THE EFFECTS OF REMUNERATION LEVELS ON CORRUPTION

A CASE STUDY OF NAIROBI CITY COUNCIL

BY

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DECLARATION

I MUINDE MOSES KATUA, declare that this research thesis is my original work and has never been submitted for any academic award. Where the works of others have been cited acknowledgment has been made.

Signature.. Date....02 | 11 | 09....

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ACRYNOMS

KACC	Kenya Anti Corruption Commission
CBA	Collective bargain Agreement
NGO	Non-governmental Organization
GI	Global Index
WDR	World Development Record
PIU	Project Implementation Unit
NCC	Nairobi City Council
DANIDA	Danish International Development Agency
KRA	Kenya Revenue Authority
UPTC	Uganda post and telecommunication company
URA	Uganda revenue Authority
CID	Criminal Investigation Department

ABSTRACT

Corruption in Nairobi city council has been in recent years escalating to unacceptable levels. All the way from the bottom of the grid to the top the city council is suffering from serious corrupt actions that have left the council lacking in the delivery of services. Poor remunerations among council workers have been seen as one of the major causes of corruption.

This study is aimed at investigating how low income among council workers affects corruption levels. Remunerations of council worker has been poor in the past couple of years and it has remained low this study investigates the effect of the low salaries of workers of Nairobi city Council on corruption levels.

For the council to achieve its full working potential, it's workers should be able to perform at there level best and for this to happen they are supposed to be at ease when delivering there duties. This dissertation is meant to look deep into the council to ascertain whether indeed they are at comfortably paid and if it is enough.

Some scholars have indicated that the level of performance of workers in an organization is related to levels of their remuneration. This study is aimed at finding out the effect of low salary payment to the Nairobi City Council workers on their performance and ethical standards in regard to corruption and non- corruption tendencies.

CHAPTER ONE

1.1   Introduction

Low remunerations among civil servants have today assumed truly gigantic proportions and hardly any local council in Kenya has been spared from its effects on corruption. These problems are largely due to fundamental internal contradictions within the council, which can only be rectified by changes in structures and institutions. This situation in turn follows from the fact that local governments are largely modeled on colonial institutions, with little regard for the country's peculiarities.

Recent reform measures have failed to stop loss of revenue at the Nairobi City Council, a new report by the anti-corruption watchdog (8th August, 2008) indicate City Hall continues to lose a huge portion of parking fees, land rates or rent to corrupt officials exploiting weak financial management systems, says the Kenya Anti-Corruption Commission (KACC) report, which was compiled early this year, but had not been made public.

Kenya Anti-corruption Commission (KACC) blames the corruption on a complex web of system manipulation involving city council employees who claim to be poorly paid, defaulters and a string of middlemen and women. Mr. John Gakuo, the Nairobi city council clerk admitted that the council was facing difficulties in implementing the terms of a collective bargain agreement (CBA) it had signed with the workers and was unable to pay. The salary and pension arrears are worth Sh546 million.

KACC says perpetrators of the rip-off at City Hall have devised a complex system to block evidence of unremitted money estimated to be worth millions of shillings. Misappropriation of funds is partly attributed to poor pay to the council employees some of who get bouncing

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heques. Tempering with the numbering of parking fees receipts and the filing of fraudulent expenditure claims at the council's cash office are some of the ways through which funds are lost.

In its report KACC identified the cash office as the department worst hit by the fraudulent schemes and which has on numerous occasions found it self with empty coffers even as demand for City Hall services grows, the report says. Investigations revealed that a huge chunk of daily revenue collections is omitted from books of accounts ending up in individuals' pockets. This has resulted in under-banking of revenues against what is recorded in the books of accounts. These practices are being fuelled by poorly paid council workers, absence of proper cash book registers, bank reconciliation statements, debtors and credit ledgers among other necessary documentation needed for accountability.

Laxity in proper documentation of revenues has opened a window of opportunity for employees and outsiders to misuse the council's resources. In the absence of such documentation, City Hall is left without any means of tracing bouncing cheques and other pending sources of revenue.

A senior City Hall official who spoke to the Business Daily on condition of anonymity revealed that private developers are part of the revenue racket. Their activities have ensured that City Hall gets only a small fraction of the building plan approvals and inspection revenues despite increased activity in the construction sector. The report however identifies careless issuance of tickets to council employees without proper registration of the serial numbers as the biggest contributor to the loss of revenue.

KACC also identifies serious flaws in tendering processes for major contracts where lowest bidders have often been disqualified and contracts awarded to rival firms with higher bids. The

nost damning revelation in the report is that City Hall does not have a comprehensive inventory of its movable and immovable assets, exposing it to losses at the hands of unscrupulous officials. Without stating which areas are affected, this exposure has for example made it easy for officials to dispose land that has not been surveyed and documented but is earmarked for public use such as schools, churches and playgrounds. Prime properties are also said to have been transferred to private ownership in contravention of legal procedure.

KACC has recommended that the council strengthens its monetary control mechanisms by fully banking daily collections, investing in a sound financial management system. It asks the council to open up revenue collection accounts with banks to block bouncing cheques. It also suggests that City Hall prepares an annual procurement plan and that all purchases be done in accordance to the public procurement disposal Act 2005.

1.2   Statement of the problem

Low remuneration to workers is a worldwide phenomenon. This study aims to show how low salary payment to workers contributes to corruption tendencies of Nairobi City Council. Poor salaries contribute to low levels of income of workers. Poor pay is not just a financial problem, however; it is also intertwined with politics. Reform may require changes in both constitutional procedural and the underlying relationship of the market and the state. Effective reform cannot occur unless both the international community and domestic political leaders support change

1.3   Study objectives

The general objective of the study was to analyze how low income among workers in the council affect or impact on corruption with specific reference to Nairobi City Council. The specific objectives were to:

a) Analyze the impact of low salaries of the council workers on the corruption problem in the Nairobi City council and Kenya at large.

b) Assess the potential implications of corruption in an organization using Nairobi city council as an example

c) Assess and try to connect poor pay among workers in the local councils and whether low income is a course or plays a role in them engaging in corrupt practices.

1.5 Research questions

a) How would you determine the level of poor pay among council workers?

b) Does poor pay lead to corrupt practices?

c) Are lowly paid more corrupt than highly paid?

d) What should be done to stop corruption in Nairobi City Council?

1.6   Justification of the study

This research examines he effects of low salaries of workers on their corruption levels and practices. Through various reports evident that local authorities are considerably corrupt and corruption is practiced by workers in of administration, political leadership and other departments such as finance. Corruption is a vice that affects effective use of finances and interferes with the achievement of development goals. This study therefore looks at the ways corruption has affected the performance of service delivery by the Nairobi City Council and suggests ways workers can be motivated to perform better.

1.7 Significance of the study

Given the ever raising corruption cases in the City Council, this paper examined the potential implications or consequences of poor pay and if it has any impact on wide spread corruption evidenced in the council. The choice to confine attention to local government authority is that it has become increasingly evident that local authorities are considerably affected by mass corruption, whether it is in the arena of administration, employee's remuneration or a combination of both factors.

1.8 Scope of the study

Time

The research was carried out between April 2009 and June 2009.

Content

The study examined the effects of remuneration on levels of corruption of workers of Nairobi city council.

Location

The research was conducted Nairobi City Council.

