

This report is presented as received by IDRC from project recipient(s). It has not been subjected to peer review or other review processes.

This work is used with the permission of African Economic Research Consortium.

© 1994, African Economic Research Consortium.

# **Human capacity building of professionals in sub-Saharan Africa: A case study of economists in Ethiopia**

Befekadu Degefe  
*Institute of Development Research  
Addis Ababa University*

AERC Special Paper 17  
African Economic Research Consortium, Nairobi  
August 1994

# Contents

---

List of tables

Acknowledgements

Abstract

I	Introduction	1
II	The environment	3
III	Economics and economists: An evaluation	7
IV	Economists: Professional aspirations and job satisfaction	15
V	The life of the economist	23
VI	Summary, the role of foreigners and policy implications	39

## Tables

---

1.	Levels of education attained by respondents	16
2.	Educational attainment by age	16
3.	Age distribution of respondents by employer	17
4.	Use of income in 1975 for salaries ranging from Birr500-Birr1,299	25
5.	Aggregation of outlay for income group Birr550-Birr1,299 per month in 1975	26
6.	Ethiopia retail price index, 1976-91	26
7.	Food price index for Addis Ababa	26
8.	Monthly income of economists by income category and employer, 1991	27
9.	The behaviour of income, 1975-90	28
10.	Proportion of current expenditure covered by net income from formal employment	29
11.	Development in income of university-based economists	32
12.	Formal income as percentage of total income	32
13.	Savings of academic economists	35

## **Acknowledgements**

---

In the course of the research and write up of this paper, Jeffrey Fine and Benno Ndulu made invaluable comments and suggestions, many of which are reflected in the strength of this paper. I would also like to acknowledge the useful comments from Hugh Goyder of the University of Oxford, on an earlier draft of the paper.

I also take this opportunity to express my respect and gratitude to the many people who gave their time and provided the information on which this study is based. It would not have been possible without their active support and lively participation. I am also indebted to Messelu Tadesse, Executive Publications Secretary at the Institute of Development Research, Addis Ababa University, whose typing skills, patience and diligence made the timely finalization of the paper possible.

# I Introduction

---

The failure of African countries to make effective use of their human resources has, of late, been identified as a major factor retarding their development. The cause for the under and/or mis-utilization of this crucial agent of progress can, in turn, be traced to the extant disabling environment and the neglect of its development. The policy that has emerged to tackle the bottlenecks inhibiting the progress of the continent has been the well known liberalization of the political and economic environment and a requisite shift in investment from physical to human capital. The implementational aspects of these policy paradigms call for multiparty democracy, enhanced accountability, disengagement of the state from directly productive economic activities, getting prices right and allocating more resources to the expansion and upgrading of educational and training facilities, as well as the provision of adequate health services.

The identification of these constraints on the development effort of African, in particular Sub-Saharan African (SSA), countries, although long overdue, should nevertheless be appreciated and lauded. The overextension of the state, stifling policies imposed on the market and the private sector, and the fixation of the authorities on unproductive investments have all contributed to the ills afflicting the people of the region.

The need to invest more in the development of human capital, while necessary, is sadly not sufficient to deliver the people of SSA from their miseries unless and until two subsidiary issues are seriously dealt with in tandem. The first is the flight of human capital and the second is the ineffective or mis-use of the professionals who remain at home. Both of these problems are endemic in SSA. A large number of highly skilled Africans prefer to live and work in the West rather than in the countries of their origin. This augurs very badly for the SSA countries who, with the expectation of high social returns, allocate a sizeable portion of the rather meager resources on the education and training of their people, only to see a large number, and the most capable of them, end up providing their services elsewhere. Given this, how can SSA countries develop and what incentive is there to invest in tertiary level training and education?

The second and more serious problem manifests itself (and may unfortunately justify the human capital flight) in the mis- and under-utilization of the professionals who decide to remain at home. In many SSA countries, the educated elite, and more so the social scientist, is mistrusted, repressed and persecuted. Their professional, intellectual and material life is one of great difficulty.

These two issues must be addressed simultaneously in order to build up the human

capital stock. This paper aims to contribute to the search for an appropriate policy framework for this by making available information on the living and working conditions of professionals in SSA countries. The study focuses on one set of professionals – economists in Ethiopia. While economists are singled out for in-depth study, the resulting picture is similar for all professionals in the country.

Ethiopia under its repressive military regime could be considered an exception and therefore unrepresentative of the conditions of professionals in other SSA countries. While this is true, the experience of professionals in this setting may, however, be different from other countries in SSA only in degree and magnitude. Professionals in the SSA share the common platform of intellectual and material deprivation which forces them to flee, or, if they decide to stay at home, to “moonlight” to maintain their intellectual sanity and supplement their official incomes. The obvious consequence of this rational behaviour on the part of the professionals is to render the public sector inefficient.

Intellectual moonlighting involves, among other things, soliciting for books, reading materials and training opportunities, reading books and articles which are banned by the government, and doing research or writing papers for private circulation, which are often kept under lock and key for fear of discovery by the authorities. To supplement their meagre income, professionals are forced to neglect and even abandon their official duties and responsibilities while remaining on the public payroll. This has become so common that it is more appropriate to refer to it as “sunlighting”. It is sad but true that some professionals are also forced into corruption as the only way out of their miseries.

A more significant problem, and the root cause for intellectual discontent and emotional instability, is job dissatisfaction. Professionals are seldom used in ways that enable them to make the best use of their skills and know-how. Decisions are made by people in authority without proper professional advice on options and implications. Any attempt to challenge and criticize such decisions, however inappropriate and disastrous they may be, are open invitations for punitive measures.

These important issues need to be taken into consideration along with investment in human capital. Unless these problems are resolved, investments designed to build up the stock of the professionals will be a clear misuse of meagre resources, since these countries fail to make optimal use of the output.

Section II provides a brief presentation of the politico-economic environment in which professionals live and work, while Section III examines economics and economists. In Section IV economists evaluate their life and work and Section V looks at their survival strategies. Section VI concludes with policy implications.

## II The environment

---

### The socio-political and economic environment

The socio-political and economic environment of any country is shaped by the objectives of the government bounded by endogenous and exogenous factors. Given the exogenous forces (which may include the culture and tradition of the people, external economic parameters as well as natural phenomenon, such as the weather) a rational government would adjust both its short- and medium-term goals without losing sight of its long-term objectives through various policy instruments. Above all, the policy framework would have to be rationally flexible and adjust both to the domestic and external circumstances that are beyond its control.

In Ethiopia, the objective of rebuilding the society along socialist principles in the medium-term and communism in the long-term were enunciated in no uncertain terms. As a means of achieving these goals, the government nationalized financial institutions, industries, land, extra houses and the distributive services the first year it came to power. The leadership operated under the illusory expectation of the world adjusting to their way of thinking while providing the requisite resources for the attainment of their objectives. The deplorable experience of the past 15 years has not been the achievement of the goals the government envisioned for the society as much as the exposure of the rigidity of purpose and the ferocity as well as the severity of method used, with a predictable erosion of social welfare.

The socio-cultural and political traditions of the past were to be obliterated and supplanted by the Marxist-Leninist view of the world. To this end, society was organized in their places of residence (peasant associations in the rural and dwellers associations in the urban), in their places of work (labour unions, professional associations), by age (youth associations), and by gender (women's associations), etc. All these associations and organizations starting from a basic cell (the stratum) were instruments of control. Committed leaders were placed at each level of organization with the right to take any measure (including imprisonment and execution) to eliminate dissent. Study forums where Marxist-Leninist ideology was to be inculcated and imbued were established in all places of work and employees were required to spend three to four hours a week imbibing the new world outlook. The state decided on what was to be consumed and what the people were to wear. Until it was abrogated in 1988, all Ethiopians were forbidden to wear suits

and ties and were to wear simple khaki uniforms.

A significant characteristic of the government is its attempts at dissociating the society from foreign, particularly Western, influences, in economic, cultural and educational spheres. In economics the government crowded out private sector exporters and importers supplanting them with state trading organizations, who decided on the assortment and volume of goods to be imported into the country. In cultural and educational aspects, the government's policy manifested itself in cutting off all foreign exchange for the purchase of books, journals, magazines and newspapers. All opportunities for external training and education were directed to the former Eastern block countries. The bookstores were stocked with Marxist books and magazines from Moscow.

Added to this were the employment laws which discourage employers from laying off workers under any circumstances. State enterprises were horribly overmanned as they were forced to employ as many people as possible. All university graduates were placed on the payroll of the different government departments not because there was a rational need for their services, but because of the policy of providing them with employment. Consequently, there is a huge surplus of labour in central government and state enterprises.

## Economic policy

It is unfair to talk about economic policy, as commonly defined, in Ethiopia over the last decade. The economic policy has been solely designed to achieve the goals of socialism. In consequence, the state was sanctified, and the market condemned, while the private sector was vilified and suppressed.

The state was the sole organ of production and distribution, and a relentless drive was made to bring all economic activity under its ownership and control. The private sector was considered a threat to, rather than a partner in, development. To this end it was confined to those activities which were not amenable to state ownership, and were limited to small-scale industries with strict state supervision and control. Their capital was to be no more than Birr500,000 (US\$250,000 at the horribly overvalued rate or US\$62,000 at the more realistic parallel market rate) in industry, Birr300,000 in wholesale and Birr200,000 in retail trade. Even these leeways were temporary and the private sector was encouraged and if need be forced to form cooperatives, rendering them accessible to direct state control.

## *Incomes and price policies*

It was the declared policy of the state to narrow the differences in income among members of the society and to make incomes as comparable as possible. The principle instruments used were:

1. Freezing income increments for employees earning more than Birr636 per month for employees of central government; and Birr650 per month for employees of public



enterprises. Incomes lower than these limits were to have increments of:

- 10% for those lowest and 6.4% for those closer to the upper limit biannually for central government employees;
- Employees of public enterprises were to have an annual increase of 5% if the volume of production exceeded that of the previous year and an additional 1% each if productivity and profitability of the enterprise exceeded the previous year's level.

These measures have been in effect since 1976.

2. Income tax: Ethiopians may be the highest taxed people in the world. The marginal tax rates are:

- 85% on income from employment;
- 89% on agricultural income; and
- 82% on unincorporated business income all in excess of Birr36,000 per annum.

This limits the highest disposable income to around Birr2,000 per month.

In addition to the step income tax, employees were required to contribute to the numerous crises facing the government. Employees earning above Birr50 (the minimum salary) contributed one month's gross salary to help the drought victims (twice) and the war (once). These disposable income debilitating measures were complemented by high and ever rising indirect taxes which were indiscriminately imposed on all goods and services. A policy of price control was also instituted by the government, supplemented by state-owned and sponsored retail outlets. Each household was supplied with ration cards and entitlement was based on family size.

