Pay Inequity Among Same-Level Employees Of Public Sector Institutions Of Pakistan

Naveed Farooq¹, Syed Haider Khalil², Fahad Sultan³, Muhammad Ibrahim Khan⁴, Syed Mohsin Ali Shah⁵, Sheraz Hassan⁶

¹⁻⁵Assistant Professor at Institute of Business Studies and Leadership Abdul Wali Khan University.

⁶P. H.D Scholar at Institute of Business Studies and Leadership Abdul Wali Khan University.

Abstract

Purpose: Pay disparity is common in the private sector over the world. In Pakistan, there are perceptions that the same issue also exists in the public sector. This study explores the views of Pakistan's public-sector employees regarding disparities in their compensations and whether there is evidence that supports these views.

Design/methodology/approach: This study is conducted in two stages. First, it examines public-sector employees' payslips to determine actual variations in gross pay; second, it conducts and analyses the contents of semi-structured interviews with entry-to mid-level employees from selected public-sector organizations. These interviews were designed to explore perceptions of the dispersion of compensation across employees with the same education and experience and were perceived as performing similar tasks.

Findings: Findings indicate that pay inequality exists in Pakistan's public sector. Findings suggest that there are five dimensions of pay-inequality in public sector organizations of Pakistan. They include proximity to power circle, special allowances, disproportionate pay increase, market-based salary, and cash cow organizations.

Originality: The existing pay structure of the public sector in Pakistan should be modeled according to the principle of "equal pay for equal work" to evolve a transparent pay structure. Fair compensation also protects organizations from protracted litigation and improves overall productivity. Pay dispersion is an internationally well-researched topic; but, to the author's knowledge, this study is the first to explore the effects of pay dispersion in Pakistan's public sector organizations. Significace of the study is discussed in the current study.

Keywords Pay disparity, Public sector, Compensation, Federal government, Organizational citizenship behavior.

1 Introduction

Pay is the monetary benefit to an employee for the services they render to their employer (Milkovich and Newman, 2011); it reflects the employee's worth, the likelihood they will accept the job, and their on-the-job performance and retention (Dineen and Williamson, 2012). Compensation is a crucial and multifaceted phenomenon, especially in public-sector organizations. In this competitive era, the private sector offers many attractive fringe benefits, whereas, for the public sector, attracting and retaining qualified human resources is challenging. The pay and perks are the main factors that influence a candidate's decision to join public service. In the public sector, uniform compensation policies guide organizations in their decisions about the pay and perks they offer (Pepra-Mensah et al., 2017). Human psychological needs and human responses in motivation are generally similar; therefore, the comparatively higher pay
in the private versus public sector for the same qualifications and level of experience becomes a demotivating factor (Akiba et al. 2012; Feldman et al. 2018; Graves 2018; Malliarou et al. 2010). Gupta and Shaw (2014) posit that employees' pay differentials significantly influence their workplace behaviors. Milkovich and Newman (2011) found that pay structure is also a wide and complex subject that needs equal attention. Despite these findings, the literature pays little attention to pay dispersion or different compensation levels in the workplace (Bloom and Michel, 2002; Campos, et al., 2017; Ronay et al., 2020; Shaw, 2014). The Ministry of Finance of the Government of Pakistan (2020) issued a notification to address the issue, proposing a discrepancy allowance and establishing a pay and pension commission to tackle the issue. The discrepancy allowance causes further rifts among employees from various occupational groups since it has resulted in further disparity or discrimination in certain circumstances, leading to employee discontent.

In practice, pay divergence has had negative organizational consequences, particularly its impact on employees' motivation and organizational citizenship behavior (Farzand et al. 2018). Organizational Citizenship Behaviour (OCB) is employees’ voluntary and pro-social attitudes, such as facilitating colleagues, solving institutional problems, and portraying a good image of the organization (Organ et al. 2005; Shim and Faerman 2017). The role of OCB is particularly significant in the public sector, as it stimulates efficient public services, guarantees well-functioning state institutions, and affects many lives. The literature suggests that pay is crucial for successful strategy operationalization and policy implementation; therefore, although a fair pay system is harder to measure in public-sector organizations, it is essential for better public service performance (Khan et al., 2009; Malliarou et al. 2010; Mueller and Price 1990).

Graves (2018) found that the pay dispersion across different disciplines during the 1980s was due to imbalances in workforce supply and demand in some commercial fields. Studies show that pay divergence is not limited to Pakistan but a marked difference in salaries across different countries (Akiba et al., 2012). Fwu and Wang (2002) compared Taiwanese faculty pay with pay in other professions. They found that a 25% variation exists in faculty pay, in that country, compared to compensations to architects, dentists, and legislators (McDonald and Sorensen 2017; Seaman 2007). A myriad of literature informs about the consequences of uneven compensation and its impact on work-related outcomes (Jafari and Bidarian 2012; Zhang et al. 2011). However, no known investigation has studied how pay dispersion affects workplace behavior in the public sector, especially in the South Asian context. The current study attempts to fill this research gap. Its approach is cross-departmental as it attempts to explore variations in gross pay among employees holding job positions (here, represented as the basic pay scale; government employees in Pakistan work in positions that are subject to 22 BPS grades) at the federal level and perceptions of public-sector employees on pay divergence and its impact on workplace practices. Government jobs are generally perceived the same. In actuality, government employees perform diverse functions that come with different risks and stress levels—for instance, policing, teaching, customs, and taxation—all of these jobs are on the state's payroll. This study hypothesizes the negative impact of unequal pay on employees' motivation, OCB, and job satisfaction. The current study answers the calls to explore future theoretical developments on person-situation interactions as discussed by different authors (Ahmad et al. 2019; Choi and Chen 2007; Christie and Barling 2014; Downes and Choi 2014).

