

Commission Based Remuneration Model For Government Employees Involved In Public Procurement. A Solution To The Escalating Cases Of Corruption In Public Procurement In Kenya And Other Developing Countries

Lawrence Kabuthi Kabinga, The Kenya Institute of Management

Keywords: Corruption, Ethics, Commission Based Remuneration, Public Procurement, and Fair Remuneration

The Current Situation

This research constitutes a relatively new area, which has emerged from ethical considerations involving public procurement corruption cases, especially in developing countries. A well-known problem with public procurement corruption cases is that it does not take into account the motivational wellbeing of government employees (EACC, national ethics, and corruption survey, 2017). In view of this, more and more Kenyans have lost confidence in public procurement because of the increasing cases of corruption by the national government and the county government. Furthermore, all corruption cases being investigated by the various government agencies, collapse, take too long in the corridors of justice or even go dead silent. Additionally, the number of corruption-related reports and complaints has been increasing over the years to an alarming rate according to the Ethics And Anti- Corruption Commission (EACC, An Evaluation of Corruption in Public Procurement: A Kenyan Experience, 2015). What's more, the huge number of corruption reports and their subsequent increase over the years has necessitated the need to conduct a study to review and analyze the current system of remuneration for all government officers employed as procurement officers. On close anal-

ysis, the outcome of this study will lead to policy recommendations to address the problem (EACC, 2018).

As far as I know, no previous research has investigated ethical dilemmas associated with public procurement employees. To this end, the huge number of corruption reports and their subsequent increase over the years has necessitated the need to conduct a study to review and analyze the current system of remuneration of employees. Most of the research in this field is aimed at solving this problem. It should be noted that the outcome of this study will lead to policy recommendations to address the (EACC, *An Evaluation of Corruption in Public Procurement: A Kenyan Experience*, 2015).

It is of interest to know whether employee compensation policy affects their level of indulgence in corruption still holds true. To illuminate this uncharted area, we examined supplier's role in encouraging corruption practices in the public sector. Firstly, companies that want to develop purchasing relationships with key suppliers often fear that proprietary information will be compromised. Secondly, openness and honesty do not exist automatically. Thirdly, the partnership between companies takes time to develop and customers must be careful about whom they select to collaborate with and what the boundaries of that relationship are. In addition, by involving suppliers in projects at their inception and bringing technological expertise to the purchasing department, companies improve communication between them and their key suppliers. At the other end of the pipeline, suppliers who used to keep secret piles of buffer inventory have gotten rid of it because their in-plant representatives know exactly what is needed and when (Evans & Lindsay, 2011) (Stephen George, 1998).

Causes Of Corruption Amongst Government Employees

In the ongoing debate on corruption, numerous consideration is paid to the role of public sector wages. According to common intuition, higher salaries for officials induce a lower level of corruption (ABBINK, 2002). With this aim in mind, in this paper, we present a new method for solving the problem of high-level corruption in public procurement by looking at the root cause of the problem. This problem has attracted more attention in the field of causes of corruption in developing countries. To begin with, we analyze research paper by Mbogo CM, (2011), titled "factors influencing staff engagement in corruption in the public service of Kenya: a case of the department of immigration" found out that government employees engage in corruption because they feel that they are not well motivated (Mbogo 2011).

Several theories have been proposed to help identify the root cause of corruption, some focusing on remuneration systems, others on the social role of the society. By the study of remuneration administration, it can be determined that most workforce are not persuaded that

the reimbursement they are being given is satisfactory. Most workforce are not pleased that their wages are proportionate to their talents, the toil they do and their level of knowledge (ALUVISIA, 2016). Furthermore, the magnitude to which remuneration top-ups know how to be used as an anti-corruption policy must be grasped in the background of in what way wages can diminish or upsurge inducements for corruption (Lindner, 2013). Owing to views of biased compensation, poorer reimbursement levels in the public sector as likened to that of the private one are estimated as a fundamental influence in the spread of corruption. One of the main arguments on the association concerning little wages and bribery is that for civil servants with little wages, bribery develops into a surviving tactic to pay off financial adversity. (Lindner, 2013).

