

# Underpayment of Public Workers and Corruption in Government Sector in Nigeria

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**Abstract**— The focus of this study was on how underpayment of public workers in Nigeria affects corruption in the public sector. The study adopted descriptive survey research design. A sample size of 246 was purposively selected from both Federal and State civil servants in Nigeria. The data were analyzed using descriptive and inferential statistical methods. The study found that underpayment of government workers has significant effect on corruption in public sector in Nigeria. Underpayment of public worker had a positive and significant effect on Corruption Corr ( $\beta = 0.264$ ,  $t = 06.170$   $p < 0.05$ ).

**Index Terms**— Corruption, Underpayment, wages, government expenditure, Economic growth.

## I. INTRODUCTION

Underpayment of public workers has been identified as one of the channels of corruption globally (Abbasove(2014)). The general perception is that civil servants with insufficient salaries to meet the living expenses of their families are driven by necessity to engage in corrupt practices (Gong and Wu, 2012). An economy where wage fixed is below that which clears market that is below the equilibrium wage level, the market in such circumstance is usually characterized by extensive low-level (Petty) corrupt payment. In low level type of corruption (petty), small amounts of money is given to lower level civil servants just to speed up the procedures or to get favour. This is very common in the public sector. Underpayment of public workers is in most cases offset by the opportunities offered to such workers to supplement their pay by bribery, providing incentives for the efficient discharge of their responsibilities and raising their pay to market clearing levels. The general perception is that, Petty corruption in the Nigerian public sector over the years was due to low salaries and wages of the civil servant. It was for this general assumption that this study was carried out to examine the relationship between underpayment of public servants and corruption in the Public sector in Nigeria.

**Objective of the study:** To study the effect of underpayment of public workers on corruption in public sector in Nigeria.

**Hypothesis:** Underpayment of Public Servants has no significant effect on corruption in Nigeria.

**Model:**  $CORR = \alpha + \beta UNPAYT + \epsilon$

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## Method of data analysis

The research designed adopted was descriptive survey and inferential statistical methods.

## Theoretical framework:

This study was based on the principal agent theory which emphasizes that the interests of principal and agent diverge, that there is informational asymmetry to the advantage of the agent,

but that the principal can prescribe the pay-off rules in their relationship.

## II. EMPIRICAL REVIEW

Findings from studies show that principal-agent problem occurs when a bureaucrat or an agent uses his/her public authority and access to information about a public good or a scarce commodity to extract rent from the principal by whom the agent is employed to deliver a public service or good. The principal-agent theory argues that it is the monitoring costs that allow the agent, who is entrusted with a particular public duty, to engage in malfeasance (Bardhan, 1997). An agent may be entrusted with the allocation of a public good or service (licence, permit, official approval, public property etc.) demanded by the principal. If the principal is constrained in his/her capacity to hold the agent accountable (i.e., if monitoring the agent is costly), the latter can engage in the collection of illegal charges, leading to higher transaction costs, inefficiencies in the allocation of resources, and higher risks for innovators and investors (Bardhan, 1997).

If an agent holds a decision-making power with respect to allocation of public expenditure funds or sale of public assets and the monitoring costs are high, this position will enable the agent to manipulate the allocation of public funds and sale of public assets in a way that produces unlawful economic gains to him Tanzi (1998), this type of corruption distorts the decision making processes connected with public investment and expenditures thus affect economic growth negatively (De La Croix and Delavallade, 2009).

According to Myint (2000), civil servants with insufficient salaries to meet the living expenses of their families are driven by necessity to engage in corrupt practices such as the underhand payment.

Apart from encouraging corruption, low pay has other detrimental effects on the attitudes and performance of public employees; it lowers their morale, increased inefficiency, moonlighting, absenteeism and loss of self-respect and dignity (Myint, 2000). As a result, some of these employees become nasty, rude and indifferent in their dealings with the

general public (Kiser and Tong, 1992).

According to Krueger (1993), besides wages, increasing weight of government in the economy also has detrimental effects on corruption. Growing state intervention in the economy shifts control over greater financial resources into the hands of political class and bureaucrats (Delavallade, 2005). This usually prepares the ground for corruption. Economic interventions of governments not

always aim optimum benefit for the society but frequently self-interest motives of politicians affect the choice of policies (Treisman, 2000).

Culture and social structure are two of the most important factors affecting corruption (Bayer, 2003). What is perceived as corrupt in one country or a people within a country can be seen as a normal way of doing business in another country or by other group of people within the same country. In some countries kinship, clanship based loyalties may be more important than public duties. Some cultures value hard working, entrepreneurship, and success, while some others value building connections, rent seeking and fast gains. Cultures which value rent seeking will be more corrupt.

### III. DISCUSSION OF FINDINGS

#### Descriptive Statistics

Analysis of information obtained from the respondents showed that 150 or 49% of them strongly agreed that underpayment of public workers contributes to the level of corrupt practices among the civil servants, 98 or 32% of them agreed with 44 or 14.4% slightly agreed to this statement. From the information in this same table 4.5, only 4 or 1.3 of the respondents slightly disagreed that underpayment of public workers lead to corrupt practices among them, another 4 or 1.3% disagreed while the remaining 6 or 2% strongly disagreed. In all, a mean of 5.2 was obtained of the relationship between underpayment of public workers and corruption. It can therefore be inferred from this result that underpayment of public workers is a strong factor in corrupt practices among the public workers.

