



## The Pay Gap in the Public Service: Status and Proposed Mitigation Measures





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# Contents

1. PREFACE	4
1.1. Objectives	5
1.2. Significance and Rationale	6
1.3. Methodology	6
1.4. Organization of the Report	7
2. Conceptual and Legal Framework	8
2.1. Pay Gap: Definition, Measurement, and Mitigation Measures	8
2.2. Legal Framework of the Palestinian Public Sector Salary Scale	10
2.2.1. Legal Framework and Salary Scale of the Public Civil Service Staff	10
2.2.2. Legal Framework and Salary Scale of the Security Sector Staff	15
3. Pay Gap Size: Identification and Calculation	17
3.1. Gini Coefficient Calculation to Measure the Equality of Salaries	28
4. Proposed Pay Gap Mitigation Policy	33
References	35

## 1. PREFACE

Numerous studies and reports addressed the Palestinian economic and financial experience after the establishment of the Palestinian National Authority (PNA) in 1994 according to Oslo Accords and the Paris Protocol. This body of literature almost agrees that the Palestinian economy has been fraught with difficulties and restrictions that hampered its natural growth and held it back from realizing its full potential under the PNA. Some of these challenges are related to agreements signed with Israel Proper, to new a few, the limited sovereignty over natural resources, including land, water, and border crossings. Others fall into the poor control of most commercial, monetary, and financial tools. Other issues are caused by the Israeli oppressive practices against the Palestinian people, their resources, and the PNA itself undeterred by the agreements and requirements of the supposed peace process.

These *de-facto* restrictions resulted in modest and fluctuating economic growth rates, as well as imbalances in the national economic structure. This created chronic challenges, first and foremost, unemployment, poverty, and exacerbated deficit in the balance of trade. Let alone, the weak immunity against external shocks, high exposure to the developments in the foreign markets and the continuous public budget deficit. **PNA has devoted efforts to reform public finances over the past years. This, in fact, cast a positive shadow over tax collection and public spending control. However, the relevant body of literature never ceases to show that the Authority still faces a set of financial challenges, in terms of sustainability, budget deficit, and insufficiency of available local resources, and thus inability to increase the salaries of the overwhelming majority of public servants, especially, those in the sectors of education and health. As a result, PNA continues to stand in need of international aids though at lower levels recently.**<sup>1</sup>

As a part of the efforts exerted at this front, AMAN and the **Civil Society Team for Enhancing Public Budget Transparency, which AMAN (CSTEPB) takes its secretarial steering wheel**, prepared a series of reports and working papers in contribution to the diagnosis and dissection of the reasons and implications of this crisis and the possible mitigation measures. ‘Government Spending: *Areas of Rationalization and Austerity*’<sup>2</sup>, one of the key papers on the issue, concluded that the public expenditure system suffers from a structural imbalance. The latter results from the lion’s share the payroll bill continues to hold of the public expenditure (i.e. 50-60% distributed almost equally between the civil and security sectors). The paper also unveiled a considerable imbalance in the payroll

<sup>1</sup> See for example Abdul Karim, Nasr, and Majid Subaib (2016), The Challenge of Financial Sustainability of the Palestinian National Authority and the Policies for Addressing them for the Period 1996-2015, Arab Administrative Development Journal, Arab Administrative Development Organization, Cairo; and Abdul Razzaq Omar (2016), Evaluation of the Financial Policy of the Palestinian National Authority, MAAS.

<sup>2</sup> Abdul Karim, Nasr (2015), Areas of Rationalization and Austerity in Government Spending, the Civil Society Team for Enhancing Public Budget Transparency, Team Secretariat, Coalition for Integrity and Accountability - AMAN.

system of the PNA staff. The rub lies in the **gaps and discrepancies** between the salaries of the civil and security servants at different levels. As data stands, the average employee salary in the security sector exceeds that in the civil by about 15%. Another discrepancy was spotted between the salaries of management staff and other employees within the very sector, be it civil or security. These initial results are supported by the Gini Coefficient, which measures the level of inequality in the salaries of public sector employees. As the UNDP Human Development Report stands,<sup>3</sup> Gini ratio was 34.5% for Palestine during 2011-2015.

**The problem of salaries issue is of a two-fold nature. On one hand, salaries and wages are too big and eat up the current expenses. On the other, they are unequally distributed among the employees. In fact, there is a vertical gap in the salaries of employees within the same sector (civil and security) depending on their position, and a horizontal gap in the average of the civil sector employees compared to the security sector servants, the diplomatic corps, and the judiciary.**

This issue has a multiple consequences and implications. It reflects fragile social justice among a key section of society. It also might involve a waste of public funds and undermine the social fabric through fueling hatred amongst the members of society, and thus create a hotbed for various forms of corruption. This is in addition to encouraging a phenomenon of heated competition and overcrowding to occupy high-level positions, whether through promotions or direct illegitimate appointments, not to mention the use of means like nepotism and favoritism in pursuit of the higher salaries and benefits such positions offer. Over and above, this leaves the door ajar for the spread and justification of petty bribery among service employees at lower level jobs.

**The mitigation of the pay gap gains a special importance not only for reducing the level of injustice among the employees, but rather for being one of the ways and means of rationalizing expenses, which the government considers one of its key approaches to the current crisis. This, nevertheless, requires the sources of this gap to be identified as a first step, but then again, an effective policy should be adopted to address these roots.**

## **1.1. Objectives**

This paper aims to:

1. Analyze salary levels for various job categories in the civil and security sectors to identify the size of the pay gap and the core gaps in the salary scale, and the reasons responsible for creating the horizontal and vertical gaps therein.
2. Crystalize a framework for a policy that addresses the gap between high and low salaries of the civil (ministerial and non-ministerial) and security servants.

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<sup>3</sup> This coefficient will be discussed and computed later in this paper.

## 1.2. Significance and Rationale

Building upon AMAN's efforts in monitoring and providing recommendations to ensure integrity, transparency, and accountability in public financial management, AMAN took the initiative to prepare this report. The latter comes in response to the gravity of the wages and salaries item in the PNA's expenditure. Many reports and papers have arrived at this point of departure. They have also indicated the level of the structural imbalance in the wages and salaries. Therefore, analyzing the status of salaries and addressing the reasons and justifications of the current gap contribute in dismantling an important link in the chain of structural imbalances in the PNA budget. This is a fundamental point of entry to propose a number of measures and interventions that might reduce this gap. The results of this paper and the proposed interventions might contribute to the ratification of a part of these imbalances that affect the PNA public financial system as well as the empowerment of the Palestinian society and preservation of its social fabric from unnecessary distortions and sensitivities. Eventually, this will reinforce the rule of law and increase the implementation of the fundamentals of social justice, transparency, and accountability in one of the most important sectors: the public finance sector.

## 1.3. Methodology

The methodology this paper devises is rock-bedded on the following research procedures and methods, mainly:

- Review of relevant literature and research results and findings at this front to build upon them in order to come up with additional practical suggestions and proposals;
- Review and analysis of the laws and regulations governing the PNA staff salaries and the salary scale in the public service;
- Collection and analysis of the data on the salary and benefits of public service over a number of years to identify the current gaps in the wages and salaries as per post level and in the civil sector and military ranks in the security sector as well as pay gap between the staff of the two sectors;
- Organization of a workshop featuring relevant parties and officials to discuss the initial results of the study.

## 1.4. Organization of the Report

This paper consists of three main sections:

**The first section:** discusses the general framework of the subject matter. It defines the pay gap and ways to measure it. The section also presents the legal and regulatory framework that govern the salaries of civil (ministerial and non-ministerial public institutions) and security servants.

**The second section moves on to data collection and analysis, including:**

- The salary structure of the Palestinian public service servants, be they civil or security staff.
- The identification and calculation of the size of the pay gap by means of standard formulas and methodologies in this field.
- The spread of contract-based employees and allowances due and their relationship to the pay gap.
- The measurement of the pay gap and identification of its underpinnings as well as its size in the civil, security, and non-ministerial public institutions.
- The identification of the sources and reasons of this gap and whether they are linked to a loophole in the legal framework or policies, unenforced policies, or the lack of policies to begin with.

**The third section is given over to the development of a guidance framework for a policy to bridge the pay gap.**

Finally, in the third section a set of guidelines are put forward to develop a policy that addresses the pay gap, including:

- Fairness of salaries, i.e. similar posts should have close salaries, and thus no pay gap between one ministerial institution and another.
- Accountability of the parties in charge of implementing this policy, for which funds should be allocated from the public treasury.
- Time framework for interventions that will be devised to reduce the pay gap with success measurement indicators to close any legal loopholes, if any, based on a thorough review of the relevant laws and regulations.

## 2. Conceptual and Legal Framework

This section of the study consists of two parts. The first presents a definition of the pay gap, measurement methods, and mitigation measures drawn from the international experiences at this front. The second part is given over to analyze the legal references governing the system of salaries and wages of Palestinian public servant. This section is expected to clarify part of the drivers and reasons behind the pay gap and its continuity, as well as the influencing factors.

