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Wages in African public administrations: Where do we stand?

Authors / Guillaume Delautre, Giulia De Lazzari , Gustavo Rinaldi



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Abstract

By playing a key role in the provision of critical services, such as health, education or security, governments are crucial for the good functioning of societies and social justice. Governments have a dual role to play as employers and as the actor responsible for the good management of the economy. This document aims to provide a synthetic picture of the situation of the wages of African public administration employees, based on the latest data available, and to discuss some of the current challenges for public-sector wage policies in Africa.

About the authors

Guillaume Delautre (MSc in Economics) joined the ILO in 2015 and was Technical Specialist on wages and social dialogue at the ILO Country Office in Cairo, Egypt, when this study was undertaken. In October 2024, he returned to headquarters at Geneva as a manager for the project "Setting adequate wages: Agriculture". He previously worked for the ILO's Department of Research (RESEARCH) and its Department of Employment Policy, Job Creation and Livelihoods (EMPLOYMENT), and started his career in the French public administration.

Giulia De Lazzari (PhD in Economics and Finance) joined the ILO in Geneva in 2022 as an Economist in the Wage Team of the Inclusive Labour Markets, Labour Relations and Working Conditions Branch (INWORK). She specializes in providing technical assistance to ILO constituents on matters related to wages and minimum wages. She is among the authors of the Global Wage Report, the ILO flagship publication on wages issued every two years. She previously worked as a Statistician from 2018 to 2022 for the International Civil Service Commission of the United Nations in New York.

Gustavo Rinaldi (PhD in Economics) is Contract Professor of Economics at the University of Turin and an ILO consultant. He has published on microeconomics, the informal economy, business resilience and the economics of alcohol, and is the author of Economics for Policy Makers: A Guide for Non-Economists (Routledge and ITCILO, 2019).

Table of contents

Abstract	01
About the authors	01
Executive Summary	05

Introduction

▶ 1	Employment and wages in African public administrations	08
	How are wages and employment regulated in African public administrations?	08
	The State is one of the main employers in African countries	09
	African public employees receive higher wages than other wage-earners	12
	Public wages are also less unequal	13
	Explaining wage premiums in public administrations	17

2	The challenges of African public administrations and their implications			
	for public wage policies	22		
	Many African countries are facing important public budget constraints	22		
	Lack of evidence concerning the impact of performance-related pay in African public admin- istrations	25		

Conclusion

27

07

Annex	29
References	31
Acknowledgements	34

List of Figures

Figure 1 - Share of workers employed in public administration in total employment, by gen- der (latest year available)	10
Figure 2 - Share of employees in public administration in all wage workers, by gender, in %	11
Figure 3 - Public administration employees as a share of formal wage employment, in %	11
Figure 4 - Average number of hours worked in a week by full-time public administration em- ployees and wage workers employed elsewhere	12
Figure 5 - Percentage difference in hourly wage between public administration and all other employees	13
Figure 6 – D1/D9 ratio for public administration and private-sector employees	14
Figure 7 - Percentage difference in hourly wages of men and women in public administra- tion and the private sector (gender wage gap)	16
Figure 8 - Level of education, by sector: Senegal, Burkina Faso, Namibia; Egypt, Malawi, Democratic Republic of the Congo	18
Figure 9 - Gross central government debt, 2000–2024 (aggregate share of GDP, percentage)	23
Figure 10 – Public expenditure on public-sector compensation as a percentage of GDP (left- hand graph) and total public expenditure (right-hand graph)	24
Figure 4 bis - Standard deviation of the number of hours worked in a week, by full-time pub- lic administration employees and wage workers employed elsewhere	30
Figure 5 bis - Percentage difference in hourly median wage between public administration employees and all other employees	30

List of Tables

Table 1 - Ratifications of Convention No. 151 by African countries	09
Table 2 - Wage inequality among public administration employees versus wage inequality among workers employed elsewhere	15
Table 3 - Percentage difference in hourly wages of employees in the public and private sec- tors, by gender	20
Table 4 - Percentage difference in hourly wages of employees in the public and private sec- tors, by gender, considering only formal employment	21
Table 1 bis –Year of collection of labour force survey in each country	29

Executive Summary

This paper provides a synthetic picture of the situation of African public administration employees, based on a selected number of countries, and discusses some of the challenges that are currently influencing public-sector employment and wages.

Wage-setting practices in the public administration vary across countries, but civil servants are generally excluded, in whole or in part, from universal labour legislation. Also, wages and employment in the public sector are driven by different factors than those in the private sector, as the State faces different constraints in providing them. It must recruit and retain motivated and competent public-sector employees in a situation in which the demands for public interventions are evolving, while keeping the level of public expenditure sustainable and not imposing additional distortions on the functioning of the economy. Historically, two main types of grading systems can be found in Africa and were inherited from the former colonial powers: a more position-based system, in which individuals apply directly to specific positions (usually open to both internal and external candidates); and a career-based system, in which competition tends to happen earlier in the career and most positions are only open to civil servants organized in professions. However, in both systems, with some nuances, jobs are grouped into grades based on job requirements, education or other mandatory qualifications.

As in other developing economies, the public sector in Africa is often the largest employer and the dominant source of formal wage employment. In most countries for which data ais available, the proportion of public administration employees in total wage employment is above 20 per cent. There are very large variations from country to country, however, which reflect certain differences in the conception of the role of the State, the level of development and the fiscal capacity.

In line with previous studies, this report highlights that African public-sector employees generally receive higher wages than other wage-earners. The size of the premium, however, varies considerably from one country to another. Public-sector wages also tend to have a more homogeneous distribution than private-sector wages, although the spread may be very variable from country to country, especially due to higher inequalities in the upper tail of the wage distribution. Once controlled by the labour market and individual characteristics, the premium between the public and private sectors tends to decrease but remains significant in most countries. However, interestingly, if the analysis is restricted to formal employment only, the wage premium for public administration employees is once again reduced and even becomes negative in certain countries.

In recent decades, African civil services have faced a number of series of public-sector reforms that have influenced wage-setting. Those reforms have mainly aimed to ensure better control of public expenditures and some of them have also aimed to better reward the performance and quality of services.

In many countries, the public-sector wage bill already represents a substantial share of the government's expenditure. In the context of increasing indebtedness, the public-sector wage bill is particularly scrutinized by international donors. Also, conditions on public-sector reforms have often been attached to loans in the past. Experience shows, however, that in order to be effective over the long term, those reforms must be structural, consensus-based and carried out in expansionary periods (IMF 2023a). Given the increasing and ever more complex demand for state intervention in emerging economies and least developed countries, it is of prime importance that African governments improve their capacities in terms of fiscal planning, employment and skills management, as well as public-sector wage-setting and forecasting, in order to ensure predictability regarding the evolution of the wage bill and the retention of skilled staff.

PRP systems have been studied extensively in the case of developed economies, but there is a lack of evidence in the case of African public administrations, despite several experiences. The possibility of "gaming the system", that is, that employees could focus on a limited number of observable targets that are related to bonuses and neglect the less observable and perhaps more important elements of their duties is a risk that has been identified for a long time. However, the latest evidence seems to indicate that those methods may be appropriate for specific jobs, such as those in the areas of teaching, healthcare or revenue administration, in which outputs and outcomes are easier to measure. For more complex tasks, however, there remains a lack of evidence.

Introduction

By playing a key role in the provision of critical services such as health, education or security, governments are crucial for the good functioning of societies and social justice. Ensuring access to these services is also a factor of inclusive and sustainable growth. Beyond that, the public-sector workforce is also responsible for the shaping and the implementation of state policies and the administration of legislations and regulations.

