Bottommost Remuneration and Extant Stock of Public Workers during Inflationary Period: Accounting Viewpoint from Nigeria

Inyang Inyang Ochi, Enya Francis Ejeje & Oqua Kingsley Edet
Department of Accounting, Faculty of Management Sciences,
University of Calabar, Nigeria.

DOI: 10.56201/jafm.v8.no4.2022.pg22.36

Abstract
This study investigated and measured the effect of variations in bottommost remuneration on public workers during inflationary period taking viewpoint. Facts were gotten from a Cross-section of 300 subordinate workers and 400 high-ranking workers in the public service by the use of well-thought-out inquiry form. The facts were then examined using the ordinary least square method of multiple regression. Experiential outcomes and tests discovered that there is a momentous correlation between income level, consumption and savings at the 5 per cent level. The study further discovered that all classes of workers consumed more at the new-fangled remuneration. The marginal propensity to consume of low income workers and those of high income workers had revealed that both sets set aside a huge percentage of their income for consumption. Mainstream of the workers were married with children, which further advocated that a significant part of their income was dedicated to family maintenance. Methods suggested to enhance worker's welfare and extant stock comprise regular remuneration increasing appraisal, control of inflation rate and provision of food sponsorships by government.

Keywords: *Bottommost, Consumption, Extant, Remuneration, Stock, Wealth*

1. Introduction

Income plays a crucial role in the welfare of individuals. In Nigeria, the public sector is the uppermost employer of labour. For a very long time, labour has being grossly under-remunerated with government employees receiving just insufficient earnings, which could hardly afford them three-square meals a day. Remunerations has been fixed over many years with no instrument to regulate remunerations to suit the vibrant state of the economy. Remunerations of workers in the public sector still remain fixed despite the prevalence of inflation, which caused the prices of goods and services to soar due to poor remuneration and pension management system, even though there had been many pension reforms in Nigeria. This caused many family unit to live below the poverty level. In an attempt to survive the hard times, government employees resort to unconventional means of enhancing their earnings via bribery and dishonesty, absenteeism from office in pursuit of business, etc.

This enlargement brought about a miserable degeneration in the output and efficiency of the labour force in the public sector. Food consumption constitutes the major item of expenditure of low wage earners. The resultant effect of low income is malnutrition and

disease. A starving populace cannot be productive as they are constantly faced with hunger, misery, frustration and disease besides, the bottommost income earners are outnumber other categories and are the most productive population. This problem was further compounded by the fact that government had constantly paid unresponsive ears to the demand of organized labour for a wage review. In view of the inadequate wage paid to workers, there was need for an upward review of salaries to reflect the present economic realities (Asuquo, Tapang, Effiong, Linus, Uklala, & Duke, 2021; Asuquo, 2012a; Asuquo, Akpan, & Tapang, 2012; Asuquo, 2008).

Poor remunerations is capable of killing workers morale to work, engenders corruption and renders the populace susceptible to negative tendencies. An inadequate remuneration level on the other hand, may not have any significant impact on peoples' welfare if it cannot afford a worker, a stock of living above the subsistent remuneration rate. Under the circumstances, no meaningful development can take place. This study is aimed at measuring the effect of remuneration increases on the expenditure pattern and welfare of public workers in Cross River State and is expected to bridge the existing gap in knowledge regarding the influence of remuneration increase on food consumption and expenditure pattern. Results from the study will serve as a veritable database from which realistic policy measures could be expressed to improve workers welfare. In Nigeria, the public servants bear the brunt of government policies like pay-cuts, retrenchment, tax increase and personal sacrifices due to changes in government policies and hardly enjoy any pay increase. Their welfare is relegated to the background. Even the last upward review of the bottommost remuneration by the government is still causing a lot of disagreement as some states claimed that they are unable to pay the new remuneration. This has caused the loss of the public workers as a result of a fixed income, which does not rise at the same rate with inflation. The problem affects their income and causes them to adjust their expenditure in order to survive; this in turn affect the income of manufacturing firms. Based on these facts, the study is carried out to determine the accounting implication of bottommost remuneration on the extant stock of the public workers, by focusing on: What effect inflation has on the purchasing power of the earnings of public workers; why the effect is felt more by public workers; and the grade of public workers that has the greatest influence; as well as the contributions of government to amending the problem (Asuquo, Fadenipo, Ogbeche & Ahonkhai, 2017; Asuquo & Effiong, 2010a; Asuquo & Effiong, 2010b).