### 2.1. Pay Gap: Definition, Measurement, and Mitigation Measures

As Cambridge Dictionary stands, a pay gap is “the difference between the average pay of two different groups of people.” Another definition refers to the pay gap as an unequal distribution of the wages of different categories that make up an economic environment. The pay gap is often presented by calculating the average individual income of an administrative category to the total average income of salaries and the average salaries of other administrative categories.

The Lorenz curve is one of the common statistical methods to measure individual income. It works out the number of employees and the income they receive as a cumulative percentage rather than an absolute figure. Hence, the Lorenz curve shows the actual quantitative relationship between the percentage of income recipients and the percentage of the total income which they actually receive per annum. While on the subject, Lorenz curve was first introduced by the American economist Max. O. Lorenz in 1950. Currently, it has become one of the most common curve used to measure inequality of income, wealth, or other distributional inequity. In addition to the fact that Lorenz curve is used to express the equality of income, it is related to a large number of inequality measures driven therefrom, especially the widely used Gini Coefficient. Lorenz curve features two ways to demonstrate the distributional equity of income. If the curve falls on the line of equality, the income is 100% evenly distributed. Nonetheless, seldom does this result is reached. The closer the Lorenz curve is to the equality line, the more evenly distributed the income is. On contrary, the more the Lorenz curve sags away from the line of equity, the more unevenly distributed the income is. In plain English, the wider the gap between this curve and the line of equality, the higher the case of inequitable distribution, and vice versa.

The body of literature on this issue in other countries has discussed the pay gap between the private and public sectors. The public-private pay gap is often worked out by calculating the average difference in salaries of the public and private staff based on individual features. See, for example, the EU paper on the gap between public and private wages,

the unequal distribution of income between the private and public sectors in Greece, and the like in North and Latin Americans. By the same token, many reports have discussed the increasing public-private pay gap in Morocco. When it came to studies on the pay gap within the government sector, we could not find relevant studies that address and measure this particular gap. All that we found was all about gender pay gaps, including studies in Britain, Jordan, Kuwait, and other Arab countries.<sup>4</sup>

**Several countries in the world followed different methods to narrow the pay gap between the public and private sectors and between males and females. These treatments and interventions varied, including amendments to the public sector salary scale legislation in hopes to bringing them closer to private sector salaries, cancelation of any items exclusively in favor of men or detrimental to women, and determination of minimum and maximum levels of wages and salaries in both sectors.**

As for the Palestinian body of literature on this matter, most of it discusses the pay gap from a gender perspective, as we see in reports by the Palestinian Central Bureau of Statistics (PCBS) and UNDP. For example, UNDP reports addressed the pay gap for individuals and households in general in Palestine by calculating the Gini coefficient.<sup>5</sup> As for the pay gap in the Palestinian government sector, all research carried out by AMAN addressed the financial rights of the officials of public non-ministerial institutions and private institutions to discuss the salaries of senior officials in the Palestinian Authority. AMAN also tackled the salaries and benefits of the officials of non-ministerial public institutions. Such reports and working papers discussed issues related to the recruitment of senior positions to the Palestinian National Authority, diplomatic post appointments, and appointments in Palestine without reflecting the gap in the PNA staff salaries. However, none of these studies highlighted the gap in salaries and wages of various layers of public civil servants. Neither the gaps were measured nor analyzed to unearth their roots. On its part, the CSTEPB affirmed in the Austerity and Rationalization plan that the security sector's share in the current budget is still high. As of 31/10/2015, it represented 28.5% of public expenditure. Nonetheless, the team did not measure the vertical pay gap (between various military ranks), nor it compared them with the average salaries of the civil sector staff to identify the horizontal gap (between the security/military and civil sectors). Therefore, this paper<sup>6</sup> stands to be the first of a kind to address the vertical and horizontal pay gaps in a comprehensive and systematic manner.

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4 <http://raseef22.com/life/2014/11/18/salary-gap-in-arab-world>

5 <http://hdr.undp.org/en/content/income-gini-coefficient>

6 The gap between the average salary of civilian and military personnel is concentrated in higher jobs, Al-Hadath newspaper.

## 2.2. Legal Framework of the Palestinian Public Sector Salary Scale

The analysis includes an examination of the laws governing the salary scale in the civil and security sectors. The system of laws governing the remit of government staff in Palestine is divided into two sections: Civil and the Military. Following are the laws governing and identifying the salary scale in both sections:

### 2.2.1. Legal Framework and Salary Scale of the Public Civil Service

The public civil sector includes three main types of employees: Employees subject to the Civil Service Law; Judiciary staff; and the diplomatic corps. As for the security, the salary scale is subject to the provisions of the Palestinian Security Forces Law.

#### Employees Subject to Civil Service Law

Table 1 below shows the minimum level of total monthly income per service grade. Notwithstanding, the nature of work allowance varies according to the qualification and position.<sup>7</sup>

**Table (1): Civil Servants' Salary Scale**

Grade	Step	Minimum Level of the Nature of Work Allowance within the Grade	Basic Salary	Maximum Level of the Nature of Work Allowance	Total salary	Minimum Number of Years in Step
Top Grade	A1	0.9	4,020.00	3618	7,638.00	2
	A2	0.8	3,720.00	2976	6,696.00	2
	A3	0.6	3,470.00	2082	5,552.00	2
	A4	0.6	3,220.00	1932	5,152.00	2
Grade One	A	0.5	2,970.00	1485	4,455.00	6
	B	0.5	2,720.00	1360	4,080.00	6
	C	0.5	2,470.00	1235	3,705.00	6
Grade Two	1	0.25	2,220.00	555	2,775.00	5
	2	0.25	2,090.00	522.5	2,612.50	5
	3	0.25	1,960.00	490	2,450.00	5
	4	0.25	1,830.00	457.5	2,287.50	5
	5	0.25	1,700.00	425	2,125.00	5
Grade Three	6	0.2	1,570.00	314	1,884.00	5
	7	0.2	1,490.00	298	1,788.00	5
Grade Four	8	0.15	1,410.00	211.5	1,621.50	5
	9	0.15	1,330.00	199.5	1,529.50	5
Grade Five	10	0.1	1,250.00	125	1,375.00	5

Source: Civil Service Law No. 4 and its amendments.

<sup>7</sup> Civil Service Law No. 4 of 1998 as amended by Law No. 4 of 2005.

The majority of public employees is subject to the Civil Service Law No. 4 of 1998, which was amended in 2005 by the Amended Law No. 4. The number of male and female employees in the civil sector is about 90,000, i.e., 70% of the PNA staff. As the aforementioned Law stands, the salary scale is divided into seven grades, the first of which the special grade. The latter includes heads of government departments with a minister post, viz. the Prime Minister and the Speaker of the Legislative Council, with a monthly salary of \$4,000. The ministers, members of the Legislative Council, and governors receive a monthly salary of \$3000 (at an exchange rate of ILS 4.4) equivalent to ILS 13,200 per month according to the Law No. 11 of 2004 on the Rewards and Salaries of the Legislative Council Members, Government Members, and Governors. The legislative council speaker, council members, prime Minister, and ministers receive the amount of \$15,000 or its equivalent in the local tender, one time for status improvement.<sup>8</sup>

Regarding the grades subject to the Civil Service Law and explained in table 1 of the Civil Service Law No. 4 of 2005, these are calculated as follows:

- **Top Grade:** The members recruited to this grade are appointed by a presidential decree upon the recommendation of the Cabinet of Ministers. These include the top-level planning and supervisory functions. Steps within the top grade are divided into four steps:
- **Step A1** Includes ministry undersecretaries with a basic salary of first level of this step, at 4020 Shekels, and a 90% nature of work allowance of the basic salary, in addition to a ministry undersecretary allowance of 1050 Shekels.
- **Step A2** Includes assistant undersecretaries and ministers' advisors according to the presidential decree. The basic salary of the lowest step level for this step is 3720 Shekels, with an 80% nature of work allowance of the basic salary and a supervisory allowance of 950 Shekels.
- **Steps A3 and A4** employees have a salary of ILS 3470 and 3220 respectively, a 60% nature of work allowance and a supervisory allowance of ILS 550.
- **Grade One** includes managers, directors, or advisors. It is divided into three steps A, B, and C with a basic salary of ILS 2970, 2720, and 2470 respectively, a nature of work allowance of 50%, and a supervisory allowance of ILS 400.
- **Grade Two** includes specialized functions in in fields of medicine, engineering, administration, law, finance, accounting, economics, social, cultural, educational, and other functions. This grade is divided into five steps from one to five with a basic salary of ILS 2220, 2090, 1960, 1830, and 1700 respectively. The nature of work is determined according to the Cabinet Decision No. 13 of 2005, with a nature of work allowance and administrative allowance based on the employee qualification and the position within the grade at a minimum of 25% and maximum of 200% in cases like specialized doctors.

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<sup>8</sup> Rewards and Salaries of the Legislative Council Members, Government Members, and Governors Law No. 11 of 2004

- **Grade Three** includes clerical, technical, and secretarial jobs, including typists, archivists and the like. This grade is divided into two steps, sixth and seventh, with a basic salary of ILS 1570 and 1490 respectively. The nature of work is specified according to the Cabinet Decision No. 13 of 2005 with a nature of work and administrative allowances that are determined on the grounds of qualification and position with a minimum of 20% of the basic salary.
- **Grade Four** includes handicrafts functions in the areas of operations, maintenance, traffic and transportation, mechanical workshops, and others. This grade is divided into two steps, eighth and ninth, with a basic salary of ILS 1410 and 1330 respectively. The lowest level of the nature of work allowances for this grade is 15% of the basic salary provided it determined according to the position.
- **Grade Five** includes service jobs such as guards, errand persons, and the like. This grade includes step 10 with a basic salary of ILS 1250 and a nature of work allowance of 10% of the basic salary.

