

**RECENT TRENDS
IN PUBLIC SECTOR WAGE BILL,
OCT 2021**



TABLE OF CONTENTS

EXECUTIVE SUMMARY	II
LIST OF ABBREVIATIONS.....	IV
1 INTRODUCTION AND BACKGROUND	1
1.1 Background and Rationale.....	1
1.2 Overall Aim and Specific Objectives (ToRs) of the Study.....	2
1.3 Organisation of the report	2
2 RESEARCH METHODOLOGY AND APPROACH	3
2.1 Study Design and Data Collection.....	3
2.2 Sources of Data and Key Informants of the Study	3
2.3 Data Analysis.....	3
3 RESULTS ON RECENT TREND IN PUBLIC SECTOR WAGE BILL (PSWB).....	4
3.1 Wage bill Trend in Overall Public Sector (GGS) and Selected Sectors (EHS)	4
3.1.1 Trends in Overall Public Sector Wage Bill.....	4
3.1.2 Trends on Public Expenditure(s) in Education and Health Sectors	5
3.1.3 Size (%) of Wage Bill on the GDP, Government Revenue and Expenditure.....	7
3.2 The Impact of Wage Bill on Adequacy and Quality-of- Service-Delivery	7
3.2.1 Impact on Quality-of-Service- Delivery in Education and Health Sector (s).....	8
3.2.2 Implication(s) of Wage Bill Trends on Fiscal Sustainability	10
3.3 Factors Influencing Wage Bill in Public Sector	10
4 SUMMARY OF FINDINGS, POLICY ISSUES AND RECOMMENDATIONS.....	11
ANNEXES.....	13
Annex 1 (A1) – Questionnaires and Interview Guide	13
Annex 2 (A2) – List Documents and Reports of to be Reviewed/Studied.....	14
REFERENCES	15

EXECUTIVE SUMMARY

Education and health are the most prominent public services and vital for betterment of any country's population. While education sector creates mind to drive economic growth, health sector keeps the population fit for economic endeavours. The public spending on these two sectors may inevitably be high and wage bill could as well reflect this fact. However, while huge wage bill could impact fiscal sustainability of the government, it has strong links with level and the quality of public service delivery. This brings into play the dilemmic views between the "restrictive wage bill policy" to mitigate fiscal risk and a "free wage policy practice" to create employment and achieve better public services.

This study concerns "recent trends in public sector wage bill (Education and Health Sectors) in Tanzania". It establishes trend in wage bill for General Government Sector (GGS) and in Education and Health Sub-sectors (EHS) and analyses the factors at the influence of the trend. The impact of the wage bill - trend on adequacy and quality-of-public- service-delivery have been documented and practical recommendations offered. The documentary review was widely employed, and, field-visits employed in collection of primary data. The qualitative content analysis was used as analysis approach. Overall, the task of improving education and health services in Tanzania is vital, as a number of challenges were revealed and documented in this report. Key findings and general message (s) from the study have been documented on basis of the pre-established focus study areas (FSAs) as follows:

FSA1 - Recent Trends on the PSWB: The overall size of public sector wage bill exhibited a decreasing trend over four years representing 31% of total government expenditure *despite strong growth of GDP and Government revenue*. Wage bill in education and health sectors, also, showed a decreasing pattern regardless of increasing trend in general government wage bill, government revenue, government expenditure and GDP. On a further note, a declining trend in recurrent spending in health and education sectors is documented, falling below the global acceptable average of at least 20 percent (education) and 15 percent (health) of overall government budget which seemingly impacted the workforce level and compensation arrangements in these sectors.

FSA2 – PSWB and Quality of Public Service Delivery: Wage bill influences (determines) *quantity and quality pool of required workforce* in general and in specific sectors (health and education) and directly affects performance, adequacy and quality of public service delivery. Workforce in education sector and health sector fall short to required ratio in public sector, while about 53% of health skilled employees in local areas intend to leave services. The findings suggest that, restrictive wage bill policy could be the reason for increased labor turnover, lack of work morale and demotivated workers and frozen employment of new workforce. Further, wage bill trend in relation to government revenue, expenditure and GDP show a declining pattern, coupled with decreasing government budget deficit. This suggest that the required resources increase (expenditure) on wages and salaries do not appear too burdensome to threaten government fiscal sustainability.

FSA3 – Factors Influencing the PSWB: Public sector wage bill is substantially *influenced by restrictions and conditions of international institutions* who support the government budget, especially, the IMF and World Bank, through PSWB freeze or cut, e.g. *Tanzania was required to cut the public sector wage bill by 0.5% (FY 2015-2020)* to increase allocation of funds to development projects and servicing public fund. Further, *shrinkage of internal government revenue and increase in public debt* reduces the government ability to increase pay to existing public employees or new employment opportunities with consequent impact on public service delivery. The

findings infer that, the Government should expand its progress tax revenue and direct the borrowed funds to productive and efficient public projects.

The overall implication of the study is that, as the government struggles to ensure wage bill remains manageable, its impact to key sectors should not be ignored. The wage bill restrictive policy could not be ideal for socially sensitive sectors such as education and health. There is a need of aligning IMF and World Bank financing conditions with the country's specific social needs. We make the following recommendations to relevant stakeholders:

- Commit to spending 20% of the national budget on education sector to improve workforce, teaching facilities, infrastructure and quality in education sector. Investment in education has not expanded in line with the large increases in enrolment in primary and secondary schools in the recent past.
- Commit to spending at least 15% of the national budget on health sector to improve workforce, welfare of health workers and health facilities. Better implementation of the existing cost strategies is vital to understanding financial gaps and for mobilizing resources to rectify current bottlenecks in the health system.
- Review wage bill restrictive policy especially on sensitive sectors such as education and health to improve conditions to health workers and teachers. These sectors are directly related to the well-being of the country population.
- The Government should exert more efforts to improve financial resources mobilization and expand progress tax revenue to enable increased spending to health and education sectors without a threat to fiscal sustainability risk.
- Improve working environment and facilities in rural areas to ensure health practitioners and teachers are retained to improve health care service and quality of education delivery to the public.
- Community Based Organisations (CBOs), Social Groups (SGs), Political Parties, Gender Activists and general public should exert pressure to Government and protest against any wage restrictive movement in critical public service sectors.
- The restrictive public sector wage bill policies are observably harmful to public service delivery in education and health sectors. The IMF should conduct public service impact assessment of PSWB conditions before its imposed for implementation.
- Commit to the implementation of long-term economic growth plan and strategy to improve number and quality of public sector workforce on socially strategic sectors (education and health).
- Government borrowing and public debt should be well thought and strategically executed to control its impact on fiscal risk and there should be strike of a balance between development expenditure and operational needs especially in education and health sectors.

