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**MANAGEMENT DEVELOPMENT DIVISION, CABINET OFFICE
PUBLIC SERVICE CAPACITY BUILDING PROJECT**

**A MEDIUM-TERM STRATEGY FOR ENHANCING PAY AND
CONDITIONS OF SERVICE IN THE
ZAMBIAN PUBLIC SERVICE**

**Final Report
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LIST OF ABBREVIATIONS

CSR	--	Civil Service Reform
DPS	--	Deputy Permanent Secretary
GDP	--	Gross Domestic Product
GoT	--	Government of Tanzania
GRZ	--	Government of the Republic of Zambia
K	--	Kwacha
JERG	--	Job Evaluation and Re-Grading
LCC	--	Local Cost Compensation
MBS	--	Minimum Basic Salary
MDA	--	Ministries, Departments and Agencies
MDD	--	Management Development Division
MFNP	--	Ministry of Finance and National Planning
MLW	--	Minimum Living Wage
MTEF	--	Medium-Term Expenditure Framework
MTPRS	--	Medium Term Pay Reform Strategy
PIC	--	Price and Incomes Commission
PMP	--	Performance Management Package
PS	--	Permanent Secretary
PSCAP	--	Public Service Capacity Building Project
PSMD	--	Public Service Management Division
PSR	--	Public Service Reforms
PRSP	--	Poverty Reduction Strategy Paper
RDCs	--	
SAPs	--	Structural Adjustment Programmes
SASE	--	Selective Accelerated Salary Enhancement
SC	--	Secretary to the Cabinet
SSA	--	Sub-Saharan Africa

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Executive Summary

Section 1. Introduction

1. The present Study is the product of a short-term assignment commissioned by the Management Development Division (MDD) at the Cabinet Office. The major objective of the study is to assist the Government of the Republic of Zambia (GRZ) to develop a strategy for enhancing pay and conditions of service in the public service that lays out broad policy options, establishes links to major parameters of the policy and identifies the principles upon which the pay policy will be built.

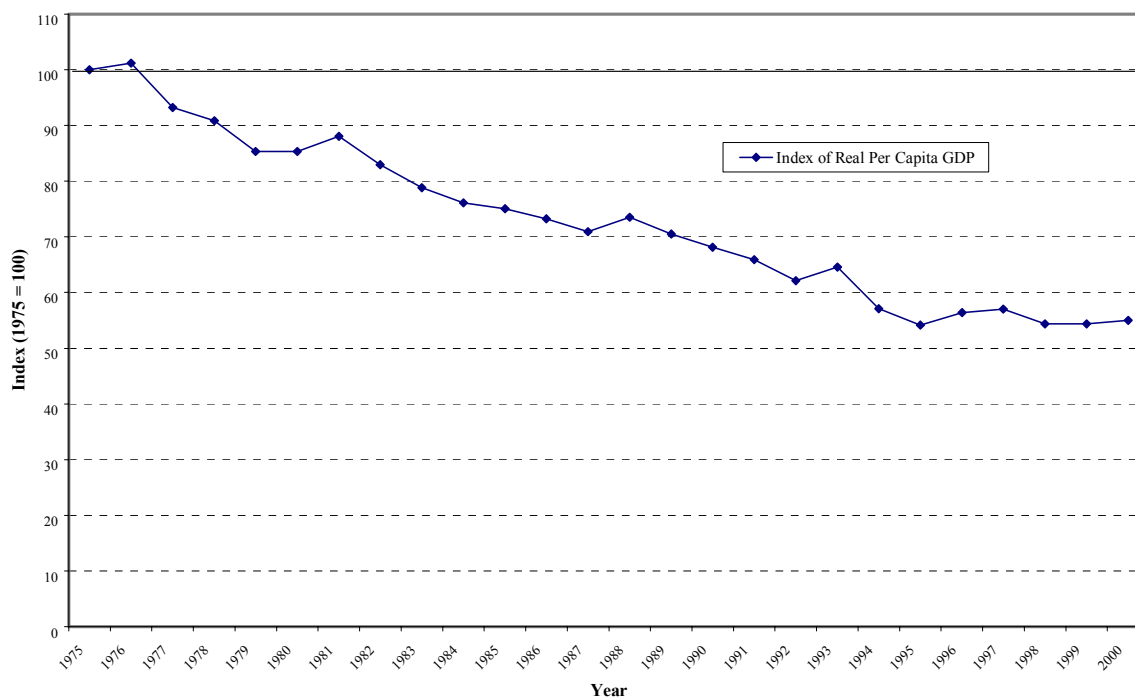
2. The structure of this report is as follows. After the introduction, Section 2 examines the causes and consequences of declining real public service pay as well as the GRZ response to this decline. Section 3 discusses lessons learned from the pay-reform experience of other countries of SSA. Section 4 presents major pay reform issues to be addresses in a medium-term pay reform strategy in the Zambia context. Section 5 presents pay reform scenarios for 2002/03 – 2007/08. Section 6 presents a discussion of local cost compensation (LCC), its limitations and the need to rationalise it and to transform it into a systematic scheme that enhances the capacity of the public service to attract and retain qualified skilled personnel. Section 7 presents an overview of the Selective Accelerated Salary Enhancement (SASE) scheme, which is proposed as the cornerstone to the medium-term pay reform strategy, and examines the cost of financing such a scheme. Section 8 presents issues related to improving the links between pay and performance. Section 9 presents the way forward and an advocacy strategy. And lastly, Section 10 presents conclusions and recommendations of the report.

Section 2. Pay and Incentives Problems in the Public Service

Economic Overview

3. For much of the past 27 years the Zambian economy has suffered through economic crisis, volatility and decline. The declining trend in the economy was precipitated initially by the fall in the price and output of copper, which was the lifeline of the economy. In the 1970s and 1980s copper accounted for 90 percent of national exports and 40 percent of GDP. However, the problems in the economy went far beyond the negative trends in the mineral sector. Rather they merely exposed structural weaknesses in and the fragile nature of the Zambian economy.

4. Figure 1 present an index of real GDP per capita for the period 1975 - 2000. Here the declining tendency in the economy is obviously apparent.

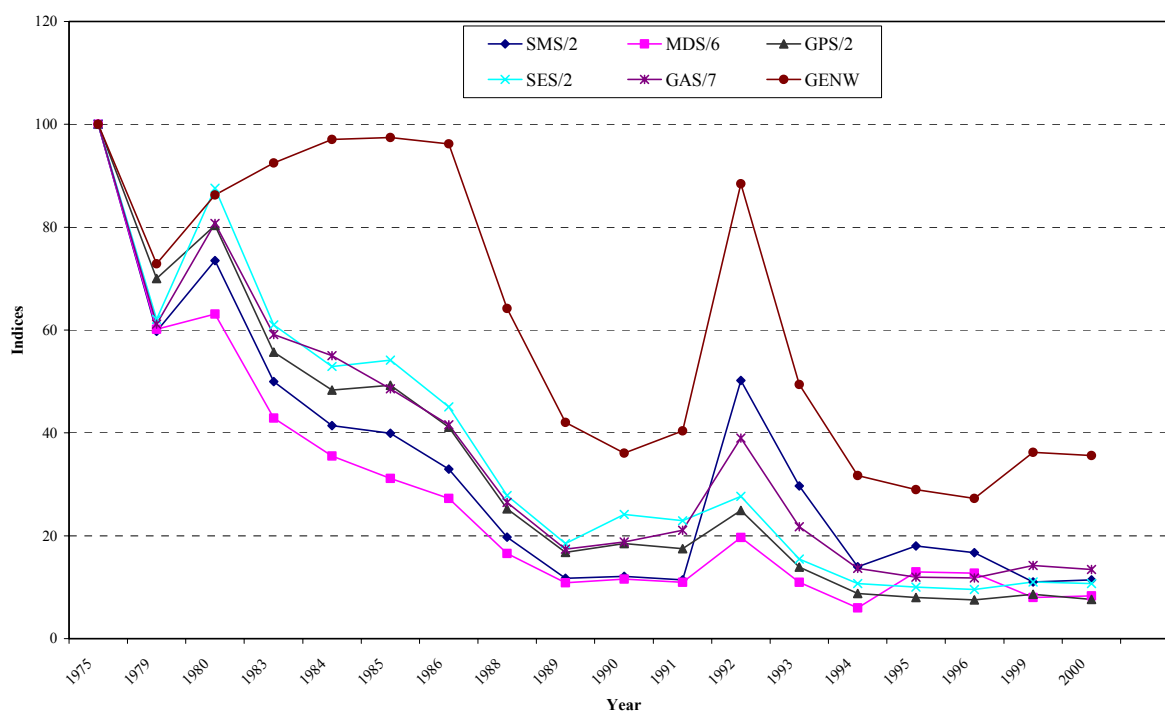
Figure 1: Index of Zambia's Real Per Capita GDP, 1975 - 2000

Low and Declining Public Service Pay

5. Figure 2 presents indices of real pay trends for the Zambia public service for various salary groups for the period 1975 through 2000. Three significant patterns emerge in public service real pay trends in Zambia:

- 1975 – 1983, where real public service salaries declined sharply (by about 30- 40% for most salary groups between 1975 and 1979), before recovering much of their value in 1980 (returning to 70-85% of their 1975 value).
- 1983 – 1991, where all salary groups experienced significant and uninterrupted decline in their real public service pay; with real public service pay by the end equalling only 11 – 22% of its 1975 value for most salary groups.
- 1991 – 2000, where real public service salaries fluctuated significantly but for the most part moved in a downward direction for most salary groups. This period was marked by a change in government, as well as the introduction of a number of economic reform initiatives and a comprehensive public sector reform programme.

6. By 2000, most salary groups had experienced real public service salary declined of the magnitude of 85-90% in comparison to their 1975 value.

Figure 2: Indices of Real Minimum Salaries for Various Civil Service Salary Grades, 1975-2000

Sources: Colcough, 1997, Tables 4.9 – 4.11; Directorate of Personnel; Republic of Zambia, 2001c; and Calculations.

Consequences of Declining Real Pay and Weakening of the Incentive Regime

7. Increasingly, with erosion of real pay came the depletion of scarce **motivational capital** in the public service, giving rise to:

- demoralisation and demotivation of subordinate employees and their supervisors/senior civil servants;
- reduced work effort, declining levels and expectations in performance;
- reduced incentives for improving work performance and willingness to accept greater responsibility;
- the weakening of accountability and controls procedures/mechanisms;
- diminished ability to recruit and retain qualified managerial, professional and technical manpower; and
- reduced commitment to public service.

8. Public service capacity suffered increasingly because many public servants pursued an exit strategy, leaving government employment altogether or by exiting on-the-job, using work hours and public resources to engage in their own income-maintenance strategies. With the increasing loss of human capital and motivational capital, the failure to develop professional and management cadres had important implications for the quality of public sector performance.

Declining pay and deteriorating service delivery

9. The consequences for the public services were the further exacerbation of the erosion

of the social sector above and beyond that observed by the direct reduction of government budgetary allocations. These consequences can be felt in terms of their effects on:

- a. Declining efficiency in the delivery of services;
- b. Declining quality of services;
- c. Reduced accessibility of services; and
- d. Increasing cost of provision of services.

Declining pay and increased incidence of deviant work behaviour

10. In addition to reduced work effort, low and declining pay may lessen goodwill, increase ill-will and increase the motivation to engage in counterproductive behaviour which is antithetical to increased production, service delivery, good fiscal management and sound government resource allocation.

11. The pursuance of many income-maintenance strategies generally lead civil servants into what the organisation behaviour and human resource management literature commonly refers to as deviant work behaviour. Deviance as viewed within the economics context takes two forms:

- a. production deviance, which includes work slow downs, misuse of paid work time to engage in non-work activities, or “time theft”; and/or
- b. property deviance, which refers to the (mis)appropriation, misuse of public institutions’ tangible and/or financial assets for personal gain.

The Government’s Response

12. In its efforts to ameliorate the effects of declining real public service pay the Government adopts various measures. Among these are: appointing *ad hoc* salary commission/committee reviews to examine and make recommendations on addressing the pay problem; increasing the numbers of allowances and fringe-benefits; and the adoption of a Public Service Reform Programme (PSRP).

13. In the absence of explicit pay policy and systematic staffing and pay practices, the GRZ adopted *ad hoc* and piece-meal measures that did not fully and systematically address the constraints on improving the performance of civil service.

14. For the pay policy standpoint reliance on the outcome of *ad hoc* salary review commissions deliberations to set policy was less than ideal. These commissions while reviewing public service remuneration and conditions of service generally offered piece-meal solutions to addressing the problems of the public service. This created further distortions across the various groups of personnel employed by the public service and within groups themselves.

15. The notion of a public service salary structure and salary scales gradually gave way to a collection of unionised salary scales, where the overall salary structure is nothing more than a collection of *ad hoc* derived salary scales. A coherent pay policy is required to restore objectivity, rationality and consistency to the public service salary structure and respective salary scales.

16. While the introduction of the PSRP, has generated some successes, one clear

shortcoming of the PSRP has been the lack of maintenance of employment controls. The 1993/94 PSRP pledged to reduce public employment by 25% within three years and to improve the conditions of service of personnel. This would allow those who remained in the public service to be better paid from a given wage bill, improving the competitiveness of the public service to attract and retain personnel with the requisite skills and experience without putting further strain on the budget.

17. After a significant rise in employment in 1997, greater effort was made to control employment levels. But the initial reductions in employment numbers could be attributed almost exclusively to a reduction in the industrial class personnel, those with no permanent employment tenure in the public service. Employment levels were reduced through a retrenchment and voluntary early retirement scheme in 2000. However, since the final quarter of 2000 employment risen increasingly. After averaging nearly 104,000 per month (pm) during the first nine months of 2000, personnel numbers rose steadily on a month-to-month basis sharply from October 2000 to August 2001, from about 105,800 to about 113,260, before declining to an average of about 109,700 pm during the last three months of 2001. In early 2002, employment had increased to over 112,000.

Section 3. Pay Reform -- Lessons Learned and Comparative Analysis

Comparative Pay Reform Experience in SSA

18. From the mid-1970s to late-1980s, economic decline and stagnation became commonplace throughout much of Sub-Saharan Africa, with **double-digit real wage declines on a per annum basis** were not uncommon.

19. Three general patterns emerge in real pay trends for these countries:

- a. 1975 to mid-1980s, which was a period of substantial and uninterrupted real average pay decline;
- b. Mid-1980s to early-1990s, when the real pay of civil servants in these countries fluctuated, showing an increasing tendency, as the various countries adopted and implemented SAPs with various degrees of success;
- c. Mid-1990s onwards, when substantial improvement in the real average pay in the civil service were observed. As the various countries adopted civil service reform programmes (CSRPs) and implemented them with various degrees of success.

20. Lessons are drawn from reviewing the pay reform experience the pay reform experiences of the early “successful” reformers (Ghana and Uganda) and contrasts these to the late “successful” reformers (Tanzania and Mozambique).

21. While Ghana and Uganda were able to achieve substantial improvements in the real pay of their public servants early during their respective reform processes, over the past four or five years their pay reform efforts have stalled. Tanzania and Mozambique, on the other hand, have undertaken significant pay reforms over the past seven years. The lessons learned from the successes and limitations of their reform experiences are examined.

Lessons for Zambia Pay Reform Effort

22. The major lessons that Zambia should learn from the experiences of pay reform elsewhere are:

- a. Rather than setting the nebulous concept of achieving a living wage as a goal, it is preferable that the government adopt an objective target pay structure to be achieved over some specified period of time;
- b. A consistent medium-term pay reform strategy (MTPRS) that **systematically raises compensation** for the core professional, technical and management personnel in public service **is a prerequisite for improving civil service performance**;
- c. In the short- to medium-term, salary enhancement should be targeted towards professional and technical personnel that the Government has the most difficulty attracting and retaining and who are most critical to efforts to raise public service efficiency and the quality of service delivery, and who are also instrumental in the production of strategic government outputs;
- d. Relying on wage bill savings from employment reductions and government resources is **not likely to yield much in the way of pay reform**;
- e. Even if the desired wage-bill savings came to fruition, the resulting salary enhancement was likely to be **too gradual** and **too meagre** to bring about the changes in public service personnel attitude and motivation required to lead to significant improvements in work performance and service delivery;
- f. Concerted effort is required to ensure that salaries are adequately enhanced to restore human and **motivational capital and goodwill** (embodying honesty, integrity and commitment to performance) within the public service; and
- g. By holding down the premium paid for all skills, and preventing additional rewards from appearing for those skills which were most difficult to acquire and for which there were the greatest shortages, the government pay policy had become a contributing factor in the continuance of manpower shortages in critical areas. Further to this, the continuing compression of pay differentials had acted as a disincentive to taking on additional responsibilities, moving up the occupational ladder, and increased productivity. A more flexible government pay policy may be required to suit the present and future needs of Zambia.

Section 4. Major Pay Reform Issues in the context of the Zambia Medium-Term Pay Reform Strategy

23. To be sustainable the pay reform programme must be undertaken within an affordable budget and over a reasonable timeframe. The extent to which pay reform can be effectively implemented will depend among other things on:

- a. The size of the civil service and the distribution of personnel across job grades;
- b. The distribution of salaries and allowances across job/salary grade; and
- c. The size and growth of the civil service wage bill and the proportion allocated to the civil service.

Size and Distribution of the Public Service

24. The starting point for a medium-term pay reform strategy is to determine the size and

distribution of the public service. The central payroll data for December 2001 show that in that for public service stood at 109,611. The Zambian job grade structure is fairly problematic. It is quite fragmented, with a large number of different occupation based job scales in use for different staff categories. There are broad 26 job-grade scales in the current job-grade structure. When the segmentation of these occupational groups into management, unionised professional and technical and unionised classified personnel are taken into consideration, the number of job-grade scales increased to about 40.

25. The job structure is proliferated with job grades (185). This is far in excess of what is considered manageable and desirable from the standpoint of the capacity to access and maintain horizontal and vertical equity.

Salary Differentials and Compensation Structure

The current salary differentials

26. The current salary structure for the Zambia public service has a number of inherent weaknesses. Among these are the following

- a. Following from the fragmented nature of the job grade structure, the salary structure is proliferated with salary scales (40) and salary grades (185). This makes it very difficult to access and maintain horizontal and vertical equity in the salary structure.
- b. Salary differentials, both grade and increment/step differentials, are far too small to motivate staff to improve performance and to move up the job ladder. In many cases salary increments are in the range of 0.45% - 0.70%.
- c. Small salary differentials throughout the salary structure have led to a fairly compressed salary structure across all salary scales. By reducing the value that the public service places on educational qualifications, skills, and experience, this has contributed to the lack of competitiveness of the service to attract and retain suitably qualified manpower.
- d. Comparing salaries across job groups the evidence points towards attempts to split hairs in Zambia public service salary administration. **There are a number of instances where the differences in monthly salaries between personnel in difference steps of similar salary grades are as low K48 per annum, K4 pm.**
- e. In addition to the above, experience across countries show that such highly fragmented salary structures are likely to result in a large number of anomalies in relative salaries.
- f. Given differences in collective bargaining arrangements, there is the irrational situation where the grades ES1 and SES1, ES2 and SES2, and ES3 and SES3 though respectively perceived as equivalents and have similar qualifications have different salary scales and levels. Violating the principle of “equal pay for equal work.”

27. There would appear to be significant scope for rationalising public service salary structure and reducing the number of salary scales.

The current compensation structure

28. The problems with public service compensation in Zambia go far beyond salary

differentials and the salary structure. Compensation in the Zambia public service is very fragmented. Personnel on the central government payroll receive payments from as many as 139 possible sources of compensation. These include:

- 16 Salary and Wages payment categories;
- 6 Flexible Allowances;
- 47 Fixed Allowances;
- 14 Other Emoluments payment categories;
- 56 Arrears payment categories.

29. Among other things, the dependence on so many allowances to enhance compensation:

- Weakens horizontal and vertical equity;
- Diminishes the relationship between pay, performance and responsibility, as in many instances lower-paid subordinates may receive higher total compensation than their superiors;
- Makes salary administration more problematic;
- By facilitating the large number of categories of arrears and the amount of arrears in the wage bill, contributes to fluctuations in the monthly wage bill and is difficult to plan.

Resources Available for Pay Reform: The Civil service wage bill Share

30. Salary enhancement is only prudent and sustainable when undertaken within the context of the likely resource envelope. Government recurrent expenditures must seek to strike an appropriate balance between the civil service wage bill and expenditures on operation and maintenance.

31. The data indicate that in the recent past, save 2001, the wage bill has increased relative to GDP and recurrent expenditures. However, given the slow pace of GDP growth, and once again save 2001, there was no substantial increase in resources to finance salary enhancement. Nor was there a significant reduction in public service employment to raise the average month compensation per employee. A major constraint on salary enhancement in the Zambia public service is the low level of GDP and its slow rate of real growth, which restricts the size resource envelop.

32. Efforts to systematically enhance salaries of public service personnel can best be served under the guidance of a clear and comprehensive MTPRS and a consistent medium term expenditure framework (MTEF).

Section 5. Medium-Term Pay Reform Scenarios for 2002 - 2007

33. Four scenarios are derived in a wage-bill model, based on data related to:

- a. the size and distribution of the public service personnel by job grade;
- b. levels and distribution of monetary allowances by job grade;
- c. salary differentials between salary points and increments; and
- d. projected annual wage bill ceiling.

Developing Salary Structure Scenarios

34. The basic assumptions of the four pay-reform scenarios are presented in matrix form in Table 6.

Table 6. Scenarios Assumptions Matrix

Contrast	Wage Bill/GDP Ratio	Employment Trends	Salary Structure
Scenario 1	<ul style="list-style-type: none"> The Wage Bill/GDP ratio declines from 6.2% in 2002 to 5.7% in 2003 and remain constant thereafter. 	<ul style="list-style-type: none"> Size of the public service remains constraint at 2001 level. 	<ul style="list-style-type: none"> New salary structure introduced. Salary differentials (increment and grade differentials) remain constraint through the period.
Scenario 2	<ul style="list-style-type: none"> Same as Scenario 1. 	<ul style="list-style-type: none"> Size of the public service reduced in line with the KPMG report recommendations. 	<ul style="list-style-type: none"> New salary structure introduced. Salary differentials (increment and grade differentials) remain constraint through the period.
Scenario 3	<ul style="list-style-type: none"> Same as Scenario 1. 	<ul style="list-style-type: none"> Same as Scenario 2. 	<ul style="list-style-type: none"> New salary structure introduced. Salary differentials (increment and grade differentials) rise through the period.
Scenario 4	<ul style="list-style-type: none"> Same as Scenario 1. 	<ul style="list-style-type: none"> Same as Scenario 1. 	<ul style="list-style-type: none"> New salary structure introduced. Salary differentials (increment and grade differentials) rise through the period. Allowances are eliminated from the compensation structure.

Towards a more unified salary-grade structure

35. A more unified job-grade and salary-grade structure would offer a number of advantages for the Zambia public service. It would:

- a. Improve the ease of salary administration;
- b. Increase the transparency of the structure;
- c. Facilitate increased rationality of the salary structure resulting from improved horizontal and vertical equity between job-grades; and
- d. Provide opportunities for increased salary differentials, both increment and grade differentials, facilitating improvements in the incentive regime.

36. A proposal to unify the job-grade/salary-grade structure is made here by consolidating comparable scales and combining salary grades, referred to as the Zambia Public Service Salary Structure (ZPSSS). The resulting structure, which would be derived by combining similar occupational groups in the current job scales, would be comprised of the following six scales:

- a. The Zambia General Service Salary (ZGSS) Scale;
- b. The Zambia Judicial Service Salary (ZJSS) Scale;
- c. Zambia Medical Service Salary (ZMSS) Scale;
- d. The Zambia Education Service Salary (ZEES) Scale;
- e. The Zambia Protective Service Personnel Salary (ZPSPS) Scale; and
- f. The Zambia Classified Personnel Salary (ZCPS) Scale.

37. Aggregating the salary scales as proposed would offer the following advantages:

- a. The number of salary scales would be reduced from 24 (or 39) to six.

- b. The number of salary grades would be reduced from 185 to 68.
- c. The rationality and transparency of the salary structure would be significantly enhanced.
- d. Salary increments will be substantially increased through the salary structure.
- e. Salary administration will be improved by merging grades and steps/increments where pay differentials are negligible.

Results of the Four Scenarios

38. To illustrate the resulting compensation and salary implications of each scenario, five representative salary levels are examined:

- a. The lowest paid minimum basic salary (MBS) earners (ZJSS9.10);
- b. The average basic salary earners (which is comparable to the salary and compensation outcomes for salary grade ZGSS16);
- c. The middle-grade salary earners (represented by job grade ZES6);
- d. The upper-middle grade salary earners (represented by salary grade ZMSS4); and
- e. The top-salary earners in the Civil Service (represented by salary grade ZGSS1.1).

39. The table below presents salary structures derived for the four scenarios by the five representative salary grades.

Wage Bill and Monthly Salary Levels for Representative Salary Grades for various Scenarios, FY02/03 – FY07/08						
Scenario 1	FY02/03	FY03/04	FY04/05	FY05/06	FY06/07	FY07/08
Representative Salary Categories	(Kwacha Per Month)					
Minimum Monthly Basic Salary (ZJSS9.10)	451,448	534,663	544,214	618,980	714,642	797,575
Average Monthly Basic Salary (ZGSS16)	521,463	599,477	628,617	714,978	801,273	894,260
Middle-Level Monthly Salary (ZES6)	1,381,029	1,581,189	1,664,811	1,893,529	2,113,449	2,358,712
Upper-Middle Level Monthly Salary (ZMSS4)	3,231,389	3,699,732	3,895,394	4,430,558	4,945,135	5,519,011
Top-Level Month Salary (ZGSS1.1)	6,045,737	6,921,979	7,288,051	8,289,311	9,252,054	10,325,742
Scenario 2						
Representative Salary Categories	(Kwacha Per Month)					
Minimum Monthly Basic Salary (ZJSS9.10)	451,448	545,938	559,403	637,554	731,550	812,263
Average Monthly Basic Salary (ZGSS16)	521,463	623,309	671,277	779,963	872,567	970,307
Middle-Level Monthly Salary (ZES6)	1,381,029	1,614,533	1,711,276	1,950,348	2,163,452	2,402,149
Upper-Middle Level Monthly Salary (ZMSS4)	3,231,389	3,777,751	4,004,113	4,563,505	5,062,134	5,620,646
Top-Level Month Salary (ZGSS1.1)	6,045,737	7,067,949	7,491,457	8,538,047	9,470,953	10,515,896
Scenario 3						
Representative Salary Categories	(Kwacha Per Month)					
Minimum Monthly Basic Salary (ZJSS9.10)	451,448	539,654	551,369	628,352	720,859	800,341
Average Monthly Basic Salary (ZGSS16)	521,463	623,295	671,372	780,178	872,523	970,133
Middle-Level Monthly Salary (ZES6)	1,381,029	1,549,417	1,804,614	2,056,575	2,280,868	2,532,356
Upper-Middle Level Monthly Salary (ZMSS4)	3,231,389	4,535,572	4,760,747	5,425,444	6,017,151	6,680,602
Top-Level Month Salary (ZGSS1.1)	6,045,737	9,821,340	10,308,935	11,748,272	13,029,556	14,466,195
Scenario 4						
Representative Salary Categories	(Kwacha Per Month)					
Minimum Monthly Basic Salary (ZJSS9.10)	452,738	557,550	569,390	644,569	735,720	813,693
Average Monthly Basic Salary (ZGSS16)	538,862	658,126	706,910	816,255	908,399	1,006,146
Middle-Level Monthly Salary (ZES6)	1,583,829	1,885,619	1,991,918	2,254,920	2,488,182	2,751,887
Upper-Middle Level Monthly Salary (ZMSS4)	4,182,471	4,979,419	5,260,125	5,954,643	6,570,627	7,267,000
Top-Level Month Salary (ZGSS1.1)	8,004,231	11,108,777	11,735,014	13,284,441	14,658,663	16,212,229

Major Implications drawn from the Salary Scenarios

40. One clear implication is obvious from the scenarios. With the wage bill programmed to become a smaller proportion of GDP in a stagnant or slow growing economy, **there is little scope for significant salary enhancement in Zambia from the government's own resources in the short- to medium-term.** It should be recognised that the scope for employment reductions in Zambia is likely to be much smaller than many analysts expect.

41. **The adoption of either Scenario 3 or Scenario 4 by the GRZ would be a significant step in the right direction with respect to redressing the decline in real public service salaries.** Both scenarios offer the expectation of gradual enhancement of salaries over the course of the MTPRS. Given that a key feature in Scenario 4 is the consolidation of allowances and a move towards a “clean” wage bill, Scenario 4 is seen as being superior to Scenario 3.

Section 6. Local Cost Compensation: Rationale and Impact

Overview

42. Given the pay and incentives problems confronting the public service, donors sometimes provide incentive payments and salary supplements to key public service posts where incumbents are engaged on donor-funded projects and programmes. Such payments are referred to as local cost compensation (LCC).

43. While access to such opportunities may enhance the public services effort to attract and retain some skilled professionals and technical personnel, they are not without their disadvantages. In some cases they even induce and reward counterproductive behaviour by giving rise to:

- a. Decision-making by committees rather than responsible individuals;
- b. A proliferation of committee (and workshop) meetings;
- c. Rewarding personnel for spending more time away from their regular public service duties;
- d. Greater incentives for personnel to:
 - i. be away from their desks; and/or
 - ii. favour assignments on donor-funded projects and programmes; and
 - iii. delay decision-making.¹
- e. The result may be a lessening of attention to service delivery and government policy formulation/implementation matters.

44. Inasmuch as donor-supported intervention complements this medium-term pay strategy it will facilitate improved performance and capacity building in the public service. Rationalising and harmonising LCC may be desired, but this in itself would do little to address the broader incentive and capacity building problems. There is a need to go beyond LCC interventions towards the development of a scheme that supports efforts to address the broader problems. Rather than merely rationalising LCC, it is proposed that donors pool a

¹Referring to the use of sitting (meeting) allowances in Tanzania, Schiavo-Campo et al. (1997: 43) write: “The [sitting] allowance understandably results in maximizing the number of meetings and minimizing their substance, a perfect way to interfere with administrative efficiency.”

proportion of the resources that they would normally earmark for LCC and contribute to the establishment of a scheme that will better complement the medium-term pay reform strategy. By doing so, *ad hoc* LCC arrangements could be transformed into a systematic scheme where donors collectively support the government's efforts to improve its capabilities to attract, retain and adequately motivate its personnel and build the requisite human resource capacity to facilitate improved service delivery and strategic outputs. This scheme is hereinafter referred to as the Selective Accelerated Salary Enhancement (SASE) scheme. It is proposed that through the SASE scheme donor-funds support an accelerated pace of salary enhancement for managerial, professional and technical personnel.

Section 7. Mechanisms for Implementing the Selective Accelerated Salary Enhancement (SASE) Scheme

Introduction

45. It is proposed that the GRZ should introduce a scheme that systematically enhances the salaries of personnel in positions that are critical to improved performance of MDAs. This type of scheme is commonly referred to as a Selective Accelerated Salary Enhancement (SASE) scheme.

46. The SASE scheme is selective in two ways. First, accelerated salary enhancement will be targeted at personnel who have the greatest impact on service delivery, the reform effort and the strategic outputs of government. And second, the scheme will be phased-in, starting with public service MDAs that have:

- a. leading roles in change management and potential impact on the socio-economic well-being of the average Zambian citizen;
- b. well advanced formulated strategic plans and are poised for implementation of their respective reform programmes; and
- c. already been selected for inclusion in the first phase of the implementation of the performance improvement model (PIM); inclusion in the first phase of the SASE scheme will prove complementary in their performance improvement effort.

47. The general approach to operationalising a SASE-type scheme is as follows:

- a. The government should adopt and adhere to a medium-term target pay structure, which in the Zambia case is proposed to cover the MTPRS period, 2002 - 2007.
- b. A fund should be created to provide the government with extra budgetary support to supplement salaries of SASE scheme beneficiaries over the course of the medium-term.
- c. All personnel of a particular job grade and step/increment, whether SASE-scheme beneficiaries or non-beneficiaries, should be entitled to the same basic salary. The amount of the supplement in a particular fiscal year will be the difference between the target monthly salary set out in the MTPRS and the actual monthly basic salary for the given fiscal year. Supplements will not be applied to total monetary compensation.
- d. It is the position that should be determined as key and thus selected for supplementation, not the incumbent in the position. Hence, the salary supplement will be attached to the position, not to its incumbent.
- e. The SASE scheme target salary scales should serve as the benchmark for the

payment of any salary supplements, as this will allow the government to internalise such supplementation as and when extra budgetary support is phased out.

- f. Each fiscal year, as the government makes salary adjustments in line with MTPRS, the gap between actual government pay levels and the target pay levels would narrow, thus, reducing the need for extra financial commitment, as the government's ability to pay competitive compensation out of the general wage bill rises.
- g. With SASE, the long-term sustainability of the salary levels should not be at issue, since the target pay structure will be based upon an affordable wage bill over the MTEF period. As annual salary levels converge towards the target levels, extra budgetary support for salary supplementation will be phased-out.

48. The clear challenge is to devise a system of selective salary enhancement that is perceived as fair, objective, and transparent. While the original SASE study did discuss issues related to criteria for selecting SASE-scheme funded positions, it did not provide an objective and transparent mechanism for the selection process. In the case of SASE-scheme beneficiaries, this report proposes the development of a SASE-scheme beneficiaries selection index, with applications to the health sector pilot scheme.

Funding Requirement to Operationalise the SASE Scheme

49. The cost of the SASE scheme, and hence its financing requirements, will be determined by:

- a. The number of positions that will benefit from salary supplement and the distribution of these positions across job groups;
- b. The average salary supplement per position, which in turn will be a function of the MTPRS approach implemented by the GRZ and the approach adapted to implementing the scheme.

50. For the purpose of illustration here it is assumed that all positions in the civil service whose incumbents currently receive retention allowances (1,9722) would be among the beneficiaries of the SASE scheme. In addition to these, about 810 other positions would be beneficiaries of the scheme. This would bring the total number of beneficiaries to 2,732.

51. Funding requirements are derived for Scenario 4. The average monthly basic salary for these job grades would increase by 78% in nominal terms, from **K1,662,883** pm for 2002/03 to **K2,953,241** pm for 2007/08. The average monthly salary supplements in 2002/03 would range from **K409,889** pm for job grade ZGSS18 to **K8,207,998** pm for job grade ZGSS1, with the average for all beneficiaries being **K1,290,358** pm. These would decline by 2006/07 to **K92,538** pm and **K1,553,566** pm for job grade ZGSS18 and ZGSS1 respectively, with the average for all beneficiaries being **K283,000** pm.

52. The total annual salary supplement requirements would decline on an annual basis from **K42.298** billion in 2002/03 to **K9.277** billion in 2006/07, before being phased-out by the end of 2007/08. The total funding requirement over the period would be **K126.299** billion, roughly US\$31.574 million at the current exchange rate.

Financing the SASE Scheme

53. A major issue to be addressed is SASE scheme financing. It is very difficult for a national government already facing severe budgetary stress to provide the additional monies required to fund such a scheme. Without additional support, funding of a SASE scheme would simply divert resources from other commitments. A SASE-type scheme could only go forward if there are additional (special) financing arrangements. If no additional resources were forthcoming to finance the scheme, then the government would likely have to maintain the status quo.

54. Even where there is general agreement for pooled financing among donors, the question may arise as to whether the approach should be one of creating a special SASE-scheme fund or for donors to provide increased Budget Support that may be used for both general salary enhancement and SASE support. Experience from other countries show that some donors have expressed a preference for a scheme fund, while others for Budget Support. The advantages and disadvantages of both funding approaches would have to be weighed.

Section 8. Pay and Performance: The Incentive Regime

55. Even if enhanced compensation is paid this in itself may not be enough to encourage increasing performance among segments of the workforce. The issue raised here is two-fold. First, the pay increase must meet the workers' minimum expectation of fair compensation before they are willing and able to commit fully to their work. Second, improved pay in itself is no guarantee that the workers' choice of a level of work effort will match that desired by the Government (as an employer). Increased pay may be a necessary, though not sufficient, condition for increased commitment and performance. Mechanisms, therefore, must be developed to improve accountability, monitor performance, and institute reward and penalties. A new performance management system and employment policy is of significance here.

Performance Standards and Enhanced Salaries

56. Operationalising a transparent and objective appraisal system will require that the goals and objectives of ministries/departments are clarified and delineated to facilitate the derivation of individual performance objectives and the development of satisfactory performance standards (quantified whenever possible) and measurement for the purpose of improving performance for the mutual benefit of the officer and the government as an employer. In order to be able to match pay with individual performance and/or to take into consideration individual competencies, skills and team outputs, there is a clear need for the design and implementation of a clear and objective appraisal scheme. Employees should be involved in the appraisal and objective setting process so that:

- a. the assessment of performance is understood by the employee;
- b. the assessment of performance is accepted by the employee as an objective and fair basis for making decisions on annual increments, promotion and (if relevant) merit-pay awards; and
- c. the assessment of performance provides a common basis for identifying training and development needs.

57. This will induce in supervisors a greater sense of responsibility towards their subordinates so that merit and salary awards and recommendations for promotions are based on actual work results and productivity, while disciplinary actions are based on concrete situations rather than generalities.

Proposed Introduction of Performance-Related Pay

58. Upon the institutionalisation of an adequate and objective staff appraisal system it will be necessary to address the issue of under-funding of increments and promotions, while providing an incentive for improved performance. Further, it is important to keep in mind that positive incentives themselves are not enough to build an appropriate reward system. The civil service not only lacks positive incentives for improved performance, but also adequate sanctions for correcting continuing poor performance, mismanagement and neglect of duties. Both adequate incentives and adequate sanctions, which are seen as fairly dispensed, are part and parcel of a well functioning reward system.

Rationalising Employment within Public Service

59. Where appropriate and cost-effective, capacity building should be systematically applied to raise performance. In some cases, this may not be feasible. Employees may be deemed untrainable or the cost of bringing them up to the desired standard may be too high, or the desired skills may be readily available in the general labour market. In such cases, strategies and policies must be devised to pursue one or two methods:

Method 1: reallocate workers to positions within the public service which better match their skills and experience (referred to as a **redeployment policy**);

Method 2: facilitate workers' exit from the government workforce and replace them through promotion or external recruitment, either for permanent or contract employment (referred to as a **replacement policy**).

Engaging Personnel on Contract Terms

60. Two approaches to engaging personnel on contracts are explored. These are:

- a. engaging Permanent Secretaries, Deputy Secretaries and other top core civil servants on fixed-term, five-year contracts, renewable based on performance; and
- b. engaging personnel with highly specialize skills or significant years of experience, who are likely to command salaries that cannot be accommodated within current (or future) public service salary structure, may be engaged on a contract basis for a specified time period.

61. In both cases, performance criteria/targets should be:

- a. Objectively determined;
- b. Clearly defined; and
- c. Related to the objectives of the respective MDA's strategic plan and annual plan.

Other issues:

62. Other topics presented in this section are:

- a. The relationship between public service and private sector pay;

- b. External recruitment, internal promotions and performance improvement;
- c. Rewards, penalties, and a well-functioning incentive regime; and
- d. Difficulties in the relationship between performance and pay.

Implications of the Analysis

63. A performance management culture needs to evolve which strives to motivate employees to higher productivity and improve the standards of performance. Where employees within the civil service cannot achieve acceptable levels and standards of performance in their present positions due to lax recruitment and/or promotion practices of the past, there is a need to rationalise employment. Rewards and penalties are both vital for a well functioning incentive regime and these should be clearly communicated to and be understood by all employees.

64. One important caveat here, however, relates to the difficulties associated with measuring output and qualitative aspects of performance; these should not be understated. There is a clear challenge in introducing performance improvement management into a situation where there is no strong work culture, and therefore care must be taken to avert accusations and suspicions of favouritism and fairness. The aforementioned difficulties notwithstanding, performance-based pay is worth considering – but only if due attention is paid to its effectiveness and risks. Meaningful performance incentives are a must. Non-monetary incentives are also of considerable importance. Such incentives may include more challenging tasks, influential assignments, public recognition, and professional rewards, among other things. In any case, an objective and open performance assessment, with due consideration to feedback mechanisms, is a necessary foundation of any incentive system.

Section 9. The Way Forward: An Advocacy Strategy

The Policy Process

65. With respect to pay reform, the policy process itself is crucial. The major stakeholders on pay-reform matters, particularly the PSMD and MFNP should thoroughly review salary scenarios and the underlying wage bill implications and reach consensus on these. The proposals in the present report should be subject to thorough deliberation and discussion. There should be a clear understanding of which recommendations are accepted, rejected or accepted with modifications.

Policy Commitment

66. The GRZ should demonstrate its clear commitment to pay reform in statement and in deed. The MTPRS should be launched with a clearly articulated timeframe, a target pay structure, and implemented with new vigour. The Public Service Pay Policy should then be developed and adopted that clearly reflects the agreed MTPRS and be well circulated. The objectives and targets of the MTPRS should be well known within the public service and propagated along with other aspects of the PSRP, especially the PIM. MFNP should be directed to take the pay priorities into consideration in the MTEF and in setting guidelines for annual wage bill determination.

Coordination, Monitoring and Evaluation

67. As PE comprises the largest component of recurrent expenditure, outside of debt servicing, Public Service Pay Policy and in particular the revised MTPRS should be reflected in the MTEF. Intensive discussions should be held between the PSMD and MFNP before the annual wage bill ceiling is set and before the MTEF budget frame is finalised.

68. The onus is not just on the MFNP to desist from unilateral action in wage bill determination. Currently the capability of the PSMD to address wage bill determination and salary issues in a manner consistent with the budget frame is limited. The capacity of the PSMD will need to be strengthened to facilitate dialogue between themselves and MFNP.

69. The programme coordination, monitoring and evaluation component of the PSRP needs to be strengthened to input into the implementation of the pay reform in general and the MTPRS and SASE in particular. The position of a Pay Reform Advisor (PRA) should be added to the PSCAP secretariat. The PRA should work closely with the MDD, PSMD and MFNP to facilitate implementation of the Public Service Pay Policy and the MTPRS in general and on the wage bill aspects of the MTEF in particular. If there is a need to revise projections or priorities these should be agreed the MDD, PSMD and the MFNP and not unilaterally determined. The PRA should also train counterparts in the PSMD to undertake more consistent salary projections for the purpose of wage bill determination, monitoring, and evaluating the implementation of the MTPRS.

SASE Scheme Implementation

70. The SASE scheme should be phased-in with the restructuring of MDAs. Experience in other countries show that a big push is required to ensure that a consistent pace at which the SASE scheme is being rolled-out. This should be done without affecting the integrity of the process. A timetable should be set and strictly adhered to for having MDAs qualify for SASE and the PIF.

71. Decisions should be made on the best approach to financing the SASE scheme. The advantages and disadvantages of the special SASE-scheme fund approach versus Budget Support approach should be thoroughly discussed by the government and donors. Once an agreement on the most preferred approach is reached and the government's clear commitment is well articulated, donors should set to phase-out *ad hoc* LCC payments and contribute these and other funds to the pooled-funds modality.

72. Mechanisms should be put in place to ensure that SASE salary supplements are paid through the payroll and reflected in the wage-bill. The wage bill ceiling should be raised to accommodate/reflect this.

Section 10. Conclusions and Recommendations

73. A consistent medium-term pay reform strategy that systematically raises compensation for the core professional, technical and management personnel in public service is a prerequisite for improving civil service performance. Concerted effort is required to restore human and motivational capital and goodwill (embodying honesty, integrity and

commitment to performance) within the public service.

74. A rational salary structure and enhanced pay would not in themselves lead to improved worker efficiency, higher productivity, greater commitment to work, and the return of acceptable minimum standards of performance. Institutional mechanisms should be developed to improve accountability, monitor performance and reward and promote good and exceptional performers. This would require, among other things, the development of performance-oriented management approaches and modern approaches to monitoring and assessing performance.

75. Over the medium-term, as the government pursues the MTPRS, the competitiveness of public service salaries should improve. As a result, professional and technical personnel should benefit from their jobs being upgraded and salaries being enhanced more rapidly than other salary groups. That is, the two rationalisation exercises, by reinforcing each other, should lead to enhanced salaries of the personnel and improved competitiveness of the public service in attaining and retaining these personnel:

- a. rationalisation of the job-grade structure through the job evaluation and re-grading exercise; and
- b. rationalisation of the salary structure through pay reform.

76. Still, given the pace of these reforms, the results of these exercises are likely to be insufficient to provide adequate incentives for enhanced performance and greater commitment of public service. Additional inducement is required in the form of accelerated salary enhancement.

77. With the SASE scheme incorporated as a complementary element of the consistent MTPRS, the result will be a more systematic strategy to improving compensation of the core public service personnel. This would enhance the concerted effort to restore human capital, motivational capital and goodwill (embodying honesty, integrity and commitment to performance) to the public service. While it is recognised that increased pay would not in itself be a sufficient condition to yield the desired improvement in the effectiveness and efficiency of public service, it is also recognised that there is little likelihood of achieving sustainable reforms without paying fair compensation for work effort and without the government having access to the requisite skills

Recommendations of the Report

78. With respect to issues of the wage bill and the size of the civil service (Section 4), it is recommended that the GRZ:

- a. Adopt an effort to rationalise the salary grades and move towards a more unified salary structure;
- b. Reduce the number of allowances by consolidating the proposed allowances into salary structure and eliminate others following the principles set out within this section; and
- c. Move to setting clear pay reform objectives within the context of a MTPRS that is consistent with its soon to be adopted MTEF.