The present paper contributes to the emerging literature and focuses on understanding the pay divergence in public sector organizations and its effects on Pakistan's government employees and public services. This paper makes five contributions to the literature on compensation management in public sector organizations. First, the study found a visible dispersion in compensation across government employees with the same level of experience and working at the same pay scale. The study found a significant disparity in gross pay among employees in the same pay grade across numerous of Pakistan's federal government organizations. Most of the previous studies on pay divergence are on the pay disparity between public and private sectors, or the gender pay gap, such as Mueller (2019) conducted a gender pay gap study on Canada's private and public sector organizations. Hyder and Reilly (2005) conducted a study of pay divergence in Pakistan's public and private sectors. Campos et al. (2017) studied the pay gap in OECD countries'
public and private sectors. There is no study available, mainly focusing on pay dispersion within the folds of the public sector, especially in a low-income country. Second, this variation in gross pay provides an insight into the pay dispersion and its impact on motivation and OCB in a low-income country. The study found that pay dispersion engenders hostility, uncertainty, and mistrust in public sector employees. There is no evidence of such a study conducted on the public sector in a low-income country before. Pfeffer and Davis-Blake (1992) suggest that other than pay as a reward, status, resources, and power are also among the important factors for employees’ trust. The current study suggests that a wide pay divergence breaches employees’ trust of institutions regardless of other existing employment features as suggested by Pfeffer and Davis-Blake, such as power and resources. Third, the available research literature lacks evidence of qualitative research to understand public sector employees’ perception of pay dispersion and its organizational outcomes. The study identified various causes for such dispersion. Fourth, the study found less gender pay dispersion in public sector organizations. This work builds on a study in the U.S. that women earn 79 cents for every dollar a man earns (Shi et al., 2019). For the UK, Perraudin and Duncan (2019) reported an average 14% pay gap between female and male public sector employees. Lastly, the study revealed that pay dispersion affects public sector OCB and motivation. Resentment and dissatisfaction were noted during the study. Greenberg (1993) and Organ and Moorman (1993) claimed that employees focus more on allocating benefits, while OCB is more responsive to procedural than distributive justice.

Coyle-Shapiro and Kessler (2002; 2003) also indicated that employees exhibit more OCB when they experience fair treatment within their organizations and prefer long-term career paths over short-term monetary exchanges. The results of this study partly differ from the findings of Greenberg (1993), Organ and Moorman (1993), and Coyle-Shapiro and Kessler (2002; 2003), as this study shows that fair treatment and distributive justice relate to employees’ OCB and motivation. There is a continuous struggle among government employees to match up with high-paying jobs through transfers or deputations; however, this tendency leads to poorer public-service delivery. This paper proceeds as follows. The next section discusses the literature on pay dispersion, OCB, and motivation. From the stated literature, we develop our theoretical model of this study. The next section describes the study results, occurrence of pay variation among different selected ranks of public sector employees, and the second part thematic analysis is conducted of the interviews with the selected group of public sector employees. It is then followed by discussion and implication of the study, both theoretical and managerial, limitation and future research direction.

2 Literature

There have been discrepancies in public-sector compensation in Pakistan since 1947, the year the country was founded. Since then, the government of Pakistan has mandated several commissions on pay to resolve this problem. In 1948-1949, the first such commission attempted to remove the British colonial era’s legacy of the wider gap in income and living standards among different cadres of public-sector employees. In 1970, a second pay commission strongly emphasized the need for merit-based pay for persons with the highest levels of education and experience to attract talent to public-sector employment. Subsequently, this pay commission compressed 650 pay scales down to a list of 22 grades, called basic pay scales (1 being the junior-most position such as office support staff, while 22 is the senior-most position; for instance, chief secretary, director general, senior professor). The basic pay system still functions in Pakistan, despite the fact, several more pay commissions have investigated the issue (in 1977, 1983, 1987, 1991, 1994, 2001 and 2005), intending to develop an attractive, fair, and equitable pay system in Pakistan’s public sector (Bilquees 2006). Although all public-sector organizations have not uniformly adopted the BPS system, other parallel pay systems exist, such as special pay scales (SPS) and management pay (M.P.) scales.

Over time, some government departments received extra compensatory benefits that resulted in divergences in gross pay that created unrest among employees. For instance, Pervez Iqbal and others filed a petition against the Federation of Pakistan for according grants of special allowances of 20% to employees who were working in federal
ministries or divisions and for withholding the same percentage pay from federal government employees in other secretariats, departments and statutory bodies where government pay scales are applicable (Finance Division, 2013).