### *Results of the policy*

The policy of building a socialist society has been rejected by the people, resulting in all types of resistance ranging from pronounced civil disobedience to armed struggle.

Two noticeable results of the economic policy have been the persistent decline in real per capita GDP and the emergence and growth of a robust parallel economy. Over the last 15 years, GDP averaged 1% real annual growth while population growth averaged 3%, resulting in a 2% annual decline in real per capita income. The government's attempt at price control and quantity rationing as well as the repressive marginal tax rate gave rise to a thriving underground and later, a parallel economy, which by some estimates is larger than the official economy. The high rate of inflation has been an open mockery of the government's price control policy.

For fixed income earners, the high rate of inflation has undermined their purchasing power, creating a rent-seeking society. While falling real incomes have created the incentive for corruption, the multiplicity of regulations and controls has created the means for its extensive and intensive growth. It is ironic that a government which came to power to eliminate corruption turned into a principal agent for its proliferation. It is in this environment that the economists whose survival strategies are to be examined lived

and worked. That these people maintained their sanity in an impossible environment while trying to do the best they could professionally is the surprising overall conclusion of the study.

### **III Economics and economists: An evaluation**

---

An attempt was made to gauge the perception people have of economics and their evaluation of local economists on the basis of information collected from different strata of residents in Addis Ababa, ranging from the “man or woman on the street” to professional economists. The resource persons included users of the output of economists, students and non-economic academic staff at the College of Social Sciences, support staff (secretaries and librarians) and economists at Addis Ababa University, and economists, administrators and employers outside the university.

#### **Methodology**

The opinion survey of economics and local economists aimed to find out what people thought about economics, whether and if so how and to what extent they thought it affected their life, and how they evaluated local economists. The opinions and appraisals were collected through interviews followed by extensive discussions with people in a position to pass judgement on the issues raised. Following the discourse, written opinion was solicited to be included as an appendix in the research report, but due to poor response this part of the plan was abandoned.

#### **Opinion makers**

To help appreciate the evaluations and understand the nuances, the broad spectrum of respondents were grouped into the following categories:

Users (potential and actual) of the output of economists

- Government officials at:
  - National Bank of Ethiopia (NBE, the central bank);
  - Ministry of Foreign Trade (MFT);
  - Ministry of Domestic Trade (MDT);
  - Ministry of Agriculture (MOA);
  - Ministry of Finance (MOF); and
  - Office of the National Committee for Central Planning (ONCCP)
- Division or Department Chiefs in international organizations:
  - UN Economic Commission for Africa;

- Organization of African Unity; and
- Specialized UN agencies
- Non-government foreign organizations (NGOs):
  - Christian Relief and Development Association;
  - Irish concern; and
  - World Vision
- Senior and junior social scientists at Addis Ababa University, including:
  - Students in streams other than economics;
  - Students of the Department of Economics; and
  - Faculty members
- Support staff at Addis Ababa University: secretaries and librarians.
- Others: man or woman on the street, randomly picked.

## Opinions and evaluations

The result of the opinion survey with respect to 1) what economics is all about; 2) how they think it affects their lives; and 3) how they evaluate local economists, is presented below. The content in each of the categories is a summary of the most common and dominant views expressed by the respondents.

### *On economics*

The question on what economics is about was directed to Ethiopians only. Their understanding of “economics” strongly correlated with their level of education:

- Those with high school education or less had heard the word “economics” but were not sure of what it meant. They were, however, aware of “economy” and used it in their everyday conversation. Pressed to explain what they understood by this word, all answers were vague and/or circular;
- Those who had been at university (dropouts, diploma and degree graduates from faculties and departments other than economics) had a fair idea of what economics was all about and made direct or indirect references to the use of resources in their attempt to explain it;
- The group that had the greatest difficulty in explaining the word “economics” was (perhaps not surprisingly) economists. Unlike the other two groups who were quick in their reply, economists tended to scratch their heads, before launching into long explanations.

### *Whether and how economics affects people's lives*

With respect to how economics affects lives, all reactions, including those of economists, were unanimously negative. The factor identified as having the greatest impact on the lives of the respondents without exception was “politics”, a word that is absorbed into

the local lingo as *politica* but with meaning and undertone beyond the limits of conventional usage and understanding. It is a word used by the public-at-large to explain away anything said and done by the government. Even those who were well acquainted with its contribution elsewhere and were in a position to appreciate its utility joined the general public in identifying politics rather than economics as the most important factor affecting people's lives.

### *Evaluation of local economists*

*Economists in the central government.* The department heads in the four central government ministries as well as those in the NBE (the Central Bank) and the ONCCP were all unanimous in expressing their satisfaction in the personal and professional qualities of the economists working for them. The basis for the general appreciation varied between the ministries on the one hand and the Central Bank and ONCCP on the other, a distinction that is very important at this and later stages.

Economists employed by ministries seldom use their professional skill. They are usually assigned duties that require the least, if any, use of their formally acquired expertise. Consequently, the bosses in the ministries tended to emphasize the personal and non-professional qualities of economists more than their professional know-how. Some qualities that were commonly attributed to the economists employed in the Ministries of Agriculture, Finance, Foreign and Domestic Trades were trustworthiness, discretion, discipline and dependability.

On the other hand, although not articulated as such, there was a strong reservation about economists focussing on and researching economic issues on their own or beyond the level and depth required by the department heads. Those economists were usually described as renegades or uncooperative and suspected of some ulterior motive.

In general, the qualities most appreciated by the heads were teamwork, cooperativeness, obedience and dependability rather than professional prowess. The bottom line of the evaluation is that the bosses appreciate conformity and are afraid of challenges to the propriety of what they are doing and by extension to their authority. This is also corroborated by the economists' evaluation of their own professional performance, discussed below.

The Central Bank and ONCCP are professionally minded institutions. Both provide their economists with real professional challenges and opportunities for debate and freedom to air different views. The chiefs' encourage their economists to suggest new thoughts and develop new methods of looking at the problems they deal with. Consequently, they are happy with those economists who are professionally productive and wary of those who are conformists. They are ready and more than willing to help and support professional advancement through further training, both in-house and external.

These divergent views between the government ministries and the Central Bank/ONCCP stem from the position of each relative to the social objective and implementational approach of the state. The ministries are organs of implementation of decisions made elsewhere and have no leeway to challenge and reverse them. On the

other hand, the Central Bank and ONCCP are in a position to challenge government policy. For example, when orders are given to the Governor of the Central Bank to release a certain amount of foreign exchange (for import of necessities, or payment of debt, for example) it is resisted, based on the advice and research results of the economists in the research department, with the explanation that there is insufficient foreign exchange and that the future prospect of getting any is dim. The justification for such a position is the international market (an exogenous factor) and domestic policy, with the conclusion that to increase the supply of foreign exchange the volume of export must increase, which requires changing current policy. The economists in the Central Bank may not have been successful in their effort to rationalize government policy, but they have made sensible use of their skills.

Similarly, the ONCCP, in the process of planning the governments' capital expenditure and the production levels of the state enterprises, tends to air views that are more pragmatic and less ideological. The working conditions of the Central Bank and ONCCP also put pressure on their economists to be on top of events.

*International organizations and externally based NGOs.* These institutions make use of local economists, some as employees, but more on a consultancy basis to prepare documents on specific topics (UNECA, OAU) or evaluating projects financed by them (NGOs, WHO, UNICEF).

Since local economists lack professional exposure through publication of their research results, not many are known to these organizations. They are highly selective of those they employ, limiting their offer of employment to those who are well established and/or those whose word of mouth reputation is very high, as well as those with whom they have established personal contact.

In some cases, the organizations have been thoroughly disappointed with a local economist, but on most counts they have been quite satisfied. In addition to an acceptable quality of work, the advantage of engaging local economists is the considerable savings in the form of travel, food, lodging and other expenses they would have incurred had they imported economists from abroad to do the job.

The general consensus is that they are happy with local economists although they regret very much that most of them remain an unknown quantity and that the numbers and diversity of those in the circuit are not increasing as much as they would have preferred.

*Non-economics senior and junior scholars at the university.* Opinion was obtained from political scientists, sociologists, management specialists, psychologists, historians and a philosopher at Addis Ababa University with academic rank ranging from lecturer to associate professor. Their views on economics as a profession and local economists are summarized below.

All had a fair understanding of what economics is. They have respect for the profession and believe that it can make a contribution to national development, provided the politics is in order. None were, however, willing to rank it any better than their own profession.

The political scientists said their profession was of greater importance since it defines the general framework within which economics of whatever persuasion is applied. The

sociologists contended that the problem of economics is its individualistic premise. While humans are a social animal, economics individualizes him and is therefore apt to make colossal errors of judgement and policy. The psychologists claimed that their profession establishes the basic input to understand human behaviour on which all others, including economics, is or ought to be based. Lecturers in the Department of Management were more outspoken about their profession. While they made some concessions on the importance of economics, they placed management on a higher pedestal since "it organizes and directs actual production, transport, and marketing of goods and services. The efficiency economists talk about so much is realized only through proper management".

On local economists, much of the opinion the respondents had was personal rather than profession-oriented. This they claim is because of the lack of economists that have written on economics and the economic problems of the country. The few papers they had seen were too technical for their interest and they doubted their usefulness to the country.

*Non-economics undergraduates at AAU.* Students at the College of Social Sciences were invited to give their measure of economics and economists. Generally, students from departments other than economics (all seniors) expressed very high respect for their colleagues in the Department of Economics, for reasons including:

- The best students usually join the economics department after completing their freshman programme;
- They are in awe of economics and believe it to be more complex and difficult compared to their own subjects. This perception is derived from the ease with which economics students read and use complex mathematical and statistical models; and
- They are impressed with the debate among economics students on national issues.

*Non-economics graduates at AAU.* Non-economics graduates of the College of Social Sciences at AAU who are currently employed outside the university (which included two historians, a political scientist, two sociologists, an accountant, a management specialist and a public administrator) expressed respect both for the profession and the few economists with whom they were acquainted.

For the historians, political scientists and sociologists, this respect was a continuation of their opinion as students. They had always expected graduates of the Department of Economics to succeed in all their endeavours relative to their own profession and they contended that they had no cause to change this opinion. Areas of their perceived success included further education and training, a high position in government and high living standards (cars, good houses, etc.). Where a graduate of the department had not lived up to their general expectations, this was prefaced by "although he graduated from the economics department."

To the accountant, management specialist and public administrator, there was nothing special about economics and economists.

*Students of the Department of Economics, AAU.* Another group of users of the

output of local economics are students at the Department of Economics at Addis Ababa University. Opinions and evaluations were sought on the following:

- Their opinion on the profession;
- Their evaluation of lecturers;
- Evaluation of lectures;
- Evaluation of published and unpublished output of local economists both inside and outside the university.

