterparts.
- 4.16 The existing pay structure is characterised by a well established system of internal relativity among the different grades which is based on the analysis of jobs and on assessment of their relative importance or responsibility, among others. The relative worth of each job was re-assessed in the context of this overall review, using job evaluation techniques, thereby allowing the detection of any evolution in the jobs.
- 4.17 Moreover, to capture the norms and expectations of those affected, views were sought from Federations through a survey on, among others, the pay relationships they would wish to see emerge and which according to them is considered as acceptable and 'felt fair', that is, capable to ensure a fair and reasonable salary distribution in the public sector. It is, however, deplored that there was no response from the Federations.
- 4.18 We have, therefore once again, based ourselves on our job evaluated structure as a disciplined framework for pay decisions. After examining the changes in job characteristics, we have in a few cases reviewed upward some salaries while in other instances we have provided for a lower salary in the form of a future holder position. Some existing internal relativities that are coloured by traditional relationships have been maintained. In re-establishing relativities, we have also considered the wider implications that such adjustments may have on other grades and beyond.

### **External Relativity**

- 4.19 The Bureau has used all available data to understand how private sector basic salaries have progressed since 2016. A comparative analysis of pay in the public sector and the private sector was carried out. For this purpose, a "jobs approach" was used which focusses on the salaries of a set of private sector jobs whose description is similar to that of public sector jobs. Data for private sector basic salaries consisting of more than 30000 employees in more than 140 organisations were supplied by CAPFOR Mauritius.

4.20 The analysis of the data showed that employees in grades requiring a School Certificate, Higher School Certificate, Diploma, Degree and, Registration with a professional body, were better paid in the public sector. The average public sector employee in these grades have a pay lead ranging from 10% to 20%. Conversely, employees in higher echelons (Middle Management and Top Management) earned on average lesser in the public sector as compared to the private sector. The pay difference ranged between 25% to over 100%. Taking into consideration the competitiveness of public sector salary relative to those of the private sector, we have readjusted the starting salary of almost all grades which are on scales.

### **Claims of Federations/Unions/Management**

4.21 For this Report also, the claims of the Federations and Unions as regards salary issues were mainly geared towards a more compressed ratio of the salary of the General Worker to a Permanent Secretary, so as to substantially bridge the gap between the highest and lowest earners, while demanding for even higher pay for professionals and senior civil servants. They also requested that the salary ratio of the General Worker to the Senior Chief Executive should be considered, given the latter position is higher than that of the Permanent Secretary. On the other hand, Management in general, proposed for significantly higher salaries, in line with the total package being granted to comparable positions in the private sector.

4.22 Acceding to all these requests would prove to be not only an impracticable task but also socially unacceptable with huge financial implications, leading to unaffordability and unsustainability issues. Nevertheless, we have reduced the salary gap between the General Worker and the Senior Chief Executive, while observing that the grievances of Management related mostly to compensation (earnings) drawn by others, whether in the public or private sector, without paying heed to the Total Remuneration Package accruing to them.

### **Total Remuneration Package**

4.23 Apart from their salaries, public sector employees are eligible for various pecuniary and non-pecuniary benefits depending on their grade, salary drawn, length of service and working conditions, among others. The assessment of pay adequacy therefore should not be based on the limited concept of basic salary only. The different elements that make up the pay system must be considered.

4.24 One of these elements that is often overlooked is security of tenure. It provides a value to public officers which generally does not accrue to private sector employees. In the aftermath of the COVID-19 Pandemic, we cannot but emphasize the importance of job security. Though difficult to measure, security of tenure has a value which has to be taken into account when considering pay and making comparison across sectors.

4.25 Post-retirement benefits offered by the pension scheme of public officers also has to be considered. Moreover, for this Report, the special provision regarding the grant of a one-off payment, equivalent to 2% of the annual pensionable emolument

for each year of pensionable service to contributing officers in post as at 30 June 2008 and retiring with more than  $33\frac{1}{3}$  years of service, has been improved to allow officers retiring as from 60 years to also benefit from same.

- 4.26 A new element of the total remuneration package which the Bureau has viewed as a pay consideration is the *Contribution Sociale Généralisée* (CSG) introduced by Government under the Finance (Miscellaneous Provisions) Act 2020. The Bureau considers that this **contribution from Government** is in favour of a public officer, as his total post-employment benefit package will be enhanced. In his budget speech for financial year 2021-2022, the Minister of Finance, Economic Planning and Development has stated that “to fully implement the CSG, a comprehensive legislation will be introduced shortly to cater for payment of contribution and benefits”, which is now a reality with the Social Contribution and Social Benefits Act 2021.

