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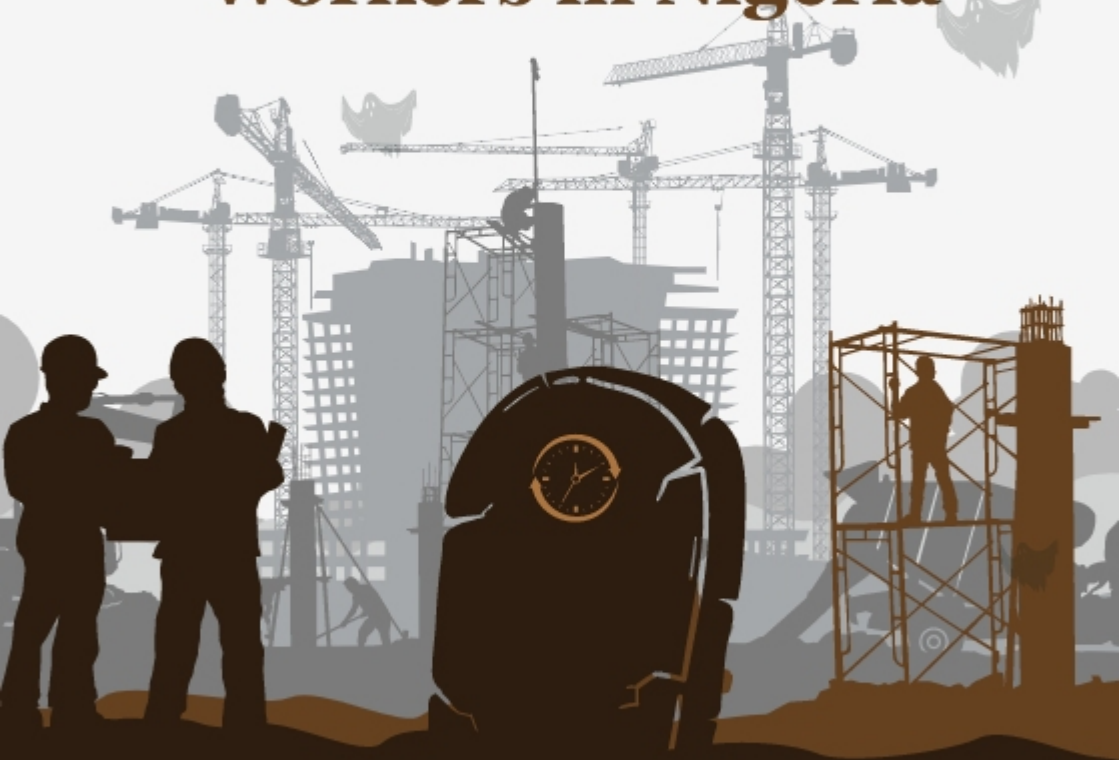# Remedying the Scourge of Ghost Workers in Nigeria

An Assessment of Payroll Reforms in Kaduna, Niger, and Kano States

BudgIT is a civic organisation driven to make the Nigerian budget and public data more understandable and accessible across every literacy span. BudgIT's innovation within the public circle comes with a creative use of government data by either presenting these in simple tweets, interactive formats or infographic displays. Our primary goal is to use creative technology to intersect civic engagement and institutional reform.

In this Advisory Note, Oluwatosin Iseniyi, a Research and Policy Analyst at BudgIT Foundation, outlines how states can end the scourge of ghost workers in civil service.

Background

The ghost worker malady has been a dilemma across all tiers of the government in Nigeria. As a result, the government has lost billions of naira on [4]non-existent employees to payroll fraud. This form of corruption has contributed significantly to Nigeria ranking 154 out of the 180 countries that were assessed in the 2021 Global Corruption Perception Index.[1]

Before technological advancements in human resource management, manual methods and tools, which over time have proven to be prone to errors, were considered expedient for the management of personnel in any workforce. However, as the world evolved, better ways of efficiently and effectively managing human resources, both in the public and private sector, emerged. One of those ways of managing the human resources of an organization, or in this case-a state government-is through the use of Electronic Human Resource Management system (e-HRM) tools. In their study in some select Local Governments in Imo state (n = 164), Dialoke and Goddy[2] found that, among other things, the e-HRM tools can help reduce personnel costs, as they would ensure the true number of employees are captured in the framework of the payroll. Such tools are key in transforming the efficiency and speed of personnel and human resources management and can provide better levels of privacy of data and more secure means of protecting that data. More importantly, where these tools are deployed effectively, they can be used to minimise corruption.

