

**THE UNITED REPUBLIC OF TANZANIA
PRESIDENT'S OFFICE
PUBLIC SERVICE MANAGEMENT**



PUBLIC SERVICE PAY AND INCENTIVE POLICY

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LIST OF ABBREVIATIONS

CG	- Central Government
CPs	- Cooperating Partners
D by D	- Decentralisation by Devolution
EAL	- Employment Allowances
EAs	- Executive Agencies
GDP	- Gross Domestic Product
GDR	- Government Domestic Revenue
HR	- Human Resources
HRM	- Human Resources Management
JERG	- Job Evaluation and Re-grading
LCC	- Local Cost Compensation
LGAs	- Local Government Authorities
LGRP	- Local Government Reform Programme
M&E	- Monitoring and Evaluation
MDAs	- Ministry, Departments and Agencies
MDGs	- Millennium Development Goals
MFIs	- Multilateral Financial Institutions
MKUKUTA	- <i>Mkakati wa Kukuza Uchumi na Kupunguza Umaskini Tanzania</i>
MoEVT	- Ministry of Education and Vocational Training
MoFEA	- Ministry of Finance and Economic Affairs
MoHSW	- Ministry of Health and Social Welfare
MTEF	- Medium Term Expenditure Framework
MTPP	- Medium Term Pay Policy
MTPRS	- Medium Term Pay Reform Strategy
OC	- Other Charges
PE	- Personnel Emoluments
PIs	- Public Institutions
PMO-RALG	- Prime Minister's Office – Regional Administration and Local Government
PO-PSM	- President's Office - Public Service Management
PSA	- Public Service Act
PSM	- Public Service Management
PSRP	- Public Service Reform Programme
RE	- Recurrent Expenditure

- SASE - Selective Accelerated Salary Enhancement
- ToR - Terms of Reference
- URT - United Republic of Tanzania
- WB - Wage Bill

GLOSSARY

Grade Differential Salary difference between one grade and another.

Incentive Extra payment or other reward in addition to the basic salary made by the employer. It is paid/given to motivate an employee to deliver services effectively and efficiently.

Incentive regime A system of packages from which incentives are administered.

Job Evaluation A Management technique that is used to establish relative value of different jobs in an organisation for the purpose of ensuring that every job is paid according to its weight and relative value.

Motivation Anything given or done to raise an employee's morale. This can be financial, material, verbal or written congratulations. Motivation is usually effected following an employee's best performance.

Non-Incidental Allowances Allowances that are paid on regular basis.

Pay An amount of money paid on a regular basis to people in regular employment. Payment may be in the form of wages or a salary, in cash or by cheque or by bank transfer.

Pay Targets Salaries that the Government aims to achieve over the medium term period.

Pension Money paid periodically to an individual who retires from employment because of age, disability, or completion of a specified period of service.

Project Implementation Units All special staffing arrangements made in institutions to manage and implement donor-funded programmes/projects.

Re-grading A system of grading job positions in a salary structure. It is mainly done after the exercise of Job Evaluation for the purpose of ensuring that different posts are positioned in the correct salary grades according to their job weight.

Remuneration The entire package of an employee's earnings. Generally, it includes a basic salary, bonuses, allowances, incentives, motivation, pension, health Insurance, etc.

Remuneration Boards and Authorities Statutory bodies established to administer remuneration packages.

Salary A fixed regular payment, typically paid on a monthly basis but often expressed as an annual sum.

Selective Accelerated Salary Enhancement Scheme A scheme that targets accelerated salary enhancement to key professional, technical and managerial personnel whose efforts are critical to improvement of service delivery, management of reform efforts and production of strategic government outputs.

Step Differential Difference of salaries within the same range of salary grade. It is normally determined by annual salary increments

Total Reward A combination of current contractual and intangible rewards (monetary and non-monetary), as well as future expectations. Monetary reward is related to payment while non monetary reward is related to job security, career prospects, improved management, meaningful job content, appreciation of work done and improved working conditions. Future expectations are items such as pension and re-employment after retirement.

Wage Fixed regular payment earned for work done or service rendered typically paid on a daily or weekly basis.

FOREWORD

The Government is committed to implementing this pay and incentive policy for the public service within an affordable wage bill. The policy provides a harmonised and unified framework for determining pay while eradicating pay disparities across the entire public service **as stipulated in the Public Service Management and Employment Policy (Second Edition, 2008)**. This Government intervention is aimed at attracting and retaining well qualified personnel, in the public service, as well as motivating employees by addressing equitable remunerations across the service.

Harmonisation and unification of pay will lead to salary enhancement for the entire public service especially for technical, professional and managerial cadres. Pay enhancement is a necessary incentive required for utilizing existing potential more effectively and improving performance. In this policy the Government also adopts principles that will address equitable distribution of staff across the country by developing multi-dimensional approaches towards staff motivation. Nevertheless, this will be carried out in an affordable and sustainable manner that is consistent with the Medium Term Expenditure Framework (MTEF).