On their opinion of the profession, the students were asked four questions followed by others, when this was found necessary. The questions were:

- What do you think of economics?
- Did you find it any different from what you thought it was before joining the department?
- How do you think of yourself as an economist?
- What do you think of your economics lecturers and lectures?

The responses were as diverse as the number of respondents (12, all fourth year students). The most common were the following:

On economics:

- It is the most prestigious of the all social science streams. This is supported by respect our colleagues have for us.
- It is methodologically clear and analytically fascinating.

Before and after:

- I found it much more difficult than I thought it was before I joined the department.
- Much different from what I thought before joining the department.

As an economist:

- I feel proud because a) it is exciting; and b) others would respect me.
- My job prospects are bright because no graduate of the department is unemployed.
- I would have to read a lot since what I get in class and from the reading assignment is analytical method and theory and little application.

Overall, the students had a positive opinion about their lecturers, both professionally and personally. But they also underlined the unequal distribution of these qualities. They found some excellent and exciting while others are dull and uninspiring. The problems identified with the latter were:

- Lack of adequate preparation;
- Lack of an in-depth knowledge about the subject they were lecturing on;
- Lack of interest in what they were lecturing; and
- Lack of capacity to communicate.



Their problem with those who were capable, particularly the very good ones, was that they were not available regularly and were either out of the country and/or busy with some other business. Consequently, their desire to meet with them more often and hold discussions on issues and problems of a professional and personal nature has not been satisfied.

The quality of lecturers has significant impact on their lives both as students and in terms of future prospects since it usually influences the areas of specialization. Currently the most interesting areas and the ones in which they would want to concentrate are trade and related subjects (balance of payment, exchange rate, etc.), macro-adjustment issues and mechanisms, development problems and money and related topics.

The students expressed reservations on the content and emphasis of lecturers. They felt that:

- Many of the courses did not have much bearing on the real world;
- The emphasis was on theory rather than on real world problems;
- There was too much mathematics; and
- Most real world problems were assumed away.

Public lectures by economists as well as the papers they have written were very popular. The public lectures were particularly appreciated, since they usually treated current and topical issues. Many of the public lecture papers were not fully read, however. The most popular parts of academic papers were the introduction and conclusion. The pages in between were either too mathematical and/or the statistical models were too difficult to go through.

*Support staff.* The support staff whose opinion about local economists was solicited were secretaries at the College of Social Sciences and librarians at the AAU library.

Secretaries in the departments of history, political science, sociology, accounting, geography, economics and at the Institute of Development Research (IDR) were asked the questions:

- What do you think of economics and economists?
- How would you like to work for them?

Their answers to the first question were inconclusive. Many claimed not to have sufficient knowledge of economics, the output of economists nor the economists in person to make an evaluation. On working in the Department of Economics, however, they expressed reluctance and apprehension due to the reportedly very heavy work load. An interesting observation made was their preference to work at the AAU's Institute of Development Research (IDR). Among the many reasons, the three most commonly cited were the relatively light work load, the opportunity for extra pay and learning to use the computer.

Librarians expressed great respect for economics and economists resulting from their perception that the subject is difficult and that the people must be of a special breed. Their evaluation of the subject matter derives from the complex mathematical and geometric content of the economics books and journals they handle.

In addition to the respect they have for them as professionals, many librarians claimed to be well acquainted with many, both from within and outside the university, since they are the best clients of the library and use their services much more frequently than any other discipline. They also made the observation that the students of the Department of Economics are their best clients and that books on economics enjoy the largest circulation

## **IV Economists: Professional aspirations and job satisfaction**

---

This section focuses on the person as an economist. The intention was to elicit his or her aspirations and frustrations, job security and on-the-job satisfaction as well as identifying the critical factors contributing to the opinions they hold and evaluations made.

### **Methodology**

A 12-page questionnaire was designed to elicit opinion and information on:

- Being an economist in Ethiopia;
- Evaluation of local economists;
- Aspirations and frustrations with respect to:
  - Further education and skill development;
  - Job satisfaction; and
  - Job security;
- Income and expenditure pattern.

The questionnaire was distributed among economists at:

- Department of Economics, AAU
- Central Government
  - Office of the National Committee for Central Planning (ONCCP)
  - Ministry of Finance
  - Ministry of Foreign Trade
  - Ministry of Domestic Trade
  - Ministry of Agriculture
- Financial institutions
  - National Bank of Ethiopia (NBE, the Central Bank)
  - Agricultural and Industrial Development (AID) Bank.

A total of 131 questionnaires were distributed in these institutions. The number of questionnaires returned numbered 61 or 47%, of which six were discarded for various reasons (three were wrongly filled in and/or incomplete, one was blank and two were

excluded for inappropriate replies). The remaining 55 or 42% of the distributed questionnaires furnished the information on which this section and the section on survival strategy are based.

## Findings

### *Characteristics*

Of the 55 economists, 33 or 60% were in central government (i.e., the four ministries plus ONCCP), 13 or 24% were in financial institutions, and 9 or 16% were from Addis Ababa University. Their levels of education are set out in Table 1, and Table 2 shows educational attainment by age.

Table 1 Levels of education attained by respondents

Employer	BA	BA plus training	MA	PhD	Total
Government	15	11	6	1	33
Financial institutions	7	2	3	1	13
University	3	-	6	-	9
Total	25	13	15	2	55

Table 2 Educational attainment by age

Age Group	Education attained				Total
	BA	BA plus training	MA	PhD	
Below 30	10	-	-	-	10
30 - 34	6	4	11	-	21
35 - 39	5	7	2	1	15
40 - 50	4	2	2	1	9
Total	25	13	15	2	55

All BA holders were awarded their degrees from local universities. Of the 13 with BA plus diploma, eight received additional training locally and five externally. Of those with MA degrees, seven were local and eight external, of which two were from Western countries and six were from the former Eastern block. All the PhDs were awarded by Western universities.

Of the 55 economists, 34 had travelled abroad, 15 for further training and 19 on visits, conferences and as government delegates. The number of years all the economists

worked, (i.e. since graduation and including the period spent on further training and education where appropriate) ranged from 2 to 27 years.

Of the 55, five (9%) lived with their parents, 39 (71%) lived in rented houses and 11 lived in houses they owned. Of the owners, five were freeholders, while six had built their residence through long-term credit (of which five were from the Housing and Savings Bank, the other from friends and families), which they are currently servicing at the rate of up to 35% of their net monthly income from their formal employment.

Of the 55, seven (13%) drove their own cars, four (7%) depended on friends and neighbours while 44 (80%) used public transport to go to their offices. Twenty-seven (49%) were married, two were divorced, one was widowed while 25 were single. Thirty one (57%) had children, of which 17 had one, six had two, three had three, two had four, and three had six.

Table 3 Age distribution of respondents by employer

Employer	Age Distribution				Total
	Below 30	30 - 34	35 - 39	40 - 50	
Government	5	15	7	6	33
Financial institutions	3	2	6	2	13
University	2	4	2	1	9
Total	10	21	15	9	55

### *Aspirations and constraints*

*Aspirations.* Without exception, all respondents were unanimous in their aspirations to be the best economist in the country and to be recognized and acknowledged as such.

What does it take to be a famous economist in Ethiopia? The overall answer was intellectual visibility, made one way or another. This meant writing extensively on policy issues and having these published, writing books, engaging in policy debate, etc. The bottom line identified vocal criticism of the government as the easiest and most convenient way of becoming famous and popular. Perhaps not surprisingly (because of their professional orientation), fame and power through accumulation of wealth, high government positions, etc., although a possible source of respect and admiration in the society, were nevertheless shunned by the economists.

The possibility of this desire to be fulfilled varied with employer, age and family status, particularly with regards to children. The overall prospect, however, did not seem to be promising.

The intensity and possibility of aspiration fulfillment was highest among university lecturers. They believed that their reputation could be enhanced by the quality of their

lectures and disseminated within and outside the university by their students.

Economists working for the central government felt they could not get recognition under the current working conditions. When asked whether they felt like changing employers, the answer was negative for those above 40, mixed for those in their 30s and positive for those under 30.

Economists working in the financial institutions were very hopeful about their prospects. While their positions in these institutions may not provide them with ample opportunities for professional exposure, they were nonetheless ready to exploit all possibilities to build and develop their career. They are hopeful that their work experience and connections would prove useful and profitable materially, but more important intellectually, when their aspiration to start their own consultancy business materializes. Then they would be on their own to write what they feel and say what needs to be said without being constrained.

The older generation of economists (i.e., those over 40) have given up hope of ever realizing this ambition. In addition, most of those who are in their late 30s and have children have shifted their ambitions, attention and hopes to their offsprings.

In both cases (i.e. 30 plus and with families), many wanted to maintain a low profile, avert all risk and live in peace, see their children through school and provide them with opportunities they never had. Their aspirations and ambitions have been transferred to their offspring whom they want to see succeed where they have failed.

*Constraints.* What were the major impediments to the realization of these aspirations? The most important obstacles identified by the respondents were:

- Lack of opportunity for further training;
- Day to day responsibility at the office is far detached from economics;
- Lack of reading material such as books and journals;
- Lack of outlet for research results;
- Insufficient and ever-declining income;
- Lack of time to read extensively and keep up with developments in the area of interest;
- Family considerations;
- The mathematization of economics; and
- The high risk involved in being outspoken.

While these were mentioned as the major constraints by most of the respondents, the first five were the predominant obstacles (pointed out by almost all respondents).

The factor that was cited with the greatest intensity was the growing inability to satisfy the material needs of their families. This problem will be dealt with in detail in the next section.

Professionally, the desire that comes top on the agenda for immediate rectification is the complete overhauling of professional working conditions. The economists very much want to be given the opportunity to put their training into use both at the policy making level and its implementation. Although this point is raised by almost all respondents, the emphasis was overwhelming for non-university economists.

Secondary to these major impediments, the following were also mentioned as factors that would contribute positively to the fulfillment of their aspirations:

- Training opportunities at the MA and PhD levels by those under 35 years of age;
- over 35. While all economists were very much aware that they were thoroughly uninformed on the latest development in economics, most of the older generation were inclined to make up for the lack through short-term training, preferably abroad, and if this was not possible, at home;
- Availability of journals, preferably less mathematical and more policy oriented;
- Reading materials from local economists in the national language on the national issues; and
- A journal in the national language.

### *Job security and satisfaction*

There was unanimity on job security. Since all the respondents are employees of the government, they do not expect to be dismissed for any cause including gross incompetency. However, two points of reservation were:

- Political persecution: the party representatives have discretionary authority and power which they can use to both the benefit and the detriment of people. This absolute power is used unpredictably to imprison, demote and even dismiss employees.
- Transfer to other organizations or locations in the country: this is a distinct possibility and one which many want to avoid at any cost. This is not because they don't want to be transferred, but that the transfer would be to locations and/or organizations not of their preference. In addition, such transfers carry the stigma and signal of being politically uncooperative.