In this context, it is of prime importance to have a good understanding of governments' compensation and pay policies, as they are a factor in the recruitment of motivated individuals with the right set of skills and capable of delivering those services. Public-sector pay is also frequently used as a benchmark against which private-sector wages are compared in many countries.

Governments have a dual role to play – as an employer and as the actor responsible for the good management of the economy (Robinson 1990). As an employer, it is responsible for recruiting, retaining and motivating its employees, while as an economic manager, it must ensure that the level of public expenditure remains sustainable, and that the levels of employment and compensation do not impose additional distortions on the functioning of the economy. Indeed, the public sector must ensure that it pays competitive wages compared to the private sector in order to attract talents. At the same time, if the gap between the public and private sectors is too wide, there is a risk of depriving the latter of the more skilled employees. This equation can be difficult to resolve, especially in developing economies, where financial resources and skilled workers are scarce. In recent years, African gross government debt has increased substantially, even reaching critical levels in many countries (IMF 2023). At the same time, evidence shows that the level of corruption is related to the level of wage inequality in the public sector (Demirgüç-Kunt, Lokshin and Kokshin 2023).

This brief paper aims to provide a synthetic picture of the situation of the wages of African public administration employees based on the latest data available, and discusses some of the current challenges for public wage policies in Africa. Two topics will be discussed in particular, based on the available literature: the linkages between public wage policies and public budgetary issues and the attempts to strengthen the relations between wages and performances.

For matters of comparability, in this study we aim to focus on those employees who are engaged in the central and local administration of the State, conforming to the usual view of the civil service. Following Robinson (1990), we try to exclude public agencies or enterprises that are engaged in commercial activities. In practice, however, it is not possible to maintain a strict definition of the civil service, since the perimeter of intervention of the State varies from one country to another. This is for example the case for the provision of education and health services, as the workers in those sectors may or may not be included in the civil service, depending on the country.¹

This paper provides an overall picture of the situation of African public administrations. It will be complemented in the coming months with comparative research on various national case studies.

The current analysis focuses on the wage gap between public-sector and private-sector wage employees, with the former defined as wage workers who are directly employed by the State. However, the perimeter of public services may differ from one country to another, and certain operations may be implemented by public-sector employees in some countries but subcontracted to the private sector in other countries. This makes international comparison difficult. African countries spend on average 17 per cent of their gross domestic product (GDP) on the procurement of public goods, works and service contracts (Arisoy, Leipold and Messan 2023). The working conditions, including wages, of subcontracted employees may differ substantially from those of public-sector employees, as defined in the present document, and the wage premiums found in this report likely do not apply to this group of workers.

I Employment and wages in African public administrations

How are wages and employment regulated in African public administrations?

Wage-setting practices in the public sector vary across countries but are normally determined using one of two methods: collective bargaining or unilateral state decisions. In the first case, wages are set through collective bargaining between government and public-sector unions, either centrally or at a decentralized level. For example, in the Nordic countries, much discretion may be given to collective bargaining between government and public-sector unions at central, decentralized or departmental levels. In other countries, such as Germany,² collective bargaining is limited to certain categories of public employees and is not possible for permanent civil servants. Conversely, when salaries are set by unilateral state decisions, the level of involvement of public-sector unions varies greatly and their role is limited to consultation rather than collective bargaining. In some countries, a legal obligation exists to consult unions on public-sector wages, while in others the involvement of unions is voluntary and in some cases the government decides without any consultation at all.

In most countries, public administration is excluded, in whole or in part, from general labour legislation and wage-setting is often based on administrative law. Depending on each case, these laws may set wages for public administration employees from the national level to territorial levels. The issue of public administration wages cannot really be addressed without considering the questions of grading, promotion and recruitment that organize careers. Historically, two main types of grading systems can be found in Africa and were inherited from the former colonial powers – a British type and a French type (Robinson 1990). Reviewing the details of these two types is beyond the purpose of this short study and their relevance at the present time will be examined in our future research. The British system is generally characterized as a position-based system, in which individuals apply directly to specific positions that are normally open to both internal and external candidates, while the French system is more often characterized as a career-based system, in which competition tends to happen earlier in the career and most positions are only open to civil servants organized in professions or corps (OECD 2019).

However, according to Robinson (1990), "the apparent differences between the two types of system seem much less significant than the many similarities they display in the ways they operate". For example, in both systems, most civil servants have access in general to continuous and permanent employment, subject only to disciplinary provisions, although public administrations may use temporary jobs or unestablished civil servants³ to meet certain needs or fill certain func-

² In Germany, a distinction is made between civil servants (Beamte) and public employees (Tarifbeschäftigte). Civils servants are regulated under a public law status and are allowed to join unions but not to bargain collectively or to strike. The employment conditions of other public employees are regulated by civil law and by the same mechanisms as in private industry. Consequently, they have the unrestricted right to collective bargaining and to strike (see Keller 2013 and 2020).

³ In the United Kingdom, an unestablished civil servant is a civil servant who is not in an established position, that is, a position that does not attract a pension under the Superannuation Acts and membership of the pension scheme for established civil servants does not apply. For more details, see United Kingdom, "The Superannuation (Civil Service and Local Government) Interchange (Amendment) Rules 1972: https://www.legislation.gov.uk/uksi/1972/1742/made

tions. In both systems, with some nuances, jobs are grouped into grades based on job requirements, education or other mandatory qualification.

The Labour Relations (Public Service) Convention, 1978 (No. 151) is dedicated to labour relations in the public sector. In addition to protecting the right to organize for public employees, the Convention also stipulates in Article 7 that (emphasis added):

Measures appropriate to national conditions shall be taken, where necessary, to encourage and promote the full development and utilisation of machinery for negotiation of terms and conditions of employment between the public authorities concerned and public employees' organisations, or of such other methods as will allow representatives of public employees to participate in the determination of these matters.

Since its introduction in 1978, Convention No. 151 has been ratified by 59 countries in total, including 15 African countries (see table 1).

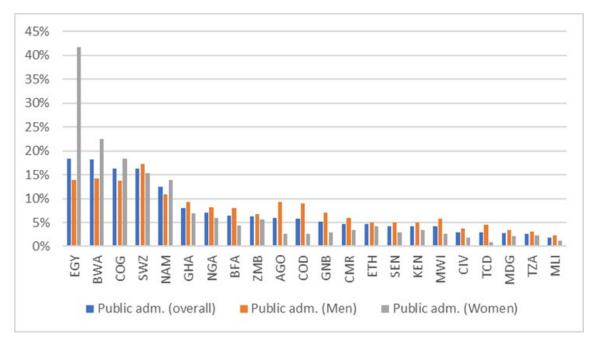
	Year of ratification
Botswana	1997
Chad	1998
Congo	2023 (not yet in force)
Gabon	2009
Ghana	1986
Guinea	1982
Lesotho	2023
Madagascar	2019
Mali	1995
Morocco	2013
Namibia	2018
Sao Tome and Principe	2005
Seychelles	1999
Tunisia	2014
Zambia	1980

▶ Table 1 - Ratifications of Convention No. 151 by African countries

The State is one of the main employers in African countries

In developing economies, the public sector is often the largest employer and a dominant source of formal jobs (World Bank 2021). This is the case also in Africa, but with some specificities and large variations from country to country. Figure 1 reports the share of public administration employment in total employment, both at an aggregate level and separately by gender. It is evident that the prevalence of public-sector employment in the countries analysed varies substantially. Among the countries analysed, Egypt is the country with the highest prevalence of public administration employees, at 18 per cent of the employed population, followed by Botswana, Eswatini and the Congo. The countries with the lowest prevalence of public administration employees, with proportions that are in all cases below 3 per cent, are Chad, Côte d'Ivoire, Madagascar, the United Republic of Tanzania and Mali.