### 2.1 Pay dispersion

Compensation encompasses both extrinsic and intrinsic domains of a reward system. It relates to all forms of financial and material rewards to an employee for their work in an organizational setting (Economic Insight 2017). This could be direct payments for work performed during a certain period, or it could come in the form of fringe benefits. A better pay structure is a motivating factor for active members of the labour force; it should be attractive, provide adequate rewards at regular increments, encourage better performance and keep employees happy. A just compensation significantly contributes towards a motivated workforce, and any pay divergence badly affects work performance. Pay dispersion indicates dissimilar compensation in a firm, both laterally/horizontally (within jobs or organizational levels) and vertically (across jobs or organizational levels) (Bloom and Michel 2002; Shaw et al. 2002; Milovich and Newman 2011). Vertical variation indicates a higher salary between a CEO and a gatekeeper, for example, while horizontal variation shows the wage difference among people holding the same job positions (Shaw et al., 2002; Bloom & Michel, 2002; Milovich and Newman 2011). Generally, pay dispersion indicates employees’ varying potential to create value for a firm (Carnahan et al. 2012).

Pay dispersion is critical for the employees within an organization. For instance, Rouziou (2019) argues that employees perceive such discrepancies as unequal and unfair treatment. Several authors investigated pay dispersion on an individual (Becker and Huselid 1992), team (Bloom 1999), institutional (Shaw and Gupta 2007), factory (Lin and Tomaskovic-Devey 2013) and societal bases (Freeman and Oostendorp 2000). In the 1970s, pay-equity studies became widespread due to legislation on equal employment opportunities and equal pay being introduced worldwide (Barbezat 2002; Graves 2018). Evidence shows a negative association between pay dispersion and organizational performance; however, the literature indicates that the results are inconsistent on the impact of pay dispersion on employees’ output (Downes and Choi 2014). Shaw (2014) confirms the impact of pay dispersion on employees’ workplace responses to these pay dispersions. In Pakistan, pay dispersion is common in the private sector. Still, the public sector has its employee-grading system to keep wages uniform horizontally for similar BPS levels. However, the adoption of the BPS salary system has not been uniformed in every public-sector organization in the country. Employment conditions are different in each system, but the marked difference is in salaries. Studies on the occurrence of pay dispersion show that this phenomenon has differing impacts on employees. Dissimilar pay affects employees’ motivation and job satisfaction, while job satisfaction is an important contributor to OCB (Hassan and Rohrbaugh 2012; Yeo et al. 2015).

### 2.2 Organizational citizenship behaviour

Organizational citizenship behaviour is an employee's voluntary commitment to their employer. The formal reward system does not directly or explicitly recognize this commitment, nor is it part of the contractual tasks that promote the effective functioning of the organization. OCB is an ethical, pro-social behaviour wherein employees help their co-workers finish tasks or volunteer to do work that is beyond their job description (Davoudi 2012); for instance, in assisting colleagues in their jobs, solving citizens’ problems, maintaining a favourable image, for the organization, within the community of (Organ 1988; Shim and Faerman 2017). Such behaviour is not punishable if ignored or not carried out (Bolino et al., 2015). Historically, the roots of OCB are found in Barnard's (1938) concept of the "willingness to cooperate." The World Health Organization recognizes that a healthy individual is a person who enjoys physical, mental, and social well-being. Since World War II, the focus has been on healing and repairing damaged human functioning (Seligman and
Csikszentmihalyi 2000). In a nutshell, OCB is an informal psychological contract between employees and management (Chompoonuk and Brooklyn 2004).

Like the private sector, public-sector organizational performance through OCB enhances the organization's public image and the well-being of the citizens it is responsible for (Podsakoff et al., 2000). Certain antecedents to OCB were motivation, organizational commitment (Kim, 2006), job satisfaction and interpersonal trust (Podsakoff et al. 1990; Williams and Anderson 1991). Unfair pay was also among the factors that affect employees' interest in their jobs and their OCB.

Research shows that public-sector employees are more readily motivated than private-sector employees, which further contributes to public policy success (Houston 2000; Kim 2006; Shim and Faerman 2017). Christie and Barling (2014) found that a pay policy that is indifferent to unequal compensation, or compensation that fails to consider employees' education, work experience and performance creates unfavourable and difficult work environments, and this leads to less OCB (Farzand et al. 2018; Shim and Faerman 2017; Williams et al. 2002). However, Shim et al. (2019) found insignificant linkages between pay dispersion and OCB. Previous OCB-related research was mostly conducted on the private sector and found that organizational support and the relationship between colleagues induce employees to engage in OCB (Dalal 2005). Shim and Faerman (2017) also found the same result for public-sector organizations. Kashif and Zarkada (2015) recommended investigating OCB in the context of Pakistan's federal government (Ahmad et al., 2019). The evidence points to the need to investigate the impact of pay satisfaction on OCB and other Pakistan's public sector organizational outcomes.

2.3 Pay variation and motivation

Pay is an important factor in job satisfaction and individuals' work behaviour; OCB helps achieve organizational goals (Ingrams 2020). At the same time, inequitable compensation contributes to poor OCB (Williams et al. 2002). In the early 1900s, Frederick Taylor scientific management theory indicates that money is one of the major managerial tools that motivate employees' productivity and reduces turnover. Fair pay plays a significant role in employees' motivation; it also symbolizes intangible work-related goals, such as gaining a sense of security, power and prestige (Dulebohn et al. 1995). Stringer et al. (2011) found a positive relationship between fair pay and intrinsic motivation.

