

A SPEECH DELIVERED BY HON. SETH E. TERKPER, MINISTER FOR FINANCE
AT THE NATIONAL FORUM ON "BUILDING NATIONAL CONSENSUS
FOR SUSTAINABILITY OF THE SINGLE SPINE PAY POLICY"
HELD AT CHANCES HOTEL, HO, AUGUST 6TH-7TH 2013

Mr. Chairman,

H.E John Dramani Mahama, The President of the Republic of Ghana

Honourable Ministers of State,

Members of Parliament,

Organized Labour,

Other Social Partners present,

Members of DPs present,

Civil Society Organizations present,

Members of the Media,

Invited Guests,

Ladies and Gentlemen.

1. Mr. Chairman, I deem it a great honour to be part of this very important National Forum on the SSPP on the theme "***Building National Consensus for Sustainability of the Single Spine Pay Policy (SSPP)***". This Forum could not have taken place at a better time especially as we grapple with fiscal challenges that confront our economy, partly due to the rising cost of the public sector compensation bill.

Implementation of the SSPP: Achievements and Challenges

2. As has been mentioned earlier, the SSPP was initiated after several unsuccessful attempts at removing disparities and inequities that characterized the public sector pay administration system. The comprehensive 22-Level Ghana Universal Salary Structure (GUSS) introduced in 1999 failed to achieve its intended

objectives partly because sections of the public services were allowed to opt out while its implementing agencies lacked legal backing. Government, therefore, sees the SSPP as a rational response to the challenges that plague the public service pay administration system.

3. Significant progress has been made so far in the implementation of the SSPP. Available statistics indicate that, as of June 2013, over 99 percent of eligible public service workers from 119 public institutions have been migrated onto the SSSS. The policy has resulted in significant increases in the average salaries of public sector employees. We are told that SNNIT data show that the average salary per worker in the country is now higher in the public sector compared to what obtains in the private sector.
4. Though there are some post-migration challenges, which the Fair Wages and Salaries Commission, together with the Ministry of Employment and Labour Relations, the Ministry of Finance, and the Organised Labour, are working around the clock to resolve, there is absolutely no doubt that, the policy has positively affected living standards of public servants and their families.
5. Mr. Chairman, current trends in the compensation bill resulting from the implementation of the SSPP, however, suggest that the pay policy is not sustainable on the trajectory we are currently observing. The compensation bill, has more than tripled in absolute terms between 2009 and 2012, rising from GH¢2.9 billion (62 percent of tax revenue) in 2009 to GH¢9.0 billion (73 percent of tax revenue) including salary arrears in 2012, way above the regional averages and the 35% threshold by West African Monetary Zone (WAMZ) Secondary Convergence Criteria.
6. The mounting wage bill resulting mainly from the implementation of the SSSS poses systemic risks to the annual budget and threatens macroeconomic stability. The phenomenon has exerted tremendous pressure on service delivery in the public service as it tends to crowd out other important expenditure areas including the goods and services much needed for service delivery and capital expenditures which are very critical for achieving our development objectives.

Goods and services as a share of recurrent expenditure and tax revenue has declined consistently from 15.1 percent and 12.3 percent respectively in 2008 to 8.3 percent and 10.7 percent respectively in 2012.

7. Mr Chairman, the Ministry of Finance will be making two presentations in the course of the forum; (1) Implications of the SSPP on the Economy, and (2) the Sustainability of the SSPP. These issues will be dealt with in more details.

Fiscal policy in the medium term

8. Mr. Chairman the compensation bill is no doubt a major component of fiscal situation of the country.
9. The thrust of fiscal policy in the medium term is fiscal consolidation aimed at fiscal prudence and debt sustainability necessary for ensuring macroeconomic stability and accelerated growth and development. The target for the medium is to systematically reduce the fiscal deficit from 11.8% of GDP in 2012 to 9% in 2013 and further to 6% by 2015. Achieving these targets will depend partly on how sustainable we can keep the compensation payments under the new pay policy.
10. Mr. Chairman, achieving this conservative deficit target of 9% in 2013 is, however, under serious threat from developments on the wage front. Preliminary figures for 2013 show that, the compensation bill had amounted to GH¢4,369 million as at May 2013, against a budget of GH¢3,572 million, resulting in payroll overruns amounting to GH¢797 million (or 20.2 percent), over the period, January-May, 2013, even though salary adjustment negotiations have not been concluded for 2013. The trajectory of the wage bill in 2013 so far, points to a clear case of wage overrun of approximately GH¢1.3 billion , if the current trends continue.

Current Steps

11. Mr. Chairman, the trend of the compensation bill is certainly not sustainable and should not be allowed to continue. The following measures are currently being implemented to address some of the challenges:
- i. MOFEP has established a Compensation Unit to deal comprehensively with issues on wages and salaries, allowances, pensions, gratuities, and social securities;
 - ii. A Human Resource Management (HRM) System is currently being developed to strengthen public sector HR and support the effective management of the payroll system;
 - iii. The system of granting financial clearance for recruitment into the public service is being strengthened to reduce/eliminate the incidence of unbudgeted recruitment into the public service;
 - iv. Budget Execution reports on payroll are to be produced for Ministers ,Heads of MDAs and MMDAs to help them monitor and manage payroll cost; and
 - v. The upgrade of the payroll and its integration into the GIFMIS is on-going. The integration will facilitate budgetary control over payroll cost.

Way forward

12. The following measures have also been outlined for implementation in the medium term:
- i. Subject compensation costs to budget constraints
 - ii. Conduct an audit of the payroll system;
 - iii. Allowances should be fixed amounts rather than based on basic salary;
 - iv. Annual Salary adjustments should take effect from the month of approval rather than back-dating to start from beginning of year;
 - v. Institute a system to plug all loopholes and leakages associated with compensation payments;

- vi. Conduct a post implementation review of the SSSS and payroll biometric registration;
- vii. Subject compensation costs to budget constraints;
- viii. Implement without delay, the Cabinet- approved Market Premium policy which is more targeted;
- ix. Standardize and Rationalize allowances within budgetary constraints;
- x. Review and rationalize all salaries and allowances in the Public Sector;
- xi. Conclude annual wage negotiation for the fiscal year before the budget for that fiscal year is submitted to parliament;
- xii. Provide high level sensitization of Heads MDAs on their payroll responsibilities in the payroll system;
- xiii. Consider negotiating salary adjustments within the medium-term (e.g. 2014-2016);
- xiv. Implement the pension unification policy under the new Pensions Act; and
- xv. Ensure effective linkage of public sector pay to productivity

Conclusion

13. It is our expectations that concrete policy recommendations will emerge from this 2-day forum that will set out the way forward and mechanisms for sustaining the policy. The next session will grant us the opportunity to discuss into more details the sustainability and the way forward for the SSPP. On this note, permit me to join H.E The President to wish participants a fruitful and productive forum.

Thank you.