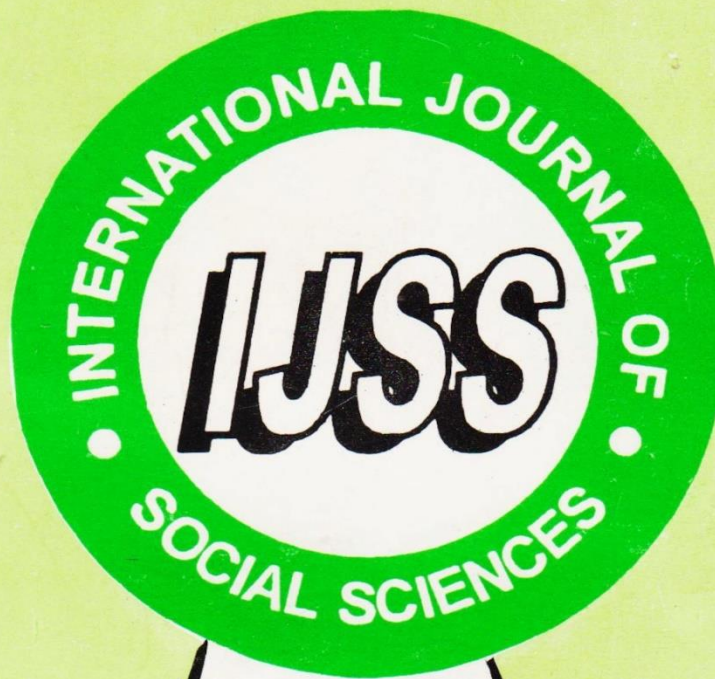


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# **Falling wages and motivation in the public service: Implications and outcomes**

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**ABSTRACT** – The paper having reviewed the present salaries and wages paid in the Federal Public service concluded that in real terms they are inadequate and have fallen short of what was paid to public officers between 1982 and 1988 with 1985 as base year.

This dismally low pay has had a demoralizing effect on the workers. This has resulted in high turnover rate in terms of personnel, poor policy formulation and implementation and rampant corruption. The study has found that public officers ‘moonlight’ and/or ‘daylight’ to make ends meet. This has resulted in low productivity and inefficiency.

The paper recommends the payment of living wages that would bring commitment and dedication to service and would ensure capacity to hire and retain quality staff.

## **INTRODUCTION**

The declining real wage paid to public officers in Nigeria has produced a disillusioned workforce. This is because their wages can no longer give them command over life’s minimum requirements in the form of food, shelter, and education for children, clothing and health services. This state of affairs has destroyed motivation, innovation, commitment and sincerity. This situation differed from what was prevalent in the decade of the 70s and early 80s when a public officer could live on his salary comfortably. He could take a car loan and purchase a vehicle and had savings. Therefore he smiled to and from the office. He gave himself to the progress of the service because his reward at the end of the day gave him command over goods and services that made life worth living.

Then the severe economic crises of the early 80s led to the introduction of Structural Adjustment Programme (SAP) that sapped the public officer and destroyed, through inflation, his take home pay. He then began subsidizing government and came under severe economic crises. According to Ita in Soley (1989) “the average Nigerian worker cuts a picture of hunger stricken pauper who could drop dead with the least physical provocation.... For



Nigerian workers, there is no satisfaction in the present and the most painful thing is that they have no hope for the future". This observation was made in 1989 when the composite price index was 272.7 (1985 = 100) as compared to 2856.0 in 1997. Graduate and general unemployment was manageable. Today, these indicators have reached unacceptable proportions. These have had serious effects on wages and salaries prompting a trade union – Academic Staff Union of Universities (ASSU)- to ask members to put on their office doors, stickers which read " my take home pay can no longer take me home".

Since the reward in terms of salaries and wages could no longer support the public officer, effort had to be made to meet basic needs with or without compromise. Thus, the main objective of this paper is to investigate the efforts made by the public officer to survive even with 'starvation' wages and to adduce from these facts whether this is counterproductive to the service and if so, what options are open to the public service managers in resuscitating the public officer and, in the process, the service.

This paper is divided into six sections. Following this introduction, section II reviews relevant literature, section III presents evidence of declining real wages. Section IV focuses on a study of some selected public officer's efforts to stay alive and the effects on the public officer and the service. While section V suggests ways of resuscitating the public officer and directly restoring productivity, section VI presents the summary and conclusion.

