PAY STRUCTURE OF PUBLIC EMPLOYEES IN PAKISTAN

Presented by
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Islamabad, the 29th April, 2007
I. Pre-partition

- System of small nominal salaries with large commissions on collection of revenues and permission to engage in private trade was introduced by East India Company.

- Provided considerable scope for graft.

- On assumption of direct responsibility by the Crown, the system continued.

- Question of pay structure first time considered by Aitchison Commission (1886-87).

- Commission’s specific concern was the formulation of policy for the employment of natives vis-à-vis the Europeans.
Recommended that salaries of ICS recruited in England and PCS recruited entirely in India should be fixed on independent grounds. As far as possible members of both services should be on same pedestal of social equality.

Islington Commission (1912-15) gave further consideration and suggested broad principle to determine public pay policies in following terms:-

“The Government should pay so much and so much only as was necessary to obtain recruits of right stamp and maintain them in such degree of comfort and dignity as would shield them from temptations and keep them efficient for the term of their office.”
In 1920 prevalent system of grades; expression of emoluments in lump-sum terms without yearly increment, each post having number of grades abolished. Scale system of pay having minimum and maximum ceiling, yearly increments and efficiency bars at suitable intervals introduced.

Later on Montague Chelmsford report and Lee Commission 1924 broached this question; the former, ‘proposing recruitment test and restoration of real pay of existing services’ while later urged reduction of disparity between commercial and official career and simultaneously realized the government’s inability to pay equivalent of commercial concerns and therefore did not ask for pay increase.
Due to fall in the prices of raw commodities and deterioration in the financial conditions of government after the First World War, percentage cut was imposed in salaries for four years consecutively.

Economic slump of 1930; Reduced new pay scales involving reduction of 20% in the minimum and 30% in the maximum introduced. Pre 1931 salaries of ICS and certain other services protected.

2nd World War aggravated the inflationary situation: Grain Allowance, Dearness Allowance, War Allowance and Ad-hoc Relief introduced in 1940, 1942 and 1944 without changing the pay structure.
The salaries of public employees continued downward slide. “Central Pay Commission 1946 under Sir Srinivasa established.”

Commission expressed reservation on the principle of payment of so much as was necessary and laid down criterion of payment of not less than minimum wage and also taking into account qualification, training of the individual and responsibilities of the job.

Report of the Commission came prior to partition. Government of India accepted the report. Government of Pakistan did not accept it on account of radically changed ground realities on independence and strain on its economy.
II. **Post-partition**

- Government had to contend with problems of great magnitude on independence. Felt it could not pay public employees the salaries recommended by pre-partition Pay Commission.

- Quaid-i-Azam issued an appeal to officers for acceptance of cut in salaries which despite good response was later withdrawn.

- In 1948 Pay Commission under Mr. Justice M. Munir established which determined following broad principles:-

  i) inherited pay scales of higher posts were un-justifiably high.

  ii) the country was left with very small tax base and had to keep the non-development expenditure at the minimum possible level.
iii) the living standard of low-paid employees was to be raised.

iv) the State need not offer such salaries as would attract the best available material; the correct place for our men of genius was in private enterprise.

v) Prices would soon come down.

- The Commission divided public employees into 30 broad categories “suggested as many standard scales; introduced from January, 1949.”
- Main feature was reduction in the salaries of all categories of employees.
Proposed new 7 tier structure for the services with 3-5 grades under each group.

Neither the Service Structure nor the Pay Code recommended by the Commission was accepted.

Existing ‘Prescribed Scales of Pay’ nonetheless replaced by “Revised Prescribed Scales of Pay” in 1962 to meet ever-increasing inflationary pressures.

Ad-hoc relief sanctioned to all non-gazetted employees in March, 1969, @ 10, 15 and 20% of pay.
Rise in prices continued; GPI rose by 30% since last raise in salaries.


Introduced 22 National Pay Scales covering all Federal and Provincial employees as against 622 pre-reform pay grades which were adjusted as under:

<table>
<thead>
<tr>
<th>No. of Pre-Reform Grades</th>
<th>Incumbents of the Grades</th>
<th>NPS in which adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>487</td>
<td>Former class-III and IV employees.</td>
<td>1-15</td>
</tr>
<tr>
<td>19</td>
<td>Former class-II employees.</td>
<td>16</td>
</tr>
<tr>
<td>116</td>
<td>Former class-I, middle and senior management.</td>
<td>17-22</td>
</tr>
</tbody>
</table>
Spanning of scales standardized; compression ratio reduced from 1:22 to 1:15.

Creation of new scales, addition and alteration in the scales banned.