## Judicial Authority Members

Judicial Authority employees are subject to the provisions of the Judicial Authority Law No. 15 of 2005. The salary scale is divided in accordance with the Judicial Authority Law into 11 steps from the public prosecution assistants to the head of the Supreme Court as Table 2 shows.

**Table (2): Salary Scale for the Judicial Authority Staff**

Salary in USD					
Position	Basic Salary	Nature of Work Allowance	Annual Increase	Representation Allowance	Total
Chief Justice of the Supreme Court	2,500	500	50	500	3,550
Chief Justice Deputies + Prosecutor General	2,300	460	46	368	3,174
Supreme Court Judges + Assistant Public Prosecutor	2,300	460	46	-	2,806
Chief Justices of the Courts of Appeal	1,900	380	38	285	2,603
Judges of Courts of Appeal	1,900	380	38	-	2,318
Chief Justices of First Instance Courts	1,600	320	32	176	2,128
Judges of First Instance Courts	1,600	320	32	-	1,952
Judges of Magistrate Courts	1,400	280	28	-	1,708
Prosecution Generals	1,400	280	28	140	1,848
Prosecutors	1,250	250	26	62	1,588
Public Prosecution Assistants	1,200	-	24	-	1,224

Salary in ILS					
Position	Basic Salary	Nature of Work Allowance	Annual Increase	Representation Allowance	Total
Chief Justice of the Supreme Court	11,250	2,250	225	2,250	15,975
Chief Justice Deputies + Prosecutor General	10,350	2,070	207	1,656	14,283
Supreme Court Judges + Assistant Public Prosecutor	10,350	2,070	207	-	12,627
Chief Justices of the Courts of Appeal	8,550	1,710	171	1,282	11,713
Judges of Courts of Appeal	8,550	1,710	171	-	10,431
Chief Justices of First Instance Courts	7,200	1,440	144	792	9,576
Judges of First Instance Courts	7,200	1,440	144	-	8,784
Judges of Magistrate Courts	6,300	1,260	126	-	7,686
Prosecution Generals	6,300	1,260	126	630	8,316
Prosecutors	5,625	1,125	117	279	7,146
Public Prosecution Assistants	5,400	-	108	-	5,508

In addition to the allowances stated above, a fixed conveyance allowance from the place of residence to the work location is paid, viz. an amount of ILS 600 is paid to judges working within their residence area, whereas ILS 1100 transport allowance is offered to those working away from their residence area. As the above table shows, the dollar exchange rate has been fixed at ILS 4.5.<sup>9</sup>

**In addition to the abovementioned nature of work and other allowances, a high cost of living allowance is paid cumulatively at the rate of 16.52% of the basic salary for all employees in the two sectors mentioned. This allowance was not incorporated into the above table because it is the same for all employees in terms of rate, but then again, it certainly contributes to the widening gap in the total value of the salary among different categories. For example, the high living cost allowance for the Chief Justice of the Supreme Court is 1858.5 Shekels, while it is 891 for a prosecution assistant in the same salary scale. In plain English, the chief of the supreme court receives ILS 967.5 more than a prosecution assistant.**

<sup>9</sup> Judicial Authority Law No. 15 of 2005.

## Diplomatic Corps

The salary scale laid down by the Diplomatic Corps Law No. 13 of 2005 consists of five-diplomatic-position chain that begins with ambassadors and ends with diplomatic attachés, as shown in table 3 below.

**Table (3): Diplomatic Corps Salary Scale**

Salary in USD						
Step Code	Position	Basic Salary	Nature of Work Allowance	Annual Periodic Allowance at the Rate of 1.25%	Representation Allowance-Code 1715	Total
1	Ambassador	1,350	1,148	16.88	675	3,173
2	Senior counselor	1,050	840	13.13	525	2,415
3	Counselor	950	684	11.88	475	2,109
4	First secretary	850	519	10.63	425	1,794
5	Second secretary	780	445	9.75	390	1,615
6	Third secretary	700	399	8.75	350	1,449
7	Attaché	620	267	7.75	310	1,197

Salary in ILS						
Step Code	Position	Basic Salary	Nature of Work Allowance	Annual Periodic Allowance at the Rate of 1.25%	Representation Allowance Code 1715	Total
1	Ambassador	5,940	5,051.2	74.25	2970	13,961.2
2	Senior Counselor	4,620	3,696.0	57.75	2310	10,626.0
3	Counselor	4,180	3,009.6	52.25	2090	9,279.6
4	First Secretary	3,740	2,283.6	46.75	1870	7,893.6
5	Second Secretary	3,432	1,958.0	42.90	1716	7,106.0
6	Third Secretary	3,080	1,755.6	38.50	1540	6,375.6
7	Attaché	2,728	1,174.8	34.10	13640	5,266.8

In addition to the allowances mentioned above, a high cost of living allowance is paid to the foreign missions ranging from 150% to 450% of their basic salaries based on the receiving state. It is paid based on the Cabinet Decision No. 374 of 2005 and the Implementing Regulation of the Diplomatic Corps Law. As is shown in the table above, the dollar exchange rate is fixed at 4.4 Shekels. Moreover, an accommodation allowance is offered at the rate of 50% of the high cost of living. An education allowance for the children of the diplomatic corps staff is also provided at the rate of 70% of the school fees. A fixed cash amount equal to six times of the basic salary is paid for diplomatic corps for one time when they travel from the homeland to the receiving country. By the same token, the very payment is made when a diplomatic corps member at the end of the mission or for relocation purposes after the completion of the mission. In case of a sudden transfer, the basic salary is paid for seven months.

Administrative staff members, who are subject to the Civil Service Law as explained in table 1 of the Civil Service Law No. 4 of 2005, are paid a monthly allowance amounting to \$100 in addition to what was mentioned earlier in terms of salaries and allowances.<sup>10</sup>

### **2.2.2. Legal Framework and Salary Scale of the Security Sector**

As the Law No. 8 of 2005 on the Security Service stands, the salary scale of the security sector staff is divided into nine military ranks for officers and six military ranks for non-commissioned officers and security personnel. The highest is the rank of lieutenant general with a basic salary of ILS 4420 coupled with a nature-of-work allowance of 80% of the basic salary, and the lowest is a private with a basic salary of ILS 1330 and a nature of work allowance of 10% of the basic salary, as table 4 below sums it all.

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<sup>10</sup> Diplomatic Corps Law No. 13 of 2005.

**Table (4): Palestinian Security Forces Salary Scale**

Rank	Nature of Work Allowance Rate	Basic Salary	Nature of Work	Total salary	Years in Rank
Lieutenant General	0.8	4,420.00	3,536.00	7,956.00	
Major General	0.7	4,020.00	2,814.00	6,834.00	3
Brigadier General	0.6	3,620.00	2,172.00	5,792.00	4
Colonel	0.5	3,320.00	1,660.00	4,980.00	5
Lieutenant Colonel	0.4	2,820.00	1,128.00	3,948.00	5
Major	0.3	2,570.00	771.00	3,341.00	5
Captain	0.25	2,290.00	572.50	2,862.50	4
First Lieutenant	0.25	2,090.00	522.50	2,612.50	4
Lieutenant	0.2	1,960.00	392.00	2,352.00	3
Adjutant Chef	0.15	1,830.00	274.50	2,104.50	4
Adjutant	0.15	1,700.00	255.00	1,955.00	4
Staff Sergeant	0.15	1,570.00	235.50	1,805.50	4
Sergeant	0.15	1,490.00	223.50	1,713.50	4
Corporal	0.1	1,410.00	141.00	1,551.00	3
Private	0.1	1,330.00	133.00	1,463.00	3

**In May 2017, the salaries of privates and commissioned officers (i.e. corporal and adjutant chef) were raised by a decision of the Prime Minister and the Minister of Interior as follows:**

Private: 300 ILS

Corporal: 300 ILS

Sergeant: 200 ILS

Staff Sergeant: 200 ILS

Adjutant Chef: 150 ILS

Adjutant: 150 ILS

In May 2017 also, 6,000 members of the security forces were retired. This information was not entered in the analysis in this study because it arrived late after the study had been prepared. We do not believe, however, that it would materially affect the results.

### 3. Pay Gap Size: Identification and Calculation

After examining the salary scale of the Palestinian Authority civil and military employees, each according to its legal frame of reference, this section measures the pay variance and differences between the employees in each sector and among different sectors. The last syllable of this section is given over to the size of the pay gap among employees in various sectors. This will pave the way to propose policies aimed at reducing the variance and closing the baseless pay gap between employee salaries. Eventually, we will have an equitable, balanced, and rational salary scale for all employees of the Authority. That being achieved, the general objective of achieving social justice and reducing corruption potentiality (i.e. favoritism, nepotism, personal connections, and petty bribery). Such a response will fill the bill of current financial crisis the Palestinian Authority has been suffering from for years.

