

## Public Service Pay in Bangladesh: Expense or Economy?

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**Abstract:** It is widespread that Bangladesh civil service is low paid, less motivated and less productive. The general quality, tone and efficiency, integrity and morale of the civil service depend, to a considerable extent, on a just and rational pay policy. Many of the problems of Bangladesh's civil service can be linked with poor pay. The salary paid to the public servant is very poor and not even enough for buying foods, let alone meeting other needs. In the above context in this paper attempts have been made to examine the pay structure and pay reform initiatives of Bangladesh civil service. The pay policy and pay structure of some South and Southeast Asian countries also discussed. From time to time, the Government has adjusted compensation- by setting up National Pay Commissions (NPC) at four to eight year intervals. Changes in Pay structure of Bangladesh public service have been made by the government in 1973, 1977, 1985, 1991, 1997 and 2005. Based on the recommendation of the NPCs, government increased the salary and allowances of the civil servants, but never adjusted the inflation. In every case there was a significant gap between the recommended salary and implementation. The 6th NPC in 2004 recommended for minimum pay Tk.2800 and maximum pay Tk.27500. But the recommendation was implemented with minimum salary Tk.2400 and maximum salary Tk.23000. As per 6th NPC entry level class I officer is paid with Tk.6800 a month, while private sector starting salary for a similarly qualified individual (university graduate) fall in the range of Tk.18000-24000 (Jahan, 2006). The other important thing is that calculation of minimum pay has remained illusive issue over the years and in spite of periodic upward revision, the pay given to the civil servants never considered to be a living wage (Ali,2007:72). It is evident that there was a significant gap between the recommendation of the NPCs and the implementation. There is also great disparity between public and private sector salaries. The ratio of public and private sector salary at management level is ranges from 1: 5~7. While in some South and Southeast Asian countries public and private sector salary ranges from 1:1.5~2.5. In Singapore public sector salary is 110 per cent of private sector salary, in Korea it is 70 per cent in Thailand it is 47 per cent and in Malaysia it is 40 per cent. Great disparity between the salary of public and private sector will resulted into a failure to attract merit in the public sector. UN (1961) reported that inadequate salaries in public services are an expense, not an economy.

### 1.0 Introduction

#### 1.1. Background

It is widespread that Bangladesh civil service is low paid, less motivated and less productive. Salary paid to the public servant is very poor and not even enough for buying foods, let alone meeting other needs, hence it is

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never considered as a living wage. So, obviously they are less motivated. But delivery of quality public service at the desired level of the citizens depends on the motivation and sincere efforts of the organization's human capital. Prime Minister of Singapore, Lee Kuan said even with poor system of government, but with good strong men in charge, people get passable government with decent progress (Neo and Chen, 2007:320). It is so believed because if people are good and motivated they can convert the bad system to the best. The general quality, tone and efficiency, integrity and morale of the civil service depend to a considerable extent on a just and rational pay policy. In the long run a civil servant works only as hard as he is paid (P & SC, 1977)<sup>1</sup>. Payment of high salary is not by itself a guarantee for honesty and integrity of public service, it can be confidently stated that the payment of salary which does not satisfy the minimum reasonable needs of the government servant is a direct invitation to corruption (3rd CPC, Government of India, 1973)<sup>2</sup>.

In the first decade of the 21st century one of the most important agenda of reinventing government movement around the world is improving the public service delivery. There is no denying fact that all the steps towards reinventing government and delivery of public service firstly involve the civil servants, who are involved both in the process of policy formulation and policy implementation. Quality public service delivery depends on motivation, skill, efficiency, professionalism, dynamism, commitment, honesty and integrity of the public servants. The World Bank (1996:15) emphasized on an efficient, committed and professional public service for Bangladesh. Since the independence in 1971, Bangladesh government constituted 17 reforms commissions/committees. All the commission or committees reached to a common consensus that some components of modern human resource management system to be addressed immediately for reducing corruption and ensuring good governance. But Bangladesh provides a typical case where the objective of developing a sound and rational system of human resource management remains illusory (Siddique, 2003).

In Bangladesh, there has been an increasing demand for market based public service salary from employee side as well as from the reform commissions. The World Bank (1996) treated the compensation of the public sector as heart of the matter. Theorist and practitioners of public administration and public service motivation reached to a consensus that there is hardly any other alternative to improve public service delivery

<sup>1</sup> Quoted in A.T.M. Obaidullah (1999: 71)

<sup>2</sup> *ibid.*

without a sense of accomplishment of the civil servants. A complete sense of accomplishment is the result of motivation which includes both intrinsic and extrinsic rewards. Salary, Training, Promotion, Transfer Posting, Job Security, Performance measurement etc. are included in the intrinsic and extrinsic rewards. Williams (1980:181) reported that public official must be adequately paid by the government, or private interest will lure them away<sup>3</sup>.

### 1.2. Statement of the Problem

Salary paid to the public servant in Bangladesh is very low. The ratio between minimum and maximum salary is around 1:10. As per the National Pay Scale (NPC) 2005, the minimum salary is Tk. 2400 and maximum salary is Tk. 23000 (Fixed). But the minimum salary paid to the public servants is not even enough to meet to their basic food needs. The calculation of cost for a balanced diet is again not very realistic and not on the basis of market price. The inflation of the economy is not adjusted with the salary. Sometime Dearness Allowance is provided as 10-20 percent of the basic pay. But the fact is that, by that time the market price of the essential commodities goes beyond the reach of the government employees. For these reasons many of the government employees engage with some sort of small business or consultancy (senior officials) just for maintaining their family. Sometimes the government employees use their office hour and some other resources for their personal business. Some employees engage in corruption only due to fulfilling their basic needs. In this way many of the problems (like corruption, non accountability, non transparency, rent seeking, non sensitivity to citizen) of Bangladesh civil service can be linked with the poor pay. Again there exist a huge gap between private sector and Public sector salary. On an average the ratio of public sector and private sector salary varies from 1:5 to 1:7. Since the independence of Bangladesh different successive government revised the pay scale. But despite periodic upward revision, the salary given to the public servants never considered to be a living wage or market based. For this obvious reason the bright and talented people are losing attraction for the civil service.

### 1.3. Objectives

The main intention of the study is to find out a way forward to enhance the performance of the civil service of Bangladesh. In this regard following objectives will be fulfilled:

<sup>3</sup> Quoted in A.T.M. Obaidullah (1999: 71)

- a) Analyze the Pay Reform initiatives taken by the different successive governments.
- b) Examine the impact of pay on performance.
- c) Suggest some measures for enhancing civil service performance through an innovative pay policy.