Turning to the difference in the prevalence of public administration employment among men and women, in all but four countries – Egypt, Botswana, the Congo and Namibia – the proportion of men employed in public administration is higher than the corresponding proportion among women. The difference between men and women is particularly striking in Egypt, where more than 4 of every 10 women work in public administration. In that country, paid job opportunities are rare for women and the stagnation of female participation has been highly correlated with the reduction of public job opportunities in recent decades (Calero and Delautre 2023).





Source:) ILO estimates, based on latest available national labour force survey (for year of collection, see appendix).

The level of public employment in most African countries is likely to be related to the specificity of the local labour market, which is characterized by limited wage employment, high informality and large agricultural sectors. Moreover, while until the 1980s governments were the main source of paid employment in sub-Saharan Africa, this came to an end in the crises of the 1980s and 1990s, after which governments limited their engagement in productive activities and reduced their expenditures, with negative spillovers on public-sector employment.

To account for this peculiarity of the labour market, figure 2 reports the share of public administration workers in the population of wage employees, hence excluding self-employed individuals, employers, members of producers' cooperatives and contributing family workers. The data strongly indicate that in most African countries, the State still employs a substantial proportion of wage workers. In 14 of the 22 countries for which data is available, the share of public administration employees in total wage employment exceeds 20 per cent. The proportion ranges from 43 per cent in Nigeria to just below 10 per cent in the United Republic of Tanzania. Furthermore, in contrast with what is observed in the overall employed population, when we limit the sample to wage employees, in most countries (17 of the 22 countries analysed) the share of public-sector employees is higher among women than among men. This reflects the higher likelihood of women being self-employed or contributing family workers, probably due to the challenge of finding high-quality jobs as wage employees outside public administration. The situation is even more striking when we focus on formal wage employment only. In 9 of the 18 countries for which data are available, public administration workers represent more than half of all formal employees, reaching even 70 per cent in a country such as the Democratic Republic of the Congo. In the other countries of the sample, the share is nowhere below 25 per cent (figure 3).

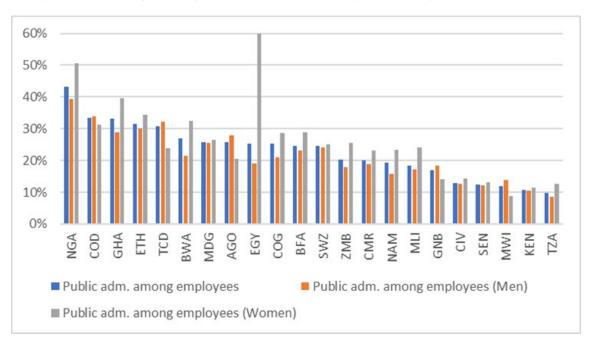


Figure 2 - Share of employees in public administration in all wage workers, by gender, in %

Source: ILO estimates

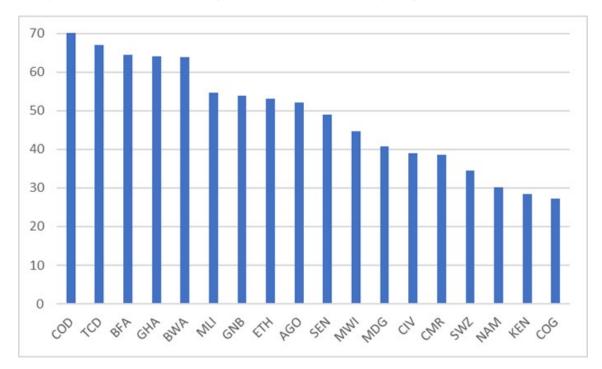


Figure 3 - Public administration employees as a share of formal⁴ wage employment, in %

Source: ILO estimates

⁴ The definition of informality used in this analysis refers to employees holding informal contracts. The lack of social security contribution, paid leave and sick leave are used as indicators of the informal nature of a contract.

African public employees receive higher wages than other wage-earners

Having investigated the prevalence of public-sector employment, this section analyses the wages of public administration employees in Africa and more specifically investigates whether systematic wage gaps exist between them and private-sector employees.⁵ The variable used to measure earnings is the hourly wage, which is calculated by first transforming monthly earnings into weekly earnings and then dividing by the number of hours worked in the previous week, as reported by the respondent. Monthly earnings are derived from self-reported figures. Using hourly wages rather than monthly wages has the advantage of removing any earnings differential that is due to the potentially different number of hours worked by individuals in the private and public sectors. This is an a factor worth considering because, as shown in figure 4, which reports the average number of hours worked by full-time wage workers employed in public administration and elsewhere, public-sector employees work fewer hours a week in all countries considered. The analysis also indicates that not only do workers employed in public administration work fewer hours on average than workers employed elsewhere but also their working hours tend to be more evenly distributed than in the private sector, as indicated by the lower standard deviation in the number of hours worked depicted in figure 4bis in the (see appendix, figure 4bis).

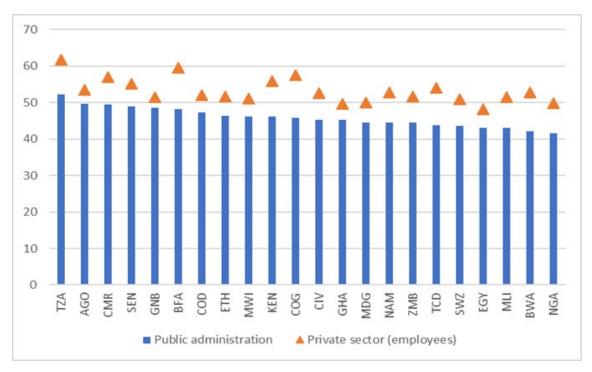


Figure 4 - Average number of hours worked in a week by full-time public administration employees and wage workers employed elsewhere

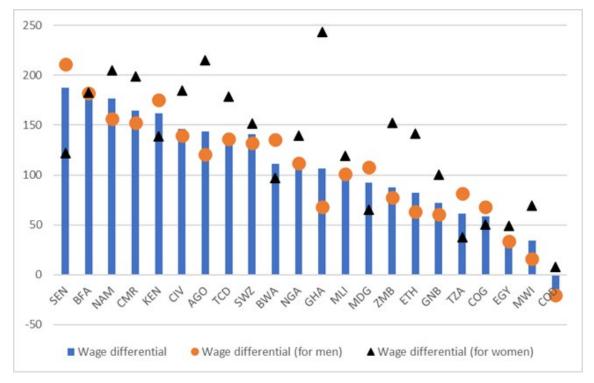
Source: ILO estimates

For each of the countries analysed, figure 5 reports the average hourly earnings differentials between employees in the public and private sectors, expressed as the proportion by which the average wage of public-sector employees surpasses the average wage of private-sector employees. A positive number indicates higher earnings for employees in the public sector, while a negative

For this comparison, only employees in the private sector are considered and own-account and family workers are not included.

figure indicates higher earnings for employees in the private sector. In all but one African country, the Democratic Republic of the Congo, public administration employees are paid hourly rates that are on average above those paid in the private sector. The country with the highest wage premium is Senegal, where the average hourly salary of a public administration employee is almost three times that of a private-sector employee, while the country with the lowest premium is Malawi, where they earn an hourly salary that is on average 34 per cent higher than that of their private-sector counterparts. In the Democratic Republic of the Congo, the only country analysed with an earnings differential that favours the private sector, public administration employees earn an hourly wage that is on average only 85 per cent of what is paid in the private sector.