2. Theoretical framework

Many years before the publications of the general theory, some economists had argued that consumption and income are functionally related. Keynes (1968) in Axel, however, has a credit of building this relationship into a macroeconomic theory, by considering: The level of consumption, which is the single largest element of cumulative demand, can be accurately predicted; the marginal propensity to consume will be less than unity; the average propensity to consume diminishes as disposable income increases. In other words, an increase in consumption is less than proportionate to increase in income; and the marginal propensity to consume will be less in the short-run (example, during a recession or a boom) than it will be in the long run.

Absolute income proposition is so named because the theory explicitly assumes that consumption is a function of either a household or a nation's absolute income. Earlier investigation supported the absolute income proposition. The early investigation was based on two kinds of data: the cumulative time-series data and cross-sectional data amassed from household budget studies that were collected since the early nineteenth century. Time-series data during the period of, gave results, which are in accordance with the absolute income

proposition. Specifically, the marginal propensity to consume is positive, less than unity, and less than the average propensity to consume. Consumption is not proportionate to income because the estimated regression equation has a non-zero intercept. Cross-sectional budget studies also produce results that were not inconsistent with the absolute income hypothesis. Two significant factors led to questioning of the absolute income proposition. First, armed with the seemingly conclusive empirical studies, economists were certain that Keynes (1968) in Axel was correct.

2.1 The Comparative income assumption

Ten years after the general theory was published, research in consumption behavior revealed cases in which the absolute income postulate produced erroneous predictions. It became necessary to evolve satisfactory theories of the consumption that would take into account and explain three empirical discoveries: Cross-sectional studies reveal a non-proportional consumption function (that is a decreasing average propensity to consume as Yd increased and average propensity to consume is greater than marginal propensity to consume; long run aggregate consumption is proportional to income so that average propensity to consume is equal to marginal propensity to consume ; and aggregate data ranging over the expansion and contraction phases of the business cycle reveal a short-run aggregate consumption function that is non-proportional with average propensity to consume is greater than marginal propensity to consume.

The relative income proposition relates current consumption to relative income. Relative income is determined by considering the family unit position in the income distribution of all family unit. What is entire income of the family unit increase at the same rate, the relative position of family unit remains the same. Household's relative income can remain constant when absolute income is increasing; this means the households will continue to spend the same fraction of their additional income on consumption regardless of any increase or decrease in absolute income, in other words, the household's average propensity to consume remains constant. Result obtained with the relative income hypothesis is markedly different from those obtained with the complete proposition. With the absolute income hypothesis, the consumption function is fixed, and as income for all households grow over time, the average propensity to consume for each household would decline. But with the relative income the entire function shifts upwards as each household's average propensity to consume remains constant.

In order to examine how relative income hypothesis can explain the long run proportionality of the aggregate consumption function, suppose that the household with an initial income of N2, 500 represents the national average income. Let economic growth generate a-50-per cent increase and the pattern of income distribution remains constant; the household with an income equal to the national averaged income of N2500 remains the average household when its income increases by 50 per cent to 3,750. Since average propensity to consume of the average household remains constant overtime, it follows that the aggregate long run consumption function exhibits constant average propensity to consume. Even if economic growth is accompanied by a growing population, the ratio of consumption to income, average propensity to consume will remains constant if the income remains constant. In the second part, the relative income hypothesis makes it easier for households to readjust to increasing income than to decreasing income. This can reconcile the non-proportionality of the cross-sectional household consumption studies with the long run proportionality of the aggregate national income data and non-proportionality of the short-run aggregate data over the course of the business cycle and practices, which is provided through accurate accounting records and financial statements prepared based on accounting standards

and international financial regulations (Asuquo, 2013; Asuquo & Akpan, 2012; Asuquo & Udoayang, 2020).