There was also unanimity on job dissatisfaction. Although there are differences in degree and specific causes for the dissatisfaction, there was commonality on certain issues, of which the most important originates in their rejection of the philosophy and goals of the society as articulated and implemented by the government. All respondents were opposed to the prevailing ideological, social and economic system. They even condemn themselves for what they do in their official capacity since it contributes to the survival of a system they loathe.

There was also a very strong professional dissatisfaction because:

- Their work is that of clerks and messengers and not economists. They are engaged in activities that are well below their training which underutilizes their analytical capacity. The day to day responsibilities include compiling data, drafting correspondence for their bosses, etc.
- They have nothing to do with policy formulation and evaluation. The people in authority do not understand and cannot appreciate the enormity of the decisions they

need to make and asking for advice on options and possible impact of their decisions is considered an admission of ignorance, and therefore avoided.

- There has never been an introductory economics text in the national language to mitigate the very high economic illiteracy even among college graduates. No attempt has been made to educate the people on economic matters, and no attempt to challenge and/or educate authority. There has never been a debate on policy.
- In such an environment, it is extremely risky to question authority and challenge decisions, however inappropriate.

*By employer.* Other grounds for dissatisfaction were specific to the three organizations, i.e., central government, financial institutions, the ONCCP and the AAU.

The greatest dissatisfaction and pessimism was expressed by economists working for the central government. This group of economists:

- Do not like the sort of job they are doing;
- Do not get satisfaction of accomplishment from the work they are doing;
- The jobs they are assigned do not give them the chance to engage in the work they feel they do best;
- They are not satisfied with their salaries;
- Their chances of getting more pay are nil; and
- They rate their opportunity for promotion at zero unless they join the political bandwagon.

The major explanations given for these were:

- Professional know-how is considered unnecessary if not useless. At best, economists are called upon to justify and implement decisions that are taken at higher level purely on political considerations and/or personal whims.
- Professional ideas run counter to what is politically acceptable, so that views which are not in accord with the official position but are of more benefit to the people are either suppressed or rejected.
- Those in authority either do not know their jobs or are afraid to use their professional skill. They neither challenge nor influence decisions and are interested in their own successes. As a result, there is no professionally sound attention and assignment. Neither are we consulted in any decision.
- The job assignment is routine and has grown dull and monotonous, with nothing to learn and no challenge to make it worthwhile for me to seek new ideas.
- The pay is insufficient to live on and the chances for increase zero because of the freeze.
- Promotions are rewards not for professional competence, hard work or accomplishments but for political activism or connections. There is suspicion and fear of bosses but no respect.

As a result, these economists have no job motivation nor interest in their work.



Economists working in financial institutions and the ONCCP are less dissatisfied and discontented than their counterparts in the ministries. They are less uncomfortable morally and professionally with what they do but are equally frustrated because the results of their labour, although technically sound, seldom influence decisions or are translated into action.

The main reasons they gave for this satisfaction were:

- The outcome of their labour notwithstanding, every issue is approached with professionally clinical precision. Consequently, issues are articulated, options examined and the best alternatives suggested.
- They felt that their services were professional, technical and not ideological and their decisions are in the best interest of the country and not the regime.
- They tend to make their assignments interesting and challenging.

Their frustrations derived from:

- Powerlessness: They have no way of influencing decisions. They know that the policies of the state and specific measures are disastrous for the nation and yet are incapable of at least minimizing the damage. The results are that they have grown desperately impotent, have turned into pessimists and are often cynical.
- Welfare: They claim that their salaries are not enough to live on. They have less opportunity for consultancies and other ways of increasing their income. One major factor that impedes their capacity to seek more income by using their know-how is the fear that they may be persecuted for selling state secrets. This is particularly true of the very capable economists at the ONCCP.

*Economists at the university.* The Department of Economics and the Institute of Development Research have practically no working relationship with the government. Neither are they consulted nor their professional expertise sought on important matters. There is a common understanding that the government considers the university, particularly its social science departments, less a source of useful input to its development efforts and more a challenge to its intentions and operations. Consequently, there seems to be on the part of the government and all its departments an unspoken rule of avoiding the university.

The very few consultancy opportunities provided to the university, usually through IDR, by the government, are due to the preferences and insistence by funding agencies such as UNICEF, WHO, UNDP, World Bank, etc. The usually negative result arrived at after appraising projects financed by these and other organizations, and the resulting policy recommendations seem to have strengthened the suspicion the government entertains about the university.

Academic economists are engaged in consultancy services. There are two types of consultancies – institutional and personal. Institutional consultancies are contracts of research that the university and/or faculties, institutions and departments such as IDR accept from funding agencies. These are in turn sub-contracted to person(s) capable and

interested to do the work. The usual arrangements are that the number of hours required to do the job is estimated and payment made at the rate of Birr30 per hour for assistant professors and above and Birr25 per hour for lower ranks. Income deriving from such assignments is taxable.

Personal or private consultancies are those entered into directly between the person(s) doing the research and the institution/organization that wants to have some work done. In this case payment for services are made to the individual. These kinds of services are done mostly by NGOs and international organizations (World Bank, IMF, African Development Bank, OAU, UNECA, AERC, etc.). Usually these consultancies are by invitation. Economists at IDR are the major beneficiaries of such arrangements, with those at the Department of Economics coming second. In terms of job security, AAU economists expressed the same views with respect to job security as their counterparts in government. Where they differ is in aspiration and job satisfaction.

The nature of their aspirations depended on the degree the respondents hold. For those with BA and MA degrees their major priority was to get their terminal degree, i.e. PhD. In addition, all respondents expressed their desire and intention to be recognized as the best economists in the country. They believed this is possible through:

- The quality of lectures they deliver to their students. This has the advantage of spreading the reputation of those who are very good and vice versa;
- Writing analytically sound papers and having them published in reputable journals;
- Invitations to attend conferences, preferably abroad where they would present papers and
- Providing quality consultancy services.

In terms of job satisfaction, on the whole, economists at the university enjoy relatively more satisfaction than those employed elsewhere. The reasons given for this were:

- Satisfaction with the relationship they have with their superiors, mainly because of the minimum, if any, contact between the two;
- Opportunity to use their know-how;
- Academic promotion depends on performance alone; and
- Motivation from their teaching and consultancy responsibilities.

In terms of constraints on the realization of the goals and aspirations of economists at the university, factors given included:

- Lack of scholarship opportunities to study in Western universities;
- Lack of up to date reading materials such as books and journals;
- Lack of or inadequate invitations to conferences and workshops outside the country and
- Political constraint to speak out on important economic issues and publish the results of research which would have provided public exposure and boosted moral satisfaction.

## V The life of the economist

---

This section focuses on the quality of life of the economist. The information was obtained through the questionnaire distributed to the economists in government, financial institutions and the university, the methodology of which was discussed in the previous section. The specific questions will be presented in the course of the section.

### Income category of economists

The minimum gross income from formal employment of the economists in our sample was Birr550 (US\$275 at the official exchange rate and US\$73 at the current parallel market rate) while the highest was Birr1,275 (US\$616 and US\$170 respectively). In a country where the per capita monthly income is estimated at Birr20, the minimum income for government employees is Birr50 per month, and 70% of employees earn less than Birr200 (gross) per month. University graduates (whose employment is guaranteed by the government more for political than economic necessity) with their starting salary of Birr500 per month fall within the higher income bracket and they should therefore be considered among the most privileged. Consequently, the issue of whether these economists can survive on the income they receive from their formal employment should be considered relative to their tastes and preferences and particularly the quality of life they believe they deserve.

To gauge what has happened to the quality of life through time, two approaches were selected, one based on the standard of living enjoyed by people receiving the same salary at a given (base) year and the second on information obtained through the questionnaire. These two methods are presented sequentially.

### Quality of life in 1975

To assess the quality of life at a given base year, the year 1975 was selected for two reasons. First, this was the first full year the military junta was in power after deposing Emperor Haile Selassie in September 1974. Since the study is interested in tracing the quality of life under the new regime with new policies, the year 1975 was selected as the bench mark against which developments in later years were to be compared.

Second, the Central Statistical Authority (CSA) carried out an income-expenditure survey in Ethiopia in 1975. This survey, intended to discover expenditure patterns and

sources and amount of income of households, was carried out in 30 towns, and that (Addis Ababa was published in 1979. The information obtained from this report can serve as one benchmark to compare the quality of life in the years thereafter.

According to this report, people with gross income ranging between Birr 550 and Birr 1,300 per month in 1975 consumed 77% of their income, saved 10%, and made transfer payments amounting to 13% (of which 4% was a gift) (see Tables 4 and 5 for details). Of the consumption expenditure, 24% was spent on food of which 7% was allocated to cereals, 5% for meat and 6% for dairy products. Drink and stimulants absorbed 5%, services 24% (including reading and recreation amounting to 4%), household items 15%, clothing and jewellery 5% and rent 5.2%.

## Developments since 1975

### *Price developments*

Two important factors that explain the developments after 1975 are price and income behaviours. The development in the general and food retail price indices are given in Tables 6 and 7, respectively. The general price index accounts for 85.4% of the total consumer expenditure. The balance is left for rent and related expenses which are excluded. As is obvious from Table 6, the general price index increased to 434 in 1991 from the 100 of 1975. In other words, a basket of consumer goods and services which would have been purchased for Birr100 in 1975 would have required Birr434 in 1990, an increase of 334%. Although the prices of all the goods and services making up the consumption bundle increased, the increase in food prices was the highest. What Birr100 would have purchased in 1975 would have required an allocation of Birr509 in 1991. Of the food items (Table 7), the highest increase recorded was for spices (which are very important ingredients in traditional and most popular foods), pulses, fish and cereals followed by meat and dairy products (particularly butter, again an important ingredient).

It is interesting to note that the category of goods whose prices increased least was clothing. Two factors explain this behaviour. The first is the well established high elasticity of demand for clothing. As prices of cloth or the price of other goods increases and income lags behind, the proportion spent on it declines. In a way this is because clothing becomes a luxury good under such circumstances. Second, the military regime's decision prohibiting the use of any other apparel other than the khaki uniforms (provided at subsidized prices) between 1984 and 1988 could have been contributory. However, the more important determinant is the increase in the price of necessities.

### *Income developments*

Given these price developments, it would have, on a pro rata basis, required an increase of 334% in nominal income to maintain the 1975 standard of living in 1990. But what happened to income during the interregnum?

