

ABSTRACT

The study investigated has implications of changes in the real wages of Punjab government employees. It analyzed the influence of inflation on the real wages, on the domestic saving behaviour of public employees and on the search for other income sources except the salaries received from the government exchequer. The method of study included (1) an analysis of real wage trends shown by real wage indices and nominal salaries as percentage of GNP per capita income (2) a case study of two government departments based on a survey. The study examined the real wage trends of 22 public sector pay scales, over a period of 24 years, from 1977-78 to 2000-2001.

The trends shown by the real wage indices and nominal salaries as percentage of GNP per capita indicated erosion in the real wages of almost all pay scales. The erosion in the real wages of higher grades was considerably high as compared to that of lower grades. The information obtained from the survey highlighted the decreasing trend in the domestic savings at public employees OT both Finance Department and Excise and Taxation Department. The survey further indicated that employees of these departments where less or no public dealing was involved were more eager to search for other sources of income.

Implications of this research for policy makers in Pakistan are many. It was recommended that (1) the share of allowances and fringe benefits should be reduced in total nominal salaries. (2) At times of higher inflation the salaries should be rationally indexed. (3) Linkages between performance and rewards should be strengthened. (4) Combine check of wages and prices (5) optimal distribution of labor force between public and private sectors. (6) Gradual annual pay increases (7) Policies to raise the saving rate (8) Permission to higher grades for seeking extra sources of income.

Many areas for future research were also identified.