Selection grades, special/technical pays abolished.

Non-gazetted employees allowed to be adjusted in higher grades where pay exceeded maximum of their granted scales.

Washing grant, exemption from schools fees to the wards of non-gazetted employees kept in tact, facility of move-over introduced.

Facility of move-over.
Exclusion of Corporate Sector

- Autonomous / semi-autonomous bodies excluded from the application of the scheme and given powers to lay down pay scales of their employees in accordance with their charters.

- This paved the way for different compensation package for their employees incompatible with the spirit of scheme of National Pay Scales.

- As of June 2004:-
  
  Number of employees of autonomous bodies : 417622
  Number of civil servants : 393290
Insufficiency and inadequacy became apparent soon after the launching of the scheme.

Year 1972 began with serious inflationary pressure, devaluation, floods, monetary expansion, use of oil as weapon and consequent price spiral aggravated the situation.

Instead of addressing congenital defects of the scheme, government started tampering with the scheme.

Five (5) advance increments sanctioned for engineers, doctors and lecturers. Dearness allowance sanctioned during 1973, 1974 and 1975 to supplement the income of public employees.

Sanctioning successive allowances made the first 7 to 8 scales redundant.
Lumping of various positions in one of the 22 scales posed problems in maintenances of hierarchies and overlapping of scales brought out structural deficiencies.

Formula for fixation of salaries in case of employees upto BS-15 brought number of employees in the higher scales.

Scales over-lapped: maximum of first 18 scales crossed the minimum of 1-8 higher scales as against the principle of restricting over-lapping by not more than 2 higher scales.

Employees in scale 10-15 in many cases started getting salaries higher than the salaries of BS-17 officers.

Overlapping generated equal pay for different posts which is against the principle of wages according to responsibilities.
Distinction between the supervisor and the supervised became blurred.

Supervisor and his subordinate had been bracketed in the same pay scale.

Reduction of efficiency bars and virtual abolition in 1983 militated against the principle of increase in salary on assessment of improvement in proficiency.

Facility of move-over harmful to efficiency as it gave automatic move-over in the higher scale without any promotion or assumption of higher responsibilities.

Fringe benefit of moved-over scales confounded the matters further.

Selection grades, special pays and technical pays etc revived.

Number of scales remained in tact but nominal rates of scale increased substantially.

Management Grades and MP Grades were introduced through executive orders.

Number of existing and newly established organizations allowed special pay packages and perquisites almost equal to 100% of the salaries without approval of any Pay Commission / Committee.
Compression ratio of salaries of BS-1 and BS-22 during 1972 and 2006 has, however, improved almost 100% without deduction of tax liability in case of officers of higher grades as under:-

<table>
<thead>
<tr>
<th>S #</th>
<th>Description</th>
<th>BS-1</th>
<th></th>
<th></th>
<th>BS-22</th>
<th></th>
<th></th>
<th>Compression Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Max</td>
<td>Ave</td>
<td>Min</td>
<td>Max</td>
<td>Ave</td>
<td>Min</td>
<td>Max</td>
</tr>
<tr>
<td>1</td>
<td>Scale Pay 1972</td>
<td>140</td>
<td>120</td>
<td>100</td>
<td>3000</td>
<td>3000</td>
<td>3000</td>
<td>21</td>
</tr>
<tr>
<td>2</td>
<td>Pay with Allowances 1972</td>
<td>170</td>
<td>150</td>
<td>130</td>
<td>3750</td>
<td>3750</td>
<td>3750</td>
<td>22</td>
</tr>
<tr>
<td>3</td>
<td>Scales Pay 2006</td>
<td>4100</td>
<td>3125</td>
<td>2150</td>
<td>40215</td>
<td>30135</td>
<td>20055</td>
<td>10</td>
</tr>
<tr>
<td>4</td>
<td>Pay with Allowances 2006</td>
<td>6304</td>
<td>5329</td>
<td>4354</td>
<td>57198</td>
<td>47118</td>
<td>37038</td>
<td>9</td>
</tr>
</tbody>
</table>

Compression Ratio
# PUBLIC-PRIVATE SECTOR COMPENSATION COMPARISON ANALYSIS IN 1999

<table>
<thead>
<tr>
<th>Scales</th>
<th>1999</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-9</td>
<td>-19%</td>
<td>-30-100%</td>
</tr>
<tr>
<td>10-16</td>
<td>-43%</td>
<td>-59-106%</td>
</tr>
<tr>
<td>17-22</td>
<td>-218%</td>
<td>-63-156%</td>
</tr>
</tbody>
</table>

Reports of Pay Committees 2001 and 2004: Page 9 each
Revisions were made in a mechanical fashion keeping in view the financial constraints of the government without addressing the inherent deficiencies and anomalies of the scheme upfront.