Figure 5 also reports the earnings differential between the public and private sectors separately by gender. In 16 of 22 countries, it is larger for women than for men. It is notable that for women, employment in the public sector is always associated with a higher wage premium. The larger relative premium enjoyed by women in the public sector compared to men may be driven by higher salaries for women in public positions or by relatively lower salaries for women in the private sector, or by a combination of the two. While the evidence of lower wages for women in the private sector is a well-documented phenomenon in the literature that is commonly referred to as the "gender pay gap", evidence in support of higher wages for women in the public sector is less clear.



▶ Figure 5 - Percentage difference in hourly wage between public administration and all other employees

Source: ILO estimates

Public wages are also less unequal

When comparing the median wages of public-sector and private-sector employees instead of their average wages, the results are similar, but the wage premium associated with public administration employment is in almost all cases larger (see appendix, figure 5bis). This is an indication that the average wage of private-sector employees tends to be affected by outliers more than the average wage of public-sector employees, which suggests an overall wage distribution that is less equally distributed among the latter than the former. Figure 6, which reports for each of the countries analysed the D9/D1 ratio in public administration and the private sector, supports this hypothesis. The D9/D1 ratio is a measure of inequality that is calculated by taking the ratio between the threshold value that marks the upper end of the ninth decile and the threshold value that marks the upper end of the first decile. The higher the figure, the higher the level of inequality in the distribution. from figure 6, it is evident that in a large majority of countries, the orange marks, which represent inequalities in the private sector, are larger than the blue bars, indicating a more homogeneous distribution of wages among public administration employees. Interestingly, it also seems that the D9/D1 ratio among public administration employees is very variable from one country to another. In Egypt, it is below 3, meaning that the ninth decile is paid on average three times the salary of the first decile, while in Botswana this ratio is much more unequal, at about18.

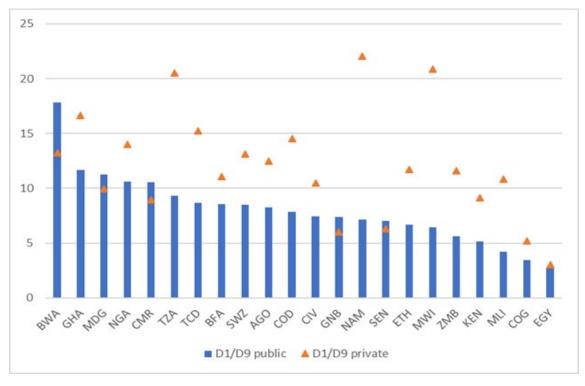


Figure 6 – D1/D9 ratio for public administration and private-sector employees

Source: ILO estimates

Table 2 looks at some additional aspects of the distribution of wages of the two populations considered, in particular whether the wages of employees in public administration are more or less dispersed than those of private-sector employees. In addition to the D9/D1 ratio already reported in figure 6, table 2 applies two additional measures to further investigate whether the dispersion is more pronounced at the upper or lower end of the wage distribution, the D5/D1 and the D9/ D5. These indicators measure the ratio between the median wage and that of the bottom decile and the ratio between the wage of the top decile and that of the median wage, respectively.

In all cases in which wages are more dispersed among public administration employees (highlighted in bold in table 2), this is due to inequalities in the upper tail of the wage distribution (as measured by the D9/D5 ratio), meaning that the higher dispersion is driven by higher wages among top earners in the public administration rather than lower wages for the bottom earners. On the contrary, when wages are more dispersed in the private sector, this is driven by high levels of inequality in the bottom half of the wage distribution of employees in the private sector (as indicated by the values of the D5/D1 ratio, which are usually above the corresponding values for the public sector and above the values of the D9/D5 measure for both the public and private sectors). When we look at the D5/D1 ratio, we may observe that the dispersion of wages among public administration employees is in all cases lower or very close to the dispersion of wages among private-sector employees. This indicates that wages in the bottom deciles are closer to the median wage in public administration than for employees working elsewhere.

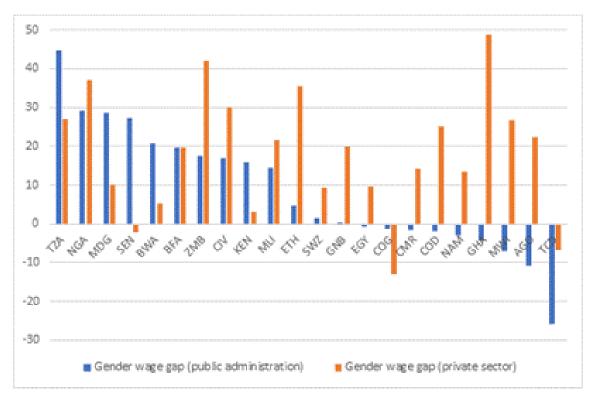
Table 2 - Wage inequality among public administration employees versus wage inequality among workers employed elsewhere

	D9/	′D1	D5	/D1	D9/	′D5
	Public	Private	Public	Private	Public	Private
Angola	8.29	12.48	2.16	4.99	3.83	2.50
Botswana	17.86	13.23	2.50	6.67	7.14	1.98
Burkina Faso	8.56	11.09	2.19	3.97	3.90	2.80
Cameroon	10.54	8.96	3.06	3.14	3.44	2.86
Chad	8.67	15.23	2.74	4.18	3.16	3.64
Côte d'Ivoire	7.47	10.50	2.77	3.85	2.70	2.73
Democratic Republic						
of the Congo	7.83	14.52	2.75	4.00	2.85	3.63
Egypt	2.82	3.05	1.83	1.83	1.54	1.67
Eswatini	8.51	13.12	1.77	5.55	4.80	2.36
Ethiopia	6.67	11.75	2.31	3.46	2.89	3.39
Ghana	11.67	16.67	3.26	4.95	3.58	3.37
Guinea-Bissau	7.40	6.05	2.98	2.82	2.48	2.15
Kenya	5.15	9.12	2.09	4.17	2.46	2.19
Madagascar	11.25	9.95	2.97	2.65	3.79	3.76
Malawi	6.46	20.87	2.10	4.59	3.08	4.55
Mali	4.20	10.83	1.83	2.59	2.30	4.19
Namibia	7.14	22.04	2.43	6.40	2.94	3.44
Nigeria	10.61	14.00	3.73	4.67	2.84	3.00
Congo	3.44	5.20	1.88	2.35	1.84	2.21
Senegal	7.06	6.35	2.03	2.67	3.47	2.38
United Republic of						
Tanzania	9.32	20.53	3.00	5.50	3.11	3.73
Zambia	5.64	11.59	2.01	4.17	2.81	2.78

Source: ILO estimates

Figure 7 looks at the gender pay gap, that is, the percentage difference in the salaries of men and women in the public and private sectors. A negative number indicates higher salaries for women, while a positive number indicates higher salaries for men. In 13 of the 22 countries considered, the salaries of men employed in public administration are higher than their female counterparts,

while in the remaining 9 countries the opposite is true. Moreover, when the gender pay gap favours men, the difference in salary tends to be larger. The gender pay gap is therefore also a problem that affects public administration. However, as expected, the gender wage gap tends to be larger in the private sector and the wage differential favours men in most cases. The few cases of negative gender pay gaps may be due to composition effects, which happen, for example, when highly educated women are overrepresented.





Source: ILO estimates

The analysis indicates that when the wage premium associated with employment in the public sector is higher for women than for men (see figure 5), this is driven by poor wage outcomes for women in private-sector employment compared to men rather than by markedly higher wages for women in the public sector. For instance, the larger premium associated with public-sector employment for women in Zambia derives from the fact that the hourly wage in public administration is 30.5 ZMW compared to the 12.1 ZMW paid in the private sector. Although men earn a smaller public administration premium, wage levels for men are above those for women (36.9 ZMW and 20.8 ZMW, respectively) in both public administration and the private sector. Countries in which the public administration wage premium is larger for men than for women tend to have positive and relatively significant gender pay gaps in the private sector as well.