#### 1.4. Methods

This study is basically based on secondary data. In this context relevant literature and different reform reports made by the government and donor agencies were reviewed. Recommendation of the different Pay Commissions has been discussed. Some other similar reports and documents were also reviewed. Content analysis method is used for analysis of data.

#### 1.5. Rationale

Many pay reform initiatives have been taken by successive government since independence of Bangladesh. The only significant change in this regard is- the salary of the public servants was increased in nominal figure. But the salary was never been considered as market based and not competitive with the private sector. The gap between the private sector salary and public sector salary hence need to be analyzed. Also it is time to analyze what other developed and developing countries do regarding their public sector pay. There are also scopes to find out a way how the pay can be linked with the performance. It cannot be denied that the major challenge regarding poor performance of the Bangladesh civil servants is intractable and unfavorable pay and lack of financial motivation. In view of the above this study is made to analyze the reality and gap in the present pay structure and to find out a new pay approach for enhancing civil service performance.

#### 1.6. Organization of the Paper

This paper will be organized in six sections. The first section will be introduction including background, problem statement, objectives, methods and rationale. The second section will discuss concepts of performance and theoretical base of pay. Concepts and evolution of civil service in Bangladesh, will be discussed in the third section. Fourth section will focus on framework of public service pay and Pay Reform initiatives. Gap between private and public sector pay in some South and Southeast Asian countries will be discussed in section five. Findings,

some recommendation for a new paradigm and conclusion will be discussed in the last section.

## 2.0 Theoretical Bases of Pay

What are the factors that mobilize people to work in the public organization has been the area of interest of the academicians and practitioners of the public administration. In this regard elements such as work environment, work group, job as well as mental state, attitudes and the personal life of the administrators are considered. The most appropriate approach to this administrative behavior is the framework of motivators and rewards (Haque, 1990: 59). The traditional view of the human behavior in organization is based on the assumption that people feel inclined to work if they are rewarded with money. However, monetary incentive is still considered to be a potent motivator in almost every case. Gradually, motivation was believed to be tied with the conditions of work and recognition (ibid:60). Some major approaches that have led to our understanding of salary and motivation are Maslow's Need-hierarchy theory, Herzberg's two-factor theory and Adams' equity theory.

### 2.1 Maslow's Need-Hierarchy Theory

Maslow (1943)<sup>4</sup> categorized human needs into five types in hierarchical order. At the lowest level are physiological needs that are essential for survival, and include food, drink, shelter, clothing and similar other requirements. The safety or security needs are placed at the next level. Workers seek an assurance of satisfaction of physiological needs and the need for protection against danger. Thus, safety needs refer to security of job, pension and physical security. The middle level of the hierarchy is occupied by social or belonging needs that include the human desire for association with others. Maslow calls these 'the love and affection and belonging needs' which emphasize friendship, affection and acceptance. Esteem or status or ego needs, at the next higher level, refer to the desirability, self-esteem, prestige, recognition and the satisfaction of ego. At the top of the hierarchy the self-actualization or self-realization needs that relate to self-development, self-expression, self-fulfillment and creativity, and bring people closest to the realization of their potentials. The need hierarchy explained by Maslow is shown in fig-1. Maslow's theory implies that base pay must be set high enough to provide

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<sup>4</sup> cited in Haque, 1990

individuals with the economic means to meet their basic needs. Incentive pay is motivating to the extent that it is attached to achievement and recognition.

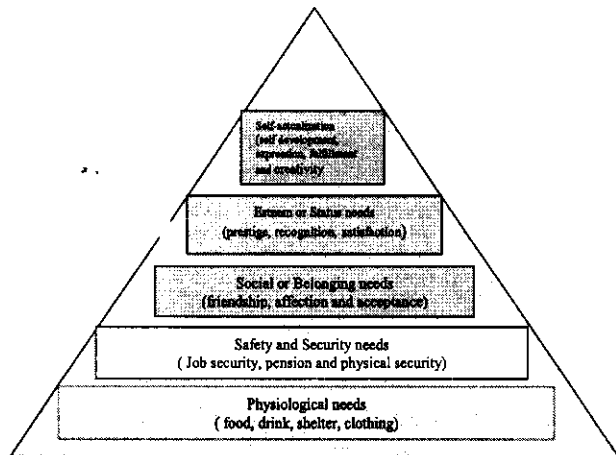


Figure-1: Maslow's need hierarchy model

## 2.2 Herzberg's Two-Factor Theory

Herzberg and his associates B. Mansner and B. Synderman found that there are two sets of job attitudes and motivating factors, intrinsic and extrinsic (Haque, 1990:61). There are some other factors that do not lead to motivation but make contribution towards job satisfaction. The absence of these factors results in dissatisfaction. The extrinsic factors include salary, security working conditions, supervision, and personal life of employees. They are considered as job-context variables and labeled Hygiene Factors. Another set of factors did not cause dissatisfaction with their absence, but led to satisfaction when present. These are called Motivating factors or satisfier. These intrinsic factors include responsibility, recognition, promotion, opportunity for growth and achievement.

This Two-Factor theory of motivation states that provision and maintenance of hygiene factors is essential for obtaining a minimum level of employee performance by satisfying the lower level needs. The motivating factors must be provided in order to secure outstanding level of performance from the employees. The two types of factors identified by Herzberg and his associates corresponds roughly to the higher and lower level needs categorized by Maslow.

### 2.3 Adams' Equity Theory

Adams' (1963) Equity theory is also helpful to understand motivation to perform in organizations. Adams assumed that people have a desire to be treated fairly and equitably<sup>5</sup>. Employees are motivated when perceived outputs (pay) are equal to perceived inputs such as effort and energies. If employees perceive that others are paid more for the same effort, people will react negatively to correct the dis-equilibrium in the output-to-input balance. Accordingly, performance inputs and expected outputs must be clearly defined because employees evaluate the adequacy of pay via comparisons with other employees. Since employees evaluate their pay-effort balance in comparison to other employees, relative pay matters. Fairness and consistency of pay amongst all employees in an organization is critical. If payouts do not match expectations, employees will react negatively (Milkovich and Newman, 1999: 277)<sup>6</sup>.

