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PUBLIC SECTOR SALARIES POLICY IN AFRICA
AND THE NEAR EAST: THE UK CONNECTION

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Introduction

This is a report on part of a comparative research project, involving eight countries in all, funded by the International Development Research Centre. The research was carried out by Martin Godfrey (who also acted as overall project coordinator) and Paul Bennell between November 1977 and September 1979. Our thanks are due to IDRC for funding the project; to IDS for housing the project and providing us with back up; to our colleagues on the project and in IDS for comments and discussion over a long period; to those in Britain, the USA and Ghana who provided us with information; and, finally and particularly, to Louise Gerber, project secretary for eighteen months.

The essence of the project as a whole is contained in the original joint research proposal drawn up by researchers from Ghana, Kenya, Morocco, Nigeria, the Sudan and the UK at a meeting in IDS in March - April 1976 and slightly modified at a further meeting in Nairobi in September 1976 which also included researchers from Egypt, Tanzania and Zambia*. The relevant part of that proposal is as follows:

Why Public-Sector Salaries?

The proposal to study 'factors affecting public-sector salaries policy in an open economy' arises from our interest in the general question of income distribution in developing economies. This has come to the fore in recent years as dissatisfaction with growth in gross domestic product as the overriding national objective has found expression in national plans and international reports which emphasise the goals of employment promotion, eradication of poverty and redistribution of income and wealth.**

* All the countries represented at these two meetings apart from Zambia eventually participated in the project.

** eg the reports of the ILO World Employment Programme (ILO, 1970, 1971, 1972,); and the IBRD/IDS study on redistribution with growth (Chenery et al 1974).

There are two ways of studying income distribution. One is to attempt a comprehensive investigation of all factors affecting the distribution of all types of income. The other is to select the determination of a particular type of income for study in depth. After some thought we have decided on the second approach, because in our view priority in this field should now be given to fairly detailed empirical work and because we lack the resources to do such work over the whole field of income distribution. This does not mean, however, that we take a narrow view of the determination of the particular type of income that we have selected. Although detailed empirical work will inevitably be limited, we aim, as will emerge, to set our study within a wide-ranging analytical framework, enabling us to take account of interactions between a large number of variables.

One reason for selecting top salaries for particular attention is that they have been curiously neglected as a subject for empirical research. Many writers have pointed to the anomaly of the persistent differential between the highly-paid salariat and the remainder of the population in poor countries and have hypothesised about its causes* but little empirical work has been done on the matter**.

This neglect seems unjustified in the light of the importance, particularly in the emerging political economy of many African countries, of the salariat and of the rewards that it receives. The importance of this group is much greater than would be implied by a mere measurement of its numerical size or of the total top salaries bill. From the economic point of view the persistence of high salary levels and differentials (and the use of educational qualifications as criteria for recruitment to the salariat) encourage the

* eg Dumont (1966), Seers (1970), Godfrey (1975).

** The work of Knight (1967, 1968, 1971) is one of the few examples.

pursuit of schooling to as high a level as possible, with the result of an explosive expansion in educational enrolment at all levels and a high rate of rural-urban migration. On the demand side, high salaries and the associated 'stretched out' salary structure limit the rate at which the educated can be absorbed into employment. The result is excess supply of educated labour at all levels, increasingly affecting even university graduates, and the diversion of the economy's surplus from capital accumulation to (arguably irrelevant) schooling.

Public-sector salaries are of particular interest because of the heavy weight of the public sector in the economies that we are concerned with, both as employer and as component of national income and expenditure. Other things being equal, if public-sector salaries were lower and the structure therefore more compressed, more economic surplus would be available to the state for productive investment, with beneficial implications for output and employment. And the fact that decisions in this area are made by the state makes the research potentially more useful.

From the socio-cultural-political point of view the suggestion of interest is that the salariat represents an emerging sub-class separate in several important respects (income, consumption pattern, lifestyle, ideology, etc) from the remainder of the population. It is worth noting the view of Latin American social scientists (Sunkel and Fuenzalida, 1974) that a community has emerged which 'incarnates transnational capitalism and (is)... integrated at the worldwide level, in spite of the fact that its members live in geographically separate territories' and the questions it raises, among many others, of whether such a community can be partly identified by the level of its rewards and of how that level is determined. The emergence of such a group and the indirect effects on other groups in society have an obvious impact on patterns of consumption and structure of production.

The Hypothesis

The obvious starting-point for an examination of salary differentials in African public-sectors is the historical legacy of the salary scales and the administrative structures and practices of the former colonial powers. Indeed this historical legacy is more than a mere starting point since it has powerfully shaped subsequent responses to problems of income distribution. This is one point at which the importance of the inclusion of the UK in our sample of countries becomes apparent. The questions for investigation are: How successful have public-sector salary-earners been in maintaining differentials? And what are the reasons for the varying degrees of 'success' in different countries?

It goes without saying that the determination of public-sector salaries does not take place in a perfect market. Indeed the range of institutional factors involved is formidable. This applies equally to attempts to explain salary levels as to attempts to explain the magnitude of differentials. This study is intended to cover both levels and differentials. Decisions about changes in the inherited administrative structures and associated salary scales are likely to be made or heavily influenced by those who will be affected by such changes. The power of a bureaucratic elite to influence the level of its own rewards and the size of differentials may be exerted in several ways - through its trade union or association, through its control over the mechanism of decision-making, through its encouragement of an inegalitarian ideology, through its influence on the political decision-makers, etc. The power of this elite in relation to other groups affecting government decisions, the nature of the prevailing ideology, the strength of the relevant trade unions, the nature of the mechanism of decision-making on these issues - all these and other 'non-market' forces are central to an explanation of the rate and pattern of change in public sector salaries and in differentials and will be brought into our analysis.

In so far as market factors* are important in the constraints that they set on the process of top salary determination, we argue that they are factors relating primarily to the international rather than to the local market in professional and managerial skills. If the premium earned by top (ie graduate-entry and above) civil servants over unskilled workers, initially in many countries a relic of colonial experience, were, as some have argued, primarily a scarcity rent, then one would expect it to be gradually competed away as the supply of graduate** manpower increases relative to demand. Our hypothesis is that the extent to which the premium responds to changes in the local demand and supply situation depends crucially on the extent to which the local market in skills is insulated from or integrated with the international market. This hypothesis has several elements.

- a) If the local education and training system is such that those who emerge from its apex have acquired, to a varying degree, internationally negotiable qualifications, even though few categories (eg perhaps doctors, dentists, engineers, some academics) make use of their international mobility, all benefit financially from having acquired it, through the working of the principle of comparability. The suggestion is that the international mobility of a few supports the level of rewards of all who can plausibly claim comparability on the grounds of similar initial qualifications and periods of training. This does not, of course imply international equalisation of professional salaries - merely that international differentials are smaller for the mobile and quasi-mobile than for the relatively immobile categories (eg unskilled labour). The UK is in an

* We recognise that the distinction between market and non-market factors is in practice usually blurred. For instance trade unions and professional associations often operate by restricting entry and thus rigging the market in their favour. And we argue below that the use made of the international market may be ideological rather than economic.

** ie graduate and graduate-equivalent professionals.

interesting intermediate position in this process, in that it both imports and exports migrant professionals - from developing countries including Africa, and to North America, Australasia and Europe - and thus both transmits and receives these disequalising influences.

- b) Another aspect of international mobility is the availability to public-sector salary-earners of overseas posts in international organisations paid at international rates. This is somewhat separate from the previous point since mobility of this kind is not necessarily dependent on the possession of internationally negotiable qualifications.
- c) Multinational corporations (MNCs) represent another aspect of transnational integration of the salariat. The impact of MNCs on public sector salaries will depend on what procedure foreign companies follow in setting their salaries. There are at least three possibilities:
- i) MNCs may follow a policy of paying just what is necessary to bid away the required talent from the public sector.
 - ii) MNCs may pay an international rate for the job to a large extent regardless of local circumstances.
 - iii) MNCs may find themselves, perhaps under pressure of indigenisation policy, competing with each other for scarce managerial manpower.

While (i) may once have been the case, current salaries etc offered by MNCs can only be explained in terms of (ii) or (iii), and the possibility that (ii) may represent an emergent trend is at least worth investigating. Again the UK is in an interesting intermediate position in our analysis, in that it is both the site of the head offices of several important MNCs (operating particularly in Africa) and the host to many MNC subsidiaries (particularly from the US) - and thus again is both a transmitter and receiver of disequalising influences.

- d) Locally-based offices of international organisations (such as the United Nations and the World Bank) and of regional organisations (such as the European Economic Community and the East African Community) and local posts funded under technical assistance schemes may have a similar impact on public sector salaries.
- e) The public sector includes the central civil service, local government and state corporations. Within the private sector we must allow a place in the process of salary determination to the larger locally-owned firms. If, as we hypothesise, the MNCs have become the pace-setters in this process then it may be that public enterprise and the larger local firms are in an intermediate position between MNCs and civil service. These are questions for investigation.
- f) In many countries a local market for private professional services also offers a lucrative alternative to public sector employment. The high incomes available in private practice have something to do with the international negotiability of professional qualifications and with the presence of a number of multinational professional firms but also with the combination of a sizeable number of people and firms able to pay for such services at international rates and a limited number of practitioners. They are, therefore, we hypothesise, in the nature of a feedback mechanism, since they both derive from the market provided by and support the high incomes of the state salariat.

We are not intending to argue that the international market factors to which we are drawing attention operate as impersonal forces. They may be more in the nature of convenient weapons of mystifying ideology for use by the privileged and powerful to protect their position. We

would at least suggest, however, that any government which wants to achieve a drastic reduction in salary differentials is likely to run into powerful contradictions arising from these international factors and from the use that can be made of them.

Within the overall project the UK team was allotted a specific responsibility. In fact, a separate research proposal was submitted to IDRC of which the following is an extract:

The obvious starting point for an examination of salary differentials in African public sectors is the historical legacy of the salary scales and the administrative structures and practices of the former colonial powers. Several questions arise here. To begin with, how large were salary differentials in the British and French civil services in the early 20th century? How did these salaries relate to those paid to British and French civil servants working in their countries' colonies? What was the pre-independence salary structure in the colonial civil services and how far did the process of transfer of power and indigenisation involve any change in structure? What is the nature of the inherited administrative structure in each country and was it changed in any way (eg steepness of pyramid; number of steps, grades, degree of centralisation, etc) at the time of independence? In the case of the ex-British colonies in our sample, a large part of the information needed to answer such questions would be obtainable in London and it would be the UK researchers' responsibility to collect such information in liaison with other team members and to disseminate it.

The other main task of the UK research team would be to assess the extent to which more recent influences emanating from the UK have affected public-sector salary levels and structures in the African countries in our sample.

There are many UK-owned MNCs operating in these countries (eg BP, BAT, ICI, Imperial Tobacco, BLMC, Courtaulds, Dunlop, GKN, BICC, RTZ, Bowater, Plessey, Unilever, Lonrho). Subsidiaries would, of course, be covered by surveys in the countries concerned but these would be usefully supplemented by interviews in London head offices. Questions about their salaries policy in Africa to be investigated would include: Is there anything at all in the 'international cadre' hypothesis, that MNCs pay an international rate for a managerial job to a large extent regardless of local circumstances? Even if there is not, do these MNCs follow an active rather than a passive salaries policy vis-a-vis the public sector in the African countries in which they operate? Do they see themselves as behaving any differently in this respect from other (eg US-owned) MNCs?

The international mobility of African professionals is also something that can usefully be investigated at the UK end. To what extent do such professionals possess qualifications that are negotiable in the UK? How many actually come to work in the UK? How many come to the UK to acquire British postgraduate and professional qualifications? And how many of these stay on afterwards? Answers to these questions obtained in the UK would help to identify particularly mobile categories, leaving the questions of the effect of their mobility on domestic salary structure to be answered by research in each of the countries concerned.

In addition to the systematic survey work described so far, the UK researchers would also stand ready to obtain answers to specific questions sent in by team members as they arise and would be ready to help via contacts at MNC head offices to obtain access to subsidiaries for team members.

As will be seen, the UK team went beyond its terms of reference in some respects, in particular in extending the interviews with MNC headquarters to US companies in New York and in the work done in Ghana in January - April 1979 by Paul Bennell. However, the results of the team's work remain partial, to be complemented by the results of the work of other country teams. For this reason we have not tried to reach conclusions in this report and any hints at conclusions in the following chapters must be regarded as highly provisional. Each chapter, also, has been written to stand on its own rather than as part of a continuous narrative; this reflects the role played by the UK team of providing inputs into the main research which was being carried out in the countries themselves.

It soon emerged, in the course of our research, that the direct results of narrowing wage and salary differentials on the surplus available for productive investment by the state, while useful, would not be spectacular. Calculations based on Kenyan data for 1975 showed that substantial savings in government current expenditure would accrue only if quite unrealistic exercises, such as reducing all public sector salaries to office-messenger levels, were envisaged. This does not, of course, mean that concern about wide pay differentials is misplaced, merely that other reasons for such concern are more important. In particular, we would continue to emphasise the effect of wide and qualification-related differentials on the demand for and the pattern of schooling, and hence on the rate of rural-urban migration and on the proportion of the government budget that goes on schools; the complex class-formation effects, with a bureaucratic elite sometimes being regarded as an obstacle to progressive policies; the connected effect on the pattern of consumption and production and on the balance of payments; and the effect on the possibility of wage restraint. All of these effects have implications for accumulation and growth. In addition a more equal income distribution is, of course, a quite legitimate policy objective in its own right.

Our work on the historical legacy, as far as Ghana, Kenya and Nigeria are concerned (Chapter 1), suggests that the administrative structures and associated salary structures inherited from the colonial civil service have remained largely intact in all three countries. The British indulged in rhetoric about reducing differentials but their actual practice was to pay 'adequate' salaries to expatriate civil servants and to pay similar salaries to 'local persons who invaded the senior ranks of the service'.

During the independence period senior members of the bureaucracy in these three countries have managed to preserve and in some cases to improve on the privileged positions inherited from the colonial state (Chapter 2). In this process a particular salary commission was of key importance in each country: the Mills-Odoi commission of 1967 in Ghana; the Ndegwa commission of 1970-71 in Kenya; and the Udoji commission of 1972-74 in Nigeria. All three commissions introduced new grading systems but these are to be regarded as 'ideological smokescreens'. Income distribution within the civil service has shown some improvement in each case, but this reflects a 'short-term pragmatic response to crisis' (and the need therefore to raise unskilled wages) rather than a conscious attempt at fundamental reform of the wage and salary structure.

In all three countries the private sector has come to lead the way in the salary determination process. Indeed the rapid growth of private-sector salaries has posed problems for public sectors whose ability to match such increases is restricted by a declining tax base and a rising number of employees. A solution encouraged by Kenya's Ndegwa commission, and also widespread in Ghana, is for civil servants to 'straddle' (ie to earn secondary incomes in the private sector). So far only oil-rich Nigeria, by implementation of the Udoji report, has been able to eliminate salary differences between public and private sectors, and then only for a short time.

As for the impact of MNCs in this market, our interviews with headquarters of British companies (Chapters 4 and 5) suggest that our research proposal's hypothesised 'emergent trend' of MNCs paying an international rate for the job to their managers, to a large extent regardless of local circumstances, is a trend which is a long way from emerging among British companies in Africa. Not only do such companies profess no 'international cadre' philosophy but also they employ very few third-country nationals (TCNs) (and hence as yet very little upward pull on host-country national (HCN) salaries arises from this source). They are still mainly preoccupied with the replacement of parent-country nationals (PCNs) by HCNs and are at a much earlier stage in this process in Africa than are MNCs in, say, Brazil. All companies interviewed claimed to relate HCN salaries to local markets.

Interviews with US MNCs (Chapters 6 and 7) also suggested a trend towards localisation, but with a growing proportion of TCNs, perhaps being used in a transitional role, replacing PCN managers until enough HCN managers are available; the availability of local managers was stressed by companies as the key factor. An important point arising from these interviews is that companies do not need to use PCN managers as agents of central control since other mechanisms are available for this purpose.

US companies also deny any explicit aim to multinationalise their managerial cadre, but they do tend to pay increasing attention to the rational global deployment of their managers. The existence in such companies of a small cadre of mobile managers and their adoption of company-wide job evaluation methodologies are signs of the emergence of an international market in managerial skills (at least for expatriate managers). In particular, the growing popularity of the 'balance-sheet' method in setting salaries for US expatriates is a sign of a more systematic approach towards establishing an international salary structure.

And the move away, in the case of TCNs, from salaries based on their home-country or host-country levels to US-based salaries is 'an important step in the development of a unified salary structure among international assignees'.

As far as HCN managers are concerned, there is little doubt that US MNCs pay more than do local companies, but is this due to their multinationality/foreignness or to other factors such as size? All the US companies interviewed claimed (as had their British counterparts) to pay their HCNs according to local rather than international market conditions. But several try to pay above the median level and the extreme competition between MNCs adds to upward pressure on salaries. So income differentials between expatriates and HCNs have been tending to narrow, in spite of the absence of a conscious policy. Moreover, a small minority of companies saw the possibility of the emergence of a global salary structure, a direction in which increasing head-office control of company-wide salary structures also points.

In general, there does seem to be a detectable difference between British and US companies, with the latter more transnational in their orientation and employing more TCN managers. Neither are as yet adopting conscious global remuneration policies and even such pressures in that direction as we have identified are unlikely, at least in the near future, to include African subsidiaries. This is partly because of the relatively small size (in terms of both capital invested and employment) of the African operations of MNCs, which makes it difficult to integrate them into a global structure.

Nevertheless, as has already been stressed, MNCs do pay higher salaries to their local managers than do local companies. It is not entirely clear from our interviews whether this is because their oligopolistic control of local product markets enables them to pay more; or because

even a highly paid HCN is cheaper than a high-overhead expatriate; or because of the need to attract key influential figures from the public sector or to pay a 'loyalty premium'; or because of the job evaluation methodologies used. In any case the implication of our research proposal that managerial salaries will tend to be higher in an economy with MNCs than in an economy without MNCs still seems to stand. However, in an economy such as Nigeria's where an exceptionally fast rate of expansion in demand for local managers is combined with a slower rate of increase in supply, scarcity rents for local managers may emerge and be reflected in remuneration at higher than international rates.

The final aspect of the 'UK connection' that we looked at was the international market in professional skills (Chapters 10 to 13). Few countries covered by our project seem to be in a situation where emigration of professionals is high enough to affect their remuneration directly by causing a shortage at home. Only in Egypt and the Sudan (in relation to oil-producing countries) or in Ghana (in relation to Nigeria) may some professions be in this position.

Our research proposal hypothesised that in an administered local market, with a large proportion of professionals employed by the state, those with internationally negotiable qualifications use their mobility in negotiations with employers over remuneration. This could be characterised as an attempt to exact payment of all or part of the 'scarcity rent' that would result from actual emigration in return for refraining from emigrating and from inflicting the consequences of emigration on society. Testing this hypothesis would involve looking at professional associations' attempts to influence salary determination and to gauge how far their success was independent of the local demand and supply situation. Paul Bennell's survey of Ghanaian professional associations left him sceptical

about this effect in Ghana, but it may be more important in other countries. The survey showed the international connection to be important in another way, however. Chapter 13 documents the attempts of Ghanaian professional associations to raise or maintain the supply price of their profession's services by tying their job description and the nature and length of their training to international models, aided and abetted by British and Commonwealth professional associations.

As has been emphasised, it is not possible to talk of 'conclusions' from what is only part of a wider research project. Such conclusions must wait until all the results are in. Our work so far suggests that some of the hypotheses of our research proposal may not stand exactly as formulated there but that the international connection is still likely to be an important element in the process of salary determination.

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CHAPTER I: THE HISTORICAL LEGACY OF COLONIAL CIVIL SERVICE SALARY STRUCTURES IN ANGLOPHONE AFRICA: A CASE STUDY OF GHANA, KENYA AND NIGERIA.

SECTION I: PUBLIC SECTOR SALARIES STRUCTURE AND POLICIES.

CHAPTER 1: THE HISTORICAL LEGACY OF COLONIAL CIVIL SERVICE
SALARY STRUCTURES IN ANGLOPHONE AFRICA: A CASE
STUDY OF GHANA, KENYA AND NIGERIA.

The distribution of personal incomes in contemporary African societies is powerfully influenced by public sector salary and wage structures. Even in countries like Kenya which have openly pursued capitalist and hence pro-private sector development strategies, public sector employment accounts for over 40% of total employment in the modern sector. Where more statist, quasi-socialist strategies have been adopted (such as in Ghana and Tanzania), this percentage rises to over 70%. Clearly, then, any discussion of income distribution and the potential role of incomes policy hinges on an adequate understanding of the processes that determine remuneration in the public sector. And this in turn requires a comprehensive historical analysis of the specific political economy of each society, in particular, the process of class formation and the role of the State.

While the compartmentalisation of recent African history into colonial and post-colonial periods can be disputed on both theoretical and empirical grounds, nevertheless, the most useful starting point for our purposes is an examination of the significance of the historical legacy of the administrative structures and related remuneration philosophies and policies of former colonial powers. It has been found that while important changes do occur in the size of income differentials over relatively long time periods, the basic pattern of remuneration remains fundamentally unaltered. For example, Routh, in a detailed and comprehensive study of occupation and pay in Great Britain between 1906 and 1960 states that "The outstanding feature of the national pay structure is the rigidity of its relationships Thus (income) class relations were similar in 1935 to those of 1913 and, between managers, foremen, skilled, semi-skilled and unskilled manual workers, the structure was not so different in 1960 from what it had been in 1913".¹ Similarly, in the case of Anglophone Africa, the perpetuation of colonial class structures after Independence ensured that

the corresponding patterns of remuneration characteristic of the public sector during the colonial period remained largely in tact.

The discussion will be in four parts. The first will examine the main features of the colonial salary structures in Ghana, Nigeria and Kenya. The second section will then consider the policy objectives of various British governments concerning the kind of Civil Service salary structures they claimed that they want to be established during the period of transition to Independence. The third section will attempt to identify the actual changes which occurred in the pattern of remuneration, especially the extent of income inequality within each civil service during this period. In the final section an attempt will be made to identify the reasons for these changes and, more specifically, why they diverged from the official policy objectives.

1. The Salary Structure of the Colonial Civil Service.

The basic features of the salary structure of each colonial civil service can only really be properly understood by analysing the objectives of the British and in particular the way in which they managed to evolve a system of effective bureaucratic control over each African population. Clearly, once formal political control had been established, the colonial state sought in each case to subordinate the economic interests of the indigenous people to the needs of each metropolitan bourgeoisie. The history of the development of the colonial and neo-colonial economy is well-known and need not concern us here. What does need to be considered in greater detail is the consequences of the British pattern of colonial rule in relation to the type and quantity of the manpower inputs which were required and hence the type of salary structure which emerged.

From the very beginning, the British were determined that their African colonies should be administered as cheaply as possible and that they should, therefore, be largely self-financing. It has been argued that the colonial state was "overdeveloped",² given the need of the colonial powers to subjugate the entire

indigenous population, and yet, in terms of the amount of resources and, in particular, expensive British manpower which were committed to the administration of these colonies, the colonial state was, if anything, relatively underdeveloped. The British overcame this lack of resources by developing an administrative system which, because it relied on a particular form of "collaboration" with and incorporation of traditional political and social structures in order to achieve its overall goals, could be staffed by a tiny elite of British bureaucrats, the majority of whom were stationed in rural areas. This system of indirect rule placed great emphasis on the quality rather than the quantity of the administrators and professional people who were recruited in the UK since it was the responsibility of these men to ensure that Britain continued to realize its overall objectives at the least possible cost. The size of this all-important group of colonial bureaucrats is indicated in Table I which shows the annual number of successful recruits into the colonial service between 1921 - 1936. However, it should be pointed out that by no means all of these recruits were sent to Africa since the colonial office was also responsible for staffing the Straits Settlements and a number of other colonial possessions. It can be seen from Table I that the administrative, educational and medical professions were numerically preponderant. It is quite extraordinary that such a vast colonial Empire could be administered as efficiently as it was by such a tiny corps of British officials. The administrative branch, for example, formed the backbone of each colonial service and yet there were never more than 1500 administrative officials in anglophone Africa at the zenith of colonial rule in the mid-1930's.

The second important characteristic of each colonial civil service was the racial segregation of European and African officers into the Senior and Junior branches respectively. In East Africa, Asian civil servants were hived off into their own separate civil service and, as was the case with the Asian community in general, they formed an intermediary level between the European and African services.

During the early years of colonial rule in West Africa, educated Africans had not been discriminated against when they applied for higher civil service appointments and those Africans who

Table I

Summary of appointments made by the Colonial Office 1921-1936

Class of Appointment	1921	1922	1923	1924	1925	1926	1927	1928
Administrative* ...	90	18	67	72	85	103	101	153
Educational ...	43	39	30	43	46	76	64	74
Financial and Customs ...	21	4	12	9	10	20	18	19
Legal ...	10	3	8	11	12	7	16	14
Police ...	32	17	14	32	19	30	19	32
Medical ...	63	41	49	84	129	97	121	85
Agricultural ...	40	17	16	35	33	30	42	59
Veterinary ...	9	6	7	5	8	16	9	11
Forestry ...	25	3	10	20	16	13	11	11
Other Scientific Specialists (Biological, Analytical, etc.)	7	2	2	7	8	2	18	10
Survey and Geological ...	32	9	5	12	15	15	19	27
Other Appointments ...	13	14	12	22	25	15	22	12
	385	173	232	352	406	424	460	507
Agricultural Scholarships	—	—	—	—	16	17	15	20
Veterinary Scholarships	—	—	—	—	—	—	—	—

Class of Appointment	1929	1930	1931	1932	1933	1934	1935	1936
Administrative* ...	115	80	20	25	36	44	67	68
Educational ...	62	65	18	4	1	5	9	9
Financial and Customs ...	15	14	11	3	9	21	22	11
Legal ...	11	16	8	7	8	9	17	22
Police ...	33	26	16	2	5	10	14	9
Medical ...	107	77	35	12	22	31	48	53
Agricultural ...	42	40	34	4	9	23	14	16
Veterinary ...	11	6	3	—	3	3	5	5
Forestry ...	13	14	7	4	6†	3†	9†	6†
Other Scientific Specialists (Biological, Analytical, etc.)	6	8	1	4	4	1	4	7
Survey and Geological ...	17	9	3	—	2	3	7	9
Other Appointments ...	17	23	9	5	7	11	19	22
	449	378	165	70	112	164	235	237
Agricultural Scholarships	22	24	18	14	7	9	8	10
Veterinary Scholarships	—	9	8	4	2	3	3	4

displayed outstanding ability stood a good chance of reaching the most senior positions. However, with the triumph of the Imperial Movement under Chamberlain in the mid-1890's, the dogma of the racial superiority of the European became firmly established amongst the British "official classes".³ Henceforth, all positions in the senior service were the exclusive preserve of Europeans or, more accurately, all Europeans, whatever their occupation, were accorded senior status and hence they had to receive a level of income which was commensurate with such a position in the bureaucratic hierarchy.

The function of the Junior Service was to provide the manpower necessary to perform the routine tasks of each civil service. It was mainly composed of clerks, artisans and other lower technical personnel, native police and the relatively large number of "subordinate" positions such as messengers, caretakers, labourers, boat boys and a whole variety of other menial, unskill activities. The exclusion of African recruits from the Senior Service meant that the highest position which an African civil servant could hope to attain, however much education he might have received, was normally that of chief clerk or an equivalent position in the technical branch of the service. The African education system was designed to produce no more primary school graduates than were required by the civil service and, not surprisingly, therefore, it was ridiculed by the aspirant African educated elite as being little more than a "clerk producing system". The British discouraged the development of secondary and higher education since the existence of a large stratum of well-educated Africans was incompatible with the ideological and economic rationale of British colonialism. This neglect of education in general and of secondary and higher education in particular was another important aspect of the colonial legacy which had extremely adverse consequences for the process of Africanization and the reform of the civil service salary structure.

The compartmentalisation of the colonial civil service into Senior and Junior branches on the basis of race was of preeminent importance in determining the central features of the salary structure.

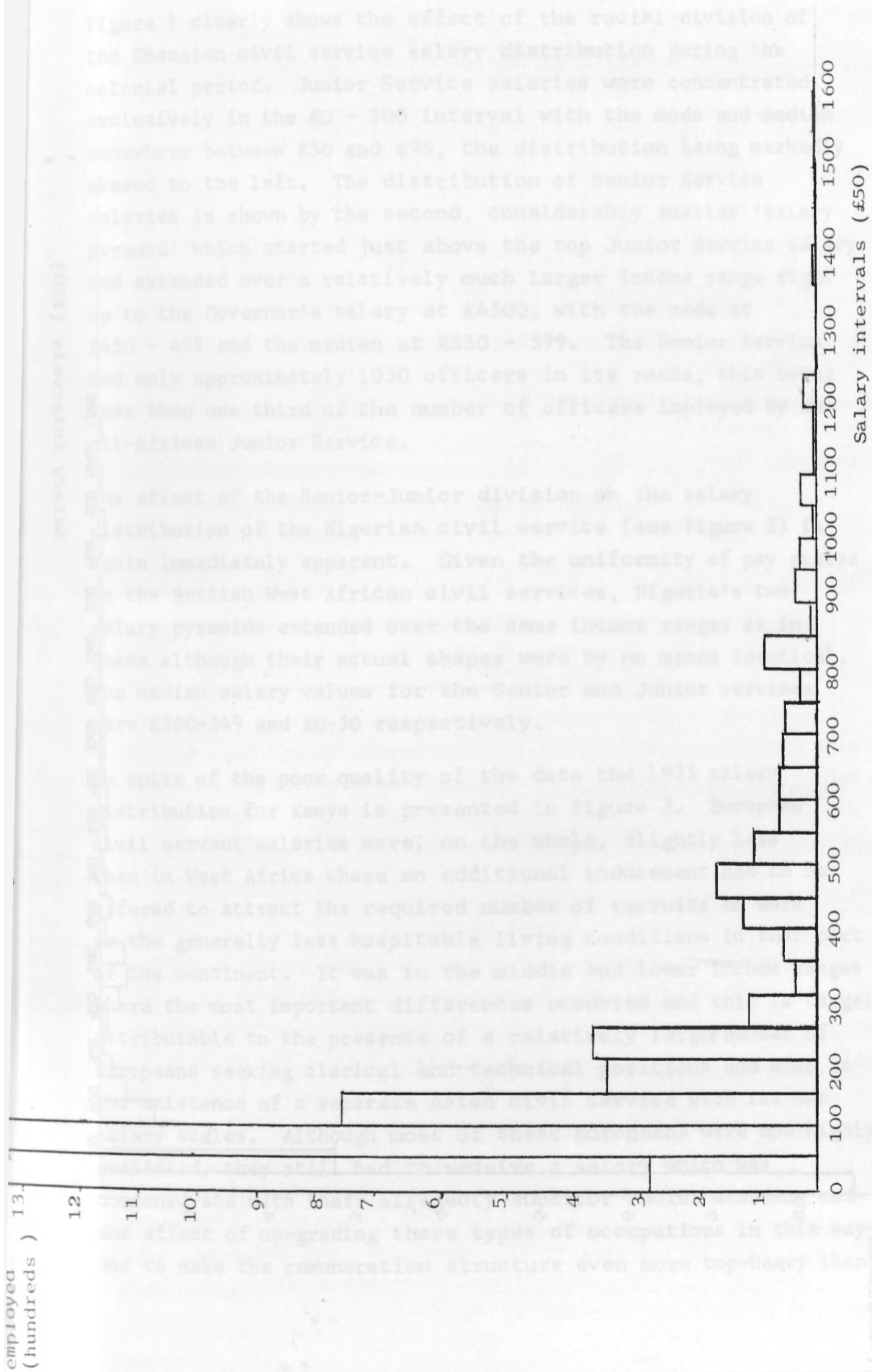


Figure 1 clearly shows the effect of the racial division of the Ghanaian civil service salary distribution during the colonial period. Junior Service salaries were concentrated exclusively in the £20 - 300 interval with the mode and median somewhere between £50 and £99, the distribution being markedly skewed to the left. The distribution of Senior Service salaries is shown by the second, considerably smaller 'salary pyramid' which started just above the top Junior Service and extended over a relatively much larger income range up to the Governor's salary at £4500, with the mode at £420 - 499 and the median at £350 - 399. The Senior Service had only approximately 1050 officers in its ranks, this is less than one third of the number of officers employed by the all-African Junior Service.

The effect of the Senior-Junior division on the salary distribution of the Nigerian civil service (see Figure 2) is again immediately apparent. Given the uniformity of pay in the British West African civil services, Nigeria's two salary pyramids extended over the same income ranges as those seen although their actual shapes were by no means identical. The median salary values for the Senior and Junior services were £300-349 and £0-50 respectively.

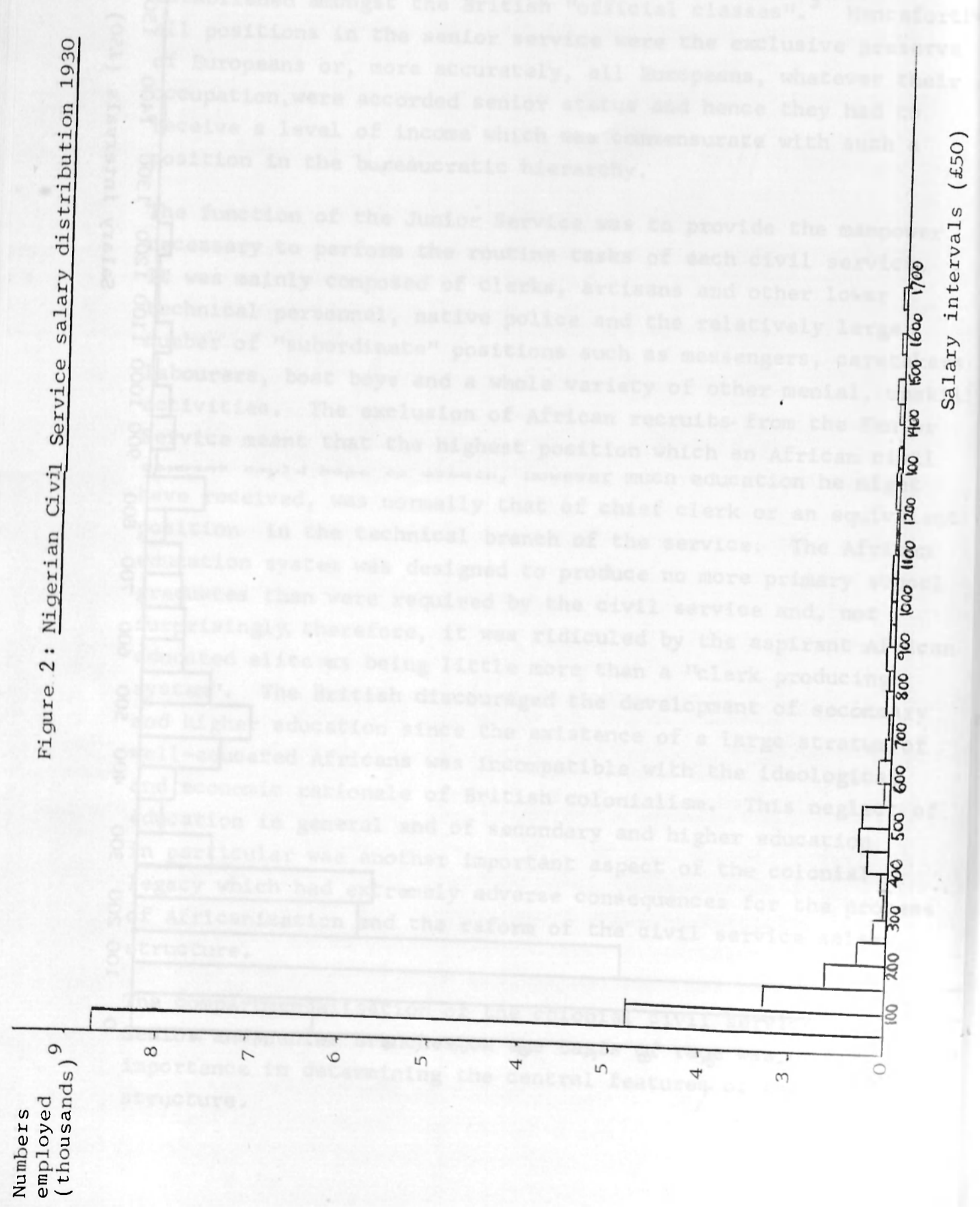
In spite of the poor quality of the data the 1955 salary distribution for Kenya is presented in Figure 3. Government civil servant salaries were, on the whole, slightly higher than in West Africa where an additional inducement was offered to attract the required number of recruits to the generally less hospitable living conditions in the continent. It was in the middle and lower ranges that the most important differences occurred and this was attributable to the presence of a relatively large number of Europeans seeking clerical and technical positions. The existence of a separate Asian civil service with its own salary scales. Although most of these employees were

the effect of up-grading these types of occupations in this way. It is to make the remuneration structure even more top-heavy than

Figure 1: Salary distribution of the Ghanaian civil service, 1955

(continued)

Figure 2: Nigerian Civil Service salary distribution 1930



Numbers employed (thousands)

Salary intervals (£50)

Figure 1 clearly shows the effect of the racial division of the Ghanaian civil service salary distribution during the colonial period. Junior Service salaries were concentrated exclusively in the £0 - 300 interval with the mode and median somewhere between £50 and £99, the distribution being markedly skewed to the left. The distribution of Senior Service salaries is shown by the second, considerably smaller 'salary pyramid' which started just above the top Junior Service salary and extended over a relatively much larger income range right up to the Governor's salary at £4500, with the mode at £450 - 499 and the median at £550 - 599. The Senior Service had only approximately 1050 officers in its ranks, this being less than one third of the number of officers employed by the all-African Junior Service.

The effect of the Senior-Junior division on the salary distribution of the Nigerian civil service (see Figure 2) is again immediately apparent. Given the uniformity of pay scales in the British West African civil services, Nigeria's two salary pyramids extended over the same income ranges as in Ghana although their actual shapes were by no means identical. The median salary values for the Senior and Junior services were £500-549 and £0-50 respectively.

In spite of the poor quality of the data the 1935 salary distribution for Kenya is presented in Figure 3. European civil servant salaries were, on the whole, slightly less than in West Africa where an additional inducement had to be offered to attract the required number of recruits to work in the generally less hospitable living conditions in that part of the continent. It was in the middle and lower income ranges where the most important differences occurred and this is largely attributable to the presence of a relatively larger number of Europeans seeking clerical and technical positions and also to the existence of a separate Asian civil service with its own salary scales. Although most of these Europeans were not highly qualified, they still had to receive a salary which was commensurate with their allegedly superior racial standing and the effect of up-grading these types of occupations in this way was to make the remuneration structure even more top-heavy than

in colonies such as Ghana and Nigeria where these positions were filled by Africans who received considerably smaller salaries. Asians dominated the lower clerical and technical positions and they too received considerably higher salaries than would have prevailed had Africans been given the opportunity to take on these jobs. The extent of this discrimination against Africans can be gauged by comparing the salaries received by clerical officers in each of the three separate civil services. In 1937, these were as follows:

European Clerical Staff (Local Civil Service Terms)

Male	Special Grade	£620	-	660
	.. I	£440	-	660
	.. II	£150	-	420
Female	Special Grade	£440	-	500
	I	£380	-	420
	II	£150	-	360

Asian Clerical Staff

Male	Special Grade	£318	-	408
	I	£252	-	300
	II	£90	-	240

Arab and African Clerical Staff

Special Grade Any officer received over Sh.150 per mense

I	£57	-	90
II	£39	-	54

All clerical staff employed by the Nigerian civil service received the following salaries during the 1930's.

Chief Clerk	£350
Assistant Chief Clerk	£240 - 300
1st Class Clerks	£150 - 220
2nd Class Clerks	£36 - 128

The net effect of the virtually all-European and Asian clerical branch was to increase the overall proportion of civil servants who received incomes in the £150-600 range compared with Nigeria and Ghana where the majority of clerks earned less than £130.

In Kenya, therefore, the gap which occurred in the Nigerian and Ghanaian salary distributions at around £250-350 where the top Junior Service appointments petered out and the bottom Senior Service posts started was 'filled in', so to speak, by 'up-graded' European and Asian employees. This is clearly shown in Figure 3 and also in Figure 4, which compares the European salary distribution in Kenya in 1955 with the Senior Service distribution for Ghana in 1950-51. Ironically, the presence of the European and Asian clerical and technical personnel had the effect of reducing the degree of income inequality in Kenya compared with Ghana or Nigeria for salaries over £400, but, in terms of the proportion of the wage bill allocated to each racial grouping, the distribution of income within the Kenyan civil service was considerably worse, largely as a result of the greater proportion of low paid unskilled African civil servants and the predominance of Europeans and Asians in an absolutely higher clerical-artisan income range.

The existence of large income differentials between the top and bottom posts was the third important characteristic of the salary structures of colonial civil services. These "stretched out" salary structures were yet another consequence of the establishment of the Senior-Junior division which inevitably created a much higher dispersion of incomes than would have been the case had Africans been allowed to be employed in the Senior Service. However, this would not have been compatible with the fundamental objectives of British colonialism and, more specifically, with the system of Indirect Rule.

The extent of this high dispersion of colonial civil service salaries can be estimated by comparing the sizes of the income differentials between broadly equivalent occupations/positions at the top and bottom of the colonial and British civil services. Table 2 shows the result of such an exercise which (despite the problems involved in establishing equivalence between jobs plus the fact that only nominal incomes have been used) does nevertheless provide us with an estimate of the difference in the size of these differentials which is at least of the right order of magnitude.

The all-important factor responsible for the stretched out salary structure was simply that it was not possible to administer

Figure 3 : Kenyan civil service salary distribution 1935

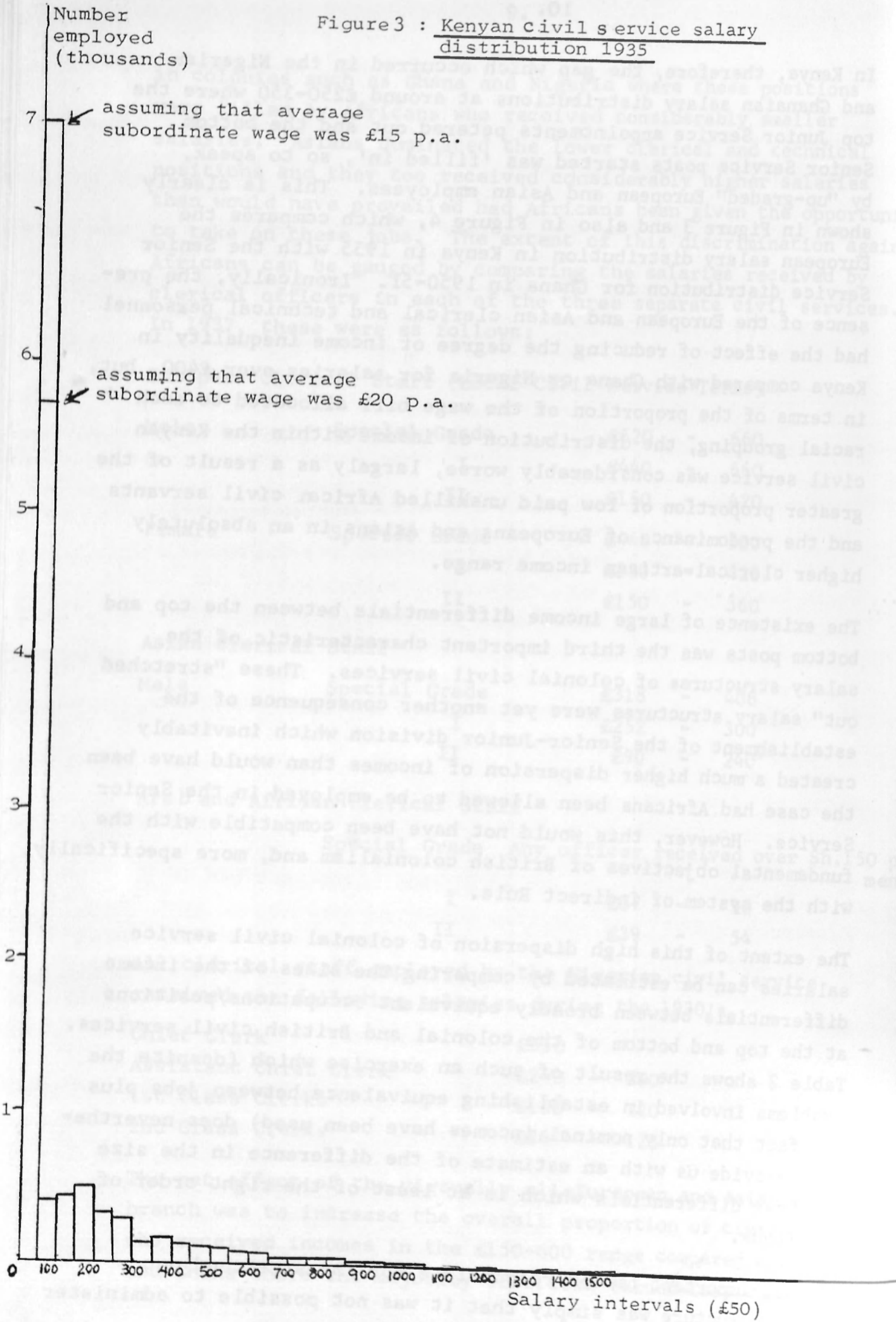
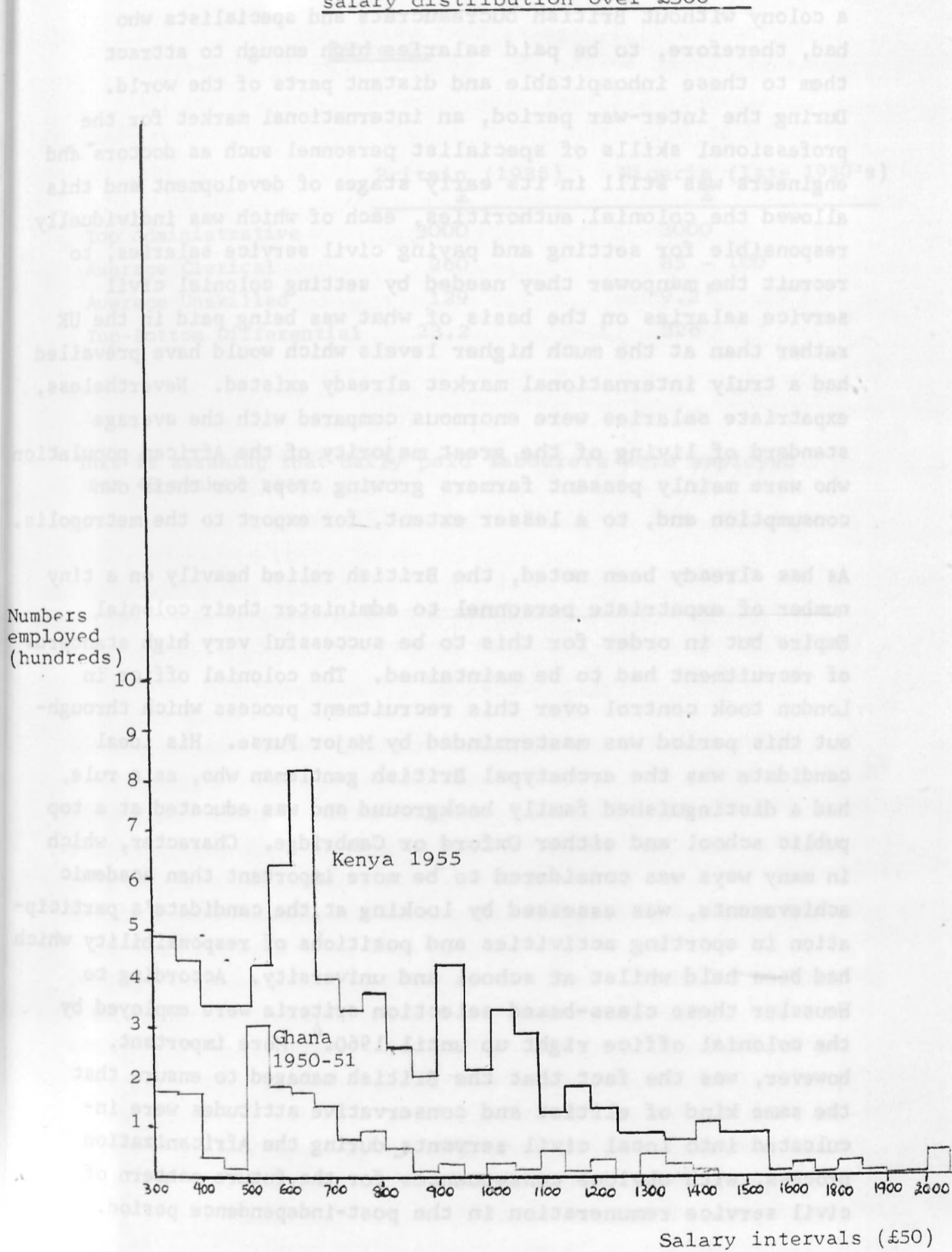


Figure 4: 1955 Kenyan and 1950-51 Ghanaian salary distribution over £300



a colony without British bureaucrats and specialists who had, therefore, to be paid salaries high enough to attract them to these inhospitable and distant parts of the world. During the inter-war period, an international market for the professional skills of specialist personnel such as doctors and engineers was still in its early stages of development and this allowed the colonial authorities, each of which was individually responsible for setting and paying civil service salaries, to recruit the manpower they needed by setting colonial civil service salaries on the basis of what was being paid in the UK rather than at the much higher levels which would have prevailed had a truly international market already existed. Nevertheless, expatriate salaries were enormous compared with the average standard of living of the great majority of the African population who were mainly peasant farmers growing crops for their own consumption and, to a lesser extent, for export to the metropolis.

As has already been noted, the British relied heavily on a tiny number of expatriate personnel to administer their colonial Empire but in order for this to be successful very high standards of recruitment had to be maintained. The colonial office in London took control over this recruitment process which throughout this period was masterminded by Major Furse. His ideal candidate was the archetypal British gentleman who, as a rule, had a distinguished family background and was educated at a top public school and either Oxford or Cambridge. Character, which in many ways was considered to be more important than academic achievements, was assessed by looking at the candidate's participation in sporting activities and positions of responsibility which had been held whilst at school and university. According to Heussler these class-based selection criteria were employed by the colonial office right up until 1960.⁴ More important, however, was the fact that the British managed to ensure that the same kind of elitist and conservative attitudes were inculcated into local civil servants during the Africanization process, with obvious consequences for the future pattern of civil service remuneration in the post-independence period.

British colonial civil servants could not be expected to shoulder the White Man's Burden in Africa unless they enjoyed a standard of

Table 2.

	Britain (1935) £	Nigeria (late 1930's) £
Top Administrative	3000	3000
Average Clerical	260	85 - 100
Average Unskilled	129	9.2 ¹
Top-Bottom Differential	.23.2	326

¹ This is assuming that daily paid labourers were employed for 48 weeks a year

living at least as high as that which they could have achieved had they stayed in the UK. For the majority of aspirant colonial administrators, the Home Civil Service was still regarded as being their most likely alternative career whereas professional people tended to prefer to work in the private sector where the pecuniary rewards were greater. The colonial district officer who worked for years in primitive, isolated conditions was not motivated by the prospect of monetary rewards to the same extent as say a doctor or an engineer who was usually stationed in the relative luxury of an urban centre.

Furse found it increasingly difficult to recruit the required number of administrators, especially after the second world war. This was partly due to the relative decline in the colonial administrator's salary as against the expanding opportunities for financial advancement in the private sector in Britain but also the kind of recruit that he required was becoming increasingly scarce and, since this was a consequence of long-term changes in the social and political characteristics of Britain's "ruling class", this shortage could not be easily relieved by increasing the level of remuneration.

Definite "costs" were incurred in deciding to work in colonial Africa, and for this reason British colonial civil servants had to be offered substantially higher salaries than their counterparts in the UK. It is virtually impossible to assign monetary values to these costs since they were mostly based upon such subjective individual valuations as the unpleasantness of the tropical climate in West Africa, and the effect this had on health, or simply the disadvantages of being so far away from friends and relatives in an alien environment. The size of the differential between equivalent occupations in the UK and Africa is extremely difficult to calculate accurately, owing mainly to the lack of the necessary data for the colonies. There are also innumerable methodological obstacles, one of the most troublesome again being comparability between jobs, which, in the present context, poses serious problems because the nature of the activities of administrators and professionals in the UK and colonial civil services were so radically different.

However, for our present purposes, we only need to obtain a rough picture of the extent of this differential and Table 3 lists the salaries received by a number of broadly equivalent occupations in the UK and Nigeria in the late 1930's. Interestingly, this very rough and ready comparison of nominal salary levels reveals that there was not a particularly large income differential between senior UK and colonial civil servants. Indeed, the top salary for a medical officer in Nigeria, at £1000, was lower than the average salary of a general practitioner in the UK, at £1094. Admittedly, this might not be a fair comparison and a more detailed analysis would need to work out typical career and hence salary time-profiles for recruits with similar qualifications into various professions, both within and outside the civil service. More important, however, the true extent of the differential can only be established once the real value of fringe benefits are included and nominal incomes are converted into post-tax incomes. For instance, colonial civil servants received free housing, unlike their British counterparts, and they paid considerably less direct and indirect taxes. Cost of living studies were not carried out in the colonies until after the second world war so it is difficult to give anything more than a very rough estimate of the relative differences. Rates of price inflation were not markedly different between the UK and the colonies and, whereas commodities which had to be imported from the UK such as tinned foods, spirits and consumer durables were more expensive, this was counteracted by the relative cheapness of basic foodstuffs, and of particular importance, local domestic labour. The children of colonial civil servants received heavily subsidised, good-quality boarding school education in the UK which the British civil servant had to pay for out of his own pocket if he wanted his children to benefit. Travel costs were met in full and colonial civil servants received extremely generous leave arrangements. Pensions were generally the same in the UK and the colonies. On the cost side, some colonial civil servants were forced to maintain a home in the UK which, if they could not let it, largely negated the effect of the free housing allowance. Finally, the colonial civil servant ran a much higher risk of dying or of contracting a long-term illness which would force him to retire prematurely.

Table 3: Salaries of equivalent occupations, Britain and Nigeria, late 1930's

<u>Great Britain 1935/37</u>		<u>Nigeria (late 1930's)</u>	
	£		£
<u>Administrative</u>		<u>Administrative</u>	
Permanent Secretary	3000	Colonial Secretary	3000
Deputy Secretary	2200	Principal Asst. Secretary	1440
Under Secretary	1900	Provincial Commissioners	1200
Permanent Asst. Secretary	1450-1650	District Commissioners	400-960
Assistant Secretary	1150-1450		
Principal	800-1100		
Assistant Principal	275-625		
<u>Medical</u>			
Principal Medical Officer	1395	Director Medical Services	1800
Senior Medical Officer	1023	Senior Medical Officer	1500
General Practitioner (ave.)	1094	Medical Officer	800-1000
Dentist	676	Dental Surgeon	660
<u>Engineers etc</u>			
Engineer-in-Chief (PO)	2000	Chief Engineer	1100
Asst. Engineer-in-Chief (PO)	1259	Senior Engineer	880-1100
Executive Engineer (PO)	666	Engineer (PO)	475-840
Principal Architect and Surveyor	1650	Chief Architect	960
Architect and Surveyor	983	Architect	475-840
<u>Others</u>			
Accountant (Customs and Excise)	804	Accountant	400-720
Chief Veterinary Officer (ave.)	1280	Director, Veterinary Services	1050
Asst. Veterinary Officer (ave.)	1107	Veterinary Officers	600-920
Veterinary Inspectors (ave.)	548		
Government Chemist	1510	Government Chemist	550-840
Analysts 1st Class	663		
2nd Class	449		
Chemists (national) (ave.)	512		

Source: Routh (op.cit.) and Nigerian Estimate

In terms of standard neo-classical analysis, this reduction in the expected working life of the average colonial civil servant meant that he was entitled to receive higher annual income whilst he was able to work.

From this list of factors it is possible to make a rough guess at the size of the UK colonial-expatriate income differential. At the bottom of the administrative branch, the colonial officer probably received approximately 50% more income (in real terms) than an officer of equivalent rank and status such as an Assistant Principal in the British civil service. Towards the top end of the colonial administrations this differential was likely to have been somewhat lower probably between 25 and 40%. Jeffries, in his book on the history of the colonial service does not attempt to quantify this differential but states nevertheless that "it may be safely said that an officer of the colonial service can enjoy in many ways a higher standard of living than would be possible on a similar salary in this country"⁵ although he does go on to point out to the potential recruit that "anyone who attaches importance to the amenities of what we are accustomed to call civilization should not take up the colonial service as a career".⁶

Senior service salaries were relatively high not only as a result of economic factors but ideological ones as well. Since the colonial bureaucrat was the personification of the allegedly superior European civilization, it was necessary for these officers to receive a level of income which would allow them to maintain a standard of living which was commensurate with the responsibilities entailed in their civilizing mission and which served to remind the African masses of their inferior position.

