

# Reform without People in Nigeria: Understanding the Implication of “ownership gap” in implementing the Monetization of Fringe Benefits in Public Sector

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## Abstract

This paper argues that there is ‘ownership gap’ in the design and implementation of monetized fringe benefits in Nigeria’s public sector. It attributes the gap to alienation of the people in the public sector as well as the failure of government to recognize the self interest factor of individuals at the introduction of the reform regime. Accordingly the paper notes that this caused the inability of the reform to significantly reduce waste, corruption and failed to promote efficiency and accountability in public service provisioning. Theoretically the study used the public choice theory derived from new public management framework to explain the relationship between self interest and the challenges of monetization regime in the public sector. However in conclusion, the paper links the decadence in public service amidst the reform agenda to the factor it describes as a “reform without people” and recommends that Nigerian government should consider the option of learning from private sector organizations that have successfully applied the principles of monetization of fringe benefits of their personnel.

**Key Words:** Public Sector Reform ,Ownership,Monetization and Fringe-benefits

## 1. Introduction

Nigeria as a multi-ethnic state with strong religious divide is politically and administratively volatile due to identity differences. These have accentuated struggle for personal satisfaction and by extension providing for identity allies in virtually all aspects public endeavour in Nigeria. The public service is not exempted from this politics of self interest.

The history of public service in Nigeria reflects strive for private and sectional gains among the operators (public servants) against the background that it is designed to serve public interest. While this is traced to colonial, military and civilian administrative influences, the aspiration is that governments and administrations should use the public service as apparatus of government to improve organizational performance. The success in this regard reflects contributions to improve education, health, roads and transport systems, and modernization of telecommunication systems. All these and many more are made possible in part by the activities of their public administrations. (Nnoli 2003:249)

Aside from these, much still remains to be accomplished resulting from the decline in honesty and integrity of personnel in public sector. Obviously, therefore, the reason is the struggle for personal advantage within Nigeria’s public administration orchestrated by ethnic and political cleavages that intrude and as well as limit self accounting in public service. The concomitant of this, manifest in poor work ethics where average public officer puts self above public service and works to exploits the system instead of embracing the work with passion.

As recourse to these afflictions, Nigerian government introduced the monetization of fringe benefits as a reform agenda to reinvent the public interest by public servant. This therefore brings us to understanding the concept of ‘monetization’ and ‘fringe benefits’ as used in this study. In the policy document of Federal Republic of Nigeria on ‘monetisation of fringe benefits’, it states that, ‘monetisation’ is the “quantification in money terms of those fringe benefits which government used to provide for its workers as part of their conditions of service”(FGN,2002:10). Furthermore, Onu (2006:275) explains monetisation as “the process of converting fringe benefits attached to workers salaries into cash incentives. The cash incentives are to be paid in swoop or in instalment depending on the financial strength of the paying body”.

On the other hand, fringe benefits as put by McConnell (1987) are the rewards other than wages that employees receive from their employers and which include pension, medical and dental insurance, paid vacations and sick leaves. In the related views of, W.G. Nickels, J.M McHugh and Susan M (1999) fringe

benefits are benefits such as sick leave pay, vacation pay, pension's plans, and health plans that represent additional compensation to employees beyond bare wage.

These benefits were provided by government of Nigeria until 2002, when the then president, Olusegun Obasanjo introduced the monetization of fringe benefits in public service. This becomes interesting especially and for the fact that the reform is introduced to enable government;

- (i) get the true pictures of what it costs to maintain a political office holder or public servant and therefore lead to a more realistic planning, budgeting and budget implementation.
- (ii) enhance fiscal discipline which positively impact on the national value systems and ethics.
- (iii) put corruption on check thereby enhancing efficiency in the public service
- (iv) ensure equity in the allocation of scarce resources
- (v) to help public officers to develop and imbibe a culture of maintenance, discipline and frugal use of public utilities. (The Federal Government of Nigeria policy document (2002:15) on monetization of fringe benefits)

These objectives are very laudable and will no doubt improve public service as found in most private sector organization that practice monetization of fringe benefits. However its practice in Nigeria's public service for the past twelve years has left so much to desire due to abysmal failure of the reform to significantly contribute to the improvement in the workings of public sector. One of identified gaps in this regards is lack of ownership in the reform process by policymaking institution, personnel and beneficiaries. It is therefore within this context that the paper sets to examine implications of 'ownership gap' in implementing monetization of fringe benefits in the Nigeria's public sector. Let us at juncture discuss the technique of this study.