79. Drawing from the analysis of salary scenarios (Section 5), the report recommends that the GRZ:

- a. Adopt the consolidated job-grade and salary-grade structure presented here, with the conversion as shown in Appendix 4.
 - b. Amend the Employment Act in a manner consistent with lowering the cost of the severance package to a more realistic level, to facilitate appropriate adjustments in the public service workforce.
 - c. Adopt and implement Scenario 4 and its target medium-term salary structure. (The wage-bill fit will require that the Government adhere to the public service employment target.) [Detailed salary structures for Scenario 4, for the years 2002/03 through 2007/08, are presented in Appendix 5.]
 - d. Adjustment salaries on a year-to-year basis in line the annual salary structures.
 - e. Adopt a compensation structure where monetary allowances do not feature prominently.
80. Drawing from the analysis of salary enhancement (Section 7), this report is recommending that the GRZ:
- a. In the short to medium-term, targeted salary enhancement towards professional and technical personnel that the Zambia public service has most difficulty in attracting and retaining and who are most critical to efforts to raise public service efficiency and the quality of service delivery, and who are instrumental in the production of strategic government output;
 - b. Adopt a SASE scheme approach as an integral part of its medium-term pay reform strategy;
 - c. Scenario 4 be adopted and implemented. Its target salary structure best approximates the current MTPRS target salary structure, as it provides the highest target salary levels; and
 - d. Commission a special study to:
 - i. determine the modalities for operationalising a SASE scheme within the Zambia context;
 - ii. set objective and transparent criteria for the selection of positions whose salaries should be enhanced;
 - iii. determine the funding requirements for the scheme; and
 - iv. propose a funding approach.
81. With regard to relating pay to performance (Section 8), it is recommended that:
- a. Mechanisms must be developed to improve accountability, monitor performance, and institute rewards and penalties. Good supervision, monitoring, and proper standards of performance as well as the implementation of appropriate work rules and procedures are necessary before employees can be effectively utilised and the delivery of public services can be improved significantly.
 - b. On the basis of annual appraisal system assessment, personnel should be categorised into four groups: poor performers, fair performers, good performers and excellent performers.
 - c. In order to link pay to performance and merit, work measurement and an objective performance appraisal system should be introduced, based on setting objectives and targets for staff as a basis for assessing:
 - i. performance to determine whether or not staff merit the receipt of annual increments;
 - ii. performance and effecting promotion based on merit rather than on longevity

- of service; and
 - iii. exceptional/outstanding performance that could form the basis for merit-pay bonuses.
 - d. Only increments and promotions that can fit in the budget and are based on an improved merit and performance appraisal system should be authorised. To ensure that annual increments are not awarded automatically, and that competition is induced into the system, annual increments should no longer be fully funded. The total pool of funds currently allocated for annual increments will be divided into two components:
 - i. funds to pay for annual increments; and
 - ii. funds to pay for merit/performance-pay bonuses.
 - e. Any additional increment awarded over-and-beyond that awarded for good performance should take the form of a merit-pay bonus equal to one years increment in order to avoid bestowing a permanent benefit (annuity) to an individual for one year's excellent performance. This should be paid in lump-sum or quarterly since this has the effect of magnifying its significance beyond that of a monthly increase in pay. The amount of a full bonus award should be equal to one year's increment for excellent performers and a half bonus for good performers.
 - f. Once objective performance criteria have been adequately designed and adopted, the GRZ should institute an approach where Permanent Secretaries and other Chief Executives in the Public Service are appointed on a competitive, merit basis on a three-year performance contract that is subject to renewal, based on performance.
 - g. Where personnel with specialised skills or specific experts are engaged on a contract basis, the practice should be as follows:
 - i. contract employment should be kept to a minimum, with personnel being only engaged on contract where capacity in the public service is lacking or specific skills are required;
 - ii. the positions to be contracted should be consistent with the manpower requirements of the ministry or department as specified in its strategic plan;
 - iii. personnel engaged on contract terms should be competitively recruited through an open and transparent process; and
 - iv. contract personnel should be engaged by the GRZ, not by donors, even if the salary is paid through donor funding.
 - h. The Government should work towards narrowing the gap between Public Service and Private Sector pay in order to be able to compete in attracting and retaining highly qualified professional, technical and managerial personnel.
82. Where practicable, public service positions should be filled through open recruitment to ensure that positions are filled on merit-basis.

A MEDIUM-TERM STRATEGY FOR ENHANCING PAY AND CONDITIONS OF SERVICE IN THE ZAMBIAN PUBLIC SERVICE

Section 1. Background and Introduction

Background

2. Efforts to improve the effectiveness and efficiency of service delivery and to reform service delivery institutions are important for at least three reasons. First, the quality and timely provision of basic public goods and services are essential to securing the economic and social fundamentals of sustained economic growth as well as the general well being of the citizenry. Second, effective and efficient service delivery is crucial for good governance, as it set the framework for interaction between the state and the citizenry. The legitimacy of the state depends in part on how well service delivery institutions meet the demands of citizens. Third, effective and efficient delivery of social services is crucial to facilitating increased investment in human capital as well as improving the well-being of households, particularly low income rural households, with few alternative sources of service provision.

3. The Poverty Reduction Strategy Paper (PRSP) has as its overall objective to improve the well being and standard of living of all Zambians, with a focus on those most at risk, and to encourage service delivery systems to be more responsive to the needs of the people. To the extent that pay and conditions of service reform contributes to motivating public servants towards improved work performance and commitment to public service, it will facilitate the achievement of the goals outlined in the PRSP.

4. Low remuneration in the public service is a major factor contributing to the problem of poor productivity, motivation and recruitment and retention. At a time when the Zambia public service is seeking efficiency improvements, in part by reducing the size of the civil service, there exist significant staff shortages in a wide range of professional and technical jobs owing to poor pay compared to that available in the private sector and within regional labour markets. Low pay coupled with a poorly constructed internal grading structure and an promotion system that is based on the length of service rather than performance, stifles initiative and motivation. A further problem arises from the discrepancies that have crept into wages and allowances paid for comparable jobs in the civil service and of other sectors in the public service. By addressing pay issues it will be possible to secure significant improvements in individual and collective performance and in the quality of service.

5. The introduction of a new Pay Policy is an essential part of public service reform (PSR) that seeks to establish a leaner service better able to implement core functions and policy priorities. These reforms will facilitate a results-oriented management, effective utilisation of resources, efficiency, cost-effectiveness and improvements in service delivery and the quality of services.

Introduction

6. The continuing economic stagnation and poor economic performance experienced by much of Sub-Saharan Africa (SSA) is, in part, attributable to weak and inefficient public sectors. These contributed to low rates of return on public and private investment as well as the declining quantity and quality of essential public goods and services reinforcing the fiscal constraints confronting national governments. In an effort to rehabilitate and reinvigorate their civil services many African governments have embarked upon civil service reform (CSR) efforts. Evidence from developing countries shows that laying an appropriate foundation for an effective public sector requires that public service reforms (PSRs) focus on three essential building blocks:

- a. A strong central capacity for formulating and co-ordinating policy;
- b. Efficient and effective delivery systems; and
- c. A motivated and capable staff.

7. The capacity of the public service to attract, retain and adequately motivate its personnel and build the requisite human resource capabilities is a prerequisite to facilitate improved service delivery and strategic outputs. Hence, all three of these building blocks are related and must be addressed in a comprehensive public service reform effort. As many of the problems associated with the poor performance of the public service are related to the low level of public service compensation and the lack of an appropriate incentive regime, addressing these problems necessitate that pay reform plays a crucial role in the overall PSR.

8. The present Study is the product of a short-term assignment commissioned by the Management Development Division (MDD) at the Cabinet Office. The major objective of this study is to assist the Government of the Republic of Zambia (GRZ) to develop a strategy for enhancing pay and conditions of service in the public service that lays out broad policy options, establishes links to major parameters of the policy and identifies the principles upon which the pay policy will be built.

9. Development of the pay and conditions of service policy will take time and its introduction and translation into pay awards will also take a number of years. However, there is a pressing need to introduce measures quickly to address critical pay-related constraints on improved service delivery and production of strategic government outputs within the context of a Pay Policy. In particular, immediate steps are required to boost remuneration for managerial and qualified professional and senior technical personnel. Early work is required to identify these critical issues and recommend immediate solutions that will not jeopardise or contradict the emerging full Policy.

10. In Zambia the adoption of a medium-term pay reform strategy (MTPRS) is a first step towards the formulation of a Pay Policy, which should address all aspects of work motivation and requirements for attracting and retaining personnel in the public service. The articulation of such a Policy requires an iterative process that involves

many interlinked variables, parameters and constraints. The MTPRS will set out broad policy options, establish links to major parameters of the policy and identify the principles upon which the Policy will be built.

11. This report presents the analysis, findings and recommendations of the study entitled: “To Develop a Policy for Enhancing Pay and Conditions of Service in the Public Service.” The tasks to be performed under this study includes:

- a. Review the Salaries, Salary Grading Structure and Conditions of Service in the Public Service.
- b. Identify sources of funding for paying sustainable enhanced salaries and implementing improved Conditions of Service.
- c. Examine the non-salary related benefits enjoyed by Public Servants and explore possibility of them being monetised.
- d. Analyse capacity of Government to implement enhanced salaries and conditions of service.
- e. Make specific recommendations on the levels of salary enhancements.
- f. Prepare a strategy/policy document for enhancing pay and condition of service in the Civil Service. In the strategy, recommend at least two options for enhancing Salaries and Conditions of Service to Government.
- g. Determine the cost of the recommendations.
- h. Prepare an advocacy strategy for ensuring the successful implementation of the Consultancy recommendations.
- i. Prepare the method and timeframe for implementing the recommendations.

(See Appendix 1 for the complete terms of reference for the study.)

12. The following methodology was used in undertaking the study. Extensive interviews were undertaken with senior public service personnel in the preparation of the present report. (The list of people interviewed is presented in Appendix 2.) All major reports and government documents related to pay issues, conditions of service and public service performance were reviewed. A wage bill model of the public service was developed for the purpose of undertaking salary scenarios. Data were accessed from the relevant government ministries and departments for the completion of these scenarios. A technical working group of senior civil servants was appointed to facilitate the work of the Consultant.

13. The structure of this report is as follows. After the introduction, Section 2 examines the causes and consequences of declining real public service pay as well as the GRZ response to this decline. Section 3 discusses lessons learned from the pay-reform experience of other countries of SSA. Section 4 presents major pay reform issues to be addresses in a medium-term pay reform strategy in the Zambia context. Section 5 presents pay reform scenarios for 2002/03 – 2007/08. Section 6 presents a

discussion of local cost compensation (LCC), its limitations and the need to rationalise it and to transform it into a systematic scheme that enhances the capacity of the public service to attract and retain qualified skilled personnel. Section 7 presents an overview of the Selective Accelerated Salary Enhancement (SASE) scheme, which is proposed as the cornerstone to the medium-term pay reform strategy, and examines the cost of financing such a scheme. Section 8 presents issues related to improving the links between pay and performance. Section 9 presents the way forward and an advocacy strategy. And lastly, Section 10 presents conclusions and recommendations of the report.

Section 2. Pay and Incentives Problems in the Public Service

14. Many of the problems associated with the poor quality of public goods and services in Zambia, as in much of SSA, are related to the low level of remuneration and the lack of an appropriate incentive regime. As pay and incentive problems have persisted for a long period of time, they have given rise to demotivation, low work performance, and low commitment to public service among public servants, reinforcing the low capacity in service delivery institutions, as well as in the production of strategic government outputs.

15. This section presents an overview of the pay and incentives problems confronting the Zambia public service, as well as past efforts to address these problems.

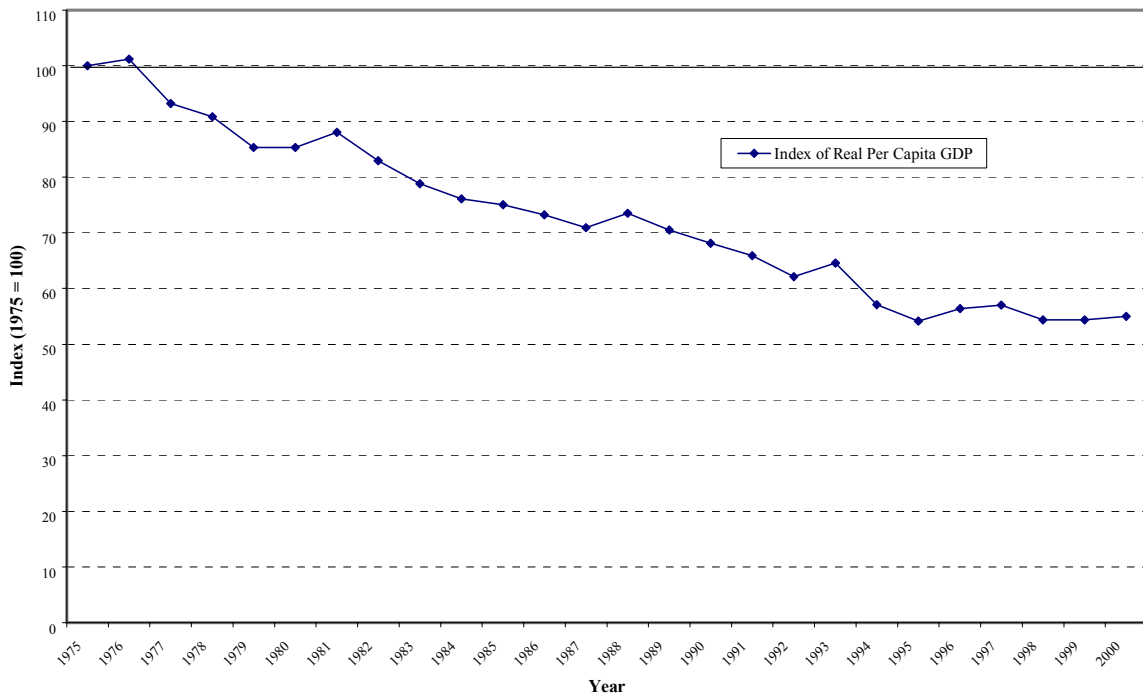
Economic Overview

16. Economic decline and macroeconomic and structural imbalances were commonplace in most SSA countries during the mid 1970s through mid 1990s. However, the economic decline experienced by Zambia stands out for its severity and persistence. According to one analyst, “few countries in the world have had a more catastrophic economic record than Zambia” (Colcough, 1997: 68).

17. For much of the past 27 years the Zambian economy has suffered through economic crisis, volatility and decline. The declining trend in the economy was precipitated initially by the fall in the price and output of copper, which was the lifeline of the economy. In the 1970s and 1980s copper accounted for 90 percent of national exports and 40 percent of GDP (Rakner, et al., 1999; Seshamani, 1992). However, the problems in the economy went far beyond the negative trends in the mineral sector. Rather they merely exposed structural weaknesses in and the fragile nature of the Zambian economy (Valentine, 1985).

18. Figure 1 present an index of real GDP per capita for the period 1975 - 2000. Here the declining tendency in the economy is obviously apparent. By 1983 real GDP per capita had declined to only about 79% of its 1975 level. By 1990 it had declined to 68% of its 1975 level. Between 1991 and 1995, as a result of severe drought and continued decline in copper production real GDP per capita declined by a further 20%. By 2000 real GDP per capita stood at only about 55% of its 1975 level.

19. The decline in the value and level of copper exports had a double-edge negative effect on government revenue. With the decline in copper exports, government revenues from mineral taxes declined. As the economy weakened, the demand for and the capacity to import declined, reducing government revenue from import duties. Fiscal deficits were financed through increased borrowing in the domestic and international economy. Debt servicing accounted for significantly increased proportions of both export earnings and GDP, reducing the capacity of the government to provide public goods and services.

Figure 1: Index of Zambia's Real Per Capita GDP, 1975 - 2000

Sources: Rakner, et al., 1999, Tables 4 and 5; Standard Bank, 2002; and Republic of Zambia, 2001a.

Low and Declining Public Service Pay

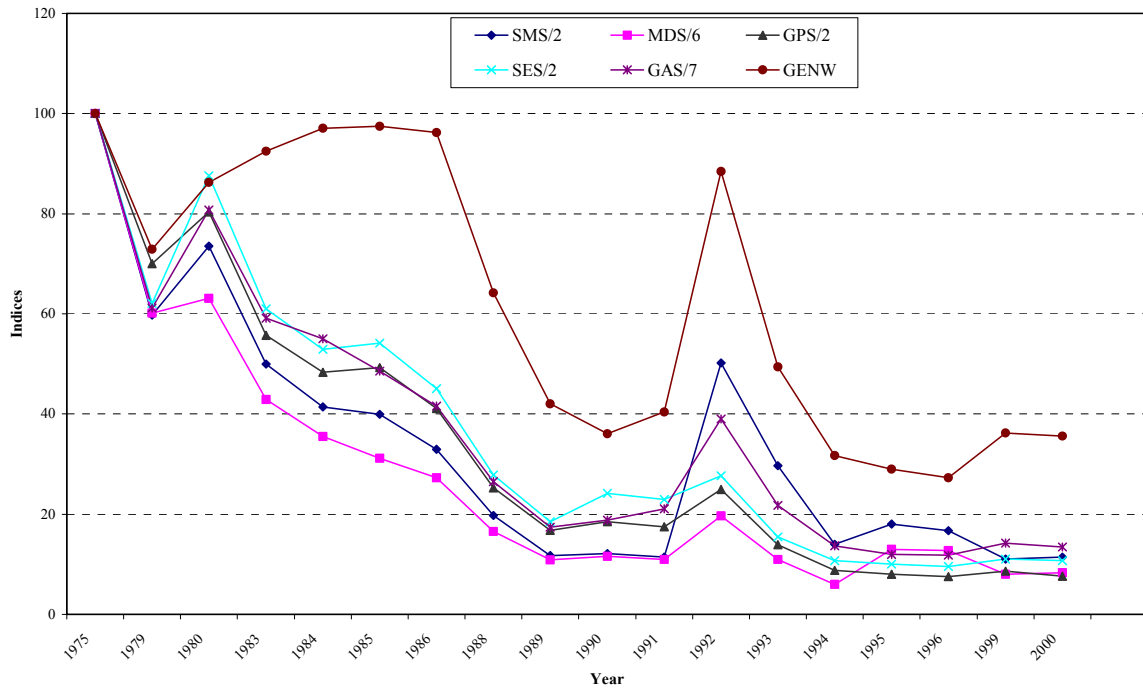
20. Figure 2 presents indices of real pay trends for the Zambia public service for various salary groups for the period 1975 through 2000. Three significant patterns emerge in public service real pay trends in Zambia:

- 1975 – 1983, where real public service salaries declined sharply (by about 30-40% for most salary groups between 1975 and 1979), before recovering much of their value in 1980 (returning to 70-85% of their 1975 value). During this period, the decline in real per capita GDP was much greater than that for real salaries.
- 1983 – 1991, where all salary groups experienced significant and uninterrupted decline in their real public service pay; with real public service pay by the end equalling only 11 – 22% of its 1975 value for most salary groups.
- 1991 – 2000, where real public service salaries fluctuated significantly but for the most part moved in a downward direction for most salary groups. This period was marked by a change in government, as well as the introduction of a number of economic reform initiatives and a comprehensive public sector reform programme.

21. Between 1995 and 2000, economic growth was low and volatile, averaging 1.9% per annum, while fluctuating drastically from year to year, moving in and out of negative territory. Given the economic growth situation, there was little scope for

sustained improvement of real salaries in the public service. By 2000, most salary groups had experienced real public service salary declined of the magnitude of 85-90% in comparison to their 1975 value.

Figure 2: Indices of Real Minimum Salaries for Various Civil Service Salary Grades, 1975-2000



Sources: Colcough, 1997, Tables 4.9 – 4.11; Directorate of Personnel; Republic of Zambia, 2001c; and Calculations.

22. Overall during 1975 – 2000, real public service pay declined much faster than did real GDP per capita. Still the wage bill was remained large relative to other government non-debt service recurrent expenditures and was perceived to have crowded out expenditures on public goods and services.

23. While the major concern has been with regard to low and declining real public service salaries, the pay and incentives problems in the Zambia public service go far beyond the issue of low pay. The problem is multi-faceted, encompassing:

- a. Pay being too low to motivate public servants towards improved performance and greater commitment to public service;
- b. Low pay having reduced the competitiveness of the public service in its efforts to attract and retain requisite professional, technical and managerial skills;
- c. The marginal value of annual increments (step differentials) being too small to serve as a performance incentive. Besides, in the absence of cost of living adjustments annual increments are awarded more or less automatically and become seen as workers right rather than a reward for acceptable performance;

- d. Salary differentials between grades being too small and offering insufficient reward for experience, skills, responsibility or performance, i.e. the salary structure is too compressed;
- e. The proliferation of salary grades makes it difficult to maintain principles of horizontal and vertical equity or to maintain a rational salary structure;
- f. The proliferation of allowances and benefits which makes it difficult to maintain principles of horizontal and vertical equity or to maintain a rational compensation structure; and
- g. The lack of adequate rewards and sanctions within the incentive regime.

Consequences of Declining Real Pay and Weakening of the Incentive Regime

24. As indicated above, the prolonged effects of declining real pay and general conditions of service in the public service negatively impacted work motivation, performance, capacity building and commitment to public service. In addition to these, the aggressive broadened family labour participation into informal (labour-intensive) in attempt to cope with income losses negatively impacted on the general welfare of public servants and their dependants as families:

- a. Substituting work for leisure;
- b. Shifting from home production to informal market activities; and/or
- c. Reducing educational participation and increasing child labour.

25. Increasingly, with erosion of real pay came the depletion of scarce **human and motivational capital** in the public service, giving rise to:

- a. Demoralisation and demotivation of subordinate employees and their supervisors/senior civil servants;
- b. Reduced work effort, declining levels and expectations in performance;
- c. Reduced incentives for improving work performance and willingness to accept greater responsibility;
- d. The weakening of accountability and controls procedures/mechanisms;
- e. Diminished ability to recruit and retain qualified managerial, professional and technical manpower; and
- f. Reduced commitment to public service.

26. Public service capacity suffered increasingly, not only because of the reduced financial capacity of the GRZ to fund its social and economic programmes, but also because many public servants pursued an exit strategy, leaving government employment altogether or by exiting on-the-job, using work hours and public resources to engage in their own income-maintenance strategies. With the increasing

loss of human capital and motivational capital, the failure to develop professional and management cadres had significant negative implications for the quality of public sector performance.

27. These income-maintenance strategies took on various forms. While some had no direct bearing on work performance and service delivery, though they might affect commitment to employment and work motivation, others did. Those strategies that had the greatest impact on service delivery fell into four categories:

- a. Work sharing, where public service personnel agreed implicitly/informally between themselves to share work loads to allow workers to pursue other income maintenance activities during official work time, lowering actual work-time and generating personnel rotations at staffing levels far below those formally expected;
- b. Cost sharing, where public servants solicited payments directly from customers/clients before providing (otherwise) free public services, and/or request payments in excess of the formal service fees or user charges set by public institutions;
- c. Revenue sharing, where revenue from formal user charges were misappropriated or mismanaged for individual gain; and
- d. Resource sharing, where public resources, supplies and equipment were misappropriated, pilfered or mismanaged for individual gain.

Declining pay and deteriorating service delivery

28. Employing income-maintenance strategies had significant negative implications for service delivery, quality and accessibility, as well as on the government's fiscal situation and on capacity building in the public service. These included:

- a. Increasing the cost of providing public goods and services;
- b. Reducing the quantity of publicly provided goods and services;
- c. Reducing the quality of publicly provided goods and services where they continued to be provided;
- d. Increasing the incidence user charges on here-to-fore freely provided public services, as well as leading to:
 - i. increased rates of formal charges; and
 - ii. increased imposition of informal charges;
 - iii. reducing accessibility of public services to the poorer segment of the population and thus contributing to reduced equity;
 - iv. reducing investment in human capital and contribute to deskilling the workforce, as well as contribute to the flight of qualified personnel from the public sector; and
 - v. worsening further the government's precarious fiscal situation.

29. The above-cited income-maintenance strategies were the inevitable result of serious social services under-funding over a prolonged period of time. Taken together these individual strategies should be recognised as important in shaping social service systems as are planned structures and actions. The consequences for the public services were the further exacerbation of the erosion of the social sector above and beyond that observed by the direct reduction of government budgetary allocations.² These consequences can be felt in terms of their effects on:

- a. Declining efficiency in the delivery of services;
- b. Declining quality of services;
- c. Reduced accessibility of services; and
- d. Increasing cost of provision of services.

Declining pay and increased incidence of deviant work behaviour

30. In addition to reduced work effort, low and declining pay may lessen goodwill, increase ill-will and increase the motivation to engage in counterproductive behaviour which is antithetical to increased production, service delivery, good fiscal management and sound government resource allocation.

31. The link between corruption and pay has invoked much debate in administrative and general civil service reform discussions.³ Much of the corruption/low-pay debate is clouded by the lumping together of all activities where civil servants derive personal gain from the use of public resources into the “corruption” basket. The discussion can be enriched in at least two ways:

- a. by disentangling discussions of petty- and grand corruption, which paint all such behaviour with a broad stroke; and
- b. drawing upon the organisation behaviour theory and human resource management literature which presents a more systematic and thorough discussion of “petty corruption” within the framework of deviant work behaviour.⁴

The use of the term deviant work behaviour is preferred because it avoids the unethical and moralistic connotations associated with the term corrupt, petty or otherwise (Greenberg, 1990; Robinson, 1995; and Robinson, 1996).

²The evidence from various studies of the social sector in various SSA countries indicate that, other things being equal, the factor that potentially affect social service delivery most is the lack of availability of qualified public service personnel. Hence, both the problems of the Zambia public service to attract and retain suitably qualified personnel and the high absentee rates of personnel engaged by the service have significant negative effects on the capacity to deliver basic public services and the accessibility of these services. See for discussion: Israr *et al.*, 2000; McPake *et al.*, 1999; and Roenen *et al.*, 1997.

³See for examples of this literature: Tanzi, 1998; van Rijckeghem and Weder, 1997; Haque and Sahay, 1996; Economist, 1997; and Filmer and Lindauer, 2001.

⁴What Gupta *et al.*, 2000 refers to as corruption in the education and health sectors are actually deviant behaviour.

32. The low-pay-petty-corruption relationship is fairly clear drawing from evidence of the efficiency-wage analyses of economics and the deviant work behaviour analyses of organisation behaviour and human resource management literature. The pursuance of many income-maintenance strategies generally lead civil servants into what the organisation behaviour and human resource management literature commonly refers to as deviant work behaviour (Greenberg, 1990; Niehoff and Paul, 2000; Robinson, 1995; and Robinson, 1996). Deviance as viewed within the economics context takes two forms:

- a. Production deviance, which includes work slow downs, misuse of paid work time to engage in non-work activities, or “time theft”; and/or
- b. Property deviance, which refers to the (mis)appropriation, misuse of public institutions’ tangible and/or financial assets for personal gain.

33. In both the deviant work behaviour and efficiency-wage models, demotivation, reduced work performance, counterproductive behaviour and misuse/misappropriation of work resources for personal gain can be induced by declining real pay and the perception that the employer has breached his implicit contract with employees. The contract is deemed as a social contract in the efficiency-wage model and a psychological contract in the deviant work behaviour model. Invoking such models will contribute to the robustness of such discussions as analysts gain appreciation of the fact that observed behaviour is not just a developing country, public sector phenomenon but is more widespread affecting private and public sectors in more advanced countries as well. When recognising the increased economic deprivation that many public servants have experienced as a result of structural adjustment programmes (SAPs) and CSRs, an improved understanding can be gained of pursuing of income-maintenance strategies that give rise to petty corruption and/or deviant work behaviour in the public service. When reaching such an understanding one can better appreciate the view that it is unrealistic and unhelpful to attribute blame where all public workers have had to react to an environment which has not allowed them to forget their individual concerns and focus on the needs of clients (McPake *et al.*, 1999: 861-2). As put succinctly by McPake *et. al* (1999: 864): “Policy developed without an understanding of this background is unlikely to succeed in reaching its objectives.”

34. Rather than identifying corrupt behaviour as a behavioural response to “low pay”, some analysts view corruption (petty or other) as a response to opportunity. Soliciting bribes, arranging kickbacks or practicing extortion in their view represent calculated risks where costs and benefits of corrupt behaviour are weighed. Within this framework, if the risks of getting caught are low and punishment minimal, corruption is apt to flourish. Increases in official pay may raise the expected costs of a public servant losing his/her job, but unless actions are taken to punish corrupt behaviour, the cost/benefit calculus will remain little changed and corruption is unlikely to be abated. Changes in compensation levels must be part of a package to reform public servant behaviour to reduce opportunities for corruption, increase the

risks of getting caught and penalties associated with corrupt behaviour.⁵

35. This view is collaborated by the findings of a comparative compensation survey in Tanzania, which specifically asked workers how much they thought was fair compensation for their work effort (Mushi and Wangwe, 1991). In addition, the employees were asked if they would give up their other income-generating activities if they received such compensation. A substantial proportion of the study respondents (55% in government, 38% in the parastatals and 50% in the private sector) indicated that they would not discontinue their sideline activities even if they received fair compensation. The extra income had become an integral part of workers' risk- and income-diversification strategies. The survey concludes that the payment of fair compensation in itself would not be enough to encourage increasing performance among some segments of the workforce.

36. The issue raised here is two-fold. First, the pay increase must meet the workers' minimum expectation of fair compensation before they are willing and able to commit fully to their work. Second, improved pay in itself is no guarantee that the workers' choice of a level of work effort will match that desired by the government (as an employer). Increased pay may be a necessary though not sufficient condition for increased commitment and performance. Mechanisms, therefore, must be developed to improve accountability, monitor performance, and institute reward and penalties. The new performance management system and employment policy are of significance here.

37. Salaries are not the only motivating factor for performance improvement. The lack of availability of complementary inputs, institutional, environmental and managerial problems play major contributory factors in low service delivery and performance. These clearly need to be addressed. However, it is only when the pay and incentive problems are adequately addressed that we can realistically expect the process towards the evolvement of an effective, efficient and motivated public service to begin and capacity building efforts to become more effective.

The Government's Response

38. In its efforts to ameliorate the effects of declining real public service pay the Government adopts various measures. Among these are: appointing *ad hoc* salary commission/committee reviews to examine and make recommendations on addressing the pay problem; increasing the numbers of allowances and fringe-benefits; and the adoption of a Public Service Reform Programme (PSRP). The measures and their consequences are briefly discussed below.

Adjustments in the Wage Determination process

39. The GRZ has not had an explicit public service pay policy. From independence until the early 1980s, the Zambia public service salaries and other terms and conditions of service have been reviewed after intervals averaging four years

⁵For a more detailed discussion on the links between opportunity and corruption, see Filmer and Lindauer, 2001.

through external Salary Commissions appointed by the Government in an attempt to motivate civil servants for increased efficiency and productivity. Salaries were generally adjusted on the basis of government affordability, to compensation (at least partially) for past inflation, prevailing economic conditions, and to maintain some degree of parity with public enterprises for similar jobs. As salary adjustments were made in four-year intervals, after a large adjustment in the initial year, public services had to forgo salary increases in intervening years (Colcough, 1997). This system worked relatively satisfactorily during periods of moderate inflation, but was viewed as a contributory factor in macroeconomic instability in the period of rising inflation and tightening budget constraints. Sharp rises in real wages in initial periods would create upward pressures on inflation and would be followed by years of eroding real pay. (Hence, an explanation for the periodic spikes in real public service salaries observed in Figure 2 above).

40. From the pay policy standpoint reliance on the outcome of *ad hoc* salary review commissions deliberations to set policy was less than ideal. These commissions while reviewing public service remuneration and conditions of service, generally offered piece-meal solutions to addressing the problems of the public service. Over time, this gave rise to further distortions across the various groups of personnel employed by the public service and within groups themselves.

41. As inflationary pressures persisted and budgetary constraints became more severe, periodic wage determination by *ad hoc* salary review commissions gave way to direct collective bargaining between government and respective unionised public servants. Those personnel who were not unionised had to rely upon salary adjustments resulted upon the outcomes of *ad hoc* salary review commissions and internal government deliberations. Increasingly, in the 1980s and 1990s, salary adjustments became the product of formal negotiations between the government and the various public servants' unions. As in the private sector, these negotiations led to collective agreements ratified by the Price and Incomes Commission (PIC). Ostensively, the PIC's mandate was to ensure that draft collective bargaining agreements did not contravene government policy, despite the fact that the GRZ did not have either a formal pay or general incomes policy.

42. As the economic crisis deepened and inflation accelerated, more and more personnel sought the protection of unionisation as they felt that they could better influence the wage determination process for their occupational group if they took collective action. The number of public servants' unions increased over time from four to seven, with three different unions being engaged in negotiating pay and conditions of service for public teachers alone. As more and more groups formed unions to pursue their collective interests and in the absence of an explicit public service pay policy, the rationality of the public service salary structure was further diminished. Rather than having a unitary salary structure and uniform salaries among comparable jobs, there appeared increased differentiation in pay between similar jobs depending upon the terms negotiated between the government and the respective trade union. Salary scales differ even in some cases where jobs are identical. Take teachers for example, where three different unions represented the collective interests of various teachers groups, teachers grade classification reflect their union affiliation,

resulting in different salary scales at a given period in time, weakening the notion of equal pay for equal work. In some cases the differences in compensation are attributable to the differing lengths of collective bargaining agreements. In others, they are outcomes of the bargaining process itself.

43. The notion of a public service salary structure and salary scales had given way to a collection of unionised salary scales, where the overall salary structure is nothing more than a collection of *ad hoc* derived salary scales. A coherent pay policy is required to restore objectivity, rationality and consistency to the public service salary structure and respective salary scales.

Proliferation of Allowances and Fringe-Benefits

44. As a result of implicit GRZ pay policy, fringe benefit and monetary allowance drift have been used as a major vehicle for increasing compensation, particularly for upper-middle level and senior civil servants. The allowances included: acting, special duty, hardship, responsibility, non-practicing, commuter/transport, risk, security, extraneous duty, field, overtime, honoraria, accommodation, transfer, entertainment, telephone, utility, mileage, subsistence, settlement and uniform, among others. This has resulted in a situation where allowances and fringe benefits:

- a. Have increased significantly in terms of their number and in value, both relative to salaries and in absolute terms;
- b. Are enjoyed disproportionately by various cadres and grades of civil servants; and
- c. Have in some instances replaced pay as the major component of the compensation package.

45. The proliferation of allowances partially offset the decline in monetary salaries. However, having a public service compensation structure that is increasingly skewed towards allowances is problematic for several reasons, among these are that allowances:

- a. reduce the rationality and the transparency of the remuneration system;
- b. bear little direct relationship to job performance and productivity, compromising the incentive regime;
- c. constitute a significant proportion of total Government expenditure on personnel, though accruing to a relatively small proportion of civil servants;
- d. are difficult to budget for as they fluctuate significantly from month-to-month, making wage-bill control and planning more problematic;
- e. contribute to the erosion and distortion of pension benefits, as such benefits are calculated on the basis of basic salary, not on total monetary compensation; and
- f. were often provided tax-free, implicitly sanctioning tax avoidance, further

weakening Government's potential to broaden the tax-base.

46. The last two problems (e and f) may not merely be unintended consequences of implementing recommendations of various salary review commissions/committees. Allowances are generally favoured by commissions to minimize taxation and increase take home pay without the budgetary implication on the pension bill and under the pretence of minimising compensation differentials between higher paid and lower paid personnel.

47. There are four main benefits to moving away from an allowance dominated pay structure. First, integrating allowances into basic salaries will allow the government to rationalise the salary structure, increasing transparency and better relating pay to performance. Second, simplifying the remuneration system by minimising the number of allowances and fringe benefits will allow the government to better plan and control wage bill expenditures. Third, allowances can induce and reward behaviour that is counterproductive to promoting an efficient and effective public service; for example, excessive travel and per diem allowances can encourage unnecessary trips away from duty stations. Fourth, the consolidation of allowances into an integrated, unified salary structure will **eventually** increase pension benefits, allowing civil servants to maintain their consumption levels after retiring. Enhanced pension benefits would further improve the potential of the public service to attract and retain qualified skilled professional, technical and managerial personnel. However, government was already facing a “pensions crisis” trying to meet future pension liabilities for public servants based on existing basic salary levels. Unless the pension scheme is fundamentally reformed (for example by improving the actuarial sustainability of pension schemes, any substantial increase in basic pay resulting from integration of allowances will only worsen this crisis).

48. Though in recent years under the PSRP the GRZ has started the process of rolling-back and consolidating monetary allowances into the salary structure, much remains to be done. There are still 53 allowances that are paid through the public service payroll. While a few may be required on grounds of duty-facilitation, a number of these allowances simply serve the purpose of salary enhancement without transparency. Where deemed desirable by the Government, for the purpose of efficiency and to ensure (horizontal and vertical) equity in the remuneration system, salary enhancement should take place in a transparent, objective and consistent manner.

Public Service Reform Programme

49. Between 1983 and 1993, the Zambia government, as did many governments in SSA, embarked on successive SAPs. In the absence of a comprehensive coordinated reform, these SAPs met with limited degrees of success in addressing the government budgetary situation or addressing problems in service delivery and access to public services. The PSRP was launched in 1993. After a period of inactivity, the PSRP was revised in 1997 (Republic of Zambia, 1997).

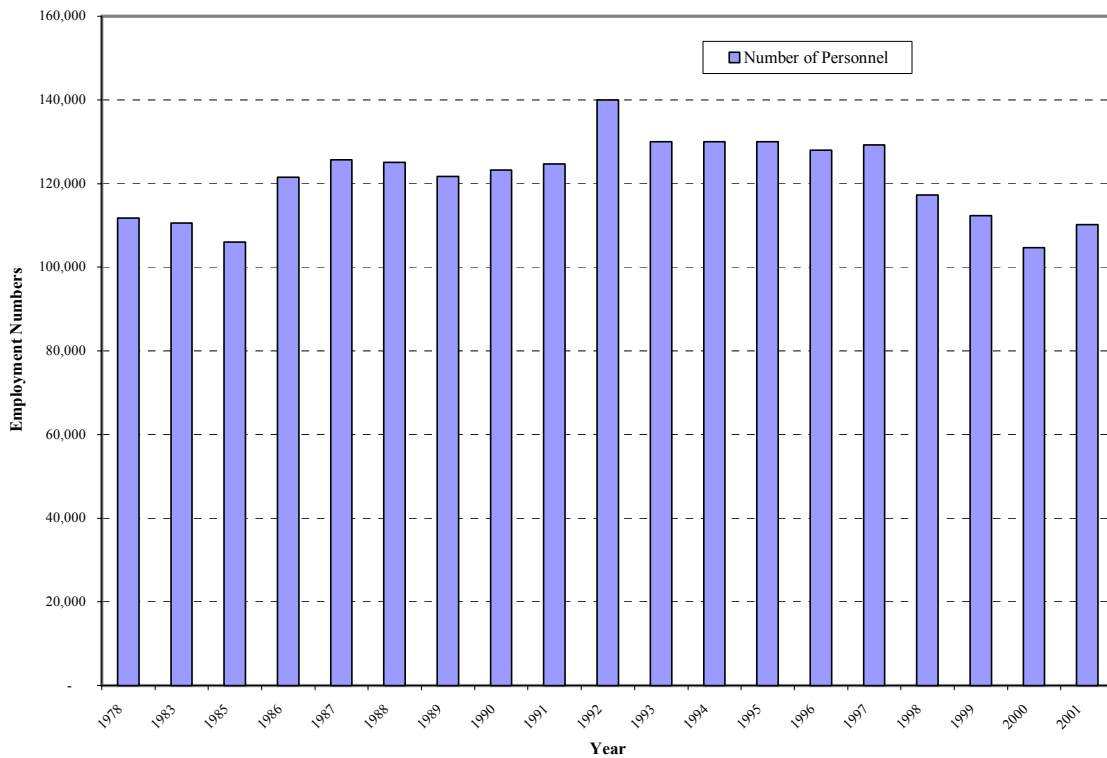
50. The initial short-term objective of the PSRP was to reduce government budget deficit by cutting down its labour force, rationalise government structures and

functions, strengthen capacity, and improve operations and maintenance facilities. The long-term objective was to improve efficiency and productivity of the public service.

51. The specific objectives of the Zambia PSR were to:
- a. Redefine the roles and functions of the government;
 - b. Control the size and growth of government employment;
 - c. Improve the quality, capacity, productivity and performance of the civil service through strengthening the systems and personnel procedures; and
 - d. Rationalise and enhance public service pay by:
 - i. eliminating the distortions and anomalies that have crept into the system;
 - ii. providing equal pay for equal work; and
 - iii. paying salaries commensurate with skills experience and responsibilities.

52. Given that the wage bill was and is large relative to government recurrent expenditures, to avoid further crowding-out of RDCs, salary enhancement within an affordable wage bill was seen to necessitate staff reductions. As public service employment had increased substantially between 1985 and 1991 (Figure 3), which reflected the willingness of the Government to trade-off increased real wages for higher levels of employment, reducing the size of the public service was perceived as a major priority of the PSRP. The objective of the Pay and Rightsizing Component of the PSRP was to ensure that the remuneration package is sufficient to cover the basic needs of public servants and that it provides sufficient compensation to attract and retain competent and efficient civil servants.

53. The PSRP pledged to reduce public employment by 25% within three years and to improve the conditions of service of personnel. This would allow those who remained in the public service to be better paid from a given wage bill, improving the competitiveness of the public service to attract and retain personnel with the requisite skills and experience without putting further strain on the budget (Rakner, 1999). However, no retrenchment took place within the proposed period. The main obstacles to the PSCAP retrenchment exercise were two-fold. The first was related to the cost of the severance package. Under the Employment Act the mandated retrenchment costs was the equivalent of about 12 years salary for each retrenched. Given the political cost and economic cost associated with retrenchment, perhaps the government decided that it was easier to retain workers rather than to retrench them. The second was the absence of an objective and systematic assessment of the employment requirements on a government ministry-by-ministry and department-by-department basis.

Figure 3: Public Service Employment Trend, 1978 - 2001

Sources: Colcough 1997, Table 4.3.p. 73; International Monetary Fund, Figure, Number of Public Servants, 1989-99, page 5; Budget Office, MFNP.

54. After a significant rise in employment in 1997, greater effort was made to control employment levels. But the initial reductions in employment numbers could be attributed almost exclusively to a reduction in the industrial class personnel, those with no permanent employment tenure in the public service. Employment levels were reduced through a retrenchment and voluntary early retirement scheme in 2000. However, since the final quarter of 2000 employment has again shown an increasing tendency. After averaging nearly 104,000 per month (pm) during the first nine months of 2000, personnel numbers rose steadily on a month-to-month basis sharply from October 2000 to August 2001, from about 105,800 to about 113,260, before declining to an average of about 109,700 pm during the last three months of 2001. In early 2002, employment had increased to over 112,000.

55. There is now an increasing perception that the Government could be more successful in enhancing real pay of public servants if it adopted a more systematic and comprehensive approach to addressing the pay problem. Among other things this will require that the Government must move away from its *ad hoc* approach to pay issues towards development of a more systematic and consistent approach to public service pay. This requires that a comprehensive Pay Policy be developed as an integral part of the PSR strategy. In addition, an appropriate institutional framework will be required to implement this policy.

56. The remainder of this report sets out a conceptual framework for such a policy.

Section 3. Pay Reform -- Lessons Learned and Comparative Analysis

Introduction: Pay Reform Objective

57. Pay reform (which generally implies pay and employment reform) is one of the most important human resource initiatives to be undertaken by developing country governments in recent years (McCourt, 2000). Pay reform has become an integral component of a PSR effort. The objectives of pay reform are threefold. The **first** is to rationalise the remuneration structure by making it more transparent, reducing the dependence on allowances in the total compensation package, improving the relationship between pay and performance, and improving vertical and horizontal equity. The **second** is to enhance salaries. This entails moving towards the payment of:

- a. Public service salaries that are commensurate with the valuation of productivity, skills, experience, and responsibility;
- b. Public service salaries that are adequately competitive to allow the civil service to attract and retain the desired quantity and quality of skilled personnel with the necessary prerequisite experience; and
- c. A public service minimum base salary (MBS) that converges towards a target minimum living wage (MLW).

58. The **third** objective is to provide a framework for the development of a consistent and comprehensive pay policy and to facilitate wage bill determination and planning.

59. Different pay reform objectives may be stressed by different governments at different points in time, depending on the extent to which the objectives complement the PSR goals/objectives in a given country given its objective economic conditions. Among the three phases of a PSR effort are:

- a. The cost containing, rightsizing and rationalising of public service structures and expenditures phase – Phase 1;
- b. The performance improving, broadening, refining, and accelerating the capacity building process phase – Phase 2;
- c. The institutional strengthening, consolidating and sustenance phase – Phase 3.

60. Within the Zambian context, it was envisaged that the timeframe covered by these three phases would be as followed:

- Phase 1: 2000/1 – 2002/3;
- Phase 2: 2003/4 – 2007/8; and
- Phase 3: 2008/9 – 2012/3.

61. The **first** and **third** pay-reform objectives have generally been vigorously

pursued in PSR Phase 1, also known as first-generation PSR. The **second** objective is actively pursued in Phase 2, also known as second-generation PSR. In Phase 3, the focus remains on the second pay reform objective, but as the budgetary constraints become more relaxed, there is a shift away from targeted salary enhancement of middle- and upper-middle professional and technical personnel to making public service salaries more market driven and pursuing the longer-term objective of converging the public service MBS towards the MLW.

62. While the three phases of PSR are generally pursued in sequence, there is also overlap in the transition from one phase to another. Likewise, there is transition in the shift of focus between the major pay reform objectives. The remainder of this section discusses: the role of pay reform at various phases of the PSR process, the lessons learned and comparative perspectives of pay reform.

63. It should be noted that some pay reform objectives might at times come into conflict with other objectives. Potential conflicts of objectives are particularly obvious when it comes to restructuring compensation. For example, on the one hand, to achieve fiscal adjustment by first-generation reforms, real wages may have to decline if the reduction in employment is not sufficient. On the other hand, without a sharp increase in the real salaries of public servants, qualified personnel are more prone to exit the government to non-government sectors, while the quality of remaining public servants declines. Given the budget constraint, there is a conflict between moving towards payment of a MLW and improving the competitiveness of public services in the labour market. That is, with a fixed wage bill there is the trade-off between funding salary increases for low skilled personnel (those near the MBS) and improving salary levels for qualified skilled professional, technical and managerial personnel. It may be desirable to introduce accelerated salary enhancement for all public servants in the short- to medium-term. However, given present resource constraints and performance management limitations, and the bottom-heavy nature of many public services in SSA, this is not a feasible option. Limited resources should be targeted to posts critical to improving service delivery, managing the reform process, and provision of quality strategic outputs. The goal of converging the MBS towards the MLW should take a long-term time perspective.