Homans (1961) proposed that pay equity refers to the principle of equal pay for work of equal value while pay dispersion is the opposite. To understand the concept more clearly, two types of pay dispersion occur: first, when the same job is differently compensated, this constitutes a violation of the principle of equal pay for work of equal value; this inequity is also easily identifiable. Second, pay dispersion occurs when different jobs are evaluated to be of equal value but are differently paid (Heyman 2005). Unequal pay has substantial strategic consequences for organizations (Feldman et al., 2018). The role motivation plays about variations in pay is evident in how unfair wages affect employees' efforts and lowers their motivation, stimulates unlawful practices, and encourages job switching and litigation among organizations (Kuvaas 2006). Benefits such as equal pay, job security, amenable physical surroundings, and safety are important for motivation (Adams 1963).

Several studies found that employees who receive extra pay are more satisfied and more likely to exhibit OCB in the organizations they work for (Johnson et al. 2002), while, to the author's knowledge, only one study found that remuneration has little effect on OCB (Agustiningsih et al. 2016). Sinclair et al. (2005) found that salary plays a strong motivational role for employees in terms of their on-the-job motivation and OCB; they showed that pay could appeal to prospective employees, retain employees and encourage better performance.

However, studies on pay dispersion and OCB mostly focus on the private sector and are scarce on the impact on public-sector organizations. Perry and Vandenabeele (2015) recommended that further studies on pay and
motivation in the public sector could examine contextual cross-cultural differences when refining existing measures for motivating public servants. Zhao and Zhu (2014) provided reviews of 55 papers and called for future studies on pay equity and employee motivation. This study addresses these gaps in the extant research literature as it investigates pay variation and its connection with employee motivation and OCB. Figure 1 indicates the conceptual model of the relationship between pay dispersion and different organizational outcomes.

![Conceptual Research Model](http://www.webology.org)

Source: Researchers created

**Fig. 1 Conceptual Research Model. Source: Researchers created**

### 3 Methodological Approach

This study adopts the qualitative approach as a methodological framework within which to explore multiple realities. This approach allows the researcher to refine their questions according to the context of the interview process. The standardized open-ended questions used in the interviews were carefully worded and contextually sequenced. The snowball non-probability sampling technique was applied in the sample selection, with the study samples becoming progressively more relevant to the research topic. These types of interviews provide considerable flexibility and allow the researcher to get progressively closer to the reality of the sample group; it also triangulates other sources of information.

The data were analyzed through sifting, charting, and sorting through a process of familiarisation, identifying a thematic framework, indexing, charting, mapping, and interpretation (Ritchie and Spencer 1994). This study followed Miles and Huberman's (1994) analytical approach of using three inter-linked sub-processes of data reduction, data display, conclusion drawing and verification. To ensure reliability, following Adler and Adler (1994), the initial questions were followed up with further investigative questions to obtain more in-depth information based on the individual and their circumstances. Following, Savenye and Robinson (1996), this study adopted methods that included prolonged engagement, member checking, triangulation, referential adequacy, keeping a reflexive journal, persistent observation, peer debriefing, providing thick descriptions, undertaking purposive sampling, and providing an audit trail to ensure quality. Qualitative research is a complex process, so a thematic analysis was used as a foundational approach to understanding the thick information obtained during the research (Braun and Clarke 2008).

#### 3.1 Sample and Data Collection
This research was conducted in two stages. First, it investigated the pay differentiation among those in the sample group engaged in the same scale of work; secondly, the causes and consequences of the pay dispersion and its impacts, if any, on employees' workplace behaviours were investigated. The data for the first part of the study was collected using a cluster sampling technique, the "cluster" being between-group homogenous and within-group heterogeneous. The investigated federal government organizations comprised major groups, including federal ministries, law-enforcement agencies, revenue-collection agencies, autonomous bodies, higher-education institutions, and departments attached to the federal government. One organization was randomly selected from each cluster. Eighty-nine per cent of the participants were male, and 11% were female. To empirically confirm whether there were variations in participants' gross salary, their actual payslips were collected and analyzed. In the second stage, the justification of such disparities was explored using semi-structured interviews with 40 respondents, and informed consent has been ensured from each participant.

The following hypotheses guided this research:

i. Unfair pay affects employees' job satisfaction, motivation and organizational citizenship behaviour;

ii. Public-sector employees' behaviours due to pay dispersion are similar to those of private-sector employees.