Respondents

The respondents to the research were head of departments and other workers within the organization.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 INTRODUCTION

In this chapter the researcher intended to discuss the literature related to the study reviewed from books, journals, newspapers, bulleting, research reports, modules and from the internet on corruption and how low remunerations among city council workers affect or influence corruption practices that have been a phenomenon in council.

2.2 The Definition of Corruption

Corruption has been defined in many different ways, each lacking in some aspect. A few years ago, the question of definition absorbed a large proportion of the time spent on discussions of corruption at conferences and meetings. However, like an elephant, while it may be difficult to describe, corruption is generally not difficult to recognize when observed.

In most cases, different observers would agree on whether a particular behavior connotes corruption. Unfortunately, the behavior is often difficult to observe because acts of corruption do not typically take place in broad daylight.

The most popular and simplest definition of corruption is that it is *the abuse of public power for private benefit*. This is the definition used by the World Bank. From this definition it should not be concluded that corruption cannot exist within private sector activities. Especially in large private enterprises, corruption clearly does exist, as for example in procurement or even in hiring. It also exists in private activities regulated by the government.

Sometimes, the abuse of public power is not necessarily for one's private benefit but for the benefit of one's party, class, tribe, friends, family, and so on. In fact, in many countries some proceeds of corruption go to finance the activities of the political parties.

A more neutral definition is that corruption is the intentional noncompliance with arm's length relationship aimed at deriving some advantage from this behavior for oneself or for related individuals. Tanzi (1995).

For example, when a taxi driver charges the passenger more than the regulated price or when a doctor in a hospital charges for services not rendered. Not all acts of corruption result in the payment of bribes. For example, a public employee who claims to be sick but goes on vacation is abusing his public position for personal use. Thus, he is engaging in an act of corruption even though no bribe is paid. The president of a country who has an airport built in his small hometown is also engaging in an act of corruption that does not involve the payment of a bribe.

It is important to distinguish bribes from gifts. In many instances, bribes can be disguised as gifts. A bribe implies reciprocity while a gift should not. However, even though the distinction is fundamental, it is at times difficult to make. At what point does a gift become a bribe? Does the distinction depend on the size of the gift? What about cultural differences that can explain different sizes of gifts? What if a large gift is given not to the person who provides the favor but to a relative of that person? Does the distinction depend on whether the gift is given in broad daylight, for everyone to see, or privately? Clearly, the identification of a bribe is not always simple.

2.3 Forms of corruption

According to Transparency International Kenya in *Tackling corruption. A Reference Handbook for Anticorruption Activists in Kenya.*(2008) they have identified forms in education sector as illegal charges on children's school admission forms , embezzlement of money, substandard education materials purchased from manufacturers, ghost teachers and students, bribes and sexual favours in teacher recruitment, private coaching and students carrying out unpaid labor for the benefit of the staff.

Hallak and Poisson (2007) in *Corrupt Schools, Corrupt Universities: What can be done?* Show that corruption is a major drain in the effective use of resources of education and should be drastically curbed. They have identified various forms of corruption in the education sector as embezzlement, bribery, fraud, extortion and favoritism. However they have not inquired in corruption in the private education sector and how it hinders service delivery.

The *2009 Global Corruption Barometer* by Transparency International shows that bribery levels around the world are still too high: around 10 per cent of the general public reported paying a bribe in the previous year, and the most vulnerable appear to be hardest hit. What is more, incidences of petty bribery appear to have increased rather than decreased in several countries since 2005. The private sector is perceived to be corrupt by half of those interviewed: a notable increase of eight percent points compared to five years ago. 9 percent of the respondents had reportedly paid petty bribes for education services. The researcher agrees with the above authors on the forms of corruption in the education, he however intends to investigate on the most dominant forms of corruption in private secondary schools in urban areas.

According to Lillian Nsubuga, corruption in Kenya (1986-2000) a review of the magnitude of abuse and misuse of public office and resources in Kenya since 1986 and TRANSPARENCY Kenya ANTI CORRUPTION ANALYSIS.

According to their books they says that despite government's efforts at fighting corruption\abuse and miss use of office Kenya still ranks among the most corrupt countries. The world corruption index 2000 released by transparency international pointed out that a survey among business men around the world indicated that Kenya to be the eleventh most corrupt country in the world. She says some immediate consequences of corruption in Kenya is biting poverty as a resource devastated and embezzlement by unscrupulous public officials and poor service delivery including perennial drug shortages in the government hospitals, lack of scholastic materials in schools, pot holed roads, low levels of investment, an under performing private sector, greedy civil servants, political instability, low revenue collections, lack of faith in government contracts.

They say that in most cases, the poor suffer the brunt of corruption as an indifferent government system ignores the plight for example in Kenyatta national hospital where the poor would be assured of cheap drug, they are routinely stolen. In 1994 for instance, store keeper in charge of all keys to the hospital store failed to account for drugs worth Kenyan sh.5.49 million that was met for sale in the hospital pharmacy, though he was arrested and charged in court, but it did not bring back the stolen drugs. Nsubuga says that the bureaucracy of Kenya is corrupt because the World Bank funded Live Stock Project (LSP) which was solve the perennial shortage of water facing the pastoralists but because of the corrupt ministry Agriculture animal industry and fisheries they chose to cream off the funds.

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Loss of revenue due to collision between tax collectors and the business community has been another cause of corruption. Tax evasion in Kenya especially by the politically powerful is serious problem that has led to revenue short falls for many years. In February 1992 two-tax assessors were arrested after they were found accepting bribes from importers. Research and media office at the Kenya revenue authority (KRA) Mumo Matemu tax evasion and collusion are rampant. Matemu gives an example of a container of tiger batteries usually yields Ksh.3 million taxes many times importers of this commodity carry documents showing that they are transit goods detained for Rwanda in which cases are waved through without paying taxes to the Kenya's entry point (in malaba or busia) To ensure that the goods defined for Rwanda are not instead dumped on the Kenyan market. Vehicles to Kigali move on the convoy with the police ascots until they reach the exit point. But the police sign the importers exist duty indicating that the vehicles left the country when the when in fact did not. The consignment is then dumped on the Kenyan market tax-free. Importantly corruption has let down important projects that improved the lives of the poor on many occasions. For example the withheld funds of donors in reaction to corruption. in 1992 the Danish international development Agency(DANIDA) discontinued 7.5million pounds loan meant for a tree-planting project after the government officials failed to account satisfactorily, for the disbursement, it was meant for tree nurseries and 90% of Kenyans depend on forests for food, fuel, medicine and income. In the same year the Danish government withdrew from funding the essential drugs program that had started in 1986 that was helping to improve health services of the rural people. After realizing that the essential drugs did not reach the target group or population.

Corruption in July 1993 led to the suffering of the poor hundred the then NYAYO buses. The transport Company was grounded for lack of transport licenses. the bus services offered the

cheapest and most convenient means of transport at the time, ordinary Kenyans were reduced to work during the week, and the buses were grounded, this was as a result seven top level managers of the company giving themselves one year housing allowances. Leaving no money to pay for allowances. After paying a small bribe (page3) suspects are usually left free by policemen charged with arresting and investigating them. This leaves societies open to attach by the same robbers that were let to loose by the corrupt policemen. take an example of 1993 a detective constable from CID headquarter. JOB ALAI was arrested for accepting for accepting to drop the robbery charges a against a suspect under the bribe of 16,000\=.he was eventually released on Ksh.20,000 bail. Many of such cases never get exposed.