Africanization and Civil Service Remuneration: The Equity Objective.

At the zenith of British colonial rule during the 1930s, the British confidently predicted that they would continue to control their African empire for many decades to come. It is true, as Lee points out, that the British "official classes" had been converted in the late 1930s to the idea of more actively

encouraging the social and economic development of colonies in order, so it was claimed, to lay a proper foundation for the establishment of viable political institutions. However, this represented merely a change in emphasis rather than a fundamental alteration in official attitudes towards likely developments in the future.

The second world war and its aftermath forced the British to replace their previous long-term, evolutionary strategy with one that would allow Africans to take complete control over their affairs within a matter of years rather than decades. Even during the period leading up to independence, the British had continually to bring forward the date on which the formal transfer of power was to occur. For example, they still believed as late as 1955 that it would be another fifteen years before Kenya would be ready for Independence and at least another twenty years in the case of Tanganyika. It was in this crisis-ridden environment that the British attempted to 'prepare' each colony for its new role as an independent nation-state. Although they had not anticipated the speed of political developments after 1945, they still succeeded in maintaining a tight control over this preparatory process during the 1950s.

Before embarking on a detailed analysis of the changes which occurred in the pattern of civil service remuneration during this period, it would be worthwhile to examine what the British claimed they were trying to achieve in relation to the future salary structure of an all-African civil service.

Most official pronouncements on this subject are to be found in the reports of the numerous commissions on the colonial civil services which were set up at regular intervals from the mid-1940s onwards. This concern with the level of salaries and wages at all levels of the civil service was in marked contrast to the amount of official attention which had been devoted to this subject before 1939. The main purpose of these reports was to investigate the existing structure of the civil service and then to make recommendations concerning the kind of reforms which were considered to be necessary if the administration was to function according to the British conception of its role after independence. If the

publicly-stated objectives contained in these reports are to be taken at face-value, it would appear that the British were committed to the complete dismantlement of the colonial civil service, to be replaced by a new administration which would be suited to meeting the needs and potentialities of each new independent nation-state.

In 1945, the Labour Party stated unequivocally that, "The public services of the colonies must be adapted to local conditions and staffed by local people The first objective of the post-war reorganisation will be to provide the necessary conditions to enable colonial people to staff their own services". Fifteen years later, the Flemming Report on the East African Civil Services expressed exactly the same sentiments: "We have noted with great interest the steps that have been taken by the administrations to make localization more effective and as a result we have been especially careful to see that our proposals provide a proper basis for a local service".⁸

As far as salaries and wages were concerned, the British stated that their objective was to set them at levels which were consonant with the general economic circumstances and the prevailing pattern of income distribution in each country. For example, Holmes in his report on the civil services in East Africa in 1948 argued that "we must not set civil service salaries at levels which would foster the development of a mandarin class, divorced in income and interest from their fellows".⁹ This, of course, was precisely what British colonial civil servants had been, a small elite of highly paid bureaucrats, culturally and ideologically separated from the African masses. The British argued that this hiatus must be significantly reduced now that each colony was nearing the time when it would become the responsibility of African politicians and administrators to serve the interests of the people. Accordingly a number of specific recommendations were enumerated in these reports which, the British claimed, provided the basis for a radical restructuring of colonial civil service salary structures.

The first step was to abolish the racial division of the colonial civil services which, as we have seen in the previous section, resulted in a salary and wage structure which was characterized by separate remuneration 'pyramids' for Europeans and Africans with relatively very large income differentials between these groups of officers. To this end, the Senior-Junior division was replaced by a unified civil service in which all positions were open to both races, recruitment being based on merit alone. However, this move did not in itself affect the shape of the overall salary distribution. This was to be achieved by, first, promoting the development of a new executive branch, the purpose of which was to improve the distribution of income and the overall efficiency within each administration. The effect of the racial division had been on the one hand to make these civil services top heavy, because every European, whatever the level of his education and/or skills was automatically accorded Senior Service status and pay, whilst, on the other hand the job colour-bar depressed the status and salary levels of positions within the exclusively African Junior Division, resulting in the civil service becoming abnormally bottom heavy.

The creation of a new executive class was recommended in the hope that it would lead to a reduction in the proportion of officers in the highly paid Senior Service (now to be renamed the Administrative and Professional branches) by increasing the number of civil servants in what had previously been a kind of salary no-mans land where the Junior and Senior Service 'pyramids' were tenuously joined together. Henceforth, top salaries were to be received only by those civil servants who were either responsible for policy formulation or members of the higher professions, and all Senior as well as Junior Service positions which were basically executive in character were hived off to form the new branch.

The second group of recommendations which can be identified focused on the need to reduce the size of the income differential between the top and bottom jobs in the reformed civil services. It was argued that since these civil services were eventually to be staffed exclusively by Africans, salaries should therefore be based on conditions prevailing in the local labour markets. The

Lidbury Commission on the East African civil services stated that "In recommending new salary scales for this part (i.e. top) of the service, we must be guided by the assumption that we are to provide for a service ultimately to be recruited wholly within East Africa".¹⁰ The Report of the Public Services Conference of 1960 neatly summed up this aspect of British policy: "It was noted by Conference that it was usual for local officers to be appointed on different terms than those of overseas officers. As the local element in the service is expanded it became essential to ensure that the terms of service for local officers were in accordance with local emoluments and were not tied to conditions outside the territory".¹¹ It is interesting to note that the British believed that the local and international markets for the much-needed professional skills of people such as doctors and engineers could in fact be separated from ^{one} another, which would seem to indicate that the importance of these international markets in influencing the size of local professional salaries had not yet been fully appreciated.

The British solution to this problem was to introduce basic salary scales for all civil service employees, irrespective of racial origin, but, in order to attract the overseas manpower which was still so desperately needed, expatriates received an additional supplement to their basic salary. The British argued that the size of this "inducement" allowance should not be fixed but rather it should be allowed to vary independently of the basic salary scales in accordance with the prevailing market rate for expatriate manpower. In other words, it was hoped that if it was necessary to increase the salary paid to say a British doctor this could be done without having at the same time automatically to increase the salary received by an African doctor. This scheme was originally introduced in West Africa in 1947 as a result of a decision to implement the recommendations of the Harragin Report. The expatriation allowance, as it was then called, was set at approximately one-third of the basic salaries for the top posts in the West African civil services. The Lidbury Report of 1953-54 proposed the establishment of a similar scheme in East Africa, which was subsequently introduced in 1955. The colonial authorities were at pains to point out that the additional income received by expatriates had nothing

to do with any racial and/or political considerations but simply that it was required in order to attract the requisite manpower from overseas. The change in the official description during the course of the 1950s from expatriation to inducement to overseas allowance reflected the growing concern on the part of the authorities to dispel African suspicions about expatriate pay.

The British attempted to reduce the size of income differentials within the civil service at a time when there was an acute shortage of Africans in professional occupations, who were, therefore, able to command very high salaries within the private sector. The colonial authorities stated that it would be unwise to precipitate an escalation in salary levels in order to attract the relatively few African professionals who were available since they believed that this shortage was only a temporary phenomenon and it would be, therefore, only a matter of time before salaries would begin to fall as the scarcity-rent component was gradually eliminated. The Harragin Report stated that: "to a great extent salaries are controlled by the dictates of supply and demand..... West Africa is still at the stage when an extra bonus has to be paid for an education little higher than literacy. This paradise for the black-coated worker will soon pass, but he is entitled to make what he can of it while it lasts".¹² This faith in the dominant influence exerted by the domestic markets for skilled manpower was again reiterated in the Lidbury Report on the Gold Coast civil service some five years later. Given the scarcity of fully-qualified local professionals they accepted the argument that civil service salaries would have to be considerably increased if the Ghanaian Government wanted to obtain the services of this manpower. However, the report concluded that: "We believe that this is a passing phase and that private earnings in the professions will assume less extravagant proportions as the numbers of qualified men in practice increase. It would in our opinion be quite unwarranted and highly uneconomical to compete with private practice by increasing the salaries of the few services concerned out of all proportion to the general pattern and perpetuating unnecessarily high standards of remuneration".¹³ Given that the British

anticipated that income differentials would fall of their own accord, they believed they could adopt a relatively non-interventionist strategy, their basic aim being to forestall any large increases in professional salaries which, in their opinion, had little long-run economic justification.

Changes in the Salary Structure of the Ghanaian, Nigerian and Kenyan Civil Services, 1945 - 1965.

The purpose of this section is to analyse the changes which occurred in the salary structures of three colonial civil services during the ten-to-fifteen-year preparatory period which typically preceded the formal declaration of Independence. Our intention has not been to undertake a very detailed statistical analysis but rather to use readily available historical data in an attempt to identify underlying trends in the pattern of income distribution within each civil service. The data that were required in order to undertake this exercise were extracted mainly from the various reports of the commissions on the colonial civil services, staff lists and annual estimates of expenditure. Three types of statistical measures were employed to identify changes in income inequality within each civil service.

(1) The size of the absolute and relative income differentials between the five main branches of each civil service. An important source of inaccuracy which has undoubtedly arisen in calculating these differentials has occurred as a result of the difficulties involved in identifying equivalent civil service positions between countries and, more importantly, within each civil service as it evolved during this period. Each civil service commission resulted in the introduction of new grading schemes and hence radically different salary and wage scales which makes it difficult to compare civil service salaries through time. In particular, the creation of the new executive class in Ghana and Kenya in the mid-1950's completely altered the existing salary structure which had been based on the Senior-Junior-Service division. Consequently, comparisons between civil service positions, even though they continued to be known by the same name, may in some cases be largely spurious as a

result of the important changes which occurred in manpower deployment in each civil service. Despite this problem it is still possible to determine the overall trend in the size of these differentials during this period.

(2) A more satisfactory measure of the changes which occurred in the distribution of civil service salaries is to derive frequency distributions over a number of years. It is then possible to calculate various percentile values as percentages of the median and to see how these differentials changed during the preparatory period.

(3) An alternative to the above measure is, after having obtained frequency distributions for a number of years, then to derive Lorenz curves.

The Nigerian Civil Service 1945 - 1965.

(i) Absolute and relative income differentials between branches within the civil service.

In Table 4 the differences in income between the bottom subordinate salary and salaries received by civil servants at the top and bottom of each of the other branches have been calculated for a number of years between 1945 and 1965. It can be seen that the size of this absolute income differential increased substantially for all the branches during this period. However, it has been argued that relative rather than absolute income differentials are better indicators of changes in the pattern of income distribution and these are given in Table 5. The trend which now emerges is a steady and marked reduction in the size of the relative income differentials between the bottom subordinate salaries and the top and bottom salaries in each of the other branches and this would seem to indicate that there was an overall improvement in the distribution of income within the civil service during this period. In Table 6, the basic¹ expatriate income differentials have been calculated for each year and it can be seen that there was a slight reduction in the size of this differential from 1950 onwards.

In order to obtain a more accurate and comprehensive picture of

Table 4

Absolute differential between bottom subordinate salary and top and bottom of the other salary scales (basic salaries)

	Clerical	Executive and Technical	Professional and Administrative	Superscale
1945 T	475	792	982	2682
1950 T	518	693	958	1983
1953 T	605	1020	1285	3165
1955 T	630	1290	1990	3510
1960 T	723	1497	1479	3795
1965 T	723	1479	1479	3795
Percentage change	+ 52	+ 86.7	+ 50.6	+ 41.4
1945 B	30	382	382	862
1950 B	40	358	408	843
1953 B	15	515	515	1270
1955 B	0	306	534	1410
1960 B	0	345	615	1623
1965 B	0	345	615	1623
Percentage change	0	- 11	- 28	+ 89

N.B. Daily rated labourers were paid slightly less than subordinate civil servants but since they were not "established", they have not been included.

Table 5

Nigeria: Relative differential between bottom subordinate to top and bottom of each salary scale (basic salaries)

	Clerical	Technical and Executive	Professional and Administrative ¹	Superscale
1945 T	26.4	45.0	55.5	150
1950 T	13.1	17.5	23.8	48.2
1953 T	11.8	19.5	23.4	58.5
1955 T	8.0	15.3	15.3	40.0
1960 T	7.9	15.1	15.1	37.1
1965 T	7.9	15.1	15.1	37.1
1945 B	2.7	22.2	22.2	48.8
1950 B	2.0	9.5	12.7	28.1
1953 B	1.3	4.5	10.4	24.1
1955 B	1.0	3.0	6.9	16.7
1960 B	1.0	2.97	6.9	16.5
1965 B	1.0	2.97	6.9	16.5

¹excluding medical extension

Table 6

Nigeria: Local base salaries as % of expatriate salaries (top).

	Tech & Exec	Prof & Admin	Superscale
1950	.75	.75	.75
1953	.82	.81	.91
1955	.82	.85	1.00
1960	.84	.86	

the changes which did occur, salary distributions were derived for the financial years 1945-46 and 1961-62. On the basis of a visual comparison of these distributions in Figures 5 and 6, there does not appear to have been any marked change in their overall shape during this period although the Junior-Senior salary pyramids and the no-man's-land between them which had been the dominant features of the colonial salary structure had to some extent been eliminated by 1960-61. Also, the 1960-61 distribution is if anything more "stretched out" than in 1945-46 since proportionately more civil servants appear to have received Senior Service salaries coupled with the fact that the absolute differential between these salaries and those paid to the subordinate employees was, as has already been shown, considerably larger.

A more precise assessment of the changes which occurred can be obtained by using the information contained in the salary distributions to derive Lorenz curves and percentage measures of inter-quantile comparisons. In Figure 7 the Lorenz curves for 1930, 1945-46 and 1961-62 have been plotted and it can be seen that there was a clear and unambiguous improvement in the distribution of income within the civil service, in particular in the period after 1945. This change is further borne out by comparing the percentage differences between the median and other higher percentile values for each of the three years (see Table 7). Despite this improvement in the distribution of income, there still existed a high degree of inequality in the Federal Nigerian civil service. For example, the bottom 40% of civil servants received only about 15% of the wage bill (as opposed to around 8% in 1945) whereas the top 10% of civil servants received approximately 43% of the wage bill (as opposed to 54% in 1945).

Figure 5 : Federal Nigerian civil service salary distribution 1945-46

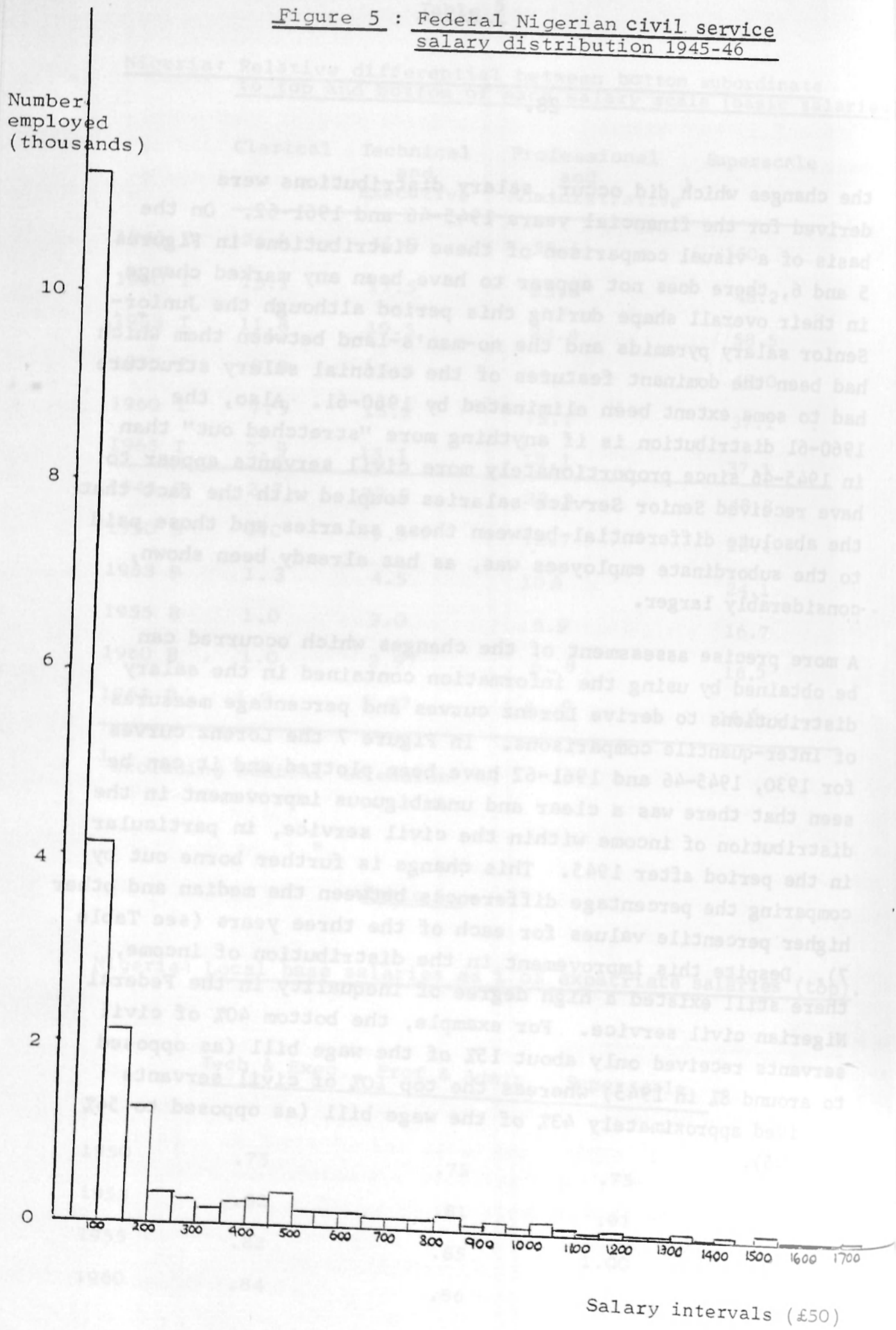
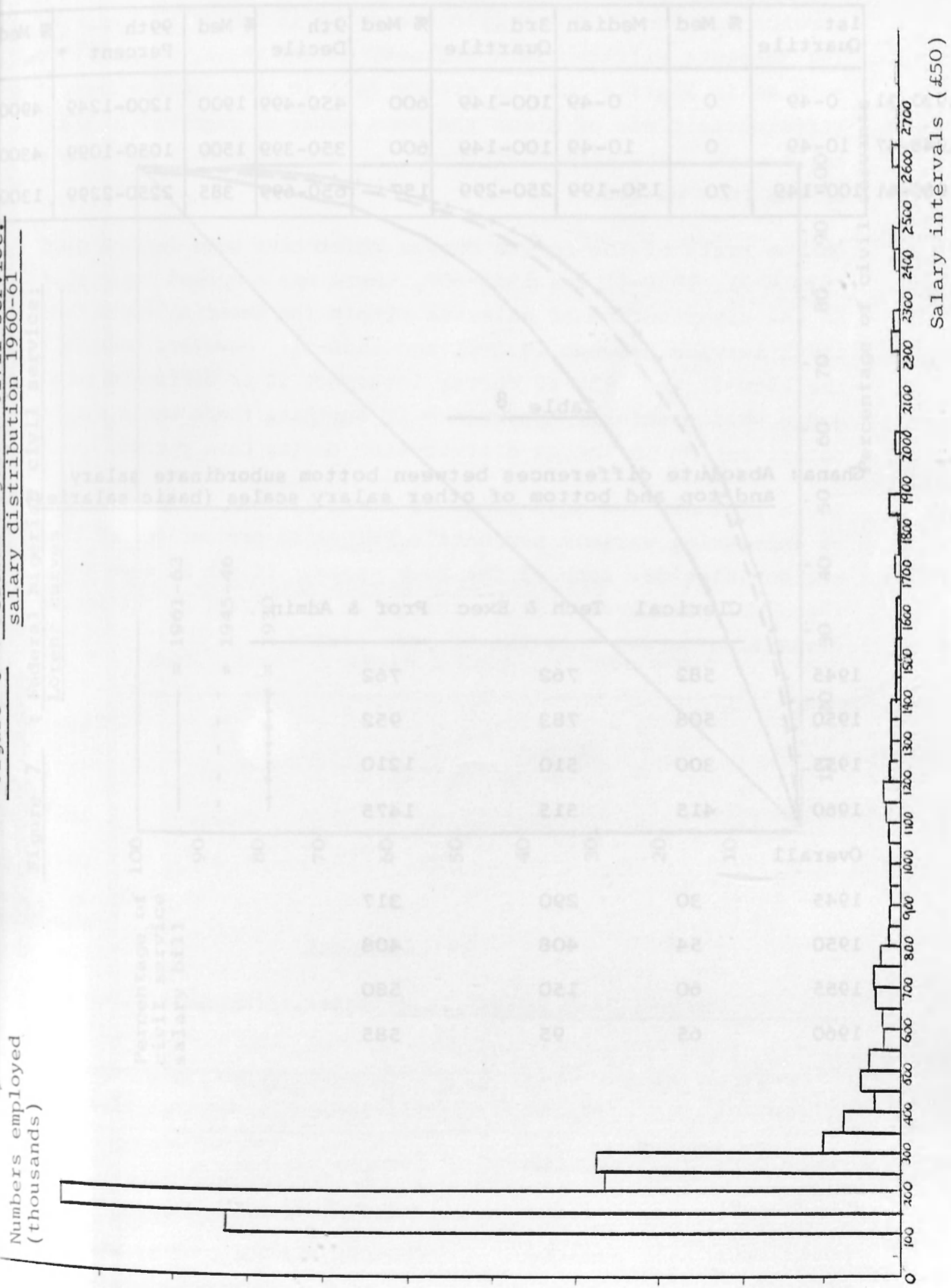


Figure 6 : Federal Nigerian civil service salary distribution 1960-61



Numbers employed (thousands)

Salary intervals (£50)

Salary Interval (£50)	1st Quartile	2nd Quartile	3rd Quartile	5th Decile	95th Percent
0-49	0	0	0-49	100-149	1500-1549
10-49	0	0	10-49	100-149	1050-1099
150-149	70	150-199	250-299	350-399	2550-2599

Table 7

Nigeria: Inter-quantile measures of income distribution

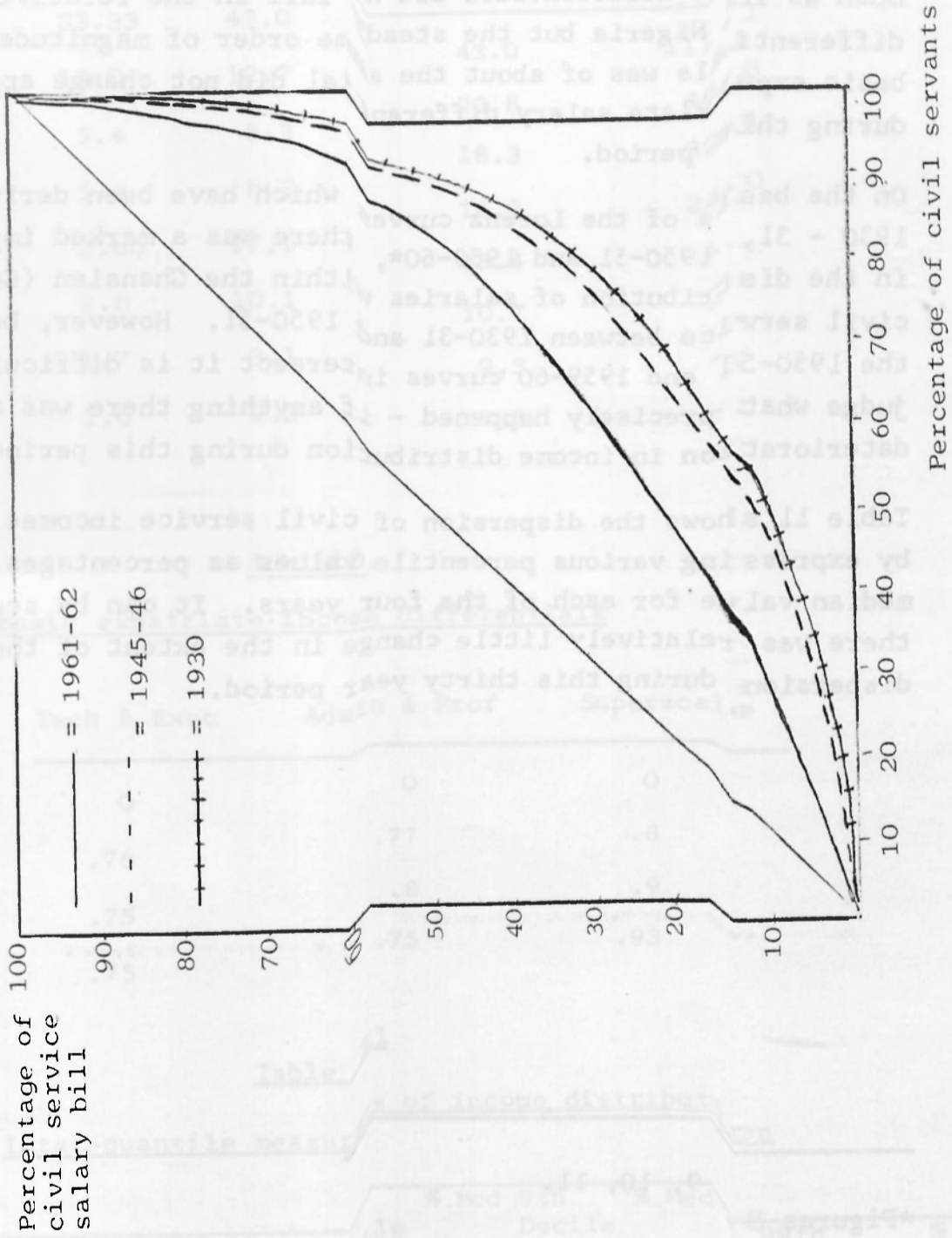
	1st Quartile	% Med	Median	3rd Quartile	% Med	9th Decile	% Med	99th Percent	% Me
1930-31	0-49	0	0-49	100-149	600	450-499	1900	1200-1249	490
1946-47	10-49	0	10-49	100-149	600	350-399	1500	1050-1099	430
1960-61	100-149	70	150-199	250-299	157	650-699	385	2250-2299	130

Table 8

Ghana: Absolute differences between bottom subordinate salary and top and bottom of other salary scales (basic salaries)

	Clerical	Tech. & Exec	Prof & Admin
1945	582	762	762
1950	508	783	952
1955	300	510	1210
1960	415	515	1475
Overall			
1945	30	290	317
1950	54	408	408
1955	60	150	580
1960	65	95	585

Figure 7 : Federal Nigerian civil service:
Lorenz curves



The Ghanaian Civil Service 1945 - 1960.

The changes which occurred in the absolute, relative and basic expatriate salary differentials within the Ghanaian civil service between 1945 and 1960 are shown in Tables 8, 9 and 10. The absolute differentials did not, on the whole, increase as much as in Nigeria but the steady fall in the relative income differentials was of about the same order of magnitude. The basic expatriate salary differential did not change appreciably during this period.

On the basis of the Lorenz curves which have been derived for 1930 - 31, 1950-51 and 1959-60*, there was a marked improvement in the distribution of salaries within the Ghanaian (Gold Coast) civil service between 1930-31 and 1950-51. However, because the 1950-51 and 1959-60 curves intersect it is difficult to judge what precisely happened - if anything there was a slight deterioration in income distribution during this period.

Table 11 shows the dispersion of civil service incomes in Ghana by expressing various percentile values as percentages of the median value for each of the four years. It can be seen that there was relatively little change in the extent of the income dispersion during this thirty year period.

*Figures 8, 9, 10, 11.

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Table 11 shows the dispersion of civil service incomes in Ghana by expressing various percentile values as percentages of the median value for each of the four years. It can be seen that there was relatively little change in the extent of the income dispersion during this thirty year period.

1945	382	762	762
1950	504	783	932
1955	300	510	1210
1960	485	515	1475
Overall	2	2	2
1945	30	290	317
1950		408	408
1955	60	150	580
1960	85	95	585

*Figures 8, 9, 10, 11.

Table 9.

Ghana: Relative differentials between bottom subordinate salary and top and bottom of other salary scales (basic salaries)

	Clerical	Technical and Executive	Professional and Administrative	Superscale
1945 T	33.33	43.0	43.0	111.1
1950 T	13.0	12.7	23.8	48.8
1955 T	5.4	8.3	18.3	32.1
1960 T	5.4	6.3	16.9	24.0
1945 B	2.66	17.1	18.4	-
1950 B	2.6	10.1	10.7	-
1955 B	1.7	3.1	9.3	-
1960 B	1.6	2.0	7.1	-

Table 10.

Ghana: Basic expatriate income differentials

	Tech & Exec	Admin & Prof	Superscale
1945	0	0	0
1950	.76	.77	.8
1955	.75	.8	.9
1960	.75	.75	.93

Table 11

Ghana: Inter-quantile measures of income distribution

	1st Quartile	% Med	Median	3rd Quartile	% Med	9th Decile	% Med	99th Percent	% Med
930	50-99		100-149	250-299		600-649		1200-1249	
938-39	50-99		100-149	200-249		600-649		1200-1249	
950-51	100-149		150-199	250-299		600-649		1200-1249	
959-60	150-199		150-199	300-349		700-749		1500-1549	

Figure 8 . Gold Coast civil service salary distribution 1938-39

Numbers employed thousands

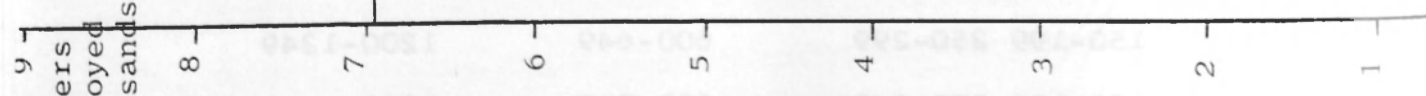


Table II: Inter-quartile measures of income distribution

Category	1938-39	1949-50	1950-51
Tech & Exec	0.75	0.75	0.75
Admin & Prof	0.75	0.75	0.75
Specialists	0.75	0.75	0.75

Table II shows the dispersion of civil service incomes in the various categories by expressing as percentages of the median value for each of the four years. It can be seen that there was relatively little change in the extent of income dispersion and in general the civil service income distribution was stable during this period.

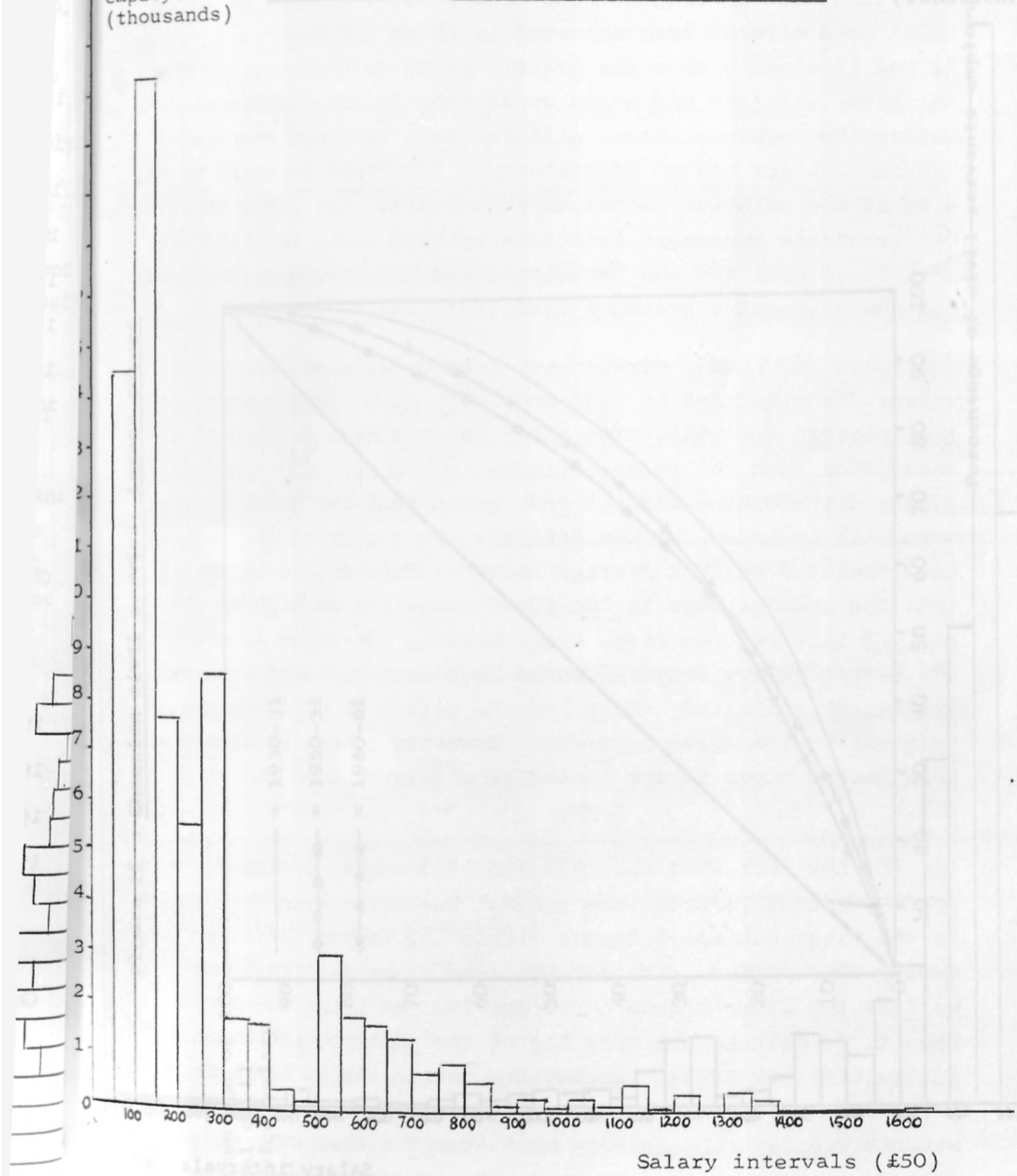
On the basis of the Lorenz curves which have been derived for the years 1938-39, 1949-50 and 1950-51, there was a marked improvement in the distribution of salaries within the Ghanaian (Gold Coast) civil service between 1938-39 and 1950-51. However, because the 1950-51 and 1949-50 curves are so close together, it is difficult to judge what precisely happened - if anything there was a slight deterioration in income distribution during this period.

The Ghanaian civil service salary distribution in 1938-39 was characterized by a high concentration of salaries in the lower grades. The Lorenz curve for 1938-39 shows that the majority of the civil service employees were in the lower grades of the service. The Lorenz curve for 1949-50 shows a marked improvement in the distribution of salaries within the Ghanaian (Gold Coast) civil service between 1938-39 and 1949-50. However, because the 1950-51 and 1949-50 curves are so close together, it is difficult to judge what precisely happened - if anything there was a slight deterioration in income distribution during this period.

Relative differentials between various subordinate salary grades and those of other grades (basic salaries) are shown in Table III. The Lorenz curve for 1938-39 shows that the majority of the civil service employees were in the lower grades of the service. The Lorenz curve for 1949-50 shows a marked improvement in the distribution of salaries within the Ghanaian (Gold Coast) civil service between 1938-39 and 1949-50. However, because the 1950-51 and 1949-50 curves are so close together, it is difficult to judge what precisely happened - if anything there was a slight deterioration in income distribution during this period.

Numbers employed (thousands)

Figure 9.: Gold Coast civil service salary distribution 1950-51



Numbers employed (thousands)

Figure 10 : Ghanaian civil service salary distribution 1960-61

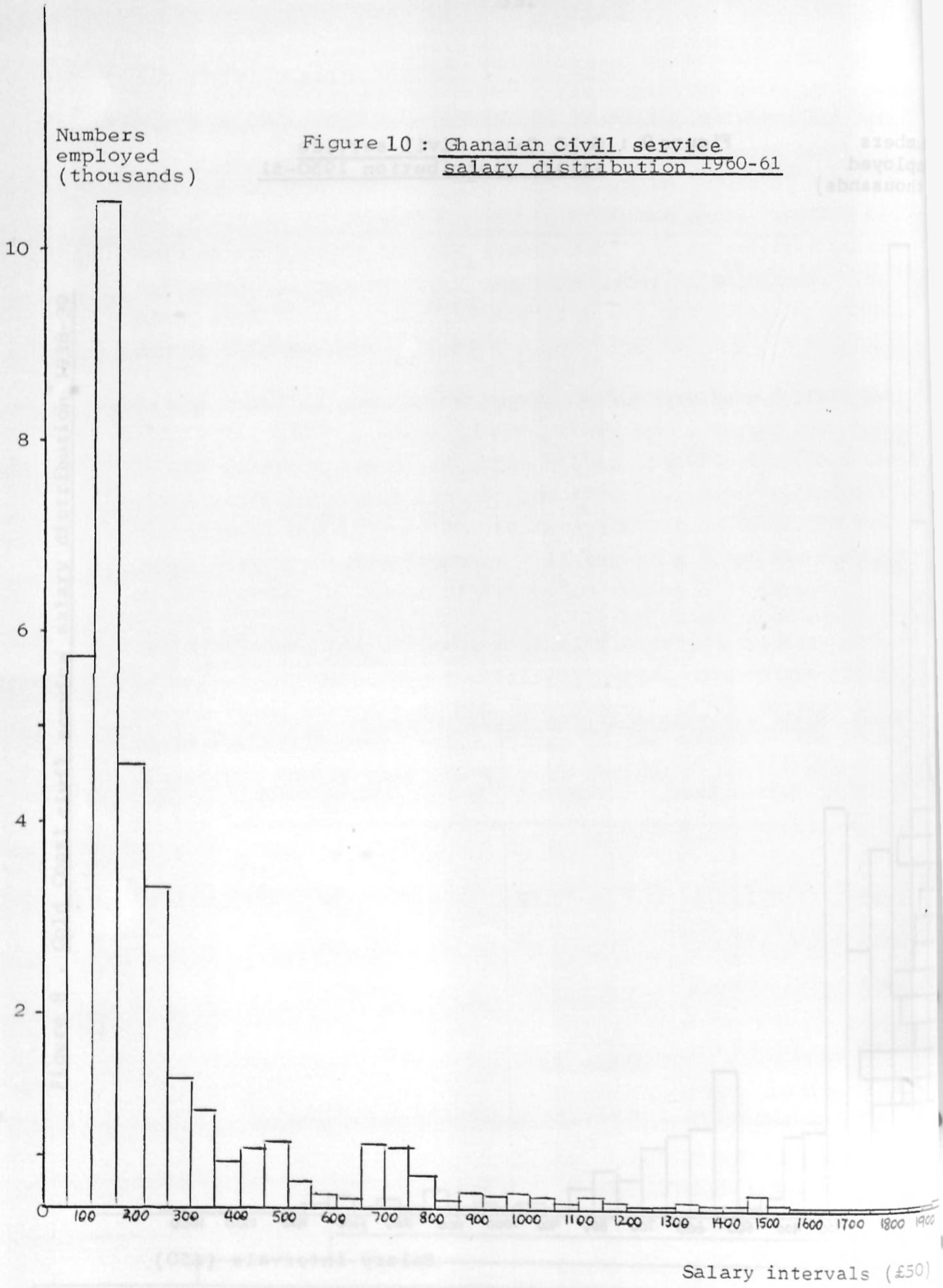
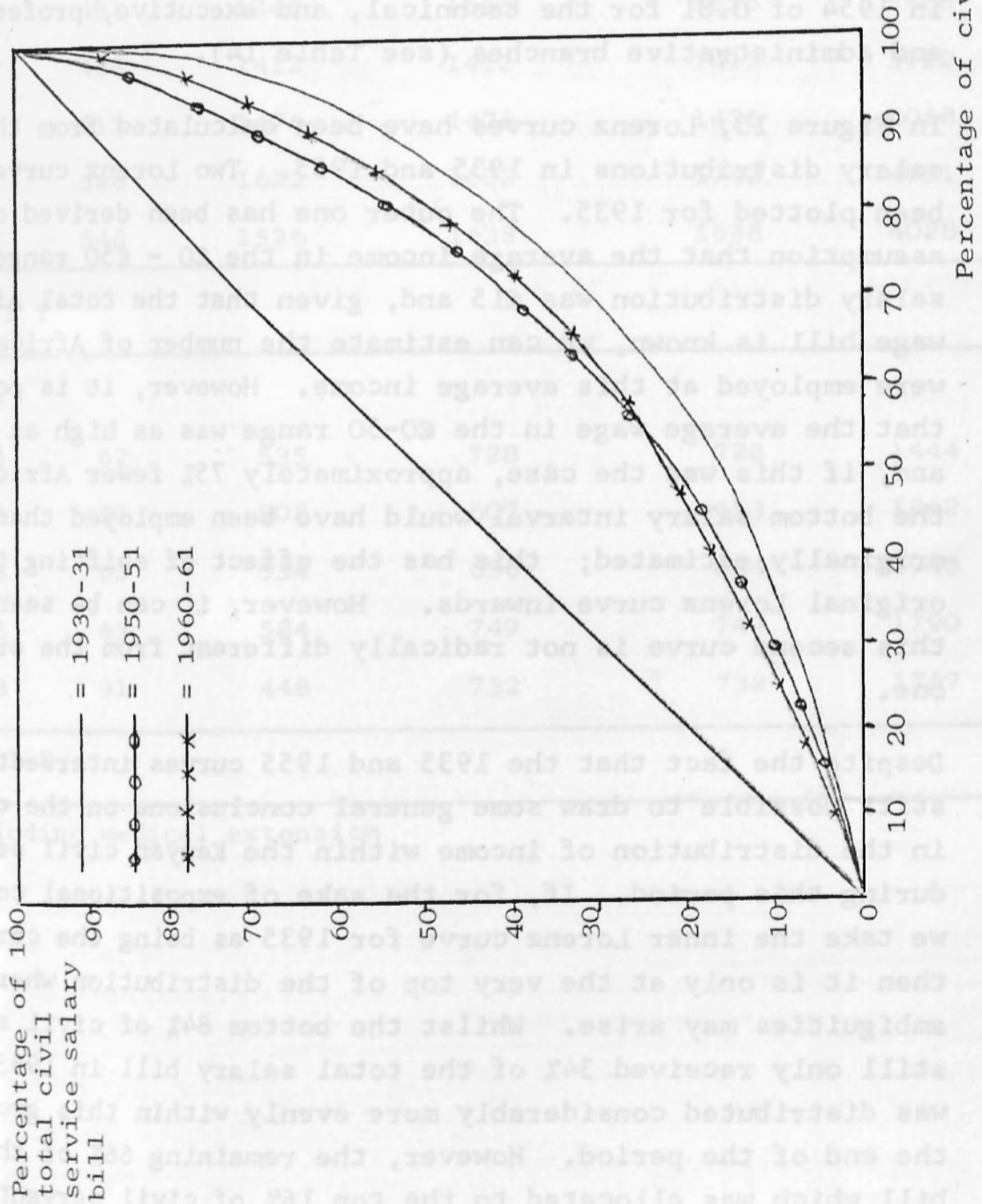


Figure 11 : Chanaian civil service: Lorenz curves



The Kenyan Civil Service 1945 - 1965.

The changes which occurred in the Kenyan civil service salary structure between 1945 to 1965 were broadly similar to those which have already been observed in Ghana and Nigeria. Tables 12 and 13 clearly show the overall trend in the sizes of the absolute, relative and basic expatriate income differentials: whilst the absolute income differentials remained roughly constant, there was an approximately threefold decrease in the size of the relative income differentials. The basic expatriate differentials increased fractionally from their initial level in 1954 of 0.81 for the technical, and executive, professional and administrative branches (see Table 14).

In Figure 13, Lorenz curves have been calculated from the salary distributions in 1935 and 1955. Two Lorenz curves have been plotted for 1935. The outer one has been derived on the assumption that the average income in the £0 - £50 range of the salary distribution was £15 and, given that the total African wage bill is known, we can estimate the number of Africans who were employed at this average income. However, it is possible that the average wage in the £0-50 range was as high as £20 and, if this was the case, approximately 75% fewer Africans in the bottom salary interval would have been employed than was originally estimated; this has the effect of shifting the original Lorenz curve inwards. However, it can be seen that this second curve is not radically different from the original one.

Despite the fact that the 1935 and 1955 curves intersect, it is still possible to draw some general conclusions on the changes in the distribution of income within the Kenyan civil service during this period. If, for the sake of expositional convenience, we take the inner Lorenz curve for 1935 as being the correct one, then it is only at the very top of the distribution where any ambiguities may arise. Whilst the bottom 84% of civil servants still only received 34% of the total salary bill in 1955, income was distributed considerably more evenly within this group at the end of the period. However, the remaining 66% of the salary bill which was allocated to the top 16% of civil servants was anything even more unevenly distributed within this elite group in 1955.

Table 12

Kenya: Absolute differentials between the bottom subordinate salary and the top and bottom of the other salary scales (basic salaries)

	Clerical	Executive and Technical	Professional	Administrative	Superscale
1946 T					
1950 T	491	1345	1655	1655	3485
1954 T	488	1412	1412	1412	3922
1958 T	513	1476	1476	1476	4058
1961 T	548	1622	1622	1742	4051
1963 T	548	1526	1638	1638	4028
Overall T					
1946 B					
1950 B	62	535	728	728	1444
1954 B	59	508	607	653	1862
1958 B	62	534	636	684	1948
1961 B	63	584	749	749	1790
1963 B	91	448	732	732	1767
Overall B					

* excluding medical extension

Table 13.

Kenya: Relative differentials between the bottom subordinate salary and the top and bottom of the other salary scales (basic salaries)

	Clerical	Executive and Technical	Professional	Admini- strative	Superscale
1946 T					
1950 T	35.1	93.7	91.7	116.0	243.0
1954 T	13.33	36.6	36.7	41.16	100.0
1958 T	11.4	31.2	31.2	31.2	84.0
1960 T	12.2	34.4	34.4	36.9	84.0
1963 T	8.6	22.2		23.75	
1946 B					
1950 B	5.3	38.2	51.6	51.6	101.6
1954 B	2.5	13.8	16.33	17.5	48.0
1958 B	2.1	11.8	13.9	15.0	41.15
1960 B	2.3	13.0	15.4	16.4	37.83
1963 B	2.2	7.22		11.16	

Absolute differential bottom subordinate to top and bottom of

Table 14.

Kenya: Basic expatriate differentials

	Tech & Exec	Professional	Admin	Superscale
1950	1.00	1.00	1.0	1.0
1954	.81	.81	.81	1.0
1958	.81	.81	.81	1.0
1961	.72	.72	.72	.73
1963				.73

The Inheritance of the Colonial Civil Service Salary Structures and Explanatory Factors.

The main conclusion which can be drawn from the statistical analysis of the previous section is that, although there was clear improvement in the distribution of income within the African colonial civil services during the preparatory process leading up to independence, the essential features of colonial salary structures still remained largely intact. Consequently, African civil servants received much the same salaries as had been paid to the British colonial administrators and were viewed as a highly privileged elite compared with the standards of living enjoyed by civil servants in the subordinate branches and to an even greater extent, by the majority of Africans who were not wage-earners, in the "export enclaves" of these underdeveloped economies.

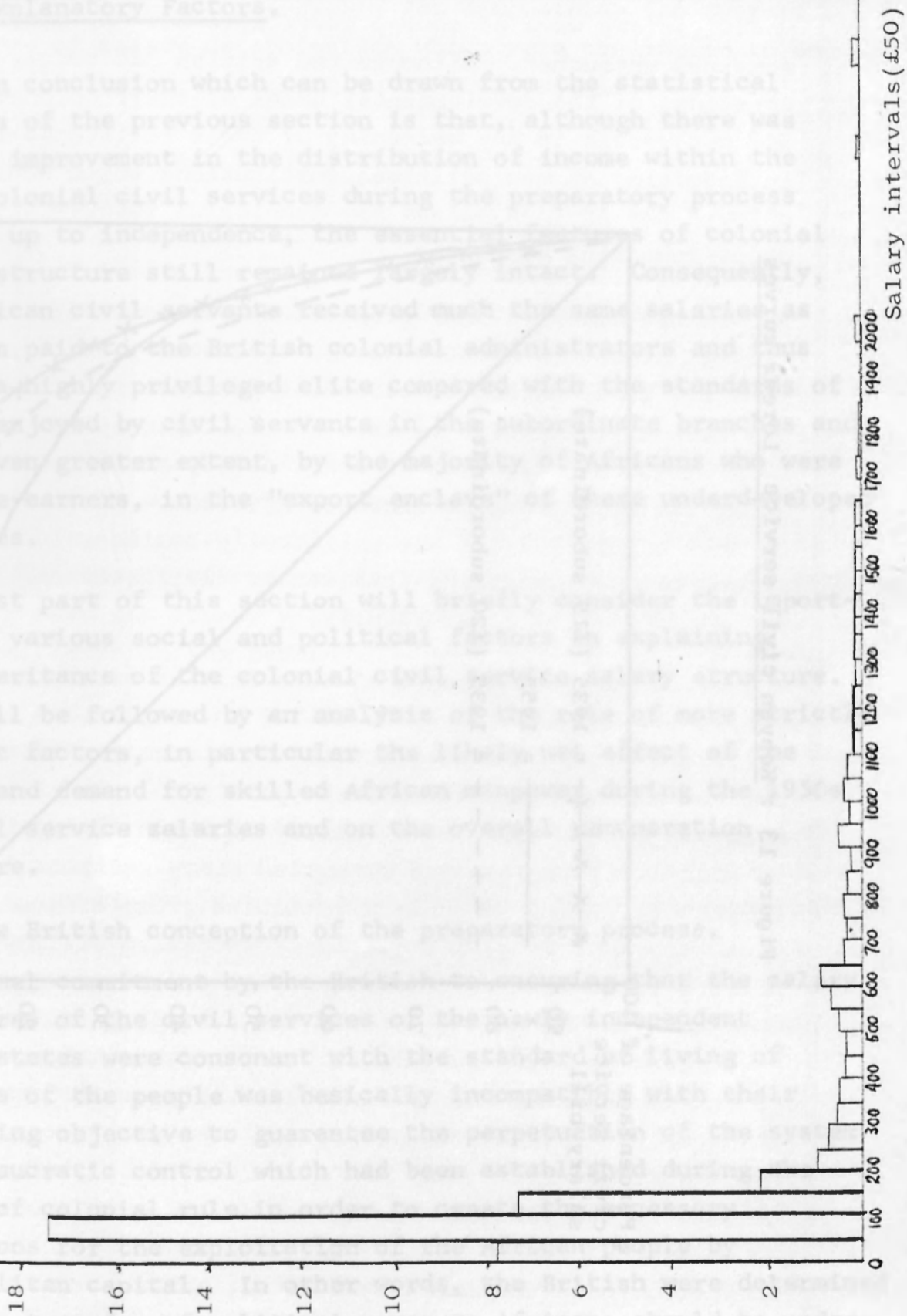
The first part of this section will briefly consider the impact of various social and political factors in explaining the inheritance of the colonial civil service salary structure. This will be followed by an analysis of the role of some economic factors, in particular the likely effect of supply and demand for skilled African manpower during the preparatory period on civil service salaries and on the overall compensation structure.

(1) The British conception of the preparatory process.

The dominant conviction of the British was that the salary structures of the civil services of the newly independent nation-states were consonant with the standards of living of the mass of the people and basically incompatible with their overriding objective to guarantee the perpetuation of the system of bureaucratic control which had been established during the period of colonial rule in order to maintain the existing conditions.

In other words, the British were determined that the transfer of political power to Africans should be undertaken in such a way that they could be assured of the future political and economic stability of their ex-colonial possessions. Throughout the transition period, therefore, the British

Numbers employed (hundreds)



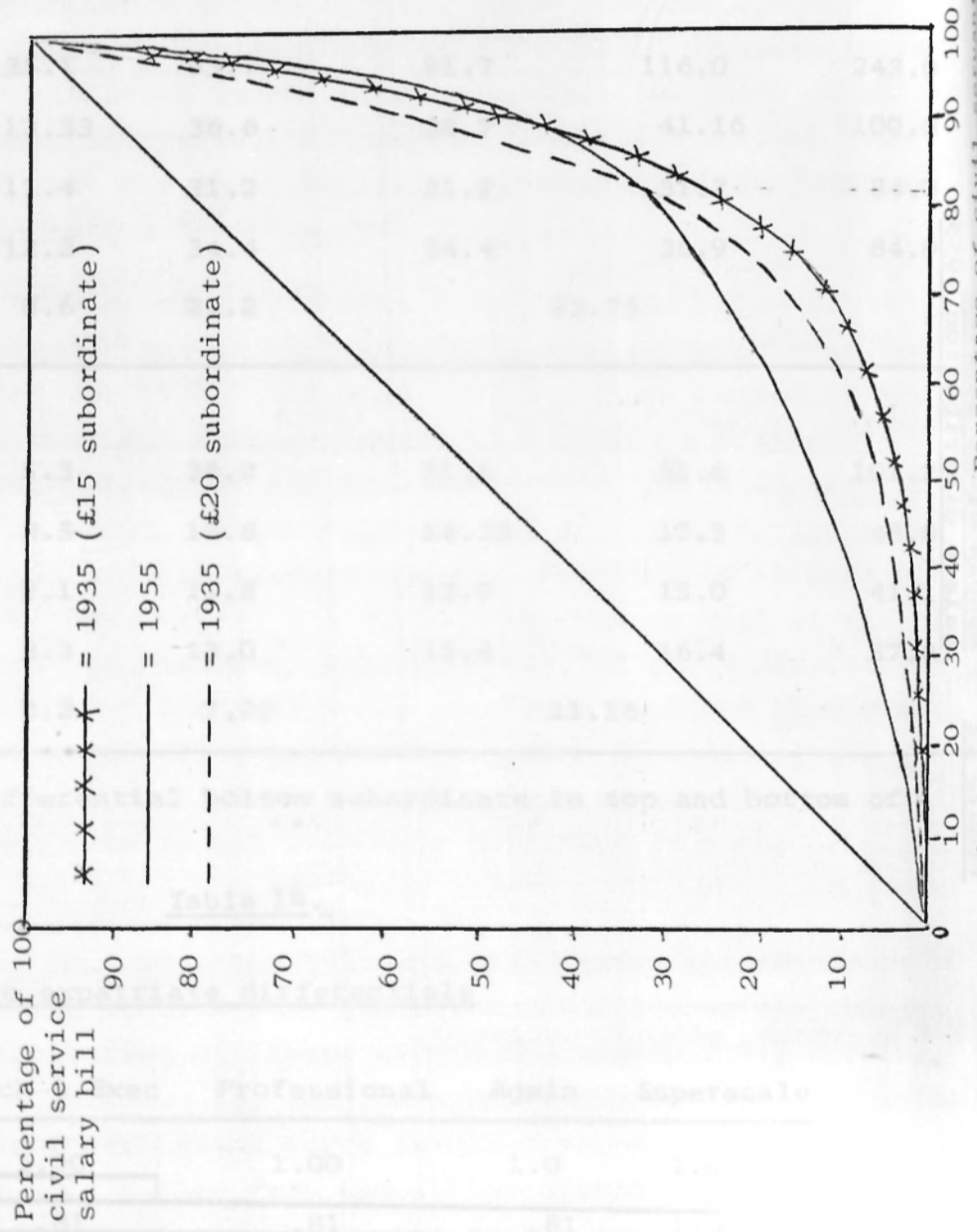
Salary intervals (£50)

Table 13.

Kenya: Relative differentials between the bottom subordinate salary and the top and middle of the other salary scale (base salaries)

Clerical and Technical Executive and Administrative Professional Super-

Figure 13 : Kenyan civil service Lorenz curves



The Inheritance of the Colonial Civil Service Salary Structures:
Some Explanatory Factors.

The main conclusion which can be drawn from the statistical analysis of the previous section is that, although there was a clear improvement in the distribution of income within the three colonial civil services during the preparatory process leading up to independence, the essential features of colonial salary structure still remained largely intact. Consequently, top African civil servants received much the same salaries as had been paid to the British colonial administrators and thus became a highly privileged elite compared with the standards of living enjoyed by civil servants in the subordinate branches and, to an even greater extent, by the majority of Africans who were not wage-earners, in the "export enclave" of these underdeveloped economies.

The first part of this section will briefly consider the importance of various social and political factors in explaining the inheritance of the colonial civil service salary structure. This will be followed by an analysis of the role of more strictly economic factors, in particular the likely net effect of the supply and demand for skilled African manpower during the 1950s on civil service salaries and on the overall remuneration structure.

(1) The British conception of the preparatory process.