**In order to explore the pay gap and structural imbalances in the salary scale and mechanisms to identify them de jure and de facto, we adopted the following steps:**

- **Step One:** Calculate the rate of total employees in the step or grade in question and compare it against the total number of employees in the targeted sector.
- **Step Two:** Calculate the share of employee salaries in each grade of the total expenditure \ staff salaries in the targeted sector.
- **Step Three:** Calculate the rate of increase in the salaries of the higher grade to the salaries of the lower grade to work out the vertical gap.
- **Step Four:** Calculate the horizontal gap in the average salaries of various sectors.

#### Gap in the Public Civil Service Salaries

Table 5 below presents comparisons of the average salaries of different administrative categories of the civil servants<sup>11</sup>. Data in the table indicates that the share of the higher grades salaries in the civil service stood for 2% of the expenditure over the total value of staff salaries in the civil service until 2015. This is a higher ratio than that of employees in this grade (about 0.9%) of the total number of staff in civil service. As for grade five, their ratio is 2.2% of the total number of employees, with a 1.3% share of the total salaries. Regarding the medium grade (i.e. the second grade), it stands for more than 75% of the total number of employees and receives about the same ratio of the total salaries. Finally, the share of the lowest grade is smaller than their portion of the total staff (1.3% against 2.2%).

Taking due account of the average monthly salary of employees in each grade (total salaries in each grade / number of employees in the grade); Considering the fact that the total salary was calculated based on the lowest level of the step without any historical data due to the absence of actual data, We find that the salary of the highest grade is about four times higher than the average salary of the lowest grade. The rate of increase in salaries in each grade compared to the preceding grade reached 13.8%, 16.2%, 28.4%,

<sup>11</sup> Annual Report, the General Personnel Council, 2013 - 2015.

67.2%, and 33.2% for the fourth, third, second, first, and highest grades respectively. **This indicates that the marginal increases to the average salaries increase multifold every time an employee move from one low-level position to another. In other words, the degree of escalation of salaries is more sharper at the top of the administrative pyramid compared to its base.** Remarkably, the ratio of the paid salary for each grade of the total salaries is less than the ratio of employees in the same grade in relation to the total number of employees with exception of the highest and lowest grades.

**Table (5): Comparison of the Average Salaries in Civil Service Job Grades by Number of Employees in Each Grade**

Grade	Step	Total salary	Number of Employees in Each Grade Until 2015	Total Salaries for each Grade (Minimum)	Ratio of Employees in each Grade to the total Number of Employees	Total Ratio of Salaries for each Grade of the Total salaries	Rate of Increase in the General Total for Each Grade Compared to the Preceding Grade
Top Grade	A1	7,638.00	35	267,330.00	0.9%	2.0%	34.3%
	A2	6,696.00	66	441,936.00			
	A3	5,552.00	71	394,192.00			
	A4	5,152.00	610	3,142,720.00			
Grade One	A	4,455.00	1,596	7,110,180.00	7.2%	12.1%	70.6%
	B	4,080.00	2,640	10,771,200.00			
	C	3,705.00	2,234	8,276,970.00			
Grade Two	First	2,775.00	4,271	11,852,025.00	75.2%	74%	29%
	Second	2,612.50	11,739	30,668,137.50			
	Third	2,450.00	15,209	37,262,050.00			
	Fourth	2,287.50	19,365	44,297,437.50			
	Fifth	2,125.00	17,007	36,139,875.00			
Grade Three	Sixth	1,884.00	3,700	6,970,800.00	8.1%	6.2%	16.8%
	Seventh	1,788.00	3,552	6,350,976.00			
Grade Four	Eighth	1,621.50	2,765	4,483,447.50	6.5%	4.3%	14.4%
	Ninth	1,529.50	3,068	4,692,506.00			
Grade Five	Tenth	1,375.00	1,998	2,747,250.00	2.2%	1.3%	
Total			89,926	215,869,032.50			

**First Conclusion:** It seems that the pay gap appears more clearly between the higher and lower grades, with employees in the higher grades receiving total salaries equal to the double of their ratio of the total number of employees. On contrary, members of the lower grades (i.e. 3rd to 5th) receive total salaries that are less than 40% of their ratio of the total number of employees. This means that the salaries of the higher grades employees are higher than the line of equality, and lower for the lower grade employees than the equality line. Furthermore, the escalation degree in salaries is sharper at the top of the administrative pyramid compared to its base. It is also clear that the gap starts with the basic salary, and expands noticeably when taking into consideration the position allowances and benefits, which are much larger for the higher grade employees than the lower or middle grades.

**Second Conclusion:** This gap increases with the presence of other expenditure, allowances and allocations that are not connected to the salary slip, which higher grade employees benefit from such as the use government vehicles, mobile phone allocations, fuel allocations, and other position benefits and supervisory allowances.

### Pay Gap in Judicial Authority Salaries

Table 6 and chart 1 below present a comparison of the judiciary salaries by grade.<sup>12</sup> Reviewing the total salaries in each grade given that the total salary was calculated for the lowest level of the grade without any seniority considerations due to the lack of data; we find that the increase rate in salaries of each grade compared to the previous grade was as follows: 30.2%, 16.5%, -7.7%, 14.3%, 9.2%, 8.8%, 12.5%, 7.6%, 13.3%, and 11.9% for the prosecution assistants, prosecutors, chief prosecutors, conciliation court judges, courts of first instance judges, chief justices of courts of first instance, judges of courts of appeal, chief justices of courts of appeal, judges of the supreme court, assistant of the public prosecutor, assistants of the chief justice of the supreme court and prosecutor general, and the chief justice of the supreme court, respectively. **The gap between the total salary of the chief justice of the Supreme Court (i.e. the highest rank) and the total salary of a prosecution assistant (i.e. lowest rank) is about 192%.**

The case in the civil service does not differ from the Judiciary. Thus, what was mentioned can be traced in the overall problems and pay gaps among the different grades in the judiciary. By the same token, there are other allowances that are not connected to the salary, which include the use of government vehicles, allowances for mobile phones, fuel allowances, and other benefits and supervisory allowances.

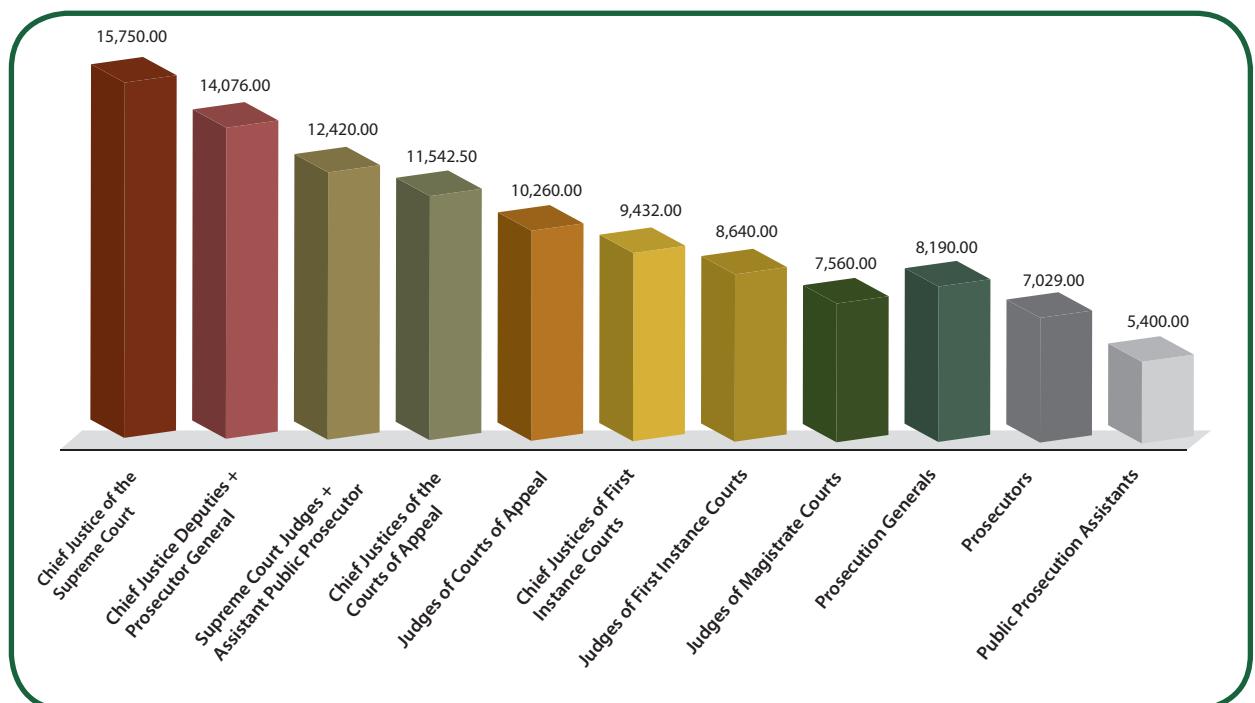
**Third Conclusion:** Similarly as in the public service, there is a gap among the salaries of different grades within the Judiciary. The gap first appears in the basic salary and expands to be present in the allowances and position benefits.

