



SECTORAL BUDGET DEBATE PRESENTATION

TUESDAY APRIL 11, 2017

THE HONOURABLE RUDYARD SPENCER, CD, MP

**MINISTER OF STATE (PUBLIC SERVICE), MINISTRY OF FINANCE
AND PUBLIC SERVICE**

'TRANSFORMING THE PUBLIC SECTOR FOR A MODERN JAMAICA'

INTRODUCTION

Mr. Speaker, it has been just over a year since I assumed ministerial duties as Minister of State with responsibility for the Public Service in the Ministry of Finance and the Public Service.

At that time I made a commitment to the people of Jamaica to serve our beloved country to the very best of my ability. I promised the Most Honourable Prime Minister that with the confidence he placed in me, I would persevere in the programme of transforming and modernizing the public service in the journey to prosperity and in keeping with our shared vision of sustained economic growth and increased productivity for the people of Jamaica.

Mr. Speaker, it has been a busy year and I believe much has been achieved. We honoured our election promise and on April 1 2017, the threshold on personal income taxes was further increased to \$1.5 million for the workers of Jamaica. This was a promise made, and we are proud to be able to deliver on our promise.

At this time I must place on record the tremendous guidance, advice and support that I have received from my Minister, the Hon. Audley Shaw who has allowed me full integration into the other areas of the Ministry's portfolio; and to my colleague Minister of State Hon. Fayval Williams for her unwavering support in her usual calm but resolute manner. Together we have made a cohesive team with expert guidance from our '*Man a Yard*'

To the people of South East Clarendon, my councillors, the constituency executives, my sincere thanks for your confidence and trust in my leadership as I seek to secure the welfare and well-being of all persons in the constituency.

To my family, your love and caring have helped me to carry on.

Mr. Speaker, let me offer my congratulations to the Member from St Andrew East Central on his recent appointment as Leader of the Opposition and at the same time I want to recognize the hard work of the former leader, Most Hon. Portia Simpson Miller, my friend and former colleague in the Trade Union Movement. Mr. Speaker, we have shared many hours in the trenches for the people of this country and I want to unreservedly thank her for her tremendous effort whilst together we advance the interests of the workers of this country.

Public Sector Transformation

Mr. Speaker, I will begin my presentation by speaking on Public Sector Transformation.

As our Prime Minister stated in his Policy Statement on Public Sector Transformation in January 2017:

“A transformed public sector is dynamic, innovative and responsive to the needs of citizens and businesses. It is constantly measuring itself, and improving. It sees the citizen as the customer to be served.”

Public Sector Transformation, Mr. Speaker, is a priority for this Government.

The vision that we have of a transformed public sector is one that is:

- Technology enabled
- Focused on the achievement of strategic outcomes
- Appropriately sized and resourced
- Customer centric
and
- Delivers outcomes as cost effectively as possible.

For transformation, the Government's focus is on implementation. The Public Sector Transformation Implementation Team, announced by the Most Hon. Prime Minister in January, has started work and has met with Permanent Secretaries and with the public bodies as they effect mergers. Mr. Speaker, as examples I will highlight two mergers; the merger of HEART, Jamaica Foundation for Life-long Learning and National Youth Service and the merger of the Child Development Agency and the Children's Registry.

In addition, Mr. Speaker, as we seek to increase our efficiency and to deliver services in a cost-effective manner, the Government will be moving to implement **shared corporate services** across the public sector. Services such as Internal Audit, Human Resources, Public Relations and Communications are now being examined and the preparatory work is far advanced.

Mr. Speaker, we continue to review the most effective way to deliver services and we will be examining our **public bodies** to see what action is best suited to increase efficiency; whether by way of mergers or divestment. There has been a complete review of the policy for categorization of our public bodies and that policy is now operational. We are now working on a time-bound plan for the implementation of this categorization policy and we will be doing so in consultation with the Permanent Secretaries and the portfolio Ministers.

Mr. Speaker, we are also now in the process of rolling out **the Human Capital Enterprise Management System**.