Pay Reform within the Context of Phase 1 (First Generation) Public Service Reforms

64. The initial impetus for public service reforms on a broad scale originated within the context of SAPs in the mid 1980s and early 1990s. As economic decline and stagnation became commonplace during that period, government budget constraints tightened throughout much of SSA. Governments became increasingly unable to effectively finance and manage the public sector. Issues were raised about the effectiveness and affordability of the size of government as well as the capacity to undertake many functions that were normal at the time. Under growing macroeconomic constraints, the size of the government and the level of wages and salaries of public workers came under scrutiny as factors contribution to the overall problem of containing government budgets.

65. As macroeconomic imbalances worsened and governments' capacity to provide essential services diminished, the quality and accessibility of services declined. It became increasingly recognised that there was a need to go beyond SAPs to address the problems confronting SSA governments, as aspects of the narrowly focus programmes had become counterproductive. Making the move from economic crisis management to sustainable economic growth and poverty alleviation required rehabilitating and reinvigorating the public service. Multi-lateral financial institutions began to stress the need for administrative and civil service reforms as part and parcel of a comprehensive effort to make the transition from macroeconomic stabilisation to sustainable economic growth and improved public service efficiency.

66. Pay reform was deemed critical to the PSR effort for several reasons. Among these were:

- While the public service continued to be under-funded and civil servants underpaid, the wage bill remained large relative to other recurrent government expenditures, excluding debt servicing, crowding out expenditures on goods and services, making the public service unaffordable.
- It was recognised that the level of pay affected work performance, the wage-effort nexus; that is, many of the problems associated with the public service are related to the low level of public service compensation and the lack of an appropriate incentive regime.

67. Any real compensation enhancement that occurs in a first-generation PSR scenario would be financed from wage-bill savings resulting from downsizing and streamlining the public service, in addition to funds freed in the process of consolidating and rationalising allowances and fringe-benefit payments. If salary enhancement is not adequate to raise salaries to the levels required to adequately motivate public servants, the problem is deemed to be one of lack of willingness on the part of government to cut public service employment deep enough and fast enough.

68. However, this is an over-simplification of the pay and employment problems experienced by many SSA countries. In fact there are four distinct aspects of the employment problem as it relates to the central government's ability to pay higher levels of compensation:

- a. **Over-employment in the public service**, attributed to the governments' willingness to favour higher levels of public service employment over higher levels of remuneration;
- b. **Over-extension of government**, reflected by the governments' willingness to extend its involvement in non-core functions;
- c. **Weakness in public-expenditure management**, manifested in part by lax employment and payroll controls; and
- d. **Over-commitment of the government (and the wage bill)**, attributable in part to the over-centralisation and over-concentration of, otherwise,

local government functions into those of the central government.

69. Addressing the various aspects of the pay and employment problem presented here will require, among other things:

- a. Rationalising government ministries and departments;
- b. Rationalising government functions and procedures;
- c. Improving personnel control procedures and systems;
- d. Contracting-out, out-sourcing and/or privatising non-core functions; and
- e. Decentralisation/deconcentration of some activities and services that can be undertaken more efficiently and effectively by local government and/or by the non-government sector.

70. Comprehensive pay and employment reform programmes, however, face a major dilemma. The constraints on the wage bill and the difficulties in introducing more rapid re-organisation, improved efficiency and capacity building have the government to follow a very gradual approach to pay and employment reform. This has the potential to breed inertia. The problem is that governments have both limited capacities to rapidly restructure their wage and a limited capacity to undertake rapid restructuring of ministries, departments, and service delivery systems, and build capacity without investing heavily in systems development, equipment and labour-saving technologies, and re-organising (including shifting the composition of personnel from a low-educated to a high-educated base) and re-training its workforce.

71. Thus, while downsizing of the public service workforce may be necessary, this should be done within the context of broader public service and local government reforms. These will require considerable time, effort and expense to be done properly. Simply cutting employment deeper and faster in the short-term is likely to lead to greater problems in the long-term.

Pay Reform within the Context of a Phase 2 (Second Generation) PSR

72. Lienert and Modi, reviewing the experience of first-generation PSR efforts in SSA, found that most such reforms had failed to live up to their expectation to rehabilitate and reinvigorate public services and to restore past level of service delivery primarily because only a few countries had “persistently and boldly pursued comprehensive reforms” (Lienert and Modi, 1997: 32). In their view the mark of a persistent and bold PSR, among other things, includes:

- a. Lowered its wage bill by more than one percentage point of gross domestic product;
- b. Increased average salaries for public servants;
- c. Decompressed public service salaries; and
- d. Reduced public service employment by more than 10%.

73. Yet, even where countries were ‘successful’ in undertaking first-generation reforms, there were negative (unintended) consequences. The focus on cost containment in first-generation PSR led to real compensation being squeezed even further in many countries. The decline in real compensation had a number of negative consequences for the efforts to improve the effectiveness and efficiency of delivery of public services. Among the unintended consequences of the reform effort was that it:

- a. Reinforced the need for civil servants to engage in income-maintenance strategies to supplement their public service pay with income from other sources, further lowering work motivation and commitment to public service, while increasing both the incidence and tolerance for deviant work behaviour;
- b. Weakened both capacity building efforts and the competitiveness of the public service in attracting and retaining skilled and professional personnel; and
- c. Increased the perception among many personnel that the reform process was merely a cost-cutting and downsizing exercise, making it more difficult to restore goodwill and commitment towards public service and improved work performance.

74. In Phase-II PSR pay reform is recognised as a lynchpin for improved incentives and capacity building within the framework for sustained public service improvements. This view is clearly articulated in the 1997/98 World Development Report, which observes:

“Better systems of monitoring, accounting, and auditing alone will not suffice to improve the delivery of many services. Mechanisms for enhancing the **loyalty, motivation and competence** of the civil service are also needed. Loyalty promotes staff identification with an organisation’s goals and willingness to take a longer-term view of responsibilities. Loyalty is essential in the core public sector, where activities are not easily specifiable or monitorable, and exit has no meaning.” (World Bank, 1997: 92).

75. As indicated by the above statement the success of a reform strategy should be guided by qualitative changes in work performance and work behaviour that yield qualitative and quantitative changes in essential public services. The quantitative changes in the wage bill and the size of the workforce proposed by Lienert and Modi have little or no relevance here. They are still rooted in a Phase-I PSR mindset.

76. Given the realities of the situation facing many public services throughout SSA, there is a pressing and critical need to develop pay and incentive systems that would:

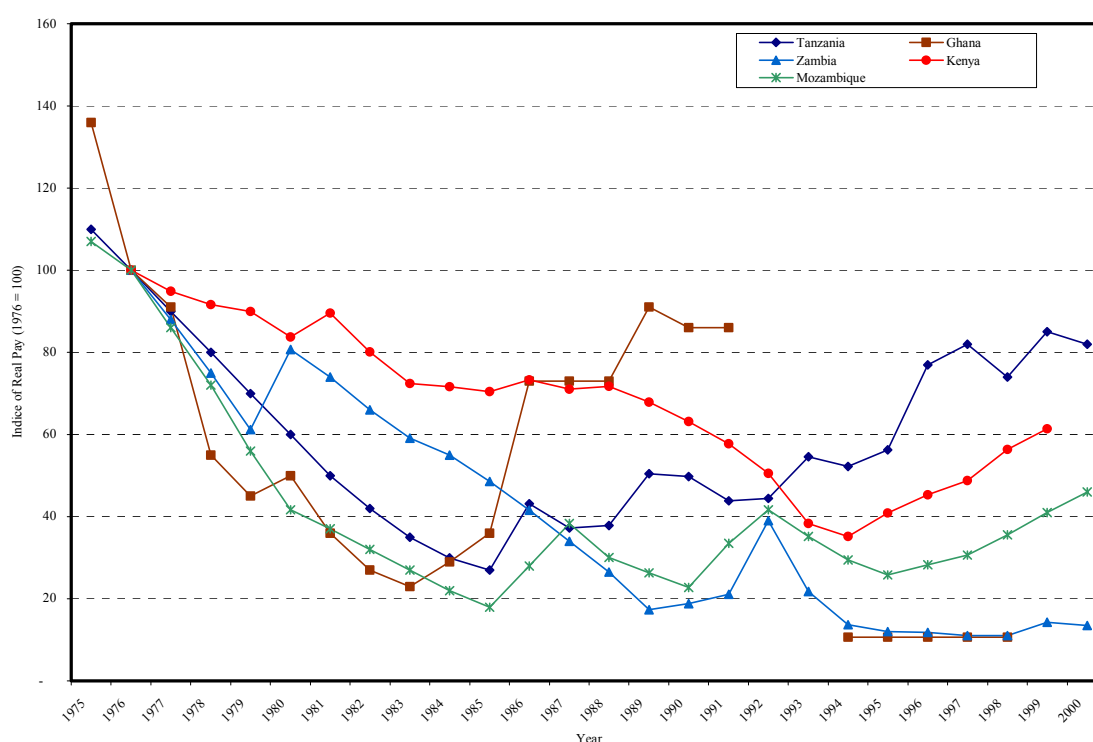
- a. Enhance the pay of all civil servants, while reducing the significance of allowances/fringe-benefits in the compensation package;
- b. Relate pay to performance and possess the enhanced ability to motivate staff towards higher levels of achievement;

- c. Remunerate individuals and occupational groups equitably (providing for both horizontal and vertical equity);
- d. Achieve transparency in the remuneration package;
- e. Promote a genuine concern to achieve results among all civil servants;
- f. Provide adequate incentives for increased managerial efficiency, improved accountability and controls; and
- g. Attract and retain the key skills needed to achieve ministerial and sectoral goals.

Comparative Pay Reform Experience in SSA

77. From the mid-1970s to late-1980s, economic decline and stagnation became commonplace throughout much of Sub-Saharan Africa, with **double-digit real wage declines on a per annum basis** were not uncommon.⁶ This is borne out by the data in Figure 4, which presents real pay trends for five countries (Ghana, Kenya, Mozambique, Tanzania and Zambia).

Figure 4: Comparative Real Civil Service Pay Trends for Various Countries



Sources: Colcough (1997); Sulemane and Kayizzi-Mugerwa (2001); Valentine (199); Valentine (2001a); Valentine (2001b); and Valentine (2002).

78. Three general patterns emerge in real pay trends for these countries:

⁶For discussion of real pay trends in SSA, see: Colclough, 1991; Klitgaard, 1989; Lindauer et al, 1988; Olowu, 1999; Standing, 1991; and Vandemoortele, 1991.

- a. 1975 to mid-1980s, which was a period of substantial and uninterrupted real average pay decline;
- b. Mid-1980s to early-1990s, when the real pay of civil servants in these countries fluctuated, showing an increasing tendency, as the various countries adopted and implemented SAPs with various degrees of success;
- c. Mid-1990s onwards, when substantial improvement in the real average pay in the civil service were observed. As the various countries adopted civil service reform programmes (CSRPs) and implemented them with various degrees of success.

79. The declining real public service pay trends were the result of several factors. First, real wage repression was attributable to a worsening public sector financial crises (i.e., a central government's budgetary deficit crisis and a parastatal financial crisis) which reduced the government's capacity to cover aspects of recurrent and public investment expenditures.⁷ Second, was the 'wage equalisation policies' pursued by many countries, including Zambia, which were driven by various governments' desire for general pay restraint to narrow the urban-rural income gap, and which targeted pay restraint to reduce pay differentials between high-salary and low-wage employees. Third, many governments showed willingness to trade-off real wage levels against higher levels of public service employment. Fourth, central government wage bills became over-committed as the governments became over-extended. Central government wage bills had to cover not only central government administration, but all of provincial and local administration personnel, as well as cover the shortfalls in the capacity of state industries to meet the labour cost of their personnel. Fifth, and finally, was weak public-expenditure management, which was partly related to the problems of wage-bill planning and controls.

80. Under growing macroeconomic constraints, the size of the government and the level of wages and salaries of public service workers came under scrutiny as factors contributing to the overall problem of containing government budgets. Still, the real public service pay reductions in Zambia were more drastic than most other countries in SSA at least those that did not experience significant political instability or civil strife.

81. In their efforts to ameliorate the effects of declining real public service pay these government adopts various measures. Among these are: appointing *ad hoc* salary commission/committee reviews to examine and make recommendations on addressing the pay problem; increasing the numbers of allowances and fringe-benefits; and the adoption of their respective PSRP.

82. In the absence of explicit pay policy and systematic staffing and pay practices, there is a tendency for governments to adopt *ad hoc* and piece-meal measures that do not necessarily address the goal of evolving a more effective, efficient, honest and performance-oriented civil service.

⁷Under the circumstances facing many SSA countries, attempting to address fiscal crises by cutting government wages (and the wage bill) could lead and have actually led to an increase in the budget deficit. See for discussion van Rijckeghem and Weder (1997) and Haque and Sahay (1996).

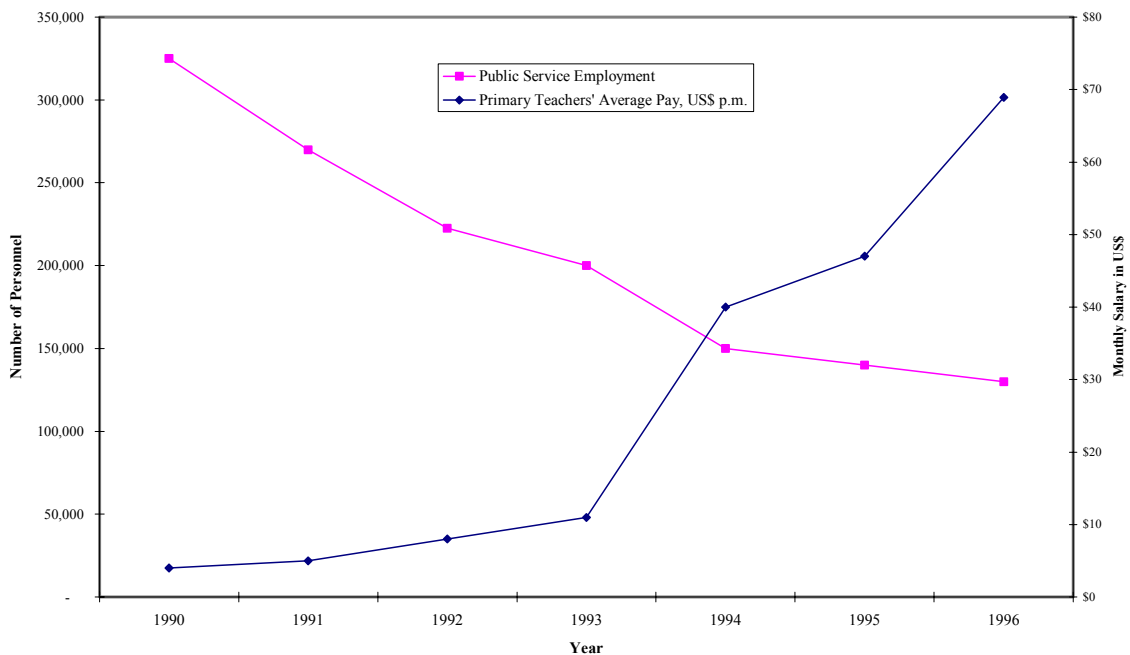
83. For the pay policy standpoint reliance on the outcome of *ad hoc* salary commissions deliberations to set policy was less than ideal. These commissions while reviewing public service remuneration and conditions of service generally offered piece-meal solutions to addressing the problems of the public service. This created further distortions across the various groups of personnel employed by the public service and within groups themselves.

84. Given the limitations of the SAPs on addressing issues of public service performance many countries in SSA began to adopt and implement PSR in the early 1990s. With pay reform components being introduced into PSR programmes in many countries, increasingly there was a shift away from *ad hoc* measures to mitigate against the erosion of real public service pay towards more systematic. The successes and limitations of the various pay reform efforts are briefly gauged below.

Early “Successful” Reformers

85. Ghana and Uganda (whose real pay trend is not presented in Figure 4 due to lack of adequate data) were dubbed as early “successful” reformers. As is evident from Figure 4 real pay in the Ghana public service increased significantly in the late 1980s. While data are not available for Uganda in the 1970s and 1980s they are available for the 1990s (See Figure 5).

Figure 5: Uganda: Public Service Staff Reductions and Pay Reform



Sources: Valentine (2001b).

86. Through the early and middle-1990s, real public service pay in Uganda increased significantly albeit from a very low base.

87. The success of the early reforms in restoring the value of public servants pay through pay reform were attributable to:

- a. The fact that they started at a very low base;
- b. The respective governments were in a position to shed large numbers of public servants from the payroll, both real and imaginary (ghost workers), fairly painlessly, without negatively affecting performance;
- c. The respective governments were able to bring hyper-inflation under control, through macroeconomic stabilisation measures;
- d. The respective governments were about to increase domestic revenues from their very meagre resources by reforming revenue collection administration and stemming ramped evasion.
- e. Sizable monetary allowances were consolidated into the salary structure.

88. Pay reform efforts in Ghana and Uganda have largely stalled over the past 4 or 5 years. During that period pay increases have not kept pace with inflation, and the optimism surrounding the reforms of 1996/97 has largely evaporated. The lack of sustainability in the pay reform efforts were mainly attributable to:

- a. The lack of strategic direction. Other than the nebulous targets of achieving a basic “living wage”, no other pay reform strategy was clearly articulated by their governments;
- b. After the initial personnel reductions, employment levels crept up again due to the lack of effective personnel control systems and the lack of political will (i.e., the willingness of politicians to continue to trade-off higher levels of real pay for higher employment levels).
- c. The lack of adequate institutional framework for monitoring and evaluating reforms.
- d. In the absence of a strategic direction/pay policy, the governments reverted to *ad hoc* approaches to adjusting compensation, including allowance proliferation, which further weakened the incentive regime, reduced transparency and accountability.
- e. From the outset, the pay reforms lacked in comprehensiveness, they were partial reforms, based on decompression through monetisation of non-salary benefits and consolidation of monetary allowances into the salary structure. Consistent and comprehensive pay reforms were deferred in favour of soft options.

83. Both countries are currently undergoing fresh attempts at comprehensive pay reform. A recent study finds that getting pay reform effort back on track in Uganda will require a medium term pay policy which (Ministry of Public service, 2001):

- a. Restores and preserves the purchasing power of salary levels for all public servants;
- b. Strives to eliminate distortions in the salary structure arising from *ad hoc*

- pay and awards and non-facilitating allowances;
- c. Achieves benchmarked salary targets for middle and senior administrative, technical and professional grades;
- d. Curtails the employment growth in non-critical skills areas;
- e. Protects the traditional public service share of the total wage bill;
- f. Solicits development partners' cooperation in enhancing the wage bill envelope; and
- g. Retools and installs critical facilities and amenities.

The experience of the successful late reformers

89. Tanzania and Mozambique are the two countries in the comparative analysis that have implemented CSR/PSRP in general and pay reform in particular with the most success. The lessons that they offer the GRZ, and that can be drawn from the pay reform experiences of other countries, are presented below.

84. In 1993 the Government of Tanzania adopted a comprehensive civil service reform program (CSR/PSRP). The Tanzania CSR/PSRP was conceived with a cost containment and employment rationalization objective in mind.

85. The major accomplishments of the Tanzania CSR Phase 1 included:⁸
- a. A 26% reduction in the size of the civil service (comprising central government, protective service workers, teachers, and some local government personnel), from 355,000 in 1992 to about 264,000 by 1998/99, i.e., a payroll reduction of about 90,600 (including about 16,000 ghost workers);
 - b. A significant improvement in control over employment levels, so that the aggregate wage bill is now kept within the budget (2% over budget in 1999 against 40% in 1994);
 - c. A 75% increase in average civil service real salaries during the period – with higher increases at the bottom of the civil service (see Figure 4);
 - d. A simplified pay structure and payroll systems, from 196 to 60 grades and 36 to 7 allowances respectively;
 - e. A reduction of the wage bill to GDP share from 5.7% to 4.4%, by 1.3%; and
 - f. The substantial reduction of executive powers of regional administrations and a 20% reduction in their staffing levels.

86. Within the Lienert-Modi (Lienert and Modi, 1997) context the Tanzania government can be considered “persistent and bold” in pursuit of CSR. However, it

⁸For more detailed discussions of the accomplishments of the 1993-1999 Civil Service Reform Program, see: Valentine (1999); United Republic of Tanzania (1999); and World Bank (1999).

should be noted that the focus on real average salaries (which may increase in part due to the consolidation of allowances already included in the compensation package) mask changes in real net compensation (which is of importance to workers). In the Tanzania case, many middle- and upper-middle level skilled professional and technical personnel suffered real net compensation declines over CSRP Phase-I period.

87. In 1999 the Tanzania government adopted a medium-term pay policy and a MTPRS to operationalize that policy. The major aspects of the Tanzania MTPRS that should be noted here were:

- a. Adopting of a medium-term target salary structure that systematically enhances pay for all public servants, particularly those who were disadvantaged as a result of the exercise that consolidated/eliminated most allowances;
- b. Undertaking and recent completion of a job evaluation and re-grading exercise which should facilitate improved linkages between pay and performance by focusing on and valuing:
 - i. the job and its demands, not the personal characteristics of the jobholder. This ensures that the results of the job evaluation can remain valid even if the incumbent in a particular job changes; and
 - ii. the qualitative, not the quantitative aspects of the job. That is, it is not the amount of work allocated to a position which is measured, but its relative demands, complexity and responsibilities;
- c. Adopting of the Selective Accelerated Salary Enhancement (SASE) scheme. This is a scheme that will target salary enhancement to key professional, technical and managerial personnel whose efforts are critical to the improvement of service delivery, management of the reform efforts, and the production of strategic government outputs;
- d. Introducing pension reforms which included, increasing the shift from a non-contributory to a contributory pension scheme, where the government's contribution is 15% of an employees basic salary and the employee's contribution is 5% of basic salary; and
- e. Introducing of a contributory national health insurance scheme, where the contribution of both the government (as an employer) and employee is equal to 3% of the basic salary.

88. The SASE scheme, which is seen as the cornerstone of the MTPRS, is selective in two ways. First, accelerated salary enhancement will be targeted at posts that are likely to have the greatest impact on service delivery, the reform effort and the strategic outputs of government. And second, the scheme will be phased-in, starting with public service ministries, departments, and agencies that have:

- a. Leading roles in change management and potential impact on the socio-economic well-being of the average Tanzania citizen; and
- b. Well advanced formulated strategic plans and are poised for

implementation of their respective reform programs.

Lessons for Zambia Pay Reform Effort

90. The major lessons that Zambia should learn from the experiences of pay reform elsewhere are:

- a. Sustained success in pay reform requires a consistent and comprehensive medium-term pay reform strategy, guided by a medium-term pay policy;
- b. In the short- to medium-term, salary enhancement should be targeted towards professional and technical personnel that the Government has the most difficulty attracting and retaining and who are most critical to efforts to raise public service efficiency and the quality of service delivery, and who are also instrumental in the production of strategic government outputs;
- c. Rather than setting the nebulous concept of achieving a living wage as a goal, it is preferable that the government adopt an objective target pay structure to be achieved over some specified period of time;
- d. Relying on wage bill savings from employment reductions and government resources is **not likely to yield much in the way of pay reform**;
- e. Even if the desired wage-bill savings came to fruition, the resulting salary enhancement was likely to be **too gradual** and **too meagre** to bring about the changes in public service personnel attitude and motivation required to lead to significant improvements in work performance and service delivery;
- f. Salary enhancement that is **too gradual** and **too meagre** may make it difficult for the Government to maintain equity, as various pressure groups with seek to increase their wage bill share relative to others;
- g. Concerted effort is required to ensure that salaries are adequately enhanced to restore human and **motivational capital and goodwill** (embodying honesty, integrity and commitment to performance) within the public service; and
- h. By holding down the premium paid for all skills, and preventing additional rewards from appearing for those skills which were most difficult to acquire and for which there were the greatest shortages, the government pay policy had become a contributing factor in the continuance of manpower shortages in critical areas. Further to this, the continuing compression of pay differentials had acted as a disincentive to taking on additional responsibilities, moving up the occupational ladder, and increased productivity. A more flexible government pay policy may be required to suit the present and future needs of Zambia.
- i. A consistent medium-term pay reform strategy (MTPRS) that

systematically raises compensation for the core professional, technical and management personnel in public service **is a prerequisite for improving civil service performance.**

91. These observations are consistent with the new conventional wisdom of PSR that suggests three important dictums. **First**, with governments under severe budgetary stress, there is little scope for significant across-the-board salary enhancement in the short- to medium-term. Therefore, in the short- to medium-term, pay reform should contribute to raising public service performance by undertaking salary enhancement on a selective basis. Salary enhancement must be targeted towards those posts that will afford a greater impact on performance improvement and capacity building. **Second**, employment reductions in the public service in themselves will not provide enough wage-bill savings to finance substantial salary enhancement for targeted posts. Salary enhancement, where it does occur, will have to be largely financed through other sources. And **third**, with limited budgets and the need to increase cost-effectiveness of government spending, greater care should be taken to link pay enhancement more directly to performance improvement and service delivery.

Section 4. Major Pay Reform Issues in the context of the Zambia Medium Term Pay Reform Strategy

Pay reform objectives in the Zambia context

92. The overarching objective of the PSR in the Zambian context is to achieve:

”Sustainable capacity to strategically manage the Public Service in order to deliver quality services to the people of Zambia.” (Republic of Zambia, 2000: page 2, paragraph 8).

Pay reform is seen as critical to achieving this objective “because it is cardinal to the whole process of public service reform.” (Republic of Zambia, 2000: page 17, paragraph 44).

93. The corresponding pay reform (and rightsizing) objective and strategies to achieve during Phase 1 reforms in Zambia are:

- a. To reduce the size of the public service to financially affordable and sustainable levels;
- b. To further streamline the structures, functions and roles of ministries, provinces and other Government institutions in order to re-focus their operations and eliminate overlaps and ambiguities;
- c. To hive-off non-core Government functions so that the Government can concentrate on its core business of policy formulation and regulation;
- d. To effectively manage the payroll and establishment in order to control the size of the Public Service and contribute to the realisation of the fiscal stabilisation; and
- e. To adopt a policy of enhancing salaries of key technical and professional staff in the Public Service and begin to implement the decompression of salaries.

94. The milestones for the first and second phase of the PSRP are for the most part pay reform related. Six 6 of 11 triggers for the transition from Phase 1 to Phase 2 focus on pay reform issues, including (Republic of Zambia, 2000: page 16, Table 2).

- a. Clear policies, strategy and targets for rightsizing the public service in the medium to long term in place, as per the adopted recommendations of the KPGM study;
- b. Excess and redundant staff separated;
- c. Pay and conditions of service study conducted and medium to long term strategy approved by the Cabinet;

- d. Initial decompression of salaries implemented through monetisation of benefits;
- e. Effective payroll and establishment control systems in place, as demonstrated by timely detection removal of ghost workers; and
- f. Public service wage bill reduced and maintained at 5% of GDP.

95. As the transition to Phase 2 reforms are made, an additional pay reform trigger is deemed critical, that is “Significant salary decompression, consistent with ability of the public service to recruit and retain staff in critical professional and technical posts achieved” (Republic of Zambia, 2000: page 16, Table 2).

Size and Distribution of the Public Service

96. To be sustainable the pay reform programme must be undertaken within an affordable budget and over a reasonable timeframe. The extent to which pay reform can be effectively implemented will depend among other things on:

- a. The size of the civil service and the distribution of personnel across job grades;
- b. The distribution of salaries and allowances across job/salary grade; and
- c. The size and growth of the civil service wage bill and the proportion allocated to the civil service.

97. The starting point for a medium-term pay reform strategy is to determine the size and distribution of the public service. Table 1 presents data from the central payroll for December 2001. These data, which are categories by category of personnel and salary scale, show that in that for public service stood at 109,611.

98. As is well known, education (44,213), health (20,796) and protective service (police plus prison total 15,932) personnel comprise the bulk of public service employment. These groups total 80,941 or 73.8% of the total public service. Of the remaining 28,670 personnel, over 11,400 (roughly 40%) are classified personnel.

99. The Zambian job grade structure is fairly problematic. It is quite fragmented, with a large number of different occupation based job scales in use for different staff categories. There are broad 26 job-grade scales in the current job-grade structure. This excludes grades associated with the Anti-Corruption Commission, the UTH Health Board and Medical Health Boards, whose personnel are paid through the central government payroll, though they are semi-autonomous agencies. When the segmentation of these occupational groups into management, unionised professional and technical and unionised classified personnel are taken into consideration, the number of job-grade scales increased to about 40.

100. The job structure is proliferated with job grades (185). This is far in excess of what is considered manageable and desirable from the standpoint of the capacity to access and maintain horizontal and vertical equity. Yet, many job scales contain few

grades (as few as one) and few personnel within them. In addition to this, career progression opportunities are minimal (KPMG, 1999).

Table 1. Salary Scales in the Zambia Public Service Salary Structure, December 2001

Scale	Grades Comprised	Number of Grades	Total Staff
Constitutional Appointments	Fixed	1	69
Management Scales			
Anti-Corruption Commission	ACC/1 – ACC/5	5	72
Education Management	EMS/1 – EMS/6	6	1,100
General Management	GMS/1 – GMS/6	6	378
Judicial Professional	JPS/1 – JPS/5	5	54
Legal Management	LMS/1 – LMS/5	5	26
Medical Doctors	MDS/1 – MDS/6	6	90
Police Service	PF/1 – PF/6	6	43
Professional Management	PMS/1 – PMS/6	6	777
Prisons Service	PS/1 – PS/6	6	68
Police Technical	PTS/1 – PTS/2	2	22
Senior Management	SMS/1 – SMS/3	3	49
Technical Education Management	TMS/5 – TMS/6	2	8
Total Management		58	2,687
UTH Board Scales			
	HB – HB18	18	18,706
	MHB/1 – MHB/6	6	506
Total UTH Board		24	19,212
Unionised Scales			
Anti-Corruption Commission	ACC/6 – ACC/14	8	67
District Messengers	DMS/1 – DMS	4	384
Education	ES/1 – ES/6	6	38,415
General Administrative	GAS/1 – GAS/8	8	9,620
General Professional	GPS/1 – GPS/2	2	948
Judicial Officers	JOS/1 – JOS/7	7	835
Legal Officers	LOS/1 – LOS/3	3	19
Medical, Nursing and Paramedical	MS/1 – MS/8	8	681
Police Service	PF/7 – PF/15	9	13,567
Prisons Service	PS/7 – PS/15	9	2,108
Police Technical	PTS/3 – PTS/6	4	124
Secondary Education	SES/1 – SES/3	3	4,650
Technical Education	TES/1 – TES/2	2	40
Technical	TS/1 – TS/8	8	4,752
Total Unionised Personnel		78	76,210
Unionised Classified Scales			
Anti-Corruption Commission	ACC/15 – ACC/16	2	10
Classified Employees	CDE/1 – CDE/3 & CDESP	4	6,162
General Workers	GENW	1	1,952
Senior Watchmen	SENWT	1	37
Security Guards	SG/1 – SG/3	3	195
Trade Tested Workers	TTW/1 – TTW/9	9	2,162
Watchmen	WATCH	1	888
Total Unionised Classified Personnel		21	11,406
Unclassified Scales			
	CTAKE	1	2
	DF06	1	2
	FITER	1	1
	G05	1	1
	UNKNO		21
	STUD		-
Total Unclassified		5	27
Grand Total		185	109,611

101. The public service job-grade and corresponding salary-grade structures have not always been so fragmented. Before the economic crisis, the structure was fairly unified. In the absence of a coherence pay policy, over time different occupational groups and different unions have successfully agitated for differentiation in a hope to increase influence their nominal, if not real, monetary compensation levels and the share of the public service wage bill.

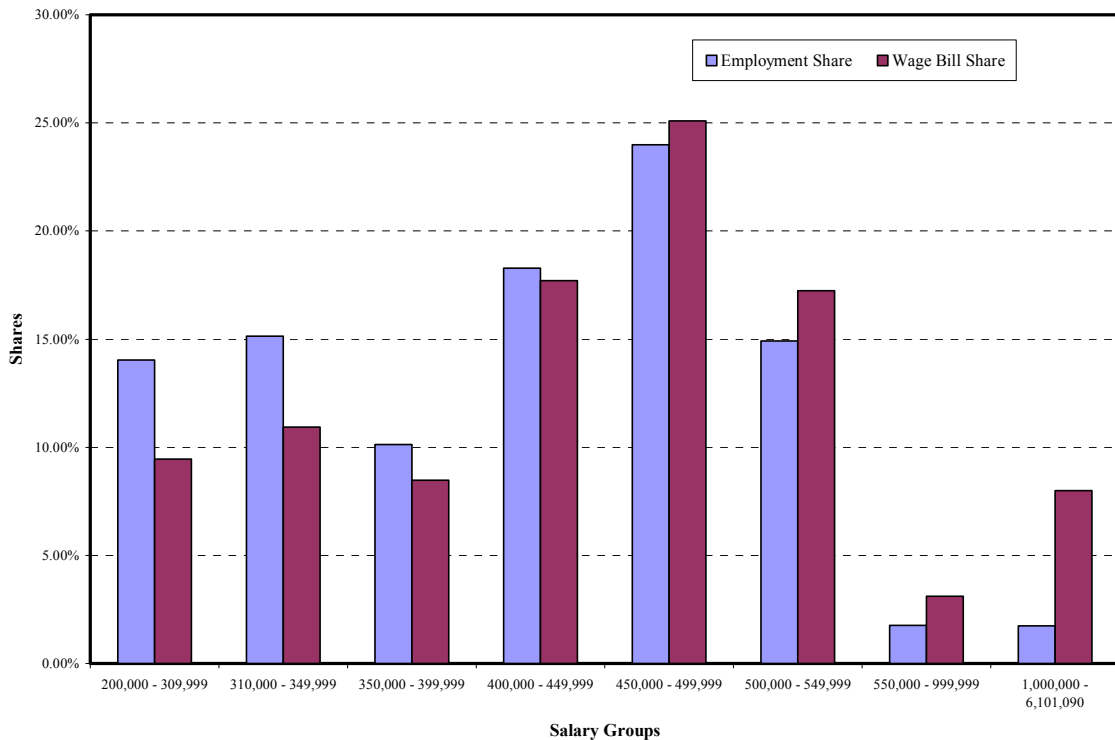
102. The increasing fragmentation and its implications did not go unnoticed. The 1993 Salary Commission recommended the need to return to a unified public service salary structure (Republic of Zambia, 1993). However, at that time the GRZ rejected that recommendation with the following explanation:

“The principle of a unified salary structure is accepted but can not be implemented immediately because the Commission did not address the critical question of reconciling the two conflicting forces, namely the urgent need to redress a serious and sustained shortfall in the levels of existing remuneration and the necessity of stringent public expenditure with overall budget constraint.” (Republic of Zambia, 1994a: p.23, 21.1)

103. In its recent study on the size of the public service and pay enhancement undertaken on behalf of the GRZ, KPMG expressed concern for about the fragmented nature of the job-grade and salary-grade structures, but made no recommendations on how to ameliorate the situation (KPMG, 2000). The current study proposes a more unified job-grade and salary structure and the salary scenarios presented in detail in the next section are based upon the existence of such a structure.

104. Figure 6 presents data on distribution of personnel and compensation by salary group. The shape of the personnel distribution share has important implications for pay reform. Public service personnel earning less than K350,000 pm comprise a 29.2% share of employment and receive about 20.4% share of the monthly wage bill. A roughly equal size share of personnel earn being K200,000 and K399,999 pm and K400,000 and K549,999 pm, roughly 39%. Their wage bill shares are 28.9% and 42.3% respectively.

105. Public service personnel earning over **K550,000** pm have an employment share of about 3.5% and a wage bill share of 11.1%.

Figure 6: Distribution of Employment and Wage Bill by Salary Groups, December 2001

Source: Budget Office, MFNP

Salary Differentials and Compensation Structure

The current salary differentials

106. The current salary structure for the Zambia public service has a number of inherent weaknesses. Among these are the following.

- a. Following from the fragmented nature of the job grade structure, the salary structure is proliferated with salary scales (40) and salary grades (185). This makes it very difficult to access and maintain horizontal and vertical equity in the salary structure. The number of grades in the general scale is large compared with the grading structures of many public and private sector institutions in other countries, leading us to conclude that the number of grades should probably be reduced. The general norm these days is to adopt flatter grading structures with 10 to 25 job/salary grades.
- b. Salary differentials, both grade and increment/step differentials, are far too small to motivate staff to improve performance and to move up the job ladder. In many cases salary increments are in the range of 0.45% - 0.70%. For many grades, particularly those comprising the bulk of the public service employment, average grade and increment differentials comprises 1% or less (0.8% for PF, 0.69% for MS, 1% for ES, 0.9% for GAS). Evidence from other countries points to a situation where, when increments are small, below the rate of inflation, a practice arises where annual increments are awarded nearly automatically and are viewed as a

worker's right. This induces a higher rate of salary creep into the system than might otherwise be the case.

- c. Small salary differentials throughout the salary structure have led to a fairly compressed salary structure across all salary scales. This has reduced the value that the public service places on educational qualifications, skills, and experience. The result has been a reduction in the competitiveness of the service to attract and retain suitably qualified manpower. Also, the efforts to professionalise the service have been hampered.
- d. When rank-ordering salaries and comparing salaries across job groups the evidence points towards attempts to split hairs in Zambia public service salary administration. **There are a number of instances where the differences in monthly salaries between personnel in difference steps of similar salary grades are as low K48 per annum, K4 pm.** While this is a very extreme case, it is not the exception. The difference in salary for PTS/1.5 and PS/8.1 is only K75 pm and that for PTS/1.4 and PF9.2 is only K47 pm. There are numerous other hair-splitting examples. For the purpose of ease of salary administration it should be desirable to equalise salaries in such instances and merge the separate salary grades into one.
- e. In addition to the above, experience across countries show that such highly fragmented salary structures are likely to result in a large number of anomalies in relative salaries.
- f. One unexplained idiosyncrasy of the current prison service salary scale is the fact that the salary levels for PS14 are higher than that for PS13. This is not simply a case of salary-overlap, but salary excess. If at each salary point the public service values the services of personnel in the PS14 grade more than those in PS13, should not logic, and the principle of "equal pay for equal work" dictate that PS14 be graded higher than PS13.
- g. Given differences in collective bargaining arrangements, there is the irrational situation where the grades ES1 and SES1, ES2 and SES2, and ES3 and SES3 though respectively perceived as equivalents and have similar qualifications have different salary scales and levels.

107. There would appear to be significant scope for rationalising public service salary structure and reducing the number of salary scales. A proposal for a more unified public service salary structure is presented below.

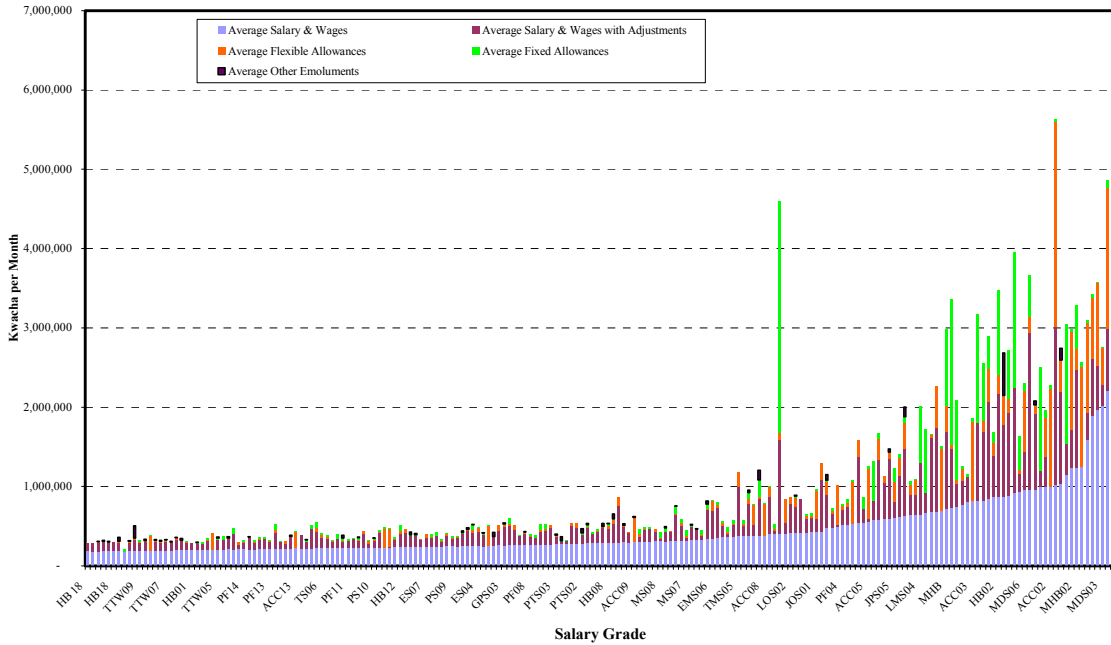
The current compensation structure

108. The problems with public service compensation in Zambia go far beyond salary differentials and the salary structure. There are problems with the broader compensation structure itself.

109. Figure 7 presents a graphical representation of the compensation structure of the Zambia public service. These data show average monthly compensation (average monthly salary and wages, average flexible allowances, average fixed allowances, and

average other emoluments) by salary grade for December 2001. Average month salary and wages are rank ordered from the lowest to the highest with other forms of compensation added on to this.

Figure 7: Distribution of Average Monthly Compensation in the Public Service, December 2001



Source: Budget Office, MFNP

110. It is clear from this figure that monthly average compensation is composed of much more than just salary and wages. For some salary groups, the other forms of compensation payment are far in excess of the salary and wages. Compensation in the Zambia public service is very fragmented. Personnel on the December 2001 payroll could receive payments from as many as 139 possible sources of compensation. These include:

- 16 Salary and Wages payment categories;
- 6 Flexible Allowances;
- 47 Fixed Allowances;
- 14 Other Emoluments payment categories;
- 56 Arrears payment categories.

111. The detailed list of compensation payments, their amount and the total number of recipients for the month of December 2001 is presented in Appendix 3.

112. Among other things, the dependence on so many allowances to enhance compensation could weaken horizontal and vertical equity. They also diminish the relationship between pay, performance and responsibility, as in many instances lower-paid subordinates may receive higher total compensation than their superiors. At 10% of total monetary compensation, total monetary allowances as a proportion of monetary compensation is not very large in comparison to the compensation mix currently experienced by the Kenya public service or that of Tanzania before implementing pay reform. Yet the proliferation of allowances is quite problematic for salary administration. It contributes to fluctuations in the monthly wage bill and is

difficult to plan for. This is one explanation for the large number of categories of arrears and the amount of arrears in the wage bill.

113. Arrears can fluctuate drastically from month-to-month. In July 2001 arrears comprised K5.921 billion, 12% of the total monthly wage bill. In December this stood at K2.417 billion, 5% of the total Monthly Wage Bill. The result is a significant variation in the monthly wage bill. As the wage bill is a major component of recurrent expenditures, this contributes to difficulties in planning and adhering to monthly budget expenditures. As most of the arrears are in the various categories of allowances, consolidating allowances into the salary structure would reduce payroll arrears and increase the prospects for greater expenditure stability.

114. It is proposed that all of the allowances contained in Table 2 be consolidated into the salary structure or eliminated.

Table 2. Allowances proposed for Consolidation or Elimination

PD CODE	Category Of Compensation	Amount	Number of Recipients	Average Payment per Recipient
2	Flexible Allowances			
2.3	Housing Allowances	69,563,233	150	463,755
2.148	Local Supplementation Allowance	6,131	7	876
	Sub-Total	69,569,364	157	443,117
3	Fixed Allowances			
3.17	Tool Allowance	29,692,642	1,958	15,165
3.39	Instructors Allowance	358,720	180	1,993
3.43	Machine Allowance	1,500	3	500
3.47	Grade Allowance	75	54	1
3.51	Amourer Allowance	24,485	46	532
3.53	Bandsman Allowance	820	38	22
3.55	Coxwains Allowance	42,116	6	7,019
3.57	Dog Handler Allowance	1,675	8	209
3.59	Equitation Allowance	678	12	57
3.63	Mental Allowance	10,019	6	1,670
3.67	Trade Testing Allowance	8,284	11	753
3.94	Body Guard Allowance	44,552	199	224
3.96	Finger Print Expert Allowance	29,032	102	285
3.98	Protect. Unit Kilometre Allowance	11,745	261	45
3.102	Danger Risk Allowance	19,820,263	13,134	1,509
3.153	Non Private Practising Allowance	153,020,962	110	1,391,100
3.163	Medical Allowance	5,300,210	55	96,367
3.165	Telephone Allowance	4,549,638	56	81,244
3.167	Entertainment Allowance	6,037,206	54	111,800
3.169	Motor Vehicle Allowance	5,424,394	57	95,165
3.171	Drivers Allowance	5,830,998	59	98,830
3.173	Secretarial Allowance	10,891,992	55	198,036
	Sub-Total	241,102,004	16,464	14,644
	Grant Total	310,671,368	16,621	18,691

115. Among the considerations given to rationalise the payment of monetary allowances are the following:

- a. Where the vast major of personnel in a given job group receive an

allowance it is best to consolidate the allowance into the salary scale and enhance the salaries. For example, all Anti-Corruption Commission (ACC) personnel receive housing allowances, all JPS personnel receive non-private practicing allowances, and virtually all PF and PS personnel receive danger risk allowances. The allowances paid are just non-transparent ways of enhancing pay.

