

Civil Servants Salary Structure

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Guiding principles of the salary structure in Pakistan

- ➔ The salary structure of Pakistan can be classified as the “rank-in-man” category
- ➔ The principle underlying civil servant salary in Pakistan has been summarized as, “overall narrowing of the salary structure and provision of a living wage to the lowest paid employees.”

Guiding principles of the salary structure in Pakistan (contd.)

- ➔ On the issue of wage parity between government employees and other sectors the 1949 Pay Commission headed by Justice Munir, when discussing the principles for determining civil service pay in Pakistan, noted that: “ We do not think it to be a right policy for the state to offer such salaries to the servants as to attract the best available material. The correct place for our men of genius is in the private enterprise and not in the humdrum of public service where character and a desire to serve honestly for a living is more essential than outstanding intellect. We cannot therefore prescribe our pay scales with the object of attracting to public service all the best intellect in the country.”

The Pay Scales

- ➔ The pay structure comprises of twenty-two basic pay scales (BPS) adopted by the 1972 Civil Services Reform Commission.
- ➔ These scales favour the higher grades both in terms of the ratio of highest paid to the lowest paid as shown in Table I.

The Pay Scales (contd.)

The absolute difference between the minimum salaries of grades 1-10 remains less than one hundred rupees, except for grade 9.

Length of the pay scales

- ➔ The length of the pay scales is reflected in the number of stages to reach the maximum of the scale as shown in table 1.
- ➔ The stages in achieving the maximum of a scale in the 1991 and 1994 pay awards have been doubled from 15 to 30 stages in 2001 and 2005 for grades 1-16, increased by more than half for grade-17, doubled for grades 18 and 19, and increased by less than half for grades 20-22 compared to that in the nineties.

Length of the pay scales (contd.)

- ➔ The long pay scales are inefficient and uneconomic.
- ➔ However the long scales are desirable considering that shorter scales would require rapid promotions as too many people would be stagnating at the maximum of the scale.
- ➔ This implies that prospects for promotion influence the length of scale and the expansion of pay scales from 15 to 30 stages is perhaps due to insufficient posts in all the grades.

Length of the pay scales (contd.)

- ➔ It is important to note however that besides the annual increments career advancement requires a reasonable number of promotions as one works his/her way through the career path.
- ➔ For every job there is a given time span, within which an individual becomes the most efficient worker, and beyond that diminishing returns start to set in.

Length of the pay scales (contd.)

- ➔ A person on the same job for 15 or more years with no prospects of improvement in his living insight is bound to lose all motivation to work over the coming years, consequently, the correlation between the length of service and performance may fall to zero and then turn negative.
- ➔ The continued payment of increments in this scenario would be unacceptable under the rank-in-post structure. The rank-in man system of civil service accepts it as a compensation for the person-element, length of service.

Overlapping of pay scales

Scales overlap when the maximum of one scale is higher than the minimum of the next higher scale(s). In principle, in the advanced industrialized countries federal service salary scales do not overlap by more than two higher scales.

Overlapping of pay scales (contd.)

- ➔ Table III shows that the lowest 6 grades overlap by 10-11 grades while the top four grades overlap by 1-3 grades.
- ➔ Between grades 7 to 18 overlapping worsened or remained constant over the period 1991-2005.
- ➔ The overlapping of scales permits staff in lower grades to earn the same salary as personal in higher grades. Thus overlapping of scales undermines the linkage between pay and work.

Increments

- ➔ Since the civil service involves a life long career with the government it is considered obligatory to provide regular increments to the employees to enhance their earnings with rising age and family responsibilities, regardless of any change in duties.
- ➔ Secondly it is believed that these increments contribute to efficiency and help retain experienced workers.

Increments (Contd.)

- ➔ Generally an increment has to be earned by way of crossing some efficiency bar but in Pakistan the 1983 Pay Commission abandoned the clause of efficiency bar on the grounds that it was not observed, and increments have since been granted virtually automatically with some exceptions.
- ➔ This automatic grant of the increments without consideration to performance obviously has adverse effects on motivation and efficiency compared to when it is earned.

Increments (contd.)

- ➔ Pakistan has one flat rate per scale and no efficiency bar to be crossed, therefore as an employee moves along the scale his percentage increase in salary from successive increments falls when we consider increments as a percent of basic salary.
- ➔ This is contrary to the situation in 1972, 1977, and 1981 pay scales when the flat sum was raised after an intermediate level had been reached. An efficiency bar always had to be crossed in the form of a satisfactory special report on performance to receive the larger sum.