## II THEORETICAL BACKGROUND

In most less developed countries (LDCs), real wages had been falling (Lienert and Modi 1997; Van der Gaag, Stelcner and Vijverberg 1989; Chew, 1990 and Hansen 1981). The authors maintained that this fall in real wages is a by-product of the severe economic crises recently experienced by these countries particularly as a result of pressure by lending agencies to make their economies more productive and to reduce fiscal deficits (Van der Gaag et. al. 1989); high inflation and sometimes thoughtless across the board increases in nominal wages (Lienert, 1997) and the growth of non discretionary debt-servicing obligations have generated strong pressures to reduce public wage bill (Chew, 1990).

This fall in real wages has had serious repercussions among the populace as government in LDCs particularly Africa are major employers of labour. For example, while government accounts for 54% of non-agricultural employment in Africa, the corresponding figures for Asia and Latin America stand at 36% and 27% respectively whereas countries belonging to the Organization for Economic Cooperation and Development (OECD) account for only 24% of total employment (Heller and Tait, 1984 in Van der Gaag et.

*al.*, 1989). This negative effect is clearly seen in the deepening of poverty. It is estimated that the population of the poor in Africa has increased substantially from over 200 million in 1989 to about 300 million in 1990. This is apparent in the decline in per capita income, in wages and salaries and employment in the face of population pressure, fragile national resources, weak institutional and financial structures (IFAD, 1995 in Afonja, 1996).

This trend has not even spared the faculties of colleges and universities according to Hansen (1981) and the implications are serious because these institutions represent what constitute higher education. This has affected efforts to reproduce themselves through the training of new generation of teachers and scholars. He lamented the inability of faculties to attract and retain scholars because of inadequate compensations. In spite of incessant strike and uncompromising complaints, government has 'pleaded budgetary pressures'.

A remarkable trend in Nigeria in the late 1980s and 1990s have been the preponderance of cash allowances. In the 1970s and early 1980s, most of these allowances were unheard of. Today across board, every public officer is paid house rent, meal subsidy, utility and transport allowances. Even in the universities and other tertiary institutions, allowances such as learned society, examination supervision, research and journals are paid across board to every member of the faculty. Leave grants too are still paid once a year. These cash allowances and basic salaries have fallen short of basic salaries of the 1970s and 1980s. The effects of this trend according to Chew (1990) include massive withdrawal of working hours as many public officers work less than half a normal working day with many running retail shops, small restaurants, hair dressing saloons, tailoring shops etc. He maintains that senior officers find it extremely difficult reprimanding junior officers as they themselves are guilty of the same offences. These falling real wages and salaries have had serious pronounced negative effects on efficiency and equity within the service. Moonlighting and daylighting have become common activities in many developing countries' civil service. Many seasoned and experienced officers have had to retire prematurely from the service either going abroad or to the private sector where wages and salaries have not only been good but comfortable. This accordingly has allowed junior and inexperienced officers to be moved to senior positions. These largely inexperienced technocrats have compounded the problems of policy formulation and implementation. As a result, corruption has become rampant. Chew (1990) maintains that "dismally low pay can impel government employees into corruption through need rather than greed".

The effect of this is the widening pay gap, between the public and private sectors of the economy (Van der Gaag *et. al.* 1989). The authors maintained that government wage policies have a significant impact on the entire economy. Very high public sector wages exert upward pressures on wages in the private sector with "obvious employment and efficiency implications". Too low wages usher in disillusionment, moonlighting and daylighting. Assaad (1997) also attests to this fact. While moonlighting involves the taking up of an undeclared second job outside regular working hours, daylighting occurs when a public officer performs a second undeclared job during working hours.

### III EVIDENCE FROM NIGERIA

The salary table used for this study came into effect in September 1982 and remained in circulation till 1988 when it was abandoned. It gave way to the elongated salary scale and then the current harmonised public service salary structure (HAPSS) and allowance for the federal public service that came into effect on 1st January 1999. The table below illustrates some grade levels, that is, levels 01, 05, 08, 12, 15 and 17. 1985 was selected as the base year because it marked the middle year during which the table was in use. Also the composite price index (CPI) has 1985 as its base year and is also the year before the introduction of Structural Adjustment Programme (SAP).

The table shows that a public officer on grade level 01 step 1 earned a monthly salary of ₦12 5.00 in the period 1982-1988 and in 1999 his basic monthly salary was ₦1,300 in nominal terms whereas his real income at 1985 constant naira was ₦45.52. The 1997 CPI put at 2856 is being used because the figures for 1998 and 1999 are not available. This clearly reveals that the public officer is worse off today than in 1985. In 1999, his total allowances stood at ₦2,200 which in real terms is ₦77.03 giving him in real terms a total of ₦122.55 or 98% of what his counterpart in 1985 earned (see table attached). The picture becomes gloomier as one moves up the ladder. Grade level 05 step 1 had a package of ₦165.50 in 1982-1988 whereas in 1999 the basic stood at ₦1,672 which amounted to only ₦58.54. If total allowances of ₦2,460 or ₦86.13 in real terms are added, he earned ₦4,132 or ₦144.67 in real terms which is 87% of what was earned during the period of 1982-1988.