Since most of the problems in the current remuneration system for public servants have persisted for quite a long time, full implementation of the measures articulated in the Pay and Incentive Policy will require significant effort from all of us. Implementation of the Pay and Incentive Policy initiatives will, therefore, be phased in a manner that is consistent with the rationalisation of the pay system and introduction of performance oriented management culture in the public service. The measures outlined in this policy document underscore Government commitment to re-invigorating morale and integrity of its public servants so as to improve the quality of service delivery to the people.

Hon. Hawa Abdulrahman Ghasia (MP)
MINISTER OF STATE, PRESIDENT'S OFFICE
PUBLIC SERVICE MANAGEMENT

CHAPTER 1

1.0 INTRODUCTION

1.1 Background

1.1.1 The purpose of pay and incentives is to compensate employees for work they do, to motivate them to perform well, to retain them, and thereby avoid the need for expensive recruitment and training for replacement. The public service, like any other organization needs to compensate, motivate and retain its employees. It is in this context that the Government of Tanzania continues with efforts to motivate its workforce.

1.1.2 Recent Government efforts to reform its pay and incentive system can be well explained in the context of macro-economic reforms that were started in the 1980s through to the 1990s. In 1994, the Government adopted Pay Reform as an integral component of Public Service Reform Program (PSRP). This was because many of the problems associated with poor performance of the public service were related to lack of an appropriate compensation structure and weaknesses in the incentive regime. It ought to be said at the outset that Pay and Incentives problems in the public service go beyond salaries. Goals of the pay reform were as follows:

- (a) Ensuring evolvement of a rational and transparent compensation structure;
- (b) Ensuring development of appropriate and adequately competitive remuneration levels to allow public service to attract and retain the desired number and quality of Human Resource (HR) with appropriate requisite skills and experience;
- (c) Ensuring evolvement of an incentives regime with appropriate rewards (and sanctions) to adequately motivate public servants towards acceptable standards of performance; and
- (d) Facilitating wage bill determination, planning, and control.

1.2 Implementation of the Pay Reform

1.2.1 Implementation of pay reform took place in two phases.

- (a) The first phase covered the period 1994 – 1999 and its priorities were cost containment, rationalisation of the public service salary and job-grade structure, and
- (b) The second phase covered the period 1999 to date, and its major priority was to enhance pay in order to ensure that the public service has the capacity to attract, retain and adequately motivate personnel with requisite skills to provide the desired public services and government strategic outputs.

1.2.2 Much was accomplished during the first phase of pay reform in terms of rationalizing the salary and job-grade structure, increasing transparency of the compensation system and improving wage bill management. However, the success did not automatically translate into significant improved performance and service delivery. Experience during the period showed that relying on wage-bill savings from employment reductions, particularly in a period where the wage bill is being reduced in relation to size, did not provide much in the way of salary enhancement.

1.2.3 The second phase of pay reform was implemented in a more comprehensive and systematic approach to pay enhancement. Measures adopted included:

- (a) Public Service Medium-Term Pay Policy (MTPP), whose goal was to enhance pay levels for qualified technical, professional and managerial cadres; and
- (b) Medium -Term Pay Reform Strategy (MTPRS), whose objective was to provide a systematic and comprehensive approach to implementing the policy.

1.3 The Medium Term Pay Policy

1.3.1 The MTPP was adopted for the purpose of ensuring that, the Government has a critical mass of appropriately skilled and experienced personnel to ensure efficient and effective management of the economy, and for designing and implementing programmes to improve the quality

of public services. As such, the short to medium term priority of the policy was to enhance remuneration levels for qualified technical, professional and managerial cadres of the public service.

1.3.2 The major priorities set out in the MTPP were:

(a) ***To develop a new job-grade and salary structure***

A new job grade and salary structure was to be developed on the basis of the outcome of the comprehensive job evaluation and re-grading exercise (JERG). While being simple and easy to administer, the new structure, was expected to improve incentives by providing increased pay differentials within grades as well as between them.

(b) ***To enhance salary and wages for qualified technical and professional cadres.***

A targeted public service salary structure that would attract, motivate and retain qualified technical and professional personnel was supposed to be adopted and implemented.

(c) ***To adopt a compensation structure where allowances do not feature prominently.***

The transparency of the compensation structure was to be improved by consolidating and/or eliminating some allowances found to be remunerative.

(d) ***To develop a special (core) professional and managerial cadre.***

In pursuit of the goal of professionalising the public service, a framework was to be developed for a special professional and managerial cadre, comprising highly qualified, highly tasked and well compensated technical and professional officers.

(e) ***To have a more equitable share of the wage bill between services group.***

The total Government wage bill was to be maintained at levels determined in the medium term expenditure framework and consistent with the macro-economic stability benchmarks. A framework for ensuring equitable share of the wage bill among the various public service institutions was to be defined and implemented.

(i) ***To sustain staff rationalisation and efficiency measures.***

This was to be accomplished through functional reviews and strategic planning, contracting-out and private-sector participation where appropriate, as well as adopting rigorous application of staffing norms in ministries and departments.

(f) ***To improve personnel control and information systems and practices.***

The public service was supposed to improve aspects of the personnel control and information systems to strengthen the management of the Public Service and enhance pay levels.