As a consequence, the probabilities of giving a bribe improved amongst the persons that were in a job as contrasting to those who were out of work (Onyango, 2015). Furthermore, a bulk of the respondents pointed out that the aggregate incomes expected and bribery by high-ranking executives in the government possibly will influence fraudulent practices in the public service with a bulk also signifying that wage expected contributes to bribery (Mbogo, 2011). Near to the ground state officer's compensation, particularly in less industrialized countries, is whispered to be an imperative backing feature to bribery. Most significantly, the notion is that when wages are a little while on the other hand anticipations for service remain great, state officers possibly will request for additional reimbursement from unceremonious or even unlawful conduits than what is legitimately authorized; therefore, bribery is created (Wu, 2012).

Although studies have been conducted by many authors, this problem is still insufficiently explored. However, in another research paper, it was found out those high comparative incomes of public officials did not lead to less corruption through fairness considerations. In both actions, themes' performance was described by the robust sway of mutual benefit (Ab-bink, 2002). Instead of a reduction of trivial bribery, the salary policy considerably enlarged the police determinations to amass kickbacks, the worth of inducements and the quantities agreed by truck drivers to police officers in total amplified (Jeremy D. Foltz, 2015). In the end, corruption in the public sector is also heavily influenced by a lack of policy and regulatory framework, poor social fabric, public perception, and political influence. In other words, even with a salary increase, employees do not feel motivated to protect public funds. This is because they compare their new salary scales with the total value of public procurement funds they handle each financial year. Furthermore, the increased salary is not based on work done and performance but rather a mere plastic affair. For that reason, state officers are not induced to protect public funds as they relaxed on the job (embezzle public funds) and get the same high salaries. Chiefly, the usefulness purpose of civil servant remuneration in reduction

of bribery is an additional nuanced than it has been put forward, like enhancement in official earnings cannot commendably diminish bribery in a nation where abundantly of bribery openings happen (Wu, 2012).

The Use Of Commission Based Procurement Systems

A large number of alternative approaches have been developed over the last few decades to solve this problem without success. In view of the above, I recommend the introduction of commission-based salary structures as a remedy to reduce levels of corruption in the public sector. A commission refers to the pay remunerated to a worker post carrying out an assignment, which in our case is successfully completing government projects on time according to the original budget (CFI, 2021). Another key fact to remember is that commission-based salary schemes not only motivate employees but they also promote the concept of ownership and encourage the employees to be more dedicated and determined. In other words, the employees should receive a basic retainer salary to meet their basic needs and should only get a bonus equal to a percentage of the value of the work they have successfully completed (the public funds well accounted for). Likewise, the practices of awarding wages to personnel grounded on the work done were emphasized as the greatest overriding custom of reward over and above the salary based on a monthly basis appraised infrequently. The study established that commission meaningfully encouragement members of staff performance (KABIRU, 2014). To this end, money works as a good motivator, which designates that commission-based wage, is an up-and-coming incentive scheme (Anna Gunnarsson, 2014). In the final analysis, commission-based remuneration methods inspire workers to work harder and aid the organization to cope with labor force expenditures (CFI, 2021).

The main achievements to be realized by embracing this model, including contributions to the field can be summarized as follows: procurement staff will be encouraged to work harder, non-performing procurement staff contracts will not be renewed and finally, public funds will be well spent. Additional studies to understand more completely the key tenets of the use of commission-based remuneration systems to curb corruption in public procurement are required. The World Bank, the International Monetary Fund (IMF), and the donor partners that finance key projects in Kenya and other developing countries should spearhead research to further understand the application of the above model.