### **Fiscal Consolidation Measures adopted in the Context of COVID-19**

- 4.27 Faced with a precarious financial state of the economy caused by the health and economic crisis, Governments worldwide have made various attempts to generate sufficient savings to finance private transfers. Given that the public sector is the largest formal sector employer, the wage bill in turn represents a quite significant portion of government expenditure. Therefore, many countries are having recourse to austerity packages whereby various policies have been adopted to bring down the public sector wage bill, as a means of fiscal consolidation.
- 4.28 A few of these policies consist in: wage cuts or freezes or pausing headline pay in the public sector for a certain period of time ranging from one to three years; employment cutbacks whereby future recruitment/hiring in the public sector has been frozen; services being outsourced or privatised; employees being subject to furlough schemes; non-payment of bonus; reduced bonus to earners of higher salaries; compulsory unpaid leave; reduced working hours; reduction of overtime pay; freezing of pensions; granting a moderate pay increase of 1%; and withdrawal of Government from the national pay agreement.
- 4.29 In Mauritius, to contain the recurrent government expenditure on salary in the Public Sector, Government adopted a few measures in the form of limiting expenses on certain items such as filling of posts; curtailing overtime payment; non-refund of unutilised sick leave; restricting payment of passage benefits for a few uses only, among others.
- 4.30 While being mindful of the various forms of pay cuts or pay freezes being applied in foreign jurisdictions as a consolidation strategy, we believe that same may not be uniformly applied in all economies. In the local public sector for example, the majority of employees are concentrated in the low and middle of the salary distribution, implying the prevalence of a high marginal propensity to consume. Therefore, the indirect effects of wage cuts or pay freezes on aggregate demand would be relatively high, assuming all else remains constant. Therefore, the means to be adopted should limit or avoid negative demand effects.

4.31 Under the circumstances, the Bureau has come up with a salary increase for all employees but with a staging in the payment of the revised salaries over a period of two years. Moreover, above a certain level, there have been below-inflation increases.

### Other General Pay Considerations

4.32 In addition to the abovementioned pay considerations, several other factors have been taken on board in arriving at the recommended revised salaries as ensuing:

- (i) the main elements that are considered in certain foreign countries, in fixing salaries;
- (ii) the need to establish a positive linkage between improving productivity in the public sector through maximising efficiency, effectiveness and optimum use of human resources and an increase in pay;
- (iii) upgrading the qualifications requirement of certain grades, which in a few cases impacted on their initial salary;
- (iv) the attractiveness of working in the Civil Service as depicted by our survey findings on Recruitment and/or Retention Problems in the Public Sector and the substantial number of applications received by the Public and Disciplined Forces Service Commissions per advertisement of a job vacancy in the Civil Service; and
- (v) any change in work processes to ensure business continuity in the wake of the Pandemic.

### Pay Strategies

4.33 In tandem with the various pay considerations taken on board, the Bureau has adopted certain pay strategies with the main aim of enhancing career earnings. These are explained in the following paragraphs.

### Performance Related Pay Progression/Annual Increment

4.34 The Bureau has provided for a yearly incremental movement along salary scales and in some cases beyond the top salary, subject to satisfying certain criteria. In some quarters, it is being perceived that the grant of annual increment is automatic, irrespective of the employee's performance.

4.35 We have to highlight that our pay system links pay to the performance management system and that the only guaranteed salary for an employee in the public sector is the initial salary of his/her salary scale. The annual incremental increase is a variable component based on the overall performance of the employee, as determined by the performance appraisal exercise, a component of the Performance Management System. **Therefore, it stands to reason that the annual increment should be earned and in specific circumstances, same may also be withheld, stopped or deferred.**

**Long Service Increment/Enhanced Career Earnings**

- 4.36 The Bureau introduced a mechanism in its 2008 Report to provide enhanced earnings to employees who were subject to career stagnation owing to a lack of opportunities for further growth. This situation normally occurs when there is a relatively large pool of employees in a particular grade against a few promotional posts or where higher positions were not being filled for quite a long time. Consequently, many employees who have already reached the top of their salary scale stagnate on this point for years. To address this problem, the Bureau provided for the grant of Long Service Increments (LSI) to this category of employees, subject to satisfying a few conditions.
- 4.37 Given that this pay strategy has proved to be effective in terms of boosting the morale of the employees, we deemed it appropriate to bring some improvement.
- 4.38 In addition, for this review exercise, we received an array of representations from staff in dead-end professional positions to create supervisory/promotional levels as they had no promotion prospect.
- 4.39 After duly examining the whole issue holistically and considering a few parameters, we have provided in a few instances a restyling of certain job appellations that connote a higher position, along with enhanced earnings. We are convinced that this strategy would address the problem of an absence of promotional opportunities to a large extent.