(g) ***To further evolve the performance management system, where:***

- (i) An objective and open staff appraisal system would continue to be used as the only basis for progressions and promotions;
- (ii) Distinctions would be made between good, fair and poor performers; and
- (iii) Increments and promotions to be based on merit.

(h) ***To rationalise donors' compensation for public service personnel.*** The main objective behind rationalizing donors' incentives was to develop a framework to:

- (i) Rationalise and harmonise arrangements among donors on the levels of compensation paid for personnel engaged in donor funded projects and programmes; and
- (ii) Achieve convergence to the donor incentives with the public service pay reform targets.

(i) ***To review and reform the public service pension system in order to:***

- (i) Make it more fiscally sustainable and affordable;
- (ii) Make it more attractive to public servants by enhancing their terminal benefits;
- (iii) Rationalise the benefits rate in light of the increased pensionable emoluments resulting from the consolidation of allowances into base salaries; and
- (iv) Improve its management and to ensure timely provision of benefits.

(j) ***To develop a framework of guidelines which would allow Executive Agencies and other (non-commercial) publicly funded institutions:***

To set boundaries to allow them autonomy in the determination of their own compensation system.

1.3.3 In addition to the above, the MTPP also proposed introduction of a performance-based compensation system to be implemented using the following measures:

- (a) Putting an end to automatic promotions and pay increases based on schemes of services for all categories of employees;
- (b) Issuing annual performance contracts to serve as basis for annual staff appraisals to all Government officers excluding operational service; and
- (c) Planning and implementing a pilot performance-related pay schemes for MDAs and public institutions.

1.4 Medium Term Pay Strategy

For the purpose of operationalising the Medium Term Pay Policy (MTPP), the Medium Term Pay Reform Strategy (MTPRS) was developed with the following major aspects:

- (a) *Job evaluation and re-grading (JERG):* Getting the job-grade structure right for the purpose of improving the links between pay and performance. Implementation of recommendations of the comprehensive JERG exercise was expected to result in improved pay for qualified professional and technical positions relative to others in the public service, as many of these positions were under-graded relative to other positions, as well as resulting in improved (perceived) fairness in the compensation as horizontal and vertical equity are enhanced.

- (b) *Medium-term pay targets:* The adoption of a medium-term target salary structure that would systematically enhance pay for all public servants, particularly those who were

disadvantaged following the consolidation/elimination of most of the allowances. Annual salary adjustment plans were proposed for achieving the medium-term pay targets.

(c) *Selective Accelerated Salary Enhancement (SASE)*: The SASE scheme was adopted. This scheme targeted salary enhancement to key professional, technical and managerial personnel whose efforts are critical to the improvement of service delivery, management of the reform efforts, and the production of strategic Government outputs.

CHAPTER 2

2.0 SITUATIONAL ANALYSIS

2.1 Salary enhancement

2.1.1 In the past ten years of pay reform efforts and MTPP (1999) implementation much has been achieved in terms of salary increases, rationalisation of salary and job grade structure, increasing transparency of compensation system, improving wage bill management, and implementation of the public service pension reform. In line with this, a target public service salary structure was adopted and implemented with the purpose of enhancing salaries of qualified professional, technical and professional cadres. Over the period of 2000/01 – 2007/08, for the majority of public servants pay targets were reached and to some extent exceeded. Generally, the average salary increased by 215.73 percent from shillings 74,183 in 2000/01 to shillings 234,224 in 2007/08.

2.1.2 In addition, effective implementation of the Job Evaluation and Re-grading exercise (2003) has facilitated rationalisation of salary and job grade structure by improving the link between pay and performance. Furthermore, the move towards a more integrated and unified job grade structure has increased transparency of the compensation system and wage bill management.

2.1.3 As part of efforts to improve remuneration in the public service, the Presidential Pay Commission was formed in 2006. The Commission was tasked with advising the Government on how to improve public service pay and other incentives. The Commission recommended among other things: revision of the MTPP; harmonisation of salaries across the public service; making salaries both internally and externally competitive; tying pay above the statutory minimum to the individual's efficiency and productivity instead of length of service; reviewing public sector salaries and other remunerations regularly informed by continuous research;

reducing the current number of remuneration management authorities to one; alleviation of staffing problems in some LGAs; and establishment of the Productivity and Remuneration Board.

