

# Cash poor, perk rich government officials

*Abida Naurin*

Whether government officials are paid fairly is a frequently disputed question that has never been adequately researched as not all salaries and benefits in Pakistan's government sector are listed on the pay slip.

In this context, a study by the Pakistan Institute of Development Economics (PIDE) on civil service remuneration, part of a more significant issue of public service reforms, provides valuable insights into the existing incentive system — a tangle of financial remunerations, in-kind payouts, and intangible awards, so it's a difficult task.

Despite claims that bureaucrats are underpaid, a study by PIDE revealed that civil servants earn 20 per cent more than their private-sector counterparts. According to the study *Cash Poor, Perk Rich! Civil Service Compensation: Incentives, Dissatisfaction, And Costs*, bureaucracy was receiving massive benefits without disclosing on their pay slips, which in the case of Grade-22 officials, is ten times more than the average basic salary of the officer.

The overall compensation package for each Basic Pay Scale grade of public servant has been calculated by combining pay, allowances, non-monetary perks and awards. The study was released two days after the federal cabinet agreed to enable bureaucrats to profit from the Management Pay Scale without quitting their positions in the public service.

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By compiling statistics on cash compensation and the market worth of perks and privileges, the research seeks to calculate government officials' entire costs. Remember that this is a lower bound estimate for various government agencies as only allowances available to all are included.

Including ministry-specific allowances will raise the estimates, making intra-government disparities appear inequitable. The study uses a variety of government papers and databases to calculate the overall cost, including wages, allowances, in-kind benefits, and intangible benefits.

Compared to their private-sector colleagues, civil officials do not have a salary disadvantage. A Grade 21 officer's overall cost is 12pc more than a United Nations national officer. Non-monetary benefits are far more common in the public sector than in the private sector, with 80pc of private-sector employees receiving none. Nearly 80pc of public sector employees, on the other hand, have more than three non-salary perks. Perks are ineffective remuneration since they are unrelated to performance and efficiency.

Civil workers' take-home pay consists of their wage plus allowances, which is the sum that

shows on their pay slips. This salary includes a monetary wage, a rental ceiling, a medical allowance, a conveyance allowance, a monetised transportation facility (for Grades 20-22), and other general allowances easily accessible across ministries. Special pay, ad-hoc, senior-post, orderly and qualification allowances are examples of these. These allowances account for a significant amount of the money paid to federal officials.

Surprisingly, according to the report, instead of indexing salaries and developing a proper payment system, various pay and pension committees have chosen to compensate for inflation by providing arbitrary allowances, with 74 such allowances typical across many government agencies and ministries. Allowances for mobility, haircutting, education, special travel, research, entertainment, firewood, washing, mobile phone, medical risk and fuel are a few examples. To simplify the pay system, most allowances should be integrated.

Additional perks and allowances raise cash payouts over basic salaries in different ways. House allowance adds 45 to 55pc to remuneration, ad-hoc expenses add 10pc, medical allowances add 15pc and special pay adds 20pc to the total. These allowances account for 54 to 57 pc of total compensation in Grades 17 to 19. Allowances account for more than 70pc of the overall income for officers in Grades 20-22.

Federal workers get in-kind allowances or perks in addition to tangible monetary allowances, which contribute to the overall cost of maintaining a civil servant. In-patient medical costs are reimbursable upon receipt of invoices. There is a shadow cost for using an official vehicle despite the monetisation policy, the market rental value of government housing, government servants, paid utility bills and many more other benefits are available. These are unreported charges not included in the pay slip.

These perks contribute to the overall cost of working for the government: 39pc for grade 17, 34pc for Grade 18, and 38pc for Grade 19. By Grade 20, the percentage rise in monetary terms jumps to 53pc, 60pc for Grade 21, and 57pc for Grade 22. As a result, the share of cash allowances in compensation and quantitative benefits in the overall cost rises with increasing grades. Furthermore, the government housing facility, which is provided as an in-kind benefit, has never been included in the total cost of the civil servants' salaries.

The government's opportunity cost has also never been estimated; officers in Grades 1 to 19 receive a total package (including allowances) of around 3-4 times their base pay. The overall compensation for Grades 20 to 22 is around 7-8 times their base salary.

In addition to their monetary income, Pakistan's upper judiciary enjoys various benefits and privileges, including official cars, contingent employees and free utilities. According to the PIDE report, 15 judges and the Chief Justice of the Supreme Court of Pakistan receive special pay packages, as do around 130 judges in provincial high courts. Their salaries range between Rs1m and Rs1.17m.

If allowances and benefits are monetised, the illusion of cheap compensation in the public sector would be debunked. As a result, monetisation can improve transparency and fairness while also lowering administrative costs and difficulties.

For any future civil service reform initiative in Pakistan, the report recommends the following:

**Competitive compensation:** To ensure that government officials' well-being is not jeopardised, the reform should begin by appropriately rewarding them. Previous pay

commission proposals were unsuccessful because they merely proposed an increase in salary and allowances while maintaining the current structure. The remuneration of government officials must be equivalent to those in the private sector. An annual survey must be used to alter the salary of public officials every year. The second component of the adjustment must be based on performance, with only those who meet a mutually agreed-upon and set efficiency criterion receiving a rise.

Monetisation: Housing provided by the government must be monetised. Starting with grade 19-22 personnel, the monetisation of the housing facility can be initiated successively by grades within set time restrictions. After releasing government housing assets in Islamabad to the private sector, the government may be able to obtain this value, estimated to be around Rs1.45 trillion.

Top-level public workers should be provided cars on a lease basis. The benefit of this strategy is that the relevant bank would monitor the asset.

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