



# Optimising Nigeria's Public Service Post-COVID in an era of Rising Unemployment

Briefing Note | August 2020

*This note attempts to review options for Nigeria to consider in the COVID era to improve outcomes from a large public service that consumes almost a third of the total budget of the Federal Government. With double constraints of being viewed as the “employer of last resort”, in a fast impoverishing economy, while bounded by an upper limit of state revenues, ironically compounded by the productivity of the same under-productive workforce, the country’s public service risks a vicious cycle of under-productivity and “poor-quality in, poor-quality-out”. On the other hand, sub-optimal decisions on public service manpower in the short-term would in the medium-term jeopardise the quality of policies and regulation to create an enabling environment for private-sector led. Based on policy options and learning points from Nigeria’s previous reforms and other countries’ experiences, some options are presented to assist policy makers in reviewing immediate alternatives for optimising one of Africa’s largest public sector workforce.*

## Introduction

No nation has ever been able to advance beyond its public service. As Nigeria’s main engine for delivering public policy, public goods and administration, the Nigerian public service is both the largest cost centre and the largest enabler for effecting an enabling business environment in Nigeria. Accordingly, optimising the Nigerian public service is key to maximising citizen outcomes in an era of declining national revenues and challenged Gross Domestic Product. Since the return to democracy in Nigeria in 1999, several initiatives have been implemented towards optimising people, processes and systems in the Nigerian public service. Most public service reforms have utilised elements of either or both of comparative public service benchmarking and the user oriented/ market-oriented public management approaches (Drechsler, 2005). On the whole, the outcomes from most public service reforms have been mixed with many of them not delivering the full value of their promised benefits (BPSR, 2015).

Beyond the process and people issues in the Nigerian public service that create financial inefficiencies, experts have also recognised the over-riding structural issues with the country’s Federalism and Presidential system that warrant a fairly large, and potentially costly, bureaucracy (Olaopa, 2017). With many African countries, including Nigeria, expected to witness declining revenues in double-digits, and GDP contraction by an average of 5% or more, optimisation of existing systems and resources becomes paramount. This Policy Note does not attempt to duplicate the widely documented issues and gaps with the existing structure and bureaucracy of Nigeria’s public service, but rather to highlight possible considerations in view of tightened finances post-COVID.

## 2.0 Purpose & Structure

The purpose of this Note is to highlight broad considerations to examine when improving Nigeria's public service. It does not replicate established gaps and issues with the country's public service. The document is organized around three parts: the magnitude of the problem, global trends and learnings from other contexts, and possible policy options.

