

# The new pay scale: Is a price hike inevitable?

**MAHFUZ KABIR**  
**F**INALLY, the government has conveyed a 'financial greeting' to its employees on the eve of Victory Day through the gazette notification of the eighth pay scale. Though there are a few minor amendments since the last approval from the Cabinet Division, the smog of uncertainty is over at the end of the second quarter of the current fiscal year. The government will need to spend an additional Tk.191.07 billion to accommodate the extra pay this fiscal year and another Tk.274.18 billion in the next fiscal year for paying new bonuses and increments. Even though the new pay scale is going to work as a kind of 'rationalisation' for government employees, as they have long been perceived to be underpaid, its long term effect would be quite positive and intangible. It may now enable the government to attract talented people in the public sector.

The pay scale has already generated a lot of heat among the public and even among experts on its likely impacts on market prices. In fact, government pay scales are often associated with unwanted inflationary pressures in the economy, even though there is no empirical evidence on that claim. A closer look on the previous pay scales reveals that historically, government pay scales did not have any one-to-one relationship with inflation. From Bangladesh Bank data, it can be easily accessed that prices went down for a while after the third pay scale in August 1985 due mainly to a marked slowdown in the growth of liquidity and

domestic credit. On the other hand, there was a notable downward trend in price level after the fourth pay scale in April 1991 mainly because of price stabilisation measures by the government and decent performance in food production. In fact, the descending pressure on consumer inflation continued to go down for the next two and half years and there was a slight deflation in October 1993. Conversely, the price hike after October 1997 cannot be attributed to the fifth pay scale because prices were on the rise since early 1997. It was aggravated after the pay scale due to bad harvest during aman season that pushed food prices up, while higher fuel and electricity tariffs along with increase in loans to the private sector also facilitated an increase in the price of non-food items.

We also witnessed the sixth and seventh pay scales in the second half of the 2000s, followed by inflationary pressures. However, the growth of prices followed different paths after the two scales, and again, there is no ground evidence that the scales were responsible in increasing the prices. Price hikes after the sixth scale in May 2005 was due mainly to a disrupted supply chain of essential items, emanating from natural disasters, and higher prices of essential consumer goods and raw industrial materials in the international market. Still, the inflationary pressure was quite moderate and stable in the following two years. Conversely, the price hikes were too sharp after the seventh scale in December 2009 but again it was not due to extra money supply in the econ-

omy. Rather, it was mainly due to higher domestic food prices and rising prices of essential items in the international market, especially in India, which transmitted to the domestic market. The sharp growth of consumer prices continued for two and a half years and then started to decline. We are still witnessing the declining trend of general consumer price, which lasted up to November 2015, owing to a consistently 'contractionary' monetary policy. The government has been enjoy-

Prices, including those of petroleum and food items, are quite stable in the international market. Thus, the strong foothold of the monetary policy in the real economy and impressive performance of the supply side of the economy would prevent inflation from moving up significantly for some time, despite significant growth of remittance inflow.

Apart from empirical data, what does macroeconomic theory say about the effects of the pay scale on inflation? The quantity theory of money implies that given the level of velocity of money and gross output, injection of the additional money through the pay scale would increase the price level proportionately. However, the effect on inflation would be minuscule as the additional money required for the pay scale is only 1.12 per cent of GDP at current prices in the current fiscal year (assuming that this year's GDP growth rate would prevail). Instead, the national income effect would be nearly 4.5 times of the extra money through government spending multiplier if we assume that the level of domestic savings-GDP ratio of 22.3 per cent in the last fiscal year would prevail in the current fiscal year. In other words, this Tk.191 billion would not be lost in the heat of price hikes, rather it would revert to the economy worth additional Tk.857 billion.

In sum, the new pay scale is likely to bless rather than burn the economy if the other macroeconomic variables remain the same and no significant shocks appear in the external sector.

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ing a comfortable position due to the effectiveness of the monetary policy, despite unprecedented political violence in December 2013 and the early months of 2015.

Therefore, it is believed, at least by a part of the expert community, that the eighth pay scale is unlikely to trigger price hikes since consumer prices have been on the downward move in the last two and a half years. Core inflation is quite stable due to growing aggregate supply to match the aggregate demand.