List of Abbreviations

AATZ	Action Aid Tanzania
BOT	Bank of Tanzania
COVID-19	Corona Virus Disease of 2019
CBO	Community Based Organisations
EAC	East African Community
EHS	Education and Health Sub-sectors
ESDP	Education Sector Development Plan
FGDs	Focus Group Discussions
FSA	Focus Study Areas
FY	Financial Year
FYDP	Five Year Development Plan
GDP	Gross Domestic Product
GE	Government Expenditures
GGE	General Government Expenditure
GGS	General Government Spending
GGS	General Government Sector
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GR	Government Revenue
GWB	Government Wage Bill
HSSP	Health Sector Strategic Plan
IDIs	In-depth interviews
IMF	International Monetary Fund
KFA	Key Focus Area
MoEST	Ministry of Education Science and Technology
MoEST	Ministry of Education, Science and Technology
MoFP	Ministry of Finance and Planning
MoHCDEC	Ministry of Health Community Development, Elderly and Children
NBS	National Bureau of Statistics
PO-RALG	President's Office –Regional Administration and Local Government
PSWB	Public Sector Wage Bill
SADC	Southern African Development Community
SDG	Sustainable Development Goals
ToRs	Terms of References
TZS	Tanzania Shilling
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations International Children's Emergency Fund
WB	World Bank
WHO	World Health Organization

1 INTRODUCTION AND BACKGROUND

This study concerns “recent trends in public sector wage bill (Education and Health Sectors) in Tanzania”. The trend in wage bill for General Government Sector (GGS), and in Education and Health Sub-sectors (EHS) are established and factors at the influence of the trend unveiled. The impact of the wage bill - trend on adequacy and quality-of -public- service-delivery is also presented. This report offers final findings and practical policy recommendations (implications) from the reported research results.

1.1 Background and Rationale

Education and Health are human rights as enshrined in the United Nations Declarations on Human Rights-1948, and each state which is signatory into that charter has the duty and obligations to fulfill. Education Sector in Tanzania is characterized with inadequate workforce, reading the Bedrock of Inclusion: “Why investing in the education workforce is critical to the delivery of SDG4”, the country continues to grapple with considerable teacher shortages, requiring 47,229 primary school teachers just to maintain an average pupil-classroom ratio of 60:1 – already much higher than the ratio of 40:1 and 1:30 recommended by UNESCO and UNICEF in that order. According to the 2019 report of the Office of the Auditor and Controller General, in-service training for special needs education teachers is neither regular nor continuous, with 61% of special needs teachers receiving no in-service training at all from PO-RALG or MoEST between 2014/2015 and 2017/2018.

In health sector, Tanzania stands out as a country with enormous challenges to overcome. A nation of over 55 million people, Tanzania is in the midst of a critical human resource for health crisis. In fact, the country can count on just 5.2 clinical health workers per 10,000 people, one fifth of the optimal ratio recommended by the World Health Organization. Furthermore, during childbirth, about half of all pregnant women do not receive clinical assistance by a doctor, nurse, midwife, or maternal and child health aide. The health sector strategic plan (HSSP) 2015-2020 made several commitments to reduce the workers crisis in health sector including employment of workers, increase budget for wages of health workers from 605 billion (TZS) in year 2015 to 858 billion (TZS) in year 2020.

Education financing in Tanzania, is not meeting the internally agreed standard, rarely did the national budget for education sector. Statistics for years 2004 – 2018 show that, national education budget has always been below the internationally agreed benchmarks compared to total national budget and the GDP; this is evident from the trend which show education budget is ranging from 15% - 20% of the total national budget, and 4% - 6% of the GDP. Health expenditures have grown but more slowly than the growth rates of general government revenue and general government expenditure. While growth in government health spending has slowed considerably, growth in revenue and general government spending (GGE) has stabilized at around 14 percent annually. The result of this trend is that the health sector has effectively been deprioritized. Over the last four years, share of public spending on health in terms of total public spending and GDP has been declining and is well below the Abuja target of 15 per cent [9].

This articulative backdrop necessitated and made the current study timely and deserving for Action Aid Tanzania (AATZ). Results from this research allows AATZ to assess challenges and bottlenecks in education and health sectors regarding wage bill and its impact on adequacy and quality of public service delivery and bring the national advocacy to life on wage bill.

1.2 Overall Aim and Specific Objectives (ToRs) of the Study

Overall, the study “establishes recent trends of public sector wage bill (Education and Health Sectors) in Tanzania, explores and analyses influencing factors and its impact on the quality-of-service delivery”. Specific objectives of the study are four (4) folds:

- (i) To explore and establish recent trends on public sector wage bill as a whole (General Government Sector (GGS) and in key sectors, namely, Education and Health Sub-Sectors (EHS).
- (ii) To assess the size of the Government Wage Bill (as a percentage of GDP, Government Revenues and Expenditures) and their implications on Fiscal Sustainability;
- (iii) To assess the impact of public sector wage bill trends on the adequacy and quality-of-service delivery in health and education sectors as well as on the pay of existing workers and recruitment of new workers; and
- (iv) To identify and analyse the influencing factors for trends in public sector wage bill.

These specific objectives are organised into three (3) focus study areas (FSAs) themes and seven (7) tasks (sub-themes) (Table 1.1).

<i>Focus Study Area</i>	<i>Task/ Sub-theme (s)</i>
FS A1: Recent Trend in Public Sector Wage Bill	<ul style="list-style-type: none"> ➤ Establish recent trends on the public sector wage bills as a whole (GGS). ➤ Establish recent trends on public sector wage bills in key sectors, i.e. education, health (EHS). ➤ Assess the Size of wage bill as the percentage of GDP, Government Revenue and Expenditures.
FS A2: Impact of Public Sector Wage Bill on Quality-of-Service Delivery	<ul style="list-style-type: none"> ➤ Assess implications of the size of the Government Wage Bill (GWB) on fiscal sustainability. ➤ Assess the impact of wage bill on adequacy and quality-of-service-delivery in health and education sectors. ➤ Assess the impact in each sector on the pay of existing workers and recruitment of new workers.
FS A3: Factors influencing public sector wage bill	<ul style="list-style-type: none"> ➤ Explore and analyse factors influencing trends in public sector wage bill.