The regular allowance structure (Housing)

- ➔ Housing facility to the federal government employees falls into three categories; i) those who make their own living arrangements instead of renting house on government account and get 50 percent of the basic salary as housing subsidy; ii) those who requisite houses in the open market according to the rental ceiling allowed by the government for each grade; and iii) those who are provided government accommodation.

Housing (Contd.)

- ➔ House rents have been increased four times at a declining rate over the period 1991-2005 as shown in Table IV.
- ➔ In section c of Table IV it is interesting to see that grouping together of grades for house rent has a serious anomaly, the higher salary results in lower house rent entitlement upto grade 18.
- ➔ This erosion has serious implications for the very poor households in the lowest grades, indeed it looks very awkward for grades seventeen and eighteen.

House Rent

- ➔ House rent is still the most valuable cash allowance for employees renting houses, but this facility pales in comparison to the physical government housing.
- ➔ Grade-22 officer renting his own house or any house at the official entitlement in Islamabad gets Rs.16,962/- but the government house, for the same grade has an imputed rental value of around Rs.200,000 in any sector of Islamabad.
- ➔ It is an open secret that many people in top positions live in government housing while their own houses (generally in the name of spouses) are rented out at market rates.

Conveyance Allowance

- ➔ The absolute amount of conveyance allowance, its rate of increase over time, and the allowance as percentage of basic salary for all grades are shown in Table V (a, b, c).
- ➔ As in case of house-rent when calculated as a percent of the basic salary this practice results in losses to employees of higher grades. The loss is particularly more pronounced between grades 16-20. This practice of lumping grades for house rent and conveyance allowances is rather ambiguous.

Conveyance Allowance (contd.)

- ➔ The conveyance facility of grade 21-22 for official and private use includes tax free cars of 1000 and 1300cc respectively; fully indexed fuel of 180 and 360 litres per month, full maintenance and repairs, as well as uniformed drivers. It will be seen from Table 6 that in 2005-06 only the fuel payments add up to 50 and 94% of the basic salaries of the two grades respectively.

Grade-Specific Allowances

- ➔ The grade-specific allowances include Washing allowance for employees in Grades 1-4; and Entertainment allowance, Senior post allowance, and Orderly allowance for Grades 20-22. Entertainment allowance has also been granted to grade-19 in the last pay revision.
- ➔ Orderly Allowance was introduced in 1985-86 and was initially admissible only if an orderly for domestic duties was actually hired. This was meant to promote employment of lower-income groups. However, this condition was waived later and Orderly Allowance is now part of the salary.

Real Wages 1990/91 to 2005/06

- ➔ The revision of salaries in June 1991 resulted in higher real wages for all grades in 1991/92 but in the next year all grades above 10, except for 13, faced erosion in their real salaries.
- ➔ The July 1994 revision led to gains for grades 11-15 also but beyond that real wages of all grades declined. However the gainers were reduced to grades 1-4 in the next year (1994-95).

Real Wages 1990/91 to 2005/06

- ➔ Despite the 7% cost of living allowance in July 1999 real wages for all grades declined.
- ➔ The adhoc relief of Rs.300 to grade 1-16 in March 1997 resulted in gains for grades 1, 2 and 4 (grade 3 may be loosing on account of clubbed house rent and conveyance allowance). Real wages of all grades continued to decline in the next two years.
- ➔ The 25% special additional allowance for grades 1-16 and 20% for grade 17-22, in July 1999 resulted in an increase in real salary for grade 1 while that of grade 2 was constant.

Real Wages 1990/91 to 2005/06 (contd.)

- ➔ Before looking at the salary revision of 2001, it is important to point out that such massive erosion in real salaries was due to persistent double digit inflation from 1991/92 to 1996/97 (between 11-13% except for 1991/92 when it is 9%).
- ➔ The revision of salaries in 2001 by and large resuscitated only grades 1, 2 until 2005, and for only two years real salary of grade 4 also increased.

Real Wages 1990/91 to 2005/06 (contd.)

- ➔ Finally the revision of 2005 (July) showed gains for grades 1-4 (with the exception of grade 3) and grade 22 only. The latter may be explained by the exceptionally high increase in the senior post and entertainment allowance for the highest grade.
- ➔ Overall the position of almost all grades deteriorated after 1994-95 with minor exceptions.

Conclusion

- ➔ There are serious anomalies in the present pay structure and in the allocation of cash and in-kind benefits.
- ➔ Lengthy, overlapping pay scales with automatic payment of increments weaken the linkage between pay and work.
- ➔ The grant and allocation of allowances has its own ambiguities leading to serious distortions in remunerations among grades.

Conclusion (contd.)

