

RESEARCH ARTICLE

Public Sector Compensation and Fiscal Discipline; *A Perspective from Ghana*

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Received: 29 May 2026 Accepted: 19 June 2026 Published: 25 June 2026

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Abstract

Ghana's public sector compensation decisions have always been a complex arena where political and economic actors have waged battles to secure favorable outcomes. Public sector compensation decisions historically evoke a lot of tension and significantly affect fiscal discipline and overall country economic performance. Public sector compensation management is multi-dimensional and encompasses key variables such as politics, equity, justice, economics, technical design and change management. This study examines recent data that puts in perspective the challenges that Ghana faces as it embarks on a reset of governance including compensation decision choices. Using an integration of Kantian philosophy and Tichy's Technical Political Cultural change management model, we examine key factors supported by data and insights to recommend potential solutions. Our position is that this is the moment for a reset to sustainably heal that painful Gordian knot which has become a painful sore in Ghana's public sector HR architecture that never goes away. We conclude that Ghana needs five key factors that will be critical to facilitate a sustainably transformative public sector compensation architecture. These are a values and behaviors based performance management system, a deontologically driven compensation philosophy and a technical approach rooted in data and insights that frames the intersection of equity, fiscal discipline and financial sustainability, public compensation management as a key performance indicator of Gross Domestic Product and compensation education of key actors to drive sustainable reforms.

1. Introduction

Ghana's single spine pay policy involves the placement of all public sector employees listed in Article 190 of the 1992 Constitution into one unified salary structure known as the Single Spine Salary Structure (SSSS). The public sector employees included in the SSSS are those in the Civil Service, the Judicial Service, the Audit Service, the Ghana Education Service, the Ghana Health Service, the Parliamentary Service, the National Fire Service, the Customs, Exercise and Preventive Service, the Internal Revenue Service (presently Ghana Revenue Authority), the Local Government Service, the Police Service, and the Prisons Service. Workers in public corporations other than those set up as commercial ventures, public services established by the constitution, and all other public services as Parliament may by law prescribed

also be included in the SSSS. Those excluded from the structure are the military and public officials covered by Article 71 of the 1992 Constitution of Ghana. Those public office holders include the President, the Vice President, the Chairman and Members of the Council of State, Ministers of State and their Deputies, the Speaker and Deputy Speakers and Members of Parliament, the Chief Justice and other justices of the Superior Court of Judicature, the Chairman and Deputy Chairman of the Electoral Commission, and others. The SSSS replaces the Ghana Universal Salary Structure (GUSS) and other forms of pay structure within the various public sector institutions in order to restore equity and transparency in public service pay administration. Unlike the GUSS, which was a 22-level salary structure, the SSSS is a 25-level structure.

Citation: Casely Ato Coleman, Dennis Asare. Public Sector Compensation and Fiscal Discipline; *A Perspective From Ghana*. Open Journal of Human Resource Management. 2026;7(2):01-14.

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The implementation of Ghana's pay policy has been fraught with costly pay related disputes as well as ineffective decision choices on compensation adjustment decisions. In this research we provide a quantitative as well as a qualitative examination of the key factors undermining effective public sector compensation management in Ghana. We will also provide a set of recommendations to address the challenges to enable Ghana to chart a pathway towards fiscal discipline and public sector financial sustainability of public sector compensation choices and decisions. Our thesis is that Ghana needs a radical root and branch transformation of Ghana's public sector compensation, and we will propose four key components that will enhance the smooth implementation of a new public sector compensation management transformation agenda. This paper unpacks the drivers and economic implications of Ghana's growing wage bill and suggest a pathway to ensure the management of public sector compensation ensures fiscal discipline and financial sustainability.

2. Research Questions

- To what extent can Ghana's public sector compensation management choices enhance or derail fiscal discipline, and what are the solutions?
- What are the practical solutions to ensure Ghana's public sector compensation decisions enable fiscal discipline and financial sustainability?

2.1 Research Method

This analysis is a desk research of literature on public sector compensation management theories and models to explain the complexities and threats posed by Ghana's public sector compensation management and the pathways to creating equitable, fair and just compensation in the public sector. The catalogue of literature was mainly sourced from Elsevier, Emerald, Google Scholar, and other relevant literature sources on public sector compensation. Key word searches included models on compensation management. The Kantian Philosophy was adopted to examine the extent to which equity, transparency and universality of rules are built into Ghana's public sector compensation management. The Kantian philosophy emphasizes that the rules governing compensation must be universal, equitable and transparent, minimizing unfairness in public sector wages. Ghana's public sector compensation system is rapidly changing due to the strong influence of worker unions on political outcomes; however, it is yet to be seen the extent

to which the reforms deliver lasting organizational change.

Tichy's Political, Technical and Cultural change management model was adopted to assess the extent to which Ghana's public sector compensation reforms align with the triple framework of technical, political and cultural soundness. The technical component of Tichy's model examines the extent to which the compensation adjustments reflect agreed performance metrics, budget analysis, etc. The political component examines the political economy drivers of Ghana's compensation reforms. The cultural dimension examines the extent to which the rituals, practices, methods and approaches inherent in Ghana's compensation reforms promote fair and equitable wages. Additionally, it emphasizes the morality dimension of the compensation reforms. These frameworks help to demonstrate the technical, political and cultural soundness of the recent compensation reforms.

Additionally, secondary data on Ghana's compensation expenditure was used to demonstrate the macroeconomic threats posed by the existing public sector compensation management system. The data shows the main sources of wage adjustment, revealing the technical and cultural soundness of the reforms and the complex political dynamics in public sector compensation decisions.

