

Pay civil servants

better

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comment by **Azam Aris**

THE government had said no to a salary revision for the police force. However it is willing to consider a less budgetary constraining salary adjustment for the 85,000 police force to meet rising living costs. Inspector General of Police Tan Sri Musa Hassan acknowledged that the police will submit a proposal, which is now likely to accommodate a salary adjustment rather than a full revision.

No ... not just an interim salary adjustment. Give the police force the salary revision as they thoroughly deserved it. Their last full salary revision was 10 years ago. Despite adjustments in between, the lowest ranking policemen today still earn as little as RM650 a month, putting them among the country's poor, based on Kuala Lumpur's poverty line of RM1,500 as referred to by Musa. Of course, there are overtime pay and allowances including transportation and housing but to the majority of the working population what matters most is the basic salary which gives a worker a sense of pride and respectability. It is the basic salary that most banks look at when approving loans.

Some of the allowances that police constables get would be RM80 for usage of their own motorcycle and RM70 housing allowance if they stayed in government quarters or RM250 if they do not. There is a monthly overtime pay of RM100 or a mere RM3.50 a day, which according to the Junior Rank Royal Malaysia Police Association chairman Sub-inspector Jamal Abdullah, does not commensurate with their workload and responsibilities. Not just the overtime but the whole salary package and allowances do not commensurate with the workload, responsibilities and risks involved.

In comparison, an Indonesian worker employed in a steak house was earning RM900 basic with free lodging and food, if they chose to eat at the restaurant. It's hard work for many foreign workers too but they can never match the responsibility, hardship and risks that police constables carry, not to mention their crucial contribution to the well being and security of the nation.

Salary revision for the police force is timely too as the economy is progressing well, matured and diversified enough to sustain a medium to long term growth of between 5% and 6%. High commodity prices for example had improved the income of smallholders substantially. Oil palm settlers in FELDA land schemes are currently earning a monthly average of RM1,500 compared with RM760 in 2000 while rubber settlers are earning RM3,600 compared with RM720 during the same period.

Despite the credible economic performance the government is not ready to pay higher salaries now as available funds are more needed for development. Agreeing to a pay increase in the civil service and police force would be likely to cost the government an additional RM6 billion.

But since the salary revisions for the police and civil servants are

overdue, it would be better for the government to plan now and set aside reasonable allocations in its annual budget in the next couple of years to meet higher salary costs. Cuepacs, the umbrella union for the million-odd government employees, for example said the salaries of the support groups within the union had not been reviewed for 16 years.

The government needs to take advantage of the current sustainable economic growth to execute what is already an overdue salary revision. If budget constraint is an issue, start with the police force, followed by the civil service. But the government should make this a priority in its expenditure planning in the next couple of years.

But where will the money come from? One source is reducing the petroleum subsidy. Inclusive of sales tax forgone on petroleum products the government subsidises RM19 billion this year (compared to RM16 billion in 2005) to keep prices of petroleum, diesel and cooking gas artificially lower than the expected market price. This is one way to fight inflation but this subsidy is not targeted as it also benefits the middle class and the rich who can afford to pay higher fuel prices. On top of this the government through the national oil corporation Petronas, provided about RM15 billion in gas subsidies for the energy sector of which a substantial amount goes to the independent power producers.

● A Morgan Stanley report in 2005 had estimated that the rent seeking system could have cost the Malaysian economy some 3% to 5% of its gross domestic product. Over a 20-year period it had estimated that some US\$100 billion worth of GDP could have been lost to rent-seeking practices. A 20% savings over the 20-year period meant that US\$20 billion or US\$2 billion a year would be available – more than enough to pay the RM6 billion salary revision exercise that the government could not afford to implement now.

On average a 10% cut on the subsidy and a similar increase in sales tax in petroleum products (from the tax forgone by the government) should have made RM1.9 billion available for the government – enough to give the police force the full salary revision it asked for.

For Budget 2007 based on the assumption that oil prices will hover around US\$70 a barrel next year the subsidy and tax forgone by government are expected to remain at the RM19 billion. But with oil prices dipping below US\$60 and many market watchers expecting it to hover around the US\$50 and US\$60 level – provided there is no severe disruption in supplies in major producing areas due to war or political disturbances – the government is expected to make some cost savings here. These savings could be channelled towards paying for the salary increase for the police force and civil service.

If prices of oil do continue to drop and settle below US\$50 a barrel the government should take the opportunity to review its petroleum subsidy policy by not reducing the pump prices of petrol, diesel and cooking gas from the present level – of which the population, the business and manufacturing sector had adjusted well. In this way, it can

continue to reduce the level of fuel subsidy. Again savings made should be specially allocated to meet the overdue wage increase of its employees.

It is also easier for the government to set aside these savings for salary revisions as it had decided to finance the upgrading of the public transportation sector directly. Early this year after announcing a price hike on petroleum products – as a move to reduce the subsidy – it had planned to use the savings from the petroleum subsidy, if any, to improve public transportation. Unfortunately there weren't any savings as oil prices went beyond the government's expectation of US\$60 and it breached the US\$70 a barrel.

Additionally, the government has embarked on private financing initiatives (PFI) where it had identified developmental and infrastructure projects like the construction of schools, government quarters and buildings on a build, lease and transfer basis. For 2007, RM20 billion projects will be constructed using money from the Employees Provident Fund. Another RM5 billion PFI Facilitation Fund is to be established to support projects identified by the private sector.

If proven successful, the government should allow more of its development and infrastructure projects to be funded through PFIs. This will help to reduce further its development expenditure but allow it to increase its operating expenditure to include salary revision for its staffs.

Reducing wastages, curbing corruption and ensuring that the open tender system will be implemented efficiently will go a long way in making enough funds available for the government to meet the salary expectations of the police, armed forces and Cuepacs. More funds will be available if the government succeeded in dismantling the rent seeking culture or the patronage system – which seeks to reward those close to the political power base.

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Some may argue the Morgan Stanley estimates are grossly exaggerated but I tend to believe that even if they do not reach US\$100 billion, the amount is still substantially high for the nation. How else can one explain it when a RM3,000 repair job undertaken at SJKC Kung Yu in Muar, cost the school, the government and taxpayers RM30,000.

The government had cited budgetary constraints when it rejected the pay rise for the police, but certainly there are many ways to pay the police and civil servants better.

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