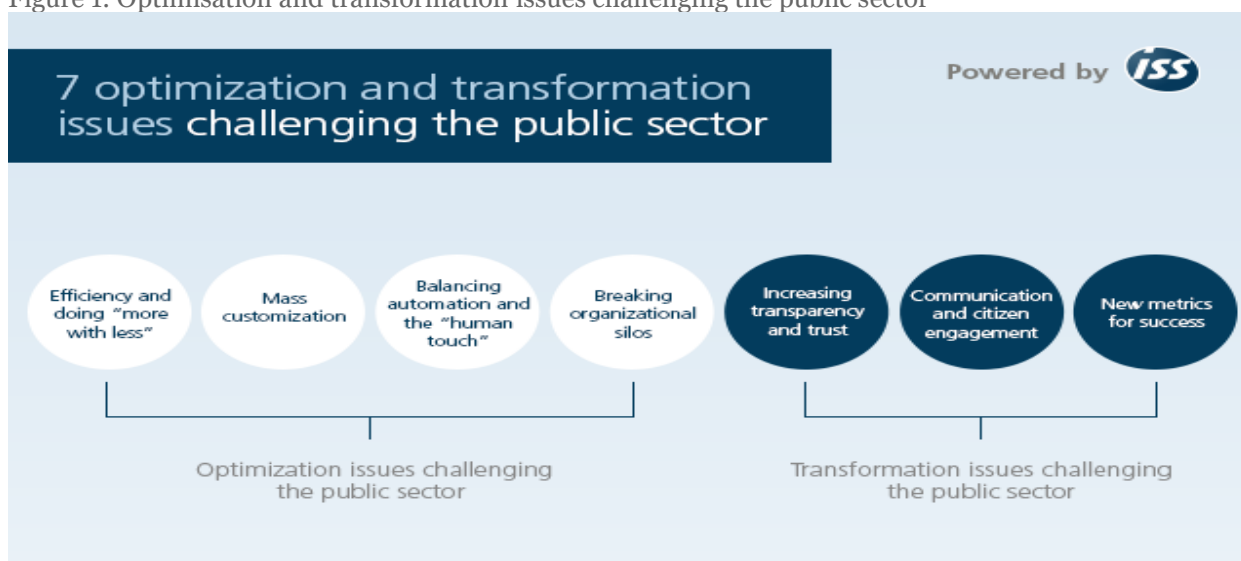
## 3.0 Magnitude of the Problem

Nigeria faces an unprecedented challenge of declining revenues and increasing unemployment. Between 2017 and 2019, Nigeria had recorded a significant increase in unemployment and underemployment within a space of two years, following the economic recession experienced in 2016.

The unemployment figure is projected to rise from 29.7% in 2019 to 33.5% in 2020. The social pressures from the rising unemployment is constraining many national governments to maintain the size of their public service workforce in the immediate term.

In Nigeria, the challenges with the bloated size, structure and huge financial drain of the public service are well documented (Figure 3.1). A comparison of Nigeria's public service wage bill ratio relative to other African countries is presented in Appendix 1. Direct labour costs in forms of wages and salaries have constituted about a quarter of total Federal Government budget in the past decades. Based on consulting firm Price water house Coopers (PwC) analysis and a review of various releases by the Government, the Federal Government's workforce was reported to be about 400,000 in total as at 2018/19, signifying that about 0.2% of the country's population consumed about one-third of the Federal budget (Figures 3.2 and 3.3). Nonetheless, despite best efforts, there is yet no clear path to ensuring improved productivity in the Nigerian public service.

Figure 1: Optimisation and transformation issues challenging the public sector



Source: ISS Services Future (2020)

Figure 2: Consolidated employee costs (salaries, pensions, and gratuities) of Federal Government workforce (Source: Budget Office, PwC)