12 Judicial Authority Law No. 15 of 2005.

**Table (6): Comparison of Salaries of Judicial Authority Employees**

No.	Position	Code	Basic Sal- ary	Nature of Work Al- lowance	Represen- tation Al- lowance	Total	Rate of Increase for Each Grade Compared to the Preceding Grade
1	Chief Justice of the Supreme Court	1008	11,250	2,250	2,250	15,750	11.9%
2	Chief Justice Deputies + Prosecutor General	1041	10,350	2,070	1,656	14,076	13.3%
3	Supreme Court Judges + Assistant Public Prosecutor	1019 1025	10,350	2,070	-	12,420	7.6%
4	Chief Justices of the Courts of Appeal	1037	8,550	1,710	1,282	11,542.5	12.5%
5	Judges of Courts of Appeal	1024	8,550	1,710	-	10,260	8.8%
6	Chief Justices of First Instance Courts		7,200	1,440	792	9,432	9.2%
7	Judges of First Instance Courts	1022	7,200	1,440	-	8,640	14.3%
8	Judges of Magistrate Courts	1017	6,300	1,260	-	7,560	-7.7%
9	Prosecution Generals	1038	6,300	1,260	630	8,190	16.5%
10	Prosecutors	1021	5,625	1,125	279	7,029	30.2%
11	Public Prosecution Assistants	1040	5,400	-	-	5,400	

**Figure 1: The Average of the Total Salary Minimum per Judicial Authority Staff**



## Pay Gap in the Diplomatic Corps

Implementing the above exercise on the **Diplomatic Corps employees**, we find that the ratio of salary increase for each grade compared to the preceding grade was 21.1%, 11.5%, 11.1%, 17.6%, 14.5%, and 31.4% for the diplomatic attaché, third secretary, second secretary, first secretary, council, first council, and ambassador respectively. The increase ratio for the ambassador's salary over that of the diplomatic attaché reached 165%, noting that the total salary was calculated on the lowest level of the grade without any seniorities.

In addition to the total salary of a diplomatic corps member, each employee based on their rank and grade is entitled to a high cost of living allowance ranging between 150% and 450% of the basic salary. What is more, they receive a accommodation allowance of 50% of the high cost of living, and a schooling allowance for their children at a rate of 70% of the tuition fees. Let alone the fixed cash amount mentioned above (see table 7).<sup>13</sup>

**Table (7): Comparison of Diplomatic Corps Staff Salaries**

Salaries in USD							
Step Code	Position	Position Code	Basic Salary	Nature of Work Allowance	Representa-tion Allow-ance	Total	% of Increase of each Grade Com-pared to the Pre-ceding Grade
1	Ambassador	610	1,350.00	1,148.00	675.00	3,173.00	31.4%
2	Senior coun-selor	611	1,050.00	840.00	525.00	2,415.00	14.5%
3	Counselor	612	950.00	684.00	475.00	2,109.00	17.6%
4	First secretary	613	850.00	519.00	425.00	1,794.00	11.1%
5	Second secre-tary	614	780.00	44500.	390.00	1,615.00	11.5%
6	Third secre-tary	615	70000.	399.00	350.00	1,449.00	21.1%
7	Attaché	616	620.00	267.00	310.00	1,197.00	

Salaries in ILS							
Step Code	Position	Position Code	Basic Salary	Nature of Work Allowance	Representa-tion Allow-ance	Total	% of Increase of each Grade Com-pared to the Pre-ceding Grade
1	Ambassador	610	5,940.00	5,051.20	2,970.00	13,961.20	31.4%
2	Senior coun-selor	611	4,620.00	3,696.00	2,310.00	10,626.00	14.5%
3	Counselor	612	4,180.00	3,009.60	2,090.00	9,279.60	17.6%
4	First secretary	613	3,740.00	2,283.60	1,870.00	7,893.60	11.1%
5	Second secre-tary	614	3,432.00	1,958.00	1,716.00	7,106.00	11.5%
6	Third secre-tary	615	3,080.00	1,755.60	1,540.00	6,375.60	21.1%
7	Attaché	616	2,728.00	1,174.80	1,364.00	5,266.80	

13 Diplomatic Corps Law No. 13 of 2005.

## B: Pay Gap in the Security-Military Sector

Tables (8) and (9) hereunder clarify the gap in the salaries of the Palestinian security - military staff members.

**Table (8): Comparison of the Security Forces Staff**

Rank	Basic salary	Total salary	Personnel per rank	Total basic salaries per rank	Aggregate total salaries per rank	% of personnel per rank in relation to the total of military personnel	% of total salaries per rank in relation to the total salaries	% of salary increase in total salaries per rank in relation to the total salaries of the preceding rank	% of salary increase in average total salaries per rank in relation to that of the preceding rank
Lieutenant General	4,020.00	12,590.69	59.00	237,180.00	742,850.60	0.09%	0.30%	11.05%	27.51%
Major General	3,620.00	9,873.91	527.00	1,907,740.00	5,203,548.51	0.80%	2.11%	9.04%	25.92%
Brigadier General	3,320.00	7,841.53	1,829.00	6,072,280.00	14,342,154.02	2.79%	5.80%	17.73%	28.70%
Colonel	2,820.00	6,092.74	4,606.00	12,988,920.00	28,063,160.52	7.03%	11.36%	9.73%	19.53%
Lieutenant Colonel	2,570.00	5,097.36	6,988.00	17,959,160.00	35,620,380.14	10.66%	14.42%	12.23%	17.05%
Major	2,290.00	4,354.84	6,203.00	14,204,870.00	27,013,062.56	9.47%	10.93%	9.57%	9.75%
Captain	2,090.00	3,967.82	5,950.00	12,435,500.00	23,608,500.69	9.08%	9.56%	6.63%	13.35%
First Lieutenant	1,960.00	3,500.47	5,974.00	11,709,040.00	20,911,833.13	9.12%	8.46%	7.10%	9.71%
Lieutenant	1,830.00	3,190.77	7,174.00	13,128,420.00	22,890,585.98	10.95%	9.26%	7.65%	10.87%
Adjutant Chef	1,700.00	2,877.97	11,267.00	19,153,900.00	32,426,042.69	17.19%	13.12%	8.28%	10.36%
Adjutant	1,570.00	2,607.75	8,569.00	13,453,330.00	22,345,785.97	13.08%	9.04%	5.37%	11.78%
Staff Sergeant	1,490.00	2,332.91	3,429.00	5,109,210.00	7,999,551.57	5.23%	3.24%	5.67%	8.92%
Sergeant	1,410.00	2,141.87	802.00	1,130,820.00	1,717,776.82	1.22%	0.70%	6.02%	10.24%
Corporal	1,330.00	1,942.92	2,155.00	2,866,150.00	4,187,002.44	3.29%	1.69%		
Total			65,532.00	247,072,235.64	247,072,235.64				

Source: Military Financial Administration Database

As for the Palestinian security forces, and as explained by table 8 above, which compares average total salaries in each rank by the number of staff members in each rank. The share of higher ranks (i.e. major general and brigadier general) is still high, with the major general's share representing 0.3% of the expenditure of the total salaries of the security forces. Bearing in mind that the ratio of staff in this rank (major general) stands only for 0.09% of the total number of the security forces. As for staff at the private level, they represent 3.29% of the total number of staff, yet their total expenditure amount to 1.69% only of the total paid salaries.

Considering the average total salary of each rank (total salaries in each rank / number of staff members in that rank), the salary ratios in each rank exceeds the preceding rank as follows: 10.24%, 8.92%, 11.78%, 10.36%, 10.48%, 9.71%, 13.35%, 9.75%, 17.05%, 19.53%, 28.70%, 25.92%, and 27.51% for the following ranks: corporal, sergeant, first sergeant, adjutant, adjutant chef, lieutenant, first lieutenant, captain, major, lieutenant colonel, lieutenant colonel, colonel, brigadier general respectively. Remarkably, the ratio of paid salary for each rank to the total salaries is less than the ratio of staff members within the same rank for the total number of staff members except the ranks from brigadier general to first lieutenant, **A lieutenant general, the highest military rank, receives about six times the salary of a private; the lowest rank.**

In addition to the above, which represents the direct concessions and the accompanying problems and gaps in salaries among the various grades in the Palestinian security forces sector, we find that the pay gap deepens when calculating the additional allowances not related to the salaries, which are allocated for high ranks in the security force. These include the use of government vehicles, mobile phone allocations, fuel allocations, and other concessions and supervisory allowances (Table 9).<sup>14</sup>

**Fourth Conclusion: The pay gap recurs in the security-military sector among different ranks in a similar manner to other sectors. This gap widens as we calculate concessions and allowances accompanying the higher ranks.**