A holder of a first degree who joined the service during the period under review had a basic salary of ₦327, which was also his take home. Today, the same officer takes home ₦7,892 made up of ₦3,619 as basic and ₦4,273 as allowances. In real terms, at 1985 constant naira, he takes home

Level	Step 1				Step 2				Step 3			
	1985		1999		1985		1999		1985		1999	
			Nominal	Real			Nominal	Real			Nominal	Real
GL 01 Basic	125.00		1,300.00	45.52	127.00		1,330.00	45.56	129.00		1,360.00	47.62
Allowances	-		2,200.00	77.03			2,221.00	77.77			2,242.00	78.50
Total	125.00		3,500.00	122.55	127.00		3,551.00	124.33	129.00		3,602.00	126.12
Real as a % of 1985				98				98				98
GL 05 Basic	165.50		1,672.00	58.84	171.50		1,742.00	60.99	177.50		1,812.00	63.45
Allowances	-		2,460.00	86.13			2,509.00	87.85			2,558.00	89.57
Total	165.50		4,132.00	144.67	171.50		4,251.00	148.84	177.50		4,370.00	153.04
Real as a % of 1985				87				87				86
GL 08 Basic	327.00		3,619.00	126.72	339.50		3,745.00	131.13	352.00		3,871.00	135.54
Allowances	-		4,273.00	149.61			4,362.00	152.73			4,450.00	155.81
Total	327.00		7,892.00	276.33	339.50		8,107.00	283.86	352.00		8,321.00	291.35
Real as a % of 1985				85				84				83
GL 12 Basic	669.50		5,904.00	206.72	687.50		6,165.00	215.86			6,246.00	225.00
Allowances	-		5,873.00	215.86			6,056.00	212.04	705.50		6,238.00	218.42
Total	669.50		11,777.00	422.58	687.50		12,221.00	427.90	706.50		12,664.00	443.42
Real as a % of 1985				62				62				63
GL 15 Basic	920.50		8,164.00	285.85	963.50		8,565.00	299.89	1,006.50		8,966.00	313.94
Allowances	-		8,465.00	296.39			8,746.00	306.23			9,026.00	316.04
Total	920.50		16,629.00	582.24	963.50		17,311.00	606.12	1,006.50		17,992.00	629.98
Real as a % of 1985				63				63				63
GL 17 Basic	1,151.00		10,068.00	352.52	1,204.00		10,615.00	371.67	1,257.00		11,162.00	390.83
Allowances	-		9,698.00	346.57			10,281.00	359.98			10,663.00	373.35
Total	1,151.00		19,966.00	699.09	1,204.00		20,896.00	731.65	1,257.00		21,825.00	764.18
Real as a % of 1985				61				61				61

Source: Compiled by the author



only ₦276.33 or 85% of what was earned between 1982-1988. An experienced officer at grade level 12 step 1 earned ₦669.50 monthly salary between 1982-1988. In 1999 the officer took home ₦11,777 made up of ₦5,904 as basic and ₦5,873 as allowances. This amounted to ₦422.58 at 1985 constant naira or 62% of the previous period's salary.

A director on level 15 step 1 took home ₦920.50 per month whereas in 1999 his total monthly package was ₦16,629 made up of a basic salary and allowance of ₦8,164 and ₦8,465 respectively. In 1985 constant naira, this amounted to ₦582.24 made up of ₦285.85 as basic and ₦296.39 as allowances or 63% of the previous period's salary. The peak of the service - level 17- was ₦1,151 during the period under review but in 1999 was ₦19,966 or in real terms ₦699.09 or 61% of the previous period's salary.

#### **IV. CONSEQUENCES OF FALLING REAL WAGES**

The consequences of falling real wages and salaries on the structure and command of the public service in developing countries are many. These include a demotivated staff, decline in work effort, absenteeism, moonlighting and daylighting, corruption, difficulties in recruiting and retaining technical and professional staff. The inadequacy of the remuneration in his effort to maintain a reasonable standard of living, to provide for members of his family or save for retirement when he no longer takes part in paid employment abuses his person and reduces him to dis-saving all his life. This situation destroys commitment, sincerity, motivations etc. and ushers in disillusionment with attendant corruption that is prevalent in this country's public service today. Corruption may be viewed as an outcome of the reduction in real wages in the public service and agrees with Chew (1990). It is this that has made it "both necessary and contributed to a permissive environment which allowed more drastic reductions in hours worked and flagrant abuse of allowances". The prevalence of corruption in the public service was acknowledged and addressed by Mr. President, Chief Olusegun Obasanjo, during his inaugural speech on May 29, 1999. He remarked that:

Government officials became progressively indifferent to propriety of conduct and showed little commitment to promoting the general welfare of the people and the public good. Government and all its agencies became thoroughly corrupt and reckless. Members of the public had to bribe their way through in ministries and parastatals to get attention, one government agency had to bribe another government agency to obtain the release of statutory allocation of funds.