Table 4: Use of income in 1975 for salaries ranging from Birr500 to Birr1,299

Use of income	Salary group and % of income							
	500-599	600-699	700-799	800-899	900-999	1000-1099	1100-1199	1200-1299
<u>Consumables</u>	79.4	80.5	79.5	78.1	75.6	74.2	75.2	72.9
Food	28.6	25.3	24.3	26.4	23.1	21.6	21.2	20.4
Drinks and stimulants	5.6	6.3	5.5	5.4	4.2	3.1	4.0	3.6
<u>Services</u>	19.9	29.8	32.1	18.6	20.4	21.6	24.7	22.8
Transport and communication	11.2	13.1	12.4	12.3	13.8	15.1	14.6	14.2
Reading and recreation	3.1	3.3	4.1	5.0	3.8	3.6	5.4	5.8
Medical care	2.0	2.1	1.8	1.0	0.6	1.1	1.8	0.8
Other	3.1	2.3	3.8	0.3	2.2	1.8	2.9	2.0
<u>Household items</u>	11.9	13.4	11.7	12.0	15.0	16.4	17.3	18.4
Durables	5.0	7.6	6.2	3.9	6.3	2.4	5.7	8.9
Clothing	4.2	4.8	4.4	7.6	6.1	5.7	3.1	4.9
Rent & repair	7.5	7.6	8.5	6.1	3.2	4.1	2.8	1.6
<u>Transfer payments</u>	9.6	11.4	12.4	9.8	14.8	14.7	14.2	15.5
Debt repayment & loans made	5.2	6.1	8.5	7.7	11.5	18.3	10.9	13.9
Gifts	4.7	5.3	3.9	2.1	3.3	3.4	3.3	1.6
Savings	11.0	8.4	8.1	12.1	9.6	11.1	10.6	11.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Statistical Office, 1979, Report on the Addis Ababa Household Expenditure Survey 1975, *Statistical Bulletin*, No. 19, February, Table 4, pp. 36-41.

Table 5 Aggregation of outlay for income group Birr 550 to Birr 1,299 per month in 1975 (%)

Consumption,	76.9
Food	23.8
Transfers	12.8
Loans and repayments	7.9
Gifts	4.9
Savings	10.3
Total	100.0

Source: Central Statistical Office, 1979, Report on the Addis Ababa Household Expenditure Survey 1975, *Statistical Bulletin*, No. 19, February, Table 4, pp. 36-41.

Table 6 Ethiopia retail price index 1976-91 (1975 = 100)

Year	General index	Food	Household items	Clothing	Transport	Medical care	Personal care	Reading and recreation	Others
1976	128.6	141.9	114.3	107.5	102.5	108.8	99.9	110.0	101.0
1978	198.9	193.9	156.0	117.4	120.1	133.6	103.4	116.9	130.9
1980	220.6	240.8	176.5	144.8	128.7	168.2	184.9	120.5	167.1
1983	251.5	269.0	196.1	143.5	149.2	169.6	221.7	124.5	224.4
1985	299.5	373.9	226.3	140.7	149.2	158.5	239.5	127.1	230.1
1986	270.1	316.9	243.0	143.3	149.7	161.8	224.1	136.1	248.2
1987	263.6	297.7	266.6	142.2	155.3	167.1	237.3	143.7	246.2
1988	282.2	321.1	281.9	144.3	157.3	181.3	240.4	147.2	274.8
1989	304.3	342.1	325.9	146.1	162.8	198.4	244.4	165.1	286.0
1990	319.9	359.9	346.6	149.6	172.3	195.4	259.3	185.8	289.3
1991	434.3	508.6	471.4	170.3	173.2	201.3	296.8	219.4	304.1

Source: National Bank of Ethiopia, *Quarterly Bulletin*, various issues.

Table 7 Food price index for Addis Ababa (1975 = 100)

Year	Total food	Cereals	Meat	Fish	Dairy products	Fruit & vegetables	Pulses	Spices	Other foods	Drink & tobacco
1976	141.9	154.7	120.5	113.6	125.5	165.5	137.4	184.2	164.5	106.9
1978	193.7	242.2	177.4	137.2	165.8	265.7	187.4	261.1	170.6	166.1
1980	240.8	272.7	194.4	160.7	193.5	305.9	219.2	274.7	310.9	195.4
1983	269.0	307.6	196.2	317.7	214.9	370.1	250.8	408.0	310.7	199.9
1985	373.9	587.9	201.9	359.3	237.1	324.9	674.5	401.1	455.1	244.2
1986	316.9	391.2	211.8	318.1	229.9	296.7	486.1	423.7	401.7	247.6
1987	297.7	321.2	225.9	232.8	239.6	325.4	393.9	418.6	344.2	276.0
1988	321.2	336.7	256.0	299.8	254.1	371.0	463.4	439.7	388.3	279.4
1989	342.1	339.1	302.5	432.7	273.1	360.5	491.2	518.8	393.6	298.3
1990	359.9	389.9	336.3	450.2	293.9	373.1	422.1	488.7	385.7	320.2
1991	508.6	573.8	470.1	688.4	437.6	586.7	595.7	711.3	464.3	428.8

Source: National Bank of Ethiopia, *Quarterly Bulletin*, various issues.

Table 8 Monthly income of economists by income category and employer, 1991

Income category	Employer/number of economists			
	Birr per month	Central government	Financial institution	Addis Ababa University
500 - 599	17	—	—	17
600 - 699	8	5	3	16
700 - 799	3	4	5	12
800 - 899	1	2	1	4
900 - 999	2	—	—	2
1,000 - 1,099	1	1	—	2
1,100 - 1,199	1	—	—	1
1,200 - 1,299	—	1	—	1
Total	33	13	9	55

*Gross Income.* The gross monthly starting salary for government employees with first degrees, i.e. BA and BSc, is Birr500 (Birr550-600 for engineers). This has been in effect for the last three decades. At the beginning of 1991, the economists in the sample were collecting a gross income ranging from a minimum of Birr550 to a maximum of Birr1,250. Table 8 classifies these economists by income groups and employer. To give an idea of what this income is worth, the official exchange rate is roughly US\$1:Birr2.07 while the more realistic parallel market exchange rate is US\$1:Birr 8.

Thus 31% of our sample were earning a gross income of less than Birr600 (US\$75 at the more realistic rate); 60% were earning less than Birr700 (US\$88); 82% less than Birr800 (US\$100); and 93% less than Birr900 (US\$113) per month. The highest income was Birr1,250 (US\$156). (Although not part of our sample, the highest salaries in the central government are Birr1,500 for ministers, Birr2,300 in the financial institutions and Birr1,800 in the AAU).

Relatively speaking, economists working for the central government were underprivileged compared to their professional colleagues in the financial institutions and the university. In the central government, 52% of the economists were earning a gross monthly income of less than US\$75, while 76% earned less than US\$88. The comparable figures are 0% and 39% for financial institutions and 0% and 33% for the university.

Within the central government departments, the best graduate economists are absorbed by the ONCCP. And yet the economists at ONCCP, with the exception of those transferred from other ministries, are among the lowest paid in the country. Furthermore, despite their proven analytical capacity, ONCCP economists have the least opportunity for independent consultancies because of the secretive and suspicious nature of the regime. Access to the premises, which is guarded 24 hours a day, requires a special permit. Notwithstanding the lack of incentives, the institution has managed to develop and retain the most capable and dedicated economists in the country.

The university and the financial institutions have their own salary scales which are usually higher than that of the Central Personnel Agency (CPA), an institution responsible for the drawing up and implementation of the terms and conditions of employment, including a common salary scale for all government employees. Consequently, economists working for these institutions usually earn more than their counterparts in the central government.

A point worth noting is that salary increments in the central government are not based on capacity and accomplishment but on the level of education and years of service. As a result, graduates of the same year regardless of which ministry they are working for and notwithstanding the conspicuous differences in performance, can be earning more or less the same salary. The predictable result of such policy is either under-performance or dissatisfaction of the most capable. Had it not been for the lack of alternative employment opportunities and, more importantly, the government's strictly enforced rule of not permitting its employees to resign their posts, the quality of economists working for it would have been considerably lower than what it is today.

One cannot ignore the apparent contradiction in the policy of a government which does not allow its economists to relinquish their posts and seek better opportunities elsewhere, yet fails to make effective use of them. No matter how incompetent an employee may be, they are not dismissed, and the performance-unrelated salary increment policies of the government do nothing for the enhancement of productivity.

As the economists in the sample were government employees, they enjoyed salary increases as long as their income did not exceed the limit of Birr 636 (US\$80) per month. Once this threshold is arrived at, the only increment available to economists is through promotion, training and further education leading to higher level degrees and diplomas. All the economists in the sample had enjoyed salary increments since their employment. The causes for the increments were further education and training for 30, while 45 were promoted, and all 55 had a salary which was less than the maximum limit during the initial years of their employment. The magnitude and number of increments are given in Table 9.

Table 9 The behaviour of income, 1975-90

Increase in salary relative to original or 1975 (%)	Number of economists	Number of increments	Average years of employment	Total (%)
100 or more	4	8	13	7
75 - 99	4	5	10	7
50 - 74	10	3	9	18
25 - 49	16	13	8	29
less than 25	21	2	6	39
Total	55			100.0



Table 9 shows that eight (15%) of the sample had a series of increments which at least doubled their salaries relative to the amount they were paid in 1975 or when they were first employed after graduating from the university. Another 15% had an increment of at least 50%. For 44% the cumulative increment ranged between 25% to 50% of their original salary. For 26% of our sample the increment was less than 25% of their income.

*Disposable income.* The incremental increases are only part of the story and need to be combined with the decrease in disposable income. In 1978 the government legislated a steep income tax with the top marginal rate at 89% for income exceeding Birr3,000 per month. Second, there was a series of indirect taxes imposed on goods including those considered necessities and exempted earlier. Third, there was the special tax levy (surtax) imposed to finance other government crises, the worst being the deduction of a month's gross salary, which so far has numbered three.

*Real income.* According to the official statistics, the annual rate of inflation averaged 10% between 1975 and 1990 (see Table 6 row 1). Given the increase in income, which averaged 6.4% per annum for the economists in our sample, this amounts to a yearly decline of 3.6% per annum. However, the official rate of inflation is not the "true" rate since it underestimates the actual rate. The problem does not lie with the government doctoring the figures (although this is conceivable), but in the fact that retailers do not disclose the actual price of their goods to the people who collect the information. Because of price controls, traders are not supposed to increase prices without government approval and disclosing the real price is tantamount to self-incrimination. Consequently, they report fictitious prices which are close to those decreed by the government.

## Income and expenditure balance

How much of their current expenditure does this net income cover? The answer to this question is provided in Table 10. One point repeatedly enunciated by respondents was that no matter how much they squeezed their income and cut down on their expenditure, the gap between income from formal employment and expenditure on basic necessities was getting wider.