### 2.4 Concept of performance and its relationship with pay

Performance can be defined as the ability of an organization or authority to acquire resources economically and use those resources efficiently and effectively in achieving the output and outcome targets. In other words performance is the creation of value for money. Performance is very much related with the people who work for the organization. Kim (2002)<sup>7</sup> described that "Strides to increase competitiveness will not result from more computers or reliance on cost cutting, but from our most critical resource that is people". Along this line, studies (McCloy, Campbell, and Cuedeck, 1994)<sup>8</sup> show that employee performance depends on the following three general factors:

Employee performance = f(S, K, M) where:

- \_ S = skill and ability to perform tasks
- \_ K = Knowledge of facts, rules, principles, and procedures
- \_ M = Motivation to perform

For an organization to succeed, it needs employees who perform well. This involves not only good compensation strategy and practice, but also other well-developed HR policies. People with skill and ability (S) need to be hired, concentration on building skill based knowledge (K) and ways to motivate (M) employees to perform in ways that contribute to individual and organizational performance.

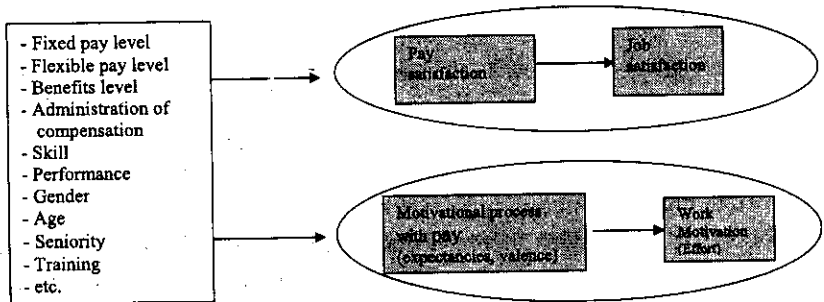
<sup>5</sup> cited in Haque, (1999: 62).

<sup>6</sup> cited in Kim (2002)

<sup>7</sup> Pan S. Kim presented a Paper at the OECD / Germany High level symposium on governing for performance in the public sector in Berlin, Germany on 13-14 March 2002. cited in Kim, 2002

With empirical research Igalens and Roussel (1999) draw inference that total compensation positively influence work motivation where the total compensation outcomes are fixed pay, flexible pay, and benefits. They found that pay rise satisfaction is positively and significantly related to job satisfaction. But in establishing interaction between compensation, work motivation and job satisfaction they found that solutions to make fixed pay more satisfying can have a positive effect on job satisfaction without having any effect on work motivation. In the same way, introducing a more motivating administration of flexible pay can have a positive effect on work motivation, but not necessarily on job satisfaction. From figure-2, it is evident that a total compensation package create work motivation for all out effort to achieve any organizational goal.

Figure-2: Model indicating the interrelations between compensation, satisfaction and motivation.



Source- Igalens and Roussel (1999)

### 3.0 Civil Service and Bangladesh

#### 3.1 Concept and history of Civil Service

The term *civil service* emerged in the statecraft during the late 18<sup>th</sup> century when British East India Company was consolidating its colonial gains grabbed after its defeats of the Indian rulers. They used the term civil service first in 1785 (Rashid, 2008:12). The Company used the term to distinguish those employed in the civil administration from those who employed in the military. After the British administration of India the term civil service elsewhere first used in England in 1854 (The Colombia Encyclopedia, 2007:52958).

But the root of the civil service lies in the Han dynasty of China during 206 B.C. to 220 A.D. The Han dynasty is the pioneer to introduce merit based recruitment system in the civil service through competitive examination. After the Han dynasty other Chinese dynasty too continued



the same system in the bureaucracy. The Sung dynasty (960-1279) expanded the merit based recruitment system including all important positions (ibid).

The Chinese civil service became known to Europe in the mid-18th century, and influenced the development of European and American systems. Ironically, the first European civil service was not set up in Europe, but rather in India by the East India Company. The system then spread to the United Kingdom in 1853 and to the United States in 1883, with the Pendleton Civil Service Reform Act.<sup>9</sup>

### 3.2. Bangladesh Civil Service

Historically Bangladesh inherited British-Indian civil service which was specially modeled for revenue collection, maintaining law and order and general administration. But now-a-days the necessity and role of civil service has been felt differently. Civil service being the executive organ of the state has many other things to do in pursuit of poverty reduction, ensuring food, healthcare, education, clothes and shelter; upholding democracy and good governance for achieving MDGs. In the changed context, Public Administration in Bangladesh has experienced many reform measures. But those measures virtually failed to bring any substantial change. Now it is passing transitory stage. It is widespread that Bangladesh Civil service is low paid, less motivated, low productive, rigid in bureaucratic procedure and not professional. It is suffering from lack of merit based recruitment and promotion, lack of transparency and accountability. To overcome the situation, in the course of time, it has undergone a series of changes. Bangladesh Civil Service is now unified civil service consisting of 28 cadre services<sup>10</sup>, which created some unexpected result like inter cadre rivalry, generalists versus technical controversies. The rivalry and controversies affect the performance of the bureaucracy. The country's bureaucratic efficiency is rated at 4.7 on a 10 scale (10 best) (Mukherjee et. al. 2001)<sup>11</sup>. The causes of the inefficiency of the public sector bureaucracy are manifold. Civil service recruitment, Compensation, promotion, training, transfer, posting, and performance

<sup>9</sup> M. Rashidul Hassan (2008). MA term paper (unpublished), IGS, BRAC University

<sup>10</sup> There was 28 cadres in the Bangladesh civil service as per Bangladesh Civil Service (Reorganization) Order, 1980. In 1986 number of cadre increased to 30 as BCS (Health and Family Planning) cadre divided into two separate cadres as BCS (Health) and BCS (Family Planning). Again in the same year Cooperative sub-cadre service converted to BCS cadre. Again in 1992 BCS (secretariat) cadre merged with BCS (Administration) cadre which reduced the cadre number to 29. At the latest due to separation of judiciary BCS (judiciary) cadre made abolished. Now the total number of BCS cadre is 28.

<sup>11</sup> World Bank Technical Paper 507. Washington DC; World Bank.

appraisal is needed to be reinvented for further development of civil service management and improvement of the public service delivery.

Motivational approaches are also linked with the level of performance. Based on empirical research Jahan (2006) reported that in Bangladesh, 80 percent of both entry and mid level civil servant think poor salary as a de-motivating factor for civil service. He also pointed out that 45 percent of entry level civil servant thinks job security and 55 percent of them think status and power motivates them to work civil service, but 27 percent of mid level civil servant think job security and 14 percent of them think status and power motivate them to work in the civil service. From study result it is evident that de-motivating factor is strong enough over motivating factor. Due to this there is always a huge gap between expectation and reality. Government employees do not quit the job as there very limited job opportunity. They adjust the gap at the cost of quantity and quality. Islam (1999) expressed a maxim "The Government pretends to pay, and we pretend to work!"