Source: Authors' Creation

1.3 Organisation of the report

The rest of the report is organised as follows: Section 2 research methodology and approach. Section 3 analysis and discussion of results on trends in public sector wage bill (PSWB). Section 4 summary of key findings, policy implications and recommendations. Lastly, references and annexes.

2 RESEARCH METHODOLOGY AND APPROACH

2.1 Study Design and Data Collection

A qualitative and explorative research approach was employed to establish trend and perceptions of practitioners on “the public sector wage bill, its impact on public - service delivery and analysis of the influencing factors”. Owing to its nature and restricted access to primary data from intended institutions, secondary data was largely employed, and primary data used as a supplement. Overall, however, both desk review and field visits were employed for collecting data. In-depth and critical review of a wide-range of relevant documents, such as, international and national policies, guidelines, budget documents, declarations, research, survey reports and periodicals on education and health sectors was done to collect secondary data. The list of documents is annexed (Annex 2(A2)). The interview guide and customized questionnaires was developed and used to collect primary data (Annex 1(A1)). Purposive and judgmental sampling technique was deployed to select appropriate health facilities, schools and participants for sourcing primary data.

2.2 Sources of Data and Key Informants of the Study

The secondary information was collected from reliably trusted institutional sources, mainly, Ministry of Finance and Planning (MoFP), National Bureau of Statistics (NBS), Bank of Tanzania (BOT), Ministry of Health Community Development, Elderly and Children (MoHCDEC), Ministry of Education, Science and Technology (MoEST), United Nations Children’s Fund (UNICEF), International Monetary Fund (IMF), World Bank (WB) and others. Relevant data and information over the past four (4) years were collected from available documentary sources from abovementioned institutions. Primary data was collected from twenty-five (25) purposively selected relevant institutions in education and health sectors. 15 (60%) health facilities (5 dispensaries, 5 health centers and 5 hospitals) and 10 (40%) schools were selected. A total of one hundred and two (102) participants were involved to capture perceptions on wage bill and its impact on quality-of-service delivery, represented as 61 (58.1%) health sector practitioners and 41(41.9%) education sector practitioners. Noteworthy, given time constraint and restriction in access to primary data from public sector we narrowed the study geographical proximity to Dar es Salaam, of course, without compromising representation status of results.

2.3 Data Analysis

Qualitative summative content analysis was used as mode of data analysis. The approach examines documents and systematically interprets the information to allow researcher (s) to draw inference about a certain situation [1]. The approach makes use of subjective interpretation of text data through systematic identification and classification of themes/pre-conceived theme relevant to subject-matter of the study. In this study, themes and sub-themes were developed from identified FSAs designed to respond to the objectives of the study (Table 1.1). Results were then organized, analysed, discussed and interpreted in view of these themes and sub-themes. This method is viewed as rigorous, effective and enables exhaustive analysis of intended phenomenon [2], such as this.

3 RESULTS ON RECENT TREND IN PUBLIC SECTOR WAGE BILL (PSWB)

This section reports results consistent with identified FSAs. Results specific to each FSA are presented, analysed and discussed. In view of that, the results on recent trend in wage bill in General Government Sector (GGS) and selected sectors (Education and Health Sectors (EHS)), results on the impact of wage bill on the adequacy and quality of service-delivery and lastly, analysis of factors influencing wage bill in public sector have been documented.

3.1 Wage bill Trend in Overall Public Sector (GGS) and Selected Sectors (EHS)

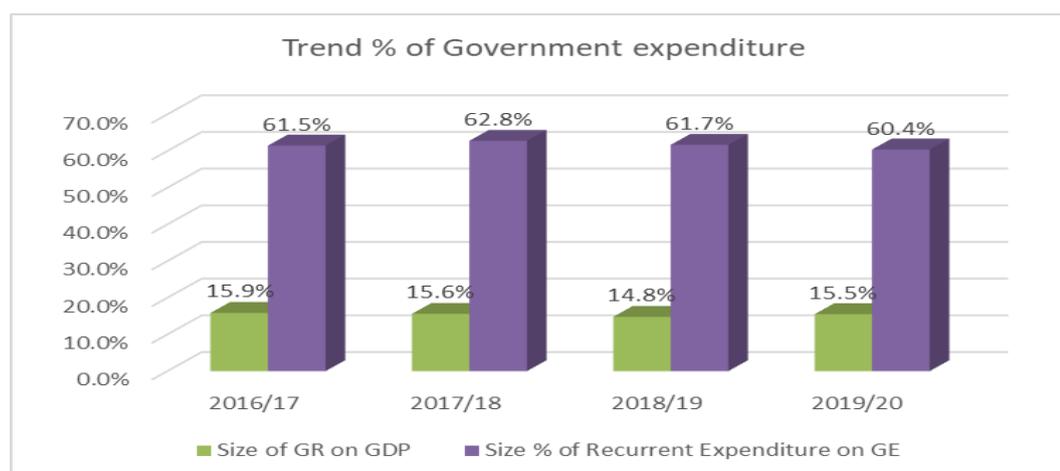
Government budgets are generally made up of capital and recurrent expenditure which includes the wage bill component. From economic point of view, the ideal government budget should substantially, however, represent capital expenditure. The wage bill is the largest government recurrent outlay with the government being single largest employer in Tanzania. It can be recalled that, the high wage bill partially reflects diseconomies of scale in the provision of public services and political economy considerations. The significant increase in wage bill without matched revenue increase raises concerns about fiscal sustainability, even though, associated with increased employment, adequacy and quality of public service delivery. This require a struggle to balance between the revenue collected and expenditure incurred to ensure public service delivery without compromising fiscal sustainability of the country. Could then, trend in public sector wage bill in Tanzania be threatening fiscal sustainability of the country? Results on trend of wage bill in overall public sector (GGS) and education and health sectors (EHS), result on size of wage bill in relation to Gross Domestic Product (GDP), Government Revenue (GR) and Government Expenditures (GE) and its impact on fiscal sustainability are presented, discussed and analysed in this sub-section.

3.1.1 Trends in Overall Public Sector Wage Bill

The Government is responsible for providing public goods and services to its citizens, ranging from infrastructural goods to social development services. To delivery public services, the government does employ substantial size of work-force in its assorted sectors. The huge size of the workforce in public sector, precisely, influences the general government sector wage bill, its movements over time, and proportion in relation of overall government spending, revenue and Gross Domestic Product (GDP).

