

MINISTRY PAPER NO. 58

... The attached paper sets out in detail information on the wages guidelines for the private sector and commercially operated public enterprises. It also sets out for ease of reference the guidelines as announced by the Prime Minister on 8th October, 1975.

The Appendix contains the All Items Consumer Price Indices for 1970-1975. This puts the data for 1970-1974 on the same basis as the new index which the Department of Statistics has been publishing since January 1975. These indices should now be regarded as the authoritative measurement of movements in the Consumer Price Index which should be used in conjunction with the guidelines.

A companion document entitled Consumer Price Indices, Percentage Movements 1970-1975, prepared by the Department of Statistics, will be published shortly.

DAVID H. COORE
Deputy Prime Minister and
Minister of Finance,
25th November, 1975.

WAGES GUIDELINES FOR THE PRIVATE SECTOR
AND COMMERCIALY OPERATED PUBLIC ENTERPRISES

On the 8th October, 1975, the Prime Minister set out guidelines as follows for agreements which expire after the 1st September, 1975 :-

- "(A) For workers earning up to \$7,000 per annum -
- (1) The purchasing power of the workers' wages will be restored to the level ruling at the end of the contract that expired immediately prior to the 30th June, 1973. This will be done by an adjustment to his wage equal to the difference between the actual increases received and the movement in the Consumer Price Index.
 - (2) The worker will be adequately compensated for any deterioration in the purchasing power of his wage during the six-month period of further dialogue. This will be done on the same basis as in (1), namely by adjusting his wage by the difference between the Interim settlement and the movement in the Consumer Price Index. Any adjustments forthcoming would be after the six-month review. Firms entering into collective bargaining with trade unions during this interim period will only be allowed to include in requests for changes in prices an amount equal to the change in their unit costs of operations which comes about because of wage adjustments given under this guideline.

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(3) Workers and employers will be free to bargain for additional wage increases arising from increases in productivity or profitability, subject to the condition that any such wage increase will not be allowed as a ground for a price increase. Where a one or two year settlement arises out of such bargaining, no further adjustment in the wage will be allowed at the end of the six-month period of dialogue.

(4) In wage bargaining during the interim period in the manner which I have just described, I am begging the trade unions and the employers to bear in mind the relative deprivation of the lower paid workers. I am pleading with them to, wherever possible, bias the wage increases negotiated in favour of such lower paid workers. I ask them to be reminded of what I said in this Honourable House on the 28th of August. These straight percentage increase method of pay discriminates against the poor workers and contributes to the gross inequality in incomes which this Government is committed to reverse.

(B) For workers earning more than \$7,000 per annum and up to \$12,000 per annum, they will be eligible for an increase no greater than the highest individual increase earned by the group under \$7,000.

- (C) For those workers earning between \$12,000 and \$16,000, they will be eligible for an increase equivalent to no greater than half that of the highest individual increase earned by the group under \$7,000.
- (D) For those over \$16,000, salaries and other emoluments will be frozen.

The guidelines established will apply equally to non-unionized employees in all occupations other than Government for which the guidelines will be given below.

Employers must, therefore know that whenever negotiations begin on a wages contract during this interim period, the commodities which they produce or sell will be placed on the 'B' list in order to activate the labour cost clause of the prices guidelines. "

DETAILED INTERPRETATION

(i) Subject to (v) below, the guidelines apply to contracts which fall due for re-negotiation between 1st September, 1975 and 31st March, 1976.

(ii) In order to make the adjustment for any deterioration in the purchasing power of the worker's wage, the formula in paragraph (A) (1) of the Prime Minister's statement requires that the contract made immediately prior to the 30th June, 1973 and the contract made after June, 1973, be examined to determine the percentage increase in money wages over the life of both contracts. These are then compared with the movement in the Consumer Price Index

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over the same period and an adjustment made in the worker's favour if the movement in the Consumer Price Index exceeded the movement in wage rates. No adjustment is to be made if the increase in the wage exceeds the increase in the Consumer Price Index.

Example (a)

As an example, consider a hypothetical group of workers whose negotiations over the last contract and the existing contract yielded the following increases, with the wage at 1st October, 1971 in index number form being 100.

<u>Duration of Contract</u>	<u>% Increases</u>	<u>Wage Index</u>
		100
1/10/71 - 30/9/73	15% in first year	115
	10% in second year	126.5
1/10/73 - 30/9/75	40%	177.1.