### 3.3 Factors Responsible for Poor Performance

As discussed above the causes of descending trends of performance and efficiency of Bangladesh Civil Service can be linked with many factors. viz.

- i) Recruitment is not fully based on merit, 55% is fill up by quota. Again, sometime it is alleged that nepotism or favoritism in various dimension influence recruitment compromising quality.
- ii) Compensation is not market based and a huge gap exists between private sector and public sector salary. For this reason civil service is losing its attraction.
- iii) Promotion and career progress is not smooth. The path is not well defined and transparent, which demoralizes the civil servant.
- iv) Transfer and posting is not always used for placing right people in the right place, rather sometime it is used for reward and punishment.
- v) Training is not well planned and need based. No uniform training policy exists. It is observed that some people get training which s/he does not need, again some people never get some basic training necessary for professional development.
- vi) Conflicts in administration and rivalry between different cadres. Again there is generalist versus specialist conflict too.

- vii) Political instability and lack of Political Commitment for implementing reform suggestions.
- viii) Centralized decision making process and too many tiers in the process of decision making.
- ix) Absence of performance measurement and performance appraisal system. And lack of performance based reward and punishment.
- x) Lack of job description and target based evaluation system.

In this paper, as mentioned earlier, only compensation related factors will be discussed in the following sections.

#### **4.0 Framework of Public Service Pay and Pay Reform Initiatives**

##### **4.1 Pay**

The definition of pay provided in BSR is that it is part of emoluments which include pay, special pay, personal pay, fees; and officiating pay. Emoluments again include pay, fees in the shape of fixed addition to monthly pay and allowances paid out of the revenues of the government; compensatory allowances other than medical allowance; full sanctioned pension; emoluments drawn prior to leave and subsistence grant (Ali, 2007:58).

##### **4.2 Framework of Pay**

The basic framework of public service pay in Bangladesh is i) basic pay, ii) allowances and iii) perks. Basic pay is defined as the amount drawn monthly by the government servants (Ali, 2007:59). Basic pay is usually linked with employee's post and position. In addition to the basic pay government employees receive different types of allowances like house rent allowances and medical allowances in common with some other allowances. Perks are the in kind benefits that government employees receive linked to their position, posting, duty and responsibility. This include transport, telephone, travel, insurance etc.. The government employees also receive retirement benefits like gratuity and pension at the fixed rate linked with their last basic pay and length of service.

##### **4.3 Market Scenario of Pay in Bangladesh**

Compensation that is paid to the civil servants of Bangladesh is recognized as very low and not in parity with the compensation of the other sectors like private, NGO and international agencies. A significant aspect of Bangladesh's current reality is that three different pay structure has emerged in the country. viz. 1) international pay scale, 2) private sector pay scale, and 3) government pay scale (Islam,1999).

#### 4.3.1 International Pay Scale

The orbit of this pay scale is limited and confined mainly to top positions in foreign companies, donor agencies, international organizations, foreign NGOs etc. In this scale employees are compensated at rates that are closer to those prevailing in the developed countries. International pay scale in Bangladesh is lucrative even for foreigners, because prices of non-tradable items in Bangladesh are lower than in the developed countries. For obvious reasons, this pay scale is even more attractive for Bangladeshis.

#### 4.3.2 Private Sector Pay Scale

private sector pay scale applies, in varying degrees, to private sector commercial enterprises in Bangladesh, other private organizations, many NGOs, etc. The private sector pay scale is much lower than the international pay scale, but it is also generally higher than the "government pay scale."

#### 4.3.3 Government Pay Scale

Government sector pay scale is paid to the public servants in 20 different grades. The ratio of the 1<sup>st</sup> and the 20<sup>th</sup> grade pay scale is 9.58: 1 as per the national pay scale of 2005. This scale much lower than the private sector pay scale and very insufficient to meet the basic food and health needs.

Islam (1999) described that co-existence of these three pay scales is destabilizing and is a potential force for disequilibrium. However this disequilibrium has adjusted by the service factor market and a sort of equilibrium has evolve which is a bad equilibrium and very much related with the ethics, integrity and honesty. The equilibrium is called bad because the way it has attained is not very fair. For the equilibrium either price of the product or the quantity and quality of the product have to be adjusted. Since the government pay scale is rigid the adjustment generally achieved at the cost of quantity and quality. This is expressed through the maxim: "The Government pretends to pay, and we pretend to work!" In other words, since the pay is low, government employees cut down on the amount and quality of work that they actually perform on the job. There is less motivation, less effort, less effectiveness. One often hears that the government salary is just to induce people to "attend" office. Any "work" to be done in office requires "extra remuneration." Some government employees probably think that the pay is not enough even to attend office full time and so decide to cut down on the time they actually spend in

their office. This is a well-known aspect of the equilibrium and hence does not need much elaboration here. Due to this bad equilibrium Bangladesh civil service is failing to attract the talents which is ultimately resulted into deteriorating the quality of the public service and inefficiency of the government. The disequilibrium again is the result of the gap between the 'official pay' and the 'effective pay'. Since as described above the official pay is low the many of the government sector officials try to increase the effective pay through arbitrary means often by corruption or by attending some private business. The private business for the lower tier of the public servants is doing different sorts of small business or simply shopkeeper. The higher tier of the public servants are generally engaged with the NGOs, private business firm etc. as consultants or advisor etc. They are used to do their other business even in the office hour by using public resources. It takes the time and money of the government and makes the government less functioning. With due respect I want to mention here that obviously there are some very good, competent, devoted public servant whose sincere effort eventually keep the government functioning. However they are to undergone many hardship and deprivation. This is simply de-motivating and it will very harmful for the country and nation as whole if the honest and devoted people loss their spirit of doing works.