Corruption in Nigeria appears to be pervasive and takes many forms: From massive contract fraud to petty bribery, to straight-up embezzlement, complicated money laundering schemes, pocketing the salaries of nonexistent

1. See Transparency International (Online). Corruption Perceptions Index-2021. Available at: https://www.transparency.org/en/cpi/2021.

2. See Dialoke I. & Goddey C. (2017). Electronic Human Resource Management and Ghost Workers Syndrome in Nigeria: A study of selected LGAs in Imo State. In the Advance Research Journal of Multidisciplinary Discoveries.12.0,C-10(2017):52- 57. Available at: http://www.journalresearchijf.com/wp-content/uploads/ELECTRONIC-HUMAN-RESOURCE-MANAGEMENT-AND-GHOST-WORKERS-SYNDROME-IN-NIGERIA-52-57.pdf.

workers, and steering plum jobs from relatives and friends. Likewise, some government officials enjoy perks so excessive that they are widely seen as a form of legalised corruption.[3]

The civil service at the sub-national level has been overwhelmed by the phenomenon of "ghost workers." Over the years, an outrageous number of cases have been recorded, with states like Kaduna topping the list in the North-west, recording 13,000 ghost workers in its civil service in 2016. Another north-western state, Kano, is also plagued by the difficulty in capturing the true identity of people on its payroll. Kano state in 2016 recorded the second-highest number of ghost workers, with a total of 7,269 dead or retired people still collecting salaries from the state treasury.

3. See generally, Page, M. (2018). A New Taxonomy for Corruption. Carnegie Endowment for International Peace. Available at: https://carnegieendowment.org/2018/07/17/new-taxonomy-for-corruption-in-nigeria-pub-76811.

Table 1. Ghost Workers as a Proportion of the Workforce

Ghost workers found and Work force

Legend:
- Work force
- Ghost workers found

States: Niger, Kaduna, Kano
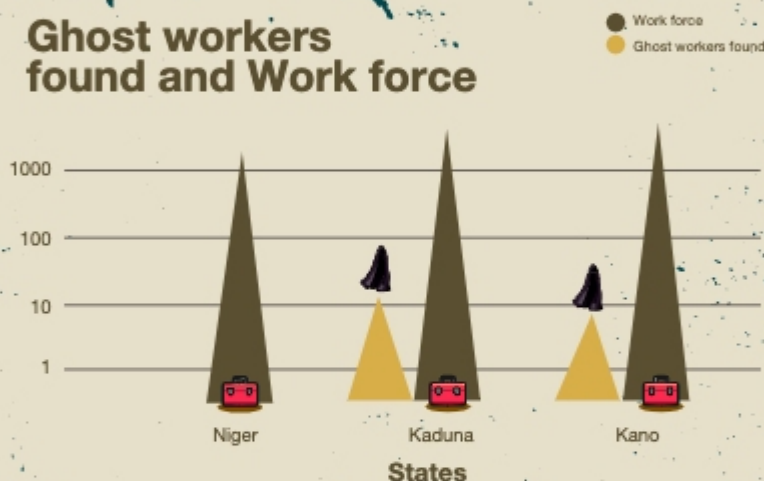
All of these lapses cause a major burden on the administrative recurrent cost (expenditures) of the state. According to a Channels TV interview in 2016 and a rough "back of the envelope" calculations, a typical state potentially loses hundreds of millions of naira to ghost workers.[4] With a billion naira, numerous capital projects can be embarked upon that are pressing upon the state.

4. See "Oyo Govt. Uncovers 41 Ghost Workers, 341 with Irregular Records"by Channels TV (Online), on July 21st, 2021. Available at: https://www.channelstv.com/tag/ghost-workers/.