Table 10 Proportion of current expenditure covered by net income from formal employment

Formal income as % of current expenditure	Number of economists	Total (%)
10 - 19	1	2
20 - 29	3	6
30 - 39	3	6
40 - 49	9	16
50 - 75	24	43
Above 75%	15	27
Total	55	100

On a weighted average basis, current income from formal employment covered 40% of consumption expenditure of the economists in the sample. The gap is more pronounced for those economists employed in the Ministries of Foreign and Domestic Trade (10-35%), the university (20-50%), the Central Bank (60-80%) and the Ministry of Finance ONCCP (85-95%).

## Survival strategies

### *Intellectual survival strategies*

Intellectual frustration arises from professional dissatisfaction, lack of opportunities for advanced training, both short- and long-term, a critical shortage of up-to-date reading materials including books and journals, and the absence of either work-related or professional incentives or outlets to foster and encourage research. The uninspiring working environment and the lack of professionally challenging assignments are the major sources of frustration. Some of the economists are economists only in name. What they have learned while in school has gradually slipped out of their memories.

Economists with a desire to keep abreast of developments in economics are limited by the acute shortage of up-to-date reading material. There is no public library to speak of and the university library system is out of date. Most of the collection dates to the late 1960s and early 1970s, and most of the popular and useful books have been stolen. Since the mid-1980s no journals have been collected. The UN library at the Economic Commission for Africa has an excellent collection of books and journals. Unfortunately, access is limited to employees or people with special permits.

Despite these constraints, economists with a professional interest try to keep abreast of developments. Opportunities to travel abroad are widely sought, most importantly to purchase books. The best gift to an economist in Ethiopia is books and journals, which are privately circulated among economists.

With respect to training, there are few opportunities in Western universities on account of the strained government-to-government relationships. Consequently a large number of scholarships from the West, particularly from the United States, were cancelled, with a drastic effect on human capacity development. Graduates retained by the university to be trained into fully fledged academic staff traditionally completed their PhDs within seven years of their first degrees. But after Ethiopia started leaning to the former Eastern block countries, there are university based economists still with BAs ten years after graduation. Application for placement in some of the best universities are successful. The problem in training has been funding. Funds earmarked for scholarships by the EEC are mostly absorbed by the ONCCP.

Despite these constraints, the economists in Ethiopia do their best to keep abreast of developments. If it was not for the dwindling real income, they could pay full attention to professional and intellectual development. Today they worry more about how they can close the growing gap between their official income and what it takes to provide a decent living.

### *Material survival strategies*

Whether in comparison with the quality of life professionals enjoyed in the mid-1970s or on the basis of their capacity to provide for basic necessities in the early 1990s, the inescapable conclusion is that economists are in no position to fulfill either, given their real official income. On the basis of the general price index given in Table 6, maintaining the same standard of living in the 1990s would have necessitated a 300% increase in salary. The highest increase was only 200% for eight (15%) of the sample. Even if the salary of all the economists doubled, this would still result in the diminution of the purchasing power of their income by one-third. That this scenario is very far from actual developments can be seen in Table 9.

Given the lag in income behind the rate of inflation, the economists were forced to adjust their life patterns. The portion of expenditure covered by current income in Table 10 shows the end of and not the adjustment process. Conceptually, the adjustment process seems to have followed a pattern. First, as current income grew weaker relative to current expenditure, the burden of making up for the shortfall fell on savings which plummeted. While in 1975 people in the same income category as the economists saved 10% of their gross income, all respondents were unanimous in indicating that it would have been (as is for some) impossible to save out of current income alone. At the same time that their savings were declining, they began decreasing their extended family ties, eliminating them where possible.

When the savings were exhausted and the standard of living began to decline, the professionals initiated attempts to supplement their income. A decade ago, only a limited number of academic staff were teaching evening classes at the university. Today practically everybody does. Without it, survival would have been difficult. The trend is the same with the economists in government and the financial institutions.

Regardless of the date of employment, for all economists there was a downward slide in living standards. While some stayed in the trough others started climbing back using informal income. It is unfortunate that in a limited number of cases the informal income is sourced from inappropriate or socially unacceptable use of their position. This adjustment pattern is specific to the line of employment.

*University-based economists.* The formal income of the university-based economists ranged from Birr650 to Birr835 per month gross. As mentioned earlier, the highest salary is Birr1,800 per month. Tables 11 and 12 show development in their incomes since 1975 or the time they were first employed. Their formal income on average covers 20-50% of their current expenditure. On a weighted average basis, current income covers 38% of current expenditure.

All the wives of those university-based economists who are married are also income earners. University-based economists have adopted two strategies to balance their income and expenditure. The first and by far the most dominant is supplementing their formal income. This is complemented by expenditure decreasing strategies.

Two avenues that are open to university-based economists to top up their formal

income are teaching on a part-time basis and consultancies. The first is by far the most important source of informal income.

Table 11 Development in income of university-based economists

Increment	No. of persons	%
Increased by 50-99%	6	67
Increased by 25 to 49%	3	33
Total	9	100

Table 12 Formal income as percentage of total income

Proportion	Number of Persons	%
50 - 60%	4	45
25 - 49%	3	33
10 - 24%	2	22
Total	9	100

The university's Continuing Education Division is part of the university system providing training opportunities for two groups of people. The first and the most important is the Extension Section which offers the regular university curriculum to those students with proven capacity to join the university's regular programme but who cannot for a variety of reasons. The courses are offered during the evening (5 p.m. to 8 p.m.) and the same lectures are given to these students as the day programme, and in the majority of cases, by the same lecturer.

Those enrolled in the extension programme pay Birr16 per credit hour. They complete about seven years for graduation compared to four years in the regular day programme. All academic economists are involved. Current teaching loads of the sampled economists varied between three and six hours per week. Payment is on an hourly basis, the rate depending on academic rank: 1) Birr30 per hour for assistant professor and above; 2) Birr25 per hour for lower ranks.

The extension academic year is the same as the regular day programme, running for eight months. Income from this line of employment is subject to income tax. The salaries, i.e., the income from formal employment and income from teaching in the Extension Section, are totalled for the purpose of calculating the income tax. Since extra income increases the bracket, the income tax increases from an average of 12.5% of formal income. This line of employment is very popular among the staff as it is the one sure way of augmenting income for at least eight months of the year.

The Continuing Education's Summer Programme is an in-service training programme for teachers designed to upgrade their education in the areas of their expertise or specialization to diploma or degree level, as the case may be. The programme is

during the long summer vacation.

Only a small number of the members of the Department of Economics are engaged in this programme because of the limited number of economics courses on offer: Quantitative Methods and Introduction to Political Economy. The number of instructors engaged in teaching these courses could be as high as six depending on the number of students. Three of the economists in our sample were engaged in the teaching of either one of these courses. Payment is on an hourly basis and the instructors in the sample were paid at the hourly rate of Birr25 as they were all junior staff.

There are two types of consultancy services that economists can provide to supplement their formal income – local and foreign. Local consultancies are requests for services by local institutions paying in local currency. There are different sources of local consultancies, either institutional or private. Institutional consultancies originate mainly at the IDR which enters into a contract with NGOs, external, mainly university research centres, the Agricultural and Industrial Development (AID) Bank, and departments of the central government, for specific studies. IDR in turn sub-contracts such works with (among others) economists in the Department of Economics.

Payment for such a consultancy is hourly at a rate similar to that of the Continuing Education Division (i.e., Birr30 for assistant professor and above and Birr25 for lower ranked academic staff). The number of hours required to complete the job is estimated and payment is made on a pro rata basis. Such an income is taxable. The number of staff members currently engaged in such consultancy services is five.

Private consultancy services are provided in cases where a locally-based organization (mainly but not exclusively NGOs) approach and invite a person(s) to do specific research. Such projects are either a feasibility study for a project or an evaluation study of an ongoing project. Payment in such cases is privately negotiated and is usually not taxed because of evasion. Currently one person is engaged in this activity.

Foreign consultancies are research projects that are funded externally with the payment usually in foreign currency. Among the most important institutions providing such opportunities are:

- African Economic Research Consortium (AERC)
- The United National Economic Commission for Africa (UNECA)
- The International Development Research Center (IDRC) of Canada
- The Rockefeller Foundation
- The Ford Foundation
- The World Bank
- The Organization of African Unity (OAU)
- Social Science Research Council

The consultancy is usually personal in which either research proposals are accepted for funding or the individual is invited to do a specific project by these and other institutions. Five people are currently involved in such projects.

What impact does this process have on the performance of official duty? The economists admit to being overstretched. In addition to their regular teaching load, all

have at least one evening (extension) course to teach. Further to this they may be engaged with at least one local or foreign consultancy or research project. Of the sampled economists, one had two while another had three projects running concurrently. The reasons why they overload themselves with work are: 1) Financial need; and 2) Desire to maintain their professional connections. Declining an invitation or an opportunity for research (particularly of foreign origin) is considered tantamount to losing their hard cultivated connections.

These economists readily admit that their lectures have suffered both qualitatively and quantitatively (the number of hours they meet their students) because of the demand of their external commitments. If the research involves travel mainly to research sites, they attempt to cover for the time they have missed by convening special sessions. However, this may not fully compensate for the total lecture time lost.

In addition, although their research may require them to read, their readings are usually far removed from the courses they are actually teaching. In such cases, lecturers tend to grow into "brown note users", seldom catching up with current developments.

Besides adding to formal income, university-based economists also cut down on what they consider unnecessary expenditure in the following ways:

- Decreasing extended family ties: The life of the economist is being gradually hermitized. There is an increasing and conspicuous tendency to decrease the support they provide to their family members. Support, if any, is limited to the closest members of the family.
- Minimizing family size: Those who are married tend to limit the number of children and among the young the tendency is to delay having children if married. The greater percentage of the members of the AAU's Department of Economics are single. Although the high cost of supporting a family is an important factor, this is reinforced by other considerations such as expectations of training opportunities abroad and a lack of proper living facilities (housing, household items etc.).
- Reducing recreation: All the economists had cut down expenditure on recreation.
- Social life: Gradually fading, social life for these economists is limited to avoid the cost of reciprocating. Where groups are socializing together, there is strong tendency to "go Dutch" contrary to the Ethiopian tradition.
- Meals: There is a strong tendency to take meals at home. When eating out, the choice of where to go depends less on quality (and quantity) and more on price. Cheap places are preferred and a light lunch is becoming the norm.

The combination of a high total income due to additional informal income and expenditure decreasing strategies have enabled economists at the university to save a varied proportion of their total income, as shown in Table 13.

The major factors motivating saving are:

- The need to maintain uniform consumption expenditure in the face of variable and uncertain informal income, the most important stimulus, influencing all the saving.
- The desire to build a house, true for 30% of the respondents;

- The desire to purchase a vehicle and/or other consumer durables, cited by 22% of the respondents.