3. Conceptual Framework

For the purposes of this research, we used Kantian philosophy and Tichy's Technical Political Cultural change management framework to frame our discussion, analysis and proposed solutions.

3.1 Deontology and Public Sector Compensation

The importance of the need to address institutional or organizational justice in public sector compensation is also linked to the deontological moral theory of human rights and goodwill. According to the prominent philosopher Immanuel Kant, deontology refers to an obligation or duty. Misselbrook (2013). This theory depends on the intention or will of an act and not on the consequences. In that regard and anchored on organisational/institutional justice, fair compensation management practices within the public sector, an action is right if and only if it is done in accordance with duty. A duty is constituted by the goodwill or is dependent on, if it is represented or motivated by goodwill. It also means you treat people as intrinsic ends and not as a means to further ends. Social justice as a moral imperative calls for direct attention to who wins and loses in society. Folger & Cropanzano

(1998). We extend this argument and posit that fairness in public sector compensation management is an important aspect of social justice within public sector organizations.

There is a link between organizational justice theories and fair compensation, and this reinforces the principle of integrating deontological and strategic imperatives to enable public sector organizational effectiveness outcomes. Delivering a fair compensation system is an inherent moral duty of an employer to appropriately reward its talented workforce. This becomes a strategic imperative and drives employee motivation and also positions the organization as a values-based employer of choice in its labour market. When political leaders exercise their decision rights to implement fair compensation decisions, this constitutes the positive use of political power within the public sector. This helps to integrate deontology, politics and a structured technical approach of fair compensation. This results in an integrated framework of public sector HRM where deontology, politics and technical methodologies enable a values, data and insights/discipline-based approach to enable positive national wellbeing and public sector employee wellbeing outcomes.

3.2 Political Perspectives of Public Sector Compensation

Tichy's Technical Political Cultural change management model considers technical, political and cultural systems for understanding organisations in general and organisational change in particular. This offers a frame to examine the politics of public sector compensation. The technical system is based on hard data and represents a highly rational perspective.

The political system is based on power dynamics and the fact that in organisations or institutions, some groups and individuals are more powerful than others. With respect to change, the primary behavior representing this perspective is negotiation. The cultural system concerns shared values and norms, or cognitive schemes. These schemes are what link people together and constitute the organisation's culture. Culture change occurs by developing new norms and values. All three systems must be realigned for successful change. The three systems are connected and must be managed together to ensure successful change.

Tichy (1983) argues that these systems must be aligned within a system and between systems. The Technical Political Cultural model helps to understand the political, technical and cultural dynamics within organizations and how bargaining takes place by interest groups.

He describes the technical dynamics as those aspects of the organization which are knowledgeable, such as available technical tools and expertise. The political dynamics are the views of dominant groups, including bargaining by powerful organizational groups. We extend this and argue that economic decisions of the government, including public sector compensation decisions, are political in design and outcomes. The cultural dynamics constitute the shared symbols and values which make up the organizational and institutional culture. He argues that the three strands must be managed together or realigned for organizational effectiveness (Faletta 2005:17).

There are limitations to the TPC model. For example, the people component in the model is not visible, and Tichy acknowledged that he did not consider the psychological aspects of change. In the same vein, it can be argued that the cultural and political systems in the TPC model do inherently address people's issues, as the interaction of people produces outcomes that can be analysed from the three components of the model. Politics is about the authoritative allocation of values. Power, influence, and bargaining are political factors that affect compensation management systems and practices in organisations. The use of power is part of organisational life (Pfeffer 1981, 1992). We also posit that the authoritative allocation of values and the competition for resources and satisfaction of interests by individuals, groups and teams is at the heart of the politics of public sector compensation management decisions.

3.3 Cultural Perspectives of Public Sector Compensation

Many scholars have written about Ghana's culture of failed public sector compensation management reforms. Aye (2016) argued that the Single Spine Pay Policy implementation was hampered by political maneuvering and the need to balance the interests of the political elite, labor unions, and the governing party, rather than just technical flaws. Asante et al (2020) concluded in their study that 70% of the civil and public servants were not satisfied with the policy and recommended that seminars and workshops should be organized to enlighten civil and public servants on the concept of the single spine salary structure. Atintono et al (2018) in their study also argued that 80.6% of civil and public servants said the implementation of the single spine policy does not meet their expectations and recommended that the Fair Wages Salary Commission should consider the approach used in determining the value or worth of a job in the public service sector and also organise

capacity building sessions to enlighten civil and public servants on the concept of single spine.

Complaints of the single spine pay policy have also been cited in numerous studies as reasons for industrial strikes in Ghana. Coleman(2026), Ayee(2016). According to Smith Graham(Executive Secretary of FWC), in 2024, Ghana experienced 22 strikes that caused 1.7billion cedis, and in 2025, 8 strikes were recorded that caused 635million cedis. This is surely non-sustainable.

The inherently political nature of public sector compensation decisions is manifested as many actors apply various power and influence tools to obtain better conditions of service. This has been triggered by various Legislative Instruments that contain enhanced conditions of service for some public institutions. The politics of public sector collective bargaining can be managed when the Government agrees to collective bargaining agreements with future execution dates that must be aligned with the Government's fiscal policy and medium term expenditure plans. This political management approach provides a framework to manage tensions with unions over enforcement timelines. These laws are in contravention of provisions in the 1992 Constitution and create "linkages" that have high fiscal risks. This specifically refers to Article 71 Office Holders/ Political Appointees/ Legal Service, etc. In addition, there are legislative instruments that empower boards of public institutions to determine the conditions of service of staff without recourse to the Minister for Finance. This is also in contravention of the Public Financial Management Act 2016, Act 291. These laws are inconsistent with each other and most especially with the 1992 Constitution and the Act establishing the Fair Wages and Salaries Commission 2016, Act 921.