The most unfortunate consequence of unbridled corruption has been a decline in public morals. As corruption becomes an accepted way of life in Kenya. There is no embarrassment felt by public officials who steal money which does not belong to them, conversely those seeking services see nothing wrong in offering bribes to avoid regular procedures in securing a service. equally so bribing licensing authorities and driving instructors has led to many Kenyans acquiring driving permits with out even seating behind a steering wheel yet even law a biding citizens who go through the right procedures are not spared the burden of paying bribes before they can get driving permits. This fraud has become so many that before going for road test learners are advised to budget for policemen's bribe or else they are denied the driving permits. Lillian Nsubuga on chapter 3 and WALUSIMBI RHONA talks about the extent of abuse and misuse of public office and resources in Kenya. she says the extent of abuse and misuse of public offices and resources cannot be fully appreciated until one reads the auditor Generals which offers the most detailed accounts of abuse, in the expenditure of public funds by government officials, very often revenue collected by government, departments like the magistrate courts and

Kenyan missions abroad is never remitted to the treasurer. She says that most shocking cases sourced from the auditor general, parliamentary and IGG show the manner in which public officials take loopholes in the government systems to steal and misuse public funds. She talks about weak accountability system where receipt books disappear without trace, chances are higher that officers are collecting and not remitting it to the treasury". Said officer in the auditor general's office. More so they talk about poorly enforced procurement procedures: according to November 1998 World Bank report on recommendation for strengthening Kenyans anti corruption program. Government commissioned five studies in its procurements system in 1998 and 1999.inspite of the studies procurement in Kenya still wrought to the several weaknesses and still being abused.   A case that illustrates it better is the officials of the former post and telecommunications corporation (UPTC) who misused public funds by making bulky perchance of items that were not in short supply. during the 1997 the managing director Mr. Sempala Mbuga abused his powers and offered 32 local purchase orders (LPO) just below the ceiling 20 millnth threshold totaling over sh.613 million, report on UPT overdraft revealed it. Another example she gives on the misuse of public funds through procurement involves a case in 1990 where the prisons department purchased 3 bed ford trucks at a cost of 69 million from a local firm shortly after the purchase; the engines started breaking down from time to time.

In 1995 the ministry of lands housing and urban development was put in charge of renovating Grand imperial Hotel to create accommodation in preparation for two international conferences that was planned, instead the ministry hired five consulting firms at a total contract of sh.1.32 billions conduct the supervision. Unfortunately the rehabilitation did not take place as the government decides to hand over the hotel to the former owners at that very time

In 1997 the ministry of defense entered into a contract of a foreign firm to supply four helicopters at a total cost of 12,908,550 dollars, promissory notes worth us.6,454,275 dollars were issued on 4th April 1997 helicopters were delivered a year later through the contract said the company should deliver the first two helicopters in forty days. It was discovered that the helicopters were not overhauled and were not air worthy. The above shows carelessness and wistful in the use of public funds by public officers most of whom are interested in companies being a warded tenders or are promised kick backs. For example the case of an overhauled helicopters in Uganda. The president revealed that his brother major General Caleb Akandwanaho (Salim Salleh) had confenced that he (Salleh) was promised a deal. Procurement corruption happens at a level in all government institutions because it is the bosses who have the authority and power to purchase on behalf of the government. SWIPCO procurement director said some public offices as though they are working for he suppliers and not the government" she also talks a bout poor or no storage facilities that is to say failure of the government to maintain in stores for its purchases a gate way for public officials to steal and sell government property without being detected. The Auditor General said that between 1993 and 1995 the ministry of education and sports failed to maintain essential accounting records such as stores ledgers. Goods recovered notes, packing lists or delivery notes, which exposed the system of abuse. More so poor coordination between government departments results into big losses especially to the respect of who to exempt from taxes. For example the judiciary and ministry of public service since 1997 agreed to pay judges salaries and allowances tax free as an incentive without seeking approval from the parliament. This is inspire of the fact at sh.2, 460,000 judges are some of the highly paid officials in the country. As a result of this decision between 1997 and 1999 PAYE taxes totaling sh.593, 847/ = were not deducted from the judges salaries. Then

according to URA research and media officer Odrek Rwabwongo the judges thought they had rights to tax waiver. Lastly she talks of the use of revenue at the source and negligence off public officials. Many government departments illegally use government departments illegally, use the revenue collected from services to the public to for their operations.

2.4 Types of Corruption Found in Local Government

According to tanzi (1995), there are several types of corruption practices that occur in local government. Some are more common than others, and some are more prevalent to local governments than to larger segments of government. Local governments may be more susceptible to corruption because interactions between private individuals and officials happen at greater levels of intimacy and with more frequency at more decentralized levels. Forms of corruption pertaining to money like bribery, extortion, embezzlement, and graft are found in local government systems. Other forms of political corruption are nepotism and patronage systems.

Bribery is the offering of something which is most often money but can also be goods or services in order to gain an unfair advantage. Common advantages can be to sway a person's opinion, action, or decision, reduce amounts fees collected, speed up a government grants, or change outcomes of legal processes.

Extortion is threatening or inflicting harm to a person, their reputation, or their property in order to unjustly obtain money, actions, services, or other goods from that person. Blackmail is a form of extortion.

Embezzlement is the illegal taking or appropriation of money or property that has been entrusted to a person but is actually owned by another. In political terms this is called graft which is when a political office holder unlawfully uses public funds for personal purposes.

Nepotism is the practice or inclination to favor a group or person who is a relative when giving promotions, jobs, raises, and other benefits to employees. This is often based on the concept of familism which believes that a person must always respect and favor family in all situations including those pertaining to politics and business. This leads some political officials to give privileges and positions of authority to relatives based on relationships and regardless of their actual abilities.

Patronage systems consist of the granting favors, contracts, or appointments to positions by a local public office holder or candidate for a political office in return for political support. Many times patronage is used to gain support and votes in elections or in passing legislation. Patronage systems disregard the formal rules of a local government and use personal instead of formalized channels to gain an advantage

2.5 Causes of Corruption

According to Transparency International Uganda in *tackling corruption. A Reference Handbook for Anticorruption Activists in Uganda.*(2008) some of the causes of corruption include the social recognition given to wealthy persons irrespective of how they obtained their wealth, moral decadency, greed and consumptive social behaviour, high level protection given to corrupt people from top-level, lack of effective implementation of anticorruption laws, fear within our societies to get rich, culture of silence, the culture of get rich quick, financial pressure on

politicians to recoup election expenses, the long standing culture of patronage in Ugandan society, powerlessness of ordinary people to demand better service delivery and poverty and low levels of illiteracy causing lack of confidence to challenge people in positions of authority when they engage in corruption.

In Tradition *and Modernity; Philosophical Reflection on the African experience* (1997), Kwame Gyekye asserts that political corruption is essentially or fundamentally a moral problem; it is the moral pollution of the officialdom as well as the wider society. In event of the public discovery of scandalous of official corruption, people talk in anguish and disbelief, about both the decline of societal morals and low status (or lack) of moral virtue, integrity and character of public officials; thus people generally do not rationalize the incidence of political corruption by referring to the political system of their society as such, or the economic circumstances of the accused or convicted public official. They would rather rail against the moral character of the public official.

