

# **PUBLIC SECTOR CADRE AND SALARY POLICY STRATEGY**

*Mr. Tissa Devendra*  
*Chairman, National Council for Administration(NCA)*

This document outlines preliminary strategies of a cadre management and salary policy for the public sector in Sri Lanka. More discussion, elaboration and analysis of data and information will have to be carried out before finalizing the detailed strategies.

## **Introduction**

At present, there are around 1 million public employees in Sri Lanka. As at 2002, the Central Government employed about 436,000 people while Provincial and Local Government institutions employ about 310,000, and State owned enterprises employ about 175,000 employees. All these employees constitute the human resource pool of the public sector. Citizens of the country expect the provision of a satisfactory and effective service by the Government through the productive utilization of these human resources.

On a per capita basis, public employment levels in the country are far higher than that of other countries in South Asia. The wages and salaries for Central Government personnel constitute more than 30% of the current revenue of the Government. In this set up the utilization of public sector human resources for maximum productivity has become an important and challenging task of the Government.

The major initial initiative has been taken by the establishment of the National Council for Administration in mid 2004. This Council was established on the recommendations of the Salaries Commission 2000, which highlighted the inadequacy of periodic Salaries Commission, which wound up after the presentation of their reports. This meant that there was neither a permanent body of documentation nor a permanent secretariat to monitor salaries and cadres in an independent manner.

The National Council for Administration was established by Presidential Warrant and is now in the process of being given legal authority by an Act of Parliament. It consists of experienced and senior administrators and professionals from both the public and the private sector. The responsibilities of this Council are system-wide as regards the public sector. It will mainly concentrate on the development of a national wage policy and right sizing of public sector cadres.

Following sections of this paper outline a number of policy strategies towards this end.

## **Cadre Strategy**

### (a) An integrated system of Cadre Management

In this effort the basic policy would be to formulate strategies for right sizing of the public sector cadre through introduction of appropriate human resource planning and development based on objective analysis of organizational and work demand.

Although the ratio of public sector employees to the population is relatively high, the Government has made an important policy decision to select several thousand more graduates (from all faculties, including medicine), into the public service on account of socio-economic pressures.

This situation has compelled us to look afresh and develop an integrated system of cadre management in the public sector. The need to develop an integrated system of cadre management in the public sector is, therefore, imperative.

### (b) Right Sizing of the Public Sector Cadre

In terms of right sizing of the public sector cadre, assessment of cadre requirements in the context of changing socio-economic environment requires immediate cadre review by all public sector institutions followed up by periodical cadre reviews to be carried out regularly. One of the most immediate issues is the identification of correct slots in the public service to fit in the new recruits. In this exercise the review of posts, re-organization of departments, restructuring and use of computers and office automation will be given due consideration.

### (c) A System of Ethics and Work Norms

Another important aspect to be considered in cadre management is the establishment of a system of ethics and work norms in the Public Service. The Public Service is the major instrument for providing citizens' satisfaction through interaction with its daily service provision activities. A high level of discipline and ethical behaviour has to be introduced into the system. It is a sad fact that public dissatisfaction exists against both inefficiency and the unethical and indiscipline behaviour of many public officers at various levels. Accordingly, strategies will have to be formulated and implemented to overcome this widespread weakness in the service. In this regard the development of Client Charters for every department is essential in the interests of transparency to the general public.

### (d) Productivity Improvement

Improved cadre management will ensure both good service delivery to the public and a high level of productivity of the public service. Strategies such as time based targets and performance appraisal should be used in improving productivity of public service.

(e) Continuous Monitoring and Coordination

In improving cadre management in public organizations, a strategy of continuous monitoring and coordination essential. This should provide for interaction with Ministries and Government Agencies including Provincial Councils for creating a forum for discussing policy issues pertaining to cadres and structural changes and also for functioning as a progress reviewing body of various specific areas of administration.

### **Salary Policy**

(f) An integrated and fair salary structure

An appropriate wage policy in the public sector is vital for an effective public service. A wage policy should enable the government to attract and retain sufficiently qualified staff to man its services and the community should feel it is getting an efficient service without having to pay an exorbitant price for it. Currently the salaries of public servants are seen as grossly inadequate in absolute terms and in comparison to private sector salaries to attract required competencies and skills.

(g) Reduction of Anomalies

In addition to this problem of low level of salaries in the public sector, another problem being taken into consideration is the prevailing anomalies in the public service salary structure. Linking salaries to job content, duties and responsibilities, i.e. relating pay to performance and length of service can provide a means of reducing these anomalies.

The trend toward greater salary compression has however been identified in a World Bank report as the key constraint in Sri Lanka's compensation scheme. "Whereas the compression ratio (mean of the top central government pay scale divided by the mean of the lowest scale) was 9.1 in 1992 it fell to 8.1 with the 1997 pay commission reforms." It fell to 5.4 with the implementation of the new salaries. Any further reduction in the compression ratio will have to be resisted if it is to attract high qualified and skilled professionals and technical experts for higher managerial positions in the public sector. Strategies to achieve this desired outcome need to be formulated and implemented to improve the effectiveness of public services.

(h) Equal pay considerations

Another important issue to be considered in salary policy is the equal pay considerations. The basic principle here is that salary should be balanced with the work output of the employees on one hand and the cost of living on the other. The organized private sector has tools and techniques such as the collective agreement process to regularly adjust salaries in line with cost of living as well as productivity considerations. Public sector salary policy strategies should include innovative tools to ensure equal pay under rapidly changing environmental conditions creating also a balance between local flexibility (both geographically and functionally) and a common approach.

The undesirable practice of allowances, in particular for professional and uncommon specialist jobs, has distorted the grading structure to a significant extent. Salary policy strategies will have to be identified to arrest this harmful tendency.

(i) Affordability Considerations

In formulating strategies to address the above issues the affordability consideration must be taken into account. As mentioned earlier, the burden of wages and salaries for public sector personnel is more than 30% of the current revenue of the Government. Thus in implementing any cadre strategy and salary policy the availability of the resources to the Government to implement such recommendations and the affordability has to be taken into serious consideration.

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