3.4 Technical Perspectives of Public Sector Compensation Design

Public sector compensation design and execution requires a structured technical approach for improving fairness in compensation management. Public sector compensation decisions sit at the intersection of equity, performance, justice, and organisational culture. An effective technical approach to public sector compensation design requires a clearly articulated compensation philosophy aligned with Ghana's long term development strategy. This then shapes rigorous benchmarking and internal equity assessments that must have a methodology that reinforces a strong performance-reward linkage. This provides a clear distinction between performance and contribution and thus helps to measure the

contribution of each public sector employee to the execution of Ghana's development strategy. A solid technical approach to public sector compensation design and management requires an integration of behavioural and organisational justice principles. Public sector compensation management is inherently multidimensional, requiring political leaders to balance technical design, ethical considerations, market competitiveness, and employee perceptions.

When leaders exercise their decision rights to implement fair compensation decisions this constitutes the positive use of political power within the organization and blends deontology, politics and a structured technical approach. This creates an integrated framework of public sector HRM where deontology, politics and technical methodologies enables a values and data and insights based public sector compensation choices. This approach is key to enable Ghana's long term fiscal discipline to ensure financial sustainability in public sector compensation management.

4. The Political Economy of Public Sector Compensation

The recent remarks by Ghana's Finance Minister concerning the practice of borrowing to pay public sector workers were met with a mix of concern and shock among citizens, HR practitioners, civil society organizations and allied actors interested in sustainable economic governance. The Minister remarked that Ghana's compensation trajectory is unsustainable, considering that the 2025 compensation bill accounted for about 44% of total government expenditure, exceeding the ECOWAS threshold of 35% (Citi News, 2026). In theory, wage bill growth is expected to lead to higher productivity, increased tax revenues, and economic growth. Without a corresponding growth in productivity, the government's risk borrowing, raising taxes, or printing more money to fund the wage bill, exposing the economy to unsustainable debt traps and inflationary threats.

Public sector compensation issues are inherently a combination of politics, economic, technical and cultural variables reflecting the power and influence relationships between the government and worker unions. Public sector compensation is sticky expenditure, that is, the government has little flexibility to cut back, scale down, or downsize. In countries like Ghana, where worker unions represent constituencies with strong political influence, governments rarely dare to touch compensation. The public sector compensation is a Gordian knot, complex and requiring unconventional solutions.

Historically, public sector wages and salaries have not reflected the Ghana's fiscal health. Over the last decade, Ghana's fiscal performance has been volatile and marked by consistent fiscal deficit, with an average overall budget deficit of 6 per cent between 2015 and 2025 (See Fig.1). Over the same period, public sector wages and salaries have consistently increased (nominally), and on average represent about 6.13% of GDP since 2015 (Ministry of Finance, 2026). Moreover, total compensation expenditure on average constituted 30% of total public expenditure

between 2015 and 2025 (See Fig.2). These structural financial imbalances reveal rigidity traps where significant revenues (about 30 pesewas of each cedi collected are spent on compensation) are committed to maintaining the administrative payroll instead of returns-yielding expenditure. Additionally, creating an expensive public sector workforce without corresponding growth in revenues has occasioned a persistent debt crisis, slow growth, and a structurally inefficient public sector that is too hard to reform.