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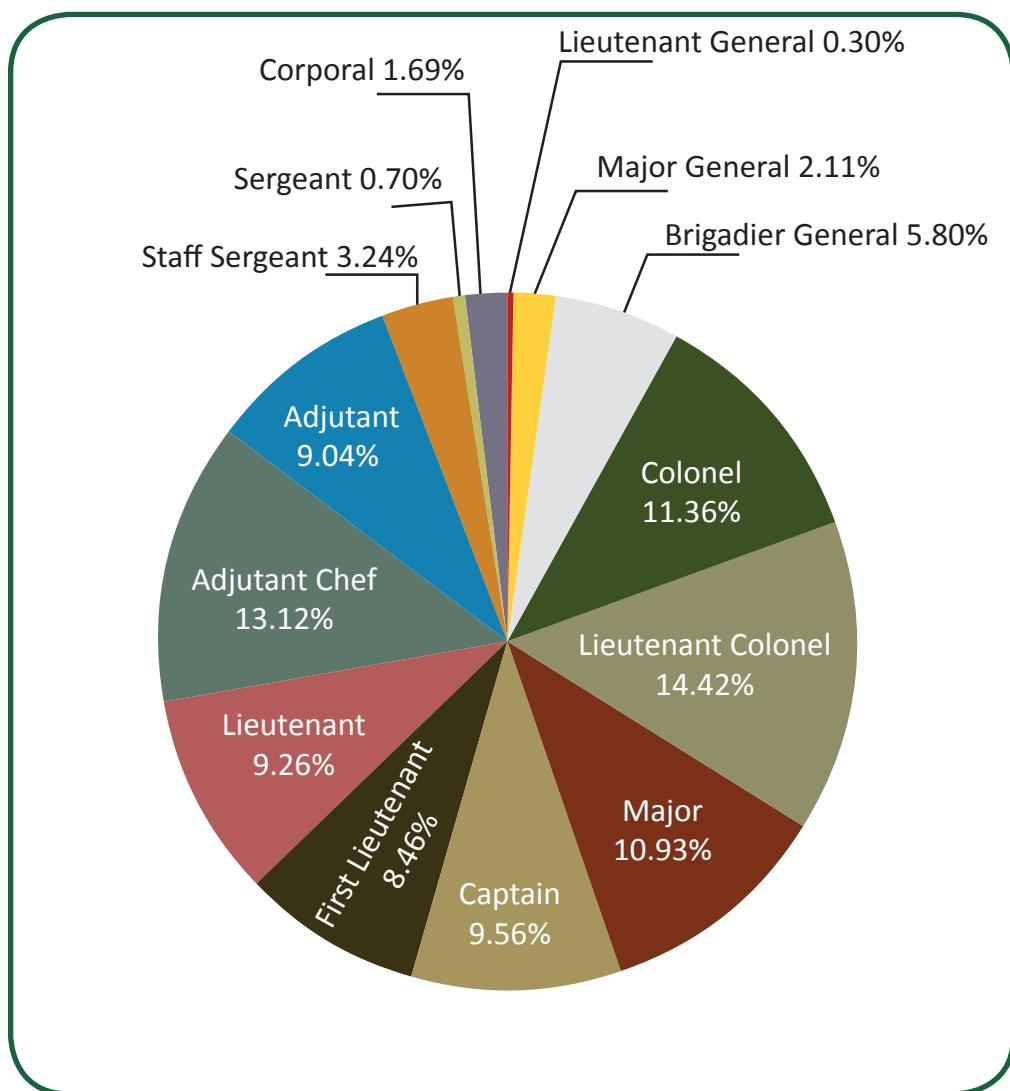
14 Unpublished source from the Central Financial Administration.

**Table (9): Rate of Increase to the Average Total Salaries for Military Personnel by Rank Compared to Preceding rank**

Rank	Total Salary	% of increase in total salary by rank	% of increase in the lieutenant general compared to the other ranks	% of increase in the major general compared to the other ranks	% of increase in the brigadier general salary compared to the other ranks	% of increase in the colonel salary compared to the other ranks	% of increase in the lieutenant colonel salary compared to the other ranks	% of increase in the major colonel salary compared to the other ranks	% of increase in the captain salary compared to the other ranks	% of increase in the first lieutenant salary compared to the other ranks	% of increase in the adjutant salary compared to the other ranks	% of increase in the sergeant salary compared to the other ranks	% of increase in the corporal salary compared to the other ranks	% of increase in the private salary compared to the other ranks
Lieutenant General	12,590.69	28%	0%											
Major General	9,873.91	26%	28%	0%										
Brigadier General	7,841.53	29%	61%	26%	0%									
Colonel	6,092.74	20%	107%	62%	29%	0%								
Lieutenant Colonel	5,097.36	17%	147%	94%	54%	20%	0%							
Major	4,354.84	10%	189%	127%	80%	40%	17%	0%						
Captain	3,967.82	13%	217%	149%	98%	54%	28%	10%	0%					
First Lieutenant	3,500.47	10%	260%	182%	124%	74%	46%	24%	13%	0%				
Second Lieutenant	3,190.77	11%	295%	209%	146%	91%	60%	36%	24%	10%	0%			
Adjutant	2,877.97	10%	337%	243%	172%	112%	77%	51%	38%	22%	11%	0%		
Adjutant	2,607.75	12%	383%	279%	201%	134%	95%	67%	52%	34%	22%	10%	0%	
Sergeant	2,332.91	9%	440%	323%	236%	161%	118%	87%	70%	50%	37%	23%	12%	0%
Corporal	2,141.87	10%	488%	361%	266%	184%	138%	103%	85%	63%	49%	34%	22%	9%
Private	1,942.92	0%	548%	408%	304%	214%	162%	124%	104%	80%	64%	48%	34%	20%
														10%

As the above table shows, there is a gap in the total salary between a major general's salary and a private's salary. The average salary of a major general is 548% higher than the private's salary, apart from the differences mentioned, such as fuel allowance, utilities, mobile phone, etc. The following chart 2 shows the share of security forces' salaries according to different military ranks.

**Figure (2): Share of Security Force Staff Salaries According to Different Military Ranks**



**Table (10): Comprehensive Comparison between the Civil and Military Sector Salaries**

Diplomatic Corps - Position	Total Salary Per Diplomatic Corps Position	Judicial Staff Position	Total Salary Per Judicial Staff Position	Military Rank	Average Total Salary per Military Rank	Step	Average Total Salary Per Step - Minimum point of the grade
Ambassador	13,961.20	Chief Justice of the Supreme Court	15,750.00	Lieutenant General	12,590.69	A1	8,302.10
Senior counselor	10,626.00	Chief Justice Deputies + the Prosecutor General	14,076.00	Major General	9,873.91	A2	7,310.54
Counselor	9,279.60	Supreme Court Judges + the Assistant Public Prosecutor	12,420.00	Brigadier General	7,841.53	A3	6,125.24
First secretary	7,893.60	Chief Justices of the Courts of Appeal	11,542.50	Colonel	6,092.74	A4	5,683.94
Second secretary	7,106.00	Judges of the Courts of Appeal	10,260.00	Lieutenant Colonel	5,097.36	A	4,945.64
Third secretary	6,375.60	Chief Justices of the First Courts	9,432.00	Major	4,354.84	B	4,529.34
Attaché	5,266.80	Judges of the First Courts	8,640.00	Captain	3,967.82	C	4,113.04
	Judges of the Magistrate Courts	7,560.00	First Lieutenant	3,500.47	First	3,141.74	
	Chief Prosecutors	8,190.00	Second Lieutenant	3,190.77	Second	2,957.77	
	Prosecutors	7,029.00	Adjutant Chief	2,877.97	Third	2,773.79	
	Public Prosecution Assistants	5,400.00	Adjutant	2,607.75	Fourth	2,589.82	
			Sergeant	2,332.91	Fifth	2,405.84	
			Corporal	2,141.87	Sixth	2,143.36	
			Private	1,942.92	Seventh	2,034.15	
					Eighth	1,854.43	
					Ninth	1,749.22	
					Tenth	1,581.50	

## Horizontal Gap in the Salaries of the Various Sectors

Table 10 above explains the gap in the government employees' salaries according to the structure of laws, including civil service employees, judiciary employees, diplomatic corps employees and the Palestinian security forces personnel.

The table above shows the disparities and gaps in salaries between the different government departments, **with the minimum level of an ambassador's salary reaching ILS 13,961, noting that the high cost of living allowance has not been taken into consideration.** As for the Supreme Court Chief Justice, the minimum level of salary is 15,750 Shekels. The monthly salary of a major general is ILS 12,590. As for the higher grades of civil service employees, the lowest monthly salary level is ILS 8,302. Hence, we notice that there are pay gaps between the higher grades and ranks in different government departments.

In addition to the salary differences mentioned inside staff categories in the civil and military sectors, there is a gap in the salaries of various sectors. There is also a gap in the salaries of civil service staff according to the ministry because of decisions issued by the Cabinet of Ministers regarding raising the nature of work for some job designations compared to others. For example, the nature of work allowance for teachers and staff in the educational sector was raised by 15% and will be raised again by 5% as of 1/1/2018. The nature of work allowance for engineer was also raised by 30%, and the nature of work for employees in the health sector, including nurses, anesthesia technicians, and other allied health professions was doubled. The nature of work allowance for the Ministry of Health staff was also doubled. As a result, an administrative staff member at the Ministry of Health has a nature of work allowance of 50%, while in other ministries the nature of work allowance is only 25% for the same position. Let alone the hardship allowance, which is paid at the rate of 35% for administrative staff at the Ministry of Health Staff, excluding the staff at the ministry headquarters. This creates a gap in the salaries of staff members who have the same job designations, with the staff member's salary increasing within the same job designation and scientific qualification from among those working in the Ministry of Health at a rate ranging from 55% to 65% compared to their counterparts in the other ministries.<sup>15</sup>

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15 Unpublished source from the Ministry of Finance.