- b. The other allowances (most of which are paid to protective service personnel (i.e., PF and PS) either are paid to a small number of recipients and/or offer a small average payment per recipient. While receiving a number of such allowances increase personnel compensation in a measurable way, it would be preferable from the standpoint of salary administration, to increase salaries in a manner where such petty allowances are no longer required to enhance salaries.
- c. If the public service is of the position that these allowances actually are performance facilitator then the value of these allowances should be raised significantly to reflect their value to the public service. Otherwise, it is very doubtful that allowances which are a small fraction of monthly monetary compensation – many of which are well below K1,000 pm – will facilitate performance in the manner anticipated. They only enhance compensation where the recipient has accumulated enough payments from the various allowances to make a difference in his/her total monthly monetary compensation.
- d. Fixed allowances with the codes 163 through 173 are likely paid to the same group of personnel. Why not consolidate these allowances into basic pay for this group.
- e. Flexible allowances are flexible in the sense that they are set at a rate of 20% of the recipient's monthly basic salary. Is 20% for such allowances appropriate rates?

116. It should be noted that many of these allowances have been recommended for consolidation or elimination by various salary review commissions or committees. For example, the retention allowance and tool allowance were recommended for consolidation/elimination by the 1993 salary review commission (Republic of Zambia, 1993).

117. One clear challenge that must be overcome in any effort to consolidate allowances into the salary structure is that of the distribution of allowances within a given salary grade. Unlike the case of housing allowances being paid to all ACC personnel or the dangerous risks allowances, which is paid to almost all police personnel, most allowances are not evenly distributed among personnel within a grade.

118. [Ideally, along with assessing the scope for consolidating monetary allowances into the salary structure, it would be desirable to consider the possibility of monetising and consolidating non-salary benefits as well. The TOR for the assignment set out that the Consultant should attempt to do so. Unfortunately, the data/information

required to undertake this task is not readily available. It is contained within the RDCs at the MDA level. Such data/information was requested but was not forthcoming. Hence, the study focuses on monetary allowances, where the data are available through the central government payroll.]

119. Given the problems of attracting and retaining suitably qualified managerial and professional personnel in the public service, there may be a need to continue to pay retention allowances. The allowance is currently paid to the following categories of public service personnel:

- a. First degree holders and equivalent who have been in services for not less than two (2) years;
- b. Teachers who are first degree holders, who qualify immediately on appointment to the Public Service; and
- c. Post-graduate diploma, masters and PhD holders in service, who qualify on attainment of their degrees.

120. All retention allowances are paid at a flat rate of 20% of monthly basis salary. Roughly 2,200 personnel across a relatively large number of salary grades receive the retention allowance, with the amount paid averaging K200,080 pm. The recipients of this allowance comprise only about 4.6% of the personnel in the grades from which they are drawn.

121. It is questionable whether the current flat rate of 20% will achieve the attraction and retention objective of the government. Contrast this to the Mozambique situation.

122. In Mozambique each salary group contains an index for each step within the salary group. In the general specific régimes, base index (100) is equal to the minimum wage, while the base index in the special régimes is set separately for each special régime salary group. On average base salary accounts for roughly 86.4% of total monetary compensation.

123. Base supplements are paid as a percentage of the individual's base salary. On average, they account for 13.6% of total compensation, but are much higher proportion of compensation depending on education level and location of employment. The ratio of the supplements is set based on education levels and location of employment. By far the most substantial salary supplement is the *bónus especial*. The objective of this bonus is to encourage those with specialised training and higher education to join the civil service and be posted outside Maputo or the provincial capitals. Possible postings are divided into four groups, from 'comfort' postings (group 1) to hardship postings (group 4). There are four levels of education, each of which is rewarded differently according to which of the four groups of postings applies (see Table 3). Bonuses range from 30% of the base salary for *técnicos médios* (mid-level technicians) trained in one of technical training institutes posted in Maputo or one of the provincial capitals (except Lichinga) that are all in Group 1, to 120% for a teacher in higher education, a doctor or a surgeon posted in one of the Group 4 postings, mostly remote district capitals or administrative posts.

Table 3. Special Bonuses, supplemental pay increases for educational achievement and postings in hardship posts

	Group 1	Group 2	Group 3	Group 4
Professors of higher education, doctors and surgeons	75%	90%	100%	120%
Specialists and others with a university degree	60%	70%	80%	100%
Qualified Professional with Higher level Diploma	40%	50%	60%	80%
Technicians trained in professional institutes, nurses, specialised health professionals and mid-level teachers	30%	40%	50%	60%

Source: Valentine, 2001b.

124. In Mozambique a public servant with a medical degree posted in a rural area can receive salary supplements that equal as much as 120% of basic monthly salary. In Zambia a public servant with similar qualifications posted under similar hardship conditions would receive a retention allowance and rural hardship equal to only 40% of basic monthly salary. Other things being equal, the Mozambican incentives are more likely to service to attract and retain personnel than those in Zambia.

Resources Available for Pay Reform: The Civil service wage bill Share

125. Salary enhancement is only prudent and sustainable when undertaken within the context of the likely resource envelope. Government recurrent expenditures must seek to strike an appropriate balance between the civil service wage bill and expenditures on operation and maintenance.

126. Table 4 presents trends in GDP, recurrent expenditure and the public wage bill for the period 1998 – 2001. A distinction is made between the public service wage bill and the civil service wage bill. The difference is that the civil service wage bill includes the cost of wages and salaries paid to all public servants through the central government payroll, excludes the military personnel, security services, and the national assembly. It is estimated here that the public wage bill accounted for about 72% of the public service wage bill for a given year.

Table 4. Expenditures and Wage Bill Trends Relative to GDP, 1998 - 2001 (Kwacha in Billions)

	1998	1999	2000	2001
GDP market prices	6,028.60	7,411.50	9,087.000	11,715.289
Total Re-current Expenditures excl. debt service	1,139.41	1,237.72	1,533.400	2,237.620
Public service wage bill	319.52	392.81	538.300	738.063
Civil service wage bill	231.01	284.00	387.576	491.716
Expenditures/GDP %	18.90%	16.70%	16.87%	19.10%
Public service wage bill/GDP %	5.30%	5.30%	5.92%	6.30%
Civil service wage bill/GDP %	3.83%	3.83%	4.27%	4.55%
Public service wage bill/Exp %	28.04%	31.74%	35.10%	32.98%
Civil service wage bill/Exp %	20.27%	22.95%	25.28%	21.97%
Annual rate of increase in Civil service wage bill	24.50%	26.80%	30.10%	18.70%
Annual Inflation rate	-1.90%	2.02%	3.47%	5.20%

Source: Republic of Zambia, 2001a and 2001d; International Monetary Fund, 1999 and 2001.

127. The data indicate that in the recent past, save 2001, the wage bill has increased relative to GDP and recurrent expenditures. However, given the slow pace of GDP growth, and once again save 2001, there was no substantial increase in resources to finance salary enhancement. Nor was there a significant reduction in public service employment to raise the average month compensation per employee.

128. The annual civil service wage bill (salaries and wages, salary and wages adjustment, all allowances, other emoluments, and arrears) for 2001 total about K491.719 billion. With the public service wage bill projected at about 6.30% of GDP, the civil service wage bill share of GDP is set at about 4.55% of GDP. The wage bill increase in 2001 did provide scope for salary enhancement, to all workers to recover some of the real earnings lost in past years. (The civil service wage bill rose by nearly 33.0% from 2000 to 2001, compared to a 17.50% increase in inflation for the same period.) Still part of the wage bill increase was used to absorb additional personnel on the public service payroll, reversing the personnel reductions of the previous year.

129. Regarding the size of the public service, the proposed reductions/rightsizing measures proposed by KPMG (2000) aside, there appears to be little scope for additional employment reduction. With the vast majority of public servants being employee in the priority areas (75% being engaged in education, teaching, and the protective services), there is little scope for financing pay reform from downsizing of the public service alone. Though, there is still need to rationalise public service employment and to shift away from a low skilled workforce to a more skilled, professional and experience public service. A major constraint on salary enhancement in the Zambia public service is the low level of GDP and its slow rate of real growth, which restricts the size resource envelop.

130. Efforts to systematically enhance salaries of public service personnel can best be served under the guidance of a clear and comprehensive MTPRS and a consistent medium term expenditure framework (MTEF).

Recommendations

131. With respect to issues of the wage bill and the size of the civil service, it is recommended that the GRZ:

- a. Adopt an effort to rationalise the salary grades and move towards a more unified salary structure;
- b. Reduce the number of allowances by consolidating the proposed allowances into salary structure and eliminating others following the principles set out within this section; and
- c. Move to setting clear pay reform objectives within the context of a MTPRS that is consistent with its soon to be adopted MTEF.

Section 5. Medium-Term Pay Reform Scenarios for 2002 – 2007

Developing Salary Structure Scenarios

132. What is the scope for enhancing public service compensation in Zambia over the medium term? What salary structure should the public service strive to achieve? That is, what should be the medium-term pay targets for the Zambia public service? This Section will provide some support to the GRZ in its efforts to address these, and other, issues. The analysis is based on salary structure scenarios for a five-year medium-term period, 2002 through 2007.

133. The scenarios are derived in a wage-bill model, based on data related to:
- the size and distribution of the public service personnel by job grade;
 - levels and distribution of monetary allowances by job grade;
 - salary differentials between salary points and increments; and
 - projected annual wage bill ceiling.

134. Medium term pay reform studies normally require the type of forward projection data contained within a medium-term expenditure framework (MTEF). Zambia does not currently have a MTEF, which makes the undertaking of analysis based on forward projections of wage bill expenditures challenging. In the absence of the projections contained within an MTEF the current study has had to derive projections of GDP, recurrent expenditure and wage bills through other sources.

135. Projected wage bill ceilings and wage bill expenditures relative to both GDP and recurrent expenditures are presented in Table 5.

Table 5. Projections of Recurrent Expenditures and Wage Bill Relative to GDP, 2001 – 2007 (Kwacha in Billions)

Categories	2001	2002	2003	2004	2005	2006	2007
GDP market prices	11,715.29	13,585.05	15,470.65	17,541.02	19,799.42	22,036.76	24,526.90
Recurrent Expenditures excl. debt service	2,237.62	2,350.21	2,630.01	2,981.97	3,365.90	3,746.25	4,169.57
Public service wage bill	738.06	842.27	959.18	999.84	1,128.57	1,256.10	1,398.03
Civil service wage bill	491.72	608.96	693.49	722.88	815.95	908.16	1,010.78
Expenditures/GDP %	19.10%	17.30%	17.00%	17.00%	17.00%	17.00%	17.00%
Public service wage bill/GDP %	6.30%	6.20%	6.20%	5.70%	5.70%	5.70%	5.70%
Civil service wage bill/GDP %	4.55%	4.48%	4.48%	4.12%	4.12%	4.12%	4.12%
Public service wage bill/Exp %	32.98%	35.84%	36.47%	33.53%	33.53%	33.53%	33.53%
Civil service wage bill/Exp %	21.97%	25.91%	26.37%	24.24%	24.24%	24.24%	24.24%
Annual Inflation rate	18.70%	13.00%	11.00%	10.00%	9.00%	7.50%	7.50%
GDP Real Growth Rate	5.20%	4.00%	4.00%	4.50%	5.00%	5.00%	5.00%

Source: International Monetary Fund, 2001, Standard Bank, 2002; PriceWaterhouseCoopers, 2002; and projections.

136. Without the insights provided by a MTEF, which would set out the government's spending objectives and strategy on the next three years to provide

guidance, it is assumed here that the plan is to:

- a. Reduce the recurrent expenditure over the next few years, from its recent high of 19.10% in 2001 to 17.30% in 2002, and further to 17.00% in 2003 and maintain it at that rate for the near future;
- b. Reduce the public service wage bill share of GDP from its recent high of 6.3% in 2001, gradually down to 5.7% and maintain it at that level for the near future.
- c. Maintain the civil service wage bill share of the public service wage bill at about 72% over the near future.

137. Any salary enhancement in line with the medium-term pay targets will have to be funded within the wage bill projections.

138. In the absence of any other statement of pay reform priorities, those presented in the revised PSRP document (Republic of Zambia, 1997) are still taken to be relevant to the current situation. The specific proposals on pay reform are:

- a. Control the size and growth of government employment;
- b. Rationalise and enhance public service pay by:
 - i. eliminating the distortions and anomalies that have crept into the system;
 - ii. providing equal pay for equal work; and
 - iii. paying salaries commensurate with skills experience and responsibilities.
- c. Senior and middle ranking staff will have their pay progressively decompressed to the new target levels to increase their competitiveness with pay levels obtainable in the non-government sector Zambia.
- d. At lower levels, pay increases would be only sufficient to offset inflation. Pay increases only for inflation (i.e., no increase in real pay levels) for all lower-ranking staff.
- e. All employees will have their pay consolidated to include all allowances. Allowances will be progressively absorbed into basic pay, with junior ranks receiving 'pay protection' to ensure that they are never worse off.

139. The basic assumptions of the four pay-reform scenarios are presented in matrix form in Table 6.

140. There is a need to review the size of the public service proposed by the KPMG (2000) report. The KPMG report presents a very detailed discussion of issues related rightsizing the Zambia public service. A comprehensive discussion of realistic options and alternatives are explored for rightsizing government ministries and departments, particularly the largest employing sectors (education, health and the

police).

141. After its thorough review of the size requirements of the public service the KPMG report made detailed proposals in the adjustments in public employment over the medium term.

Table 6. Scenarios Assumptions Matrix

Contrast	Wage Bill/GDP Ratio	Employment Trends	Salary Structure
Scenario 1	<ul style="list-style-type: none"> The Wage Bill/GDP ratio declines from 6.2% in 2002 to 5.7% in 2003 and remain constant thereafter. 	<ul style="list-style-type: none"> Size of the public service remains constraint at 2001 level. 	<ul style="list-style-type: none"> New salary structure introduced. Salary differentials (increment and grade differentials) remain constraint through the period.
Scenario 2	<ul style="list-style-type: none"> Same as Scenario 1. 	<ul style="list-style-type: none"> Size of the public service reduced in line with the KPMG report recommendations. 	<ul style="list-style-type: none"> New salary structure introduced. Salary differentials (increment and grade differentials) remain constraint through the period.
Scenario 3	<ul style="list-style-type: none"> Same as Scenario 1. 	<ul style="list-style-type: none"> Same as Scenario 2. 	<ul style="list-style-type: none"> New salary structure introduced. Salary differentials (increment and grade differentials) rise through the period.
Scenario 4	<ul style="list-style-type: none"> Same as Scenario 1. 	<ul style="list-style-type: none"> Same as Scenario 1. 	<ul style="list-style-type: none"> New salary structure introduced. Salary differentials (increment and grade differentials) rise through the period. Allowances are eliminated from the compensation structure.

142. As was indicated earlier, instead of the size of the public service having declined since the development of the KPMG proposed medium term targets, it has actually risen. Though most of the increases are in the priority employment sectors. In the absence of further information regarding potential employment adjustments, the current report accepts the proposed employment adjustments as valid and still relevant. Starting from the December employment level, Scenarios 2 and 3 are undertaken assuming the KPMG type employment adjustments presented in Table 7.

Table 7. Modified Targets on the Size of the Public Service over the Medium Term

Description	Initial Employment position	Employment level after three years	Employment level after five years
Initial Employment (December 2001)	109,611		
Estimated untrained teachers	4,200		
Subtotal	113,811	113,811	113,811
Efficiency gains/contracting out in administrative and support functions		(4,168)	(6,947)
Other reductions from Ministry restructuring		(2,000)	(2,000)
Hiving off		(2,029)	(2,029)
Implementation of other PSRP measures		(900)	(900)
Increased health sector employment		1,132	1,945
Elimination of untrained teachers		(4,010)	(4,200)
Increase in trained teachers		4,010	6,889
Total		105,846	106,569

Towards a more unified salary-grade structure

143. A more unified job-grade and salary-grade structure would offer a number of advantages for the Zambia public service. It would:

- a. Improve the ease of salary administration;
- b. Increase the transparency of the structure;
- c. Facilitate increased rationality of the salary structure resulting from improved horizontal and vertical equity between job-grades; and
- d. Provide opportunities for increased salary differentials, both increment and grade differentials, facilitating improvements in the incentive regime.

144. A proposal to unify the job-grade/salary-grade structure is made here by consolidating comparable scales and combining salary grades. Details of the conversion process from the current fragmented job-grade/salary-grade structure to the more unified structure, referred to as the Zambia Public Service Salary Structure (ZPSSS), are presented in Appendix 4.

145. The structure is derived by combining:

- a. The Zambia General Service Salary (ZGSS) Scale, which comprises the current:
 - i. Senior Management Scale (SMS);
 - ii. Professional Management Scale (PMS);
 - iii. General Management Scale (GMS);
 - iv. Legal Management Scale (LMS);
 - v. Technical Management Scales (TMS);
 - vi. Legal Officers Scale (LOS);
 - vii. General Professional Scale (GPS);
 - viii. General Administrative Scale (GAS);
 - ix. Technician Scale (TS); and
 - x. District Messengers Scales (DMS).
- b. The Zambia Judicial Service Salary (ZJSS) Scale, which comprises the current:
 - i. Judicial Professional Scale (JPS); and
 - ii. Judicial Officers Scale (JOS).
- c. Zambia Medical Service Salary (ZMSS) Scale, which comprises the current:

- i. Medical Doctors Scale (MDS); and
 - ii. Medical, Nursing and Paramedical Scale (MS).
 - d. The Zambia Education Service Salary (ZESS) Scale, which comprises the current:
 - i. Education Management Scale (EMS);
 - ii. Technical Education Management Scale (TMS);
 - iii. Technical Education Scale (TES);
 - iv. Secondary Education Scale (SES); and
 - v. Education Scale (ES).
 - e. The Zambia Protective Service Personnel Salary (ZPSPS) Scale, which comprises the current:
 - i. Police Force Scale (PF);
 - ii. Prison Service (PS); and
 - iii. Police Technical Scale (PTS).
 - f. The Zambia Classified Personnel Salary (ZCPS) Scale, which comprises all current classified salary scales into one scale.
- 146. Aggregating the salary scales as proposed would yield the following:
 - a. The number of salary scales would be reduced from 24 (or 39) to six.
 - b. The number of salary grades would be reduced from 185 to 68.
 - c. The rationality and transparency of the salary structure would be significantly enhanced.
 - d. Salary increments will be substantially increased through the salary structure.
 - e. Salary administration will be improved by merging grades and steps/increments where pay differentials are negligible.
- 147. The general trend within the region and worldwide is towards having a streamlined transparent public service job-grade and salary structure. Comparing the proposed public service salary structure with other public services within the region, we find that:
 - a. The Kenya public service (excluding the military) currently has two scales, one for teachers (17 grades) and the other for all other civil servants (23 grades). With the proposed introduction of new salary bands in fiscal year 2002/03, a unitary salary structure will be applicable with eight grades/bands.
 - b. With the introduction of a revised salary structure in 1995, the Tanzania

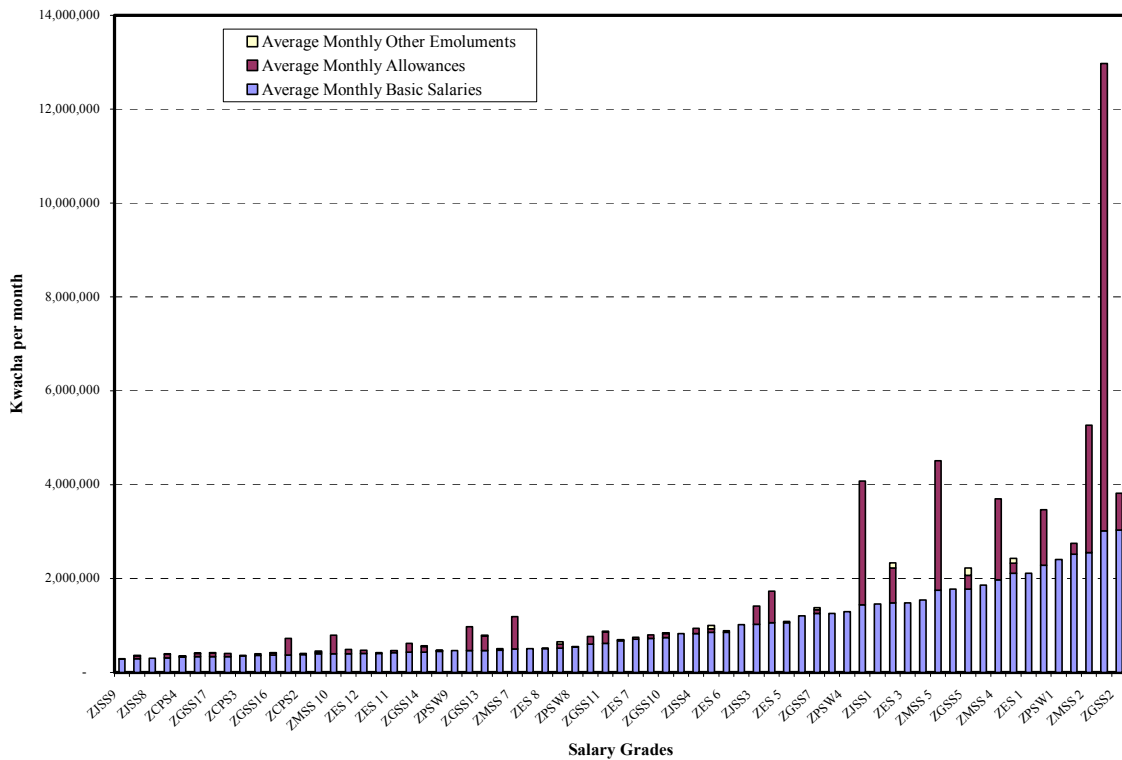
civil service salary structure became more streamlined. The numbers of salary scales were reduced from 23 to 6 and grades were reduced from 196 to 60. With the proposed introduction of a new salary structure with the implementation of the recently completed job evaluation and re-grading exercise, a unitary salary structure with 14 grades will become applicable.

- c. In 1999 Ghana adopted a universal/unitary salary structure with 22 grades and increments of 2.5% throughout much of the salary structure.
- d. The Botswana public service currently has a unitary salary structure with 10 grades.

148. The Zambia job-grade and salary-grade structure presented above should be seen as transitional. A job evaluation and re-grading (JERG) exercise, as proposed in Section 8, would be expected to point the way towards more rationalisation and consolidation of the job-grade structure.

149. Figure 8 presents the compensation structure yield by the proposed new Zambia Public Service Salary Structure, using December 2001 payroll data. Note the significantly reduced number of salary grades. The structure under the proposed new salary structure would be much more manageable than that resulting from the current salary structure (as presented in Figure 7). The significance of the allowances received by some salary grades is evident here.

Figure 8: Proposed Zambia Public Service Compensation Structure, December 2001



Sources: Budget Office, MFNP; Calculations

Results of Scenario 1

150. The results of Scenario 1 are summarised in Table 8. In this scenario employment is assumed to remain constant throughout the period at the December 2001 level at about 109,611. Excluding ACC, HB and MHB, salary groups that while appearing on the payroll are actually paid in part through government subventions, public employment would stand at 90,157.

151. It is assumed that during the 2002 salary increases would take into consideration both cost of living and growth of the economy. It is also assumed that throughout the period monetary allowances would remain constant in nominal terms. Thereinafter, the minimum basic salary would be adjusted for inflation. The first adjustment under the pay reform programme would take place by the end of the third-quarter 2002.

152. To illustrate the resulting compensation and salary implications of each scenario, five representative salary levels are examined:

- a. The lowest paid minimum basic salary (MBS) earners (which is ZJSS9.1);
- b. The average basic salary earners (which is comparable to the salary and compensation outcomes for salary grade ZGSS16);
- c. The middle-grade salary earners (represented by job grade ZES6);
- d. The upper-middle grade salary earners (represented by salary grade ZMSS4); and
- e. The top-salary earners in the Civil Service (represented by salary grade ZGSS1).

153. The salary adjustments under Scenario 1 would not be uniform for all job grades. Given the current salary structure, personnel towards the lower end of the salary scales would experience slightly greater increases in their real monetary compensation over the total medium-term period than would other salary groups. The minimum basic would stand at K451,448 pm in 2002/03. With the top salary being K6,045,737 pm, the compression ratio would be about 13.4. As the minimum salary rises in 2003 to K534,663 pm, the compression ratio would decline slightly to about 12.9. By the end of the period, the MBS would increase to K797,575 pm. The average monthly salary would increase from K521,463 pm after the initial salary adjustment in 2002/03 to K894,260 pm in 2007/08. The top salary would increase to K10,325,742 pm in 2007/08.

154. Under Scenario 1, with the exception of 2004/05, real pay would increase for all salary grades throughout the period. In that year a programmed significant reduction in the wage bill to GDP ratio would be implemented in an attempt to gradually move the ratio back towards its previous range. In 2004/05 all salary grades experience a real pay decline: by 7.5% for the MBS, 4.7% for the average salary earner and 4.3% for the middle-level, upper-middle and top-level salary earners respectively.

Table 8. Wage Bill and Monthly Salary Levels for Representative Salary Grades, Scenario 1

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Wage Bill Categories	(Kwacha Billions)					
Public service wage bill (Billions K)	842.273	959.181	999.838	1,128.567	1,256.095	1,398.034
Civil Service Wage Bill (Billions K)	606.178	690.580	722.105	815.539	908.900	1,009.501
Representative Salary Categories	(Kwacha Pm)					
Minimum Monthly Basic Salary (ZJSS9.10)	451,448	534,663	544,214	618,980	714,642	797,575
Average Monthly Basic Salary (ZGSS16)	521,463	599,477	628,617	714,978	801,273	894,260
Middle-Level Monthly Salary (ZES6)	1,381,029	1,581,189	1,664,811	1,893,529	2,113,449	2,358,712
Upper-Middle Level Monthly Salary (ZMSS4)	3,231,389	3,699,732	3,895,394	4,430,558	4,945,135	5,519,011
Top-Level Month Salary (ZGSS1.1)	6,045,737	6,921,979	7,288,051	8,289,311	9,252,054	10,325,742
Representative Salary Categories	(Percentage Increase in Real Pay)					
Minimum Monthly Basic Salary (ZJSS9.10)		6.7%	-7.5%	4.3%	7.4%	3.8%
Average Monthly Basic Salary (ZGSS16)		3.6%	-4.7%	4.3%	4.3%	3.8%
Middle-Level Monthly Salary (ZES6)		3.1%	-4.3%	4.3%	3.8%	3.8%
Upper-Middle Level Monthly Salary (ZMSS4)		3.1%	-4.3%	4.3%	3.8%	3.8%
Top-Level Month Salary (ZGSS1.1)		3.1%	-4.3%	4.3%	3.8%	3.8%

Source: Wage Bill Model.

155. Over the six-year period, real pay increase by 15% for the MBS, 12% for the average salary earner, 11% for the middle-level, upper-middle and top-level salary earners respectively.

156. These trends reflect the bias in the present salary structure towards personnel in the lower end of the salary scale. Other things being equal, there is a tendency towards the lessening of compensation differentials, i.e. a relative (if not a real) reduction in compensation for those cadres that the Government has the most difficulty to attract and retain: qualified professional, technical and managerial personnel.

157. [It should be noted that wage bill figures might differ slightly in a given fiscal year from Scenario to Scenario, as these are the results of the wage bill model.]

Results of Scenario 2

158. The major difference between Scenario 1 and Scenario 2 is with regard to the size of the public service. It is assumed here that employment is reduced in this Scenario (and in subsequent scenarios) in line with the proposal made in the KPMG report. As is illustrated by Table 9 it is assumed that employment declines gradually from 90,157 at the beginning of 2002, to 86,894 in 2003 and further to 83,309 by the end of the period. (Note that these numbers exclude ACC, HB and MHB personnel, who combined accounted for about 19,284 personnel in December 2001.)

Table 9. Employment Levels by Job Group Assumptions under Scenario 2-4

Job Groups	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
ZCPS	11,399	9,689	7,789	6,265	5,043	4,944
ZGSS	16,953	15,248	14,737	14,274	14,274	14,274
ZES	44,213	44,213	44,213	44,213	45,583	45,948
ZMSS	771	922	1,104	1,321	1,321	1,321
ZPSW	15,932	15,932	15,932	15,932	15,932	15,932
ZJSS	889	889	889	889	889	889
Grand Totals	90,157	86,894	84,664	82,894	83,042	83,309

159. While public service employment would be reduced, there will be some rightsizing of the public service taking place during the medium-term period. This rightsizing will be accomplished through:

- a. Reductions in employment through attrition without replacements in some cadres and a well targeted voluntary early retirement scheme;
- b. Rationalisation of staff at the ministerial and departmental levels through organisation and efficiency reviews, as well as extending such reviews to the local government level;
- c. Contracting-out of non-core services and non-essential activities presently performed by auxiliary staff; and
- d. Where appropriate, transform some independent government departments into executive agencies.

160. (Given the current obstacle posed by the high cost of the severance package a change in legislation may be required to reduce the cost of disengaging redundant personnel to a more realistic level.)

161. In addition to these, rightsizing will require:

- a. efforts to upgrade the workforce by replacing unqualified personnel (for example, shifting from untrained to trained teachers); and
- b. efforts to increase the number of professional and technical cadres, particularly those engaged in essential social services, the production of strategic government outputs and management.

162. As is shown in table the major reductions in employment are among the Classified Personnel and General Services personnel job groups. There is assumed to be a growth in employment in Education Services and Medical Services. In Education Services there is assumed to be restructuring with trained teachers replacing untrained teachers through out the period. In this case while the employment reductions have a wage bill decreasing effect, the shift in structure of public service employment has a wage bill increasing effect as low paid public servants are replaced by higher paid public servants.

163. The results of Scenario 2 are summarised in Table 10. In this case the average salary would rise faster than either the MBS or the top salary. This is in part attributable to the restructuring to public service employment, where many of the positions eliminated from the public service would be from the lower salary groups. Whereas average monthly salary rises from K521,463 pm to K894,260 in Scenario 1, it rises to K970,307 pm in Scenario 2. Both the salaries of the Middle-Level salary earner and the Upper-Middle Level salary would increase much faster than the MBS and the top salary.

Table 10. Wage Bill and Monthly Salary Levels for Representative Salary Grades, Scenario 2

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Wage Bill Categories	(Kwacha Billions)					
Public service wage bill (Billions K)	842.273	959.181	999.838	1,128.567	1,256.095	1,398.034
Civil service wage bill (Billions K)	606.178	690.866	722.112	815.557	908.898	1,009.506
Representative Salary Grades	(Kwacha Pm)					
Minimum Monthly Basic Salary (ZJSS9.10)	451,448	545,938	559,403	637,554	731,550	812,263
Average Monthly Basic Salary (ZGSS16)	521,463	623,309	671,277	779,963	872,567	970,307
Middle-Level Monthly Salary (ZES6)	1,381,029	1,614,533	1,711,276	1,950,348	2,163,452	2,402,149
Upper-Middle Level Monthly Salary (ZMSS4)	3,231,389	3,777,751	4,004,113	4,563,505	5,062,134	5,620,646
Top-Level Month Salary (ZGSS1.1)	6,045,737	7,067,949	7,491,457	8,538,047	9,470,953	10,515,896
Representative Salary Grades	(Percentage Increase in Real Pay)					
Minimum Monthly Basic Salary (ZJSS9.10)		8.9%	-6.8%	4.6%	6.7%	3.3%
Average Monthly Basic Salary (ZGSS16)		7.7%	-2.1%	6.6%	4.1%	3.4%
Middle-Level Monthly Salary (ZES6)		5.3%	-3.6%	4.6%	3.2%	3.3%
Upper-Middle Level Monthly Salary (ZMSS4)		5.3%	-3.6%	4.6%	3.2%	3.3%
Top-Level Month Salary (ZGSS1.1)		5.3%	-3.6%	4.6%	3.2%	3.3%

Source: Wage Bill Model.

164. Real pay increases for all salary grades throughout the period, with the exception of 2004/05. In 2004/05 all salary grades experience a real pay decline. The greatest decline is experience by the MBS earner. Over the entire period, real pay increase by 17% for the MBS, 21% for the average salary earner, 13% for the middle-level salary earner and top-level salary earner.

Results of Scenario 3

165. The major difference between Scenarios 2 and 3 lies in the assumptions about the salary structure. In this Scenario salary differences are increased with the intention to increase the decompression ratio and to improve the competitiveness of public service salaries for qualified managerial, professional and senior technical personnel.

166. The results of Scenario 3 are presented in Table 11. These data show that the average monthly salary, middle-level salary, upper-level salary and the top salary all increase faster than the MBS. The compression ration rises to 19.9. The results of this scenario appear to be in line with the pay reform proposals presented in the revised PSRP strategy. The top salary rises gradually to K14,466,195 pm. This is more than double the initial adjustment level.

167. Under Scenario 3 there is a substantial improvement in real pay for all salary groups in 2002/03. The MBS and top-level salary earners would experience the largest increases in pay. In 2004/05 all salary grades experience a real pay decline. During this year, the MBS earner would experience the greatest decline in pay. Over the entire period, real pay increase by 16% for the MBS, 21% for the average salary earner, 13% for the middle-level and upper-middle and 31% for the top-level salary earners.

Table 11. Wage Bill and Monthly Salary Levels for Representative Salary Grades, Scenario 3

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Wage Bill Categories	(Kwacha Billions)					
Public service wage bill (Billions K)	842.273	959.181	999.838	1,128.567	1,256.095	1,398.034
Civil service wage bill (Billions K)	606.178	690.852	722.209	815.770	908.855	1,009.332
Representative Salary Categories	(Kwacha Pm)					
Minimum Monthly Basic Salary (ZJSS9.10)	451,448	539,654	551,369	628,352	720,859	800,341
Average Monthly Basic Salary (ZGSS16)	521,463	623,295	671,372	780,178	872,523	970,133
Middle-Level Monthly Salary (ZES6)	1,381,029	1,549,417	1,804,614	2,056,575	2,280,868	2,532,356
Upper-Middle Level Monthly Salary (ZMSS4)	3,231,389	4,535,572	4,760,747	5,425,444	6,017,151	6,680,602
Top-Level Month Salary (ZGSS1.1)	6,045,737	9,821,340	10,308,935	11,748,272	13,029,556	14,466,195
Representative Salary Categories	(Percentage Increase in Real Pay)					
Minimum Monthly Basic Salary (ZJSS9.10)		8.5%	-6.9%	4.5%	6.7%	3.3%
Average Monthly Basic Salary (ZGSS16)		7.6%	-2.1%	6.6%	4.0%	3.5%
Middle-Level Monthly Salary (ZES6)		4.9%	-3.7%	4.5%	3.1%	3.3%
Upper-Middle Level Monthly Salary (ZMSS4)		4.9%	-3.7%	4.5%	3.1%	3.3%
Top-Level Month Salary (ZGSS1.1)		22.3%	-3.7%	4.5%	3.1%	3.3%

Source: Wage Bill Model.

Results of Scenario 4

168. Scenario 4 analyses the implications of a compensation structure where allowances do not feature prominently, as monetary allowances cease to be paid. What is paid is a straight salary. The salary structure that is derived from this scenario will provide the GRZ with an indication of what level of salaries can be paid in a compensation structure where allowances do not feature prominently

169. Table 12 presents the summary results for the representative salary grades. The MBS would rise from K452,738 pm in 2002/03 to K813,693 pm in 2007/08. The top salary would rise immediately to K8,004,231 pm in 2002/03. It would double from this level in 2007/08 to about K16,212,229 pm.

Table 12. Wage Bill and Monthly Salary Levels for Representative Salary Grades, Scenario 4

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Wage Bill Categories	(Kwacha Billions)					
Public service wage bill (Billions K)	842.273	959.181	999.838	1,128.567	1,256.095	1,398.034
Civil service wage bill (Billions K)	606.270	690.449	722.165	815.737	908.878	1,009.494
Representative Salary Categories	(Kwacha Pm)					
Minimum Monthly Basic Salary (ZJSS9.10)	452,738	557,550	569,390	644,569	735,720	813,693
Average Monthly Basic Salary (ZGSS16)	538,862	658,126	706,910	816,255	908,399	1,006,146
Middle-Level Monthly Salary (ZES6)	1,583,829	1,885,619	1,991,918	2,254,920	2,488,182	2,751,887
Upper-Middle Level Monthly Salary (ZMSS4)	4,182,471	4,979,419	5,260,125	5,954,643	6,570,627	7,267,000
Top-Level Month Salary (ZGSS1.1)	8,004,231	11,108,777	11,735,014	13,284,441	14,658,663	16,212,229
Representative Salary Categories	(Percentage Increase in Real Pay)					
Minimum Monthly Basic Salary (ZJSS9.10)		10.9%	-7.2%	3.9%	6.2%	2.9%
Average Monthly Basic Salary (ZGSS16)		10.0%	-2.4%	5.9%	3.5%	3.0%
Middle-Level Monthly Salary (ZES6)		7.3%	-4.0%	3.9%	2.6%	2.9%
Upper-Middle Level Monthly Salary (ZMSS4)		7.3%	-4.0%	3.9%	2.6%	2.9%
Top-Level Month Salary (ZGSS1.1)		25.0%	-4.0%	3.9%	2.6%	2.9%

Source: Wage Bill Model.

170. Under Scenario 4 there would be a substantial improvement in real pay for all salary groups in 2002/03. The MBS (10.9%) and top-level salary earners (25%) would benefit most from the real pay increase. In 2004/05 all salary grades experience a real pay decline. The MBS earner would experience the greatest decline (-7.2%). Over the entire period, real pay increase by 17% for the MBS, 21% for the average salary earner, 13% for the middle-level and upper-middle and 32% the top-level salary earners.

171. It should be noted that the real pay increases projected in this scenario are much lower than those in the favoured scenario in Tanzania, where real average public service pay is projected to grow by 60% in real terms, even with an increasing employment base to accommodate a planned increase in the number of primary school teachers by about 7.4% per annum over the 2002/03 – 2007/08 period (Valentine, 2002). The explanation is the projection higher real GDP growth rate in Tanzania, which is currently estimated at about 6.2% and is expected to rise to about 6.5% over the next couple of years. Mozambique is striving to double its real average pay level.

172. A major challenge to the GRZ is to finance its wage bill and other recurrent expenditures from its own resources during this period of low economic growth. A question is raised regarding Zambia's capacity to fund pay reform from its own resources and wage bill expenditures relative to other macroeconomic indicators. Table 13 presents data for Ghana, Kenya, Mozambique, Tanzania and Zambia. All of these countries, including Mozambique have a higher Domestic Revenue/GDP ratio than Tanzania and hence are better able to finance recurrent expenditures from their own resources.

173. Although there may be significant scope for broadening the tax base, in the short-term it may be difficult to increase government revenue from domestic resources to sustain high levels of expenditures for an extended period of time without assistance. With the exception of Kenya, whose Domestic Resource/GDP ratio has and is expected to continue to exceed 22.0%, Zambia's ratio that is expected to exceed 18%, is higher than many other countries within the region. This higher tax effort is in part attributable to the fact that historically Zambia has had a more developed formal economy than many other countries within the region. While Tanzania has a lower Wage Bill/GDP ratio than Kenya and Zambia, its low tax effort leaves it with a higher or at best comparable Wage Bill/Domestic Resource ratio than the other two. Mozambique's Wage Bill/Domestic Resource ratio is much higher than the other countries. It is able to sustain this in the medium-term with Budget Support from donors who see the need to support the country's pay reform effort. While Tanzania has the lowest wage bill to GDP ratios among this group of countries, it is recognised with having one of the more favourable real public service pay trends. This, in part, demonstrates the advantage of having significantly reduced the size of its public service before embarking on salary enhancement and adopted systematic MTPRS.

Table 13. A Regional Comparison of Wage Bills Relative to Other Macroeconomic Indicators

	1999/00	2000/01	2001/02 [*]	2002/03 [*]	2003/04 [*]
Ghana^a					
Domestic Revenue/GDP	14.80%	16.30%	16.50%	18.60%	18.40%
Wage Bill/GDP	5.60%	5.20%	5.20%	5.30%	5.40%
Recurrent Expenditures/GDP	16.40%	18.50%	19.40%	17.60%	16.40%
Wage Bill/Domestic Revenue	37.84%	31.90%	31.52%	28.49%	29.35%
Wage Bill/Recurrent Expenditure	34.15%	28.11%	26.80%	30.11%	32.93%
Kenya^b					
Domestic Revenue/GDP	22.7%	23.3%	23.1%	22.4%	22.1%
Wage Bill/GDP	8.40%	8.09%	8.01%	8.10%	7.59%
Total Expenditures ^{**} /GDP	22.60%	27.70%	24.80%	23.50%	22.10%
Wage Bill/Domestic Revenue	37.0%	34.7%	34.7%	36.2%	34.3%
Wage Bill/Total Expenditure	37.2%	29.2%	32.3%	34.5%	34.3%
Mozambique^c					
Domestic Revenue/GDP	14.7%	14.3%	13.6%	12.5%	13.0%
Wage Bill/GDP	5.20%	6.00%	6.70%	6.60%	6.30%
Recurrent Expenditure/GDP	12.25%	13.01%	15.60%	13.67%	13.19%
Wage Bill/Domestic Revenue	35.4%	41.8%	49.4%	53.0%	48.5%
Wage Bill/Recurrent Expenditure	42.4%	46.1%	43.0%	48.3%	47.8%
Tanzania^d					
Domestic Revenue/GDP	11.3%	11.8%	12.0%	12.0%	12.1%
Wage Bill /GDP	4.20%	4.00%	4.20%	4.50%	4.60%
Recurrent Expenditure/GDP	11.80%	12.91%	14.61%	14.04%	15.00%
Wage Bill/Domestic Revenue	37.2%	33.9%	35.0%	35.0%	34.7%
Wage Bill /Recurrent Expenditure	35.6%	31.0%	28.7%	29.9%	28.0%
Zambia^e					
Domestic Revenue/GDP	17.1%	19.8%	18.1%	18.1%	18.1%
Wage Bill/GDP	5.30%	5.50%	6.30%	6.20%	6.20%
Recurrent Expenditure/GDP	16.70%	17.30%	19.10%	17.30%	17.00%
Wage Bill/Domestic Revenue	31.0%	27.8%	34.8%	34.3%	34.3%
Wage Bill /Recurrent Expenditure	31.7%	31.8%	33.0%	35.8%	36.5%

Note: ^{*}Projections.

^{**}Total Expenditures, excluding Principal repayment

Source:

^a International Monetary Fund. 2001. "Ghana: Staff Report for the 2001 Article IV Consultation and Third Review Under the Poverty Reduction and Growth Facility," International Monetary Fund, Washington, D.C.

^b Republic of Kenya. Ministry of Finance and Planning. **2001. Medium-Term Expenditure Framework: Fiscal Strategy Paper 2001/02 – 2003/04**, prepared by Macroeconomic Working Group, Nairobi, Kenya.

^c Republic of Mozambique. 2000. **Plano de Acção para a Redução da Pobreza Absoluta**, 2001-2005. Maputo, Mozambique.

^d International Monetary Fund. 2001. "Tanzania: Staff Report for the 2001 Article IV Consultation and Third Review Under the Poverty Reduction and Growth Facility," International Monetary Fund, Washington, D.C.

^e International Monetary Fund. 2001. "Zambia: Staff Report for the 2001 Article IV Consultation and Review Under the Poverty Reduction and Growth Facility," Draft, International Monetary Fund, Washington, D.C.

174. With the exception of Mozambique, which receives significant donor budget support, Zambia has the highest Wage Bill/Recurrent Expenditure ratio than the other countries in the table. Still its Wage Bill/Domestic Revenue ratio is consistent with those of the other countries, save Mozambique.

175. Some analysts postulate that within the fiscal constraint there is limit to the amount of good governance that a low-income country can afford (Haque and Aziz, 1998). Good governance, the level of effectiveness and efficiency of the public sector, and by implication the degree of deviant work behaviour, then become an optimisation problem. This begs the question as to how could a government operating under such severe budgetary stress as Zambia achieve a higher, yet affordable level of governance.

176. Greater and more coordinated support from donor organisations may assist reforming countries to move out of the low governance equilibrium trap. Future investment in improved public services by the government and donors alike risks the achievement of little impact if motivation and incentive issues in the civil service are not understood, monitored and placed centre stage in public service reform strategy. The time has arrived for donors to lend support to pay reform in an effort to accelerate salary enhancement and to jump-start PSR effort.

Major Implications drawn from the Salary Scenarios

177. One clear implication is obvious from the scenarios. With the wage bill set to become a smaller proportion of GDP in a stagnant or slow growing economy, **there is little scope for significant salary enhancement in Zambia from the government's own resources in the short- to medium-term.** It should be recognised that the scope for employment reductions in Zambia is likely to be much smaller than many analysts expect.

178. As stated in Section 4 the major pay reform challenge is to redress the decline in real public service salaries. **The adoption of either Scenario 3 or Scenario 4 by the GRZ would be a significant step in the right direction.** Both scenarios offer the expectation of gradual enhancement of salaries over the course of the MTPRS. Given that a key feature in Scenario 4 is the consolidation of allowances and a move towards a “clean” wage bill, Scenario 4 is seen as being superior to Scenario 3.

179. The 30% and 40% real increases in average monthly basic salaries projected for Scenarios 3 and 4 respectively would be major achievements in the Zambia public service, where wages and salaries have declined significantly in recent years.

Recommendations

180. Drawing from the analysis of salary scenarios, it is recommended that the GRZ:

- a. Adopt the consolidated job-grade and salary-grade structure presented here, with the conversion as shown in Appendix 4.
- b. Amend the Employment Act in a manner consistent with lower the severance package to a more realistic level, to facilitate appropriate adjustments in the public service workforce.
- c. Adopt and implement Scenario 4 and its target medium-term salary

structure. (The wage-bill fit will require that the Government adhere to the public service employment target.) [Detailed salary structures for Scenario 4, for the years 2002/03 through 2007/08, are presented in Appendix 5.]

- d. Adjustment salaries on a year-to-year basis in line the annual salary structures.
- e. Adopt a compensation structure where monetary allowances do not feature prominently.
- f. After implementing (c), freeze all allowances in nominal terms over the course of the MTPRS. This would be a step towards implementing the revised PSRP strategy.
- g. Medium-term pay targets and the corresponding wage bill ceilings should be reviewed annually as an essential element of the MTEF process, with the intent of facilitating the implementation of the MTPRS.