As the household's absolute income rises, its standard of living also rises, and this higher Standard soon becomes the expected standard of living. Households attempt to maintain its standard of living despite the recession. Consumption, therefore, changes less rapidly than income over the business cycle. This can, of course, cause a reduction in the desired level of savings to the extent that consumption can be maintained at or near the previously obtained level. If absolute income decline by 10 per cent, for example, households will reduce consumption by less than 10 per cent. This may cause some disparity between aggregate average propensity to consume and marginal propensity to consume. The average propensity to consume and marginal propensity to consume may not return to their long run equality, until the highest previously obtained income level is reached once again. Since consumption does not decline in proportion to the decline in national income, the aggregate consumption function that is observed over a period when national income is declining will have a smaller marginal propensity to consume than the average propensity to consume of a consumption function that results from continuously rising income; that is sometimes referred to as the ratchet effect. The comparative income assumption is not without certain shortcomings. It should also be known that propensity to consume may not be properly determined if spiritual/religious needs are not taken into consideration, and adequately incorporate the church/religious system into the economic system since the two work together to the needs of man/public worker (Oti & Asuquo, 2016).

First, this assumption states that an increase in the aggregate level of full employment income always produces a proportional increase in income, regardless of whether such an increase is large or small. Pragmatic evidence suggests, however, that exceptionally large and unexpected increases in national income initially produce less than proportional increase in consumption. Second, the comparative income assumption considers consumer behavior to be irretrievable; that is, if a decline in disposable income should prevail for a long period of time, the theory states that consumption will continue to be determined by the short-run consumption function, and family unit will continue to run down savings. This is clearly impossible. Indeed, it is more reasonable to assume that family unit will eventually return to the long run consumption function. Third, based on the relative income hypothesis, a recession would lead to a decline in consumption. But these are instances where disposable income fell and consumption rise. Generally, the relative income premise relates consumption expenditure to the individual's social class. And attempt to explain how people's consumption behavior is dependent on their social class; people try to "like the Jones". Many individuals would have to dis-save to retain the level of consumption expected of them by their social class identity. Current income does not adequately explain consumption behavior motivated by social class-consciousness.

2.2 Lifecycle assumption

The statement of this postulate begins with the empirical fact that the average individual's income is lower at the beginning and the end of life, than it is during the middle years. The lifecycle assumption argues that maximization of the average individual's utility produces a consumption stream that is constant or rises slightly overtime. It is assumed that the individual maximizes utility subject to the constraint that the present value of the consumption stream cannot exceed the present value of the income stream. Given the objective of a constant of slightly rising consumption stream and an income stream that rises and then falls, the individuals will normally be a net borrower when young, a net saver in the middle years to repay earlier debts and prepare for retirement and finally a net dis-saver

during retirement. Lifecycle supposition can explain the non-proportionality between consumption and income that is observed in cross-sectional consumption studies. Suppose that we rank a random sample of family unit from the population according to their income. Family unit with higher than average income, will tend to contain a disproportionate number of middle aged income earners, precisely because this population segment earns higher than average income. Conversely, those households with less than average income tend to contain a disproportionate number of either young or old income earners because the young and old tend to earn loner-than average income.

According to the lifecycle postulate, the average propensity to consume of middle-aged (high-income) individuals will be lower than the average propensity to consume of either young or old (low income) individuals. So that the average predisposition to consume of households will decline as income rises. In other words, the lifecycle assumption predicts that cross, sectional budget studies will be characterized by a non-proportional relationship between consumption and income with average propensity to consume is greater than marginal propensity to consume. Like other theories, the lifecycle assumption has certain inadequacies. First, it assumes that the elderly are dis-savers, which may not always be the case. Retirees may indeed spend less on consumption than the rest of the population at all levels of income. This position is supported by empirical evidence. Second, the assumption on which estimations of expected future incomes are based yield a consumption function, which places great importance on changes in current income. Lifecycle proposition, therefore, treats income changes clearly temporary as if they are long-lasting changes. This contradicts the essential concept of the hypothesis and can lead to erroneous policy prescriptions. Lifecycle supposition thus relates consumption to demographic structures of the society. An individual's lifecycle is divided into three man stages: the young age, the middle age and old ages. An individual dis-saves to consume during the young ages. It is assumed that young people consume from the saving of others. During the middle ages, individuals work to pay back the dis-saved resources of their early lives, and save some more for old age. This applies to the individual as it applies for the entire society. So the Society with a young population will consume more than a society with middle-aged population. Similarly, an elderly population will consume more than a middle-aged population. The relationship between consumption and income depends therefore on the demographic features of the population, that is, whether the population is young, middle or old.