A 'typical day' at the office

Ghost Workers and the Need for Payroll Reforms in Nigeria

There are evident variations of the ghost worker problem in Nigeria's public service, but the general view is that the fraud emanating from these ghost workers has had negative effects on the economy. The syndrome has also denied the Nigerian labour force the opportunity to be gainfully employed and earn a living. It is no surprise that the public sector management system functions inefficiently due to ghost workers' scourge.[5]

Be that as it may, ghost workers are symptoms of a larger and more endemic problem of public sector corruption that taps into the state's valuable resources. Ian Hawluy argues that **"Don't blame the ghosts; they may be 100% innocent, and they're certainly not the ones getting rich."** [6]

Stories of ghost workers in the civil service come to light from time to time, with the state's weak public financial management system overrun by high levels of corruption.

What often happens is that a civil servant dies but remains on the payroll; a ghost worker in the most authentic sense of the word. Nevertheless, payments keep coming in and a public official finds a way to access the payments. This raises another concern on how these funds meant for the ghost workers are being accessed.

Beyond ghostly civil servants, the human resource impacts, obvious leakage of scarce government funds and broader problems of corruption, payroll fraud negatively impacts the budget credibility of a state. As such, it is important to ask the question:

" How can governments end the scourge of ghost workers in the civil service? "

5. See generally, Dominic, S. (July 2020). Appraisal of Factors Responsible for "Ghost Workers" Syndrome in Public Service and its Impact on the Performance of the Sector in Nigeria. International Journal of Scientific Research in Technology. Available at: http://internationalpolicybrief.org/images/2020/JULY/IJSRTASHS/ARTICLE7.pdf.

6. See "Ghost workers: Who are they and how to deal with them" by Ian Hawrly, in Abyrint (Online) Blog. Available at: https://www.abyrint.com/ghost-worker-stories/.

How and Why the Ghost-Workers Malady Persists?

Qualitative evidence derived from discussions with civil servants has yielded evidence to the effect that trust issues exist between the civil servants and the consultants engaged to help implement policies to tackle the problem of ghost workers. One piece of feedback obtained from a Key Informant Interview (KII) conducted with a civil servant in Kaduna state was that: **"The consultants engaged for reforms like this are also not truthful." He also said: "Until people start paying for their sins, nothing will work in government establishments."** In some ways, the allusion to "paying for sins" might be one that has to do with accountability in the payroll management system. This is because when investigations are carried out, culprits are usually identified, but there are no consequences as there are no known repercussions or blowbacks from the law.

Research has revealed that technology on its own cannot be a solution to public sector corruption and mismanagement. Any administrative system can be compromised to distort its main goals, which include an efficient, transparent, effective, and accountable government. A case in point is the scenario of a payroll scam across multiple MDAs in the Federal civil service can also be related to that of the Ministry of Health. Concerned by the level of corruption entailing multiple payments of salaries to a group of resident doctors in certain hospitals across the country, some stakeholders unanimously resolved to set up a committee to be headed by one of the senior directors in the Federal Ministry of Labour with membership from the Ministry of Health, NARD, IPPIS, and the Committee of CMD to look at all the infractions that were noticed involving multiple payments and other issues, and to also suggest punitive measures to be meted on those who have acted wrongly.[7]

Furthermore, other issues were raised during a key informant Interview **KII**

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7. See Jacob, O. (April 9, 2021). "IPPIS Scam: FG, Reps Set Up Committees To Probe Syndicate Involved In Multiple Payments To Certain Resident Doctors". Nigerian Tribune. Available at: https://tribuneonlineng.com/ippis-scam-fg-reps-set-up-committees-to-probe-syndicate-involved-in-multiple-payments-to-certain-resident-doctors/.

with a public sector practitioner who is also a consultant under the **State Fiscal Transparency, Accountability, and Sustainability (SFTAS) Program.** He mentioned that ghost workers were "a clear case of characterism, welfarism, and patronage" and that the civil service has been reduced to welfare packages for people at the top to bring their people into the job through illegal means. Also, the issues around recruitment and retirement should be reviewed. The state Civil Service Commission should be given the sole mandate to recruit civil servants and as opposed to giving MDAs the discretionary powers to recruit either based on contract or as substantive workers in the Civil Service. Furthermore, he asserts that attention should be paid to retirement of workers particularly in situations where people are spending more than the stipulated number of active years of service, which is 35.

