

Rationalising national pay structure

In bureaucracies, as in everything else, you get what you pay for. In general, the more favourably the total public sector compensation package compares to compensation in the private sector, the better the quality of bureaucracies.

SYED GIASUDDIN AHMED

THE twenty national pay scales effective from July 1977 emanated from the recommendations of the Pay & Services Commission of 1976-77. The minimum and maximum basic pay were Tk.225 and Tk.3,000 per month, respectively. These twenty pay scales covered almost all the employees within the civil service system, including those who were working in various corporations, autonomous bodies, banks, and financial institutions.

However, successive governments had to take measures to adjust the salaries of the public sector employees by setting up National Pay Commissions at four to eight years intervals.

In 1985, for instance, a Pay Commission doubled the basic pay, and in 1991 another Commission increased the same by about 1.7 times, and in 1997 the increase was about 1.5 times, together with occasional payments of "dearness allowances" during the intervening periods. The present salary structure also has 20 distinct national scales, which came into effect from January 2005, with a minimum basic pay of Tk.2,400 and a maximum of Tk.23,000.

Currently, an official move is on to enhance the salaries by about 1.7 times, with a minimum pay of Tk.4,100 and a maximum of Tk.40,000.

An efficient salary structure should offer pay rates that are competitive both internally and externally, and maintain internal equity in grading and compensation. A good indicator of the efficacy of the salary structure is the salary compression

ratio, i.e., the ratio of the highest salary to the lowest.

One study (2002) reveals that the salary compression declined from 1:46 in 1962 to 1:10 in 1997. An even more disconcerting aspect of salary and benefits is that, even though the compression ratio between officers (Class I and II) and supporting staff (Class III and IV) in Bangladesh is around 1:5 based on salary grade structure, it drops to 1:2 when actual "take-home" payments are taken into account. Thus the average salary of an officer in 1993 was about Tk.8,300 per month compared to Tk.4,000 per month of a staff member.

This is because Class III and IV staff are entitled to a number of additional allowances, as well as exemptions from certain deductions. Moreover, the existing salary structure does not allow for differences in professional skills, educational level, or the nature of the job. So doctors, engineers, teachers, revenue or administrative officers entering Class I positions all receive the same salary.

Hence, most critics of the present salary structure seem inclined to link many of the problems of Bangladesh's dysfunctional bureaucracy to poor pay of the civil servants.

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This observation has message, which, in effect, warrants the implementation of certain pay reforms towards improving public service efficiency. And, in this

regard, reform measures from the following options may be implemented piecemeal or in combination.

Monetised salary system: There is growing recognition worldwide that a fully monetised salary system is preferable, but will certainly be complicated in Bangladesh. If, for example, instead of occupying a public owned house, a public servant receives a housing allowance matching his rank and the rents of privately owned houses, he is likely to move out of public housing and opt for cash -- thus increasing the budgetary costs unless public housing is sold. The budgetary strain operates on a static basis in the short or medium term -- that is when the government has those facilities and yet pays out allowances in cash.

Over a longer period and on a dynamic basis, the gains are certain and perhaps substantial. The government does not have to own and construct houses; the savings on capital expenditure and expenditure on maintenance can pay towards housing allowances; and the maintenance staffs can be substantially reduced. A study would need to be carried out to determine the pros and cons and the modalities of a monetisation program.

Broad salary range: While most reforming countries have retained the basic elements of the traditional, rigid system of a unified pay structure, they have also begun to build greater flexibility into it. One such initiative is "broad banding." This means that recruits having different professional skills and academic levels enter the service in a broadly banded salary range rather than at a fixed point. More importantly, subsequent increments and promotions are not automatic but are linked to performance.

Profit-based salaries in SOEs: Bangladesh is one of the few countries where the salaries in state-owned enterprises (SOEs) are not differentiated from regular government salaries. The adverse effects that this salary policy is having on

the SOEs' performance and the quality of their services are too well known.

Hence, the implementation of remedial measures seems warranted, taking lessons from other countries' reform efforts in this regard. In Pakistan, for example, the Central Bank, financial institutions, and manufacturing SOEs all have their own specific salary scales. There is no uniform SOE salary scale and the salaries of larger firms are usually much higher than that of smaller firms. SOEs are free to set their salary increments based on profitability and ability to pay.