2.2 Challenges for the Public Service Remuneration

2.2.1 Despite these efforts, pay levels in the public service especially of technical, professional and managerial groups are still low; the manifestation of which include *ad hoc* and piece-meal salary adjustments, intermittent industrial actions by some cadres, informal job grading for some cadres, re-emergence of allowances as a compensation factor, proliferation of workshops, payments of attendance fees and honoraria, and re-emergence of Project Implementation Units (PIUs). These manifestations have negative consequences for the management of the wage-bill and Government budget in general. Given this situation the government needs to address the following challenges:

(a) Ensuring competitive pay in the public service

Assessment of the implementation of MTPP and MTPRS conducted in 2008 indicated that pay increases for the past ten years have yet to arrive at a convergence between public service pay levels and those of its labour market comparators. This is because there remain a sizeable gap between public service pay levels and those of its comparators. A Comparative Salary Survey conducted in 2006 indicated that none of the salary groups in the public service received more than 49% of the average pay in the labour market for their comparators. The reason for this failure lay primarily in the growth of public service employment. Over the medium-term period, public service employment grew by 26.9 percent from about 262,800 in FY2000/01 to roughly 332,800 in FY07/08. The growth was primarily driven by the requirement of expanding access to social services so as to implement MKUKUTA and the MDGs. The employment situation needs re-examination as to what constitutes right size of the public service in the

Tanzanian context given the objects of the MKUKUTA and MDGs.

(b) Ensuring equal pay for equal value of work across the public service

The report on the success, limitations and challenges of Pay Reform efforts that was commissioned in 2006 indicated that, implementation of JERG exercise has a number of challenges. While efforts were made to ensure that jobs were correctly graded in the new salary structure in line with established job evaluation criteria, various job positions have been upgraded relative to other public service personnel outside the framework of an objective JERG exercise. Such approaches to salary enhancement run the risk of derailing the effort of systematic and comprehensive pay reform, giving rise to job grade and compensation distortions.

Nevertheless, the JERG exercise was conducted only in the Central and Local Government Authorities, and in some Executive Agencies leaving other public institutions to grade their job positions using traditional and irrational approaches. The absence of comprehensive JERG across the public service has led to compensation distortions in the public service. The Presidential Pay Commission (2006) recommended, among other things, ensuring equal pay for equal value of work across the public service. Currently, there is no framework or guidelines to assist Executive Agencies and other (non-commercial) public funded institutions to determine their own compensation structures.

(c) Increasing trend for allowances in the public service

When Government embarked on the pay reform process, a decision to consolidate non-incident allowances into basic salaries was made. On the basis of that decision, a new compensation structure was formulated where allowances did not feature prominently. However, in recent years, non-incident allowances that were once paid through payroll

and were consolidated into basic salaries, have begun to re-emerge and to be paid under Other Charges. The outcome of the study on possible scenarios for allowances in the public service (2008) indicated that, there was growth of allowances in the public service compensation system. The study showed that, over the medium term period, employment allowance (EAL) had increased rapidly in absolute terms and relative to other aspects of recurrent expenditures, including the wage bill. The study revealed that while EAL grew by nearly 373%, Other Charges grew by 261%, and the wage bill grew by 192%. The wage bill and EAL trends were contrary to the expectations projected under the MTPP and MTPRS.

(d) Towards total reward in the public service

Despite the fact that the MTPP and MTPRS recognised the importance of non-pay factors in improved work performance, no systematic approach was evolved to incorporate non-pay incentives into the operationalisation of the MTPP. Although there are several incentives that are provided for in the public service, they are in most cases monetary in nature and limited to a small number of beneficiaries.

According to the public service employee perception survey (2008), respondents ranked motivating factors involving both pay and non-pay. Three of the four top ranked factors were non-monetary in nature, showing the importance of non-monetary incentives in motivating employees. The factors ranked most frequently by the survey respondents were: Increased salaries (44 percent), increased working tools and budgets (20 percent), improved management (16 percent), more training (12 percent), increased allowances (5 percent), and improved pensions (3 percent). This calls for a widening the scope of coverage as well as developing other incentive packages.

(e) Mainstreaming Project Implementation Units (PIUs) into Government Structure

A study done in 2009 on mainstreaming PIUs into the Government structure indicated that, some PIUs have high direct and indirect costs. They tend to develop into parallel organizations in the institutions they are located and sometimes may dilute Government policy through their adherence to donor agendas. It was revealed that PIUs could create disharmony between their staff and Ministerial regular staff specifically those of the same professional and equivalent grades because of higher salaries provided to PIUs' staff. Consequently, the situation could lower staff morale in the public service. The study further revealed that the use of PIUs could result in eroding, rather than strengthening skills development and overall capacity in Government Ministries where such PIUs are located.

(f) Staffing problem in some LGAs

The study on staffing problems at LGAs conducted in 2005 revealed that, all LGAs to a varying degree, face recruitment and retention problems of technical, professional and senior staff. At least 23 LGAs were identified as having persistent and significant staffing problems. The results of the survey of staffing problems in underserved areas in Tanzania (2008) indicated that the major factors influencing staff attraction and retention in those areas are related to finance, amenities and governance. These include: lack of special incentives; lack of supplementary income opportunities; lack of suitable quality housing; lack of adequate access to health and education facilities; lack of adequate access to telephone and internet services; lack of adequate access to water and electricity; political interference; management and organization practices.

(g) Decentralisation, Human Resources Management (HRM) and accountability

The Government policy of Decentralisation by Devolution intends to achieve among other things decentralization of HRM. To date, much progress has been made in terms of HRM and accountability framework especially after the enactment of the Public Service Act, 2007, followed by the revision of the Public Service Management and Employment Policy in 2008. However, accountability remains as one of the challenges to be addressed before adopting comprehensive HRM decentralisation particularly payroll management. The recent HR and payroll audits show that the integrity of the payroll in MDAs and LGAs is still a challenge.

