

MEDIA COVERAGE



PIDE

Pakistan Institute of Development Economics

www.pide.org.pk

**LIFE TIME
COST OF
PUBLIC
SERVANTS**

2023
REPORT

Service
Tax

NADEEM UL HAQUE
MUHAMMAD AJMAL KAKAR
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Web Editions

Dawn

<https://www.dawn.com/news/1781276/public-servants-cost-national-kitty-over-rs8tr-study-reveals>

The News

<https://www.thenews.com.pk/print/1119586-report-shines-light-on-huge-disparity-between-govt-employees-salaries>

Tribune Express

<https://tribune.com.pk/story/2441311/study-reveals-burden-of-new-recruits-on-national-budget>

<https://tribune.com.pk/story/2441383/grade-17-officer-costs-govt-rs245m-report>

Pakistan Today

<https://profit.pakistantoday.com.pk/2023/10/16/amendments-proposed-to-pension-rules/>

Geo TV

<https://www.geo.tv/latest/514677-report-shines-light-on-huge-disparity-between-govt-employees-salaries>

Dunya News

<https://dunyanews.tv/amp/english/763117.php>

Dawn News

<https://www.dawnnews.tv/news/1213706>

Daily Jang

<https://jang.com.pk/news/1279053>

Independent News Pakistan

<https://inp.net.pk/news-detail/pakistan/pkr-245-million-require-by-the-state-to-afford-a-grade-17-officer-for-a-period-of-thirty-years>

DNA News Agency

<https://dnanews.com.pk/life-time-cost-of-public-servants/>

Urdu Point

<https://www.urdupoint.com/en/pakistan/pide-conducts-study-on-life-time-cost-of-p-1756772.html>

Islamabad Post

<https://islamabadpost.com.pk/life-time-cost-of-public-servants/>

Pakistan News International

<https://pni.net.pk/en/latest-business-news/pide-conducts-study-on-life-time-cost-of-public-servants/>

Centerline

<https://centreline.com.pk/2023/10/15/life-time-cost-of-public-servants/>

The Current

<https://thecurrent.pk/bureaucracy-costs-rs-8-trillion-to-treasury-survey/>

LIVE Mint

<https://www.livemint.com/news/world/pakistans-annual-expenditure-on-public-servants-is-over-pkr-8-trillion-report-11697474857820.html>

Daily Frontier Star

<https://dailyfrontierstar.com/pide-conducts-study-on-life-time-cost-of-public-servants-2/>

Print Editions

DAWN

October 16, 2023

Public servants cost national kitty over Rs8tr, study reveals

Pide says PAS favoured with 'non-monetary benefits and better appointments'

By Khaleeq Kiani

ISLAMABAD: The federal government spends over Rs8 trillion on paying its 1.92 million employees and providing pensions on top of over six dozen kinds of perks, privileges and other dole outs, yet knowing little about their contribution, outcome and impact on taxpayers.

While the judiciary gets the highest in perks, it is the Pakistan Administrative Services (PAS) — erstwhile DMG — that manipulates special benefits instead of allowing the professionals of other cadres to excel and return the taxpayers with outcomes.

This is the crux of the latest study conducted by a five-member team of state-run Pakistan Institute of Development Economics (Pide) led by Nadeemul Haque.

"In Pakistan...the cost of paying these employees is about Rs3 trillion, and pensions cost about Rs1.5 trillion. Project workers, people working in government companies, and other organisations cost approximately another Rs2.5 trillion" while the total amount spent on wages and salaries of the military becomes around Rs1tr, the study, titled 'Life time Cost of Public Servants', said.

Pay scale revision

It said the Basic Pay Scale (BPS) of 1983 had undergone a series of revisions, with a total of 12 updates implemented since its inception — the latest revision in 2022. "Sadly, none of these revisions were based on modern human resource principles to develop modern public sector incentives

with market conditions and the needs of modern management,"

It said the BPS system continued with the socialist one-pay scale structure across the entire public sector with a few minor tweaks but PAS was increasingly favoured with non-monetary benefits and better appointments. The technical or professionally skilled remain sidelined in terms of grades and in terms of non-monetary benefits. While the national pay scales later sought to enter the system to lateral entry to BPS for technical or sector specialists in management payscales and special payscales (MPs & SPS) but this was made difficult and yet "all subservient to PAS".

The study on perks and benefits of civil servants concluded that as generally believed, civil servants are not at a salary disadvantage; in fact, there was a lot more which never reflected on their salary slips.

The study noted that with higher grades,

the proportion of cash allowances in pay and quantified perks in the total cost increases and government housing facility, given as an in-kind benefit, has never been accounted for in the total cost of the civil servants.