Public service awards: These awards should go to 1-2 percent of performers in each ministry or department, and should be based on performance-related factors such as timely ADP implementation, achievements in revenue collection, expeditious custom clearance, or high quality policy analyses. The awards should have a substantial cash value, say 12-18 months' salary, to be meaningful and to pay for one-time essential capital expenditures such as house and/or car purchase -- which otherwise are made up through rent seeking for the most part. A committee in each department or ministry would select candidates, who would be further short-listed by a centralised high-level committee comprising senior government officials, professional experts, and leading public figures.

Special qualification supplements: These would go to officials who have obtained Master's or PhD degrees from recognised universities in Bangladesh and abroad. Again, this should be substantial -- say 100 percent of basic salary for a Master's degree and 200 percent for a PhD. This would give public servants an incentive to travel overseas for training, even at their own expense, and attract more highly qualified people into the public service.

The benefits of these schemes are likely to outweigh potential costs. Assuming 300 (0.5% of about 60,000 class I officials)



Better pay means better service.

meritorious awards -- 100 PhD degree supplements at Tk.200,000 each and 200 Master's degree supplements at Tk.100,000 each, the annual costs would amount to no more than Tk.40,000,000.

Pay research unit: Working in close collaboration with the ministry of establishment, a pay research unit in the ministry of finance would regularly undertake systematic and comprehensive reviews of salary levels and analyse various options for making public sector wages and salaries competitive with the market. It should be able to recommend annual increases rather than leaving these to ad hoc Pay Commissions.

As its first task, the unit should undertake an in-depth study to formulate a path of adjustment of public sector pay which is consistent with fiscal goals and which, over five to seven years, could bring about a paradigm shift in compensation through attrition, early retirement,

subdued pay increases at the bottom, and big pay increases at the top paid for by reduction of lower level staffs.

It is true that the implementation of some of the pay reforms indicated above is ambitious in today's Bangladesh context. Fundamental reforms, such as the ones specified in nos. 1, 2 and 3 above are complex, require much more in-depth study and need to be closely tied to fiscal space and goals. Realistically, a major overhaul will take 5-7 years. But, in the interim, at least the remaining three options (nos. 4, 5 and 6) deserve to be considered for implementation, targeting thousands of those outstanding and highly skilled public servants who are "change agents" and committed to uphold the image of public service despite overwhelming countervailing forces.

Dr. Syed Giasuddin Ahmed is Vice-Chancellor, Jatiya Kabi Kazi Nazrul Islam University, Mymensingh.

Nuclear Iran and the Middle East

Does Iran really pose an imminent threat to US interest in the Middle East and Israel? If it does that would be 10/15 years down the line. Even then, why would Iran ever fire a nuclear missile on Israel or US interests unless it wants to be obliterated in retaliation?

ABDULLAH A. DEWAN

THE International Atomic Energy Agency's (IAEA) September 25 disclosure of Iran's reporting of its building a second uranium enrichment facility (UEF) has sparked instant bellicose hype for "far tougher sanctions" from the US, UK, and France since such a clandestine facility is seen as an effort by Tehran to develop a nuclear weapon. But Iran insists its nuclear program is meant only for peaceful civilian nuclear energy.

Western intelligence believes that this new UEF, located in Qom about 160 kilometers southwest of Tehran, has 3,000 centrifuges that could be operational by next year. The existence of its first UEF at Natanz -- a 4,600 active centrifuge facility -- and a heavy water reactor (HWR) at Arak first reported in August 2002.

Since then, Iran has been under intense scrutiny from IAEA and the West over its nuclear program. Notwithstanding its continual denial that it is developing nuclear weapons, Iran's failure to declare all nuclear facilities and materials in time has led to heightened concerns that it intends to develop nuclear weapons. Those concerns are now reinforced with the disclosure