2.3 Long-lasting income postulate:

The long-lasting income postulate assumes that households attach as much importance to the consumption of their heirs as they do to their own consumption. Long-lasting income is the stream of earnings from an individual's wealth. Wealth here includes tangible and non-tangible assets. Real estate, machines, land and so on are example of tangible assets. Non-tangible assets include goodwill, human capital, entrepreneurships, skills and knowledge and so on. An individual's momentary income consists of income obtained in the current period, which may vary with changing current conditions. Long-lasting income plus transient income gives total income. Long-lasting consumption is the normal consumption bundles an individual desires to consume. Just as in the case of temporary income, there is a momentary consumption. These are the bundles the individual may consume from time to time that are either below or above the normal consumption bundles. Ephemeral consumption is believed to be unrelated to fleeting income, but long-lasting income determines long-lasting consumption. This adds to the elements of history that is beyond the complete income postulate preoccupation with current income.

The element of history is important because individuals actually adapt to past experiences. Individual's total consumption would certainly depend on some wealth concept. The postulate effort to incorporate the element of history is, therefore, commendable. Wealth would include cultural products like technological knowledge and skills, goodwill, environmental advantages, and useful norms and values. Human wealth, or human capital is the income derived from selling the household's labour services. Non-human wealth comprises of tangible assets (such as money, bonds, equities and real estate) and consumer durables (such as automobiles, television sets and refrigerators). Consumer durables are part of households stock of wealth derivable from environmental operation evaluation to enhance stakeholders' wealth; their purchase can therefore not be treated as consumption. The purchase of consumer durables is rather regarded as a form of saving. The flow of services provided by durable goods or wealth is what the long-lasting income postulate considers as consumption (Friedman, 1953; Asuquo, Dan, Odey, Linus, Uklala, Tanpang, 2021; Asuquo, Dan & Effiong, 2020).

We obtain this important result because for every household that have a permanent income below the sample's average measured income bracket due to a positive transitory income component, a corresponding household has a long-lasting income below the sample's average measured income bracket due to a negative transitory incomes of households in the average measured income bracket. It follows from this assumption that income is normally distributed for similar households. This is clearly in line with the message of lifecycle postulate. In a normal distribution, a number of family unit below the average permanent income that may experience good fortune and are temporarily pulled into the average measured income bracket is exactly matched income that may experience misfortune and are temporarily pulled down into the average measured income bracket. Long-lasting income postulate can explain why cross-sectional budget studies show that average propensity to consume is greater than marginal propensity to consume. Among measured income brackets that are higher than the average bracket, there are more family unit with positive transitory incomes. More family unit are pushed into higher income brackets than those family unit that drop into the lower income bracket with negative transitory income.

This happens because as we move into higher measured income brackets in a normally distributed sample, the absolute number of potential family unit with a chance of receiving a positive disposable income which exceeds the absolute number of households with a change of receiving a negative disposable income. Using the same line of reasoning as we move into lower measured income bracket below the average monetary income, since real income equals zero for the average measured income bracket, There is no correlation between transient consumption and long-lasting consumption; and there is no correlation between transient consumption and transitory income. Friedman (1953) last two assumptions imply that when we separate our random sample from the population of similar family unit into measured income brackets, positive transient consumption will be cancelled by negative transient consumption in each bracket, so that negative consumption equals positive consumption in each brackets.

The long-lasting income postulate shows that although average propensity to consume equals marginal propensity to consume for the average bracket, Average propensity to consume is greater than marginal propensity to consume for the corresponding measure income consumption relationship in accordance with empirical budget study result. The long-lasting income assumption has not been accepted without criticism. Controversy surrounds the assumption that transitory income is not related with transient consumption; it is wrong to argue that all transient income is saved. Despite its shortcomings, the absolute income hypothesis has remained a valid tool for explaining consumption behavior particularly at the

margin. It makes sense to believe that an additional unit of goods and services consumed in the current period would depend on the additional unit of income obtained in the current period (Friedman, 1953; Lipsey, 1982).