This system will enable the automation of most of the administrative functions of Human Resource management and enable the HR team within ministries, departments and agencies to focus on more strategic areas of HR such as manpower planning and employee development.

This of course will require a shift in how HR is conducted in the public service and in that regard, the Implementation Team, in coordination with the Strategic Human Resource Management Division of the Ministry of Finance and the Public Service, has been working with the wider HR community in adjusting to the new computerized system.

Mr. Speaker, one of the primary outcomes of transformation is the improvement in customer service from the public sector where every citizen of the country sees that their interaction with the government agencies has improved and continues to improve. It is the goal that every public officer will see that the outcome of their job is about improving the quality of life in Jamaica, directly or indirectly, irrespective of what role they play in the public service.

Mr. Speaker, I am pleased that in November 2016 the Private Sector Organization of Jamaica (PSOJ) in collaboration with the Ministry of Finance and the Public Service (MOFPS) launched the **PSOJ Public Sector Corporate Governance Awards**. This is intended to promote awareness and adherence to the principles of good corporate governance, to encourage improvements in the standard of corporate governance disclosure and, importantly; to recognize Public Bodies that have established high standards of corporate governance, disclosures and practices.

We expect, Mr. Speaker, that in highlighting Public Bodies by way of a recognition award, that the entities will be incentivized and as such will promote and maintain a higher level of effective governance which will rebound to increasing Public Bodies performance and enhanced public trust.

The Awards are scheduled to be held in November 2017 and will be applicable to those Public Bodies which are governed by the Public Bodies Management and Accountability (PBMA) Act and the Corporate Governance Framework for Public Bodies (CGF). The entities will be assessed based on their performance in Fiscal Year 2016/17.

MONITORING

Mr. Speaker, as you are aware, the Transformation process is monitored by The Public Sector Transformation Oversight Committee (PSTOC) that provides an avenue for stakeholders and civil society, over the life of the Precautionary Stand-By Arrangement, to receive and review information from the Government on the progress of implementation.

It is through this committee that updates to the public on the progress of public sector transformation will take place.

The Public Sector Transformation Oversight Committee will:

- monitor the compliance and progress of the Government, through the Implementation Team, in achieving the Public Sector Transformation Objectives
- They will also escalate any lack of progress, delay or concerns to my office and

- Report directly to the Jamaican people on a quarterly basis on the progress in achieving the Public Sector Transformation Objectives.

Strategic Human Resource Management

Mr. Speaker, at the Ministry of Finance and the Public Service we are already out of the starting blocks on Public Sector Transformation and we keep pace with the targets and timelines expressed in the overarching Public Sector Transformation and Modernization Programme.

I wish to now give account of activities under the public sector transformation and modernization programmes of the Ministry of Finance and the Public Service during Fiscal Year 2016/17.

Mr. Speaker, I reiterate, this Government is serious about transforming the public sector into an efficient and productive workforce. Work is well underway in the newly established **Strategic Human Resource Management Division** of the Ministry. The new Division equips the Ministry with expertise in creating and maintaining efficiency in service across the public sector.

Work commenced during FY 2016/17 on the development of a **Capacity Enhancement Strategy and Plan** for all Human Resource Management departments across Ministries, Departments and Agencies. This is in accordance with the Public Sector Efficiency Programme (PSEP) agreement that was signed between the Inter-American Development Bank (IDB) and the Government of Jamaica in February 2014. A comprehensive needs analysis was undertaken and training in leadership has already started as part of the strategy to enhance capacity in the public service.

Additionally, Mr. Speaker, in June 2016 a team of Human Resource practitioners, Permanent Secretaries and CEOs participated in a workshop to critically examine Human Resources in the public sector. A key outcome of the workshop was the embracement of a shared vision for human resources. Specifically, the team sought to identify: what changes are needed; a vision for HR; a new HR operating model; and, to ascertain how such a model could best serve the Jamaican public sector.

Mr. Speaker, the team considered **the Ulrich Model** as most suitable for Jamaica, especially for enabling public sector transformation. This model entails HR focusing more on strategy rather than on administration.