The overall percentage increase in the wage is 77.1%. Over the same period the percentage increase in the Consumer Price Index was 85.3%. Therefore the workers are due an increase of 8.2% on this ground.

Example (b)

<u>Duration of Contract</u>	<u>% Increases</u>	<u>Wage Index</u>
		100
1/10/71 - 1/9/73	20% in first year	120
1/10/73 - 30/9/75	30% in first year	156
	10% in second year	171.

The overall cumulative percentage increase in the wage is 71.6%. The percentage increase in the Consumer Price Index being 85.3%, the workers are due an increase of 13.7%.

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Example (c)

<u>Duration of Contract</u>	<u>% Increases</u>	<u>Wage Index</u>
		100
1/10/71 - 30/9/73	15% in first year	115
	10% in second year	126.5
1/10/73 - 30/9/75	50% in first year	189.75
	10% in second year	208.7.

In this example, the increase in the wage exceeds the increase in the Consumer Price Index. Therefore no adjustment is necessary in either direction to restore the purchasing power of the workers' wages.

(iii) In each establishment, the formula in (ii) is to be applied to determine any 'catch up' in the wage on cost of living grounds which is to be given to workers earning between \$7,000 and \$16,000.

Moreover, the same time frame must be used for these workers as well. Thus in the examples in (ii), the time frame for tracing out increases in the wage against increases in the Consumer Price Index would be 1/10/71 - 1/9/75. After this is done, and if any group of these workers is found to be in deficit, the adjustment in the wage is made subject to the conditions in paragraphs (B) and (C) in the Prime Minister's statement.

For example, suppose that in the enterprise in Example (a) in (ii) above wages ranged from \$1,000 to \$7,000 for workers earning up to \$7,000 per annum. Suppose that each worker was given an 8.2% increase to keep the purchasing power of the wage constant. Then the highest monetary increase which would go to the workers earning

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up to \$7,000 per annum would be \$574. Workers earning between \$7,000 and \$12,000 would then be eligible for an increase no greater than \$574 if they were found to be in deficit. Similarly workers earning between \$12,000 and \$16,000 would be entitled to an increase no greater than \$287.

(iv) The following additional points also apply.

- (a) In calculating increases in pay since the last increase prior to 30th June, 1973, ordinary increments where they are granted are to be included. Thus if a group of individuals entered a grade on 30th September, 1971, they would normally have received five increments. These must be taken into account in the calculations. If however some of these individuals had received one or two merit increments, these would not be taken into account in doing the calculations in order to arrive at the adjustment.
- (b) Additional merit awards must not however be given during the six-month interim period beginning 1st September, 1975.
- (c) Workers are entitled to receive normal increments due in the six-month period beginning 1st September, 1975. However the value of such increments must be taken into account in calculating any increase due under the adjustment designed to restore the purchasing power of the wage as in A(1) of the Prime Minister's statement.

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(d) For the purpose of these interim guidelines, pay means straight time pay but also includes the money value of allowances such as housing allowance, etc. Allowances which are designed to reimburse actual expenditure in the performance of duty such as travelling allowances should not be taken into account.

(e) What is said in (a), (b), (c) and (d) above implies that the increase in the wage to restore its purchasing power takes into account movements in individuals within a salary scale through increments, as well as movements in the scales themselves.

(v) In cases where no contract or understanding concerning duration of contract exists, increases allowed in the interim six-month period beginning 1st September, 1975 must follow the principle of wage adjustment designed to restore the purchasing power of the wage as set out above.

(vi) The principle of adjustment for any deterioration in the real wage of the worker after the interim settlement and at the end of the six-month period of dialogue is stated in paragraph (A) (2) of the Prime Minister's statement.

Such adjustment will only be made after the period ending 31st March, 1976 when workers who did not make a one or two year settlement come to bargain under the guidelines which will then be announced.

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- (vii) (a) Paragraph (A)(3) of the Prime Minister's statement sets out the conditions under which bargaining in private sector enterprises will be allowed to take place on the basis of productivity and profitability. Such increases are subject to the condition that any such wage increase will not be allowed as a ground for a price increase.
- (b) Where such increases are awarded whether for the interim six-month period or for a one or two year contract, they should be biased in favour of the lower paid workers in each income category, namely up to \$7,000, between \$7,000 and \$12,000 and between \$12,000 and \$16,000.
- (c) In cases where no contract or understanding concerning duration of contract exists, if increases are given on grounds of profitability or productivity, such increases must be for at least a one year period from 1st September, 1975. Moreover, such increases should also be biased in favour of the lower paid workers.

