

Policy, Planning, and Research

WORKING PAPERS

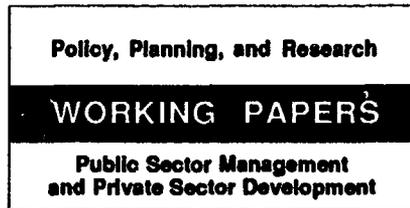
**Public Sector Management
and Private Sector Development**

**Country Economics Department
The World Bank
October 1988
WPS 113**

Public Sector Pay and Employment Reform

Barbara Nunberg

Overstaffed bureaucracies afflicted by eroding salaries, demoralization, corruption, moonlighting, and chronic absenteeism are often unable to carry out the key tasks of economic recovery. What should the Bank do about it?



Four types of problems affect public sector pay and employment:

- Too much spent on wages in the public sector (and too little on supplies and maintenance).
- Overstaffed bureaucracies.
- The erosions of public service salaries — with individual wages too low despite the high overall budget for salaries.
- Too small a gap between high and low wages — which constrains the government's ability to hire and keep qualified personnel at the middle and upper levels.

The Bank has used structural adjustment loans, technical assistance projects, and country

economic and sector work to address these problems. In its efforts to support reform of public sector pay and employment, the Bank should:

- Systematically analyze the politics of the reform process, and more fully research key pay and employment issues (such as nonwage allowance systems and supplementary benefit schemes).
- Allow flexibility (and some country autonomy) in designing reform, so a country will "own" its own reform.
- Look beyond short-term reform to such medium-term issues as redeployment, retraining, and pension and severance obligations.
- Recruit personnel specialized in pay and employment operations or offer specialized training to Bank staff.

This paper is a product of the Public Sector Management and Private Sector Development Division, Country Economics Department. Copies are available free from the World Bank, 1818 H Street NW, Washington DC 20433. Please contact Jayne Cheeseman, room N9-057, extension 61703.

The PPR Working Paper Series disseminates the findings of work under way in the Bank's Policy, Planning, and Research Complex. An objective of the series is to get these findings out quickly, even if presentations are less than fully polished. The findings, interpretations, and conclusions in these papers do not necessarily represent official policy of the Bank.

PUBLIC SECTOR PAY AND EMPLOYMENT POLICY ISSUES IN BANK LENDING:

AN INTERIM REVIEW OF EXPERIENCE

CONTENTS

	<u>Page No.</u>
Summary and Conclusions.....	i-iv
I. INTRODUCTION	1
II. OVERVIEW OF BANK OPERATIONAL EXPERIENCE IN PUBLIC PAY AND EMPLOYMENT REFORM	2
A. IDENTIFYING THE PROBLEM	3
B. LENDING INSTRUMENTS	4
C. OPERATIONAL APPROACHES	6
Salary Restraint	6
Employment Reforms	7
Severance and Redeployment	9
Changes in the Salary Structure	10
Non-Wage Mechanisms for Attracting and Retaining High-Level Personnel	11
D. OPERATIONAL TECHNIQUES	13
Prerequisites to Reform: Data Collection, Computerization, Civil Service Census, Functional Review	13
Civil Service Censuses	13
Functional Reviews	14
Data Collection and Computerization of Personnel Management Functions	15
Diagnostics and Studies	15
Institutional Arrangements	15
III. ANALYSIS OF PAY AND EMPLOYMENT IN BANK RESEARCH AND CESW	17
A. COUNTRY ECONOMIC AND SECTOR WORK	17
B. BANK AND IMF RESEARCH	17
IV. ISSUES IN PUBLIC PAY AND EMPLOYMENT REFORM	19
- The Context of Reform: The Importance of Politics	19
- Redeployment	20
- Timing of Reform	21
- Information Gaps	21
- Types of Bank Interventions: Suitability for Reform	22
- Internal Bank Coordination	23
- Bank Staff Capacity	23
- Supervision	24
V. CONCLUSIONS	24

TABLES

1.	Bank Operations: Employment/Pay Components (Approved as of February 1987)	27
2.	Bank Operations with Employment/Pay Components (Under Preparation as of February 1987)	28
3.	Countries with Bank Operations in Public Sector Pay and Employment	29
4.	Country Economic and Sector Work on Pay and Employment	30
5.	Major Diagnosed Problems for Countries with Bank Employment/Pay Interventions	31
6.	Bank Operations with Employment/Pay Components By Lending Instrument (As of February 1987)	32
7.	Bank Operations Broken Down by Pay and Employment Components (Approved or under Preparation as of February 1987)	33
	REFERENCES	34

SUMMARY AND CONCLUSIONS

In the wake of the severe economic crises of recent years, many developing countries have begun to confront the difficult task of making their public sectors more productive. The need to reform public pay and employment policies has come to be seen as an important element in meeting this challenge. National economic adjustment strategies, often with support from the International Monetary Bank and the World Bank, have increasingly focused on these issues. Attention to public pay and employment stems in part from the pressure placed by fiscal constraints on the wage bill, which in many countries constitutes a major share of public expenditures. Concern has also been prompted by the growing recognition that conditions of pay and employment may be key inhibitors of government performance. Indeed, overstuffed bureaucracies afflicted by eroding salary scales, pervasive demoralization, corruption, moonlighting, and chronic absenteeism are often unable to carry out the essential economic policy and management tasks that are a key part of emergency economic recovery programs.

In response to these conditions, the Bank's involvement in public pay and employment reform has grown rapidly. The character and extent of Bank interventions have varied and Bank policy objectives have not always been consistent, however. Also, diverse types of lending instruments and analytic techniques have been utilized. Bank activities in this area have generally been ad hoc and have preceded the formulation of systematic policy guidance. Moreover, the rapid expansion of Bank work on pay and employment has not allowed time for considered analysis of the potential effectiveness of the various approaches taken. This has been exacerbated by an insufficient exchange of experience by Bank staff working in this area.

This paper offers an interim review of the Bank's experience with public sector pay and employment reform. Its aim is to establish what has been done and what has been learned to date. The review has limited objectives: It seeks to inventory and analyze Bank operational work in selected countries and to provide a brief guide to Bank research and policy work on this subject. The review covers the period between 1981 and February 1987. The paper tries to draw attention to issues that have emerged in the early phases of these activities and make some tentative suggestions about directions for future Bank work rather than draw definitive conclusions about the impact of these efforts. The review covers only the Bank's experience with pay and employment policy issues in central governments (generally with particular reference to the civil service). For the most part, this focus excludes reforms undertaken on the level of individual state enterprises or through wholesale reforms of state enterprise sectors. Pay and employment issues that have been addressed on an individual sectoral level (e.g. in an individual ministry of agriculture) are also excluded from the survey.

Between July 1981 and February 1987, public employment and pay issues in central governments figured prominently in 45 Bank lending operations in 24 countries. West Africa accounted for more than one-third of these operations; Latin America and the Caribbean had slightly more than one-fourth; and the rest were distributed fairly evenly among East Asia, South Asia, EMENA, and East Africa.

Despite a heterogenous sample of countries and cases examined, four principal types of problems were identified as characteristic of the group as a whole: excessive public sector wage bills; surplus numbers of civil servants; erosion of public service salaries; and, wage compression. The principal instruments used by the Bank to address these problems were structural adjustment loans, technical assistance projects, and country economic and sector work. A variety of operational approaches were utilized. The most sweeping approach has been to call for reduction of the wage bill through salary restraint. Freezing wages is usually at best a temporary solution and tends to reinforce inequities or wage compression within salary structures. Employment reforms which aimed at cutting numbers of civil servants included: efforts to eliminate phantom workers or ghosts; elimination of officially sanctioned posts; retrenchment of temporary workers; enforcement of retirement rules; a freeze of initial recruitment and/or prevention of guaranteed entry into the civil service of university graduates; and voluntary retirement of surplus workers. The most difficult political step taken by governments is the actual dismissal of civil servants. The political impact of this action is sometimes mitigated by public education programs or competency testing. Although the Bank has, in some cases, encouraged civil servant reduction, such as the design of severance benefits or redeployment and retraining schemes. These factors may significantly influence the outcome of reforms.

Where low public sector salaries and wage compression posed a problem in attracting qualified staff to central government, the Bank sometimes recommend selective upward wage adjustments, with varying degrees of success. Other mechanisms for attracting higher level personnel were also explored. These included senior executive services, the use of local consultants, secondment from public enterprises, and compensation through non-wage allowance and benefits systems.

Some of the operational techniques financed by the Bank to carry out the above reforms included improvements in the data collection capacity of personnel management systems, civil service censuses, functional reviews of whole governments or selected ministries, diagnostic studies of various aspects of pay and employment issues in the civil service.

The institutional arrangements for pay and employment reform have varied, but in general, reform efforts located in more autonomous institutions with greater access to higher levels of government have a better chance of succeeding.

Much of the Bank's work on public pay and employment reform has been carried out through country and economic sector work in the form of Country Economic Memoranda (CEM). Country Economic and Sector Work may be either the precursor to Bank lending in this area, or it may constitute policy dialogue which becomes the main mechanism for Bank-country relations on this issue. The Bank has also financed research on public pay and employment. This research has focused predominantly on Africa and has provided an analytic framework for dealing with the economic aspects of pay and employment reform. This paper suggests that future research should attempt to: expand the data base through in-depth studies of pay and employment problems in specific countries; undertake comprehensive studies of government service incentive systems, including analysis of salary structures, career paths, non-wage allowance and pension systems, and relevant tax provisions; review severance scheme experiences; study the political and social consequences of pay and employment reform, and review case studies of employment and pay experiences in individual sectors and public enterprises.

The paper raises a number of issues for consideration and offers conclusions based on its findings, including the following:

- Political factors are crucial to the success of pay and employment reforms. Systematic analysis of the politics of the reform process, largely absent from Bank sector work, needs to be incorporated into CESW and in direct preparation of Bank projects.
- Governments must feel full "ownership" of reforms, and thus a style must be struck which allows for the appropriate mix of Bank leverage and country autonomy in design of these programs.
- Bank pay and employment operations have tended to take a short term perspective, ignoring issues of redeployment, retraining and pension and severance obligations. The Bank should take a more comprehensive approach that considers all stages of the reform process and makes more specific provision for implementation over the medium term.
- Conflicting objectives relating to goals of fiscal soundness, bureaucratic efficiency of developmental strategies need to be clarified from the outset of Bank operations and should be discussed and coordinated with the IMF to ensure program coherence.
- Bank operations are being carried out in the absence of adequate information about key pay and employment issues. Bank sponsored research and CESW should be expanded to examine such aspects as non-wage allowance systems, labor market absorptive capacity and supplementary benefit schemes such as social security programs, to name a few.

- No single lending instrument could be identified as most suitable for bringing about desired changes in pay and employment systems. Indeed, flexibility in operational approach and style is required. Although SALs have been found effective for stimulating reform, one-shot conditionality is probably less appropriate than serial conditionality supported by an institutional infrastructure provided either through specific SAL components, companion technical assistance projects or medium-term sectoral support projects with institutional development components.
- Given the staff intensive character of pay and employment operations, appropriate arrangements for supervision and staff time allocation need to be devised.
- Given the complex and multi-disciplinary nature of pay and employment operations, specialized training for Bank staff and/or recruitment of personnel with the appropriate skills may be required.
- Although the Bank has taken a lead in the area of public sector pay and employment reform, the experience of outside institutions and of individual developed and developing countries themselves needs to be examined more thoroughly.