## Transgender nominees at municipal polls

### We applaud their participation

**I**N a country where the transgender community is still marginalised economically, socially and politically, it is undoubtedly great news that two transgender persons are participating in the municipality polls in the south-western districts, challenging stereotypes and representing the voices of the downtrodden. It is the first time in the country's history that they have been represented in the political arena. Their participation in the polls and the support they are receiving at their respective municipalities highlight the laudable progress that Bangladesh has made in promoting and protecting the rights of this marginalised group.

The government, in recent years, has taken a number of positive steps to address the plight of the transgender community and to incorporate them into mainstream society. In 2013, the cabinet decided that people could identify themselves as "third gender" in different government forms and documents, rather than be compelled to pick either the male or female gender. What is unfortunate, however, is that this decision is yet to be reflected in the nomination forms for both mayoral and councillor aspirants. As a result, the two nominees were forced to tick the "female" box. We urge the government to rectify this oversight – an oversight that can only exacerbate the transgender community's feeling of exclusion in a society that already ostracizes them.

Political representation of sexual minorities is a prerequisite to ensuring that their demands are heard and appropriate policies are taken to ensure their socio-economic development. In addition to the female quota, the government ought to introduce quotas for individuals of the third gender to encourage more members to participate in the electoral process and make our democracy a more inclusive one.

## Students go on rampage

### Vandalism must not be tolerated

**A**N altercation between traders and Dhaka College students over the price of goods turned the entire area into a bloody battleground and brought traffic to a complete standstill on Mirpur road on December 17. We are informed by what has been reported in the press that in the clashes sparked off by agitated students of this most prestigious of colleges and that no one was spared -- pedestrians, shoppers and ordinary people of all shades and hues. Vehicles were set on fire and damaged and the police had to open fire to bring the situation under control.

We condemn this sort of wanton violence, especially when the city is held hostage to the whims of so-called students who act as if the area belongs to them. It is difficult to make out which party was to blame for the row, but it is hardly acceptable behaviour that students will come out brandishing weaponry and terrorise business houses and vent their anger on all. The vicinity of Dhaka College is one of the busiest junctions in the city and any untoward incident happening here causes gridlock in the rest of the city.

There are longstanding accusations levelled against certain college students of seeking protection money from ordinary traders who ply an honest trade on the roads and in shops around New Market area. And it is up to the police to get to the bottom of this recurring incident so that we may go about our daily business without being attacked.

## Biman is also an airlines



CHINTITO SINCE 1995  
 NIZAMUDDIN AHMED

**T**HINGS appeared relatively calm one Wednesday morning. Officials were screening passengers and baggage. Children were running around adults, some of whom were chatting while others were forced to enjoy the scenery in silence. Some were focussed on a TV monitor showing the BPL live, some showed a passing interest. Recent extension works brightened the domestic terminal at Dhaka's Hazrat Shahjalal International Airport.

Having arrived almost one and a half hour before the scheduled departure of Biman's Sylhet flight, we were eager to check in at the earliest opportunity. When an officer took her seat behind the counter an hour before the flight, we were quick to hand our e-tickets. That is when we got the first jolt. "Not before 6 o'clock", said an officer, as he was passing by. Nothing official, he was referring to our 4.40pm flight.

We waited. The single coffee bar was vending only sweetened coffee. More passengers were checking in. The queue peaked around 4pm. A little later, quite close to the departure time, it was announced with regret - if you could understand the lady despite the poor acoustics and the inferior sound system - that the flight to Sylhet would depart at 6pm.

We nevertheless decided to go through security and bide the time at the boarding lounge. Almost every seat was taken. It was obvious that ours was not the only flight delayed despite the clear December weather all over the country and Asia. Here there was only one commercial food outlet, which was out of coffee and has never served tea.

At 5.45pm, when we were waiting with bated breath to board the aircraft, the same voice on the same defective sound system told us regretfully that Biman's flight to Sylhet was delayed until 7.30pm. After that announcement, until when the flight finally took off at 8.40pm, there was no notification from Biman. By the way, we all paid for our tickets, and I believe the officers there are well-paid.

It is not abnormal for a flight to be delayed. It happens to any airlines. But, during that period of waiting, Biman was not with its passengers, their most valued source of income. It seemed like they were doing us a favour, instead of the other way round. No one from Biman offered the passengers, some waiting there for three hours or more, a bottle of water or a word of comfort or a smile, which would have given the national carrier a lot of mileage at almost no cost.

