

ABSTRACT

Compensation of public sector employees is important on both equity and efficiency grounds. However, academic studies on compensation of public employees are limited. Most of the research on this issue was undertaken by the Pay and Services Commissions and wage and Productivity Commissions, which are appointed by the Government from time to time. The findings of these Commissions are buried in inaccessible government documents. There is, however, intense debate on trends, adequacy and equity of compensation system in Bangladesh. Specifically, this study seeks to explore the following three aspects of salary structure of the public sector in Bangladesh:

- whether the minimum compensation in the public sector is decreasing in real terms since 1971 contributing to the increased misery of low paid employees;
- analyze and carefully review the criteria used by National Pay Commissions for fixing and revising the alternative methods for suggesting minimum salary;
- examine the salary compression ratio in Bangladesh and its likely effects on the top level executives in Bangladesh.

Contrary to popular perception and the assertion of the last pay Commission; this study suggests that the gross minimum salary of public employees has increased in real terms since independence.

All the Pay Commissions in Bangladesh used the same method for determining the minimum salary. They ascertained the money needed for providing the minimum calorie required for the family of a public servant and took into account what they considered to be essential expenditures. This method is arbitrary. This study suggests that additional criteria such as national poverty line, per capita income, and international poverty line (US\$ 1 a day) could also be profitably used for fixing the minimum salary. The study found that the present compensation of government employees is above the national poverty line. However, judged by the criteria of providing a salary equivalent to per capita income in Bangladesh for a 2.5 member family or a salary equivalent to US \$ 1 a day for such a family, minimum salary in Bangladesh is inadequate.

This study also suggests that the issue of salary compression was not properly appreciated by successive Pay Commissions. Firstly, problem lies with the method itself used by the Pay Commissions in calculating compression ratio. Present method (ratio of the highest basic salary to minimum of the lowest scale) is not proper as well as it is not practiced internationally. Ideally it should be the ratio of the highest compensation (not basic salary) to the midpoint of the lowest scale. Secondly, since independence compression ratio in the public sector has been decreasing. But with the acceleration of private sector growth, salaries of the top-level executives in the private sector have increased. Present average private sector salaries at the highest level are 4-5 times higher than that of public sector. Due to these reasons senior government officers are getting demoralized and competent candidates are being attracted from public to private sector. This study highlights the importance of further studies on compensation in Bangladesh.