The formal commitment by the British to ensuring that the salary structures of the civil services of the newly independent nation-states were consonant with the standard of living of the mass of the people was basically incompatible with their overriding objective to guarantee the perpetuation of the system of bureaucratic control which had been established during the period of colonial rule in order to create the necessary conditions for the exploitation of the African people by metropolitan capital. In other words, the British were determined that the transfer of political power to Africans should be undertaken in such a way that they could be assured of the future political and economic stability of their ex-colonial possessions. Throughout the transition period, therefore, the British continually reaffirmed their faith in the appropriateness of

the colonial civil service as the ideal blueprint for the development of the new independent administrations but the basic structure Modifications were of course inevitable and had become their colonial increasing remained untouched. Although the British their colonial increasing conscious of the developmental needs of resistance this did not result in any weakening of their which was to the introduction of new political institutions involvement would have allowed the African masses any meaningful part in decision-making processes.

The implications of this preparatory strategy were only too clear: since the members of the bureaucracy had been the most powerful group during the colonial period, the preservation of the essential features of this bureaucratic system would necessitate the creation of a new elite, recruited locally from among the tiny group of educated Africans. Given the inheritance of this highly elitist and politically dominant bureaucracy it was hardly surprising that senior civil servants continued to be remunerated so generously.

The practical consequences of this British conception of the preparatory process were, "a belief in comparisons and a particular sort of modernization, in the criterion of standards and the bureaucratization of the polity".¹⁴ The British had to maintain firm control over the way in which the Africanization of each civil service was conducted since it would be the responsibility of each newly recruited group of top African civil servants to guarantee the continuation of the colonial pattern of bureaucratic control. It was one of the major problems coupled with the need to ensure the overall manpower efficiency of each civil service which largely shaped British thinking about the need to reform colonial salary structures. Given the priority of the conflict between efficiency and equity in the service, it was quite obvious that equity had to be sacrificed for objective administrative standards were considered to be too important to be sacrificed during the preparatory period. The Public Service Conference held in London in 1960 was quite clear in its attitude towards the question of standards. The Public Service Conference need seemed to the Conference to be to maintain efficiency of the government and it was not considered that any impairment of that efficiency would be acceptable.¹⁵

This British preoccupation with maintaining administrative standards was largely responsible for determining the overall principles of salary determination which were considered to be necessary if the newly reconstituted civil services were to function according to plan. The following discussion will consider each of these principles in turn in order to highlight their basic incompatibility with the British objective of dismantling the colonial salary structure and substantially reducing the degree of income inequality within each civil service. First, if standards were to be preserved, it was imperative that the civil service should manage to attract the highest quality recruits available. Harragin established a precedent which was taken up by the other civil service reports when he stated that: "Reference has been made earlier to market values (for super scale posts) which are, of course, closely related to the problem of recruitment The wisdom of attracting the best man cannot be over-emphasised. The employment of second-rates may save the colony a few hundreds a year but may well cost it millions in the result".¹⁶

This need to attract and retain the requisite amounts of manpower meant that civil service salaries and wages had to be established on the basis of comparisons with the incomes earned by individuals undertaking equivalent tasks in the private sector. Many of the reports specifically mentioned their adherence to the "Principle of Fair Comparison" which had been the most important remuneration criterion for the British civil service since 1910. This decision to take relatively highly paid private sector occupations as the main reference group for the civil service directly contradicted the British assertion that they wanted to avoid the creation of a privileged bureaucratic class. The official reply to this accusation was predictable - it had no alternative but to offer relatively high but still nevertheless, "competitive" salaries if it wished to obtain sufficient numbers of suitably qualified manpower. It is interesting to note, however, that official investigations frequently mentioned the great difficulties they faced in establishing just what each type of civil servant would have been paid for offering their services to the private sector: "at the present stage of development in East Africa, it is often very hard to determine what a local candidate for the public

service may hope to earn in the kind of career to which his qualifications enable him to aspire in his own country".¹⁷

The absence of a salaries yardstick which could have effectively operationalized the "principle of fair comparison" was symptomatic of the dominant position of the public sector in the domestic labour markets and official reports were also well aware of this situation of "the government as the largest employer tending to set the pattern of wages and salaries".¹⁸ Hence it would appear that the British had considerable scope for revising the remuneration structure of each colonial civil service during this period had they been motivated by a real conviction to do so. Some reports adopted a "long term view" by recommending that civil service salaries should be based to a considerable extent on anticipated changes in private sector salary levels. It will be remembered that reports published in the late 1940's and early 1950's argued that the high scarcity value of educated Africans would gradually be eroded and that this would eventually force salary levels downwards. However this did not prompt the authorities to reduce civil service salaries or at least curtail their rate of increase in anticipation of the expected fall in private sector remuneration. In fact it was not long before it was realised that private sector salaries would continue to rise indefinitely rather than fall. The official response to this new situation was neatly summarised by the Waugh Report on the Ghanaian civil service in 1957:

"it would indeed be possible to devise a salary structure for an all-African service in which the salaries for the senior posts were considerably reduced. One can imagine a structure in which the highest salaries did not exceed say £2000 per annum. We do not believe, however, that such a structure would be very long-lived. Such a structure would be subject to internal pressures on the part of the dissatisfied civil servants and it would be subject to external pressures through the competing attractions of alternative careers. The commission believes that it will not be very many years before a flourishing middle class of professionals and businessmen has grown up outside the government service. On the other hand it is very difficult to expect anyone, African or non-African, to discharge the responsibilities of say the Director of Public Works for less than the salary which the present holder of that post enjoys. Indeed, in our opinion it would be appropriate to offer more (my underlining)".¹⁹

The need to avoid the development of any "internal pressure on the part of dissatisfied civil servants" was the second important

official objective which significantly affected British attitudes towards civil service remuneration. Not only did the new recruit have to be educationally and ideologically acceptable but once he was a member of the civil service he could not be expected to perform his duties to the best of his ability unless he remained contented with his lot which mainly depended on how well he was remunerated. This concern to maintain a high level of morale within the civil service was usually made quite explicit. For example, the Report of the Select Committee on the Lidbury Report on the Ghanaian civil service stated that: "There should be a reasonable degree of contentment within the civil service The country cannot afford a discontented civil service".²⁰ Similarly, when it became apparent that the morale of the West African civil services had fallen drastically during and immediately after the Second World War, the basic aim of the British Government was to rectify this unhappy state of affairs as quickly as possible, regardless of the effect this was likely to have on the overall pattern of income distribution within the civil service and, in particular, between the civil service and the rest of society:

"Much could be written on the question of the relationship which should exist between civil service salaries and those of the general community. For the purposes of this report, it must suffice to say that the present substantive salaries paid to African officers whose posts appear in the proposed group 2 are inadequate to maintain a reasonable standard of living, that the addition of the present cost of living bonus at the present rate does little more than enable those officers to live at a subsistence level and there should be a considerable improvement in substantive rates. The fact that this would widen the gap between the pay of the civil servant and his African brother should not be allowed to prevent this. The salaries which are recommended for the posts in group 2 provide a fair and reasonable return for efficient service and should result in a small but definite raising of the standard of living".²¹ (my underlining)

Closely related to the objective of ensuring that civil servants remained contented was the British concern to establish a strictly hierarchical organisation structure which, among other things, would guarantee that the merits and responsibilities of civil servants were properly matched with a careful graduation of monetary and non-monetary rewards.² This principle of internal relativities was the other basic remuneration principle

adopted during the preparation period and which was expected to complement the principle of fair comparison as was the case in Britain although this rarely happened in practice. For the British, it was essential that "there should be a proper progression in status and remuneration from top to bottom in the public service"²³ since they believed that the only effective way of ensuring that civil servants would continue to be well-motivated was to offer them financial incentives. This meant that there had to be ample opportunities for officers to receive regular increments to their salaries which had the overall effect of exacerbating income distribution within each civil service.

It was not so much the shape of the salary distribution per se which worried the British but rather the overall size of the total salary and wage bill. Given the numerical predominance of the Junior Service, it was to this group of employees that the bulk of the additional revenue needed to fund wage and salary increases had to be allocated. For example, it was estimated that 65% of the £1.4 million increase in the Ghanaian civil service remuneration bill recommended by the Lidbury Commission had gone to meet subordinate wage increases whereas the cost of the Lidbury proposals for the Senior Service was less than £100,000. In the opinion of the Government: "These estimates demonstrate vividly the fact that contrary to popular opinion, it is not the Senior Service that costs the country so much as the Junior Service and the daily-rated employees".²⁴ Whilst it is true that the Junior Service wage bill was larger than that of the Senior Service this is hardly a meaningful comparison given the relative size of the Senior Service and the Lorenz curves which were derived in Section 2 indicate quite clearly the gross maldistribution of incomes within the Ghanaian civil service. The British, however, were basically concerned with the financial consequences of marginal increases in the total salary bill with the result that their demand for senior civil servants was relatively inelastic and they displayed a remarkable insensitivity to the longer-term political and economic consequences of their reluctance to reform the colonial salary structure.

The British attitude towards the relationship which should exist between generalist administrators and specialist professionals also had important repercussions on the overall pattern of civil service income distribution. During the colonial period specialist civil servants were in charge of most departments, administrators being on the whole confined to the secretariat and in particular to the provincial administration. However, the British decided that this situation should be reversed during the preparatory period and consequently administrators were placed in all the top positions, whilst the specialists were relegated to performing strictly technical and/or operational roles. This belief in the leadership qualities of the administrator would not have mattered so much had not it been necessary to recognise their higher authority and status in the civil service hierarchy by paying them salaries which were at least as high as those received by specialist officers. During the 1950s, there developed an international market for professional manpower and, given the high demand which existed for these types of manpower, there was a rapid increase in their salary levels. Not only, therefore, did African civil servants argue that they were as well qualified as and undertook similar tasks to their British counterparts but the upward pressures on salary levels generated by this adherence to the principle of comparability were considerably increased as a result of the need to maintain an adequate differential between the salaries of the administrator and specialist. In other words, the international mobility of these specialist occupations not only supported the level of rewards of all those civil servants who could plausibly claim international comparability on the grounds of similar qualifications and periods of training but also all those civil servants who demanded, at the very least, comparability on the grounds of superior rank and additional responsibilities.

(2) The African Response.

In most colonies, the African nationalist leadership did not fundamentally question the way in which the British defined the basic objectives which were to be achieved during the transition period leading up to independence. This acquiescence has, on the whole, been interpreted as being symptomatic

of the subservient position of the African politicians and the petty bourgeois stratum who, in the final analysis, they represented vis a vis the departing colonial power but, more significantly in relation to the economic dominance of foreign capital. In the now famous words of Frantz Fanon: "This lumpenbourgeoisie discovers its historic role, that of intermediary".²⁵ It is argued that in the absence of any viable opportunities for the development of a national bourgeoisie, the major avenue of economic advancement for the aspirant, educated African was to be accepted for employment in the Government service. According to Fitch and Oppenheimer: "This petit-bourgeois stratum was not opposed to the idea of a society ruled by an economically privileged, all-powerful bureaucracy. It simply wanted that bureaucracy to be African. Consequently, the answer to the problem posed by the bureaucracy was not democratic-control either now or in the future but "Africanisation".²⁶

Alternative explanations to the now almost standard "bureaucratic bourgeoisie", class-in-formation Marxist argument, have focused on the centrality of intra and inter-ethnic rivalries and relationships and the way in which these have conditioned the nature of the bureaucracy's political and economic roles. According to this type of analysis, the high salaries received by civil servants are regarded as being symptomatic of a complex system of patron-client relationships whereby the politician and civil servant, in return for their privileged social and economic positions, undertake to use their power and influence to ensure that their "constituents" receive as large a share as possible of the state revenue available for distribution.

Schaffer²⁷ argues that the attitudes and conduct of the British and African politicians can be more easily comprehended if a distinction is made between the transfer of institutions (i.e. the transfer of a system of rule) and the actual transfer of power itself. There was, he argues, an assumption by the British that the first process could assimilate the second which complemented the assumption by the nationalist leadership that the second process required the first as a necessary, if passing symbol.

Just as the manpower problem was the major preoccupation of the British so it was also for the nationalist leadership. In many respects, the Africanization of the civil service became the most important political issue during the 1950s since the replacement of the British bureaucrats by Africans was considered to be the fundamental precondition for the attainment of true independence. Given the emotional and political significance of the Africanization programme, the British attempt to reduce the salaries of top civil servants was singularly unsuccessful. For years, African civil servants had demanded that they should receive the same salaries as Europeans when they both performed identical tasks. Consequently, the British attempt to separate expatriate and local manpower markets was interpreted as being merely a continuation of racist colonial ideology and practice and was, therefore, rigorously opposed. The British insisted that dual salary scales were not discriminatory but rather were based on strictly economic arguments, the most important of these being the prohibitively high cost of paying African civil servants the same salaries as expatriates. They also were aware of the adverse effect this would have had on the distribution of income and yet it is clear that had the anticipated increase in the wage bill not been so large, they would have yielded to African demands to a much greater extent than they actually did.

Right up until the start of the decolonisation process the British had argued that Africans could only expect to receive higher salaries as they became progressively more "civilized". Holmes, for example, had as late as 1948 countered African demands that they should receive "equal pay for equal work" by arguing that even though an African civil servant may have identical paper qualifications as a European, he was still not sufficiently civilized to be able to work as efficiently as the European and could not, therefore, expect to receive the same salary: "given the "primitive" state of Africans fifty years earlier it would be idle to expect to find in Africa today those qualities of mind and character which go to making a good civil servant in any marked degree".²⁸ As a result of the Holmes report, it was decided to introduce a fixed, three-fifths differential between the salaries of the few African civil servants who held

relatively senior appointments and their European counterparts. By the early 1950s the British realised that they would have to hand over power to the African nationalists and that this would have to be preceded by the Africanization of the civil service. The 1953 the Lidbury Report recommended the abolition of all forms of racial discrimination within the Kenyan civil service but at the same time still had to convince African civil servants and politicians of the necessity of accepting the adoption of the dual, basic-expatriate salary structure. The nationalist politicians responded angrily, arguing that the British were breaking their long-standing promise that they would pay the African civil servant the same as his European counterpart once it had been accepted that there were no longer any innate differences in the ability of each type of officer, but as soon as the British were forced to recognize this fact, they concocted a new set of supposedly non-racial reasons for justifying the continuation of separate salary scales.

The British had previously been confronted with the same type of response in West Africa. The Gorsuch Report on the Nigerian civil service neatly summarised African feelings on this issue: "The existence of the fixed African-expatriate income differential has come to be regarded in Nigeria as elsewhere as an implied comparison of the intrinsic worth of the two types of officers and this feeling has led to resentment".²⁹ During the 1950s any economic justification for this differential was swept to one side as Africans, both those who stood to benefit directly and the great majority of the population who certainly did not, exerted the maximum political pressure in an effort to ensure that the equal capabilities of African officers were justly recognized by paying them the same as expatriates. This was a question of national and racial pride which at the time dwarfed any of the other counter-arguments which might have been taken into account. In particular, the adverse effect of the reduction of the differential on the distribution of income.

Finally, the friction and bad feeling which arose as a result of this issue tended to undermine the morale within each civil service, thus posing a potentially dangerous threat to the smooth implementation of the British preparatory plan. Consequently

African and British objectives once again tended increasingly to complement each other as the British yielded to political pressure to reduce the size of the differential. For example, the Report of the Select Committee on the Lidbury Report stated that: "we have tried in our proposals to narrow the gap between African and expatriate salaries and to remove some of the differences that are a constant source of irritation".³⁰

(3) Economic Factors: The Supply of and Demand for Educated African Manpower.

Neo-classical economic theory focuses upon the supply of and demand for each type of manpower as the primary explanation for the observed pattern of personal income distribution in capitalist society. The thrust of the argument so far has been that the essential characteristics of the salary structures of each of the civil services under investigation evolved in accordance with the political and social objectives of British imperialism and that the neo-classical economic theories which have been forwarded to explain the patterns of income distribution which were derived in section 2 are little more than ex-post rationalisations of these more fundamental political and social considerations. Having said this, it would nevertheless be quite wrong to discount totally the possibility of (more strictly) economic factors playing some role in the income determination process. Although it is methodologically invalid to analyse the "social", "political" and "economic" as separate and autonomous levels or "instances" of each society, it is still a meaningful exercise to try to gauge the approximate supply and demand magnitudes for educated African manpower in order to see whether there was any tendency to reinforce or to counteract the political and social determinants of civil service remuneration which have already been considered in some detail. In other words, we do not believe that supply and demand factors were the major determinants of the overall level of civil service salaries during this period but that they could nevertheless have been partially responsible for the observed changes in the salary level.³¹

(a) The supply of educated Africans

The cornerstone of British education policy before the second world war and the advent of the Africanization programme had

been to concentrate exclusively on primary school education and to discourage strongly the development of secondary and tertiary education. Total expenditure on education in all the colonies remained pathetically small and hence only a tiny percentage of African children were fortunate enough to receive a basic primary education.

The British rigidly maintained the racial segregation of the colonial civil services in Africa during the inter-war period and there was only a slight increase in the number of positions allocated to Africans which required some secondary education as a prerequisite. The unification of the colonial service recommended by the Waren-Fischer Committee of 1929-31 further exacerbated the racial division of the colonial administration and further reduced the likelihood of Africans being recruited for Senior Service positions in the near future. This consistent policy of thwarting the growth and aspirations of educated Africans was so successful that the British had only a tiny pool of skilled African manpower from which it could draw when it was decided after 1945 to eliminate all forms of racial discrimination and actively encourage the Africanization of the civil service. The British attempted to alleviate this shortage by implementing large-scale scholarship schemes (eg. the one million pound scholarship scheme, provision for which was made as a result of the Colonial Development and Welfare Act 1940) and the rapid development of secondary and tertiary education. However, it was not possible to produce anything like the required number of graduates (particularly in East Africa where there was still a chronic shortage at independence) and this was an important factor in offsetting any of the social and political pressures which might have led to a reduction in salaries.

(b) The demand for educated Africans

The Africanization process resulted in a massive increase in the demand for suitably-qualified Africans who were now urgently needed to replace expatriate civil servants as a necessary preliminary to the attainment of independence. A number of additional factors were responsible for increasing the excess demand for skilled African manpower as time went on:

(i) The unexpected acceleration of the Africanization programme as the date on which independence was to be granted was continually brought forward and as African politicians became increasingly opposed, in principle, to the continued employment of expatriates, particularly those in politically-sensitive top positions.

(ii) The refusal by the British and also by the African leadership to reduce the required standards of performance of civil servants in order to increase the number of local people who were eligible to be considered for recruitment into the civil service. Politicians on Africanization Commissions frequently complained about the "fetish of standards" but there was little they could do given the intransigence of the British on this issue.³²

(iii) Of particular importance was the rapid increase in the size of the colonial civil services after the Second World War. Initially this was attributable to the new emphasis that was now given by the British to furthering the economic and social development of their colonial territories. Once the British had decided to withdraw altogether, the colonial civil services began to expand even more rapidly as increased emphasis was placed on the need to ensure that each colony was prepared, politically, administratively and economically for independence.

(iv) The acute problem of recruiting and retaining expatriate personnel increased the need to find African replacements as quickly as possible and further enhanced the scarcity value of those Africans with the required academic and professional credentials. The factors responsible for the increasing difficulties experienced in recruiting expatriates were mainly due to the inability of the colonial authorities to offer high enough financial rewards to attract the much larger number of professional expatriates who were needed. Britain, which had traditionally been the major source of supply, enjoyed high rates of economic growth and low unemployment during the 1950s and it was the salaries of the professional groups in particular which increased the most rapidly during this period. Another factor which helped to increase the supply-price of expatriate labour was the acceleration which took place in the development of international markets for various skills, particularly those of

doctors and engineers. Increasingly, the colonies were forced to increase the salaries they offered to these professional groups, as an international supply-price, considerably higher than the incomes earned by these professions in the UK, began to be established world-wide.³³

The relative increase in professional incomes in the UK coupled with a greater willingness and ability to emigrate to those areas of the world where the highest salaries were paid, also had the effect of encouraging expatriate civil servants working in the colonies to leave. This outflow was considerably worsened by the uncertainty of the majority of the British colonial civil servants about their future career prospects coupled with a general aversion to the idea of being in a subordinate position once independence had been achieved. The British and colonial governments tried to assure the British civil servants that they had nothing to fear and a number of remedial measures were adopted in an attempt to "create conditions which will encourage officers to remain". However, these conditions were less attractive than the extremely generous lump-sum compensation which it was agreed that each colonial/African government should pay to British civil servants if they decided to terminate their employment. These compensation schemes, which were established in order to encourage expatriates to stay until they were no longer needed, had precisely the opposite effect and were probably the single most important factor in fuelling the exodus of scarce administrative and professional manpower.³⁴

Conclusion.

The aim of this paper has been to analyse the impact of the colonial legacy on the remuneration structures of the newly independent anglophone African states. Our main conclusion is that, given the British domination of the preparatory process, this impact was highly significant - in fact, whilst there was some improvement in the distribution of income within all three of the colonial civil services in this case study, the colonial salary structure remained largely intact. It can be seen therefore that the equity and efficiency objectives enunciated by the numerous commissions on the colonial civil services were basically irreconcilable and this explains why the British often appeared to be contradicting themselves, one minute arguing that the creation of bureaucratic elite must be avoided and then stating that, in the interests of administrative efficiency, civil servants must be "adequately" remunerated. In reality, however, "it was inevitable that as local persons invaded the senior ranks of the service their emoluments should bear a close resemblance to those of their expatriate colleagues in the same or similar posts".³⁵ This occurred as a result of the failure of the African leadership effectively to challenge the British conception of the preparatory process. For example, A. L. Adu in his book on the civil service in Commonwealth Africa argues that: "In view of the many who have been concerned with the development of the public services in former British Africa the basic principles of the British Civil Service structure are the best for these countries. Admittedly, the main reason for this is the historical connection with Britain".³⁶ Given the prominent role played by individuals such as Adu in establishing the new civil services, it is hardly surprising that there was little commitment to the objective of dismantling the colonial salary structure and, in Adu's own words, "creating a new salary structure consonant with the general economic circumstances of the country".³⁷

Footnotes.

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3. University of Lagos, The Evolution of the Nigerian Civil Service 1801-1900: The Problems of Nigerianization by G.O.Olusanya, Humanities Monograph Series, No. 2, Lagos 1975.
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5. C. Jeffries, The Colonial Empire and its Civil Service, Cambridge University Press, London 1938, p. 125.
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8. East Africa High Commission, Report of the Commission on the Public Services of the East African Territories and the East Africa High Commission 1900 (chm. Flemming), Government Printer, Entebbe 1960, p.11.
9. UK Government, Colonial Office, Report of the Commission on the Civil Services of Kenya, Tanganyika and Uganda, 1947-48 (chm. Holmes) Colonial No. 223, HMSO, London 1948, p.27.
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12. UK Government, Colonial Office, Report of the Commission on the Civil Services of British West Africa 1945-46 (chm. Harragin) London, HMSO, 1947, p.16.
13. Government of the Gold Coast. Report of the Commission on the Civil Service of the Gold Coast 1950-51 (2 vols.), Government Printing Department, Accra 1951, p. 58.
14. B.B.Schaffer, "Administrative Links and Legacies", Paper presented at Anglo-French Colloquium on Independence and Dependence: the relations of Britain and France with their former territories, Paris May 6-8 1976, p. 1.
15. UK Government, Colonial Office, Report of the public Services Conference, op.cit., p.7.
16. UK Government, Colonial Office, Report of the Commission on the Civil Services of British West Africa, op. cit., p. 12

17. East Africa High Commission, Report of the Commission on the Public Services of the East African Territories and the East Africa High Commission, 1960, (chm. Flemming), op.cit. p. 26.
18. Government of the Gold Coast, Report of the Commission on the Civil Service of the Gold Coast, op.cit. p. 43.
19. Government of Ghana, Report of the Commission appointed to enquire into salaries and wages of the Civil Service and Non-Government Teaching Service, 1957, Government Printer, Accra 1957, p. 7.
20. Government of Ghana, Report of the Select Committee on the Lidbury Report, Sessional Paper No. 111 of 1952, Government Printer, Accra p. 1.
21. UK Government, Colonial Office, Report of the Commission on the Civil Services of British West Africa, op.cit. p. 11.
22. The other important objective of establishing a strict hierarchical organisation and a graduated system of rewards was to ensure adequate control over civil servants. In other words, an important determinant of salaries and wages is the way in which the labour process itself is organised.
23. East African High Commission, Report of the Commission on the Civil Service of the East African Territories and the East African High Commission 1953-54 (chm. Lidbury) op.cit. p. 45.
24. Government of Ghana, Report of the Select Committee on the Lidbury Report, op.cit. p. 18.
25. F. Fanon, The Wretched of the Earth, Penguin, Hammondswoth 1965, p. 104.
26. B. Fitch and M. Oppenheimer, Ghana: End of an Illusion: Monthly Review, Vol. 18, No. 3, July-August 1966, p. 24.
27. B.B. Schaffer, "The Concept of Preparation" in The Administrative Factor.
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29. Federal Government of Nigeria, Report of the Commission on the Public Services of the Governments in the Federation of Nigeria 1954-55 (chm. Gorsuch) Government Printer, Lagos, 1955 p.155
30. Government of Ghana, Report of the Select Committee on the Lidbury Report. op.cit., p. 6.
31. This distinction between the level of and changes in wages and salary was made by Marx in Volume I of Capital: "It (Classical political economy) soon recognised that the change in the relations of demand and supply explained in regard to the price of labour, as of all other commodities, nothing except' its changes i.e. the oscillations of the market price above or below a certain mean. If demand and supply balance, the oscillation of price ceases, all other conditions remaining the same. But

then demand and supply also cease to explain anything. The price of labour, at the moment when demand and supply are in equilibrium, is its natural price determined independently of the relation of supply and demand. And how this price is determined is just the question". K. Marx, Capital (Vol. 1) Progress Publishers, Moscow, p. 503-4.

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33. However, as late as 1954, the Gorsuch Report on the Nigerian Civil Service stated that, "The Nigerian candidate for employment in Nigeria is seeking to earn a living in his own environment and there is no economic reason why his rate of pay should be influenced by extraneous factors", op.cit., p. 71.
34. For a discussion of the various schemes which were introduced see K. Younger, The Public Service in New States, Oxford University Press, London 1960.
35. A.L. Adu, The Civil Service in Commonwealth Africa, G. Allen and Unwin, London 1969, p.21.
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CHAPTER 2: EARNINGS DIFFERENTIALS BETWEEN PUBLIC AND PRIVATE SECTORS IN AFRICA: THE CASES OF GHANA, KENYA AND NIGERIA.

Introduction.

The emergence of sizeable income differentials between equivalent employment positions in the public and private sectors has in recent years become one of the most controversial political and economic issues in Africa. Escalating private sector salaries for managerial and professional manpower have exacerbated already highly skewed patterns of personal income distribution not only in a direct sense but, indirectly as well insofar as the salary determination process for high-level manpower employed in the various branches of the public sector is affected by the prevailing remuneration levels in the private sector. This paper will attempt to assess the size of public-private income differentials for a representative sample of managerial and professional occupations in three Anglophone African countries, Ghana, Kenya and Nigeria. This will be followed by an examination of a number of theoretical propositions concerning the nature of the relationship which exists between the processes of public and private sector salary determination in each country. In particular, we want to ascertain to what extent public sector salaries have been set in response to pressures emanating from the private sector and more specifically from multinational corporations (MNCs).'

Our intention is tentatively to delineate the most important inter-relationships between public and private-sector high-level manpower markets. Hence we are not concerned with examining the salience of specific factors of rival theories in accounting for the overall structure of remuneration, i.e. the broad levels of income received by the main occupational categories which comprise the social division of labour in both public and privately owned enterprises and organizations. It is certainly the case that the dominance of the capitalist mode of production in each of the three countries under examination has given rise to basic similarities in their respective remuneration structures which, arguably, are of more significance than the differences between them. Nevertheless these differences are still of considerable interest and because they can be analysed by employing relatively simple theoretical propositions they are

more susceptible to empirical testing than the more abstract theoretical formulations underlying analyses of modes of production and the identification of classes.¹

Size and trends in public/private sector earnings in Ghana, Kenya and Nigeria.

In spite of the generally acclaimed importance of managerial and professional manpower (especially by 'modernization' theories) surprisingly little attention has been devoted to studying these labour markets. In part the explanation lies with the difficulty of analyzing what is an extremely heterogeneous collection of occupations, and more specifically, the problem of establishing equivalence between employment positions in the absence of standardised job evaluation exercises.

In addition to the obvious sources of data such as Civil Service Staff Lists and annual estimates of expenditure, the following discussion utilises unpublished salary and wage data compiled from the annual returns of over 400 registered enterprises in Ghana employing more than thirty people and also the results of a survey of managerial remuneration in over ninety of the largest enterprises in the private sector conducted by the Ghana Employers Association in 1974. For Nigeria, we rely primarily on the private sector salaries data collected in 1972/3 for the Public Services Salary Review Commission² under the chairmanship of Chief Udoji. For later years, salaries data have been gleaned from recruitment advertisements for higher-level manpower in the Nigerian and British press. The Kenyan data are considerably more fragmentary since we have had to rely on a limited salary survey conducted by a private consultancy firm in 1972/3, in addition to job advertisements.

Inter-sectoral income differentials for a number of equivalent employment positions in Ghana, Kenya and Nigeria are presented in Tables 1 and 2 and Figure 1. Only in the case of the Udoji Report in Nigeria has the equivalence of public and private sector manpower been ascertained on the basis of a reasonably rigorous and comprehensive job evaluation exercise, employing well-specified, multi-dimensional criteria. While this limits the usefulness of the Ghanaian and Kenyan data, particularly as

sources for inter-country comparisons, a number of interesting observations can nevertheless be made: (i) The size of the inter-sectoral income differentials for all managerial and professional occupations is very significant although, as a rule, the differential increases quite substantially with seniority of employment position.³ (ii) It is not possible to make detailed inter-country comparisons because whereas the Kenyan and Ghanaian data relate to periods immediately after major reappraisals of public sector salaries (namely the Ndegwa and Issifu-Ali salary Reviews⁴), the Nigerian income differentials are those that prevailed before the implementation of the Udoji Report in 1975. Ideally, the most appropriate comparisons should be between inter-sectoral income differentials immediately prior to and after salary review commissions undertaken during certain periods but, unfortunately, the necessary ex ante private sector data for Ghana and Kenya is unavailable. However, in spite of these empirical deficiencies, it seems clear that inter-sectoral income differentials have tended, in the absence of government intervention, to be considerably higher in Nigeria than in Ghana and, to a lesser extent, in Kenya. Comparing post-Udoji with post-Ndegwa and Issifu-Ali income differentials highlights the importance of the selection of time periods in analyses of this kind since the effect of the Udoji Report was virtually to eliminate income differentials between the public and private sectors for all high-level employment positions. The point to stress, however, is that the pressures forcing apart private and public sector salary levels have been much greater under the conditions of extremely rapid economic growth of the modern sector in Nigeria since the early 1970s than elsewhere. (iii) It would appear that public/private-sector income differentials have been increasing since independence. Time-series data comparing the salaries received by three high-level occupations, general managers/permanent secretaries and senior accountants and engineers in the public and private sectors in Nigeria for a number of years between 1965 and 1977 are presented in Figures 3 and 4.

These show quite clearly how the public-private income differentials have increased especially since the early 1970s. This has occurred in spite of the stringent and extremely costly efforts of the Nigerian Federal and State governments to

TABLE 2. Public and private sector salaries in Kenya 1970-73.

Public Sector Designation	Civil Service		Private Sector			Private Sector Designation	(VI)
	Range	Mid Point	LQ	M	LQ		
Permanent Secretary	3476-3960	3618	4298	5750	6500	Managing Director	60
Chief Engineer	2712-3276	2994	3000	3583	4646	Chief Engineer	20
Chief Accountant	1866-2334	2110	3550	4250	5054	Chief Accountant	100
Computer Programmers	1494-1866	1680	n.a.	2400 (av)	n.a.	Computer Programmer	40
Personnel Manager	1494-1866	1680	2853	3906	4603	Personnel Manager	130
Graduate Entry	1494	1494	2620	2640	2820	Trainee Manager	70

Sources: Public Sector: Ndegwa Salary Commission 1970-71 and Annual Estimates of Expenditure
 Private Sector: Inbucon Wages and Salary Review 1972/73.

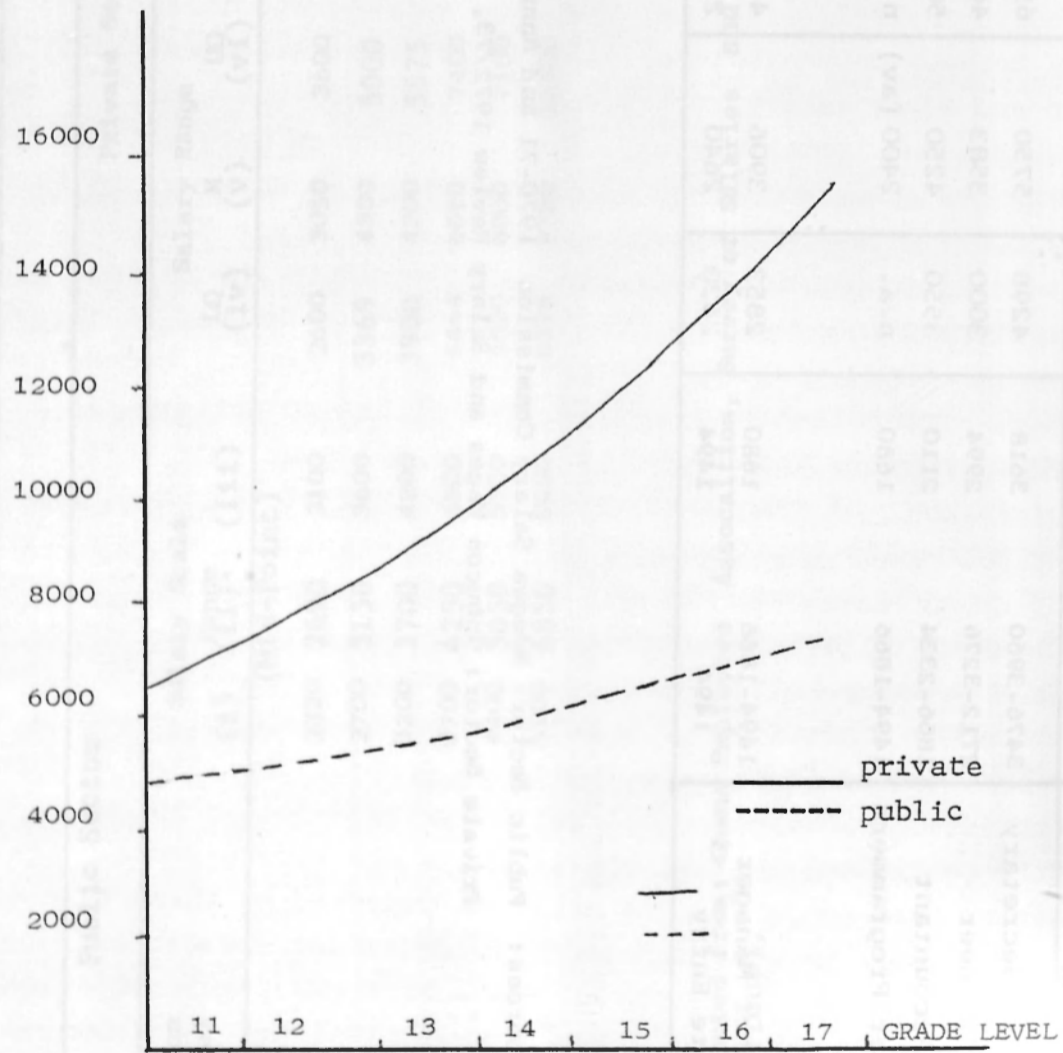
TABLE 1:

Public and Private Sector Salaries in Ghana: 1974/75

Designation Grade Level	Public Sector			Private Sector			Designation
	Salary Scale (I) (II) (III) (Mid-Point)	LQ (IV)	Salary Range M (V)	UQ (VI)		(V)-(II) (II)	
50 - 55	2320 2690 3100	2600	3050	3600			Lower Junior Management 15
55 - 60	2700 3150 3600	3369	4300	5000			Upper Junior Management 35
60 - 65	3200 3700 4200	3900	4200	5675			Lower Middle Management 20
65 - 70	3700 4250 4800	5464	6010	7400			Upper Middle Management 40
70 - 75	4400 5050 5700	5000	6000	7100			Lower Senior Management 20
75 - 90	5100 6850 8600	8375	9780	12200			Upper Senior Management 45

Source: Computed from: Ghana Employers Association, Survey of Salaries and Annual Estimates of Expenditure (various).

Figure 1: Comparison of private sector and federal civil service salaries, Nigeria.

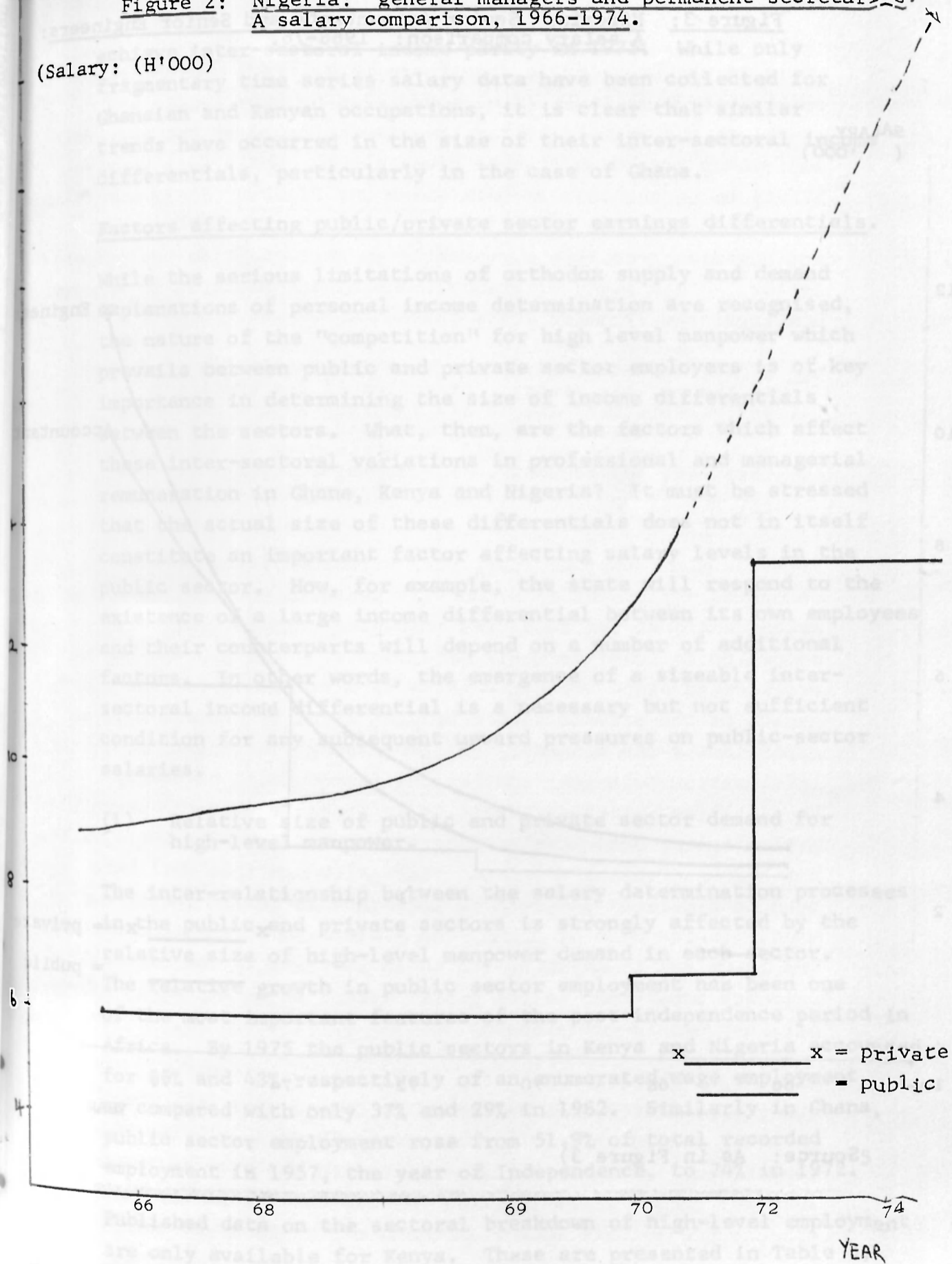


Source: Federal Government of Nigeria, Public Sector Salary Review Commission, Appendix on Grading and Pay, 1974.

SALARY (N'000)

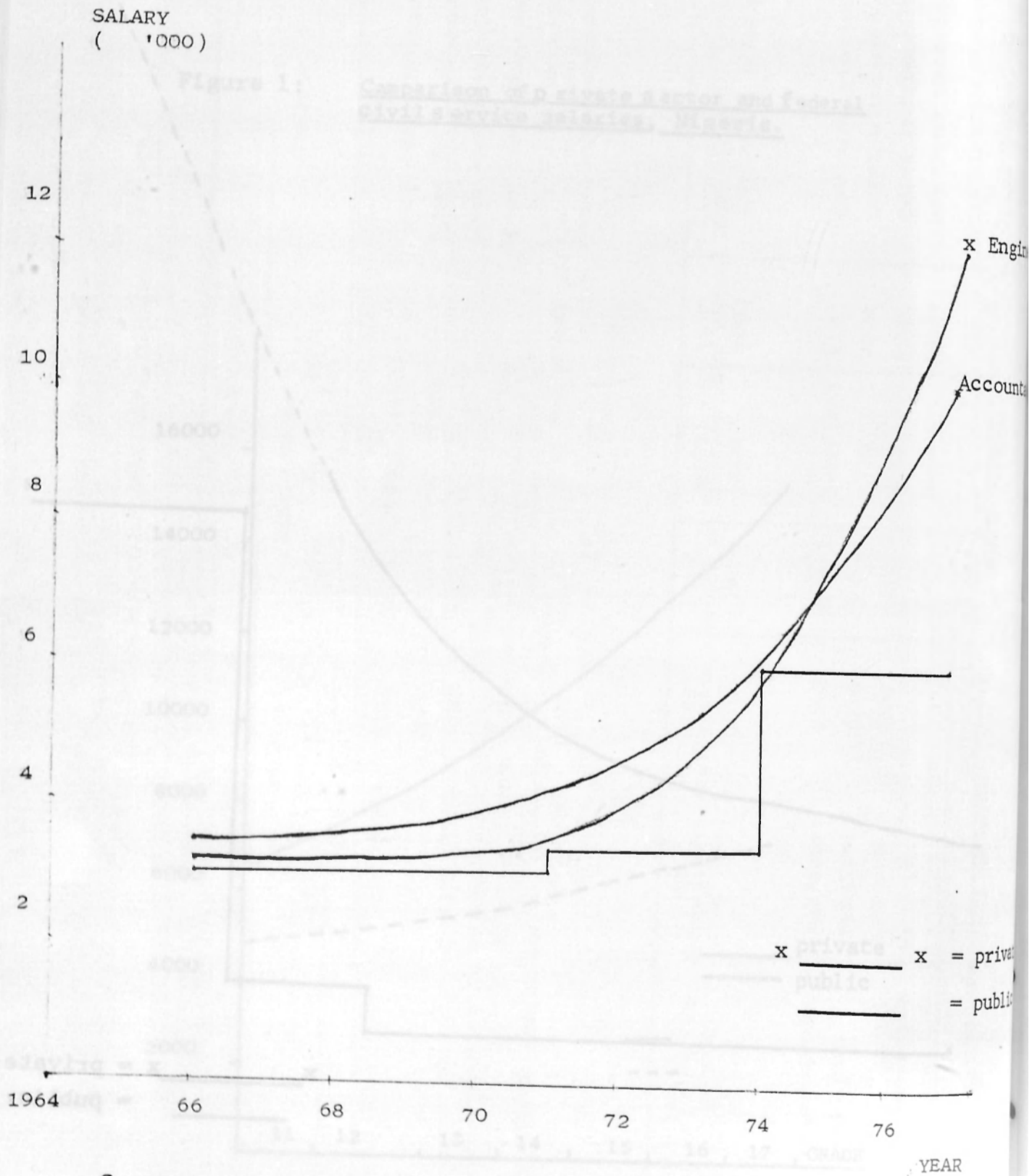
Figure 2: Nigeria: general managers and permanent secretaries:
A salary comparison, 1966-1974.

(Salary: (H'000))



Sources: Salary Review Commissions, Estimates of Expenditure,
Advertisements in West African magazine.

Figure 3: Nigeria. Senior Accountants and Senior Engineers
A salary comparison: 1966-76.



Source: As in Figure 3)

achieve inter-sectoral income parity in 1975. While only fragmentary time series salary data have been collected for Ghanaian and Kenyan occupations, it is clear that similar trends have occurred in the size of their inter-sectoral income differentials, particularly in the case of Ghana.

Factors affecting public/private sector earnings differentials.

While the serious limitations of orthodox supply and demand explanations of personal income determination are recognised, the nature of the "competition" for high level manpower which prevails between public and private sector employers is of key importance in determining the size of income differentials between the sectors. What, then, are the factors which affect these inter-sectoral variations in professional and managerial remuneration in Ghana, Kenya and Nigeria? It must be stressed that the actual size of these differentials does not in itself constitute an important factor affecting salary levels in the public sector. How, for example, the state will respond to the existence of a large income differential between its own employees and their counterparts will depend on a number of additional factors. In other words, the emergence of a sizeable inter-sectoral income differential is a necessary but not sufficient condition for any subsequent upward pressures on public-sector salaries.

- (1) Relative size of public and private sector demand for high-level manpower.

The inter-relationship between the salary determination processes in the public and private sectors is strongly affected by the relative size of high-level manpower demand in each sector. The relative growth in public sector employment has been one of the most important features of the post-independence period in Africa. By 1975 the public sectors in Kenya and Nigeria accounted for 65% and 43% respectively of an enumerated wage employment as compared with only 37% and 29% in 1962. Similarly in Ghana, public sector employment rose from 51.9% of total recorded employment in 1957, the year of Independence, to 74% in 1972.⁵

Published data on the sectoral breakdown of high-level employment are only available for Kenya. These are presented in Table 3,

where it can be observed that there is a larger concentration of high-level manpower (i.e. those earning over 2000/- a month) in the private sector than is indicated by the aggregate employment breakdown figures given above. While this is also likely to be the case in both Ghana and Nigeria, it is surprising to find that by the mid-1970s only 7.5% and 13% of Ghanaian and Nigerian graduates were taking up employment in the private sector.⁶ In a study of graduate employment patterns in Nigeria, Rimlinger and Stremlan state that:

"Until recently there have been few University graduates in the private sector. Graduates of the 1950s and early 1960s were almost all absorbed by the expanding Civil Service - the salary was good, the status was high, prospects for rapid promotion were excellent and there was job security. Furthermore, foreign business establishments showed little interest in recruiting them".⁷

From the mid 1960s, however, this situation began to slowly change as employment opportunities began to contract in the public sector while at the same time companies were increasingly compelled to localise their managements. This process has rapidly accelerated since the early 1970s as a result of (a) the rapid growth of the private sector brought about by the oil-induced expansion of the economy; (b) increasingly stringent managerial localization policies; and (c) the introduction of equity localization policies. Hence it is probable that the overall percentage of graduates finding employment in the private sector has been increasing in recent years although this will have been considerably dampened by increases in public sector employment. In the case of Ghana, the stagnation of the economy since the 1960s has if anything led to an increase in the extent of graduate employment in the public sector in an effort to stave off large-scale unemployment.

The larger the private sector the greater the likelihood that the public sector will be forced to compete for high level manpower should this be in relatively short supply and this competition is likely to be reflected in the size of the intersectoral income differentials. Hence, the relatively small size of the private sector in Ghana may explain why even though

Table 3.: Sectoral Breakdown of High Income Employment Positions in Kenya, 1975

	Central		Govt.		Other		Private Total	
	Number	%	Number	%	Number	%	Number	%
Employees earning over: (p.m)	400							
	92,000	25.5	139,000	38.6	129,000	35.8	360,000	
	23,300	23.3	33,100	33.1	43,400	43.8	99,800	
	8,300	22.1	9,200	24.5	19,900	53.2	37,400	
	2,300	12.9	3,600	20.2	11,900	66.8	17,800	

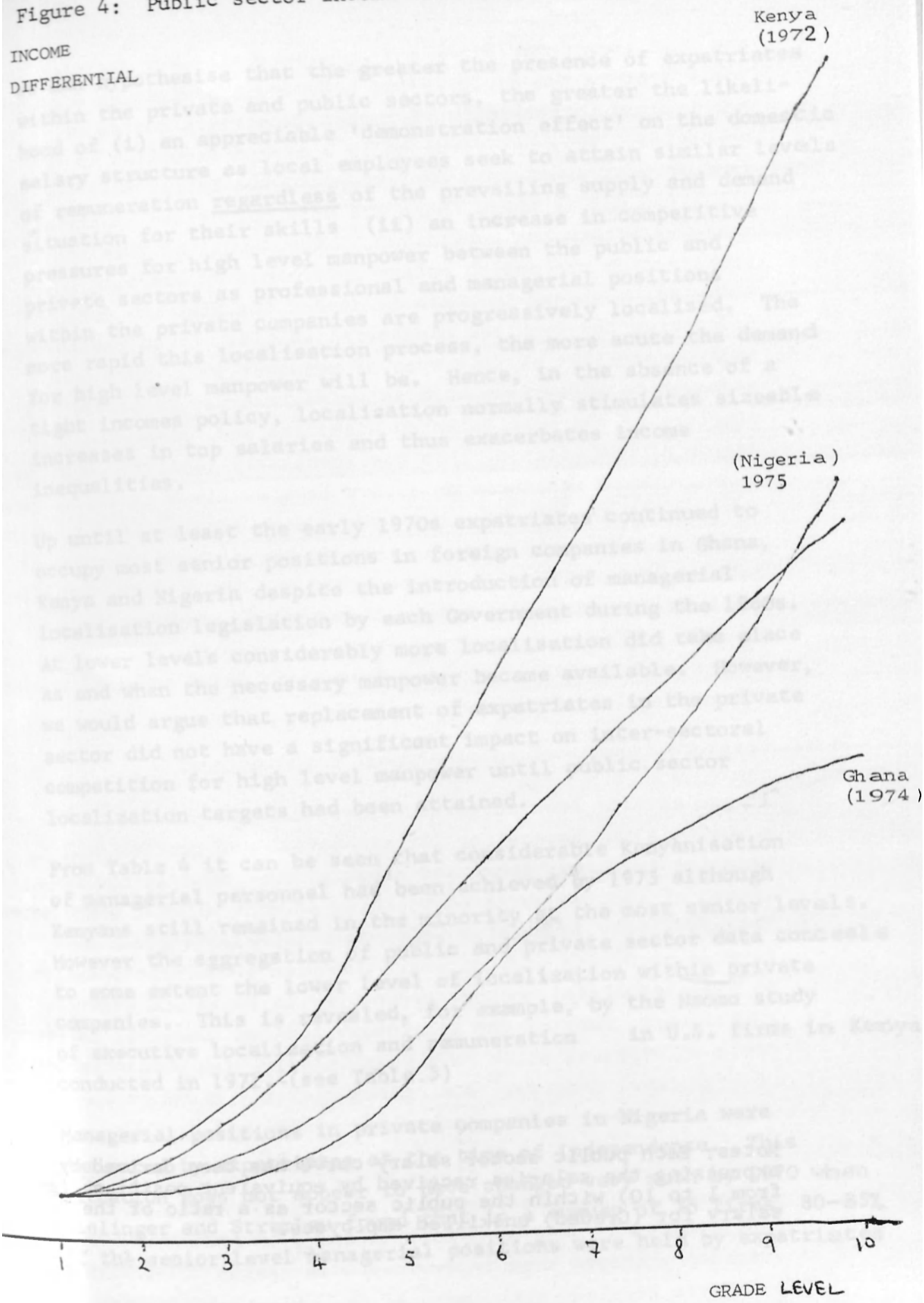
Source: Computed from data in Employment and Earnings in the Modern Sector, 1975, Central Bureau of Statistics, Ministry of Finance and Planning.

the inter-sectoral income differentials are large, income differentials within the public sector are considerably less than in Nigeria and Kenya where the private sector is more important (see Figure 5). This is because the Government is able to exert a strong monopsonistic position in high level labour markets to establish salaries which need not closely correspond to these being paid in the private sector. In Nigeria and Kenya, on the other hand, there are greater pressures towards inter-sectoral compensation parity thus leading to a widening of income differentials within the public sector itself. It should be noted, however, that there does not appear to be any simple relationship between the size of public/private sector income differentials (immediately prior to any form of government intervention) and the size of the income differential between the top and bottom employees in the public sector. Take Kenya and Nigeria, for example. Given that unskilled labour is paid approximately equal wages in both the public and private sectors in each country, then any attempt by the State to eliminate or reduce inter-sectoral income differentials for managerial and professional manpower will, ceteris paribus, increase the size of income differentials within the public sector. While the implementation of the Udoji Report did result in the attainment of income parity for senior manpower in the public and private sectors, this did not exacerbate the distribution of personal incomes within the public sector because lower level manpower received even larger percentage increases in their wages and salaries. Hence the ability to pay for enormous increases in the remuneration bill allowed the Nigerian State to avoid a conflict between the managerial parity and income equality objectives. However, in countries like Kenya which also face serious problems arising from large inter-sectoral income differentials, the additional revenue required in order to attain parity at the top is prohibitive. In fact, the Ndegwa Commission led to some reduction in public sector income differentials (i.e. a downward shift in the salary curve) but this was relatively limited compared with the impact of the Udoji salary awards.

(ii) Expatriates and the rate of localization.

The presence of expatriates is another factor which can have an appreciable impact on patterns of demand for high-level manpower.

74.
 Figure 4: Public sector income differential salary functions.



Source: Estimates of Expenditure
 Salary Review Commissions

differentials within the public sector are considerably smaller than in Nigeria and Kenya where the private sector is more important (see Figure 5). This is because the Government is able to exert a strong monopolistic position in high level labour markets to establish salaries which need not closely correspond to those being paid in the private sector. In Nigeria and Kenya, on the other hand, there are greater pressures towards inter-sectoral compensation parity thus leading to a widening of income differentials within the public sector. It should be noted, however, that there does not appear to be any simple relationship between the size of public/private sector income differentials (immediately prior to any form of government intervention) and the size of the income differential between the top and bottom employees in the public sector. Take Kenya and Nigeria, for example. Given that unskilled labour is paid approximately equal wages in both the public and private sectors in each country, then any attempt by the State to eliminate or reduce inter-sectoral income differentials for managerial and professional manpower will, ceteris paribus, increase the size of income differentials within the public sector. While the implementation of the Udoji Report did result in the attainment of income parity for senior manpower in the public and private sectors, this did not exacerbate the distribution of personal incomes within the public sector because lower level manpower received even larger percentage increases in wages and salaries. Hence the ability to pay for enormous increases in the remuneration bill allowed the Nigerian State to avoid a conflict between the managerial parity and income equality objectives. However, in countries like Kenya which also face serious problems arising from large inter-sectoral income differentials, the additional revenue required in order to attain parity at the top is prohibitive. In fact, the Ndegwa Commission led to some reduction in public sector income differentials (i.e. a downward shift in the salary curve) but this was relatively limited compared with the impact of

Notes: Each public sector salary curve has been derived by expressing the salaries received by equivalent positions (graded from 1 to 10) within the public sector as a ratio of the salary for (Graded) unskilled employees.

The presence of expatriates is another factor which has a considerable impact on patterns of demand for high-level manpower.

Source: Estimates of Expenditure
 and Salary Review Commission

We can hypothesise that the greater the presence of expatriates within the private and public sectors, the greater the likelihood of (i) an appreciable 'demonstration effect' on the domestic salary structure as local employees seek to attain similar levels of remuneration regardless of the prevailing supply and demand situation for their skills (ii) an increase in competitive pressures for high level manpower between the public and private sectors as professional and managerial positions within the private companies are progressively localised. The more rapid this localisation process, the more acute the demand for high level manpower will be. Hence, in the absence of a tight incomes policy, localisation normally stimulates sizeable increases in top salaries and thus exacerbates income inequalities.

Up until at least the early 1970s expatriates continued to occupy most senior positions in foreign companies in Ghana, Kenya and Nigeria despite the introduction of managerial localisation legislation by each Government during the 1960s. At lower levels considerably more localisation did take place as and when the necessary manpower became available. However, we would argue that replacement of expatriates in the private sector did not have a significant impact on inter-sectoral competition for high level manpower until public sector localization targets had been attained.