PUBLIC SECTOR PAY AND EMPLOYMENT POLICY ISSUES IN BANK LENDING:

AN INTERIM REVIEW OF EXPERIENCE

I. INTRODUCTION

In the wake of the severe economic crises of recent years, many developing countries have begun to confront the difficult task of making their public sectors more productive. The need to reform public pay and employment policies has come to be seen as an important element in meeting this challenge. National economic adjustment strategies, often with support from the International Monetary Fund (IMF) and the World Bank, have increasingly focused on these issues. Attention to public pay and employment stems in part from the pressure placed by fiscal constraints on the wage bill, which in many countries constitutes a major share of public expenditures. Concern has also been prompted by the growing recognition that conditions of pay and employment may be key inhibitors of government performance. Indeed, overstuffed bureaucracies afflicted by eroding salary scales, pervasive demoralization, corruption, moonlighting, and chronic absenteeism are often unable to carry out the essential economic policy and management tasks that are a key part of emergency economic recovery programs.

In response to these conditions, the World Bank's involvement in public pay and employment reform has grown rapidly. The character and extent of Bank interventions, however, have varied considerably from one country or operation to another. Bank policy objectives have not always been consistent, and the types of lending instruments and analytic techniques utilized have been diverse. For the most part, in fact, Bank activities in this area have been ad hoc in nature and have preceded the formulation of systematic policy guidance. Moreover, the rapid expansion of Bank work on pay and employment has not allowed time for considered analysis of the potential effectiveness of the various approaches taken. This has been exacerbated by a minimal exchange of experience by staff working on pay and employment issues.

This paper offers an interim review of the Bank's experience with public sector pay and employment reform. Its aim is to establish what has been done and what has been learned to date. The review has limited objectives: It seeks to inventory and analyze Bank operational work in selected countries and to provide a brief guide to Bank research and policy work on this subject. The review covers the period between 1981, when significant Bank involvement in this area could first be documented, and February 1987. Given the preliminary stage of most Bank initiatives in public pay and employment reform, relatively little can be definitively concluded about the impact of Bank efforts. Instead, the paper tries to draw attention to issues that have emerged in the early phases of these activities and make some tentative suggestions about directions for future Bank work.

The review covers only the Bank's experience with pay and employment policy issues in central governments (generally with particular reference to the civil service). For the most part, this focus excludes reforms undertaken on the level of individual state enterprises or through wholesale reforms of state enterprise sectors. Pay and employment issues that have been addressed on an individual sectoral level (e.g., in an individual ministry of agriculture) are also excluded from the survey. The decision to exclude a potentially rich body of data on these subjects from the present study derives simply from the need to limit the review's scope. To the extent that pay and employment reforms in other spheres overlap with central government initiatives and can be captured through anecdotal evidence, however, they may be touched upon in the present discussion. The review covers Bank activities both in direct lending and in Country Economic and Sector Work. Inclusion under one of these categories required either that a substantial portion of CESW be devoted to public pay and employment issues or that some specific recommendation or direct action regarding these issues be embodied in the conditionality or project component of a Bank lending operation. Thus, cases in which general Bank-country policy dialogue on pay and employment questions was not accompanied by any documented follow-up are not treated here. It is important to note as well that many Bank initiatives have taken place in the context of ongoing country programs, often in the midst of IMF agreements. It is sometimes difficult to draw a sharp line dividing Bank, country, and IMF activities. Finally, pay and employment reform experiences in developing countries where there has been on IBRD intervention in this area are also excluded from the sample.

Section II of this paper begins with an overview of the main characteristics of Bank involvement in public pay and employment issues. This overview considers common problems, lending instruments used to address these problems, recommended policy reforms and institutional arrangements, and actual operational techniques utilized. Section III briefly reviews country economic and sector work and research performed within the Bank on public pay and employment issues. In section IV, major issues that have emerged in Bank work are highlighted. The fifth and final section draws some tentative conclusions about Bank activities and suggests directions for future work.

II. OVERVIEW OF BANK OPERATIONAL EXPERIENCE IN PUBLIC PAY AND EMPLOYMENT REFORM

Between July 1981 and February 1987, public employment and pay issues in central governments figured prominently in 45 Bank lending operations in 24 countries. (Tables 1 and 2 show approved and proposed operations respectively). Africa accounted for more than one-third of these operations; Latin America and the Caribbean had slightly more than one-fourth; and the rest were distributed fairly evenly among Asia and EMENA. (See Table 3) In addition to direct lending, public pay and employment issues have also received substantial treatment in Country and Economic Sector Work products; approximately 20 Country Economic Memoranda included significant discussions of (and made concrete policy

recommendations about) public employment and pay issues. (Table 4 shows countries for which significant Country Economic and Sector Work in this area was performed). Public pay and employment policy reform was also the subject of a growing body of Bank executed research. (The bibliography attached to this review contains specific citations to this research).

A. IDENTIFYING THE PROBLEM

The countries examined here are diverse, not only in terms of prevailing conditions of public employment, but also with regard to the Bank interventions they have experienced. Despite this heterogeneity, four principal problem types can be identified as characteristic of the group as a whole:¹

- (i) Excessive public sector wage bills. Excessiveness is a subjective quality, one for which no clear measurement methodology exists, and no standardized approach is applied throughout the Bank. In general, the wage bill is measured against one of the following: the overall government budget; overall government revenues; GDP; or total recurrent expenditures. The latter measure is perhaps the most common, and the degree to which non-personnel recurrent expenditures (such as those for supplies and maintenance) diminish in relation to personnel expenditures is taken as a key signal that the wage bill is inappropriately high.²
- (ii) Surplus public servants. Although obviously related to the size of the wage bill, the appropriate number of civil servants is often derived ad hoc from the proportion of public servants to the overall population, to the modern sector labor force, or from somewhat casual observations of "too many people sitting around doing nothing." Sometimes the rate of expansion of public employment, especially when disproportionate to GNP or overall labor force growth rates, is taken as a warning signal of surplus numbers in government. Clearly, the definition of what constitutes "too many" in the public sector must consider the relative role of the state in the economy, the level of a country's development, and the relative importance of the state as a primary source of political patronage and social welfare. To identify a personnel surplus, most Bank staff rely upon the indicator cited above; that is, insufficient operating budgets for supplies and maintenance.³
- (iii) Erosion of public service salaries. In many countries the level of real public sector salaries--and particularly civil service salaries--has eroded substantially over time. The result is remuneration that is too low either to sustain lower echelon

^{1/} Table 5 classifies countries surveyed according to these four problems.

^{2/} A thoughtful but inconclusive discussion of this measurement issue is found in Peter S. Heller and Alan A. Tait, Government Employment and Pay: Some International Comparisons, IMF, Occasional Paper No. 24, Washington, D.C., 1983.

^{3/} A comparative discussion of this issue, using data from developed and developing countries, is also provided by Heller and Tait, op. cit..

workers above the poverty level or to attract and retain skilled manpower. Real remunerations are significantly affected by the rate of inflation and the regularity and nature of salary adjustments. Declines in real wages are often cushioned by elaborate allowances or non-wage benefit structures that in some countries have become an increasingly important part of the overall compensation package. A pervasive irony afflicts many countries; i.e., the overall salary bill is too high while wages are too low. This dilemma is the product of years of trade-offs, given fiscal constraints, in favor of hiring growing numbers of employees at diminishing salaries. Wage erosion is particularly a problem where there exists an alternative market for public servants, either through a better paying parastatal sector, a domestic private sector with higher salaries and benefits or an international market to which highly skilled public servants may migrate.

- (iv) Wage compression. In many of the cases under examination, increasing compression of the ratio of top to bottom salaries has been identified as a serious constraint on governments' ability to attract and retain qualified personnel at the middle and higher levels. Wage compression is partially a function of expansive employment policies as discussed above, but in some countries it may also derive from regime preferences for egalitarian salary structures. This, in turn, may hinge on the ideological character of the regime or the degree to which its political support is drawn from the lower socioeconomic strata.⁴

B. LENDING INSTRUMENTS

The Bank's principal instrument for promoting public employment and pay reform has been some form of policy-based lending, principally through Structural Adjustment Loans. Between 1981 and 1987, twenty-three SALs had public employment and pay components. Conditionality relating to public employment and pay was also included in Reconstruction Import Credits and one Imports Program Credit. Thirteen Technical Assistance Loans with public employment and pay components were directly linked to SALs. An additional five free-standing TALs also included significant public employment and pay components. (Table 6 classifies pay and employment operations by region and lending instrument.)

Bank promotion of public employment and pay reforms has also occurred through Country Economic and Sector Work. Some of this work took the form of sector studies in anticipation of specific Bank projects (e.g., diagnostic studies in Mauritania and Senegal). Other CESW dealing with public employment and pay issues was carried out through the preparation of country economic memoranda. In several instances, coverage of these issues in a Country Economic Memorandum (CEM) preceded or was accompanied by

^{4/} Recent Bank research has discussed these problems for African cases. See, especially, David Lindauer, Oey Meesook, and Parita Subsaeng, Government Wage Policy in Africa: Summary of Findings and Policy Issues, CPD Discussion Paper No. 1986-24, April 1986.

policy dialogue between Bank and country about pay and employment issues. This occurred, for example, in Thailand and Sri Lanka. In the latter, such dialogue contributed ultimately to the initiation of a reform process and later to the initiation of a Bank-financed (UNDP-executed) Technical Assistance project.

Structural Adjustment Loans varied in the depth of their treatment of public employment and pay issues. A few SALs merely set global reduction targets (determined in collaboration with the IMF) for the overall wage bill without specifying a strategy to reach these targets. Sometimes the inclusion in a SAL of such conditions was intended to encourage the continuation of government actions already taken.

In most cases, however, the Bank did specify the means by which the overall wage bill might be reduced. In these cases, conditionality was introduced to restrain salaries; freeze or reduce employment; carry out studies on some aspect of employment and pay in the civil service or public enterprise sector; or raise civil service salaries.⁵ (Table 7 shows main pay and employment components for Bank operations.)

In general, TALs took a somewhat different approach to public employment and pay issues, often providing support for longer term, more comprehensive reform efforts. Nine TALs sought to strengthen institutions and procedures or to collect information that would provide the foundation for more radical employment and pay reforms at some later date. As might be predicted, TALs that were closely linked to SALs provided shorter term institutional support for employment and pay policy conditionality than did free-standing Technical Assistance Projects not directly connected to the structural adjustment process.

Although central government (civil service) reform was the exclusive focus of most pay and employment components for countries surveyed, approximately 11 operations dealt at least peripherally with pay and employment issues in public enterprise sectors. Turkey's SALs II-IV, for example, were aimed primarily at reforming pay and employment structures in state enterprises. In general, though, most of the Bank operations surveyed treated public enterprise employment issues only peripherally as an adjunct to those of central government. In most countries examined, state enterprise salaries and benefits were higher than those of the central government but lower than those of the private sector. (Costa Rica was a notable exception.) Given the natural drain of skilled civil servants to the parastatal sector, the principal question addressed in several Bank interventions was whether to encourage the alignment of civil service and state enterprise salary and benefit systems or to separate them, allowing state enterprise salary structures to operate more autonomously, thus approaching market conditions. One Bank operation

5/ It is worth noting that on occasion the IMF, which appears generally to have prescribed wholesale wage reduction without significant attention to the detailed mechanisms by which this reduction might take place, also became more involved in recommending concrete strategies to achieve the desired objective. In Guinea and the Gambia, for example, actual employment reduction targets and timetables were set as part of Fund programs.

recommended the alignment of civil service salary scales with those in State enterprises, and six operations recommended separating them.⁶

C. OPERATIONAL APPROACHES

Although there has been considerable variation from one reform to another, in general the substantive approaches to pay and employment issues taken in Bank operations have tried to address the main problems outlined above. The Bank has sought to reduce the wage bill, lower overall employment numbers, promote the maintenance of civil service salaries at levels ensuring the availability of competent government workers, and decompress salary structures so that talented managers do not leave for private, parastatal, or international jobs. In its pay and employment operations, the Bank has pursued the multiple, sometimes conflicting objectives of promoting fiscal constraint and improved efficiency in central government.