(h) Ensuring effective collective bargaining in the public service

Negotiations between Government and Public Servants on issues related to pay and staff welfare is currently governed by the Public Service Negotiation Machinery Act, 2003. Negotiations on welfare are carried out through special committees namely Joint Staff Council and the Master Workers' Council. Despite that in most cases the Government has not been able to meet all demands put forward by workers through their representatives in the councils, such mechanisms continue to be the basis upon which existing industrial harmony is built. The challenge is how to make such mechanisms more effective, **especially aligning workers demands to their levels of productivity on one hand, and to the entire economy on the other.**

(i) Improving productivity as a strategy to enhance pay

The necessary condition for enhancing pay is improved productivity. Improving productivity entails maximizing efficiency, effectiveness and maximum utilisation of human resource capacities. Currently, there has been a tendency among different working groups to demand higher salaries without considering improved performance and productivity. Government needs to ensure a sustainable win-win situation

in which a rise in wages and salaries motivates workers to increase performance and productivity to levels that more than offset the increased cost.

In summary government needs to:

- (i) Improve competitiveness of public service pay,
- (ii) Ensure equal pay for equal value of work across the public service,
- (iii) Increase trend for allowances in the public service,
- (iv) Move towards total reward in the public service,
- (v) Mainstream PIUs into the Government structure,
- (vi) Resolve staffing problems in some LGAs,
- (vii) Decentralize management of payroll and accountability,
- (viii) Ensure effective collective bargaining system in the public service, and
- (ix) Use improved productivity as basis for pay enhancement.

CHAPTER 3

3.0 RATIONALE, OBJECTIVE, AND SCOPE

3.1 RATIONALE

3.1.1 The capacity of Government to attract, recruit and retain staff is very pertinent to enhancement of performance and accountability in the public service. The MTPP (1999) and MTPRS (1999) adopted by the Government articulated clearly the need to systematically raise compensation for the core professional, technical and management personnel in the public service, which is recognised as a prerequisite for improving public service performance and delivery. However, pay enhancement falls short of expectation by public servants as there still remain a sizeable salary gap between private and public institutions.

3.1.2 In the absence of a systematic and comprehensive approach to adjusting pay in the public service, the Government has come under pressure from various cadres to adjust pay of selected cadres in isolation of other cadres. While such request may not be exorbitant, particularly given domestic and regional market considerations, care should be taken in adopting ad hoc and piecemeal approaches to pay adjustments. Such approaches to salary enhancement run the risk of derailing efforts for systematic and comprehensive pay reform, giving rise to job grade and compensation distortions.

3.1.3 Pay and incentive challenges facing the public service are quite critical, and call for urgent strategies which emphasise a harmonised and unified framework for determining pay and incentives while eradicating pay disparities across the entire public service.

3.1.4 Notwithstanding remarkable achievements of the MTPP and MTPRS, there are various outstanding and emerging challenges such as the competitiveness of the public service pay, disparities of pay, *ad hoc* approaches to adjusting public servants pay,

staffing problems in some LGAs, systematic approach to incorporate non-pay incentives into public service compensation structure, increasing trend of employment allowance, decentralisation, management of HR and accountability.

3.1.5 The MTPP and MTPRS that provided for guiding principles for remuneration in the public service between 1999 to date were not comprehensive enough to effectively address the current and emerging pay and incentive challenges. After all, they only covered Central and Local Government, leaving out other Government institutions, which draw their compensation from the Treasury.

3.1.6 This new pay and incentive policy is therefore intended to fill the gaps that the previous policy did not cover, and to address emerging pay and incentive challenges that have had significant adverse impact on creation of an effective and efficient public service.

3.1.7 Formulation of this policy takes into consideration the following:

- (i) The Public Service Management and Employment Policy as revised in 2008,
- (ii) The Public Service Negotiation Machinery Act, 2003,
- (iii) The Local Government Reform Policy (1998),
- (iv) The Public Service Act, 2002,
- (v) The Tanzania Development Vision 2025,
- (vi) National Strategy for Growth and Reduction of Poverty (NSGRP) of 2004,
- (vii) Millennium Development Goals (MDGs),
- (viii) Rural Development Strategy of 2001,
- (ix) The Public Service Reform Program Phase II, and
- (x) The Presidential Pay Commission Report (2006).

3.2 OBJECTIVES

The general objective of this Policy is to have a harmonised and unified framework for determining pay and incentives while eradicating pay disparities across the entire public service.

The Specific Objectives of the policy are:

- (i) To enhance the capacity of the public service to attract, retain and adequately motivate personnel with requisite skills.
- (ii) To rationalise and harmonise pay across public service institutions that draw compensation from the Treasury.
- (iii) To alleviate staffing problems in LGAs by ensuring equitable distribution of staff.
- (iv) To have a total reward regime in the public service.
- (v) To adopt a compensation structure where allowances do not feature prominently.
- (vi) To have effective accountability in HR management.
- (vii) To promote performance and productivity in public service.