- ➔ Indeed this system of perks has many drawbacks.
- ➔ Although the paper shows a decline in real wages for almost all grades after 1994/95 (except for grade 22 in 2005) certain caveats need to be noted with respect to the highest grades.

Conclusion (contd.)

This calculation of salaries of two highest grades does not account for all the perks in detail. For example, it includes only the price of petrol entitlement of one car officially allowed, and we cannot account for the unlimited use of telephone at residence for the highest grade.

Conclusion (contd.)

Moreover it is a common practice by the top bureaucrats to get themselves posted as heads of public corporations and as board members of local and international financial institutions where perks, particularly in-kind, are enormous. If all such elements could be captured the real salaries of the higher grades would always be very high.

Costing of the two highest grades

Conservative Scenario

Basic min salary	Monthly Petrol entitlement	Driver's pay excluding Cost of Uniform and overtime	Average Monthly maintenance of car	Token Tax	Monthly house rent entitlement	Grade specific allowances Total/month	Residence telephone facility per month	Relief Allowance Total/month	Total allowances	Total Allowances as % of basic salary	Total Monthly Salary
BPS 21, May 2006											
18,750.00	9,482.00	5,673.00	2,500.00	29.00	14,174.00	4,275.00	4,620.00	6,930.00	47,683.00	254.31	114,116.00
BPS 22, May 2006											
20,055.00	18,965.00	5,673.00	3,500.00	29.00	16,962.00	4,950.00	Unlimited	7,412.00	57,491.00	286.60	135,037.00

Conservative Scenario

These estimates need to be adjusted for:

Lease payments of cars per month

Imputed rent per month for government housing for these two grades.

The monthly lease payments with 10% mark-up for 3 years tenure amount to:

Rs.20623/ for 1000 c.c. car.

Rs.45691/- for 1300 c.c. car

The imputed rent of government housing for these grades in different sectors of Islamabad given their location, structure, accommodation (inclusive of orderly accommodation), prompt delivery service (i.e., maintenance, garbage collection, street lights, water supply etc.) would fetch Rs.150,000 to 200,000. Indeed the property dealers say that whatever sector is shared by government housing property value in that sector rises fast. 0

Costing of the two highest grades

Adjusted Scenario

Basic min salary	Monthly Petrol entitlement	Driver's pay excluding Cost of Uniform and overtime	Average Monthly maintenance of car	Token Tax	Monthly house rent entitlement	Grade specific allowances Total/month	Residence telephone facility per month	Relief Allowance Total/month	Monthly lease payments for cars	Total allowances	Total Monthly Salary
BPS 21, May 2006											
18,750.00	9,482.00	5,673.00	2,500.00	29.00	200,000.00	4,275.00	4,620.00	6,930.00	20,623.00	47,683.00	272,882.00
BPS 22, May 2006											
20,055.00	18,965.00	5,673.00	3,500.00	29.00	200,000.00	4,950.00	Unlimited	7,412.00	45,691.00	57,491.00	306,275.00

Adjusted Scenario

The adjusted scenario is still not “fully adjusted” because some things still remain unaccounted for:

- ➔ Do the officers strictly adhere to the use of only one car at all times both for official and private.
- ➔ For the highest grade what would be the possible ‘limits’ to the unlimited use of residence telephone.
- ➔ The emoluments and perks received/earned by being member of boards of different national and international corporations and financial institutions.

Recommendations

- ➔ The only way out of this maze of existing salary structure is to monetize all the perks at the market rate and add to the basic wage fully indexed. This begs the question: how to determine the salaries after that?
- ➔ Government in industrialized market economies have generally taken the level of pay in other employing sectors as the basic point of reference when determining the remuneration of their employees.

Recommendations (contd.)

Paying the civil servants at the same rate for the job as private companies, and sometimes public enterprises as well, is considered fair to employees, to tax payers and to the government as an employer who wants to attract, and retain a motivated staff to work efficiently.

Recommendations (contd.)

- ➔ Although wage parity for Pakistani civil servants was ruled out in 1949 by Justice Munir Pay Commission, however in the present day world it is evident that intelligent managers are the need of the civil service. Only right people in the right places can put this distorted corrupt and inefficient structure back in place.
- ➔ All recommendations to this effect have so far been brushed aside on the pretext of lack of resources?

Recommendations (contd.)

The three possible avenues available are:

- ➔ Privatize all government housing and cars, rent out at market rates, or sell out all government structures as well as land given at very subsidized rates to the persons in top positions.
- ➔ It is high time we as a nation started looking at things in the long run perspective: the improvement in the long-run productivity due to salary increases will start paying up for the initial expenditures undertaken.
- ➔ Avail the donor resources on civil service reforms.