Salary Restraint

The most sweeping approach taken by the Bank (and the Fund) to public pay and salary reforms has been to call for a reduction of the wage bill, frequently through explicit prescriptions for salary restraint. Three Bank operations have followed this approach, usually by recommending an across-the-board freeze in public sector salaries. Eight countries have taken this action on their own or with strong urging from the IMF. Experience with wage freezes has been mixed. Some countries have frozen wages temporarily but quickly raised them when the immediate pressure was relieved. Others deferred action or indeed were unable to reduce wages at all. Still others imposed wage freezes that were insufficiently radical to effect the desired total wage bill reduction. Despite major public pay and employment reform efforts in Senegal, for example, structural wage drift took place, nonetheless. Although a wage freeze was enacted in 1981, the overall wage bill continued to increase by about 7 percent per annum in real terms due to automatic advancement within the civil service and consequent pay increments. Freezing wages, in addition, cuts the living standards of public servants and tends to reinforce the erosion of real salaries in rapidly inflating economies. In the Central African Republic, for example, public servants' purchasing power declined so dramatically as a result of successive wage freezes between 1982 and 1985 that the urban economy of the capital, where government employees were an important consumer block, was adversely affected. Finally, across-the-board freezes lock in place whatever inequities or wage compression exist within the salary structure.⁷

^{6/} For a more thorough review of this and other issues related to pay and employment in state-owned enterprises in Africa, see Sunita Kikeri, "Management Compensation Systems for Public Enterprises in Sub-Saharan Africa," forthcoming, 1987.

^{7/} Depending on the extent of non-wage benefits in the compensation package, wage freezes may affect different levels of the civil service differently. Such allowances and in-kind benefits constituted from 10 to 70% of compensation in the cases examined.

Employment Reforms

The use of salary restraint to control the size of the global wage bill evades the question of the number of civil servants. Sometimes this number is so large that even freezing wages does little to reduce expenditure. Though wage freezes may be politically difficult for governments to impose, they nonetheless appear to be more palatable than reducing overall public sector employment itself. Hence (as discussed earlier in this paper), most regimes prefer to expand employment at diminishing wage levels.

Nonetheless, employment was frozen or even reduced in some cases examined. Four countries froze employment, and in the case of 5 more the Bank urged overall employment reductions. Ten countries actually succeeded in cutting employment either through Bank programs or on their own.

Employment reform methods can be located along a continuum of political difficulty. At the low difficulty end of this continuum is one of the first actions usually taken, the elimination of ghosts. This is generally accomplished through the execution of a civil service census and the computerization, mechanization, and reconciliation of personnel management records with those of the payroll (usually situated in the Ministry of Finance). The effort to eliminate ghosts was an important part of operations in 3 countries. Another measure incurring only moderate political cost is the elimination of officially sanctioned posts which are not currently filled. (This occurred in the Gambia). Next, temporary workers (to whom the government usually has fewer legal severance obligations) may be retrenched, as occurred in the CAR and Jamaica for example. Several countries have enforced automatic retirement for those reaching retirement age or the requisite years of service. This policy, however, has not been without problems. In Senegal, for example, where official retirement came between ages 55 and 58 or 30 years of service, many employees retained their positions by falsifying records to conceal their true age. The degree to which such automatic retirement policies have a meaningful effect depends, too, on the overall age structure of the civil service and on the pension costs generated by automatic retirement programs. (In most African countries, the age distribution is skewed toward those under 40 years of age.)

A freeze on recruitment is often the next step. Six countries imposed recruitment freezes. In the CAR, recruitment was first limited by a rule permitting the hiring of one functionary for every three dismissed. This proved expensive, though, because it became commonplace to recruit a higher level staff whenever three lower level ones were fired. The system was subsequently modified to limit recruitment to a ratio of one franc of hiring for every three francs of savings.

Another method of freezing recruitment is to prevent the guaranteed entry of recent university or public administration school graduates to the civil service. In some cases, entrance into the university itself was blocked. Such steps were taken by the government of the CAR through its adjustment program, but students and recent graduates proved a powerful political force. Although guaranteed access to government was abolished, many students entered government service as

interns, receiving only very modest subsistence stipends. Although they were not hired officially as civil servants, many of these interns were able to position themselves to be hired subsequently on a permanent, full-salaried basis.

A more difficult step, both politically and administratively, is the voluntary retirement of surplus workers. This is currently being attempted in Guinea under a Bank SAL. Because voluntary retirement schemes do not allow the government control over which employees leave or stay, they carry the risk that the incompetent will remain and the more enterprising will leave.

The actual dismissal of civil servants is politically the most difficult step. Retrenchment, nonetheless, is taking place by various mechanisms. In Guinea and CAR, justification for civil service cuts has been based on competence testing organized by the Ministry of the Civil Service but carried out by each individual ministry. The test itself has provoked angry opposition. In the CAR, a Canadian consultant working with the Livestock Ministry to develop a competence testing methodology was attacked in his home by a mob of civil servants. (He was subsequently provided with a bodyguard.) The exercise was only completed with the support of the Minister of the Civil Service, who insisted that the testing program continue as planned. Despite these difficulties, however, such testing schemes, like the functional reviews to be discussed shortly, may provide the necessary technical rationale for dismissals and thus help reduce the possibilities of retrenchments based on arbitrary criteria. In the Gambia, where such testing has not taken place, Bank staff expressed some fears - which apparently proved not to be realized - that employment cuts might be based more on tribal or political considerations than on purely functional requirements. Still, such testing schemes have yet to be carried out on a wide scale.

The economic and political feasibility of employment cuts may depend on the degree to which civil servants are currently benefitting from government jobs and on the alternatives available to them outside the state sector. If most government employees are currently engaged in moonlighting activities providing significant supplementary income, the adjustment to retrenchment will be easier. If, on the other hand, access to other legal or illicit forms of income depends upon government positions, or if the status acquired through those positions is esteemed for its own sake, then the individual costs of retrenchment and the political costs to government both rise. On this dimension Senegal, where non-salary allowances and political influence figure importantly in the attractiveness of civil service positions, appears to fall in the "high risk" category. In Guinea, on the other hand, Bank staff report that despite the very high level of government employment in the capital of Conakry (an estimate 95% of modern sector employment is in the state sector), public employment reduction may be facilitated because civil service salaries sank so low that they became a relatively minor portion of most individuals' total income. Even non-wage compensation such as rice rations became so insignificant that they lost their attraction for many government employees.

The political costs of retrenchments may also be mitigated by "public education" programs. In Guinea, French technical assistance

financed a public relations consultant who prepared an information campaign (through radio and television broadcasts) that publicized and explained the government's retrenchment plan. Bank staff observing the effects of this program were persuaded that it led to increased public acceptance of employment reductions.

Severance and Redeployment

Severance and redeployment arrangements for redundant employees are an important aspect of retrenchment policies. So far, the Bank has limited its direct involvement in this area to policy discussions with governments contemplating severance and redeployment schemes. For the most part, these discussions have raised more questions than answers. Most countries have legal regulatory frameworks binding them to a particular level of payments. The degree to which these legalities can be ignored or modified depends largely on the nature of the political system. Governments face difficult choices in weighing the political and economic costs of severance policies. In Guyana, for example, a 24% reduction in the public service in 1981-82 made 13,000 workers redundant in both the civil service and public enterprises. Due to the heavy burden of severance payments to fired individuals, these employment reductions had considerably less salutary effect on the wage bill than had been hoped. Based on years served, aggregate severance payments actually increased the wage bill for several years. Under strong pressure from labor unions, the government was forced to borrow to pay off workers, and in 1985 debt service reached an unprecedented 65% of expenditures.

Whether to pay redundant civil servants a lump sum or to defer payments over a phased period is also an open question. Deferred plans may benefit governments, because they typically take advantage of currency erosion through inflation and earn interest on the yet-to-be-disbursed funds. Such plans may benefit employees as well, in so far as the potential dissipation of a one-time lump sum payment is less of a danger. In Guinea, a three option plan is being proposed. Voluntary retirees may draw a salary with accompanying rice rations for 60 months, take 40 percent in cash and the rest in regular salary payments, or they may take a share of the severance allowance as a down payment on a new business enterprise. Lines of credit to promote entrepreneurs in the private sector have also been discussed in the Gambia and Ghana.

Although public enterprises are not the central concern of this review, one interesting experience with compensation and severance is the case of the Cocoa Marketing Board (COCOBOD) in Ghana, an experience which may provide lessons for similar severance exercises now being contemplated for Ghana's civil service. COCOBOD recently laid off approximately 16,000 workers in 1986 at an overall cost (over a three-year period) of US \$20 million. This constituted an average individual payment of 11 years of base salary (which, in fact, only made up 50% of total compensation). Although COCOBOD felt itself bound by existing labor agreements to honor this arrangement in a one-time up front payment, the President, alarmed by the cost, intervened to insist on a deferred payment scheme over three years. The first third of the settlement would be paid up front; the second third would be paid one year later (with interest accruing to government); and the third would be paid in the third year. With inflation

and foregone interest, the payments thus amounted to approximately four and a half years' salary equivalent. The thrust (though not the specifics) of this arrangement was part of the Bank's conditionality for its Export Rehabilitation Project. The cut of 16,000 was made on an overall estimated staff of 80,000 after a functional review carried out by the COCOBOD directorate with the assistance of expatriate consultants financed through the Technical Assistance Credit.⁸ Bank staff interviewed about this action were convinced that the reductions would never have taken place without outside assistance, as much for the active role the consultants took in negotiating the plan with the various interested parties as for their actual expertise in helping to design it.

Aside from indirect attention to severance payments, the question of redeployment of redundant employees has not really been addressed by the Bank or even, for the most part, by the countries themselves. Ghanaians have discussed incentive plans to encourage redundant employees to take up productive agricultural activities. In Guinea, some discussion has focussed on the possibility of short-term labor-intensive public work projects, but no action has been taken. In the Gambia, lines of credit in combination with training for entrepreneurs have also been discussed. The Bank's involvement in redeployment has gone furthest in Bolivia, where the possibility of financing severance payments and an ambitious public works program for redundant miners (laid off from the country's state-owned tin enterprise) has been proposed. Such financing might be channeled through a national social emergency fund, assisted by a free-standing Bank social adjustment project.

Changes in the Salary Structure

The Bank has recommended selective upward adjustments in public sector salaries in 5 countries. In many countries, public sector salaries have eroded in comparison with increases in the consumer price index. This erosion was damaging for all grades of the civil service, but it was particularly insidious at the higher levels, especially when compared to wages commanded by managerial personnel in the private sector or in some cases with the parastatal sector (where perks and wages were better than those offered by the central government). The result was the increasing compression of the ratio between top and bottom grade salaries, resulting in demoralization, corruption, moonlighting, and, where alternatives existed, the flight of top and middle-level management from government posts. Although in some cases modest wage increases had taken place in the past, they were mostly instituted across the grade spectrum or were more generous to lower echelon personnel. In Jamaica, for example, the Consumer Price Index rose by over 450% for the period between 1972 to 1982, while salaries for the three highest professional grades were increased between 40% and 85%. A simultaneous increase of over 350% for government-employed casual labor reflected official policy of upgrading salaries at the lower end of the scale at the expense of higher level staff. The awarding of flat, across-the-board pay increases resulted in dramatic salary compression and a large exodus of skilled and experienced professionals from the civil service and, frequently, from the country itself. This

^{8/} The consultants had been financed originally for other activities but were co-opted into working on this problem.

emigration translated into high vacancy levels in key ministerial posts. For instance, one line agency reported a 57% vacancy rate in these posts, and an average of 47% of top positions in core agencies were vacant. Often the remaining positions were filled with marginally qualified staff. One consequence of this salary restraint was the rapid growth in the creation of parastatals (which could pay above civil service scales) to carry out key government tasks. Parastatals took over core activities in areas such as public works, statistics, and even national planning.

