

PAY PRODUCTIVITY AND PUBLIC SERVICES

Toward Government Pay Scales

Efficient For Renewing Development In SSA

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I

A PRESENT OF TRENDS AND TRIBULATIONS

This paper is a follow-up to the 1995 Adedeji Report (Adedeji-Green-Janha) of the same title for UNDP and UNICEF. The bulk of that report both as to data and analysis remains relevant and is background for this brief summary of situation, hypotheses, proposals and selected 1995 - 97 events. If the analysis and directions of proposals appear sound it is a guidepost to further (or updated) country case studies and one or more pilot efforts to support (and/or catalyse) action along the proposed lines.

From the twilight of colonial rule in the 1940s and 1950s and - especially - from the dawn of national rule in the 1960s (or later in Southern Africa), most SSA countries rapidly expanded access to basic services and - to a lesser degree - to second and third tier elements (e.g. secondary schools, universities, provincial and reference hospitals and medical/educational professional training institutions). This rapid expansion tapered off - from the mid 1960s in a few cases e.g. Ghana, Zaire, more frequently in the early 1970s and generally in the 1980s. In fact, the 1980s saw overall falls in quantitative access and in quality in a majority of countries only very partially clawed back in the 1990s.

A parallel evolution characterised policy analysis, advising (to politicians) and implementation. The decline in quality has been very uneven - in some cases the late colonial/early independence upward trend in capacity, while slowed, may in an absolute sense have continued. However, the demands of the 1970s - after what in retrospect were 1960s global economic and environmental conditions much more favourable than before 1950 or since 1972 - and especially of the 1980s and 1990s have grown even more rapidly so that the overload has risen and in some cases brought even systems of substantial absolute professional policy competence to the verge of collapse.

Over 1969 - 1995 there appears to have been a **40% per capita fall in public service provision**. The absolute levels have been stagnant while population has risen between 2.5%

and 3% a year. The average does conceal substantial country and urban/rural scatter. Imploded and other violence torn states and especially their rural residents have fared worst while in a few cases, e.g. Botswana, Mauritius, trend advances have continued and in others, e.g. Ethiopia, Eritrea, Somaliland, recovery has been rapid since about 1992 but from abysmally low (and fallen) bases. However, the general theme of sustained decline in both per capita availability and quality in the 1980s and, at best, stagnation over the past few years applies to a majority of SSA countries.

Public service real pay - very unequal absolutely and relative to the cost of living in the period to 1979 - **has shrunken sharply**. Abstracting from South Africa, Botswana, Mauritius and the Seychelles the fall is over 50% and **in many countries leaves core basic service professional pay below 50% of the household absolute poverty line** - unambiguously true of Rwanda, Mozambique, Tanzania and, more narrowly, Mali of the Adedeji Report's five case studies. This decline has paralleled radical declines in productivity and - less uniformly - professionalism. It has also paralleled sharp trend rises in technical assistance injection and foreign NGO insertion after largely to replace in part citizen public servants driven out or rendered less productive by sub-subsistence pay.

Attempts to reverse the decline have been aborted or limited by revenue constraints. The most notable successes - Ethiopia, Eritrea, Somaliland - are all postwar revenue recovery, defence bill decline cases and all are now up against revenue constraints. SSA tax and related revenues as a proportion of GDP have stagnated since 1979. Since per capita GDP has declined the per capita domestic financed resource availability has declined. The same holds for real per capita external transfers (aid, etc). In the aid case, emergency and technical assistance proportions have risen still further cutting generally useable funding per capita. On the expenditure side the proportion of debt service, emergency relief and - in some cases - defence have risen increasing the squeeze on basic services in general and salaries in particular.

African (non uniformed) public services are on average low in respect to global averages even for low and lower middle income countries. **They are even lower relative to the levels needed to provide universal access to primary and continuing education, basic health services, peace and security (law and order), extension services, water and operation/maintenance of other basic infrastructure.** These categories - primary teachers, nurses and medical aides, water technicians, agricultural extension field officers, constables

and magistrates, works artisans foreman - semi skilled workers comprise 50% to 70% of public servants in most SSA countries. In Mali to provide universal primary education at 45 pupils per class would require more than quadrupling the teaching service and, by itself - require an increase of at least 75% in total public service numbers. In general levels of public service employment have been static recurrent, fluctuating or declining, for over a decade and a half (oscillating around a declining trend since 1973/74 in the case of Tanzania).