From Table 4 it can be seen that considerable Kenyanisation of managerial personnel had been achieved by 1975 although Kenyans still remained in the minority at the most senior levels. However the aggregation of public and private sector data conceals to some extent the lower level of localization within private companies. This is revealed, for example, by the Nzomo study of executive localization and remuneration in U.S. firms in Kenya conducted in 1971. (see Table 5)

Managerial positions in private companies in Nigeria were dominated by expatriates at the time of independence. This situation does not appear to have changed very much by 1970 when Rinlinger and Stremlau found that in a survey of 75 firms, 80-85% of the senior level managerial positions were held by expatriates

and that even fewer Nigerians were in really key decision making posts. Since the early 1970s, however, the Nigerian Government has imposed increasingly stringent expatriate quotas on foreign companies. This has resulted in a marked reduction in the incidence of expatriate employment to the extent that the typical situation now is where there are only one or two expatriate managers within the subsidiary.⁸ The impact of this rapid localization process on salary determination has been to stimulate a marked increase in demand for Nigerian personnel possessing the required managerial skills. Given the perceived indispensability of this type of manpower, MNCs have been prepared to offer very high salaries in order to secure the services of the most talented Nigerians and, given the high degree of competition, this has inevitably resulted in extremely strong upward pressures on salary levels. In Nigeria, therefore the rate of localization has been a more crucial factor in the salary determination process than in Kenya where significant but less rapid localization has occurred and Ghana where localization has been spread over a longer time period, starting during the Nkrumah period and, more importantly, where the private sector is not sufficiently large and dynamic to exert powerful competition for high level manpower.

(iii) The impact of multinational corporations.

It has already been suggested above that the private sector as a whole is the pacesetter for managerial and professional salaries in Ghana, Kenya and Nigeria. But what is the specific impact of the remuneration policies of multinational corporations? This is likely to be of considerable importance given that foreign corporate capital still occupies a dominant position in many industrial sectors especially in Kenya and Nigeria. Furthermore, many of the relatively limited number of large scale enterprises which have particularly high concentrations of high-level manpower⁹ are either directly owned or operated under management and/or technology agreements by MNCs.

Our research on MNCs in Africa indicates that MNCs generally pay their senior employees more than their counterparts in the public sector. This assertion is based on the mainly qualitative evidence gathered from interviews with nearly 50 British and North American TNCs, many of whom have subsidiaries of

Table 4. Extent of Kenyanisation, 1967-1975.

	Top-level Admin & Managers		Professionals		Technicians & Senior Prof.	
	1967	1975	1967	1975	1967	1975
Agriculture	47	51	65	96	88	92
Mining	2	29	0	55	37	51
Manufacturing	7	51	15	43	52	77
Electricity & Water	100	81	14	51	58	88
Construction	7	35	32	44	58	71
Wholesale & Retail	32	59	12	52	34	84
Transport	24	54	8	33	75	85
Services	69		48		85	
Aggregate	37		39		69	

Sources: Computed from data contained in: Employment and Earnings in the Modern Sector 1967 and 1975, Central Bureau of Statistics, Nairobi, Kenya.

Table 5: Kenya: Extent of Kenyanization in 60 U.S. firms 1971.

	<u>% Kenyan</u>
Director	7
Regional Manager	13.5
Divisional Manager	33
Technician	29.5
Supervisor	77
Administrative Assistants	93
Trainees	100

Source: Compiled from data presented by Nzomo, "The Development of Executive Personnel in Kenya" Ph.D. Thesis.

affiliates in Africa and with international recruitment consultants based in London and on an analysis of the 1976/77 annual questionnaire returns of over 400 manufacturing enterprises, to the Ministry of Industries in Ghana (fully reported in Chapters 3 to 9). These returns showed that higher MNC remuneration can be attributed to the 'foreignness' of the companies involved, controlling for other factors. One reason for this, it has been suggested, is the integration of such companies, into international labour markets and the most concrete manifestation of this integration is the attempt by a small number of MNCs to compensate their most senior executives on the basis of a global salary scale regardless of location or nationality. This hypothesis in conjunction with a number of others concerning the relationship between global manpower development and remuneration policies among MNCs formed the basis of the interview survey mentioned earlier. The main conclusion of this research is that while most MNCs adopt global remuneration methodologies for their internationally mobile managerial cadres (i.e. expatriates who are either from the home country or, as is increasingly the case, 'third country nationals') the determination of salaries for national managers at the subsidiary level is set according to "local market conditions". Consequently the reasons why MNCs pay their local managerial personnel relatively high salaries vis-a-vis their counterparts in locally-owned private companies and state employment arise mainly from more parochial, short-term considerations. Their ability to pay relatively higher salaries is usually that much greater than other types of enterprises given their oligopolistic control of local product markets which ensures high profit margins. Moreover, since many local managers are replacements for expatriates, their employment leads to a considerable reduction in overhead costs even though they are a managerial aristocracy in local terms. In other words, MNCs are less likely to be as sensitive to large income discrepancies within local managerial markets when these are relatively insignificant compared with equivalent local - expatriate salary differentials.

MNCs with affiliates in Africa cannot survive unless they are able to gain the necessary access to key decision-makers in

the state apparatuses. To achieve this MNCs must employ local nationals who have themselves often been senior civil servants or even politicians. This is not necessarily to suggest this informal network of relationships between MNCs and local bureaucrats and politicians is symptomatic of class symbiosis between foreign capital and local elites.⁹ But it is clear that MNCs must be able to obtain the services of talented and influential local nationals. To do this they must lure them away from secure and powerful positions within the bureaucracy which are used to exploit, both by legal and illegal means, often considerable income-earning opportunities. Consequently, MNCs must generously compensate state officials for the loss of income that they are likely to incur as a result of taking up employment outside the public sector. Hence, while local MNC managers are still likely to straddle between their normal full-time employment position and "outside" interests, their ability to do so will be derived largely from the increased possibilities for capital accumulation from a higher nominal salary than was the case in the public sector where they have more scope to exploit other income-earning opportunities. It is also likely that MNCs pay local nationals higher salaries in order to ensure that where any conflicts of interest arise between the company and the state their local managers will remain loyal to the company (although there are frequently just as many serious conflicts of interest between local companies and the State). Finally, MNCs tend to pay their managers more because they utilize relatively sophisticated job evaluation methodologies which

provide the basis for well structured salary systems. Many local companies, on the other hand, do not employ such techniques which has resulted in relatively underdeveloped managerial salary structures. In Ghana, for example, income differentials between managers and other employees in many firms had become so compressed by 1975 that managers demanded the right to form their own trade unions. This clearly represented a serious threat to the functioning of the capitalist labour process which prompted the Ghana Employers Association to undertake a salary survey of managerial salaries in relatively high-paying companies (mostly MNCs) and to encourage other companies to increase their salaries to comparable levels.

(iv) Salaries policy in the public sector.

Public sector salaries policy in all Anglophone African states has been centred upon the recommendations of Government appointed Salary Review Commissions and Committees. In all three countries the similarities in the timing and policies adopted by the State via these quasi-autonomous review bodies have been particularly striking. In each country there has been one particular commission which has been of fundamental importance in establishing the main features of post-Independence salary policies: The Mills Odoi Commission in Ghana (1967),¹⁰ the Ndegwa Salary Review Commission in Kenya (1970-71) and the Salary Review Commission in Nigeria (1972-74). Each of these commissions undertook the first major reevaluation of the inherited colonial salary structure since independence. Moreover, they were all established some eight to twelve years after independence mainly in response to the growing demands of public sector employees for salary and wage increases to compensate for the decline in their real income since the last major salary awards. In common with their colonial predecessors, these commissions were essentially defensive,

ad-hoc reactions of politically vulnerable regimes to serious crisis within the public sector. In Ghana the military clique who ousted Nkrumah in January 1966 were heavily dependent on the political and administrative skills of the civil servants. Their support was, however, conditional upon sufficiently generous salary increases to compensate them for the decline in their living standards which they had experienced during the later years of the Nkrumah period. In Kenya, the demise of KANU as an effective political force enhanced the importance of the bureaucracy in guaranteeing the survival of the Kenyatta regime. Thus the establishment of the Ndegwa Commission was symptomatic of the sensitivity of the political elite to safeguarding the interests of the bureaucracy. A similar situation prevailed in Nigeria during the early 1970s where the State was striving to reestablish its power and authority over a divided population after the Civil War of 1966-70. To achieve this the politically powerful public sector salariat were granted a large share of the surplus accruing from the rapidly expanding oil revenues collected by the State.

The similarity in the ^{terms} of reference, arguments and recommendations of the Reports of these Salary Commissions reflects a common response to resolving the conflicting demands confronting the state as the main instrument of social cohesion in these societies. The state is faced by a powerful bureaucracy seeking to maintain and, if possible, improve its material well being. How the state responds to these demands will be conditioned by the nature of the political process in each society since this will determine the share of the surplus extracted by the state which will be devoted to rewarding the bureaucracy. The authoritarian form of poli-

tical rule in Africa has permitted a greater degree of subordination of the dominated classes than in the advanced capitalist countries with the result that the bureaucracy has been in a strong position to advance its own interests. It has been suggested that so large is the economic and political power of the senior members of this bureaucracy vis-a-vis the dominated classes and other dominant classes that collectively they constitute a bureaucratic bourgeoisie.¹¹ While we would dispute this proposition on both theoretical and empirical grounds, the bureaucracy has nonetheless managed to preserve and, in some cases, improve upon the privileged positions they inherited from the colonial State.

The significance of these first post-independence salary commissions lies in their formal recognition of the power and privileges of the newly Africanized public sectors in each country at a time when these African states were politically and ideologically committed to ambitious development policies many of which both directly and indirectly conflicted with the interests of the public bureaucracy. However the political conservatism of the commissions in justifying the existing pattern of salaries and wages is obscured to some extent by a number of factors. Firstly, each commission recommended the replacement of the class-based colonial grading structure with a uniform job classification scheme based upon relatively sophisticated job evaluation methodologies. Underlying these new grading schemes is the functionalist ideology developed by corporate managements and firms of management consultants in the advanced capitalist countries to assess the relative contributions of all employees within large organizations. But since no major modifications were made to the public sector salary structure, these new grading systems were

relatively senior appointments and their European counterparts. By the early 1950s the British realised that they would have to hand over power to the African nationalists and that this would have to be preceded by the Africanization of the civil service. The 1953 the Lidbury Report recommended the abolition of all forms of racial discrimination within the Kenyan civil service but at the same time still had to convince African civil servants and politicians of the necessity of accepting the adoption of the dual, basic-expatriate salary structure. The nationalist politicians responded angrily, arguing that the British were breaking their long-standing promise that they would pay the African civil servant the same as his European counterpart once it had been accepted that there were no longer any innate differences in the ability of each type of officer, but as soon as the British were forced to recognize this fact, they concocted a new set of supposedly non-racial reasons for justifying the continuation of separate salary scales.

The British had previously been confronted with the same type of response in West Africa. The Gorsuch Report on the Nigerian civil service neatly summarised African feelings on this issue: "The existence of the fixed African-expatriate income differential has come to be regarded in Nigeria as elsewhere as an implied comparison of the intrinsic worth of the two types of officers and this feeling has led to resentment".²⁹ During the 1950s any economic justification for this differential was swept to one side as Africans, both those who stood to benefit directly and the great majority of the population who certainly did not, exerted the maximum political pressure in an effort to ensure that the equal capabilities of African officers were justly recognized by paying them the same as expatriates. This was a question of national and racial pride which at the time dwarfed any of the other counter-arguments which might have been taken into account. In particular, the adverse effect of the reduction of the differential on the distribution of income.

Finally, the friction and bad feeling which arose as a result of this issue tended to undermine the morale within each civil service, thus posing a potentially dangerous threat to the smooth implementation of the British preparatory plan. Consequently

African and British objectives once again tended increasingly to complement each other as the British yielded to political pressure to reduce the size of the differential. For example, the Report of the Select Committee on the Lidbury Report stated that: "we have tried in our proposals to narrow the gap between African and expatriate salaries and to remove some of the differences that are a constant source of irritation".³⁰

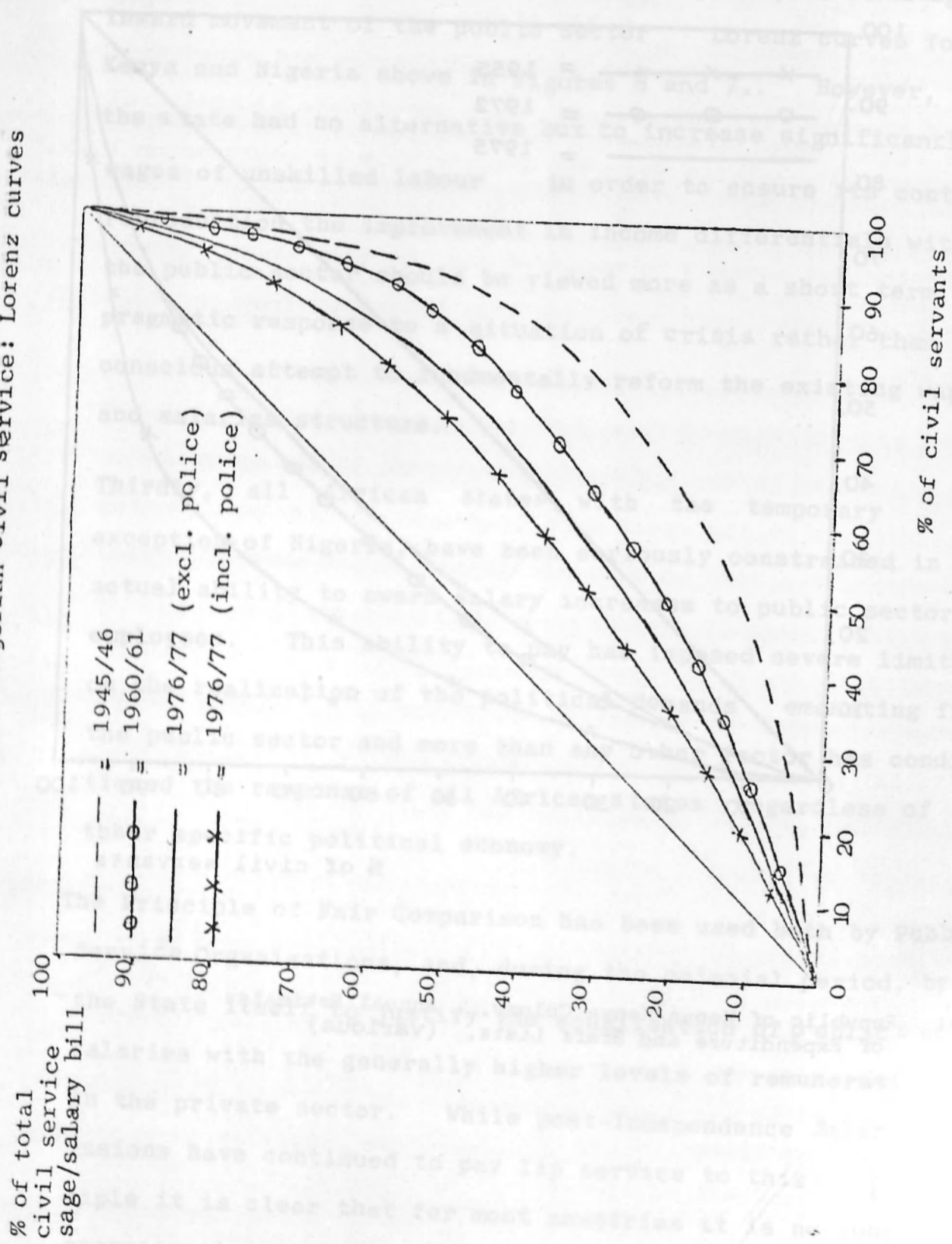
(3) Economic Factors: The Supply of and Demand for Educated African Manpower.

Neo-classical economic theory focuses upon the supply of and demand for each type of manpower as the primary explanation for the observed pattern of personal income distribution in capitalist society. The thrust of the argument so far has been that the essential characteristics of the salary structures of each of the civil services under investigation evolved in accordance with the political and social objectives of British imperialism and that the neo-classical economic theories which have been forwarded to explain the patterns of income distribution which were derived in section 2 are little more than ex-post rationalisations of these more fundamental political and social considerations. Having said this, it would nevertheless be quite wrong to discount totally the possibility of (more strictly) economic factors playing some role in the income determination process. Although it is methodologically invalid to analyse the "social", "political" and "economic" as separate and autonomous levels or "instances" of each society, it is still a meaningful exercise to try to gauge the approximate supply and demand magnitudes for educated African manpower in order to see whether there was any tendency to reinforce or to counteract the political and social determinants of civil service remuneration which have already been considered in some detail. In other words, we do not believe that supply and demand factors were the major determinants of the overall level of civil service salaries during this period but that they could nevertheless have been partially responsible for the observed changes in the salary level.³¹

(a) The supply of educated Africans

The cornerstone of British education policy before the second world war and the advent of the Africanization programme had

Figure 6, Federal Nigerian civil service: Lorenz curves



sector salaries. This problem was openly recognized by the Ndegwa Commission in Kenya which had little option but to accept openly and legitimize the established practice whereby senior civil servants supplement their public sector salaries by undertaking income-earning activities in the private sector. This phenomenon of 'straddling' is also widespread at all levels of the employment hierarchy within the Ghanaian public sector as civil servants have attempted to maintain their standard of living in the face of rapid inflation. Although these private sources of income are frequently much greater than their public sector remuneration, civil servants are nonetheless often reluctant to leave their jobs because, without their continued preferential access to state institutions, their ability to exploit income-earning opportunities within the private sector would be severely curtailed. Without, for example, an import licence a civil servant cannot obtain the necessary commodities to trade or the necessary inputs needed in most farming or manufacturing activities. Furthermore, although the civil service salary is often relatively small, it is nevertheless a secure and steady source of income which may be of particular importance during periods of political and economic instability and/or when investments made in the private sector have long gestation periods. Consequently, when considering the size of public/private sector income differentials it is important to take into account not only salary levels but additional sources of earnings which are likely to accrue in the short and long run.

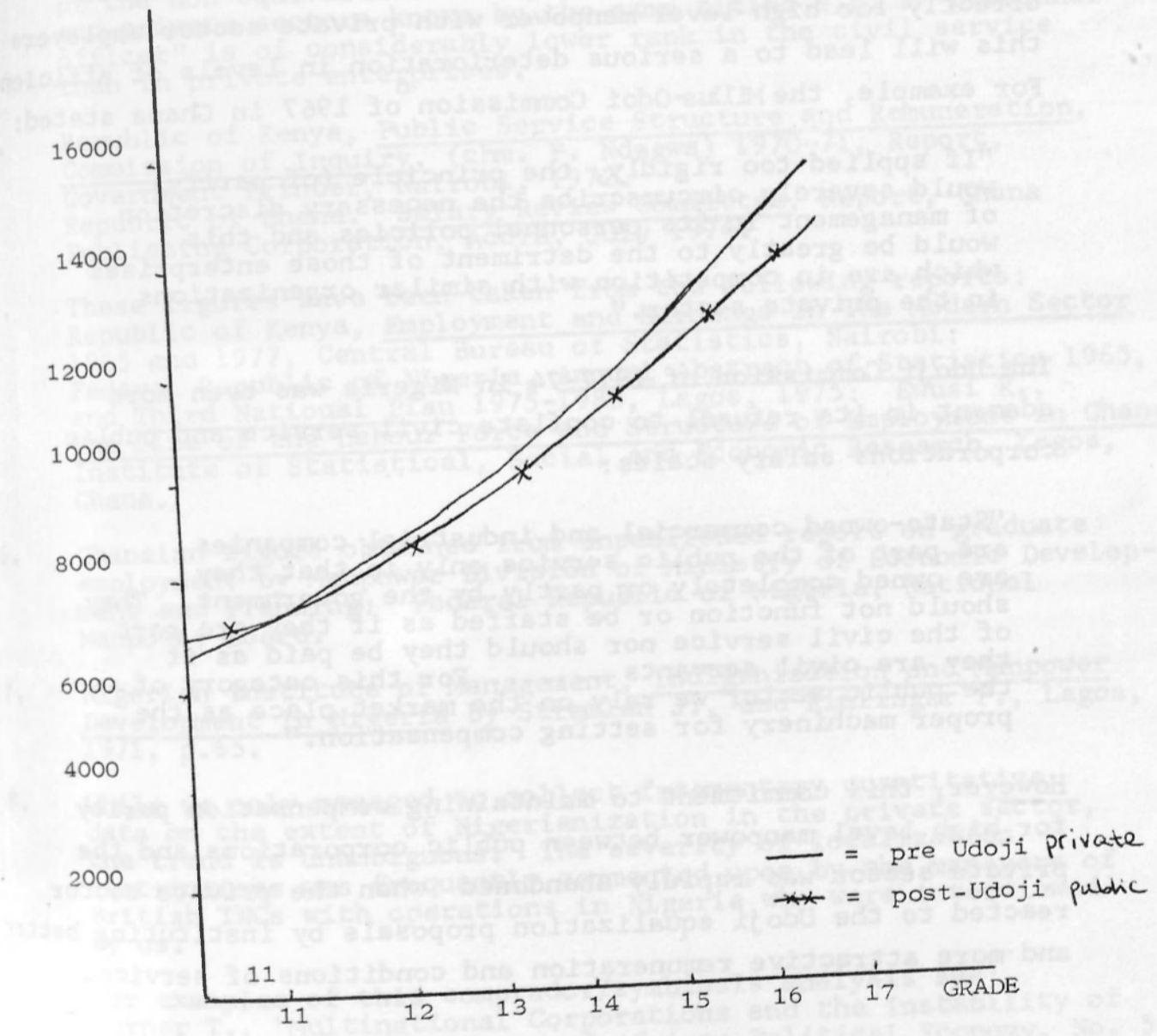
While relatively high salaries in the private sector are often used as an important justification for maintaining the existing pattern of income differentials within the public

sector, only a few states have been able to achieve complete compensation parity with the private sector.¹² In oil rich Nigeria, the implementation of the Udoji Report led to large increases in public sector incomes in an attempt to attain parity with the private sector. From the pre- and post-Udoji public and private sector salary curves - shown in Figure 8 it can be seen that while the 1974 salary awards did eliminate the public/private sector income differentials, at the same time reducing income differentials within the public sector, within a few years private sector salaries had once more re-established their lead. The Nigerian government faced with the inflationary consequences of its own incomes policies and the subsequent reactions of private sector employees, imposed a salaries freeze in an attempt to stop the reemergence of a large public-private income differential and the danger of a large exodus of civil servants to the private sector.

The phenomenal increase in the number of relatively autonomous public corporations since the early 1960s has had a profound impact on the salary determination process for high-level manpower in Africa. In Ghana only 4.1% of recorded wage and salary employment was accounted for by public corporations in 1957 but by 1972 this had grown to 34.2% (equivalent to 56% of public sector employment). By 1975, 55% and 59% of public sector employment in Kenya and Nigeria respectively was in public corporations.¹³

In all three countries, public corporations have enjoyed considerable autonomy in establishing their own salaries and fringe benefits.¹⁴ Hence, given their relative importance as employers vis-a-vis the civil service proper, it is within the public sector itself that much of the competition and dissatisfaction over income differentials and the correspondingly upward pressures on remuneration have occurred. It is clearly incorrect, therefore, to assume as is often done that the private sector is necessarily the most important reference point for the salary determination process for the public sector as a whole. This is particularly true of the Ghanaian situation where private sector employment is relatively small. Large real income differentials between the civil service and public corporations have been the main focus of attention of the post-Nkrumah salary

Figure 7: Comparison of Post-Udoji Public and Pre-Udoji Private Sector Salaries in Nigeria



Source: Salary Review Commission. Report on Grading and Pay

Commission on the Structure and Remuneration in Public Services in Ghana, (cm. Mius-Udoji), Report, Ghana Publishing Corporation, Accra, 1977.

sector, only a few states have been able to achieve complete commissions/committees because disgruntled civil servants have mainly compared their 'plight' with that of their counterparts in other branches of the state apparatus rather than the private sector. It is precisely because these comparisons have been made from within the public sector that large income differentials have been so politically explosive. However, salary commissions and committees in Ghana and Nigeria have persistently refused to tie public corporation salaries to those in the civil service, this being rationalised on the grounds that if public corporations are unable to compete directly for high level manpower with private sector employers this will lead to a serious deterioration in levels of efficiency. For example, the Mills-Odoi Commission⁶ of 1967 in Ghana stated:

"If applied too rigidly, the principle (of parity) would severely circumscribe the necessary discretion of management in its personnel policies and this would be greatly to the detriment of those enterprises which are in competition with similar organizations in the private sector."

The Udoji Commission of 1972-74 in Nigeria was even more adamant in its refusal to conflate civil service and public corporations salary scales:

"State-owned commercial and industrial companies are part of the public service only in that they are owned completely or partly by the government. They should not function or be staffed as if they are part of the civil service nor should they be paid as if they are civil servants For this category of the public sector we rely on the market place as the proper machinery for setting compensation."

However, this commitment to maintaining compensation parity for high level manpower between public corporations and the private sector was rapidly abandoned when the private sector reacted to the Udoji equalization proposals by instituting better and more attractive remuneration and conditions of service.

Footnotes.

See for example Carchedi, P., The Economic Identification of Classes, Poucantzas, N., Classes in Contemporary Society. For an interesting attempt to assess quantitatively the impact of class boundaries on personal income distribution in the U.S. see Wright, F.O., and Perone L., 'Marxist Class Categories and Income Inequality', American Sociological Review, February 1977

Federal Republic of Nigeria. Public Service Review Commission 1972-74. Main Report and Appendices. Federal Ministry of Information, Printing Division, Lagos, September 1974.

The exception is Kenya although this is probably the result of the non-equivalence of employment positions in the public and private sectors known by the same titles e.g. a "personnel officer" is of considerably lower rank in the civil service than in private enterprises.

Republic of Kenya, Public Service Structure and Remuneration, Commission of Inquiry, (chm. P. Ndegwa) 1970-71, Report, Government Printer, Nairobi, 1972.

Republic of Ghana. Salary Review Committee, Report, Ghana Publishing Corporation, Accra, July 1974.

These figures have been taken from the following reports:
 Republic of Kenya, Employment and Earnings in The Modern Sector 1965 and 1977, Central Bureau of Statistics, Nairobi;
 Federal Republic of Nigeria, Annual Abstract of Statistics 1965, and Third National Plan 1975-1980, Lagos, 1975: Ewusi K., The Size of the Labour Force and Structure of Employment in Ghana, Institute of Statistical, Social and Economic Research, Lagos, Ghana.

Ghanaian figure obtained from unpublished report on graduate employment by Manpower Division of Ministry of Economic Development and Planning: Federal Republic of Nigeria, National Manpower Board.

Nigerian Institute of Management, Indigenization and Manpower Development in Nigeria by Stremlan J., and Rimlinger P., Lagos, 1971, p.65.

While we only managed to collect fragmentary quantitative data on the extent of Nigerianization in the private sector, the trend is unambiguous. The severity of localization restrictions was frequently commented upon by the managers of British TNCs with operations in Nigeria who were interviewed by us.

For examples of this comprador/symbiosis analysis see:
 Turner T., 'Multinational Corporations and the Instability of the Nigerian State', Review of African Political Economy, No. 5, 1976. Leys, C., Underdevelopment in Kenya: The Political Economy of Neo-Colonialism, Heinemann, London, 1975.

Republic of Ghana. Commission on the Structure and Remuneration of the Public Services in Ghana, (chn. Mius-Odoi), Report, Ghana Publishing Corporation, Accra, 1967.

11. See Shivji, I., Class Struggles in Tanzania, Heinemann, London, 1976.
12. In the Middle East oil-States, senior public sector employees actually receive more than their counterparts in the leading oil companies and other TNCs who are normally in the "first division" of the national salaries league.
13. See Ewusi K., op.cit. Republic of Kenya, Statistical Abstract, Central Bureau of Statistics 1976 and Federal Republic of Nigeria, Third Development Plan 1975-1980, op.cit.
14. In fact, it has often been the more attractive fringe benefits enjoyed by senior employees of public corporations which have been the major bones of contention. Most important among these have been the freeing of heavily subsidised house and car. In real terms, fringe benefits in addition to higher salaries often increase the civil service-public corporation income differentials to between 50 - 100%.

SECTION II: THE ROLE OF MNCs IN THE MARKET FOR
MANAGERIAL SKILLS.

In our original research proposal we suggested that the
compensation policy of multinational corporations can have an
impact on income distribution in host countries which is both
direct via the level of rewards of MNC managers, and indirect,
via the spread effect on the general level of salaries. Field-
work will be necessary to clarify the precise nature of the
impact in each of the countries in our group but, before that
work is reached, it may be useful to review what seems to be
the current situation and trend in this general area, to judge
how recent management literature¹ and a few preliminary inter-

The hypothesis of our research proposal should not be misunder-
stood. In suggesting an "emergent trend" research proposal,
we do not suggest that MNCs pay an international rate
for the job to a large extent regardless of local circumstances.
We were not suggesting that MNCs are not profit-oriented in
operations. Nor were we suggesting that this trend would be
reflected, now or in the future, in a complete elimination of
any differentials between parent-country-national (PCN), host-
country-national (HCN) and third-country-national (TCN) managers.²

What we were suggesting is that the multinationality of an MNC
may have an influence on the level of salary which is paid
necessary for profit-maximization purposes to pay to its MNC
managers, over and above its status as a large, capital-intensive
monopolistic and protected foreign firm. In other words the fact
its objective is global rather than national profit-maximiza-
tion may push it in the direction of developing a worldwide
of company man.

CHAPTER 3: MULTINATIONALS' POLICY ON THE REMUNERATION OF LOCAL MANAGERS AND THE TRANSMISSION OF INEQUALITY: A PRELIMINARY REVIEW.

In our original research proposal we suggested that the remuneration policy of multinational corporations can have an impact on income distribution in host countries which is both direct via the level of rewards of MNC managers, and indirect, via the spread effect on the general level of salaries. Field-work will be necessary to clarify the precise nature of the impact in each of the countries in our group but, before that stage is reached, it may be useful to review what seems to be the current situation and trend in this general area, to judge from recent management literature¹ and a few preliminary interviews.

The hypothesis of our research proposal should not be misunderstood. In suggesting as an "emergent trend" (Research Proposal, p. 6) the possibility that "MNCs may pay an international rate for the job to a large extent regardless of local circumstances" we were not suggesting that MNCs are not profit-oriented institutions. Nor were we suggesting that this trend would be reflected, now or in the future, in a complete elimination of pay differentials between parent-country-national (PCN), host-country-national (HCN) and third-country-national (TCN) managers.²

What we were suggesting is that the multinationality of an MNC may have an influence on the level of salary which it finds necessary for profit-maximisation purposes to pay to its HCN managers, over and above its status as a large, capital-intensive, oligopolistic and protected foreign firm. In other words the fact that its objective is global rather than national profit-maximisation may push it in the direction of developing a worldwide cadre of company men.

Of course, MNCs vary in the extent to which they adopt a truly multinational perspective. Perlmutter and Heenan (1974, p. 127) define as geocentric the MNC which "attempts to integrate diverse regions through a global approach to decision making. Headquarters and subsidiaries see themselves as parts of an organic world-wide entity. Superiority is not equated with nationality. In the key decisions executives convey the attitude that 'the distinctive competence of the truly multinational company is its capacity to fill its key positions with people from all over the world.'" True geocentricism in this sense is, as they suggest, "not yet a reality anywhere."

More typical, in fact, as yet are the ethnocentric MNC which "prefers putting home-country people³ in key positions everywhere in the world"; the polycentric MNC which "believes that since host-country cultures are quite dissimilar and foreigners difficult to understand subsidiary managers (local nationals in virtually all key positions) should be left alone as long as their operations are profitable"; and the regiocentric MNC which "captures the opportunities of recruiting, developing, appraising and assigning managers on a regional (e.g. European) basis."

We should expect to find that companies will differ in their position on this spectrum according to their nationality, industry length of international experience, etc. For instance, Franko (1973), who suggests that there is a regular, predictable pattern in the nationality of men in command positions in multinational companies, according to the stage of their international operations finds that "multinationalisation of headquarters management (perhaps the ultimate sign of geocentricism) is a phenomenon occurring almost exclusively in the most mature industries and companies." Thus companies with 75 to 100 years of international experience and similarly mature international industries such as oil, food processing, toiletries, synthetic fibres and heavy electrical machinery seem to be the most geocentric in this sense.

As far as the effect of nationality is concerned the picture is not completely clear. The Quebec paper seems to suggest that European corporations are more geocentric than are American corporations. Franko, on the other hand, finds that at certain

stages of a company's growth European firms have a greater tendency towards ethnocentrism than do American firms while in later stages nationality makes little difference. Certainly one can find examples of geocentric practice by companies of almost any nationality. Unilever and Royal Dutch Shell are often quoted as European companies which have pioneered a structure based on two headquarters (Perlmutter and Heenan, p. 132). Nestlé, based in Switzerland, seems to be a model of regiocentrism (Liotard-Vogt, 1976). Sweden's SKF sets explicit multinationalisation goals for its managers (Ludwig, 1971). Even Mitsui has begun to look for top non-Japanese executives to serve on the boards of Mitsui companies in Japan (Business International, July 18, 1975).

Nevertheless the overall impression gained from the management literature and interviews is that American companies have articulated the aim of multinationalisation most clearly and are leading the way towards it. For example, The Director of Personnel at IBM World Trade Corporation, whose Executive Resources Programme is a model of geocentric procedure, describes multinationalism as "the fundamental objective that we have been moving toward" (Cogan, 1973). "The potential source of top international managers", he continues, "lies as much in Europe and Asia and Latin America as it does in the States, and if we take steps to identify, train, and adapt these talents to the multinational world, we can create a much larger pool of the capabilities we need to do the management job of the future."

The reference to the future is important. Whatever the nationality of the corporations that we are looking at, we should distinguish carefully between the current situation and the trend. Reliance on sources that are more than a few years old may be misleading⁴. The use of third-country-national managers on a large scale is very much a recent phenomenon and the steps so far taken towards geocentrism are, as already emphasised, very small. And yet the trend towards the increased use of TCNs seems to be clear. For example, the ratio of Americans to TCNs overseas is estimated to have dropped from three to one to two to one between 1965 and 1969 (Daniels, 1974). Schollhammer surveying twelve large international US based manufacturing firms in 1969, found that only 17 per cent of their 3,877 ex-

patriate executives were TCNs. Daniels, in a similar survey of 18 US based international companies in 1974, found that 49 per cent of their 7,141 expatriate managers were TCNs. More recently Long (1977) has noted "a significant and probably increasingly important part of the overseas employment pattern - the number of advertisements being placed in the UK by overseas companies in respect of jobs in third countries."

Even in developing countries where the dominant trend has been the replacement of PCN by HCN managers the proportion of TCNs has probably increased. For example, Watson (1972) has charted the steady increase in the proportion of Brazilian and TCN managers used by American companies in Brazil.

Table 1. Numbers and Percentages of Brazilians, Americans and Third-Country Nationals in Management Positions in Selected Years

Nationality of Managers	(Sample size, n = 18 firms)		(Sample size, n = 31 firms)		(Sample size, n = 51 firms)		(Sample size, n = 64 firms)		(Sample size, n = 69 firms)
	1950		1955		1960		1965		1970
	No.	%	No.	%	No.	%	No.	%	No.
Brazilian	29	46.0	40	34.5	94	40.8	165	54.0	288
American	32	50.8	73	62.9	120	52.3	110	36.1	112
Third-Country	2	3.2	3	2.6	16	6.9	31	9.9	50
Totals	63	100.0%	116	100.0%	230	100.0%	306	100.0%	450

Source: Watson (1972)

The general expectation seems to be that the trend towards the multinationalisation of management by the largest corporations will continue. Perlmutter and Heenan, Zeira, and Zeira and Harari, on the basis of survey work, have emphasised the advantages of a more multinational approach as seen by HQ officials, including "better allocation of resources, a broader global outlook, improved exchange of information, and higher group profits" (Perlmutter and Heenan, p. 126). Daniels, whose 1974 survey has already been mentioned, reports "indications... that TCN employment will increase. During the year preceding this data collection, three of the participants had put information about their key foreign personnel on their centralized employee retrieval system. Another had polled all its German management as to willingness to accept foreign posts." More recently Zeira and Harari (1977) have referred to the use of third-country managers as a "limited phenomenon", but one which "

analysis - since there are several indications that it will be more prevalent in the near future." Perlmutter and Heenan recommend a conscious strategy of adjustment towards multinationalisation, setting targets to be achieved over periods of time ranging from one to fifteen years.

Table 2. Targets and timing for multinationalization.

Internationalization targets (in decreasing order of importance)		Time (in years)
1 Number of non-Americans		
In head office	18%	9
In overseas subsidiaries	80%	8
In parent-company board of directors	5%	8
2 Worldwide compensation policies	100%	3
3 Worldwide management-training program	100%	3
4 Foreign equity participation		
In parent company	15%	8
In overseas subsidiaries	40%	8
5 Regional personnel office (European)	100%	1
6 International experience for key head office managers (Minimum of two years abroad)	80%	15
7 Worldwide management inventory	100%	
8 International assignments for high-potential foreign nationals	8 per annum	
9 Multinational manpower-planning process	100%	
10 Localized R&D	25%	1
11 Language training for key head office managers		
12 International advisory groups		
To parent company	5 members	
To each major overseas subsidiary	5 members	
13 Worldwide college recruitment program	100%	

Source: Perlmutter and Heenan (1974)

Perlmutter and Heenan recommend as one of the highest priorities the early achievement of worldwide compensation policies. As the number of TCNs has increased, several large companies have, in fact, moved consciously towards "a unified salary structure, the gradual elimination of multiple allowances, and the concept that any given job is "worth" a given amount regardless of the nationality of the incumbent" (Business International, May 18, 1973). A survey of fourteen leading US-based multinationals carried out by McKinsey & Company in 1976 and 1977 found that five of them followed an 'international cadre' salary policy (whereby all expatriates receive the equivalent of US salaries and benefits, and their expatriate allowances are based, like

those of their US colleagues, on cost differences between the US and the country of assignment) for all but a few of its TCNs and two others applied it to selected categories (Foote, 1977, p. 129).

Quite apart from conscious policy, however, the increasing use of TCNs in itself leads to tensions within an international firm's salary structure which may only be resolvable by a reduction in differentials between managers of different nationalities. The recent report of the UK Royal Commission on the Distribution of Income and Wealth (1976) noted that the practice of posting managers from one country to another involves "departures from salary structures in force in the host company concerned and could subject the structures to pressures and strains... Many witnesses considered there was now an international market for managers and expressed fears of an impending drain on managerial talent; some international companies said that they were experiencing difficulty in repatriating UK staff posted overseas or in attracting specially qualified foreigners at existing salary levels." This is consistent with Schollhammer's finding that "the higher the percentage of third country nationals in a firm's pool of international executives, the lower is the intergroup discrimination (i.e. between TCNs and PCNs) with respect to their compensation."

Thus differentials between PCNs and TCNs might narrow as part of a conscious multinationalisation policy or as the result of the pressures arising from the use of an increasing proportion of TCNs. The same forces would also tend to narrow the differentials between HCNs and the others. In a truly geocentric company every manager would presumably be regarded as a member of an international cadre potentially relocatable in the cause of greater efficiency. An expatriation premium might still be necessary but the need for it would be reduced if foreign service were seen as part of the normal career pattern of the upwardly mobile international executive and would disappear altogether if true multinationality became reality; the difference in the cost of living in different places would still need to be reflected in salary differences, however. Even in the absence of an 'international cadre' philosophy the use of a large number of

TCNs would probably tend to pull HCN salaries upwards as companies tried to reduce dissonance between their non-PCN managers (see Zeira, Zeira and Harari). Indeed employment of a large number of TCNs would tend to push a company inexorably towards geocentricism.

A regiocentric company could be analysed in a similar way, but with its managerial labour market regionally rather than global defined. Salary differentials between managers of all nationalities within that region could be expected to narrow.

At the other extreme, a polycentric company would minimise the impact of the international market in managerial skills on host economics by staffing its subsidiaries almost entirely with HCN managers. Such MNCs might still have to pay more than local companies to compensate for the risk of working for a foreign employer but multinationality would have nothing to do with this. There would be no necessary tendency for HCN/expatriate differentials to narrow.

An ethnocentric company which filled senior subsidiary positions with PCN managers would also have to pay such a 'foreign-ness premium' and would probably find additional upward pressure on HCN salaries arising from the demonstration effect of the lavish lifestyle of its expatriates (see Zeira, 1976). In this case, also one might expect to find a high incidence of the inappropriate pay packages described by Foote, reflecting HQ traditions rather than local norms (e.g. on the mix of pay and fringe benefits).

Thus if, as much of the literature suggests, there is a trend towards geocentricism this might be expected to be reflected in a trend towards a narrowing of differentials between expatriate and HCN managers. We will be looking for evidence of such trends but we will also have to analyse the current situation in a number of economies which are penetrated in varying ways and to differing extents by international capital.⁶ What can we expect to find?

To begin with, we are unlikely to find many TCNs in MNC subsidiaries in these countries. The main preoccupation will probably

still be with the replacement of PCN by HCN managers, and even the most geocentric companies will not have integrated local managers into their multinational cadre to the extent that they have integrated, say, their Brazilian managers (cf Watson).

MNCs will tend, as is usually the case (see ILO, Negandhi and Prasad, Richman and Copen etc) to pay more to their local managers than do local firms, partly because of the 'foreign-ness premium' and partly because of the expatriate demonstration effect.

The impact of the international market in managerial skills, even though these countries may be imperfectly integrated into it, may be felt indirectly via the methodology used to determine local managerial salaries. This is usually a comparison with what other companies pay. The largest companies may carry out or commission a formal survey and set their salaries in relation to the median for each grade - smaller companies may follow a less formal procedure; but most will have an explicit or implicit policy about the relationship of their salaries to the 'going rate

Thus even a few relatively geocentric MNCs could influence the whole structure of managerial salaries through their influence on the going rate. Certainly we are unlikely to find the larger private-sector companies taking a lead from the public sector rather than from each other.

Our hypotheses emphasise the upward pull on local salaries resulting from the integration of the international and local markets in managerial skills. However in some countries an exceptionally fast rate of expansion in demand for local managers combined with a slower rate of increase in supply may result in scarcity rents for local managers (particularly good ones) which bring them remuneration at higher than international rates. Brazil is often quoted as an example of this phenomenon. Nigeria, of the countries in our sample, may be a similar case.

Finally, the difficulties of empirical research in this area need to be emphasised. Our hypotheses are not easily translatable into neat quantitative predictions that can be mechanically tested. We suggest that multinationals may be the leaders in the process of salary determination. This does not necessarily

imply that at any given moment salaries in multinationals' subsidiaries will always be higher than salaries in the rest of the private sector or even in the public sector. Our aim, also, is to isolate the impact of multinationality (and foreign-ness) on remuneration. This would be difficult enough in a cross-section regression analysis. It becomes even more so when we are looking at a process and implicitly comparing it with the process under a hypothetical alternative structure (i.e. without multinationals).

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Footnotes.

1. See bibliography for a selection from this literature.
2. The Quebec paper (1977) seems to misinterpret the intention of our hypothesis in both these ways. We will try to relate particularly to this paper as it is a very useful direct comment on our research proposal.
3. PCNs in our terminology
4. Some of the conclusions of the Quebec paper may be dubious for this reason. For instance, none of the surveys quoted there is more recent than 1972.
5. Ghana, Nigeria, Kenya, Tanzania, Morocco, Egypt and the Sudan.

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CHAPTER 4: THE INTERNALISATION OF MNC MANAGERIAL PERSONNEL:
A UK CASE STUDY.

Introduction.

The purpose of this paper is to summarize briefly the main findings of the first section of a questionnaire which was primarily concerned with establishing the central features of British multinational corporations (MNCs) policies regarding the nationality composition of managers in the UK, in their subsidiaries worldwide and, more specifically, in Africa. For the sake of expositional convenience, each of the following sections of this paper analyses the responses of the 25 MNCs which made up our sample to each of the main questions in the order that they were posed. Although we are not able to divulge the names of these MNCs (in Table 1) we have listed them according to their main areas of economic activity. It is not our intention to present a detailed analysis of these responses but rather to identify, in summary form, the main characteristics of their policies and practices on nationality composition.

The main aim of this section of the questionnaire was to test a number of underlying hypotheses which would then allow us to draw a number of factual conclusions concerning the multinationality of managerial personnel and also to explain the reasons for the pattern of nationality composition which was found. More specifically, we wanted to ascertain whether the emergent trends in the deployment of managers of different nationalities employed by US transnationals which have been analysed in a rapidly growing literature on this subject are also occurring within leading UK companies with extensive operations overseas. However, it must be stressed from the outset that our primary objective was to obtain a mainly qualitative assessment of the main features and trends concerning nationality composition and deployment of managers which will complement the more detailed quantitative

research undertaken on this subject by each of the PSSP teams in their own country. Given the structure of the questionnaire and, more important, the general lack of knowledge about the detailed operation of personnel departments in their subsidiaries claimed by our respondents in the UK, it was not possible to obtain sufficient data to test our hypotheses in a rigorous, methodologically-sound, quantitative manner. Nevertheless, the verbal statements obtained do allow us to draw clear conclusions about the question of nationality mix.

Multinationalization of MNC management.

The advantages of multinationalisation of a company's management, as seen from headquarters, have already been described in Chapter 3. The process would appear to be a logical development of an already well advanced historical process of the internationalization of capital accumulation and production. Contemporary forms of capital are increasingly concentrated in a relatively small number of corporations whose operations transcend national boundaries and which are frequently integrated into a global pattern of production. Given that the objective position of the managerial stratum within a labour process which has emerged as a consequence of contemporary capitalist relations of production is to control labour, this has resulted in political and ideological structures and relations which function to maintain the continued subordination of labour to capital. So long as these political and ideological components of the relations of production within production contain features which are specific to individual societies and which, therefore, are only likely to be adequately performed by managers who are actually members of these societies, this is likely to inhibit the ability of foreign managers to satisfactorily undertake their assigned roles within the labour process. But as industrial production becomes increasingly international and continues to be dominated by North American and European corporations, there is likely to occur an internationalization of the political and

Table 1. Company Code For British MNC Sample.

<u>Company</u>	<u>Activity</u>
A	Rubber Products
B	Production of Sugar and other agricultural products.
C	Electronics
D	Pharmaceuticals
E	Conglomerate (Mining, Vehicle Distribution, consumer good assembly, Agricultural prod.
F	Razor blades/appliances
G	Petroleum Products
H	Conglomerate holding corporation but mainly involved in agricultural activities
I	Food/drinks
J	Petroleum Products
K	Soaps, Foodstuffs
L	Electronics
M	Banking
N	Electronics
O	Industrial gases
P	Locks/safes etc.
Q	Construction
R	Mining/Metal extraction
S	Pharmaceutical
T	Alcoholic beverages
U	Fertilizers
V	Metal fabrication
X	Insurance
Y	Metal fabrication
Z	Electronics/Electrical Products

ideological forms of control which will facilitate the multinationalization of managerial personnel if this is considered to be a desirable objective.

To what extent then, do British MNCs consider the multinationalization of their worldwide managerial personnel to be a desirable objective and what are the objective constraints which are currently frustrating the realization of this policy? There are three principal interrelated characteristics of the nationality composition of MNCs which together indicate the extent to which multinationalization has taken place:

1. the proportion of foreign managers currently assigned to work in the head office - i.e. multinationalization at the level of strategic control and planning of the MNCs worldwide operations.
2. the number of third country nationals (TCNs) vis a vis parent and host country managers employed in subsidiary companies in developed and LDC locations.
3. the length of employment and actual positions held by foreign and TCN managers in each location.

With the exception of two or three companies, all the respondents stated that their company has no explicit policy on the nationality composition of managers. Many of them have a "general philosophy" or "general guidelines" but it was clear that these do not constitute a coherently formulated, long term policy. An inspection of Table 2 clearly shows that only a few of our sample companies can be considered to be moving, even tentatively, towards managerial multinationalization. Before turning to the specific company responses on the employment of TCN and foreign managers, it is

necessary to briefly consider a number of key underlying factors which appear to play a key role in determining overall nationality composition.

1. As a general point, it is all too easy to adopt a highly stereotyped theoretical framework, based on a number of unfounded assumptions, concerning the nature and functioning of MNCs. All the companies in the sample are classifiable as being MNCs and yet, within this broad category, there exists a highly diverse collection of corporate entities clearly differentiable according to size, organizational structure, nature of production and technology employed etc. It is important, therefore, to resist the temptation to ignore or underplay the crucial differences which exist between the MNCs.
2. Senior management's conception of the nature of the company itself should not be ignored. The majority of respondents expressed the view that their company, rather than being an MNC would be more accurately described as being an "international" company.

"We are an international as opposed to multinational company. We are not ready for MNC status both in terms of personnel and finance" (A)

"We are an international company" (B)

"We are still experiencing the growing pains of becoming a truly multinational company and for this reason we can be criticised for being too UK-oriented" (C)

"We are really a British company with wide international operations. It's still very much a question of the UK looking outwards" (D)

This somewhat narrower conception of the transnationality of a company's international operations has, as we shall see, important implications for the actual nationality composition of these companies' management.

3. The degree of centralization varies between companies.

It is frequently asserted that the MNC's head office generally exercise effective decision making control over the most important aspects of the operations of their subsidiaries worldwide. While this tends to be the case for MNCs which have established a global pattern of operations where each subsidiary specializes in the production of a particular component or stage in the completion of the final product, it is apparent from our questionnaire survey that a significant group of UK companies have decentralized organizational structures. The reasons for this are varied but a number stand out as being of particular importance. Subsidiaries involved in the exploitation of non-renewable resources or engaged in import-substitution production which does not require the continual provision of specialized inputs from other companies in the group are largely self-sufficient with the result that they are frequently allowed considerable autonomy as long as their profit performance remains satisfactory.

"The company and its subsidiaries is a very loose-knit organization. So long as subsidiaries continue to perform well and ensure a good dividend for shareholders, they are left on their own to get on with the job the way they think fit". (E)

"Our task is to start projects up and then hand them over. Our subsidiaries have a high degree of autonomy. They are project teams performing highly specialized tasks." (F)

"Since 1976 we have scrapped our worldwide product divisions and have replaced them with new regional organizations responsible for the manufacture of all our products. This has resulted in a lot more decentralization." (G)

"Decentralisation of our operations tends to inhibit the deployment of managerial personnel on a global level." (H)

"Our operations are very much decentralized on a regional basis."

The surprisingly small size of the head offices of many of the companies is in some ways indicative of an absence of highly centralized control of subsidiary operations. For example, Lonhro has over 60,000 employees in Africa but a total of only 20-25 managers at its head office in London. Delta Metals has an office staffed by four managers, overseeing the operations of 8,000 employees worldwide. For Plessey these figures are 22 and 15,000 respectively.

4. An increasing number of MNCs are becoming involved in joint ventures with local governments or companies. Often their main function is the provision of the necessary technology required plus the managerial and technical expertise needed to start up operations and train local replacements. Again, operations of this kind result in a more decentralized organizational structure with obvious consequences for the pattern of nationality composition.
5. Finally, it was remarked by some respondents that there is an emerging trend towards the growing concentration of research and development within the UK associated with a relocation of production and marketing functions to subsidiary locations. This emergence of a spatial division of labour based on specific specialized tasks could also lead to greater decentralization and reduce the need to develop a more mobile, multinational management cadre.

Analysis of company responses on multinationalization.

(i) Are you aiming to develop a highly mobile, multinational management cadre? If so what kind of positions are you attempting to multinationalize?

Companies J and M were the only companies in our sample who gave an unambiguous affirmative response to this question.

"We have about 100 people who can be considered to be internationally mobile. At present only 25% of these are non-British but this proportion is increasing all the time." (M)

"We try to be as multinational as conceivable at the moment. In theory, we are trying to multinationalize all senior managerial positions..... We want to be able to tap managerial skills worldwide." (J)

Interestingly, Company N started an "internationalist" programme in the early 1970s which involved about 20 managers who were expected to be on indefinite assignments overseas. However, this programme was abandoned after three years mainly because of the serious problems which arose as a result of these managers' adverse reactions to the high degree of mobility which was demanded from them.

Other companies also stated that from their experience of sorting out the problems of expatriate managers both in the UK and overseas they felt that it was unlikely that managers and their families would be able to cope with the stresses and strains entailed in moving from country to country.

(2) What is your company's attitude towards the employment of TCNs?

While in theory most of the companies interviewed were not actively opposed to the employment of TCNs, in practice the actual numbers employed are very small indeed. (see table 2). Only MNCs

G, K, L and M had more than 10 TCNs and although it was rarely possible to obtain information on the total number of managers employed worldwide, it is clear that in relative terms TCNs are insignificant in number for these companies as well.

To a large extent, the reluctance of companies towards the employment of TCNs relates to their UK-centric conception of their worldwide operations and/or the decentralized nature of their organizational structure:

"The Company's attitude towards TCN managers is that they are only likely to arise where the required expertise for a particular operation is not available in the UK There is no policy concerning the movement of personnel between our subsidiaries with the exception of exploration operations." (G)

"The Company is concerned first and foremost with who is available to do the job - nationality is only a secondary consideration. However, it has not been considered necessary to draw on the expertise of foreign managers if UK managers are readily available to do a job overseas which, in general, they have been." (O)

"We have no objections to employing TCNs but will only do so if no UK manager is capable of doing the job." (A)

"Vacancies are advertised within the Group and managers recruited on the basis of competence regardless of nationality. However, we have a large pool of good managers within the UK if a local cannot be found." (P)

"Traditionally, we have nearly always sent UK people overseas but other nationalities have been creeping in recently." (C)

Other companies stated that to employ TCNs would contradict their polycentric management development policies which is to try to ensure that subsidiaries are staffed by as many local managers as possible.

"Should we recruit locals and send them around the world? No, since this would be against our policy to train local manpower for local purposes." (H)

"In Europe, the number of TCNs has been growing to some extent in recent years, but in general the employment of TCNs would contradict our local management development programme." (C)

The acceptability of foreign managers, both objectively and subjectively also seriously restricts the mobility of managerial personnel. This is particularly the case with African TCNs.

"One of the major barriers is that technology and size of operations in Africa and other Third World countries is on a much smaller scale, because of market requirements for example and, therefore, the technical know-how and the experience of employees in these countries is inappropriate in more developed countries." (O)

"As far as I know, no British contractors in the Middle East employ TCN engineers.... The Arabs don't understand why British companies should employ foreign managers. We steer clear of non-British managers because of the bureaucratic difficulties this would cause." (Q)

"We tried to use a few TCNs in Africa but it just didn't work out. UK expatriates are just about accepted but it is highly unlikely that a Kenyan for example would be accepted in Nigeria and vice versa. African governments are just too nationalistic." (H)

"Before the Aliens Compliance Act (in Ghana), we employed junior managers from other parts of Africa. Now it is no longer possible to do this." (R)

"There is still only a very small cadre of African businessmen who have gained enough experience to be able to work at head office or overseas." (K)

"The number of African TCNs is minimal. In fact we are seeking to avoid it." (N)

Finally, TCNs employed by British Companies generally come from high wage/salary economies and are, therefore, often considerably more expensive to recruit than British managers.

"We do not employ TCNs because our salary structure is not competitive with European companies." (X)

"We have no TCNs - they are a lot more expensive." (Haden Carriers) (Q)

"Few, if any, TCNs are employed mainly because of the complexities which arise with different salary scales." (Metal Box) (Y)

"The salary determination problem is magnified with TCNs." (F)

It is difficult to gauge the importance attached to each of the above reasons cited by the companies interviewed. Although we did not explicitly ask them to rank them in order of priority, it is clear that they are all likely to be of some significance. The expense of TNCs was a recurring theme and this is no doubt important in explaining why American companies have been more predisposed to employ what were, until recently at least, lower cost foreign managers. There has been a growing trend on the part of foreign companies towards employing British managers, especially in the Middle East precisely because UK salaries are considerably

less than those received by European and North American managers.

Having considered in some detail the responses of the UK companies which do not employ TCNs, we should now briefly turn our attention to the minority of companies which do since it is possible that they might constitute the pacesetters in an emerging trend towards multinationalization of this kind. Company M's TNC policy has been developing rapidly during the last eight years.

In the case of Company L this move has been more recent:

"There has been a conscious effort based on a decision made in 1975 to become more multinational as regards management personnel."

Companies G and K are more pragmatic and hence less committed to the objective of employing TCNs and L actually hope to be able to phase out TCNs at the subsidiary level within the next twenty years or so. Company M has a high concentration of its managerial expertise in the Indian sub-continent, some of the most 'talented' of whom it is felt could be more optimally deployed in Europe or other Third World locations where "they are relatively cheap TCNs". In fact, corporate banking is likely to become one of the first sectors to employ large numbers of TCNs, since "industrial relations" problems which frequently demand the employment of relatively more acceptable local managers are largely absent compared with production-oriented companies. Company L employ most of their TCNs in Europe and with their sister corporation in North America where the bulk of their business is concentrated.