**Incremental Movement beyond top salary**

- 4.40 In previous Reports, incumbents in certain grades represented that there is lack of career movement in their cadres which is the source of their grievance. Eventually, we provided some form of compensation through the grant of incremental movements beyond top salary. In subsequent Reports, this provision was extended to other grades and for reasons where possibility for career earnings were quite insignificant.
- 4.41 Presently, incremental movement has been granted for the acquisition of additional/higher qualification, the successful completion of a sponsored course by Management or for performing additional/higher duties which normally devolve upon the next higher level in the cadre and for limited number of higher posts which has a direct impact on earnings. These situations were carefully examined and taken into account in crafting the Pay Strategy.
- 4.42 For this Report, it was submitted that in a few of the abovementioned cases, there are issues which have a bearing on the implementation, thereof. The surrounding circumstances of these cases have changed and those who would join the grades would not necessarily have to face the same situation. It is also important to note that the principles on which certain provisions were aligned, no more exist. Hence, waiving these provisions would not be inappropriate.

## Other Pay Strategies

- 4.43 In some cases, the Bureau has granted an upgrading to certain positions where deemed justified. Resultantly, a few provisions related to the grades concerned have been waived as they have outlived their utility. Coupled with this, we are also enhancing those related to retirement benefits. In fact, the overall benefits to employees have been rendered better. Consequently, in view of the improvement in employee's situation, the need for additional provisions may not be warranted, the moreso, in the face of implementation problems.
- 4.44 After examining the cases individually, we have made appropriate recommendations in that sense. Subsequently, these elements were given due consideration in framing the Pay Strategy for this Report

## Review of Initial Salaries

- 4.45 A comparison with the market has prompted the Bureau to review the initial salary of almost all grades which are on scales to bring some alignment with what obtains for similar positions in the private sector. However, despite this measure, the starting salaries of these grades are still higher in the Public Sector. In addition, the reviewed initial salaries would, by no means, render officers in post worse off, as they would be applicable to future entrants.

## Revision of Allowances

- 4.46 We did not consider it reasonable to revise the quantum of all allowances especially against a backdrop of financial constraints.
- 4.47 While a slight increase has been granted on most allowances, some quanta have been maintained. It is equally apposite to note that the provisions governing a few allowances in certain quarters have been revisited with a view to ensuring a more judicious use of resources and on grounds of equity, particularly in such difficult times.

## Key Features of Remuneration Policies

- 4.48 While framing the remuneration policies, the Bureau took into account the following:
- (i) the starting salary of the lowest paid is not less than the NMW;
  - (ii) a compression of the pay structure to bridge the gap between highest and lowest earners, that is smaller pay differentials between skilled/highly skilled employees and lower-level/less skilled employees, with a General Worker: Permanent Secretary pre-tax ratio of 1:6.2 along with a decrease in the salary ratio of the General Worker to the Senior Chief Executive;
  - (iii) their affordability and sustainability until the next review exercise, based on their likely impact on government finance;
  - (iv) salaries are regarded as fair, reasonable and socially acceptable;



- (v) career earnings for a category of graduates and registered professionals who are in isolated grades;
- (vi) guaranteed progression in the master salary scale through the grant of annual increment and further incremental movement beyond top salary on grounds of sustained performance or reckoning long years of service;
- (vii) the key principles of compensation including equity, transparency, competitiveness and employee performance;
- (viii) best global practices adopted in the context of the COVID-19 Pandemic and their adaptability and relevance in the Mauritian public sector;
- (ix) downward extension of most salary scales based on market factors and also to reduce future recruitment costs;
- (x) the need to introduce a '*force majeure*' clause to safeguard the interest of the employer during emergency situations requiring significant financial outlays; and
- (xi) provide a comprehensive remuneration package that includes salary and enhanced benefits to motivate serving officers for an improved service delivery:
  - use of passage benefits for renovation/construction project;
  - loan at very low interest rate to purchase electric cars/motorcycles;
  - refund of unutilised casual leave (Disciplined Forces, Doctors);
  - enhanced pay supplement/allowance to facilitate communication in carrying out official duties and to further Business Continuity;
  - wider base of beneficiaries for duty remission facilities (once in a lifetime);
  - loan facilities for purchase of laptop (Secondary/Primary Educators);
  - enhanced retirement benefits for those in post as at 30 June 2008 who retire at the age of 60.

4.49 In a nutshell, the Bureau has ensured that salaries granted are regarded as fair and reasonable by public servants, while the pay at certain level kept pace with market forces to the extent possible. At the same time, we have focussed on the provision of a compensation package that is attractive enough to induce the right talent to join and remain in the public sector while being cognisant of Government's financial limitations.

4.50 We consider that public sector employees should not be denied of financial recognition for the contribution they have made over the past years and will need to make in the years to come. We also bore in mind, the crucial role played by public servants in the fight against COVID-19 when they had to tackle unprecedented and

time-sensitive workloads in an attempt to reduce the impact on both people's health and the economy. Our recommendations, therefore, strike a fair balance and represent a value for money investment in public sector employees for their sustained effort.