Apart from corruption, dismally low wages have had serious monumental effect on the management of the public service and the economy. In all developing countries, the economy is public sector driven. Government makes and implements policies. Policy formulation and implementation has become the responsibility of young and inexperienced staff who have found themselves in such positions because of rapid turnover rate in terms of highly trained personnel compelled by this ridiculous pay to seek employment either in the private sector or outside the shores of Nigeria. This is probably the major reason behind what is termed "brain drain" that has attacked this nation particularly in the late 1980s and 1990s. No doubt, most economies in the developing countries including Nigeria have come under severe strain leading to the introduction of the World Bank/IMF sponsored SAP. This has shown up in intolerable unemployment, high inflation and a very unstable macroeconomic environment. The public service is always losing in terms of competing with the private sector in employing and retaining highly competent staff. A major externality of this falling real wage is moonlighting and daylighting. In the public service in this country, incidences of moonlighting and daylighting abound.

A pilot study of selected employees in the public sector within Uyo Capital City was undertaken. As a result of limited resources, this study was restricted to Uyo and only 50 employees in the public service. This was made up of:

- 15 in federal ministries and parastatals

- 25 in state ministries and parastatals

- 10 from tertiary institutions within Uyo.

All the workers interviewed agreed that the current wages and salaries in the public service were inadequate. This they maintained has exposed them to hardship and continuous difficulties. In answer to a question on coping strategies, 40 or 80% said they survive through activities in the informal sector. They admitted taking part in such activities as retail trading, tailoring, taxing, or in services such as running canteens, drinking parlour, hairdressing etc. Of the remaining, 8 or 16% of those interviewed 'daylight' either as teachers in public and private schools or offer their services in private clinics as nurses. Only the remaining 2 or 4% said even though their current salaries and wages are inadequate, they are not seriously thinking about anything except for a fairly young man who admitted using his motorcycle commercially but then very infrequently. Additional question revealed that they were all unmarried with no extra responsibility. When asked whether these activities do not encroach on official hours, they responded that they do but maintained that as long as the present pay structure continues,



moonlighting and/or daylighting offers the only reasonable alternative. It means you are dishonest to the employer as you use his time to earn income. Many (90% of those interviewed) insisted that it's the employers who are dishonest as they pay 'starvation' wages when they are fully conscious that the salary paid to them falls short of living wages. Others (10%) simply laughed but insisted that the issue is not dishonesty on their part but survival. Confronted with this harsh reality, they maintained that one has to use his brain to cope with the realities of the day.

All those interviewed pointed out that apart from these activities, they are also farmers, practicing in Uyo and / or in their respective villages.

When asked to assess the impact of these activities on productivity and commitment, they admitted that these other activities have negative impact on commitment, productivity and efficiency because they spend less hours in their offices daily and also perform their duties haphazardly. They maintained that they have no alternative, as they must meet the expectations of their immediate families in terms of food, shelter, clothing, education etc.

## **V. THE WAY FORWARD**

All the interviewees maintained that these alternatives have arisen because of the dismally low wages and salaries offered by the public sector. With rising cost of living, escalated school fees and medical bills, unaffordable rent, etc, one in order not to watch one's dependent starve to death, must do some extra activities that would bring in some income either in cash or in kind.

So the only alternative is for government to pay living wages, that is, salaries and wages that would allow individuals maintain minimum standard of living in terms of food, shelter, clothing, education for children etc. and also save some for retirement especially as pensions and gratuities are today epileptic.

Apart from living wages, the service used to be associated with incentives such as stability of employment, prompt payment of salaries and allowances, gratuities and pensions and medical treatment for officers and their families. Today, these benefits belong to the distant memories and have become tales told by old retirees. These allowances and incentives should be re-introduced.

## **VI CONCLUSION**

Arising from dismally low wages and salaries, many employees in the public service are either moonlighting and/or daylighting. This has adversely affected the morale of public officers with its attendant negative impact on

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productivity, commitment and efficiency. High turnover rate that has seen junior and inexperienced officers in policy formulation and implementation has led to frequent abandonment and/or improper implementation of policy.

Therefore, for government to restore efficiency and high productivity employees of the public sector should be paid wages and salaries that would allow them live decently. This would allow public sector compete favourably with the private sector over the employment and retention of highly articulate staff.

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