The record of the Bank in pushing for selective wage increases to decompress wage structures and make the civil service more attractive to skilled manpower has been mixed. In Bangladesh and Peru, efforts to increase wages, with particular emphasis on higher level staff, were largely unsuccessful. In Bangladesh, wages were raised, but lower echelon staff received a 100% increase while higher level personnel received only a 50% increase and a reduction in non-wage allowances. Bank staff interviewed stressed the need to press for greater reform through continuing dialogue with the government in order to bring about more fundamental change. In Peru, public pressure to keep the salary scale flat was heeded by a newly elected populist regime. In Ghana, salaries were raised, and the overall pay structure was decompressed from a top to bottom level ratio of 2:1 to 5.6:1 during policy dialogue in preparation for the SAL and companion technical assistance project. Although the Bank had recommended that this decompression occur without growth in the overall wage bill, several miscalculations on the part of government resulted in a wage bill increase. In the case of Sri Lanka, policy dialogue in the context of Country Economic and Sector Work and as a transition to T.A. project preparation between government and the Bank led to a decompression of top to bottom salaries from 4.2:1 in 1984 to 11.8:1 as of May 1986. Finally, in Jamaica, the Bank encouraged the government to raise high-level professional grade salaries in the civil service to 85% of those in the public enterprise sector in order to attract and retain quality skilled personnel. The plan was to achieve this increase over a three-year period as part of the conditionality of SAL III. Although one incremental increase was effected in 1984 just before the SAL was approved, a second adjustment did not take place until late 1986. Even with this second increase, higher management Civil Service salary levels still fall far short of 85% of parastatal remuneration for most job categories, however, and Bank staff have expressed concern that Government may not implement the third round of promised adjustments due to political factors. These delays in following through with this reform reflected heavy pressure on government to pursue egalitarian employment policies and only superficial government commitment to the proposed raises. It has also been suggested that the government's efforts to improve the lot of higher level civil servants were constrained in the wake of its bold redundancy actions taken under the Fund stabilization program. Approximately 20,000 government employees were dismissed during the 1984-85 period - precisely when the second salary increase for managers was supposed to take place.

Non-Wage Mechanisms for Attracting and Retaining High-Level Personnel

Compressed salaries and deteriorating working conditions have made it difficult to attract and retain high level professionals in the civil

service and to keep those who remain honest and hardworking. While salary decompression is one approach to this dilemma, continuing fiscal crises and political constraints may make more steeply graded civil service structures infeasible. Alternative solutions have been proposed and attempted in several cases. One of these is the notion of a senior executive service or corps. Modeled after the SES introduced in the United States in 1979, this is a category of super-grade upper management government employees who are paid salaries above the highest level of the civil service. In return for enhanced financial remuneration, they give up job security.⁹ The possibility of instituting a modified version of SES has been discussed in Ghana, and it was proposed as a component of the Public Sector Management Technical Assistance Project in Peru. In the Peruvian case, government resistance prevented the implementation of SES after loan approval. It was to have been financed by a Bank-supported Foundation for the Development of the Public Sector, which would have guaranteed salaries above the civil service scale that were more competitive with the public enterprise sector and closer to the private sector. The establishment of the Foundation was a condition of loan effectiveness. A contractual arrangement between the Foundation and Government to ensure the execution of the SES was a condition of disbursement, but neither was ever fully activated. Within other parts of government, the fear that the Foundation and SES would be dominated by the ruling elite and that the Foundation would become a slush fund for overpaid consultants raised insuperable opposition to the SES-Foundation proposition. The fate of the proposal was sealed when a left-leaning, urban-based populist party came to power criticizing the elitism and corruption of the previous regime.

Other mechanisms for attracting qualified professionals to government service include local consultancies and secondment from more remunerative parts of government, usually the public enterprise sector. In Ghana, an innovative special skills mobilization scheme to facilitate the use of local consultants to fill critical government vacancies at topped-up salaries is being financed through a Technical Assistance Project. On an ad hoc basis, secondment has frequently been used to attract qualified professionals to central government at salaries above civil service levels.

Another feature of many public compensation structures that ameliorates salary erosion and compression is the non-wage allowance and benefit system. For many civil servants, wages may constitute as little as 25% of the total compensation package. Non-wage benefits may include housing or housing allowances, family and health benefits, and pension plans. In some countries, (e.g., Senegal) premiums are paid for each individual job category, often without clear functional justification.¹⁰ In Sri Lanka, an "exodus" allowance is paid to professionals who, it is feared, might be lured away by the international market. In both Senegal and Sri Lanka, as in other countries, the allowance system is complicated

2/ For an analysis of the United States experience, see, Robert W. Hartman and Arnold R. Weber, The Rewards of Public Service: Compensating Top Federal Officials, Brookings Institution, Washington, D.C. 1980.

10/ See Peter C. Bloch, "Wage Policy, Wage Structure and Employment in the Public Sector of Senegal," CPD Discussion Paper, No. 1985-41, May, 1985" for a thorough treatment of non-wage benefits in Senegal.

and unevenly distributed, causing resentment among less favored civil servants. To the extent that they moderate the effect of salary erosion, however, allowances may, in the short term, be a necessary evil. In any case, allowances are a big, permanent part of the pay system in many countries and it is misleading not to take them into account. Although some research has been carried out in the Bank exploring various facets of non-wage benefit systems, Bank operational work has generally paid only minimal attention to this issue.

The degree to which any of the above mechanisms can attract and keep higher level personnel in government depends largely on the available alternatives. In Guyana where professionals may make one-fourth the salaries of their counterparts in neighboring countries, the prospects for attracting qualified high-level personnel are dismal, especially given the weak state of the economy. In other countries, however, non-material incentives such as prestige, patriotism, or access to social and political connections may motivate well-qualified individuals to take low-paying jobs in government, assuming minimally acceptable conditions for subsistence.

D. OPERATIONAL TECHNIQUES

This section delineates the main techniques used in Bank operations to carry out the substantive approaches discussed above. (As a reminder, this discussion includes initiatives that may or may not have been directly in a Bank program. Some activities discussed were the result of government action (some with IMF support) and thus may have preceded and perhaps laid the foundation for the Bank's operational intervention.)

Prerequisites to Reform: Data Collection, Computerization, Civil Service Census, Functional Review

Some Bank operational activities are prerequisites to further reforms. These are usually related to the need to collect and access necessary information to get control of the personnel system. They include data collection and information management system improvements, civil service censuses, functional reviews of whole governments or selected ministries, diagnostic studies of overall employment problems, and other specific aspects of employment and pay policy.

Civil Service Censuses

Civil service censuses are often viewed as a preliminary step to generating information crucial to making necessary changes in public employment and pay policy. Such surveys have been carried out in 6 countries where the Bank has been active in pay and employment reform. They are intended as a head count of civil servants actually working in government. They should be able, in principle, to distinguish those actual employees from fictitious or fraudulent names (ghosts) on the staffing lists of the civil service ministry or the individual technical ministries. This can be achieved by comparing the results of the census with the payroll. In 3 cases, this comparison was made and ghosts were eliminated. Such follow-up comparisons are not always performed, however, calling the usefulness of the census itself into question. Civil service censuses have generally been carried out by government functionaries, often teamed with

local consultants. They are frequently undertaken under difficult conditions and tend to use no standardized methodology. On average, censuses take several months to complete, but the time required to carry them out varies with the skill of the investigators, the size of the team, and the size of the civil service. Civil service censuses are vulnerable to fraud; investigators may be subject to pressures or payments from interested parties, or they may fall victim to strong inclinations to finesse already existing staffing lists rather than taking the trouble to collect clean information. Still, in countries where virtually nothing is known about actual numbers of public and/or civil servants, sometimes even partial data gathered through a census may provide a starting point for policy reform efforts.

Functional Reviews

Functional reviews of the public administration constitute another prerequisite to pay and employment reform. Such reviews examine the functional staffing requirements of government on a ministry by ministry basis, matching tasks with objectives and identifying the number and type of staff necessary to carry out these essential activities as compared to the established or authorized positions, and to those officials actually in post. Thus, staff surpluses and shortfalls can be identified on a technical basis, and, in theory, redundancies can be eliminated. Such a review was executed in the Gambia with bi-lateral assistance in support of both a Fund program and a Bank Structural Adjustment Credit and was the basis for a large-scale staff reduction carried out in 1986 and 1987. In Senegal, the Bureau of Organization and Methods (BOM) of the Office of the President has attempted to carry out such a review, but few ministries have cooperated in this process. A functional review has also been suggested by the Bank to carry forward employment and pay reforms in Ghana, and is being financed by the recently approved Structural Adjustment Institutional Support Project. In addition, several national civil service commissions have carried out similar exercises on their own.

As the basis for public pay and employment reform, functional reviews provide technical guidance to policy makers as to where, if necessary, changes can and should be made in the employment structure. To the extent that they have such management decision uses, functional reviews thus constitute a more sophisticated tool than civil service censuses (which provide only raw numbers). They also supply a credible, technical rationale for the difficult, political decision of employment reduction. A few prominent consulting firms have developed functional review methodologies that borrow heavily from work carried out in advanced industrial countries. Concerns have been expressed that these reviews are expensive and time-consuming (in the Gambia a three-person team took six months to review a civil service of approximately 15,000). Given delicate political circumstances, personnel reduction reforms may be more successful if they are carried out swiftly, so some countries may be unable to wait for the completion of a detailed functional review before taking action. In addition, questions have been raised about the propriety and difficulty of expatriate consulting firms carrying out such delicate reviews. In Ghana, for example, government officials were reportedly uncomfortable with this prospect. In Senegal, the resistance of various ministries to

submitting to this type of review underscores the sensitivity of the exercise.

Data Collection and Computerization of Personnel Management Functions

For most countries surveyed, data about employment numbers and structure, pay and non-wage compensation systems, and career promotion patterns are often unavailable, inaccessible or unreliable. Frequently, only rough estimates can be obtained for numbers of civil service employees. Still less is known by central governments about employment numbers in the public enterprise sector as a whole. (Even where the Bank has tied SAL conditionality to employment reductions, as in Costa Rica, data were reported to be very approximate for the civil service and not available at all for the public enterprises.) In some countries, such as Senegal, data on pay systems are incomplete due to the absence of adequate information about the elaborate non-wage allowance system. Some data problems stem from the reluctance of governments to surrender to the Bank sensitive information about employment and pay. But in general, governments themselves are unable to access information within their own personnel management systems, many of which are still administered manually. In some instances, the mechanized payroll records are not linked to personnel recruitment records kept in the civil service ministry. This is one reason why there are phantom employees receiving paychecks. Thus several Bank operations, such as those in Mauritania, Ghana and the Central African Republic, have financed the computerization of the personnel management system and the reconciliation of personnel records with those of the payroll. For several countries where ghost elimination has been significant, mechanization and reconciliation of payroll appears to have been crucial. Moreover, the usefulness of censuses in ghost elimination is enhanced by subsequent payroll and personnel record automation.

