

Salaries and the Wage Increase

The absence of a substantial increase in wage levels of the government sector during the last few years, strongly necessitated a wage increase, among other measures, if public sector efficiency is to be revamped. As the Minister of Finance himself stated, inadequate salaries was one of the causes for the deterioration in standards in the Public Service. To quote the Minister "I am sure that all Hon. Members of the House will agree with me when I say that salaries at present paid to public servants are inadequate. This had led to several undesirable consequences for the Public Service of Sri Lanka. It has sapped Public Service morale. It has reduced the efficiency of the administrative machine and hampered the effective implementation of Government's development programmes. It has increased the level of corruption in the Public Services. It has made it increasingly difficult for the Government to attract and retain able and efficient officers, particularly in the professional and managerial grades of the Public Service. Together, these factors have triggered a process of administrative deterioration which, if not checked, will have serious consequences for the Government and for the country as a whole"

The administrative Reforms Committee in its report on salaries of Public Servants also attributed the prevailing inadequate wage levels of government servants as a contributory factor for reduction of efficiency in the public administrative system. It thus proposed a revision of salaries of government servants. The budget proposals for 1988 are "to pay each public officer with effect from 1st January 1988, one half of the difference between his present salary and the salary to which he is entitled under the new scheme and to pay the balance with effect from 1st January 1989...."

According to the nominal wage rate index numbers of government employees, prepared by the Central Bank

of Sri Lanka, nominal wages of the government sector employees has increased considerably during the last ten year period, that is, between 1976 and 1986. The nominal wages of teachers; non executive officers, (clerical employees, skilled and unskilled); and employees); and minor employees' (skilled and unskilled); has increased by 177%; 214%; and 274% respectively during this period.

Such a high rate of increases in the nominal wages of government employees does not necessarily mean that purchasing power of these employees too increased at the same rate because of the continuous inflation prevalent over this 10 year period. To estimate the changes in their real salary income (purchasing power of their nominal salary income) it is necessary to deflate nominal salary index rates by a suitable price index. When these nominal salary index rates are deflated by the Colombo Consumer Price Index—the most suitable price index available for comparing salaries which can be used here as deflator—a different picture emerges of the magnitude of the increase in government employees real salary income over this 10 year period. Infact, teachers' real salary income have decreased by 8 percent; while with regard to the non executive officers, real salary income has increased marginally (by 4%) over this period. Only the minor employees' real salary income has increased by a considerable rate of 24 percent. However, it should be noted here that minor employees are the smallest category in number compared to the other two categories mentioned above and also this 24 percent increase covers a considerably long period of ten years. Accordingly teachers were the most adversely affected group during this ten year period.

When the changes in government employees' real salary incomes are observed (see diagrams) some other important features can also be seen in

the changes of their real salary income over the last ten year period. Within this period minor employees' real salary incomes had increased even in those years where the real salary incomes of the other two categories did not increase; for example, in 1978 and 1983. This and the salary increase of the minor employees may be analysed by some as an attempt to reducing income disparity between minor employees' and other employees. When only teachers and non-executive officers are considered there is a clear trend in the changes of their real salary income over the recent years. After two years of decrease in their salary income in every third year their real salary income has increased. For instance, in 1979, 1982 and 1985 their real salary income has increased while in other years it has decreased. After the increase of their real salaries in 1985 there was a decrease in 1986;

again another decrease in their salary income is expected in 1987, since there was no considerable salary increase during the year to overcome the effect of inflation' In 1988, after two years of decrease, their real salary incomes would increase because a considerable salary increase is expected from January 1988 according to the current budget proposals. Another significant feature is that during this period all these three categories of government employees have received their lowest real salary income in 1981 over this period. When, over the 10 year period, non executive officers and teachers are taken separately, in the 5 years from 1980 to 1984 they received lower real salary incomes than in any of the other years.

Although their real salary incomes have not decreased much over the last 10 year period all categories of government employees have been feeling the

pressure of inadequate salaries and therefore they have been awaiting a considerable increase in salaries. The expectations for a higher salary increase is due to other factors as well. Among these, one factor is the expansion of their expenditure requirements on various types of goods and services, over the last few years. This was mainly the result of the various economic and social changes that have taken place in the country under the liberalised economic policies. Another factor is the considerably higher increase of money income and thereby purchasing capacity of people in some other sectors (like the private sector employees and profit makers) compared to the government sector employees. A second factor can be partly explained by unequal distribution of increasing real GNP per capita between government sector employees and others. For instance, during the 10 year period (1976 to 1986) real GNP per capita has increased by 58 percent though the real salary income of government sector employees has increased at lower rates, varying from -8 percent to 24 percent during the same period.

In this context a considerable salary increase for the government sector employees has become a prime necessity in order to increase the living standards of the government sector employees, to narrow the disparities in incomes between government sector salary earners and other sectors who earn much higher incomes comparatively, and to increase the efficiency of the government administrative mechanism. More significant is the following note of warning struck by the Salaries Review Committee in its report: "Public servants require to be assured that their emoluments will not erode by increases in the cost of living. The sense of insecurity which would arise if this is not done would certainly affect the productivity and performance of the public service as a whole"

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