One of the consequences of corrupt practices among the public workers is believed to be the creation of administrative bottlenecks which hinder smooth operation of the government. Out of the 306

respondents, 120 or 39.2% strongly agreed that petty corrupt practices among the public workers which results from underpayment of public workers creates administrative bottlenecks, 144 or 47.1% agreed while 34 or 11.1% slightly agreed. Only 4 or 1.3 slightly disagreed, 2 or 0.65% disagreed and remaining 2 or 0.65% strongly disagreed. This analysis with a mean of 5.2 gives a strong indication that petty corruption creates administrative bottleneck. Administrative bottleneck hinders private investments in the economy. Many private investments which could have caused the economy to expand are discouraged because of the bottlenecks to obtaining requisite services from the government. Furthermore, 100 respondents representing 32.7% of the total respondents strongly agreed to this statement, 140 representing 45.8% agreed while 44 or 14.4% slightly agreed,

16 or 15.2% slightly disagreed, 4 or 1.3% disagreed and 2 or 0.7% strongly disagreed. The mean is 5.0 showing that to a very large extent, administrative bottleneck is a major constraint to investment and economic growth.

On corruption among the public servants and economic and social wellbeing of the citizens, 124 or 40.5% of the respondents strongly agreed that the welfare of the citizens is adversely affected by the level of corruption among the public servants in Nigeria. In addition to this 140 respondents represent 45.8% of the total respondents agreed to this statement and 44 or 14.4% slightly agreed. It can also be seen from the table that only 8 or 2.6% slightly disagreed while the remaining 8 or 2.6% disagreed. No respondent strongly disagreed. The respondents further agreed that corruption among the government workers reduces the magnitude of government expenditure multiplier through financial leakage. The respondents who strongly agreed to this were 88 representing 28.8% of the total respondents, those who agreed were 134 or 43.8% of the respondents, 50 or 16.3% slightly agreed, 20 or 6.5% slightly disagreed, 6 or 2% disagreed and 8 or 2.6% strongly disagreed.

The petty corruption is also believed by the respondents to have high adverse consequences on the revenue of the government. From the table 4.5, 116 or 37.9% of the respondents strongly agreed that petty corruption reduces government revenue, the next 116 or 37.9% again also agreed to this statement while 36 or 11.8% slightly agreed. Those who disagree include 28 or 9.1 who slightly disagreed and 10 or 3.3% who strongly disagreed. No respondents strongly disagreed.

### IV. REGRESSION ANALYSIS

Tables 1, 2 and 3 below contain the results of the Regression analysis carried out on the relationship between Underpayment of Public Workers and Corruption in Nigeria. In table 1, R is the correlation between Corruption and Underpayment of public workers, its value is 0.334. The inference drawn from this result is that the two variables are positively correlated, that is they move in the same direction. At 0.334, the relationship is relatively low. In the same way  $R^2$ , which measures the strength of the relationship between Corruption and Underpayment of public workers, is 0.111 that is a 11.1% of Corruption is explained by the level of Underpayment of public workers in Nigeria. In the ANOVA table 2, F-value which is the Mean Square Regression (22.993) divided by the Mean Square Residual (0.604) is 38.066. The P-value associated with the F-value as shown in the significant column is 0.000, this is less

than 0.05 indicating fitness of the model to the hypothesis. The P-value shows that there is a significant relationship between the predictor and the dependent variables.

In the co-efficient table, the value of constant is 3.835 representing the value of corruption when Underpayment of public workers is zero. Coefficient of the independent variable UNPAYT, that is  $\beta$  is 0.264. This shows that a 26.4% increase in Underpayment of public workers results in increase in in Corruption level by 1 unit. The significant levels of the t-calculated in the coefficient table 3 are 16.881 for

constant and 6.170 for the independent variable is 0.000 for each of the t-calculated. This is less than 0.05 showing that the independent variable is a good predictor of the dependent

variable. The model for this corruption variable can be re-stated as follows;  $y = 3.835 + 0.264x_3 + 0.04$

### UNDERPAYMENT OF PUBLIC WORKERS

**Table:1 Model Summary**

Model	R	R Square	Adjusted R Square	Standard Error of the estimate	Durbin- Watson
1	0.334	0.111	0.108	.77716	1.951

Source: Researcher’s field survey 2015

**Table: 2 ANOVA**

Model	Sum of squares	Df	Mean Squares	F	Sig.
• Regression	22.993	1	22.993	38.066	.000
Residual	183.622	304	.604		
Total	206.614	305			

Source: Researcher’s field survey 2015

**Table:3 Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficient	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.835	0.227		16.881	.000
UNPAYT	0.264	0.043	0.334	6.170	.000

Source: Researcher’s field survey 2015

### V. CONCLUSION

The results of this study show that there is a significant relationship between Corruption and Underpayment of public workers. It can therefore be concluded from these results that

Underpayment of public workers increases the level of corruption in the Nigerian public sector. Further study in this area may want to examine the reasons for underpayment of public workers in Nigeria.

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