The pattern of the Tanzania wage bill in public sector (GGS) for the latest four (4) years has slightly decreased by 10% between the FY 2016/17 and FY 2019/2020. The results presented in figure 1 suggests that, the actual wage bill on government expenditure for 2016/2017 was 34% relative to 30% in the FY 2019/2020. Also, the amount of recurrent expenditure relative to total government spending decreased from 63% for FY 2017/2018 to 60% for FY 2019/2020. The decline in recurrent expenditure is associated with cost control measures implemented by the government and withdrawal of over 20,000 ghost workers and those who were disqualified on the basis of educational qualifications, with majority of those affected being from education and health sectors [21], which are certainly, the most employing sectors given the nature of public service involved.

Figure 1: Government Expenditure



The wage bill represents fixed costs for provision of critical public services to the population, such as defence and security, health, education, public works and other societal assistances. These public services must be provided independent of population size can be referred as a necessary government expenditure. Despite its significance in creating employment and improved public service delivery capacity, huge, wage bill raises concerns about fiscal sustainability, especially, when not matched with increased public revenue and GDP acceptable ratios. Fortuitously, general government wage bill trend depicted in figure 1 has all been notably favourable over the study period and could unlikely threaten fiscal sustainability, although may lead to impaired public sector delivery.

3.1.2 Trends on Public Expenditure(s) in Education and Health Sectors

Health and education sectors are traditionally a recurrent heavy sector because of large numbers of health workers and teachers. It is noted that, Tanzania government nominal wage bill in the health and education sector has been steadily increasing until 2016, largely due to massive recruitment of teachers and health workers [24,27]. Since 2016, there has been a hiring, salary adjustments and salary increment freeze across the entire government, for which the cleaning of payroll (ghost workers) and verification of qualifications of public servants were claimed to be the reasons for such freeze [27]. Indeed, a thorough review identified ghost workers who were removed from the government payroll. As a consequence, total wage expenditures decreased, and this resource windfall was allocated to development expenditures, especially infrastructure projects [22].

The freeze of promotions and salary increments, as well as changes in the salary structure, has left many civil servants demoralised. Concerns have been raised that the verification exercise has now turned into a government excuse for evading its human resource compensation responsibility with the view to keep the wage bill and holding the public service size in check [27]. This is probably due to the government needing to keep down recurrent expenditure with the view to increase spending on capital expenditure (Miradi ya Kimkakati) [22] and comply with international Organisations requirements.

Table 3.1 reveals decreasing trend of government budget allocated to the MoHCDEC

from 6.7% to 5.5% over the period under review. This is well below the Abuja Declaration target that requires all member governments to allocate at least 15% of their national budgets to health with the view to improve health service delivery [9]. Similarly, UNICEF report, the wage bill decreased by 23% over the past four years between FY 2016/2017 and FY 2019/2020 [9]. The decrease might be associated with reduction of spending on allowances offered to public servants, ghost workers elimination and retired employees whom were not replaced. This has increased the resources available for operations with budget allocated to development expenditure increasing from 30% to 41% between FY 2016/2017 to FY 2019/2020 [9]. Allocated budget in health sector may fail to address challenge of shortage of human resources and health facilities following population growth and implications of COVID-19 pandemic. GIZ report (2011), for stance, documented that about 53% of health skilled staff in districts were intending to leave employment. Correspondingly, it is reported that Tanzania is under-resourced in terms of number of health workers, with estimation of only 4.6 skilled staff for every 10,000 population, which is critically below the regional average of 13 [24].

		2016/17	2017/18	2018/19	2019/20
TOTAL GOVERNMENT BUDGET (TZS BILLIONS)		29,539.60	31,712.00	32,476.00	33,105.40
MoHCDEC	MINISTRY BUDGET (TZS BILLIONS)	1,988.20	2,222.30	1,731.80	1,822.50
	% of Total Government Budget	6.7%	7.0%	5.3%	5.5%
	% Development Expenditure	30.0%	42.2%	39.0%	40.8%
	% Recurrent Expenditure	70.0%	57.8%	61.0%	59.2%
MoEST	MINISTRY BUDGET (BILLIONS)	4,770.0	4,706.3	4,641.5	4,511.8
	% of Total Government Budget	16.1%	14.8%	14.5%	13.6%
	% of Development Expenditure	29.6%	24.1%	26.3%	29.7%
	% of Recurrent Expenditure	70.4%	75.9%	73.7%	70.3%

Further, the budget allocated to education has decreased from an average of 17% for FY of 2011/2012-2015/2016 [16] to an average of 14.5% for FY 2016/2017-2020/2021. This is due to the fact that, the share of education spending to that of government spending has shown the declining trend from 16.1% in FY 2015/16 to 13.6% in FY 2019/2020. Tanzania is spending around 14.5% of the government budget on education. This is lower than the 20% standard proposed by the Global Partnership for Education and the 22% average projected in the Education Sector Development Plan (ESDP) for the period 2008–2017 [9].