Hallak and Poisson (2007) in *Corrupt Schools, Corrupt Universities: What can be done?* They attribute corruption to the high rate of return of the education sector, the complexity and lack of accessibility of rules combined with poor governance and supervision at all levels, low salaries for public officials and of the teachers and the weakening of the ethical norms.

However these researchers have not inquired into the specific causes of corruption in private secondary schools in urban areas. This research will investigate this.

2.6 Measurement of Corruption

Measuring corruption statistically is difficult if not impossible due to the illicit nature of the transaction and imprecise definitions of corruption. (Wrage, 2007)While "corruption" indices

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first appeared in 1995 with the Corruption Perceptions Index, all of these metrics address different proxies for corruption, such as public perceptions of the extent of the problem (Johnston, 2005)

Transparency International, an anti-corruption NGO, pioneered this field with the Corruption Perceptions Index, first released in 1995. This work is often credited with breaking a taboo and forcing the issue of corruption into high level development policy discourse. Transparency International currently publishes three measures, updated annually: a Corruption Perceptions Index based on aggregating third-party polling of public perceptions of how corrupt different countries are; a Global Corruption Barometer based on a survey of general public attitudes toward and experience of corruption; and a Bribe Payers Index, looking at the willingness of foreign firms to pay bribes. The Corruption Perceptions Index is the best known of these metrics, though it has drawn much criticism and may be declining in influence. (Johnston, 2005)

The World Bank collects a range of data on corruption, including a set of indicators of governance and institutional quality. Moreover, one of the six dimensions of governance measured by the Worldwide Governance Indicators is Control of Corruption, which is defined as "the extent, to which power is exercised for private gain, including both petty and grand forms of corruption, as well as 'capture' of the state by elites and private interests." (lampsdof, 2007)While the definition itself is fairly precise, the data aggregated into the Worldwide Governance Indicators is based on any available polling: questions range from "is corruption a serious problem?" to measures of public access to information, and not consistent across countries. Despite these weaknesses, the global coverage of these datasets has led to their widespread adoption, most notably by the Millennium Challenge Corporation. (wrage, 2007)

2.7 Importance of Salaries in Fighting Corruption

As is evidenced the situation of salaries in the local government sector has gone through a difficult period.

The importance of adequate remuneration to ensure ethical information civil service is widely recognized. At local government level, the importance of salary levels in fighting corruption, has been highlighted:

- The higher the salary one earns, the more the official loses if he is caught in corruption activities. Officials getting caught are usually expelled from the public sector and forced to work in the private sector. The tendency observed therefore is that highly paid workers are less involved in corruption tendencies.

- Low salaries in the public service attract only incompetent or even dishonest applicants, which results in an inefficient and non-transparent corrupt administration. Many researchers have noted salary increases are necessary but not provide sufficient condition for reducing corruption. According to Rafael Di Tella (1998) raising wages at the very low level of an organization contributes more in deterring as long as the audit function is intensified.

Findings by Di Tella (1998) and Schargrodsky (1995) from a study on Buenos Aires confirm that the degree of audit intensity is crucial for the effectiveness of anti-corruption drives. The main challenge is to sustain a high level of auditing over time.

Daniel Kaufman at the World Bank Institute, (1997), however, argues against the importance of salaries in fighting corruption. They believe that undue emphasis may have been given in previous studies to a number of conventional public sector management variables such as civil

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servants' wages, internal enforcement of rules etc. They are of the opinion that more attention should be given to external variables such as external voice public participation and scrutiny and transparency.

Studies on absenteeism in the health and education sectors also question the importance of higher pay to reducing absenteeism among public servants. Most studies emphasizes the need to:

a) Carry out frequent inspections,

b) Improved work environment, and

c) Provide benefits and incentives to workers.

In the report "Pay Policies in Sub-Saharan Africa" an additional dimension is highlighted, "Technical solutions to public sector service pay policy without due attention to a country's political context are not sustainable". In the report donors are recommended to take the following factors into consideration.

- Political will versus political feasibility

- Political priorities

- Trade unions as stakeholders

- Donors as political actors.

In the discussions it was noted that donors need to be more observant on their preferences, policies and influences over the character of pay reform. One particular aspect of donor assistance which has drawn criticism is the establishment of Project Implementation Units (PIU). Civil servants in the PIUs were being paid far better paid than their colleagues, in similar

positions elsewhere in the NTC and this was breeding discontent and low morale among the other workers.

This problem is also mentioned in the WDR 2004: "Advocates of project implementation units recognize that the arrangements can undermine local capacity building, create salary distortions. Whether or not different salary levels for similar positions induce corruption among tha staff can probably only is judged country by country and project by project and more studies are needed to answer this question in full.

2.8 Low Remuneration Culture

The relationship between remuneration and corruption in the city council needs to be seen in the context of broader civil service pay reform. This is because public salaries in this sector are generally ruled by fairly rigid civil service codes that make it legally and politically difficult to change salaries for council workers and administrative personnel without changing salaries for everyone else in the public service. In countries where private providers are contracted to provide public services, payment mechanisms and fees are the relevant policy instruments for addressing corruption rather than salaries (Ackerman, 1997)

Civil service reform has been an accompanying component of structural adjustment programmes in the last couple of decades. In a 1994 report the World Bank argues that low pay has been a major issue in the reform of public services in most countries.

It is noted that reform of civil service pay is especially vital for the rehabilitation of Government, particularly in terms of realizing improvements in capacity and the delivery of public goods and services. The latest contribution to analyzing civil service reform, the World Development Report (WDR) published in 2004, however, does not mention pay reform. Perhaps one reason

for its omission is the difficult and highly political nature of the issue, on which the Bank does not want to voice an opinion. (WDR, 1994)

There has, however, been an ongoing debate between donors and within the Governance network on the subject of pay reform during the last couple of years.

At a meeting between bilateral donors and representatives of five African countries in London (2002) the successes and failures of the reform efforts and the impact of outcomes were discussed. Among the emerging features were the needs to;

- Reduce overstaffing

- Address low pay

- Improve service delivery, and

- Bolster morale in the city council.

At a meeting organized by the Governance network group in Oslo in June 2004 a draft report on Pay Policies in Sub-Saharan African was discussed. The report covers eight countries and offers a useful definition of "pay" that includes four different elements: salary, retirement or post-employment benefits, allowances and in-kind benefits. It observes that in general an increasing usage of allowances and in-kind benefits to pay public service staff in these countries often indicated a budding crisis in the management of pay policies and practices (Mauro, 1995).

2.9 Literature Review Gap

Much as, Hallak and Poisson (2007) asserted that *Corrupt Schools, Corrupt Universities: What can be done?* Show that corruption is a major drain in the effective use of resources of

education and should be drastically curbed; Tanzi (1995) viewed it from the several types of corruption practices that occur in local government. Some are more common than others, and some are more prevalent to local governments than to larger segments of government. In Tradition *and Modernity perspective* Kwame Gyekye (1997) asserts that political corruption is essentially or fundamentally a moral problem; it is the moral pollution of the officialdom as well as the wider society. Whereas according to Levacic and Downes (2004) in *Formula funding of schools, decentralization and corruption: A Comparative Analysis,* should be embarked on a study to examine a relationship, between the decentralization of funding for schools and the prevalence of corruption and fraud.