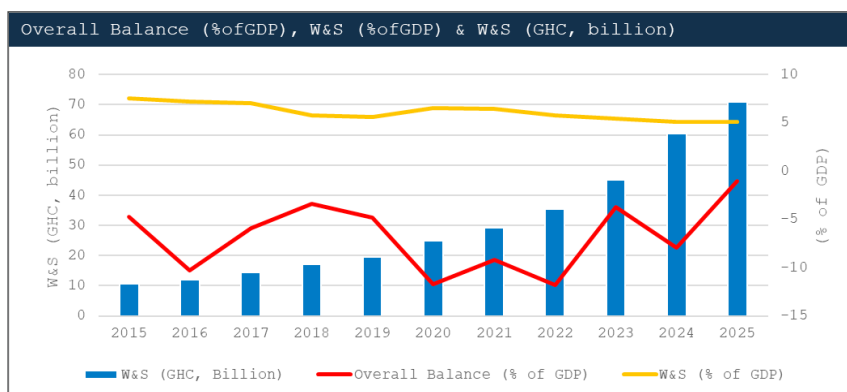


Figure 1. Fiscal Performance and Wage and Salaries

Chart: IMANI CPE | Data: Ministry of Finance

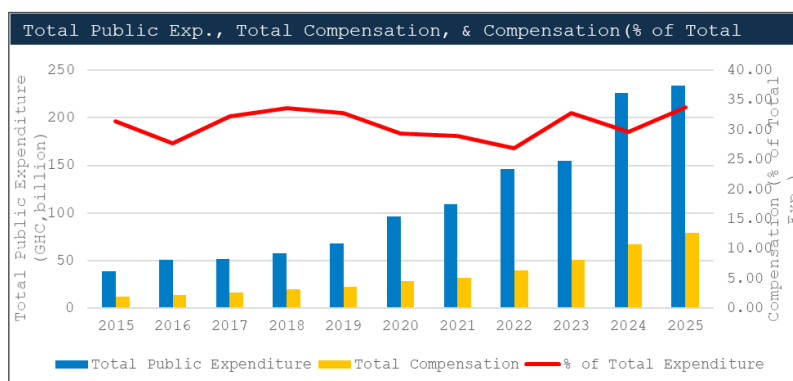


Figure 2. Compensation and Public Expenditure Trends

Chart: IMANI CPE | Data: Ministry of Finance

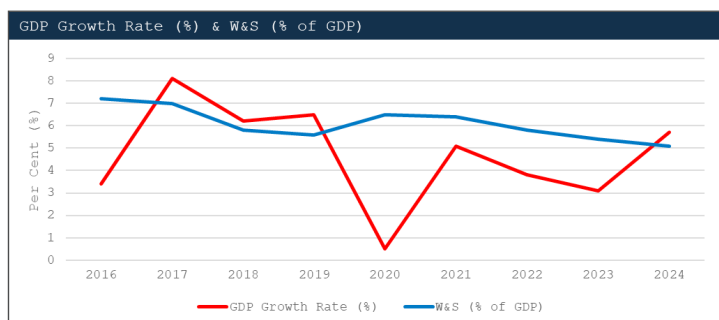


Figure 3. Wages and Salaries (% of GDP) and GDP Growth Rate

Chart: IMANI CPE | Data: Ministry of Finance

Moreover, economic growth performance has not reflected the expensive administrative payroll, resulting in a severe productivity gap; public sector pay does not significantly drive economic growth. For instance, while wages and salaries in GDP terms have

been stable over the last decade, economic growth has been volatile (See Fig. 3). This suggests that while the government's ability to pay has been volatile and unpredictable, its obligations have remained the same. Clearly, the compensation bill is a drain on the

economy, exposing it to persistent fiscal stress and undermining efforts to restore macroeconomic growth and stability.

A review of the public sector compensation shows that the government, over the years have been padding allowances with minimal improvements in the base pay (See Fig.4). The base pay is standardized, but the allowances are heavily influenced by worker union demands, geographical location, and other factors as may be determined by the government. As a result, the allowances are not uniform and sometimes opaque, making it difficult to have a coherent wage

bill. Additionally, the overemphasis on allowances amplifies the pay disparities among public sector workers. Between 2017 and 2022, allowances significantly drove wages while the base pay remained almost the same (World Bank, 2025). For instance, the gross salary of an average civil servant almost doubled between 2017 and 2022, mainly because of changes in allowances (World Bank, 2025). The difference in the gross salary of the average civil servant is significantly driven by allowances. This could lead to public sector workers rejecting assignments or posting to regions associated with low allowances.

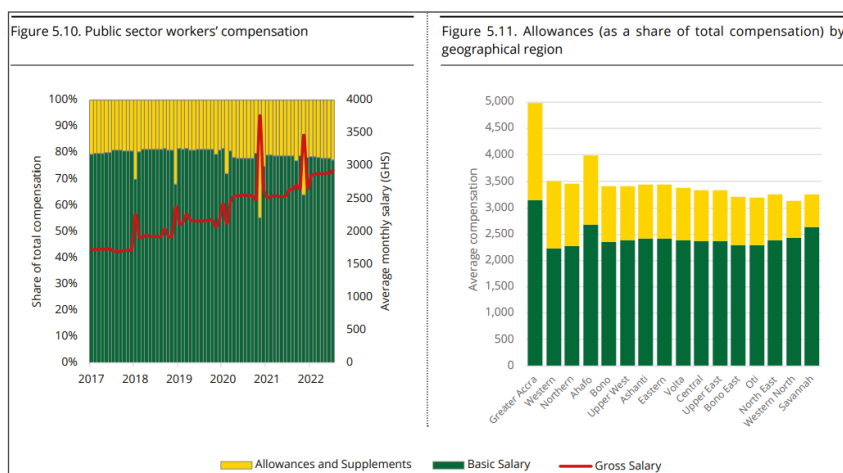


Figure 4. Trend of Wages and Salaries Growth

Source: World Bank

The heavy influence of allowances on the wages and salaries structure is a serious fiscal risk because they are bereft of rigorous data and insights, are unplanned and reactive, responding to the demands of worker unions. As a result, they are likely to derail the fiscal plans of the government. Additionally, the allowances are not tied to any macroeconomic benchmarks or performance management/ productivity KPIs. This makes wages and salaries more political, further weakening the effect of wage adjustments on economic growth and perpetuating a cycle of fiscal stress.

One of the major weaknesses of Ghana's current public sector compensation management is the weak or almost non-existent line of sight between employee performance and compensation decisions. Best HR practices in talent management require a strong integration between performance and other talent management outcomes, including compensation, learning and development and promotion.

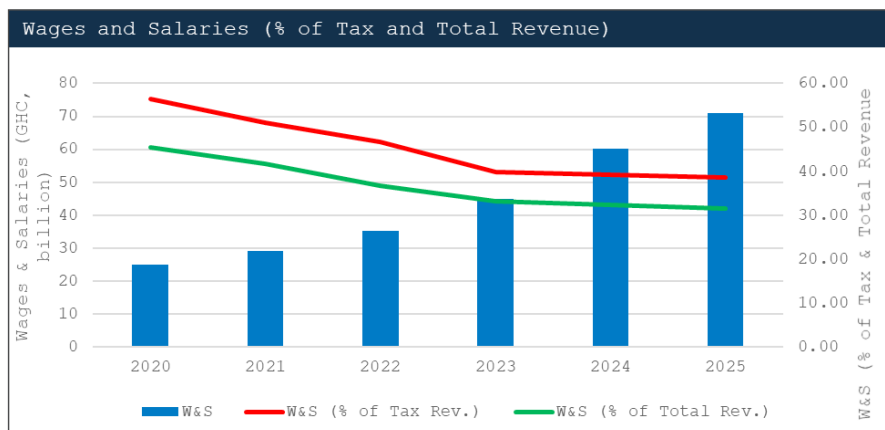


Figure 5. Wages and Salaries as a Share of Tax and Total Revenue and Grants

Chart: IMANI CPE | Data: Ministry of Finance

Ghana's wage bill is a looming fiscal crisis and requires urgent reforms. Compared to tax and total revenues, the existing wages and salaries bill consumes on average 45% of tax revenues, which is unsustainable for a country with a relatively low tax-to-GDP ratio, compared to its regional peers. This implies that for every one cedi of tax revenue generated, 45 pesewas is spent on public sector wages and salaries. Additionally, wages and salaries on average account for about 37% of total revenues and grants, indicating that almost GHC4 of every GHC10 of government total revenue and grants is used to maintain the payroll (See Fig.5). Given that public sector employment is largely political and not due to strategic organizational needs assessment, the tendency of an elevated public sector wages consuming more than half of tax and total revenue is possible in the short-term.