The proportion of pay to recurrent budget spending in health - education - water - police - agriculture varies but seems to cluster around 25% - 30%. However, at field unit level - e.g. rural primary schools it is often much higher.

II

YOU DON'T GET WHAT YOU WON'T PAY FOR: SOME HYPOTHESES

The public services provision decline stretched above arguably guarantees no sustainable recovery in SSA. Without rising levels of literacy, health and nutrition it is very hard to see (whether heuristically or empirically) how SSA can become more competitive or more productive. Now, in the absence of such rises, can enabling contexts for household productions out of absolute poverty approaches have good prospects beyond very low ceilings.

The issue of sub-subsistence pay for the majority of Africa's public servants does not turn primarily on their household poverty. They constitute perhaps 5% to 10% of absolutely rural households which is not insignificant but not central. **The basic damage is to public service provision without which there is no evident way the majority of absolutely poor households can be enabled to produce their way out of absolute poverty.**

A series of hypotheses can be constructed from general analysis and consensus on development and from the SSA empirical record. These are borne out by the same case studies of the Adedeji Report.

1. **SSA is falling further behind** other poor and lower middle income countries in life expectancy, under 5 mortality, nutrition, average levels of education, and other 'human

infrastructure' indices. This is a result in the absolute fall of basic public services per capita and of deterioration in their quality. The implications for sustainable recovery - let alone development are grim. Development and growth appear increasingly to depend on human productivity which in turn depends on health, education and nutrition. If SSA continues to fall back - even relatively let alone absolutely - it will become less and less competitive, less and less attractive to investors and more and more dependent on emergency relief in crisis (and even 'non-crisis') years.

2. **Basic public services** include:

- a. primary and adult education;
- b. primary health services;
- c. accessible pure water (for household and livestock uses as well as drinking);
- d. peace - i.e. ability to go about daily life without ever-present fear of violent intervention by anyone (bandits, rich engrossers, government authorities) basically provided by user friendly constables and magistrates within a rule of law;
- e. extension (especially but not only agricultural);
- f. speculation and maintenance of other ground level infrastructure - e.g. roads, telephones, posts, sewerage and drainage;
- g. tax collection (to finance the other services).

For these the only acceptable target is universal access with as rapid phased progress as practicable. They need to be backed up by secondary and tertiary services as well as being of acceptable quality and cost accessible to poor majorities and to the 20% to 60% absolutely poor large minorities through pluralities to majorities.

3. To provide these basic services would require **significant increases in public service base level professional and paraprofessionals** from perhaps 30% in Tanzania to at least 200% in Ethiopia and Mali and at least 100% in Mozambique.

4. While perhaps **10% of public service posts in most SSA countries are not priority**, most of these are at the bottom of pay scales so, only 2% - 3% of salary bill savings looks likely. (Exceptions exist - e.g. Sudan, Congo - ex Zaire).
5. Another **much larger proportion - perhaps 25% on average - of public servants are very inadequately qualified and urgently need refresher and upgrading training**. Some may be untenable and need to be replaced. Such a process of training, selective retirement and recruitment is - self evidently - not cost reducing.
6. **Public service pay has deteriorated to the extent that official payments (even including afterwards) leave over half below the household poverty line and in many countries for a majority they are below the absolute poverty line for a household of six** (varying from perhaps \$60 per month in Ethiopia, \$80 in Tanzania and Mozambique, \$100 plus in Rwanda, \$120 - 150 in Mali). Indeed perhaps a quarter of Africa's public servants are now paid \$20 - 30 a month including higher proportions of primary school teachers, nurses, water technicians, constables, extension workers.
7. To survive on these wages **public servants and their households must cope**:
 - a. use public service time and materials to earn second incomes (non attendance at - or to - work and pilferage e.g. of vehicle spares or medical supplies);
 - b. collect unauthorised user fees (e.g. for access to offices, for bedpans, for putting stamps on letter and posting effectively, cut price vehicle condition and traffic fares);
 - c. engage in more straightforward bribe taking and related corruption e.g. tax officials sharing the legally required tax take with a portion to the state, a portion to the tax officer and a portion to the non-payer.
 - d. increasing the number of other economically active members of the household.
8. **Except for 'd' all are destructive of professionalism, productivity and/or the access to public services of poor people**. At the base professional/para professional level this is the 'corruption' of need not the corruption of greed. This does not alter its indestructibility but does alter the normative reality (states that fail to pay leading their employees into