The increasing use of TCNs is reflected in recent modifications in the terminology used to describe managers working in overseas locations. In particular, the term "expatriates" is being supplanted by "assignees". This change is significant for another reason, namely that managers are generally employed as TCNs for short assignments, normally no longer than two to three years, and then return to their home countries on a permanent basis. In other words, there is no long term career structure for TCNs as TCNs - on the contrary, they are usually short-term one-off assignments:

"An increasing number of Rank Xerox managers are now working in our subsidiaries on short 2-3 year assignments mainly for developmental purposes rather than as career placements per se. Our general philosophy is to develop senior managers by giving them a broader experience worldwide (L)

"For us, there's no such thing as a long-term assignment." (N)

"Most of our managers spend no more than 2-4 years on an overseas assignment but there is a trend towards the lengthening of this period." (M)

In important respects, therefore, the current deployment of managers overseas is more a form of advanced training and corporate socialization than an attempt to achieve an optimal allocation of managerial skills worldwide. However, it is also the case that companies are more aware of the difficulties involved in retaining the services of managers who are becoming increasingly integrated in an international market for their skills. In this type of situation, sending managers overseas is often "the only way of keeping top people".

(Company L) In the LDC context, the 'high flyer' is often frustrated by the limited opportunities available to him in what are usually relatively small subsidiaries. Unless satisfied, there is a high risk that this type of manager may decide to work for another company or for the public sector where he is able to take on greater responsibilities. There are two solutions to this problem - either pay highly Company N and/or transfer the person to more demanding and lucrative jobs overseas (e.g. Company M). Since experienced LDC managers, particularly in Africa, are in such short supply and for many companies ... would not be acceptable overseas, it is likely that the first of these two solutions will be more frequently adopted.

(4) "Reverse expatriates": foreign managers in head-office

While it is likely that the incidence of foreign managers at head office

and of TNCs in the subsidiary are quite highly correlated, it is nevertheless important to maintain a clear distinction between these two features of the multinationalization process. Table 2 shows quite clearly that there are extremely few foreign managers employed in the head offices of most of the UK companies covered by our questionnaire. Furthermore, as in the case of TNCs, there has, on the whole, been no marked trend in the incidence of foreign managers employed during the last ten years.* As is clear from the representative sample of responses presented below, there is a marked similarity in the reasons given for this paucity of foreign managers at head office and the ones already mentioned with respect to TNCs in the subsidiaries:

"Those foreign managers who do come to head office are here mainly for training/career development purposes and therefore only stay for relatively short periods." (A)

"If anything there have been even fewer managers here at head office in recent years." (S)

"Foreign managers are very expensive and this tends to result in a squeeze on the numbers employed when times are particularly hard as they are now. On the whole, the Company is very much British managed but outsiders will be drawn in when necessary." (G)

"Overseas managers would not be expected to work at head office in London and this is unlikely to change in the future." (T)

"In the UK, there is usually enough managerial expertise available so the company sees little point in recruiting foreigners. However, the number of non-British/Dutch managers has been increasing, mainly in order to allow senior managers from overseas to see the head office at work. They usually stay 2-3 years then return home" (K)

"I've just offered a Belgium manager a £50,000 a year salary to come and work in the UK but he still refused." (E)

Of the five companies who have more than ten foreign managers at head office, only in the case of L, M, and N, does this represent more than 10% of the total managerial work force and, interestingly, all three companies are either directly

* A few companies were able to provide statistics on this issue but we do not intend at this stage to present these here.

owned or controlled to some extent by US parent companies. However, company C stated that as from 1978 it is the company's policy to increase the share of foreign managers holding senior positions in London to 50%. Although they are offering attractive monetary rewards they are finding it very difficult to get foreign managers to work in the UK.

The relative expense of foreign managers in the UK compared with home-based UK nationals is likely to be a more important consideration than in deciding whether to employ a British expatriate or TCN in a subsidiary. This is because the employment of either a British expatriate or a TCN in a subsidiary requires

on high, fixed cost outlays such as housing, relocation expenses, car, servants which have to be incurred regardless of nationality, thus reducing the cost differential between these two types of manager. These expenses still have to be met when a foreign manager works in the UK whereas the UK national only receives his nominal UK salary and his normal fringe benefits. This results in a very much larger cost differential (often as much as 4-6) and therefore considerably reduces the incentive to recruit a foreign manager.

Finally, Companies N, and to a lesser extent, C are good examples of companies that strongly believe in the need to send foreign managers on short term assignments to head and regional offices but at the same time would appear to be opposed to the continued employment of TCNs except where this is not absolutely necessary.

5. Ethno-Or poly centricity? Expatriate-local nationality composition in subsidiaries.

Do you try to ensure that British managers continue to occupy the top positions in all (or some of) your subsidiaries overseas?

2
 X Table 2, column 5 shows the ethno or polycentricity of each company in our sample. As a broad generalization, it can be stated that the larger and longer established companies are more favourably disposed to the complete localization of managerial personnel in their subsidiaries. However, it was difficult to establish the underlying attitudes of some of the companies on this question simply because in many areas and especially in Africa they are being forced to indigenize their managerial staff and were, therefore, probably reluctant to express disapproval of these policies in an interview with outside researchers. The genuineness of the response can be partially tested by analysing the actual managerial nationality composition in those countries where there has not been any significant official pressure and legal sanctions to reduce the number of expatriates employed. In the main, these countries are confined to the advanced industrial countries and it is true to say that virtually all the companies claiming to be polycentric have in fact voluntarily withdrawn their expatriate managers (if in fact they were ever there in the first place) from these countries. A number of companies including two of the largest, J and K, did state, however, that they were opposed to the total withdrawal of expatriates from subsidiary companies:

"The Company tries to ensure that some expatriates are employed at subsidiary level in order that the subsidiary can benefit from maintaining effective contact with a large group of companies worldwide." (K)

"We try to maintain one expatriate in order to maintain continuity and good communications." (Q)

"We like to have an expatriate in every operation but it is general company policy to develop national management."
 (J)

"Effective contact" with head office does not for the majority of polycentric companies appear to necessitate the actual permanent

physical presence of an expatriate manager in the subsidiary. This would be the case if the required technical and managerial skills were not available locally but so far as the overall monitoring and control over the performance of the subsidiary is concerned, this can be achieved over the telephone and by frequent visits by head office personnel to overseas subsidiaries. Ethnocentric companies felt that the necessary degree of supervision could only be guaranteed by employing head office managers in a subsidiary wherever possible although they were generally committed to the indigenization of the majority of managerial positions.

"In general, the company tries to maintain as many expatriates in the overseas subsidiaries as we can, since in our opinion this is a major factor in ensuring profitable operations."
(T)

As a general rule, there appears to be a common sequence of changes in the nationality composition of managers employed by companies in LDCs. Initially, each company tries to ensure that as many PNCs as possible employed in the top positions. The risks are perceived as being high and these are minimized to some extent by reliance upon a managerial cadre with proven capabilities who are familiar with the companies operations. However, an important part of these managers' overall function is to develop company and general management expertise among a carefully selected group of nationals and in so doing to lay the foundations for a polycentric managerial structure. How long this process takes depends crucially on the complexity of the company's activities. For an MNC like Company J which is engaged in a high technology industry and has evolved a very sophisticated managerial philosophy and mode of operation the technical training and general socialization of local managers can only be properly undertaken over a long time period.

"It is company policy to develop national management. We started twenty to twenty five years ago but it takes up to twenty years or so to train local management in the concepts of the company." (J)

Consequently, while most companies are in favour of localization, they do not like to be hurried too much. This is shown quite clearly in their responses on their attitudes towards government indigenization policies. (see below).

6. Expatriate -national management composition 1968-1978.

We have managed to gather some statistical information on the absolute and relative numbers of expatriate and local managers employed by each of our sample companies during the last ten years. However, precise figures were frequently unavailable, especially as regards the numbers of HCNs employed. Moreover, many companies argued that precise comparisons of this kind were not particularly meaningful since there have occurred important changes in the type and/or size of their subsidiaries operations over this ten year period. In addition, the often divergent criteria used to define a manager preclude the possibility of aggregating the data for all the companies where sufficient information is available. Consequently we have been forced to rely mainly on a qualitative assessment of changes in nationality composition supplemented by statistical evidence obtained from individual companies.

Almost without exception, all our sample companies stated that there has been a marked decline in the incidence of expatriate managers employed in their African subsidiaries. The absolute numbers of expatriates employed in 1968 and 1978 in a number of subsidiaries is given in Table ³₃ but, as has already been mentioned, it was not generally possible to obtain the corresponding information for local managers. However, if it is assumed that

subsidiaries were at least as large in 1978 as in 1968, we can conclude that an absolute decline in the number of expatriates is sufficient evidence to show that there has been a relative reduction, as well. It can be seen from Table 3 that there has been an absolute increase in the number of expatriates employed in a number of subsidiaries but this has mainly been due to the recent expansion of operations which has required an additional short-term input of mainly technical-oriented expatriates in order to put this additional productive capacity into operation.

Given the significant increase in the number of local managers employed by UK MNCs in Africa, can it still be argued that this is merely "window dressing" in the sense that there has been little effective change in the allocation of decision-making between African and expatriate managers within each subsidiary? The evidence available clearly indicates that, while this was certainly the case in the 1960s, since the advent of increasingly stringent indigenization registration coupled with the increased availability of Africans with the requisite qualifications and experience, there has been occurring a rapid replacement of expatriate personnel at all levels of the management hierarchy. In some subsidiaries this process has now been completed and even where expatriates are still employed in senior positions it cannot be meaningfully argued that they are capable of performing the entire managerial function of each enterprise. What we are witnessing then is the emergence of an African managerial stratum which is likely to have a profound impact on the development of the class structure in these societies.

The indigenization process was largely confined to the state apparatuses during the period immediately before and after the

attainment of formal political independence. Once this had been achieved African governments began to put increasing pressure on foreign companies to indigenize management positions. Their response to these demands was generally lukewarm and it was not until they were forced to comply with the enactment of indigenization decrees that any substantial progress was made. Non-technical managerial positions such as personnel, marketing and finance were the first to be indigenized but in recent years companies have been required to extend this process to all management categories, so that African managers are now increasingly responsible for all aspects of the control and supervision of the labour process.

Table 2: Nationality Composition 1978.

<u>Explicit Policy</u>	<u>Foreign Managers</u>	<u>Total TCMs</u>	<u>African TCMs</u>	<u>Centricity</u>
No	Negligible	Negligible	0	ethnocentric
No	None	"	0	polycentric
No	None	0	-	polycentric
No	2/50 Negligible	Negligible	0	expat. presence
No	20/1200	100	0	polycentric
No	0	10-20		
No	0	<5	0	ethnocentric
			8(inc. 3 UK)	expat. presence
No	0	0	0	expat. presence
No	0	Negligible	0	polycentric
No	0	0	0	ethnocentric
No	0	0	0	
No	0	0	0	polycentric
No	0	Negligible	0	ethnocentric
No	"Minimal"	Few	0	polycentric
No	90(25%)	(Europe) 10-15	"rare"	polycentric
No	0	Negligible	0	polycentric
No	<6	<10	1	polycentric
Yes	15-20 150	40/1000	2	polycentric
No	(Europe) 700 1700	(UK expats 630 TCNs UK 280)	"minimal"	polycentric
Yes	250	1050	<5	expat. presence
No		<5		polycentric
No	4/5	4		polycentric
No	0	<5	0	polycentric
No	0	<10	0	ethnocentric

Table 3. Numbers of expatriate managers employed in 1968 and 1978.

<u>COMPANY.</u>	<u>1968</u>	<u>1978</u>
L (Nigeria)	6 (1974)	6
X (all Africa)	40 (approx.)	19
.. Nigeria	7	3
R	16	5
G (Africa)	130	20
G (Nigeria)	55	1
A (Nigeria)	17 (1972)	17
T (Africa)	33% (1973)	19%
E (Africa)	600 (approx.)	600 (approx)
M (Africa)	120 (approx.)	40
S (Nigeria)	6 (1972)	2
S (Kenya)	4 (1972)	2
D (East Africa)	12 (approx.)	4

FOOTNOTES

1. Zeira Y, "Overlooked Personnel Problems of Multinational Corporations", Columbia Journal of World Business, Summer 1975. pp.98
2. R.E. Cogan, "Management Development For Nationals Overseas", Personnel March-April, 1973. pp.29-30

CHAPTER 5: MNC MANAGERIAL REMUNERATION POLICIES: A UK CASE STUDY.

The second part of the questionnaire attempted to identify the nature of the salary policies of a representative sample of UK multinational corporations (MNCs) the majority of whom have subsidiary operation of one form or another in at least one of the PSSP countries. On the basis of the interviews conducted this paper will briefly summarize the main findings of this research on the salary policies issue.

Not surprisingly, many of the most important aspects of these salary policies are logical consequences of the desired and actual managerial nationality composition of each of the UK MNCs in our sample. Thus, the fact that there are relatively few foreign managers at head offices in the UK and TCNs in the subsidiaries has allowed the avoidance of the marked tensions that we hypothesised might arise between managers of different nationalities receiving unequal incomes for performing similar tasks in the same location. This is not to assert, however, that the employment of foreign managers and TNCs has not created any problems for those responsible for determining their salaries. But since there are so few of them, most companies stated that they are dealt with on a more ad hoc individual basis as compared with the usually very complex procedures used when deploying their own nationals overseas. Typical company responses to this question were:

"We adopt a more pragmatic approach for foreign managers here in London. It really depends on where they come from. If they are from a low salary country like India we pay them the equivalent UK salary plus normal expatriate fringe benefits. In the case of managers from high salary economies then they continue to receive that salary plus the fringe benefits We accept the anomalies despite the tensions that arise because in the main these foreign managers are on short-term assignments and are one-off". (M)

"The same technique is used as for British expatriates but it is undertaken on an individual basis because there are so few of them". (G)

"Tensions are minimized because we operate a short-term assignee system. More tension is likely in our head office in Paris but all managers are sufficiently generously treated for this not to cause problems". (N)

"Our foreign managers are told not to discuss their salaries with their UK colleagues. Yes, they do create problems We refuse to pay their full foreign salary but do pay them more than the UK equivalent position." (O)

All but two of the twenty-four companies interviewed were opposed to any attempts to internationalize managerial salary structures. They could not see any reason for doing so (even in the case of international assignees) since the cost of adopting such a policy was considered to be prohibitively expensive. Even company N, which has often been singled out in the literature as being one of the leading companies developing geocentric staffing and salary policies, stated that an internationalization of their managerial salary structures would be "disastrous". The two exceptions were companies J and M.

J's policy will be considered in some detail when we discuss expatriate remuneration policies (since it does not include nationals working in their own countries). In the case of company M, internationalization of managerial structures within the banking sector is still considered to be very much an emergent trend which is developing as a consequence of the increasing international marketability of a growing group of highly mobile financial specialists. It was stated that it is likely that the top 10% of UK managers will be receiving an international rate for the job within the next ten years.

One of the most frequently cited differences between US and UK MNCs is that the former exercise much greater centralised control over the determination of managerial salaries overseas and that they tend more to base these salaries on what is paid in the US rather than according to local market conditions. This suggests that US companies are less polycentric but most UK

respondents felt that this is partly attributable to their relative inexperience of working overseas and their general ignorance of and insensitivity to the managerial manpower markets in each country.

Managerial job evaluation and salary surveys.

We asked each company to describe briefly the methodologies they use to determine the salary they consider to be appropriate for managerial positions in the UK and in their subsidiaries overseas for PCNs, TCNs and HCNs. All of the UK companies interviewed undertake sophisticated job evaluation exercises, which include all their employees and not just managers in developed countries and also to an increasing extent in Third World locations (see below). This allows them to rank positions within the company and provides the basis for comparisons of their own salaries with those received by employees undertaking similar tasks in other companies. Given that the job evaluation exercise and the salary surveys are the two basic components of MNC salary methodologies in the UK and elsewhere, it is important to consider each of them in a little more detail.

Job evaluation techniques.

The objective of job evaluation is to measure the "size of the" job according to a number of laid down criteria which ideally should embrace all of the dimensions of each and every task performed within an organization. Typically, job evaluation methodologies divide a job into three parts - know how, problem-solving and accountability, and job points are then assessed for each one. These are then added together to obtain an overall quantitative assessment of the size of the job.

A number of the larger UK Companies interviewed (G, J, K, N B) have systematically conducted job evaluation exercises of their own for all their employees worldwide so that any job can be compared with another, regardless of location. Part of the motivation for this stems from the increasing growth and complexity of their operations overseas but also it reduces the problems involved in transferring managers to other parts of the world:

"Now that we have a larger and more mobile group of expatriates, we need to know the size of the job each of them is moving into." (B)

"We have applied job evaluation universally in order to ensure worldwide mobility and compatibility between jobs." (J)

Company N has thirteen job grades which have been applied consistently around the world for all managerial personnel since the early 1960s.

The introduction of universal job evaluation represents an attempt to standardize the way in which positions within each productive enterprise are assessed. Moreover, techniques which are based on a clear and unambiguous normative assumption about the functions performed by each agent of production are increasingly being employed to serve as ideological rationalizations for the hierarchy of rewards and power which predominate within the process of production. Neo-classical economists argue that salary and wage differentials are the outcome of forces of supply and demand for each occupation and are not, therefore, directly related to the size of the job as identified by job evaluation techniques, so that there need not be a high positive correlation between the job points and the salary received. In practice, however, this is always the case, thus suggesting that salaries are determined not only by market forces but also and, probably more importantly, on the basis of the valuations of the internal relativities which should exist within the enterprise. It is because these valuations are held in common by the organizers of the labour process in every company that market forces appear to be responsible for the determination of salary levels since the identification of these "market forces" by each company, i.e. the salary survey is based precisely on what other companies are paying equivalent occupations. Market forces clearly play some role in the determination process but this is likely to be limited to their influence in increasing the differential between the main classes in the

production process since it is unlikely that they will be able to reduce this differential to below the level based on the internal valuations of the owners and controllers of the means of production. Moreover, supply and demand are not random and neutral variables but the outcomes of the reproduction of the social relations of production within capitalist society: Supply is largely a function of class-based education systems and demand is determined by the needs and valuations of the owners and controllers of the means of production.

At a more concrete level, the introduction of common group-wide job evaluation methodologies is an essential prerequisite for any multinationalization of managerial personnel and salary structure which may occur in the future. The technique provides a common yardstick with which jobs can be compared and this classification of managerial positions enhances the ability of companies to move their personnel around the world. It represents, therefore, an initial stage in the multinationalisation process.

Salary surveys

Undertaking salary surveys is the second stage in establishing the range of salaries within which companies decide to determine their own salary structure. Many of the larger companies conduct their own surveys but these are also supplemented by those done by private consultancy firms, many of them specialising in this field. The generality of the surveys can vary enormously and this has important implications for the salary determination process. The general procedure is to identify the specific type of occupations which are considered to be the most appropriate in constituting the sample. In Figure 1, for example, all occupations in industry

and service organizations in the UK have been computed using a widely employed system of job point evaluation, regardless of the specific characteristics of the occupation, and then the range of base salaries received by the positions at each job point level has been plotted to give median, upper and lower quantitative and upper and lower limits. What is striking is the large range of salaries at each job point level and the marked linearity of the salary-job-point lines.¹

This large range is in part attributable to the complete aggregation of jobs at each job point level which does not, therefore, take into account differences in the relative scarcity of occupations and the differences between particular industries. However, it also reflects the considerable differences between the policies of UK companies, as regards the remuneration of what are objectively identical or very similar positions. The larger MNCs in our sample stated that they were upper quartile payers since they wanted to be able to recruit the most able managers and to ensure that they are sufficiently financially motivated to perform to the best of their abilities whilst they are with the company. A company's ability to pay these higher salaries (proxied for example, by its profit margin) is clearly a key factor in determining the part in the salary range which is chosen. Type and nationality of ownership and the nature of a company's operations, in particular differences in the organization of the labour process, are also likely to influence the determination of remuneration. To separate these out would require multiple regression analysis but the unavailability of the necessary data has precluded this.

The expatriate remuneration package.

The majority of the managers interviewed in London are primarily involved in recruiting British nationals to work in the Company's overseas subsidiaries. They have, therefore, a detailed knowledge of the methodologies employed in determining the expatriate

remuneration package which is in marked contrast to their relative ignorance of the salaries and fringe benefits received by nationals.

There are two main methodologies employed although as we shall see they are similar in many respects.

The build up or balance sheet approach

This is used by the majority of the companies in our sample. It was stated that the overall objective is to ensure that a British manager overseas should not be worse off than if he was working in the UK (hence the balance sheet approach). It is clear, however, that all expatriates enjoy a considerably higher standard of living whilst working abroad:

"There is a minimum salary acceptable for a European in less developed countries."

There are three basic stages involved in this approach.

Stage I. "The Actual Build Up". This is the method of converting the manager's UK Basic Salary into an 'indicated level' of salary in the overseas area. The overall objective is to keep the individual 'whole' relative to comparative costs and taxes, to provide compensation for the disturbance associated with working overseas and to provide an incentive to work in the less attractive areas of the world. To do this the following information is required.

(1) comparative living costs, often obtained from the company's own pricing exercises, but with an increasing reliance on outside consultants, most notably Employment Conditions Abroad (see below) which now provides cost of living data to over 400 companies; other sources are the US-based Conference Board, official retail price indices, and surveys undertaken by the US State Department and the United Nations; on the basis of these cost of living differentials between the UK and overseas locations are calculated and the UK income base is then adjusted accordingly

(2) relative taxes and social security charges;

(3) the social and political environment and the climate, language and distance from home in the country of service; this information is then used to establish what is variously known as the 'inducement element', 'foreign service premium' or 'expatriate allowance' ; it was frequently stated that companies are finding it increasingly difficult to recruit managers for their African subsidiaries and that this has resulted in sizeable increases in the inducement element of the expatriate remuneration package in recent years.

Table 1 shows in more detail the formula normally used to calculate the build up of basic home based salary to the required overseas gross local salary of an expatriate manager. It can be seen that companies generally shoulder all or nearly all the housing costs of their expatriate staff, which for many locations in Africa, in particular Nigeria, is a significant proportion of the overall costs of the package. In addition, most of the companies interviewed provide free medical treatment or insurance, generous educational allowances for expatriates' dependents, and relocation expenses, usually a car, and many other smaller items.

In spite of the high costs involved in employing expatriates in Africa, this does not appear to have been a significant consideration for all but two of the companies in our sample. The expense was recognized and commented upon, but this has not influenced companies in their decisions whether to employ more or less expatriate personnel:

"The cost of expatriates, although very high has never really figured in company thinking, mainly because the company has remained adequately profitable.(K)

"The cost of assignees is typically 2-3 times the cost of a local manager but this is not a significant consideration. We produce a high value product with a fair profit margin. The development of the system as a whole is more important."
(N)

"With a highly technical product like ours, expatriates are indispensable in the short term." (C)

The final two stages in the build up approach are as follows

Stage 2. A comparison is made between the net disposable income indicated by the build up and the net disposable income paid by comparable employers of similar expatriates in the same country. A number of companies do not bother with Stage 1. Instead they undertake their own salary survey of the expatriate market in each location and then choose the salary and fringe benefits they consider to be appropriate. Job evaluation is still at a rudimentary stage in most of Africa, but where comparable studies have been undertaken by companies the information is openly exchanged between them and tables similar to the hypothetical one in Figure 2 are then derived. Having established the range of salaries paid to the relevant group of positions in other companies the company must then decide its own policy in relation to this "market", e.g. median, upper quartile payers, etc.

Stage 3 A local salary scale is finally established for expatriates that takes into account all the factors mentioned in Stages 1 and 2 and also has to conform with the legal requirements of the country of service.

The second expatriate remuneration methodology most commonly adopted is to take the prevailing host-country salary scales rather than the UK (or home country) base salary. To this is added a fixed percentage of the host-country base salary which is intended to provide the necessary inducement and any cost of living increases incurred by the expatriate manager. Hence, this method of calculation does not result in an expatriate salary structure which makes it, in terms of the actual salaries and fringe benefits received, very different from the home base salary build up approach. What then are the advantages of this second methodology? It was stated that this system tends to reduce any

tensions which might exist between parent and host country nationals because ostensibly at least, it appears to be more equitable in the sense that all nationalities receive "equal pay for equal work". A number of companies claim to remunerate their expatriates using this second approach but, in practice they continue to apply the UK base salary methodology. Where there is a large difference in the value of these two remuneration packages, off-shore payments are resorted to although they are usually illegal. Some companies only pay their expatriates a relatively small increment to the national base salary (typically around 20%) inside the country and the difference between the 'public' salary package and what is actually received is deposited in an overseas bank account.

Some characteristics of the expatriate salary markets

First there has been a significant increase in the amount of knowledge available to companies in recent years, which ^{has} resulted in the introduction of ^{more} sophisticated procedures for determining expatriate remuneration packages. In the UK, the consultancy firm Employment Conditions Abroad which was started in the early 1970s has greatly facilitated the interchange and pooling of information. It is difficult to assess the effect this has had on the expatriate market but from the statements made by a number of companies, it would appear that the increased availability of information has resulted in a reduction in the dispersion of expatriate salaries in each location. In other words, there exists a marked "demonstration effect" between companies as each of them attemptsto ensure that their expatriate packages remain competitive with the others. This is turn has led to an escalation of expatriate salaries as companies seek to maintain the previous differentials. As is also the case with domestic managerial markets, a small group of companies is recognized as being market

leaders. These "top payers" comprise several companies referred to as the "First Division" of the salaries league and they clearly have an important influence in the determination process which needs to be analysed in greater detail. In the main, the composition of this group is confined to the banks, oil companies, and in West Africa, UAC. However, an assessment of the significance of this leadership effect would require considerably more information than it has been possible to collect in the UK.

The expatriate salary structure would also appear to be more compressed than the structure in the UK. This is because "there is a minimum salary acceptable for a European in less developed countries" regardless of the actual position in the production process that they occupy. Consequently, the increase in the expatriate technician's standard of living in Africa is usually greater than that of say a production manager. This narrowing of differential amongst expatriates could also induce a similar effect amongst African managers, technicians etc in so far as the expatriate salaries affect the remuneration of local nationals.

British managers working overseas receive remuneration packages which are usually considerably less than those of their European and North American counterparts. This has inevitably resulted in demands for increased salaries by British managers but as yet the non-British presence in English-speaking Africa is not large enough to necessitate any significant reduction in these international salary differentials. For the time being at least, most British companies are continuing to adhere to the UK-based salary-build-up methodology, and where inter-company comparisons are made, these are generally confined to other UK companies. An important exception though is company G which is now introducing a new salary structure the aim of which is to reduce significantly the size of the existing income differentials between expatriates of different nationalities. More specifically, the company's objective is to ensure that no expatriate will receive 10% more

income than any other and that whilst abroad, they all have the same "spendable" income. It stated that it is quite likely that in ten years time a single rate expatriate salary structure will have been introduced.

The remuneration of host country nationals.

All the companies interviewed stated quite unequivocally that they determine the salaries of their national managers on the basis of local manpower markets. While it is not entirely clear what this actually means in practice, it is nevertheless important to stress that there is no evidence to suggest that there is an explicit or conscious policy by UK MNCs to equate local salaries to an international or even expatriate salary structure. If an internationalisation of managerial remuneration is occurring this must therefore be the outcome of other, probably less identifiable factors.²

The procedure followed by companies in determining their salary structures in Africa is, in theory, identical to the one developed in the UK. However, it is generally considerably less sophisticated mainly as a result of the relatively small size of the industrial sector in most African economies coupled with the dominant market position of relatively few enterprises, the majority of which are owned or controlled by MNCs. More complex job evaluation techniques are being introduced but, on the whole, UK MNCs still rely on more rough and ready criteria in order to rank managerial positions. Moreover, there does not as yet appear to be any standardization of these criteria between companies. Hence they are not of any great value in establishing the equivalence of positions in different enterprises.

The absence of any standardized job evaluation methodology in African countries means that formal salary surveys are difficult, if not impossible, to undertake. Consequently, personnel managers have to rely on exchanging salary information with each other in order to find out the pay of roughly equivalent positions. This

normally takes the form of a 'ring round' although this is sometimes supplemented with whatever can be gleaned from job advertisements in newspapers, trade journals etc. Having obtained sufficient information about the salaries paid by their competitors, each company has then to decide which point in this range of salaries it is to use as its reference point. Most of the companies interviewed stated that they were above median upper/ quartile payers, this being in accordance with their general philosophy of being "amongst the best payers in the industry" or in the case of those companies in the first division of the salaries league, the count as a whole. From the limited information obtained so far, it would appear that for UK companies at least, there is little dispersion in the salaries received by HCNS undertaking equivalent tasks which reduces the importance of those companies which pursue upper quartile salary policies. It is difficult at this stage to offer a precise explanation for this lack of salary dispersion among HCNS. The 'tightness' of local managerial labour markets is clearly an important factor in constraining the ability of companies to pay widely divergent salaries. This is likely to be exacerbated if there exists a group of companies which have a greater ability and/or preference to pay to pay higher salaries than the norm and who are also sufficiently important, in terms of their size, to influence the salary determination process in other companies. A quantitative assessment of the significance of salary leadership would require the construction of an econometric model which, by employing lagged time variables could analyse the spread effects of changes in leading companies salaries throughout the economy as a whole. It is unlikely though that sufficient data could be collected to undertake such an exercise.

An important objective of our project is to analyse the nature of

relationship between public and private sector salaries. In the past it has been widely argued that the private sector sets its salaries on the basis of what is paid in the public sector. For example, Knight states that, "firms probably pay whatever the corresponding civil servant receives plus an addition to attract staff of a high calibre". The post-Udoji experience would certainly seem to provide ample support for this hypothesis in the case of Nigeria in recent years; the large increases in the private sector after 1975 were clearly intended to re-establish the inter-sectoral wage and salary differentials which had been dramatically reduced as a result of the implementation of the Udoji Commission's recommendations in the public sector. However, it is clear from our interviews that UK companies mainly look to other companies and not to the public sector when determining the salaries they consider to be appropriate. This suggests, therefore, that public sector salaries provide a lower limit for the private sector but that during periods when public sector salaries remain fairly stable, 'competition' between companies is the most salient factor in explaining changes in private sector remuneration. In countries like Nigeria and Kenya which have experienced rapid increases in the size of the private sector since independence in conjunction with stringent Africanisation policies (particularly in Nigeria), there has occurred a growing differential between public and private sector salaries which in Kenya was openly recognised in the report of the Ndegwa Commission. The inability of African governments to match these increases is also apparent, as witnessed by the official sanctioning of "straddling" in Kenya and the introduction of incomes policies to curb the acceleration in the growth of salaries in the private sector (c.f. Nigeria). In short, the Principle of Fair Comparison which for so long remained a key rationalisation for increasing public sector salaries

is no longer realisable for most African states, (including even oil-rich Nigeria), given their precarious financial positions. We can conclude, therefore, that on the basis of the admittedly very fragmentary evidence we have managed to obtain from UK companies in London, it appears that in those PSSP countries where the bulk of British foreign capital is concentrated, namely Nigeria and Kenya, public sector salaries are an increasingly less important reference point in the determination of managerial remuneration packages in the private sector and that, in the absence of effective incomes policies, the public sector will come under increasing pressure to increase salary levels still further.

The relationship between expatriate and national salary structures

In Chapter 1, we attempted to assess the significance of the colonial heritage as a factor in the determination of public sector salaries structures in the post-independence period. In spite of the insistence of the colonial authorities that local and expatriate manpower markets were separate and that local salaries should be set in accordance with the prevailing conditions in each colony, African civil servants secured salaries and fringe benefits which were not markedly different from those received by their British predecessors. Now that the Africanisation of the private sector is at an advanced stage in many of the countries covered by our project, it is necessary to establish whether the process which occurred in the public sector is being replicated. To this end, we asked companies the following question:

Has there been much pressure by African managers to increase their salaries to the levels received by expatriates? Has in fact the presence of expatriates led to some upward movement in local salaries?

A representative sample of their replies is given below:

"The Company's salaries policy does not lend itself to escalating internal demands". (K)

"Yes, but African managers generally recognise that expatriates must be paid more than them. Expatriates are urged to keep a low profile and not to indulge in conspicuous consumption." (J)

"Yes, there is some tension - focused mainly on fringe benefits". (D)

"Local managers are unlikely to find out what expatriates are being paid. Anyway, we are unlikely to hear about it in the UK." (F)

"Expatriate and local manpower markets are totally separate but there is some awareness by more experienced local managers which leads to some tension." (M)

"We are not aware of it. Local managers generally understand and accept the reasons why expatriate managers receive higher salaries. There have been no major rumblings." (O)

"African managers understand the reasons for differences in nominal salaries but there is real pressure in the area of fringe benefits." (A)

"Local nationals do not appear to feel part of the cosmopolitan expatriate community." (U)

"There is tension without any doubt, especially in the area of perks." (B)

About half of the companies recognised that tension exists while this was denied by the others. Where it was admitted, it is clear that the main bone of contention is not so much the existence of unequal nominal salaries but rather fringe benefits and in particular the provision of free housing. Having examined the evidence available to us, it is apparent that there has been a growing convergence of expatriate and local nominal salaries during the last ten years and this assertion is indirectly supported by the importance now attached by national managers to the issue of gaining parity with expatriates in the provision of fringe benefits. As has already been discussed, the value of these frequently exceed a manager's salary and, if granted, they can provide the means of substantially increasing an individual's standard of living. In spite of the insistence of the companies interviewed that expatriate fringe benefits are not considered as being appropriate

for local managers, a number of companies have yielded on this issue and it will, therefore, become increasingly difficult for other companies to hold out in the future.

Although it can be shown that the nominal salaries of expatriate and local managers have converged to some extent during the process of Africanisation, it is difficult in explaining this, to specify the relative importance of a number of key factors. Within a neo-classical theoretical framework we would need first of all to be able to quantify the impact of supply and demand factors in explaining the changes in salary levels both in each African country and in the UK. In a multiple regression analysis these could be proxied by say the level of unemployment in each particular occupation. Other factors such as the impact of incomes policies, increases in the cost of living, the organising power of managers³ and the private sector's "ability to pay" (proxied by profits since this is the main source of income for managers) would also have to be included. Given that the companies interviewed emphatically deny that they consciously attempt to increase HCN salaries up to expatriate levels, the actual presence of this factor can only be indirectly inferred by including all other explanatory variables in the regression analysis and then assessing the significance of the unexplained residual which remains. It is only at this stage that it would be possible to draw even tentative conclusions concerning the importance of any MNC policy on HCN salaries vis a vis their outgoing expatriate counterparts.

At the beginning of the Africanisation programme in the private sector, national markets did not yet exist for African managers. How then were their salaries to be determined? It seems likely that many companies had little alternative but to set local managerial salaries by using the expatriate salary structure as their main point of reference. No doubt the public sector was also an important yardstick but for many of the positions being Africanised there were not easily identifiable similar occupations within the public sector. During the colonial period, the relationship between expatriate and African civil servants was institutionalised as a fixed four fifths or in some areas, two thirds rule.

but no such policy seems to have been adopted by MNCs during their process of Africanisation. However, if enough data could be collected, it is possible that regression analysis, using lagged time variables, would reveal a significant relationship between expatriate and African salaries through time.

Only one of our respondents openly doubted the existence of separate, autonomous local managerial manpower markets:

"There is really no local pay structure for top Africans Employers are forced to look at what high salary expatriates are earning when establishing local salaries... The pay structure of the indigenous professional classes is artificial since they are being paid in relation to an alien expatriate pay structure." (H)

This statement is indirectly supported by the fact that head offices in London exercise increasing control over the determination of salaries for higher positions in the managerial hierarchy.

Finally, company C also agreed that in practice, it is very difficult to separate expatriate and national managerial manpower markets and that in their experience the presence of expatriates has had an unambiguous inflationary effect on local salary levels.

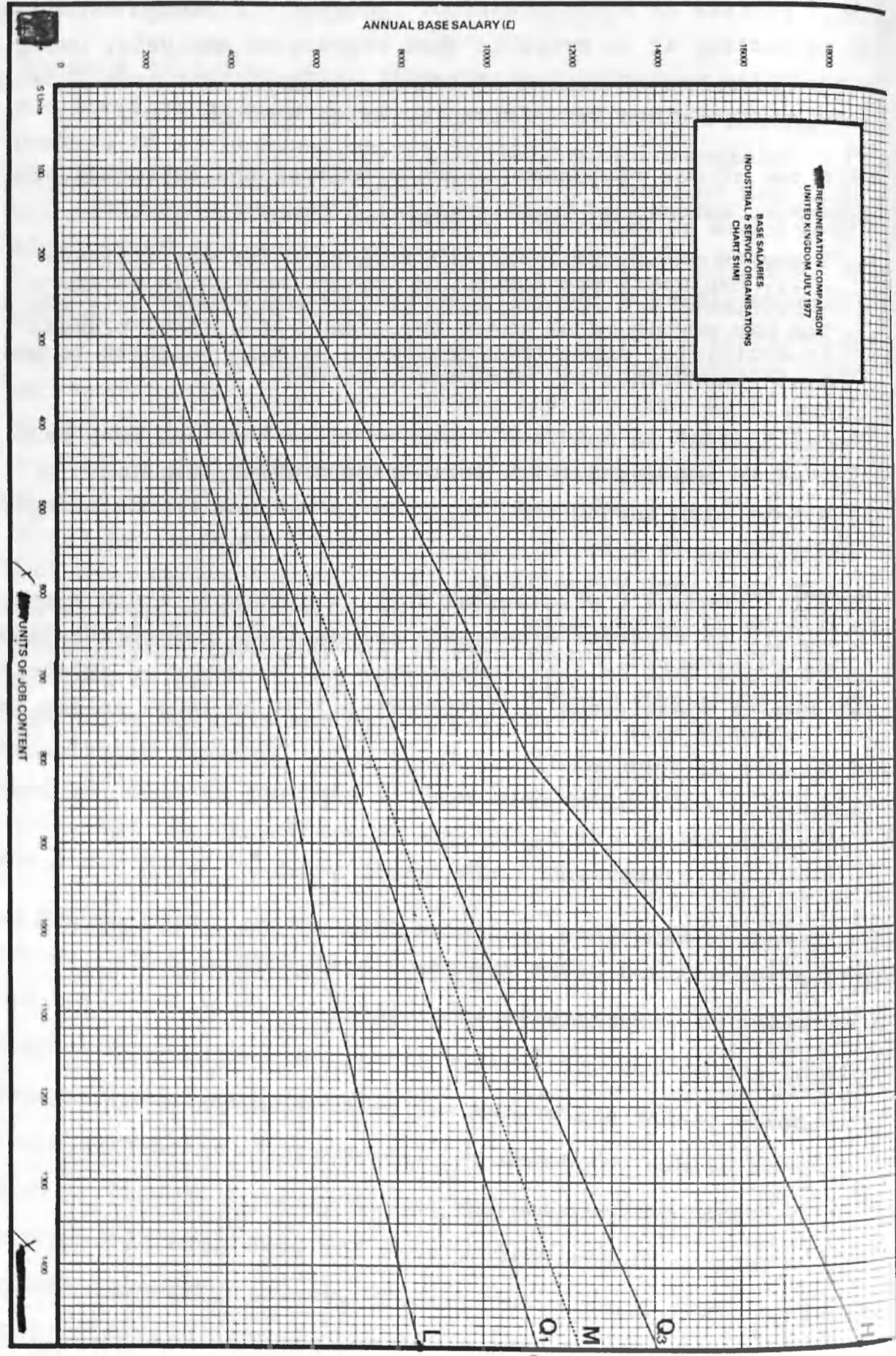


Table I: Formula for 'building up' from basic salary.

(a)		BASIC SALARY
	<u>less:</u>	(i) Base country tax (married man plus two children*)
		(ii) Base country housing costs,
		(iii) Discretionary Expenditure (if any) - expenditure which will continue at base country rates rather than overseas country rate,
	<u>gives:</u>	HOME BASE NET DISPOSABLE INCOME
(b)		HOME BASE NET DISPOSABLE INCOME
	<u>multiplied</u> <u>by:</u>	Factor based on the cost of living differential, adjusted for the expatriates way of life in the country of service,
	<u>add:</u>	(i) Discretionary Expenditure (if any) deducted above,
		(ii) Overseas Service Premium - compensating for disturbance for British staff overseas is currently £1,200 plus 10% of Home Base Net Disposable Income,
		(iii) Incentive - current rates set out in Appendix 'A',
	<u>gives:</u>	OVERSEAS NET DISPOSABLE INCOME
(c)		OVERSEAS NET DISPOSABLE INCOME
	<u>add:</u>	(i) Rent payable by staff (rents are usually subsidised by the Company),
		(ii) Other Deductions such as Utilities and Social Security,
		(iii) Pension Contribution - where applicable.
	<u>gives:</u>	OVERSEAS NET LOCAL SALARY
(d)	<u>gross up:</u>	For income tax in country of service.
	<u>gives:</u>	OVERSEAS GROSS LOCAL SALARY

INCENTIVE ELEMENT

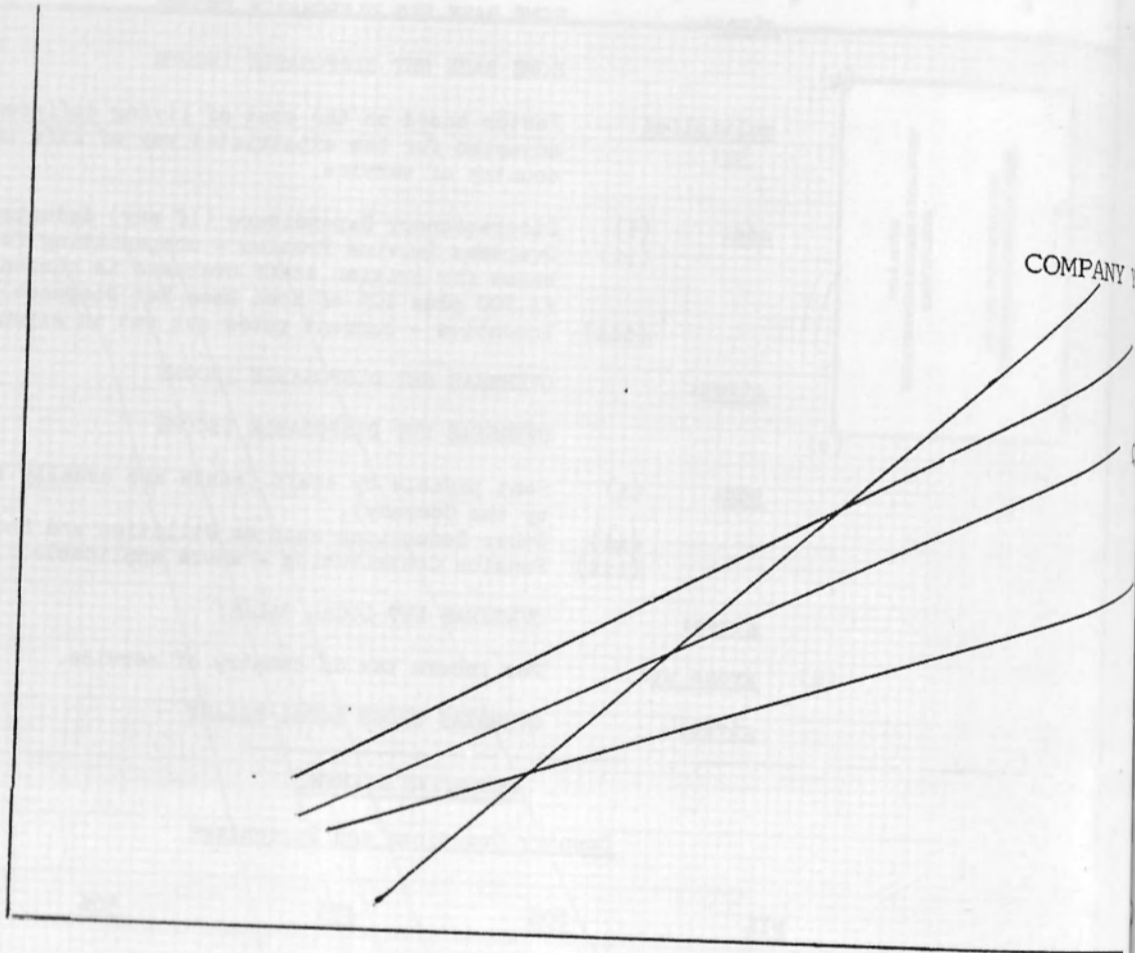
Country Groupings and Percentage

<u>NIL</u>	<u>20%</u>	<u>40%</u>	<u>50%</u>
Europe (except Turkey)	Australia	Abu Dhabi	Nigeria
	Canada	Alaska	S. Yemen (Aden)
	Morocco	Bahrain	
	New Zealand	Brazil	
	S. Africa	Dubai/Sharjah	
	Tunisia	Egypt	
	U.S.A. (except Alaska)	India	
		Indonesia	
		Japan	
		Kuwait	
		Oman	
		Mocambique	
		Qatar	
		Saudi Arabia	
		Singapore	
		Thailand	
		Turkey	
		Venezuela	
		West Africa	

Incentive percentages are applied to Home Base Net Disposable Income

Figure 2: Relations between UK and Nigeria nominal salaries.

UK NOMINAL
SALARY (£)



COMPANY 1

NIGERIA
NOMINAL SALARY
(£)

Footnotes.

1. Marxist theorists argue that there are large gaps in the salary structure characteristic of modern capitalist production which correspond to the boundaries of the three main classes involved in the production process - the workers, technicians and other white collar workers and managers. From Figure 1, it would appear that this is not the case in the UK at the moment.
2. Or the companies are concealing the truth!
3. For example, UAC managers in West Africa have established a quasi-trade union which, according to Unilever has materially influenced the salary determination process.

CHAPTER 6: THE INTERNALISATION OF MNC MANAGERIAL PERSONNEL:
A US CASE-STUDY.

This chapter analyses the results of structured interviews with human resource managers from 23 US MNCs about their policies on managerial nationality mix. As with our chapter on British MNCs, we take the responses to the interview questions in the order that they were posed. In so doing we hope to appraise as accurately and systematically as possible the key features and determinants of the managerial nationality mix of the companies interviewed, and then to compare our results with those of the various studies reviewed in chapter 3.

The interviews were carried out in New York in July 1979. Gaining access to the relevant managers was both difficult and time consuming. Over 70% of the companies contacted refused to be interviewed. While the cooperation received from those companies who did agree to be interviewed was generally quite good, it was usually not feasible to gather much of the quantitative data we had originally hoped to obtain. This was partly due to a straightforward time constraint: many of our respondents only granted a three-quarter to one hour interview. Furthermore, they were often reluctant to 'talk figures' or stated that the data we required was either unobtainable or did not exist in the form we required. In spite of all these problems, it was nevertheless possible for us to gain what we believe to be an accurate picture of major trends although our conclusions are tentative and must be strictly qualified, given the insufficiency of quantitative data and the resulting reliance that had to be placed on a critical appraisal of verbal statements.

A Multinational Managerial Cadre.

Are you aiming to develop a highly mobile multinational managerial cadre? If so what kind of positions are you attempting to multinationalise?

While none of the companies stated that they had multinationalised any jobs as a matter of policy there was a considerable range of responses to the existence and/or desirability of a multinational managerial cadre. Only three Companies (O, and V, X)

gave unequivocally positive responses:-

"Yes, we have a small cadre of expatriate employees who are being trained for top level positions and are expected to be highly mobile. About 50% of this group are TCNs.. We are trying to avoid one-off overseas assignments"

Corporation O

This relatively high commitment to multinationalisation is the consequence of a number of related policy changes during the late 1960s and early 1970s. Although regional headquarters started to exercise greater control over managerial hiring practices, manpower planning on a worldwide scale did not exist in any meaningful sense. This began to change as the head office in New York started to take a much greater interest in collecting information on all senior managers at country and regional levels. This necessitated the introduction of a universal job evaluation system in order to provide the necessary yardstick for comparisons between managerial performance in different countries.

Corporation U, a large banking corporation stated:

"So of our 50 key officers worldwide are true internationalists whereas in the past our expatriates had been one-off and then returned to their own home country.

"Because of the worldwide market for top managerial executive a certain number of mobile cadre have been developed for top positions"

Corporation X

Although the Vice President of Corporation L, interestingly another

the following statements are representative responses made by companies who have not developed a multinational managerial cadre:

"We are a decentralized corporation made up of many divisions, each responsible for their own operations. This hinders mobility because with diverse products and

Table 1: Company Code.

A	Food
B	Feed
C	Petroleum
D	Advertising
E	Chemicals, Metals
F	Consumer Durable Goods
G	Metal Goods
H	Transport
I	Advertising
J	Textiles
K	Metal Products
L	Banking
M	Retail and Wholesale
N	Petroleum
O	Pharmaceuticals
P	Foods, Chemicals
Q	Electronics
R	Banking
S	Food
T	Electronics, Broadcasting
U	Banking

bank, stated that they were not attempting to create a multinational managerial cadre as such, it would appear that the corporation is moving in that direction:

"We experienced extremely rapid growth in our international operations up until 1975. Since the availability of local managers was not considered to be all that great, U.S. expatriates and TCNs were sent abroad. The dynamism of the situation led to high mobility as these people were moved around as gaps emerged. However high mobility disturbs continuity so assignments are now for a minimum of three years and both expatriates and TCNs are expected to do more than one assignment".

It is clear that even with the above three companies the primary purpose of a multinational managerial cadre is to develop a pool of expertise which can be deployed to locations where specific managerial skills are considered deficient. This cadre is, therefore, still performing much the same functions as more conventional groups of expatriates with the exception that it is now more multinational in composition and the assignments are generally of considerably shorter duration than previously when international assignees tended to pursue their careers in just one or perhaps two overseas locations. This is best exemplified by the response of Corporation U:

"When openings exist within one country which cannot be filled from our resources there, we will assign the best available candidate from another country. This in itself tends to develop a multinational managerial cadre although we do not attempt to multinationalize any specific posts".

The following statements are representative responses made by companies who have not developed a multinational managerial cadre:

"We are a decentralized corporation made up of many divisions, each responsible for their own operations. This hinders mobility because with diverse products and

technologies, different talents are required... Consequently international transfers take place within divisions... We don't have mobile career expatriates - generally they go for one-off, three year assignments".

Corporation T

"The corporation is decentralized by philosophy and therefore each area division is largely responsible for meeting its own personnel requirements. This is possible in this industry since the technology used is not particularly sophisticated which generally means that suitable local people can be found, thus reducing the need for expatriates....Also marketing which is a crucial aspect of our operations is fairly unique in each country and can only be properly handled by local nationals who know and understand the culture and society in general".

Corporation A

"We are not attempting to develop such a cadre since our overseas operations are not that extensive...this concept of an elite international managerial cadre is not common although it has some place in highly technical industries but certainly not in companies like ours".

Corporation K

"No we don't have such a group but companies employing high technology are developing them, for example, IBM and Xerox as are pharmaceutical and cosmetic companies where it is done to limit corporate secrets".

Corporation P

"No such group can be identified ...young American graduates are told quite clearly not to expect foreign career opportunities as an integral part of their career development...This has been policy since at least the mid 1960s".

Corporation N

In spite of this absence of explicit policy commitment to developing a mobile, multinational managerial cadre there are some indications of changes in this direction. As already mentioned, the most advanced stage of a geocentric strategy would necessarily entail the multinationalization of senior managerial positions within an increasingly unified corporate

organization structure worldwide. As can be seen from Table 2, very few foreigners are to be found in senior managerial positions among our survey companies nor has there been any marked upward trend in recent years. The exceptions are the three banks (L,R,U) and the pharmaceutical MNC (O) who were also most explicit in their approval of the multinational cadre concept. Although banks did not become heavily involved in international operations until the late 1960s and early 1970s the growth in their overseas financial transactions since then has been extremely rapid. Their relatively higher multinationality is in part due to their inexperience in overseas locations compared with the European banking sector which has prompted them to hire more foreign personnel for senior, strategic managerial positions in head offices. In general, however, since the domestic and international operations of the great majority of MNCs interviewed remain highly segmented, there remains little possibility for foreign managers to reach the apex of the corporate hierarchy. Perhaps more attention should be devoted to analysing the trends in the composition of managers within the international division since it is here that changes towards increased multinationalisation are first likely to occur. In the absence of detailed data on this issue the impression gained was that more foreign managers are being sent to head office mainly, it is true, for short term training assignments to learn specific managerial and technical skills and, at a more general level, to gain a greater familiarity with the way the company operates.

TABLE 2: Foreign personnel employed in senior managerial positions at head office

<u>COMPANY CODE</u>	<u>SENIOR FOREIGN MANAGERS</u>	<u>TOTAL</u>	<u>TREND</u>
A	12	100	None
B	30%		Increase (10%)
C	5 (approx)	200	Increase (0%)
D	50	1250	Increase \$1
E	15	5500-6000 (US Total)	Increase \$1
F	"Very few"	NA	None
G	1	25	None
H	0	NA	None
I	"Very few"	NA	None
J	2	15	None
K	0	NA	None
L	60	400	None
M	0	NA	None
N	0	NA	None
O	20	120	Increase
P	0	NA	None
Q	0	NA	None
R	10-15	1000	Increase
S	5	60	None
T	0	25	None
U	50	200	Increase

The most important trend at the moment is the growing multinationalisation of the expatriate (international assignee) managerial cadre of MNCs. This is clearly apparent in the responses to our questions concerning attitudes towards the employment of third country national managers. All except one or two respondents stated that their company adopts a positive stance towards the employment of TCN managers. The following extracts are a representative sample of their replies to this question:

"We have an active TCN program and consider its growth favourably. In general terms, our policy is one of employing all nationalities provided the need and availability coincide. Once an employee, individual performance primarily dictates managerial position staffing...The trend of increasing TCN and national managers is due to the timing of the development of our international operations. As the operations have developed so have the development of nationals and TCNs within our organization.

Corporation C

"There has been a significant increase in the numbers of TCNs employed during the last ten years. The reasons for this are varied and closely interrelated. In part it stems from corporate reorganisation. Previously there was a central international personnel department here in New York but this for some years now, has been largely disbanded and its function taken over by each of the four worldwide area companies which are very autonomous....

Corporation E

"Positive where appropriate...that is when a local person is unavailable and the TCN would be the best person for the job. This policy has been consistently pursued since we started our international operations on a significant scale some thirty years ago".

Corporation H

"We are getting more and more into TCNs since we now realize that European business schools are putting out good young managers and also TCNs are often cheaper than U.S. expatriates. The marked trend is to bring back Americans and replace them with TCNs and in the longer term nationals."

Corporation P

"We employ TCNs in accordance with our policy to create a truly international management group at the most senior levels where the prime consideration is the right man for the job."

Corporation O

"We are employing more TCNs now than before...We look for people regardless of nationality with the specialized skills needed in the aerospace industry.

We are indifferent - the best person gets the job....We have to get the best people wherever they come from. This has been policy for at least fifteen years."

Corporation U

"...very favourably at senior levels since merit is the key determinant regardless of nationality. However since we are trying to develop an international cadre we would like to get away from the TCN designation".

The quantitative data collected on the employment of TCNs from the companies interviewed (see Tables II/)^{III} clearly reveals the increasing use of TCNs as compared with U.S. expatriates, to the extent that they now constitute between 30-60% of international assignees in the majority of companies. Where fewer than 20% are employed, these are generally confined to companies which have only recently begun overseas operations or where their subsidiaries are confined to just a few countries.

To what extent can the increasing employment of TCNs be equated with a conscious policy to multinationalise international assignments? Is this phenomenon the result of a growing realisation of the need to utilise optimally scarce managerial skills scattered throughout the corporations worldwide activities? Or is it an essentially pragmatic strategy adopted by MNCs to replace politically sensitive and costly American expatriates without any corresponding changes in their overall philosophy regarding localisation and nationality mix?

Table 3:- Number of US expatriates employed in subsidiaries

	<u>1978/79</u>	<u>Previous Years</u>
A	≤ 12	N.A.
B	40% US Expats. 30% TCN 30% HCN	, 1968 = 80, 10, 10%
C	72% US Expats. 14% TCN 14% HCN	1973 = 86, 7, 7%
D	≤ 10	N.A.
E	170	265 (1975)
F	120	Downward Trend
G	50	15 (1976)
H	35	100 (1973)
I	40-45	40 (1973)
J	2	2 (1975)
K	6	2 (1969)
L	630	
M	25	25
N	800	800-900 (1969)
O	60	75 (1974)
P	19	21 (1974) 15 (1969)
Q	60	24 (1974)
R	121-101	10 (1965)
S	20	N.A.
T	138	80 (1970)
U	110-115	85-90 (1974)

the international assignees within the overall corporate personnel strategy worldwide. In fact, a number of companies explicitly stated that they viewed TCNs as a transitional group which, while largely replacing U.S. expatriates, would themselves be eventually phased out with the increasing localisation of managerial positions in the subsidiaries.