3.3 SCOPE

3.3.1 In terms of administration, the public service is divided into several groups and each group has its own administrative legislation. These legislations include the Public Service Act, 2002, the Parliamentary Service Act, 1997, the Judicial Service Act, 2005, the Police Force and Prison Service Commission Act, 1990, the Judges (Remuneration and Terminal Benefits) Act, 2007, the Tanzania Intelligence and Security Service Act, Cap 406, the National Defence Act, and the Public Corporations Act, 1992. Nevertheless, the Public Service Management and Employment Policy (2008) recognises these groups as public servants. Furthermore, the practice is that remuneration of these groups is approved by the President based on the approved wage-bill ceiling.

3.3.2 Therefore, the scope of the policy is to provide a framework for pay and incentives to public servants in the Central Government, Local Government Authorities, Executive Agencies and all Public Institutions that draw personnel compensation from the Treasury.

CHAPTER 4

4.0 ISSUES, OBJECTIVES AND STATEMENTS

4.1 Issue: Competitiveness of the public service pay

Although the Government has made an achievement in enhancing salaries in the public service according to adopted pay targets, the increase did not result in convergence between public service pay levels and those of its labour market comparators. A sizeable gap still remains. The results of a comparative compensation survey (2006/07) show that none of the salary groups in the public service receives more than 49% of the average pay in the labour market for their comparators.

Objective: To create a conducive environment which will enable the public service to attract, retain and adequately motivate personnel with the requisite skills.

Policy Statements:

1. The Government shall strive to make public service pay better relative to the Labour market comparators, and to improve working conditions.
2. The Government shall ensure that all pay adjustments are consistent with the Medium Term Expenditure Framework (MTEF).

4.2 Issue: Equal pay for equal value of work across the public service.

Different public institutions may be functioning under different circumstances that require different conditions of service, as well as degrees of flexibility in setting their compensation structures. Nevertheless, efforts should be made to rationalise and harmonise pay in line with the principle of equal pay for equal value of work.

This is not the case currently, as there are a multitude of stand-alone remuneration bodies in the public service. For example, while PO-PSM caters for setting remuneration for Civil Service, Local Government Authorities and Executive Agencies, different regulatory authorities and

public enterprises' Boards of Directors, as well as many Projects Implementation Units (PIUs) determine their respective pay levels and structures. This has resulted in a lack of coordination that has created distortions in the public service pay structure, something that must be corrected. Apart from these institutions, remunerations for Parliament and the Judiciary are administered under the Parliamentary Commission and Judicial Service Commission respectively.

This has been happening despite the introduction of objective job evaluation and re-grading, which was carried out to rationalise job-grade structures, schemes of service to better relate pay and performance, and to improve equity within the core public service. Yet, major disparities and inequities in pay and incentives exist within many public institutions and between institutions that draw their remuneration from the Treasury.

Objective: To rationalise and harmonise pay across the public service institutions that draw compensation from the Treasury.

Policy statement:

The Government shall provide a framework of guidelines on a compensation system to Executive Agencies and other public institutions that draw employment compensation from the Treasury.

4.3 Issue: Management of Programs and Projects in the Government

Project Implementation Units (PIUs) compensate for weak institutional capacity and are regarded as the most practical mechanism for getting work done in donor programs/projects. They allow greater flexibility in hiring and providing staff incentives and ensure direct monitoring and accountability of funding agencies. Although, they enhance service delivery, PIUs are parallel organisations with vested interests and competing incentives. They, therefore, represent a contradiction between two development principles in that, while short-term efficiency gains can be realised, longer-term capacity of the Government to manage projects is impaired.

Objective: To integrate project management into Government Operations as the way to develop capacity building.

Policy statement:

The Government shall strengthen capacity of the public servants to manage programs and projects.

4.4 Issue: Service Delivery in LGAs

A major factor constraining the capability of LGAs to **improve service delivery, quality and accessibility** in line with the objectives of the MKUKUTA and MDGs is their limited capacity to attract, retain and adequately motivate qualified personnel. Furthermore, lack of such personnel and inappropriate skill mix may also impede the decentralisation process. Reasons for staffing problems in some LGAs are partly related to long-term rural development needs that they cannot address, and partly related to factors that cannot be alleviated in the short to medium term. While financial incentives will assist in alleviating capacity weaknesses to attract and retain staff, required interventions have to go far beyond this level.

Objective: To attract more staff to work in LGAs with staff problems to ensure equitable distribution.

Policy Statements:

1. The Government shall design and develop an appropriate incentive scheme to attract and retain staff allocated in underserved areas.
2. The Government shall improve the organisational environment and strengthen HRM in LGAs.

4.5 Issue: Systematic approach to incorporate non-pay incentives into public service compensation structure.

While pay is considered to be a major factor in motivating public service personnel towards improved work performance, the employment perception survey ranked three of the top four motivating factors to be non-financial incentives. The three factors are: improved working tools and budgets, improved management and more training. Therefore, even if enhanced pay is provided, it may not in itself be enough to encourage increasing performance among sections of the workforce.