temptation can expect not to get the professionalism, productivity and honesty they have so singularly failed to pay for) and the plausible ways to overcome the 'corruption'.

9. Because of coping **most SSA public sector pay scales are below efficiency minimum i.e. higher pay could increase output per unit of salary.** This is evident in most of the Adedeji Report countries where comparable private enterprise sector pay is 3 to 8 times public service. (Teachers and nurses do not have directly comparable opportunities, but often are paid under half private sector unskilled or semi skilled rates.)
10. **Restoration - or a trend toward restoration with an immediate target of two thirds household absolute poverty level as a minimum with, say, 10 times as much for the most senior 1% to 2% of public servants - is a necessary condition** to 'buy out'/end the need for coping and to create an environment in which professionalism and productivity can be restored. It is **not a sufficient condition** - professional standards and procedures training and compulsory attendance at and to work need to be introduced in parallel. (They cannot be introduced first because many - perhaps most - public servants cannot afford to stop coping unless paid more).
11. There is **no realistic option of privatising the basic services listed.** They are not profitable if operated on a broad tending to universal access basis. They fall within what almost all analysts (including the World Bank) would define as **the core roles of enabling governance.**
12. **Domestic social sector groups** (churches, mosques, womens' groups, co-ops, trade unions, community associations) can play a useful role in their provisions. The Christian medical services/government medical services coordination and cooperation in e.g. Ghana, Tanzania and Namibia, which Mozambique is now trying to emulate demonstrate this. They also demonstrate the need for state participation in financing e.g. wages of domestic personnel state, drugs and imported medical supplies as well as the capital projects donors, food and maintenance by users and social sector sponsors.
13. **Technical assistance - as now operated - is part of the problem more than of the solution.** It cuts up an increasing share of transfers to SSA (up to 40% in bilateral flows). It often exceeds domestic public service wage and salary bill - by up to 3 to 1 in Tanzania

and 7 to 1 in Ethiopia. Up to half merely replace (at an average all in cost of over \$100,000 a year) citizen professionals driven out by low pay (who would stay or return at \$6,000 to \$7,000) which is a very poor bargain now and corrosive of national capacity. Another quarter are largely unuseable because they prepare advice (often duplicating that of citizen personnel) which lacks of resources (middle level personnel, complementary goods e.g. textbooks, pump spares, and base level personnel attendance and morale) render quite unimplementable. The last quarter are often very valuable - genuinely filling gaps and complementing citizen expertise in a capacity building way. However, in some SSA countries there is a growing (if often concealed) backlash against all ta up to viewing it as a northern open air relief scheme for otherwise unemployable professionals which compromises the effectiveness of the key 25%;

14. **Massive insertion of external NGOs to run competitive or replacement basic services is even more downward spiral creative.** They substitute for (and are frequently blatantly hostile to) domestic social sector service providers. They refuse to coordinate with government and domestic social sector providers so rendering coherent strategies, institution building and division of labour impractical. Further - because of their lavish use of expatriates and fragmentation of services - they are cost inefficient. In Mozambique - using UNDP and Budget data - NGO's spend twice as much on health services as the Ministry of Health and provide a fifth as many services. No serious claim is made that their services are of substantially higher quality. An even worse backlash is building up in some countries not least among domestic social sector actors;
15. **Cost sharing with users** (sometimes rather deceptively marketed as "participation") has **real but limited potential.** Probably 15% to 20% of primary education and health costs could be covered albeit 25% to 100% of primary water (where new public alternative have high cash costs in cities and high labour opportunity costs in rural areas). Even at that level problems of workable exemption provisions to allow universal access arise. Further point of use fees for services which provide future income (education) or in which expense is at the time income is lowest (health) have serious economic objections. Basic service unit contracts with user communities to provide (through their own structures) packages of labour, food, materials, furniture and cash of - say - 15% of health and education and

