



Webinar Brief No. 6:2020

THE STATE OF CIVIL SERVICE REFORMS

Preamble

Weak institutions, flawed democracy, over-regulated markets, and competence of the civil services are the key challenges to economic growth in Pakistan. Without good institutions and public sector delivery, we cannot accomplish economic development in the country.

PIDE has generated an extensive national debate on civil service reforms to suggest policy guidelines to the government. Dr. Ishrat, *Head of National Task Force on Institutional Reforms* has provided his detailed views on the current state of the Civil Service Reforms. A three-fold approach will shape the civil services structure.

I. Economic Governance Reforms

The first approach is going to look at the few key economic governances such as the State Bank of Pakistan (SBP), Security Exchange Commission of Pakistan (SECP), Federal Board of Revenue (FBR), Pakistan International Airline (PIA), Railways, and the Competition Commission that are crucial to promoting the private sector development and economic growth in Pakistan.

These institutions need a lot of revamping both in terms of processes and human resources, and technology adoption which enables the service provider to be able to reach the general public without much interaction between the government functionaries and the person physically. Initially, this approach is going to be applied to the selected institutions and the most important of them is the FBR. Unless we try to reorder the FBR structure, processes, human resources, and information technology, we will not be able to bring the change. We will remain dependent on donor agencies.

II. Restructuring the Federal Government

The second reform approach is looking at how many organizations were working under the divisions/ministries. We have no functional and legal classification of these entities. We didn't know why they were established, and what they are doing now.

To proceed with the restructuring, a survey has been carried. The survey findings found that 440 different organizations can be divided into 16 types of entities: autonomous, councils, and so

forth. The reforms have divided these 16 entities into six categories that would be retained by the government. Then there will be only two types of organizational structure. One, the autonomous bodies, and second would be the executive bodies. The philosophy behind this organizational structure was that there will be a clear distinction between policy making, implementation of policies, and regulatory functions. The regulation of function will be completely independent of the ministries because the citizens of Pakistan have the right to approach an independent agency. The operations will be carried out by autonomous bodies that have their board of directors with no interference from the ministry or the executive department which will give the task to carry out their functions. Therefore, this will be the two types of the 330 entities that will be grouped under this. The remaining 110 entities either be privatized or liquidated, merged, given to provinces, or liquidated because some of them are no longer performing the functions for which they were established. This approach has been established already, and now part of the structure of government.

III. *Complete Value Chain Reforms*

The third approach is going to focus on the complete value chain restructuring. The following all the 6 components are interrelated. (1) induction/recruitment (2) training (3) performance management (4) career progression/career planning and promotion (5) compensation and benefits (6) retirement. All have to be worked together to make the capacity and competence of the Civil Servant matched with the job requirement.

1. *Induction and Recruitment*

For induction and recruitment, the new system is trying to create the clusters. For example, for financial services, if you qualify for financial services that include accountants or commerce and trade or taxation, you must have an elective paper in finance and economics to become part of this civil service. Similarly, if you want to opt for police you have to take two electives in criminology and criminal procedure courts. If you want to bow into foreign service, you will take exams in diplomacy and international relations. Therefore, bringing the partial specialization along with the general starters' requirement for induction.

2. Civil Service Training

On the training, one can be surprised that out of 29000 employees, there are 23 000 employees belonging to specialized groups such as economists, engineers, doctors, professors, accountants, etc. They have been treated as second-class citizens in an era where knowledge and innovation are going to drive economic growth. There is no career planning and no training for them, so Cabinet decided for the first time to have the training and organized training. Just like general cadre, their promotion would be linked to performance and training. Ideas of training will be designed by the professionals. The officer will have 5 weeks of work in a generalist environment and spend 5 weeks in specialized academies and training institutes for which they belong.

3. Performance Management

Annual Performance Report (ACR) is subjective and must be replaced by the new performance evaluation policy. According to new policy, performance evaluation is based on the agreement between the Prime Minister and Minister of charge, then the agreement between the minister of charge and secretary.

The performance evaluation report will be based on certain objectives with certain indicators that will be measurable, verifiable, and quantifiable, they will be signed by the officer and the supervisor at the end of the year. If there is any disagreement on the evaluation, it will be escalated by the independent board and an appeal board that listens to both sides and decides what the final rank and performance would be.

Only 20% would be rated as outstanding, 60% will be given average/satisfactory, and below average. This is the bell curve which is decided by ministries. Some of the ministries already carried this out as pilot bases because this is not an easy task. You have to write the job descriptions and then you have to each objective have two to three performance indicators.

The defining of the indicators is not an easy task. This design of performance evaluation would reduce the subjective evaluation that currently places 80% as outstanding while the performance is average or satisfactory in the current setup.

Outstanding
4 Excellent
Very Good
Satisfactory
Below Average

4. *Career planning and Compensation, and Promotion*

In the new system all the cadres and non-cadres are on equal footing. There is no monopoly of one cadre or any particular service group. All the positions of secretary, joint secretary, deputy secretary should be reserved based not on one exam, now it should be open up for everyone. They should be competitive so that they can be accommodated on the equal level of footing in the level playing field.

Promotion will be held based on three indicators: (i) performance report which will carry 40%, (ii) what will be the training outcomes are 30%, and (iii) central selection board headed by the chairman of Federal service commission with all top civil servants chief secretaries, some secretaries, and heads of cadre sitting in collective judgment on the performance evaluation. Now seniority will no longer be a criterion for this kind of promotion.

5. *Compensations and Benefit*

PIDE has assigned a task to come up with a study as to what the compensation would be. The unfortunate situation is that grade 1-16 constitutes 95% of the workforce and they take away 85% of the total wage bill. Now, with the support of e-governance and automation, we should be freezing all cleric jobs. For example, in the current 71000 clerical vacant jobs have been abolished.