## Contract Employees

Regarding contract employee salaries, they are subject to the Cabinet Decision No. 335 of 2005 under the regulation for employing experts to perform tasks of a temporary nature, or casual or seasonal tasks. **Regarding specifying the salaries of contract employees, to date, an organizational framework that identifies contract staff salaries is still absent,** We find positions with monthly salaries equal to the minimum level of salaries, namely ILS 1450 per month, and on the other hand, we find salaries of \$3,000, or the equivalent of a minister's salary. There are contracts exceeding a prime minister's salary of \$4,000, and we also find variations in the value of a salary for the same job designation inside ministries, and a difference in the salary with other ministries. There are also job designations that receive salaries parallel to the civil service salary with the full allowances of the civil service, including the nature of work and a fixed transportation allowance. There are also contract salaries for the same job designations on which no allowances are applied.<sup>16</sup>

### 3.1. Gini Coefficient Calculation to Measure the Equality of Salaries

The Gini Coefficient is one of the most important and respected measures for calculating the fairness of distributing income in any economy. It is the most commonly used tool in this field. It is named after the scientist who designed this coefficient (Corrado Gini). The value of this coefficient falls between zero and one. The closer it is to zero, the more fair the distribution of income among members of society, and vice versa.

The value of the Gini coefficient according to the UNDP website was about 35.5% in 2013. According to the UNDP Human Development Report in 2016, the Gini Coefficient was 34.5% for the years 2010 to 2015, noting that its value ranges in countries that enjoy relative fairness between 25% and 30%.

This part of the report presents the **calculation and analysis of the Gini in Palestine**, specifically for workers in the public sector, including civilians and military personnel. The following table 11 presents the results of calculating this coefficient in Palestine.

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16 Unpublished source from the Ministry of Finance.

**Table (11): Calculating the Gini Coefficient**

Grade / Step / Designation	Total Salary*	Ratio of Total Salary to Total salaries*	Cumulative Ratio of Total Salary*	Cumulative Ratio of Total census*	"GINI"
	-	0	0	0	0
Tenth	1,375.00	0.46%	0.46%	2.04%	0.005%
Ninth	1,529.50	0.52%	0.98%	4.08%	0.015%
Eighth	1,621.50	0.55%	1.52%	6.12%	0.026%
Private	1,942.92	0.65%	2.18%	8.16%	0.038%
Seventh	1,788.00	0.60%	2.78%	10.20%	0.051%
Corporal	2,141.87	0.72%	3.50%	12.24%	0.064%
Sixth	1,884.00	0.63%	4.14%	14.29%	0.078%
Sergeant	2,332.91	0.79%	4.92%	16.33%	0.092%
Fifth	2,125.00	0.72%	5.64%	18.37%	0.108%
Fourth	2,287.50	0.77%	6.41%	20.41%	0.123%
Staff Sergeant	2,607.75	0.88%	7.29%	22.45%	0.140%
Third	2,450.00	0.83%	8.11%	24.49%	0.157%
Agent	2,877.97	0.97%	9.08%	26.53%	0.175%
Second	2,612.50	0.88%	9.96%	28.57%	0.194%
First	2,775.00	0.93%	10.89%	30.61%	0.213%
Agent First Class	3,190.77	1.07%	11.97%	32.65%	0.233%
Lieutenant	3,500.47	1.18%	13.15%	34.69%	0.256%
First Lieutenant	3,967.82	1.34%	14.48%	36.73%	0.282%
C	3,705.00	1.25%	15.73%	38.78%	0.308%
Captain	4,354.84	1.47%	17.20%	40.82%	0.336%
B	4,080.00	1.37%	18.57%	42.86%	0.365%
A	4,455.00	1.50%	20.07%	44.90%	0.394%
Major	5,097.36	1.72%	21.79%	46.94%	0.427%
Attaché	5,266.80	1.77%	23.56%	48.98%	0.463%
Public Prosecution Assistants	5,400.00	1.82%	25.38%	51.02%	0.499%
A4	5,152.00	1.73%	27.12%	53.06%	0.536%
Lieutenant Colonel	6,092.74	2.05%	29.17%	55.10%	0.574%
A3	5,552.00	1.87%	31.04%	57.14%	0.614%
Third Secretary	6,375.60	2.15%	33.18%	59.18%	0.655%
Prosecutors	7,029.00	2.37%	35.55%	61.22%	0.701%
Second Secretary	7,106.00	2.39%	37.94%	63.27%	0.750%
A2	6,696.00	2.25%	40.20%	65.31%	0.797%

## The Pay Gap in the Public Service: Status and Proposed Mitigation Measures

Courts of Conciliation Judges	7,560.00	2.55%	42.75%	67.35%	0.846%
Colonel	7,841.53	2.64%	45.39%	69.39%	0.899%
First Secretary	7,893.60	2.66%	48.04%	71.43%	0.953%
Chief Prosecutors	8,190.00	2.76%	50.80%	73.47%	1.009%
A1	7,638.00	2.57%	53.38%	75.51%	1.063%
Courts of First Instance Judges	8,640.00	2.91%	56.28%	77.55%	1.119%
Counsel	9,279.60	3.12%	59.41%	79.59%	1.181%
Courts of First Instance Chief Justices	9,432.00	3.18%	62.59%	81.63%	1.245%
Brigadier General	9,873.91	3.33%	65.91%	83.67%	1.311%
Courts of Appeal Judges	10,260.00	3.46%	69.37%	85.71%	1.380%
Senior Counsellor	10,626.00	3.58%	72.94%	87.76%	1.452%
Courts of Appeal Chief Justices	11,542.50	3.89%	76.83%	89.80%	1.528%
Supreme Court Judges + Assistant Public Prosecutor	12,420.00	4.18%	81.01%	91.84%	1.611%
Major General	12,590.69	4.24%	85.25%	93.88%	1.697%
Ambassador	13,961.20	4.70%	89.96%	95.92%	1.788%
Supreme Court Chief Justice Deputies + Public Prosecutor	14,076.00	4.74%	94.70%	97.96%	1.884%
Supreme Court Chief Justice	15,750.00	5.30%	100.00%	100.00%	1.987%
Total	296,947.84				32.62%
				Area	17.38%
				Gini Value <sup>17</sup>	34.75%

17 How to calculate the Gini Coefficient:

Salaries are first classified from lowest to highest.

The total salary ratio to overall salaries = total monthly salary for each step on the salary scale (civil and military) divided by the total number of overall salaries.

Cumulative total salary ratio: The cumulative ratio to the total salary ratio out of the overall salaries. Each ratio is added to the total ratio preceding it.

\* Cumulative Ratio of Overall Census: The employee ratio (step) relative to the number of steps (49 civil + military) the ratio of every step to the preceding step, to calculate the cumulative ratio.

The total space under the curve is calculated through the average cumulative salary ratio (value 1 + value 2) / 2, and then multiplied by the ratio of each step of the total steps 0.0204 (49/1). (32.62%)

The area between the equality line and the Lorenz curve is calculated by subtracting the value of space under the Lorenz curve from the area under the equality line (0.5)=32.62-0.5)=17.38

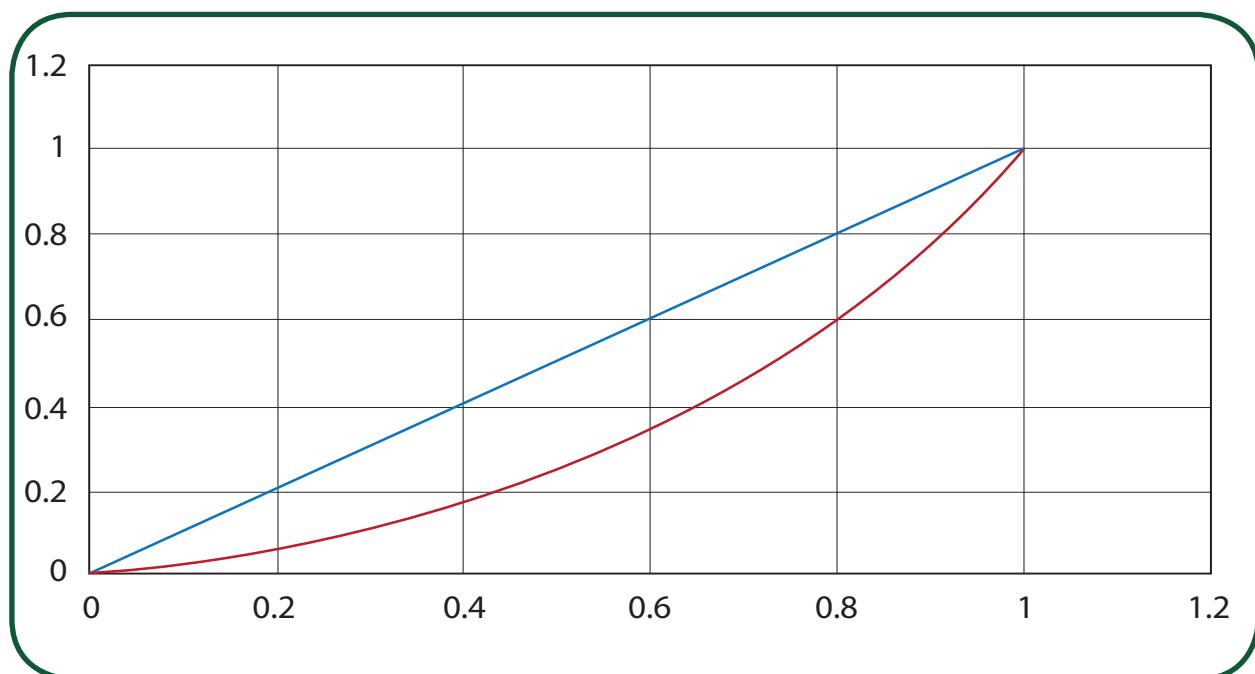
The Gini Coefficient is calculated by measuring the area between the equality line and the Lorenz curve for the area under the equality line = 0.5/17.38)= 34.76%.