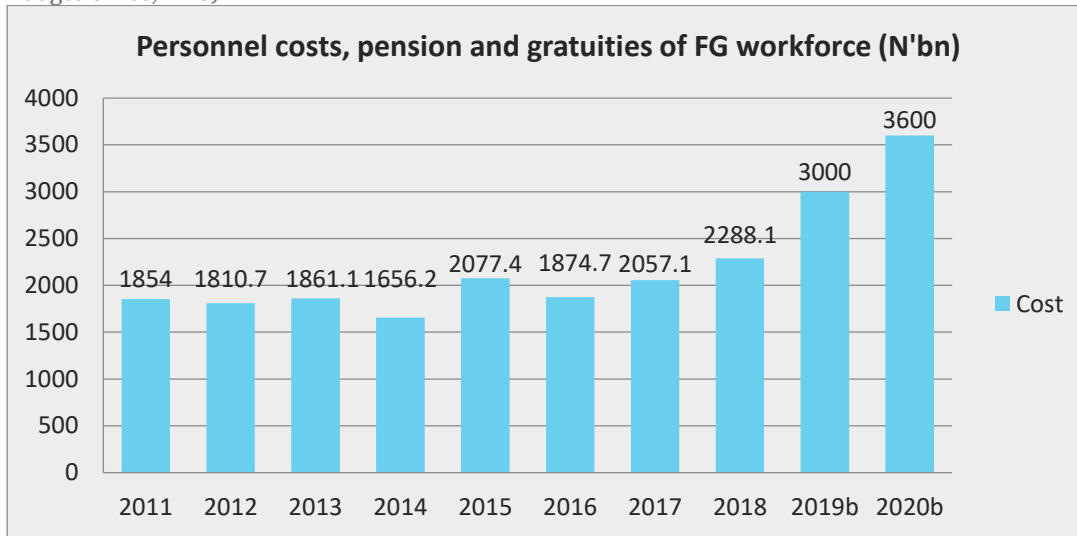
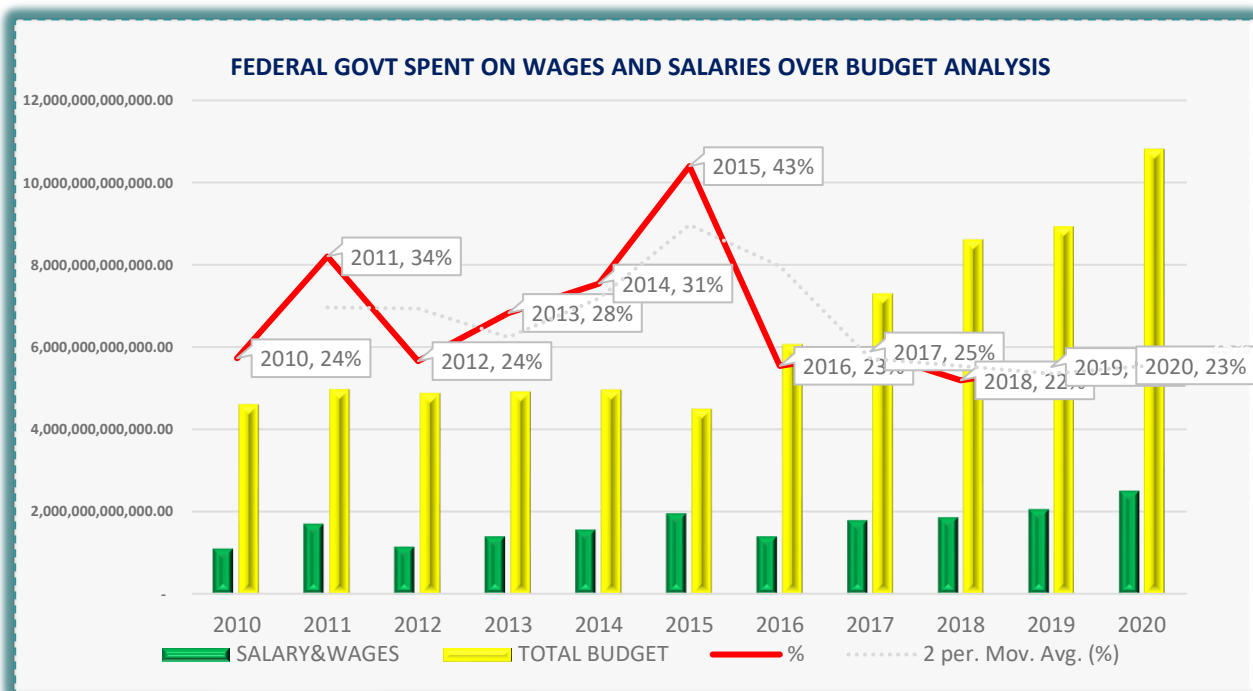


Figure 3: Wages and Salaries of Federal Government Employees



While the huge cost of the public service bureaucracy is a concern, the greater challenge is the absence of a clear path to improved productivity beyond a plethora of discrete, on-going reform initiatives.

The Federal Government’s acceptance of the strategic importance of addressing the inefficiencies of the large public service bureaucracy has resulted in several Federal Government Presidential and Ministerial Committees to deliver on this benefit, with the penultimate being the Presidential Committee on Restructuring and Rationalization of Federal Government Parastatals, Commissions

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And Agencies, otherwise referred to as “The Oronsaye Report”. Noteworthy is the public announcement of the current Administration, through the Honourable Minister of Finance and Planning, to implement parts of the White Paper on the Oronsaye Report.

