

Essays on
Incentives Policies for Improving the Bangladesh Public Sector

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Recently, the government of Bangladesh announced the launch of Vision-2041, a policy-based plan for the realization of Bangladesh as a prosperous and developed country. However, policymakers identified two important but somewhat incompatible challenges to the work to realize Vision-2041: ensuring rapid but stable economic growth, and reducing poverty. Towards rapid and stable economic growth, the government of Bangladesh began reforming the public sector, which is responsible for the preparation and implementation of government policies. Towards the reduction of poverty, the government promoted improvement of the productivity of the agriculture sector by introducing crop diversification and new technologies.

This dissertation presents case studies of two initiatives taken to develop effective policies to meet the above two challenges. In the first case study (chapter 2), the effect of implementation of a reform policy (the 2015 public pay scale reform) is examined in terms of improvement of selection and recruitment for the Bangladesh Civil Service (BCS). The second case study (chapter 3) examines the effectiveness of incentives for improving the performance of extension agents in the public agricultural extension service of Bangladesh.

To conduct the first case study (chapter 2), a large survey was conducted on around 300 incumbent elite civil service officers (mid-level elite officers) and around 120 non-qualified civil service applicants. A list of incumbent elite civil service officers was collected from the 32 district administration offices. A list of non-qualified civil service applicants was also collected from the coaching center. And another list of non-qualified applicants was prepared after collecting names of non-qualified friends (applicants) from qualified BCS officers. The sample was used in this chapter is applicants/incumbent officers who applied to the BCS examination just before and just after the 2015 pay scale reform. As long as there was no change in policy and economic conditions which can be confounders of occupation choice of applicants just before and after 2015, it is argued that it is likely to be the effect of the pay-scale reform.

Unlike the existing studies, chapter 2 examines the effectiveness of financial incentives on recruiting elite civil service officers. This is the main contribution of this chapter to the literature. A difference in difference and OLS analyses show that post-reform BCS officers have higher educational quality than pre-reform officers and higher PSM. Compared to pre-reform BCS officers, they are also more motivated to public service, more altruistic to the poor, and have higher social preferences. The results for the applicant pool show that applicants in the post-reform cohort are more engaged in volunteer and charity activities, less present biased, and less risk-averse than applicants in the pre-reform cohort. The evidence here suggests that salary increases can be an effective measure for enhancing the quality of recruited officers.

Due to the current unsatisfactory extension services, an important challenge in the Bangladesh public agriculture sector is to motivate extension agents to increase their performance. As the inefficiency remained in the public agricultural extension services sector in Bangladesh for a long time, even there are no evidence-based rigorous studies in this regard. Therefore, urgent effective policies are needed to strengthen the public agricultural extension services of Bangladesh. Thus, based on other studies that found that to increase the performance of the public sector workers, incentives can be an efficient tool, an initiative has been taken in chapter 3 to test the effect of the incentive policy on the performance of the public extension agents of Bangladesh.

Chapter 3 of this dissertation provides empirical evidence that financial (Treatment 1) and non-financial incentives (Treatment 2), in combination with increased monitoring (Treatment 3), can improve the service delivery of government agricultural extension agents in the context of Bangladesh. The effectiveness of those incentives was explored through a Randomized Control Trial (RCT) conducted in the form of a rank-order tournament at 40 sub-district agriculture offices in Bangladesh with 807 agricultural extension officers. To motivate poorly performing extension agents, the rank order was set so as to hinder better performers at the baseline. Even though all of the treatments (financial and non-financial incentives treatments) led to a general improvement in performance, increased monitoring of the two worst-performing agents among those selected for inspection was the most effective means of improving service delivery by poor performers. Chapter 3 also documents the effect of heterogeneous treatment on performance by gender, job tenure, and initial performance of extension officers, as well as initial performance variation by office. The results of the analysis

indicate that incentives should be implemented with consideration of context and the baseline characteristics of the government agriculture extension workers. The study contributes to the literature which evaluates the effect of the incentives on the frontline public sector workers for increasing the service delivery.

Based on its examination of two issues related to development and poverty, this dissertation suggests that in order to attract higher quality workers and enhance public service delivery in the public sector of a developing country, at least in the context of the Bangladesh public sector, policymakers should consider incentives as a potentially important policy element.