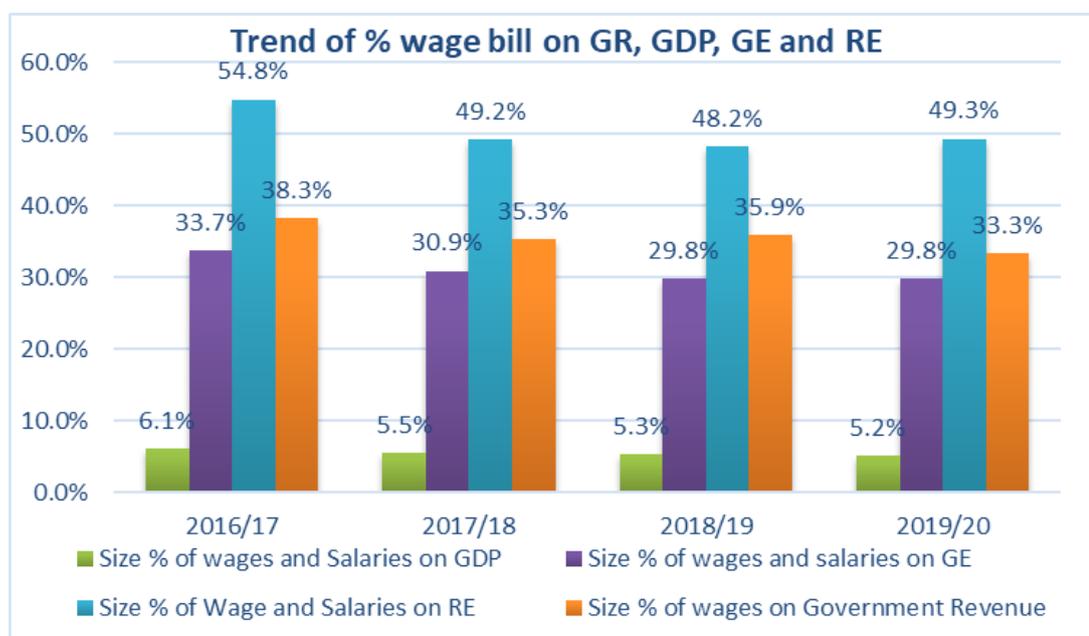
Given the increase in enrolment with no improvement on the budget resulted to higher ratio of 1 classroom for 76 pupils in primary schools and 1 classroom for 40 pupils in secondary education which is far higher than the international practices of 1 classroom for 30 pupils [9]. Nevertheless, the analysis shows a slight increase in the share of the development budget from 24.1% to 29.7% between FY 2017/18 and 2019/20. This increase in development budget can be associated with shifts in the government policy priorities on improving school infrastructure and other capital spending to meet the demands growing number of new students commencing school education each year following introduction of fees free education. Strengthening

payroll internal controls would help curb the growth of the wage bill to pay for extra/heavy workloads, workplace hazard allowance and opportunities for self-development. Furthermore, the quality of health and education spending can be improved through enhancing budget execution performance and better monitoring of public expenditure.

3.1.3 Size (%) of Wage Bill on the GDP, Government Revenue and Expenditure

Government spending is linked to revenue collected during the financial year. There has been increasing trend of government revenue for the period under review. Government revenue increased by 26% while expenditure increased by 24% between 2016/2017 and 2019/2020, recurrent expenditure increasing by 22%. The finding suggest that the government was putting more effort to increase collection while controlling spending. On this account, there has been declining trend of government spending on GDP from FY 2016/2017 to 2019/2020. While the trend remained unchanged at 18% for FY 2016/2017 to 2018/2019, the trend decreased to 17% for FY 2019/2020. Similarly, there has been decreasing trend of size of wage bill relative to GDP between FY 2016/2017 and FY 2019/2020 from 6% to 5%. The results can be explained by declining trend of wage bill on government spending for the period under review. The size of wage bill on government spending decreased by 4% (34% to 30%) from FY 2016/2017 to FY 2019/2020, whereas, government revenue decreased from 38% to 33% in the same period. Similarly, the share of public spending on health in relation to total public spending and the GDP has been declining. The health budget as a share of GDP declined from 1.8% to 1.6% with that of education declining from 1.9% to 1.3% between FY 2016/17 and 2019/20.

Figure 2: Trend of Wage Bill



3.2 The Impact of Wage Bill on Adequacy and Quality-of- Service-Delivery

It is on the general discern, that, the quality of public service delivery can be influenced by numerous factors. The availability and adequacy of physical, financial

and infrastructural resources should be in the list, but definitely, human resources can never be ignored. The quantity and quality of the latter is, though, determined by among, others, size of the wage bill allocated to the respective sectors. The understanding of whether and magnitude of the impact of wage bill on the adequacy and quality of public service delivery, can lead, to policy reforms in critical sectors such as health and education.

3.2.1 Impact on Quality-of-Service- Delivery in Education and Health Sector (s)

Education and health sectors are the most prominent public services and critical for betterment of a nation and its population. While education sector creates mind to drive economic growth, the health sector keeps the workforce fit for economic development endeavours. These sectors are the most interactive with public and directly face public pressure and criticisms for poor service delivery. It is understood that quality of service can be affected by numerous factors, including shortage of human resources, quality of available work-force and insufficient budget to acquire adequate and quality service delivery facilities. In education sector, for instance, teacher - pupils ratio stands below the world average, whereas, in health sector the country can count on just 5.2 clinical health workers per 10,000 people which is 1/5 of ratio recommended by the World Health Organization. In overall, the two (2) sectors face constant complaints and criticisms from citizens regarding adequacy and quality of public service delivered. This section answers the question of whether the wage bill can be linked with this assertion/ experience in the identified sectors, using existing empirical studies and fresh findings from primary data.

Based on general understanding, adequacy and quality of service delivery in any sector is partway associated with low access to work-force. Consistent to this understanding, existing literature suppose that, low access to health workers, for stance, is associated with insufficient payment of salary and allowances (25). Seemingly, sectors with low pay (wage bill) would be unattractive to work-force hence low human resources capacity for providing adequate public services. Education and health sectors are among the low paying sectors and poor services could be associated with low human resources capacity and inability to attract quality pool of human resources (25). The increased wage is associated with increased employees' morale, incentive to work and directly related to productivity (26). This implies that high wage payments to existing employees results into increased quality of public services and vice-versa. Further, [25] emphasize on the need to link payments (wages, salaries and bonuses) to health workers performance, as experiences indicates that payment has a positive impact on the performance.

Primary data from a hundred and two (102) practitioners, substantially, corroborates with existing literature regarding the impact of wage bill on adequacy and quality of public- service-delivery. Quite significant number of participants (97%) practitioners in health and education sector, suppose that, better salaries and benefits will lead into better performance and could even lead to working beyond expectations. Specifically, 76 percent of participants were of the opinion that, better salary and benefits is greatest motivating factor leading to better service – delivery, whereas as majority (74%) associate they low performance with the current level of salaries and benefits (Unmatched with cost of living). Others, (66%), offer that delays in salary increment affects morale and work-performance. In an overall, 68 percent of informants (68%) believe that, current salaries and benefits in education and health sectors leads to

inadequate and poor service delivery. 3 percent of informants, argue that, salary and benefits is not the sole determinant of performance and quality of service delivery, but can also be influenced by working condition, availability of tools and work facilities, number and quality of human resources, family factors and management style. Table 3.2 below summarizes the extent to which wage bill influences the adequacy and quality of public service delivery.