<table>
<thead>
<tr>
<th>Table 1: Selected Sample of Federal Government Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Departments/Ministries</td>
</tr>
<tr>
<td>------------------------</td>
</tr>
<tr>
<td>Finance</td>
</tr>
<tr>
<td>FIA</td>
</tr>
<tr>
<td>FBR</td>
</tr>
<tr>
<td>PM Sect.</td>
</tr>
<tr>
<td>NUML</td>
</tr>
<tr>
<td>FGEFH</td>
</tr>
<tr>
<td>AGPR</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Table 2: Selected Sample of Federal Government Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Departments/Ministries</td>
</tr>
<tr>
<td>------------------------</td>
</tr>
<tr>
<td>Finance</td>
</tr>
<tr>
<td>FIA</td>
</tr>
<tr>
<td>FBR</td>
</tr>
<tr>
<td>PM Sect.</td>
</tr>
<tr>
<td>NUML</td>
</tr>
<tr>
<td>FGEFH</td>
</tr>
<tr>
<td>AGPR</td>
</tr>
</tbody>
</table>

During the first stage of the study, to find the actual pay dispersion across the same basic pay scale, actual payslips were collected from 330 employees with similar lengths of service. During the second phase, the thematic analysis used semi-structured interviews with 40 officers from all seven selected organizations to explore public-sector employees' opinions on pay; content analysis of this qualitative information was used to find the rationale for the pay disparities, if any, across different scales, as well as their implications.
Thematic analysis is a widely used qualitative analytic method (Roulston, 2001). It includes pinpointing, exploring, and recording patterns (or "themes") in data. As the researcher is the key tool in qualitative research, the descriptions and interpretations must be clearer and more concrete (Vaismoradi et al., 2013). The key features of thematic analysis are coding, probing for meaning, and providing explanations during creating the themes (Vaismoradi et al., 2016). Different authors have suggested a sample size of 6 to 400 or more respondents, depending on the size of the project (Guest et al., 2011; Emmel, 2013). The following steps were taken to collect and interpret the data:

1) Data collection: The data gathered from key respondents included:
   - Payslips
   - Observational data
   - Questionnaire statements
2) Coding the data: The data were hand-coded. The researcher coded every two lines of text that identified keywords, ideas, and reflections. A "good code" captures the phenomenon's qualitative richness (Boyatzis 1998). The code forms the basis for the theme.
3) Code validation: To ensure the integrity of the codes, fellow researchers reviewed them for bias. The interviews listened to several times for consistency and validation. The codes were integrated into a codebook from which the different themes emerged.
4) Themes/framework identification: The codebook was explored, and the themes and sub-themes were segregated. The different patterns were analyzed, and the themes that were repeated more frequently were grouped for making strong inferences. Every theme was defined so that they were clear, concise and easily understandable.
5) Information consolidation, finalize theme names: The different themes were grouped and were represented by short forms of the relevant sentences instead of writing out each sentence in its entirety.

4 Results of the study

This study assesses pay dispersion among government employees in Pakistan and the organizational consequences of this dispersion. It was conducted in two stages. In the first stage, the payslips of 330 government officials were collected and analyzed for any variation in salaries. To avoid any mismatch of salary groups, care was taken to include only the payslips of those individuals whose experiences were uniform. In the process, those salary items were removed that did not meet the specific criteria of the selected sample. In addition, the same criteria for the sample exclusion used in the semi-structured interviews were adopted here.

In the second stage, the causes, challenges, and organizational consequences of pay dispersion were discussed when conducting semi-structured interviews with each member of an identified group of public-sector employees. The results of the first stage of the study were presented to these individuals. The organizational impacts of this dispersion were also discussed in terms of the employees' motivation, OCB and workplace practices.

4.1 Descriptive Statistics

Table 3: Distribution of Respondents with respect to their Pay Scale* (N=330) in Pakistan 2018-2019

<table>
<thead>
<tr>
<th>BPS</th>
<th>No of Employees</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>140</td>
<td>42.42</td>
<td>42</td>
<td>42</td>
</tr>
<tr>
<td>17</td>
<td>110</td>
<td>33.33</td>
<td>33</td>
<td>75</td>
</tr>
<tr>
<td>16</td>
<td>80</td>
<td>24.24</td>
<td>25</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>330</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>
BPS is the basic pay scale, the employees grading system in Pakistan ranging from BPS 1 to 22.

Table 2 provides details of the number of employees in the respondents' specific basic pay scales. For reference, the government has fixed employees' minimum wages to approx. USD 110 per month (converted from Pakistan currency Rupees to the dollar). The subjects are divided into three groups of employees working in BPS 16, 17, and 18 (see Table 3). Table 2 shows that 42% of the total respondents were working in positions with a BPS 18 pay scale, 33% were employed in BPS 17, and 25% were serving in BPS 16.

Table 4: Gross pay Dispersion of Employees in Basic Pay Scale Positions 16, 17, and 18* in Pakistan, 2018-2019

<table>
<thead>
<tr>
<th>BPS 18</th>
<th>Finance</th>
<th>FIA1</th>
<th>FBR2</th>
<th>PM Sect.3</th>
<th>NUML4</th>
<th>FGEHF5</th>
<th>AGPR6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross pay (US$)**</td>
<td>498</td>
<td>760</td>
<td>421</td>
<td>584</td>
<td>410</td>
<td>664</td>
<td>474</td>
</tr>
<tr>
<td>% wise dispersion</td>
<td>34%</td>
<td>45%</td>
<td>23%</td>
<td>46%</td>
<td>13%</td>
<td>38%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BPS-17</th>
<th>Finance</th>
<th>FIA</th>
<th>FBR</th>
<th>PM Sect.</th>
<th>NUML</th>
<th>FGEHF</th>
<th>AGPR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross pay (US$)</td>
<td>395</td>
<td>534</td>
<td>530</td>
<td>571</td>
<td>333</td>
<td>446</td>
<td>295</td>
</tr>
<tr>
<td>% wise dispersion</td>
<td>31%</td>
<td>7%</td>
<td>7%</td>
<td>42%</td>
<td>22%</td>
<td>48%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BPS-16</th>
<th>Finance</th>
<th>FIA</th>
<th>FBR</th>
<th>PM Sect.</th>
<th>NUML</th>
<th>FGEHF</th>
<th>AGPR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross pay (US$)</td>
<td>363</td>
<td>427</td>
<td>448</td>
<td>366</td>
<td>290</td>
<td>345</td>
<td>267</td>
</tr>
<tr>
<td>% wise dispersion</td>
<td>19%</td>
<td>5%</td>
<td>18%</td>
<td>35%</td>
<td>23%</td>
<td>40%</td>
<td></td>
</tr>
</tbody>
</table>