Adjustment of Prices

(viii) Price increases will be permitted by the Prices Commission to meet interim settlement based on the "restoring purchasing power" principle of the interim guidelines. For example, if as a result of this principle the wage bill increases by 10% in an enterprise and labour costs are 40% of total costs, then the price increase that will be allowed on the product or range of products produced by the enterprise will not exceed 4%.

ALL ITEMS INDICES 1970 - 1975

APPENDIX I

1970

Period	All Jamaica	Kingston Metropolitan Area	Other Towns	Rural Areas
January	53.2	52.2	54.3	53.4
February	54.1	53.6	54.9	53.9
March	54.4	53.9	55.2	54.3
April	54.7	54.3	55.5	54.5
May	55.5	54.7	56.7	55.3
June	55.8	54.9	56.8	56.2
July	56.6	55.7	57.4	57.1
August	56.6	55.5	57.6	57.1
September	56.8	55.9	57.6	57.2
October	56.9	56.5	57.0	57.3
November	57.0	56.2	58.1	57.2
December	56.6	55.2	58.1	57.3

ALL ITEMS INDICES 1970 - 1975

APPENDIX II

1971

Period	All Jamaica	Kingston Metropolitan Area	Other Towns	Rural Areas
January	56.9	56.7	57.6	56.5
February	57.1	57.1	57.6	57.7
March	57.4	57.4	57.9	56.9
April	57.4	57.4	57.6	57.1
May	57.8	57.7	58.4	57.4
June	58.3	58.3	58.7	57.9
July	58.9	58.8	59.2	58.6
August	59.0	59.1	59.2	58.7
September	59.3	59.7	59.3	58.6
October	59.5	59.7	59.4	59.1
November	59.1	59.1	59.6	59.0
December	59.0	58.7	59.5	58.9

ALL ITEMS INDICES 1970 - 1975

APPENDIX III

1972

Period	All Jamaica	Kingston Metropolitan Area	Other Towns	Rural Areas
January	58.5	57.6	59.7	58.7
February	59.0	58.3	60.0	59.1
March	58.9	58.6	59.9	58.2
April	59.1	58.9	59.9	58.6
May	59.6	59.0	60.6	59.4
June	59.9	59.5	60.7	59.5
July	61.0	60.4	62.0	60.9
August	61.4	60.6	62.7	61.4
September	61.9	61.4	62.8	61.7
October	62.3	61.7	63.3	62.1
November	62.7	62.2	63.6	62.6
December	63.1	62.5	64.0	63.0

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Period	All Jamaica	Kings on Metropolitan Areas	Other Towns	Rural Areas
January	63.8	63.4	64.4	63.7
February	64.6	64.1	65.3	64.7
March	65.5	65.9	65.5	64.9
April	68.8	68.9	69.1	68.1
May	68.2	67.7	69.1	68.1
June	69.8	69.5	70.3	69.8
July	71.5	71.4	71.3	71.5
August	74.1	74.1	74.0	74.1
September	76.0	75.7	76.2	75.3
October	76.5	76.7	76.6	76.2
November	77.7	77.5	77.8	77.9
December	80.0	79.8	80.1	80.1

ALL ITEMS INDICES 1970 - 19751974

Period	All Jamaica	Kingston Metropolitan Area	Other Towns	Rural Areas
January	81.9	82.7	81.1	81.5
February	83.3	84.1	83.0	82.8
March	86.0	86.8	85.4	85.3
April	87.4	88.3	86.8	86.6
May	88.7	88.7	88.7	86.6
June	91.4	91.4	91.3	91.7
July	92.5	92.4	92.2	93.1
August	93.7	93.1	93.6	94.7
September	95.1	93.4	96.1	96.8
October	96.7	95.5	97.7	97.6
November	96.7	96.3	97.5	96.5
December	96.6	96.1	98.1	95.6

ALL ITEMS INDICES 1970 - 1975

1975

Period	All Jamaica	Kingston Metropolitan Area	Other Towns	Rural Areas
January	100.0	100.0	100.0	100.0
February	100.9	100.4	101.6	101.1
March	101.7	101.0	102.5	102.0
April	103.6	103.4	103.6	104.0
May	104.9	104.5	105.2	105.3
June	105.8	104.6	106.8	106.7
July	108.6	107.2	109.1	110.5
August	109.3	107.6	109.7	111.8
September	109.9			