Compared to peers, Ghana is among the countries with the highest wage bill, but a relatively smaller public sector workforce (See Fig. 6). Ghana's wage bill exceeds its regional and structural peers, pointing to an inefficient public sector wage management or a deliberate creation of an expensive public sector workforce. Ghana's wage bill was observed to be just 2.5% of GDP lower than its aspirational peers; however, its economic performance is significantly below that of its aspirational peers (World Bank, 2025). The World Bank reports that while regional and structural peers have observed a stable growth in public wage bill growth, Ghana's trend has been volatile and unpredictable, corroborating the effects of allowances and the unplanned and political influence on public sector hiring.

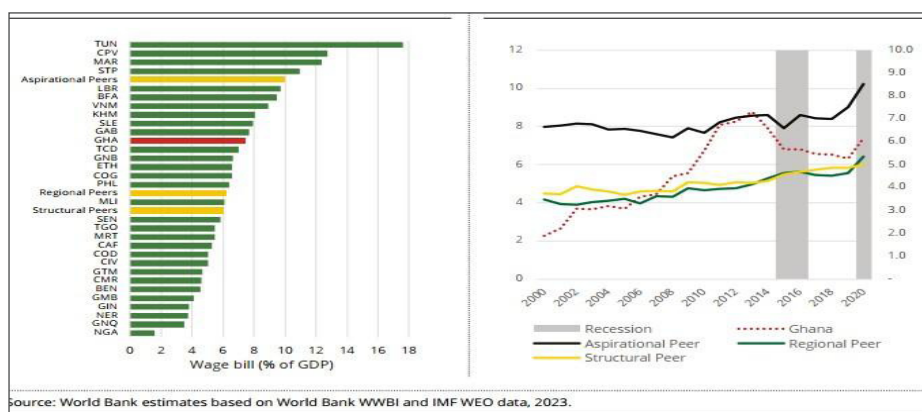


Figure 6. Ghana's Wage Bill Compared to Regional, Structural and Aspirational Peers

Source: World Bank

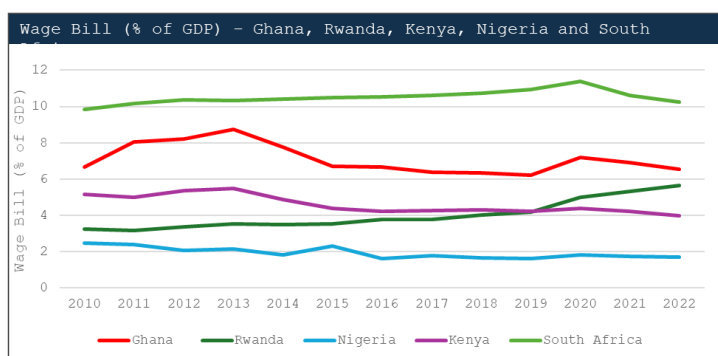


Figure 7. Wage Bill as a Percentage of GDP

Chart: IMANI CPE | Data: World Bank

Also, Ghana's wage bill as a percentage of GDP is higher than that of peers like Rwanda, Nigeria, and Kenya, except for South Africa (World Bank, 2026). Between 2010 and 2022, Ghana's wage bill on average was 7.1% of GDP compared to 4.01%, 1.94%, 4.61%, and 10.51% of Rwanda, Nigeria, Kenya, and South Africa (See Fig.7). Despite the high public wage bill, Ghana's public employment as a share of salaried employment remains below its regional peers, structural and aspirational peers (See Fig.8). This

indicates that, while Ghana spends more on public sector workers, it employs relatively few people compared to its peers. Moreover, the high expenditure has not translated into government effectiveness. The World Bank data on Government Effectiveness ranks Ghana 10th compared to peers like Rwanda (5th) and Senegal (6th), who spend relatively less on the public wage bill. Also, countries like Rwanda with relatively lower public wage bill was found to have better control over corruption than peers like Ghana, South Africa,

and Kenya, with high public sector wage bill. The 2025 Corruption Perception Index ranked Rwanda 41st out 182 countries, compared Ghana (76th), South Africa (81st) and Kenya (130th).