<i>Wage Bill Related Factors (WBRFs)</i>	<i>Impact on Quality of Public Service (IQPS)</i>
<ul style="list-style-type: none"> · Low payment of wages and allowances restricts access to required number of workforces in health sector. · The increased wages increase morale and directly affects productivity through choice of work efforts. · When performance in public sector is linked with payment the performance improves. · Increased wages attract pool of quality workers in public sector. · Better wages and benefits lead to improved performance and working beyond expectations. 	<p>Wage bill affects access to required quantity and quality pool of workforce, its motivation, morale and ability to perform which in turn influences quality of public service delivery.</p>

It is evident from the foregoing that, wage level influences morale and motivation of employees, determines the number and quality pool of work force attracted to particular sector, impacts productivity, performance and hence quality of public service delivery. Low spending on the public sector wage bill limits the number of experts in employment which affects the quantity and quality of the workforce in public sector. The restrictive wage bill policy, therefore, adversely affects hiring of additional health workers and teachers which in turn affects adequacy and quality of service delivery. In the country, for stance, despite a good number of graduates in education and health sectors the shortage / workforce gap is apparent. This is a result of restricted wage bill policy.

Trends in wage bill, therefore, affects both existing and new employment. The diminishing trends such as that reported in 3.1 above could possibly affect performance of existing workforce and acts a disincentive to work. Fore stance, the GIZ (2011) reported that teachers at local level were ready to quit the employment on account of low pay [22]. Moreover, low public sector wage bill restricts new employment in public sector, hence increased workload which subsequent affect service delivery capacities. This result implies that, while it is imperative to ensure public sector wage bill remains manageable, its impact on the adequacy and quality of public service delivery, especially in key sectors, such as, education and health should not be ignored.

3.2.2 Implication(s) of Wage Bill Trends on Fiscal Sustainability

The wage bill is the largest government outlay, as, she remains the main employer in the country. Specifically speaking, spending on the wage bill absorbs around one-fifth of total spending on average in advanced economies and nearly 30 percent in emerging markets and developing countries [13]. Therefore, small increase in compensation or employment levels could potentially have large unintended adverse implications for the fiscal balance, which may require sharp adjustments in revenues or in other spending items in order to ensure fiscal sustainability.

During the period under review, there was declining trend of government budget operations deficit from TZS 3,470.7 billion to TZS 1,988.9 billion. Budget deficit reduction was associated with tremendous increase in government revenue from FY 2016/2017 to FY 2019/2020. Overall deficit register for FY 2019/2020 was equivalent to 1.4% of GDP, which was within the EAC and SADC convergence threshold of not more than 3% of GDP [4]. Seemingly, there are notable efforts by the government to reduce budget deficit, which include control of government spending and increasing government revenues [21]. Figure 2, reveals shrinking size of wages on revenues and government spending between FY 2016/2017 and FY 2019/2020. While size of wage bill on government revenue decreased from 38% to 33%, size of wage bill on government expenditure decreased from 34% to 30% during the study period.

Even though, the size of wage bill on GDP exceeds the required standard of 4.6% set by the IMF [23], the trend may entail, that resources required to increase budget for education and health workers to be in line with strategic priorities of the FYDP III do not appear to be too burdensome with view of fiscal position. At the same time, the effects associated with service delivery in health and education sectors through scaling up are likely to be substantial.

3.3 Factors Influencing Wage Bill in Public Sector

The public sector wage bill is not free standing. It is expectedly, responsive to social - economic changes and specific policy conditions. The increased demand of public service could trigger increased wage bill, representing the supply side, but this may not always be the case. For-stance, in recent past, overall expenditure on health and education sectors could have increased as a result of further investment in facilities and wages for teachers and health workers in response to COVID-19 pandemic and addressing the increased enrolment ensuing introduction of fee free basic education [9]. The orientation of the budget, was however, away from the expected pattern [9]. This necessitates, the question of what could real be influencing the wage bill pattern in public sector? Are these factors, solely internal? could there be some externalities on this cause? The understanding of the factors affecting public sector wage bill informs the Government and other relevant stakeholders to taking appropriate actions and making socially feasible decisions.

The existing literature suggest that, the trend of public sector wage bill is brought about by among others, the IMF and World Bank restrictions on increasing pay to allow more funds for development projects and repayment of the government debts [15]. The government ability to pay could therefore be explained by increasing trend of national debt from 36.9% of the GDP (2016) to 38% in 2019. The international

financial commitment has further increased following the recently approved IMF loan of US\$ 567.25m (September, 2021) to address COVID-19 Pandemic [15]. This reduces the ability of the government as these loans largely comes with sternness measures, mainly, on reducing recurrent expenditure especially wage bill.

The primary source in the current study, unveils, budget constraints (89%) as main factors affecting trends in public sector wage. Others, include, government priority and political influence, influence of donors and development partners (86%) who contribute to government budget, lack of policies that support periodic changes in a particular sector and in response to cost-of-living trends, forces of demand and supply, i.e., magnitude of workforce opportunities in particular sector, natural calamities and overall economic performance of the country. The factors highlighted in this para, do not hold, always, e.g. it is documented that the minimum pays in education and health sectors range from TZS 400,000 to TZS 475,000 which is far below the estimated living costs of TZS 598,500 [Tanzania Economic Survey, 2018 and [15].

The factors identified in this study, are reported by participants to affect the ability of Government to spending on wages and other employment benefits. seemingly, this situation necessitates the Government to shrunken or stagnate the size of its wage bill, through non-increment or freezing employment in public sector which, aftermath, affects level and quality of public service delivery. Of, all the factors, restrictions from international institutions (such as IMF and World Bank) which support government budget and the shrinkage of internal revenue generation capacity by government revenue emerges as principal factors. For stance, according to IMF reports Tanzania was required to cut wage bill by 0.5% between 2015 -2020. On basis of this, the Government is urged to strengthen its internal revenue generation capability to be able to allocate more funds to wages and employment benefits, without breaching international development partners financial covenants/requirements.

4 SUMMARY OF FINDINGS, POLICY ISSUES AND RECOMMENDATIONS

This study “establishes recent trends in public sector wage bill (Education and Health Sectors) in Tanzania”. It establishes trend in wage bill for General Government Sector (GGS) and in Education and Health Sub-sectors (EHS) and analyses the factors at the influence of the trend. The impact of the wage bill - trend on adequacy and quality-of -public- service-delivery have been documented and practical recommendations offered. The study employed explorative and content analysis approach to this end. The key findings and implications are summarized in table 4.1 and arranged based on pre-established focus study areas (FSAs).