This short paper and the data available do not allow us to consider the details of public wage dynamics over the medium or long terms. However, it should be remembered that many African countries have experienced a surge in inflation to levels unseen in decades due to the consequences of the coronavirus disease (COVID-19) pandemic and subsequently the Russian Federation's aggression against Ukraine. Based on the IMF's assessment, inflation in Africa stood at 18.2 per cent in 2023, up from 14.2 per cent in 2022 (IMF 2024). In our sample of countries, Angola, Malawi, Ethiopia and Ghana experienced inflation rates in excess of 20 per cent in 2022. Even if the situation started to improve in a number of countries in 2023, several countries still experienced another increase in their consumer price index, such as Egypt (24.4 per cent), Nigeria (33.9 per cent), Malawi (30.3 per cent) and Ghana (37.5 per cent).

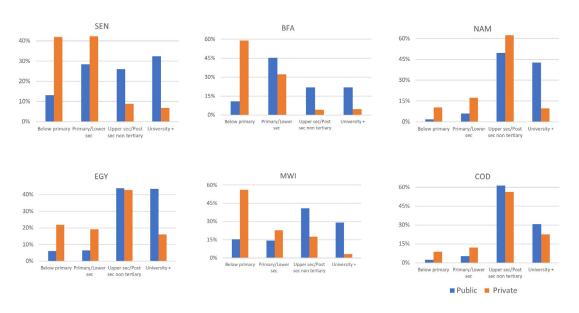
This is a major issue for wage policies. High inflation in the 1970s and 1980s severely eroded the real value of public-sector salaries. Indeed, to cope with their financial obligations, the nominal adjustments made by governments often did not match inflation rates. The highest-skilled employees tended to experience the sharpest decline in real wages, as most governments took measures to protect low-paid employees. Overall, this erosion in real wages led to many negative outcomes in terms of reduction of efforts, absenteeism, discipline and skills shortages (Simson 2022).

Explaining wage premiums in public administrations

The summary statistics reported to date show only the average tendencies of salaries in the public and private sectors. No indication is given on whether higher (or lower) salaries in the public sector are justified by the different characteristics of the workforce employed or the activities performed therein. The issue of public-sector wage premiums has been widely discussed in the literature. According to most authors, the salaries in the public sector are often higher than those in the private sector and this should be even more the case in lower-income countries (Gindling et al. 2020; Finan, Olken and Panda 2015; Kerr and Wittenberg 2017; World Bank 2021; Abdallah, Coady and Jirasavetakul 2023). However, at the global level, the premium is generally higher for less-qualified workers than for the most qualified workers World Bank 2021). The evidence shows that in many countries, highly skilled workers tend to pay a penalty for working in the public sector and public wages have tended to be compressed in recent decades. Moreover, the public-sector wage premium tends to disappear when compared with formal private employees only (Gindling et al. 2020). The literature is also contradictory on the evolution of this wage premium, with some authors observing a growing trend (Kerr and Wittenberg 2017; World Bank 2021) and others seeing it as diminishing (Tansel, Keskin and Ozdemir 2020) or moving counter-cyclically (Abdallah, Coady and Jirasavetakul 2023), depending on the country. Beyond the issue of the public budget, the issue of the public-sector wage premium is also important because of the influence of the government on the overall functioning of the labour market. It is indeed likely to impact the reservation wage and lead to skills shortages in the private sector in certain circumstances (Abdallah, Coady and Jirasavetakul 2023).

Using education as a proxy for the level of skills required to perform a job, figure 8 looks at the level of education of individuals employed in public administration and the private sector in the three countries with the highest public-sector pay premiums and the three countries with the lowest premiums (or a negative gap in the case of the Democratic Republic of the Congo). It is evident that in all six countries, employees in the public sector have a higher level of education on average, as indicated by the fact that the blue bars tend to be higher towards the right, implying higher levels of education, while the orange bars tend to cluster around lower levels of education. The graphs also suggest that the difference in the level of education between public administration and private-sector employees is more pronounced in countries in which there is a higher premium associated with working in the public sector. This is especially evident in the case of Senegal and Burkina Faso, the countries with the largest gaps, in which less than 20 per cent of employees in the public sector, in which the proportion exceeds 50 per cent in the case of Senegal and exceeds 40 per cent in the case of Burkina Faso. Except for Malawi, in which public administration employees display a remarkably higher level of education, the countries

with lower (or negative) gaps are characterized by levels of education in the public and private sectors that are more similar. These findings suggest that the higher levels of salaries in the public sector may be at least partially justified by higher levels of education.





Source: ILO estimates

While the average salary reported in the previous section is a convenient indicator, as it is easily interpreted and gives an idea of the mid-point in a sample, it has the disadvantage of being affected by extreme values and not giving any information about population characteristics that might justify different levels of wages. To further investigate the existence of a public administration wage premium, we ran a series of regressions that aim to verify whether differences in salaries in public administration and the private sector are statistically significant and persist after jointly considering a set of occupational and personal characteristics. For each country, the regression is specified as follows:

Ln(hourly wages)

 $= \beta_0 + \beta_2 public + \beta_1 male + \beta_3 part_{time} + \beta_4 formal + \beta_5 hours worked$ $+ \beta_6 age + \beta_7 industry + \beta_8 occupation + \beta_9 region + \beta_{10} education + \epsilon$

- male is a dummy variable, taking value 1 for male and 0 for female;
- *public* is our variable of interest and is a dummy that takes value 1 if an individual is employed in the public administration and 0 if they are employed elsewhere;
- *part_time* is a dummy variable, taking value 1 if an individual is employed part-time and 0 if they are employed full-time;⁶

The threshold used to distinguish between part-time and full-time employment is 31 hours a week.

- *formal* is a dummy variable, taking value 1 if an individual has a formal job and 0 if the job is informal;⁷
- *hours_worked* measures the actual number of hours worked in the main job during the week preceding the survey;
- age measures the age of the worker;⁸
- *industry* includes a set of dummies that distinguish economic activities based on their International Standard Industrial Classification of All Economic Activities, Revision 4 (ISIC, Rev.4)) classification;
- occupation includes a set of dummies that identify the occupation based on the ILO's International Standard Classification of Occupations (ISCO-08);⁹
- region includes a set of dummies that record the region in which the employee works;
- *education* includes a set of dummies that measure the level of education, using the same four levels used in figure 8.

The second column of table 3 reports the percentage difference in public-sector and private-sector wages, as estimated using the regression above, together with the level of statistical significance. A positive number indicates a wage premium in the public sector. When looking at the earnings differentials in the public and private sectors in terms of hourly wages after controlling for workers and occupational characteristics, a premium is identified in all countries except the Democratic Republic of the Congo, where employees in the public administration earn on average 10 per cent less than their private sector counterparts. The magnitude of the premium for the remaining countries varies from 82 per cent in the United Republic of Tanzania to just 3 per cent in Guinea-Bissau.

Given that the summary statistics presented in figure 5 pointed to important differences in the public administration wage premium experienced by men and women, the previous regression has been estimated again, adding an interaction term between gender and public administration employment. The introduction of this interaction term allows for a different gap to be estimated for men and women. The results are reported in the third and fourth columns, which show the estimated gap for women and men, respectively. For women, a statistically significant premium associated with public administration employment is evident for all countries except Malawi and Guinea-Bissau, for which the coefficient associated with public-sector employment is positive but not statistically significant, indicating that there is no difference between the wage estimated for women ranges from 116 per cent in the United Republic of Tanzania to 17 per cent in Botswana.