Many experts, including retired permanent secretaries and academics on public policy, however doubt that the implementation of the White Paper would result in any significant savings and sustainable cost-benefits for reasons ranging from the fact that the White Paper rejected most of the far-reaching recommendations of The Oronsaye Report; to embedded process issues that result in perennial wastages and leakages. Other qualitative reasons cited by experts include the antecedents of weak implementation of approved recommendations of previous Committees on restructuring the public service, with at best partial, superficial or haphazard implementation. Opinion surveys conducted by leading business newspaper Business Day during its dialogue themed ‘A National Conversation: Mapping Nigeria’s Response to COVID-19’ also indicated that approximately 70 per cent of respondents are dissatisfied with the Federal Government’s overall response to COVID-19, and also doubted government’s resolve to “*right-size the country’s ministries, departments and agencies (MDAs) which are a drain on its resources*”. ([Business Day, 2020](#))

This scepticism is founded on earlier assertions credited to the Honourable Minister of Finance and Planning that there would not be any immediate layoffs despite the rationalisation of MDAs, and also to the Honourable Minister of Labour that the on-going work by the Presidential Committee on Salaries, Income and Wages does not necessarily imply a full implementation of the Oronsaye Report nor its White Paper<sup>1</sup>.

In view of the current realities of the Federal Government not to down-size its workforce, alternative options to improve workforce productivity in the short to medium-term would need to be explored.

#### 4.0 Global Trends and Learning Points

Globally, many countries have responded to the increased governance and administrative burden occasioned by COVID-19, by implementing emergency responses in as pragmatic a manner as possible within existing public service frameworks. The World Bank recommends four main areas for national governments and their public service to improve their responsiveness in the wake of covid-19:

- New policy formulation for the new-normal
- Improved policy co-ordination
- Responsive funding
- Fast, Agile implementation

Civil society groups and opinion polls suggest that while Nigeria may have fared fairly well on the first aspect of new policy formulation, the country’s performance drops significantly as we move from improved policy co-ordination to fast, agile implementation. In Nigeria, as in many African countries, the public sector is the largest spender and employer, and it sets the policy context and speed for the rest of the economy.

Typical coping responses to overbloated or under-productive workforces, and a strategy that has been deployed too many times in Nigeria, has been to tweak wages and number of hours worked by their employees. However, this may not be appropriate at this time. Globally, the World Bank estimates that public sector employees represent around 15% of all workers and 30% of wage workers. Any drastic reductions in employment or wages of such a large proportion of the workforce may therefore have an adverse impact on livelihoods, with varying social burdens per country (World Bank, 2020). For Nigeria, the Federal Government of Nigeria, generally perceived as the employer-of-last-resort and a social buffer has publicly announced that it would not reduce the number of employees or

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<sup>1</sup> <https://thenationonline.ng.net/merger-wont-lead-to-job-loss-ngige-2/>

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employee benefits. Nonetheless, a strategic opportunity exists for the Government to introduce and enforce productive-enhancing reforms in a co-ordinated and structured manner that all employees must abide with. Many experts agree that this is a crisis that must not be wasted.

On-going public service reforms in some countries like **Egypt** and **Serbia** suggest considering:

- Exploring quick-wins in reducing the average cost per employee, without salary reduction
- Gradually correcting the uneven distribution of employees from cost centres to more productive citizen-facing centres or to revenue-generating agencies. Strategies such as offering employees higher wages with a performance tranche may be effective in moving employees away from bloated units or agencies.