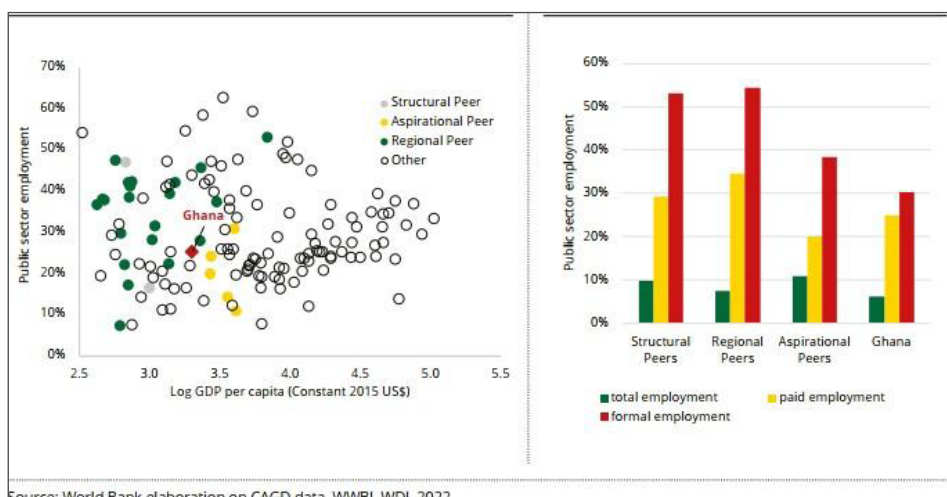


Figure 8. Public Sector Employment as a share of Paid Employment

Source: World Bank

6. Solutions

6.1 Performance Management As The Foundational Connective Issue

Performance management is very key to enabling employee performance. Mcnamara, & Mong (2005), Boyle (2013), Brown et al (2017). Performance management represents the connective tissue to measure the contribution of every public sector employee including politically appointed individuals towards the execution of government programmes, initiatives and strategic plans. The outcomes of a rigorous performance management process must be the ONLY fair tool to determine the compensation of public sector employees to ensure fiscal discipline.

Key components of a rigorous public sector performance management system are highlighted as follows:

- As a concept, performance management helps to define and measure the contribution of an employee to the organization's business and provides clarity on the "Line of sight" of every member to the overall goals.
- As a process it helps to reconcile personal goals with organizational goals to enable achievement of strategic intent, purpose and ambition.
- As a methodology it provides evidence to measure behavior (how) and results (what) & its correlation to positive or negative outcomes.
- In Institutional/Organizational Development – it also serves as a risks management diagnostic tool to trigger change as *performance* can be thought of as Actual Results vs Desired Results

and any discrepancy is defined as the performance improvement zone.

- As a cycle, it has 3 key components. The first is the *Performance planning where goals and objectives & success indicators & expectations are established and performance of work is monitored*. The second is *coaching & feedback to modify variance in performance & reinforce and recognize positive contribution*. The third is performance evaluation or appraisal -*where individual performance is formally rated or measured, ratings summarized and documented and feedback delivered and corrective actions applied ie outstanding performance rewarded and underperformance addressed*.

Performance management if done well, ensures all public sector employees receive the tools, skills and authority they need to be successful in their jobs and also helps to differentiate good, average and poor performers.

6.2 Types of Performance Objectives

There are many types of performance objectives. These include:

- Process objectives - objectives of a facilitation/collaboration type ie process oriented objectives that enables the delivery of an output or outcome objective.
- Output objectives - objectives that produce a physical result that can be empirically verified e.g. *construction of a free senior high school, frequency of meetings, number of reports, client satisfaction survey results completed, etc.*

- Outcome objectives **are** objectives which demonstrate that change or transformation has taken place as a direct consequence of the delivery of a process or output objectives. *E.g. as a result of the construction of the free SHS, or teacher training program on how to teach science and mathematics, there is an improvement in teaching and learning outcomes.*

6.2.1 Criteria & Measures

- Outcome/Impact criteria helps to measure the impact of performance on overall organizational and operational performance e.g. what change has occurred as a result of the introduction of policy interventions by a particular Ministry.
- Money measures help to assess how performance has led to increased revenues, reduced waste and duplication, and created more agility and positive results.
- Time measures can be expressed as planned performance against actual performance using tools such as project management plan, work timetables, amount of backlog and speed/quality of response etc.
- Measures of effect can also help to evaluate observed changes or transformation in behavior, technology, products, customer satisfaction as result of the delivery of the objective.
- Reaction measures can be assessed from engagement with stakeholders e.g. via key stakeholder satisfaction surveys, 360 degree feedback or upward feedback from subordinates etc.

These tools can facilitate a rigorous public sector performance management system and facilitate the review the performance of public sector employees to inform public sector compensation decisions. This will help to ensure fiscal discipline.

6.3 Performance Management Methodology

A rigorous public sector performance management system has to be anchored on primary and secondary data to review the ‘what’ and ‘how’ of the delivery towards agreed objectives and outcomes.

- The “**what**” will consider key public policy and programmes quality standards *including (a) well-managed programming that are within the span of control of the appointee and amenable to objective and consistent verification, (b) quality assurance eg ensures that quality standards are met in programmes on the basis of objectively verifiable*

evidences and solid monitoring, evaluation, measurement and knowledge management,(c) resources acquisition and management eg key activities and resources that enable achievement of quality standards. (d) Timely multi-year commitments based on design requirements Resources are committed according to agreed design requirements & plans are implemented in accordance with agreed timelines and budgets, and effectively adapted to changes in context

- The **how** will consider key values and behaviors in line with the key public sector ethical standards including code of conduct as well as best practice public leadership standards on accountability, engagement, courage, humility, innovation, nimbleness etc.

As a foundational connective tissue, a solid performance management system will enable public sector compensation and talent management decision choices (separations, rotations, transfers, learning and development etc) to be grounded on solid data and insights to guide compensation decisions that do not derail fiscal discipline to ensure financial sustainably.

Without a solid performance management system that measures the contribution of each and every individual public sector employee to the business objectives and outcomes of their employer, any new compensation system will not be effective. There has to be more rigor in the culture and management of performance in the public sector. There are many proven methodologies that connect performance to rewards and this is a critical paradigm shift that Ghana needs now to ensure talent and institutional justice in public sector compensation management.