#### 4.4 Pay Reform Initiatives

Changes in Pay structure of Bangladesh public service have been made by the government in 1973, 1977, 1985, 1991, 1997 and 2005 through the constitution of National Pay Commission (NPC), which recommended upward revision of pay for all grades of civil servants.(Ali, 2007:69). Based on the recommendation of the NPCs, government increase the salary and allowances of the civil servants, but never with adjusting the market price or inflation or consumer price index (CPI) of the economy. A comparative structure of National Pay Scale (NPS) is shown in Table-1:

Table-1: National Pay Scales (NPS) at a Glance (1973-2005)

Scale no	NPS 1973 (in Taka)	NPS 1977 (in Taka)	NPS 1985 (in Taka)	NPS 1991 (in Taka)	NPS 1997 (in Taka)	NPS 2005 (in Taka)
1	2000(fixed)	3000(fixed)	6000(fixed)	10000(fixed)	15000 (fixed)	23000 (fixed)
2	1475-1800	2850(fixed)	5700(fixed)	8600-9500	12900-14300	19300-22100
3	1150-1570	2350-2750	4750-5500	7800-9000	11700-13500	16800-20700
4	800-1455	2100-2600	4200-5250	7100-8700	10700-13100	15000-19800
5	475-1275	1850-2375	3700-4825	6300-8050	9500-12100	13750-19250
6	375-975	1400-2225	2800-4425	4800-7250	7200-10840	11000-17650
7	310-670	1150-1800	2400-3600	4100-6500	6150-9750	9000-15480
8	220-420	900-1610	1850-3220	3200-5440	4800-8160	7400-13240
9	145-275	750-1470	1650-3020	2850-5155	4300-7740	6800-13090
10	130-240	625-1315	1350-2750	2300-4480	3400-6625	5100-10360
11	-	470-1135	1000-2280	1775-3725	2550-5505	4100-8820
12	-	425-1035	900-2075	1550-3405	2375-5130	3700-8060
13	-	400-825	850-1700	1475-3150	2250-4735	3500-7500
14	-	370-745	800-1630	1375-2870	2100-4315	3300-6940
15	-	325-610	750-1550	1300-2615	1975-3920	3100-6380
16	-	300-540	700-1415	1200-2375	1875-3605	3000-5920
17	-	275-480	650-1280	1125-2170	1750-3300	2850-5410
18	-	250-362	600-1110	1050-1915	1625-2905	2600-4870
19	-	240-345	550-965	975-1750	1560-2695	2500-4590
20	-	225-315	500-860	900-1530	1500-2400	2400-4310

Source: Pay Scale Manual (2005: 212), Ministry of Finance, Government of Bangladesh.

On the basis of the recommendations given by the ASRC, the 1<sup>st</sup> NPC recommended 10 grades of pay with minimum pay Tk. 130 and the maximum pay Tk. 2000 which was implemented (Obaidullah, 1999:79). But this decision affected a good number of civil servants who were drawing pay above Tk. 2000 (Ali, 2007:70). The 2<sup>nd</sup> NPC named as Pay and Services commission reported that due to spiraling inflation the cost of living for middle class in July 1975 rose to 414.83 compared to 100 for the base year 1969-70. At the end of July 1976 Tk.2000 became worth Tk.537.61 in terms of real purchasing power (Obaidullah, 1999:79). Based on the study P&SC recommended significant rise of maximum pay worth Tk. 4000 and minimum pay Tk. 230 with 52 grades of pay instead of 10 grades recommended by 1<sup>st</sup> NPC. But the recommendation of P&SC was implemented with 20 grades of pay, where minimum pay was Tk. 225 and maximum pay Tk. 3000 (ibid: 85)

In the span of nine years (1977-1985) the standard of living of all government employees eroded by 282.4 per cent (ibid:86). Considering the fact the 3<sup>rd</sup> NPC in 1984 recommended 20 grades of pay and for minimum pay Tk. 660-1076 based on 2188 units of calorie per day per person and maximum pay Tk.7500 (fixed). Government implemented the recommendation fixing the minimum pay Tk.500 and maximum pay Tk.6000 with effect from (w.e.f.) from 1.6.1985. The 4<sup>th</sup> NPC in 1989 recommended for minimum pay scale of Tk.1200-18X36-1848 based on daily calorie intake of a family of 3 members (husband, wife and a child) and maximum pay Tk.13500. the recommendation was implemented w.e.f. 1.7.1991 fixing minimum pay Tk.900-18X35-1530 and maximum pay Tk.10000. The 5<sup>th</sup> NPC in 1996 recommended for minimum pay Tk.1850-70 X18-3110 and maximum pay Tk.18000 (fixed), which was implemented w.e.f. 1.7.1997 with minim pay 1500-50X18-2400 and maximum pay Tk. 15000 (fixed). The 6<sup>th</sup> NPC in 2004 recommended for minimum pay Tk. 2800 and maximum pay Tk. 27500, which was implemented w.e.f. 1.7.2005 with minimum pay Tk.2400 and maximum pay Tk. 23000 (fixed). (MoF, 2005: 130-147)<sup>12</sup>. It is evident from the above discussion that there was a significant gap between the recommendation of the NPCs and the government implementation of pay scales.

#### 4.5 Minimum Salary and Living Wage

By living wage Bangladesh government has meant minimum amount of taka necessary to meet the expenditure of a family of four adults (NPC 1973)<sup>13</sup>. But the calculation of minimum pay has remained illusive issue over the years. Though the minimum salary was determined on the basis of calorie necessary per day per person considering a family of 4 person including husband, wife and children, (*old father and mother were never considered as family members*), still then government never provided the NPCs recommended pay. Department of Nutrition Survey in 1962-64 calculated minimum taka necessary for a family of four adults for food was Tk.185, but in very unrealistic way the after nine years (1964-1973) 1<sup>st</sup> NPC in 1973 determined the minimum pay Tk.130 which did nothing to offset the extent of erosion of standard of living (Obaidullah, 1999: 88). In the context of 1976 when the Report of the Pay and Service Commission was under preparation the cost of balanced diet for adult person was considered to be Tk. 67.37 per month (to this may be added Tk. 13.47 to cover the cost of fuel, clothing and other essential items).

<sup>12</sup> See Pay Scale Manual 2005, Ministry of Finance, Government of Bangladesh.

<sup>13</sup> Quoted in Obaidullah (1999:88)

The monthly amount required for a family of three adults therefore was Tk. 242.52 (ibid:73). But government fixed the minimum salary Tk.225. A comparison between calculation of cost of balanced diet by the NPC 1973 and P & SC 1977 is shown in table-2.