## 2. Methodology

The methodology for gathering information in this study revolves on the use of documentary research. It requires the review of books, journals, government reports and other literatures. The use of this technique is necessary, for the reason that it is assumed that the documented and published work is quite reliable and dependable.

### 2.1 Theoretical Explanation

Choices in the public sector are a matter of locating problems of market failure, determining the efficient solution, and finding ways to achieve it. This is the concern of Federal Government of Nigeria when it introduced monetization of fringe benefits due to public and civil servants. While the concern lasts, the perceptions and dispositions of the targeted personnel pose the challenge of satisfying individual needs. It is upon this understanding that the public choice theory is adopted as a tool to analyze the interests of government and people in public as they interface in the monetization regime. Public choice theory assumes that individuals engage in rent-seeking behavior by pursuing their self-interest in their dealings with the public sector; they continue to try to maximize utility or profit. Public choice theory discards the notion that people in the public sector seek to maximize net benefits to society as a whole. Rather, it assumes that each participant in the public sector seeks to maximize his or her own utility.

This theory is derived from new public management (NPM), which traces its roots to early 1990's in United States of America as a criticism of traditional approach that promotes and primarily conforms to process rather than achieving results. In the words of Rosenbloom and Kravchuk (2002:21) NPM "starts from the premise that traditional, bureaucratically organized public administration is "broke" and "broken" and consequently the public has lost faith in government". Upon this assumption, public choice theory argues against the background individual self interest to opine that for people in public sector to achieve the objectives of satisfying the society, there is need for external oversight by legislature that assesses performance but opposes that which focuses on internal managerial matters, including spending, personnel administration and organisation". (Rosenbloom, D.H and Kravchuk, R, S.2002:573). This perspective argues that accountability in public organisation can be achieved through market mechanism and customers' judgements. As Stoker (1998) argues the New Public Management (NPM) describes models of public service that reflect a 'reinvented' form of government which is better managed. To this end, some have hailed NPM as a "paradigm shift" from the bureaucratic model and attempts to transform the public sector through organizational reforms that focus on results in terms of efficiency, effectiveness, and quality of services. (Osborne and Gaebler 1992; Borins 1994; Hughes 1998). Peters and Pierre (1998:232) note that NPM "replace highly centralized, hierarchical structures with decentralized management environment where decisions on resource allocation and service delivery are made closer to the point of delivery". Accordingly the objectives of public choice theory for organizational performance include; making public administration better through market like competition in provision of goods and services, increased citizens value by making service delivery customer driven, adherence to norms, identification of mission, building accountability, Separating service from control, expanding customer choice, Providing incentives, analyzing results and feedback.

As these “are a common response to common pressures—public hostility to government, shrinking budgets, and the imperatives of globalization” (Polidano, 1999:2). Let us build upon this framework to discuss how public choice theory postulations can be circumvented in public service and maximize ownership so as to gain from monetization of fringe in the public service.

### 3. Reform Ownership in Monetization of Fringe Benefits

The Federal Government of Nigeria between 1999 and 2002 caused massive increment in recurrent expenditure as it rose from 499.67 billion naira to aggressive 696.78 billion naira in 2002 (in other word from about 47.45% to 68.44%) (Bello 2004, AllAfrica.com). The sum is spent in procuring, maintaining and keeping state officials in affluent transportation, accommodation, medical services and so on. Although these amount was spent to improve the non- salary components of their wages and motivate workers to perform better, the outcome remained abysmal low productivity of public personnel. In sum the expected objectives is to reduce to barest minimum such negative fiscal challenges and in the stead, enhance efficiency in resources allocation in order to move the economy forward”. (Guardian, 2004:12). The monetized fringe benefits includes; residential accommodation, furniture allowance, utility allowance, medical allowance, leave grant, meal subsidy, domestic servants allowance, motor vehicle loan and fuelling, Maintenance of official vehicles and transport allowance, meal subsidy and entertainment allowance. (The Obasanjo Reforms: Monetization Policy. A publication of the Federal Ministry of Information and National Orientation .2004:18-19).