6.4 Ethically Driven Compensation Philosophy

We submit that translating the intent of a fair transformative compensation approach into a measurably sustainable plan requires an integrated linkage of approach, from design to operation. The foundation for any approach to compensation requires a compensation philosophy, which is a formal statement that defines an organisation’s principles and intended outcomes, and where it wants to position itself in the labour market. In the private sector for example, a company can define its compensation philosophy based on a qualitative and quantitative construct. A qualitative construct will define the “comparators” or “referent organisations” it would like to benchmark with. This qualitative construct is normally framed around organisations doing similar business and/or organisations where it

hires from and loses staff in the labour market. This is then reinforced by a quantitative construct where the organisation defines statistically its theory of change around its positioning in the labour market, which could range from being a median player, upper quartile player, 80th percentile up to 120th percentile. The Ghana government, as an employer, needs to have a well-defined compensation philosophy based on a clear qualitative and quantitative construct, which then becomes the basis to gather data and insights to develop sustainable contextually sensitive pay structures that are aligned with a clear job evaluation system and fit into the overall fiscal discipline standards underpinning government expenditure. The culture of determining salary increases based on arbitrary percentages must be replaced by a structure that applies transparent, qualitative, and quantitative rigour driven by affordability.

6.5 Compensation Design

Modern HR methodologies and research in job evaluation have proven that a well-designed job evaluation system can integrate the strengths of the Patterson Grading System, Peromnes Grading System, and Hay Grading System. The combination of Paterson Grades from A1 to F5 with the Patterson Bands from A to FU, or Peromnes Grades from 18/19 to 1++ with Task Grades from 1-28 or Hay points from 54-62(hay points 57) to 8321-9640 ie rewards levels 4-34, can be integrated to ensure ALL roles that sit in Article 71 and state enterprises organisations (SOESs) can be placed on the same structure without fear of favour. The integration of these technical approaches can ensure a rationalisation of decision levels, tasks/skill levels, as well as employment equity of all occupational levels. This means all roles from the watchman to the President of the Republic can be slotted into a coherent compensation structure. Ghana's compensation structure needs to transition from the "old school" civil service long service notches system where workers simply get an increase for every year served (which is more or less a long service award that is not connected to performance) to a more disciplined approach using comparatios that are linked to performance, cost of living and pay positioning relative to peer/referent groups.

From a design perspective, it requires having a technical model via a coherent compensation policy anchored on *applied comparatio model* to facilitate the intended fair and procedural justice outcomes. In terms of operations, it requires a combination of consistency in job evaluation, performance management and

decision choices on how the government responds to the external macroeconomic environment. The overall approach must be supported by consistent monitoring and evaluation of internal and external trends (market positioning) to ensure fairness in compensation decisions.

6.5.1 Technical Approach - Applied Comparatio

Applied comparatio is a technical approach that can potentially offer an exhaustive methodology for ensuring discipline in public sector compensation. Applied comparatio is a formula to ensure rigour driven by a quantitative approach by purposive sampling methods to determine a particular percentile of the comparator data of companies in the sampled labour market with flexibility to consider organisations/comparators where the employer loses staff or hires from within a defined period. Its pay design is anchored on determining the 80% of the data, which becomes 100% or the midpoint of the pay scale and is the starting point to design the structure. In order to ensure equity quantitatively, some organisations apply 20% below and 20-30% above the 100% to design the pay scale. A compa-ratio (CR) is the quantitative equity value you get when you divide base pay by the midpoint of the pay scale of the applicable job grade. In order to ensure qualitative equity in determining pay for new staff or to support the growth of existing staff in pay scales, this has to be supported by a transparent job evaluation framework that defines levels of competencies, skills and experiences. This provides a qualitative definition to reinforce the quantitative value, which is derived when the base pay is divided by the midpoint of the pay scale and job grade. In each job grade, there are three levels, namely entry point or foundational level, fully functional or competent level and authority level. This is to facilitate hiring and growth within the job grade and pay scale. The application of applied comparatio helps to manage equity distance between the lowest and highest peers in a reference group, mean compa-ratio of the reference group in the job grade, diversity and inclusivity gaps, e.g. age, gender, race, professions, etc.

The combination of a transparent job evaluation framework and a well-developed performance management culture and system is a sustainable way towards ensuring a disciplined approach to public sector compensation management.

For example most public agencies have five performance ratings. Unsatisfactory(U), Needs Improvement (NI), Meets Expectations (ME),

commendable (C) and outstanding(O). These ratings are also integrated with performance benchmarks to determine if an employee is performing at entry level, advanced or authority level in the business cycle under review.

In effect, the application of the “art”, i.e. the qualitative and the “science”, i.e. the quantitative principles of applied comparatios can be summarised via the formula below.

- A = current base salary
- B = midpoint of the pay scale
- CR = compa-ratio = A / B
- PR = performance rating
- i = inflation percentage increase = 75% of national inflation
- m = merit percentage from the matrix (depends on CR and PR)

Compensation decision following the performance management process is then calculated as follows:

- Inflation amount:

$$D = A * i$$

- Merit amount

$$F = m * (A + D)$$

→ The merit increase is applied on the base salary after inflation.

- Total increase in amount

$$H = D + F$$

- Total increase as a % of current base salary:

$$I = H / A$$

If we plug the formulas into each other, we get a compact expression as follows:

- $D = A * i$
- $F = m * (A + D) = m * A * (1 + i)$
- $H = D + F = A*i + m*A*(1 + i)$
- $I = H / A = i + m*(1 + i)$

So, in words:

Total increase % = inflation % + merit % applied on (1 + inflation %).