Assar Lindbeck (1998) attributed that low corruption in MDCs in this century partly to the fact that at the turn of the century, high-level administrators earned 12–15 times the salary of an average industrial worker and this differed from Haque and Sahay (1996), who argued that there is a statistically significant relationship between corruption and wage levels. Similarly, Gary Becker's (1968) on their classic analysis of crime prevention, given the probability that the perpetrator of a crime would be caught. Measuring corruption statistically is difficult if not impossible due to the illicit nature of the transaction and imprecise definitions of corruption. (Wrage, 2007. Lastly in countries where private providers are contracted to provide public services, payment mechanisms and fees are the relevant policy instruments for addressing corruption rather than salaries (Ackerman, 1997)

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

Under this section, the process of the research was presented. It included research design, where the study was carried out, study populations, research instruments used, the research methods, how data was analyzed and the limitations which were met.

3.1 Research design

The study used a descriptive analytical research design, which was carried out in Nairobi City Council. The findings were generalized to cater for both private and government enterprises in Kenya. Both qualitative and quantitative methods were used in the study and quantitative was used in collecting data through the use of questionnaires.

3.2 Sampling Selection and Size

The researcher selected some officers from Nairobi City Council. Purposive sampling was used where the key informants for the study was required. Therefore, a total of 50 respondents were used all together, this was intended in order to get unbiased responses which made the study a reality.

3.3 Procedure for data collection

After the approval of the proposal by the responsible authority at the school of Postgraduate studies, the researcher got an introductory letter from the faculty to progress to the field for data

collection. The researcher presented the letter to the concerned officials in Nairobi City Council who later introduced him to different school officials who assisted him to make sampling frames with the help of other relevant respondents. The researcher made appointments with respondents on when to meet them. The interviews were conducted in offfices of the schools. The structured interviews were of about 30 minutes. The in-depth interviews were for about an hour.

3.4 Research Instruments

The researcher used questionnaires and an interview guide as the main tools for collecting data. The selections of these tools were guided by the time, objectives and the nature of data to be collected. The researcher was interested in capturing the views, perceptions, feelings, attitudes and opinion of respondents.

3.5 Structured Questionnaires

This was given to key informants like the Nairobi City Council officers. This helped the researcher cover a large area and many respondents in the shortest period of time possible. Some of these questionnaires were self administered and others were not.

3.6 Interview Guide

Key informants were interviewed to help the researcher obtain additional in-depth information useful in the phenomena under investigation. It was focused at collecting respondents' opinions and attitudes that may not be easily obtained from questionnaires.

3.7 Methods of Data Collection

3.7.1 In-Depth Interviews

These were conducted to get in depth information on vital subjects and these interviews were carried out face to face between the researcher and the respondents. Open-ended questions were used to give room to the respondents to exploitatively explain an issue. An interview guide was used for consistency and notes taken which were later reviewed.

3.7.2 Observation

This method was used by the researcher during the study. It was used to observe the standard of different departments the City Council and also see whether the targeted departments have enough facilities in relation to efficient service delivery. As this helped the researcher to categorize departments into grades.

3.8 Data analysis

Under this sub-section, it included editing the findings, coding and tabulation in a computer package called MS-Excel for analysis. Main ideas in qualitative data were clearly recorded. The qualitative data was analyzed in comparison with research questions. Data from questionnaires and interviews were processed into manageable proportions for the interpretation process. Thus all data from all sources were compared and analyzed.

3.9 Limitations of the study

In the process of carrying out this investigation, a number of limitations were met. These limitations obstructed the speed at which the study was carried out. These included;

There was inadequate time as the study was demanding

Financial resources were inadequate since the university was not in position to facilitate the researcher with funds for typing, binding and other expenses like transport fees when visiting the area of investigation.

There was mounting pressure from the administration for students to complete the research on schedule which affected the quality of research.

Solutions to the limitations

The researcher obtained extra funds from family members, colleagues and good friends.

The researcher devoted more time on the research work by reducing on the leisure time at his disposal.

Ethical consideration

It is important during the process of research for the researcher to understand that participation is voluntary; participants are free to refuse to answer any question and may with draw any time.

Another important consideration, involves getting the informed consent of those going to be met during the research process, which will involve interviews and observations bearing in mind that the area bears conflict.

Accuracy and honesty during the research process is very important for academic research to proceed. The researcher should treat the project with utmost care, in that there should be no temptation to cheat and generate research results, since it jeopardizes the conception of research.

Personal confidentiality and privacy are very important since the thesis will be public. If individuals have been used to provide information, it is important for their privacy to be respected. If private information has been accessed then confidentiality has to be maintained (Stephen, P. 2002).

CHAPTER FOUR

4.0 PRESENTATION AND INTERPRETATION OF FIELD FINDINGS

4.1 Introduction

This chapter shows how the collected data was analyzed and interpreted. The data filled in the questionnaires was copied and analyzed by tallying it and tabling it frequency tables identifying how often certain responses occurred and later evaluation was done. The information was later recorded in terms of percentages. The recoded data was later edited and later interpreted which ensured uniformity, legibility and consistence. Also, interview results were coded on frequency tables, pie-charts and bar-graphs which was calculated in terms of percentages and presented in this in relation to the research questions.

4.2 Background information of Respondents

Table 1: On Respondents gender

Gender	Frequency	%
Male	49	61.25
Female	31	38.75
Total	80	100

Source: primary data (2009)

The data provided in table 1 above clearly indicate that there were 61% male and 39% female respondents. More male were sampled out of this study than female. Women are believed to be more trustworthy than men and less likely to be corrupt. Women are less likely to agree with corruption practices like bribery or take bribe. Having fewer women in the City Council is another factor that may encourage corruption. Places that do not have policies to narrow gender gaps and give women equal rights in the government more commonly have less integrity and more corruption in them.

Figure 1: Pie chart 1 on Respondents Gender
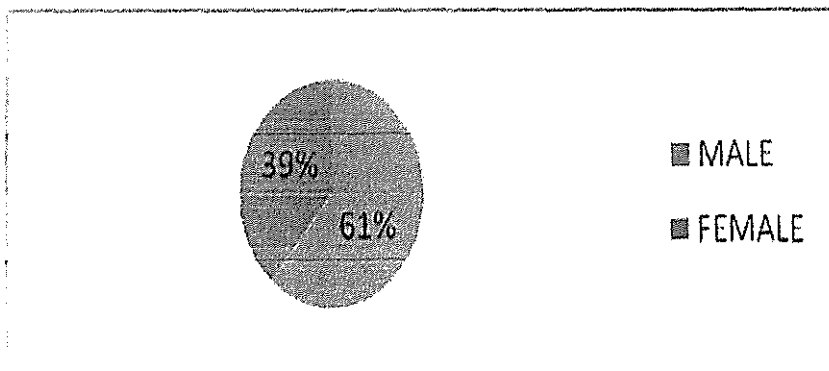
Source: primary data (2009)

Pie chart 1 above presents the respondents gender. Male respondents were 61.25% while female respondents were 38.75%

Table 2: On corresponding age bracket

Age (yrs)	Frequency	%
Below 20 years	34	42.5
21-30 years	22	27.5
31-40 years	11	13.75
41-50 years	13	16.25
Above 51 years	0	0
Total	80	100

Source: primary data (2009)

Table 2 shows the age correspondence of the respondents. Majority of respondent ranged in age bracket of below 20 years followed by age bracket of 21-30 and 41-50 years, 31-40 years had the least respondent. Thus evident that most respondent in this organization are middle aged which is a prime age. Most worker around this age are mostly starting a family or have a very young family and due to the low remuneration levels the are tempted to engage in corrupt practices to try and make ends meet. Nairobi City Council should be keen when recruiting new employees by considering their ages and experience they have in that particular job so as to get better performance.

