

Pay Reform

The Problem

The agitation for pay reform has been an important and recurring theme in the Nigerian public service as real salary levels have declined considerably in the past following high rate of inflation in the country. Workers have found it increasingly difficult, if not impossible, to survive on their monthly pay in the face of changes in market conditions and high rates of inflation. The concept of a cost of living wage has gained popularity, particularly where public servants pay levels are perceived to have fallen below levels necessary to meet their basic needs of life, e.g., food, clothing, shelter, and social amenities.

Matters were made worse by the gradual and steady distortions of the Unified Grading and Salary Structure (UGSS) brought about by the Udoji Commission in 1974. Again, the relativities between salary grade levels were substantially disorganised. The distortions have been further exacerbated by the emergence of several salary structures in the federal public service. Consequently, the issue of relativity among jobs within or between occupational groups in the public service has become one of the major challenges in Nigerian public administration. This development has generated a rash of agitation by occupational groups and institutions to migrate from one salary structure to another or for new salary structure. Over the years, the system has witnessed incessant strikes and threatened strikes as bargaining weapon for settling emolument relativity questions.

Reform Actions

In an effort therefore to reform the pay structure in the public service, the federal government set up two committees. The first was the Wages, Salaries and Emoluments Relativity Panel under the chairmanship of Professor E. C. Edozien, (OFR), which was set up in June 2004. It was charged with the responsibility of addressing the problem of growing disparity in salaries and wages payable for work of substantially equal value within the public service, as well as between the public and private sectors. The second was the Presidential Committee on the Consolidation of Emoluments in the Public Sector under the chairmanship of Chief Earnest O. A. Shonekan, (GCFR, CBE), which was set up on November 2005.

The highlights of recommendations of the two committees were as follows:

11. The Edozien Panel recommended that workers' pay should be index to inflation and reviewed every two years.
12. The Shonekan Committee recommended that public sector wage should be increased by 25% in 2007 and a further 10% annually (plus cost-of-living adjustment) for the next 10 years. Full implementation of the Shonekan recommendation was likely to result in significant growth of the payroll component of the federal government's recurrent budget; the wage bill would have accounted for 35%, 45%, and 45% of the national budget in 2007, 2008, and 2009 respectively.
13. The White Papers from both Committees recommended a comprehensive evaluation of Jobs in the public service.

In addition to setting up the two Committees, the federal government also set up a tripartite presidential committee on the review of a national minimum wage under the chairmanship of Justice Alfa Belgore in July 2009. The Committee was charged with the review of the national minimum wage and the Act establishing it. It was given the mandate

to consult with all stakeholders on the desirability of a new national minimum wage in the context of the dynamics of national economy and to propose a realistic and practical national minimum wage to government. Similarly, the government constituted the Prof. V. P. Diejomaoh's Presidential Committee of Experts in Parameters for Wage Fixing in the Federal Public Service (2010).

Main Achievements

The main achievements of the pay reform are as follows:

14. The consolidation of salaries in 2007
15. The implementation of salary pay rise of 15% in 2007
16. Adoption of ₦18, 000 new national minimum wage through the New National Minimum Wage Act 2011
17. Introduction of incentives for reforms through year-by-year pay review for those MDAs that had implemented reforms. Pay increase was only to be allowed for those MDAs that have been certified as having completed their reform process. The recommended reform areas that MDAs were to address include: (a) rationalisation of MDAs to eliminate overlaps and duplications; (b) privatisation of more federal government-owned companies; (c) improvement in the quality and reduction of the quantity of the skills in the public service; (d) improvement in revenue generation from non-oil sector, company income tax, VAT, etc.; (e) automation and centralisation of public sector payroll; and (f) compliance with government agenda for public service reforms.
18. Increase in estacode and duty tour allowances
19. Introduction of four new allowances; namely: Job-Specific Allowance (JSA) (recurrent); Risk-Related Allowance (RRA) (recurrent); Relocation Allowance (RA) (one-off) and Scarce-Skills Allowance (SSA) (one-off/recurrent)
20. Government's acceptance of the recommendation of the need for a comprehensive job evaluation in the public service. In order to actualise this project, the National Salaries, Incomes, and Wages Commission (NSIWC) in partnership with DFID-Federal Public Administration Reform Programme (FEPAR) had developed a strategy document on comprehensive job evaluation in the federal public service. As part of efforts to enrich the document, NSIWC in January 2013 held a retreat with critical stakeholders to elicit their input, which was to be used to update the content of the strategy document.
21. Government's acceptance of the Edozien Committee's recommendation that the relatively low share of basic salary in total emolument should be addressed.
22. Government's acceptance of the Shonekan Committee's recommendation on cushioning the effect of an anticipated higher personal income tax. The specific recommendations accepted are: (a) the introduction of a hybrid of an expansion of tax band, introduction of threshold tax, and a minimum tax; (b) partial consolidation of emoluments; and (c) introduction of tax exemption on gratuities and mandatory payroll deductions (such as NHIS and NHF).