Table 4: Number of TCNs

	1978/79	%	1975	%	1973/4	%	1968/69	%
A	1/2							
B		43						11
C*		16				8		
D	56	83	n.a.					
E	90	33	99	27				
F		40		25				
G	50 (approx)		n.a.					
H*	5	12.5			4/5			
I	40	50			20	30		
J	0				0			
K	2	25			1			
L	250	28				15		
M								
N	600	43					300	23
O	60	30	75	30				
P	23	55			13	41	5	25
Q*	16	20			5	13		
R	401	50	n.a.					
S	30	60				50		
T*	10	7			n.a.		n.a.	
U	n.a.		n.a.		15/10	17		
V	40/35	27						

It is undeniably true that U.S. corporations are becoming increasingly aware of a growing pool of managerial talent, especially in Europe and, to a lesser extent, South America, which can be tapped by them. In addition, there is occurring a convergence or trans-nationalisation of managerial techniques employed by large corporate entities and this is reflected in the proliferation of new business schools closely modelled on their American predecessors. The growing similarity of management graduates has forced many U.S. MNCs to question their excessive reliance on U.S. expatriates. Given that this reassessment has been motivated by a growing sense of the 'costs' incurred resulting from the failure to deploy foreign managers as TCNs, it can be viewed as being a genuine move towards the development of a multinational managerial cadre. However, as we have already pointed out TCNs are generally perceived as being adequate substitutes or replacements for American managers in subsidiaries where there is a deficiency of local managers with the required skills. Hence at this stage, the advent of the TCN does not appear to signify any marked change in the role of the international assignee within the overall corporate personnel strategy worldwide. In fact, a number of companies explicitly stated that they viewed TCNs as a transitory group which, while largely replacing U.S. expatriate managers, would themselves be eventually phased out with the increasing localisation of managerial positions in the subsidiaries.

The present nationality composition and geographical location of TCNs employed by our American TNCs is indicative of the as yet rather limited conception of their future role. In most companies where sizeable numbers of TCNs are employed at least 75% are Europeans, and within this group there is a disproportionate number of British managers, often as high as 75% of the European contingent. The presence of so many European managers is not surprising in view of their similarity to U.S. counterparts and the longstanding involvement of American corporate capital in Europe. However these factors cannot account for the marked preference for British managers as TCNs. This clearly relates to the relative cheapness of British managers whose salaries are usually well below (often less than a half) those paid to American and European managers of equivalent rank. We will consider the importance of this cost factor when we discuss the motivation for localization in the next section.

European TCNs are employed predominantly within Europe itself. With a few companies these intra-Europe moves are now taking place on a large scale especially where the company has a well developed regional office:

"Within each area, particularly in Europe, there is considerable movement of managers. In Europe this has resulted in the development of a new compensation package....."

Corporation E

However, a significant number of TCNs are also used as expatriate managers in Third World locations, in particular British and French managers in their ex-colonies.

"There are some TCNs in Europe and managers employed at our two large European plants are a source of high level manpower for our operations in developing countries".

Corporation G

The most common TCN is the British manager who is often working in ex-British colonies where he is more psychologically and culturally at ease than Americans.

"We believe in a policy of the best man for the job, this has been the case since at least the 1950s when, for example, we had a lot of British and French managers in Africa. However, this has changed as locals have become educated..."

Corporation N

"Many of our African and Middle East operations are headed up by foreign managers many of whom are British and French working in their own ex-colonies".

Corporation F

Although transfers of this kind are in a technical sense intercontinental, they cannot be considered geocentric in motivation. Intercontinental moves by non-European TCNs are still more the exception than the rule. However within regional groupings moves between countries are becoming increasingly common especially where subsidiary operations and language and cultures are the same or similar. This is particularly the case in South America where there now exists a relatively well developed managerial workforce experienced in the philosophies and practices of American corporations. The widespread use of Argentinian managers in other Latin American countries was frequently mentioned. One respondent referred to them as the "Argentinian Mafia".

"We are more sanguine about TCNs compared to expatriates.... Within Latin America there has been quite a lot of movement at very senior managerial levels but this has not occurred in Europe which is our other major area of operation"

Corporation A

Statements of this kind suggest that with some corporations regionally centric managerial movement is motivated primarily by the availability of the requisite skills so that it is likely that subsidiaries will be increasingly characterized by polycentric nationality compositions.

Expatriates and the trend towards 'locatisation

Respondents were asked:

Do you attempt to ensure that American managers continue to occupy the top positions in all (or some of) your overseas subsidiaries?

Over 80% of the Corporations interviewed stated that this was not the case. We present below a representative sample of their responses

"...Wherever suitable local nationals are available they will be hired right up to the most senior levels...We are trying to limit expatriates...Where necessary many of their functions are undertaken by making short trips overseas in addition to group meetings of the International Division here in New York.... We don't want U.S. nationals overseas."

Corporation A

"In most instances Americans are used to fill all top positions in overseas subsidiaries - initially. Part of their function is to develop company expertise among nationals. TCNs and nationals currently hold some of the top positions in our overseas subsidiaries".

Corporation C.

"We prefer to use local nationals. This preference arises out of the nature of our business, namely effective communication with the public...The world is divided up into areas, each enjoying a high degree of autonomy just so long as they continue to deliver satisfactory profits...In general, talented and creative local nationals have been found".

Corporation D

"No, not in principle but for many developing countries we have no option but to use U.S. international assignees or TCNs - for the time being at least....Our host country national policy is at least ten years old."

Corporation E

"There is no position exclusively for U.S. managers...our policy is to encourage local managers and pull out expatriates from developing countries. This has been the case in South America but it will be some time before this can happen in the Mid East and Africa...In South America there were many managers from overseas ten years ago. There has, however, been a rapid change since then - partly as a result of changes in the company's general philosophy but also because of the realities of the political situation. Moreover where foreign corporations are obliged to be minority equity partners as in Mexico there is a strong feeling by locals that they want to manage their own capital themselves".

Corporation F.

"No, there is no plan that stipulates that we must use U.S. expatriates to fill these positions. However, given the sophisticated nature of our technology, it takes some time to train locals so we often have to rely on our own technicians and engineers to start up operations in new plants overseas...".

Corporation I

"We have no written guidelines but wherever possible we use local nationals...Textile technology is not highly specialized and complicated and it is, therefore, relatively easy for nationals to pick it up...In addition it is increasingly difficult to employ expatriate managers in most overseas locations...Mexico is a good example but fortunately there is plentiful local managerial manpower".

Corporation J.

"Our objective is to fill openings in subsidiaries with local people...It is partly a question of corporate citizenship since you can maintain better public relations if you use local nationals... We make no specific attempts to ensure that there are at least one or two U.S. expatriates..."

Corporation K

"Up until 1972 U.S. expatriates dominated managerial positions abroad. Since then however we have adopted a conscious policy to employ as many local managers as possible - for both economic and political reasons".

"We are committed to total localisation of our affiliates and we are now training local managers. At the moment most of our U.S. expatriates are located at regional headquarters...."

"We tend to use expatriates and TCNs for two reasons: (1) certain expertise is not available and (2) as "fireman", either temporarily or permanently... Three broad phases can be identified: (1) historically local management expertise wasn't **there** and US expatriates were dominant (2) the increasing use of TCNs from developed countries (3) using local national managers. Even though there are local nationals in all probability most of them have been educated overseas... Although we are beginning to enter this final phase, its full realisation is a long way off. Ideally, we would like to fully localise up to plant level but for group directors and above we will keep U.S. expatriates or TCNs.... In many cases an accounting officer from the U.S. is posted to overseas affiliate because with different accounting systems in use we need someone with U.S. accounting experience"

Corporation P

"We are hiring more local people and we have no objections to non-U.S. citizens occupying top positions. However, we would still want one or two U.S. expatriates in each subsidiary It is increasingly difficult to recruit U.S. managers to work overseas and so we are forced to deal more and more with expatriates".

Corporation Q

"No but there is not the educated commodity in many underdeveloped countries and frequently they don't want to work for foreign companies"

Corporation R

"We employ local managers in senior positions in our affiliates around the world but we would still like to see a mix with U.S. managers.. It is difficult to find qualified people because they usually come from the middle class which in many less developed countries is very small".

No, we try to keep the number of expatriates to a minimum.... If local managers are qualified then there is no objection to them heading up overseas affiliates".

Corporation T

"The managing directors and chief financial officer of our five largest overseas operations generally have been and continue to be U.S. citizens but there are exceptions. In developing countries these positions are almost all filled by U.S. nationals and TCNs. In other countries they are frequently filled by nationals of the country".

Corporation U

"Not necessarily, the majority are U.S. citizens but the trend is towards non-U.S. managers which is a derivative from our recent reorganisations..... We now focus on world corporate banking dealing with large corporate clients and governments whereas previously our activities had been oriented towards retailing banking. This has led to corresponding changes in our personnel policies.Our policy is not to put a local in the top position in an affiliate just because they are a local although we do try to have locals in key positions".

Corporation V

"...most of our managers overseas are U.S. citizens".

Corporation W

On the basis of these statements made by our respondents, what conclusions, if any, can be drawn regarding the localization issue and expatriate policies? First it is necessary to sound the now standard note of caution about the dangers of placing undue emphasis upon qualitative information of this kind. Analysis of the multinationality issue has been plagued by undue reliance on usually isolated statements made by individual managers. It is for this reason that often highly divergent conclusions have been reached on the policies of corporations towards the localization of personnel in subsidiaries and why we have therefore in an effort to avoid this felt the need to present the verbatim statements of respondents on this issue. In conjunction with the limited quantitative data collected, these statements do at least provide some indication of dominant trends and the factors responsible for these.

Managers are first and foremost agents of production, collectively responsible for performing the functions of capital and, as such, it can be argued that their actual nationality is of secondary importance. But this is not to imply that the nationality composition of managers within worldwide corporate entities which still continue to maintain close, hierarchical connections with their respective home countries can be dismissed as being of peripheral importance. In fact, it is clear that nationality

composition and more specifically localization have become major issues for U.S. corporations since the 1960s. In part, this is reflected in a more systematic and, in the majority of cases, a more stringent attitude towards the use of international assignees both U.S. expatriates and TCNs. Until recently, the size and remuneration of this elite workforce was largely determined on an ad hoc basis with virtually no overall, centralized control. This casualness is now rapidly disappearing with the development of the human resource function within international divisions/companies.

Reasons for changes in trend.

Respondents were requested to attempt to identify the specific impact of the following factors; government indigenization policies, the availability of managers with the requisite qualifications and experience and the relative costs of expatriates vis a vis local managers. It is apparent from their responses that, while they accept that all of these factors are important, it is extremely difficult to establish their order of importance, the interrelationships between them (if any) and the overall pattern of causality. It is clear though that MNCs are having to adapt to increasingly severe political and economic constraints on the use of expatriate personnel in their overseas operations. At a political level, they can no longer pay lip service to the goal of localization in the face of diminishing expatriate quotas and other work permit restrictions. Not surprisingly, many MNCs explain their conversion to localization as being only one aspect of a fundamental policy reorientation towards the deployment of high level manpower worldwide which has been motivated as much, if not more by its growing maturity as a TNC rather than defensive reactions to externally imposed constraints. Rather than attempt artificially to separate out and attribute levels of

causality to these 'internal' and external motivations it is more meaningful to consider the historical experience of TNCs in different areas of the world over time in order to ascertain whether any longer term patterns and trends can be discerned. On the basis of this analysis it is then possible to consider how TNCs are responding to specific situations and sets of problems around the world in more recent times. Clearly long and short term factors are closely interrelated but by making a theoretical distinction between the two, this allows the policies and actual operations of MNCs to be viewed within the proper historical perspective.

On the basis of the qualitative and the more limited quantitative evidence gathered from respondents, we conclude that the policy of MNCs towards localisation and the deployment of international assignees is increasingly conditioned by the availability of local high level managerial manpower possessing the requisite general skills and corporate specific experience and socialization rather than by any overriding concern with maintaining adequate control over the activities of subsidiaries. Past experience in Europe and more recently in South America indicates that local managerial availability has nearly always been the key factor. It is true that U.S. expatriates were extensively deployed as agents of control during the 1950s and 1960s but they are now being phased out as a result of growing reliance on other mechanisms of control which are equally, if not more effective, both economically and politically.

X It can be seen from Table 3 and 4 that the total number of expatriates and TCNs employed worldwide by many of the TNCs in our sample has

actually increased rather than decreased. This is because these corporations have rapidly expanded the scope of their worldwide operations during the 1970s and therefore have required a growing number of skilled expatriates to start up new operations overseas. However, in the case of those companies with established networks of subsidiaries overseas (marked with *) the expatriate total has fallen although not as dramatically as the policy statements of respondents would suggest. The growing pre-eminence of the managerial availability factor as opposed to direct U.S. expatriate control is also indicated by the increasing reliance on TCNs coupled with a widely expressed commitment to and evidence of complete localisation in well established subsidiaries. In discussing localization, the typical response was to consider the history of the corporations operations area by area, usually at the continental level. It was widely accepted that while most subsidiaries in Europe and Latin America could be totally localised, this was not likely to be possible for some time in Africa, the Middle East and Asia without incurring serious "costs". So, while most Corporations are genuinely committed to at least a polycentric manpower strategy, they will attempt to ensure that, if possible, key managerial decision-making in many subsidiaries remains effectively controlled by foreign nationals. For example, Table IV shows the nationalities of the Chief Executive in some of the subsidiaries of one of the largest TNCs in our sample. Similarly Corporation F, which is one of the few TNCs with extensive operation in Africa in our sample, still has 75% of its senior managerial positions occupied by Americans and TCNs in these subsidiaries.

While the general trend is clearly towards localisation, there are

a number of factors which cause significant variations in the nature of this process. The first of these is the nature of the technology employed. Given the vital importance attached by corporations in retaining their proprietary rights over the technology embodied in the production process and the corresponding technological dependence of many underdeveloped countries, how if at all will localisation affect this? In the past it has been argued that one of the major reasons for the presence of source country nationals in subsidiaries, in particular in the engineering function, is to ensure that local nationals are prevented from acquiring sufficient knowledge of the technology employed to be able to set up in competition with the foreign corporation. This appears to be an unduly naive conception of the factors inhibiting the effective transfer and development of technology in the periphery. First the threat of loss of monopoly control over technology exists in all countries and physical and juridical barriers preventing duplication have to be enforced regardless of location. An American engineer working in New York is as much of a threat as his Brazilian or Nigerian counterpart employed in subsidiaries overseas. Secondly, the increasing sophistication of technology based upon research and development facilities concentrated in a limited number of locations usually within the developed metropolises severely restricts the ability of either a group of private individuals or ^{of} the state itself within most Third World countries from replicating the technology employed. In many instances the capital-goods industry is virtually non-existent or is not sufficiently developed to be able to independently produce the technology required. Consequently the present international division of labour is unlikely to be seriously threatened

Table 5 : Nationality of chief executives in sample of subsidiaries of company E.

Regional Director Middle East	- American
Algeria -	Swiss
Dubia -	Lebanese
Egypt -	Indian
Gabon -	French
Greece -	Iranian
Canada -	American
Iran -	South African
Pakistan -	American
Phillipines -	British
Sweden -	American
Hong Kong, Area Chairperson	American
Singapore -	American
India -	"only one international assignee".
Indonesia -	American
Korea	American

by the exposure of local managers and engineers to MNC technology. The relatively few Corporations where there is genuine concern that their technology could be appropriated by local nationals this threat can usually be forestalled. First not only are the majority of plants turnkey projects assembled by foreign technicians and engineers, but major repairs and other technical faults are also frequently dealt with by flying in outside help. Alternatively, the presence of only one expatriate engineer is usually sufficient to protect the technology employed. In addition, his exclusive knowledge can be used to control the entire operations of the plant as a whole. Secondly, even with the complete localisation of managerial personnel, the division of labour within the production process results in a fragmentation of the knowledge embodied in the technology employed. By strictly demarcating the training of employees and imposing controls of the flow of information within the plant it is, therefore, possible to minimize the likelihood of any serious erosion of MNC control over the utilisation of technology.

Interestingly, the MNCs which appear to be most favourably predisposed to geocentric managerial strategies are with the exception of international financial corporations primarily located in research intensive industrial sectors, employing the most advanced technologies. We refer in particular to MNCs producing electronics and, to a lesser extent, pharmaceutical products. Clearly the concentration of the most talented personnel in a small number of locations devoted to research and development activities, regardless of their nationality, is not perceived as constituting a serious threat to the technological superiority of the MNC. On the contrary, it is considered to be the most rational deployment of skilled manpower. It could

even be argued that by attracting the most creative people from all countries around the world, this strategy actually frustrates the reduction of technological dependence by Third World countries.

Another important factor is the degree of centralization within the MNC. Our interviews indicate that the replacement of expatriates by local managers has not usually been associated with any significant de centralization of decision making powers within the corporate hierarchy. In fact, the converse generally appears to have been the rule, although again there are likely to be important differences between MNCs depending on the nature of the product produced and the organization of production worldwide. All MNCs are able to utilize telecommunications technology that allows as much detailed information on subsidiary performance to be rapidly transmitted to head office as is available to local managements themselves. Furthermore modern aerospace technology coupled with extensive airline services which connect all the major cities in the world considerable reduce the importance of the distance factor should it be necessary to send in outside help to deal with specific problems in subsidiaries as they arise. Whether localisation has actually prompted a redevelopment of certain managerial functions away from subsidiaries is more difficult to ascertain and would require considerably more detailed research. But the impression obtained was that where local managerial was available, it was not considered necessary to alter the nature of the relationship between head office and the subsidiary.

Finally, MNCs vary in the importance attached to the main economic factor, namely the relative cost of expatriate manpower. We present below a representative sample of the comments made by our respondents concerning this cost factor:

"It is now terribly expensive to send people abroad"

Corporation A

"Costs of expatriate personnel is a major motivation towards the utilization of non-American managers"

Corporation C

"The greatest constraint on using U.S. personnel is costs"

Corporation R

"The cost factor doesn't seem to have much influence within the company. This maybe because we are new to the expatriate business"

Corporation F

"..Although costs have skyrocketed, the cost factor has not in itself been changing our policy"

Corporation H

"We are not subject to cost constraints. We are operating on a worldwide basis with good profit margins..."

Corporation O

"No matter how costly U.S. expatriates become we will always have them..."

Corporation T

Expatriates are very expensive. Corporation R had 169 overseas assignees at the end of 1978. The total base salaries amounted to \$10 million and the "overseas goodies" another \$8million. Hence the average cost was \$106,500 per expatriate. Similarly, Corporation M reported that total expatriate allowances amounted to 55% of the base salary bill in 1976 and had risen to 71% in 1977 (80% in Europe). Corporation L stated that in smaller banking subsidiaries overseas expatriate costs can be as much as 30-40% of fixed costs.

One of the most important components of the expatriate remuneration package is the tax equalization ^{factor.} / Since the late 1930's American companies employing American citizens in overseas subsidiaries must, unlike their European competitors, pay both local and U.S. income tax for non-exempt employees. This double taxation burden was frequently mentioned and, in particular, the recent changes in U.S. tax law which have substantially increased the income tax burden when employing U. S. expatriates. Furthermore the decline in the value of the dollar since the 1971 devaluation coupled with frequent fluctuations in foreign exchange rates has further increased the expatriate remuneration bill as corporations have attempted to maintain the purchasing power of their expatriate employees worldwide and has made the basis of administration increasingly complex and time-consuming. Corporation P, for example, stated that taking all the above mentioned factors into account, expatriate allowances had risen by approximately 25% during the last two years.

Although expatriate costs are escalating, this is unlikely to have much impact on Corporations when comparable local managerial or technical expertise is unavailable. In these situations expatriates are considered to be indispensable and there is little hesitation in incurring the necessary expenditure on them. But where there is little to separate the American and foreign manager, the cost factor is likely to become of considerable importance;

"Then years ago education and background factors were very different for virtually all foreigners so the cost factor for U.S. expatriates was minimized to a large extent... Now the situation has changed considerably with the result that the cost

factor has become a serious consideration"

Corporation P.

While expatriate cost per se is unlikely to be very important in the localisation process in Third World states, it may well be in countries where managerial salaries are relatively low and where there exists a relative abundance of acceptable managerial personnel. The emergence of a sizeable group of British managers employed as TCNs is also likely to have been motivated by their relatively low salaries, and greater willingness and adaptability to work overseas. In other European countries, the salaries are, in gross terms at least, comparable to or higher than those paid to U.S. managers and, given that the income differential has decreased significantly during the 1970s, this has reduced any incentive U.S. MNCs might have had for localising managerial personnel on the basis of cost considerations alone. In fact, it is possible that U.S. expatriates may even be becoming relatively cheaper in some European countries.

CHAPTER 7: MNC MANAGERIAL REMUNERATION POLICIES: A U.S. CASE STUDY.

Introduction.

In attempting to understand the salary determination process within the public sector in Africa and elsewhere we have focused our research upon the extent to which local high level manpower markets are integrated into an international market for skills. A key aspect of this integration has been to establish the particular impact of foreign multinational corporations within domestic labour markets. More specifically, we have been concerned to test a number of interrelated hypotheses which, collectively, would provide some assessment and explanation of any upward pull on private and public salaries in the seven African countries under study which can be both directly and indirectly attributable to the presence of international corporate capital.

The task of the U.K. team as originally formulated in our research proposal was to identify emergent trends in the development of an international market for managerial skills and to consider the implications this is likely to have for international and domestic managerial remuneration. Given the paucity of secondary data on this subject, it was necessary to undertake extensive interviews with MNC compensation and human resource managers.

The following discussions will consider the main conclusions concerning the nature of the relationship between the managerial multinationality of the U.S. MNCs interviewed

and the salary determination process worldwide. We shall proceed as follows. The first section will consider the present international market for corporate managerial skills which is composed of the U.S. and TCN¹ personnel deployed worldwide by MNCs. We shall identify the different remuneration methodologies for each of these two groups of managers and then attempt to establish the extent to which a unified international salary structure is emerging among expatriates. The second section will review the mainly qualitative evidence gathered on how the MNCs interviewed determine salaries for local managers employed in their subsidiaries abroad and, in particular, whether there are any aspects of these methodologies which might encourage a growing convergence of international and domestic salary structures in the future.

American expatriate and TCN remuneration.

In this section the data collected on U.S. and TCN salary methodologies will be reviewed and any significant trends identified. In particular, we are concerned to establish the extent to which the increasing multinationality of MNC international managerial cadres as evidenced, in aggregate terms at least, by the growing proportion of TCNs, is generating any of the salary tensions which we suggested might foster the emergence of a unified salary structure for international assignees. Not only is this process of convergence interesting in its own right but, perhaps more importantly, it can be seen as a crucial stage in the development of an international salary structure which will embrace not just international but, increasingly, senior

managerial personnel within all subsidiaries and affiliates worldwide.

The international managerial cadre

The phenomenon of the international managerial cadre has already been discussed in chapter 6, where it was concluded that while few MNCs explicitly espouse a policy of multinationalisation of international assignees as an objective in its own right, there is nonetheless a growing realisation of the need to pay increasing attention to the rational deployment of managerial personnel overseas. Whereas previously the expatriate would have been expected to take a career overseas in no more than one or two subsidiaries, the present day realities of enforced localisation, escalating manpower costs and modern transport and telecommunications technologies in conjunction with a growing maturity and sophistication of MNCs in their policies towards overseas operations is encouraging the development of a relatively small group of international managers to undertake mainly short-term assignments overseas. While these cadres are being largely created in response to the increasing difficulties of assigning managerial personnel overseas, the concept is also a consequence of the growing awareness of MNCs that their undertakings and employees should be treated as an integrated whole and, as such, is symptomatic of the emergence of an international market

for managerial skills. The adoption of universal job evaluation methodologies by many of the TNCs in our sample can also be viewed as being indicative of the more positive response of corporate capital to global manpower development. Job evaluation techniques allow the performance of key managerial personnel around the world to be monitored and facilitate international mobility. More fundamentally, they can be seen as an indispensable precondition for the emergence of an international salary structure since, by allowing managers to compare their relative net worth on the basis of allegedly objective internal valuations, they will encourage demands for equal remuneration (in real terms) for equal or equivalent work. As yet most of these job evaluation systems are corporation - specific but it is clear that strong pressures exist for the emergence of a single global job evaluation methodology/ the international managerial cadre becomes increasingly multinational in composition and the pool of local managerial talent in subsidiaries continues to expand.

U.S. expatriate remuneration.

In determining the expatriate remuneration package for U.S. personnel, all but one of the 23 U.S. MNCs interviewed employ the balance sheet approach with U.S. domestic salaries as the basis of the build up. The methodology underlying the balance sheet approach has already been discussed in some detail in chapter 5, so it is not necessary to describe it again here.

The now almost universal adoption of the balance sheet methodology is of considerable significance since it represents an attempt by MNCs to formalise the procedures adopted by them in establishing expatriate remuneration packages and so can be regarded as a positive factor in the emergence of an international market for skills. Up until at least the early 1970s, the majority of MNCs had dealt with each expatriate (or groups of expatriates) on an ad hoc basis. As one manager put it

"it was largely a question of each assignee making his own deal with the Corporation". Corporation P.

The rapid adoption of the balance-sheet methodology since then is an indication of the important changes in the policies of the MNCs towards expatriates which have already been discussed.

MNCs try to ensure that expatriate managers remain tied to the domestic salary structure and this, therefore, frustrates to some extent the emergence of an international salary structure. Our respondents continually stressed the need to relate U.S. expatriate remuneration to the hypothetical U.S. equivalent salary (what is known as "keeping him whole") since (i) this ensures equity between the U.S. expatriate and his counterpart in the U.S. and (ii) serves to remind the expatriate that he is first and foremost American "who happens to be working overseas on a temporary basis". Hence to pay him considerably more than his local salary is seen as merely exacerbating the already difficult task

Table 1. Foreign service and hardship premiums offered by MNCs.

of repatriation at the end of the assignment and is an unnecessary cost. However among ^{the} few MNCs with more mobile, multinational expatriate cadres, there is a greater willingness to accept the possibility of abandoning the U.S. salary structure should this become seriously uncompetitive by international standards.

However most U.S. MNCs in the sample continue to adhere to a strictly ethnocentric formula for U.S. expatriate remuneration. This is reflected in their general lack of concern to ensure equity between U.S. expatriates and their local counterparts in overseas subsidiaries (See below), and also by the fact that, unlike British companies, they make little attempt to survey the expatriate remuneration packages paid by MNCs of different national origins.

A counter-tendency to these ethnocentric salary practices is the increasing simplicity of the expatriate remuneration package. It is argued that since increasing numbers of MNCs now consider international assignments as an integral part of the career of their senior managers, they do not believe that special financial inducements to work overseas are either desirable or, more importantly, necessary in an increasingly transnational world. In the past the most important component of the package has been the foreign service premiums and hardship allowances which have been regarded as indispensable in luring American managers away from the comfort and security of the home country.

Those currently offered by some of the MNCs in our sample are presented in Table 1. From this it can be seen that while a number of MNCs have partially phased out these inducements, they still remain as sizeable expenditures for the majority of MNCs. This reflects the still low level of acceptance of international assignments by the majority of managers who often regard them as frustrating rather than advancing their careers within the corporation. This attitude is symptomatic of the lack of integration of domestic and international operations in many MNCs, coupled with the greater possibilities for managerial advancement either in domestic operations or international head offices given the present high concentration of decision making power within MNCs.

To summarize, the growing popularity of the balance sheet approach is an important indication of the increasing attention devoted by MNCs to international assignments and remuneration. This in turn has spawned a number of specialist consultancies who now gather detailed data on cost of living indexes for each major city in the world and generally offer advice to TNCs on how to formulate their expatriate remuneration methodologies. While it is true that much of this research is a pseudo-scientific rationalisation for the still very large increases in the standard of living enjoyed by expatriates when overseas it does nonetheless represent a more systematic approach to establishing an international salary structure.

Table 1. Foreign service and hardship premiums offered by US MNCs.

	Foreign Service Premiums	Hardship Premium
Company D	N.A.	
Company E	15%	10 - 25
Company G	0	10 - 25
Company H	15% Europe + S.A.	Ø50 - 150 p.m.
	20% Middle and Far East	
Company I	0	0
Company J	0	0
Company K	15%	10 - 25%
Company L	One-off lump sum = 3 months salary tax free	5 - 40%
Company M	10%	5
Company N	0	5 - 55%
Company O	20	10 - 25
Company P	20 (50% LDCs)	0
Company Q	One-off lump sum - fixed percentage of salary	10 - 15
Company R	One-off 'mobility premium' 20	5 - 25
Company S*	10	

* for COLAS - after 5 years in a post this is reduced by 30% a year.

Third Country National remuneration

Writing in 1972, Crystal stated that :

"Company practices regarding the compensation of TCNs are so erratic as to almost beggar description. Not knowing quite what to do, many companies have evidently decided to do a little of everything".³

The results of our survey indicate, however, that this situation changed quite considerably since then as the proportion

of TCNs within international management cadres has continued to increase. Since the TCN phenomenon provides an important testing ground for our hypotheses concerning the relationship between the degree of multinationality and the emergence of global salary structures, we shall consider in some detail the specific responses of the MNCs in our sample on this issue.

We should expect to find that those MNCs which have the most multinational expatriate cadres are increasingly being forced to abandon salary methodologies which differentiate between the U.S. and non-U.S. TCN expatriates.

We present below a representative sample of the statements made by our respondents regarding TCN remuneration. From these it can be observed that salary distinctions between the TCN and U.S. expatriate are indeed being progressively eliminated. This process of convergence represents probably the most significant development in the emergence of an international market in skills to date:

"TCNs from low salary economies are treated if they are U.S. expatriates. TCNs from high salary economies are becoming an increasing problem. In Europe we have tried to solve this by introducing a new salary scheme based on host country salary schedules (Corporation F)

"TCNs are usually put on the local payroll with some kind of percentage allowance and sometimes protected then forgotten about. We do have a few TCNs who are on home country salary schedules. Even this system is likely to cause tensions but, if applied consistently and is widely understood this should considerably reduce the problem... The alternative was to divide the world up into four areas and pay everyone the same within each area. However, this would be very expensive and because our assignments are generally short-term this would have aggravated the repatriation of expatriates (Corporation G)

"We use the home base salary...but if by the time you've made him up the TCN is still a long way behind the local then we will find some way to increase his package (Corporation I)

"...home base although TCNs with lower salaries are generally given higher premiums. For all expatriates we try to ensure that there is an equalization of that part of their incomes to be spent abroad (Corporation N)

"TCNs receive a U.S. base salary and are then built up. Most of them come from the UK and Australia so we haven't really had to contend with the problem of TCNs from countries with relatively high managerial salaries. ... Since our TCNs are internationally mobile they tend to lose a strong sense of being a certain nationality". (Corporation O)

"All expatriates are on a U.S. base...This is working out fine since for most TCNs the U.S. base is higher than their home salary. We have no Swiss or German TCN managers so the problem of the high salary TCN has not yet arisen...Even if it had, it must be remembered that German and Scandinavian tax rates are relatively very high so that their net salaries are often actually well below their U.S. counterparts even though their nominal base is much higher.

We don't want any second class citizens...if TCN home salary is lower than in the overseas location then it will be increased to that level....When the converse holds, the TCN will continue to receive his home base salary but his perks etc will be assessed on the basis of the lower, foreign salary (Company R)

Table 2 shows the pattern of TCN remuneration for most of the corporations in our sample. While there is still a considerable variety in the methodologies adopted, there is a marked trend towards the adoption of the U.S. salary base

Table 2. TCN Remuneration Methodologies.

	HOME BASE	US BASE	LOCAL BA
A			✓
B			
C	✓		
D			
E		✓	
F		✓	
G			✓
H	✓		
I	✓		
J			
K		✓	
L	✓ (H)	✓ (L)	
M			
N	✓		
O		✓	
P		✓	
Q	✓		
R	✓		
S		✓ (L)	✓ (H)
T			✓
U	✓		
V			
W			
X			
Y			
Z			

Note: ✓ (L) signifies that US Salary base is used if home salary ~~often~~ is of lower value.

for all international assignees. At present this is complicated somewhat by the fact that corporations using this system still differentiate between TCNs from low and high salary economies. However the point to stress is that this movement away from home and local country salary structures is an important step in the development of a unified salary structure among international assignees. Moreover, as international managerial cadres become increasingly multinational and as U.S. salaries continue to decline in the international salaries league there will be even greater pressures on MNCs to adopt even higher base salary schedules for its expatriate workforce. The present aversion of many MNCs to employing TCNs from high wage economies is an indication of the tensions which arise between expatriates who receive markedly different remuneration packages.

The expatriate manpower markets themselves are increasingly international in character as MNCs compete for the "high fliers" regardless of their national origins. A British Institute of Management survey of expatriate managers employed by British Companies stated that "there is an international market for skilled and experienced expatriate managers and a company cannot afford to appear to pay its expatriate staff less than other international companies!"⁴ The competitiveness of this market coupled with the now widespread adoption of home country balance sheet salary methodologies for international assignees is likely to result in a strong salary leadership effect by MNCs from the higher wage economies.

Local Managerial remuneration in overseas subsidiaries.

A recent report by the ILO on wages and working conditions in MNCs concluded that

"in general it seems that TNCs more frequently pay above going rates in LDCs than they do in developed countries. This is most evident in the white collar occupational categories"⁷

Unfortunately, however, the report does not offer any explanation for this interesting phenomenon. This failure can in part be attributed to the acute lack of quantitative data on private sector wages and salaries paid in LDCs and especially in Africa. While a few studies have undertaken econometric computations which have shown that there is a definite "foreignness" factor in ^{the} wage determination process for unskilled labour, we are aware of only one study which has focused on managerial and professional salaries in the private sector. We refer to the study by Vaitsoš who found that local firms in Peru only paid on average 39% of the levels of remuneration paid by foreign owned enterprises to highest paid personnel. However

"the conclusions reached on salary and wage differentials change drastically if one accounts for the scale of operations of a firm. Size (which is associated with capital intensity) and not "foreignness" becomes the most relevant explanatory variable for differences in remunerations. In fact, majority or wholly owned national firms often pay higher wages than foreign-controlled enterprises among firms of equivalent size in the Peruvian manufacturing sector".⁵

The U.K. team in our interviews with MNCs have attempted to establish the main features of the local salary methodologies employed by them. It was not our intention to collect detailed data on local salaries paid to managers in Africa and elsewhere in the Third World since this was to be undertaken by each of the country's teams. Our main objective was to assess on the basis of qualitative evidence the extent to which local managers in subsidiaries in LDCs are becoming integrated into an international market for managerial skills by first seeking to analyze the impact of MNCs on local high level manpower markets. Do MNCs pay more to local managers? And if so, is this mainly a risk premium needed to attract local nationals to work for foreign corporations rather than remain within the relative security of the public or local private sector? Or can it be regarded as a distinct multinationality factor as we originally hypothesized? Or, can it be seen as a direct financial inducement to guarantee the loyalty of local personnel in the face of conflicting demands from the corporation and the state?

All of the U.S. TNCs interviewed stated emphatically that local managerial salaries were set according to the prevailing local market conditions. The actual salary determination procedures adopted are similar to those employed by British firms. Job evaluation techniques are becoming increasingly widespread in LDCs although they are still rudimentary

It would appear that U.S. MNCs do not consciously attempt to pay their local managers significantly more than "the going rate" (although it was frequently stated that the corporation always ensures that it pays above median or upper quartile salaries.) In countries where there exists a relatively sizeable local corporate sector this preference on the part of many MNCs to pay above the median can be seen as likely to exercise a distinct upward pull on salaries. However salary differentials between equivalent occupations are unlikely to be very large given the intense inter-company competition which generally exists for scarce local managerial talent. Consequently the foreignness factor may play an important role in the salary determination process but may well be obscured by the equalisation of salaries paid by all firms as a result of strong competitive pressures. This problem is compounded in Africa countries where there is often no sizeable group of locally-owned private sector enterprises employing large numbers of salaried personnel with which salary comparisons can be made. In other words, because MNCs are obliged to look primarily at what each other is paying its managerial personnel, it is extremely difficult to establish the precise importance of a separate foreignness factor in the salary determination process.

Only 3 of the MNCs acknowledged that the pressure of relatively very well paid expatriate personnel might result in upward pressure on local salaries via some kind of demonstration effect and/or the persistence of expatriate salary structures once a position had become localized. In theory it may be possible to detect whether expatriates are a source of upward pressure by undertaking detailed econometric analysis but in practice, insufficiency of data usually

precludes this. Typical responses of MNCs; on this issue were as follows:

"No substantial pressure has been exerted in this direction..... our goal has been to increase African managers salaries to levels comparable with African salaries outside the company...This arrangement seems to be working out well"

Corporation C

"local companies would object if we paid local managers American level salaries
There has been little pressure by local nationals - we try to ensure that expatriates don't stand out and that fringe benefits are tied to the local structure"

Corporation O

"We have had some pressure from local managers but not as much as you might anticipate ...our policy is clearly stated and we try to ensure strict confidentiality on salary issues"

Corporation S

"locals objecting to US/TCN expatriate remuneration packages is a problem. It is often perceived as a them and us situation by local managers but on the whole. I would say that there has been no appreciable demonstration effect"

Corporation L

While the localisation of public-sector employment positions did lead to strong demands that the newly installed local personnel should receive the same salaries as their expatriate predecessors, tensions between local and expatriate managers in the private sector are unlikely to be as serious when there are only one or two permanent expatriate managers per subsidiary as is increasingly the case. Furthermore, the demand for top local managers is itself probably a more significant factor in increasing salary levels especially where localisation is proceeding rapidly.

Finally, in ^{an} increasing number of LDCs the income differential between expatriates and local managers is frequently not very large and in some countries such as Brazil and Venezuela local salaries can even be higher than those paid to expatriates!

MNCs are increasingly aware of the significant reduction in inter-country salary differentials which has occurred during the last twenty years, in particular between U.S. salaries and those now prevailing in Europe and South America. However, because the factors which ^{are} responsible for this process of convergence have yet to be identified and analysed in any systematic manner, it is virtually impossible to assess the importance of the multinationality factor as this was originally formulated in our research proposal. More specifically, we have suggested that geocentric personnel policies are important in promoting the integration of local and international markets for managerial skills and that a concrete indication of whether or not this is occurring would be the gradual elimination of income differentials between expatriate and local managers. While it is true that this has happened in the majority of countries, both developed and underdeveloped, this cannot be attributed to any conscious effort on the part of TNCs to encourage the emergence of a single, global salary structure for senior managerial personnel regardless of nationality considerations. Not only do MNCs claim that host country salaries are set solely on the basis of conditions

prevailing in local manpower markets but over 80% of our respondents stated quite categorically that they could see no reason for, nor was there any likelihood of, an international salary scale in the foreseeable future.

"an international salary scale for all our managers is just not goable - it would just be too complicated"

Corporation R

"there is no question of us introducing such a scale ...there is too much dispersion between local salaries"...

Corporation O

"there is no possibility of any universal salary scale... we will always maintain a clear division between international and local remuneration...."

Corporation F

However, a small minority of MNCs who are pursuing more forward looking personnel policies did not totally discount the possibility of the emergence of a global salary structure:

"As banking becomes increasingly transnationalized there will be strong pressures to introduce an aggregate international salary structure. This will probably be a composite of high salary structures such as German, Swiss and American although some bonus element will still have to be built in for those who take a drop in salary. Such a system is already in existence but is confined to the really key performers in the Corporation - probably no more than 10-15 people. But by the 1990s I envisage that the majority of the senior officers would receive such a salary..."

(Corporation U)

The increasing movement within Europe of managers employed by Corporation E aggravated the problems associated with the home country balance sheet methodology to such an extent that a new system was introduced in 1977 whereby expatriates are

now fitted into the host country salary structure. Some additional allowances are given to compensate the expatriate for change in environment etc., and to allow for moves from high to low salary economies.

Another recent development which is likely to encourage the convergence of national salary structures is the increasing control exercised by head offices over the remuneration of key managers worldwide. Approximately 50% of our respondents stated that they played an active role in vetting salary structures.

"Final approval of national salary structures and cost of living increases, bonuses etc., is made in the U.S. recommendations. This control is utilized to ensure proper salary survey maintenance worldwide".

Corporation C

"we have complete control over local salaries...Records of all top people are kept in New York..."

Corporation I

"top positions are reviewed annually...we are interested in what our Chilean and German General Managers are being paid - not because we want to pay them the same in real terms but for cost considerations only..."

Corporation O

"all appointments with salaries above \$50,000 have to be referred to New York for approval..."

Corporation S

"we have a Personnel committee which looks at head officers and all others earning more than \$100,000..."

Corporation D.

CHAPTER 8: MANAGERIAL NATIONALITY MIX AND REMUNERATION
POLICIES IN NIGERIA: A VIEW FROM LONDON.

The purpose of this short chapter is to synthesise and comment upon the information and views obtained from interviews conducted in April 1978 with seven London-based personnel consultants who have all been involved in the recruitment of and the setting of salaries and fringe benefits for managers in the Middle East and, to a slightly lesser extent, Nigeria. This concentration is perhaps not surprising and yet it is nevertheless striking. Only one consultant had worked for clients in another African country and that was Kenya. In effect, therefore, this paper is really about Nigeria, interspersed with a few comments on the Middle East manpower situation.

Nationality mix of MNC managers.

On the basis of the replies given by the consultants, it would appear that virtually all British MNCs are committed to a polycentric managerial nationality mix. In other words, their basic intention is to indigenise completely the managements of their subsidiaries not only in Nigeria but in all African countries where they have operations. The most important factor behind this strategy is the increasingly stringent restrictions on the use of expatriates. The Africanisation of the private sector did not become a really important issue until after the mid-1960s, by which time most of the public sector was staffed by Nigerians. The Expatriate Quota System was inaugurated in 1967 in order to phase out the employment of foreigners who, it has been established, occupied 80-85% of senior and 50% of middle management positions and who, not surprisingly, were heavily concentrated in the largest MNCs. Furthermore, the majority of the senior African managers were not in "key" decision-making positions and accusations of "window-dressing" were prevalent.

The consultants stated that the pace of indigenisation had accelerated in the last five years and that African managers were becoming increasingly determined to take over from departing expatriates.

Nevertheless, the total number of expatriates was estimated to be approximately 20,000 in 1975 (compared with an estimated total of senior level personnel in the modern sector of 91,500). Since then it is likely that there has been a marked reduction in the incidence of expatriates in large and medium foreign and local enterprises, but, with the implementation of a multitude of new investment projects the absolute number may well have increased. The UAC expatriate quota for all its many Nigerian operations was reported to be only between 50-60 now whereas it had been "hundreds" in the late sixties. Likewise, Barclays quota is now only 30. UAC has had an African chairman since 1975 and some of the bigger firms have been totally indigenised. However, there was a unanimous feeling that the present rate of Nigerianisation was excessive since there was an acute shortage of sufficiently well qualified (in particular, in terms of experience) Nigerian managers to take over. Interestingly, one consultant with considerable experience working as a personnel manager for several large British companies argued that the present stringent restrictions in Nigeria would be relaxed as is currently happening in Kenya and to a lesser extent Tanzania. He also thought that a new type of expatriate manager was emerging who, as a "technical adviser", would continue to visit subsidiaries for one or two months only in order to make sure that everything was running smoothly.

From these interviews, it would seem that for the short term at least, it is highly unlikely that African subsidiaries and their managerial personnel would be included in any geocentric staffing and compensation strategy. Even in Europe and North America, the incidence of any marked tendencies towards the emergence of a true multinational management cadre who would be remunerated on the basis of what the job is worth regardless of nationality is, according to Franko^(1973:40), "still exceedingly rare". Two of the consultants did feel that a multinational cadre was developing but that it was likely to remain confined to the very top positions only. On the question of African managers as TCNs, this was thought to be an extremely unlikely development for some time to come mainly because the demand for managers of this calibre will be so large in their own countries. There are a small number of African TCNs, mainly working in other African countries although a few are sent for relatively short stays to HQ as part of their overall training.

To summarize, the effects of government localisation measures have been largely ignored by the literature on MNC managerial policies. In the context of Europe and the Americas this is understandable because government policies do not on the whole present any serious problems concerning the employment of managers of different nationalities. However, given the constraints in most of Tropical Africa at the present time, it is unlikely that an MNC could succeed in adopting a "geocentric", truly multinational staffing policy which would include African subsidiaries and African managers. Another important complicating factor not dealt with by the literature is the fact that MNCs are frequently not allowed to operate in Africa in the pure form assumed by many writers. More specifically, MNCs are increasingly having to enter into joint ventures with government controlled corporations and companies or alternatively relinquishing their control over large portions of the total equity (often more than 50%) as is the case for example with the industries in schedules 2 and 3 of the revised 1972 Nigerian Enterprises Promotion Decree. Not only, therefore, are MNCs likely to be constrained by general legislation and administrative decrees concerning the employment of PCNs and TCNs but also more directly via local control which is likely to be more parochial and hence less global in its outlook towards overall policy formulation and in particular the managerial nationality mix. It may well be that MNCs just do not consider African MNCs as belonging to an integrated worldwide organization.

When asked whether or not, in the absence of localisation measures, British companies would still indigenise to the extent that they are now being forced to, most of the consultants felt that they would, partly because a polycentric managerial policy defused nationalist feelings and once African managers had developed their skills and self-confidence, this was likely to lead to better industrial relations and a better performance overall (as Franko points out, "a local boss seems to symbolise a certain independence, however vestigial"). Another important consideration is the rapidly escalating costs incurred in posting a British expatriate overseas which has encouraged the substitution of local for foreign managers.

Compensation policies of British MNCs

Firstly, it is necessary to get some idea of the magnitude of the total costs of employing an expatriate manager. British companies employ the balance sheet approach which tries to ensure that the British manager working overseas receives a salary that allows him to maintain "at least" the same standard of living he enjoys in the UK, on top of which is added a pure inducement element and various relocation expenses. The calculations are complex since establishing equivalent salaries involves cost of living indexes, exchange rate considerations, tax laws etc., the details of which need not bother us here. In the January 1978 edition of the West African Technical Review, the following table was presented as being representative of the costs involved in employing a British Contracts Manager in Lagos who would earn £9000 per annum in the UK and who has a wife and two children, one of whom would be educated in the UK.

Table 1: Costs of employing a British manager in Lagos, 1978.

		£
Pre Departure:	(Briefing, Medical, Tax advice, Language Training)	600
Disturbance:	(Rent/Sale of Home and Car, Storage of Possessions, Possession, Clothing)	1,600
Relocation:	(Transport of Family/Possessions, Air/Surface, Insurance)	3,190
Installation:	(Hotels, Settling-in Allowance, Induction)	2,465
Remuneration:	(Net Overseas Pay, Tax/Social Security, Pension)	23,840
Accommodation:	(Rental, Furnishing, Maintenance, Insurance)	18,750
Education:	(UK/Lagos, Travel Costs on Visits to Lagos)	2,730
Leave:	(Travel Costs, as at Relocation, Leave Relief)	2,510
Car:	(Purchase, all running costs, driver)	4,400
Other:	(Medicare, Clubs, Admin from UK)	1,060
	TOTAL	£61,145

Another example from one of the consultants was that a man earning £7000 in the UK would have to be offered a nominal salary of £15000 in Nigeria plus all the cost of living, relocation, housing, car and other allowances, which are "typically around four times the overseas remuneration". The recent business journal literature has suggested that MNCs, in particular US-based ones, are trying to simplify overseas remuneration packages for foreign managers. However, the fact remains that most of the large items of expenditure such as accommodation still have to be paid and it is likely therefore that it will be difficult to reduce overall costs substantially. The geocentric, multinationalisation hypothesis implies that managers will be paid on the basis on merit and what the job is worth which suggests that for example the very large real-income differential which now exists between most expatriate ^{and} local managers performing largely similar tasks would gradually be eliminated. Consequently, MNCs would probably end up paying very much larger salary bills than would be the case if they pursued a polycentric staffing policy and allowed salaries to be determined on the basis of local supply and demand conditions. Most of the consultants, however, felt that British MNCs were fairly cost conscious and have therefore opted for the polycentric - local market strategy since this is clearly consistent with profit-maximisation. Foote presents data which show that increments to expatriate salaries can account for as much as 20% of some US MNCs overseas profits, and yet it should be noted that she found that many MNCs did not appear to be particularly worried, if even aware, of this situation. However, one consultant argued that the marked preference for Britain's "cheap labour" as recruits for managerial appointments in the Middle East suggests that MNCs employ British managers as TCNs precisely because they are relatively cheap compared to the salaries which would have to be paid to European or American managers with similar qualifications and experience.

The general feeling was that foreign and local companies both set their managerial salaries on the basis of the prevailing local market conditions. The fact that most head offices do not play an important part in decisions about managerial salaries in their African subsidiaries would also seem to suggest that salaries are largely based on local market conditions. The consultants were

roughly equally divided on the question of how systematic the process of salary determination actually is. Some of them felt that in their opinion the setting of salaries was very ad hoc while the others argued that it was in the companies' interests "not to rock the salaries boat" and for this reason there had become established an informal salary club in what appears to be an extremely close-knit and cohesive business community. Apparently, companies readily exchange information with other companies who are wanting to find out what salary and fringe benefits they should provide for a particular type of manager they are recruiting.

Up until the mid-1960s the great majority of Nigerian skilled manpower had been absorbed by the public sector. For example,

Stremlan states that "until recently there have been few university graduates in the private sector". However, this situation began to change with the big increase in MNC penetration into the Nigerian economy in the period 1963-1967 and also with the introduction of expatriate quotas in 1967. "Business found that it wanted the graduates and the graduates found that they wanted business". The dominant position of the public sector as the major employer of top-level manpower is indicated by a questionnaire survey conducted by the Nigerian Institute of Management of 167 economics and business administration graduates from the university of Lagos between 1959-1969. It was found that only 33% held jobs in the private company sector and of these four times as many were employed by MNCs than Nigerian companies.

The relationship between the public and private sectors has been transformed in many ways since the early 1970s. Whilst the public sector still continues to be the major employer of skilled and unskilled labour and as such plays a crucial role in the personal income determination processes it is now quite clear that the private sector is the pacesetter as far as salaries are concerned. All the consultants agreed that public sector salaries were increasingly lagging behind those paid to managers in the booming private sector and that this is inevitably resulting in a severe and continuous drain of skilled manpower from the public sector. The extent of this inter-sectoral salary differential is considerable. For example, Professor Nwanko in an article in the Daily Times (January

9, 1978) argued that "an engineer on GL 10 in government can be handling business or contracts worth millions of naira but if he picks up courage, he can with a mere letter head, set up a consultancy and earn through commission etc nearly twice or thrice his annual government salary in one government contract". The Udoji Commission attempted to equalize salaries of equivalent positions in the public sector but "refusing to be beaten at the game, the private sector instituted better and more attractive remuneration and conditions of service!" In other words, as far as the public sector is concerned, it does not appear that the wages policy has been effective in attracting, retaining and motivating employees. Udoji did argue that state-owned commercial and industrial companies "are part of the public services only in that they are owned completely or partly by government. They should not function or be staffed as if they are part of the civil service nor should they be paid as if they were civil servants ... For this category of the public sector we rely on the market place as the proper machinery for setting compensation"⁵. Since then, however, the government has implemented a salaries freeze. As is often the case with incomes policies, this has mainly effected managers and other professionals in the public sector. Whilst Udoji wanted to reduce the size of income differentials within the public sector, the surplus of unskilled labour coupled with the acute excess demand for skilled manpower is tending to force them apart. According to several of the consultants the Nigerian government's incomes policy has not had much impact on private sector salaries which they feel are fairly sensitive and respond to supply and demand pressures. The policy only effects the salaries of managers who are already employed and this does not prevent companies from increasing the salaries for new management appointments. This inevitably led to some tension between "new" and "established" managers and has also encouraged managers to change their jobs. Turnover, therefore, has been quite high, especially amongst technical personnel who are especially in demand. For example, one consultant said that the annual turnover of technicians had been as high as 40% in one company he had recently undertaken some work for.

One of the consultants argued that nominal salaries had been surprisingly sluggish recently which could probably be attributed to

the government's incomes policy. However, he did state that fringe benefits have probably increased in order to compensate for this.

Within the private sector, most of the consultants stated that MNCs tend to pay their managers more than local companies although they were generally vague about how large this differential is. One thought "no more than 20%" while another thought that the difference is around 10-15%.

Obviously a lot of work needs to be done on the precise nature of the markets for skilled manpower. Given the position of the public sector and the fact that the private sector is also dominated by a relatively few, very large foreign companies who are still the major employers of local managers this market is unlikely to be very perfect in the neo-classical sense. In other words, monopsonistic tendencies are likely to be strong although of course the increase in demand for managers etc has probably resulted in more competition. This does not mean of course that the previously mentioned informal cartel tendencies

have been eliminated. There is one further factor which needs to be mentioned. A number of the consultants remarked that junior and middle African managers who they claim have been particularly hard hit by rapid inflation in recent years are beginning to organise themselves in order to establish a better bargaining position. It will be interesting to see what impact (if any) this will have on the level of their rewards in the future.

Finally, the consultants' views were sought on the presence of highly-paid expatriates on domestic salary levels via some kind of demonstration effect. Most of them stated that this had not really been a problem and that, on the whole, the differential had not narrowed in recent years. This was due in part to the fact that an often substantial portion of an expatriate's salary is in the form of an off shore payment and that increasingly both expatriates and local managers receive the same nominal salary but do not on the whole enjoy anything like the same kind of fringe benefits. For instance an expatriate will usually be provided with a fully furnished house whereas his Nigerian counterpart will only receive a housing allowance which is substantially less in real terms. One consultant argued that British managerial salaries had been little affected either by the

much higher salaries paid in Europe and the US⁶ or the presence of a sizeable number (he thought around 60,000) of foreign managers working in the UK. Why then, he argued, should British expatriates have much impact on the salaries of Nigerian managers? It should be pointed out, however, that he ignored the relative sizes of the British-foreign and British-Nigerian salary differentials.

It is often difficult to determine to what extent any reduction which might be observed in the expatriate-HCN salary differential is due to a demonstration effect per se or the net effect of local manpower markets in the UK and Nigeria. It is unquestionably true that the rapid indigenisation of certain occupations in Nigeria has resulted in upward pressures on salary levels (accountants are probably the best example of this) but this is more the result of acute shortages of local personnel rather than any conscious decision on the part of a foreign company to implement a certain remuneration policy.

Interestingly, two consultants did state that the Nigerian managers who are now replacing expatriates at the very top of the managerial hierarchy (i.e. general manager and divisional heads) are receiving not only the same nominal salaries but also the generous fringe benefits as well (eg. large house, car and chauffeur, one or two domestic workers, health insurance, club subscription etc). Just how important a trend this will be is difficult to say. It has been suggested that a reduction in the expatriate-HCN differential is indicative of a geocentric staffing policy by MNCs although there may well be other, less well-formulated and pragmatic reasons for this reduction.

Conclusion

The foregoing discussion has inevitably been somewhat qualitative and impressionistic but nevertheless it does give us some idea of the present trends in nationality mix and remuneration policies in Nigeria. Perhaps the most striking feature of the Nigerian situation is the rapidly expanding and increasingly sophisticated "modern" sector and the need therefore to recruit and train personnel who are capable of undertaking the most advanced managerial and technical tasks. Although there does not seem to be any conscious attempts to create a geocentric management cadre by MNCs in Nigeria, nevertheless Nigerian executives do live and work in corporate and urban environments which are increasingly similar to the ones that exist in the most advanced capitalist countries while at the same time the great mass of the Nigerian population remain largely unaffected by the benefits of what is still a relatively tiny modern sector. In fact, it could be argued that their situation has deteriorated given the present stagnation in food production and primary product exports, rapid inflation, growing unemployment and, as the consultants never failed to point out, "an intolerable urban environment!"

Footnotes.

- CHAPTER 9: A NOTE ON A SURVEY OF MANUFACTURING ENTERPRISES IN NIGERIA.
1. L.G. Franko, "Who Manages Multinational Enterprises", Columbia Journal of World Business, Summer 1973, p.40.
 2. M.R. Foote, "Controlling the cost of international compensation". Harvard Business Review, Nov.-Dec. 1977.
 3. Nigerian Institute of Management, Indigenisation and Manpower Development in Nigeria, by J. Stremlan, 1971, Lagos, p.65.
 4. Ibid, p.72.
 5. Federal Republic of Nigeria, Public Service Review Commission, Main Report, September 1974, Lagos.
 6. Furthermore, the emigration of British managers has been relatively insignificant, despite the fact that they are potentially a highly mobile group.

CHAPTER 9: A NOTE ON A SURVEY OF MANUFACTURING ENTERPRISES
IN GHANA.

This chapter reports briefly on an analysis of the 1976/77 annual questionnaire returns of over 400 manufacturing enterprises to the Ministry of Industries in Ghana.