* BPS refers to the basic pay scale, while BPS 16, 17, and 18 indicate government employees' position levels within the government hierarchy. The length of service for employees in BPS 16, 17 & 18 is 12 years, five years, and up to 12 years, respectively.

** Pakistan's currency (the Pakistani rupee (PKR)) has been converted to US$.

The abbreviations in the table are as following: 1. FIA= Federal Investigation Authority; 2. FBR=. Federal Bureau of Revenue; 3. PM Sect. = Prime Minister's Secretariat; 4. NUML= National University of Modern Languages; 5. FGEHF= Federal Government Employees Housing Foundation; and 6. AGPR= Accountant General and Pakistan Revenues.

Table 3 describes the gross-pay dispersion of employees in basic pay scales 16 to 18 in various federal government departments. The gross pay of those in BPS 18 in the Federal Investigation Agency, in the year 2018-2019, was compared with the gross pay earned by those working in the remaining six departments. The data shows that the National University of Modern Languages and Federal Bureau of Revenue employees received 46% and 45% less pay compared to those in the Federal Investigation Agency. A total of 10 to 12 years of service is considered a point of reference. In BPS 17, employees of the Prime Minister’s Secretariat drew between 48% and 42% more gross pay than their counterparts in the Accountant General of Pakistan Revenues and the National University of Modern Languages. In this case, the employees chosen were those who had been employed for five years in their respective departments.
In BPS 16, employees of the FBR received more pay compared to those in the Accountant General of Pakistan Revenue and the National University of Modern Languages. In this case, the employees selected were those who had been employed in their respective departments for 12 years. To conclude, employees of the Federal Investigation Agency, the Federal Bureau of Revenue, and the Prime Minister's Secretariat received more gross pay compared to those employed in the Accountant General of Pakistan Revenue, the National University of Modern Languages, the Federal Government Employees Housing Foundation, and the government's finance division. This explains the wider dispersion in gross pay despite these organizations' adoptions of the same government employment scales.

The next stage of the study sought to understand the dynamics of such a large dispersion in the salaries of government employees who were employed at the same level; here, semi-structured interviews were conducted, and the data collected were thematically analyzed.

4.2 Thematic analysis

The study's key respondents were asked the following questions:

Question 1: An examination of the payslips of selected public-sector organizations shows that there is a visible variation in gross pay among employees who are working within the same basic pay scale but at various levels. Is there any rationale for such a dispersion?

Question 2. Are there any elements of dissatisfaction because there are variations in pay for some and not for others, even though they work in positions that are at the same basic pay scales? Do you think this affects the level of employee motivation and organizational citizenship behaviour?

1. Proximity to Power Circle

Most of the respondents admitted that it is natural to compare their earnings with those of other colleagues and public servants working in the same positions. There are elite departments, and these departments are close to the power circles; therefore, these employees enjoy financial gains. A police officer of the Islamabad Capital Territory noted the following:

"Pay comparison and satisfaction is natural. My PSP (Police Service of Pakistan) colleagues who are working in the FIA, Motorways and some other authorities, or those who are deputed to the security of the chief minister, the prime minister or any other elite employee are getting paid much higher salaries and benefits than those who are working in the regular police, like me."

During the interviews, certain issues emerged. For instance, closeness to the power circle was one reason some employees received higher salaries. The power circle consists of the prime minister's house or powerful government departments, such as the Federal Investigation Agency. Some departments receive extra allowances for several reasons; for instance, during the war against terrorism, the government granted special allowances to police departments. In addition, there are cases where the government has offered special favours to certain departments. For example, the Pakistan People's Party (2008-2013) established the Benazir Income Support Fund Program as social protection for women living below the poverty line; it also paid employees of the newly established department much higher salaries than average for a public servant.

Another example is the National Highways & Motorway Police, established by the Pakistan Muslim League (Nawaz) government as part of their economic agenda. The government offered higher salaries to Motorway police than to general-duty police. However, during the interview, no participants reported any gender-based salary dispersion. The study identified several factors contributing to pay divergence; these are listed in Table 4 below.
2. Special Allowances

When asked about the rationale for a salary differential among government employees, a police officer of the Islamabad Capital Territory said the following.

"Never ask a woman her age and a man his salary. We make comparisons even within one department, and there is a bit of variance in financial benefits; for example, employees of the Counter-Terrorism Department and the Bomb Disposal Squad are given special allowances, so members of the police force are motivated to join these units."