The public service not only lack positive incentives for improved performance, but also adequate sanctions for correcting continuing poor performance, mismanagement and neglect of duties. Both adequate incentives and adequate sanctions, which are seen as fairly dispensed, are part and parcel of a well functioning reward system. Currently, there is no comprehensive and systematic framework of financial and non-financial incentive to effectively address the motivational problem in the public service.

Objective: To have a total reward regime in the public service to motivate public servants to improve performance.

Policy Statement:

The Government shall develop a total reward system in the public service.

4.6 Issue: Increasing trend of allowances

It has been observed that, while remunerative allowances paid through payroll were consolidated into basic salary, employment allowances paid through MDAs votes within OC budget have become major conduit for allowances drift.

Objective: To adopt a compensation structure where allowances do not feature prominently.

Policy Statements:

1. The Government shall minimise the use of non-duty facilitating employment allowance in the compensation of public servants in

order to sustain transparency and ensure the equity of the pay structure.

2. The Government shall budget expenditure by reducing remunerative allowances from OC budget.

4.7 Issue: Decentralising HR management and accountability

Decentralization of HR management including payroll is hampered by lack of accountability and effective checks and balance between institutions involved. This is further compounded by lack of accurate information as the basis for HR management and decision making.

In addition there have been inaccuracies, poor communication/flow of HR information, including payroll issues between Government institutions responsible for payroll management. This has resulted in a situation where, for example, serving public servants are excluded from the payroll while retirees are included. There have also been incidences where deductions from individual salaries were not reflected in salary slips, or there were mismatches between approved PE budgets submitted by LGAs and TT (Telegraphic Transfers).

Objective: To promote effective accountability in HR management for efficient use of wage bill resources.

Policy Statement:

The Government shall strengthen institutional HR capacity for management of HR both at the centre and at operational levels consistent with the policy decentralisation by devolution.

4.8 Issue: Promoting an effective Collective Bargaining System

Effective collective bargaining between Government and Public Servants is the basis of industrial harmony. However, experience suggests that public servants demand higher pay increases without due regard to increasing productivity not only of the public service, but also of the whole economy. The challenge is, therefore, how to align workers demands with their level of productivity bearing the two considerations in mind.

Objective: To promote productivity as the basis of collective bargaining in the public service.

Policy Statement:

The Government shall develop a framework for effective collective bargaining.

4.9 Issue: Promoting improved performance and productivity at the work place

Wages affect productivity by affecting workers “choice of work effort”. If workers perceive themselves as being underpaid, their commitment to being fully productive at the workplace will be diminished. However, salary enhancement is not the panacea for addressing issues related to inefficiency, indiscipline, low productivity, and lack of motivation. If increased pay is not accompanied by increased efforts to raise productivity and improve institutional mechanisms, pay increases may simply lead to increased labor costs. The result may be that higher pay leads to more government operations, with no improvements in service delivery, and a less affordable size of the government.

Unlike many developed and developing countries, Tanzania does not have a national productivity organization since the National Productivity Council Act was repealed in 2003. The National Productivity, Incomes and Price Policy promulgated in Government Paper No. 1 of 1981 has

not been reviewed to date. Productivity as a strategy for improvement of business competitiveness and economic growth is conspicuously absent from the official development management agenda.

Objective: To promote improved performance and productivity in public service.

Policy Statements:

1. The Government shall establish a Public Service Productivity and Remuneration Board.
2. The Government shall review the National Productivity, Incomes and Price Policy of 1981.
3. The Government shall strengthen the use of OPRAS to ensure linkage between pay and performance.

CHAPTER 5

5.0 THE LEGAL AND INSTITUTIONAL FRAMEWORK

5.1 Legal Framework

Implementation of this policy will entail harmonisation of different legal and regulatory frameworks and standards for compensation in the public service, which include, the Judges Remunerations Act, 2007, the Public Service Act, 2002, the Police Force and Prison Service Commission Act, 1990, Public Corporation Act, 1992 and all Acts governing different public institutions that draw their compensation from the Treasury in the form of subsidies.

Effective realization of this policy will depend on two main preconditions. Formulation of the implementation strategy and revision of various Acts, Laws and Regulations that give mandate to different authorities to develop different compensation structures for different public servants.

5.2 Institutional Arrangement

The objective of the Public Service Pay and incentive Policy will be achieved through active participation of different stakeholders, including: the President's Office, Public Service Management, Planning Commission, Ministry of Finance and Economic Affairs, Prime Minister's Office, Regional Administration and Local Governments, other MDAs and LGAs, and non-state actors. Together with these a Public Service Productivity and Remuneration Board (PSPRB) will be established. The role of these stakeholders will be:

5.2.1 President's Office, Public Service Management:

- (a) Develop Medium term pay targets in line with Labour market comparators.
- (b) Carry out comparative compensation surveys at regular intervals.
- (c) Review public service compensation relative to its labour market comparators.
- (d) Provide a framework of guidelines on compensation systems to Executive Agencies and other public institutions that draw employment compensation from the Treasury.