2.4 The Concept of income, consumption and savings

Income is the amount received by family unit in payment for the service of factors of production. It refers to the rate at which you earn money overtime; therefore, people work to earn income. Which often happens to be paid for reasons of convenience in the form of money. This type of income is money income. There is real income, which measures a household income in terms of the command over commodities that money income confers. Put succinctly, income is the flow of earnings that results from the stock of wealth. Glautier and Underdown (1990) noted that income is available for consumption or an indication of the amount. Which people can consume without impoverishing themselves. The above definition lays emphasis on the part of income to be consumed or disposable income. By definition, disposable income is the sum of the income of all the individuals in the economy after all taxes have been deducted and all transfer payments have been added (Baumol and Blinder, 1988). It can be seen from the foregoing discussions that there is a relationship between disposable income and consumption. This assertion is confirmed by Lipsey (I982) when he said that an individual household consumption is related to its disposable income and aggregate consumption is thus related to aggregate disposable income. Average propensity to consume is the proportion of income spent on consumption while marginal propensity to consume is the ratio of change in consumption to the change of income that brought about it. Also, consumer expenditure or consumption is the total demand for all consumer goods and services. Consumption expenditure can be affected by: Price level; expectation of future income; and changes in terms of credit

Generally, consumption decisions are influenced by a variety of forces including income, price, interest rate, wealth and expectations but income also is the most determinant of consumer spending. This is because the rate of consumer spending is directly and closely related to the amount consumers have to spend or their disposable income. This can be represented as: Disposable Income = Consumption + Savings

As a rule, the more income a person receives in a given period, the more he or she spends. But most people don‘t spend every naira they receive. They manage to save some function of their disposable income no matter how small. By forgoing some current consumption, savers accumulate purchasing power for consumption in later periods.

2.5 The aggregate consumption function

Income is clearly a major determinant of aggregate consumption. But other factors affect consumption expenditure in practice; they include the distribution of real income, the real value of household asset holding, the rate of interest, and individual preferences. Studies of household’s expenditure confirm that aggregate consumption is related to real income levels. Such studies show also that family unit in the higher brackets save more proportionately to those in low-income brackets. Again, the more equally distributed total household’s income is, the greater the level of planned consumption associated with it. Moreover, wealth effect significantly explain the magnitude and composition of household’s consumption baskets; to family unit that enjoy the same level of income, and one holds say bank deposits, government bonds, and so on, in addition, while the other holds nothing or something relatively less. The former household will in general plan the higher rate of consumption.

Furthermore, it is reasonable to think that family unit would plan to save more out of their incomes if the rate of interest were 20 per cent rather than 5 per cent. Some people who

may want to consume from loans may be less willing to do so if the interest rate is relatively high. Therefore, the higher the rate of interest, the more willing some people will be to save and the less willing some others will dis-save. Preference is the psychological attitude of members of family unit (consumers) as conditioned by accepted norms and value of the society in which they live and have their upbringing. Some people are brought up to believe that to save is a virtue, which may be rewarded in this world or elsewhere. Others believe that a greater fraction of income should be spent on consumption. Preference influences what people would decide to do with their resources. There are certainly a lot more variables; but empirical studies often stick to fair variables that pose minimal measurability and aggregation difficulties.

2.6 Marginal propensity to consume and to save

The competing theories of consumption notwithstanding, conventional macroeconomics, as far as consumption is concerned, are based on the absolute income hypothesis. Marginal propensity to consume, in the context of absolute income hypothesis, is increment in real planned consumption resulting from a unit increase in real income alone. One minus the marginal propensity to consume is the marginal propensity to save, since by definition, family unit must plan to save (or consume) the whole of any increase in income.

Taxes that are directed at the wealth of family unit can be represented as a scalar reduction from price. A change in any one 0fthe other coefficients apart from the marginal propensity to consume will shift the consumption schedule upwards or downwards -leaving its slope unaltered. The slope of the consumption schedule, the marginal propensity to consume describes the reaction of real planned consumption to an increase in real income, everything else held constant. It is an important proposition of economics that when real income increases, real consumption also increases but by less than the increase in real income. An increase in the propensity to consume must be sharply distinguished from an increase in consumption. The former is an upward shifts of the consumption schedule; indicating a change in parameter that make households to plan a higher rate of real consumption at each level of real income. This is called an autonomous increase in consumption since it is autonomous with respect to income. By contrast, an increase in real planned consumption may occur simply because real income rises and as a result, we move along an unchanged propensity to consume schedule. This is induced rise in consumption due to increase in real income (Friedman, 1953).