References

- ABBINK, K. (2002). Fair Salaries and the Moral Costs of Corruption. *School of Economics, The University of Nottingham*, 1-6.
- ALUVISIA, H. K. (2016). FACTORS INFLUENCING EMPLOYEE PERFORMANCE IN THE KENYAN PUBLIC SECTOR: A CASE OF THE KENYA NATIONAL HIGHWAYS AUTHORITY. *University of Nairobi*.
- Anna Gunnarsson, H. Å. (2014). THE EFFECT OF COMMISSION BASED WAGES. A Case Study of the Real-Estate Industry. *University of Gothenburg School of Business, Economics and Law*, 1-45.
- CFI. (2021, August 12). *What is Commission?* Retrieved from Corporate Finance Institute: <https://corporatefinanceinstitute.com/resources/careers/compensation/commission/>
- EACC. (2015). An Evaluation of Corruption in Public Procurement: A Kenyan Experience. *Research And Development Department*. Retrieved August 6, 2021, from <https://eacc.go.ke/default/document/an-evaluation-of-corruption-in-public-procurement-a-kenyan-experience/>
- EACC. (2017). *national ethics and corruption survey*. EACC. Retrieved August 6, 2021, from <https://eacc.go.ke/default/eacc-launches-the-national-ethics-and-corruption-survey/>
- EACC. (2018). *REPORT OF ACTIVITIES AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2017/2018 FOR THE ETHICS AND ANTI-CORRUPTION COMMISSION (EACC)*. Retrieved August 6, 2021, from <https://eacc.go.ke/default/wp-content/uploads/2018/08/EACC-Annual-Report-2017-2018.pdf>
- Evans, J. R., & Lindsay, W. M. (2011). *The management and control of quality*. Mason, Ohio: South-Western Cengage Learning. Retrieved August 6, 2021, from <https://www.worldcat.org/title/management-and-control-of-quality/oclc/644920337?referer=di&ht=edition>
- Jeremy D. Foltz, K. A.-A. (2015). DO HIGHER SALARIES LOWER PETTY CORRUPTION? A POLICY EXPERIMENT ON WEST AFRICA'S HIGHWAYS¹. *University of Wisconsin-Madison*, 1-43.
- KABIRU, C. N. (2014). COMPENSATION SYSTEMS AND EMPLOYEE PERFORMANCE IN MICROFINANCE INSTITUTIONS IN NYERI COUNTY, KENYA. *University Of Nairobi Digital Repository*, 1-74.

- Lindner, S. (2013). Salary top-ups and their impact on corruption. *Transparency International*.
- MBOGO, C. M. (2011). FACTORS INFLUENCING STAFF ENGAGEMENT IN CORRUPTION IN THE PUBLIC SERVICE OF KENYA: A CASE OF THE DEPARTMENT OF IMMIGRATION. *University of Nairobi Digital Repository*, 1-107. Retrieved August 6, 2021, from <http://erepository.uonbi.ac.ke/handle/11295/4724>
- MBOGO, C. M. (2011). FACTORS INFLUENCING STAFF ENGAGEMENT IN CORRUPTION IN THE PUBLIC SERVICE OF KENYA: A CASE OF THE DEPARTMENT OF IMMIGRATION. *University Of Nairobi Digital Repository*.
- Onyango, O. F. (2015). Determinants of Corruption in Kenya: Born and Bred to Bribe. *Social Sciences*, 4(6), 134-141. doi:10.11648/j.ss.20150406.12
- Stephen George, A. W. (1998). *Total Quality Management: Strategies and Techniques Proven at Today's Most Successful Companies*. Wiley. Retrieved August 6, 2021, from <https://www.wiley.com/en-us/Total+Quality+Management%3A+Strategies+and+Techniques+Proven+at+Today%27s+Most+Successful+Companies%2C+2nd+Edition-p-9780471191742>
- Wu, T. G. (2012). Does Increased Civil Service Pay Deter Corruption? Evidence from China. *Review of Public Personnel Administration*. DOI:10.1177/0734371X12438247