Table 3: On education level

Level of education	Frequency	%
Formal education	22	27.5
Primary education	11	13.75
Secondary education	34	42.5
College education	6	7.0
University education	7	9.25
Total	80	100

Source: primary data (2009)

From the data provided in table 3 above, the researcher wanted to find out the level of education of the respondents. It shows clearly that most of the respondents are not highly learned, majority are secondary school leavers, followed by formal education achievers and primary school leavers concurrently with frequencies of 34, 22 and 11 out of 80.This data shows that most of respondents do not have high level of education since majorities are secondary school leavers. Low levels of education are seen as a factor which encourages corruption practices. With less education levels, workers tends to be poorly paid encouraging the to engage in corruption practices. The organization should make sure that employer, are well qualified for their posts by offering them training, this will enhance their performance hence meeting organizational goals.

Figure 2: Pie chart 2 on respondent's education level

Frequency of respondents in %

- formal education
- primary education
- secondary education
- college education
- university education
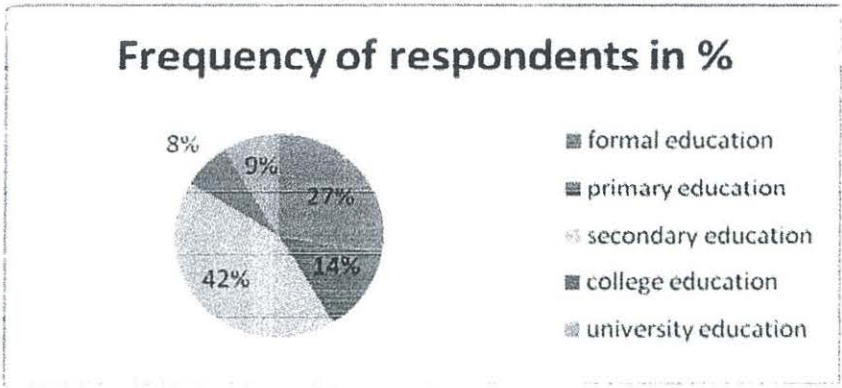
Source: primary data (2009)

Pie chart 2 above shows the respondents education level. Majority of the respondents were found to be secondary school leavers with frequency of 34 out of 80, formal education were second with frequency of 22 out of 80.primary school leavers were 11 out of 80.

Table 4: On working duration

Time in years	Frequency	%
1day-2 years	24	30
3-5	13	16.25
6-10	19	23.75
11-15	9	11.75
Above 16 years	15	18.75
Total	80	100

Source: primary source (2009)

The data in table 4 regarding the working duration the respondents have worked in the council, it indicates that most of respondents have worked for below 1 day and 2 years followed by 6-10 years and those who have worked for 16years and above are few.

This clearly indicates that most of the respondents have worked in the council for a short period. Nairobi city council should see to it that they have given the employee the right motivation so as to motivate them to stay in their City Council for as long time to avoid the expenses of recruiting new employees. This will encourage employee to perform better hence good performance of the council.

Table 5: On current position

Position	Frequency	%
Management	10	12.25
Middle level management	12	15
Supervisor	24	30
Clerk	14	17.75
Subordinate	9	11.25
Others	11	13.75
Total	80	100

Source: primary data (2009)

The researcher in table 5 sought to find out on the current position held by the respondents. Majority of the respondent were found to be supervisors followed by clerks and human resource managers. This data clearly shows that most of the respondents were supervisors and in every level there were representatives. Every City Council should make sure that in every level of

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management they have the right people who have the right qualification and the right number so as to have a good structured organization.

Figure 3: Respondents' position

frequency of respondents

frequency of respondents

MD   HR   SUPERVISORS   CLERK   SUBODINATES   OTHERS

CURRENT POSITION
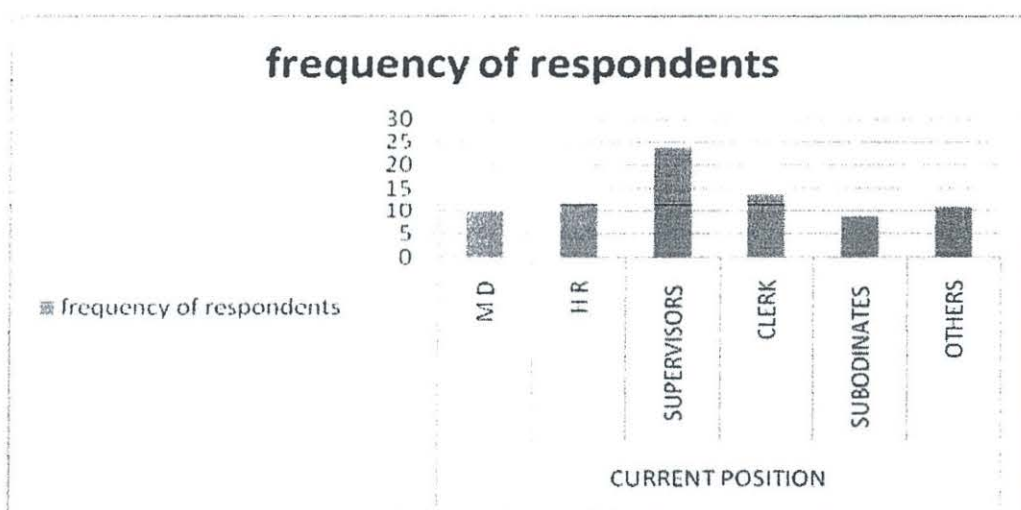
Source: primary data (2009)

In graph 1 above clearly shows that most of respondents were supervisors with frequency of 24 out of 80 followed by clerks with frequency of 14 out of 80 respondents while middle level management made the frequency of 12 out of 80

Table 6: Department they belong to

Department	Frequency	%
Management Department	9	11.75
Licensing department	24	30
Public health department	13	16.25
Financial department	19	23.75
Others	15	18.75
Total	80	100

Source: primary source (2009)

The researcher in table 6 above wanted to find out the department respondents belonged to in the council. It is clear that most respondents belonged to the licensing department, followed by financial department and public health departments concurrently with frequencies of 24, 19 and 13 out of 80.few of the respondents in the organization belonged to management department. Organizations should ensure that they strive and strike an equal representation of employees in all departments so as to have equal ratios of contributions when it comes to the organizational activities.