Although there are new policies that are designed to ensure all of the discussed issues are addressed, so far implementation of these policies have been slow and in some cases delayed for either political or administrative reasons. We think a brief reminder of what these reforms are seeking to do might help ramp up the speed at which they are implemented because, with every delay, procurement and payroll fraud grows and so do losses to the government.

What do Nigerian States lose to Ghost Workers?

Kaduna, Kano, and Niger over the years have lost a meaningful amount of scarce state resources to ghost workers. These losses will be displayed accordingly in the tables below. It is important to understand the state of play if these ghost workers are left on the state payroll.

Table 3: State Human Capital Capacity-This table gives an estimated breakdown of the state's labour force and figures from ghost workers.

States	Population	Labour Force (A)	Minimum wage	Ghost Workers Found(B)
Kaduna	9,304,517	3,363,515	30,000.00	13,000.00
Kano	14,922,150	4,512,843	30,000.00	7,269.00
Niger	6,365,692	2,093,381	30,000.00	350.00

Table 4: Niger State's estimated loss to ghost workers

Year	Total Budget Expenditure	Personnel Cost	Estimated Loss to Ghost Workers	% Loss to Ghost Workers
2020	125,342,923,255	25,179,736,618	10,500,000.00	4.17%
2021	153,412,621,776.37	48,293,703,702	10,500,000.00	2.17%
2022	211,020,677,027	50,670,262,148	10,500,000.00	2.07%

Table 5: Kaduna State's estimated loss to ghost workers

Year	Total Budget Expenditure	Personnel Cost	Estimated Loss to Ghost Workers	% Loss to Ghost Workers
2019	239,131,446,105	38,063,109,279	390,000,000.00	1.02%
2020	259,250,819,734	37,466,647,292	390,000,000.00	1.04%
2021	246,667,587,219	44,413,942,892	390,000,000.00	0.87%
2022	278,581,858,245	50,311,193,231	390,000,000.00	0.77%

Table 6: Kano State's estimated loss to ghost workers[8]

Year	Total Budget Expenditure	Personnel Cost	Estimated Loss to Ghost Workers	% Loss to Ghost Workers
2019	219,970,976,010	58,986,212,800	218,070,000.00	36.97%
2020	190,458,154,366	63,613,051,512	218,070,000.00	34.28%
2021	197,673,624,544	60,944,978,348	218,070,000.00	35.78%
2022	221,235,185,147	66,036,850,595	218,070,000.00	33.02%

8. BudgIT's calculations are based off an average/median salary in this states.

We used the minimum wage of N30,000 to estimate the annual loss to payroll fraud for the three focus states. As seen in the tables 4, 5 and 6 above, the commutative loss to ghost workers by the 3 states sums up to N618 million naira annually. With a state like Kaduna losing as much as N390 million naira while Kano behind with N218 million and Niger with N10.5 million naira respectively. There is a likelihood that the States would have lost more to payroll fraud considering the fact that the ghost-workers exist across the different cadres of civil servants who earn above the minimum wage.

State Fiscal Transparency, Accountability and Sustainability (SFTAS) to the Rescue

There have been laudable initiatives by multilateral institutions to incentivise governance reforms in states across the federation. One of such commendable initiatives is the State Fiscal Transparency, Accountability and Sustainability (SFTAS) Program for Results. The SFTAS program was established to strengthen fiscal transparency to help build trust in government, facilitate accountability in public resource management, and reinforce fiscal sustainability to aid stabilisation during fiscal crises.[9]

9. See the World Bank. State Fiscal Transparency, Accountability, and Sustainability (SFTAS) Program-for-Results (Website). Archives-SFTAS PforR Program Development Objective and Key Results. https://www.sftas.org.ng/portfolios/sftas-pforr-the-program-program-development-objective-and-key-results/.