Table-2: Comparison of balanced diet and their prices as per NPC 1973 and P & SC 1977

Food Items	Estimated minimum monthly cost of Food intake of an average adult based on nutrition-survey 1962-64 as per NPC 1973			Estimated minimum monthly cost of balanced diet for an adult male (sedentary worker) as per P & SC 1977		
	Quantity Consumed	Average price	Cost	Quantity Consumed	Average price	Cost
Unit/head->	Seer/month	Tk./seer	In Tk.	Seer/month	Tk./seer	In Tk.
Cereal: Rice	11.70	0.75*	4.88	7.20	2.25	16.20
Wheat		0.61*	3.97	0.64	1.75	11.20
Sugar**	0.38	2.12*	2.27	--	--	--
Edible oil	0.44	4.00*	3.20	1.00	12.00	12.00
Potatos	1.02	1.00	1.02	3.00	1.84	5.52
Pulses	0.85	2.50	2.13	0.24	2.80	6.30
Vegetables	4.33	1.00	4.33	4.00	1.00	4.00
				2.40	1.40	3.15
Fruits	0.56	2.00	1.12	1.50	12.00	3.00
Meat and eggs**	0.71	6.50	4.60	--	--	--
Fish	1.35	5.00	6.75	1.00	6.00	6.00
Milk**	1.71	2.00	3.42	--	--	--
Spices**	0.32	2.50	0.80	--	--	--
Add Fuel, clothing and other essentials			7.70			13.47
Total cost			46.19			80.84
<b>Total monthly cost</b>	<b>A family of 4 person</b>		<b>184.76</b>	<b>A family of 3 person</b>		<b>242.52</b>

Sources: National Pay Commission (1973:78) and Pay and Services Commission (1977:24)<sup>14</sup>

Note: \* ration price. Rice 6.50 seer, wheat 6.53 seer, sugar 1.07 seer and edible oil 0.8 seer per person was available in ration shop.

\*\* items not taken into account in formulating balanced diet by NPC 1977

1 seer =933 gms= 0.93 kg

It is evident from the table that the P & SC 1977 reduced the family size from 4 person to 3 person and without showing any reason they cut some very essential item for a balanced diet like sugar, milk, meat, egg etc. which were taken into account in calculating minimum cost by NPC 1973. Eating a minimum amount of egg, milk, meat, sugar etc. is not very luxury rather very essential item for a nutritious diet. The last Bangladesh Household Survey (BDHS) 2007 reported that height of 43 percent children under 5 and weight of 41 per cent children under 5 is below the minimum standard level. BDHS also reported that 30 per cent women of 15-49 are suffering from malnutrition<sup>15</sup>. Due to increasing price hike and inflation most of the government employees are facing food insecurity and hardly any of the government employees can take necessary nutrition which will ultimately lead Bangladesh toward country of malnutrition and diseases.

<sup>14</sup> cited in A. T. M. Obaidullah (1999: 79 &74)

<sup>15</sup> see the daily Prothom Alo, 28 March 2009 p.13



In 1985 when modified scale of pay came into effect the lowest salary should have been Tk.638.38 for food only, if it were to adjust with the existing inflation rate (Obaidullah, 1999: 88). But 3<sup>rd</sup> NPC in 1984 recommended for minimum pay Tk. 660-1076. But government provided minimum pay Tk.500.<sup>16</sup> In 1991 government fixed the minimum salary at Tk.900 which was worth Tk.530.92 in real value i.e. only Tk.30.92 more than of previous minimum scale of 1985 (Obaidullah, 1999:89). In 1997 when new pay scale was declared by government claiming that government had given 27 percent rise in new pay scales which are consistent with existing inflation (ibid:91). But World Bank reported that inflation rate increased to 48 percent considering the 1991 as base year(ibid). It is very fact that whenever government increases the salary the lowest salary always remained below the amount recommended by the Pay Commission. So there remains hardly any scope to maintain their family rather than maintaining arbitrarily. Based on a survey the World Bank Group 1999 reported that the supplement their government salary with other sources of income as- bribe, second job, savings from training/travel etc, income from property, wife's income etc..

So it is evident from the discussion that the revision for increasing the salary never worked as a safeguard for living wage of the lowest paid employee in terms of inflation, continuous price hike and price of the essential commodities. Thus the government of Bangladesh glaringly violates the universally acknowledged principle to which Bangladesh also concur in principle that whatever may be the resource condition, government must pay that salary which ensures minimum subsistence to its employees (Obaidullah,1999:89).

#### 4.6 Nominal Salary versus Real Salary

Due to continuous price hike and glaring huge increase of inflation a large gap between nominal salary and real salary has been created, which led government employees to a grave sufferings. The World Bank (1996) in a study reported that this erosion money caused more sufferings to those at the top level of the scales than those at the lower level. In the it found that 1994 in terms of 1962, the basic pay of a secretary has declined by 87 percent while that of a peon declined by only 43 percent. The study has shown that in terms of real salary between 1962 and 1994, salaries of secretaries, joint secretaries and deputy secretaries suffered a sharp decline as shown in table-3.

<sup>16</sup> see Pay Scale Manual 2005, Ministry of Finance, Government of Bangladesh

Table-3: Nominal and Real Salaries for Top Secretariat Officials (Tk./month)

Year	CPI 1969/70=100	Secretary		Joint Secretary		Deputy Secretary	
		Nominal	Real	Nominal	Real	Nominal	Real
1962	71	3000 (\$667)	3000	2300 (\$511)	2300	1525 (\$339)	1525
1972	182	3000	3000	2750	2750	2300	2300
1977	441	3000 (\$199)	483	2350 (\$156)	378	1850 (\$123)	298
1985	1014	6000 (\$201)	420	4750 (\$159)	333	3700 (\$124)	259
1991	1671	10000 (\$262)	425	7800 (\$204)	331	6300 (\$165)	268
1993	1740	10000	1046	8600	900	7800	816
1994	1853	10 000 (Tk. 260,000) * (\$250)	383	7800 (\$195)	299	6300 (\$158)	241

\* What nominal salary in 1994 would be if purchasing power of 1962 salary was maintained by increasing salary on the basis of CPI.

Source: 1. The World Bank (1996), p118

2. UNDP (1993), p.77

3. Ali, (2007), p.75

Note: CPI=Consumer Price Index

The World Bank study also pointed out that based on CPI of 1969-70, in 1994 the salary of a secretary would be Tk.260,000 instead of existing salary Tk.10,000 (\$250) if purchasing power of 1962 salary is maintained by increasing salary based on CPI. By the same logic, the pay of a Joint secretary and a Deputy Secretary would respectively be Tk.199,300 and Tk.132,170. Over the years the purchasing power of the civil service pay decreased dramatically. It is also pointed out by the World Bank report that in 1947 a high court judge could buy 100 tolas of gold (1 Tola= 11.6 gms.) with one month's salary, but in 1994 it can buy only 2 tolas. In 2009 a top secretary cannot even buy one tola of gold with one month's salary (average gold price is Tk.25,000<sup>17</sup> and salary of a secretary is Tk. 23,000).