<i>Focus Study Area</i>	<i>Key Finding (KF)</i>
Recent Trend in Public Sector Wage Bill (FSA1).	(i) An overall, size of public sector wage bill exhibited a decreasing trend over four years representing 31% of total government expenditure despite strong growth of GDP and Government revenue. The implication of result is that there was no new employment or no increment for wages and salaries for employed staff or both in the government. (ii) While budget for education and health sectors were declining, it is also noted that, the recurrent expenditure falls short of the required standard which is at least 15% (health sector) and 20% (education

	<p>sector). This result implies that the two sectors, despite their importance, their budget is yet to attain the world standard and could fall short of resources to deliver quality services.</p> <p>(iii) Public wage bill in education and health sectors showed a declining trend over the study period despite positive trend on government revenue and GDP. The results infer that there was hiring freeze in this two sectors and stagnant wage amount and allowances which could subsequently affect adequacy of service delivery in these sectors.</p>
Impact of Public Sector Wage Bill on Quality-of-Service Delivery (FSA2)	<p>(i) Wage bill influences (determines) quantity and quality pool of required workforce in general and in specific sectors (health and education) which directly affects performance and quality of public service delivery. The results imply that the restraint public sector wage policy limits new employment, quality of staff to be recruited and restricts pay increment which impacts morale and employee's motivation and consequently have detrimental impact on sufficiency and quality of public service delivery.</p> <p>(ii) The wage bill trend in relation to government revenue, expenditure and GDP show a declining pattern during the study period coupled with decreasing government budget deficit. This suggest that the required resources to increase (expenditure) on wages and salaries do not appear too burdensome to threaten government fiscal sustainability.</p> <p>(iii) Decreasing trends in public sector wage bill (which could be substantially a result of restrictive wage bill requirements of IMF and World Bank) limits pay increments to existing health and education workers which in turn affects work morale and productivity and increased turnover, at the same time restricting new employment. The result suggests that, restrictive wage bill policy could lead to increased unemployment and work morale of existing workers and affect quality of public service and may not so appropriate to public sensitive services.</p>
Factors influencing public sector wage bill (FSA3)	<p>(i) Public sector wage bill (PSWB) is affected mostly reported in this study to be influenced largely, by the IMF and WB through restrictive wage requirements and need to increasing allocation of funds to development projects and on debt servicing and ability of the Government to generate revenue internally. This in turn results to freezing hiring of new employees and restraining public sector employees' compensation.</p> <p>(ii) While cost of living and increased demand of workforce are cited as to influences wage bill, they are rarely lead to increased pay and benefits in public sectors and minimum wages are well below the estimated cost of living which restricts employees ability to afford a desired standard of living and in turn acts disincentive to work hence comprised quality of services rendered.</p> <p>(iii) The increase in overall public debt reduces the government ability to pay or increase domestic payment in terms of improved wages or new employment opportunities as the increment may expose the country into fiscal sustainability risk</p>

The overall implication from the study is that as the government struggles to ensure wage bill remains manageable, its impact to key sectors should not be ignored. The wage bill restrictive policy could not be ideal for sensitive sectors such education and health as they are directly related to population well-being. Results from the study challenges the government and relevant international Organisations to reconsider and revisit their perception towards public sector wage bill (PSWB), especially on education and health sector. We specifically make the following recommendations:

- The IMF and World Bank should align her financing conditions with the country's specific needs and social service impact at a given particular time and refrain restrictive wage policy to critical sectors of the economy.
- The Government should exert more efforts to increase government revenue expand progressive tax revenue to enable the increase of health and education sectors budgets to the established standards without a threat to fiscal sustainability risk.
- Commit to spending at least 20% of the national budget on education. This is due to the fact that, investment in education has not expanded in line with the

large increases in enrolment in primary and secondary schools. Increased budget will allow investment in human capital and infrastructure for quality education service delivery.

- Given the population growth, shortages of human resource, and the implications of the COVID-19 pandemic, the share of the health sector budget should be increased to at least 15% to enrol new staff and improved health workers welfare.
- The restrictive public sector wage bill policies are observably harmful to public service delivery in education and health sectors. The IMF should conduct public service impact assessment of PSWB conditions before its implementation.
- The Government should enhance the working conditions and provide working facilities in health and education sector to ensure workforce retention and quality service to the citizens.
- The Government should plan and commit to the implementation of long-term economic development and improvement of number and quality of workforce socially strategic sectors (education and health).
- The Government borrowing should be well thought and strategically executed to control its impact on fiscal sustainability and its impact on overall economic condition.
- The Government should strike a balance between development expenditure and operational needs especially in key social service sectors, such as education and health.
- The Community Based Organisations (CBOs), Social Groups (SGs), Political Parties, Gender Activists and the general public should exert pressure to Government and protest against any wage restrictive movement in critical public service sectors.

ANNEXES

Annex 1 (A1) – Questionnaires and Interview Guide

The questionnaire and interview guide questions were designed to ably address the focus study areas (FSAs). They are arranged in three (3) groups which represent each respective FSA. The questions were sent at least two (2) days before the interviews was held.

A: Questionnaires

1. Public Sector Wage Bill (PSWB) trend and Timing

Put Tick (✓) In the Appropriate Box for Each Question Below:

Use Key: A= Agree, SA= Strongly agree, D= Disagree SD=strongly disagree

S/N	MEASURED VARIABLE	SA	A	D	SD
1	Is your salary enough for your monthly expenditure?				
2	Does your employer offer salary increase?				
3	Does the salary increase come in time?				
4	Does your employer offer other employment benefits?				
5	If you are entitled to receive employment benefits, does it come in time?				

2. Assessment of The Impact of Public Sector Wage Bill in The Quality of Service Delivery in Tanzania.

S/N	MEASURED VARIABLE	SA	A	D	SD
6	Do you think your salary and other employment benefits motivate you to work hard?				

7	Does your work station have enough employees?				
8	If yes for question 7 above, is the shortage of employees very huge?				
9	Does it take too long for your employer to recruit new employees?				
10	Does the salary increase and the related employment benefits improve the quality of services in your work station?				
11	Do you think the salary level/amount of salary paid to civil servants in your work station affects the service performance of employees in your work station?				
12	Do you think if the civil servants are paid better salary/employment benefits will it lead into working beyond the expectation?				