25% to 50% of water costs might be more promising as to revenue and efficient in access, and more narrowly economic, terms;

16. **External soft finance is in fact (even if less generally on its face) not useable to pay minimum efficiency level wages and salaries.** This is not economically efficient in cases in which low pay is destroying basic service capacity and pushing out citizen professionals where posts become vacant or are filled by 10 to 20 times as expensive technical assistance personnel;
17. Schemes to **top up individuals directly** (often ill disguised attempts to buy their commitment to the payer's preferred programmes at the expense of the rest of their duties) or **limited to the top 2% (or graduates only)** - who then have middle level gaps and base level cadre of low morale with whom to work - are **not a viable way forward**;
18. What is needed are **donor/government agreements on appropriate public sector pay scales** and then on an **appropriate overall budget with concessional transfers useable - within these parameters - for pay, complementary services and supplies, capital projects, technical assistance and support of complementary domestic social sector programmes with allocation among them basically a recipient decision**;
19. Understanding of the **cancerous nature of sub-subsistence (and at higher levels nil incentive) pay** has been **hindered by the nature of most civil service reform programmes**:
 - a. they began as desperate scorched earth, downsizing, cost cutting exercises which - except where substantial numbers of ghost workers could be exorcised - yielded very low fiscal gains at high scarce personnel and political costs;
 - b. subsequent explanations turned to more sophisticated restructuring but largely in a organisation and methods context;
 - c. more basic consideration of what services to whom the state should provide over what time period and what the personnel numbers, qualification and pay implications were often came up to five years after the programme's start (and usually on domestic initiatives initially opposed by - e.g. - the World Bank),

- d. so that the two most far reaching studies - Ghana and Tanzania - are only now nearing completion and submission for political decision and implementation in the 14th and 11th years of their respective structural adjustment programmes;
20. The **logical lead and coordinating agency for public service pay level analysis, target setting and resource mobilisation** (and associated government/domestic social sector goal and - therefore - personnel target analysis and advice) **would be UNDP**. In general (exceptions exist) it has not do date played it concentrating on other aspects of public institutions and public services which - however important - cannot succeed unless and until the nexus of don't pay/don't get so broken;
21. **Nothing in the above argues that more pay alone is sufficient**. It is only necessary but that alone is ample reason to give it more attention - and external resources.

III

NOTES TOWARD MAPPING A WAY FORWARD

The hypotheses set out have moved from being **met with incredulity in 1990** through **sceptical interest to about 1995** to a **growing acceptance in principle** (shadowed by doubts as to practicability of implementation by weak governments or medium term sustainability from domestic resources) at presence. It is now appropriate **to move to devising and beginning implementation of country programmes** - indeed several SSA countries have done so albeit with very limited international cooperation and therefore severe problems of achieving sustainable short term progress.

Details will vary significantly from country to country but a number of guide markers can be set out:

1. **Raising pay initially** (for the worst cases) to two thirds household absolute poverty line minimum for professionals, para professionals and skilled personnel with a range up to about 10 times that for the top 1% - 2% of public servants i.e. \$40 - \$100 maximum;