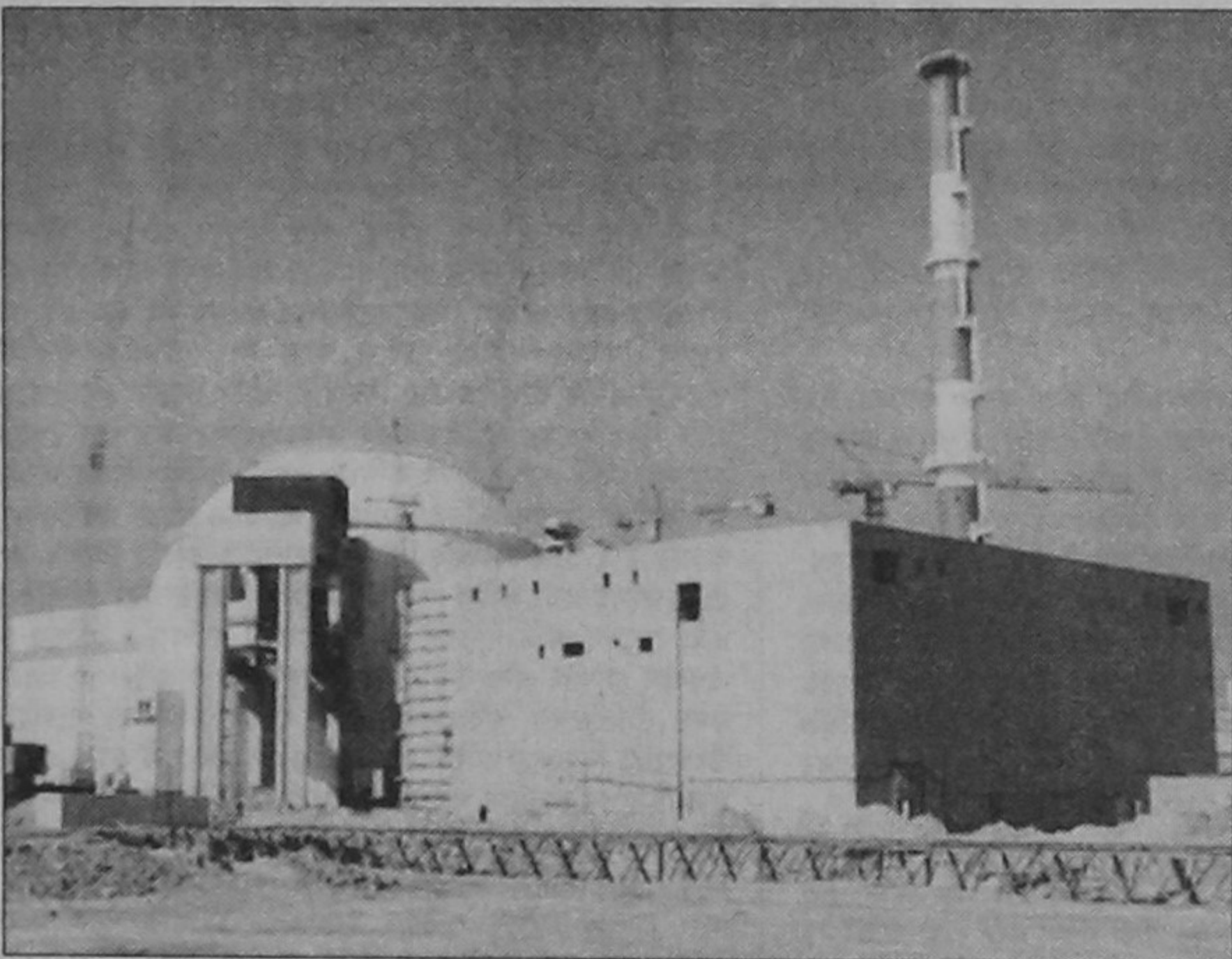
of its covertly installed second UEF.

In a press briefing during the G-20 Summit in Pittsburgh on September 25, President Barack Obama, followed by Prime Minister Gordon Brown and President Nicolas Sarkozy, demanded an in-depth investigation of Iran's new UEF by IAEA.

The US, Russia, China, Britain, France and Germany (known as the "P5+1"), will meet on October 1 with an Iranian representative for some preliminary talks. They will insist on a moratorium on further addition to its enrichment capabilities -- including freezing the ongoing construction of its Qom UEF.

After his hour-long meeting in New York with his Russian counterpart, Dimitri Medvedev, President Obama elucidated that the US was committed to negotiating with Iran in a "serious fashion;" Iran's right to peaceful use of nuclear technology but not for nuclear weapons; nuclear issue with Iran should be resolved diplomatically; additional sanctions are possible if Iran fails to respond positively.