While covering the 1999 Cricket World Cup for *The Daily Star*, my ferry from Holyhead to Dublin was



Tired of waiting, a Biman flyer falls asleep resting his head on his luggage at Shahjalal International Airport in Dhaka.

delayed by an hour. In addition to profusely regretting and repeatedly assuring us, the ferry offered each of us a £10 voucher to spend onboard. The service made the passengers feel that the ferry was their "home in the sea".

While waiting for a long time for our "home in the air", hunger pangs were increasingly becoming obvious. There was only one food outlet in the Boarding Lounge, perhaps to ensure its stragglehold on hungry passengers. At one point, I asked if I could get a cup of sugar-free coffee. The desk clerk said, "Not sugar-free, we do not have any coffee!" That is when I noticed the dishevelled coffee machine, conspicuous in bright red.

After killing some more time, but not the famishment, I ventured to the one-and-only shop, and asked for something free of sugar, which was a silly question because this was the branch of a premium sweet chain. In this day of Annual Diabetes Dibash, I gathered some pluck to ask the price of two pieces of a particular sweet. The man was aghast, but did not show it with any blattancy. He said that I had to buy 18 pieces. I chose to endure my hunger instead of running the risk of higher sugar levels, and walked away, as monopoly continued to thrive.

7.30pm passed quietly. Past 8pm, we sensed by

the bustle of the Biman staff that the flight time was nearing. At that point, a Biman officer was repeatedly shouting over the walkie-talkie, least bothered about our privacy and the security demanded of her job, "Come in, Mofiz" (not the real name). She was trying to convey to the grounded planeload of passengers that she was important. It soon emerged why. She and a gentleman were asking a young couple with two babies (and four tickets) if they could carry one of the babies on their lap, so that the emptied seat could be availed by another "out-of-the-blue" passenger. Ludicrous is not a preposterous word. To the silent hurrah of fellow passengers, the couple did not give in.

Boarding was mayhem. The checking-lady was not bothered about the five queues. The speed with which she was dealing with passengers, pushing and shoving, could one day, God forbid, be hazardous.

Once airborne, I wondered how the hostess knew, but she missed me while serving a muffin and two twisted biscuits. The fellow next to me got three. I only knew it was my day when the aircraft landed at Sylhet Osmani International Airport.

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## COMMENTS

**"Why so shy to mention it?"**  
 (December 16, 2015)

Janata  
 Khaleda Zia intentionally omitted the words "Pakistani occupation army", "Razakar", "Al-Badr" and "Al-Shams."

Mohammed Alauddin  
 The term "Hanadar Bahini" covers all of the above (i.e. Razakar, Al-Badr, Al-Shams, Pakistani occupation army). So isn't it better to use a single term that covers all these things?

**"Land grabbers force 2 Hindu families out of home"**  
 (December 16, 2015)

Saiful Alam Shelly  
 The government should take quick and stern action against the culprits.

Uzzal Chowdhury  
 It's the responsibility of the government to protect the minorities.

Milon Kumar Biswash  
 I don't understand. The same things happen everyday, but the government doesn't take action against the perpetrators.

Santosh Kumar  
 It's totally disgusting. What is the local administration doing?

## LETTERS TO THE EDITOR

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### The dream of Padma Bridge coming true!

With the inauguration of the Padma Bridge by Prime Minister Sheikh Hasina on December 12, 2015, the dream bridge project is now in the process of being materialised. The Padma Bridge is expected to boost the country's economy.

Meanwhile, according to the environment impact assessment (EIA) report for the bridge project, the migration of hilsa will be seriously hampered during construction as a

result of mechanical disturbances. As reported, there might be some adverse effects on the fish habitat particularly of hilsa even after the completion and commissioning of the Padma Bridge. In order to minimise the side effects of the project, I think our national experts, in consultation with reputed international experts, should take appropriate measures.

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### A note of thanks

I fully support the views expressed in the letter published in TDS on December 4 regarding the clearing of Tejgaon Truck Stand by the mayor Mr. Annisul Huq. Parked trucks that occupy roads cause immense sufferings to the people of that area. The caretaker government led by Fakhruddin Ahmed also did a good job regarding this issue. Hats off to the mayor for his timely initiative.

**Prof. Dr. K. A. R. Sayeed**  
 Former Professor of Pathology  
 Sir Salimullah Medical College