Regarding the second question on pay dispersion and its association with employees' motivation and OCB, an official of the Accountant General Pakistan Revenues office noted the following:

"I was repatriated from a project to my parent department even on promotion, but I am not happy because I left several perks in the project. Besides my pay and allowances, I left behind a luxurious office, various project vehicles, and a comfy residence which a public servant can't afford on normal pay."

This indicates that, on the one hand, salary dispersion attracts a competent workforce to some high-paying departments, but, on the other hand, it affects performance and the quality of the public service in other departments. For instance, the Federal Investigation Authority, a sister organization of the police department, offers much higher wages to attract competent police officers, but this demotivates general-duty police officers working in the field, affecting their job performance.

Under allowances themes, two minor themes were identified 1) specific skills and 2) longer working hours. In some departments, it was observed that some technical jobs require special skills to perform the task and hence due to non-availability of technical staff, the jobs are outsourced to other organizations and that is why were paid higher salaries than those in their parent department. The authors noticed that those employees working for longer hours were paid off high salaries as compared to others.

3. Disproportionate pay increase

The respondents who were drawing more pay believed that there were concrete reasons why some staff were drawing more pay. One respondent gave an example of the Motorway police, where the staff is efficient, highly motivated, up to their tasks, and their performance is outstanding. This wide gulf in salaries and perks, and privileges for various government departments sparks grave anxiety among those public-sector employees who feel they are treated unequally. This can have adverse implications for the performance of certain employees, but it can also affect the departments they work in and may also trigger socio-economic problems.

Another government official stated that;

"Although, as civil servants, we all contribute in our capacity and serve the nation, it is money that matters in life. Lesser and unequal pay is one of the reasons for corruption or malpractice. The respondents elaborated that such widespread divergence in salaries leads to demoralization and reduced OCB in the public sector."

4. Market-based Salary
There is a general perception among government employees that the government pays uniform salaries and perks. It becomes quite demotivating and frustrating when employees discover a marked divergence in remuneration. One government official from the National University of Modern Languages noted the following:

"I don't believe in such a huge dispersion in gross pay. To date, I thought that all public servants are getting equal pay; surprisingly, there is a differentiation in salary within a BPS. Dear, I am demoralized today. It is a cause of depression, demotivation and frustration."

Employees who are working in low-paid departments aspire to be posted in high-paid positions. This badly affects department functioning. One government official from the Finance Division of the Federal Secretariat noted the following:

"I am satisfied with the bonuses and incentives, though I spend the golden age of my life in this department and now I am over age to join other well-paid organizations. So, it is a compulsion for the low-paid employees to be happy in the current pay. Those who can manage a deputation in another organization can move for the higher compensation."

A government official from the Federal Government Employees Housing Foundation noted the following:

"Islamabad is an expensive city. I sold my family property and took a share in a hotel to support the children's education and other expenses to cover expenses. This reminds me of the famous slogan 'An injury to one is the concern of all.'"

5. **Cash Cow Organizations**

Some departments were drawn extra benefits from the government; for instance, Pakistan Customs is like a cash cow for the government. It earns government revenue through customs duties. Therefore, the government pays higher salaries to discourage customs employees from taking bribes. An officer from the Accountant General Pakistan Revenues group expressed the following opinion:

"Employees of Pakistan Customs are drawing double the basic pay because they are facing threats and preventing them from taking illegal income, but they still take bribes. Let me also state that we can see only junior staff on the roads, while officers are enjoying double the basic pay and comfortable offices."

All of these statements indicate that the salary level mainly contributes to employees' motivation and OCB. In Pakistan, the poor service delivery of a public good is directly linked to an employee's job commitment. In contrast, the current compensation structure, which is unequal across BPSs, indicates otherwise.

5 **Discussion and Conclusion**

This study focused on understanding the pay divergence across federal government departments in Pakistan and its causes and consequences on government employees and public services. The study found a visible dispersion in compensation across government employees who have the same level of experience and are working at the same pay scale. This disparity in the salaries of government employees is a case of gross economic injustice that violates the spirit of the country's constitution, which enshrines within it the equitable and just treatment of citizens. This cross-departmental examination of the variation in gross pay provides insights on the pay dispersion across Pakistan's public sector and its impact on motivation and OCB. In particular, pay dispersion engenders hostility, uncertainty and mistrust.
in employees due to the low wages being paid in an underperforming economy. Smit and Montag-Smit (2019) argued that a lack of transparency in pay practices leads to perceptions of unfairness. Such injustices and inequalities stimulate anxiety, conflict, and dissatisfaction.

Documented analysis shows that university faculty receive less pay than employees in other departments within the same basic pay scale in Pakistan. Bloom (1999) also found a major dispersion in faculty pay among European countries, and Akiba and LeTendre (2009) found the same trend in the U.S., Australia, and Japan.

The study further discovered various causes for such dispersions. For instance, some organizations are closer to power circles; hence, they have relatively more influence in decision-making than other organizations do; e.g., the Prime Minister's Secretariat. These organizations manoeuvre policies for pay increases that work in their favour. Some organizations offer various allowances under the nature of their jobs; these include the Housing Foundation's duty allowance, a utility allowance, a roaming charges allowance, a fixed travel allowance / daily allowance, a ration/food allowance, the president's housing allowance, the federal police allowance, the deputation allowance and the constabulary allowance, to mention a few. Even though the study participants did not report pay differentials between men and women, Lohano (2018) reports that a wide gap exists in gender pay in Pakistan in both the formal and informal private and the public sectors. He notes that this is more pronounced in the private sector (46%) than the 5% gender-based wage gap in the public sector in Pakistan.