#### 4.7 Salary-Corruption Relationship

A most crucial prerequisite of Good Governance anywhere in the world is the minimization of corruption in the government machinery, otherwise the very moral basis of government as leader and final arbiter in the affairs of a country would quickly disappear (Siddiqui, 2006:22). But corruption is a major constraint in the way to Good Governance in Bangladesh. Bangladesh topped the list of for the most corrupt country in the global survey done by Transparency International (TI), (Muhit,

<sup>17</sup> Daily Samokal, dated 30 March 2009

2007:229). The state of corruption in public sector is pervasive, which is captured by Zafurullah and Siddiqui (2004) as "the public sector in Bangladesh is ridden with corruption of various dimensions and shades. Apart from bribery, rent-seeking and misappropriation of public funds, the performance of public organizations is adversely affected by a host of other factors like excessive lobbying, pilferage and larceny, irresponsible conduct of public official, bureaucratic intemperance, patronage and clientelism".<sup>18</sup> The causes of corruption are manifold. It includes poor pay, lack of accountability and transparency, weak enforcement of mechanisms, lack of career advancement, excessive, overlapping and opaque regulations etc.

Many of the problems of Bangladesh's dysfunctional bureaucracy can be linked with poor pay-the result of persistent erosion and compression of salaries<sup>19</sup>. Abed and Gupta (2002) stated that corruption often come in the form of econometric calculations of gains and losses of individuals and the society from changing system inputs such as salaries, risks, and sanctions<sup>20</sup>. Payment of high salary is not by itself a guarantee for honesty and integrity of public service, it can be confidently stated that the payment of salary which does not satisfy the minimum reasonable needs of the government servant is a direct invitation to corruption (3<sup>rd</sup> CPC, government of India, 1973)<sup>21</sup>. UNDP and GoB (2007:22) reported that in Bangladesh the problem of low pay compounded by compression of salary scales creates unfavorable internal as well as external comparison. Such unfavorable comparison against recruitment, retention, motivation and development of experienced staff while at the same time opening the doors for corruption.

Klitgaard (1988) laid a solid foundation that provides a useful tool to identify causes of corruption as well as combat corruption<sup>22</sup>:

$$C = M + D - A$$

The World Bank study in 1996, expanded this equation as-

$$C = M + D - A \cdot S$$

<sup>18</sup> GoB and UNDP, Study on Ethics in Civil service (2007)

<sup>19</sup> Bangladesh: Public Administration Country Profile, Department of Economic and Social Affairs, UN, New York, February 2004, (see GoB and UNDP, 2007: study on civil service ethics.)

<sup>20</sup> Buying an Income: the Market for Civil Service Positions in Indonesia, Kristiansen and Ramili (2006)

<sup>21</sup> quoted in Obaidullah (1999:71)

<sup>22</sup> Buying an Income: the Market for Civil Service Positions in Indonesia, Kristiansen and Ramili (2006) Bangladesh: The experience and Perceptions

Where, C stands for Corruption, M for Monopoly, D for Discretion, A for Accountability and S stands for public sector salaries. Corruption flourishes when there is monopoly over clients and discretionary power on the contrary weak accountability with poor paid public servants.

The government salary in Bangladesh is not enough to live a subsistence life. Whenever government increases the salary the lowest salary always remained below the amount recommended by the Pay Commission. So there remains hardly any scope to maintain their family rather than maintaining arbitrarily. Based on a survey the World Bank Group 1999 reported that the government employees supplement their government salaries with other sources of income as follows:

- 13% respondents reported bribe as a source
- 7% of the respondents reported second job as source
- 10% of the respondents reported savings from training/travel etc as source
- 4% of the respondents reported income from property as a source
- 45% of the respondents reported inherited property as source
- 21 % of the respondents reported wife's income as source

The survey shows that bribery is one of three major ways of supplementing insufficient government salaries. Although only 13% of the respondents mentioned bribes as a non salary source of income, officials believe that corrupt colleagues make more than seven times their salaries from bribes and other illegal receipts.

## **5.0 Public and Private Sector Pay**

### **5.1 Public Sector versus Private Sector Salary in Bangladesh**

As per the salary structure public sector employees get some salary supplements like housing or house rent allowance, transportation and some other allowance linked to grades. The most important is that government employees enjoy more job security than their private sector counterpart and also retirement benefit like pension etc. So, very logically public sector salary will not be equal to the salary of their private sector counterpart. But there should be a uniform relationship to them, and should not get too far out of line (World Bank, 1996:119). The World Bank report pointed out that 1968 salaries of top management in public sector was on average higher than the private sector top management (Table-4) but just after one year in 1969, the salary of a secretary was Rs.3000 while average salary of chief executives in the private sector was

Rs.4000. The World Bank report also pointed out that in 1995 the private sector salaries are 5-7 times those of public sector. Phil Keefer and Landel Miss (1999) pointed out that bureaucrats in the top management level earn one seventh of their counterparts in the private sector<sup>23</sup>. Also, salaries in the private sector remain four to five times above the public sector<sup>24</sup>. The private sector always kept pace with the rate of inflation in fixing their salaries, but those in public sector have dropped dramatically in real terms. As per the pay scales of 2005, salary of an entry level class I officer is Tk. 6800 a month, while private sector starting salaries for a similarly qualified individual (university graduate) fall in the range of Tk. 18000-24000 a month (Jahan, 2006). Great disparity between the salaries of public and private sector will result into a failure to attract merit in the public sector. Public official must be adequately paid by the government, or private interest will lure them away (Williams, 1980:181)<sup>25</sup>.

**Table-4: Civil Service and Private Sector Salaries (Tk/month)**

Post	Normal Take Home Pay without Govt. Perks	Pay with Monetized Value of Perk (approx)	Comparable Private Sector (Inclusive of Benefits)	Ratio of Private Sector to Civil Service Pay
1	2	3	4	4/3
Secretary	13,080	<sup>1995</sup> 27,000	176,000	6.5
Jt. Secretary	11,000	22,000	107,000	4.9
Dy. Secretary	8,952	12,000	72,000	5.9
Central Government*	2,633	<sup>1968</sup> (exc. benefits) n.a.	2235	

\* Salary survey for top management, 1968.  
Source: The World Bank (1996), p.120.