Table 7. 2019 SFTAS evaluation

State	DLR 5.1 Biometric use in payroll management	DLR 5.2 Bank Verification Number Used in Payroll Mgmt.	Benefits from Implementing Payroll Related SFTAS Deliverables
Kano	Not-Achieved	Not-Achieved	$0
Kaduna	Not-Achieved	Achieved	$500 Thousand
Niger	Achieved	Achieved	$1 million

SFTAS created a unique Disbursement Link Result (DLR) to address key issues around ghost workers on the state's payroll; these results are displayed in Table 7 above. The DLRs focus on bank verification number (BVN) and biometric use in payroll management. The adoption of BVN and biometric registration in payroll management has been ascribed to curb the outrageous number of ghost workers in the state's civil service. The 2019 SFTAS evaluation above shows that Kano state was unable to implement the DLR 5.1 and 5.2, thereby losing $1m in grants. Niger state achieved both DLRs and got $1m in grants. Kaduna implemented DLR 5.2 but failed to implement 5.1, earning a net $500k in grants.

Recommendations

The state governments should consider establishing a version of the federal government's whistle-blowing policy at the sub-national level so encourage people to come forward with meaningful information to help curb the menace of ghost workers

Biometric Capture: The primary advantage of a biometric trait is that it belongs to just one individual. You're personally connected to it, unlike passwords, tokens, or passports, which are external to an individual. If the states can adopt this and also ensure minimal or next to zero potential for compromise, workers' identification can be traced and monitored. Hence, states should conduct a biometric capture of all civil servants and link the same to their bank verification numbers to forestall payroll fraud.

The office of the state Auditor General should conduct proper payroll audits and flag ghost workers in the system.

Banks should ensure that payments into accounts without proper bank verification identity should be flagged. Since the BVN is synchronised to a person (one person, one identity), payment should be routed through this channel. For civil servants, BVN should be used for concise verification.

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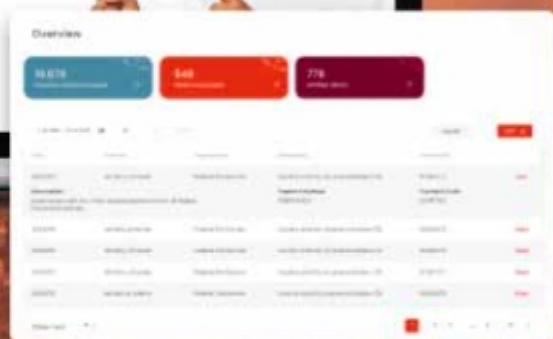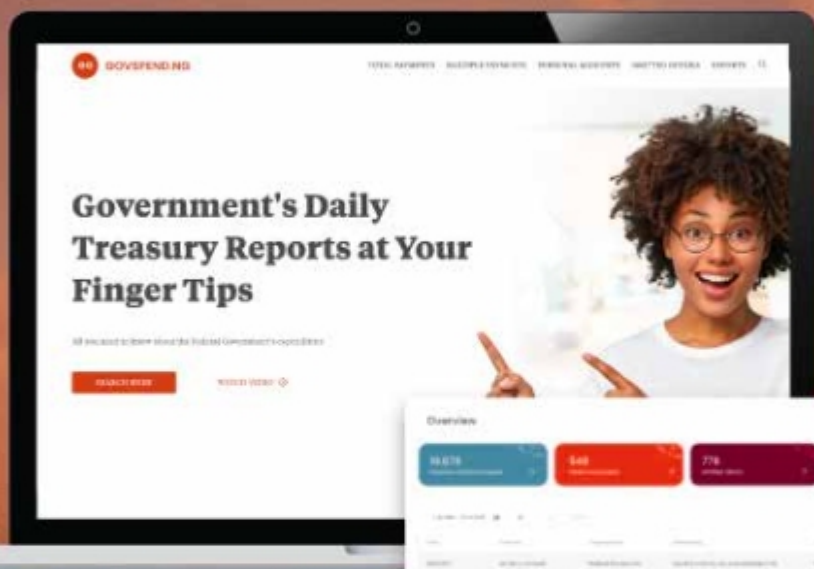
GOVSPEND.NG analytics is designed to give user-friendly access to information on daily spendings at all levels of government.