Medvedev favoured incentives to divert Iran from enriching uranium for nuclear weapons. He argued for Russia and the US for setting an example on the nuclear disarmament front and added that sanctions, although often unpro-



Only for peaceful purposes.

ductive, may be the last resort.

Like Russia, China has invested heavily in Iranian oil and gas sectors. Although China considers sanctions as "not conducive to the current diplomatic efforts," there are signs, however, that it may not exercise its veto against fresh sanctions on Iran.

Iran, like Germany, South Korea, and Japan, wants to have the right to build nuclear reactors for power generation -- which the West is acquiescing to of late -- but it also wants to have its own NFC facilities to be self-reliant in its nuclear fuel needs. The West opposes Iran having NFC technology -- not only because it is a Muslim country friendly with

Hezbollah, Hamaas, and Syria, and unfriendly to the West, but also because it is hostile to Israel, the invincible power in the Middle East.

Because of the US being already embroiled in wars in Iraq and Afghanistan, the worsening situation in Pakistan -- all three countries border Iran -- and the worst economic recession since the Great Depression, a war with Iran is unthinkable. An aerial bombardment of select Iranian nuclear facilities may put off Iran's program pro tempore but it would certainly push Iran to abandon the nuclear non-proliferation treaty and all cooperation with the IAEA, which the West doesn't want.

Besides, without comprehending the post hoc consequences, Iran may retaliate by closing the Strait of Hormuz, cut its own oil exports to skyrocket oil prices, attack U.S. forces in Iraq and Afghanistan, launch missile attacks on Israel, and incite Hamas and Hezbollah against Israel. For these and many other unforeseen eventualities, Israel is being restrained by the West to not escalate the crisis by preemptive strikes on Iranian nuclear installations. In the past, without much risk, Israel destroyed Iraq's Osirak reactor in 1981 and a Syrian reactor being built by North Koreans in 2007 almost at will. But not this time.

The neo-cons and the West insist that a nuclear Iran will destabilise the Middle East power balance. Although I'm against Iran possessing nuclear weapons, I see a nuclear Iran as a stabilising Middle East power -- a deterrent against nuclear warhead-loaded Israel. The notion of a nuclear arms race among the other Middle East countries is absolute nonsense given the level of education and the technological know-how of the people of these countries.

Iran's inexorable drive for acquiring nuclear technology may be rooted in repeated US insults, threats and actions such as regime change, unilateral sanctions, deploying military hardware in the region, and so on. Such counterproductive policies strengthened the Mullahs and weakened the anti-nuclear and pro-democracy forces in Iran. Moreover, Israel's denigration and apartheid like treatment of the Palestinians and its possession of over 200 nuclear warheads, and in the process becoming an invincible Middle East power, may have also persuaded Iran to invest so heavily

in nuclear technology.

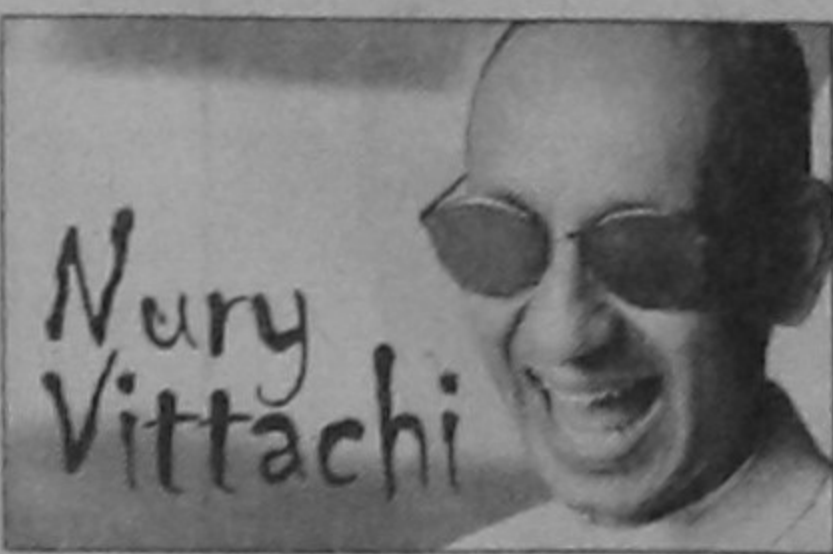
In my September 19, 2006 piece ("Iran and nuclear deterrence") I argued that if Israel were to abandon its nuclear arsenal, it would immediately eliminate Iran's reason for acquiring its own nuclear deterrence.