The use of official vehicles for personal use by grade 20-22 officers increases the total cost by more than 1.2 times the basic pay. In addition are the medical allowances and medical bills reimbursements.

The study noted, "Perks and different allowances add to the total cost of civil servants substantially, and if monetized, would break the myth of low salaries in the public sector. The judicial employees receive the highest number of perks... The secretariat and other ministries' staff also gain 150pc of their basic salary as an allowance."

Unproductive employees

Pakistan is facing a growing financial challenge due to the high number of non-

productive government employees. Politicians pride themselves on placing their favorites in the public sector knowing that the taxpayer has no say in the process and will pay the cost. "Yet no one looks at what the cost of this dirigisme politics is! Not only are most political employees mostly employed in positions where they are not productive, they are also a drain on the budget," the study found out.

The cost of bad recruitment can be significant, both in terms of financial losses and the opportunity cost of lost opportunities. The employment practices of political governments in developing economies often stem from a combination of political motivations, short-term focus, lack of economic expertise, and societal expectations. While immediate job creation can have positive effects, it's crucial ...[to] strike a balance between short-term gains and sustainable fiscal policies, it concluded.

Govt employees salaries

Continued from page 1

done by the Pakistan Institute of Development Economics (PIDE) titled "Life Time Cost of Public Servants" revealed on Sunday.

The aggregate ratio encompassing salaries, perks and benefits, and operating expenses for BPS 22 employees is significantly greater than that of BPS 1 employees, at a ratio of 32.52 times. This indicates a substantial disparity in perks, benefits, and operating costs, with a considerable chasm between the highest and lowest salary levels.

According to the Pakistan Bureau of Statistics, the latest headcount of federal government employees in Pakistan is 1,374,911 as of December 2022. This number includes civilians, armed forces and autonomous/semi-autonomous/corporations.

In Pakistan, the government spends ample amount of money on paying its employees and providing pensions: The cost of paying these employees is about Rs3 trillion, and pension costs about Rs1.5 trillion. Project workers, people working in government companies and other organisations cost approximately another Rs2.5 trillion. The salaries for the military and the total amount spent on wages becomes around Rs1 trillion.

With higher grades, the proportion of cash allowances in pay and quantified perks in the total cost increases. Government housing facility, given as an in-kind benefit, has never

been accounted for in the total cost of the civil servants nor its opportunity cost to the government has ever been calculated. The use of official vehicles for personal use by Grade 20-22 officers increases the total cost by more than 1.2 times the basic pay. Medical allowances and medical bills reimbursement add over Rs2.5 to Rs3 billion to the medical bills. Perks and different allowances add to the total cost of civil servants substantially, and if monetised, would break the myth of low salaries in the public sector.

The Pakistan Institute of Development Economics (PIDE), a premier national think tank's current study has investigated the burden that each newly recruited individual (ranging from Grade 1-22) brings on the national budget.

However, politicians raise political slogans of offering public employment to substantial number of individuals, without acknowledging that government's job is to create new opportunities and not offering jobs. However, politicians by providing employment opportunities to many individuals, especially within their own party or patronage network, can cultivate a base of supporters who are more likely to vote for them in elections.

In the findings of the study titled "Life Time Cost of Public Servants", it is identified that the net present value of a Grade-1 employee hired in July 2023 would be Rs8.1727 million including salary & pension, perks & benefits and operating cost

respectively.

It has also been calculated that the sums of Rs49, Rs136, and Rs245 million will be required by the State of Pakistan to afford a Grade-17 officer for a period of thirty years.

These sums represent what the state and government of Pakistan will have to spend on a worker. This prompts the question of whether or not we have sufficient revenue streams to support the compensation for the next 30 years; if not, it's a good time to pause and consider the implications of adding a new worker to the system, given that the State of Pakistan and the government will be responsible for covering the cost through taxation.

According to the press release issued by the PIDE, it was said that to break free of its debt spiral, Pakistan needs long-term planning; salaries and pensions are the major expense for the institute, so PIDE has proposed being extra careful and cost-effective before deciding to keep an employee. This way, the institute can figure out how it can afford to pay the person for the rest of his or her working life.

It is essential for governments to evaluate the long-term financial implications of immediate job creation and to find a balance between short-term benefits and sustainable fiscal policies. While the creation of immediate jobs can have a good effect, it is equally important to note that rapid job creation can have negative effects.

Report shines light on huge disparity between govt employees salaries

Pay, perks, operating expenses of BPS-22 officers over 32 times more than those of BPS-1 employees

By Mehtab Haider

ISLAMABAD: The combined ratio of salaries, perks and operating expenses is much higher for upper grades from 17 to 22 compared to lower

grades.