2.6 The concept of inflation

Lawal (1985) said that inflation is an increase in existing quantity of money without a corresponding increase in the quantity of consumer goods and services, which are exchanged for money. It is a period when too much money is chasing few goods and this means that a unit of money will buy less quantity of goods. James and Richard (1982) defined inflation as a continuing rise in the level of prices such that it cost more to purchase the typical bundle of goods and services chosen by customers. Baumol and Blinder (1988) said that inflation is a sustained increase in the general price level; while Lipsey (1982) also gave his own definition of inflation as a rise in the price level. From the definitions, it can be deduced that inflation is a persistent general rise in the price of goods, services and factors of production. For a price increase to be termed inflation, it must be sustained and general in nature. Therefore, a rise in the price of a commodity relative to the price level is not inflation.

Even when the general level of prices and stable, some prices will be rising and others will be falling, but the impact of the rising prices will out weight that of the failing prices during inflation. Because of the sustained and general rise in price of goods, services and

factors of production, the purchasing power of our monetary unit will decline, thereby causing us to purchase very small goods and services with so much money. The annual inflation rate can be calculated mathematically a: $I = P_1 - P_0/P_0$; where I = inflation rate; P_0 = last year price index and P1, this year price index. The rate of inflation is measured by a change in price index number. The most commonly used price indices are consumer price index, producer price index and gross domestic product implicit deflator. There is no single one of these that is best to measure inflation rather uniquely. However, since we are concerned with household goods and individuals' consumption, it is better to concentrate effort on the use of consumer price index in the determination of the inflation rate.

This is because consumer price index relates to a well-defined group within the economy (that is, households) and it is reasonable correct index for the price at which transactions take place and of course the most reliable of all the indicators. The consumer price index measures the changes in the cost relative to a specific based period of all typical baskets of goods and services purchased by a representative group of consumers. In other words, consumer price index measures overall price changes of a variety of consumer goods and services and is used to define the cost of living. The measure of inflation rate via the consumer price index adopted is the percentage change of the price index. And the simplest way to determine the price index is to choose a basis year and compare the current year price with that of the basic year and then multiply by 100. This can be represented mathematically:

$$l = P_1/P_0 \times 100$$

Where I = Prince Index
P_1 = Current years price
P_0 = Based years price

In this way, the tract of inflation rate can be kept and comparison can be made to determine if the rate 0f inflation is rising or falling.

2.7 The Effect of inflation

Inflation and the value of money: Parkin (I989) said that when inflation is present, money is losing value. The value of money is the amount of goods and services that can be bought with a given amount of money. When a country experiences inflation the value of money falls. Therefore, inflation reduces the purchasing power of our monetary unit. This affect mostly people with a fixed income, which does not rise in the same proportion with inflation, example, the civil servants. Because of the rising prices of goods and services and factors of production, firms and government may retrench workers in order to cut cost thereby causing unemployment.

2.7.1 Borrowers and lenders: We often come to the conclusion that inflation is good for borrowers and bad for lenders or that borrower's gain and lenders loose in the same period. It is not inflation per se that produces the gains and losses for borrowers and lenders. It is an unanticipated increase in the rate of inflation that benefits borrowers and hurts lenders and unanticipated decrease in the inflation hurts borrowers.

2.7.2 Opportunity cost of holding money: Anticipation Inflation - inflation that is corrected and forecast on the average, which causes the problems of opportunity cost of holding money. Hence, the Inflation rate is the opportunity cost of holding money either in the bank as deposit or cash. This is because an inflation rate of 10 per cent will reduce the volume of money by the same percentage.