Diagnostics and Studies

In an attempt to fill the data gaps discussed above, the Bank has financed studies of various aspects of employment and pay issues. Through its sector work, the Bank has also conducted diagnostic studies of various issues in public administration, with attention to public pay and employment questions, as part of project preparation for several T.A. projects. Two such studies were carried out in Mauritania and Senegal. The Mauritania diagnostic was reportedly useful in gathering essential information about the personnel system as well as in facilitating Bank-government communications in this area. In Senegal, initial ambiguity about the purpose of the Bank's diagnostic work caused the government some concern at first, but the information gathered helped lay a more solid foundation for the preparation of a Development Management Technical Assistance Project and helped broaden government views on key issues. The degree to which such diagnostic tools may be useful in preparing and in building country support for operational activities is worth further exploration.

Institutional Arrangements

The institutional arrangements under which pay and employment reform takes place influence its outcome. In a number of countries, reform

begins with the formation of a high-level interministerial commission or task force examining questions of pay and employment, often within the context of larger organizational issues in the public administration. (Zambia, Malawi, Bangladesh, Senegal, Sri Lanka, CAR, and Ghana, among others, all had such commissions.) These commissions may issue reports and organize or oversee civil service reform. They may be short-lived, as in Bangladesh, or become more fully institutionalized, as in Senegal. They may or may not offer remuneration to their members. The nature of these commissions and their impact on reform varies. In Bangladesh a national pay commission meets regularly to review salary policy and in 1983, a public administration commission, (ENAM) reorganized the public service and instituted a far-reaching decentralization program; another high-level committee is now about to review the functions and effectiveness of the management and professional levels of the public service. In Sri Lanka the National Salary Commission, a standing body, substantially raised salaries for higher level staff, prodded by a Special Presidential Administrative Reforms Committee.

The actual implementation of employment and pay policy reform takes place in a wide variety of settings within governments. More often than not, personnel management and pay functions are divided between the Ministry of the Civil Service and the Ministry of Finance. Personnel management functions are also carried out in the personnel branches of technical ministries as well as in local decentralized units of government. Coordination and reconciliation of procedures as well as records is required among these various agencies. In some cases, an additional entity to carry out system-wide reforms is grafted onto one of these or is attached to the president's or prime minister's office. (Examples of these reform entities are found in Mali, Mauritania, Central African Republic, Guinea, and Senegal, among others.) They are sometimes staffed with expatriate consultants, as in the case of a Bank-UNDP, co-financed administrative reform project in Mali. In Senegal, the institutional proliferation of agencies making policy on employment and pay issues has produced poorly coordinated decisions and contradictory staff rules. Past efforts at reform have also been ineffective, partly because they have consistently come from central agencies outside the technical ministries.¹¹ Nonetheless, reform efforts located in more autonomous institutions with greater access to higher levels of government generally have a better chance of succeeding. In the Central African Republic, for example, the National Commission for Administrative Reform was first placed under the Ministry of the Civil Service which lacked the political influence and independence to carry out the difficult choices involved in making employment cuts. The Commission was subsequently moved to the Office of the President to afford the reform program greater legitimacy and political leverage.

^{11/} John Nellis, An Assessment of the Senegalese Administrative System, WA2DB Working Paper/Reports No. 7, September 11, 1986.

III. ANALYSIS OF PAY AND EMPLOYMENT IN BANK RESEARCH AND CESW

A. COUNTRY ECONOMIC AND SECTOR WORK

The increased attention being given to public pay and employment issues is reflected in the expanding body of Bank Research and Country Economic and Sector Work focusing on these issues. In the period under review, Country Economic memoranda have increasingly treated pay and employment issues at length. For most countries, attention to pay and employment in the CEM preceded subsequent Bank operational work. In Senegal, for example, the 1984 CEM identified overextension of the public sector as one of four main problems affecting the country's development. The report also underscored the need to control the growth of public expenditures. Additional sector work, including analysis of pay and employment issues, followed and led to the preparation of a freestanding Development Management Technical Assistance Project to provide medium-term support to strengthen institutions for personnel management.¹² The 1985 Gambia CEM recommended employment reductions and the restraint of aggregate wage expenditures. These recommendations were incorporated into operational activities through the 1986 SAL.

In some countries, CEMs themselves have constituted the Bank's principal operational work. In Thailand, for example, aside from a small compensation study financed through the SAL, the 1986 CEM was the main vehicle for Bank-country policy dialogue focusing on employment and pay issues. In Bangladesh, recommendations made in the 1985 CEM with regard to pay and employment also formed the basis for policy dialogue between the Bank and Government, though these issues will recur in the work of an Administrative Reforms Committee set up under the 13th Import Program Credit. In Sri Lanka, some recommendations made in the 1986 CEM suggesting revisions in the salary structure have been adopted by Government, and the analysis and recommendations of the report on future civil service salary and employment policy by the Presidential Reform Committee largely coincide with those of the CEM. Indeed, in countries where national skill levels are high and autonomy from Bank leverage is considerable, some Bank staff contend that ongoing sector work is the most influential instrument of Bank intervention. This is so, it is suggested, as long as it can be clearly demonstrated that the Bank's professional contribution is unique and of superior quality.

Even where CESW has not led directly to lending, its impact has been felt. For example, the Indonesia Management Development Report's recommendation that in-kind payments be integrated into the basic salary structure of the Indonesian Civil Service was subsequently adopted by Government.

B. BANK AND IMF RESEARCH

There has also been a growing research effort within the Bank examining public employment and pay issues. (See attached bibliography for

^{12/} Additional sector work included: John Nellis, An Assessment of the Senegalese Administrative System, WA2DB Working Paper/Reports No. 7, September 11, 1986.

a complete list of this research.) Most of the work focused on Africa and was embodied in a research program undertaken in CPD. This project produced country-specific papers reviewing pay and employment policy in Sudan, Zambia, Senegal, Nigeria, and Liberia. In addition, several overview papers analyzed those countries as well as additional public sector wage and employment data for Ghana, Uganda, Kenya, Malawi and Tanzania.¹³

The main sources of data for this research consisted of personnel divisions of technical ministries, civil service commissions, finance and civil service ministries, and, at times, private sector surveys carried out by individual commercial enterprises. Data were thought to be best for Zambia and worst for Uganda. In general, the research stresses the diversity of employment and pay conditions in Africa. It does, however, report a number of general trends: extreme wage erosion due to infrequent salary adjustments and rapid price increases; increasing relative importance of non-wage benefits; increasing wage compression; and rapid expansion in government employment as a whole. The basic policy recommendation emerging from this work is that employment expansion should not be traded off against higher wages. Smaller, more productive civil services should be the objective. With regard to the public enterprise sector, Lindauer et al., argued for the separation of public enterprise and civil service salary scales.

Several other studies recently carried out in the Bank have examined pay and employment issues. A.R. Khan's "Liberia SAL: Wages and Employment in the Public Sector" and "Employment and Wages in Liberia, Some Preliminary Notes with Special Reference to the Public Sector" analyze growth in public sector employment wages, their impact on the wage bill, and wage compression. They present alternative instruments for the attainment of target reductions in the wage bill, including reductions of the rate of salary increase, postponements of increments and promotions, and overall reductions in employment. Other studies on this issue include Sunita Kikeri, "Compensation Systems for Public Enterprise Managers in Africa" (1987) and Peter Heller and Alan Tait, "Government Employment and Pay: Some International Comparisons," which was carried out by the IMF's Fiscal Affairs Division. The former looks at comparison schemes and performance criteria in public enterprises in Africa; the latter examines comparative data for public sector employment and suggests ways to measure and evaluate them. In addition, a recent paper by Ruth Klinov, "Public-Sector Wages and Employment in Bolivia" relates public employment issues to overall economic trends in Bolivia. And, John R. Harris, Edward Andoh, Kojo Evlo, and Martha Starr have analyzed several African pay and employment experiences in their recent paper, "Experiments in Wage Bill Containment in Africa," sponsored by the Bank's Special Office on Africa. In addition, Inayatullah, "Public Employment and Pay" provides a general review of public sector employment issues in developing countries, from the viewpoint of civil service senior management.

^{13/} The overview papers include David Lindauer, "Parastatal Pay Policy in Africa," 1986; Lindauer, "Public Sector Wages and Employment in Africa: Facts and Concepts," 1981, and Lindauer, Meesook and Suebsaeng, "Government Wage Policy in Africa: Summary of Findings and Policy Issues," 1986.

In general, research within the Bank on public pay and employment has synthesized a large volume of data--for the most part on Africa--analyzing problems and suggesting solutions. This research has brought available data to bear on a topic which previously had been subject to much conjecture and few facts. As such they represent an important advance in formulating an informed, coherent analytic framework for Bank policy in this area. Most of the studies stop short, however, of providing an operational guide for dealing with pay and employment issues. For the most part, the studies stress the economic rather than the institutional dimensions of the problems. A survey of this research suggests several possible avenues for future work:

- Expansion of the data base through more in-depth studies of pay and employment problems in specific countries.
- Comprehensive studies of government service incentive systems, including analysis of salary structures, career paths, non-wage allowance and pension systems, and relevant tax provisions in selected countries.
- Review of severance scheme experiences; follow-up of selected experiments.
- Study of political and social consequences of pay and employment reform.
- Review of case studies of employment and pay experience through individual sectors, and public enterprises.

IV. ISSUES IN PUBLIC EMPLOYMENT AND PAY REFORM

Even at this early stage, a number of issues have emerged from the Bank's experience with public employment and pay reform. This section raises some of the major concerns uncovered by this review. These focus both on the content of changes in employment and pay policies and on procedural questions about the Bank's role and strategy in promoting reforms.

The Context of Reform: The Importance of Politics

There is little doubt that economic crisis is often a powerful catalyst for public employment and pay reforms. It is also obvious that political factors figure significantly in conditioning such reforms, but such factors have been given less detailed attention in Bank operations. Recent Bank experiences, however, indicate the need to examine both political and economic variables in assessing the prospects for pay and employment reform in any individual country. In Ghana, for example, the impetus to undertake major reforms in civil service employment patterns was largely motivated by the desperate state of the economy, but the incumbent regime's political stability also appears to have been crucial to Government's willingness to act decisively without fear of being overthrown. Guinea, partly in response to its own economic crisis, has moved quickly with pay and employment reforms. But Bank staff also reported that reform was facilitated by a general climate of revolutionary

purpose resulting from the end of many years of one-man rule. This climate has created both the courage to tackle vested interests and a willingness to sacrifice on the part of groups such as civil servants, who may be affected by sweeping employment reductions. In Niger, the ability of a stable, authoritarian military regime to give full commitment to employment reform is reinforced by the absence of organized political opposition.

Politics can also pose serious obstacles to meaningful employment reform. In Peru, Jamaica, and Guyana, deteriorating economies motivated changes in civil service employment and pay structures, but political constraints derailed reform efforts. In Peru, the populist Garcia regime, whose support came from the working and lower middle class, chose not to implement a salary reform skewing wages in favor of higher level of professional staff, many of whom were associated with the previous regime. In Jamaica, early commitment to pay reform for the civil service elite was present at the highest level in the person of Prime Minister Seaga. With economic decline labor unions became more vociferous and Seaga was increasingly threatened by the opposition with electoral defeat. These political pressures made a reform redistributing civil service salaries upward difficult for the Seaga government. While there was one initial attempt to reform the salary structure (in 1984), later efforts were stalled. Clearly, in electoral policies with well developed, articulate, and powerful interest groups, leaders' calculation of support requirements will affect their willingness to undertake bold and sensitive steps toward pay and employment reform.