Confirming what is already indicated by summary statistics, the wage gap between public-sector and private-sector employees for men is almost invariably lower than the wage gap for women, even if the difference is not always statistically significant.¹⁰ The highest wage premium for men is in Namibia, at 66 per cent. The Democratic Republic of the Congo and Ethiopia are the only countries in which male employees in the public administration earn lower wages than their counterparts in the private sector with a level of significance reaching at least 0.05.

⁸ The analysis only considers working-age individuals, that is, individuals between 16 and 70.

⁷ The variable is not available in the case of Egypt, Nigeria and the United Republic of Tanzania and hence is not included in the regression in these countries.

 ⁹ Six dummies are included for the categories of CEO/manager, professional, technical, semi-skilled, low-skilled and unskilled
¹⁰ The gender difference is statistically significant (at least at the 0.1 level) in Burkina Faso, Malawi, the Congo, the United Republic of

Tanzania, Ethiopia, Ghana, Nigeria, Chad, the Democratic Republic of the Congo, Cameroon, Senegal and Egypt.

6	Wage differential	Wage differential	Wage differential	
Country	OVERALL	WOMEN	MEN	
United Republic of Tanzania	82% ***	116% ***	63% ***	
Namibia	70% ***	73% ***	66% ***	
Burkina Faso	69% ***	102% ***	54% ***	
Cameroon	54% ***	79% ***	40% ***	
Nigeria	54% ***	77% ***	42% ***	
Kenya	51% ***	55% ***	49% ***	
Zambia	46% ***	51% ***	43% ***	
Eswatini	42% ***	50% ***	36% ***	
Ghana	41% ***	57% ***	32% ***	
Senegal	41% ***	25% ***	48% ***	
Côte d'Ivoire	40% ***	53% ***	35% ***	
Chad	34% ***	84% ***	24% ***	
Mali	25% ***	28% ***	25% ***	
Congo	25% ***	18% ***	36% ***	
Angola	23% ***	25% ***	22% ***	
Madagascar	17% *	12%	22% **	
Egypt	17% ***	41% ***	9% ***	
Botswana	14% ***	17% ***	10% *	
Ethiopia	5% ***	22% ***	-4% **	
Guinea-Bissau	3%	13%	0%	
Malawi	-2%	8%	-6%	
Democratic Republic of the Congo	-10% ***	2%	-14% ***	

> Table 3 - Percentage difference in hourly wages of employees in the public and private sectors, by gender

Source: ILO estimates

Note: The percentage difference refers to the estimates obtained in the regression specified in the previous paragraph. More specifically: *** indicates an estimate that is significant at the 0.01 level, ** indicates an estimate that is significant at the 0.05 level and * indicates an estimate that is significant at the 0.1* level.

Although the regression analysis confirms the existence in most African countries of a wage premium for public administration employees that cannot be explained by individual or occupational characteristics, the magnitude of those premiums is smaller than what is indicated by the simple averages reported in figure 5. This indicates that the differences among public-sector and private-sector employees, in particular higher educational qualifications, partly account for the higher salaries paid in the public sector.

Interestingly, if we restrict our analysis to formal employment only, the picture becomes slightly different (table 4). In general, the wage premium for public administration employees is lower and even becomes negative in some countries, such as Mali or the Congo, meaning that in those countries public administration employees are paid less than formal employees of the private

sector, all other things being equal.¹¹ This indicates that part of the wage premium resulting from comparing the average wages of employees in the public and private sectors is driven by the fact that more public-sector employees than private-sector employees are in the formal economy, where wages are higher on average. Once this different composition is fully accounted for, the wage premium associated with public-sector employment decreases. The premium associated with working in the public administration compared to the public sector decreases by 12 per cent on average when the analysis is restricted to employees in the formal economy. Unfortunately, it has not been possible for us to provide a comparison with formal private-sector employees in Egypt, but in a previous study, Tansel, Keskin and Osdemir (2020) found a persistent public-sector wage penalty for males and a public-sector wage premium for females (except at the top of the distribution).

Country	Wage differential	Wage differential	Wage differential	
Country	OVERALL	WOMEN	MEN	
Namibia	56% ***	63% ***	48% ***	
Burkina Faso	76% ***	46%	91% ***	
Cameroon	63% ***	80% ***	54% ***	
Kenya	45% ***	44% ***	46% ***	
Zambia	27% ***	22% **	31% ***	
Eswatini	40% ***	49% ***	32% ***	
Ghana	51% ***	50% ***	52% ***	
Senegal	17% ***	-1%	24% ***	
Côte d'Ivoire	29% ***	46% ***	23% ***	
Chad	-2%	19%	-6%	
Mali	-25% ***	-43% **	-20% *	
Congo	-23 % ***	-15%	-25% ***	
Angola	11% *	5%	13% **	
Madagascar	27% *	32% *	23%	
Botswana	0% ***	3%	-4%	
Ethiopia	5% ***	13% ***	3%	
Guinea-Bissau	-7%	15%	-13%	
Malawi	-8%	-13%	-6%	
Democratic Republic of the Congo	-23% ***	-32% ***	-8%	

Table 4 - Percentage difference in hourly wages of employees in the public and private sectors, by gender, considering only formal employment

Source: ILO estimates

¹¹ These results need to be interpreted with caution, because in many countries the exclusion of informal employment limits the sample size and in the specific cases of Mali and the Congo, the number of wage employees working in the private sector in the formal economy is less than 100.

2 The challenges of African public administrations and their implications for public wage policies

Since the 1980s, African public administrations have experienced many reforms. According to Lienert and Modi (1997) and Sawaneh, Fadera and Adesopo (2022), the first generation of reforms was mainly quantitative and aimed at reducing the role of the State by reassessing its core and non-core activities and redeploying the staff accordingly and at fixing macroeconomic imbalances. The second generation of reforms complemented this by bringing more restructuring, performance management and reforms of pay scales to reward performance in the logic of the *New Public Management*.¹² Finally, the latest generation of reforms instead placed the emphasis on the improvement of service delivery, following the publication of the *World Development Report 1997*,¹³ which presented a state reform framework strategy aiming at improving the State's capabilities and reinvigorating public institutions, and it was further boosted by the adoption of the Millennium Development Goals.¹⁴

In this concluding section, we discuss the two issues that have been at the core of civil service reforms in recent decades and their implications for wages in the public administration – the management of the public budget and the need to improve performance through higher productivity and better service delivery.

Many African countries are facing important public budget constraints

Over the past decade, gross government debt in Africa has increased substantially, reaching critical levels in many countries (IMF 2023). In sub-Saharan Africa, it has more than doubled since 2010, reaching 61.5 per cent in 2024, while in northern Africa it stabilized in the 2020s at about 75 per cent (figure 9). Over the long term, this financial strain has been driven by a substantial increase in government spending, often facilitated by loans and official development assistance. More recently, it has been exacerbated by a confluence of factors, including economic downturns, commodity price shocks and events such as the Russian Federation's aggression against Ukraine. Persistent global inflation and strict monetary policies have elevated borrowing costs, while fiscal challenges such as ineffective revenue collection, partly due to high levels of informality, have further contributed to the growing trend of public debt.

¹² New Public Management (NPM) is a doctrine of administration reform which has been particularly influential in the last decades. Although it originated in the academics, it has been mainly driven by practitioners and the consultancy industry and has offered an alternate view to the traditional or bureaucratic concepts and instruments of the public sector. In order to enhance efficiency, NPM generally advocates for an increased use of market-type or businesslike practices in public actions. (see Reichard 2022)

¹³ World Bank, World Development Report 1997: The State in a Changing World (Oxford University Press, 1997).

¹⁴ See United Nations General Assembly, resolution 55/2, United Nations Millennium Declaration, A/RES/55/2 (2000).