Other tactical initiatives could include:

- Implementing a series of quick-wins to boost productivity in the medium-term. For instance, this could include accelerated migration of employees to official mail and collaboration platforms. In Nigeria, anecdotal evidence suggests that over half of the public service, including Cabinet-level officers, still use personal email addresses for official correspondence and sensitive information. Tying continued receipt of wages to compliance with new ways of working, may be effective, in certain instances to enforce certain operational improvements.
- Leveraging the fiscal pressures from COVID-19 to justify, entrench and institutionalise newer controls for employee-related expenses such as travels and out-of-town training. While some of these expense lines such as travel and estacodes have been automatically controlled as a result of restrictions in movement during the COVID-19 prevalence, there is a risk that these benefits may be short-lived, if not properly gazetted and approved at the highest levels of Government.
- Borrowing talent from the private sector, that may be otherwise under-utilised as a result of COVID-19, to assist with implementation of some of the tactical change initiatives in the public service.

While in some countries such as **Singapore**, the Prime Minister's Office' Public Service Division has agreed one-time salary cuts for public officers in 'super scale grades' with those in higher grades taking a bigger cut, parallel initiatives on non-wage benefits may be worthy of consideration in developing countries such as Nigeria.

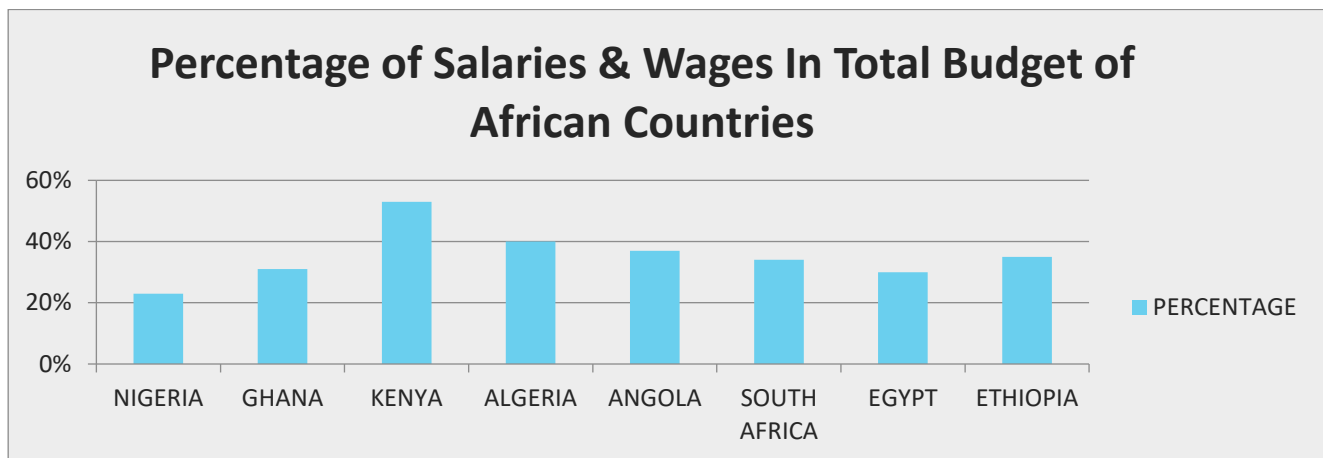
## 5.0 Next Steps

The COVID-19 health crisis has dramatically exposed more vulnerabilities in state capacity in Nigeria. Invariably, once the impact of COVID-19 abates, the country would require following through on earlier promised reforms that may not have been fully implemented. Till the abatement of COVID-19, the Government of Nigeria may need to commence the implementation of quick-wins to institutionalise cost-savings measures that do not directly hit the wage bill. As most cost-reduction and productivity-enhancing initiatives take time to yield measurable impact, there may be no better time to commence the deployment of these initiatives.

Several countries have moved beyond broad strategies to measurable action plans to optimize their public service delivery during the covid-19 health emergency. An immediate next step would be for Nigeria to attach target outcomes in quantitative terms to each of the initiatives in its scheduled restructuring of the public service. Specifying expected outcomes, even if only as provisional estimates, would hold the Government to increased self-accountability, as well as build confidence in development partners and other development institutions, who are disposed to sponsoring more transformation initiatives that have clear and measurable outcomes attached.

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## APPENDIX:



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