The salary saving from this would be used to boost the salaries of the officers who are not getting decent wages in the current setup.

Further, there are too many variations in allowances and perks and benefits, and there are too many exceptions. There is a mismatch between performance and compensations. The PIDE study would help to monetize the benefits and also create a structure where there is fairness and equity. It is essential to go away from the Unified Pay Scales. We must introduce the scarcity premium for the professionals for which we have the shortages. Then re-align the salary structure based on the premium discount on the norm. If you look at the SBP, the starting salary at SBP is 85000 which is equivalent to standard charter and Unilever offers to the students from the top universities.

6. *Retirement and Pension*

Government just introduced the directory of retirement and there is huge resistance which is understandable. There is early retirement scheme after completing 20 years, if officer is not performing well, because of his below-average performance or training and not suitable for continuation of the job or if he/she is superseded three times then he/she will be given the opportunity to improve yourself but they are not able to improve, they will be asked for early retirement.

Pension is becoming an explosive liability for public finances. Government just forms the pay and pension commission in which we want to migrate from the pay-as-you-go system to the defined contributed system. Where officers would contribute to the pension fund, where the officers pay some amounts, and the government makes major contributions. Then contributions would be invested by the managers.

During the discussion, several concerns have been raised over the reform approaches.

- ***There is extreme centralization. Federal, provincials, and local level services are merged at this stage.***
 - In the current system, there are two issues: one is constitutional interpretation is needed to clear. There are three types of civil services: Pakistan, federal, and provincial civil service. The provincial civil service is 4 times higher than the federal civil services. Second, under the quota, more than 650 out of 1700 officers have already been sent to serve the provinces where they belong. If the interpretation of Article 240 in the constitution of Pakistan is clarified, if the Supreme Court orders to dissolve the Pakistan Civil Service, the role of Pakistan Civil Service will be completely abolished.
- ***Will the National Executive Service (NES) end up in an imbalanced federation?***
 - The NES and PES will abolish the monopoly and quota of PAS or CSP. How would NES work? After reaching grade 19 they will compete before the respective public service commission. It will have its share of both generalists and specialists. There will be four groups: one will be the economic group, second technical group,

third, social development group, fourth will be the PAS general cadre. This approach is giving an equal share to each segment.

- ***Centralized government, how much centralization is needed, given the consequences and outcomes.***

- The government is going away from centralization. Local governments are going to be established under the new laws at least in KP and Punjab. This system would have elected mayors and chairman of the district councils, they can appoint their staff from wherever they want. They can bring in it from either the private sector, federal government, or the provincial government. This step would empower the lower tier of government where there is interaction between citizens and the government. Health, education, sanitation, water supply, and similar are the motive of the local government department. Provincial governments have 3 million appointees of their own. If the Pakistan Service is abolished, then the provinces would be entitled to appoint their chief secretaries and IGs. The federal government is shrinking. Except for certain positions like chief secretary, and IG police which is being manned by the Pakistan service, the numbers are reducing gradually.

- ***Is the DCs and Commissioner system going to be abolished?***

- Under the new local government structure, the DCs and Commissioner can be abolished by the provincial government only. If all Pakistan civil service sustains, the DCs and Commissioner would have limited authority even under the new law in KP and Punjab. Yet, the laws in Sindh and Balochistan are under centralization and too much power to the provincial governments, and DCs and commissioners.

- ***How long would it take to take-off? How can we ensure transparency in the system? How can we ensure decent compensation? Why does the NES have a quota system?***

- FPSE would conduct the exam of NES to ensure transparency, and NES has no quota system. Some of the reform implementations have started already. For example, the training part has already started and the performance part is signed by the 25 ministers and prime minister. As long as compensation is concerned, we are waiting for the compensation study and the pay and pension study to raise the salary to introduce the comparative salary structure by reducing the subordinate staff.

- ***What would be the rule of games for promotions?***
 - A certain proportion will be the outstanding performance, there must be some percent will be promoted. The principal accounting officer will be the managing director. The secretary would focus on policy development. They will not have a role in day-to-day operations. The secretary will not play a role in promotions, and promotion policy would be entirely based on merits.
- ***How to handle the disgruntlement between civil society and civil service. Is there any efficiency that is part of the rules?***
 - Under new rules, these malpractices will be under control.
- ***Why are there various tribes?***
 - Two models: British model for cadre and specialized cadre and US model for non-cadre based on position competition. Under new laws, the performance and evaluation mechanisms are changing. The disparity of representation between the generalist and specialist will be abolished, it will end the tribes and monopoly of generalists.
- ***Why can't we involve universities, professors, and educational institutes in civil servant training?***
 - For training, educational institutes will not be used, but resource persons from universities will be asked to teach at the training institutes. A mixed model approach where generalists and specialists would be adopted. The officers will attend 5 weeks of training in their specialized field and 5 weeks of training in the journalist environment to reduce the monopoly of the generalists. Because there is disconnect between the teachers and practical needs. This issue is both supply-side and demand-side.

Above discussion provides a precise succinct overview of reforms. However, it is not the linear path. The implementation of these reforms is not that straight forward. There are a lot of skeptics and a lot of people who do not believe in reforms because it disturbs the status quo. Therefore, a big battle ahead to bring institutional changes in Pakistan.



https://www.youtube.com/watch?v=fRuKuIHdKEI&feature=emb_logo

Prepared by



Naseem Faraz

Research Economist, PIDE

Design and Edited by Hafsa Hina



www.pide.org.pk



webinars@pide.org.pk



92-51-9248051



92-51-9428065