Three definitions of foreign-owned enterprise have been employed for the purposes of this analysis; those enterprises having more than 40% of their total equity owned by foreign corporate interests; those with more than 20 per cent so owned; and also those with more than 40% foreign private equity since this comprises a distinct and sizeable group of predominantly Lebanese, Syrian and Indian family firms. In Tables 1 and 2 the median salaries paid to both general and technical managerial and supervisory personnel according to different levels of firms size (proxied by the current value of actual output) and type of ownership as delineated above. It can be observed that the salary levels of the 40% + and 20% + foreign corporate equity enterprises are virtually identical at each output level for all four types of manpower. Compared to these "foreign" firms, the salaries paid by locally-owned enterprises are considerably lower irrespective of firms size, thus indicating that, unlike the Peruvian situation reported by Vaitzos (see Chapter 7), there is an important "foreignness" remuneration factor which must be taken into account, (although it should be noted that the output-specific median salary differentials between locally - and foreign-owned enterprises of equal output size are less than the overall median salary differentials). In addition, there are a number of other interesting features which must be mentioned. First, foreign corporate enterprises pay their technical managers and supervisors considerably higher salaries than their general managerial and supervisory employees whereas the converse is the case for locally-owned firms.

Secondly, there is considerably less variation in salaries according to firm size among foreign corporate enterprises which suggests that MNCs are very much more conscious of what each other is paying (regardless of their size) and try as much as

Table 1. Salaries per month, by type of manager, ownership and size of firm.

		Output '000										Overall median
		0-0.5	0.5-1.0	1.0-1.5	1.5-2.0	2.0-3.0	3.0-5.0	5.0-10.0	10-50			
L	3-4	3-4	3-4	3-4	5-6	5-6	5-6	5-6	6-7	5-6	5-6	
GENERAL MANAGERIAL												
FC	-	8-10	(16-17)	(12-13)	11-12	-	(13-14)	7-8	8-9			
40												
FC	-	8-9	16-17	12-13	12-13	-	(13-14)	7-8	8-9			
20												
FP	-	2-3	2-3	-	5-6	3-4	4-5	7-8	5-6			
40												
TECHNICAL MANAGERIAL												
L	2-3	3-4	2-3	3-4	4-5	4-5	5-6	4-5	4-5	4-5	4-5	
FC	-	9-10	-	11-12	9-10	9-10	11-12	9-10	9-10	9-10	9-10	
40												
FC	-	9-10	(8-9)	11-12	(9-10)	9-10	11-12	9-10	9-10	9-10	9-10	
20												
FC	-	-	(21-26)	-	(8-9)	-	3-4	5-6	5-6	5-6	5-6	
40												

Table 5: Salaries per month, by type of manager, ownership and size of firm.

Table 2: Salaries per month, by type of manager, ownership and size of firm.

		Output million cedis.							Overall Median	
		0.-0.5	0.5-1.0	1.0-1.5	1.5-2.0	2.0-3.0	3.0-5.0	5.0-10.0	10 - 50	
SUPERVISORY GENERAL										
L	40	18-21	15-18	15-18	15-18	21-24	24-27	30-33	39-42	24-27
FC	40	-	24-27	(51-54)	33-36	(54-57)	-	33-36	42-45	45-48
FC	20	-	(45-48)	(48-51)	33-36	(54-57)	-	33-36	42-45	45-48
FP	40	6-9	18-21	12-15	15-18	15-18	12-15	45-48	39-42	39-42
SUPERVISORY TECHNICAL										
L	40	18-21	18-21	15-18	18-21	27-30	21-24	24-27	33-36	27-30
FC	40	36-39	36-39	(57 +)	27-30	36-39	57 +	9-12	39-42	36-39
FC	20	36-39	36-39	(57 +)	27-30	36-39	(57 +)	18-21	39-42	36-39
FP	40	-	-	-	15-18	-	21-24	24-27	21-24	36-39

possible to keep in step with each other. Finally, foreign private companies generally pay their managerial employees only slightly more than their counterparts in locally-owned companies whereas for supervisory personnel their remuneration levels are, if anything, slightly lower.

SECTION III: THE INTERNATIONAL MARKET FOR
PROFESSIONAL SKILLS.

CHAPTER 10: INTERNATIONAL MIGRATION OF PROFESSIONALS.

The limited purpose of this chapter is to try to describe trends and patterns in the international migration of professionals as they affect Africa in general and the countries covered by our project in particular. Questions

SECTION III: THE INTERNATIONAL MARKET FOR
PROFESSIONAL SKILLS.

and of the international and national labor markets are reserved for other chapters in this report. Here we are concerned only with actual movements of professionals.

Migration of African professionals: general

The first thing to emphasize apart from the extremely poor quality of data in this field is that Africa has always been a relatively minor source of migrant professionals to the main receiving countries in North America and Europe. According to UNCTAD calculations (UNCTAD, 1975) only 31 per cent of such immigrants into the United States, Canada and the United Kingdom in 1961-72 came from developing countries; over half of those from developing countries came from Asia and only 7 per cent from Africa. Table 1 gives a rough indication of the pattern of migration from Africa to these three countries in the 'sixties and early 'seventies.

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Table I: Migration of professional, technical and related workers from Africa to the United States, Canada and the United Kingdom, 1962-72.

	US 1962-72 ^a	Canada 1963-72	UK 1964-72	Total
Scientists and engineers	2334	523	1035	3892
Physicians and Surgeons	912	302 ^b	3845	5059
Teachers	n.a.	501	5296	5797
Total	<u>3246</u>	<u>1326</u>	<u>10176</u>	<u>14748</u>

a excluding 1970 b includes dentists, graduate nurses, medical and dental technicians

c doctors, dentists and nurses

Source: ILO (1976)

These estimates are extremely dubious but the picture that they give of the UK as a dominant destination for African professionals is probably accurate. Moreover, they also suggest that, while other parts of the world were more important as sources of migrant professionals, the number of migrants may have been large enough at this stage to have made a quite significant difference to the rate of growth of the small stock of professionals in Africa. This point is reinforced by the facts that the loss was unevenly distributed between countries and that aggregated statistics often inadequately represent the impact of the loss of individuals in key positions.

These figures cover the period in which 'brain drain' was at its height and, indeed, tending to rise from year to year. Since 1973, however, several important changes have occurred which might be expected to have affected the trend and pattern of migration. First, the international capitalist economy has suffered a recession which has reduced the rate of expansion in its demand not only for resource-based professionals such as engineers but also for school and university teachers, physicians and surgeons. Secondly, the medical profession in the main receiving countries has reversed its traditional policy of restricting its own size and is supporting programmes of huge increases in output from medical schools. Thirdly, the oil-producing countries have emerged as new areas of substantial excess demand for professionals.

In order to examine the impact of these new developments on South-North migration and to look in more detail at the experience of the countries covered by our project we will discuss separately the cases of the U.K. and the U.S., the main destinations for African professionals.

Migration of African professionals to the U.K.

The first point to be emphasised about the U.K. is its peculiar intermediate role. Table 2 gives some rough indicators of the flows of various categories of manpower into and out of the country between 1964 and 1972.

Table 2: Emigration of qualified British personnel and immigration of LDC professional manpower into the UK, 1964-72.

	<u>Net emigration of UK nationals</u>	<u>Gross immigration of LDC nationals</u>
Doctors	4,700	14,600
Nurses	22,700	14,200
Teachers and lecturers	22,100	22,600
Engineers and scientists	34,700	8,400
Draughtsmen	9,100	

Sources: Royal Commission on the Distribution of Income and Wealth (1976); Balacs and Gordon (1975).

Although these two columns are not comparable and the immigration figures, as in Table 1, exclude the large number of students (particularly nurses*) who stay on after they have completed their training, the picture is one of compensatory flows of professionals partly or wholly filling the gap left by the emigration of British professionals to Canada, Australia, New Zealand and the United States and by the inadequate output of British training schools. This means that immigration restrictions in the traditional destinations of British professionals would tend to be quickly reflected in measures to restrict the inflow of LDC professionals into the UK.

Citizens of other LDCs

<u>Last resident in:</u>	<u>Doctors</u>	<u>Dentists</u>	<u>Nurses</u>	<u>Teachers</u>	<u>Engineers</u>	<u>Scientists</u>	<u>Total</u>
Africa	-	-	93	447	28	28	596
India, Pakistan, Ceylon	-	-	141	-	57	-	198
West Indies	-	-	30	25	-	-	55
Latin America	443	-	52	496	809	567	2367
Other foreign	2337	129	1327	3084	1050	640	8567
<u>Total</u>	<u>2780</u>	<u>129</u>	<u>1643</u>	<u>4052</u>	<u>1944</u>	<u>1235</u>	<u>11783</u>
<u>Overall Total</u>	<u>14586</u>	<u>679</u>	<u>14202</u>	<u>22577</u>	<u>5973</u>	<u>2411</u>	<u>60428</u>

Balacs and Gordon (1975)

The figures show that about 17 percent of LDC professional immigrants into the UK over this period came from Africa, with disproportionate representation of teachers (24 per cent of whom came from Africa) and nurses (20 per cent).

Unpublished data obtained from the Department of Health and Security on the flows into and out of the UK of doctors from four of the project countries illustrates the dangers of working only with gross migration figures. These data are summarised in Table 4.

Table 4: Flows of doctors from Nigeria, Ghana, Kenya and Tanzania into and out of the UK, 1970-74

	<u>Stock in</u> <u>UK Sep 1970</u>	<u>1970</u> <u>In Out</u>	<u>1971</u> <u>In Out</u>	<u>1972</u> <u>In Out</u>	<u>1973</u> <u>In Out</u>	<u>1974</u> <u>In Out</u>	<u>Net</u> <u>Change</u>
Nigeria	251	23 44	22 44	24 34	12 43	14 28	-98
Ghana	90	8 13	7 8	5 8	6 12	6 8	-17
Kenya	210	31 15	25 24	34 17	40 25	47 21	+75
Egypt	235	4 13	5 21	2 2	1 7	5 8	-34
Total	786	66 85	59 97	65 61	59 87	72 65	-74

Source: DHSS, London.

As can be seen the total number of such doctors leaving the UK consistently exceeded the number entering over this period, with the result that the stock of such doctors in the UK fell by about 9 per cent. Only in the case of Kenyan doctors did the inflow exceed the outflow and one might plausibly hypothesise special circumstances in this case; it would not be surprising to find, for instance, that many of the doctors entering the UK from Kenya were of Asian origin, perhaps disturbed by events in neighbouring Uganda. Of course not all of those who left the UK will necessarily have returned home, but the figures at least suggest a lower rate of net than of gross emigration from Nigeria, Ghana and Egypt. For more recent years the only figures available relevant to immigration of professionals into the UK are those on work permits.²

Table 3, based like Tables 1 and 2 on figures from the Office of Population Censuses and Surveys, gives further details of immigration into the UK by citizens of New Commonwealth and other LDSS in 1964-72. It shows the region or country of their last permanent residence and their occupation.

Table 3: Immigration of LDC Professional manpower into the UK, by citizenship and region of last permanent residence: 1964-72

<u>Citizens of New Commonwealth LDGs last residence in:</u>	<u>Doctors</u>	<u>Dentists</u>	<u>Nurses</u>	<u>Teachers</u>	<u>Engineers</u>	<u>Scientists</u>	<u>Total</u>
Africa	1059	-	2693	4849	864	115	9580
India, Pakistan, Ceylon	9311	183	1993	8818	2297	885	23487
West Indies	174	-	2926	2456	398	57	6011
Other Commonwealth	457	332	4690	2192	387	119	8177
USA	367	35	229	91	-	-	722
Latin America	-	-	-	-	26	-	26
Other foreign	438	-	28	119	57	-	642
<u>Total</u>	<u>11806</u>	<u>550</u>	<u>12559</u>	<u>18525</u>	<u>4029</u>	<u>1176</u>	<u>48645</u>

These cover a wide range of occupations (excluding doctors and dentists who do not require work permits) but are insufficiently disaggregated for our purposes. Table 5 shows the total number of people admitted with work permits from six³ of our project countries over the period 1973-1977, including those with permits for less than twelve months and trainees.

Table 5: Work Permit Holders Admitted to the UK 1973-77

Country of Origin:	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
Egypt	...	345	274	237	305
Ghana	72	72	90	31	42
Kenya	35	27	22	16	19
Morocco	...	...	...	110	74
Nigeria	150	73	127	67	66
Tanzania	15	14	9	5	10

Source: Home Office

Slightly more detail is available on the total number of new work permits issued (including both those admitted with permits and those obtaining them in Britain), but only for two groups of Commonwealth countries, East Africa and West Africa.⁴ Table 6 summarises these statistics for 1973-77.

Table 6: New work permits issued to immigrants from Commonwealth East and West Africa, 1973-77^a

	1973	1974	1975	1977
<u>East Africa</u>				
Professional & Scientific of which:	62	57	126	44
teachers	...	...	10	4
health	...	...	98 ^b	34 ^b
other	...	...	18	6
Insurance & banking	15	24	11	-
Transport & communication	77	7	13	-
Entertainment & sport	1	3	32	2
Nurses	39	107	b	b
Others	65	104	65	49
Total East Africa	259	302	247	95
<u>West Africa</u>				
Professional & Scientific of which:	52	69	311	175
teachers	...	...	8	4
health	...	...	299 ^b	167 ^b
other	...	...	4	4
Insurance & banking	13	38	11	-
Transport & communication	392	32	72	-
Entertainment & sport	136	86	111	41
Nurses	100	143	b	b
Others	56	98	71	112 ^c
Total West Africa	749	466	576	328
Total East & West Africa	1008	768	823	423
World Total (excluding EEC)	32839	33045	30078	18414

a no figures available for 1976 b nurses included under 'health professionals'

c including 35 housekeepers

Source: Department of Employment

On the face of it the figures in Tables 5 and 6 suggest a sharp fall both in the total number of work permits issued and in the number issued to immigrants from Commonwealth East and West Africa, which would bear out our expectation of a change in trend since 1973. However, the figures cover a motley collection of occupations, including many that would probably be classifiable as skilled, semi-skilled and unskilled. It is probably more relevant to our purposes to look at the trend in the number of permits issued to professional and scientific workers, including nurses, as in Table 7.

Table 7: New work permits issued to immigrant professional and scientific workers from Commonwealth East and West Africa, 1973-77

	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1977</u>
East Africa	101	164	126	44
West Africa	152	212	311	175
Total	253	376	437	219

This suggests a slightly different trend. The number of permits issued in 1977 is certainly lower than four years earlier but the downturn did not come until after 1975. It appears that the inflow of African professionals may have responded with a greater lag to the onset of economic recession than did that of less qualified workers.

Migration of African professionals to the U.S.

To judge from incomplete estimates presented in Table 1 well over three thousand African doctors, scientists and engineers entered the US as immigrants in 1962-72. Table 8 gives details of the countries of origin of immigrant professionals over a shorter

period, 1962-69. The difference between the totals in the two tables reflects the strong upward trend in such immigration in the 'sixties and early 'seventies.

Table 8: Immigration of African doctors, scientists and engineers into the US, 1962-69.

	<u>Doctors</u>	<u>Natural Scientists</u>	<u>Social Scientists</u>	<u>Engineers</u>	<u>Total</u>
Ghana	17	10	2	28	57
Kenya	10	8	2	28	48
Morocco	14	4	2	18	38
Nigeria	15	20	6	64	105
Egypt	247	240	46	570	1103
Other Africa	94	47	10	151	302
Total	397	329	68	859	1653

Source: Bhagwati and Dellalifar (1973).

The data on immigration into the US presented in this and other tables may understate the number of African professionals entering the American job market, since a large proportion of entrants have 'non-immigrant' short-term visas⁵ but later take up employment. However, whatever the definition, the dominance of Egyptian immigrants representing more than two thirds of the total in Table 8, would remain.

Analysis of the US Department of Immigration annual tabulations of gross immigration flows enables us to bring the picture rather

more up to date. As Table 9 shows, both total and African professional, technical and kindred (PTK) immigration, has fallen away from the peak of the early 70s although the fall is less drastic than in the case of the UK and there is no sign of the complete collapse that might have been expected.

Table 9: Total and African PTK immigration into the US, 1966-76

	<u>1966</u>	<u>1970</u>	<u>1973</u>	<u>1976</u>
Total	30039	46151	41147	41068
African	441	2854	1539	1414
African as % of total	1.5	6.1	3.7	3.4
African (excluding Egyptian) as % of total	1.1	2.0	2.6	2.4

Source: US Dept. of Immigration

Africa's importance as a source of professionals for the US seems to have reached its peak in 1970. Since then it has fallen away both relatively and absolutely, particularly if Egyptian immigrants are excluded.

Table 10 gives more detail of the experience of the seven countries covered by our project.

Table 10: Total African PTK immigration into the US, 1966-76

	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	Total
Ghana	10	42	43	32	61	56	78	90	59	73	65	609
Kenya	20	30	50	61	132	142	90	89	97	110	93	914
Nigeria	39	71	64	94	132	193	278	273	185	191	213	1733
Sudan	6	8	8	7	11	6	6	6	4	8	4	74
Egypt	108	160	371	1137	1942	1026	587	441	358	377	408	6915
Morocco	21	28	22	31	27	23	29	29	30	19	33	292
Tanzania	5	7	13	20	30	74	116	45	42	37	45	434
Total	209	346	571	1382	2335	1520	1184	973	775	815	861	10971
Total Africa	441	668	952	1810	2854	2062	1834	1539	1242	1350	1414	16166
Total Africa exc. Egypt	333	508	581	673	912	1036	1247	1098	884	973	1006	9251

Source: J.S. investigation authorities (same for all following tables)

As well as underlining the dominance of Egypt, this shows the growing relative importance of Nigeria as a source and the relative unimportance of Morocco and, particularly, the Sudan in this respect. Interestingly PTK migration to the US from the six countries other than Egypt in our project seems to have held up more strongly than has total or total African PTK migration.

Tables 11 to 15 present immigration data for five professions into the US for each of our project countries over the period 1966-76.

	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
Ghana	1	4	10	8	11	4	4	4	4	4	4
Kenya	3	6	12	9	27	23	10	5	5	5	5
Nigeria	17	19	19	18	21	20	20	20	20	20	20
Joint Africa	31	60	42	41	28	108	160	573	14	14	14
Sudan	0	1	2	2	2	2	2	0	0	0	0
Joint Africa	90	96	81	121	188	188	555	593	15	15	15
Egypt	9	91	138	137	471	131	74	29	29	29	29
Joint Africa	38	28	21	173	128	100	155	190	1	1	1
Morocco	2	5	3	1	2	2	4	2	2	2	2
Togo	3	3	1	3	13	18	26	50	50	50	50
Morocco	20	2	2	371	332	203	149	103	103	103	103
Total	65	65	165	371	332	203	149	103	103	103	103
Joint Africa	33	39	42	40	170	69	95	133	133	133	133
Total Africa	108	108	288	432	632	268	230	154	154	154	154
Joint Africa	0	0	0	1	5	1	0	1	1	1	1
Total Africa	26	77	108	95	181	135	141	25	25	25	25
Joint Africa	3	0	3	3	3	33	31	46	46	46	46
Kenya	1	1	1	9	11	11	11	30	30	30	30
Ghana	0	6	4	3	0	2	0	0	0	0	0
Source:	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976

Table 11: Immigration of professionals by country of origin, 1966-76.

Table 11: Immigration of physicians and surgeons into the US, 1966-76.

	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	Total
Ghana	0	8	4	3	6	5	6	6	7	14	10	69
Kenya	1	1	1	6	11	11	13	30	14	43	36	167
Nigeria	2	0	3	2	7	15	21	46	22	38	31	187
Sudan	0	0	0	1	2	1	0	1	1	5	0	11
Egypt	23	26	42	96	130	62	62	72	36	34	39	622
Morocco	2	2	2	3	1	2	1	2	1	1	0	17
Tanzania	0	1	1	2	1	7	19	9	11	7	10	68
Total	28	38	53	113	158	103	122	166	92	142	126	1141
Total Africa	60	86	87	137	188	168	222	285	181	247	259	1920
Total Africa exc. Egypt	37	60	45	41	58	106	160	213	145	213	220	1298

Table 12: Immigration of engineers into the US 1966-76.

	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	Total
Ghana	1	4	10	6	11	4	4	8	3	10	3	64
Kenya	3	6	12	8	27	23	10	5	7	5	6	112
Nigeria	4	17	19	14	27	23	30	16	17	18	18	203
Sudan	0	1	3	2	2	2	2	0	0	0	2	14
Egypt	9	31	138	337	471	131	79	69	50	85	83	1483
Morocco	2	5	3	1	2	2	4	2	2	0	3	26
Tanzania	1	1	1	3	12	18	20	5	5	5	4	75
Total	20	65	186	371	552	203	149	105	84	123	119	1977
Total Africa	35	108	246	432	652	266	220	154	122	178	175	2588
Total Agrica exc. Egypt	26	77	108	95	181	135	141	85	72	93	92	1105

Source:

Table 13: Immigration of natural scientists, chemists and mathematicians into the US, 1966-76.

	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	Total
Ghana	0	3	2	2	3	3	2	0	1	4	0	20
Kenya	0	2	2	2	4	4	6	1	1	0	2	24
Nigeria	1	3	5	5	5	4	8	7	3	4	4	49
Sudan	0	0	1	0	0	0	0	0	0	0	0	1
Egypt	4	18	40	134	232	73	57	33	25	25	22	663
Morocco	0	2	0	0	0	0	0	1	0	1	1	5
Tanzania	0	0	0	0	1	2	3	3	0	0	0	9
Total	5	28	50	143	245	86	76	45	30	34	29	771
Total Africa	16	45	75	159	271	174	98	67	44	69	49	1057
Total Africa exc. Egypt	12	27	35	25	39	101	41	34	19	34	27	394

Source:

Table 15: Immigration of all types of teachers into the US 1966-76

	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	Total
Ghana	4	9	10	6	14	22	9	17	12	15	5	123
Kenya	5	9	12	15	42	43	18	16	18	13	18	209
Nigeria	15	18	16	29	33	49	46	36	25	26	30	323
Sudan	1	2	2	1	3	3	2	0	0	2	1	17
Egypt	13	33	69	147	256	164	45	39	31	36	47	880
Morocco	4	7	9	12	8	2	9	8	9	4	6	78
Tanzania	1	3	7	5	4	16	2	5	2	6	8	59
Total	43	81	125	215	360	299	131	121	97	102	115	1689
Total Africa	80	147	233	401	531	441	234	199	172	180	184	2802
Total Africa exc. Egypt	67	114	164	254	275	277	189	160	141	144	137	1922

Source:

Table 14: Immigration of accountants and auditors into the US, 1966-76.

	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	Total
Ghana	0	1	1	2	2	4	6	2	4	1	8	31
Kenya	0	1	5	15	14	21	9	4	12	8	6	95
Nigeria	1	1	4	4	9	14	10	11	6	3	7	70
Sudan	3	0	1	2	1	0	0	2	0	0	0	9
Egypt	7	13	22	184	487	305	170	86	65	65	59	1463
Morocco	1	0	0	1	6	2	2	4	3	3	5	27
Tanzania	0	0	0	5	4	13	21	5	2	4	2	56
Total	12	16	33	213	523	359	218	114	92	84	87	1751
Total Africa	26	28	57	225	552	454	273	148	121	124	117	2125
Total Africa exc. Egypt	19	15	35	41	65	149	103	62	56	59	58	662

Source:

From these it seems that doctors were disproportionately represented among Kenyan and Tanzanian PTK immigrants, scientists among Egyptians and teachers among Ghanaians and Nigerians. Egyptian immigration seems to have exploded somewhat freakishly around 1970, since when it has fallen away steadily. The biggest fall in PTK immigration from our seven project countries was in the case of natural scientists etc (down by 88 per cent between 1970 and 1976 and by 36 per cent between 1973 and 1976).

Nationality

	1970	1973	1976
United Arab Emirates	45.0	251.5	62.0
Qatar	12.5	23.8	12.0
Total	1,070.8	1,649.1	1,236.8

Source: Sims and Sinclair (1979)

The largest single category of migrant workers in the Middle East is unskilled, but migration by professionals is also important.

Migration of professionals to oil-producing countries.

A new feature of the international labour market that has already been noted is the emergence since 1973 of oil-producing countries as areas of substantial excess demand for labour of all levels of skill.

For example, Birks and Sinclair (1978, 1979) have estimated that non-nationals accounted for about half of the total employment of 3.3 million in Saudi Arabia, Libya, Kuwait, Bahrain, United Arab Emirates and Qatar in 1975 and that about three quarters of these non-nationals were of Arab origin. Table 16 summarises their findings.

TABLE 16: Employment by nationality and country of employment in capital-rich Arab states, 1975

	<u>Nationals' employment</u>	<u>Non-nationals employment</u>				Iranian Turkish African
		<u>Total</u>	<u>Arab</u>	<u>Asian</u>	<u>European</u>	
Saudi Arabia	1,026.5	733.4	669.9	38.0	15.0	20.5
Libya	449.2	332.4	310.4	5.5	7.0	9.5
Kuwait	91.8	208.0	143.3	33.6	2.0	29.1
Bahrain	45.8	30.0	6.2	16.6	4.4	2.8
United Arab Emirates	45.0	251.5	62.0	163.5	5.0	21.0
Qatar	12.5	53.8	15.0	34.0	0.8	4.0
Total	1,670.8	1,649.1	1,236.8	291.2	34.2	86.9

Source: Birks and Sinclair (1979)

The largest single category of migrant workers in the Middle East is unskilled, but migration by professionals is also important.

For instance, Birks and Sinclair estimate that, of 160,000 foreign workers in Kuwait from the ten main LDC source countries⁷ in 1975, about 7 per cent were in professional, 14.3 per cent in semi-professional and 44.3 per cent in skilled and semi-skilled occupational categories.

Of the countries covered by our project only Egypt and the Sudan are substantially affected by migration to capital-rich Arab states. There are a few Moroccan migrant workers in the region (mainly in Libya), but the total from Morocco and Algeria together in 1975 was only estimated at 2,547, less than 0.2 per cent of the total number of Arab migrant workers.

Egypt has been an exporter of labour for many years but the scale of migration to Arab countries has increased considerably since 1973. Birks and Sinclair (perhaps conservatively) estimate the number of Egyptians abroad in other Arab states⁸ in the mid-seventies at between 520,930 and 632,430, of whom between 368,658 and 430,158 are thought to be economically active. Libya is by far the most important destination followed by Saudi Arabia and Kuwait. Table 17 gives the details of their estimates.

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 Table 13: The distribution of Egyptians abroad in other Arab states by country of residence, and crude activity rates, 1975-77

Country of residence	Year	Egyptian population	Economically active	Sex ratio	Crude activity rate (per cent)	Percentage of mean number of Egyptian expatriates
Libyan Arab Jamahiriya	1976	275,000-380,000	200,000-250,000		65-75	57
Saudi Arabia	1975	120,000-125,000	90,000-100,000		75-80	21
Kuwait	1975	60,534	37,558	144.6	62	10
United Arab Emirates	1975/76	22,000	12,500	163	57	4
Qatar	1976	16,200	12,200		75	3
Sudan	1973	11,806	5,900	101.4	50	2
Jordan	1977	6,000	4,500		75	1
Bahrain	1976	3,500	2,000-3,000		57-86	1
Sultanate of Oman	1975	1,890	1,500	350.6	84	0
Other Arab States (esp. Lebanon, Iraq, the Yemens, Algeria, Syria, Tunisia)	1975	4,000-5,500	2,500-3,000			1
Total		520,930-632,430	368,658-430,158		68-71	100

Source: Birks and Sinclair (1979)

There are several indications that a higher proportion of Egyptian migrants tend to be highly qualified than is the case with those from many other countries. For example a survey of officially documented migrants in 1973, summarised in Table 18, showed 11.3 percent of them to have qualifications above baccalaureate and only 6.8. per cent to be without any qualifications.

Table 18: Educational status and qualification of Egyptian Government Secondees and people officially contracted to work abroad, 1973

Qualification	Number	Percentage
Doctorate	950	2.8
Masters	321	0.9
High diploma	2,637	7.6
Baccalaureate	9,795	28.3
Secondary general ¹	6,274	18.1
Secondary technical	9,072	26.2
Nursing	1,941	5.6
Other intermediate levels	723	2.9
Levels less than intermediate	548	1.6
Without qualifications	2,353	6.8
Total	34,614	100.0

Source: Birks and Sinclair (1976)

¹ Includes Al Azhar degrees (religious), Lycee and General Secondary.

Again, 10.5 per cent of the 37,464 Egyptians employed in Kuwait in 1975 were in professional occupational categories (a proportion only exceeded by the Palestinians), and 43 per cent of the 288 Egyptians working in Jordan in the same year were in such categories. 27 per cent of Egyptian doctors are estimated to be abroad and 10% of teachers (Halliday 1976 page 16), with Saudi Arabia and Kuwait the most important destination (Middle East Economic Digest, supplements on Saudi Arabia, December 1976, and Kuwait, August 1977). Birks and Sinclair, estimate the number of Egyptian teachers in the capital-rich Arab states at over 27,000, distributed as shown in Table 19.

Table 19: Numbers of Egyptian teachers abroad by country

Country	Year	Male	Female	Total
Qatar	1975/76	276	277	553
Bahrain	1975/76	394	305	699
Sultanate of Oman	1975	927	375	1,302
United Arab Emirates	1974/75	757	773	1,530
Kuwait	1975	2,867	3,086	5,953
Saudi Arabia	1975	n.a.	n.a.	15,000
The Libyan Arab Jamahiriya		n.a.	n.a.	2,000
Total				27,037

Source: Birks and Sinclair (1979)

Unlike Egypt, Sudan has no tradition of exporting labour. Even as late as 1968/9, as few as 934 people were recorded as leaving the country for employment abroad in a twelve-month period, of whom only 18 were professional/administrative, 3 teachers and 31 nurses. Since then, however, and particularly since 1973, there has been a dramatic increase in emigration. As Table 20 shows, in 1975-76 the number granted permission to travel to Arab countries, the number of work permits endorsed to enable international travel and the number of educational documents endorsed for this purpose were higher than four years' earlier by 5,018, 2,308 and 1,746 per cent respectively.

Table 20 Indicators of the rising numbers of Sudanese emigrants in the 1970s

Period	No. granted permission to travel to Arab countries	No. work permits endorsed to enable international travel	Year	No. educational documents etc. endorsed
1971-72	66	395		
1972-73	54	518	1972	545
1973-74	364	1,921	1973	1,160
1974-75	651	3,966	1974	2,268
1975-76	2,764	12,475	1975	10,058
July-Dec. 76	813	1,464		

Source: Department of Labour Statistics

Birks and Sinclair estimate the number of economically active Sudanese in capital-rich Arab countries in the mid-seventies at between 43,520 and 54,520, with Saudi Arabia overwhelmingly the most important destination, followed by Libya. The details of their estimate are shown in Table 21.

Table 21 The distribution of Sudanese abroad by country of residence, 1975-77

Country	Year	Total	Economically active
Saudi Arabia	1975	35,000-45,000	30,000-40,000
Libyan Arab Jamahiriya	1976	10,000	8,000- 9,000
United Arab Emirates	1975	3,000	2,000
Kuwait	1975	2,000	1,600
Qatar	1976	600	480
Jordan		300	240
Lebanon		300	240
Bahrain		200	160
Oman	1977	500	400
Other		500	400
		52,400-62,400	43,520-54,520

Source: Birks and Sinclair (1979)

In addition there is a Sudanese community in Egypt of rather longer standing, officially estimated at around 40,000. Thus between 0.4 and 1 per cent of the total population and between 6 and 7 per cent of the modern sector labour force are estimated to be living abroad.

High level occupational categories are well represented in the migration. Over 20 per cent of university lecturers are estimated to be abroad, rising to 50 per cent in the case of some technical subjects. 536 teachers (2 per cent of total stock) are on official secondment to other Arab countries and many more are teaching abroad by private arrangement. 200 Sudanese doctors are thought to be practising in the Gulf states and 35 per cent of the graduates of the School of Hygiene since 1972 have left to work in other Arab countries, as have 25 per cent of the 160 qualified government statisticians. Kidd and Thurston (1977) estimate the number of Sudanese professionals working in Saudi-Arabia, Libya, Kuwait and the United Arab Emirates in 1976 at between 4,111 and 7,328, equivalent to about 17 per cent of the total number of Sudanese workers in these countries.

Finally, one of the countries covered by our project, Nigeria, is an oil-producer and, like other oil-producers, has been attracting professionals from other countries, particularly Ghana, also covered by our project. In the case of some categories this is on quite a large scale. For example some 13 per cent of the 163 full members of the Ghana Institute of Architects have addresses abroad, mainly in Nigeria, and 50 per cent of the annual output of architects from Kumasi University of Science and Technology are estimated to have migrated to Nigeria in recent years. In the cases of accountants, planners, surveyors, doctors, engineers and pharmacists, the proportions of professional association members living abroad are 4, 9, , , and per cent respectively.

Footnotes.

1. Among other weaknesses, definitions and categories of immigrants are not standardised; gross rather than net flows are usually measured; country of origin usually means country of last permanent residence rather than nationality; and visa categories not covered by such data may include some migrant professionals.
2. The possibility of extracting and analysing OPCS figures for more recent years, unsatisfactory in many ways but comparable with those in Tables 1-3, is being explored.
3. There are no separate figures for Sudanese and no separate figures for Egyptians prior to 1974 nor for Moroccans prior to 1976.
4. More detailed figures on the number of new permits issued to Egyptians are also available, but only for 1977. Only 12 Egyptian professionals obtained permits (of whom 3 teachers, 2 health professionals and 7 scientists), as well as 236 entertainers/sportsmen, 21 cook/housekeepers, 4 hairdressers and 51 others.
5. According to WHO data 67 per cent of African doctors entering the US in 1967 were on 'non-immigrant' visas. By 1973 the proportion had fallen to 39 per cent.
6. i.e. the proportion represented by the nationality in question was higher for this profession than for the five professions as a whole.
7. Palestine, Egypt, Jordan, Lebanon, India, Syria, Iraq, Pakistan, Yemen, Iran.
8. The total number of Egyptians living abroad was estimated at 1.4 million in 1976, equivalent to 3.4 per cent of the population.

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CHAPTER 11: INTERNATIONAL NEGOTIABILITY OF PROFESSIONAL QUALIFICATIONS.

Actual movement of professionals is only one aspect of integration into the international market. In order to move, certainly, a professional must be mobile, that is in possession of internationally negotiable qualifications. But mobility, while a necessary condition for movement, is not a sufficient condition. It is possible for a professional to derive benefits from integration into the international market without leaving home - hence the phenomenon of a high demand from professionals for internationally negotiable qualifications in countries with relatively low rates of brain drain.

This demand may take either of two forms - the continued use of metropolitan qualifications or the insistence that local qualifications should meet international standards. The latter is an increasingly important aspiration. As Johnson and Caygill (1972, p. 254) have observed in relation to the Commonwealth, "while the nationalist viewpoints of various Commonwealth professional bodies lead them to reject a continued acceptance of British standards as such, they still find it important that their own qualifications be internationally recognised". Most such bodies are well aware of the advantage, to which Gardiner (1973) has drawn attention, of "establishing relations and equivalents with

world-wide recognised professional associations" and realise that, as he emphasises, "in practice ... a localisation policy does not necessarily mean a radical break with established links with counterpart institutes overseas nor a complete abandonment of existing curricula, syllabuses and instructional material". Our Ghanaian case-study certainly reinforces this point. Another example is provided by the 1976 survey by the Nigerian Manpower Board of the registered Nigerian professional bodies for chartered accountants, quantity surveyors, architects, estate surveyors and valuers, builders, engineers, pharmacists, veterinarians, midwives and doctors. It found that, among the characteristics common to all these organisations were: high registration demands, close typing of membership to paper qualifications, foreign connections ("nearly all of them spring from foreign organisations") and a "general desire to maintain international standards and protect the status quo".

The role of international and Commonwealth professional associations

The main pressure for international negotiability comes, then, from the professionals themselves but they have been encouraged in this aim by international and, particularly, Commonwealth professional associations. Indeed, Sir James Currie, in his introduction to the first edition of Professional Organisations

in the Commonwealth (Currie, 1970), proclaimed that "it would be ideal if standards of education and qualification could be the same throughout the Commonwealth for all professions and if such qualifications could be reciprocally recognised ... The Commonwealth-wide associations now being formed in many fields," he went on, "have much good work to do in the endeavour to promote as far as possible standards of education generally acceptable in most Commonwealth countries". Such endeavour has been especially strong in the cases of the architectural and medical professions.

The International Union of Architects, which includes the local associations from all of our project countries, is a rather loosely-knit body with vaguely defined aims. These do not include international standardisation of qualifications, since the Union feels that "each country should maintain its own characteristics".¹ The furthest it goes in this direction is to aim to "promote and encourage the development of the formation of the architect, in all forms, and to facilitate the international exchange of architects" (UIA, Practical Information, January 1976).

The Commonwealth Association of Architects, described by Johnson and Caygill (1972, p. 261) as a "model for other Commonwealth professional associations to follow or depart from", goes further than this. It aims explicitly at promoting "the free movement of architects between countries by the accrediting of qualifications and the encouragement of systems of inter-recognition of qualifications" (CAA Articles of Association, 2.12). It has established a Commonwealth Board of Architectural Education, which inspects schools to certify whether they are up to a sufficient standard to be granted "recognition". However, recognition does not necessarily imply standardisation, since it leaves room for variations in cultural and technological needs in different countries². Moreover, in practice the visiting board system does not appear to be working particularly well, partly because of its cost.

In the case of the medical profession also the Commonwealth association has been more active than the international association on the issue of reciprocity. The stated objects of the Commonwealth Medical Association are limited: "to promote ... the interests of the medical and allied sciences; to maintain the honour and traditions of the

profession; to effect the closest possible links between its members; and to disseminate news and information of interest" (Tett and Chadwick, 1976, p. 522). However, it has shown signs of wanting to follow in the footsteps of the CAA. At its meeting in 1968, for instance, a resolution was passed urging "all Member Associations to approach the appropriate authorities in their countries with a request that they use every endeavour towards the attainment of ... common standards of higher postgraduate diplomata" (Johnson and Caygill, 1972, p. 259).

Other professions vary in the extent to which their international and Commonwealth associations press for inter-recognition.

The Commonwealth Pharmaceutical Association founded in 1969, has as one of its aims "to foster high standards of pharmaceutical education at all levels and high standards of practice in all branches of the profession" (Tett and Chadwick, 1976, p. 527). In 1972 it set up a working party on pharmacy education in the Commonwealth whose terms of reference included: "to consider the content and standard that will be appropriate for a degree in pharmacy that could be recommended as an eventual minimum pharmacy qualification in all member countries of the CPA". The standards used by the working party in deciding on this eventual minimum were "those which apply in British schools pharmacy"

(Commonwealth Pharmaceutical Association, p. 4). Inter-recognition was endorsed as a long-term objective: "it is not our primary concern to facilitate the recognition of pharmacy qualifications throughout the Commonwealth, although this must be a secondary long-term consequence of our recommendations. We do not believe that the reciprocal recognition of pharmacy qualifications throughout the Commonwealth can be achieved in the foreseeable future, but we look forward to the day when this will be possible" (ibid., p. 1). More recently, however, the CPA seems to have retreated from this position. According to its assistant secretary³ "the Association has no declared policy on the question of universal recognition of pharmacy qualifications within the Commonwealth. Our reservations are largely due to a fear that if there were such overall mutual recognition there would be a tendency for pharmacists to move from the less developed to the more developed countries of the Commonwealth."

Perhaps surprisingly, there is no Commonwealth association for dentists, but there is an international association, the Federation Dentaire Internationale. The federation is certainly aware of the inter-recognition issue and has set up a "working group on standards of postgraduate education and portability of licence"⁴ but its recommendations are as yet unpredictable.

The International Council of Nurses regards international standardisation of nursing qualifications as impracticable, but has its own programme, Nursing Abroad, to enable nurses to work outside their own countries. This is mainly a reaction against what it regards as the deplorable "tendency of certain governments and employment agencies to use undesirable methods of recruiting large numbers of nurses from one country to another".⁵

The International Confederation of Midwives goes no further in its constitutional objectives than "advancing the training and professional status of midwives" although the view of the its executive secretary⁶ is that "an international standard of midwifery training and practice has not yet been achieved" may be taken to imply that such an objective is, at least, not considered to be undesirable.

The Commonwealth Nurses' Federation on the other hand, has thought through its position on reciprocity with greater realism than most associations and has explicitly abandoned it as an aim.⁷ As it points out nurses in less developed countries require more experience in primary health care for rural populations than do those in more developed countries and their nurses and midwives have to perform duties which are normally performed by doctors in more developed countries; formal worldwide reciprocity would therefore make little sense. The CNF's objective is

"equivalence of qualifications and a common examination procedure for a region or group of Commonwealth countries to facilitate assessment for registration in another country in the region". Examples of such regions are the Atlantic (Caribbean); West Africa; East, Central and Southern Africa; South Asia; and Australasia, Far East and Pacific. The emphasis in these regional arrangements is "on the preparation of the nurse/midwife to meet the specific needs of their respective countries and the sharing of expertise and post-basic education facilities for a given area or region".

The objects of the Commonwealth Association of Planners include that of encouraging "the development of adequate educational facilities and research and the establishment of appropriate standards with the aim of promoting free movement of planners, coordinating rights of professional practice and facilitating reciprocity of qualifications". However, the secretary of the association puts it slightly less forcibly: the association "would support as much standardisation as possible in the core elements of education, but, on grounds of everyday realism, accepts that planning has to be related to conditions in the country where the planners will have to do their jobs and that the requirements will not be identical". More precisely, a Conference on Education for Planning, convened by the Association in Liverpool in 1977, concluded that, "although agreement may be reached on main subject areas, their

detailed contents and practical application will, almost certainly, vary, affecting the reciprocity of planning qualifications and education. This problem might be met by divorcing any planning practice examination from the academic course, and by normally making it relevant to one country only. Students would not be examined in planning practice until after the completion of a specified period and range of experience. They may need to take other examinations, unless exempted, before qualifying for membership of institutes elsewhere". The conference then went on to outline the main areas to be covered by core planning courses which could be common to all countries.

The International Federation of Surveyors is involved in "struggles ... to get international standardisation" of surveying methods but has found it easier to achieve in some fields (e.g. engineering surveying, hydrographical surveying) than in others (e.g. where legal aspects are involved) . Only Nigeria of our project countries is a member of the Federation.

More important as far as our project countries is concerned is the Commonwealth Association of Surveying and Land

Economy established in 1969. (CASLE), CASLE's aims include the fostering of "appropriate standards for surveyors and surveying technicians and to ensure that adequate facilities are provided for those purposes" (Tett and Chadwick, 1976, p. 526). In practice the basic standard adopted by CASLE for professional qualifications in land economy and land and quantity surveying is "the standard that it would be reasonable to expect for a pass degree in a developed country" (Commonwealth Foundation, 1974, pp. 35, 52 and 89). CASLE is also very keen to emphasise the distinction between the professional surveyor (whose "work is predominantly intellectual and varied") and the surveying technician ("subordinate to a professional survey").

The Commonwealth Library Association (COMLA) is much exercised on the issue of reciprocity having appointed a working party on the topic and convened a seminar to discuss its findings in November 1975. One of COMLA's aims, in its constitution, is "to promote the status and education of librarians and the reciprocal recognition of qualifications in librarianship". The 1975 seminar endorsed this aim and urged COMLA "to pursue its interest in reciprocity, as a high priority". According to the working party report there appear to be few legal barriers to international mobility in the profession but local (particularly metropolitan)

associations are suspected of obstructing employment of outsiders⁹. A 'post-colonial' preference on the part of bureaucracies for longstandingly 'acceptable' qualifications (usually British) is also suspected.

The Commonwealth Council for Educational Administration (CCEA) is another association that is "working towards reciprocity of recognition within the Commonwealth". As a step in this direction it has published the Commonwealth Directory of Qualifications and Courses in Educational Administration, including so far information on relevant university courses in Kenya, Nigeria and Tanzania but not yet Ghana, among our project countries. However while "reciprocity is substantially a fact within the old Commonwealth", the CCEA recognises that "in relation to the African universities and others within the new Commonwealth there is still a good deal of variation in that courses in educational administration are frequently taught at the undergraduate rather than the graduate level and there is typically a great shortage of qualified indigenous teachers"¹⁰. However, it is optimistic about the future in this respect.

The International Federation of Consulting Engineers is, in
the words of its managing director ¹¹, "a professional association
and not a learned society and therefore does not generally
occupy itself with such matters as "reciprocity". What it
does "promote is standardisation of contract conditions under
which the professional services of consulting engineers may
be procured". Only two of our project countries, Kenya and
Nigeria, have associations of consulting engineers affiliated
to the Federation.

The Commonwealth Engineers' Council, on the other hand,
formally constituted as a Commonwealth professional association
only in 1974, seems to be rushing to catch up with the pace-
setters in inter-recognition. "The most vital of immediate
issues", according to its entry in Professional Organizations
in the Commonwealth (Tett and Chadwick, 1976, p. 532), "is
that of parity of standards of engineering education and
training. Norms for recognition of engineering degrees and
diplomas should be set down. Reciprocity and recognition
of qualifications should be a goal". As a first step along
this road, regional groupings are to be formed, on the
argument that "if local problems can first be solved, harmonizat-
ion of the total body may be expected to follow". It is

proposed that an identity card be issued to those on a register of Commonwealth engineers; "in the long term the system could well develop to provide for reciprocal recognition when qualification systems have finally been rationalised".

Our review of the role of international and Commonwealth professional associations suggests that most international associations take a cautious approach towards the question of interrecognition and many are not in a position to act as effective pressure groups. For example, the International Federation of Surveyors, which does take the question seriously, covers only countries, including Nigeria, which are in our project. Commonwealth associations, however, are another matter. Of the eight such associations discussed above all except one (the nurses) count interrecognition among their aims, and, as our Ghana case-study will show, many play an active role in trying to achieve it. Whether they are completely successful is another question, on which the next two sections will throw some light.

Students in the U.K. and the U.S.A.

One indicator of the first form of integration into the international market (the use of metropolitan qualifications) is the extent to which a country sends students abroad.

Table 1 summarises the position with respect to students

Table 1. Overseas Students in the U.K.: Annual Totals, 1968-69 to 1977-78

	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78
Total:	69819	74757	69283	79346	82834	95209	100609	114064	124942	123759
of which										
Ghana	...	...	...	...	1505	...	...	1503	1335	1177
Kenya	1777	1802	1818	1929	1893	2229	2160	2347	1998	1635
Nigeria	3015	4383	2086	2297	2672	3426	4178	5273	6336	7011
Tanzania	1127	1106	1029	1936	1011	1069	991	927	895	740
Egypt	...	...	...	...	687	...	...	896	1089	1040
Morocco	...	...	...	...	64	...	...	41	125	124
Sudan	...	...	...	...	607	...	...	1124	1061	907

Source: British Council, Statistics of Overseas Students in Britain (various years)

from our project countries in the U.K. The statistics are not very reliable and coverage of non-university students is particularly patchy. Nevertheless the impression given by Table 1, that the number of overseas students in the UK, after seeming to be on a plateau in the second half of the sixties, has been increasing fast in the seventies, is probably correct. Our project countries have shared to varying degrees in this growth; it has been spectacular in the case of Nigeria, less so in the cases of Kenya, Egypt, Morocco and the Sudan, and the number of students from Ghana and Tanzania has tended to fall.

Tables 2 summarises the position with respect to students in the U.S.A. also shows an increase in the total number but at a slower rate than in the U.K. Again Nigeria shows the fastest growth rate, but in this case the figures for Ghana are on a rising trend, showing that there has been a switch in the destination of Ghanaian students from the UK to the US.

We can gauge very roughly the importance of study in the UK and the US for each of our project countries by adding together the totals in Tables 1 and 2 and comparing them with each country's population. This is done in Table 3.

Table 2: Foreign Students in the USA, Annual Totals, 1968-69 to 1977-78.

	<u>1968-69</u>	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>	<u>1972-73</u>	<u>1973-74</u>	<u>1974-75^a</u>	<u>1975-76^a</u>	<u>1976-77^a</u>	<u>1977-78^a</u>
Total	121,362	134,959	144,708	140,126	146,097	151,066	154,580	179,344	203,068	235,509
of which										
Ghana	407	539	647	745	871	946	...	1,620	1,570	1,650
Kenya	523	492	534	499	540	568	...	1,120	1,190	1,430
Nigeria	1,790	1,851	2,333	3,077	4,092	4,817	...	11,440	11,870	13,510
Tanzania	207	215	238	217	256	272	...	370	320	360
Egypt	836	1,015	1,103	1,027	1,148	1,163	...	910	1,200	1,500
Morocco	69	83	78	72	93	92	...	110	160	110
Sudan	119	135	111	109	157	166	...	360	500	340

a excluding immigrants (not comparable with earlier years)

Source: Institute of International Education, Open Doors, various years.

Table 3: Students in the U.S. and the U.K. in relation to Population.

	197. Population Estimate (000)	Number of students in the U.K. and the U.S. in	Number of students in U.K. and U.S. per 100,000 population
Ghana	10,480	2827	.27
Kenya	14,340	3065	21
Nigeria	66,630	20521	31
Tanzania	16,090	1100	7
Egypt	38,740	2540	7
Morocco	18,240	234	1
Sudan	16,540	1247	8

Source: as for Tables 1 and 2, and UN Demographic Yearbook

The table suggests that the countries fall fairly neatly into three groups, as far as this indicator of integration into the international market is concerned.

- (1) Morocco is clearly not in the US/UK orbit; comparable figures on Moroccan students in France would be of interest.
- (2) Tanzania is in a middle group with Egypt and the Sudan rather than with the other three Commonwealth countries; indeed the Sudan now sends more students to the U.K. (and more per 100,000 population) than does Tanzania.

- (3) Nigeria sends by far the greatest number of students to the U.K. and the U.S., but the other two countries in the top group, Kenya and particularly Ghana, are only slightly less oriented towards overseas study, when relative size of population is taken into account.

Survey of professional associations and regulatory bodies in the U.K.

In a further attempt to assess the extent to which the countries in our project are integrated into that part of the international market in professional skills which centres on Britain, we carried out during 1978 a survey of the main professional associations and regulatory bodies in Britain.

In Table 4 we try to summarise the results of the survey in a way which makes them amenable to analysis.

For each of 70 professional associations or regulatory bodies the table shows the extent to which, in the case of each of our project countries, (1) the British qualification is used by that country's nationals, and (s) that country's qualification is negotiable in the U.K. The results are extremely difficult to interpret in detail but they seem to support some broad conclusions:

Table 4. Extent of Integration into UK-centred Professional Qualifications, System of Seven

	Ghana		Nigeria		Kenya	Tanzania	Egypt	Sudan	Morocco
	Use of UK qual in Ghana	Negotiability of UK qual in Ghana	Use of UK qual in Nigeria	Negotiability of UK qual in Nigeria					
1. Medical Profession									
*G.Medical C	a	b	a	b	a b	a b	a b	a b	a b
R.C.Physicians	A		a	b	a	a	A	A	
R.C. Surgeons E	A						A	A	
F. Anaesthetists							A		
RC Obstetricians & Gynaecologists			A	b			A		
RC Pathologists	a		a		a	a	a	a	
RC Psychiatrists									
1 Psycho-analytical A							(a)		
2. Other Health Professions									
Chiropody							(a)	(a)	
Radiography			A		A				
Diabetics									
Physiotherapy	(a)		(a)	B	(a) B	(a)			
Medical Laboratory Scientific Officers			a						
*Pharmacy	(a)	b	(a)	b	a	a		b	b
*Dental C.	a		a	b	a	A	a	b	a
RC Veterinary S.						b	(b)		
G. Nursing C			a		a				
GNC Scotland		(b)		b		(b)	(b)		
C Midwives B.	a	b	a	b	a	(b)	(a)	(a)	
QMB Scotland	(a)	b	(a)	b	(a)	b			
G. Optical C.									
C. of Speech Therapist									
1 Health Service Administrator			A		(a)	(a)	a	a	
3. Professions concerned with the Environment.									
Architects' RCUK									
*RIB Architects	a	b	a		a	a			
F.Architects & Surveyors	(a)		a		(a)				
*RIC Surveyors	A		A		A	a		(a)	
1. Quantity Surveyors		b		b					
Rating & Valuation Acts		b		B	b	b			
4. Engineering Profession									
*C. Engineering 1	A	(b)	A	B	A	A		A	B
S. Engineers									
1 Agricultural Engineers									
1 Civil Engineers									
1 Electrical Engineers									
C.I. Building Services									
T. Chemical Engineer									
I. Road Transport Engineers	a		A		a	a	a	a	
C.I. Transport	(a)		(a)		(a)				
I. Fire Engineers			(a)		(a)	(a)			
I. Railway Signal Engineers	(a)		(a)		(a)	(a)			
I. Quarrying	(a)		(a)		(a)	(a)			
I. Works Manager						a	(a)		
B. Computer S.									
5. Financial and Commercial Professions									
I. of Bankers	A		A	b	A	a	a	a	
I. of C.Secretaries and Administrators	A		A		A	A			
I. Administrative Management	A		A						
I. Credit Management	(a)		A		(a)				
Hotel, Catering & Institutional M. Ass.	(a)		(a)		(a)				
I. Marketing	(a)		(a)		(a)				
I. of P. in Advertising	(a)		(a)		(a)				
I. of P. in Work Study O. & N.									
C. Insurance I	A		A		A	A	A	a	
*I. C. Accountants	A		A		A	A			
A.C. Accountants	A		A		A	A			
S.C.C. Accountants	a		a		a	a			
I.C.N. Accountants	A		A		A	a	b	(a)	(a)
A.I. Accountants	a		a		a	a			
C.I. Public Fin & Accountancy									
I. Accounting Staff	A		A		A	A			
I. Actuaries	a		a		a	a			
Faculty of Actuaries	a		a		a	a			
6. Legal and Government Professions									
*Solicitors	(a)		(a)		(a)	(a)			
Barristers	a	b	a		(a) b				
I. Arbitrators	a		a		a	a			
I. Local Government A									
I. Taxation	a		a						
I. Traffic Admin.			A		A	A			
7. Educational and Scientific Professions									
Library A.	a		a		a	a			
C of Preceptors	(a)		a		(a)	(a)		(a)	

Notes: R = very widely used in country concerned;
a = widely used;
(a) = used on a small scale;
B = fully equivalent to UK qualification;
b = allows partial exemption from examinations for UK qualifications
(b) = no formal exemption but normally acceptable.

Source: Survey of professional associations and regulatory bodies in the UK, 1978.

Morocco is obviously completely outside the orbit of the UK - centred professional qualifications system. A similar survey of the French system would have been useful in this respect but our resources did not allow it. The use of British qualifications is still more important quantitatively as a means of integration into the international market than is the development of internationally negotiable local qualifications. The popularity of British qualifications in financial and commercial professions, such as accountancy and insurance, is particularly striking. Nigeria, of our project countries, makes most use of British qualifications, followed fairly closely by Ghana and Kenya, with Tanzania a little way behind. The range of British qualifications in use in Egypt and the Sudan is rather narrower, but the number ^{is} is perhaps higher than might have been expected, particularly in the medical profession.

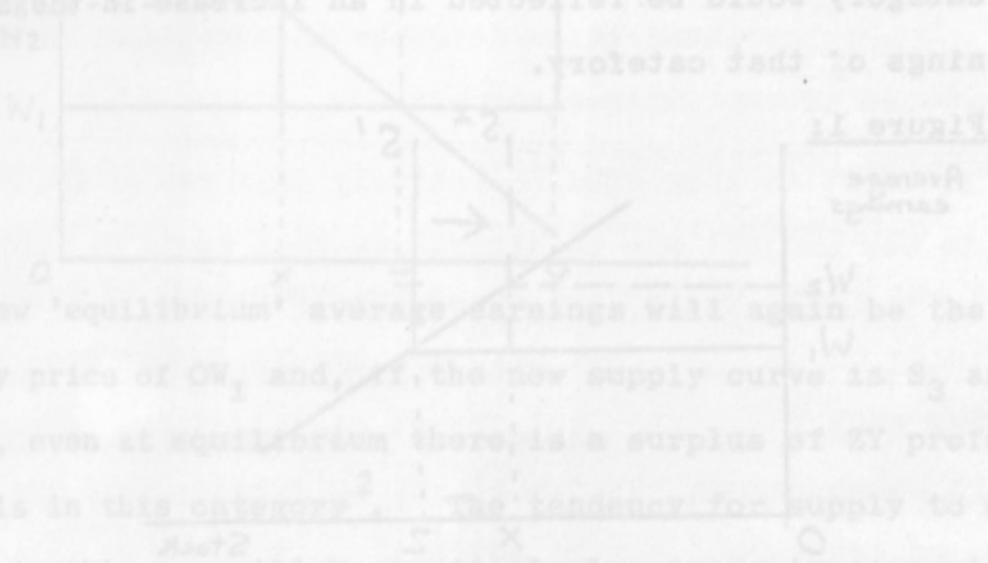
Very few local qualifications are recognised as fully equivalent to their British counterparts. (There are very few capital Bs in Table 4). However, the number of local qualifications which are conditionally acceptable in the U.K. is high enough for integration into the UK - centred qualifications system to be a practical possibility for many professionals from our project countries. This is

particularly the case in such key professions as medicine, dentistry, pharmacy, architecture and engineering. And, of course, many of the local qualifications which have not actually achieved international negotiability have modelled themselves on their British counterparts and are aspiring towards negotiability.