Bank staff have, for the most part, tended to be sensitive to the political complexities of these reform efforts. The need for a subtle approach to pay and employment issues in more highly developed, politically sophisticated countries was forcefully acknowledged in discussions of experiences in Thailand, Jamaica, Sri Lanka, and Peru. Nonetheless, although individual Bank staff exhibit awareness that interest groups such as labor unions, urban workers, students, and factions of the bureaucracy may have tremendous impact on operational outcomes, there is little systematic analysis of these factors in Bank sector work or lending operations. Indeed, although there is often a recognition that some measures being proposed by the Bank and undertaken by Government may pose significant political risk or that a particular policy may lose political support, there is relatively little attention given, for example, to possible means by which reform programs can be designed to help reduce those risks or replenish that support.

Redeployment

Earlier sections of this review suggested that the issue of redeployment of retrenched employees has not received significant attention in Bank operations. Indeed, short of the assumption of an economic upturn resulting in increases in private sector employment opportunities, the consequences of Bank prescriptions for employment reduction are left largely unaddressed in most interventions. Labor-intensive public works programs, retraining programs for employment in other sectors, and small agriculture and business credit schemes have all been discussed, but such proposals have, for the most part, been initiated by the borrowers themselves, often in the absence of adequate technical and financial

resources for implementation, and sometimes in a largely symbolic manner. The Bank has generally refrained from active involvement in these schemes. More broadly, Bank sector work has not, by and large, carefully analyzed the connections between public employment reductions and the capacity of either agriculture or the urban labor market to absorb fired government workers. Nor has it assessed the capacity of specific sectors to take on surplus civil servants, or the mechanisms whereby such a redeployment could take place. Such analysis would appear to be particularly important in those countries where the private sector is weak. If the Bank is to continue and deepen its involvement in this area, more comprehensive analysis of employment and pay questions will need to consider the redeployment issue. This will require not only more systematic attention to the issue in sector work, but also, at least in the case of retraining schemes, better coordination among individual sector programs within the Bank's overall country program strategies.

Timing of Reform

The timing requirements of pay and employment reforms appear to vary with individual circumstances. No optimal pace or sequencing of policy changes could be inferred from Bank operations. In general, salary adjustments seem to be made all at once, while employment cuts and redundancy payments may be phased over a long period of time. Gradually phased retrenchment may serve to cushion the blow and thereby dissipate opposition. On the other hand, an incrementalist strategy of retrenchment may allow contesting coalitions time to strengthen. Yet-to-be-dismissed employees may become demoralized and less productive. Also, the manner in which severance packages are disbursed may determine the fiscal maneuvering room of a government in subsequent months. Deferral of redundancy payments, for instance, may lighten government's financial burden and open up the possibility of non-payment should the payments later prove unaffordable. Sequencing affects the effectiveness of Bank operations as well. Phasing reforms over time allows for somewhat greater capacity for monitoring and control if policy changes are tied to phased conditionality. On the other hand, the deferral of reforms also raises the possibility that the political will to carry them out will dissolve and earlier actions on the part of the government will not be followed through by the rest of the reform program.

The question of whether pay and employment reforms should be made in a comprehensive package affecting central government simultaneously with public enterprises remains to be answered. Clearly, conditions in one affect the other, so attacking the problems jointly would seem to be sensible, if not essential. In some cases, considerably more information is available for employment and pay issues in central governments than in public enterprises. The uneven quality of data often impels the Bank and governments to treat the two areas independently.

Information Gaps

As noted, the quality of the information base for much of the Bank's operational work on pay and employment is poor. Bank staff working in this area are confident that the quality and quantity of pay and employment data can be increased. The accumulation of information needs to

be tied, however, to actionable objectives. Indeed, other international agencies, including the Department for Technical Cooperation and Development of the United Nations, have for years financed data collection. But in the absence of sufficient high-level political commitment to change, these exercises have produced little reform.

Poor or inaccessible information has sometimes forced Bank staff to make judgments that are more instinctual than empirical. In Jamaica, the Bank promoted a salary scale for executive-level civil servants that was to be 85% of public enterprise salaries. In the absence of reliable information as to the level of salaries required to attract and retain high-level civil servants or of the level of salary that could be comfortably financed by the government, the Bank decision was based on intuitive judgment. In Costa Rica, Bank staff reported that data on public sector employment were not available when recommendations were made by the Bank through policy dialogue to reduce employment. Although the Fund attached conditions related to the wage bill to its 1985 standby agreement, reliable numbers for employment were still not available. These data only became available at the time of the release of the second tranche of the SAL in 1986, which was conditioned on determining the number of public service employees.

Very little information is available in the Bank about the experience of other donors or countries with pay and employment reforms, particularly the successful ones. Little is known, as well, about the academic institutions or consulting firms that may have proven track records in this area.

Types of Bank Interventions: Suitability for Reform

The views of Bank staff differ with regard to the appropriate operational instruments or combinations of instruments for work on public employment and pay. Some staff are frustrated by the constraints placed on achieving lasting reform by the use of essentially short-term SALs. Several point to cases in which governments met conditionality on paper but had not internalized commitment to the reform objectives and were therefore inclined to abandon them when leverage was relaxed.¹⁴ But this objection could be mitigated if the SAL were one phase of a longer series of SAL operations, so that leverage could be sustained over a more extended period. SALs were also judged to be more effective if coupled with companion Technical Assistance Loans that offered institutional support for SAL conditionality. Still, most Bank staff agree that those reforms that have taken place, however incomplete, would not have occurred without the conditionality of a SAL. SALs are viewed as imperfect but necessary instruments.

^{14/} This is a generalized issue in Structural Adjustment Lending. See Geoffrey Lamb, "Institutional Reform in Structural Adjustment Lending," 1984.

The less threatening, "softer-sell" approach that a freestanding technical assistance project is thought to provide was favored by some Bank staff as a vehicle for pay and employment reform (as well as other forms of institutional restructuring). In cases where the institutional infrastructure for reform, such as trained personnel managers and a functioning personnel management system, needs to be established, technical assistance projects were deemed particularly useful. That these could proceed independently of SAL conditionality was sometimes considered to be an advantage. The Jamaica Public Administration Project, for example, assumed a strategy intentionally distancing personnel management and salary reforms from the overall employment cuts and wage bill reductions that were a part of the Fund's program. Salary increases for higher level staff were linked to Jamaica's SAL III, however, and it is still unclear if the slow implementation of these reforms was due to or in spite of SAL conditionality. In general, SALs and freestanding T.A. projects are not considered to be mutually exclusive. Instead, they are seen as complementary instruments with somewhat different objectives.

In a few cases, the best instrument for bringing about desired changes in employment and pay policy was ongoing Country Economic and Sector Work and sustained policy dialogue. This is particularly applicable to relatively more advanced countries. In Sri Lanka, for example, the Bank's involvement in pay and employment was through sector work and continuing policy discussions with high level government officials interested in bringing about salary structure reforms. These officials were reported to have made use of what they considered to be high quality professional advice on the part of the Bank to reinforce their own argument for reform to other members of the national bureaucracy. The result was a 1986 salary adjustment and a possible technical assistance operation to support the policy work of an interministerial commission. Ongoing sector work and policy dialogue was also the primary approach used in Thailand and Bangladesh, although in the latter case this is now being reinforced by conditionality on a public administration reform study under Imports Program Credit 13.

Internal Bank Coordination

Coordination and communication of Bank activities on public pay and employment has sometimes been weak. Interventions on these issues have often been made through individual sectors without coordination with overall country program initiatives, except in the case of public expenditure reviews which do seem to facilitate intersectoral contact. Moreover, Bank operations staff are often unaware of what others in their region are doing in this area. Even among Public Sector Management Divisions, information has heretofore been spread mostly by word of mouth. Coordination and communications between the Bank and the Fund on pay and employment varies significantly from one country to another. In some cases, Fund-Bank programs are closely linked; in others, there is virtually no interaction on the issue.

Bank Staff Capacity

With the exception of those operations that have been managed by the regional Public Sector Management Divisions, the Bank's involvement in

public pay and employment issues has been carried out mostly by country economic staff, often in the context of a much broader effort to elaborate and agree on an economic reform program. In a few cases projects staff have been involved in operational work touching upon these issues. On a sectoral basis projects staff have been involved in reform efforts. The degree to which these staff have the appropriate professional background and expertise to bear full responsibility for pay and employment issues needs to be assessed within the Bank as a whole.

Supervision

The absence of on-the-ground supervision of pay and employment reform operations has been cited as a major constraint on their effectiveness. Such activities require very close review, support and continuing dialogue. Without such intensive supervision, they can easily get lost. Such attention might be supplied through a resident mission if staff time were made available and if such work were accorded a high enough priority. An alternative solution would be to allocate sufficient supervision time so that Washington operational staff with specific expertise in this field could thoroughly address these issues.

V. CONCLUSIONS

Bank involvement in public sector pay and employment reform is new and is proceeding on a trial and error basis. Definitive lessons about the appropriateness or effectiveness of approaches currently being utilized cannot be drawn from such a brief history. Still, it makes sense to take account of this experience as it accumulates in an effort to discern emerging trends and to raise issues for future activities. This has been the purpose of the present review, which should be seen as an initial step in an ongoing assessment process. The paper's findings suggest the following considerations for staff working in this area:

- Political factors are crucial in determining the success of pay and employment reforms in many countries. Systematic analysis of the politics of the reform process, largely absent from Bank sector work up until now, needs to be incorporated into CESW and in direct preparation of Bank projects.
- Governments must feel full "ownership" of reforms, or they will not succeed. In pursuing this end, a style must be struck which allows for the appropriate mix of Bank leverage and country autonomy. Although this notion has become something of a cliché in institutional development circles, it is worth reasserting with regard to reforms as sensitive and politically difficult as those involving public pay and employment issues.
- Bank pay and employment operations have tended to take a short-term perspective, frequently ignoring the medium-range consequences of policy prescriptions for pay reform and especially employment retrenchment programs. Issues of redeployment, retraining, and pension and severance obligations for dismissed workers have not been seriously considered. The most well-intended immediate policy measures may collapse

down the road if such longer range implications are not addressed. Responsible action in this area will require a more comprehensive approach that considers all stages of the reform process, and makes more specific provision for implementation over the medium term.

- Bank employment and pay operations often have multiple, sometimes conflicting objectives, usually related to fiscal soundness, bureaucratic efficiency, or developmental goals. To the degree possible, such objectives should be made explicit and trade-offs among them clarified from the outset. In cases where the IMF has been active on these issues, it will be important to discuss and coordinate Bank-Fund policy initiatives to ensure that mutual objectives are fully understood and appropriately balanced.
- Bank operations are being carried out in the absence of adequate information about key pay and employment issues. Basic data on employment numbers and comparative salary scales for central government and parastatal sectors need to be collected and analyzed for reasoned policy formulation. Through an expanded program of research and country and economic sector work, more also needs to be learned about the detailed intricacies of salary and career incentive structures, non-wage allowance systems, supplementary benefit schemes such as social security programs, and labor market absorptive capacity, to name a few important topics for further analysis.
- Although this review has examined only system-wide, central government reforms in pay and employment, there is clearly a large body of experience with such reforms at the sectoral and state enterprise level. A comprehensive review of these experiences will be essential to complete this preliminary picture of the Bank's progress to date in this area.
- No single lending instrument could be identified in this review as the most suitable for bringing about desired changes in pay and employment systems. In fact, the variegated character of country cases and types of pay and employment problems calls for flexibility in operational approach and style. Although SALs have proven an effective mechanism for stimulating reform, one-shot conditionality diminishes the chances for success. The Bank, therefore, needs to consider serial conditionality supported by an institutional infrastructure provided either through specific SAL components, companion technical assistance projects, or medium-term sectoral support projects with institutional development components.
- A consistent country strategy toward pay and employment issues must be developed at all levels of Bank intervention. These include central state and local government, state enterprises, and individual sectors. Public expenditure reviews provide a minimal framework for cooperation among these levels, but a more systematic methodology for coordination is needed to provide the necessary program coherence.