"The combined ratio of salaries, perks, and operating expenses is much higher for BPS-22 employees getting 32.52 times from BPS-1 employee. This suggests that

perks and benefits and operating expenditure are highly compressed, with a large gap between the highest and the lowest salaries," a study

Continued on page 4

Politicians ‘promise jobs’ to get votes

PIDE study highlights burden on budget from training of new recruits

OUR CORRESPONDENT
 LAHORE

A recent study conducted by the Pakistan Institute of Development Economics (PIDE) has brought to light the significant financial burden placed on the national budget by newly recruited individuals

ranging from Grade 1 to Grade 22. The study, titled “Lifetime Cost of Public Servants,” also uncovered that politicians often make promises of public employment without taking into account the government’s role in creating new opportunities rather than solely offering jobs.

However, the study also suggests that by providing employment opportunities, particularly within their own political party or patronage network, politicians can build

a base of supporters who are more likely to vote for them in elections.

According to the study’s findings, the net present value of a Grade-1 employee hired in July 2023 would amount to Rs8, 17, 27 million. This includes various components such as salary, pension, perks, benefits, and operating costs. In a similar vein, it was calculated that the state of Pakistan would need to allocate Rs49 million for a Grade-17 officer over a thirty-year period.

These figures raise questions about whether the country possesses sufficient revenue streams to support this compensation for the next 30 years. The statement underlines the importance of pausing and reflecting on the implications of adding a new worker to the system. It is crucial to remember that the state of Pakistan and the government will be responsible for covering the cost through taxation.

The statement emphasises the

necessity for long-term planning to help Pakistan break free from its debt spiral. It suggests that the institute carefully consider the cost-effectiveness of retaining an employee before making a decision.

“PIDE has proposed a prudent and cost-effective approach before making decisions about retaining employees. This way, the institute can assess how it can afford to sustain the person’s employment throughout their working life.”

October 16, 2023

Lifetime Cost of Public Servants

ISLAMABAD: Pakistan Institute of Development Economics (PIDE), A Premier National Think Tank's current study has investigated the burden that each newly recruited individual (ranging from Grade 1-22) brings on the national budget. However, politicians raise political slogans of offering public employment to substantial number of individuals, without acknowledging that Government's job is to create new opportunities and not offering jobs. However, politicians by providing employment opportunities to many individuals, especially within their own party or patronage network, politicians

BPS	Salary & Pension Expenditure (30 Years)	Salary & Other benefits (30 Years)	Salary, benefits and Operating Expenses (30 Years)
1	8.0 million	17.0 million	27.0 million
17	49.0 million	136 million	245 million

can cultivate a base of supporters who are more likely to vote for them in elections.

According to the findings of the study titled "Life time Cost of Public Servants", it is identified that the net present value of a Grade-1 employee hired in July 2023 would be PKR 8, 17, 27 million including salary & pension, perks & benefits and operating cost respectively.

It has also been calculated

- PKR 49, PKR 136, and PKR 245 million will be required by the state of Pakistan to afford a Grade-17 officer for a period of thirty years.
- Politicians by providing employment opportunities cultivate a base of supporters.
- It is essential for governments to evaluate the long-term financial implications of immediate job creation and to find a balance between short-term benefits and sustainable fiscal policies.

that the sums of PKR 49, PKR 136, and PKR 245 million will be required by the state of Pakistan to afford a Grade-17 officer for a period of thirty years.

These sums represent what the State and Government of Pakistan will have to spend on a worker. This prompts the question of whether or not we have sufficient revenue streams to support the compensation for the next 30 years; if not, it's a good time to pause and consider the implications of adding a new worker to the system, given that the State of Pakistan and the government will be responsible for covering the cost through taxation.

According to the Press Release issued from PIDE, it

was said that to break free of its debt spiral, Pakistan needs long-term planning; salaries and pensions are a major expense for the institute, so PIDE has proposed being extra careful and cost-effective before deciding to keep an employee. This way, the institute can figure out how it can afford to pay the person for the rest of his or her working life.

It is essential for governments to evaluate the long-term financial implications of immediate job creation and to find a balance between short-term benefits and sustainable fiscal policies. While the creation of immediate jobs can have a good effect, it is equally important to note that rapid job creation can have negative effects.

Life time Cost of Public Servants

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DNA

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The
Frontier Post

October 16, 2023

Study on 'Life time Cost of Public Servants' held

F.P. Report

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However, politicians raise political slogans of offering public employment to a substantial number of individuals, without acknowledging that the Government's job is to create new opportunities and not offering jobs, said in a press release here on Sunday.

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Total	49.0 million
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Grade-1 employee	245 million

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PIDE conducts study on ‘Life time Cost of Public Servants’

FRONTIER NEWS

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TIMES REPORT

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TODAY'S MUSLIM

PIDE conducts study on 'Life time Cost of Public Servants'

T M Report

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