Figure 4: on department held by respondents
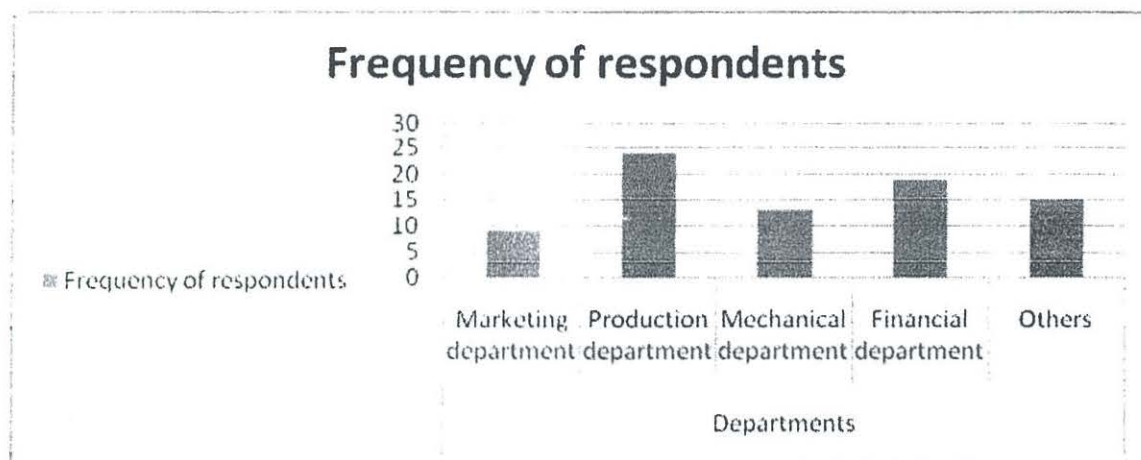
Source: primary data (2009)

Graph 2 above shows the departments to which respondents belong to, it's clearly the majority of the respondents belonged to the Licensing department and few of the respondents belonged to the marketing department.

Table 7: On whether low levels of remuneration to corrupt practices.

Offers	Frequency	%
Yes	55	68.75
No	25	31.25
Total	80	100

Source: primary data (2009)

The data in table 7 above the researcher sought to find out whether poor pay led to corrupt practices at the council. It is clear that majority of the respondents reported that due to the poor remuneration offered by the council they were forced by circumstances to find corrupt loopholes so as to finance their needs. While few of the respondents did not attribute poor pay as the cause

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of corruption. They were of the view that those who attributed poor pay as leading cause of corruption in the council were misleading the researcher since corruption was mostly fuelled by greed.

Figure 5: Pie chart 3 on poor pay leads to corrupt practices

Use of free samples

31%

69%

■ Yes
■ No
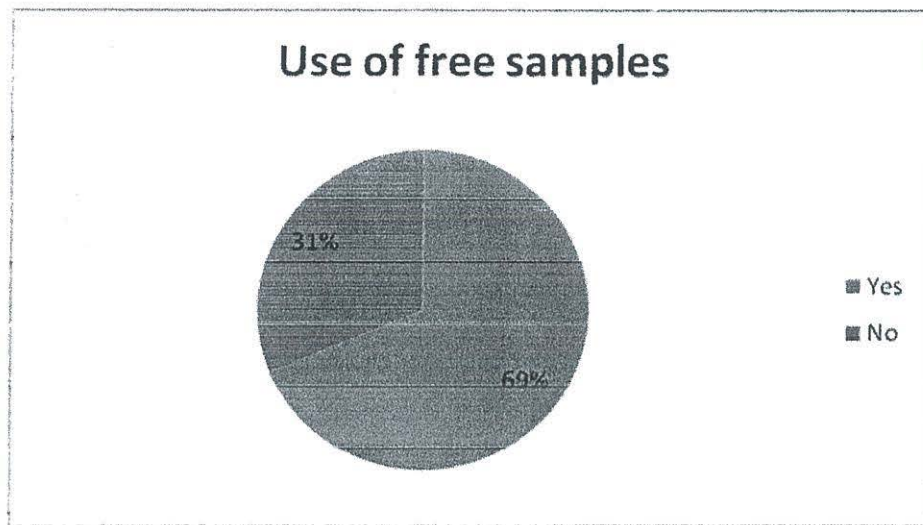
Source: primary data (2009)

Pie chart 3 on whether poor pay leads to corrupt practices indicates clearly that majority of the respondents say that poor pay is a major cause of corruption.

Table 8: On what factors the council uses when offering salaries to its employees

Factors	Frequency	%
Competition	14	17.5
Qualification	20	25
Responsibilities	16	20
Market salaries	11	13.75
Others	19	20.75
Total	80	100

Source: primary data (2009)

The data in table 8 above the researcher sought to find out the factors the council considers when offering salaries to its employees. Clearly shows that 20 out of 80 respondents said that they base on qualification, while 19 out of 80 did not have any option on the factors the council base on when offering salaries to its employees,16 out of 80 said responsibilities was the base while a few argued that it was market price.

Organizations should take care of what salaries to offer and to which level of employees and this will consequently assure the organization better performance.

Table 9: On how often the council revises salaries for its employees

Period	Frequency	%
Once per year	13	16.25
Twice per year	8	10
Once after 2 years	17	21.25
Once after 5 years	28	35
Has never	14	17.5
Total	80	100

Source: primary data (2009)

The data in table 11 above the researcher wanted to identify on how often the council revised its salaries, majority of the respondents argued that it was used once after 5 years, while few said that it was used twice per year. From this information it's clear that the council does not review salaries frequently in empowering employees. It's the duty of the council to investigate on the proper remuneration package which in turn leads to better performance by the employees.

Figure 6: on how often the council revises salaries for its employees

Frequency of respondents

Source: primary data
(2009)
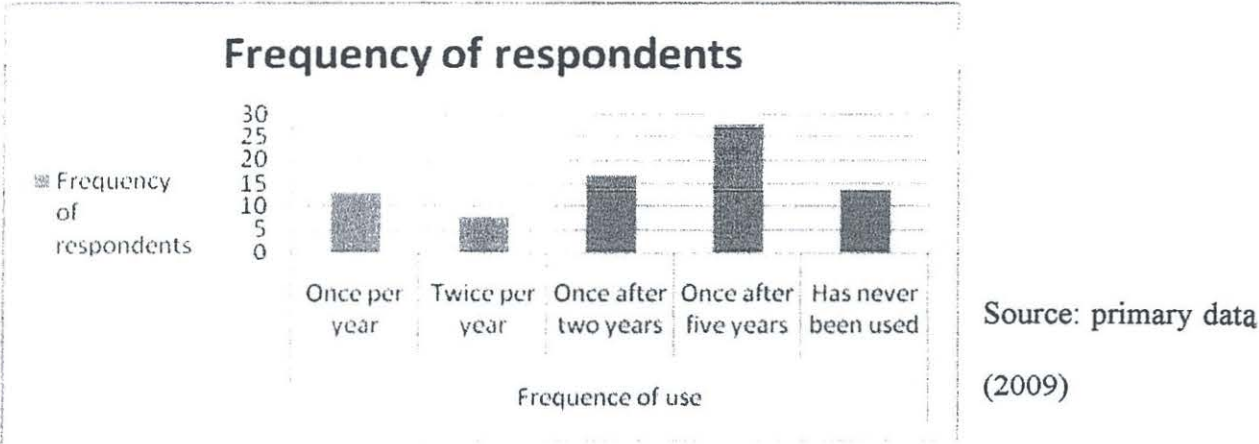
From graph 5 on how often the council revises salaries for its employees clearly shows that the council revises its employee's salaries after every 5 years

Table 10: **Level of remuneration in the council and its effect on corruption practices**

The levels of remuneration in Nairobi City Council and its impact on corrupt tendencies in the council can be clearly illustrated below

Position	Level of remuneration us dollars	Frequency in engaging in corrupt practices	%
Management	700-1000	10	12.25
Middle level management	500-700	12	15
Supervisor	300-500	11	13.75
Clerk	100-300	14	11.75
Subordinate	70-100	9	17.25

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Others	50-70	24	30
Total		80	100

As evidenced above it is quite clear that corruption practices tend increase as the remuneration level lower. Lower workers who earn less than 100 dollars tend be involved in corruption practices more than the rest of the population. The council should ensure that the disparities that exist especially in the salary levels are harmonized. The council remuneration levels should also be reviewed to discourage corruption practices.