2.7.3 Workers and employers: Another common belief is that inflation re-distributes income between workers and employers. If inflation increases unexpectedly, then wages will not have been set high enough. Profits will be higher than expected and wages will buy fewer goods than expected. Employers gain at the expense of workers. Conversely, if the anticipated inflation rate is higher than what the actual inflation rate turns out to be, wages will have been set too high and profits will be sneezed. Workers will be able to buy more with their income than originally expected. The effect of inflation can also be looked at as a re-distributive instrument. Here is redistributed income and wealth from those who pay higher prices as income. In effect, those who receive have a higher income whereas those who consumes pay higher prices.

The idea is supported by Bradley (I989) when he said that the micro consequences of inflation are reflected in the redistribution of income and wealth, not general declines in either measures of economic factor. This redistribution occurs because people buy different combination of goods and services, own different assets and sell various goods and services. Therefore, the impact of inflation on individuals depends on how the prices of the goods and services each person buys or sells actually change. It should be noted that not all prices rise at the same rate during inflation and not everyone suffers equally from inflation. This is because those people who consume the goods and services that are rising faster in price bear a greater burden of inflation. In summary, the re-distributive mechanism of income include the following: Price effects, income effect, wealth effect, uncertainty, and speculation.

2.8 The concept of Public Service

The Public Service Handbook (1972) said that public service is a body, which enjoys continuity of existence, and assist in the formulation and implementation of government policies. Chamber Dictionary defines public service as a structure or institution, which runs the administration of a state. The new Encyclopedia Britannica also noted that the public service is a body of professional full-time officials employed in the public affairs of a state in a non-political administrative service. Therefore, a public service is a body of persons who are directly employed in the administration of the internal affairs of a state, whose role and status are not political, ministerial, military or constabulary. The public service has the following characteristics: Most public workers become skilled professionals in a branch of public administration, some of them with special skill in such technical field as accounting, economics, engineering and machines. They are regarded as professional advisors to those who formulate state policy.

Public service is organized upon standard bureaucratic line in which a chain of command stretches in pyramidal fashion from the lowest to the highest. In order to maintain the system, the hierarchy of officers is marked by fixed positions with well-defined duties, specific powers, salaries and privileges. Lastingness government may come and go but the public service remains to oil the wheel of government. This is to ensure continuity and proper transfer of the rudiments of the public service and the business of government such as budgeting, accountability, etc. The strategic position of the public service in Nigeria prompted the Federal government to establish the Federal Public Service Commission to oversee the functions of the public service. Also, the Public Service Union was formed in 1912 to negotiate the welfare and conditions of service for the members of the public service (Ubeku, I975; Asuquo & Akpan, 2014; Asuquo, Dan & Effiong, 2020a).

2.9 The Role of Public Service

The Public Service is established to perform certain roles to the government of the day and to the public whom it serves. In its Service to the various regimes, the public service sees

its role essentially as follow: To contribute to the formulation of government policies; to advice the government on the full implications of policy Options. In this regard, the civil service renders professional, accounting services/practices in the public enterprises, information technology services and other technical services based on the totality of knowledge, professional efficiency in line with professional ethics, experience and expertise available within the various ministries and departments; To execute government policy, once the cabinet or the minister or commissioner as the political head of the ministry settles it; to provide continuity through reference or clarification of the basis of past government decision and procedures, which are relevant to an issue under consideration; to protect the public interest and act as the custodian of public conscience. The public service does this by giving honest and important advice on matters of public interest without fear of being regarded as being disloyal to the course of the government, which they are serving; and to play a leadership role both within the service and in the community as a whole (Asuquo & Akpan, 2014; Asuquo, Dan & Effiong, 2020a; Asuquo & Udoayang; 2020; Asuquo & Akpan, 2012).

The public service in Nigeria is organized into three levels namely: federal, state and local governments. The federal public service is under the leadership of the head of public service of the federation. The head of public service of the federation has responsibilities inter alia to provide leadership and direction to the civil service, maintaining high morale and spirit de corps, promoting good relations between ministers and public workers, established and public service management and liaison with head of the state public service. The responsibility of managing the public service in a presidential system of government falls squarely on the shoulders of the head of service of the federation and covers: An overview of how the higher public servant performs their jobs/tasks in the ministries/departments; and ensuring the maintenance of the good relations between ministers and public servants (Asuquo & Akpan, 2014; Udoayang, Asuquo & Akpan, 2020).