Key Challenges

- 1 The gap between the salaries of political office holders and those of mainstream civil servants is too wide.

- 2 There are wide disparities in the pay and allowances of public servants, and the gaps between pay scales are too wide.
- 3 There is little link between pay and performance.
- 4 Many public servants feel that the current pay system unfairly favours some parastatals.
- 5 There is an absence of a comprehensive pay policy in Nigeria due to the absence of a comprehensive job evaluation exercise in the entire public service.

Assessment of Reform Initiative

Against the 10 criteria for assessing the success of reform efforts, it is clear that while some successes have been recorded, daunting challenges still remain.

S/No.	Assessment Criteria	Result of Assessment
1.	Has the pay reform improved the quality and quantity of public services?	Although the correlation between pay and performance is unsettled in the literature, there is evidence that there is high level of commitment to service and improved performance in some agencies and parastatals where enhanced pay structures were introduced. Typical examples are FIRS, CBN, and Nigerian Customs Service.
2.	Do more people now have access to services, including disadvantaged groups such as women, young persons, and people with disabilities?	More people now receive their pay promptly, but many public servants still feel that there is wide disparity in pay scales and civil servants are unduly disadvantaged when compared to parastatals.
3.	Has the pay reform reduced the cost of governance?	The pay reforms have increased the payroll component of the federal government budget.
4.	Has the pay reform made the service more affordable for citizens?	Not Applicable
5.	Has the pay reform reduced corruption?	The reform has not reduced corruption. In the absence of a living wage and high inflationary trend in the country, workers are likely to continue to indulge in corrupt practices to make ends meet.
6.	Has the pay reform reduced unnecessary bureaucracy and red tape?	No. The circulars on pay are complex and difficult to understand. It is not clear which allowances are built into salaries, which ones are paid annually, and which ones are paid every few years.
7.	Is the pay reform likely to	Not Applicable

S/No.	Assessment Criteria	Result of Assessment
	lead to improved development outcomes?	
8.	Are things improving, staying the same, or getting worse?	Apart from periodic increases in the minimum wage and the general wages of public servants, things have largely stayed the same.
9.	Where things are improving, will those improvements endure?	Unless pay disparities are tackled, any current industrial harmony is unlikely to endure.
10.	Where things are not improving, what should be done?	There is need to develop a realistic pay policy document that will contain the entire policy on salary administration covering the whole federal public service.

Proposed Next Steps

The proposed next step actions as part of the pay reform measures are as follows:

1. A comprehensive job evaluation in the federal public service should be undertaken in line with the White Paper on the Shonekan Committee on the Consolidation of Emoluments in the Public Sector (2006). The outcome of the comprehensive job evaluation will seek to address the many salary structures in the service, which can be seen as discriminatory, arbitrary, and inconsistent.
2. Development of a single pay policy document that will contain the entire policy on salary administration, which should be reviewed periodically.
3. Salaries should be harmonised between organisations and also between cadres.
4. National minimum wage should be harmonised with a credible and realistic living wage.
5. Constraints on government's ability to pay should cut across all pay and not be limited to civil service pay.
6. The existence major gaps in public sector pay, particularly between political appointees, public office holders, and civil servants should be reviewed to ensure fairness and comparability.