Section 6. Local Cost Compensation: Rationale and Impact

Overview

181. Given the pay and incentives problems confronting the public service, donors sometimes provide incentive payments and salary supplements to key public service posts where incumbents are engaged on donor-funded projects and programmes. Such payments are referred to as local cost compensation (LCC). These payments are perceived to attract, retain and motivate personnel, as well as to ensure higher levels of performance and commitment from otherwise lowly paid and (potentially) demotivated public servants. LCC salary supplements are generally far higher than the basic salaries paid to personnel with comparable responsibilities, though these vary significantly from donor to donor, project to project, as well as within a project depending on the funding arrangement.

182. Broadly defined LCC support take various forms:

- a. Direct compensation in the form of:
 - i. salary top-ups for select public servants—where the donor either pays a salary supplement above the public service salary received by the recipient or meet the full salary of engaging public service personnel to undertake project related tasks;
 - ii. salaries for contract personnel engaged on donor-funded projects;
 - iii. payments (of fees) to line personnel for the undertaking of various short-term assignments (consultancies); and
 - iv. duty allowances, overtime allowances, responsibilities allowances for public servants assigned to facilitate the undertaking of donor-funded projects or for accepting the “extra” responsibilities associated with implementing a donor-funded project or assignment.
- b. Indirect compensation or support in the form of:
 - i. sitting allowances (attendance fees) or per diems paid to public servants to participate in forums (donor-funded workshops, seminars, conferences and round-table discussions); and
 - ii. payment of expenses for donor-sponsored international travel.

183. As LCC support is so varied, and in many cases is hidden within project budgets, it is difficult to obtain a full and reliable estimate to the total expenditures made by donors in the form of LCC support. Ascertaining this information would require a detailed study of donor funding of LCC. Efforts were made to attain such information. These efforts proved unsuccessful. While many donors acknowledge that they do make such payments, they indicated that LCC provisions are incorporated into the projects and assistances to various ministries and departments, so they do not have the details available to them.

184. When the amount spent directly on LCC is combined with other donor

payments to public servants, the total expenditures on direct and indirect salary supplements are likely to be significant.

185. While LCC support is significant in its size, both donors and government view such support as an inefficient, second-best solution. The major drawbacks of the present arrangement are:

- a. Vertical and horizontal inequities in the public service compensation are reinforced since;
- b. Conditions of service vary from donor to donor, leading to inequities with the LCC arrangement;
- c. Personnel who receive LCC earn much more than their colleagues in the same grade who are, perhaps, doing similar jobs;
- d. Junior personnel who receive LCC may be better paid than their superiors who have more responsibilities;
- e. The selection of LCC recipients is not always based on merit and is often not transparent;
- f. In some cases, donors know who they want to hire because of prior interaction;
- g. In some cases self-selection is practiced as the more diligent and competent personnel tend to pursue donor-funded posts;
- h. Still, in other cases, even when the recipient is nominated by his/her ministry or department, the selection process is rarely transparent;
- i. The salary supplementation is anomalous, as in the majority of cases it:
 - i. bears no relation to what the government can afford in the medium-term;
 - ii. does not promote long-term capacity building within the public service; and
 - iii. gives no consideration to sustainability of this support for funded posts;
 - iv. the numerous donor-funded workshops, seminars, conferences, and travel per diems, while providing indirect salary supplements, take the best public servants and senior management away from their regular duties, with little positive contribution to improved service delivery and/or policy formulation and implementation; and
 - v. LCC costs are reported as development expenditures and, therefore, the wage bill expenditures do not represent the true cost of delivering services or public goods.

186. While many donors (both multilateral and bilateral) provide LCC support,

they often follow different policies and practices. Among the approaches adopted by donors in paying salary supplementation are:

- a. Negotiating salary structures to be paid to project funded personnel with the GRZ;
- b. Negotiating salaries directly with LCC recipients, where agreed salaries reflect implicit assessment of workers' market valuation or opportunity cost;
- c. Paying competitive-based salary levels determined on the basis of labour market surveys;
- d. Setting rates for local personnel by various categories of skills; an approach generally practiced by multilateral agencies (UN organisations and the World Bank); and
- e. Paying salary supplementation by some donors to public service personnel, while other donors only bear the cost of engaging personnel on a contract basis.

187. These lead to a further de-rationalisation of the public service compensation structure as:

- a. There is a clear mismatch between the organisation structure and the salary structure. The results here are revealing of observations that are typical of LCC interventions.
- b. Supplementation policies and practices differ significantly among donors, with multilateral agencies generally more generous in their salary supplements than bilateral agencies (paying 2 to 3 times more for comparable posts funded by bilaterals).
- c. Salary differentials may not only induce compensation-conscious government personnel to seek donor-funded project assignments over regular line post assignments, but also induce preference among various donors; personnel may favour being engaged on multilateral projects rather than bilateral projects and prefer one bilateral over another depending on their LCC practices.
- d. Low skilled personnel on projects earn nearly as much or more than senior personnel in line positions in government ministries and departments.

188. While access to such opportunities may enhance the public services effort to attract and retain some skilled professionals and technical personnel, they are not without their disadvantages. In some cases they even induce and reward counterproductive behaviour by giving rise to:

- a. Decision-making by committees rather than responsible individuals;
- b. A proliferation of committee (and workshop) meetings;

- c. Rewarding personnel for spending more time away from their regular public service duties;
- d. Greater incentives for personnel to:
 - i. be away from their desks; and/or
 - ii. favour assignments on donor-funded projects and programmes; and
 - iii. delay decision-making.⁹

189. The result may be a lessening of attention to service delivery and government policy formulation/implementation matters.

190. The numerous donor-funded workshops, seminars and conferences may have as their overall objective to enhance capacity building, and undoubtedly much capacity building does take place. However, many public servants perceive such activities as merely providing a means for indirect salary supplements, taking the best public servants and senior management away from their regular duties, with little positive benefits to public service performance. This is not exclusive to Zambia. Evidence indicates that donor payments of sitting (attendance) allowances and honorariums feature prominently in income-maintenance strategies in many areas of the developing world as diverse as Indonesia (Cherikovsky and Bayulken, 1995), Bolivia (World Bank, 1999a), Cameroon (Israr *et al*, 2000), Uganda (McPake *et al*, 1999), Tanzania (Schiavo-Campo, 1998; Valentine, 2000), and the francophone countries of the Central Africa Region (Roenen *et al*, 1997).

191. Both government and donors recognise the need to rationalise the undertaking of workshops and seminars to improve public service capacity and performance. However, any such rationalisation must also help to resolve the broader incentive problems in the public service.

192. Only when the problems with the incentive regime are fully addressed can we realistically expect an effective, efficient and motivated civil service to evolve and capacity-building efforts to become more effective. If real take-home pay is not improved in the near future, the PSRP will increasingly be perceived as merely a cost-cutting and downsizing exercise. Once this perception threshold is reached, it would be hard to restore goodwill towards public service reforms and efforts to improve work performance. This would limit the country's efforts to improve:

- a. Governance;
- b. The production and distribution of public goods and services;
- c. The formulation and implementation of economic policy; and
- d. The management of public expenditures.

193. Given the short-term wage bill constraints, the GRZ would have difficulty

⁹Referring to the use of sitting (meeting) allowances in Tanzania, Schiavo-Campo *et al*. (1997: 43) write: "The [sitting] allowance understandably results in maximizing the number of meetings and minimizing their substance, a perfect way to interfere with administrative efficiency."

enhancing salaries of all skilled personnel within the next few years and thus risks disillusioning the core technical and professional personnel. Nonetheless, the introduction of a targeted salary enhancement scheme may provide the pay incentives required to jump-start the public service reform effort and improve performance and services in the short-term.

Rationalising/Systematising Salary Enhancement

194. Years of reliance on *ad hoc* LCC arrangements have evolved a situation where the Zambia public service has a heavily distorted compensation structure, and a reliance on LCC to supplement basic public service pay.

195. What is required is a more cooperative and less competitive approach among members of the donor community in the hope of taking some pressure off of the GRZ's effort to try to restore civil service compensation to levels consistent with fiscal and labour market constraints.

196. To address this situation donors and the government have attempted from time to time to devise arrangements where donors provide financial support for senior and professional public servants selective salary enhancement. In the past such schemes have faltered or failed to take off because they lacked objective and transparent selection criteria, were unsustainable, and/or focused on a few development-oriented ministries and did not address the pay problems across the public service.

197. Inasmuch as donor-supported intervention complements this medium-term pay strategy it will facilitate improved performance and capacity building in the public service. Rationalising and harmonising LCC may be desired, but this in itself would do little to address the broader incentive and capacity building problems. There is a need to go beyond LCC interventions towards the development of a scheme that supports efforts to address the broader problems. Rather than merely rationalising LCC, it is proposed that donors pool a proportion of the resources that they would normally earmark for LCC and contribute to the establishment of a scheme that will better complement the medium-term pay reform strategy. By doing so, *ad hoc* LCC arrangements could be transformed into a systematic scheme where donors collectively support the government's efforts to improve its capabilities to attract, retain and adequately motivate its personnel and build the requisite human resource capacity to facilitate improved service delivery and strategic outputs. This scheme is hereinafter referred to as the Selective Accelerated Salary Enhancement (SASE) scheme. It is proposed that through the SASE scheme donor-funds support an accelerated pace of salary enhancement for managerial, professional and technical personnel.

198. The guiding principles for transforming *ad hoc* LCC arrangements into a systematic salary enhancement scheme are as follows:

- a. In the medium-term the government must take responsibility and accountability for paying public servants adequately. In this regard, all salary supplement payments made should be linked to the government's medium-term strategy, regardless of how it is financed:

- i. The medium-term target salary structure must be realistic, i.e., the resulting wage bills must fit within the government's (projected) resource envelop;
 - ii. Personnel should be recruited and paid directly by the government, though in part through a donor contributed fund;
 - iii. The medium-term target salary scales should serve as the benchmark for the payment of salary supplementation, as this would allow the government to internalise such supplementation as and when donor support is phased out;
- b. Donors should agree to phase-out *ad hoc* LCC support and to a joint fund which is to be used to provide salary supplementation for SASE scheme beneficiaries;
 - c. With effect from the introduction of the SASE scheme, no new personnel should be engaged on LCC arrangements. Where personnel are already engaged on LCC arrangements:
 - i. those whose compensation fit within the target salary level set by government should be under by the SASE scheme;
 - ii. those whose compensation is in excess of the target salary level should have their compensation grand fathered until the project/programme is terminated. At the end of the project, if they desire to retain their public service post, they should return to the appropriate target salary level;
 - iii. those with special skills (information technology experts for example) who continue to be required by the government at the end of the project/ programme should be engaged (under contract); such arrangements should be consistent with the requirements of the ministries, departments, and agencies (MDAs) strategic plans;
 - d. Contract employment should be kept to a minimum:
 - i. contract employees should only be engaged where capacity in the public service is lacking or specific skills are required;
 - ii. the positions to be contracted should be consistent with the manpower requirements of the MDA as specified in the strategic plans;
 - iii. personnel engaged on contract terms should be competitively recruited through an open and transparent process;
 - iv. contracts should be engaged by the government, not by donors.
 - e. Establish and maintain a specific time-frame for the operation of the SASE scheme, e.g. five to eight years, with the government and donors agreeing on clear benchmarks for (among other things):
 - i. the implementation of the scheme; and
 - ii. the government assuming responsibility for meeting the full salaries of all personnel engaged;

- f. From the outset all incentives payments should be linked to improved performance and based on an open and objective appraisal mechanism;
- g. All salary supplements should conform to the target salary levels and the process of selecting participants in the scheme should be transparent and objective.
- h. Monitoring and evaluation mechanisms would be agreed on by the government and donors to ensure that funding criteria and reporting arrangements are adhered to.

Section 7. Mechanisms for Implementing the Selective Accelerated Salary Enhancement (SASE) Scheme

Introduction

199. In this era of severe budget stress, many countries are striving to improve the effectiveness and efficiency of their public services, to create a public service that facilitates economic growth and development rather than posing a drag on the economy. As indicated earlier, the new conventional wisdom of PSR suggests three important dictums. **First**, with governments under severe budgetary stress, there is little scope for significant across-the-board salary enhancement in the short- to medium-term. Therefore, in the short- to medium-term pay reform should contribute to raising public service performance by undertaking salary enhancement on a selective basis. Salary enhancement must be targeted towards those posts that will afford a greater impact on performance improvement and capacity building. **Second**, employment reductions in the public service in themselves will not provide enough wage-bill savings to finance substantial salary enhancement for targeted posts. Salary enhancement, where it does occur, will have to be largely financed through other sources. And **third**, with limited budgets and the need to increase cost-effectiveness of government spending, greater care should be taken to link pay enhancement more directly to performance improvement and service delivery.

200. As indicated in the second point above, there is a growing perception that relying on wage-bill savings from employment reductions and government resources are not likely to yield much in the way of pay reform. Besides the results are likely to be very gradual reforms, **too gradual** and **too meagre** to bring about the changes in work behaviour required to lead to significant improvements in work performance and service delivery. Extra budgetary support would lend impetus to the GRZ's pay-reform effort by accelerating the pace of salary enhancement and jump-starting the PSR effort.

201. It may be desirable to introduce accelerated salary enhancement for all public servants in the short- to medium-term. However, given the present resource constraints and performance management limitations, this is not a feasible option. Limited resources should be targeted to posts critical to improving service delivery, managing the reform process, and provision of quality strategic outputs.

202. Some governments have embarked on an innovative approach to pay reform. This approach has become known as Selective Accelerated Salary Enhancement (SASE). Through the scheme the basic salaries of personnel in key positions are enhanced by bringing the medium-term salaries levels forward. For example, if the GRZ adopts such a scheme, beneficiaries would be paid their medium-term target salary levels for 2007/08 upon the scheme's implementation.

203. The rest of this section outlines how the SASE scheme can work to accelerate pay reform and facilitate improvements in services even under conditions of severe budgetary stress. Funding requirements in Zambia are explored under various approaches to implementing the scheme. Also, the issue of how the scheme could be

financed in the Zambia situation is examined.

Overview of a SASE-type Scheme

204. A SASE scheme is selective in two ways. First, accelerated salary enhancement is targeted at posts that are likely to have the greatest impact on service delivery, the reform effort and the strategic outputs of government. And second, the scheme is phased-in, starting with public service ministries, departments, and agencies that have:

- a. Leading roles in change management and potential impact on the socio-economic well-being of the average citizen; and
- b. Well advanced formulated strategic plans and are poised for implementation of their respective reform programmes.

205. The general approach to operationalising a SASE-type scheme is as follows:

- a. The government should adopt and adhere to a medium-term target pay structure, which in the Zambia case is proposed to cover the MTPRS period, 2002 - 2007.
- b. A fund should be created to provide the government with extra budgetary support to supplement salaries of SASE scheme beneficiaries over the course of the medium-term.
- c. All personnel of a particular job grade and step/increment, whether SASE-scheme beneficiaries or non-beneficiaries, should be entitled to the same basic salary, as is currently applicable. The basic salary for a given fiscal year will be set out in the MTPRS. The difference in compensation between SASE scheme beneficiaries and non-beneficiaries will be the positions that they hold and whether salary supplementation is afforded to these positions. Within the funding limits, positions deemed key/critical may be included under the SASE scheme and afforded salary supplementation. The amount of the supplement in a particular fiscal year will be the difference between the target monthly salary and the actual monthly basic salary for the given fiscal year.
- d. It is the position that should be determined as key and thus selected for supplementation, not the incumbent in the position. Hence, the salary supplement will be attached to the position, not to its incumbent.
- e. The SASE scheme target salary scales should serve as the benchmark for the payment of any salary supplements, as this will allow the government to internalise such supplementation as and when extra budgetary support is phased out.
- f. Each fiscal year, as the government makes salary adjustments in line with MTPRS, the gap between actual government pay levels and the target pay levels would narrow, thus, reducing the need for extra financial commitment, as the government's ability to pay competitive compensation

out of the general wage bill rises.

206. With SASE, the long-term sustainability of the salary levels should not be at issue, since the target pay structure will be based upon an affordable wage bill over the MTEF period. As annual salary levels converge towards the target levels, extra budgetary support for salary supplementation will be phased-out.

207. Currently, SASE schemes are being implemented in two countries that have reached the HIPC completion point, Bolivia and Tanzania, and under consideration for implementation in a third, Mozambique. In each of these countries, the targeted recipients are equal to about 3% of the total civil service workforce.

Selection of SASE Scheme Funded Positions

208. The clear challenge is to devise a system of selective salary enhancement that is perceived as fair, objective, and transparent. Likewise, objective and transparent criteria for the selection of SASE-scheme funded positions will prove crucial to the success of the scheme.

209. The various approaches to selecting SASE-scheme positions may be considered, including targeting:

- a. All qualified managerial, professional and technical cadres;
- b. Incentive payments towards mid-career professional and technical personnel;
- c. Positions that are related to activities that have the greatest impact on customers; extending the concern of customers more broadly would not only imply personnel who have the greatest impact on service delivery, but those who impact upon the reform effort and the strategic output of government as well; and
- d. Personnel who currently receive retention allowances, with SASE salary supplements serving as a substitute for retention allowances.

210. Four options are considered for the selection of positions in the SASE scheme:

Option 1: Provide supplemental pay to all senior managerial, professional and technical positions under the assumption that all these are the positions that the public service has the most difficulty to attract and retain suitably qualified personnel. Anyone with the same or equivalent designation or in higher scheme of service would also receive the salary supplements.

Option 2: Provide supplemental pay to the key position in each MDA. (Key position would be determined by how critical that position is to service delivery, managing the reform effort, and/or contribution to the strategic output of government.)

Option 3: Use MDAs' strategic plans to identify positions that are deemed critical to service delivery, public service reform efforts, and strategic government outputs. These are the positions most critical to the success of efforts to reinvigorate the government, improve service delivery and enhance policy formulation and implementation. The total number of beneficiaries would be determined by the size of the total SASE scheme fund.

Option 4: Provide supplemental pay to all positions where incumbents already receive Retention Allowances.

211. Qualification for SASE supplementation should not be automatic, even for skilled professional, technical and managerial positions. The SASE scheme beneficiary selection process should be consistent with and help to facilitate the strategy for performance improvement management adopted by the public service. Among other things, this approach requires that:

- a. In order to qualify for SASE support, the ministry or department would have had to complete its re-organisation efforts and the strategic planning process. **The relevant body that oversees the implementation of such plans should have accepted the Strategic Plan.**
- b. Operational details for implementing the strategic plan must be put forward in the MDA's **Operational Plan**, with **Annual Plans** detailing how the strategic plan will be implemented on an annual basis.
- c. MDA must develop an acceptable **Client Charter**.
- d. MDA must demonstrate that transparent criteria were used to select SASE scheme funded positions (e.g. management committees).
- e. The SASE scheme positions must have been identified as key for the provision of service delivery, management of the reform process, or strategic government output by the MDA's strategic planning process.
- f. SASE scheme positions must have up-to-date job descriptions. These are detailed and specify outputs, quality considerations and timeframes for completion of tasks, as well as other objective criteria.
- g. The incumbents in SASE scheme positions must sign **performance agreements**, which will serve as the basis for determining acceptable performance.
- h. The performance of the incumbents in SASE scheme positions must be appraised on an annual basis, using an objective staff-performance appraisal system. Through this system, pay will be linked to performances as continued receipt of SASE scheme salary supplementation. In addition to this, annual increment and promotion awards will be tied to performance.

212. The approach outlined above is consistent with the results-oriented

performance improvement management programme proposed for the Zambia Public Service, whose steps include:

- a. Service delivery surveys;
- b. Service delivery benchmarks;
- c. Service charters;
- d. Annual work plans;
- e. Work improvement teams;
- f. Staff performance appraisal and incentives; and
- g. Performance contracts.

213. Public servants and public organisations may need clear incentives to re-think their roles and to implement need changes. An incentive regime must be devised to provide inducement for staff in MDA to change the way public organisations do business. Typically, this involves rewarding line MDA and their staff if they:

- a. Develop a strategic framework for realigning central Ministries and Departments; and
- b. Follow through with the required restructuring and adoption of performance-oriented measures.

214. Implementing performance-improvement aspects of a MDAs strategic plan can be facilitated by resources made available under a performance improvement fund (PIF). The PIF is expected to provide resources to implement the improvement plans and related key capacity building interventions. Funds for technical assistance and training in strategic planning, operational planning and performance appraisal will be drawn down according to agreed targets and standards for service improvements. Resources for capacity building will be accessed as soon as a ministry has developed a credible strategic plan and has diagnosed its requirements to deliver the strategy.

215. A SASE scheme may facilitate institutional and organisational reforms by providing incentives and motivation for the human resources whose efforts are criteria to implementing each step of the performance improvement management strategy.

Piloting/Phasing-in the SASE Scheme

216. Phasing-in SASE-scheme implementation may be desirable from the standpoint of:

- a. Allowing more learning-by-doing and providing scope for some experimentation to learn what works before the scheme is extended to other ministries, departments, and agencies;
- b. Ensuring that the scheme is cost-effective and sustainable; and
- c. Ensuring that the number of beneficiaries does not outstrip the capacity of the performance management system to relate enhanced pay to improved

work performance.

217. Implementing SASE-scheme intervention is not without its challenges, as much learning-by-doing is required. However, if structured and implemented properly, it may offer significant benefits to addressing problems of low motivation, lack of competitiveness of the salary structure, and capacity building constraints in the public service. The cost and risk associated with maintaining the status quo (low pay, lack of incentives which undermines performance and efforts to improve service delivery, weaknesses in provision of strategic output) are seen as too high and inconsistent with the requirements for growth-oriented and modernising economy.

Funding Requirement to Operationalise the SASE Scheme

218. It should be noted that salary supplements would cover the difference between medium-term target salaries and actual basic salaries only. These supplements will not be applied to total monetary compensation. With this in mind, the cost of the SASE scheme, and hence its financing requirements, will be determined by:

- a. The number of positions that will benefit from salary supplement and the distribution of these positions across job groups;
- b. The average salary supplement per position, which in turn will be a function of the MTPRS approach implemented by the GRZ and the approach adapted to implementing the scheme.

219. For the purpose of illustration here it is assumed that all positions in the civil service whose incumbents currently receive retention allowances (1,9722) would be among the beneficiaries of the SASE scheme. In addition to these, about 810 other positions would be beneficiaries of the scheme. This would bring the total number of beneficiaries to 2,732.

220. Funding requirements are derived for Scenario 4, which were examined in detail in Section 5. Table 14 presents data on average monthly basic salaries and salary supplement requirements. The average monthly basic salary for these job grades would increase by 78% in nominal terms, from **K1,662,883** pm for 2002/03 to **K2,953,241** pm for 2007/08. The average monthly salary supplements in 2002/03 would range from **K409,889** pm for job grade ZGSS18 to **K8,207,998** pm for job grade ZGSS1, with the average for all beneficiaries being **K1,290,358** pm. These would decline by 2006/07 to **K92,538** pm and **K1,553,566** pm for job grade ZGSS18 and ZGSS1 respectively, with the average for all beneficiaries being **K283,000** pm.

221. The total annual salary supplement requirements are presented in Table 15. These would decline on an annual basis from **K42.298** billion in 2002/03 to **K9.277** billion in 2006/07, before being phased-out by the end of 2007/08. The total funding requirement over the period would be **K126.299** billion, roughly US\$31.574 million at the current exchange rate.

Table 14. Average Monthly Basic Salaries and Salary Supplement Requirement for each SASE Scheme Beneficiary under Scenario 4, 2002 – 2007

Salary Grade	Number of Retention Allowance Recipients	Number of Positions	Average Monthly Salary per Beneficiary Position						Average Salary Supplement per Beneficiary Position				
			2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2002/03	2003/04	2004/05	2005/06	2006/07
ZGSS1	2	2	8,004,231	11,108,777	11,735,014	13,284,441	14,658,663	16,212,229	8,207,998	5,103,452	4,477,216	2,927,788	1,553,566
ZGSS2	24	31	6,357,041	8,607,709	9,092,953	10,293,537	11,358,361	12,562,153	6,205,112	3,954,444	3,469,200	2,268,616	1,203,791
ZGSS3	7	10	5,307,494	7,011,453	7,406,711	8,384,653	9,252,011	10,232,566	4,925,071	3,221,112	2,825,855	1,847,913	980,554
ZGSS4	44	62	4,491,639	5,803,736	6,130,910	6,940,402	7,658,359	8,470,013	3,978,374	2,666,278	2,339,103	1,529,611	811,654
ZGSS5	37	52	3,746,430	4,710,944	4,976,515	5,633,587	6,216,359	6,875,186	3,128,757	2,164,242	1,898,671	1,241,599	658,827
ZGSS6	117	164	2,997,521	3,686,693	3,894,523	4,408,735	4,864,801	5,380,386	2,382,864	1,693,693	1,485,863	971,651	515,585
ZGSS7	33	46	2,396,931	2,898,519	3,061,917	3,466,196	3,824,760	4,230,119	1,833,187	1,331,600	1,168,202	763,923	405,359
ZGSS8	144	202	1,946,922	2,317,898	2,448,565	2,771,861	3,058,598	3,382,757	1,435,835	1,064,859	934,192	610,897	324,159
ZGSS9	84	118	1,592,356	1,895,772	2,002,642	2,267,060	2,501,578	2,766,703	1,174,346	870,931	764,061	499,643	265,124
ZGSS10	1	1	1,286,539	1,531,683	1,618,028	1,831,664	2,021,142	2,235,349	948,809	703,666	617,320	403,685	214,206
ZGSS11	225	315	1,079,520	1,285,217	1,357,669	1,536,928	1,695,917	1,875,655	796,135	590,438	517,986	338,727	179,738
ZGSS12	81	113	914,535	1,088,794	1,150,173	1,302,036	1,436,726	1,588,994	674,460	500,200	438,821	286,959	152,268
ZGSS13	162	227	794,963	946,439	999,793	1,131,801	1,248,881	1,381,241	586,277	434,801	381,447	249,440	132,360
ZGSS14	231	323	713,494	849,447	897,333	1,015,812	1,120,894	1,239,689	526,195	390,242	342,356	223,877	118,795
ZGSS15	20	28	648,248	771,769	815,276	922,920	1,018,393	1,126,325	478,076	354,556	311,049	203,405	107,932
ZGSS16	7	8	639,539	761,399	804,322	910,520	1,004,710	1,111,192	471,653	349,792	306,870	200,672	106,482
ZGSS17	3	3	598,300	712,303	752,458	851,808	939,924	1,039,540	441,240	327,237	287,082	187,732	99,616
ZGSS18	1	1	555,790	661,692	698,994	791,285	873,141	965,679	409,889	303,986	266,685	174,393	92,538
ZES 1	-	-	4,491,634	5,803,729	6,130,903	6,940,394	7,658,350	8,470,004	3,978,369	2,666,275	2,339,100	1,529,609	811,654
ZES 2	2	2	3,746,423	4,710,936	4,976,507	5,633,578	6,216,348	6,875,174	3,128,751	2,164,238	1,898,668	1,241,597	658,826
ZES 3	11	14	2,997,515	3,686,684	3,894,514	4,408,725	4,864,790	5,380,374	2,382,859	1,693,689	1,485,859	971,649	515,584
ZES 4	17	21	2,384,095	2,928,322	3,093,401	3,501,837	3,864,087	4,273,614	1,889,519	1,345,292	1,180,214	771,778	409,527
ZES 5	106	197	1,936,496	2,341,732	2,473,743	2,800,362	3,090,048	3,417,540	1,481,044	1,075,808	943,798	617,178	327,492
ZES 6	234	327.60	1,583,829	1,885,619	1,991,918	2,254,920	2,488,182	2,751,887	1,168,057	866,267	759,969	496,967	263,705
ZES 7	5	7	1,306,359	1,555,278	1,642,954	1,859,881	2,052,278	2,269,785	963,426	714,506	626,830	409,903	217,506
ZES 8	56	78	906,557	1,079,296	1,140,140	1,290,678	1,424,193	1,575,133	668,576	495,837	434,993	284,455	150,940

Table 14. (Continued)

Salary Grade	Number of Retention Allowance Recipients	Number of Positions	Average Monthly Salary per Beneficiary Position						Average Salary Supplement per Beneficiary Position				
			2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2002/03	2003/04	2004/05	2005/06	2006/07
ZES 9	98	137	814,482	969,678	1,024,342	1,159,590	1,279,545	1,415,155	600,672	445,477	390,813	255,565	135,610
ZES 10	5	6	750,609	893,634	944,011	1,068,653	1,179,201	1,304,176	553,567	410,542	360,165	235,523	124,975
ZES 11	3	3	712,129	847,821	895,615	1,013,868	1,118,748	1,237,316	525,187	389,495	341,701	223,449	118,568
ZES 12	6	7	722,309	859,941	908,418	1,028,361	1,134,741	1,255,004	532,695	395,063	346,585	226,643	120,263
ZMSS 1	1	1	6,357,041	8,607,709	9,092,953	10,293,537	11,358,361	12,562,153	6,205,112	3,954,444	3,469,200	2,268,616	1,203,791
ZMSS 2	3	4	5,919,474	7,047,398	7,444,682	8,427,638	9,299,443	10,285,024	4,365,550	3,237,626	2,840,342	1,857,386	985,581
ZMSS 3	3	4	4,942,170	5,883,874	6,215,566	7,036,236	7,764,106	8,586,968	3,644,798	2,703,094	2,371,402	1,550,732	822,862
ZMSS 4	6	8	4,182,471	4,979,419	5,260,125	5,954,643	6,570,627	7,267,000	3,084,529	2,287,581	2,006,876	1,312,357	696,374
ZMSS 5	10	14	3,559,817	4,238,121	4,477,037	5,068,161	5,592,442	6,185,144	2,625,328	1,947,023	1,708,107	1,116,983	592,703
ZMSS 6	46	64	2,913,439	3,468,579	3,664,114	4,147,903	4,576,987	5,062,069	2,148,630	1,593,490	1,397,956	914,166	485,082
ZMSS 7	2	3	883,475	1,051,816	1,111,111	1,257,816	1,387,932	1,535,028	651,554	483,212	423,918	277,213	147,097
ZMSS 8	1	1	794,963	946,439	999,793	1,131,801	1,248,881	1,381,241	586,277	434,801	381,447	249,440	132,360
ZMSS 9	4	6	713,494	849,447	897,333	1,015,812	1,120,894	1,239,689	526,195	390,242	342,356	223,877	118,795
ZMSS 10	1	1	648,248	771,769	815,276	922,920	1,018,393	1,126,325	478,076	354,556	311,049	203,405	107,932
ZMSS 11	2	3	605,343	720,688	761,315	861,835	950,989	1,051,777	446,434	331,089	290,462	189,942	100,788
ZMSS 12	1	1	557,935	664,247	701,693	794,341	876,512	969,407	411,472	305,160	267,714	175,067	92,895
ZPSP1	1	1	6,084,893	7,244,337	7,652,723	8,663,147	9,559,314	10,572,437	4,487,545	3,328,101	2,919,715	1,909,291	1,013,123
ZPSP2	1	1	4,979,221	5,927,985	6,262,164	7,088,986	7,822,314	8,651,344	3,672,123	2,723,359	2,389,180	1,562,358	829,031
ZPSP3	4	5	3,986,349	4,745,926	5,013,469	5,675,420	6,262,519	6,926,239	2,939,890	2,180,313	1,912,770	1,250,819	663,719
ZPSP4	8	11	3,113,478	3,706,735	3,915,695	4,432,702	4,891,247	5,409,635	2,296,157	1,702,901	1,493,940	976,933	518,388
ZPSP5	5	7	2,431,735	2,895,090	3,058,295	3,462,096	3,820,235	4,225,115	1,793,379	1,330,025	1,166,820	763,019	404,879
ZPSP6	5	7	1,895,047	2,256,138	2,383,323	2,698,004	2,977,102	3,292,624	1,397,577	1,036,486	909,300	594,619	315,522
ZPSP7	8	11	1,498,144	1,783,607	1,884,154	2,132,928	2,353,571	2,603,009	1,104,865	819,402	718,854	470,081	249,438
ZPSP8	15	21	1,210,718	1,441,414	1,522,671	1,723,716	1,902,027	2,103,610	892,892	662,196	580,939	379,894	201,582
ZPSP9	28	39	998,366	1,188,599	1,255,604	1,421,387	1,568,424	1,734,650	736,284	546,051	479,046	313,263	166,226
JPS01	0	1	3,125,832	4,124,244	4,211,821	4,767,927	5,442,175	6,018,952	2,893,120	1,894,708	1,807,131	1,251,025	576,777
JPS02	0	3	2,555,289	3,262,291	3,331,565	3,771,446	4,304,779	4,761,011	2,205,722	1,498,720	1,429,447	989,565	456,233
JPS03	1	8	2,105,711	2,673,063	2,729,825	3,090,256	3,527,259	3,901,088	1,795,377	1,228,025	1,171,263	810,832	373,829
Averages	1,922	2,732	1,662,883	2,023,589	2,137,211	2,419,397	2,670,241	2,953,241	1,290,358	929,652	816,029	533,844	283,000

Table 15. SASE Scheme Funding Requirement By Job Group of Implementing Scenario 4, 2002/03 – 2006/07

Salary Grade	Number of Retention Allowance Recipients	Number of Positions	Total Monthly Salary Supplement Funding Requirement (in K)					Total Annual Salary Supplement Funding Requirement (in K)					Total SASE Funding Requirement (in K)
			2002/03	2003/04	2004/05	2005/06	2006/07	2002/03	2003/04	2004/05	2005/06	2006/07	
ZGSS1	2	2	16,415,997	10,206,904	8,954,431	5,855,576	3,107,133	196,991,959	122,482,854	107,453,176	70,266,915	37,285,593	534,480,496
ZGSS2	24	31	193,599,483	123,378,639	108,239,041	70,780,816	37,558,283	2,323,193,799	1,480,543,671	1,298,868,487	849,369,795	450,699,397	6,402,675,148
ZGSS3	7	10	48,265,698	31,566,900	27,693,375	18,109,544	9,609,431	579,188,372	378,802,800	332,320,504	217,314,533	115,313,176	1,622,939,386
ZGSS4	44	62	245,067,844	164,242,721	144,088,755	94,224,040	49,997,914	2,940,814,133	1,970,912,654	1,729,065,064	1,130,688,483	599,974,970	8,371,455,304
ZGSS5	37	52	162,069,597	112,107,727	98,351,164	64,314,832	34,127,251	1,944,835,162	1,345,292,720	1,180,213,968	771,777,979	409,527,006	5,651,646,835
ZGSS6	117	164	390,313,197	277,426,945	243,384,321	159,156,445	84,452,866	4,683,758,363	3,329,123,344	2,920,611,858	1,909,877,342	1,013,434,397	13,856,805,304
ZGSS7	33	46	84,693,258	61,519,935	53,970,920	35,293,234	18,727,578	1,016,319,093	738,239,217	647,651,045	423,518,809	224,730,939	3,050,459,103
ZGSS8	144	202	289,464,315	214,675,605	188,333,099	123,156,769	65,350,430	3,473,571,785	2,576,107,254	2,259,997,188	1,477,881,222	784,205,159	10,571,762,609
ZGSS9	84	118	138,103,110	102,421,497	89,853,517	58,757,960	31,178,619	1,657,237,318	1,229,057,967	1,078,242,199	705,095,523	374,143,428	5,043,776,435
ZGSS10	1	1	1,328,333	985,133	864,248	565,158	299,889	15,939,997	11,821,590	10,370,981	6,781,902	3,598,667	48,513,137
ZGSS11	225	315	250,782,488	185,987,976	163,165,684	106,699,027	56,617,492	3,009,389,858	2,231,855,716	1,957,988,214	1,280,388,326	679,409,898	9,159,032,012
ZGSS12	81	113	76,483,731	56,722,678	49,762,327	32,541,106	17,267,222	917,804,767	680,672,134	597,147,928	390,493,278	207,206,667	2,793,324,774
ZGSS13	162	227	132,967,667	98,612,895	86,512,262	56,573,012	30,019,224	1,595,612,002	1,183,354,745	1,038,147,146	678,876,143	360,230,691	4,856,220,726
ZGSS14	231	323	170,171,367	126,204,299	110,717,969	72,401,863	38,418,456	2,042,056,408	1,514,451,594	1,328,615,622	868,822,356	461,021,470	6,214,967,451
ZGSS15	20	28	13,386,140	9,927,572	8,709,375	5,695,326	3,022,100	160,633,682	119,130,860	104,512,500	68,343,917	36,265,196	488,886,155
ZGSS16	7	8	3,631,729	2,693,402	2,362,899	1,545,172	819,911	43,580,750	32,320,820	28,354,783	18,542,059	9,838,936	132,637,347
ZGSS17	3	3	1,456,092	1,079,882	947,372	619,515	328,732	17,473,105	12,958,590	11,368,462	7,434,184	3,944,786	53,179,127
ZGSS18	1	1	450,878	334,385	293,353	191,832	101,792	5,410,534	4,012,618	3,520,236	2,301,990	1,221,500	16,466,879
ZES 2	2	2	6,257,503	4,328,476	3,797,336	2,483,194	1,317,652	75,090,032	51,941,715	45,568,029	29,798,327	15,811,827	218,209,930
ZES 3	11	14	33,360,028	23,711,652	20,802,032	13,603,085	7,218,178	400,320,336	284,539,823	249,624,389	163,237,016	86,618,132	1,184,339,696
ZES 4	17	21	39,679,899	28,251,138	24,784,485	16,207,332	8,600,064	476,158,788	339,013,651	297,413,820	194,487,985	103,200,771	1,410,275,014
ZES 5	106	197	291,765,646	211,934,268	185,928,148	121,584,098	64,515,927	3,501,187,748	2,543,211,222	2,231,137,776	1,459,009,171	774,191,120	10,508,737,037
ZES 6	234	328	382,655,619	283,789,131	248,965,813	162,806,353	86,389,610	4,591,867,432	3,405,469,566	2,987,589,756	1,953,676,237	1,036,675,317	13,975,278,307
ZES 7	5	7	6,743,981	5,001,543	4,387,812	2,869,324	1,522,544	80,927,774	60,018,516	52,653,739	34,431,889	18,270,524	246,302,441
ZES 8	56	78	52,416,373	38,873,588	34,103,471	22,301,302	11,833,695	628,996,474	466,483,055	409,241,654	267,615,623	142,004,343	1,914,341,148
ZES 9	98	137	82,412,240	61,119,442	53,619,571	35,063,476	18,605,662	988,946,878	733,433,303	643,434,857	420,761,715	223,267,948	3,009,844,701
ZES 10	5	6	3,044,616	2,257,981	1,980,907	1,295,376	687,363	36,535,395	27,095,768	23,770,889	15,544,511	8,248,353	111,194,916
ZES 11	3	3	1,733,119	1,285,334	1,127,613	737,380	391,275	20,797,425	15,424,008	13,531,352	8,848,564	4,695,296	63,296,645
ZES 12	6	7	3,515,787	2,607,416	2,287,464	1,495,842	793,736	42,189,450	31,288,988	27,449,566	17,950,110	9,524,831	128,402,945
ZMSS 1	1	1	8,066,645	5,140,777	4,509,960	2,949,201	1,564,928	96,799,742	61,689,320	54,119,520	35,390,408	18,779,142	266,778,131
ZMSS 2	3	4	17,025,645	12,626,740	11,077,332	7,243,806	3,843,766	204,307,736	151,520,876	132,927,988	86,925,673	46,125,196	621,807,471
ZMSS 3	3	4	14,214,714	10,542,067	9,248,467	6,047,855	3,209,161	170,576,562	126,504,804	110,981,599	72,574,259	38,509,934	519,147,159
ZMSS 4	6	8	24,059,325	17,843,133	15,653,630	10,236,387	5,431,714	288,711,900	214,117,591	187,843,558	122,836,643	65,180,562	878,690,254
ZMSS 5	10	14	36,754,586	27,258,327	23,913,500	15,637,769	8,297,838	441,055,030	327,099,923	286,962,006	187,653,225	99,574,056	1,342,344,239
ZMSS 6	46	64	138,371,802	102,620,767	90,028,335	58,872,279	31,239,280	1,660,461,620	1,231,449,208	1,080,340,014	706,467,349	374,871,357	5,053,589,549
ZMSS 7	2	3	1,824,350	1,352,994	1,186,970	776,196	411,871	21,892,199	16,235,925	14,243,640	9,314,352	4,942,456	66,628,571
ZMSS 8	1	1	820,788	608,722	534,026	349,216	185,304	9,849,457	7,304,659	6,408,316	4,190,593	2,223,646	29,976,671

Table 15. (Continued)

Salary Grade	Number of Retention Allowance Recipients	Number of Positions	Total Monthly Salary Supplement Funding Requirement (in K)					Total Annual Salary Supplement Funding Requirement (in K)					Total SASE Funding Requirement (in K)
			2002/03	2003/04	2004/05	2005/06	2006/07	2002/03	2003/04	2004/05	2005/06	2006/07	
ZMSS 9	4	6	2,946,690	2,185,356	1,917,194	1,253,712	665,255	35,360,284	26,224,270	23,006,331	15,044,543	7,983,056	107,618,484
ZMSS 10	1	1	669,307	496,379	435,469	284,766	151,105	8,031,684	5,956,543	5,225,625	3,417,196	1,813,260	24,444,308
ZMSS 11	2	3	1,250,016	927,050	813,293	531,837	282,208	15,000,186	11,124,598	9,759,516	6,382,046	3,386,492	45,652,837
ZMSS 12	1	1	452,619	335,676	294,486	192,573	102,185	5,431,425	4,028,111	3,533,828	2,310,878	1,226,217	16,530,457
ZPSP1	1	1	4,936,299	3,660,911	3,211,686	2,100,220	1,114,435	59,235,589	43,930,927	38,540,232	25,202,636	13,373,224	180,282,608
ZPSP2	1	1	4,039,336	2,995,695	2,628,098	1,718,594	911,934	48,472,028	35,948,341	31,537,176	20,623,123	10,943,207	147,523,874
ZPSP3	4	5	15,287,429	11,337,626	9,946,404	6,504,257	3,451,341	183,449,153	136,051,512	119,356,845	78,051,088	41,416,093	558,324,691
ZPSP4	8	11	25,716,962	19,072,487	16,732,132	10,941,652	5,805,947	308,603,545	228,869,844	200,785,585	131,299,830	69,671,366	939,230,171
ZPSP5	5	7	12,553,655	9,310,175	8,167,738	5,341,134	2,834,155	150,643,865	111,722,106	98,012,862	64,093,605	34,009,862	458,482,300
ZPSP6	5	7	9,783,040	7,255,402	6,365,103	4,162,335	2,208,652	117,396,476	87,064,823	76,381,236	49,948,024	26,503,820	357,294,379
ZPSP7	8	11	12,374,491	9,177,301	8,051,169	5,264,906	2,793,706	148,493,887	110,127,616	96,614,030	63,178,866	33,524,476	451,938,875
ZPSP8	15	21	18,750,727	13,906,114	12,199,716	7,977,767	4,233,227	225,008,728	166,873,366	146,396,598	95,733,209	50,798,721	684,810,622
ZPSP9	28	39	28,862,343	21,405,198	18,778,600	12,279,900	6,516,059	346,348,116	256,862,374	225,343,196	147,358,802	78,192,707	1,054,105,194
JPS01	0	1	2,893,120	1,894,708	1,807,131	1,251,025	576,777	34,717,442	22,736,491	21,685,572	15,012,301	6,921,324	101,073,130
JPS02	0	3	6,617,167	4,496,160	4,288,340	2,968,695	1,368,698	79,406,008	53,953,924	51,460,083	35,624,342	16,424,373	236,868,729
JPS03	1	8	14,363,015	9,824,197	9,370,106	6,486,656	2,990,631	172,356,186	117,890,363	112,441,274	77,839,874	35,887,571	516,415,267
Totals	1,922	2,732	3,524,869,806	2,539,529,023	2,229,147,651	1,458,300,731	773,070,205	42,298,437,667	30,474,348,277	26,749,771,815	17,499,608,767	9,276,842,455	126,299,008,981
In USS at K4,000 = 1USS			\$881,217	\$634,882	\$557,287	\$364,575	\$193,268	\$10,574,609	\$7,618,587	\$6,687,443	\$4,374,902	\$2,319,211	\$31,574,752

222. The total annual salary supplement requirements are presented in Table 16. These would decline on an annual basis from **K42.298** billion in 2002/03 to **K9.277** billion in 2006/07, before being phased-out by the end of 2007/08. The total funding requirement over the period would be **K126.299** billion, roughly US\$31.574 million at the current exchange rate.

223. The cost of the scheme is not evenly spread over the timeframe. Roughly 33.5% of the total funding requirement (US\$10.575 million) would be required the first year. An additional 24.1% of the funding requirement would be required in the second, bringing the funding requirement to 57.6% during the first two years of implementation of the scheme.

Financing the SASE Scheme

224. A major issue to be addressed is SASE scheme financing. It is very difficult for a national government already facing severe budgetary stress to provide the additional monies required to fund such a scheme. Without additional support, funding of a SASE scheme would simply divert resources from other commitments. A SASE-type scheme could only go forward if there are additional (special) financing arrangements. If no additional resources were forthcoming to finance the scheme, then the government would likely have to maintain the status quo.

225. Even where there is general agreement for pooled financing among donors, the question may arise as to whether the approach should be one of creating a special SASE-scheme fund or for donors to provide increased Budget Support that may be used for both general salary enhancement and SASE support. Some donors have expressed a preference for a scheme fund, while others for Budget Support.

226. There are merits in both funding arrangement approaches. The major advantages of the special SASE-scheme fund approach are that:

- a. It will be clear how much money has been made available for salary supplement support and that these funds are in addition to the general wage bill expenditures;
- b. The number of positions that could be funded through this fund would be limited, which would induce more competition into the scheme, reducing the perception that fund positions that would not otherwise qualify would still qualify;
- c. Beneficiaries and non-beneficiaries alike would know that the support is the result of special support and that some personnel are not receiving higher pay at the expense of others; and
- d. Special audits would be required to ensure that the funds have gone to their intended purpose.