- Strategies for the supervision of Bank employment and pay operations need to be re-evaluated. Such activities clearly require intensive and sometimes extensive attention, often on the ground. In developing supervision programs, the appropriate role of Bank staff and the proper allocation of staff time to these activities need to be assessed.
- The complex and multidisciplinary nature of the tasks involved in pay and employment operations may require specialized training for Bank staff and/or recruitment of personnel with appropriate expertise. For some activities, good consultants need to be identified to supplement Bank staff capacity. In addition, the Bank should encourage countries' own efforts to perform policy analysis on these issues.
- Finally, although the Bank seems to have taken a lead in the area of public sector pay and employment reform, some work has been done on these issues by developing countries themselves, other multi-lateral and bi-lateral aid agencies, academic institutions or individuals, and independent consultants and consultancy firms. In addition, there is much to be learned from the experience of advanced industrialized countries that have undergone pay and employment reforms induced by contracting economies. This outside experience needs to be reviewed critically to expand and refine the range of operational approaches currently used by the Bank.

TABLE 1. BANK OPERATIONS WITH EMPLOYMENT/PAY COMPONENTS

(Approved as of February 1987)

(in Chronological Order)

Country	Ln/Cr Type	Ln/Cr Number	Approval Date	Ln/Cr Amount (US\$m)
Guyana	SAL	Ln 1948	81/02	14.0
CAR	TAL I	Cr 1150	81/05	4.0
Turkey	SAL II	Ln 1987	81/05	300.0
Thailand	SAL I	Ln 2097	82/03	150.0
Turkey	SAL III	Ln 2158	82/05	304.5
Peru	TAL	Ln 2204	82/09	10.2
Mali	TAL	Cr 1307	82/12	10.4
Thailand	SAL II	Ln 2256	83/03	175.5
Bangladesh	PA	Cr 1349	83/04	12.0
Jamaica	SAL II	Ln 2315	83/06	60.2
Turkey	SAL IV	Ln 2321	83/06	300.8
Uganda	TAL II	Cr 1434	83/12	14.2
Jamaica	PA	Ln 2423	84/05	4.5
Turkey	SAL V	Ln 2441	84/06	376.0
Jamaica	SAL III	Ln 2478	84/11	55.0
Guinea	TAL	Cr 1559	85/03	9.5
Mauritania	PE TAL	Cr 1567	85/03	16.4
CAR	TAL II	Cr 1581	85/04	8.0
Costa Rica	SAL	Ln 2518	85/04	80.0
Costa Rica	TAL	Ln 2519	85/04	3.5
Togo	SAL II	Cr 1599	85/05	27.8
Togo	TAL III	Cr 1600	85/05	6.2
Malawi	SAL III	Cr 1644	85/12	30.0
Bangladesh	IPC 13	Cr 1655	86/02	200.0
Guinea	SAL	Cr 1659	86/02	25.0
Niger	SAL	Cr 1660	86/02	20.0
Senegal	SAL II	Cr 1656	86/02	20.0
Bolivia	RIC	Cr 1703	86/05	55.0
Gambia	SAL	Cr 1730	86/08	5.0
CAR	SAL	Cr 1732	86/09	14.0

TOTAL NUMBER OF PROJECTS: 30

TABLE 2. BANK OPERATIONS WITH EMPLOYMENT/PAY COMPONENTS

(Under Preparation as of February 1987)

<u>Country</u>	<u>Operation</u>
Bolivia	TAL
Ghana	SAL
Ghana	TAL
Guinea Bissau	SAL
Haiti	SAL
Haiti	TAL
Mali	PE TAL
Mauritania	TAL
Mauritania	SAL
Senegal	SAL III
Senegal	TAL
Sierra Leone	SAL
Sudan	TAL
Sri Lanka	UNDP
Uganda	Economic Recovery Credit

TOTAL NUMBER OF PROPOSED PROJECTS: 15

**TABLE 3. COUNTRIES WITH BANK OPERATIONS IN
PUBLIC SECTOR PAY AND EMPLOYMENT**

<u>Region</u>	<u>Current</u>	<u>Proposed</u>
Africa	CAR Gambia Guinea Mali Mauritania Niger Senegal Togo	CAR Ghana Guinea Bissau Mali Mauritania Senegal Sierra Leone
	Malawi	Sudan Uganda
Asia	Thailand Bangladesh	Sri Lanka
LAC	Bolivia Costa Rica Guyana Jamaica Peru	Bolivia Haiti
EMENA	Turkey	

**TABLE 4. COUNTRY ECONOMIC AND SECTOR WORK ON
PAY AND EMPLOYMENT**

<u>Region</u>	<u>CESW</u>
Africa	CAR Gambia Ghana Mauritania Senegal BLS Countries Sudan Uganda Zambia
Asia	Bangladesh Sri Lanka Indonesia Thailand
LAC	Costa Rica Guyana
EMENA	Jordan Tunisia

TABLE 5. MAJOR DIAGNOSED PROBLEMS FOR COUNTRIES
WITH BANK EMPLOYMENT/PAY INTERVENTIONS

Excessive Wage Bill	Surplus Civil Servants	Erosion	Compression
Bangladesh	Bangladesh	Bangladesh	Bangladesh
Bolivia	Bolivia	Bolivia	Guinea
CAR	CAR	Jamaica	Guyana
Costa Rica	Costa Rica	Mali	Jamaica
Gambia	Gambia	Peru	Peru
Ghana	Ghana	Thailand	Thailand
Guyana	Guinea		
Haiti	Guyana		
Jamaica	Haiti		
Malawi	Jamaica		
Mauritania	Mali		
Niger	Mauritania		
Senegal	Niger		
Sierra Leone	Senegal		
Togo	Sierra Leone		
Uganda	Sri Lanka		
	Togo		
	Turkey		
	Uganda		

TABLE 6. BANK OPERATIONS WITH EMPLOYMENT/PAY COMPONENTS

BY LENDING INSTRUMENT

(As of February 1987)

REGION	SALS	TALS	OTHER	TOTAL
West Africa				
Approved	6	6	0	12
Proposed	5	4	0	9
East Africa				
Approved	1	1	0	2
Proposed	0	1	1	2
South Asia				
Approved	0	1	1	2
Proposed	0	1	0	1
LAC				
Approved	4	3	1	8
Proposed	1	2	0	3
EAP				
Approved	2	0	0	2
Proposed	0	0	0	0
EMENA				
Approved	4	0	0	4
Proposed	0	0	0	0
Total				
Approved	17	11	2	30
Proposed	<u>6</u>	<u>8</u>	<u>1</u>	<u>15</u>
	23	19	3	45

TABLE 7. BANK OPERATIONS BROKEN DOWN BY PAY AND EMPLOYMENT COMPONENTS

(Approved or under Preparation as of February 1987)

Studies Diagnostics	CS Census Survey/Head Count/ Functional Review	Data Collection/MIS/ Mechanization of Pers. Mgmt Functions	Reform Wage & Salary Structure (Decompression, Grading, Freezing Cutting Wage Bill)	Freeze/Out Employment	Redeployment Training/ Compensation/ Severance	Create/ Change/ Strengthen Personnel Mgmt Institutions, Commissions, Etc.,	SOE Employment & Pay (Separate or Align with CS, Cut Numbers, Etc.)
Bangladesh IPC Bangladesh PA CAR SA Costa Rica TAL Guinea TAL Haiti SAL* Jamaica PA Jamaica SAL III# Mauritania PE Mauritania TAL* Niger SAL Peru TAL Senegal SAL III Sri Lanka UNDP* Thailand SAL I Thailand SAL II Togo TAL III	CAR SAL CAR TAL I Gambia SAL Ghana TAL* Guinea SAL Jamaica SAL II Uganda ERC* Uganda TAL II	Bangladesh PA CAR SAL CAR TAL II Ghana SAL* Ghana TAL* Mali TAL Mauritania SAL Mauritania TAL* Senegal SAL Senegal TAL* Sudan*	Bangladesh IPC Bangladesh PA Bolivia CAR SAL Costa Rica TAL Gambia SAL Ghana SAL* Ghana TAL* Guinea SAL Guinea TAL* Haiti SAL* Haiti TAL* Jamaica PA Jamaica SAL III# Mauritania SAL Mauritania TAL* Niger SAL Peru TAL Senegal SAL Sierra Leone TAL* Thailand SAL I Thailand SAL II Togo TAL III Uganda ERC*	Bolivia CAR SAL Costa Rica SAL Gambia SAL Ghana SAL* Ghana TAL* Guinea SAL Guyana SAL Haiti SAL* Haiti TAL* Mauritania SAL Niger SAL Senegal SAL II Sierra Leone SAL* Turkey SAL II Turkey SAL III Uganda ERC*	Bolivia RIC* CAR SAL CAR TAL II Costa Rica SAL Gambia SAL Ghana SAL* Ghana TAL* Guinea SAL Guinea TAL* Guyana SAL Haiti TAL* Mauritania TAL* Senegal SAL II	Bangladesh PA CAR SAL CAR TAL I Gambia SAL Ghana SAL* Ghana TAL* Guinea SAL Jamaica PA Jamaica SAL III* Mali TAL Mauritania TAL* Peru TAL Senegal TAL* Togo TAL III Turkey SAL V Uganda TAL II	Gambia SAL Guinea SAL Guinea TAL Jamaica PA Jamaica SAL III# Mali PE* Niger SAL Sudan* Turkey SAL II Turkey SAL III
Total 17 of Total (45 in all) 38%	8 18%	11 24%	23 51%	17 38%	12 27%	16 35%	10 22%

* denotes loans under preparation

denotes cross-conditionality with Jamaica PA as only pay & employment component

REFERENCES

A. BANK DOCUMENTS - PROJECT & SECTOR WORK

BANGLADESH

Economic and Social Development Prospects, Report No. 5409,
April 2, 1985.

Economic Trends and Development Administration, Report No. 4822,
February 27, 1984.

Public Administration Strategy Paper, March 1987.

BOLIVIA

Public Financial Management Operation, White Cover, SAR,
January 12, 1987.

Reconstruction Import Credit Project, Report No. P-4253,
April 25, 1986.

BOTSWANA. LESOTHO. SWAZILAND

Study of Public Administration Management: Issues and Training
Needs, Report No. 5948, April 21, 1986.

CAR

Technical Assistance Project, Report No. P-3054, May 6, 1981.

Second Technical Assistance Project, Report No. P-4004,
March 28, 1985.

Country Economic Memorandum, Report No. 5332, December 22,
1984.

Structural Adjustment Credit, Report No. 4377, August 11,
1986.

COSTA RICA

Main Economic Problems and Prospects, Report No. 5759, Green
Cover, May 1985.

Current Economic Position and Prospects, Report No. 3193,
November 3, 1980.

Technical Assistance Loan, Report No. 3985, March 5, 1985.

Structural Adjustment Loan, Report No. 3984, March 5, 1985.

THE GAMBIA

The Gambia. Development Issues and Prospects, Report No. 5693,
September 6, 1985.

Structural Adjustment Credit, Report No. 4362, August 4, 1986.

GHANA

Ghana: Towards Structural Adjustment, Report No. 5854 - GH, October 7, 1985.