2. **Reducing the range of allowances** to those which really do reimburse expenses with the notable exception of housing provision at 10% to 15% of pay where this is long standing, fairly widely available and, when initiated, was near an economic rent;
3. In parallel **restoring professionalism** in procedures and structures **and productivity** (attendance at and to work and simple output proxies related to sector and context). **Where this cannot be done for all sectors at once phasing in the pay - professionalism - productivity package sector by sector over 2 to 4 year may be appropriate;**
- 4 **Exploring user/community supplements** in goods and services e.g. decent, affordable housing in rural areas as well as provision of food and assistance with public servant household members agricultural and house maintenance workers part of a package of user/community contributions in cash, labour or goods toward unit budgets;
5. Seek to build up **coordinated provision of complementary basic services by domestic social sector bodies** (mosques, churches, women's organisations, cooperatives, trade unions and community/neighbourhood associations) on the basis of cost sharing (personnel training, suppliers and pay being the main central government contributions);
6. **Costing the changes.** In some cases they will entail 100% wage and salary bill and 20% to 30% of total recurrent spending increases to reach the efficiency minimum at present service provision levels with say **2.5% a year growth to parallel population; 3% a year to push basic service provision toward universal access and 2% to continue real pay increases** to a floor equal to the household absolute poverty line ceiling 8 to 10 times as high. In addition supplies (e.g. drugs, texts, chalk, water spares), mobility (whether bicycles or vehicles plus spares and fuel), training (initial, upgrading and refresher), repairs and maintenance are likely to require a 10% initial increase in recurrent spending;
7. **Reallocating external finance** - e.g. reducing technical assistance personnel spending by at least 25% (the ta replacements for professionals driven out by low pay), reallocating basic service provision (including emergency relief distribution) finance to foreign NGOs to government, local government or domestic social sector institutions as rapidly as possible and freeing general or sectoral balance of payments and budget support finance

for use in paying efficiency level wages and salaries (as well as for other priority uses) and - in some sectors such as education and health - reallocating some of present capital budget assistance to recurrent;

8. To make such shifts **increase - rather than erode - accountability and additionality**, concessional finance providers and government would need to agree new public service pay structures and overall recurrent budget allocations and expenditures. Literal follow-up of individual recurrent financial provisions to particular bills is neither practicable nor relevant to efficiency and accountability so long as principles and allocations (*ex post* as well as *ex ante*) are agreed and 'leakages' are squeezed down;
9. **Domestic revenue** initially needs to be raised primarily **from reducing the 20% to 33% of existing taxes which go uncollected** and whose recovery could enhance domestic recurrent revenue by 25% to 50% (more in nearly collapsed states). That **implies pay - performance - professionalism - training packages for tax officers** (including base level inspectors and tax constables). This may require a special tax service - not because of somewhat doubtful gains from tax collection autonomy from Treasuries but to ensure early revenue base restoration by paying for harvest, energetic, informed collection. In the longer run fiscal growth must be made adequate to reduce external recurrent budget dependence in general as well as for public service pay. **Most SSA countries need to reach 5% to 6% trend output growth to avoid economic and social implosion and political erosion or explosion**. Even most present SSA tax systems are mildly output growth buoyant so that such output growth would lead to **7% to 9% real domestic recurrent revenue growth**. If divided 2.5% to maintain per capita levels, 3% to expand access, 2.5% to 3% to reduce external dependence such a growth-rate does offer a bridge toward sustainability;
10. **UNDP can and should play a catalytic role** at country level (with governments and external resource providers) in discourse, analysis, participating in costing and mobilisation programmes.

A growing number of SSA government initiatives exist. In the Horn, Ethiopia, Eritrea and Somaliland - on their own analysis and out of their own funds - have set out to restore or recreate professionalism and productivity with \$50 - 5000 monthly service pay scales as

central component. Here initial peace dividends are largely exhausted and short term sustainability may well depend on enhanced external allocations to this priority. In Tanzania the resource constraints on the 1995 - 6 real doubling of lower and middle level public service pay (to about \$50 a month at the base) are even more resource constrained with the possibility that augmenting complementary training, complementary materials and mobility support may now be as crucial as resources directly allocated to pay. Uganda has altered its programme from one concentrated on the graduate level enhancements, sometimes cutting allowances (primarily housing) by more than salary increases and depending too heavily on direct use to public servant payments, to a much broader approach but still seems over-dependent on non-government payments to basic service personnel. These initiatives demonstrate three things:

1. **Some - perhaps many - SSA governments do back pay - productivity - professionalism packages and give them enough priority to reallocate domestic resources to them;**
2. **Relatively speedy first stage programme design is feasible and can be implemented;**
3. **Sustainability** of present initiatives and pushing them forward appears to be **dependent** (in at least four of the five cases - Uganda may be a partial exception) **on enhanced external support**, especially over the next five years to allow domestic revenue growth from better enabling governance (basically output expansion and effective tax collection) to reduce the degree of external budgetary dependence.

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