227. The major disadvantage of this approach is that no funds would be made available to the government that could have been used for general salary support to ensure that the government did adhere to the salary targets.

228. The advantage of the Budget Support approach are:
- a. Funds could be used for SASE and/or general salary enhancement. This may serve as a greater inducement to the GRZ to adhere to target salary levels;
 - b. More donors would (perhaps) contribute or raise their general contributions to Budget Support to facilitate the implementation of the SASE scheme.
229. The major disadvantages are:
- a. There will be greater pressure to provide more personnel with salary supplementation, including those who would not otherwise qualify; and
 - b. Given weak government commitment to pay reform, there would be a temptation for government not to use these funds for salary support.
230. If it is agreed that the Budget Support approach is the most preferred funding option, it will be important that an arrangement be set out to have the funds for SASE support ring-fenced to ensure that these funds do facilitate selective salary enhancement as intended.
231. In Bolivia and Tanzania, bilateral donors have agreed to provide financial support for national SASE schemes. This support is in addition to the support provided under other programmes. In the case of Bolivia and Tanzania special SASE scheme funds were established. Donor finances are pooled into collective SASE scheme funds. Part of the finances may come from money that donors had paid in the form of LCC to engage locally recruited personnel (in some cases these are seconded civil servants) to manage and implement donor-funding projects. Additional monies are pledged by donors to support the fund. Some sector and/or project support is also channelled through the fund to complement other direct financial support for sectoral projects and programmes.
232. In the case of Mozambique the money is being pledged as additional Budget Support. The challenge here is to ensure that the funds are ring-fenced, all funds are fungible, to be used for the purpose of salary enhancement.
233. In the case of Tanzania, some donors who are not currently pooling their funds into the SASE scheme fund have indicated a willingness to provide additional Budget Support. Such funds could be used not just to finance the SASE scheme, but also to support implementation of the overall MTPRS.
234. In the past donors were generally reluctant to directly support salaries of public service personnel, for some good reasons. Donors have been resistant in the past to the idea of supporting recurrent expenditures. Nevertheless, as donors begin to re-think the role that donor funding can and should play in supplementing the government's effort to build capacity and to motivate its qualified personnel, that resistance appears to be weakening. Among the reasons for revisiting the direct salary support issue are that:

- a. Salary enhancements should not be viewed within the constraints imposed by the limits of recurrent expenditures, as government consumption. As is alluded to in the use of the term **motivational capital**, there is element of investment in enhancing civil service pay.
- b. Such salary supplements may complement the funds that donors already contribute to various projects and programmes, raising the effectiveness and efficiency of such expenditures.
- c. In many cases, donors already pay salary supplements to many public service personnel, directly and indirectly, through the payment of *ad hoc* local cost compensation.

235. However, the current modes of payments need to be systematically reformulated to complement the government's effort to improve its ability to attract and retain qualified skilled personnel and capacity building efforts.

236. Through the SASE scheme donor funding can complement the GRZ MTPRS and give rise to a more systematic, sustainable and rapid pace of salary enhancement for qualified skilled personnel. This would enhance the concerted effort to restore human capital and motivational capital and goodwill (embodying honesty, integrity and commitment to performance) to the public service. While it is recognised that increased pay is not a panacea, and will not in itself be a sufficient condition to yield the desired improvement in the effectiveness and efficiency of public service, it is also recognised that there is little likelihood of achieving sustainable reforms without paying fair compensation for work effort and without the government having access to the requisite skills.

Recommendations

237. Drawing from the analysis of salary enhancement, this report is recommending that the GRZ:

- a. In the short to medium-term, target salary enhancement towards professional and technical personnel that the Zambia public service has most difficulty in attracting and retaining and who are most critical to efforts to raise public service efficiency and the quality of service delivery, and who are instrumental in the production of strategic government output;
- b. Adopt a SASE scheme approach as an integral part of its medium-term pay reform strategy;
- c. Adopt Scenario 4 and implement it. Its target salary structure best approximates the current MTPRS target salary structure, as it provides the highest target salary levels; and
- d. Commission a special study to:
 - i. determine the modalities for operationalising a SASE scheme within the Zambia context;

- ii. set objective and transparent criteria for the selection of positions whose salaries should be enhanced;
- iii. determine the funding requirements for the scheme; and
- iv. propose a funding approach.

Section 8. *Pay and Performance: The Incentive Regime*

Introduction

238. At the core of the PSRP vision is the achievement of good performance and high quality service delivery that is sustainable and affordable. Improved work performance will only be achieved through the adoption of a systematic, innovative and flexible approach to management that focuses on improving the performance of all components of management, including the human resource, structures, systems and procedures. As mentioned earlier, wages affect productivity by affecting the workers' "choice of a level of work effort". If employees perceive themselves as being underpaid, their commitment to being fully productive in the workplace will be diminished. Where supervisory skills are limited in availability and there is lack of a strong management culture, in the absence of strict and continuous supervision, employees will lower their level of work effort when faced with low and declining pay.

239. The relationship between pay and performance is referred to as the incentive regime or system. This relationship is multifaceted. The incentive regime inherent in the present civil service compensation system sends the wrong signals to the workforce. Pay is **too low**, the salary structure **too compressed** and salary differentials **too small** to reward and motivate good performance. Annual increments are awarded nearly automatically and are viewed as a right. No distinction is made between excellent, good and bad performers. One of the major criteria for promotions is length of service. There appears to be little distinction made between mediocrity and merit/competence.

240. For a large number of public servants who currently earn modest or inadequate salaries, salary enhancement within conceivable limits could make a significant difference in their work motivation and commitment to duty. Still, it must be recognised that salary enhancement in itself is insufficient to bring about the improvements in service delivery and quality that is desire. Among other things, work performance is influenced by:

- a. Transparent and objective methods of selecting personnel with the requisite skills and experience for a particular position, with the emphasis upon merit;
- b. Transparent and objectively derived work standards and performance targets (whether they be quantitative or qualitative);
- c. Adoption of performance management systems to ensure that staff meet at least minimum standards of attendance and maintain regular work hours;
- d. Improved management and supervision of the workforce;
- e. Transparent and objective mechanisms for setting standards, assessing staff, monitoring and evaluating performance;
- f. The awarding of annual increments and promotions based on transparent

- and objective staff assessments;
- g. The organisation of production (hence the need for organisational and effective performance-management system);
- h. The quantity and quality of complementary inputs (equipment, tools, etc hence the need to budget adequately for RDCs); and
- i. Training selection based on transparent and objective systems.

Performance Standards and Enhanced Salaries

241. Real wage reductions incite a vicious cycle of demotivation and under-performance, which may in turn be used to justify further reductions. The reverse is not necessarily true because, as commitment erodes, employees learn to diversify and supplement their income through private activities even during working hours.

242. Even if enhanced compensation is paid this in itself may not be enough to encourage increasing performance among segments of the workforce. The issue raised here is two-fold. First, the pay increase must meet the workers' minimum expectation of fair compensation before they are willing and able to commit fully to their work. Second, improved pay in itself is no guarantee that the workers' choice of a level of work effort will match that desired by the Government (as an employer). Increased pay may be a necessary, though not sufficient, condition for increased commitment and performance. Mechanisms, therefore, must be developed to improve accountability, monitor performance, and institute reward and penalties. A new performance management system and employment policy is of significance here.

243. A framework for institutionalising good performance requires, among other things:

- a. Assigning the right person to perform the right job task;
- b. Providing fair compensation for the work effort; and appropriate incentive payments (salary differentials related to skill acquisition and meeting and exceeding performance expectations);
- c. Setting clear and realistic work objectives and guidelines;
- d. Providing adequate and appropriate training and scope for skill acquisition (generally through learning-by-doing);
- e. Appropriate supervision, monitoring of work performance, and a fair, objective and transparent appraisal assessment process; and
- f. That the incentive regime makes a distinction between excellent, good and poor performers; and
- g. That rewards and penalties are both vital for a well functioning regime:
 - i. diligence and exceptional performance should be rewarded;

- ii. lax or poor performance should be penalised, with the minimum penalty in the case of SASE scheme being the transferring of incumbents in funded positions to positions without salary supplementation;
- iii. consistent poor performance or unacceptable work practices should lead to dismissal from the public service.

244. Attempts should be made to limit activities that lower the worker's productivity and standard of performance and/or are detrimental to the delivery of services to the public. This can partly be accomplished by more effective supervision (and monitoring) and setting out and implementing appropriate work rules and procedures. Adequate supervisory personnel are complementary inputs to labour in the production process, particularly among low skilled workers. Supervision must be good and minimum standards imposed for an employee to keep his job. Good supervision, monitoring, and proper standards of performance are required before low skilled labour can be effectively utilised. Mechanisms, therefore, must be developed to improve accountability, monitor performance, and institute rewards and penalties.

The Performance Appraisal System

245. Regardless of the strategy adopted to improve performance or to link pay to performance and merit, an objective staff performance appraisal system must be introduced. The system should be based on setting objectives and targets for staff as basis for assessing:

- a. performance to determine whether or not staff merit the receipt of annual increments;
- b. performance and effecting promotion based on merit rather than on longevity of service; and
- c. exceptional/outstanding performance that could form the basis for merit-pay bonuses.

246. The appraisal system should be perceived by workers as being both objective and fair. A transparent/open appraisal system is required. The system used by government of Botswana is exemplary. There, the officer fills in the appraisal form, providing initial information, including stating his/her views of the job's requirements, its targets, and what was achieved. After this brief self-appraisal, the officer submits the form to his/her supervisor. After appraising the officer, the supervisor returns the form to the officer for review. After reviewing the supervisor's comments on the form and, in some cases, personally meeting with the supervisor, the officer signs on the form, stating his/her agreements or disagreements. The form proceeds up the ministry's hierarchy, for a decision on whether to award the officer an annual increment.

247. In this system, the worker receives feedback about his/her performance. If that is deemed low, he/she is warned unless extenuating circumstances hampered performance. If the evaluations are persistently bad, the worker faces termination.

248. Operationalising such an appraisal system will also require that the goals and objectives of ministries/departments are clarified and delineated to facilitate the derivation of individual performance objectives and the development of satisfactory performance standards (quantified whenever possible) and measurement for the purpose of improving performance for the mutual benefit of the officer and the government as an employer. In order to be able to match pay with individual performance and/or to take into consideration individual competencies, skills and team outputs, there is a clear need for the design and implementation of a clear and objective appraisal scheme. Employees should be involved in the appraisal and objective setting process so that:

- a. the assessment of performance is understood by the employee;
- b. the assessment of performance is accepted by the employee as an objective and fair basis for making decisions on annual increments, promotion and (if relevant) merit-pay awards; and
- c. the assessment of performance provides a common basis for identifying training and development needs.

249. This will induce in supervisors a greater sense of responsibility towards their subordinates so that merit and salary awards and recommendations for promotions are based on actual work results and productivity, while disciplinary actions are based on concrete situations rather than generalities.

250. Under the Performance Management Package (PMP), which is currently being piloted in nine MDAs that are more advanced in implementing reforms, the Zambia public service is in the process of developing and rolling-out the type of appraisal system described above. An environment has to evolve that will allow adequate transparency in the appraisal process. Judging from discussions with stakeholders, at present neither supervisors nor subordinates are comfortable with the prospect of open appraisals and providing total objective feedback. Given the meagre value of annual increment and the high inflation environment, it is highly unlikely that supervisors would put adequate time and effort into an objective and honest appraisal. It is unlikely that the effort will be viewed as worthwhile, with such meagre rewards.

Proposed Introduction of Performance-Related Pay

251. Upon the institution of an adequate and objective staff appraisal system it will be necessary to address the issue of under-funding of increments and promotions, while providing an incentive for improved performance. Further, it is important to keep in mind that positive incentives themselves are not enough to build an appropriate reward system. The civil service not only lacks positive incentives for improved performance, but also adequate sanctions for correcting continuing poor performance, mismanagement and neglect of duties. Both adequate incentives and adequate sanctions, which are seen as fairly dispensed, are part and parcel of a well functioning reward system.

252. This report recommends that on the basis of annual appraisal system

assessment of personnel be categorised into four groups: poor performers, fair performers, good performers and excellent performers.

253. This report recommends the following. Only increments and promotions that can fit in the budget and are based on an improved merit and performance appraisal system should be authorised. To ensure that annual increments are not awarded automatically, and that competition is induced into the system, annual increments should no longer be fully funded. An annual budget should be set aside to fund increments and promotions. The total pool of funds currently allocated for annual increments will be divided into two components:

- a. Funds to pay for annual increments; and
- b. Funds to pay for merit/performance-pay bonuses.

254. In some countries double increments are awarded for excellent/good work performance. In the view of this report such awards may be overly generous and may violate the principle of rewarding outstanding performance. The awarding of two increments may bestow a permanent benefit (annuity) for one year's excellent performance. Rather than add an additional increment over-and-beyond that awarded for good performance, the second award should take the form of a merit-pay bonus, equal to one year's increment. The benefit could be paid in a lump sum or quarterly. This would magnify its significance beyond that of a monthly increase in pay.

255. In addition to the one increment, excellent and good performers should receive merit-pay bonuses. The amount of a full bonus should be equal to one year's increment. Excellent performers should be awarded a full bonus, while good performers should be awarded a half bonus. The benefit could be paid in a lump sum or quarterly. This would magnify its significance beyond that of a monthly increase in pay.

256. However, it should be recognised that this proposal could not be instituted widely throughout the public service immediately. It should be piloted first in those MDAs that have already been restructured, where strategic plans are being operationalised, job descriptions have been re-written to reflect the detailed job content of the position in a restructured organisation, and performance agreements (where necessary) have already been developed. It would take time to effect the staff appraisal training and to introduce the performance management culture, the system can be truly deemed objective and fair. The Zambia public service is currently in the process of piloting the PMP in nine MDAs.

Job Evaluation and Re-Grading (JERG)

257. Getting the job-grade structure right is important for improving the links between pay and performance. By appropriately rank-ordering jobs in line with the perceived value of each job's content, through job evaluation and re-grading (JERG), the fairness of the compensation system can be improved in the eyes of most employees (though probably not for those whose jobs are downgraded). That is, changing relative compensation through rationalising job-grades (rank-order) can alter

workers' perceptions of the system's fairness.

258. In the Zambia public service, job evaluation, job re-grading and compensation enhancement may be required to alter the current civil servants' perception of compensation being unfair. A comprehensive JERG exercise should help to improve the fairness of the compensation system by rationalising the job-grade structure. As the links between pay and performance are strengthened, horizontal and vertical equity should be improved.

The Importance of JERG

259. It is important to note that JERG is generally concerned with:

- a. The job, its demands and skill requirements, and not the personal characteristics of the jobholder. This ensures that the results of the job evaluation exercise can remain valid even if the post holders within a particular job change.
- b. The qualitative aspects of the job, not the quantitative aspects. In other words, it is not the amount of work allocated to a position which is measured, but its relative demands, complexity and responsibilities.
- c. Factor weights determine the relative importance of each factor in the overall evaluation of a job. They will apply to all of the jobs assessed by the job evaluation system. One of the tasks required to finalise the evaluations of the initial benchmark jobs will be to establish a provisional set of factor weights for the job evaluation factors.
- d. Commonly used approaches to job evaluation take the following factors into consideration in the determination of job ranking:
 - i. education and qualifications;
 - ii. work experience;
 - iii. responsibility and decision making;
 - iv. job impact;
 - v. problem solving;
 - vi. communications; and
 - vii. working environment and risk.
- e. Once the JERG has been completed for all jobs in the public service, job rankings will serve as the basis for salary rankings, i.e., improving the links between pay and work performance would start with matching job ranking to salary ranking. Over-graded jobs will be downgraded and under-graded jobs, upgraded. Persons in upgraded jobs will receive a correspondingly higher salary associated with the new positions, but those in downgraded posts will maintain their previous salaries as a personal right, i.e., they are personally protected.

- f. Salary levels should be grade (position) and responsibility level-based and not education level based. If two people hold the same position and are at the same grading level, one person's compensation should not be higher than another merely because of his/her academic qualifications. Academic qualifications should be only one factor taken into consideration in recruitment and promotion decisions, along with years of relevant experience, performance levels, and other work related characteristics. Salary differentials should be set to reward/motivate personnel to strive towards higher levels of performance and to take on higher levels of responsibility. To motivate personnel towards higher achievement, differentials must be adequate to reward (compensate) for improvements in the levels of training and skills that are job related.
- g. Among other things, the job evaluation and re-grading exercise in the public service should:
 - i. examine issues related to the various job-grades and salary structures;
 - ii. undertake an analysis of the structural features of the grading and salary scales and the distribution of staff within grades;
 - iii. examine the schemes of service and the related grades; and
 - iv. analyse issues related to salary progression and promotions.

Schemes of Service

260. Schemes of service are set out to chart the career path, expectations and training of civil servants. The aims and objectives of scheme of service are:

- a. To attract and retain suitably qualified personnel in the Service;
- b. To provide for career advancement within the career structure on the basis of qualification, experience, merit and ability as reflected in work performance and results; and
- c. To establish standards for recruitment and training which will enhance efficiency and professionalism in the civil service.

261. A career consists, objectively, of a series of status and clearly defined offices--a succession of jobs arranged in a hierarchy of prestige through which an individual moves in an ordered, predictable sequence. Towards this end, a scheme of service for a specific cadre provides its grading structure, salary structure, job descriptions, job specifications, and stipulates the requisite academic, professional qualifications, experience and training scope required for appointment at every level. This essentially means that individual development should interact with the organisation through the individual's career, and any time invested in career development should be regarded as important as investment in other activities.

262. The grading structures contained in schemes of service should be based on job evaluation in order to determine the value and worth of each job. However, no comprehensive job evaluation has been done in the civil service in recent years. In

developing schemes of service, the Public Service Management Division uses pre-determined grading structures to fit various cadres, even when new designations and new grading levels are introduced. Furthermore, due to lack of job evaluation, schemes of service have been used as tools for upgrading of posts in the civil service. *Ad hoc* upgrading of the top posts only has sometimes been done for some departmental heads for departments that the PSMD considers to be critical and with heavy workload, leaving the posts below thereby creating gaps in the grading structure.

263. Disparities in grading structures have emerged resulting in headship of departments having similar workloads pegged at different levels, as well as gaps in the structure of one cadre because lower posts are not upgraded mainly due to financial constraints. Future upgrading of top posts should take cognisance of other departments and should consider the entire structure for a given cadre as opposed to introducing inconsistencies by selectively upgrading some posts.

264. Although the importance of schemes of service is appreciated, there seems to be a proliferation of schemes of service in the public service. When a job evaluation exercise is done in the civil service, consideration should be made to rationalise and consolidate the schemes that overlap, and to remove disparities and inconsistencies in the grading structures and in the use of designation titles.

Rationalising Employment within Public Service

265. Discussions on the rationalisation of public service workforce generally focus on the overall reduction in the number of personnel. This ignores a critical need in the efforts to raise performance: improving the match between workers' capabilities and tasks within the public service.

266. As shown, if the increase in pay exceeds the increase in productivity, salary enhancement raises the cost of services and burdens the budget. Hence, it is important to ensure that workers are capable of performing their tasks and that mismatches between personnel and their positions are avoided.

267. Where appropriate and cost-effective, capacity building should be systematically applied to raise performance. In some cases, this may not be feasible. Employees may be deemed untrainable or the cost of bringing them up to the desired standard may be too high, or the desired skills may be readily available in the general labour market. In such cases, strategies and policies must be devised to pursue one or two methods:

Method 1: reallocate workers to positions within the public service which better match their skills and experience;

Method 2: facilitate workers' exit from the government workforce and replace them through promotion or external recruitment, either for permanent or contract employment.

268. Method 1 suggests the need to formulate a **redeployment scheme** within the

government, while Method 2 suggests the need to formulate a **replacement scheme** as part of the employment policy currently being implemented. Poor performers should either leave the service or be transferred to jobs where they can perform. They should not simply be shuffled from department to department, and treated as “someone else’s problem”.

269. The current high cost of the severance package in the Zambia public service dissuades the use of the replacement option, even where personnel may be considered redundant. This does not augur well for improved performance. There is a need to revisit the severance package and reducing it to a more realistic leave. The Employment Act will have to be changed to accommodate this.

Engaging Personnel on Contract Terms

270. In addition to personnel being engaged on performance agreements under the SASE scheme, contract employment could take two other forms:

- a. Top core civil servants could be engaged on fixed-term contracts, renewable based on performance; and
- b. Personnel with highly specialised skills or significant years of experience, who are likely to command salaries that cannot be accommodated within current (or future) public service salary structure, may be engaged on a contract basis for a specified time period.

271. One approach to ensuring that personnel are motivated, and a way of enhancing salaries by moving posts out of the permanent and pensionable civil service grading structure and placing the position on contract. A few countries within the region are now moving towards engaging top core civil servants on fixed-term contracts. Botswana is one such country. In the past Permanent Secretary and Deputy Permanent Secretary positions in Botswana were filled strictly by promoting public service personnel through the ranks. Over time, in re-thinking the functioning of the government, there was a broad perception that inertia had begun to creep into the public service. It was concluded that injecting new personnel, with new skills, new ideas, and new approaches to service delivery could reinvigorate the public service.

272. The government instituted an approach where all Permanent Secretary and other Chief Executive positions in the public service would be filled on a competitive, merit basis. Vacancies are advertised within the government and in the popular media. Applications from all suitably qualified individuals are welcome, from public servants and non-public servants alike. The application review process is transparent. The successful candidate is signed to a five-year performance contract that is subject to renewal, based on performance. This approach has broadened the market for skilled labour, with skilled personnel moving between the civil service, parastatal and private sectors.

273. There has been much discussion about contracting personnel in Zambia in recent years. At the end of 2001 all PS were placed on performance contract. Incumbents in these posts were moved from permanent and pensionable terms to

contract terms. The approach adopted raises at least two major issues.

- First, it is unclear at this point on what basis performance will be measured. What benchmarks will be used to objectively distinguish between levels of performance, particular since the MDAs have not completed the strategic planning process and thus do not have clear performance targets.
- Rather than simply transfer senior personnel from permanent and pensionable status to contract status, this should have been viewed as an opportunity to ensure the service and the public that the best person available has been engaged for the position. Reflecting the spirit of moving towards a merit-based public service, the positions should have been filled by open recruitment, with the President having the option to selective from among the best candidates available.

274. The GRZ may need to engage a few specialised personnel: for example top information technology experts, financial analysts or legal experts. In some cases, particularly when the requirement is of a short-term nature, the services of a consulting firm or individual consultant may be contracted. In other cases, where the requirement is for a year or longer, the government may choose whether to engage personnel on contract basis.

275. Where personnel with specialised skills or specific experts are engaged on a contract basis, the practice should be as follows:

- a. Contract employment should be kept to a minimum, with personnel being only engaged on contract where capacity in the public service is lacking or specific skills are required;
- b. The positions to be contracted should be consistent with the manpower requirements of the MDA as specified in its strategic plan;
- c. Personnel engaged on contract terms should be competitively recruited through an open and transparent process; and
- d. Contract personnel should be engaged by the GRZ, not by donors, even if the salary is paid through donor funding.

The Relationship between Public Service and Private Sector Pay

276. The public service has to compete to attract and retain professional and technical personnel. Since competition in the labour markets is based largely on the wage or salary offered, to what extent should public service pay emulate the private sector?

277. The appeal to being a wage-follower and pay salaries competitive to the private sector is understandable. The government has difficulty in attracting and retaining professional and technical personnel because its compensation structure is not competitive. Moreover, many of the workers who stay are often not the best and may be ill equipped to cope with the government's new performance orientation.

Compensation levels make it difficult to recruit qualified personnel from the external labour market.

278. While the move towards competitive salary levels and structure may be desirable, at issue is:

- a. The time-frame for moving towards paying such salaries; and
- b. The proportion of the competitive salary to be targeted.

279. The time-frame will depend upon (i) the choice of the wage-bill scenario the government finds affordable and decides to implement and (ii) the degree to which the Government can generate other sources of funds to enhance salaries without crowding-out RDCs expenditures and without exacerbating budgetary deficits.

280. Regarding the targeting of competitive salaries, a number of equalising differences between government and private sector salary levels should be recognised:

- a. There may be significant differentials between skill, experience and motivation expectations for a given job in the two sectors. While the private sector is more selective in its recruitment, the government, particularly during its period of rapid employment expansion, practiced non-selective recruitment, rendering much of the government workforce uncompetitive.
- b. There are differences in tenure, promotion, job-security and pension systems in the two sectors.
- c. The job-to-job comparisons implied by paying the same salaries would be difficult to undertake because, though job designations may be similar, their content and responsibilities may be very different in the two sectors.
- d. While many private sector employers are unwilling to take the risk of bearing training costs, they are willing to hire a successfully trained citizen. Large employers have shown a willingness to pay enough to attract qualified professional, technical and managerial personnel from other employers (in this case the Government) who are willing to incur the risks and costs of training. As they do not bear training costs, they are willing and able to pay higher than employers who bear training costs.
- e. The private sector is not a monolithically homogenous sector. Which organizations the public service should attempt to emulate is open to debate.
- f. There is likely to be significant differences in productivity between the “private sector” and the public service. In the short-term there is likely to be a significant performance gap between the two sectors. In the long-term, as the public service is reformed and become more performance-orientated the performance gap is likely to narrow. As the performance gap narrows compensation in the two sectors should converge, compensating

differentials not withstanding.

External Recruitment, Internal Promotions and Performance Improvement

281. It is important to implement an open promotion policy, in which vacancies are advertised and candidates are able to submit applications. Appointments should be merit-based, taking account of experience and qualifications as well as other factors including work performance, based on a formal selection process. This begs the question: open to whom? Should vacant superior positions be open to all qualified public service personnel, i.e., open and advertised within the internal labour market and filled through internal promotions? Or should these positions be open and advertised to the broader labour market, and be filled through external recruitment?

282. It is often assumed that external recruitment to fill higher-level (superior) positions will lead to greater performance improvements and efficiency gains to the public service, than will filling such positions through internal promotions. This is not necessarily the case. External recruitment, especially to fill higher-level (superior) positions, i.e. positions that would otherwise be filled by internal promotions, is a double-edged sword.

283. On one edge, where differences between external candidates' capabilities and internal candidates' capabilities are large and positive, external recruitment serves to raise overall performance and efficiency. On the other edge, if there is likelihood that an external worker will be recruited into a superior position, then all workers competing for the job may have reduced incentives to raise their performance levels.

284. Given the present deficiencies in the professional, technical and managerial cadre due to the years of human resource flight and demotivation, external recruitment may be a way of capacity-building the public service in a relatively short timeframe. The injection of new talents, ideas, and ways of doing things may reinvigorate the public service, leading to performance improvements and efficiency gains.

285. However, as the public service makes significant strides towards a competitive promotion system and enhances capacity building of internal personnel, the preference should shift in favour of filling superior positions through promotions. The reason is that, other things being equal, better incentives are provided to all workers when internal promotions are used over external recruitment. Thus, allowing for external recruitment diminishes the chance that an internal candidate was awarded the superior job, negating the potential performance gains from competition. As a result, in this situation it would pay to reduce the proportion of individuals who are externally recruited to fill superior jobs.

286. In the short-term, priority should be given to building administrative, managerial and technical capacity to carry out the reforms effectively and efficiently. This suggests a preference for filling superior jobs through external recruitment. In the medium- to long-term, however, as the public service skill-base improves, internal

capacity building is strengthened, and performance-orientation is deepened, greater performance and efficiency gains will result from filling superior positions through internal promotion.

Rewards, Penalties, and a Well-functioning Incentive Regime

287. Positive incentives themselves are not enough to build an appropriate reward system. The Civil Service not only lacks positive incentives for improved performance, but also lacks adequate sanctions for correcting continuing poor performance, mismanagement and neglect of duties. In some cases, it also fails to enforce penalties as prescribed in the regulations to correct continued poor performance or deviant work behaviour. Both adequate incentives and adequate sanctions, which are seen as fairly dispensed, are part and parcel of a well functioning reward system.

288. A well-functioning incentive regime promotes improved performance not only by rewarding good performers, but also by imposing penalties on repeatedly poor performers and unacceptable behaviour. The present incentive regime fails to adequately reward good performance and behaviour. Nor does it always impose adequate penalties or punishments for persistently poor performance and or undesirable behaviour. Excellent, good and bad performers more often than not receive the same annual increments. There is need to make a greater distinction between the three groups by introducing strong positive inducements (and applying them fairly) and to enforce penalties to motivate performance.

289. The performance-management system must develop standards of performance for all categories of public servants. The standards for performance and behaviour are referred to as work norms. When rewards are given on the basis of objective and transparent criteria and penalties are rigorously applied for deviations from the norm, effort increases and performance improves. Performance managers who understand how to set norms can thus motivate employees to raise work performance.

Difficulties in the Relationship between Performance and Pay

290. Relating pay to performance is not without its problems. Some of the difficulties in the relationship between performance and pay include:

- a. Employee expectations, perceptions and needs from the appraisal; social and political workplace pressures may affect the appraisal system; this requires that the process be handled in a highly professional manner by both the appraiser and the appraisee;
- b. Employees may tend to concentrate more on achieving stipulated objectives and overlook other non-tangible aspects of their job, thus stifling innovation in case their efforts are not recognised.
- c. By rewarding some individuals and not others and through the individualisation of work effort, there is likelihood to undermine the *esprit de corps* and cohesion of a workgroup, section or department.

- d. Due to financial constraints, the PRP element of pay increase may be too small to have very significant impact on motivation and performance.

Implications of the Analysis

291. A performance management culture needs to evolve which strives to motivate employees to higher productivity and improve the standards of performance. Where employees within the civil service cannot achieve acceptable levels and standards of performance in their present positions due to lax recruitment and promotion practices of the past, there is a need to rationalise employment.

292. The adoption of a well-conceived, consistent, achievable and sustainable pay policy will assist the government in articulating its pay-reform objectives. It will also set targets that government commits itself to achieve in the medium-term using appropriate strategies. The newly articulated pay policy should as much as possible, aim at explicitly linking pay to performance, signalling a major change in the incentive system and in performance expectations. Rewards and penalties are both vital for a well functioning incentive regime and these should be clearly communicated to and be understood by all employees.

293. One important caveat here, however, relates to the difficulties associated with measuring output and qualitative aspects of performance; these should not be understated. There is a clear challenge in introducing performance improvement management into a situation where there is no strong work culture, and therefore care must be taken to avert accusations and suspicions of favouritism and fairness. The aforementioned difficulties notwithstanding, performance-based pay is worth considering – but only if due attention is paid to its effectiveness and risks. Meaningful performance incentives are a must. Non-monetary incentives are also of considerable importance. Such incentives may include more challenging tasks, influential assignments, public recognition, and professional rewards, among other things. In any case, an objective and open performance assessment, with due consideration to feedback mechanisms, is a necessary foundation of any incentive system.

294. It is important to have a well-functioning incentive regime that promotes improved performance not only by rewarding good performers, but also by imposing penalties on repeatedly poor performers and unacceptable behaviour. Excellent, good and bad performers should not receive the same annual increments. There is need to make a greater distinction between the three groups by introducing strong positive inducements (and applying them fairly) and to enforce penalties to motivate performance.

Recommendations

295. With regard to relating pay to performance, it is recommended that:
 - a. Mechanisms must be developed to improve accountability, monitor performance, and institute rewards and penalties. Good supervision,

- monitoring, and proper standards of performance as well as the implementation of appropriate work rules and procedures are necessary before employees can be effectively utilised and the delivery of public services can be improved significantly.
- b. On the basis of annual appraisal system assessment personnel should be categorised into four groups: poor performers, fair performers, good performers and excellent performers.
 - c. In order to link pay to performance and merit, work measurement and an objective performance appraisal system should be introduced, based on setting objectives and targets for staff as a basis for assessing:
 - i. performance to determine whether or not staff merit the receipt of annual increments;
 - ii. performance and effecting promotion based on merit rather than on longevity of service; and
 - iii. exceptional/outstanding performance that could form the basis for merit-pay bonuses.
 - d. Only increments and promotions that can fit in the budget and are based on an improved merit and performance appraisal system should be authorised. To ensure that annual increments are not awarded automatically, and that competition is induced into the system, annual increments should no longer be fully funded. The total pool of funds currently allocated for annual increments will be divided into two components:
 - i. funds to pay for annual increments; and
 - ii. funds to pay for merit/performance-pay bonuses.
 - e. Any additional increment awarded over-and-beyond that awarded for good performance should take the form of a merit-pay bonus equal to one years increment in order to avoid bestowing a permanent benefit (annuity) to an individual for one year's excellent performance. This should be paid in lump-sum or quarterly since this has the effect of magnifying its significance beyond that of a monthly increase in pay. The amount of a full bonus award should be equal to one year's increment for excellent performers and a half bonus for good performers.
 - f. Once objective performance criteria have been adequately designed and adopted, the GRZ should institute an approach where Permanent Secretaries and other Chief Executives in the Public Service are appointed on a competitive, merit basis on a three-year performance contract that is subject to renewal, based on performance.
 - g. Where personnel with specialised skills or specific experts are engaged on a contract basis, the practice should be as follows:
 - i. contract employment should be kept to a minimum, with personnel

- being only engaged on contract where capacity in the public service is lacking or specific skills are required;
- ii. the positions to be contracted should be consistent with the manpower requirements of the ministry or department as specified in its strategic plan;
 - iii. personnel engaged on contract terms should be competitively recruited through an open and transparent process; and
 - iv. contract personnel should be engaged by the GRZ, not by donors, even if the salary is paid through donor funding.
- h. The Government should work towards narrowing the gap between Public Service and Private Sector pay in order to be able to compete in attracting and retaining highly qualified professional, technical and managerial personnel
- i. Where practicable, public service positions should be filled through open recruitment to ensure that positions are filled on merit-bases.

Section 9. The Way Forward: An Advocacy Strategy

Introduction

296. There is a need for the GRZ to adopt a clear explicit pay policy. Once the policy is set and the implementation strategy agreed within government, experience shows that it is crucial to engage in a policy dialog with all stakeholders, that the policy and the MTPRS be clearly articulated and be well publicised.

297. The way forward in developing a (revised) comprehensive and consistent MTPRS, which is likely to be implemented requires: an improved policy process; clear policy commitment; strengthening of the dialogue between PSMD and MFNP, as well as improving the capacity of the PSMD in monitoring and evaluating implementation of the MTPRS; and addressing issues related to the pace of SASE rolling-out and funding requirements.

The Policy Process

298. With respect to pay reform, the policy process itself is crucial. The major stakeholders on pay-reform matters, particularly the PSMD and MFNP should thoroughly review salary scenarios and the underlying wage bill implications and reach consensus on these. The proposals in the present report should be subject to thorough deliberation and discussion. There should be a clear understanding of which recommendations are accepted, rejected or accepted with modifications.

299. There needs to be an explicit agreement among the organisations with portfolio responsibilities on salary/wage bill matters within the GRZ. The PSMD has portfolio responsibility for:

- a. Setting salary structures;
- b. Proposing annual salary adjustments; and
- c. Setting and controlling establishment numbers.

300. Given the size and grade distribution of the public service, the salary adjustment proposals by PSMD implies a certain wage-bill level. However, it is the MFNP that has portfolio responsibility for the budget and hence for setting wage bill ceilings which are consistent with the fundamentals of the budget framework.

301. A consensus is required between PSMD and MFNP on the MTPRS proposed target salary structure. There need to be reference to the MTPRS and/or pay reform in general within the budget framework proposed by the MTEF to avoid a major disconnect between the MTEF and the MTPRS.

302. Having achieved an agreement or at least a common understanding, a revised MTPRS should be submitted to Cabinet for approval. The Public Service Pay Policy should reflect the decisions made by Cabinet.

Policy Commitment

303. The GRZ should demonstrate its clear commitment to pay reform in statement and in deed. The MTPRS should be launched with a clearly articulated timeframe, a target pay structure, and implemented with new vigour. The Public Service Pay Policy should then be developed and adopted that clearly reflects the agreed MTPRS and be well circulated. The objectives and targets of the MTPRS should be well known within the public service and propagated along with other aspects of the PSRP, especially the PIM. MFNP should be directed to take the pay priorities into consideration in the MTEF and in setting guidelines for annual wage bill determination.

Coordination, Monitoring and Evaluation

304. As PE comprises the largest component of recurrent expenditure, outside of debt servicing, Public Service Pay Policy and in particular the revised MTPRS should be reflected in the MTEF. Intensive discussions should be held between the PSMD and MFNP before the annual wage bill ceiling is set and before the MTEF budget frame is finalised.

305. The onus is not just on the MFNP to desist from unilateral action in wage bill determination. Currently the capability of the PSMD to address wage bill determination and salary issues in a manner consistent with the budget frame is limited. Its capacity to articulate its case and to interface with the MFNP is constrained by the lack of an incumbent with adequate background and experience in pay reform and wage bill determination issues. The capacity of the PSMD will need to be strengthened to facilitate dialogue between themselves and MFNP. A senior/principal economist position should be created within the PSMD to improve its capacity to improve its interface with MFNP on matters pertaining to the wage bill and wage bill projections in general and the MTPRS in particular. The position should be advertised and filled by the most qualified candidate from the internal or external labour market.

306. The programme coordination, monitoring and evaluation component of the PSRP needs to be strengthened to input into the implementation of the pay reform in general and the MTPRS and SASE in particular. The position of a Pay Reform Advisor (PRA) should be added to the PSCAP secretariat. The PRA should work closely with the MDD, PSMD and MFNP to facilitate implementation of the Public Service Pay Policy and the MTPRS in general and on the wage bill aspects of the MTEF in particular. If there is a need to revise projections or priorities these should be agreed the MDD, PSMD and the MFNP and not unilaterally determined. The PRA should also train counterparts in the PSMD to undertake more consistent salary projections for the purpose of wage bill determination, monitoring, and evaluating the implementation of the MTPRS.

SASE Scheme Implementation

307. The SASE scheme should be phased-in with the restructuring of MDAs.

Experience in other countries show that a big push is required to ensure that a consistent pace at which the SASE scheme is being rolled-out. This should be done without affecting the integrity of the process. A timetable should be set and strictly adhered to for having MDAs qualify for SASE and the PIF.

308. Decisions should be made on the best approach to financing the SASE scheme. The advantages and disadvantages of the special SASE-scheme fund approach versus Budget Support approach should be thoroughly discussed by the government and donors. Once an agreement on the most preferred approach is reached and the government's clear commitment is well articulated, donors should set to phase-out *ad hoc* LCC payments and contribute these and other funds to the pooled-funds modality.

309. Mechanisms should be put in place to ensure that SASE salary supplements are paid through the payroll and reflected in the wage-bill. The wage bill ceiling should be raised to accommodate/reflect this.

Monitoring and Evaluation in the Short- to Medium-Term

310. Among the activities required in the short-term to assist the GRZ in its effort to revise, monitor and evaluation of the Public Service Pay Policy are to:

- a. Undertake a thorough review of this report and its recommendations, indicating which recommendations are accepted, rejected or amended. This should be used as the basis for devising a comprehensive MTPRS.
- b. Undertake annual reviews of the medium-term pay targets and the corresponding wage bill ceilings as an essential element of the MTEF process, with the intent of facilitating the implementation of the MTPRS.
- c. Undertake a public service/private sector comparative compensation study. This study should be used as the basis for determining how to improve the competitiveness of public service pay and the extent to which public service compensation should be pegged to that of the private sector.
- d. Undertake a study to determine what the target minimum living wage (MLW) should be. This study should be used to determine to what extent the MBS should be pegged to the MLW.

311. The monitoring, review and evaluation of implementation of the MTPRS should take place at two levels:

- a. Analysis should be undertaken to determine the extent to which the GRZ has implemented the MTPRS, impediments to doing so (where they exist), and the need for any revision of medium-term targets; and
- b. Given the nature of the SASE intervention, it is important that the results be subject to close monitoring, evaluation and study to assess outcomes, consequences and impacts of the scheme.

Assumptions and Risks

Assumptions

312. Major assumptions are made regarding the commitment of the GRZ, the response of public service personnel, institutional capacities, and the commitment of donor organisations. These are as follows.

313. With respect to the GRZ assumptions are made regarding its willingness to:

- a. Adopt the major recommendations required to ensure the consistency and comprehensiveness of the MTPRS;
- b. Adhere to pay targets and timeframe, and path towards the target salary structure;
- c. Implement performance monitoring and assessment as intended;
- d. Take appropriate consequences of assessments;
- e. Make adequate budget provisions for operational charges, providing the required complement of non-personnel resources, to facilitate improved performance; assistance from the PIF will complement RDCs expenditures through the budget.

314. The assumptions regarding public service personnel response to the MTPRS and the scheme are:

- a. Pay is a major factor in determination of work effort, commitment, loyalty to organisational objectives under the prevailing Zambian circumstances;
- b. Target salary levels will be accepted as the best attainable within the current economic conditions and as a good faith effort on the part of Government;
- c. Unions will accept the proposed job-grade structure;
- d. That both SASE-scheme beneficiaries and non-beneficiaries will perceive the selection process as fair, objective and transparent;
- e. Non-SASE-beneficiaries not demotivated leading to negative net results in terms of organisational performance and service delivery; and
- f. SASE-scheme beneficiaries will find the salary supplements to be an adequate inducement to bring about desired changes in work performance and commitment.

315. The assumptions regarding institutional capabilities are:

- a. Involved institutions have needed capacity and knowledge to properly implement and monitor the MTPRS and SASE scheme; and
- b. PIM will be appropriately installed to induce, supervise, monitor, assess and appropriately reward work performance.

316. The assumptions regarding the donor community are:
- a. Donors will show interest to support the pay reform effort in general and the SASE scheme in particular across broad sectors and not just express willingness to provide support in the sectors where they have major projects;
 - b. Donors will provide financial and (where necessary) technical support for pay reform; and
 - c. Donor fatigue will not set in during the period of the scheme.

Risks

317. The major risks are that the assumptions will not hold, putting the success of the scheme into doubt. The most important risks are:

- a. Government will not adhere to pay targets and undertake necessary pay adjustments on an annual basis;
- b. Unions will find the proposed salary targets inadequate;
- c. Unions will agitate against the proposed job-grade structure and consolidation of allowances;
- d. Operational expenditures will be inadequate to lead to improved performance even though the MTPRS is adhered to;
- e. Beneficiaries may perceive the amount of salary supplements to be inadequate to induce them to alter their current work practices;
- f. Beneficiaries still having to work within the same public service system with its inertia, with the same generally low standards of performance, may not be adequately motivated or equipped to raise their performances;
- g. Non-beneficiaries may be demotivated and may not be fully cooperative in team efforts with higher paid colleagues;
- h. Performance monitoring and assessment are not taken seriously or are not properly carried out;
- i. Institutional capacity may be too weak to bring about the desired changes or to adequately monitor performance; and
- j. Donors will not be willing to fund the scheme through all the required MDAs or for the length of period specified.

Section 10. *Conclusions and Recommendations*

318. From a strategic perspective, it is vital that over the medium- to long-term, significant progress is made towards sustainable capacity building in the public service. This capacity is crucial for significant improvements to be achieved in the performance of the public service; in policy-making, in facilitating and regulating the private sector, in quality delivery of essential public services and in building administrative and managerial capacity to sustain the reform effort. Significant enhancement in public service pay, especially in technical and professional grades, is needed to create the incentives for both building and effectively utilising capacity.

319. Only when the problems in the incentive regime are fully addressed can we realistically expect the process towards the evolvment of an effective, efficient and motivated civil service to begin. If real take-home pay is not improved in the near future, the PSRP will increasingly be perceived as merely a cost-cutting and downsizing exercise. Once this perception threshold is reached, it would be hard to restore goodwill towards public service and improve work performance. This would limit the country's efforts to improve:

- a. Governance;
- b. The production and distribution of essential public goods and services;
- c. The formulation and implementation of economic policy; and
- d. The management of public expenditures.

320. Mediocre or bad governance hobbles economic development in many countries in Africa. Pay reform should help promote good governance by:

- a. Allowing the public service to attract and retain honest, motivated, capable professional and technical personnel, thus enhancing administrative and managerial capacity;
- b. Improving commitment to performance and the delivery of services;
- c. Promoting goodwill toward the public service by focusing on being responsive to citizens' needs; and
- d. Reducing corruption, be it petty or grand.

321. The link between corruption and pay has invoked much debate in administrative and general civil service reform discussions. The low-pay-petty-corruption relationship is fairly clear. The low-pay-grand-corruption relationship is harder to demonstrate. Beyond corruption, low pay can also inspire ill-will and counterproductive behaviour. Disgruntled employees can damage equipment or cause excessive wear on equipment, misplace documents, and by silence, abet theft or embezzlement. While recognising that no single action will achieve more than a limited improvement in reducing the intensity of corruption, pay and incentive regime reforms are a necessary part of any serious strategy to reduce corruption as they contribute to:

- a. Reduce the supply of corruption by increasing public servant wages;

- b. Increase incentives toward honest behaviour; and
- c. Institute effective controls and penalties on the public servants.

322. A consistent medium-term pay reform strategy which systematically raises compensation for the core professional, technical and management personnel in public service is a prerequisite for improving civil service performance. Concerted effort is required to restore human and motivational capital and goodwill (embodying honesty, integrity and commitment to performance) within the public service.

323. While it is recognised that increased pay is not a panacea, (it will not in itself be a sufficient condition to yield the desired improvement in the effectiveness and efficiency of public service), it is also recognised that there is little likelihood of achieving sustainable reforms without paying fair compensation for work effort and without the government having access to the requisite skills. Hence, there is a need for comprehensive pay reform and accompanying institutional reforms.

324. A rational salary structure and enhanced pay would not in themselves lead to improved worker efficiency, higher productivity, greater commitment to work, and the return of acceptable minimum standards of performance. Institutional mechanisms should be developed to improve accountability, monitor performance and reward and promote exceptional performers. This would require, among other things, the development of performance-oriented management approaches and modern approaches to monitoring and assessing performance. With regard to salary systems, one way of motivating workers towards higher performance is to offer more attractive annual increments, step differentials and to introduce an element of competition into the system. To ensure that the awarding of annual increments ceases to be automatic, the budget for annual increments, i.e., that portion of the annual wage bill increase which goes to covering the cost of annual increments, should not be fully funded.