## 5.2 Public Sector Pay in South and Southeast Asian Countries

In India public sector salary is reviewed in every 6-7 years but inflation is adjusted annually/half yearly calculating CPI and paid in DA. If DA reaches to 50% it is added with basic pay. In January 2007 they added 35% to the basic salary and in July 2007 added 41% to their basic salary. The government employees are also provided with Education Allowance Rs.1000 per child per month subject to a maximum of 2 children. Hostel

<sup>23</sup> Bangladesh: The experience and Perceptions of Public Officials, Phil Keefer and Landel-Mills( see GoB and UNDP, 2007: study on civil service ethics)

<sup>24</sup> ibid.

<sup>25</sup> Quoted in A.T.M. Obaidullah (1999: 71)

subsidy is reimbursed up to the maximum limit of Rs.3000 per month per child. The limits would be automatically raised by 25% every time the Dearness Allowance on the revised pay bands goes up by 50%. The minimum salary is Rs.5,740 and maximum salary is Rs.80,000. a very distinct pay for Cabinet Secretary and equivalent post Rs.90,000. Salary of entry level Central service officer is Rs.21,000.

In Singapore public sector salary is 110% of private sector salary (World Bank, 1996). Salary is reviewed in every 5-6 years and inflation is adjusted annually. Salary of Senior Permanent Secretary in 2006 was S\$1,202,600 which increased to S\$1,593,500 in 2007 with 32% increase due to inflation adjustment (Neo and Chen, 2007:372). Salary of Entry grade Admin officer in 2006 was S\$ 371,900, which increased to S\$384,000 in 2007 (3.3% increase) (ibid.). On the other hand in South Korea Public sector salaries is 70% of private sector, in Thailand Public sector salaries is 47% of private sector and in Malaysia Public sector salaries is 40% of private sector (World Bank, 1996). Japan and Singapore has a rule not to permit civil service salaries to fall below 2/3 of private sector (ibid.).

## **6.0 Findings, Recommendation and Conclusion**

### **6.1 Findings**

Bangladesh civil servants are less motivated and less productive. Many factors can be linked with this. Some of factors identified on the basis of the discussion above are-

- ♦ Public sector pay is very low and not market based. The minimum salary is not a living wage and the salary to managerial positions is not competitive to private sector.
- ♦ Inflation is not adjusted with the salary and there is no permanent pay commission.
- ♦ There is no job description, performance target, and quantitative performance measurement system. Salary and incentives are not linked with performance.
- ♦ Public sector salary is not with parity to the private sector. Average ratio of Public sector and Private sector salary is 1:5~7.
- ♦ Government is overstaffed by supporting staff. Officer staff ratio is 1:7.

## 6.2 Recommendations Headed for a New Paradigm

For improving quality service delivery and good governance some fundamental change is necessary. Increasing salary and promotion based on merit and performance can be a good step. Transfer and posting policy must be transparent and based on some pre defined criteria. In this regard following recommendation is headed for a new paradigm.

### 6.2.1 Changing Pay Structure

A good sum of salary is essential for civil servant so that they can concentrate to their duties rather on ways to supplement their salary by other income as discussed earlier. For this the basic pay must increase significantly considering the reality, market price, rate of inflation etc. The other components of the compensation package can be linked to performance.

### 6.2.2 Changing Government Structure: Officer and Staff Ratio

Government of Bangladesh is over staffed. World Bank (1996:113) reported that the average officer : staff ratio in government is 1: 7. Based on empirical calculation the World Bank study report shown that by reducing officer : staff ratio to 1:3 it is possible to 100 percent salary increase of officer; in other way reducing officer : staff ratio to 1: 4 it is possible to 75 percent salary increase officer. So government can go for a normative officer: staff ratio for increasing salary within the existing resources so that it can attract and retain talents for the civil service.

### 6.2.3 Performance Related Pay (PRP)

The current system of performance measurement in the civil service is based on Annual Confidential Report (ACR). The system is very much unscientific to measure the performance of individuals. But PRP can be used as a very effective tool for motivating employees to work hard to achieve goal and to get the pecuniary benefits. In this regard modern system of performance measurement techniques can be used.

### 6.2.4 Performance Appraisal

Instead of existing ACR system target based performance appraisal system can be used. Before that, target must be defined with quantifiable variables and specific job description. Performance can be measured in a 5 category scale starting from 50 with 10 interval ( category may be 90 above excellent, 80-89 outstanding, 70-79 good, 60-69 satisfactory, below 60 unsatisfactory).

### 6.2.5 Fixed Salary Increase versus Performance Salary Increase

Bangladesh civil service follows a very rigid system of unified pay scale with fixed-step annual increments based on seniority. This increment has no link with performance and hence it reduces the scope for creativity and initiative (World Bank, 1996:120). Other than the performance pay, annual increment can also be linked with performance.

### 6.2.6 Introducing Innovation Award

Employees may be encouraged for innovating new idea and system of solving real life problem. Introduction of reward and award for innovation will definitely motivate employees to use their talent for innovation in service delivery.

### 5.2.7 Permanent Pay Commission

In stead of ad-hoc pay commission a permanent pay commission may be formed for forward looking performance based pay policy.

### 6.2.8 Inflation Adjustment

There should be an inbuilt system for adjusting inflation with the basic pay annually.

## 6.3 Conclusion

Nearly one million public servants are not ready to keep pace with the rapidly changing public administration and technology advances. Most of them are de-motivated, reluctant to change, underpaid and rent-seeking. In this context civil service reform, very particularly civil service pay reform is very urgent for protecting civil servants from further erosion of their capability. There are many other issues of civil service reform that have not been addressed in this paper. Some such issues are promotion, transfer, posting, training, supervision etc. These issues need to be discussed. But it is fact that Bangladesh civil servants are low paid. Low pay or under pay leads to corruption, lack of motivation and effort. In these days of globalization, expansion of NGOs, private sector, international organization is increasing. These sectors are paying their employees 6-7 times than the public sector. If this trend goes on some day public sector will suffer from merit crisis. So government must maintain parity with private sector in fixing salary for its employees. A system for regular (yearly) inflation adjustment of pay can be introduced. By restructuring government and reducing government functions and



operations the bureaucracy should be substantially reduced and they should be paid living wages at the lower level and competitive salary at the top level. Public service compensation should contain three elements viz. salary, transport grant and housing support. Government must provide adequate salary with other support to the public officials, otherwise inadequate salary will bring no good result for the country as it is mentioned by the UN in 1961, inadequate salaries in public services are an expense, not an economy.

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