GUINEA

Technical Assistance Credit, Report No. 3952, February 29, 1985.

Structural Adjustment Credit, Report No. 4162, January 21, 1986.

GUYANA

Guyana: Recent Developments and Short-Term Prospects, Report No. 3951-GUA, May 31, 1982.

Structural Adjustment Loan, Report No. P-2935, January 12, 1981.

Second Technical Assistance Project, Report No. P-2936, January 12, 1981.

Program Performance Audit Report for Guyana Structural Adjustment Loan and Credit, LN. No. 1948/CR. No. 1098 and Second Technical Assistance Project, LN. No. 1949, Report No. SECM86-358, March 31, 1986.

Guyana: Country Economic Memorandum, Report No. 6501, December 1986.

HAITI

Proposed Structural Adjustment Operation, Initiating Memorandum, September 15, 1986.

INDONESIA

Indonesia: Management Development, Report No. 4965-IND, May 20, 1985.

JAMAICA

Second Structural Adjustment Loan, Report No. P-3559, May 5, 1983.

Public Administration Reform Project, Report No. P-3796, May 3, 1984.

Third Structural Adjustment Loan, Report No. P-3889, October 23, 1984.

JORDAN

Efficiency and Equity of Government Revenues and Social Expenditures, Report No. 5697-JO, June 1986.

MALI

Economic Management and Training Project, Report No. P-3356, November 15, 1982.

MAURITANIA

Public Enterprise Technical Assistance and Rehabilitation Project, Report No. P-3979, March 7, 1985.

Institutional Development: Constraints and Recommendations,
WA2DB, Working Papers/Reports No. 6, July 14, 1986.

Development Management Project, Project Brief, March 3, 1986.

NIGER

Structural Adjustment Credit, Report No. P-4185, January 23,
1986.

PERU

Public Sector Management Project, Report No. P-3383, September 1,
1982.

SENEGAL

Senegal: Country Economic Memorandum, Report No. 5243,
November 5, 1984.

Structural Adjustment Credit, Report No. P-4213, January 10, 1986.

Development Management Credit, Project Brief, April 25, 1986.

An Assessment of the Senegalese Administrative System, WA2DB,
Working Papers/Reports No. 7, September 11, 1986.

SRI LANKA

CEM, Report No. 6176, May 1986.

SUDAN

Sudan: Prospects for Rehabilitation of the Sudanese Economy,
Report No. 5496, October 7, 1985.

Economic Management Reform Project, Yellow Cover, Report No.
P-4434, January 9, 1987.

THAILAND

Structural Adjustment Loan, Report No. P-3201, February 8, 1982.

Second Structural Adjustment Loan, Report No. P-3481, March 10,
1983.

Program Performance Audit Report for Thailand-First and Second
Structural Adjustment Loans, Report No. 6085, February 28, 1986.

Thailand: Growth with Stability: A Challenge for the Sixth Plan
Perform. A Country Economic Report, No. 6036-TH, June 5, 1986.

Thailand: An Institutional Development Strategy, N.D.

TOGO

Third Technical Assistance Project, Report No. P-4063,
May 1, 1985.

Second Structural Adjustment Program, Report No. P-4064,
May 1, 1985.

TUNISIA

Country Economic Memorandum: Midterm Review of the Sixth Development Plan (1982-86), Report No. 5328-TUN, October 1985.

TURKEY

Second Structural Adjustment Credit, Report No. P-3034, April 20, 1981.

Third Structural Adjustment Credit, Report No. P-3273, May 7, 1982.

Fourth Structural Adjustment Credit, Report No. 3543, May 26, 1983.

Fifth Structural Adjustment Credit, Report No. P-3783, May 24, 1984.

ZAMBIA

Wage Policy and the Structure of Wages and Employment, Report No. 5727, May 7, 1986.

B. BANK RESEARCH

Bloch, Peter C.

Wage Policy, Wage Structure and Employment in the Public Sector of Senegal, CPD Discussion Page, No. 1985-41, May 1985.

Public Sector Employment in Thailand: Civil Service and State Enterprise, Background Paper for World Bank Economic Report on Thailand, February 1986.

Harris, John R., Edward Andoh, Kojo Elvo, and Martha Starr.

Experiments in Wage-Bill Containment in Africa, Special Office on Africa, World Bank, April 1987.

Inayatullah

Public Employment and Pay, PPDPs, June 1986.

Khan, Aziz R.

Recurrent Government Expenditure in Nigeria, CPD Discussion Paper, No. 1986-14, February 1986.

Wages and Employment in Nigeria, CPD Discussion Paper No. 1986-15, February 1986.

Employment and Wages in Liberia. Some Preliminary Notes with Reference to the Public Sector, CPD, November 1983.

Kikeri, Sunita

Managerial Compensation Systems for Public Enterprises in Sub-Saharan Africa, Forthcoming, 1987.

Klinov, Ruth

Public Sector Wages and Employment in Bolivia, DRDLM, World Bank, April 1987.

Lindauer, David L.

Labor Market Behavior in the Republic of Korea: An Analysis of Wages and Their Impact on the Economy, World Bank SWP No. 641, 1981.

Public Sector Wages and Employment in Africa: Facts and Concepts, World Bank, Studies in Employment and Rural Development No. 68, July 1987.

Parastatal Pay Policy in Africa, CPD Discussion Paper No. 1986-31, May 1986.

Lindauer, David L. Oey Meesook and Parita Suebsaeng

Government Wage Policy in Africa: Summary of Findings and Policy Issues, CPD Discussion Paper No. 1986-24, April 1986.

Lindauer, David L. and Oey Meesook

Public Sector Pay and Employment Policy in the Sudan, CPD Discussion Paper No. 1984-33, May 1984.

Macedo, Roberto

The Brazilian Labor Market: An Overview, World Bank, DRD No. 151, January 1986.

PPD

A Review of Bank Interventions in Support of Administrative Reform, PPD, PSMU, June 1984.

Institutional Reform in SALs, PPD, PSMU, October 1984.

A Review of Bank Lending for Reform of State-Owned Enterprises, PPD, PSMU, August 1984.

Richardson, Ray and Kim, B. W.

The Structure of Labor Markets in LDCs: Overview for South Korea, 1953-1984, Report No. DRD162, March 1986.

C. GENERAL REFERENCES

Abdin, Ragia, Paul Benell, Olufemi Fajana, Martin Godfrey, Bachir Hamdorich

A World of Differentials: African Pay Structures in a Transnational Context, Hodder & Stoughton Std., U.K. 1983.

Benell, Paul S.

"Earnings Differentials between Public and Private Sectors in Africa: Cases of Ghana, Kenya and Nigeria" Labor & Society Vol. 6, No. 3, July-September 1981.

COGESULT, Inc.

Programme d'Adjustement Structurel Groupe d'Etude Sur les Ressources Humaines et la Fonction Publique, Gouvernement de la Republique du Niger, April 1986.

Gretton, John and Harrison, Anthony

How Much are Public Servants Worth?, Basil Blackwell, Oxford, 1982.

Hartman, Robert W. and Weber, Arnold R. (eds.)

The Rewards of Public Service: Compensating Top Federal Officials, Brookings Institution, Washington, D. C., 1980.

Heller, Peter S. and Tait, Alan A.

Government Employment and Pay: Some International Comparisons, IMF, OP No. 24, Washington, D.C. 1983.

ICPE

"Public Criteria and the Implementation of Performance Evaluation Systems" in Public Enterprise, Vol. 2, No. 3, 1982.

"Wage and Remuneration Policy in Public Enterprises", Public Enterprise, Vol. 2, No. 3, 1982.

IDET-CEGOS

La Maitrise des Depenses de Personnel de l'Etat: Analyse et Propositions, June 1982.

Iwuji, E. C.

"Wage Structure in Developing Countires: A Comparative Study of Six English-speaking African Countries", Labor & Society, Vol. 5, No. 2, April 1980.

King, Kenneth

"Manpower, Technology, and Employment in Africa: Internal and External Policy Agendas," in,

Lardeau, Leenhhardt, Thibault & Martin

Employment and Salaries in the Civil Service in Mali, SEDES, January 1985.

Robinson, Derek & Ken Mayheur (eds.)

Pay Policies for the Future, Oxford University Press, 1983.

Rose, Richard, editor

Public Employment in Western Nations, Cambridge University Press, Cambridge, 1985.

Veriter, Francois

Le Personnel et les Structures de l'Administration Publique Senegalaise, June 1986.

PPR Working Paper Series

	<u>Title</u>	<u>Author</u>	<u>Date</u>	<u>Contact</u>
WPS90	A Framework for Analysis of Mineral Tax Policy in Sub-Saharan Africa	Robert F. Conrad Zmarak M. Shalizi	September 1988	A. Bhalla 60359
WPS91	Israel's Stabilization Program	Nissan Liviatan	September 1988	N. Liviatan 61763
WPS92	A Model of Cocoa Replanting and New Planting in Bahia, Brazil: 1966-1985	Pravin K. Trivedi	September 1988	D. Gustafson 33714
WPS93	The Effects of Education, Health and Social Security on Fertility in Developing Countries	Susan H. Cochrane	September 1988	S. Ainsworth 31091
WPS94	The World Bank's Population Lending and Sector Review	George B. Simmons Rushikesh Maru	September 1988	S. Ainsworth 31091
WPS95	International Trade and Imperfect Competition: Theory and Application to the Automobile Trade	Junichi Goto	September 1988	J. Epps 33710
WPS96	The Private Sector and Family Planning in Developing Countries	Maureen A. Lewis Genevieve Kenney	September 1988	S. Ainsworth 31091
WPS97	Export-Promoting Subsidies and What to Do About Them	Richard H. Snape	September 1988	J. Sweeney 31021
WPS98	Diversification in Rural Asia	Agriculture and Rural Development Staff	October 1988	S. Barghouti 38408
WPS99	Trade Policies and the Debt Crisis	Sam Laird Julio Noguez	September 1988	S. Torrijos 33709
WPS100	Public Infrastructure and Private Sector Profitability and Productivity in Mexico	Anwar Shah	September 1988	A. Bhalla 60359
WPS101	Measuring the Impact of Minimum Wage Policies on the Economy	Luis A. Riveros Ricardo Paredes	October 1988	R. Luz 61762

PPR Working Paper Series

<u>Title</u>	<u>Author</u>	<u>Date</u>	<u>Contact</u>
WPS102 Effects of the Multifibre Arrangement (MFA) on Developing Countries: A Survey	Junichi Goto	October 1988	J. Epps 33710
WPS103 Macro Shocks and Industrial Portfolio Responses: An Econometric Model for LDCs	James Tybout Taeho Bark		
WPS104 Financial Crises in Developing Countries	Manuel Hinds		
WPS105 Securing International Market Access	Richard H. Snape	October 1988	J. Sweeney 31021
WPS106 Energy Issues in the Developing World	Mohan Munasinghe Robert J. Saunders		
WPS107 A Review of World Bank Lending for Electric Power	Mohan Munasinghe Joseph Gilling Melody Mason		
PS108 Some Considerations in Collecting Data on Household Energy Consumption	L. Leitmann		
PS109 Improving Power System Efficiency in the Developing Countries Through Performance Contracting	Philip Yates		
PS110 Impact of Lower Oil Prices on Renewable Energy Technologies	E. Terrado M. Mendis K. Fitzgerald		
WPS111 Recent World Bank Activities in Energy	Industry and Energy Department		
WPS112 A Visual Overview of the World Oil Markets	Kay McKeough Jose Escay Sompheap Sem		
WPS113 Public Sector Pay and Employment Reform	Barbara Nunberg	October 1988	J. Cheeseman 61703