Financial incentives sanctioned from time to time have proved insufficient even to offset the inflation rates in case of employees receiving pay and allowances on normal rates.

Brought a substantial nominal increase in the salaries of public employees over the years but real value of wages however dwindled.

Existing division of public employees through these measures shows wide disparities of income of the civil servants.
Public employees with reference to their incomes divided into following groups:-

- Civil Servants receiving pay and allowances on normal rates;
- Civil servants receiving pay and allowances on special / enhanced rates;
- Civil servants having special perquisites;
- Civil servants deployed on projects;
- Civil servants working in Management/MP Grades;
- Civil servants working in public sector Corporations, Regulatory Bodies and other Autonomous Bodies;
- Government servants working in public sector entities on scales other than the National Pay Scales.
## COMPARISON OF REAL VALUE OF 1972 SALARIES AND 2006 SALARIES

<table>
<thead>
<tr>
<th>SCALES</th>
<th>INCREASE</th>
<th>DECREASE</th>
</tr>
</thead>
<tbody>
<tr>
<td>BPS-1-7</td>
<td>10-45%</td>
<td>-</td>
</tr>
<tr>
<td>BPS-8-16</td>
<td>-</td>
<td>1-23%</td>
</tr>
<tr>
<td>BPS-17-19</td>
<td>6% in the minimum</td>
<td>8-70%</td>
</tr>
<tr>
<td>BPS-20-21</td>
<td>-</td>
<td>29-98%</td>
</tr>
<tr>
<td>BPS-22</td>
<td>-</td>
<td>33-61%</td>
</tr>
</tbody>
</table>

1-Pay Scales

2-Composite Graph
CONCLUSIONS

- Steep decline in the real value of salaries of public employees despite over 50% increase sanctioned by the government during the last 5 years is incompatible with the registered rapid economic growth.

- Resulted into mass demoralization and affecting efficient functioning of the government machinery.

- Pensions are dependent upon the rates of the salary package; plight of pensioners is not different than that of serving civil servants.

- Division of government servants into ‘haves’ and ‘have-nots’ besides militating against the principles of equity, justice and fair play, widened income disparities.
CONCLUSIONS

- Numbers of officers in higher grades in erstwhile coveted services have gone on EOL to serve in the NGOs and Local Offices of international / regional Banks and organizations.
- Number of such officers is on increase which is creating serious manpower deficiencies.
- Difficulties in attracting talented fresh graduates for government jobs through Central Superior Services Examination.
- Scheme inadequate; Cannot meet the requirements of growing specialization, E-government and globalization.
- Pay structure discriminatory and inequitable; Adversely affecting the morale and efficiency.
- Need to be addressed in a meaningful and rational manner consistent with the changed environment of governance.
WAY FORWARD

- To start with expenditure on salaries of public employees may not be treated as non-development expenditure. May instead be treated as essential state expenditure.

- Public administration is an integral whole. No office, post or organization may be allowed to become privileged for grant of special pays, perks or privileges.

- Scheme of National Pay Scales may be replaced with a uniform, coherent and cohesive pay structure capable of catering to the requirements of the public administration as a whole.

- Uniform pay structures for the civil servants / professionals as well as the employees working in the public sector entities.
Number of scales in the new pay structure may be increased to meet the requirements of specialized and professional cadres without resorting to special perks, pays and allowances etc.

The structure should be rational and based on purchase value of bundle of goods and services which should ensure that the public employees are afforded a degree of comfort and dignity as would shield them from temptations and keep them efficient for the term of their offices.

Attracting people of high caliber to public service depends on the salary package which the governments offers consistent with the pay package offered by the private sector for persons with similar qualifications and experience. This aspect may also be kept in view.
To check erosion of the real value of the wages and keep pace with inflation and share the benefits of productivity growth, the system of indexation of salaries may be introduced.

System of in-scale salary increase i.e. automatic yearly increment should be abolished and pre-1983 system of crossing of the efficiency bars may be re-introduced.

All in-kind non-wage facilities like housing, conveyance, residential telephones and health care etc may be monetized. Expenditure on monetization can be met from the recurring budget for these facilities, donor assistance for public administration reforms, sale of assets already in service and a system of easy loans etc.
Real value of the Pension may be protected through the system of annual indexation proportional to the rate of inflation. System may be reviewed.

Review of the pay structure may be undertaken every 5 years and a standing institutional arrangement in the Finance or preferably Establishment Division may be put in place.
THANK YOU