Does Iran really pose an imminent threat to US interests in the Middle East and Israel? If it does that would be 10/15 years down the line. Even then, why would Iran ever fire a nuclear missile on Israel or US interest unless it wants to be obliterated in retaliation? Besides, there are numerous highly complex steps -- in addition to perfecting the weapon grade uranium enrichment (over 80%) process -- on the way to fabricating a nuclear weapon. On the "weaponisation" technique -- placing a nuclear warhead on a delivery vehicle -- Iran is yet to acquire the know-how.

My suggestion is that Iran should continue perfecting low-grade uranium enrichment (not to exceed 5%) for its nuclear power generation. With the NFC technology already acquired and the facilities already operational, why should Iran risk becoming a possible hostage someday to foreign suppliers for its nuclear fuel? Besides, after meeting its domestic demand, Iran can be a supplier of nuclear power plant and fuel at a competitive price to nuclear power aspirant developing countries. What's wrong with that?

Dr. Abdullah A. Dewan, founder of politicoeconomy.com, is a Professor of Economics at Eastern Michigan University.

12 strange car licence plates



A guy who lives near me (actually, he lives in the adjoining, much swankier neighbourhood) drives a low-slung, super-sleek, jet-black sports car. His car "number" plate is just a single word: "WOLF."

I was standing at the bus stop the other day when WOLF growled past. The two women next to me saw the license plate and laughed.

Now I'm quite sure this was not the reaction he paid so much money to achieve. "Why is it funny?" I asked. "It's so male," said one. "It's so stupid," said the other. "Is that tautology?" I asked.

Countries around the world are flocking to earn tax dollars by selling vanity plates to car owners. Where I live, people are racing to get them. At the time of writing this, a guy in a black Mercedes bearing the word "versace" on its license plate has just zoomed past.

That night, I asked women at the bar why guys buy vanity plates to impress females, but women sneer at them. "A guy thinks that we see his number plate saying 'cool dude' and we think he is a cool dude," said one gal. "But in fact what we think is, there goes a guy with more money than sense: I'm glad I'm not dating him."

A second female interrupted. "Not true! I like guys with more money than sense. They're my favourites. I collect them." A third woman, with a bitter curl of her lip, said: "All men have more money than sense." After a thoughtful pause, she added: "Even the ones with no money."

In defence of motorists in Asia, male and female, I pointed out that one does occasionally see intelligent number plates in this region. Indonesian violinist Idris Sardi has B10LA on his car, which looks like "biola," the Bahasa Indonesian word for violin. Jakarta actress Leoni has a plate on which is written: L30NI.

But I'll admit these aren't as witty as those you see in the west. Like the divorced US woman with the sports car carrying a plate saying: "washis".

Or the one owned by a self-deprecating blond that says blond, spelt correctly, but attached upside down.

Or the Porsche labeled IXL8 ("I accelerate"). Here are some more classics, mostly from the US, home of the odd license plate:

Also, there's a language issue. Bangladesh plates are in Bengali, Burmese ones are in Burmese, Chinese and Sri Lankan ones usually have one character from the vernacular language, and Pakistan has plates in Urdu, Farsi and Hindi. Creating wit is not easy.

But this doesn't mean that Asian motorists can't do it. Consider the infamous events of the summer of 2002 in Beijing. A new law allowed citizens to design their own license plates.

A motorist was soon spotted driving

in USA-911, which was considered insensitive.

People started registering famous names such as IBM-001.

Then someone registered "250" which is an insult in Chinese. Money was historically kept in batches of 500 units, so if you say, "you're a 250," it means "you're only half there." Officials quickly changed the laws and wit vanished once more from China's capital.

Meanwhile, if the owner of WOLF is reading this, don't pick up the girls at the 58A bus stop. They're not impressed.

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