Mr. Speaker, regarding public sector compensation, the Ministry of Finance and the Public Service is well advanced in its work to review current practices and develop a **Compensation Policy for the Public Sector**. This will be instrumental in informing the Government's medium term wages policy, consistent with the legislated wage ceiling. A submission is being prepared to be discussed at Cabinet shortly.

Mr. Speaker, in relation to the control of the public sector establishment, the **Post Operations Committee (POC)** has continued to monitor the Public Service Establishment and adjudicate on requests for the operation of vacant posts in the context of the country's Medium-term Economic Programme. This activity is integral to containing the size of the public sector and for enabling the achievement of Government's wage bill target. Revised guidelines for the operation of posts in Ministries, Departments and Agencies were issued in July 2016.

These guidelines seek to enhance operational and manpower planning efficiencies in order to optimize service delivery by the public sector.

Mr. Speaker, in addition, the Civil Service Establishment (General) Order, 2016 was laid in the Houses of Parliament for Affirmative Resolution, and passed into law in January 2017.

Industrial Relations

Mr. Speaker, on the industrial relations front, the period ending March 31, 2017, signalled the end of the 2015 -2017 contract period and the expiration of the collective labour agreements with ninety nine percent (99%) of the bargaining units within the Public Sector. Discussions are still ongoing with the remaining 1%, representing four (4) groups within Central and Local Government.

Mr. Speaker, let me point out that even with the continued economic challenges and the 7% increase in wages and salaries granted to public sector workers under the 2015/2017 Wage Contract period, the industrial climate remained stable within the

Public Sector and harmony was maintained at 97%. We envisage that with continued dialogue the relationships will be maintained at this high level.

Mr. Speaker, given that FY 2016/2017 marks the end of the existing Wage Contract Period, in anticipation of new wage agreements, provision has been made for the payment of increased wages and salaries in the public sector. Provision has also been made in the 2017/18 budget to facilitate settlement of the outstanding agreements related to the 2015/17 Contract Period as well as arrears in allowances to groups in the health sector.

Employee Benefits

Mr. Speaker, in relation to employee benefits, the Ministry's scholarships and assistance programmes continued in the fiscal year and in excess of 600 public sector workers received financial assistance towards tuition fees for tertiary studies.

Of Significance Mr. Speaker, a Partnership was forged with the PetroCaribe Development Fund for implementation of a formal and thematic tertiary programme, targeting Jamaican citizens from the lower socio-economic and vulnerable groups (including youth, youth at risk, women, persons with disabilities and persons impacted by HIV/AIDS) who are studying in the areas of Energy, Logistics, Spanish and Entrepreneurship.

In addition, the 2017/18 Budget includes \$100m to augment the Motor Vehicle Revolving Loan Fund for public sector workers. This is the largest injection of funds in a long time. The allocation will allow the Fund to honour outstanding commitments and increase the number of beneficiaries.

Mr. Speaker, the Government continued to honour its agreement as per the 2015/17 contract. Consequently, the Industrial Relations Unit of the Ministry processed and disbursed 169 grants to children of Public Sector workers at the value of \$25M. We continued to provide Tertiary Assistance Loans to all Public Sector workers for personal and professional advancement. For the financial year 2016/17, three hundred and twenty six (326) loans were disbursed at a value of \$115M.

The Public Sector Monitoring Committee

Let me now turn to the work of monitoring of the public sector, Mr. Speaker. The Public Sector Monitoring Committee reconvened on July 14, 2016 to execute its mandate for the 2016-2018 term of office, having been appointed by Cabinet on the recommendation of its partners.

As you know, the partnership comprises representatives from the Government of Jamaica and unions representing public Sector workers.

The core objectives of the Committee are to arrive at acceptable principles and understandings in relation to:

- i) Public Sector wages
 - ii) Employment
 - iii) Productivity Enhancement
 - iv) Expenditure Restraint
 - v) Cost Saving Measures
 - vi) Macro Economic Management
- and
- vii) Development of the Public Sector

The Committee meets on a monthly basis and is supported by special sub-committees appointed to advance work in the following areas:

- i) A Review of the Staff Orders for the Public Service;
 - ii) Public Sector Leave Reform;
 - iii) A Review of the Public Service Regulations;
- and
- iv) Adjudication on matters relating to Restructuring and Reorganization across the public sector.