- (e) Ensure that the principle of equal pay for equal value of work is adhered to.
- (f) Establish objective criteria for weighing job content across the diverse organisations that comprise the broader public service based on the comprehensive JERG process.
- (g) Conduct JERG exercise across the public service.
- (h) Ensure consistence and systematic approach to adjusting salaries for public servants.
- (i) Design and develop an appropriate incentive scheme to assist LGAs in their efforts to overcome HR constraints to service provision, as well as managing the decentralisation process.
- (j) Strengthen HR and organisational management to assist supervisory and managerial personnel to effectively use financial and non-financial incentives to motivate staff towards higher levels of individual and organisational performance.
- (k) Rationalise the compensation structure and improve its transparency.
- (l) Rationalise the compensation structure through consolidation of remunerative allowances into the payroll.
- (m) Strengthen remuneration policy research, planning and evaluation.
- (n) Coordinate and monitor implementation of the Pay and Incentive Policy.

5.2.2 President's Office, Planning Commission

- (a) Develop key strategies to improve national productivity and competitiveness.
- (b) Ensure National Human Resource Development Strategy targets having are reached.

5.2.3 Prime Minister's Office, Regional Administration and Local Government

- (a) Improve organisational environment and strengthen HRM in LGAs.

5.2.4 Ministry of Finance and Economic Affairs:

- (a) Ensure that public service pay is systematically enhanced in an affordable and sustainable manner, while maintaining an appropriate balance between the public service wage bill and expenditures on operation and maintenance.
- (b) Ensure that all pay adjustments are consistent with the Medium Term Expenditure Framework (MTEF).
- (c) Develop measures to ensure that all public institutions drawing their personnel compensation from the Treasury undertake compensation adjustment within the budget cycle and are appropriately budgeted.
- (d) Ensure provision of funding for required incentives in LGAs.
- (e) Rationalise budget expenditure by reducing remunerative allowances from OC Budget.
- (f) Review the 1981 National Productivity, Incomes and Price Policy.

5.2.5 Public Service Productivity and Remuneration Board:

A Public Service Productivity and Remuneration Board (PSPRB) shall be established to monitor and harmonise compensation in public institutions that comprise the public service.

The PSPRB shall be based in President's Office. The Board shall be responsible for:

- (a) Rationalising and harmonising remuneration across all public service bodies that draw their personnel compensation from the Treasury; and
- (b) Reviewing proposals for improving productivity/performance across the broader public service to better link pay to performance.

In carrying out its responsibility the PSPRB should be guided by the following fundamental principles:

- (a) Promoting the capacity of the public service to attract, retain and adequately motivate personnel with the requisite skills for improved service delivery, quality and accessibility;

- (b) Promoting provision of equitable remuneration in the Public Service or any part thereof, taking into account:
 - (i) The nature and demands of respective responsibilities, functions and duties of public servants;
 - (ii) The nature and length of training which public servants require in order to perform their respective functions and duties;
 - (iii) Narrowing the gap in remuneration between persons in the private sector of equivalent grade or status and public servants; and
 - (iv) Promoting transparency, integrity and accountability in public life and in the public service.
- (c) Promoting improved performance and productivity at the work place as the basis for payment of remuneration in the Public Service.
- (d) Promoting understanding that any revision of remuneration, allowances and benefits in the Public Service is subject to:
 - (i) Performance of the national economy, in general, and to the cost of living and economic growth rate, in particular;
 - (ii) The need to enhance and maintain macro-economic stability in the country; and
 - (iii) Affordability and sustainability.

5.2.6 Other MDAs and LGAs

The role of other MDAs and LGAs shall be to adhere to the principles laid down in this policy.

5.2.7 Other Stakeholders

Trade Unions shall negotiate and advise Government on Public Service pay and incentives, in line with existing legislation.

CHAPTER 6

6.0 CONCLUSION

The principles that have been outlined in this policy provide a comprehensive framework for public service remuneration. In particular the policy seeks to:

- (a) Harmonise compensation structures across MDAs and PIs that draw their personnel compensation from the Treasury;
- (b) Narrow the gap in compensation packages between the public service and labour market comparators;
- (c) Provide adequate pay differentials to compensate for skills and ability, experience, performance and responsibility;
- (d) Attract, retain and motivate professional and qualified technical personnel in the Public Service;
- (e) Reduce the significance of employment allowances with remunerative elements in the recurrent expenditure budget to achieve rationality and transparency in the compensation system;
- (f) Alleviate staffing problems in underserved areas to improve service delivery, quality and accessibility for the most vulnerable segments of the population, with little or no alternative to publicly provided services; and
- (g) Decentralise payroll management and accountability, to align administrative and funding procedures and to recruit and retain social sector personnel in line with goals of equity.

Implementation of this policy will assist the Government in articulating and better achieving public service pay-reform objectives for the purpose of improving service delivery, quality and accessibility. The adoption of the Pay Policy will signal a major change in the pay and incentives regime consistent with a more holistic approach to enhancing the capacity to improve service delivery, quality and accessibility in line with the objectives of MKUKUTA and the MDGs.