Figure 9 - Gross central government debt, 2000–2024 (aggregate share of GDP, percentage)

Source: International Monetary Fund.

In this context, public wages are particularly scrutinized as they represent a very substantial part of government expenditures. According to the IMF (2016a), the public-sector wage bill had tended to stabilize at about12 per cent of GDP in advanced economies in the decade before the COVID-19 pandemic, while it was already on an upward trend in low-income economies, reflecting expansion in services, in particular education and health, but remained limited to 4 per cent of GDP. In Africa, the variation is very wide, however, ranging from the case of Ethiopia, in which the public-sector wage bill corresponds to a little more than 1 per cent of GDP, and the case of Namibia, in which it reaches 18 per cent (figure 10, left-hand graph). This upward evolution, however, is far from being uniform across countries; yet the need to finance expansion in public infrastructure and access to education and health is likely to put pressure on the public-sector budget in the future (IMF 2016b). Although in comparative terms the expenditure for public-sector compensation, according to IMF definition,¹⁵ does not represent a large share of GDP in most African countries, nonetheless in most of them it does represent a large share of total government spending and, more importantly, of total government revenue (figure 10, righthand graph). In countries such as Kenya, Mali, Burkina Faso, Eswatini, Guinea-Bissau, Botswana, Namibia and Madagascar, public-sector compensation represents more than 40 per cent of total public expenditures.

¹⁵ It should be noted that definitions vary between the ILO and the IMF. According to the Protection of Wages Convention, 1949 (No. 95), the term "wages means remuneration or earnings, however designated or calculated, capable of being expressed in terms of money and fixed by mutual agreement or by national laws or regulations, which are payable in virtue of a written or unwritten contract of employment by an employer to an employed person for work done or to be done or for services rendered or to be rendered". According to the IMF, compensation "includes base (or basic) salaries and wages, allowances, performance-related bonuses, in-kind benefits, social contributions paid by the government as an employer, and any other benefit an individual receives because of their government employment". This is not a synonym of wage, since "[w]ages are paid on an hourly basis, and employees are typically eligible for overtime pay", or salary, since "[s]alaries are than wages, although the difference between the two can be unclear in some countries". See Celine Thevenot and Sébastien Walker, "How to Set Compensation for Government Employees" (IMF, 2024).

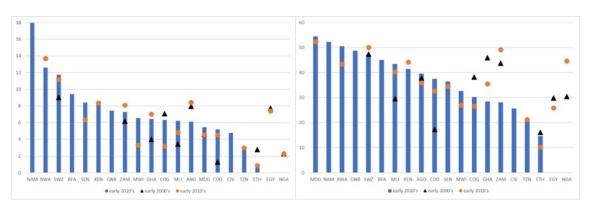


Figure 10 – Public expenditure on public-sector compensation as a percentage of GDP (left-hand graph) and total public expenditure (right-hand graph)

Source: International Monetary Fund

Note: The perimeter of expenses differs according to countries. In 7 countries, the level corresponds to the expenditure for the general government (Namibia, Burkina Faso, Senegal, Kenya, Congo, Côte d'Ivoire and Egypt) while in the 13 other countries under review, it corresponds only to the expenses for the central government.

In some cases, countries may borrow or print money to pay public salaries, which may fuel even further their problems of excessive public deficit, public debt and high inflation. Also, as often happens in developing countries, public debt becomes a more difficult problem when there are too few domestic creditors and the government must borrow from foreign creditors. In periods of crises, foreign creditors are few or may request painful collateral actions. In this case, the IMF often remains the only available option. Such loans often come with conditions attached concerning public-sector reforms (Forni and Novta 2014). Even if those conditions significantly reduce the public-sector wage bill in the short term, the literature shows that the cuts do not persist in the longer term most of the time (Rickard and Caraway 2019). It also shows that these measures are deemed more effective and sustainable when they are structural and not simply based on blocking new hiring or freezing wages, which may harm the recruitment of competent civil servants, and when they are accompanied by substantial social dialogue and consensus (Forni and Notva 2014).

In African countries, public-sector wage bills may grow because of higher wage rates and/or recruitment of public-sector employees. Indeed, the number of public-sector employees may grow for structural or demographic reasons, such as the increased demand for education and health services or other public-sector employees, or possibly for the new roles of the State in the developmental process and the need for new technical profiles (Yemin 1990; Afonso and González-Alegre 2011; Owusu and Ohemeng 2012). In some cases, increased public employment is the effect of decentralization processes following the creation of new layers of local government (Ong'era and Muthoki Musili 2019).

On the supply side, some stakeholders may consider the State as a default employer that serves to secure income and consumption (Rodrik 1997) and that can provide jobs for individuals from peripheral and less developed regions of countries (Simson 2019). There is also some evidence that public employment has been used in different contexts to support patronage networks in electoral periods. In the least-developed economies, the increase in the wage bill tends to be more associated with an increase in the number of people employed rather than higher wage rates (Endegnanew, Soto and Verdier 2017).

Mali is an interesting case of the difficult trade-offs that a government must face in terms of public employment management. As shown in figure 1, Mali has a relatively low level of public

employment relative to total employment. According to the IMF, this public employment has even diminished overall in the last years despite a growing public wage bill (figure 10). In the previous section, we also showed that the wage premium was even negative for public administration employees in the most recent labour force surveys available from 2020. This might be the reason why governments have responded favourably to the demand of trade unions for wage increases. In Mali, the growth in the wage bill has indeed stemmed from higher wage rates for all segments of the public sector through increases in the salary grid ceiling between 2019 and 2022 and the harmonization of bonuses and allowances.

The reform of public wage management has been on the agenda of several countries in the region in recent years, especially in North Africa, in countries such as Tunisia and Egypt (IMF 2016a, IMF 2018). In Egypt, in contrast to Mali, the share of public-sector employment is relatively high, especially for women (figure 1). In table 2, we reported a limited public-sector wage premium, while other research has shown previously that the public-sector wage has been decreasing over time when compared to formal private employment only and has even became negative for men. This raises the question of the attractiveness of public-sector employment and the capacity to provide effective public services. According to the IMF, governments have managed to reduce the wage bill in the last decade by setting tighter controls on bonuses and allowances (IMF 2023b). The system of allowances and bonuses has been often described in the past as being complex and non-transparent (Abdelhamid and El Baradei 2010). In the case of Egypt, the issue of gender must be taken into account when analysing public employment. In this country, female participation is particularly low even though public employment remains one of the main but declining opportunities for women, especially for the most educated women (Calero and Delautre 2023).

Lack of evidence concerning the impact of performance-related pay in African public administrations

In the last 30 years, the idea of linking the salaries of public employees to performance (through performance-related pay or PRP) has been implemented in most OECD countries, yet with notable variations across countries, as well as in middle-income countries and more sporadically in lower-income countries (Hasnain, Manning and Pierskella 2014). Based on a vast body of literature, mainly from developed economies, the topic has been widely discussed and the pros and cons of such a policy have become clearer. While the initial developments of this approach, drawing on standard economics, considered that a correctly administered pay scheme would be the solution to boost the efficiency and delivery of public services, the most recent empirical studies tend to draw a more nuanced picture.

Early criticisms from the psychological and behavioural economics literature argued that the public sector has specific characteristics that might restrict the good functioning of PRP-related measures. One of them is that individuals engaged in public services are motivated by intrinsic concerns about the inherent social value of their job and their sense of duty. In this context, by focusing on extrinsic benefits PRP could crowd out intrinsic motivation and ultimately have a negative impact on productivity. This is particularly true when the resources for bonuses are scarce. The meta-analysis carried out by Weibel, Post and Osterloh (2014) showed that PRP measures were indeed likely to produce hidden costs that were detrimental to the efficiency of public services. If PRP schemes are not well designed, public employees may be encouraged to "game the system" by focusing their activity on achieving certain observable targets that are related to bonuses, to the detriment of the less observable elements of their duties (Holmstrom and Milgrom 1991).