And below is the formula explained for merit (=m):

Definition of Variables:

CR = Compa-ratio

PR = Performance Rating

A = Salary adjustment percentage

1. If PR = “Outstanding (O)”

A =

- 0.05 if $CR < 0.95$
- 0.04 if $0.95 \leq CR < 1.00$
- 0.03 if $1.00 \leq CR < 1.05$
- 0.02 if $CR \geq 1.05$

2. If PR = “Commendable (C)”

A =

- 0.04 if $CR < 0.95$
- 0.03 if $0.95 \leq CR < 1.00$
- 0.02 if $1.00 \leq CR < 1.05$
- 0.01 if $CR \geq 1.05$

3. If PR = “Meets Expectations (ME)”

A =

- 0.03 if $CR < 0.95$
- 0.02 if $0.95 \leq CR < 1.00$
- 0.01 if $1.00 \leq CR < 1.05$
- 0.00 if $CR \geq 1.05$

If none of the above conditions apply:

A = 0

The government as an employer needs to define a clear compensation philosophy, articulate its comparators in the relevant labour market where it hires and loses mission critical public sector talent and then leveraging technology, apply transparent data and insights to design a compensation architecture that is aligned with Ghana’s fiscal policy and short to medium term development agenda with well-defined timelines for conducting benchmarking to refresh the compensation structure. Applied comparatio anchored on a clear compensation philosophy and supported by a rigorous performance management system, provides a very rigorous and transparent approach to ensure data and insights driven decisions that supports fiscal discipline and financial sustainability.

6.6 The Politics of Headcount Planning & Legislative Reforms

Public sector headcount planning must have a STRONG line of sight to Ghana’s short-term, medium-term and long-term development planning. In the private sector, headcount planning is derived

from the broader business strategy. This prevents guess work or unscientific headcount projections based on partisan biases. There is a need for rigorous methodologies and approaches to determine Ghana's public sector headcount planning and financial management. If public sector headcount planning is derived from the wider development strategy and plans and is synced with a coherent compensation philosophy and design that is supported by a very strong performance management system and backed by BOLD leadership, Ghana will surely be on the path towards a more professionally sustainable approach to public sector compensation management which enables fiscal discipline and financial sustainability.

Headcount planning will also require legislative reforms to prevent the current fragmented system in compensation decisions in the public sector. There are various Legislative Instruments that contain enhanced conditions of service for some public institutions. Some of these laws undermine talent and organizational justice relative to the 1992 Constitution.

The special treatment of Article 71 Office Holders must cease with due process. In addition, acts that empower Boards of public institutions to determine the conditions of service of staff without recourse to the Minister for Finance must also be repealed since they undermine the Public Financial Management, 2016 (Act 921) and ultimately do not enhance fiscal discipline in government financial management decisions.

Ghana needs an overarching legal framework that regulates all public sector headcount planning in line with the 1992 Constitution and the law that will establish the Independent Emoluments Commission.

6.7 Leadership Intentionality & Political Will

Courageous leadership from the President will be fundamental towards the successful implementation of the new Independent Emoluments Commission. Organised labour is a key constituency in Ghana's electoral politics. At the same time, there are solid professionals in organised labour and civil society who can become change facilitators and allies, provided decisions are arrived at based on transparently generated data and insights. The era of emotional arguments must be replaced with credible data and insights-driven discourse and at the end of the day, the government has ultimate accountability to make the right decisions.

Ghana government has to be resilient to engage key stakeholders and ensure sustainable outcomes that can be financed from government revenue. The

current percentage of public sector compensation to overall government expenditure is not sustainable. At the same time, there has to be transparency in the breakdown of all the line items and account lines that comprise public sector compensation expenditure.

7. Conclusion

Using fairly recent and real time data, this research has examined many of the challenges that confront Ghana's public sector compensation management system. These challenges have existed for over two decades. Our position is that this is the moment for a reset to sustainably repair that Gordian knot which has become a painful sore in our public sector HR architecture that never goes away. We conclude that Ghana needs five key thematic pillars to facilitate a sustainably transformative public sector compensation architecture.

These are:

- a. A values and behaviors based performance management system that measures the contribution of every public sector employee towards the delivery of government programmes, plans, initiatives and strategic priorities.
- b. Deontologically driven compensation philosophy that becomes the anchor for public sector compensation architecture supported by data and insights-driven compensation design. There has to be a new approach to public sector headcount planning that has a strong line of sight to Ghana's overall development plans in the short, medium and long term. This must be backed with a strong legal framework.
- c. A technical approach (*applied comparatio*) that is rooted in the design of data and insights driven application models that provides the art and science to operationalize the deontological and strategic imperative of equity, organizational justice, fiscal discipline and financial sustainability. A technical approach will ensure operational excellence to ensure a nimble political management of public sector compensation requiring grit, data, flexibility, empathy and discipline on the part of the government.
- d. Public sector wage bill must be defined as a KPI of Gross Domestic Product (GDP) and Ghana must be able to compare favourably with peers like Rwanda, Kenya and Nigeria. This must be reinforced with a political culture where the Government agrees to collective bargaining agreements with future execution dates that are

aligned with the Government's fiscal policy and medium term expenditure plans. This is one of the surest ways to ensure fiscal discipline and financial sustainability.

- e. Rigorous compensation education for public sector HR professionals, workers representatives and political office holders, the media and civil society organisations (CSOs) to provide knowledge on public sector compensation philosophy, operational excellence standards, principles, and checks and balances. This will help to minimize the emotions and partisan noise associated with the politics of public sector compensation decision choices.

These five key recommendations when considered will reinforce the laudable intentions behind the establishment of an Independent Emoluments Commission to provide overarching accountability for Ghana's public sector compensation philosophy, culture, strategy, system and practices.

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