How much do they save? The major factors determining the volume of saving is the nature of the informal income and its size. Where the source of income is short-term more is saved. On the other hand, where the size of income from a specific assignment is large (not quantitatively measured because of a significant variation in the perception of "large" by the respondents) or is continuous over a longer period (six months or more) the proportion saved tends to decrease.

Table 13 Savings of academic economists

Percentage of total income saved	Number of economists
No savings	2
5 - 9	3
10 - 19	3
20 - 30	1

*Economists in central government and financial institutions.* Economists in government and financial institutions are much more exposed to social and economic hardships than their counterparts at the university. Income generating opportunities such as consultancies and lectures are rare and they are therefore more dependent on their formal or regular income. Consequently, they have developed survival strategies which are more complex and radically different from the academic economists.

The formal income is the most important source of survival for most, and on average covers 70% of their consumption expenditure, the range extending from 20% to 95%.

Of the 46 economists working for the central government and financial institutions, only 3 (7%) taught at the university on a part-time basis. Five (11%) had sizeable wealth and were not worried about their material comfort. The rest, 83% of economists working for the central government and 69% of the sampled economists, had to design their own ways to stave off impending disaster.

Economists working for the central government (including those in the ONCCP but excluding those in the financial institutions) are the hardest pressed. Their income is barely sufficient to cover basic necessities.

The attempts to ease the burden of cost through the generation of income from sources other than formal employment has developed into a family affair and is not limited to the husband. As much of the family as possible have to be deployed to expand the total income.

Physical survival is a central issue for no less than 38 of the 46 of the sampled economists in government and financial institutions. Three manage to survive on the strength of their formal income supplemented by teaching at the university's Extension

Division where they earn Birr25 per hour and lecture for three to six hours a week. This has increased their salaries by 50-100%. This income, accompanied by expenditure minimizing and adjusting to lower standards, has enabled them to survive. They have no complaint about current life but worry about the future since their position at the university is reviewed every semester and is highly competitive. They know that they hold the part-time position for as long as no academic staff wants to teach the courses, no better qualified applicants arrive on the scene or the course is not cancelled. They are, nevertheless, very appreciative of the extra income, and the involvement from teaching at the university, which not only gives them moral satisfaction and prestige but also helps them to keep abreast of developments in economics.

The other five economists are relatively secure financially. One is employed in the Ministry of Foreign Trade, two are in domestic trade and the fifth in a financial institution. All are graduates of Addis Ababa University (BA, economics) one in the early 1960s (the oldest in the sample), one in the 1970s and the others in the 1980s. One has an MA (USA), and two have post-graduate diplomas.

The most common strategies adopted by the remaining 38 are again to: 1) increase informal income; 2) minimize expenditure; 3) adjust to lower standards of living; and 4) live off savings.

Consultancy services are the most sought-after means of earning extra income but they have become elusive. The economists in central government and financial institutions complain of being crowded out of this market by those at the university.

Conference attendance outside the country is most welcome, not only because it provides a break from daily routine but also because of financial advantages. The major complaint (which is also voiced by academic economists) is that participants are often invited to stay in fancy and expensive hotels. They wish the organizers would appreciate their plight, give them their full per diem in cash and let them stay at cheaper hotels, save as much as they can and bring the foreign currency or goods back home to be exchanged for domestic currency or sold at profit. Also, rather than organizers sending pre-paid tickets, it is preferable if conference participants can purchase their own ticket for reimbursement in foreign currency while abroad.

There is also a growing tendency to push members of the family into an income generating activity or shift those who are already employed into better-paid employment or business. Although children are involved in income generating activities, they are of minor importance as almost all are in school and part-time jobs are scarce. But the pressure and desire to contribute to the family income is evident. Children also occupy important positions in their families' informal business (where this is applicable) by helping mother who are running private business.

An interesting phenomenon and one that is becoming more common is for the woman of the household to become an income earner. Of those women working for the government, 20 (43%) are married and active contributors to the family income. The following income-generating activities were the experience of the economists' wives:

- Full-time housewives have joined the labour market as employees;
- Three have changed jobs, joining international organizations where they pay as secretaries



is much higher than for a corresponding post in central government;

- Five are in business, one is a registered nurse who resigned her post in one of the government hospitals to provide private services. Another is producing ready made shirts. The remaining three have become petty traders.

An important survival strategy of the economists employed by the government is to adjust their expenditure to their total income. This was particularly the case with all the economists in the Planning Office and the Ministry of Finance (Head office only). Although they all have the expertise and capability as well as access to information for research, they do not have the opportunity to do consultancy work. The basic constraint to this was identified by the respondents as the secretive and sensitive nature of the regime and its vindictiveness. There is a fear of the state and a desire not to jeopardize themselves or their families by engaging in any activity that could generate side income. Consequently, their income is limited to what they earn officially and what the members of their family can contribute.

This adoption of an expenditure minimizing strategy is defensive in the sense that it attempts to concentrate resources on the goods and services that can maintain the quality of life they are used to. In a broader sense, such a strategy can be understood as minimizing the rate of deterioration of the standard of living, but in the narrower sense the objective is to protect it by revising and reordering preferences and priorities. The specific form this strategy takes includes:

- Minimizing the sort of social life which is believed to entail reciprocity, such as being invited for a dinner at a friend's home etc. Many regret the isolation they are forced to impose on their lives but cannot do any thing about it;
- Eliminating or at least minimizing festivities, for example, families have stopped celebrating their children's birthdays;
- Minimizing recreation. People used to drive to resort areas or take the family for dinner or lunch, but this has completely vanished;
- More meals taken at home;
- Virtual elimination of the extended family system. Gifts and support to families are practices of the past;
- Conversion of green areas into plots where families can raise vegetables and root crops (most importantly potatoes and onions). While the basic intention is for subsistence, a small proportion is sold to friends;
- Limiting purchases to absolute necessities. Cars (if they have one) are very old, the frequency of use limited. Household effects, particularly consumer durables, are old, etc; and
- They either borrow or go to the library to read newspapers, books, etc., rather than buying them.

The most common strategy of families whose formal income covers 70% or more of their expenditure is to adjust to lower standards of living. The economists falling into this group number 15, or 33% of government employees, of whom 3 are in the Ministry

of Finance, and 4 are in the Planning Office. The adjustment takes the following forms:

- Sale of durables they do not need. Cars are the first to go followed by other durables. All of the economists in this group use public transport (taxis) and only one had a refrigerator;
- Expenditure on food is the most important, absorbing as much as 60% of their formal income. As a result, they have shifted from the expensive to cheaper foods without, however, sacrificing nutritive value. The quality of their consumption shows a marked deterioration. Meat, dairy products (particularly butter), vegetables, etc., once common in the diet, have now all but disappeared;
- Their expenditure does not now include clothes, household effects, personal care, books, journals, etc. These people have virtually stopped reading and their recreation is limited to spending as much time in their office as possible; and
- They have no social life. They avoid staying around the house or their neighbourhood as much as possible because they want to avoid being trapped into an invitation they cannot refuse.

The following are some interesting observations about this category of people:

- They have learned to be very strict with their budget. Borrowing is off limits since repayment is more or less impossible with current income;
- In the case of those who are married, the wife controls the purse. In one case, the wife collects the pay;
- The one item they cannot cut back on is medical expenses. Although private clinics are 5 times as expensive as government hospitals, they are forced to go to them as the government hospitals are congested and there is no chance of being seen by a senior doctor.

The economists in the central government or in financial institutions have virtually no savings. Some, particularly those with children, have tried to set aside a small sum of money as a precaution against illness but not many have succeeded in this. All are members of neighbourhood associations for emergencies involving death in the families. These associations contribute money to cover mourning expenses.

## **VI Summary, the role of foreigners and policy implications**

---

The surprising conclusion from this study is not that economists and other professionals under-perform but that they have succeeded in maintaining their sanity (although there are some casualties) and have survived against all odds.

### **Summary**

The inordinately high degree of economic illiteracy of the policy makers and the public at large, including non-economics graduates of the university, has effectively minimized its relevance to the pressing problems of the country. Consequently, economics and economists are the last thing on people's minds when they think of economic issues and problems. They take refuge in and heap all the blame on politics and politicians. Economists are appreciated more for their personal qualities rather than their professional skill and prowess.

Economists remain an unknown quantity to the general public. There is a conspicuous absence of the means in and through which the professional economists can come to their notice and attention. There are no books authored by economists in the local language and no magazines or journals addressed to the wider public. The very few that are known to the public come to their notice through word of mouth.

All economists are proud of and openly associate themselves with the profession. Furthermore, they sincerely and honestly believe that their skill and know-how could make an enormous contribution to an orderly development of the country. However, professionally they are very unhappy. They do not like what they are doing and are not assigned what they would like to do, which is analyzing problems and developing policy options to serve as a basis for orderly and rational decision making. Most often they are called upon to prepare justifications for whatever decisions are made by those higher up. What is appreciated and rewarded is not professionalism but conformism. Those who want to live and behave professionally are usually shunned and discriminated against.

Intellectually the economists feel deprived. In addition to lack of professionally challenging assignments, access to reading materials, remedial and familiarization type of short-term training, opportunities for longer term training leading to higher degrees, outlets for research and professional interaction and other opportunities for self-

improvement and advancement are conspicuously lacking.

They are disturbed because as economists, they believe that economic and social problems (both national and personal) are solvable and that they would have much to contribute if they were given the chance.

Materially, their standard of living is degenerating. They see the current and future purchasing capacity of their income eroding due to the current and expected high rate of inflation. In general their current income does not provide more than two-fifths of what it did when they were first employed.

The intellectual and material deprivation has forced them to seek ways and means of nurturing and protecting what they have not lost. While their intellectual demand (books, journals, training, etc.) has grown more urgent and insatiable, their material desire is limited to having enough to maintain their families' current standard of living. They have no ambition at all to accumulate wealth. What is of crucial importance to them is the accumulation of knowledge.

The intellectual survival strategy adopted by economists includes arrangements for the private circulation of books, journals and any other reading materials, soliciting friends abroad to send them books, and in case they travel abroad, to save as much as is humanly possible from their allowances and use this to purchase essentials, which includes books and other reading materials.

Some are involved in private research, write commentaries, analyze the possible impact of decisions they consider inappropriate, keep day to day diaries, etc. But these are kept secret for fear of reprisal from the state.

Opportunities for further training in Western universities for both short- and long-term study are intensely pursued. In most cases admissions (particularly at MA levels) are granted but are not utilized because of financial constraints.

Physical survival strategies include 'sunlighting' to supplement formal income and pushing family members into income generating activities. None of the economists' wives could afford to stay at home full time and most sought paid employment elsewhere. A housewife is a luxury none of the professionals could afford. It is also unfortunate but true that some economists have misused their official position to generate a side income.