Recent analyses are more nuanced and have granted a better understanding of PRPs based on the characteristics of the public sector and economic contexts and jobs. Most of the studies have focused on "craft" jobs, such as teaching, healthcare or revenue administration, and tend to show instead the positive effects of this approach for these kinds of jobs, for which the outputs and outcomes are relatively easy to measure (Hasnain, Manning and Pierskella 2014; Ahmad et al. 2024). However, there is no evidence for other types of jobs, especially core civil service jobs, which are characterized by greater task complexity and the difficulty of identifying and measuring outputs and outcomes. Evaluations are particularly lacking in developing economies, in which the sustainability of the funding for such measures and the lack of political and economic stability are often pointed out (Ahmad et al. 2024) and the effects of incentives in the medium and long terms are scarcely considered.

The context of African countries, which are too often characterized by the unsecured payment of wages and declining real wages in times of budget tightening, as mentioned earlier, has not always been optimal for the implementation of PRP measures. The few studies available, which are mainly qualitative, indicate that previous reforms have been rarely been effective. The reasons for these weak results include a deficient analysis of the context, an approach that is too top-down and a lack of ownership on the part of managers and employees (Tadesse 2019, in the case of Ethiopia). Sawaneh, Fadera and Adesopo (2022) also point out the lack of an objective appraisal system for supporting a merit-based promotion system in the case of the Gambia. Studies in Ghana and Zambia showed, for example that various efforts to implement annual incentive systems and performance contracts since the 1990s have been unsuccessful, mainly due to the difficulty of setting relevant targets and the incapacity of governments to deliver benefits sustainably. However, many actors expressed some satisfaction with the efforts undertaken in terms of measurement and dialogue (Williams and Yecalo-Tecle 2019).

Conclusion

This paper has provided a synthetic picture of the situation of African public administration employees based on a selected number of countries and discussed some of the challenges that are currently influencing public sector employment and wages. Wage-setting practices in the public administration vary across countries, but civil servants are generally excluded, in whole or in part, from universal labour legislation. Also, wages and employment in the public sector are driven by different factors than those in the private sector, as the State faces different constraints in providing them. It must recruit and retain motivated and competent public employees in a situation in which the demands for public interventions are evolving, while keeping the level of public expenditure sustainable and not imposing additional distortions on the functioning of the economy.

As in other developing economies, in Africa, the public sector is often the largest employer and dominant source of formal wage employment. In the majority of countries for which data is available, the proportion of public administration employees in total wage employment exceeds 20 per cent. There are very large variations from country to country, however, which reflect certain differences in the conception of the role of the State, the level of development and the fiscal capacity.

As indicated in previous studies, African public-sector employees generally receive higher wages than other wage-earners. In previous sections, we saw that to be the case in most of the African countries for which data is available, except the Democratic Republic of the Congo. The size of the premium varies considerably from one country to another, however. Public-sector wages are also more evenly distributed than private wages. Once controlled by the labour market and individual characteristics, the premium between the public and private sectors tends to decrease but remains significant in most countries. However, interestingly, if the analysis is restricted to formal employment only, the wage premium for public administration employees is once again reduced and even becomes negative in certain countries.

In recent decades, African civil services have faced a number of series of public-sector reforms that have influenced wage-setting. Those reforms have mainly aimed to ensure better control of public expenditures and some of them have also aimed to better reward the performance and quality of services. Available analyses often find gaps between initial expectations and achievements.

In many countries, the public-sector wage bill already represents a substantial share of the government's expenditure. In the context of increasing indebtedness, the public-sector wage bill is particularly scrutinized by international organizations. Also, conditions including public-sector reforms have often been attached to loans in the past. Experience shows, however, that in order to be effective over the long term, those reforms must be structural, consensus-based and carried out in expansionary periods (IMF 2023a). Considering the increasing and complexifying demand for state intervention in emerging economies and least developed countries, it is of prime importance that African governments improve their capacities in terms of fiscal planning, employment and skills management and public wage-setting and forecasting to ensure predictability regarding the evolution of the wage bill and the retention of skilled staff.

PRP systems have been studied extensively in the case of developed economies but there remains a lack of evidence of their impact in African public administrations despite several experiences. The possibility of "gaming the system", that is, that employees might focus on certain observable targets, which are related to bonuses, and neglect the less observable, and maybe more important, part of their duties is a risk that has been identified for a long time. However, the latest evidence seems to indicate that those methods may be appropriate for specific jobs

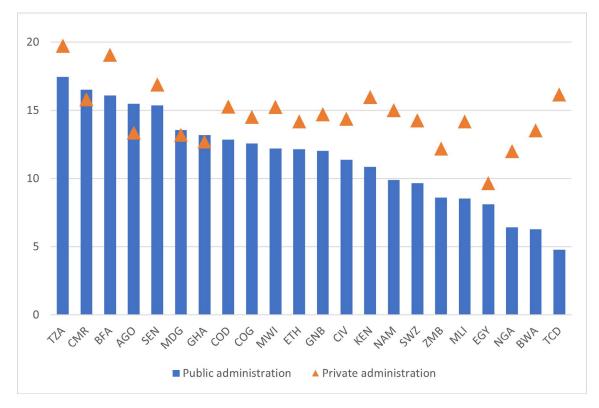
28 ILO Working Paper 134

such as teaching, healthcare or revenue administration where the outputs and outcomes are easier to measure. For more complex tasks, however, there remains a lack of evidence.

Annex

▶ Table 1 bis -Year of collection of labour force survey in each country

	Survey	Year of collection
A	Inquérito ao Emprego em Angola	2021
Angola	(Survey of Employment in Angola)	2021
Botswana	Multi-Topic Household Survey	2022
Burkina Faso	Enquête Régionale Intégrée sur l'Emploi et le Secteur Informel	2018
Cameroon	Enquête auprès des Ménages	2014
Chad	Enquête Harmonisée sur les Conditions de Vie des Ménages	2018
Côte d'Ivoire	Enquête nationale sur la situation de l'emploi	2019
Democratic Republic of the Congo	Enquête 1-2-3 sur l'Emploi et le Secteur Informel	2012
Egypt	Labour Force Sample Survey	2021
Eswatini	Labour Force Survey	2021
Ethiopia	National Labour Force Survey	2021
Ghana	Labour Force Survey	2015
Guinea-Bissau	Inquérito Harmonizado sobre às Condições de vida dos Agregados Familiares	2018
Kenya	Household Budget Survey	2019
Madagascar	Enquête Nationale sur l'Emploi et le Secteur Informel	2015
Malawi	Labour Force Survey	2013
Mali	Enquête Modulaire et Permanente auprès des Ménages	2020
Namibia	Labour Force Survey	2018
Nigeria	General Household Survey	2019
Congo	Enquête sur l'emploi et le secteur informel	2009
Senegal	Enquête Nationale sur l'Emploi	2019
United Republic of Tanzania	National Panel Survey	2020
Zambia	Labour Force Survey	2021



▶ Figure 4 bis - Standard deviation of the number of hours worked in a week, by full-time public administration employees and wage workers employed elsewhere

Source: ILO estimates



Figure 5 bis - Percentage difference in hourly median wage between public administration employees and all other employees

Source: ILO estimates

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Contact details

Conditions of Work and Equality Department (WORKQUALITY) Inclusive Labour Markets, Labour Relations and Working Conditions Branch (INWORK)

International Labour Organization Route des Morillons 4 1211 Geneva 22 Switzerland T +41 22 799 6754