Nigeria, again, has the widest range of negotiable or quasi-negotiable qualifications, with Kenya and Ghana again together in a second group. However, the number of negotiable Tanzanian qualifications is small enough to put it in the same category as Egypt and the Sudan rather than with the other Commonwealth countries. In this respect the position is interestingly similar to that emerging from our analysis of the number of foreign students in the U.K. and the U.S.A.

Footnotes.

1. Letter from the secretary-general, 2 October 1978
2. Letter from the secretary, 25 September, 1978
3. Private correspondence, 9 October 1978
4. Letter from the executive director, 9 February 1979
5. Letter from information officer, 22 September 1978
6. Letter, 18 September 1978
7. Letter from executive secretary, 29 September 1978
8. Letter from Federation spokesman, 20 February 1979
9. Letter from secretary, 19 January 1979
10. Letter from executive director, 26 September 1978
11. Letter dated 3 October 1978



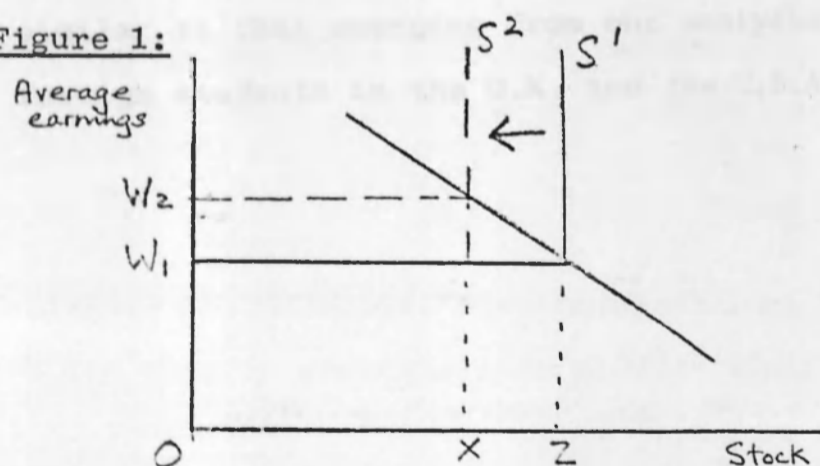
The new equilibrium average earnings will again be the supply price of O_2 , and, as shown, even at equilibrium there is a surplus of YZ in this category. The tendency towards oversupply of this category will be particularly strong in countries where the supply price of this category of professionals is substantially below the average earnings before migration, the migration of professionals to the host country often becomes a kind of 'capacity test' over and over again, and the demand for this category of professionals is normally necessary to induce an adequate supply of this category.

CHAPTER 12: INTERACTION BETWEEN THE INTERNATIONAL AND LOCAL MARKETS IN PROFESSIONAL SKILLS.

There are various possible forms of interaction between the international and local markets in professional skills.

The most obvious is the one that would be emphasised by neo-classical economists, where the emigration of certain categories of professionals is large enough to cause or to aggravate a local shortage of such categories. Figure 1 shows how the consequent shift in the supply curve for any category would be reflected in an increase in the average earnings of that category.

Figure 1:



If OW_1 is the supply price of this category of professionals and the average earnings before emigration, the emigration of XZ professionals increases average earnings from OW_1 to OW_2 .¹ In this case $W_2 W_1$ is a kind of 'scarcity rent', over and above what is normally necessary to induce an adequate local supply of this category.

This is about as far as most neo-classical analyses would usually go. But in practice the implicit assumption in such analyses of independence of demand and supply is difficult to sustain. Both the existence of scarcity rent at home and the possibility of earning at international rates abroad will tend to induce a shift of the supply curve to the right. Figure 2 shows how this will reduce upward market pressure on the local average earnings of the professionals.

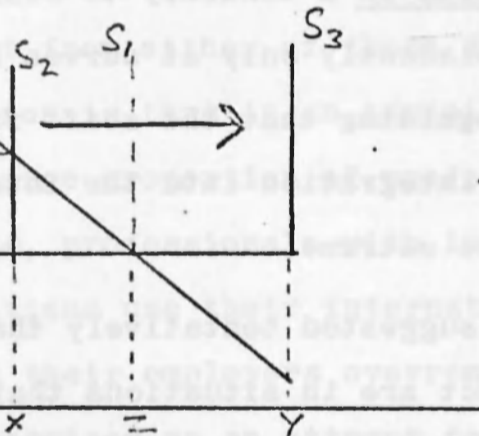
Figure 2:

Average earnings

W_2

W_1

0



The new 'equilibrium' average earnings will again be the supply price of OW_1 and, if the new supply curve is S_3 as shown, even at equilibrium there is a surplus of ZY professionals in this category². The tendency for supply to overshoot in this way will be particularly strong in economies from which emigration of professionals is substantial.

Indeed the tendency towards oversupply often becomes chronic (eg in Pakistan, the Philippines), with local training institutions being built and expanded and students being trained overseas explicitly to serve the international market.

This is the fallacy in the views of those (Johnson, 1968; Baldwin, 1970) who talk about 'overflow' rather than 'drain' of professionals from less developed countries, implying that there is no problem because there is a surplus of such manpower in LDCs. The tying of local professionals into the international market, (through their acquisition of internationally negotiable qualifications), and the consequently higher expected private rate of return on the training open to them, builds in a tendency to overproduction of such skills. To look complacently only at curves S_3 and D in figure 2, without recognising that the shift from S_2 to S_3 is a consequence of integration into the international market, is myopic in the extreme.

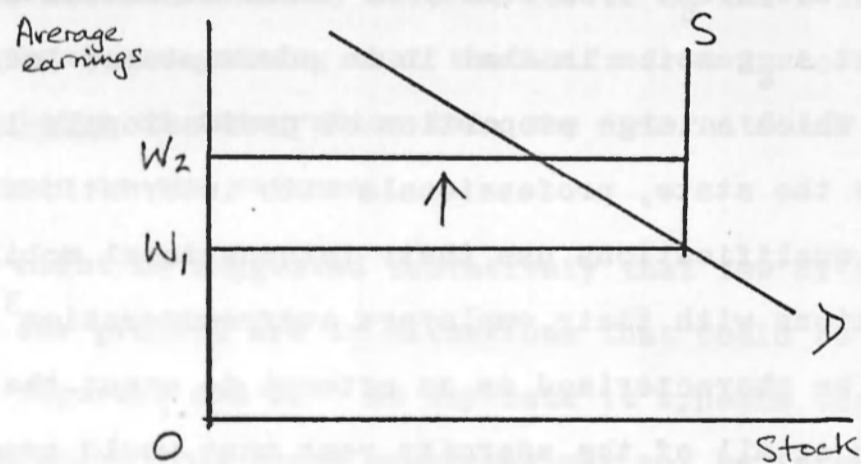
It might be suggested tentatively that few of the countries in our project are in situations that could be illustrated by figure 1 and 2. At any rate it appears that South-North migration from these countries may not be large enough to exert much upward pressure on professional earnings in the way described in figure 1. In Nigeria demand and supply in the case of many professions may stand in a relation to each other similar to that shown in figure 1, but as a consequence of outward shifts in the demand curve rather than of large-scale emigration. However, these figures may be relevant to an analysis of the consequences of migration of professionals from some of the project countries to oil-producing countries. Egypt, which used perhaps to be in the

'chronic-tendency-to-oversupply' position described by figure Z, may, according to Birks and Sinclair (op.cit.), in the case of some categories be approaching the position described by figure 1, as may the Sudan. The same may be true for the migration of some categories of Ghanaian professionals to Nigeria. However, this is on the assumption that such migration is long-term and/or on an increasing net scale, which will be discussed further below.

The form of interaction emphasised by our research proposal is somewhat different from either of those discussed so far. The implicit suggestion is that in an administered local market, in which a large proportion of professionals is employed by the state, professionals with internationally negotiable qualifications use their international mobility in negotiations with their employers overremuneration³. This might be characterised as an attempt to exact the payment of part or all of the scarcity rent that would result from actual emigration in return for refraining from emigrating and from inflicting the 'shortage' consequences of emigration on society. It might in the longer run be expected to induce an increase in supply of ^{the} category in question unless the professional association is able to limit the numbers undergoing training. This hypothesis is difficult to test but it may be possible to find examples in some of the project countries of attempts by professional associations to use arguments of this kind ⁴ and to gauge the extent to which their success or otherwise was independent of the local supply-and-demand situation.

A fourth form of interaction, and one that is explored particularly in our Ghanaian case-study, is the tying by local professional associations of their job-description, and the consequent content and length of their training, to that which is current in the international market. This can be characterised as an attempt to raise or maintain the supply-price of the professional services in question, as illustrated in Figure 3.

Figure 3:



The effective supply curve shifts from W_1S to W_2S as a consequence of redefining a professional function in such a way that, say, a three-year internationally negotiable degree course rather than a two-year locally-oriented diploma course is necessary to enter the profession. Krimpas (1975, pp 110/111) describes the process as follows: "The product of the professional"classes is of course consumed by the same type of income classes as belong to the higher managerial ranks. The other customers of this product are the corporate sector itself and the state. Such services therefore have an

inbuilt tendency to higher relative price. Once this price is accepted, intake into these professions ensures that the costs of acquiring the requisite skills cannot be accommodated if this relative price falls. Thinking of this class of manpower in general and not in relation to specific skills, we can say that the prices for the products of these services are matched through time to the cost of reproduction of the manpower producing them. Human capital theory is, as it were, turned the other way round." The beauty of this use of the international model, from the point of view of the profession concerned, is that, since it raises the supply price rather than gives rise to 'scarcity rent', it provides a level of remuneration that does not require artificial protection, as long as demand does not contract.

Of course all four of the influences arising from integration into the international market discussed so far may be present in the case of any particular profession in any particular country. The outcome may reflect the balance between each of the influences. In practice it will be difficult to disentangle one from another, but it seems to be important to keep them separate in analysis.

In the discussion of the interaction between the international and local markets so far no distinction has been made between South-North migration and migration to oil-producing countries.

However, there are at least two ways in which the current migration of professionals to the oil-producing countries may

differ from the South-North migration of the sixties and early seventies (to which our research proposal mainly refers).

1. It may not be permanent or semi-permanent but short-term, with migrants acting as 'target workers' and returning home after they have achieved their target income.

2. Net migration from poorer countries to oil producers may not be rising or even positive; that is, outward flows of new migrants may be balanced by inward flows of those returning after a short stay.

The question is important because 'target-worker' migration would have less impact on the internal reward structures of brain-losing countries than does more permanent migration.

'Target-worker' migrant professionals would see the oil-producing countries as a source of occasional subsidy to their low domestic rewards rather than as a permanent alternative or as a means of justifying increases in their domestic salaries.⁵

Very few data are available on the duration of migration to oil producing countries. Rules and regulations in the receiving countries are certainly intended to enforce short durations (Choucri, 197) but migrants, particularly those from other Arab countries (such as Egypt and the Sudan), may find ways of circumventing such regulations. In any case the question of duration may for the moment be secondary to that of scale. Available data suggest that net migration from Egypt and the Sudan has certainly been increasing over recent years to an extent that the analysis of Figure 1 may

Whether this trend will continue is another question. In the case of Egypt the effect of political tensions in the Middle East is another unknown factor.

Footnotes.

1. If the local market in professional skills is an administered one (say with a large proportion of professionals employed by the state) adjustment in average earnings will not necessarily be smooth and automatic. The initial consequence, a shortage of up to XZ, may in this case persist for some time.
2. If downward adjustment in average earnings is 'sticky' the surplus may be higher, up to XY.
3. If they are successful, less mobile categories, and civil servants generally, use 'comparability' arguments to justify enjoying similar treatment.
4. Some are quoted in Godfrey (1975) p.11.
5. The analogy in this case would be with 'gastarbeiter' migration of unskilled workers from the European periphery to West Germany, France etc., rather than with South-North professional migration. Another analogy is with earlier analyses of the migrant labour system in Africa. In 1955, for example, the East African Royal Commission suggested that "in the existing situation the migrant labour system appears to be the only one through which a considerable section of the African population can meet its needs...For many Africans it is not now possible to attain a higher income level for the support of their families without working both on the land and in urban employment." (op.cit.p.154). The relevant analogy for South-North migration, on the other hand, might be the permanent labour transfer of the kind envisaged by models of the Lewis type (Lewis, 1954, Ranis and Fei, 1961).

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CHAPTER 13: PROFESSIONS, STATE, EDUCATION SYSTEM AND
REMUNERATION: A GHANAIAN CASE STUDY.

This chapter consists of a case-study of the interaction between the professions, the state and the education system in Ghana. It is based on interviews with professionals and officers of the main professional associations carried out in Ghana in January-April 1979. We will consider five main aspects of this process of interaction, with particular emphasis on higher education: (i) the implementation of a 'colonial' educational system and its continued survival after independence; (ii) the intervention of professional associations in the education process; (iii) the influence of relationships with international and metropolitan professional associations in "transnationalising" training standards; and (iv) a short note on qualification escalation in the light of the preceding analysis. (v) Finally, the implications of this process for the remuneration of professionals are discussed.

Higher education in Ghana: the colonial 'legacy'.

Up to the second world war, education in Ghana had not formed a part of any coherent government policy. Education ordinances were enacted at various times, particularly during the early years of colonial rule, but the actual development of the education system remained largely the responsibility of the missions. Legislation was, therefore, largely ineffective in providing any overall control and predetermined policy direction. This laissez-faire attitude was transformed into an ambitious long-term development orientation as a result of the changes in British attitudes towards its colonies during the 1940s, precipitated primarily by a growing realisation of the imminence of formal de-colonization. In 1945 a Commission on Higher Education in the colonies was established with the following terms of reference:

"to consider the principles which should guide the promotion of higher education, learning and research and the development of universities in the colonies: and to explore means whereby universities and other appropriate bodies in the UK may be able to cooperate with institutions of higher education in the colonies in order to give effect to these principles".

The need for a well-designed education strategy became the sine qua non for the British colonial administrations. A local élite had now to be "prepared" to take over the class positions of the colonizers which necessitated the establishment of appropriate educational institutions to produce manpower of both the quality and quantity required if localization was to be successful. The report of the Inter-University Council for Higher Education Overseas 1945-54 conveys the historical significance of this task:

"these students trained in their own countries are among the most precious natural resources of the territory. They include the future Prime Minister, bishops, doctors, civil servants, historians, veterinary scientists, headmasters, engineers, journalists, lawyers, agriculturists, diplomats, judges and scientists of their societies. On them, largely depend whether or not the independent states emerging from the dependent territories will be efficient and stable".

In terms of both the structure and actual content of higher education, the key priority was to produce "professional" African manpower to fill the top positions within the public sector in Ghana. Hence, during this formative period, little emphasis was given in practice to the training of middle level, technical manpower despite the recommendation of the Elliot Commission on Higher Education in West Africa which reported in 1945³. Once this élitist, professionally-oriented university education system had been established, it proved virtually impossible to rectify this imbalance. This was further reinforced by African perceptions of European society which derived from a highly selective and unrepresentative group composed

mainly of professional and senior managerial personnel. Not surprisingly, therefore, Africans' occupational aspirations were geared first and foremost to becoming professionals while technician level positions were considered to be of relatively much lower status than in the metropolitan countries. A comparison of the output of graduate-professional and diplomatic-technical manpower from the educational system would show the increasing top-heaviness of the skills hierarchy.⁴

The colonial commitment to the rapid development of university education was associated with a rigid adherence to a policy of maintaining educational standards identical to those prevailing in British universities. At this early stage, these "standards" were not conceived of in terms of broad levels of intellectual achievement but rather were assessed on the basis of the extent to which the actual subject-matter of courses taught to undergraduate students in the UK was imitated in the Gold Coast:

"There can be no compromise on this issue of standards. In all spheres in which we have advised or could have influence we urged that the maintenance of high academic standards must be paramount.We have no doubt that this policy has justified itself. The colonial university institutions are fully accepted within the university world.... The Gold Coast is known for its college as well as its cocoa".

The maintenance of standards at University College of the Gold Coast, which was opened in 1947 was ensured during the 1950s by its full integration into the external degree system of London University. The Royal Commission On Higher Education in the colonies considered that:

"this system offers the opportunity to persons who are not students of that (London) University to follow the same curricula and to be examined by the same standards as the internal students of the University itself".

The University College of the Gold Coast also entered into what became known as a 'special relationship' arrangement with London University whereby the latter offered advice and assistance

to facilitate the transition from college to full university status. This took numerous forms, most notably the secondment of expatriate academics to the Gold Coast for short assignments and the vetting of new courses or departments and any subsequent changes that were considered desirable.

The British concern with academic standards was reflected in their attitudes towards establishing reciprocity agreements between the UK and the Gold Coast professional qualifications. As with the university institution, the colonial conception of the professional was, in virtually all aspects, identical to that which prevailed in the UK. Hence, from the very outset, it was explicitly stated that professions in Ghana were to be organized and should enjoy the same privileges as their counterparts in the UK. There was, therefore, a near perfect correspondence between the characteristics of the products of the education process and the manpower requirements of the colonial state apparatus.

Where professional standards in Ghana were lower than in the U.K., the universities were often urged to up-grade them. For example, for the colonial medical professions it was stated that:

"....steps should be taken at the earliest possible date so as to improve the quality of the teaching provided in medical schools which have not yet reached recognition by the General Medical Council that such recognition will be accorded".⁶

The achievement of reciprocity was made conditional upon Ghanaian students undertaking identical training courses, even though it was realized by the colonial authorities and their advisers that these were inappropriate:

"Clearly, if a doctor trained in a colony automatically has the right to practice in the United Kingdom, it must fit him for that, even if that means reducing the emphasis on topical and other local conditions which would otherwise be desirable. The (Inter-University) Council have welcomed the developments in, for example, veterinary training which have disassociated it from this issue of United Kingdom registrability".⁷

Writing in 1964, Foster was able to state in his authoritative study on, Education and Social Change in Ghana that:

"education policy since 1951 has not shown any radical change of approach from that of the earlier period, but has been rather a reinforcement of earlier objectives".⁸

Emphasis was placed primarily on the expansion of primary and senior primary schools (middle schools) with a relatively limited growth in secondary schools. There was no radical restructuring of curricula since there was still a basic reluctance to accept any innovations which might be at the expense of standards. Although the Government was under great pressure to extend education to a much wider proportion of the population, by confining this expansion primarily to the basic provision of education they forestalled any serious pressures which might have forced them to restructure the intended colonial higher education sector. For instance, the Commission on University Education of 1960 was composed predominantly of distinguished overseas academics.⁹ It basically reaffirmed the need to maintain the present system of higher education and emphasised, yet again, the importance of maintaining high academic standards. In addition, however, it argued that universities should have the greatest possible autonomy in determining their organization, teaching and research which, although this has frequently been violated has, nevertheless, had important implications for the development of professions in Ghana, in so far as the university

faculties have usually adopted the same basic conceptions concerning the role of the professionals as the professional associations themselves.

While there have been some minor reforms since the early 1960 the internal structure of the higher education sector and its relationship to the educational system as a whole has received fundamentally unaltered. The relationship with UK universities has been modified as Ghanaian colleges have attained full university status, with powers to grant their own degrees. However, universities' courses are still modelled on those in the UK and are, therefore, periodically changed in order that they conform to recent developments in course structure and content in these metropolitan universities. Furthermore, external examiners regularly visit Ghanaian universities to vet course content, teaching and examinations and, in so doing, reassure the university authorities that they continue to enjoy widespread international recognition as a teaching institution.

The professions and the education process since independence.

Professional associations in Ghana have played a decisive role in facilitating the consolidation of the inherited colonial university system and its specific relationship to the professions. The overriding importance of the educational process to these professional associations is indicated by the fact that they have been principally concerned with ensuring adequate control either directly or indirectly over the training of professionals as opposed to undertaking more conventional 'trade union' bargaining activities. The first priority has been, therefore, to maintain the exclusiveness

of the professional product which in itself has provided the absolute precondition in countering any pressures which might lead to a devaluation of professional positions. On the whole, these pressures have not been unduly threatening for a number of reasons. First, given the class structure in Ghana, there has been a shortage of professional manpower to fill the number of positions required. Professional unemployment has not, therefore, been a problem. This 'scarcity value' of professionals has enhanced their bargaining power when they have flexed their muscles and this has been particularly true of those professions which are most acutely under-staffed within the public sector. At a more ideological level, these shortages coupled with the 'community service' aspect of the professional ideology have further enhanced the 'modernizer' status of the Ghanaian professional who is typically portrayed as being at the forefront of the nation's development efforts. Secondly, the state has devolved significant powers onto the professional associations; throughout the 1960s legislation was enacted to protect professional titles by laying down minimum educational requirements and establishing a registration procedure which, in most cases, has become the direct responsibility of the Association. The culmination of this legal protection of professional positions was the Professional Bodies Registration Decree NRCD 143 of 1972, which consolidated and strengthened previous legislation and, as the case studies show, provided a considerable fillip to many of the weaker professional associations. The main requirement for registration continues to be the possession of a degree or its equivalent and since this is not directly under the supervision of the professional association much of their energy has been spent in ensuring that they maintain

In addition, to a degree, most professions stipulate that the graduate must satisfactorily practise as a probationer for usually 1-3 years and, in some cases, pass a final set of examinations, both oral and written. These post-graduate requirements have become increasingly formalized and hence more stringent as the numbers of eligible graduates have significantly increased and as the professional associations have been given increased power to control entry into their professions. Thirdly, these associations have been modelled on their U.K. counterparts, which have managed to achieve much greater degree of control and supervision of the education process than associations in Europe and North America. This power of the British associations has provided an important ideological boost to the efforts of the new professions in Ghana and one which they have been keen to capitalise upon as much as possible. Fourthly, university teachers have, in the main, shared the same values and attitudes as their professional colleagues outside these institutions. In a sense, this common understanding of each other has developed into a powerful symbiotic relationship. On the one hand, university faculties need to seek the approval of the associations in ensuring the successful graduation of their products, because a non-recognized degree is relatively worthless if the market for these skills is monopolised by the profession. On the other hand, the associations are anxious that the teaching faculty continues to conform to the content and structure of courses which they consider essential for the continued reproduction of the profession. Finally, the attempts of professional associations to maintain international standards and hence protect the position of the professional in Ghana have been actively supported by the propagators of these professional standards, namely the

international and Commonwealth professional associations.

The older, traditional professions, such as law and medicine, have not faced any real threats to their monopolisation of education and markets for their skills and, because their strengths as professions have never been put to the test in this way, there is a tendency to underestimate their overall significance, (both political and ideological) in preserving the social division of labour. For our purposes, however, the most interesting professions are precisely those which are relatively new in Ghana and have, therefore, had to adopt a more conscious assertive strategy in the face of usually real but sometimes imagined threats from the state, either directly from the Ministry or indirectly via policy initiatives routed through the university. We refer in particular, to the accountancy, planning, surveying and pharmacy professions, all of whom have had, at times, to forestall attempts to redefine their roles as professionals in Ghanaian society. This redefinition has usually taken the form of trying to eliminate to some extent the highly artificial distinction between professional and technician courses, the recruits to both these types of courses being composed of 'A' level students who are virtually indistinguishable in terms of grades attained. The growing number of high calibre recruits into the diploma courses highlighted the restrictiveness and inefficiency of the professional-technician division in a situation where there has been acute shortages of high-level manpower. The response of the professional associations has been to campaign for a clear demarcation in these courses, not so much by escalating their own entrance qualifications which are already very high, but by devaluing the status of the diploma courses by, for example, relocating them away from the university and reducing their duration and entrance qualifications. The general success of the professional associations' campaign is indicative of the high level of their control over the education process.¹⁰

The Transnationalisation of Professional Skills.

With the possible exceptions of lawyers and planners, all of the professional associations covered in our research attach considerable importance to nurturing their relationships with international, Commonwealth and British professional associations. They regularly attend conferences and seminars convened to discuss key aspects of professional development and officials from these overseas organizations also visit Ghana. What purpose then do these external links serve? We hypothesised in our original research proposal that:

"if the local education and training system is such such that those who emerge from its apex have acquired, to a varying degree, internationally negotiable qualifications, even though few categories make use of their international mobility, all benefit financially from having acquired it. The suggestion is that the international mobility of the few supports the level of rewards of all who can claim comparability on the grounds of similar initial qualifications and periods of training".

The evidence from Ghana indicates that the 'mobility of the few' is not in itself an important explanatory factor in explaining the failure of professional-unskilled income differentials to decline in response to domestic reductions in professional scarcity values as we hypothesised, nor can it adequately account for the convergence of professional salaries. Out-migration of professionals has not until very recently reached significant proportions. The relationship between internationally negotiable qualifications and domestic professional salaries seems to be very much more direct, operating primarily at the ideological level.

When discussing 'internationally negotiable qualifications' it is important to distinguish clearly between reciprocity and accreditation agreements between professional associations

Reciprocity was considered to be an important objective in Ghana during the early years of independence but accreditation agreements are now almost universal. Actual and desired reciprocity is, therefore, on the decline as it is elsewhere in the Commonwealth:

"such substance of reciprocity as exists in the Commonwealth is largely a legacy of an imperial past when British qualifications were adopted as standards in colonial Registration Acts, or in the constitutions of professional societies for lack of national definitions. Sometimes it survived because local professionals have passed British examinations in Britain or externally at home. Not much of this is left and it could not survive national growth and independence". *

Accreditation has been sought, not so much as a means to increase the international mobility of professionals, but in order to enhance directly the status of the profession as a whole within Ghana. Until the current crisis in Ghana and the oil-boom in Nigeria, the outflow of domestically trained professionals has not constituted a serious problem. It is true that many students who studied overseas frequently spent relatively long periods away from Ghana, partly to obtain additional qualifications, but also to acquire consumer durables before eventually returning to Ghana. It is this phenomenon that the Ghana Government was until recently most concerned about and recommendations were occasionally made to increase domestic salaries in order to attract back these overdue returnees:

*Personal letter from Secretary of Commonwealth Legal Association.

almost exclusively on making comparisons between the quality of professional education and hence the level of standards between Ghana and the rest of the World. It is true, nonetheless that this basically ideological rationalization has important economic implications in the sense that an adherence to rising international professional standards and hence qualifications, serves to strengthen the areas of professional monopoly within the social division of labour, by preserving the content and structure of education, while, at the same time, helping to dampen the supply of eligible recruits at the post-secondary school level.

The large extent to which professional education in Ghana is geared to British professional qualifications is the direct consequence of the inherited colonial university educational system and the development of the professions themselves. The case studies reveal a marked continuity between the operations of the local branches of British professional associations which were established during the colonial period and the 'autonomous' Ghanaian-based associations which replaced them. Initially, members of these few associations were nearly all British trained and, not surprisingly therefore, they continued to look to the British qualifying associations as their model. This commitment increased as the number of eligible, domestically trained students grew rapidly from the mid-1960s onwards, since they were concerned that both external and internal qualifications were as similar as possible so as not to create any divisions within the new profession. In addition, the older members

of the profession who had often spent many years acquiring their British professional qualifications resented the speed at which the universities were producing professional graduates who had only three or four years training.

The reliance on British professional associations has been particularly apparent in the case of the newer professions which have been forced to identify themselves as much as possible with the professions in those countries where they have been firmly established. Again, this has had important implications for the development of the educational system, in particular, its appropriateness in efficiently fulfilling the manpower needs of Ghana.

Professional qualification escalation in Ghana.

Recent research into the educational process in peripheral social formations has focused on the phenomenon of qualification escalation or, more precisely, rising minimum education qualification levels. The studies which have been undertaken, most notably the Education Project at IDS have attempted to chart the increase in certification required by broad categories of manpower through time. The process of escalation has been conceived of ^{as} being fuelled by the contribution and interaction of separate 'supply' and 'demand' factors. Dore argues that:

"the contributions from the demand side are likely to be greater when there is a high level of competition either between professional groups for status (the situation in Britain where professional group autonomy is greater than in any industrial country) or between private employing organizations for both status and efficiency... Generally speaking, however, supply factors have been dominant both historically and in developing countries today".¹³

Although this theoretical framework has certain important limitations, it does nonetheless provide a useful starting point for considering the process of professional qualification escalation in Ghana.

The continuing control by each profession over the education process depends upon the maintenance of sufficiently high barriers to entry.¹⁴ Should a situation arise where a profession feels threatened, it can respond by escalating the entrance qualifications and/or by altering the course content of the professional qualification itself. There are two types of threat which are likely to provoke this response. On the 'supply' side, there can be an unduly large increase in the number of eligible recruits compared to the number of employment positions in existence for the profession as a whole, while on the demand side, escalation can be motivated by the fear of the profession that it is suffering a relative decline in status and remuneration vis a vis all, or perhaps only some, of the other main professions. It is our contention that 'demand' factors have been equally, if not more, important as 'supply' factors in Ghana and probably in Africa as a whole. Part of the failure to recognise the significance of competition between professional groups can be attributed to the emphasis attached to the delineation and subsequent description of qualification escalation for highly aggregated categories of labour such as unskilled, skilled, clerical, managerial, etc. What is of more interest is the pattern of qualification escalation both within and between these delineated groups because this is likely to be connected, to a considerable extent, with the need to preserve the barriers between classes and class fractions.

It is true that there has been a growth in the size of all professions in Ghana since Independence. During the early years much of this increase was due to the overseas scholarship programme, which in theory was a highly controllable source of supply since students could be sent abroad to be trained as and when they were required. This situation changed, however, with the opening of the three universities at Legon, Kumasi and Cape Coast, which, since the end of 1960s have been the main sources of high level Ghanaian manpower, each producing a roughly constant number of graduates each year. This increased supply has occurred partly as a response to political demands for more university education but, on the whole, it has been planned in accordance with the rising manpower needs of the post-independence economy and development programmes, coupled with the replacement of expatriate personnel by Ghanaians. Hence, professional unemployment in Ghana has not yet emerged as a serious problem (unlike in Asia) and this has largely eliminated the necessity for 'supply'-induced professional qualification escalation. Where this threat has arisen it has been effectively curbed. The problem has not been one of over-supply so much of graduates as of successful secondary school leavers who have far exceeded the number of university places available.

Professional qualification escalation need not occur in a situation of over-supply of eligible candidates as long as the

professions can convince the state that the education system at the highest levels should remain unaltered with approximately the same number of students being trained. In Ghana, however, 'A' Level students who have failed to be accepted for degree courses have spilled over into the diploma courses. The high quality of these diploma students coupled with a continuing shortage of manpower possessing 'professional' skills encouraged the educational authorities to upgrade the diploma courses which in the case of pharmacy actually culminated in the proposal to abolish the professional degree course altogether. The professional associations successfully managed to thwart these moves partly by escalating the stringency of existing qualifications and other entrance requirements into the profession (e.g. introduction of a four year degree course for many professions at U.S.T. Kumasi) but also by attempting to de-escalate diploma certification by, for example, reducing the duration and/or entrance qualifications required for these courses and by actually physically relocating them away from the university in lower status polytechnics/technical colleges. This has occurred in spite of the increasing number of eligible 'A' level students wishing to undertake further training who have, therefore, been exerting upward rather than downward pressure on qualification requirements.

On the whole, however, professional qualification escalation has not been particularly pronounced since independence. This is partly because most professional qualifications have, from the very outset, been university-based, requiring at least a degree and, in some cases, a post-graduate diploma as well. There has, therefore, been a real limit on the scope for

further formalized escalation in the sense of introducing new tiers of entrance requirements (especially at the post - A Level stage which is where the main bottleneck occurs at the moment) since this would require a major reorganization of the education system. In practice, what has happened is that 'A' level grades of university entrants have risen of their own accord as more and more eligible students compete for a relatively fixed number of places. Thus, by ensuring that professional degree courses have not been "devalued" in any significant way, the professional associations in Ghana have succeeded in maintaining the supply of recruits into their professions within acceptable limits (for the time being at least). Consequently, they have not needed formally to escalate entrance qualifications either at the university or full professional levels.

Competition between professions (the 'demand' factor) has been of considerable importance in maintaining upward pressure on the level of professional qualifications. As Larson (:165) points out:

"although professionalization may be seen as a power struggle on a societal level, it is a struggle waged within a class, against rival occupations rather than across class lines".

This 'competition' or 'struggle' centres on the effects of each profession to ensure that their qualifications continue to be regarded by the major employers in society as being of at least the same intrinsic worth in terms of their skill content as other professions. These valuations are not primarily determined on the basis of supply and demand in the market place but by direct reference to the duration and perceived rigour of the training process (which, from a

Marxist perspective, is not surprising since the cost of education and training are necessary components in the reproduction of the different types of labour process.) With a few professions this has been particularly difficult to attain, not so much because of over-supply, but rather because the authorities have argued that their skills cannot be considered as being of equivalent worth to those acquired by other professions.

To conceive of this competition in terms of a 'demand' factor is in many ways unsatisfactory since it detracts attention from analysing the historical specificity of a distinct professionalization process, the features of which we have been concerned to consider in some detail. This in turn, also requires an understanding of the class position of professionals because this 'competition' occurs not only within the professional stratum itself, but between it and other classes and class fractions. Consequently, the major failing of the present qualification escalation theories is that they do not attempt to situate this phenomenon historically by analysing the relationships which exist between classes and the educational process within each social formation as a whole.

Finally, it is important to stress the adherence by Ghanaian professional associations to international-transnational professional qualifications, since these provide the frame of reference within which professional competition and the resulting intensification of qualification escalation occurs.

This emphasises the limitations of analysing qualification escalation only in relation to domestic supply and demand factors. Again, this aspect has not been adequately considered by previous qualification escalation studies.

The relative remuneration of professionals since independence.

It may at first sight appear strange that so much of the discussion so far has focused upon analysing the relationship between the professions and the educational process. The main purpose of our research, after all, has been to investigate the determinants of public sector salary policy which may appear to be quite unrelated to educational issues. However, this task cannot be adequately tackled until we have begun to understand the nature of the relationship between the educational process and the valuation of labour power. The thrust of our argument has been that during the phase of monopoly capitalism, the reproduction of classes, is crucially dependent upon the ability of the educational sector to create and legitimize these class positions. Education is perceived as an ability-filtering device and so the length of training provides the justification for the continued existence of markedly different levels of remuneration which are generated by the class structure of society. This is reflected in the emphasis given by professional associations themselves to the need to equalize the intellectual content and the duration of training courses since these are generally accepted to be the most important proxies in determining the broad level of remuneration. This has been particularly true for the

Salary Review Commissions and Committees in Ghana:

"We would identify the higher income group as embodying those who have attained or acquired a high level of academic/technical/professional training and those in the lower income brackets as having had much lower training or none at all. ...Salaries and pay-rates are always related to the level of training and skills acquired for each particular job".

"It is relevant for us to take account of differentials within a career structure and of relativities between different occupational groups recruited at comparable academic levels".¹⁵
(my underlining)

Having considered this relationship in some detail, we shall now focus upon the remuneration of professionals in relation to the other main agents in the productive process, namely technicians and workers. The actual collection of data on salaries and fringe benefits, etc. was the least rewarding part of our research, since the officers of the eight professional associations who we interviewed were, on the whole, surprisingly ignorant about the incomes earned by their members, and there was little secondary material we could draw upon.

There are a number of reasons why we were generally unable to collect the data we required. First professional associations share with their membership highly defensive attitudes towards questions concerning remuneration, especially within the private sector. Such information is very sensitive, given the strained political relations between the professions and the government, and if disclosed, it would also exacerbate the tensions which exist between the

various strata within each professional hierarchy. Secondly, professional associations have not until very recently performed ^{the} more traditional 'trade-union' functions in relation to salaries and fringe benefits and they have not, therefore, considered it necessary to undertake private-sector salary surveys and other information-gathering activities. In the past, the associations have mainly confined themselves to preparing memoranda to salary review commissions and Committees and, even here, an analysis of the complete lists of memoranda submitted to the Waugh, Mills-Odoi and Issifu-Ali re-evaluation exercises indicates that the associations have become progressively less vociferous as their positions within the civil service salary structure have been consolidated. Nonetheless, these memoranda provide an important source of information on the nature of professional ideology and the professionalisation process in Ghana and, no doubt, elsewhere in Anglophile Africa.

Since the Ghanaian team have already collected much of the data on professional and managerial salaries available from official agencies, in particular the Prices and Incomes Board, we have relied primarily on the mainly qualitative responses to our professional association questionnaire, in addition to whatever other secondary data were unearthed in the course of the field research. Furthermore, we shall focus upon the relative remuneration of professionals within the public sector since reliable data is readily available and also because this is where the majority of professionals, taken as a whole, are still employed. We should point out

however, that we were surprised at the large and growing number of professionals within the private sector, whether working independently or employed as consultants by firms or partnerships, as is evidenced by the employment breakdowns presented in most of the case-studies .

On the basis of nominal salary levels alone, the income differentials between each of the main categories of manpower within the civil service presented in Table I have substantially declined since independence. Cowen, having observed a similar tendency with nominal income differentials within the Kenyan civil service since 1945 argues that this signifies a significant "devaluation" in the positions of professional and white collar workers within the Kenyan social formation. It is our contention, however, that this reduction in nominal salary differentials cannot be adopted as an accurate indicator of the relative income position of professionals or any other group. Firstly, these differentials are, in themselves, poor indicators of changes in the real incomes of different groups. To argue for example, that an increase of 100% of a subordinate wage from say £50 to £100 p.a. while the professional salary increases 50% from £1000 to £1,500 actually represents a "devaluation" in the labour power of the professional (since the relative differential has declined from 20:1 to 15:1) is somewhat meaningless, given that the absolute difference in their salaries has increased by £450 which is a ten fold larger increase in his standard of living than the unskilled worker. Expressed in this way, it is perhaps somewhat surprising that the relative differentials have remained as

large as they have. Secondly, nominal salaries do not take into account fringe benefits which for more senior members of the state bureaucracy in Ghana are a very sizeable proportion of the total remuneration package. This is borne out by the data on fringe benefits obtained during our field research, which, while not being particularly comprehensive, do, we feel, provide a reasonably representative picture. The importance of fringe benefits can also be gauged by the amount of time devoted to considering them by salary commissions and committees. For example, the Waugh report of 1957 stated that:

"At the root of most of the civil servants' troubles and closely connected with the topics of transfers, transport and canteens discussed above, is the question of accommodation".¹⁰

In the interviews with the professional associations, the issue of fringe benefits emerged as the main bone of contention, not only within the Civil Service, but also between equivalent positions in the major employment sectors in the economy. So important have fringe benefits been in maintaining the standard of living of professionals in Ghana that it is likely that their inclusion in the remuneration package would at least double the nominal income differentials presented in Table I. The overall trend in the real value of fringe benefits is difficult to ascertain but, with the growing importance of public corporations within the public sector it is not unreasonable to assume that these have improved significantly through time.

This emergence of relatively autonomous public corporations during the 1960s is the third reason why civil service nominal salaries are unlikely to give a representative picture of the public sector as a whole. Public corporations grew from accounting for less than 4% of total recorded wage and salary employment to more than 36% in 1968 while the civil service itself had declined from 38% to 25% during the same period. In other words, the public corporation sector had become one and a half times the size of the civil service by the end of the 1960s. The importance of this development in relation to salary determination centres on the relatively autonomous position of the boards of public corporations to determine the salaries and fringe benefits of professional and managerial employees. This had led to the creation of a sizeable real income differential between this group of state personnel and their counterparts within the civil service. This is reflected both in terms of nominal salaries and, to an increasing extent, fringe benefits.

In many respects the civil service public corporation real income differential has been considered to be of greater importance by the post-Nrumah salary commission/committees than the civil service-private sector differential. Hence, disgruntled civil servants have mainly compared their position with that of their counterparts in other branches of the state apparatus rather than the private sector and it is because these comparisons have been made within the public sector that the large differentials have been so politically explosive.

The Mills-Odoi solution to this problem was to recommend that all public employing agencies should pay comparable rates of pay for comparable positions. Hence, it was argued that the new wage and salary rates should not be applied to the staffs of public corporations, except in cases where they were paying civil service rates. However, the commission was not prepared to curtail completely the autonomy of the public corporations:

"If applied too rigidly, the principle (of parity) would severely circumscribe the necessary discretion of management in its personnel policies and this would be greatly to the detriment of those enterprises which are in competition with similar organizations in the private sector".¹⁷

Consequently, they recommended that at "higher managerial levels"

"...there should be a greater measure of discretion to the governing boards to determine salaries and bonuses according to their assessment of the performance of individuals and the profitability of the enterprise".¹⁸

The J.H. Mensah review committee which reported in 1969 adopted a more laissez-faire approach to the problem, arguing that wage and salaries should be strictly related to productivity and government controls should, therefore, be minimized. In discussing the proliferation of public corporations and the large salary increases awarded to their heads and senior management, the committee commented that:

"...some of the statements we have heard would imply that the only reason for creating these corporations was so that senior officials in these departments could get higher salaries".¹⁹

Nonetheless, it was argued that:

"to put a tight lid on corporation salaries has the effect of holding down the level of management performance in these government enterprises as compared to private enterprises by withholding monetary incentives for higher managerial achievement" 20

The Committee recommended, therefore, that: "bona fide business corporations which happen to be owned by government" should be treated separately from the Civil Service proper for the purpose of determining wages and salaries. In other words, it positively accepted the need for a sizeable public corporation Civil Service differential in the hope that this would encourage civil servants to move into 'the productive sector'.

By 1974 when the next salary review was undertaken it is clear that far too much professional manpower was leaving the Civil Service to work for the public corporations.

Consequently the Issifu-Alic committee reversed the policy orientation of its predecessor by attempting to reduce significantly the real income differential between these two sub-sectors:

"In order not to disturb the horizontal relativity of salary scales within the Civil Service and Public Boards and Corporations, we recommend that the Government should amend the various instruments of incorporation of the Boards and Corporations which give them a "blank cheque" to set their own scales and establish their conditions of service for their non-unionized staff". 21

The committee suggested that public corporations should be divided into fourteen functional groups but each of these would still be allowed to determine the wages and salaries of their employees on the basis of a set of very wide and operationally meaningless criteria. Hence, in spite of the supervisory and regulatory roles given to the newly

established Public Services Commission and Prices and Incomes Board, public corporations are still relatively free of central government control over the remuneration of their employees. This is reflected not so much in differences in nominal salaries (which are now usually no more than 15-30%) but in differences in fringe benefits which in real terms increase the differential for professional manpower to over 100%. The limited impact of the Issifu-Ali proposals can be gauged from the following statement made by the Manpower Division of the Ministry of Economic Planning just over a year later in September, 1975:

"There has been a large turnover of graduates from the government sector to Boards and public corporations and the private sectors. This is because of the large disparities in scales of pay, service conditions and fringe benefits in the government, public corporate and private sectors. At present there is a minimum difference of $\text{Ø}600.00$ per annum between the salary of a graduate working in the Civil Service and his counterpart working in a Board or Corporation. The private sector pay even higher salaries". 22

The failure to eliminate the real income differential between the civil service and public corporations suggest that it is misleading to conclude that salary differentials within the public sector have narrowed since independence. In fact, we would argue that this period has been characterised more by a basic refusal of the state fundamentally to restructure salary scales within the state apparatus. We need to consider the reasons for this in some detail since these are of obvious relevance to our understanding of the relative income position of professional manpower within the public sector and elsewhere.

While each salary commission/committee has made a number of changes to the public sector salary structure, these have not resulted in any basic alteration in the pattern of income distribution as between the different classes. While there has been a ritualistic adherence to the rhetoric of ensuring that the salaries of public servants are "consonant with the economic circumstances of the majority of the population," in reality the reports have been far more concerned with examining and making recommendations about horizontal rather than vertical income differentials. In other words, rather than seriously attempting to change the relative income positions of employees in the public service, the state has been primarily motivated to establish comparability between equivalent positions in various parts of the state apparatus precisely in order to minimize pressures which might upset the present salary structure. This is indicative of the strong conservatism which has characterised these investigations.

Chapter 1 on the legacy of colonial civil service salary structures has already discussed in some detail the ideological rationalisation employed by the British to ensure that there was no basic change in these salary structures after independence.

The state has been concerned to maintain the present structure of remuneration at the least possible cost and its deliberations on this issue have, therefore, always been motivated more to defensive political expediency than conscious attempts comprehensively to restructure public sector remuneration.

This pragmatism is reflected in the eclectic use of neo-classical economic theory to justify or refute various arguments. In short, no salary review exercise has been based on an operational and systematic theoretical framework. What has usually happened in practice is simply the itemisation of various factors which "have been taken into consideration".

Just how this has been done and what the relationship (if any) these factors have with each other is never stated since they are inserted merely to act as pseudo-scientific justifications for what is in reality a reaffirmation of the prevailing structure. Take the Issifu-Ali Review Committee, for example, which stated that:

"In determining wages and salaries, several factors are taken into consideration. Notable amongst these are (i) supply and demand for labour; (ii) comparable payment rates with the economy; (iii) cost of living level; (iv) the ability to pay; (v) rate of technical change, (vi) labour legislation and bargaining procedures; (vii) environmental conditions.... In addition to these, social and political considerations are very important elements in wage determination".²³

The reduction in nominal income differentials within the public sector cannot be seen as a conscious attempt to equalize incomes. It has rather been the unintentional consequence of the political and economic necessity to maintain the bare subsistence standard of living of 'subordinate' workers in the face of increases in the cost of living. Throughout the post-independence period, the most striking feature of the salary reviews has been a continuing refusal to undermine the position of the senior, mainly professional civil servants. The Waugh Report of 1957 even refused to accept that this was a serious problem in the first place:

"...it further pointed out that there was in fact no economic class in the Gold Coast markedly more privileged than the generality of the population; that it was undesirable to create one composed of higher civil servants; and that for this reason, if for no other, restraint was indicated when considering the salaries to be attached to the higher posts". 24

And yet this commitment to equality was in practice, ruthlessly subordinated to the need to create a salary structure which would ensure the 'efficient' functioning of the public service, i.e. the maintenance of class divisions. The report went so far as to assert that:

"it would indeed be possible to devise a salary structure for an all-African service in which the salaries for the senior posts were considerably reduced... We don't believe that such a structure would be very long-lived. Such a structure would be subject to internal pressures on the part of dissatisfied civil servants and it would be subject to external pressures through the competing attractions of alternative careers. The Commission believes that it will not be very many years before a flourishing middle class of professional and business men have grown up outside the Government service. On the other hand, it is very difficult to expect anyone, African or non-African to discharge the responsibilities of, say, the Director of Public Works, for less than the salary which the present holder of that post enjoys. Indeed, in our opinion, it would be appropriate to offer more". 25

The Mills-Odoi Salary Review Commission was also quite explicit in rejecting any move to radically alter real income differential. It argued that markedly different criteria were applicable in determining remuneration at the top and bottom of the civil service hierarchy and little could be achieved to bridge this gap until industry becomes more technologically sophisticated, thus increasing the average productivity of the average worker. It stated quite unequivocally that:

"...with the present structure of the labour force with its broad base of manual unskilled labour, there is little scope for decreasing the differentials in income levels. 26

"We have not felt that it is a major part of our responsibility to examine the current validity of existing differentials, except where there are clearly established anomalies or where there are powerful indications that known Government objectives are being frustrated" 27

"In our view, it does not make sense to try to determine what the correct salary differentials should be between the Engineer-in-chief and the illiterate road labourer" 28

The commission concentrated upon the need to equalize salary levels as much as possible within broad groups of personnel such as professional, technical and ordinary workers, since they were acutely aware of the fact that the existence of horizontal relativities, i.e. income differentials between different groups of personnel who consider themselves of equal worth provide the basis for uncontrollable wage and salary spirals. This concern was reaffirmed by the J.H. Mensah Committee:

"Changes in relativities could easily lead to a general escalation in public service wages and salaries unless government can show that the changes in relativity accepted by it are based on some objective criteria". 29

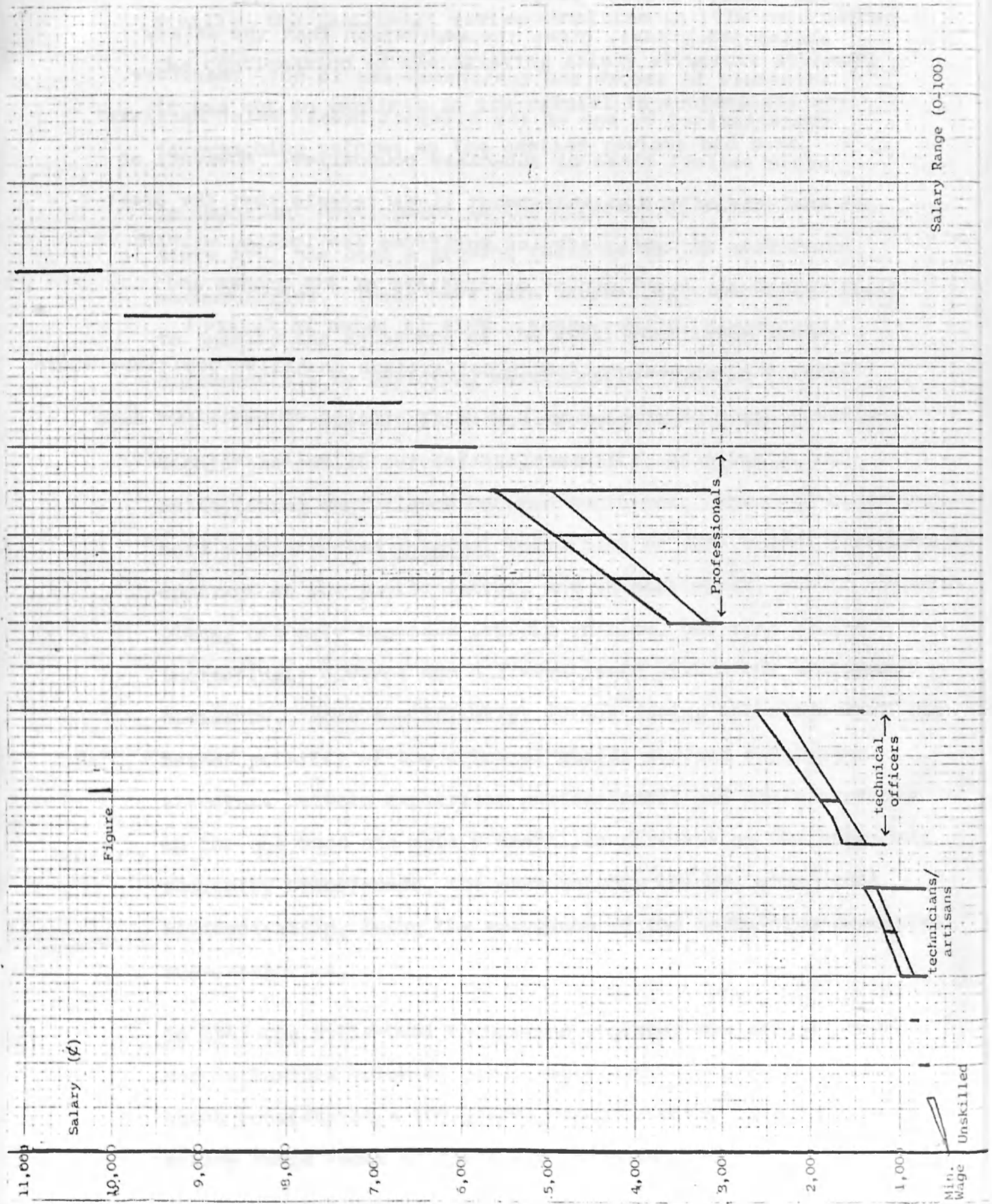
Consequently, the committee refused to make any significant changes for fear that this would seriously jeopardise the overall stability of the public sector salary structure. In this situation, it rigidly adhered to the status quo, rejecting out of hand any demands for changes in differentials based on the scarcity values argument which had been frequently used by other review bodies to justify such changes.

Finally, the Issifu-Ali review committee in 1974 recommended the continuation of the existing salary structure although it was not so explicit in its refusal to contemplate any far-reaching reforms as the earlier reviews had been.

An important development in the approach of salary reviews since 1967 has been a growing reliance on job evaluation methodologies. These have been increasingly employed, first to justify the existence of the still very large income differentials by employing meritocratic criteria such as "know-how", responsibility and experience to grade positions within the public service and, secondly, as a basis for establishing equivalence between employees. The need to introduce more sophisticated internal valuations of jobs became increasingly apparent as the public sector, and in particular, public corporations, not only expanded rapidly in size, but also became increasingly diverse and differentiated within the employment hierarchy. More specifically, it was during the 1950s that the marked polarity of the colonial public service employment structure between expatriate professionals and administrators on the one hand and mainly unskilled Africans on the other was radically transformed, the most notable change, other than Africanisation, being the emergence of the technician-executive sub-categories.

In 1967 the Mills-Odoi commission replaced the rather crude and inflexible colonial job classification schema with one which consists of a 100 grades, each of which has its own salary range (some of these are shown in figure 1).

The steady, gradual progression in salaries associated with rising job grades, gives the impression that the salary structure is smooth and continuous and is not, therefore, characterised by any of the distinct breaks which Marxists argue reflect class or sub-class boundaries. However, an analysis of the establishment lists reveals that the great majority of public service positions are located within relatively tight groups or clusters of job grades and associated salary ranges. This is shown in figure 1 for the professional/technical/artisan unskilled positions where it can be observed that this clustering of positions does create distinct discontinuities in the salary structure.



Footnotes.

1. United Kingdom Colonial Office, Report of Commission on Higher Education in West Africa, HMSO, 1945.
2. United Kingdom, colonial office, Inter University Council For Higher Education in the colonies. Third Report 1949-50, HMSO, Colonial No. 273 1951, pp.3.
3. United Kingdom, Colonial Office, Commission on Higher Education in West Africa, HMSO, 1945.
4. The Report of the Analysis of Shortages of Manpower in Selected Occupations in Ghana (1975) stated that: "One disquieting characteristic of the occupational structure of the labour force in Ghana is the lop-sided development of the normal staffing pyramid which shows higher ratios of professionals to technicians and lower ratios of technicians than is normally to be found in more advanced countries. This lop-sided development is indicative of the serious shortages of specialized manpower in Ghana at the middle or intermediate level". pp.23
5. Op.cit. pp. 38.
6. Ibid, pp.58.
7. Inter-university Council for Higher Education in the Colonies, op.cit. pp. 14.
8. J.Foster, Education and Social Change in Ghana, pp. 182.
9. Republic of Ghana, Report of the Commission on University Education, December 1960 - January, 1961. Government Printing Department, Accra 1961.
10. It is interesting to note that a short study of professional associations in Nigeria reached a similar conclusion: "...even amidst the scarcity, the few registered professional bodies have, by design either made it difficult for new entrants into the various professions by way of stringent registration requirements or try to make it seemingly impossible for others who, though they possess the relevant experience, might not qualify in terms of education".
11. Republic of Ghana, Manpower Division, Ministry of Economic Planning, Analysis of Shortages of Manpower in Selected Occupations in Ghana, September, 1975. Publishing Corporation of Ghana, Accra.
12. Republic of Ghana, Report of the Committee on Review of Salaries and Pensions in The Public Services of Ghana, Ghana Publishing Corporation, Accra, July 1969, pp. 103.
13. R. Dore, The Diploma Disease, OUP, 1976, pp. 28.
14. This corresponds to the product differentiation strategy within oligopolistic/imperfectly competitive industrial sectors.
15. Republic of Ghana, Report of the Salary Review Committee, July 1974, Ghana Publishing Corporation, Accra. pp. 12.

16. Government of Ghana, Report of the Commission Appointed to Enquire into Salaries and Wages of the Civil Service and Non-Government Teaching Service, 1957. See in particular "fringe benefits" over and above the nominal salary for professional employees of the A.E.S.C. and doctors employed by the Ministry of Health.
17. Republic of Ghana, Report of the Commission on the Structure and Remuneration of the Public Services in Ghana, 1967, Ghana Publishing Corporation, Accra, 1967, para. p.241.
18. Ibid, para. 244.
19. Op.cit. para. 20, p.6.
20. Op. cit., para. 91, p. 21.
21. Op. cit., para. 201, p.23.
22. Op. cit. p.
23. Op. cit. paras. 94 and 95, p. 9.
24. Op. cit. p. 1.
25. Ibid, p. 1.
26. Op. cit. para.
27. Ibid, para. 225, p. 35.
28. Ibid, para. 227, p. 35.
29. Op.cit. para. 72.