While informal or side income generation is easiest for university-based economists, it is hardest, if not impossible, for those in the Ministry of Finance and the ONCCP. What is more unfortunate and frustrating is that these economists, particularly those in the ONCCP, are among the brightest and most capable. Yet they are among the least rewarded with practically no opportunity for consultancies. Consequently, they cannot use their expertise and the rich and detailed information at their disposal for purposes other than official business.

In addition to or in the absence of informal income, the strategies adopted to make ends meet include:

- Expenditure minimizing strategies: this is a defensive strategy in the sense that the economists resort to it to maintain a given standard of living at home and is most common among those who are capable of generating additional income. University-based economists as well as some economists in the Ministry of Foreign and Domestic

Trade and those in the financial institutions have adopted it earnestly.

- Adjusting to a lower standard of living: this strategy is most commonly adopted by those who cannot supplement their formal income. This is true of economists in the Ministry of Finance (Head Office), the Ministry of Agriculture and the ONCCP. These economists depend on their formal income to cover up to 95% of their current expenditure. Having found informal income virtually impossible to generate, some have turned into part-time farmers to cultivate basic foods.

In general, their life is one of desperation. Their houses are sparsely furnished, the quality and quantity of the food they consume markedly declining with increase in prices, they are poorly dressed and exhibit physical deterioration.

The common result of being unable to provide for necessities from formal income is intellectual and emotional deterioration which has had a marked impact on the productivity of official duty. Professionals are either scampering to generate extra income or spend time worrying about how to make ends meet. The one institution where official duty has suffered the least is the university.

## The role of foreigners

Foreigners, including individuals, governments and international organizations, evoke extreme feelings of gratitude and frustration. Economists and policy makers are all grateful for the support provided by foreigners. In particular, the training opportunities they provide, books, journals and other material support they make available and invitations to conferences they organize are constant reminders of the good intentions of foreigners to the welfare of the country. However, foreigners have also been an unremitting source of frustration both to policy makers and economists.

The policy makers' bitterness stems from the fact that many of the ablest graduates who have taken the nation's investment in education and training do not come back and provide services to the development of their country. Many are employed by Western governments and international organizations. The question they often pose in this situation is "how can we develop when we are robbed of the best means of doing so". They feel that the West not only exploits resources at home but also the human capital resources a poor country assiduously cultivates.

Consequently, policy makers view the advice and exhortation of foreigners to allocate more of their resources on expansion and training facilities with a dint of suspicion. Fortunately, this frustration of the policy makers, although rational, is not strong enough to stifle the education expanding initiative.

The frustration of the economist comes from the perceived 'expertness' of the 'experts' that come into the country either as 'consultants, technical assistants or direct employees of the government. The bottom line of most of the economists' assessments was that these experts: 1) lack skills and have little or no analytical capacity; and 2) have had the technical expertise but no knowledge of the country and its problems.

In both cases the outside expert ends up depending on the local expert, who is assigned

to work as their research assistant. The locals end up developing the issues, suggesting the appropriate analytical approaches, providing all the inputs, including the statistics, and also outline possible scenarios and options. They contend that the foreign experts take this information from the local expert (turned research assistant), puts it between impressive covers, submits it as his report and draws the rewards. The local expert does not often get a footnote of acknowledgement. Such experiences are common and have grown into a source of constant frustration and irritation. This practice is particularly true of nongovernment organizations as well as international financial institutions such as the IMF and World Bank.

Another source of frustration originates in the good intention of the international community to reverse the outflow of human capital through programs such as the UNDP initiated and sponsored 'Transfer of Knowledge Through Expatriate Nationals' (TOKTEN) projects. What enervates the local economists is again the term 'expertness'. These people are no different from the non-national experts that are sent in to fill what the donors consider a critical know-how gap. In all probability these people were the school or year mates of local economists and could be academically inferior. They were lucky to have had the opportunity to study and stay abroad. But when they come back they do so as an authority with the power of an institution (such as UNDP) behind them and are therefore given more prestigious positions, draw substantial salaries in hard currency and tend to take care of their personal problems rather than the problems of the country. The local economists feel that these kinds of "experts" should pay for being provided with opportunities to take care of their personal business.

Finally, there is also the matter of structural adjustment. When governments implement IMF/World Bank initiated SAPs, the result, at least in the short run, renders the economy inflationary. Governments cannot adjust the salaries of their employees to protect the purchasing power of their income because of the fiscal restraints imposed on them. Such consequences, in addition to their honest and professional suspicions about the efficacy of the programme, is likely to impact negatively on their already fragile life.

## Policy implications

Although this paper has raised a number of important issues, this section concentrates on those that are most fundamental. These are the economic literacy of the decision makers and the public at large, improving the working condition of the economists, improving the incentive structure and the role of foreigners.

### *Economic literacy*

Raising the economic literacy of the people is not a luxury but a necessity. To begin with, the economic illiteracy of the decision makers has in the past led to considerable misuse of resources. Second, the illiteracy of the population at large has effectively excluded them from discussing and forwarding opinions on economic issues.

If people are literate, they shift their attention from politics to economics, and question

the decisions of those in authority and demand explanations. Such challenges would contribute enormously to bring to an end the absolute power of the decision makers, who would have to be careful in their actions since they would be taken to task by an economically literate and sensitive population.

In order to raise the economic literacy of the population at large, it would be necessary for the professional economists to address them in their own language. So far economists have tended to concentrate on technical issues basing their analysis on models which are difficult to comprehend and follow by the wider public. In addition to the complicated models and methods, the lay public as well as policy makers are excluded by the medium of communication, which is usually a language such as English or French.

While there is nothing against economists publishing technical papers in a foreign language, they should, nevertheless, make attempts to communicate with the public at large by producing popular versions of their papers and books in the local dialect. It is only by doing so that economic literacy would improve.

### *Improving the working conditions of the economist*

Economists, as this study makes abundantly clear, are not optimally utilized. This has inevitably resulted in the misallocation of resources, not least of which are the resources used to train these economists. To make effective use of the economists, governments must change the way they operate. In particular, economic decision-making modalities must undergo transformation. Rather than spur-of-the moment decisions, they should learn to base their actions on options that are developed for them by the large number of able economists they employ.

To do so, the decision makers should develop a vision of what they want for the country and assign their economists to develop the ways and means of getting there. Such an approach, coupled with the economically literate public opinion, could result in the rational utilization of resources.

### *Improving the incentive structure*

The life of the economist, as well as other professionals, is difficult, to say the least. Their official income has consistently lagged behind the rate of inflation which has forced them into 'sunlighting'. While activities to supplement income in order to provide for necessities does inhibit their official performance, what makes it worse is that such a practice has become the rule rather than the exception. A possible remedy could be to recommend an increase in the salary of the professionals to a level considered satisfactory, followed by indexation thereafter. While such an approach is appreciated from the individual's point of view, it is nevertheless counter-productive and probably not feasible when considered on an aggregate basis. As the economist cannot be singled out for special treatment, salary adjustment would have to include the whole of the public sector. This in turn would impact on the private sector and indeed the whole of the labour market resulting in growing inflationary pressure.

While the need and usefulness of modest salary adjustment cannot be ruled out as a short-term solace, longer-term salvation lies in real economic growth. Collectively, the economist must try, with the support and commitment of the government, to develop policies in and through which economic growth would increase so that higher real incomes are possible.

The government also needs to overhaul its reward and salary increment system. While initial salaries should be the same, increments and other rewards should be indexed to productivity and performance rather than leaning heavily on years of service. Such a system of dispensing reward and increment would force economists (and other professionals) to be efficient and productive and create a competitive professional environment. In addition to improving productivity the output of such efforts would have a positive impact on policies and decisions.

### *How foreign institutions can help*

There are three issues that need attention. First is the consultants and experts that are brought in to fill what is considered a critical know-how gap, the second relates to human capital flight, and the third is cooperation between governments in SSA countries and foreign institutions to build up human capital stock.

To improve the soured relations between local and imported experts, it seems fair to suggest to use them as co-teams rather than the existing hierarchical structure where the local is an assistant and the foreigner is the real and supreme expert. The local economist, who is an expert in his own right, could serve as a counterpart and share the benefits given to the foreign expert. Such an arrangement would be beneficial not only to the experts but also to the country since the resulting output would be of better quality.

The issue of human capital flight is sensitive and attempts may be made to justify it by appealing to the liberty of the individual and the role of the market. But it is more a case of market failure since countries that have invested heavily on the education and training of their people do not benefit from their services. Such an absorptive behaviour of developed countries is regrettable, since it is neither equitable nor ethical.

To redress the loss and the damage to developing countries, it seems fair for governments and international institutions who employ nationals of developing countries to compensate the countries of origin of these experts. It would only be then that developing countries would have the incentive to invest resources to develop highly skilled and trained manpower and the developed countries and international organizations would then make good use of them.

Developing countries like Ethiopia have so far depended upon and taken advantage of external expertise to help them solve some of their complex problems. But the system has also been grossly abused. To improve the situation and minimize the abuse, the governments of these developing countries should develop some workable criteria to identify and select the kind of expertise they would need and strictly implement these. In particular the kind of experts that are brought into these countries by NGOs is deplorable. These organizations have been widely and openly criticized for being more of an



employment creating agency for foreigners than helping developing countries.

The elevation of the local expert to the role of counterpart to the foreign expert is one way in which governments of developing countries can increase their in-house capacity of expertise. Imported experts should therefore be required to have a local expert as a counterpart and provide them with training and detailed information on what they are doing.

Above all, governments of developing countries should strive to build up their own experts and minimize their dependence on imported experts. This could come about in two ways. First, these governments must learn to have confidence in their own experts. The tendency so far has been not to trust them either in their person and/or expertise. Secondly, to increase the number and upgrade the quality of local experts, these governments should employ experts to train them on the job or have them trained abroad. Thereafter, the wisdom of the local experts accumulated through training and learning by doing should be accorded respect and foreigners used only as a last resort. To have knowledgeable people at home and yet depend on imported experts who are foreigners not only to the country but also its problems is not only demeaning to national experts, but also counterproductive to national interest.

Given the almost perfect isolation of local economists from their counterparts in the West, their economics is mainly of the vintage of the 1960s and 1970s. It would therefore be helpful to provide short-term training to acquaint them with developments thereafter and help in making books, journals, computers, etc., available to make up for the deficiency of the past. It would also be necessary to provide support for longer-term training leading to terminal degrees. The recent initiative of the African Economic Research Consortium (AERC) to help African institutions of higher learning develop graduate level and short-term training programmes is laudable and worthy of imitation by others. It is only through the concerted action of the international community and governments of developing countries that the human capacity building initiative will be successful.