Source of calculation steps: [http://www.econedlink.org/lessons/docs\\_lessons/885\\_ginicoeffanskey1.pdf](http://www.econedlink.org/lessons/docs_lessons/885_ginicoeffanskey1.pdf)

The above table measures the Gini Coefficient for the fairness of salary distribution in the government sector, with the Gini coefficient value reaching, according to the above table, 33.51%, which a value exceeding the prevailing values in countries enjoying a good level of fairness in which the Gini value ranges between 25% and 30%. The results show the low level of fairness in income distribution among the government sector employees in Palestine.<sup>18</sup>

Chart 3 hereunder explains the Lorenz, with the x axis showing the cumulative ratio of employees by step / rank. The y axis shows the cumulative ratio for salaries. The area between the curve and the straight line (equality line) shows the Gini coefficient. Hence, the larger the area the higher the inequity and gaps in income distribution among staff in the government sector.

**Chart (3): Lorenz Curve and the Equality Line for the Palestinian Government Employees**



18 The Gini Coefficient is named after the noted statistician Corrado Gini. It stands to be one of the most common gauge of national income inequality. The Gini index is often represented graphically through the Lorenz curve. It provides us with a measure of the wealth distribution equality/inequality amongst a population. In a nutshell, it measures the gap between Lorenz curve and the line of equality (i.e. the straight line between the original point and point 1-1 as the chart above shows.) Then this space is multiplied by two. In fact, the area between the line of equality and the two points on the vertical and horizontal axis equals 0.5, thus the coefficient ranges from 0 (or 0%) to 1 (or 100%). The area equals zero, if the income distribution is perfectly equal. However, the index equals one, if the Lorenz curve perfectly matches the horizontal and vertical lines. That being the case, then the area between the line of equality and Lorenz curve equals 0.5. As a result, the Gini index equals 1 representing perfect inequality. Bottom line, the higher the Gini coefficient and the less equal the income distribution among a population.

Bottom line, the financial crisis from which the Palestinian Authority suffers will continue as long as its reasons continue, and that one of the main reasons is the structural imbalance in the salaries and wages item in the Authority's budget. In addition to the fact that it continues to burden the Authority with additional burdens, it carries negative social dimensions that affect the social fabric and its cohesion.

The above results affirm the presence of tangible variance between salaries, wages, and allowances for workers in the civil (ministerial and non-ministerial) and security / military sectors. This problem is not restricted to salary variation only, but transcends it to the value of concessions and rewards accompanying these salaries, which cause a leap in the overall total of what is acquired financially, which led to a waste in public funds and an unjustifiable amplification of the salaries of many position salaries. The higher grades in various institutions stand in need of a policy and standards to identify job grades for heads of non-ministerial public institutions. The lack of a ceiling for salaries has been exhausting the state treasury and leaving the door open for some heads of institutions to receive salaries and allowances that could be in total tantamount to what the head of the Palestinian Authority receives. If not they might exceed \$10,000, in addition to the absence of a clear government policy or specific approved standards based on which the salaries and allowances of the heads of the public institutions are identified.

The information provided in this paper indicates clearly that there is a gap between the salaries of government employees, whether inside the institution (according to different grades, steps, and ranks) or at the level of government institutions among them. The analytical paper reached the conclusion that the fairness level in income distribution among employees of the Palestinian Authority is low. The value of the Gini Coefficient (as an indicator of the fairness in income distribution) surpassed the prevailing ratio in countries known to have a good fairness level.

The analysis showed that many reasons led to the emergence of this gap, mainly:

- The legal frameworks and references regulating the salary scale in each government sector (civil or military). Insufficient attention was given to this issue, which did not get enough research, analysis, and study. Perhaps the weight and effect of the political and organizational factors is larger than the scientific standards studied in these cases.
- The exceptions and additional allowances that high-level employees and officials in the civil and military institutions contributed to deepening the pay gap in the government cadre.
- The poor application of the transparency and accountability foundations could weaken control over government institutions and responsibility centers, and therefore result in the continued violations of the salary scales and financial cadres (as bad as they are) implemented on government employees.

## 4. Proposed Pay Gap Mitigation Policy

Based on the results, we put forward a set of recommendations to close the gap between government staff salaries and the improvement of the level of economic and social justice in the Palestinian society:

A ministerial committee be formed of the General Personnel Council (GPC), the State Audit & Administrative Control Bureau (SAACB), and the Ministries of Finance and Planning, Labor, and National Economy. The committee should shoulder the responsibility of preparing a public inter-sectoral salary policy. The policy should take due account of the economic situation, the cost of living, the average private sector salaries, and other data and indicators. Once such a policy be approved, relevant laws should be amended, accordingly. This committee may seek assistance from technical committee from stakeholders. In parallel, a committee from specific parties from the civil society should be formed to follow up the Ministerial Committee work and to participate through dialogue mechanisms with the government in developing this policy, as well as monitoring the implementation of this policy after ratification. Notwithstanding, the following should be taken into consideration:

1. Review of and amendment to the laws governing the salary scale of public service (i.e. civil service, security/military, diplomatic corps, and judiciary) in view of reducing the gap in basic salaries. Therefore, the Gini coefficient should be applied to the proposed amendments to ensure the highest possible level of equality in salaries and wages, and thus income will be evenly distributed among employees in various work areas and sectors. However, it should be taken into consideration that financial concessions and salaries cannot be handled retroactively. It is also possible to amend the law and insert a transitional provision that halts increases until the new state is reached.
2. Review of the nature of work allowance scheme due to the difference in the nature of work between institutions that have the same job designation and at the very step.
3. Consideration of the increase of the salaries of lower grades in the civil and military sectors when amending the laws and implementing regulations related to the salary scale in order to reduce the gap between steps / ranks.
4. Commitment to the Public Budget Law, which specifies the ceiling for contracts at \$4,000, and thus any exceptions issued by the Cabinet of Ministers should be avoided.
5. The Cabinet should adopt a strict procedure for the issuance of approvals for contracts

whose monthly salaries exceed \$1,500, and thus refrain from granting the position of ambassador to anyone who does not actually perform the role and responsibilities of an ambassador.

6. Review of the high cost of living rates for the Diplomatic Corps, since there are countries where the high cost of living is less than that in Palestine, yet a high cost of living allowance of 200% is being paid.
7. Adoption of clear and transparent mechanisms for the 'miscellaneous' item, as well as hospitality allowance and travel allowance, and thus rationalize expenditure on this item for high-level employees through setting a maximum level for them.
8. Development of and amendments to written lists that regulate the process of disbursing rewards in public institutions in general, and in non-ministerial public institutions in particular.
9. Issue a special law identifying the salaries and rewards of the heads of non-ministerial public institutions along the same lines as the rest of the high-level and special grades, such as members of the government, the Legislative Council, governors, and the Chairman of the National Authority.
10. Incorporation of the heads of public institutions into the scope of the relevant laws. These laws should be observed and abided by, thus the maximum level of functional steps should not be lavished on the occupants of these positions. The step and level of such posts otherwise should be determined compared to similar ones in the civil service, provided that the salary be compatible with the grade.
11. Delegation of the GPC and the SAACB with strict control of the diplomatic corps appointment and promotion procedures. The GPC should be given the authority to supervise the compliance of the Foreign Ministry with the Diplomatic Corps Law and its implementing regulation in all that is related to appointment and promotion. In addition to the GPC, the SAACB has the authority to monitor and review decisions related to public personnel affairs regarding appointments, salaries, and wages.
12. Development of a strict set of standards for the classification of the Foreign Ministry staff into administrative or diplomatic staff in order to avoid a process of classification according to political or personal considerations in many cases.

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## **AMAN- Coalition for Accountability and Integrity**

- Ramallah, Irsal St, Remawi Building , 1st floor

Tel: 02 2974949

02 2989506

Fax: 02 2974948

- Gaza, Al-Halabi St.

Tel fax: 08 2884767

Tel fax: 08 2884766

Email: [info@aman-palestine.org](mailto:info@aman-palestine.org)

web: [www.aman-palestine.org](http://www.aman-palestine.org)



/AmanCoalition