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Civil servants' compensations higher than private sector's: report

No reforms in country's history have yielded significant results, notes think tank

By Khaleeq Kiani

ISLAMABAD: Challenging a common myth, a leading state-run think tank has concluded that compensations and pensions being received by Pakistan's civil servants are higher than their private sector counterparts and has called for wide-ranging reforms.

"Estimates of the total compensation of the civil servants, including monetary wage plus allowances, and quantified in-kind and intangible rewards, show that civil servants are not underpaid since a large chunk is not declared on the salary slip," said the Pakistan Institute of Development Economics (PIDE).

In a study conducted in consultation with the United Nations Development Programme (UNDP), the PIDE notes that various pay and pension commissions took arbitrary decisions for revisions in remunerations and housing and transport facilities are being massively misused by the civil servants.

PIDE Vice Chancellor Nadeem-ul-Haque, a former senior IMF official who previously headed the Planning Commission of Pakistan, taunted the incumbent government on Twitter, saying: "See how @ImranKhanPTI government failed at major reform. @PIDEpk work on civil service incentives is unique."

The report says the total cost of a grade-21 officer is estimated to be 12 per cent higher than a UN national officer's. Non-monetary benefits are much higher in the public sector than in the private sector, with 80pc of the private sector workers having no non-monetary benefits. In contrast, almost 80pc of public sector employees have more than three non-salary benefits.

Except for an MPhil/PhD degree, there is a wage premium in the public sector at all education levels. Perks are an inefficient form of compensation as they are not linked to performance and efficiency. The World Bureaucracy Indicators of the World Bank estimate that the public sector wages in Pakistan are 53pc higher than the private sector wages.

The report notes that as civil servants go up grade ladder, the proportion of cash allowances in total pay increases, and so does the proportion of quantified perks in the total cost. Government housing facility, given as an in-kind benefit, is never accounted for in the total cost of the civil servants — something that has a huge opportunity cost to the government.

For example, the PIDE estimates suggest that the federal housing assets in Islamabad have a market value of about Rs1.45 trillion. "This is the residential value of the assets, and if used for commercial purposes, the value would be significantly higher" and can

generate Rs11bn per year in rent.

"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 report notes. Instead of indexing salaries and developing a proper payment system, the pay and pension commissions' approach has been to provide arbitrary allowances.

"These allowances, such as housing and conveyance allowances, are often unrelated to the market conditions. The system causes further disparities when the more powerful service groups can get more plush housing than their counterparts in the occupational groups," says the report.

During the country's history of more than 70 years, 29 commissions were constituted to chalk out a roadmap for civil services reforms, though "not a single one can be attributed to significant outcomes" as most of the reform deliberations merely tinkered with organisational restructuring, minor adjustment of pay scales, creation,

merger, or disbanding of occupational groups, and changes in functions and powers.

While all the reform efforts have failed to improve the performance of the civil service, it has set up a system for "perk-maximisation" and political quid pro quo for perks. The urge or daring for reforms in real essence has always taken a back seat.

The system causes disparities when more powerful cadres get more allowances and perks than the others. The provision of perks instead of cash has long been recognised to distort employees' incentives.

The report notes that not all service groups have equal opportunities for career progression. "Each civil service cadre is organised vertically into a pyramid, but on top of each, we usually see an officer from only two cadres — the Public Administrative Services and the Secretariat Group. The technical and professional staff are restricted both vertically and horizontally."

The report describes pay and perfor-

mance disconnect as the major problem and notes that the promotion and placement policies are not aimed at rewarding those who perform well and are capable of taking higher responsibilities. Wage overlaps accentuate this disconnect when people in a lower grade get the same pay as those above.

The report notes that the public sector pension system in Pakistan is rather generous. Although pension is calculated as 70pc of the last drawn basic salary at the time of retirement, if the raises granted by successive governments are included, it increases pension to 122pc-140pc of their last drawn basic salary in some cases. On average, a person who serves in the government for 25 years or more draws a pension until he turns 80. After his death, at least 13 heirs can claim family pension, including wife, unmarried daughter, underage children, widowed daughter, divorced daughter and disabled child.

Pakistan's public sector pension system is also generous when compared to pension in the private sector.