Table 11: On how high salaries affect employee's performance

Effect	Frequency	%
Efficiency	11	13.75
Morale	34	42.5
Punctuality	13	16.25
Commitment	22	27.5
Total	80	100

Source: primary data (2009)

The data provided in table 12 how high salaries affect employees shows that the most effect was that it was the buyers first ascertain quality with a frequency of 34 out of 80, followed by more commitment with a frequency of 22 out of 80 and punctuality with a frequency of 13 out of 80.The least most effect was efficiency with a frequency of 11 out of 80.

It's clear that the most effect of high salaries on employees was morale. The council should be keen on identifying how salaries affect employee's performance. This will lead to better improvement of pay packages or changes where necessary to increase employee's performance.

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Table 12: On relationship between salaries and corruption

Relationship	Frequency	%
Yes	52	65
No	28	35
Total	80	100

Source: primary data (2009)

The researcher in table 14 sought to find out the relationship between salaries and corruption. Those respondents who responded with a Yes were 52 out of 80 while those who said No were 28 out of 80. This data shows that most respondents are able to note the relationship between salaries and corruption.

It's indeed important for the council to identify relationships in their various departments and activities, so as to find out the best way to comply with them in order to make the best out of the situation.

Figure 7: on relationship between salaries and corruption
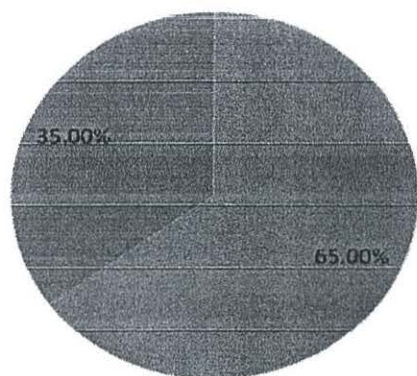
Source: primary data (2009)

Pie chart 3 above on relationship between salaries and corruption shows that 65% of the respondents agreed that there was relationship while 35% said there is no relationship.

4.3 Summary

This chapter and conclusion has been able to establish that indeed there is close relationship between salaries and corruption in the council. This fact has been widely supported in the literature review for instance; it has been well argued out that a salary affects both the morale and integrity of the council employees.

It's also found that stiff competition in the job market has been a threat to the council due loss of qualified personnel to better paying institutions. This has forced the council to be innovative and adaptive and hire employees of fewer qualifications.

Other changes which have been found to have effect on corruption are the level of remuneration, thus making the firm to change its remuneration structure to be competitive.

From this study it's clear that many types of council are widely affected by the issue of salaries on corruption. The effect can either be positive or negative depending on the type of change. It's the work of the council to see to it that, they have appropriate competitive remuneration packages for different cadres of employees so as to increase performance of the council thus meeting its goals.

CHAPTER FIVE

SUMMARY OF KEY FINDINGS, CONCLUSIONS ANDRECOMMENDATIONS

5.0 Introduction

This chapter deals with the summary of key findings, conclusions and recommendations in relation to the purpose, objectives of the study. The variables discussed include; the effects of remuneration level on corruption using Nairobi City Council a case study. And later the conclusions and possible recommendations were suggested basing on the field findings.

5.2 Summary of key findings

This study was done to establish the effects of low salaries in the Nairobi City Council and the effect of the poor remunerations on quality of service delivered by the employees of the council.

The research indicated that corruption is ripe in the Nairobi City Council. The extent to which the employees are involved in corrupt tendencies from a very large extent to a small extent. The study also indicated that most of the employees were involved in corrupt practices because they were dissatisfied by their pay.

The belief that higher pay can be effective in reducing corruption tendencies among employees appears to be well-accepted among the respondents. Many examples of the use of high remuneration as a deterrent to accepting bribes have been reported in the media, although few data on their effectiveness are provided. For example, the staff at KACC are given high remuneration rates to deter their involvement in corrupt practices.

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5.3 Conclusions

Basing on the field findings, it is evident that there exists a relationship between salaries and corruption in the council. This fact has been widely supported in the literature review for instance; it has been well argued out that salaries affect both the morale and integrity of the council employees.

It's also found that stiff competition in the job market has been a threat to the council due to loss of qualified personnel to better paying institutions. This has forced the council to be innovative and adaptive and hire employees of fewer qualifications.

Other changes which have been found to have effect on corruption are the level of remuneration, thus making the firm to change its remuneration structure to be competitive.

From this study it's clear that many types of council are widely affected by the issue of salaries on corruption. The effect can either be positive or negative depending on the type of change. It's the work of the council to see to it that, they have appropriate competitive remuneration packages for different cadres of employees so as to increase performance of the council thus meeting its goals. Corruption has posted a major challenge to Kenya as it is affecting many government organizations. Corruption tends to interfere with development as tax payers money is channeled in different directions. Review of Civil Servant salaries can boost the fight against corruption and counter public embezzlement of funds. To be relevant high enumerations should address the underlying cause of corruption in the city council.

The review of civil servant salaries is a strategy that has performed very well in other countries around the world, with admirable results on the corruption vice. The need to increase public servants wages is a well though idea that would encourage corruption tendencies that have been robbing the country resources that could be channeled for a better course.

5.3 Recommendations

This study has shown that remuneration levels influenced corruption. For there to be a great influence, it is however important to tailor the pay package to each stage of the employment level since each pay package has an influence of its own at each stage. Proper research is important before determining which incentives will be effective in influencing the attitude of employees at each stage. For instance, pay increment is effective for low key employees while incentives like medical cover are effective for the top management.

Organizations should strive to identify any effects of salaries on their employees. This will enable them to be aware of change affecting them so as to deal with it properly.

In summary, given that salaries have been used for a long time as an incentive and that considerable money is spent on incentives to employees, it is surprising that more research on salaries has not been reported.

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APPENDIX 1

CORRUPTION IN LOCAL GOVERNMENT

A research questionnaire investigating corruption in Local government

QUESTIONNAIRE TO NAIROBI CITY COUNCIL (NCC)

Please fill in the spaces provided /tick where appropriate

SECTION A: PERSONAL INFORMATION

Employee's Name (optional)...

Position held in the company...

Department...

Education...

Gender   ( ) male   ( ) female

Age   ( ) under 30   ( ) 31-40   ( ) 41-50

SECTION B

What is your department of work? (Tick one)

o   Service delivery

o   Administration

2. What is your understanding of the term corruption?

....

....

....

3. Does remuneration of workers in the council play part in engaging in corrupt practices?

(Tick one)

Yes

No

If your answer to the above question is "Yes "how would you like the remunerations to range from?

....

....

What is your take on corruption in the council?

....

....

Has the council taken adequate measures to fight corruption in the council?

....

....

Thank you very much for your cooperation

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Map of the area of study

NAIROBI ↑ To Limuru

National Museum

0 — 500 m
0 — 500 yds

Riverside Park

Nairobi

University of Nairobi

River

Jevanjee

Kariokor

Jevanjee Gardens

City Market

Central Nairobi

To Nairobi NP, Bomas of Kenya, Langata Giraffe Centre, & Karen Blixen Museum

Central Park

National Archives

City Hall

City Square

Uhuru Park

Train Station

National Library

Golf Course

Railway Museum

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