325. Over the medium-term, as the government pursues the MTPRS, the competitiveness of public service salaries should improve. As a result, professional and technical personnel should benefit from their jobs being upgraded and salaries being enhanced more rapidly than other salary groups. That is, the two rationalisation exercises, by reinforcing each other, should lead to enhanced salaries of the personnel and improved competitiveness of the public service in attaining and retaining these personnel:

- a. Rationalisation of the job-grade structure through the job evaluation and re-grading exercise; and
- b. Rationalisation of the salary structure through pay reform.

326. Still, given the pace of these reforms, the results of these exercises are likely to be insufficient to provide adequate incentives for enhanced performance and greater commitment to public service. Additional inducement is required in the form of accelerated salary enhancement.

327. With the SASE scheme incorporated as a complementary element of the consistent MTPRS, the result will be a more systematic strategy to improving

compensation of the core public service personnel. This would enhance the concerted effort to restore human capital, motivational capital and goodwill (embodying honesty, integrity and commitment to performance) to the public service. While it is recognised that increased pay would not in itself be a sufficient condition to yield the desired improvement in the effectiveness and efficiency of public service, it is also recognised that there is little likelihood of achieving sustainable reforms without paying fair compensation for work effort and without the government having access to the requisite skills.

328. Once the GRZ has adopted a Public Service Pay Policy and MTPRS, the policy process and consensus-building process will be critical for establishing an implementable programme. Political commitment, monitoring and evaluation will be important to the successful implementation of the policy and strategy.

Recommendations of the Report

329. With respect to issues of the wage bill and the size of the civil service (Section 4), it is recommended that the GRZ:

- a. Adopt an effort to rationalise the salary grades and move towards a more unified salary structure;
- b. Reduce the number of allowances by consolidating the proposed allowances into salary structure and eliminate others following the principles set out within this section; and
- c. Move to setting clear pay reform objectives within the context of a MTPRS that is consistent with its soon to be adopted MTEF.

330. Drawing from the analysis of salary scenarios (Section 5), the report recommends that the GRZ:

- a. Adopt the consolidated job-grade and salary-grade structure presented here, with the conversion as shown in Appendix 4.
- b. Amend the Employment Act in a manner consistent with lowering the cost of the severance package to a more realistic level, to facilitate appropriate adjustments in the public service workforce.
- c. Adopt and implement Scenario 4 and its target medium-term salary structure. (The wage-bill fit will require that the Government adhere to the public service employment target.) [Detailed salary structures for Scenario 4, for the years 2002/03 through 2007/08, are presented in Appendix 5.]
- d. Adjust salaries on a year-to-year basis in line the annual salary structures.
- e. Adopt a compensation structure where monetary allowances do not feature prominently.

331. Drawing from the analysis of salary enhancement (Section 7), this report is

recommending that the GRZ:

- a. In the short to medium-term, targeted salary enhancement towards professional and technical personnel that the Zambia public service has most difficulty in attracting and retaining and who are most critical to efforts to raise public service efficiency and the quality of service delivery, and who are instrumental in the production of strategic government output;
- b. Adopt a SASE scheme approach as an integral part of its medium-term pay reform strategy;
- c. Scenario 4 be adopted and implemented. Its target salary structure best approximates the current MTPRS target salary structure, as it provides the highest target salary levels; and
- d. Commission a special study to:
 - i. determine the modalities for operationalising a SASE scheme within the Zambia context;
 - ii. set objective and transparent criteria for the selection of positions whose salaries should be enhanced;
 - iii. determine the funding requirements for the scheme; and
 - iv. propose a funding approach.

332. With regard to relating pay to performance, it is recommended that:

- a. Mechanisms must be developed to improve accountability, monitor performance, and institute rewards and penalties. Good supervision, monitoring, and proper standards of performance as well as the implementation of appropriate work rules and procedures are necessary before employees can be effectively utilised and the delivery of public services can be improved significantly.
- b. On the basis of annual appraisal system assessment, personnel should be categorised into four groups: poor performers, fair performers, good performers and excellent performers.
- c. In order to link pay to performance and merit, work measurement and an objective performance appraisal system should be introduced, based on setting objectives and targets for staff as a basis for assessing:
 - i. performance to determine whether or not staff merit the receipt of annual increments;
 - ii. performance and effecting promotion based on merit rather than on longevity of service; and
 - iii. exceptional/outstanding performance that could form the basis for merit-pay bonuses.

- d. Only increments and promotions that can fit in the budget and are based on an improved merit and performance appraisal system should be authorised. To ensure that annual increments are not awarded automatically, and that competition is induced into the system, annual increments should no longer be fully funded. The total pool of funds currently allocated for annual increments will be divided into two components:
 - i. funds to pay for annual increments; and
 - ii. funds to pay for merit/performance-pay bonuses.
- e. Any additional increment awarded over-and-beyond that awarded for good performance should take the form of a merit-pay bonus equal to one years increment in order to avoid bestowing a permanent benefit (annuity) to an individual for one year's excellent performance. This should be paid in lump-sum or quarterly since this has the effect of magnifying its significance beyond that of a monthly increase in pay. The amount of a full bonus award should be equal to one year's increment for excellent performers and a half bonus for good performers.
- f. Once objective performance criteria have been adequately designed and adopted, the GRZ should institute an approach where Permanent Secretaries and other Chief Executives in the Public Service are appointed on a competitive, merit basis on a three-year performance contract that is subject to renewal, based on performance.
- g. Where personnel with specialised skills or specific experts are engaged on a contract basis, the practice should be as follows:
 - i. contract employment should be kept to a minimum, with personnel being only engaged on contract where capacity in the public service is lacking or specific skills are required;
 - ii. the positions to be contracted should be consistent with the manpower requirements of the ministry or department as specified in its strategic plan;
 - iii. personnel engaged on contract terms should be competitively recruited through an open and transparent process; and
 - iv. contract personnel should be engaged by the GRZ, not by donors, even if the salary is paid through donor funding.
- h. The Government should work towards narrowing the gap between Public Service and Private Sector pay in order to be able to compete in attracting and retaining highly qualified professional, technical and managerial personnel.
- i. Where practicable, public service positions should be filled through open recruitment to ensure that positions are filled on merit-basis.

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Appendix 1. TERMS OF REFERENCE TO DEVELOP A POLICY FOR ENHANCING PAY AND CONDITIONS OF SERVICE IN THE PUBLIC SERVICE

PUBLIC SERVICE CAPACITY BUILDING PROJECT (PSCAP) RIGHTSIZING AND PAY REFORM - COMPONENT 1

1.0. Background

The Salaries and Conditions of service for employees in the Zambian Civil Service have for a long time now continued to be unattractive in comparison to those obtaining in the private sector and in most countries within the region. In addition, the Civil Service salaries are compressed at the ratio of approximately, 1.2 to 8.9 for the lowest and highest paid respectively. This has led to a situation where the Public Service is not in a position to attract and retain the right calibre of personnel from both outside and within the service. Furthermore, the unattractive salaries and conditions of service, have led to a situation where the Civil Servants are generally demotivated, resulting in low productivity and the delivery of poor quality services. There is therefore, need for the Government to urgently adopt a comprehensive policy to deal with this long-standing problem if the objectives of the Public Service Reform Programme are to be realised. It has therefore, been decided that, with the Public Service Capacity Building

Project (PSCAP) support, the Government should commission a consultancy to develop a comprehensive Civil Service Pay and Conditions of Service Policy. The Policy will guide Government in systematically dealing with issues of Pay and Conditions of Service).

2.0. **Objective**

2.1. The objective of the consultancy is to develop a comprehensive strategy/policy for enhancing Pay and Conditions of Service in the Zambian Civil Service.

3.0. **Activities**

3.1. The following are the specific activities to be undertaken under the assignment:

- (i) Review the Salaries, Salary Grading Structure and Conditions of Service in the Public Service.
- (ii) Identify sources of funding for paying sustainable enhanced salaries and implementing improved Conditions of Service.
- (iii) Examine the non-salary related benefits enjoyed by Public Servants and explore possibility of them being monetised.
- (iv) Analyse capacity of Government to implement enhanced salaries and Conditions of Service.

- (v) Make specific recommendations on the levels of salary enhancements.
- (vi) Prepare a strategy/policy document for enhancing Pay and Condition of Service in the Service. In the strategy, recommend at least two options for enhancing Salaries and Conditions of Service to Government.
- (vii) Determine the cost of the recommendations.
- (viii) Prepare an advocacy strategy for ensuring the successful implementation of the Consultancy recommendations.
- (ix) Prepare the method and timeframe for implementing the recommendations.

4.0. **Outputs**

4.1. The following are the outputs:

- (i) A Strategy/Policy document for enhancing Salaries and Conditions of Service for the Zambian Civil Service prepared.
- (ii) Streamlined Salary Gradings for the Civil Service developed
- (iii) A decompressed salary structure developed.
- (iv) Report with specific recommendations on improving salaries and Conditions of Service produced.

- (v) An advocacy strategy for ensuring that the recommendations of the consultancy are implemented produced.
- (vi) Time bond action plan for implementation.
- (vii) Proposals to changes of legislation to be affected by recommendations.
- (viii) A model or guide for periodic review of salaries/wages and Conditions of Service in the Civil Service.

5.0. **Duration**

- 5.1. It is envisaged that the study/consultancy will take 90 person days; with actual undertaking of the exercise running from April 2001 to July 2001.

6.0. **Qualifications**

- 6.1. The lead consultant should have minimum of a first degree.
- 6.2. The consultant should have successfully conducted similar assignments elsewhere. The previous assignment(s) should have led to the adoption of a comprehensive and implementable Pay and Conditions of Service Policy strategy that was capable of leading to

improved productivity. Experience in Job Evaluation and salary/wage structures will be an added advantage.

- 6.3. Five years minimum experience in the field under-review is expected of the providers of this service.

7.0 **Benefits**

- 7.1. This exercise is a very important assignment in the Government's quest for improved quality of public services delivery. It is critical because it aims at motivating the cardinal resource, human resources, so that it can apply itself fully to bringing about improved performance in the Public Service. Without an attractive incentive structure, the goal of the Public Service Reform Programme (PSRP) and the efforts by PSCAP shall be rendered unattainable and worthless.

- 7.2. It is therefore envisaged that the consultancy on Pay and Conditions of Service will provide a basis for rewarding and consequently motivating employees to committed to improving performance in the Civil Service. In addition, the following specific benefits will accrue to the Public Service:

- i) A framework for effectively managing Pay and Conditions of Service in the Civil Service;

- ii) Attraction and retention of competent professional, managerial and technical personnel;
- iii) Motivated and performance-oriented Public Service employees;
- iv) Capacity building made easier due to the Public Service's ability to attract and retain requisite personnel;
- v) Better salary structures and scales that motivate personnel to achieve promotions through good performance;
- vi) Meritocracy institutionalised whereby promotion is based on performance and salaries are competitive, reflecting the prevailing rates in the internal and external labour markets.

Appendix 2. List of Persons Interviewed

{{ List to be added}}

Appendix 3. Detailed on Monetary Compensation by Category, Amount, Number of Recipients and Average Payment per Recipient

PD CODE	Category Of Compensation	Amount	Number of Recipients	Average Payment per Recipient
1	Salaries & Wages			
1.1	Salary Division 1 & 2	17,725,389,490	67,353	263,171
1.6	Salary Division 3	5,356,047,509	25,179	212,719
1.9	Wages CDEs	3,283,260,251	17,079	192,240
1.14	Acting Allowance	108,447,080	3,445	31,480
1.79	Grant Aid Salary	3,301,268	3	1,100,423
1.115	Salary Special Allowance	67,445,816	40	1,686,145
1.117	Presidential Salary	1,643,190	1	1,643,190
1.123	Salary Non Taxable	34,835,691	22	1,583,440
1.136	Salary Increase Div. 1 & 2	11,084,189,742	62,106	178,472
1.138	Salary Increase Div. 3	2,529,154,808	24,109	104,905
1.141	Salary Increase Wages	1,674,737,901	15,785	106,097
1.143	Salary Upgrade - SESTUZ/ZNUT	111,097	5	22,219
1.157	8% Div 1 & 2 Increase	259,543	16	16,221
1.161	8% Wage Increase	1,089	1	1,089
1.175	Salary Increase Div. 1 & 2 UTH	1,455,255,342	11,339	128,341
1.177	Wages Increase CDEs UTH	139,034,715	5,426	25,624
	Sub-Total	43,463,114,532	231,909	187,415
	2 Flexible Allowances			
2.3	Housing Allowances	69,563,233	150	463,755
2.12	Retention Allowance	440,976,394	2,204	200,080
2.31	Rural Hardship Allowance	1,847,133,951	34,438	53,637
2.37	Responsibility Allowance	199,661,141	2,419	82,539
2.111	Extra Duty Allowance	468,382,633	9,090	51,527
2.148	Local Supplementation Allowance	6,131	7	876
	Sub-Total	3,025,723,483	48,308	62,634
	3 Fixed Allowances			
3.17	Tool Allowance	29,692,642	1,958	15,165
3.22	Commuted Night Duty Allowance	232,100,000	11,605	20,000
3.25	Special Education Allowance	88,552,815	1,199	73,856
3.29	Commuted Over Time	586,025,350	23,441	25,000
3.33	Operation Allowance	27,887,588	1,607	17,354
3.35	Non Taxable Allowance	47,384,663	104	455,622
3.39	Instructors Allowance	358,720	180	1,993
3.41	Uniform Allowance	319,350,000	12,774	25,000
3.43	Machine Allowance	1,500	3	500
3.45	Shift Allowance	23,018,650	11,350	2,028
3.47	Grade Allowance	75	54	1
3.49	Trade Allowance	1,248,414	630	1,982
3.51	Amourer Allowance	24,485	46	532
3.53	Bandsman Allowance	820	38	22
3.55	Coxwains Allowance	42,116	6	7,019
3.57	Dog Handler Allowance	1,675	8	209
3.59	Equitation Allowance	678	12	57

PD CODE	Category Of Compensation	Amount	Number of Recipients	Average Payment per Recipient
3.63	Mental Allowance	10,019	6	1,670
3.67	Trade Testing Allowance	8,284	11	753
3.69	Bicycle Allowance	17,570,500	1,227	14,320
3.71	Cid Allowance	1,488,765	572	2,603
3.75	Constituency Allowance	22,392,092	58	386,071
3.77	Border Allowance Immigration	467,042	82	5,696
3.86	Production Unit Allowance	335,047	12	27,921
3.88	Boarding Master Allowance	29,147	2	14,574
3.90	Standby Allowance	1,120,000	56	20,000
3.92	Rescue Fire Meal Allowance	1,101,649	44	25,037
3.94	Body Guard Allowance	44,552	199	224
3.96	Finger Print Expert Allowance	29,032	102	285
3.98	Protect. Unit Kilometre Allowance	11,745	261	45
3.102	Danger Risk Allowance	19,820,263	13,134	1,509
3.104	Commuted Over/T Drivers Allowance	17,432,455	863	20,200
3.106	On Call Allowance	295,453,404	255	1,158,641
3.107	Commuted Subsistence Allowance	31,968,276	11	2,906,207
3.113	Bomb Disposal Allowance	2,955,317	1	2,955,317
3.119	Presidential Allowance	1,340,256	2	670,128
3.121	Acting Allowance Special	1,320	1	1,320
3.145	Domestic Fuel Allowance	5,666,726	558	10,155
3.147	Kilometer Allowance	87,584	9	9,732
3.150	Other Allowances	9,064,233	504	17,985
3.153	Non Private Practising Allowance	153,020,962	110	1,391,100
3.163	Medical Allowance	5,300,210	55	96,367
3.165	Telephone Allowance	4,549,638	56	81,244
3.167	Entertainment Allowance	6,037,206	54	111,800
3.169	Motor Vehicle Allowance	5,424,394	57	95,165
3.171	Drivers Allowance	5,830,998	59	98,830
3.173	Secretarial Allowance	10,891,992	55	198,036
	Sub-Total	1,975,143,298	83,431	23,674
4	Other Emoluments			
4.19	Cash In Lieu Of Leave Division 1&2	119,525,640	54	2,213,438
4.20	Cash In Lieu Leave Division Three	14,839,838	23	645,210
4.21	Cash In Lieu Of Leave CDEs	4,510,804	8	563,851
4.24	Over Time Division 1&2	97,882,679	384	254,903
4.27	Over Time Division 3	67,735,558	302	224,290
4.28	Over Time CDEs	83,842,640	440	190,551
4.127	Journal Adjustment Payments Decrea	4,044,557	3	1,348,186
4.128	Board And Quarters Refund On Bill	6	1	6
4.129	Journal Adjustment Payments Incrs	20,000	1	20,000
4.131	Electricity Refund	173,442	7	24,777
4.132	Release Net pay With Held	19,637,316	27	727,308
4.133	Salary Advance On Bill	2,294,000	2	1,147,000
4.134	Pension Refund	40,000	1	40,000
4.135	Sundry Deduction Refund	2,337,326	16	146,083
	Sub-Total	416,883,805	1,269	328,514

PD CODE	Category Of Compensation	Amount	Number of Recipients	Average Payment per Recipient
5	Arrears			
5.2	Salary Arrears Division 1 & 2	513,138,912	647	793,105
5.4	Salary Arrears Division 1 & 2 PY	156,383	6	26,064
5.5	Housing Allowances Arrears	142,338	1	142,338
5.7	Salary Arrears Division 3 CY	53,611,791	151	355,045
5.8	Salary Arrears Division 3 PY	15,270,090	27	565,559
5.10	Wages Arrears CY	43,406,033	82	529,342
5.13	Retention Allowance Arrears	74,981,257	124	604,688
5.15	Acting Allowance Arrears CY	82,858,376	157	527,760
5.16	Acting Allowance Arrears PY	9,240,535	30	308,018
5.18	Tool Allowance Arrears	9,383,474	32	293,234
5.23	Comm. Night Duty Allowance Arrears	7,350,667	106	69,346
5.26	Spec. Education Allowance Arrears	15,838,731	34	465,845
5.30	Commuted Over Time Arrears Cy	35,780,363	247	144,860
5.32	Rural Hardship Allowance Arrears	335,378,146	505	664,115
5.34	Operation Allowance Arrears	2,571,663	18	142,870
5.36	Non Taxable Allowance Arrears	7,351,434	14	525,102
5.38	Responsibility Allowance Arrears	156,085,496	281	555,464
5.40	Instructors Allowance Arrears	156,383	6	26,064
5.42	Uniform Allowance Arrears	13,476,941	106	127,141
5.46	Shift Allowance Arrears	10,606,961	82	129,353
5.50	Rade Allowance Arrears	7,675	4	1,919
5.62	Farries Allowance Arrears	8	1	8
5.66	Theatre Allowance Arrears	157,546	6,532	24
5.68	Trade Testing Allowance Arrears	15,000	1	15,000
5.70	Bicycle Allowance Arrears	7,213,250	24	300,552
5.72	Cid Allowance Arrears	1,559	2	780
5.76	Constituency Allowance Arrears	2,999,947	1	2,999,947
5.80	Grant Aid Salary Arrears	5,973,000	2	2,986,500
5.84	LMAT TCH. Responsibility Allowance	25,392	1	25,392
5.91	Standby Allowance Arrears	15,000	1	15,000
5.93	Rescue Fire Meal Allowance Arrears	413,551	9	45,950
5.99	Protection Unit K/Metre All Arrears	539,871	5	107,974
5.103	Danger Risk Allowance Arrears	1,447,263	109	13,278
5.105	Commuted Overtime Drivers All Arrears	2,400,676	17	141,216
5.108	Commuted Subsistence All Arrears	16,000	1	16,000
5.110	Double Class Allowance Arrears	165,219,737	365	452,657
5.112	Extra Duty Allowance Arrears	94,774,297	162	585,027
5.120	Presidential Allowance Arrears	133,333	1	133,333
5.124	Salary Non Taxable Arrears	1,991,039	1	1,991,039
5.126	Special Allowance Constitut.Ap Arrear	25,000	1	25,000
5.137	Salary Increase Div. 1 & 2 Arrears	481,016,210	518	928,603
5.139	Salary Increase Arrears Div 3	105,129,635	208	505,431
5.142	Salary Increase Wages Arrears	17,113,237	69	248,018
5.146	Domestic Fuel Allowance Arrears	635,230	10	63,523
5.149	Local Supplementation Allowance Ar	109,111	1	109,111
5.151	Other Allowances Arrears	2,457,034	12	204,753
5.154	Non Private Practising Allowance A	15,335,376	5	3,067,075
5.155	Refund Of PAYE Over Deducted	7,921,191	9	880,132
5.158	Salary 8% Increase Arrears Div. 1	1,916,449	3	638,816

PD CODE	Category Of Compensation	Amount	Number of Recipients	Average Payment per Recipient
5.160	Salary 8% Increase Div. 3 Arrears	462,382	2	231,191
5.162	Salary 8% Increase C.E Wages Arrear	121,800	2	60,900
5.164	Medical Allowances Arrears	638,828	2	319,414
5.166	Telephone Allowance Arrears	519,175	1	519,175
5.168	Entertainment Allowance Arrears.	846,433	2	423,217
5.170	Motor Vehicle Allowance Arrears	620,201	1	620,201
5.176	Salary Increase Div. 1&2 Arrear UTH	87,318,549	171	510,635
5.178	Wages Increase Arrears CDEs UTH	24,903,307	68	366,225
	Sub-Total	2,417,219,262	10,980	220,147
	Grand Total	51,298,084,380	375,897	136,468

Appendix 4. Conversion from the Current Job-Grade and Salary Structure to the Proposed Zambia Public Service Salary Structure

Zambia General Service Salary Scale												
	Current SMS Scale			Current LMS Scale			Current PMS Scale			Current GMS Scale		
	Scale	Annual Salary	Increment	Scale	Annual Salary	Increment	Scale	Annual Salary	Increment	Scale	Annual Salary	Increment
ZGSS1	SMS1.1	48,375,528	1,710,552									
	SMS1.2	46,664,976	1,710,552									
	SMS1.3	44,954,424	1,710,552									
ZGSS2	SMS2.1	37,549,620	1,327,752									
	SMS2.2	36,221,868	1,327,752									
	SMS2.3	34,894,116	1,327,752									
ZGSS3	SMS3.1	31,439,352	1,272,696									
	SMS3.2	30,166,656	1,272,696									
	SMS3.3	28,893,960	1,272,696									
ZGSS4				LMS1.1	26,863,212	1,054,776	PMS01.1	26,863,212	1,054,776			
				LMS1.2	25,808,436	1,054,776	PMS01.2	25,808,436	1,054,776			
				LMS1.3	24,753,660	1,054,776	PMS01.3	24,753,660	1,054,776			
ZGSS5				LMS2.1	21,762,192	836,712	PMS02.1	21,762,192	836,712	GMS01.1	24,403,572	1,054,776
				LMS2.2	20,925,480	836,712	PMS02.2	20,925,480	836,712	GMS01.2	23,348,796	1,054,776
				LMS2.3	20,088,768	836,712	PMS02.3	20,088,768	836,712	GMS01.3	22,294,020	1,054,776
ZGSS6				LMS3.1	17,638,764	571,620	PMS03.1	17,638,764	571,620	GMS02.1	19,810,896	836,712
				LMS3.2	17,067,144	571,620	PMS03.2	17,067,144	571,620	GMS02.2	18,974,184	836,712
				LMS3.3	16,495,524	571,620	PMS03.3	16,495,524	571,620	GMS02.3	18,137,472	836,712
ZGSS7				LMS4.1	15,653,388	252,960				GMS03.1	16,305,672	571,620
				LMS4.2	15,400,428	237,996				GMS03.2	15,734,052	571,620
				LMS4.3	15,147,468	1,093,584				GMS03.3	15,162,432	571,620
ZGSS8				LMS5.1	14,053,884	200,640						
				LMS5.2	13,853,244	200,640						
				LMS5.3	13,652,604	169,524						
				LMS5.4	13,451,964	200,640	PMS04.1	13,483,080	31,116			
				LMS5.5	13,251,324	151,824	PMS04.2	13,099,500	48,816			
				LMS5.6	13,050,684	331,968	PMS04.3	12,715,920	384,720	GMS04.1	12,718,716	387,516

	Current PMS Scale			Current GMS Scale			Current LOS Scale			Current GPS Scale		
	Scale	Annual Salary	Increment	Scale	Annual Salary	Increment	Scale	Annual Salary	Increment	Scale	Annual Salary	Increment
ZGSS9	PMS05.1	10,695,180	258,156	GMS04.2	12,331,200	387,516						
	PMS05.2	10,437,024	258,156	GMS04.3	11,943,684	387,516						
	PMS05.3	10,178,868	258,156	GMS05.1	10,093,176	71,532	LOS01.1	10,122,312	29,136			
				GMS05.2	9,835,020	14,712	LOS01.2	10,021,644	100,668			
				GMS05.3	9,576,864	127,548	LOS01.3	9,920,976	85,956			
							LOS01.4	9,820,308	100,668			
							LOS01.5	9,719,640	100,668			
ZGSS10							LOS01.6	9,618,972	42,108			
							LOS2.1	9,449,316	100,692			
							LOS2.2	9,348,624	100,692			
							LOS2.3	9,247,932	100,692			
							LOS2.4	9,147,240	100,692			
							LOS2.5	9,046,548	100,692			
ZGSS11							LOS2.6	8,945,856	58,524			
	PMS6.1	8,806,716	5,004				LOS3.1	8,887,332	80,616			
	PMS6.2	8,608,020	63,168				LOS3.2	8,801,712	85,620			
	PMS6.3	8,409,324	66,192				LOS3.3	8,716,092	85,620			
	PMS6.4	8,210,628	66,192				LOS3.4	8,630,472	22,452			
							LOS3.5	8,544,852	85,620			
							LOS3.6	8,459,232	49,908			
					GMS6.1	8,343,132	132,504					
					GMS6.2	8,144,436	198,696					
					GMS6.3	7,945,740	198,696					
					GMS6.4	7,747,044	1,644,156					

	Current GPS Scale			Current GAS Scale			Current TS Scale			Current DMS Scale		
	Scale	Annual Salary	Increment	Scale	Annual Salary	Increment	Scale	Annual Salary	Increment	Scale	Annual Salary	Increment
ZGSS12	GPS1.1	6,102,888	49,716									
	GPS1.2	6,053,172	49,716									
	GPS1.3	6,003,456	49,716									
	GPS1.4	5,953,740	49,716	GAS1.1	5,942,220	49,188	TS1.1	5,923,908	48,960			
	GPS1.5	5,904,024	49,716	GAS1.2	5,893,032	49,188	TS1.2	5,874,948	48,960			
	GPS1.6	5,854,308	49,716	GAS1.3	5,843,844	49,188	TS1.3	5,825,988	48,960			
				GAS1.4	5,794,656	49,188	TS1.4	5,777,028	48,960			
			GAS1.5	5,745,468	49,188	TS1.5	5,728,068	48,960				
			GAS1.6	5,696,280	49,188	TS1.6	5,679,108	48,960				
ZGSS13				GAS2.1	5,582,760	48,624						
	GPS2.1	5,741,916	49,188	GAS2.2	5,534,136	48,624						
	GPS2.2	5,692,728	49,188	GAS2.3	5,485,512	48,624	TS2.1	5,565,420	48,396			
	GPS2.3	5,643,540	49,188	GAS2.4	5,436,888	48,624	TS2.2	5,517,024	48,396			
	GPS2.4	5,594,352	49,188	GAS2.5	5,388,264	48,624	TS2.3	5,468,628	48,396			
	GPS2.5	5,545,164	49,188	GAS2.6	5,339,640	48,624	TS2.4	5,420,232	48,396			
	GPS2.6	5,495,976	49,188				TS2.5	5,371,836	48,396			
						TS2.6	5,323,440	48,396				
ZGSS14	GPS3.1	5,333,076	40,896									
	GPS3.2	5,292,180	40,896									
	GPS3.3	5,251,284	40,896									
	GPS3.4	5,210,388	40,896	GAS3.1	5,193,624	15,468						
	GPS3.5	5,169,492	40,896	GAS3.2	5,153,328	15,468	TS3.1	5,178,108	40,272			
	GPS3.6	5,128,596	40,896	GAS3.3	5,113,032	15,468	TS3.2	5,137,836	40,272			
				GAS3.4	5,072,736	15,468	TS3.3	5,097,564	40,272			
			GAS3.5	5,032,440	15,468	TS3.4	5,057,292	40,272				
			GAS3.6	4,992,144	15,468	TS3.5	5,017,020	40,272				
						TS3.6	4,976,748	40,272				
ZGSS15				GAS4.1	4,865,988	33,600	TS4.1	4,850,172	33,516			
				GAS4.2	4,832,388	33,600	TS4.2	4,816,656	33,516			
				GAS4.3	4,798,788	33,600	TS4.3	4,783,140	33,516			
				GAS4.4	4,765,188	33,600	TS4.4	4,749,624	33,516			
				GAS4.5	4,731,588	33,600	TS4.5	4,716,108	33,516			

	Current GPS Scale			Current GAS Scale			Current TS Scale			Current DMS Scale		
	Scale	Annual Salary	Increment	Scale	Annual Salary	Increment	Scale	Annual Salary	Increment	Scale	Annual Salary	Increment
ZGSS16				GAS5.1	4,588,860	28,116	TS5.1	4,573,044	28,032	DMS1.1	4,588,860	28,116
				GAS5.2	4,560,744	28,116	TS5.2	4,545,012	28,032	DMS1.2	4,560,744	28,116
				GAS5.3	4,532,628	28,116	TS5.3	4,516,980	28,032	DMS1.3	4,532,628	28,116
				GAS5.4	4,504,512	28,116	TS5.4	4,488,948	28,032	DMS1.4	4,504,512	28,116
				GAS5.5	4,476,396	28,116	TS5.5	4,460,916	28,032	DMS1.5	4,476,396	28,116
				GAS5.6	4,448,280	28,116	TS5.6	4,432,884	28,032	DMS1.6	4,448,280	28,116
ZGSS17				GAS6.1	4,353,012	23,460	TS6.1	4,337,484	23,436	DMS2.1	4,353,012	23,460
				GAS6.2	4,329,552	23,460	TS6.2	4,314,048	23,436	DMS2.2	4,329,552	23,460
				GAS6.3	4,306,092	23,460	TS6.3	4,290,612	23,436	DMS2.3	4,306,092	23,460
				GAS6.4	4,282,632	23,460	TS6.4	4,267,176	23,436	DMS2.4	4,282,632	23,460
				GAS6.5	4,259,172	23,460	TS6.5	4,243,740	23,436	DMS2.5	4,259,172	23,460
				GAS6.6	4,235,712	23,460	TS6.6	4,220,304	23,436	DMS2.6	4,235,712	23,460
ZGSS18				GAS7.1	4,153,284	19,644	TS7.1	4,137,828	19,632	DMS3.1	4,153,284	19,644
				GAS7.2	4,133,640	19,644	TS7.2	4,118,196	19,632	DMS3.2	4,133,640	19,644
				GAS7.3	4,113,996	19,644	TS7.3	4,098,564	19,632	DMS3.3	4,113,996	19,644
				GAS7.4	4,094,352	19,644	TS7.4	4,078,932	19,632	DMS3.4	4,094,352	19,644
				GAS7.5	4,074,708	19,644	TS7.5	4,059,300	19,632	DMS3.5	4,074,708	19,644
				GAS7.6	4,055,064	19,644	TS7.6	4,039,668	19,632	DMS3.6	4,055,064	19,644
ZGSS19				GAS8.1	3,983,712	16,404	TS8.1	3,968,088	16,344	DMS4.1	3,983,712	16,404
				GAS8.2	3,967,308	16,404	TS8.2	3,951,744	16,344	DMS4.2	3,967,308	16,404
				GAS8.3	3,950,904	16,404	TS8.3	3,935,400	16,344	DMS4.3	3,950,904	16,404
				GAS8.4	3,934,500	16,404	TS8.4	3,919,056	16,344	DMS4.4	3,934,500	16,404
				GAS8.5	3,918,096	16,404	TS8.5	3,902,712	16,344	DMS4.5	3,918,096	16,404
				GAS8.6	3,901,692	16,404	TS8.6	3,886,368	16,344	DMS4.6	3,901,692	16,404

ZAMBIA EDUCATION SERVICE SALARY SCALE

Zambia Education Service Salary Scale Conversion							Zambia Education Service Salary Scale Conversion								
	Current TMS Scale			Current EMS Scale			Current TES Scale			Current SES Scale			Current ES Scale		
	Scale	Annual Salary	Increment	Scale	Annual Salary	Increment	Scale	Annual Salary	Increment	Scale	Annual Salary	Increment	Scale	Annual Salary	Increment
ZES1	TMS01.1	26,863,212	1,054,776	EMS01.1	25,632,636	1,054,776									
	TMS01.2	25,808,436	1,054,776	EMS01.2	24,577,860	1,054,776									
	TMS01.3	24,753,660	1,054,776	EMS01.3	23,523,084	1,054,776									
ZES2	TMS02.1	21,762,192	836,712	EMS02.1	20,785,668	836,712									
	TMS02.2	20,925,480	836,712	EMS02.2	19,948,956	836,712									
	TMS02.3	20,088,768	836,712	EMS02.3	19,112,244	836,712									
ZES3	TMS03.1	17,638,764	571,620	EMS03.1	16,971,420	571,620									
	TMS03.2	17,067,144	571,620	EMS03.2	16,399,800	571,620									
	TMS03.3	16,495,524	571,620	EMS03.3	15,828,180	571,620									
ZES4	TMS04.1	13,483,080	383,580	EMS04.1	13,035,168	383,580									
	TMS04.2	13,099,500	383,580	EMS04.2	12,651,588	383,580									
	TMS04.3	12,715,920	383,580	EMS04.3	12,268,008	383,580									
ZES5	TMS05.1	10,695,132	258,132	EMS05.1	10,393,440	258,156									
	TMS05.2	10,437,000	258,132	EMS05.2	10,135,284	258,156									
	TMS05.3	10,178,868	258,132	EMS05.3	9,877,128	258,156									
ZES6	TMS06.1	8,806,644	198,672	EMS06.1	8,574,036	198,672									
	TMS06.2	8,607,972	198,672	EMS06.2	8,375,364	198,672									
	TMS06.3	8,409,300	198,672	EMS06.3	8,176,692	198,672									
	TMS06.4	8,210,628	198,672	EMS06.4	7,978,020	198,672									
ZES7							TES1.1	6,116,916	38,580						
							TES1.2	6,078,336	38,580						
							TES1.3	6,039,756	38,580						
							TES1.4	6,001,176	38,580						
							TES1.5	5,962,596	38,580						
							TES1.6	5,924,016	38,460						
ZES8							TES02.1	5,885,556	38,424	SES01.1	5,469,840	29,892	ES01.1	5,756,496	38,424
							TES02.2	5,846,976	38,580	SES01.2	5,439,948	29,892	ES01.2	5,718,072	38,424
							TES02.3	5,808,396	38,580	SES01.3	5,410,056	29,892	ES01.3	5,679,648	38,424
							TES02.4	5,769,816	38,580	SES01.4	5,380,164	29,892	ES01.4	5,641,224	38,424
							TES02.5	5,731,236	38,580	SES01.5	5,350,272	29,892	ES01.5	5,602,800	38,424
							TES02.6	5,692,656	38,580	SES01.6	5,320,380	29,892	ES01.6	5,564,376	38,424

	Current TMS Scale			Current EMS Scale			Current TES Scale			Current SES Scale			Current ES Scale		
	Scale	Annual Salary	Increment	Scale	Annual Salary	Increment	Scale	Annual Salary	Increment	Scale	Annual Salary	Increment	Scale	Annual Salary	Increment
ZES9										SES02.1	5,225,580	29,892	ES02.1	5,560,716	38,424
										SES02.2	5,195,688	29,892	ES02.2	5,522,292	38,424
										SES02.3	5,165,796	29,892	ES02.3	5,483,868	38,424
										SES02.4	5,135,904	29,892	ES02.4	5,445,444	38,424
										SES02.5	5,106,012	29,892	ES02.5	5,407,020	38,424
										SES02.6	5,076,120	29,892	ES02.6	5,368,596	38,424
ZES10										SES03.1	4,995,624	25,380	ES03.1	5,394,180	32,640
										SES03.2	4,970,244	25,380	ES03.2	5,361,540	32,640
										SES03.3	4,944,864	25,380	ES03.3	5,328,900	32,640
										SES03.4	4,919,484	25,380	ES03.4	5,296,260	32,640
										SES03.5	4,894,104	25,380	ES03.5	5,263,620	32,640
										SES03.6	4,868,724	25,380	ES03.6	5,230,980	32,640
ZES11													ES04.1	5,228,472	28,140
													ES04.2	5,200,332	28,140
													ES04.3	5,172,192	28,140
													ES04.4	5,144,052	28,140
													ES04.5	5,115,912	28,140
													ES04.6	5,087,772	28,140
ZES12													ES05.1	5,078,412	23,892
													ES05.2	5,054,520	23,892
													ES05.3	5,030,628	23,892
													ES05.4	5,006,736	23,892
													ES05.5	4,982,844	23,892
													ES05.6	4,958,952	23,892
ZES13													ES06.1	4,957,140	20,280
													ES06.2	4,936,860	20,280
													ES06.3	4,916,580	20,280
													ES06.4	4,896,300	20,280
													ES06.5	4,876,020	20,280
													ES06.6	4,855,740	20,280

Zambia Medical Services Salary Scale						
	Current MDS Scale			Current MS Scale		
	Scale	Annual Salary	Increment	Scale	Annual Salary	Increment
ZMSS1	MDS01.1	36,174,408	784,536			
	MDS01.2	35,389,872	784,536			
	MDS01.3	34,605,336	784,536			
ZMSS2	MDS02.1	30,593,736	631,920			
	MDS02.2	29,961,816	631,920			
	MDS02.3	29,329,896	631,920			
ZMSS3	MDS03.1	27,134,400	450,744			
	MDS03.2	26,683,656	450,744			
	MDS03.3	26,232,912	450,744			
ZMSS4	MDS04.1	23,470,488	327,948			
	MDS04.2	23,142,540	327,948			
	MDS04.3	22,814,592	327,948			
ZMSS5	MDS05.1	20,687,460	235,128			
	MDS05.2	20,452,332	235,128			
	MDS05.3	20,217,204	235,128			
ZMSS6	MDS06.1	18,019,284	398,976			
	MDS06.2	17,620,308	398,976			
	MDS06.3	17,221,332	398,976			
	MDS06.4	16,822,356	398,976			
	MDS06.5	16,423,380	398,976			
	MDS06.6	16,024,404	398,976			
ZMSS7				MS01.1	6,130,440	49,560
				MS01.2	6,080,880	49,560
				MS01.3	6,031,320	49,560
				MS01.4	5,981,760	49,560
				MS01.5	5,932,200	49,560
				MS01.6	5,882,640	49,560
ZMSS8				MS02.1	5,770,020	49,020
				MS02.2	5,721,000	49,020
				MS02.3	5,671,980	49,020
				MS02.4	5,622,960	49,020
				MS02.5	5,573,940	49,020
				MS02.6	5,524,920	49,020
				MS03.1	5,361,408	40,788
				MS03.2	5,320,620	40,788
ZMSS9				MS03.3	5,279,832	40,788
				MS03.4	5,239,044	40,788
				MS03.5	5,198,256	40,788
				MS03.6	5,157,468	40,788
				MS04.1	4,992,012	33,840
				MS04.2	4,958,172	33,840
				MS04.3	4,924,332	33,840
				MS04.4	4,890,492	33,840

ZMSS10	MS04.4	4,890,492	33,840
	MS04.5	4,856,652	33,840
	MS04.6	4,822,812	33,840
	MS05.1	4,695,600	28,116
	MS05.2	4,667,484	28,116
	MS05.3	4,639,368	28,116
	MS05.4	4,611,252	28,116
	MS05.5	4,583,136	28,116
	MS05.6	4,555,020	28,116
ZMSS11	MS06.1	4,445,544	23,628
	MS06.2	4,421,916	23,628
	MS06.3	4,398,288	23,628
	MS06.4	4,374,660	23,628
	MS06.5	4,351,032	23,628
	MS06.6	4,327,404	23,628
ZMSS12	MS07.1	4,232,496	19,692
	MS07.2	4,212,804	19,692
	MS07.3	4,193,112	19,692
	MS07.4	4,173,420	19,692
	MS07.5	4,153,728	19,692
	MS07.6	4,134,036	19,692
	MS08.1	4,051,848	16,404
	MS08.2	4,035,444	16,404
	MS08.3	4,019,040	16,404
	MS08.4	4,002,636	16,404
	MS08.5	3,986,232	16,404
	MS08.6	3,969,828	16,404

Zambia Judicial Services Salary Scale						
Current JPS Scale				Current JOS Scale		
	Scale	Annual Salary	Increment	Scale	Annual Salary	Increment
ZJSS1	JPS01.1	18,530,304	549,492			
	JPS01.2	17,980,812	549,492			
	JPS01.3	17,431,320	549,492			
ZJSS2	JPS02.1	14,858,148	355,908			
	JPS02.2	14,502,240	355,908			
	JPS02.3	14,146,332	355,908			
ZJSS3	JPS03.1	12,113,088	248,544			
	JPS03.2	11,864,544	248,544			
	JPS03.3	11,616,000	248,544			
	JPS04.1	11,022,972	178,128			
ZJSS4	JPS04.2	10,844,844	178,128			
	JPS04.3	10,666,716	178,128			
	JPS05.1	9,896,628	141,288			
	JPS05.2	9,755,340	141,288			
	JPS05.3	9,614,052	141,288			
	JPS05.4	9,472,764	141,288			
	JPS05.5	9,331,476	141,288			
JPS05.6	9,190,188	141,288				
ZJSS5				JOS01.1	7,128,072	70,896
				JOS01.2	7,057,176	70,896
				JOS01.3	6,986,280	70,896
				JOS01.4	6,915,384	70,896
				JOS01.5	6,844,488	70,896
				JOS01.6	6,773,592	70,896
ZJSS6				JOS02.1	6,654,132	70,908
				JOS02.2	6,583,224	70,908
				JOS02.3	6,512,316	70,908
				JOS02.4	6,441,408	70,908
				JOS02.5	6,370,500	70,908
				JOS02.6	6,299,592	70,908
				JOS03.1	6,258,360	60,288
				JOS03.2	6,198,072	60,288
				JOS03.3	6,137,784	60,288
				JOS03.4	6,077,496	60,288
				JOS03.5	6,017,208	60,288
				JOS03.6	5,956,920	60,288
ZJSS7				JOS04.1	3,763,776	24,828
				JOS04.2	3,738,948	24,828
				JOS04.3	3,714,120	24,828
				JOS04.4	3,689,292	24,828
				JOS04.5	3,664,464	24,828
				JOS04.6	3,639,636	24,828
				JOS05.1	3,519,588	21,276
				JOS05.2	3,498,312	21,276
				JOS05.3	3,477,036	21,276
				JOS05.4	3,455,760	21,276

ZJSS8	JOS05.5	3,434,484	21,276
	JOS05.6	3,413,208	21,276
	JOS06.1	3,395,124	18,072
	JOS06.2	3,377,052	18,072
	JOS06.3	3,358,980	18,072
	JOS06.4	3,340,908	18,072
	JOS06.5	3,322,836	18,072
	JOS06.6	3,304,764	18,072
	JOS07.1	3,289,476	15,360
	JOS07.2	3,274,116	15,360
	JOS07.3	3,258,756	15,360
	JOS07.4	3,243,396	15,360
	JOS07.5	3,228,036	15,360
	JOS07.6	3,212,676	15,360

Zambia Protective Services Personnel Scale									
	Current PF Scale			Current PS Scale			Current PTS Scale		
	Scale	Annual Salary	Increment	Scale	Annual Salary	Increment	Scale	Annual Salary	Increment
ZPSP1	PF01.1	31,439,352	1,272,696						
	PF01.2	30,166,656	1,272,696						
	PF01.3	28,893,960	1,272,696						
ZPSP2	PF02.1	24,403,572	1,054,776	PS01.1	24,403,572	1,054,776			
	PF02.2	23,348,796	1,054,776	PS01.2	23,348,796	1,054,776			
	PF02.3	22,294,020	1,054,776	PS01.3	22,294,020	1,054,776			
ZPSP3	PF03.1	19,810,896	836,712	PS02.1	19,810,896	836,712			
	PF03.2	18,974,184	836,712	PS02.2	18,974,184	836,712			
	PF03.3	18,137,472	836,712	PS02.3	18,137,472	836,712			
ZPSP4	PF04.1	16,305,672	571,620	PS03.1	16,305,672	571,620			
	PF04.2	15,734,052	571,620	PS03.2	15,734,052	571,620			
	PF04.3	15,162,432	571,620	PS03.3	15,162,432	571,620			
ZPSP5	PF05.1	12,718,716	387,516	PS04.1	12,718,716	387,516			
	PF05.2	12,331,200	387,516	PS04.2	12,331,200	387,516			
	PF05.3	11,943,684	387,516	PS04.3	11,943,684	387,516			
ZPSP6	PF06.1	10,093,176	258,156	PS05.1	10,093,176	258,156			
	PF06.2	9,835,020	258,156	PS05.2	9,835,020	258,156			
	PF06.3	9,576,864	258,156	PS05.3	9,576,864	258,156			
ZPSP7	PF07.1	8,740,524	198,696						
	PF07.2	8,541,828	198,696						
	PF07.3	8,343,132	198,696						
	PF07.4	8,144,436	198,696	PS06.1	8,144,436	198,696			
	PF07.5	7,945,740	198,696	PS06.2	7,945,740	198,696			
	PF07.6	7,747,044	198,696	PS06.3	7,747,044	198,696			
ZPSP8				PS07.1	6,523,284	124,164			
				PS07.2	6,399,120	124,164			
				PS07.3	6,274,956	124,164			
				PS07.4	6,150,792	124,164			
	PF08.1	6,040,596	49,188	PS07.5	6,026,628	124,164			
	PF08.2	5,991,408	49,188	PS07.6	5,902,464	124,164			
	PF08.3	5,942,220	49,188				PTS01.1	5,874,948	48,960
	PF08.4	5,893,032	49,188				PTS01.2	5,825,988	48,960
	PF08.5	5,843,844	49,188				PTS01.3	5,777,028	48,960
	PF08.6	5,794,656	49,188				PTS01.4	5,728,068	48,960
PF08.7	5,745,468	49,188				PTS01.5	5,679,108	48,960	
PF08.8	5,696,280	49,188							
PF08.9	5,647,092	49,188							
PF09.1	5,597,904	49,188							
PF09.2	5,548,716	49,188							
PF09.3	5,499,528	49,188							
PF09.4	5,450,340	49,188							
PF09.5	5,401,152	49,188							
PF09.6	5,351,964	49,188							
PF09.7	5,302,776	49,188							
PF09.8	5,253,588	49,188							
PF09.9	5,204,400	49,188							
PF09.10	5,155,212	49,188							
ZPSP9	PF09.2	5,728,632	48,624						
	PF09.3	5,680,008	48,624	PS08.1	5,680,008	48,624			
	PF09.4	5,631,384	48,624	PS08.2	5,631,384	48,624			
	PF09.5	5,582,760	48,624	PS08.3	5,582,760	48,624			
	PF09.6	5,534,136	48,624	PS08.4	5,534,136	48,624	PTS02.1	5,517,024	48,396
	PF09.7	5,485,512	48,624	PS08.5	5,485,512	48,624	PTS02.2	5,468,628	48,396
	PF09.8	5,436,888	48,624	PS08.6	5,436,888	48,624	PTS02.3	5,420,232	48,396
	PF09.9	5,388,264	48,624	PS08.7	5,388,264	48,624	PTS02.4	5,371,836	48,396
	PF09.10	5,339,640	48,624	PS08.8	5,339,640	48,624	PTS02.5	5,323,440	48,396