Reform ownership is an important determinant for policy success. Its political economy hinges on achieving effective governance at the reduced cost through stabilization and adjustment. Johnson and Wasty (1993:2) describe ownership using a four dimensional variables; “locus of initiative; namely, who had the initiative in formulating and implementing the programme, the degree of collaboration in working out the programme, and whether or not the funding for the programme was extended despite certain reservations of the authorities (disagreements and reluctance to implement some aspects of the programme). The second dimension is the level of intellectual conviction among key policymakers namely, the degree to which there was consensus among policymakers on the nature and causes of the problem, the choices open for its resolution, and the approach to be taken. The third dimension is the expression of political will by top leadership: as reflected, for example, in up-front actions and public statements. The fourth dimension comprises efforts toward consensus-building among constituencies, for instance, by eliciting broad participation in the programme design and in launching a broad-based public campaign to elicit support for the programme outside the central government”. All these combine to achieve ‘national ownership’ which Klick et al (1998:87) describe as “when the political leadership and its advisers, with broad support among agencies of state and civil society, decide of their own volition that policy changes are desirable, choose what these changes should be and when they should be introduced, and where these changes become built into parameters of policy and administration which are generally accepted as desirable”

On the strength of these explanations we note that monetization of fringe benefits has fallen short in part some of the requirements for attaining ownership in the reform agenda. This stems from the stakeholder analysis which reveals, based on the report from the Office of the Head of Civil Service of the Federation (2011) that “the present Administration adopted the monetization programme following strong representations by the Revenue Mobilization, Allocation and Fiscal Commission and after an intensive debate by the National assembly devoting over 60% of its revenue to sustaining recurrent overheads, to the detriment of capital/infrastructural development” The administration referred is that of Government of the Federal Republic of Nigeria.

By this report it is glare that other relevant stakeholders such as employees (public personnel or servants), the labour, head of service, Ministries of Finance and Labour and Productivity were not involved in the initiation of the reform agenda. This essentially is the “ownership gap” in the monetization of fringe benefits as the reform agenda. The negative outcome arising from this, is the concern of the next section.

#### 3.1 The Implications of “ownership gap” in attaining the objectives of monetization

There are a set outcomes from “ownership gap” in the entire monetization process of fringe benefits in Nigeria’s public sector. The first is the culture of inconsistency and lack of uniformity in the standard of implementation. This arose from battered political will exhibited by political leaders and conflicting assumptions in the theory and practice federalism among the federating units in Nigerian state. This essentially is a challenge in the reform process given that the background to reform ownership places political environment and commitment as apriority condition required for reform success. Obviously, many State governments and local Government councils in Nigeria have either not or half hazardly implemented. The tension and industrial crises associated with this is a reflection and perception of imposition by the public servants. It is a manifestation that governments of Nigeria is unable to get the true pictures of what it costs to maintain a political office holder or public servant for a more realistic planning, budgeting and budget implementation.

The second implication of ownership gap in the monetization policy is a reflection of assumptions of public choice theory that public servants are self serving. As a consequence, the government institutions are weakened and capacity to ensure compliance compromised. All these tilt to the fact that there is low macroeconomic improvement that can sustain market reforms in public service without attitudinal capacity to operate the principles of market in a public sector developed along socialist ideals. Importantly, this gap therefore is a concomitant of a State where social services were earlier provided free by government.

As a follow up, the third repercussion of ownership is that the reform agenda has failed to enhance fiscal discipline which positively impact on the national value systems and ethics. By extension the weak institutional mechanism has unable to put corruption on check thereby enhancing efficiency in the public service. This explains the growth in corrupt practices besides the improvement in corruption perception index of Nigeria from the rank of 143 out of 183 countries studied in 2011. (Transparency International corruption perception index report of 2011)

([http://www.transparency.org/news\\_room/in\\_focus/2007/gcb\\_2011](http://www.transparency.org/news_room/in_focus/2007/gcb_2011) retrieved on 23/07/12).

The analysis of monetization of fringe benefits within the lens of reform ownership further reviewed the weaknesses of total commitment in implementing this reform agenda since its introduction in 2002, as it lacks comprehensiveness in formulation and implementation. This hinged on the ignoring beneficiary ownership as essential ingredient in reform success. The challenge of comprehensiveness also extends to the civil servants who ought to be properly consulted in the policy process bearing in mind that they are the custodian of public sector as well as the prime target benefactors. (see Guardian, Wednesday, July 16, 2003:15, Guardian, Tuesday, August 5, 2003:3). Compliment to this is the assertion of Omema (2007:28) that, "in Nigeria, most reforms are talked about at the strategic rather than operational level. Only a few people at the top know what the policy is actually trying to achieve. As such it is not out of context to say that the exercise is elitist, both in conception and implementation. This accounts for the emergence for the winners and losers thereby weakening accountability process in the face of prevailing completion for individual gain. While personal satisfaction is cardinal to drive attainment of reform objectives, effective governance is desirable to avoid decadence in public service provisioning.

It is therefore as a matter of conclusion to recommend that both government and recipients need to reappraise the reform agenda to ensure total commitment towards eliminating private interest as a basis for public service delivery among public servant. To this extent the objectives of monetization should reflect the market attitude of private sector both in form and operation to promote good governance in Nigeria.

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