In Pakistan, certain other special benefits are accorded to some employees working in some departments; for example, a person who serves three years in the Federal Government Employees Housing Foundation is entitled to receive a residential plot of land in Islamabad, the capital city. Another reason for the pay variation is that the government usually announces pay increases every year, which results in higher salary increases for employees who were already receiving better salaries and vice versa. Thus, the gap between salaries widens over time.

Some organizations are like cash cows for the government; i.e., Pakistan Customs collects revenues. Hence, their employees are offered double the basic pay and more allowances than other departments' employees. Some government departments offer market-based pay to their employees to attract and retain a qualified and committed workforce. Market-based pay determines the pay for equivalent jobs in the private-sector labour market.

Technical work requires special skills, and when those jobs are outsourced to other organizations, employees are offered higher salaries than those in their parent departments.

Lastly, during the interview sessions with key respondents, the majority thought that pay dispersion affects public-sector OCB and motivation. Resentment and dissatisfaction were noted during the interview sessions.

The results of this study conducted in public sector organizations are in line with the past findings of other similar studies mostly conducted in private sector organizations. Low pay was found one of the major causes of dissatisfaction and often led to attrition (Akiba et al. 2012). Ensley et al. (2007) found that such dynamics interrupt the performance of a firm. Shaw et al. (2002) also elaborated that unlawful pay inequality leads to negative consequences. Abbasi (2015) explained that such pay practices for public servants are discriminatory and illegal as per the constitution of Pakistan. Gergen (2012) found that reliable pay maintains trust and diminishes employees' doubts about the organizations they work for.

5.1 Theoretical contribution
Past studies suggest that the concept of trust is central to pay dispersion and that pay dispersion is inexplicably intertwined with cooperation (Bucciol et al., 2010; Ensley et al., 2007). Pfeffer and Davis-Blake (1992) suggest that other than pay as a reward, status, resources, and power are also among the noteworthy factors for employees' trust. The current study suggests that a wide pay divergence breaches employees' trust of institutions regardless of other existing employment features, such as power and resources.

Greenberg (1993) and Organ and Moorman (1993) claimed that employees focus more on allocating benefits, while OCB is more responsive to procedural than distributive justice. Coyle-Shapiro and Kessler (2002; 2003) also indicated that employees exhibit more OCB when they experience fair treatment within the organizations they work for and prefer long-term career paths over short-term monetary exchanges. The results of this study partly differ from the findings of Greenberg (1993), Organ and Moorman (1993), and Coyle-Shapiro and Kessler (2002; 2003), as this study shows that fair treatment and distributive justice relate to employees' OCB and motivation. It also indicates that public-sector employees in Pakistan prefer monetary benefits. Most seek high-paid jobs through deputations or transfers to those institutions that pay higher salaries than their parent organizations do. There is a continuous struggle among government employees to match up with high-paying jobs through transfers or deputations; however, this tendency leads to poorer public-service delivery. The study indicates that employees of different departments that are close to power circles have advantages where they can influence policies in their favour for pay increases; for instance, employees in the Prime Minister's Office earn higher salaries, which shows that a high salary symbolizes power and influence among public-sector employees.

5.2 Managerial implications

Studies suggest that pay dispersion and workers' perceptions of fair compensation significantly contribute to workforce motivation and OCB. Without clear standards for job performance, different pay packages result in employees' withdrawal from their work, lack of motivation, reluctance to undertake duties, adverse behaviours, and separation from their organizations. This study endorses the notion that the existing pay structure should be modelled according to the principle of "equal pay for equal work" to evolve a transparent pay structure in the public sector and promote motivation and OCB within public-sector organizations. This will also enhance organizational commitment, job satisfaction, performance, and improved occupational decision-making. Fair compensation also protects organizations from protracted litigation and improves overall productivity.

5.3 Limitations and recommendations

The majority of the public servants in this study did not understand unequal compensation as they either confused their basic pay with their gross pay or hesitated to share this information. There is a need to further explore pay disparities in a diverse and larger sample size. Further, no study participant remarked on any pay dispersion based on gender. Still, a future longitudinal study could be designed to explore whether pay differentials based on gender exist among public-sector employees in Pakistan. Interviewees shared diverse reasons for the existence of pay dispersion in Pakistan's public service, and these are not officially documented. There is a need to triangulate future studies through multiple interviews to understand the issues that exist across all BPS grades and different departments. Future studies should also focus on cost-benefit analyses to assess the issue related to employee recruitment, retention, motivation, and OCB in public-sector organizations.

References


Rouziou, M., 2019. The contingent value of pay inequalities in sales organizations: integrating literatures in economics, management, and psychology. AMS Rev. 9, 184–204. (2019)

Savenye, W. C., & Robinson, R. S.: Qualitative research issues and methods: An introduction for educational technologists. Handbook of research for educational communications and technology, 1171-1195.