	Current PF Scale			Current PS Scale			Current PTS Scale		
	Scale	Annual Salary	Increment	Scale	Annual Salary	Increment	Scale	Annual Salary	Increment
ZPSP10	PF10.1	5,354,808	40,296	PS09.1	5,354,808	40,296			
	PF10.2	5,314,512	40,296	PS09.2	5,314,512	40,296			
	PF10.3	5,274,216	40,296	PS09.3	5,274,216	40,296			
	PF10.4	5,233,920	40,296	PS09.4	5,233,920	40,296			
	PF10.5	5,193,624	40,296	PS09.5	5,193,624	40,296			
	PF10.6	5,153,328	40,296	PS09.6	5,153,328	40,296	PTS03.1	5,137,836	40,272
	PF10.7	5,113,032	40,296	PS09.7	5,113,032	40,296	PTS03.2	5,097,564	40,272
	PF10.8	5,072,736	40,296	PS09.8	5,072,736	40,296	PTS03.3	5,057,292	40,272
	PF10.9	5,032,440	40,296	PS09.9	5,032,440	40,296	PTS03.4	5,017,020	40,272
	PF10.10	4,992,144	40,296	PS09.10	4,992,144	40,296	PTS03.5	4,976,748	40,272
ZPSP11	PF11.1	5,000,388	33,600	PS10.1	5,000,388	33,600			
	PF11.2	4,966,788	33,600	PS10.2	4,966,788	33,600			
	PF11.3	4,933,188	33,600	PS10.3	4,933,188	33,600			
	PF11.4	4,899,588	33,600	PS10.4	4,899,588	33,600			
	PF11.5	4,865,988	33,600	PS10.5	4,865,988	33,600			
	PF11.6	4,832,388	33,600	PS10.6	4,832,388	33,600	PTS04.1	4,816,656	33,516
	PF11.7	4,798,788	33,600	PS10.7	4,798,788	33,600	PTS04.2	4,783,140	33,516
	PF11.8	4,765,188	33,600	PS10.8	4,765,188	33,600	PTS04.3	4,749,624	33,516
	PF11.9	4,731,588	33,600	PS10.9	4,731,588	33,600	PTS04.4	4,716,108	33,516
	PF11.10	4,697,988	33,600	PS10.10	4,697,988	33,600	PTS04.5	4,682,592	33,516
ZPSP12				PS11.1	4,645,092	28,116			
	PF12.1	4,616,976	28,116	PS11.2	4,616,976	28,116			
	PF12.2	4,588,860	28,116	PS11.3	4,588,860	28,116			
	PF12.3	4,560,744	28,116	PS11.4	4,560,744	28,116			
	PF12.4	4,532,628	28,116	PS11.5	4,532,628	28,116	PTS05.1	4,545,012	28,032
	PF12.5	4,504,512	28,116	PS11.6	4,504,512	28,116	PTS05.2	4,516,980	28,032
	PF12.6	4,476,396	28,116	PS11.7	4,476,396	28,116	PTS05.3	4,488,948	28,032
	PF12.7	4,448,280	28,116	PS11.8	4,448,280	28,116	PTS05.4	4,460,916	28,032
						PTS05.5	4,432,884	28,032	
ZPSP13	PF13.1	4,376,472	23,460	PS12.1	4,376,472	23,460			
	PF13.2	4,353,012	23,460	PS12.2	4,353,012	23,460			
	PF13.3	4,329,552	23,460	PS12.3	4,329,552	23,460	PTS06.1	4,337,484	23,436
	PF13.4	4,306,092	23,460	PS12.4	4,306,092	23,460	PTS06.2	4,314,048	23,436
	PF13.5	4,282,632	23,460	PS12.5	4,282,632	23,460	PTS06.3	4,290,612	23,436
	PF13.6	4,259,172	23,460	PS12.6	4,259,172	23,460	PTS06.4	4,267,176	23,436
	PF13.7	4,235,712	23,460	PS12.7	4,235,712	23,460	PTS06.5	4,243,740	23,436
						PTS06.6	4,220,304	23,436	
ZPSP14	PF14.1	4,172,928	19,644	PS13.1	4,172,928	19,644			
	PF14.2	4,153,284	19,644	PS13.2	4,153,284	19,644			
	PF14.3	4,133,640	19,644	PS13.3	4,133,640	19,644			
	PF14.4	4,113,996	19,644	PS13.4	4,113,996	19,644			
	PF14.5	4,094,352	19,644	PS13.5	4,094,352	19,644			
	PF14.6	4,074,708	19,644	PS13.6	4,074,708	19,644			
	PF14.7	4,055,064	19,644	PS13.7	4,055,064	19,644			

	Current PF Scale			Current PS Scale			Current PTS Scale		
	Scale	Annual Salary	Increment	Scale	Annual Salary	Increment	Scale	Annual Salary	Increment
ZPSP15				PS14.1	4,196,964	16,404			
				PS14.2	4,180,560	16,404			
				PS14.3	4,164,156	16,404			
				PS14.4	4,147,752	16,404			
				PS14.5	4,131,348	16,404			
				PS14.6	4,114,944	16,404			
				PS14.7	4,098,540	16,404			
		PF15.1	4,082,136	16,404	PS15.1	4,082,136	16,404		
		PF15.2	4,065,732	16,404	PS15.2	4,065,732	16,404		
		PF15.3	4,049,328	16,404	PS15.3	4,049,328	16,404		
		PF15.4	4,032,924	16,404	PS15.4	4,032,924	16,404		
		PF15.5	4,016,520	16,404	PS15.5	4,016,520	16,404		
		PF15.6	4,000,116	16,404	PS15.6	4,000,116	16,404		
		PF15.7	3,983,712	16,404	PS15.7	3,983,712	16,404		
		PF15.8	3,967,308	16,404	PS15.8	3,967,308	16,404		
		PF15.9	3,950,904	16,404	PS15.9	3,950,904	16,404		
		PF15.10	3,934,500	16,404	PS15.10	3,934,500	16,404		
		PF15.11	3,918,096	16,404	PS15.11	3,918,096	16,404		
		PF15.12	3,901,692	16,404	PS15.12	3,901,692	16,404		

Zambia Classified Services Personnel Scale

	Current Salary Structure		
	Scale	Kwacha	Increment
ZCPS1	TTW01.1	4,880,400	24,492
	TTW01.2	4,855,908	24,492
	TTW01.3	4,831,416	24,492
	TTW01.4	4,806,924	24,492
	TTW01.5	4,782,432	24,492
	TTW01.6	4,757,940	24,492
	TTW01.7	4,733,448	24,492
	TTW01.8	4,708,956	24,492
	TTW01.9	4,684,464	24,492
	FITTER.1	4,683,552	20,508
ZCPS2	FITTER.2	4,663,044	20,508
	TTW01.10	4,659,972	24,492
	FITTER.3	4,642,536	20,508
	FITTER.4	4,622,028	20,508
	FITTER.5	4,601,520	20,508
	FITTER.6	4,581,012	20,508
	FITTER.7	4,560,504	20,508
	FITTER.8	4,539,996	20,508
	TTW02.1	4,539,072	20,364
	FITTER.9	4,519,488	20,508
	TTW02.2	4,518,708	20,364
	FITTER.10	4,498,980	20,508
	TTW02.3	4,498,344	20,364
	TTW02.4	4,477,980	20,364
	TTW02.5	4,457,616	20,364
	TTW02.6	4,437,252	20,364
	TTW02.7	4,416,888	20,364
ZCPS3	TTW02.8	4,396,524	20,364
	TTW02.9	4,376,160	20,364
	TTW02.10	4,355,796	20,364
	TTW03.1	4,259,736	18,204
	TTW03.2	4,241,532	18,204
	TTW03.3	4,223,328	18,204
	TTW03.4	4,205,124	18,204
	TTW03.5	4,186,920	18,204
	TTW03.6	4,168,716	18,204
	TTW03.7	4,150,512	18,204
	CTAKER.1	4,133,688	20,688

ZCPS4	TTW03.8	4,132,308	18,204	
	TTW03.9	4,114,104	18,204	
	CTAKER.2	4,113,000	20,688	
	TTW04.1	4,110,432	16,608	
	TTW03.10	4,095,900	18,204	
	TTW04.2	4,093,824	16,608	
	CTAKER.3	4,092,312	20,688	
	TTW04.3	4,077,216	16,608	
	CTAKER.4	4,071,624	20,688	
	TTW04.4	4,060,608	16,608	
	CTAKER.5	4,050,936	20,688	
	TTW04.5	4,044,000	16,608	
	CTAKER.6	4,030,248	20,688	
	TTW04.6	4,027,392	16,608	
	CTAKER.7	4,009,560	20,688	
	CTAKER.8	3,988,872	20,688	
	CTAKER.9	3,968,184	20,688	
	TTW05.1	3,967,620	13,956	
	TTW05.2	3,953,664	13,956	
	CTAKER.10	3,947,496	20,688	
	TTW05.3	3,939,708	13,956	
	TTW05.4	3,925,752	13,956	
	TTW05.5	3,911,796	13,956	
	TTW05.6	3,897,840	13,956	
	ZCPS5	TTW06.1	3,848,040	12,228
		TTW06.2	3,835,812	12,228
TTW06.3		3,823,584	12,228	
TTW06.4		3,811,356	12,228	
TTW06.5		3,799,128	12,228	
TTW06.6		3,786,900	12,228	
SG01.1		3,770,136	16,236	
SG01.2		3,753,900	16,236	
TTW07.1		3,740,676	10,248	
SG01.3		3,737,664	16,236	
TTW07.2		3,730,428	10,248	
SG01.4		3,721,428	16,236	
TTW07.3		3,720,180	10,248	
TTW07.4		3,709,932	10,248	
SG01.5		3,705,192	16,236	
TTW07.5		3,699,684	10,248	
TTW07.6		3,689,436	10,248	
SG01.6		3,688,956	16,236	
CDE01.1		3,667,332	9,696	
CDE01.2		3,657,636	9,696	
TTW08.1	3,650,400	8,604		

	CDE01.3	3,647,940	9,696
	TTW08.2	3,641,796	8,604
	CDE01.4	3,638,244	9,696
	TTW08.3	3,633,192	8,604
	CDE01.5	3,628,548	9,696
	TTW08.4	3,624,588	8,604
	CDE01.6	3,618,852	9,696
	TTW08.5	3,615,984	8,604
	SG02.1	3,614,988	10,152
	TTW08.6	3,607,380	8,604
	SG02.2	3,604,836	10,152
	SG02.3	3,594,684	10,152
	SG02.4	3,584,532	10,152
	CDE02.1	3,581,196	8,400
	SENWT.1	3,581,196	8,400
	TTW09.1	3,577,872	8,280
	SG02.5	3,574,380	10,152
	CDE02.2	3,572,796	8,400
	SENWT.2	3,572,796	8,400
	TTW09.2	3,569,592	8,280
	CDE02.3	3,564,396	8,400
	SENWT.3	3,564,396	8,400
	SG02.6	3,564,228	10,152
	TTW09.3	3,561,312	8,280
	CDE02.4	3,555,996	8,400
	SENWT.4	3,555,996	8,400
	TTW09.4	3,553,032	8,280
	CDE02.5	3,547,596	8,400
	SENWT.5	3,547,596	8,400
	TTW09.5	3,544,752	8,280
	CDE02.6	3,539,196	8,400
	SENWT.6	3,539,196	8,400
ZCPS6	TTW09.6	3,536,472	8,280
	SG03.1	3,523,704	8,244
	SG03.2	3,515,460	8,244
	CDE03.1	3,508,848	8,112
	WATCH.1	3,508,848	8,112
	SG03.3	3,507,216	8,244
	CDE03.2	3,500,736	8,112
	WATCH.2	3,500,736	8,112
	SG03.4	3,498,972	8,244
	GENW.1	3,494,448	8,088
	CDE03.3	3,492,624	8,112
	WATCH.3	3,492,624	8,112
	SG03.5	3,490,728	8,244
	GENW.2	3,486,360	8,088
	CDE03.4	3,484,512	8,112
	WATCH.4	3,484,512	8,112
	SG03.6	3,482,484	8,244
	GENW.3	3,478,272	8,088
	CDE03.5	3,476,400	8,112
	WATCH.5	3,476,400	8,112

ZCPS6	GENW.4	3,470,184	8,088
	CDE03.6	3,468,288	8,112
	WATCH.6	3,468,288	8,112
	GENW.5	3,462,096	8,088
	GENW.6	3,454,008	8,088

Appendix 5. Zambia Public Service Salary Structure 2002/03

SALARY STRUCTURE				
Zambia Classified Personal Salary Scale				
Grades	Monthly Basic Pay	Annual Basic Pay	Differentials between Steps & Grades (in K)	Differentials between Steps & Grades (in %)
ZCPS1.1	676,180	8,114,159	77,278	1.00%
ZCPS1.2	669,740	8,036,882	77,278	1.00%
ZCPS1.3	663,300	7,959,604	77,278	1.00%
ZCPS1.4	656,861	7,882,326	77,278	1.00%
ZCPS1.5	650,421	7,805,049	77,278	1.00%
ZCPS1.6	643,981	7,727,771	77,278	1.00%
ZCPS2.1	636,466	7,637,594	58,302	1.18%
ZCPS2.2	631,608	7,579,292	58,302	0.80%
ZCPS2.3	626,749	7,520,989	58,302	0.80%
ZCPS2.4	621,891	7,462,687	58,302	0.80%
ZCPS2.5	617,032	7,404,385	58,302	0.80%
ZCPS2.6	612,174	7,346,083	58,302	0.80%
ZCPS2.7	607,315	7,287,780	58,302	0.80%
ZCPS3.1	595,658	7,147,890	54,564	1.96%
ZCPS3.2	591,111	7,093,326	54,564	0.80%
ZCPS3.3	586,564	7,038,762	54,564	0.80%
ZCPS3.4	582,016	6,984,198	54,564	0.80%
ZCPS3.5	577,469	6,929,634	54,564	0.80%
ZCPS3.6	572,922	6,875,070	54,564	0.80%
ZCPS3.8	568,375	6,820,506	54,564	0.80%
ZCPS4.1	558,457	6,701,478	45,020	1.78%
ZCPS4.2	554,705	6,656,459	45,020	0.70%
ZCPS4.3	550,953	6,611,439	45,020	0.70%
ZCPS4.4	547,202	6,566,420	45,020	0.70%
ZCPS4.5	543,450	6,521,400	45,020	0.70%
ZCPS4.6	539,698	6,476,381	45,020	0.70%
ZCPS4.8	535,947	6,431,361	45,020	0.70%
ZCPS5.1	526,518	6,318,221	42,162	1.79%
ZCPS5.2	523,005	6,276,060	42,162	0.70%
ZCPS5.3	519,492	6,233,898	42,162	0.70%
ZCPS5.4	515,978	6,191,736	42,162	0.70%
ZCPS5.5	512,465	6,149,575	42,162	0.70%
ZCPS5.6	508,951	6,107,413	42,162	0.70%
ZCPS5.8	505,438	6,065,252	42,162	0.70%
ZCPS5.9	501,924	6,023,090	42,162	0.70%
ZCPS6.1	493,917	5,927,009	28,495	1.62%
ZCPS6.2	491,543	5,898,514	28,495	0.50%
ZCPS6.3	489,168	5,870,018	28,495	0.50%
ZCPS6.4	486,794	5,841,523	28,495	0.50%
ZCPS6.5	484,419	5,813,028	28,495	0.50%
ZCPS6.6	482,044	5,784,533	28,495	0.50%
ZCPS6.7	479,670	5,756,037	28,495	0.50%
ZCPS6.8	477,295	5,727,542	28,495	0.50%
ZCPS6.9	474,921	5,699,047	28,495	0.50%

SALARY STRUCTURE				
Zambia General Service Salary Scale				
Grades	Monthly Basic Pay	Annual Basic Pay	Differentials between Steps & Grades (in K)	Differentials between Steps & Grades (in %)
ZGSS1.1	8,004,231	96,050,771	4,681,175	5.40%
ZGSS1.2	7,614,133	91,369,596	4,681,175	5.40%
ZGSS1.3	7,224,035	86,688,422	4,681,175	5.40%
ZGSS2.1	6,682,734	80,192,804	3,908,314	8.10%
ZGSS2.2	6,357,041	76,284,491	3,908,314	5.40%
ZGSS2.3	6,031,348	72,376,177	3,908,314	5.40%
ZGSS3.1	5,579,415	66,952,985	3,263,052	8.10%
ZGSS3.2	5,307,494	63,689,933	3,263,052	5.40%
ZGSS3.3	5,035,573	60,426,882	3,263,052	5.40%
ZGSS4.1	4,697,363	56,368,359	2,468,687	7.20%
ZGSS4.2	4,491,639	53,899,672	2,468,687	4.80%
ZGSS4.3	4,285,915	51,430,985	2,468,687	4.80%
ZGSS5.1	3,998,055	47,976,665	2,013,007	7.20%
ZGSS5.2	3,830,305	45,963,658	2,013,007	4.80%
ZGSS5.3	3,662,554	43,950,651	2,013,007	4.80%
ZGSS5.4	3,494,804	41,937,644	2,013,007	4.80%
ZGSS6.1	3,260,078	39,120,936	1,575,340	7.20%
ZGSS6.2	3,128,800	37,545,597	1,575,340	4.80%
ZGSS6.3	2,997,521	35,970,257	1,575,340	4.80%
ZGSS6.4	2,866,243	34,394,917	1,575,340	4.80%
ZGSS6.5	2,734,965	32,819,577	1,575,340	4.80%
ZGSS7.1	2,594,843	31,138,119	949,977	5.40%
ZGSS7.2	2,515,679	30,188,142	949,977	3.60%
ZGSS7.3	2,436,514	29,238,166	949,977	3.60%
ZGSS7.4	2,357,349	28,288,189	949,977	3.60%
ZGSS7.5	2,278,184	27,338,213	949,977	3.60%
ZGSS7.6	2,199,020	26,388,236	949,977	3.60%
ZGSS8.1	2,095,302	25,143,627	712,223	4.95%
ZGSS8.2	2,035,950	24,431,404	712,223	3.30%
ZGSS8.3	1,976,598	23,719,181	712,223	3.30%
ZGSS8.4	1,917,247	23,006,958	712,223	3.30%
ZGSS8.5	1,857,895	22,294,735	712,223	3.30%
ZGSS8.6	1,798,543	21,582,512	712,223	3.30%
ZGSS9.1	1,713,714	20,564,566	582,516	4.95%
ZGSS9.2	1,665,171	19,982,051	582,516	3.30%
ZGSS9.3	1,616,628	19,399,535	582,516	3.30%
ZGSS9.4	1,568,085	18,817,019	582,516	3.30%
ZGSS9.5	1,519,542	18,234,504	582,516	3.30%
ZGSS9.6	1,470,999	17,651,988	582,516	3.30%
ZGSS10.1	1,366,194	16,394,326	382,341	7.67%
ZGSS10.2	1,334,332	16,011,985	382,341	2.64%
ZGSS10.3	1,302,470	15,629,644	382,341	2.64%
ZGSS10.4	1,270,609	15,247,303	382,341	2.64%
ZGSS10.5	1,238,747	14,864,962	382,341	2.64%
ZGSS10.6	1,206,885	14,482,620	382,341	2.64%
ZGSS11.1	1,146,357	13,756,288	320,818	5.28%
ZGSS11.2	1,119,623	13,435,470	320,818	2.64%

ZGSS11.3	1,092,888	13,114,652	320,818	2.64%
ZGSS11.4	1,066,153	12,793,834	320,818	2.64%
ZGSS11.5	1,039,418	12,473,016	320,818	2.64%
ZGSS11.6	1,012,683	12,152,198	320,818	2.64%
ZGSS12.1	966,301	11,595,609	248,477	4.80%
ZGSS12.2	945,594	11,347,132	248,477	2.40%
ZGSS12.3	924,888	11,098,654	248,477	2.40%
ZGSS12.4	904,181	10,850,177	248,477	2.40%
ZGSS12.5	883,475	10,601,700	248,477	2.40%
ZGSS12.6	862,769	10,353,222	248,477	2.40%
ZGSS13.1	835,692	10,028,305	162,915	3.24%
ZGSS13.2	822,116	9,865,391	162,915	1.80%
ZGSS13.3	808,540	9,702,476	162,915	1.80%
ZGSS13.4	794,963	9,539,561	162,915	1.80%
ZGSS13.5	781,387	9,376,646	162,915	1.80%
ZGSS13.6	767,811	9,213,732	162,915	1.80%
ZGSS13.7	754,235	9,050,817	162,915	1.80%
ZGSS14.1	738,288	8,859,453	99,173	2.16%
ZGSS14.2	730,023	8,760,280	99,173	1.20%
ZGSS14.3	721,759	8,661,107	99,173	1.20%
ZGSS14.4	713,494	8,561,934	99,173	1.20%
ZGSS14.5	705,230	8,462,761	99,173	1.20%
ZGSS14.6	696,966	8,363,588	99,173	1.20%
ZGSS14.7	688,701	8,264,415	99,173	1.20%
ZGSS15.1	674,377	8,092,530	89,585	2.12%
ZGSS15.2	666,912	8,002,944	89,585	1.20%
ZGSS15.3	659,447	7,913,359	89,585	1.20%
ZGSS15.4	651,981	7,823,774	89,585	1.20%
ZGSS15.5	644,516	7,734,189	89,585	1.20%
ZGSS15.6	637,050	7,644,604	89,585	1.20%
ZGSS15.7	629,585	7,555,018	89,585	1.20%
ZGSS15.8	622,119	7,465,433	89,585	1.20%
ZGSS16.1	656,958	7,883,497	59,723	1.22%
ZGSS16.2	651,981	7,823,774	59,723	0.80%
ZGSS16.3	647,004	7,764,051	59,723	0.80%
ZGSS16.4	642,027	7,704,327	59,723	0.80%
ZGSS16.5	637,050	7,644,604	59,723	0.80%
ZGSS16.6	632,073	7,584,880	59,723	0.80%
ZGSS16.7	627,096	7,525,157	59,723	0.80%
ZGSS16.8	622,119	7,465,433	59,723	0.80%
ZGSS17.1	614,596	7,375,154	55,872	1.22%
ZGSS17.2	609,940	7,319,282	55,872	0.80%
ZGSS17.3	605,284	7,263,409	55,872	0.80%
ZGSS17.4	600,628	7,207,537	55,872	0.80%
ZGSS17.5	595,972	7,151,664	55,872	0.80%
ZGSS17.6	591,316	7,095,792	55,872	0.80%
ZGSS17.7	586,660	7,039,920	55,872	0.80%
ZGSS17.8	582,004	6,984,047	55,872	0.80%
ZGSS18.1	575,103	6,901,233	51,502	1.20%
ZGSS18.2	570,811	6,849,731	51,502	0.80%
ZGSS18.3	566,519	6,798,229	51,502	0.80%
ZGSS18.4	562,227	6,746,727	51,502	0.80%
ZGSS18.5	557,935	6,695,226	51,502	0.80%

ZGSS18.6	553,644	6,643,724	51,502	0.80%
ZGSS18.7	549,352	6,592,222	51,502	0.80%
ZGSS18.8	545,060	6,540,720	51,502	0.80%
ZGSS18.9	540,768	6,489,219	51,502	0.80%
ZGSS18.10	536,476	6,437,717	51,502	0.80%

SALARY STRUCTURE				
Zambia Education Services Salary Scale				
Grades	Monthly Basic Pay	Annual Basic Pay	Differentials between Steps & Grades (in K)	Differentials between Steps & Grades (in %)
ZES1.1	4,697,353	56,368,234	2,468,625	4.80%
ZES1.2	4,491,634	53,899,609	2,468,625	4.80%
ZES1.3	4,285,915	51,430,985	2,468,625	4.80%
ZES2.1	3,998,043	47,976,511	2,012,956	7.20%
ZES2.2	3,830,296	45,963,555	2,012,956	4.80%
ZES2.3	3,662,550	43,950,600	2,012,956	4.80%
ZES2.4	3,494,804	41,937,644	2,012,956	4.80%
ZES3.1	3,260,065	39,120,776	1,575,300	7.20%
ZES3.2	3,128,790	37,545,476	1,575,300	4.80%
ZES3.3	2,997,515	35,970,177	1,575,300	4.80%
ZES3.4	2,866,240	34,394,877	1,575,300	4.80%
ZES3.5	2,734,965	32,819,577	1,575,300	4.80%
ZES4.1	2,580,947	30,971,366	944,889	5.40%
ZES4.2	2,502,206	30,026,477	944,889	3.60%
ZES4.3	2,423,466	29,081,588	944,889	3.60%
ZES4.4	2,344,725	28,136,699	944,889	3.60%
ZES4.5	2,265,984	27,191,811	944,889	3.60%
ZES4.6	2,187,243	26,246,922	944,889	3.60%
ZES5.1	2,084,081	25,008,978	708,409	4.95%
ZES5.2	2,025,047	24,300,569	708,409	3.30%
ZES5.3	1,966,013	23,592,161	708,409	3.30%
ZES5.4	1,906,979	22,883,752	708,409	3.30%
ZES5.5	1,847,945	22,175,344	708,409	3.30%
ZES5.6	1,788,911	21,466,935	708,409	3.30%
ZES6.1	1,704,537	20,454,441	579,396	4.95%
ZES6.2	1,656,254	19,875,045	579,396	3.30%
ZES6.3	1,607,971	19,295,649	579,396	3.30%
ZES6.4	1,559,688	18,716,253	579,396	3.30%
ZES6.5	1,511,405	18,136,857	579,396	3.30%
ZES6.6	1,463,122	17,557,461	579,396	3.30%
ZES7.1	1,380,304	16,563,643	443,669	6.00%
ZES7.2	1,343,331	16,119,974	443,669	3.00%
ZES7.3	1,306,359	15,676,305	443,669	3.00%
ZES7.4	1,269,386	15,232,636	443,669	3.00%
ZES7.5	1,232,414	14,788,967	443,669	3.00%
ZES8.1	945,595	11,347,142	187,384	30.33%
ZES8.2	929,980	11,159,758	187,384	1.80%
ZES8.3	914,365	10,972,374	187,384	1.80%
ZES8.4	898,749	10,784,990	187,384	1.80%
ZES8.5	883,134	10,597,606	187,384	1.80%
ZES8.6	867,519	10,410,222	187,384	1.80%
ZES9.1	845,055	10,140,660	146,748	2.66%
ZES9.2	832,826	9,993,912	146,748	1.56%
ZES9.3	820,597	9,847,164	146,748	1.56%
ZES9.4	808,368	9,700,416	146,748	1.56%
ZES9.5	796,139	9,553,668	146,748	1.56%
ZES9.6	783,910	9,406,920	146,748	1.56%
ZES10.1	768,202	9,218,422	105,554	2.04%

ZES10.2	759,406	9,112,868	105,554	1.20%
ZES10.3	750,609	9,007,313	105,554	1.20%
ZES10.4	741,813	8,901,759	105,554	1.20%
ZES10.5	733,017	8,796,204	105,554	1.20%
ZES11.1	724,377	8,692,520	58,790	1.19%
ZES11.2	719,478	8,633,730	58,790	0.70%
ZES11.3	714,578	8,574,940	58,790	0.70%
ZES11.4	709,679	8,516,150	58,790	0.70%
ZES11.5	704,780	8,457,360	58,790	0.70%
ZES11.6	699,881	8,398,570	58,790	0.70%
ZES12.1	732,983	8,795,798	51,238	1.02%
ZES12.2	728,713	8,744,561	51,238	0.60%
ZES12.3	724,444	8,693,323	51,238	0.60%
ZES12.4	720,174	8,642,085	51,238	0.60%
ZES12.5	715,904	8,590,848	51,238	0.60%
ZES12.6	711,634	8,539,610	51,238	0.60%
ZES13.1	692,798	8,313,572	48,429	1.02%
ZES13.2	688,762	8,265,144	48,429	0.60%
ZES13.3	684,726	8,216,715	48,429	0.60%
ZES13.4	680,691	8,168,287	48,429	0.60%
ZES13.5	676,655	8,119,858	48,429	0.60%
ZES13.6	672,619	8,071,430	48,429	0.60%

SALARY STRUCTURE				
Zambia Medical Services Salary Scale				
Grades	Monthly Basic Pay	Annual Basic Pay	Differentials between Steps & Grades (in K)	Differentials between Steps & Grades (in %)
ZMSS1.1	6,682,734	80,192,804	3,908,314	5.40%
ZMSS1.2	6,357,041	76,284,491	3,908,314	5.40%
ZMSS1.3	6,031,348	72,376,177	3,908,314	5.40%
ZMSS2.1	6,222,749	74,672,983	3,639,297	8.10%
ZMSS2.2	5,919,474	71,033,686	3,639,297	5.40%
ZMSS2.3	5,616,199	67,394,389	3,639,297	5.40%
ZMSS3.1	5,195,374	62,344,486	3,038,450	8.10%
ZMSS3.2	4,942,170	59,306,036	3,038,450	5.40%
ZMSS3.3	4,688,966	56,267,587	3,038,450	5.40%
ZMSS4.1	4,374,035	52,488,420	2,298,763	7.20%
ZMSS4.2	4,182,471	50,189,658	2,298,763	4.80%
ZMSS4.3	3,990,908	47,890,895	2,298,763	4.80%
ZMSS5.1	3,722,862	44,674,342	1,956,541	7.20%
ZMSS5.2	3,559,817	42,717,801	1,956,541	4.80%
ZMSS5.3	3,396,772	40,761,261	1,956,541	4.80%
ZMSS6.1	3,168,630	38,023,564	1,531,150	7.20%
ZMSS6.2	3,041,035	36,492,414	1,531,150	4.80%
ZMSS6.3	2,913,439	34,961,264	1,531,150	4.80%
ZMSS6.4	2,785,843	33,430,114	1,531,150	4.80%
ZMSS6.5	2,658,247	31,898,963	1,531,150	4.80%
ZMSS7.1	966,301	11,595,609	248,477	175.10%
ZMSS7.2	945,594	11,347,132	248,477	2.40%
ZMSS7.3	924,888	11,098,654	248,477	2.40%
ZMSS7.4	904,181	10,850,177	248,477	2.40%
ZMSS7.5	883,475	10,601,700	248,477	2.40%
ZMSS7.6	862,769	10,353,222	248,477	2.40%
ZMSS8.1	835,692	10,028,305	162,915	3.24%
ZMSS8.2	822,116	9,865,391	162,915	1.80%
ZMSS8.3	808,540	9,702,476	162,915	1.80%
ZMSS8.4	794,963	9,539,561	162,915	1.80%
ZMSS8.5	781,387	9,376,646	162,915	1.80%
ZMSS8.6	767,811	9,213,732	162,915	1.80%
ZMSS8.7	754,235	9,050,817	162,915	1.80%
ZMSS9.1	738,288	8,859,453	99,173	2.16%
ZMSS9.2	730,023	8,760,280	99,173	1.20%
ZMSS9.3	721,759	8,661,107	99,173	1.20%
ZMSS9.4	713,494	8,561,934	99,173	1.20%
ZMSS9.5	705,230	8,462,761	99,173	1.20%
ZMSS9.6	696,966	8,363,588	99,173	1.20%
ZMSS9.7	688,701	8,264,415	99,173	1.20%
ZMSS10.1	674,377	8,092,530	89,585	2.12%
ZMSS10.2	666,912	8,002,944	89,585	1.20%
ZMSS10.3	659,447	7,913,359	89,585	1.20%
ZMSS10.4	651,981	7,823,774	89,585	1.20%
ZMSS10.5	644,516	7,734,189	89,585	1.20%
ZMSS10.6	637,050	7,644,604	89,585	1.20%
ZMSS10.7	629,585	7,555,018	89,585	1.20%
ZMSS10.8	622,119	7,465,433	89,585	1.20%

ZMSS11.1	621,831	7,461,971	56,530	1.22%
ZMSS11.2	617,120	7,405,441	56,530	0.80%
ZMSS11.3	612,409	7,348,911	56,530	0.80%
ZMSS11.4	607,698	7,292,381	56,530	0.80%
ZMSS11.5	602,988	7,235,851	56,530	0.80%
ZMSS11.6	598,277	7,179,321	56,530	0.80%
ZMSS11.7	593,566	7,122,791	56,530	0.80%
ZMSS11.8	588,855	7,066,261	56,530	0.80%
ZMSS12.1	575,103	6,901,233	51,502	1.20%
ZMSS12.2	570,811	6,849,731	51,502	0.80%
ZMSS12.3	566,519	6,798,229	51,502	0.80%
ZMSS12.4	562,227	6,746,727	51,502	0.80%
ZMSS12.5	557,935	6,695,226	51,502	0.80%
ZMSS12.6	553,644	6,643,724	51,502	0.80%
ZMSS12.7	549,352	6,592,222	51,502	0.80%
ZMSS12.8	545,060	6,540,720	51,502	0.80%
ZMSS12.9	540,768	6,489,219	51,502	0.80%
ZMSS12.10	536,476	6,437,717	51,502	0.80%

SALARY STRUCTURE				
Zambia Protective Services Workers Salary Scale				
Grades	Monthly Basic Pay	Annual Basic Pay	Differentials between Steps & Grades (in K)	Differentials between Steps & Grades (in %)
ZPSP1.1	6,389,697	76,676,363	3,657,650	5.27%
ZPSP1.2	6,084,893	73,018,713	3,657,650	5.27%
ZPSP1.3	5,780,089	69,361,063	3,657,650	5.27%
ZPSP2.1	5,228,640	62,743,679	2,993,027	10.55%
ZPSP2.2	4,979,221	59,750,652	2,993,027	5.27%
ZPSP2.3	4,729,802	56,757,626	2,993,027	5.27%
ZPSP3.1	4,278,556	51,342,671	2,337,659	10.55%
ZPSP3.2	4,083,751	49,005,012	2,337,659	5.27%
ZPSP3.3	3,888,946	46,667,353	2,337,659	5.27%
ZPSP3.4	3,694,141	44,329,695	2,337,659	5.27%
ZPSP4.1	3,341,702	40,100,425	1,825,793	10.55%
ZPSP4.2	3,189,553	38,274,632	1,825,793	5.27%
ZPSP4.3	3,037,403	36,448,838	1,825,793	5.27%
ZPSP4.4	2,885,254	34,623,045	1,825,793	5.27%
ZPSP5.1	2,609,986	31,319,837	1,426,009	10.55%
ZPSP5.2	2,491,152	29,893,829	1,426,009	5.27%
ZPSP5.3	2,372,318	28,467,820	1,426,009	5.27%
ZPSP5.4	2,253,484	27,041,812	1,426,009	5.27%
ZPSP6.1	2,058,781	24,705,370	982,405	9.46%
ZPSP6.2	1,976,914	23,722,965	982,405	4.73%
ZPSP6.3	1,895,047	22,740,561	982,405	4.73%
ZPSP6.4	1,813,180	21,758,156	982,405	4.73%
ZPSP6.5	1,731,313	20,775,752	982,405	4.73%
ZPSP7.1	1,618,359	19,420,311	577,035	6.98%
ZPSP7.2	1,570,273	18,843,276	577,035	3.49%
ZPSP7.3	1,522,187	18,266,241	577,035	3.49%
ZPSP7.4	1,474,101	17,689,206	577,035	3.49%
ZPSP7.5	1,426,014	17,112,171	577,035	3.49%
ZPSP7.6	1,377,928	16,535,136	577,035	3.49%
ZPSP8.1	1,297,637	15,571,641	417,210	6.19%
ZPSP8.2	1,262,869	15,154,431	417,210	3.09%
ZPSP8.3	1,228,102	14,737,220	417,210	3.09%
ZPSP8.4	1,193,334	14,320,010	417,210	3.09%
ZPSP8.5	1,158,567	13,902,800	417,210	3.09%
ZPSP8.6	1,123,799	13,485,589	417,210	3.09%
ZPSP9.1	1,063,952	12,767,422	314,813	5.63%
ZPSP9.2	1,037,717	12,452,608	314,813	2.81%
ZPSP9.3	1,011,483	12,137,795	314,813	2.81%
ZPSP9.4	985,249	11,822,982	314,813	2.81%
ZPSP9.5	959,014	11,508,169	314,813	2.81%
ZPSP9.6	932,780	11,193,356	314,813	2.81%
ZPSP10.1	892,612	10,711,345	208,212	4.50%
ZPSP10.2	875,261	10,503,134	208,212	2.25%
ZPSP10.3	857,910	10,294,922	208,212	2.25%
ZPSP10.4	840,559	10,086,710	208,212	2.25%
ZPSP10.5	823,208	9,878,498	208,212	2.25%
ZPSP10.6	805,857	9,670,286	208,212	2.25%
ZPSP10.7	788,506	9,462,074	208,212	2.25%

ZPSP10.8	771,155	9,253,862	208,212	2.25%
ZPSP11.1	748,694	8,984,332	121,959	3.00%
ZPSP11.2	738,531	8,862,373	121,959	1.50%
ZPSP11.3	728,368	8,740,414	121,959	1.50%
ZPSP11.4	718,205	8,618,454	121,959	1.50%
ZPSP11.5	708,041	8,496,495	121,959	1.50%
ZPSP11.6	697,878	8,374,536	121,959	1.50%
ZPSP11.7	687,715	8,252,577	121,959	1.50%
ZPSP11.8	677,551	8,130,617	121,959	1.50%
ZPSP12.1	664,266	7,971,193	74,497	2.00%
ZPSP12.2	658,058	7,896,696	74,497	1.00%
ZPSP12.3	651,850	7,822,199	74,497	1.00%
ZPSP12.4	645,642	7,747,702	74,497	1.00%
ZPSP12.5	639,434	7,673,205	74,497	1.00%
ZPSP12.6	633,226	7,598,708	74,497	1.00%
ZPSP12.7	627,018	7,524,211	74,497	1.00%
ZPSP12.8	620,809	7,449,714	74,497	1.00%
ZPSP13.1	611,635	7,339,619	77,341	1.50%
ZPSP13.2	605,190	7,262,278	77,341	1.00%
ZPSP13.3	598,745	7,184,936	77,341	1.00%
ZPSP13.4	592,300	7,107,595	77,341	1.00%
ZPSP13.5	585,854	7,030,253	77,341	1.00%
ZPSP13.6	579,409	6,952,912	77,341	1.00%
ZPSP13.7	572,964	6,875,570	77,341	1.00%
ZPSP13.8	566,519	6,798,229	77,341	1.00%
ZPSP13.9	644,512	7,734,146	77,341	1.00%
ZPSP14.1	633,116	7,597,393	83,183	1.80%
ZPSP14.2	626,184	7,514,209	83,183	1.20%
ZPSP14.3	619,252	7,431,026	83,183	1.20%
ZPSP14.4	612,320	7,347,843	83,183	1.20%
ZPSP14.5	605,388	7,264,660	83,183	1.20%
ZPSP14.6	598,456	7,181,477	83,183	1.20%
ZPSP14.7	591,524	7,098,294	83,183	1.20%
ZPSP14.8	584,593	7,015,111	83,183	1.20%
ZPSP14.9	577,661	6,931,928	83,183	1.20%
ZPSP15.1	570,811	6,849,731	51,502	1.20%
ZPSP15.2	566,519	6,798,229	51,502	0.80%
ZPSP15.3	562,227	6,746,727	51,502	0.80%
ZPSP15.4	557,935	6,695,226	51,502	0.80%
ZPSP15.5	553,644	6,643,724	51,502	0.80%
ZPSP15.6	549,352	6,592,222	51,502	0.80%
ZPSP15.7	545,060	6,540,720	51,502	0.80%
ZPSP15.8	540,768	6,489,219	51,502	0.80%
ZPSP15.9	536,476	6,437,717	51,502	0.80%

SALARY STRUCTURE				
Zambia Protective Services Workers Salary Scale				
Grades	Monthly Basic Pay	Annual Basic Pay	Differentials between Steps & Grades (in K)	Differentials between Steps & Grades (in %)
ZJSS1.1	3,328,413	39,940,956	1,620,650	4.62%
ZJSS1.2	3,193,359	38,320,306	1,620,650	4.62%
ZJSS1.3	3,058,305	36,699,656	1,620,650	4.62%
ZJSS1.4	2,923,250	35,079,006	1,620,650	4.62%
ZJSS2.1	2,726,913	32,722,953	1,029,743	7.20%
ZJSS2.2	2,641,101	31,693,210	1,029,743	3.60%
ZJSS2.3	2,555,289	30,663,466	1,029,743	3.60%
ZJSS2.4	2,469,477	29,633,723	1,029,743	3.60%
ZJSS2.5	2,383,665	28,603,980	1,029,743	3.60%
ZJSS3.1	2,236,083	26,833,002	782,234	6.60%
ZJSS3.2	2,170,897	26,050,768	782,234	3.30%
ZJSS3.3	2,105,711	25,268,533	782,234	3.30%
ZJSS3.4	2,040,525	24,486,299	782,234	3.30%
ZJSS3.5	1,975,339	23,704,065	782,234	3.30%
ZJSS4.1	1,853,038	22,236,459	629,874	6.60%
ZJSS4.2	1,800,549	21,606,585	629,874	3.30%
ZJSS4.3	1,748,059	20,976,711	629,874	3.30%
ZJSS4.4	1,695,570	20,346,837	629,874	3.30%
ZJSS4.5	1,643,080	19,716,963	629,874	3.30%
ZJSS4.6	1,590,591	19,087,089	629,874	3.30%
ZJSS5.1	1,530,003	18,360,032	428,184	3.96%
ZJSS5.2	1,494,321	17,931,847	428,184	2.64%
ZJSS5.3	1,458,639	17,503,663	428,184	2.64%
ZJSS5.4	1,422,957	17,075,478	428,184	2.64%
ZJSS5.5	1,387,274	16,647,294	428,184	2.64%
ZJSS5.6	1,351,592	16,219,109	428,184	2.64%
ZJSS6.1	1,231,268	14,775,221	344,581	9.77%
ZJSS6.2	1,202,553	14,430,640	344,581	2.64%
ZJSS6.3	1,173,838	14,086,059	344,581	2.64%
ZJSS6.4	1,145,123	13,741,477	344,581	2.64%
ZJSS6.5	1,116,408	13,396,896	344,581	2.64%
ZJSS6.6	1,087,693	13,052,315	344,581	2.64%
ZJSS7.1	990,849	11,890,185	254,790	9.77%
ZJSS7.2	969,616	11,635,395	254,790	2.40%
ZJSS7.3	948,384	11,380,605	254,790	2.40%
ZJSS7.4	927,151	11,125,816	254,790	2.40%
ZJSS7.5	905,919	10,871,026	254,790	2.40%
ZJSS7.6	884,686	10,616,236	254,790	2.40%
ZJSS8.1	525,540	6,306,485	52,505	68.34%
ZJSS8.2	521,165	6,253,980	52,505	0.90%
ZJSS8.3	516,790	6,201,474	52,505	0.90%
ZJSS8.4	512,414	6,148,969	52,505	0.90%
ZJSS8.5	508,039	6,096,463	52,505	0.90%
ZJSS8.6	503,663	6,043,958	52,505	0.90%
ZJSS8.7	499,288	5,991,452	52,505	0.90%
ZJSS8.8	494,912	5,938,947	52,505	0.90%
ZJSS8.9	490,537	5,886,442	52,505	0.90%
ZJSS8.10	486,161	5,833,936	52,505	0.90%

ZJSS9.1	481,260	5,775,122	38,030	1.02%
ZJSS9.2	478,091	5,737,092	38,030	0.70%
ZJSS9.3	474,922	5,699,062	38,030	0.70%
ZJSS9.4	471,753	5,661,032	38,030	0.70%
ZJSS9.5	468,584	5,623,002	38,030	0.70%
ZJSS9.6	465,414	5,584,972	38,030	0.70%
ZJSS9.7	462,245	5,546,942	38,030	0.70%
ZJSS9.8	459,076	5,508,912	38,030	0.70%
ZJSS9.9	455,907	5,470,882	38,030	0.70%
ZJSS9.10	452,738	5,432,852	38,030	0.70%