B: Interview Questions -

- If you compare the salary and salary benefits paid by the private sector relative to the public sector, which one do you think will lead into a better performance? Why?
- What is the impact of the delayed salary increase in your performance if any?
- Do you think the salary level or the amount of salary paid to civil servants in your work station affects the services performance of employees in the work station?
- Does the amount of salary /salary level paid to workers lead into adequate quality of services? Why?
- To what extent does salary benefits that are offered by your employer motivates the employee to offer a quality service?
- What do you think are the main factors that affect the trends in wages in this sector?

Annex 2 (A2) – List Documents and Reports of to be Reviewed/Studied

The documents listed in Table A2.1 were reviewed in collecting information /data to address each of the identified FSA. Several research reports, policy and budget documents relating to the wage bill and public expenditure were critically studied and evaluated.

Table A2.1: List of Selected Documents to be Reviewed	
Specific Focus Study (SFA)	Document(s)

<p>FSA1: Establish Trends in Public Sector Wage Bill</p>	<ul style="list-style-type: none"> - Reviewed Wage Bill Study Reports - SHOPS (2013) Tanzania private health sector assessment - Globalization and Health (2019) Experience of care in the context of payment for performance (P4P) in Tanzania - WB (2020) Public wages and Employment - Public Service Management, URT (2010) public service pay and incentive policy. - NBS, Ministry of Finance, URT (2015) Formal sector employment and earnings survey, Tanzania mainland. - AATZ (2019), Bedrock of Inclusive Education for Advocacy. - Assorted National Policy Documents (Tanzania) inclusive of National Budget Documents, National Development Plan III (2021/22-2024/25), Budget Performance Reports, etc. - ILO (2020-21) Flagship report – Global wages and minimum wages in the time of COVID-19.
<p>FSA2: Assess Impact of Public Sector Wage Bill in the Quality-of-Service Delivery</p>	<ul style="list-style-type: none"> - WHO, OECD and IBRD/WB (2018) Delivering quality health services; a global imperative for universal health coverage? - Public Service Management, URT (2010) public service pay and incentive policy. - ILO (2020-21) Flagship report – Global wages and minimum wages in the time of COVID-19.
<p>FSA3: Analyse the influencing factors for public sector wage bill</p>	<ul style="list-style-type: none"> - Mosadeghrad A.M (2014) Factors influencing healthcare service quality, Int J Health Policy - Management 2014 Jui: 3(2): 77-89. - Globalization and Health (2019) Experience of care in the context of payment for performance (P4P) in Tanzania. - Ackson T, Regulating working conditions in the Globalising World: Recent Trends in Tanzania. Faculty of Law, University of Dar es Salaam, Tanzania

References

1. Corbin, J & Strauss, A (2008). Basics of Qualitative Research (3rd ed.): Techniques and Procedures for Developing Grounded Theory. *Sage Publications*.
2. Stake, R. E. (1995). The art of case study research. Thousand Oaks, CA: SAGE Publications.
3. Cummins, M. (2019). Fiscal Space for Children and Human Capital in Eastern and Southern Africa: Options and Strategic Entry Points to Address Investment Gaps in 16 Countries.

4. Ackson T, (2009). Regulating working conditions in the Globalizing World: Recent Trends in Tanzania.
5. Bank of Tanzania (BOT). Annual Report 2019/2020
6. Bank of Tanzania. (BOT). Annual Report 2018/19
7. Bank of Tanzania. (BOT). Annual Report 2017/18
8. Bank of Tanzania (BOT). Annual Report 2016/17
9. United Nations Children's Fund (UNICEF). Education Budget Brief for Mainland Tanzania (2020).
10. United Nations Children's Fund (UNICEF). Health Budget Brief for Mainland Tanzania (2020)
11. United Nations Children's Fund (UNICEF). Education Budget Brief for Mainland Tanzania (2018).
12. United Nations Children's Fund (UNICEF). Health Budget Brief for Mainland Tanzania (2018)
13. United Republic of Tanzania (2016), Second Five Year Development Plan 2016/2017-2021/2022. Dar es Salaam.
14. International Monetary Fund. "Tanzania Country Report" Washington (2016).
15. United Nations Children's Fund (UNICEF). Fiscal Space Profiles of Countries in Eastern and Southern Africa. Case Study of Tanzania Mainland Fiscal Space Analysis (2017).
16. ActionAid (2017). Citizens' Education Report for Tanzania
17. BBC Africa News (2017). Tanzania purges 10,000 ghost workers in anti-corruption drive
18. International Monetary Fund. Press Release No. 21/256 Emergency Support to Tanzania to Address the COVID-19 Pandemic
19. Tanzania Employment and Labour Relations Act 2004.
20. Tanzania National Employment Policy 2008
21. World Health Organization. (2020). Findings from a rapid review of literature on ghost workers in the health sector: towards improving detection and prevention.
22. Ministry of Health and Social welfare (MOHSW). (2014). Human Resource for Health and Social Welfare Strategic Plan 2014–2019.
23. Rickard, S. J., & Caraway, T. L. (2019). International demands for austerity: Examining the impact of the IMF on the public sector. *The Review of International Organizations*, 14(1), 35-57.
24. Piatti-Fünfkirchen, M., & Ally, M. (2020). Tanzania Health Sector Public Expenditure Review 2020.
25. World Bank (2021), Beyond Wage Bill Ceilings: The Impact of Government Fiscal and Human Resource Management Policies on the Health Workforce in Developing Countries, Background Country Study for Rwanda. Web report: <http://documents.worldbank.org/curated/en/2008/06/16332540/rwanda-beyond-wage-bill-ceilings-impact-government-fiscal-human-resource-management-policies-health-workforce-developing-countries>.
26. Mbaleki C. I (2021). Public Sector Wage Bill and Economic Growth, Evidence from South Africa (Southern Africa Towards Economic Development SA-TIED, WP No.179).
27. Mukandala, R., & Gunning, J. W. (2018). The civil service and economic development in Tanzania. *final version, March 2018*.

ActionAid is a global movement of people working together to achieve greater human rights for all and defeat poverty. We believe people in poverty have the power within them to create change for themselves, their families and communities. ActionAid is a catalyst for that change.

<http://actionforglobaljustice.actionaid.org>

International Registration number: 27264198

Website: www.actionaid.org
Telephone: +27 11 731 4500
Fax: +27 11 880 8082
Email: mailjhb@actionaid.org

ActionAid International Secretariat,
Postnet Suite 248, Private Bag X31, Saxonwold 2132,
Johannesburg, South Africa.

October 2021