Emphasis will also be placed on core agenda items during this term of office, with a view to enhancing the welfare of public sector workers. These include:

- i) Public Sector Pension Reform
 - ii) Promotion of the International Labour Organization (ILO) Decent Work Agenda in the Jamaican public sector
- and
- iii) Occupational Safety & Health Act

PUBLIC SECTOR PENSION REFORM

Mr. Speaker I would like to end on the topic of public sector pension reform. Our pensioners are special persons, persons who have made great personal sacrifice for love of country and service to the public. As at January 31, 2017 the number of Government pensioners stood at some forty thousand (40,000) persons.

The reform of the public sector pension is critical, as without reform the system is unsustainable and has the potential to jeopardize the pensions for public sector employees who have worked diligently and made an invaluable contribution to Jamaica.

Given the sensitivity and complexity of pension reform, Mr. Speaker, the Government recognized that it was not only about sustainability but also about how the reforms would impact workers as pension is also seen as an important aspect of remuneration.

Therefore, the Government responded to the concerns raised by several stakeholder groups. We were able to have several meetings with the Jamaica Teachers Association, the Jamaica Confederation of Trade Unions and Jamaica Police Federation and came to a consensus on some of the issues related to pension reform.

Mr. Speaker, some of the issues in which we were able to agree include:

- 1) phasing in the contribution rate of 5% which seeks to recognize the hardship which would be placed on some groups if the contributions are raised to 5% one off,
- 2) removing the penalty for early retirement
- 3) adjusting the early retirement age for the police
and
- 4) using the average of the final three years' salary to be used in the computation instead of the final five years.

Consequently, this led to several amendments to the Pensions (Public Service) Bill which was passed in the House of Representatives last week.

Mr. Speaker I want to emphasize that if they are labour groups that are still not satisfied with the provisions in the Bill, there is still the opportunity for discussion and possible amendment even after the Lower House has passed the bill and it awaits passage in the Upper House.

Mr. Speaker, you will recall that the public sector pension reform is a component under the **Ministry of Labour and Social Security World Bank Supported Social Protection Project** which began in 2008. In addition to the Bill that was just approved by this House, public sector pension reform also includes improving the pension administrative processes.

Therefore, Mr. Speaker, another important component of the reform is the implementation of a new computer based application, **Public Employees' Pension Administration System** PEPAS, which will be the conduit for linking activities of all stakeholders in pension administration.

This computer-based application, PEPAS, has been designed to input, store and use the employee's service credit record for timely computations of pensions. PEPAS will provide human resource personnel in Ministries, Agencies and Departments who are a part of the government pension arrangement with ready access to updated, current and reliable employment history and pension entitlement based on their level of authorization.

The test application was installed in the hosting environment at eGov Jamaica Ltd. User acceptance testing is scheduled to commence shortly and six (6) entities have been selected to participate in the Pilot Phase of the PEPAS Roll-out. They are the Jamaica Constabulary Force, the Jamaica Defence Force, the Office of the Prime Minister, the Cabinet Office, the St. Ann Parish Council, and the Ministry of Education, Youth & Information.

While pension reform is not an easy process, it is necessary to improve the administrative process and to ensure that we are on a path to sustainability. These reform initiatives should not be seen as a quick fix but should be seen as a start, one step in the process of reforms that will require review and ongoing tweaks in the near future as the life expectancy and demography changes.

CONCLUSION

In conclusion, Mr. Speaker, I state that an efficient, productive public sector forms a strong foundation for economic growth. Therefore the transformation process is key to achieving our economic growth targets.

The public sector has a serious responsibility to facilitate efficient business processes through strategies such as maintaining citizen security, improving macroeconomic stability, improving access to finance and the pursuit of bureaucratic reform.

Mr. Speaker, we continue our work on transforming the public sector for a modern Jamaica.

I thank you.