3. Materials and methods

The population under study was the entire staff of Cross River State Public Service, Nigeria. The relevant respondents to a given subject matter were selected through a specific statistical method. A total of 500 respondents (200 junior workers and 300 senior workers) of grade level 01-06 and 07-16 respectively, were selected. The study “as developed to test whether there is any significant relationship between bottommost remuneration and the stock of living of public workers in Cross River State Nigeria. The method used was desk survey, where the data collected from the questionnaire and various publications were summarized end tabulated. The data for the study were generated from both the primary and secondary sources. The primary sources were obtained from personal interview and inquiry form. The secondary data were through textbooks, journals and annual reports from the state secretariat.

3.1 Model specification

The specified model for the study was

BR = f(CONS., Re).

BR = $b_0 + b_1$ CONS. + b_2Re +U.

Definition of variables in the model:

BR = Bottommost Remuneration

CONS. = Consumption

Re. = Reserves

U = Unobserved error term.

b_0, b_1 and b_2 = Unknown coefficient to be estimated.

3.2 Estimation and validation

The specified model above was estimated (tested) using the multiple regression coefficient of correlation known as coefficient of determination (R^2) and is given by:

$$\frac{b_0 \sum y + b_1 \sum x_1 y + b_2 \sum x_2 y - \frac{(\sum y)^2}{n}}{\sum y^2 - \frac{(\sum y)^2}{n}}$$

The validation was based on examining the strength of the coefficient of determination (R^2) by converting it into the test statistic (F).

4. Result and interpretation

We identified the hypothesis in section four of this study, which is tested here with coefficients of multiple determinations (R^2), F ratios, t-statistics, and Durbin-Watson statistics. The table below summarizes the estimated results, and the respective interpretation follows closely after the regression. The regression estimates of the effects of selected indicators of stock of living on bottommost remuneration based on data collected for ten years.

Variables (parameters)	Estimated coefficient	Standard error	T-statistic	P-value
Constant	781.2460	34.811	22. 4310	0.000
CONS.	6.7210	0.0550	121.6650	0.008
Re.	0.3760	0.3760	12.7630	0.000

R^2 = 0.587, F - Ratio = 30.634, D.W Statistic = 0.865, Adjusted R^2 = 0.55

Effect of bottommost remuneration on the stock of living of public workers. The above equation shows the regression results of the relationship between dependent and explanatory variables over time incorporating the bottommost remuneration policy. The equation evaluates the effects of the variables on the consumption pattern of the public servant. The adjusted coefficient of multiple determinations from the result shows that 0.55 per cent variation in consumption is jointly caused by not reusable income and expenditure of public workers. The other .4525 per cent is captured by other factors which are included in the model but represented by stochastic error terms. The F-ratio of 30.63 being greater than table F-value at 5 per cent level of significant implies that there is a high level of association between bottommost pay and extant stock of public workers. The estimated parameters of the two variables also suggest a linear relationship between the variables. The signs are consistent with our postulates. The consumption coefficient implies a positive relationship between bottommost earnings and extant stock of the public workers. The empirical findings show that there is a positive relationship between minimum wage and stock of living. This is consistent with most of the theories explained in the study, from the econometric point of view, we report that R-square (R^2) of 0.587 means that the explanatory variables explain about 60 per cent of the deviations in the dependent variable in real life situation. However, the values of Durbin Watson statistic of about 0.865 fall into inconclusive region, hence we cannot conclude whether there is or no autocorrelation among the variables.

5. Conclusion

The foregoing analysis shows the many problems faced by the public workers especially during the period of inflation and interest rate fluctuations. These problems include inadequate salary to meet the monthly needs of the households; low stock of living; inability

of the ruling government to capture properly; workers' welfare, human capital development into recurrent and capital expenditure budgeting processes, aimed at maximization of economic/welfare objectives, and government tepid attitudes in tackling bottommost remuneration matters (Uwah & Asuquo, 2016). Therefore, having analyzed the Findings, we are convinced that inflation and foreign exchange rate have effects on the disposal income of public workers as well as companies' workers, and these effects in no small way affect the stock of existing of public/private workers. That is to say if the minimum wage increases, the stock of living will increase. This is so because normal economic theorizing indicates that an increasing accumulation of disposable income will boost the well-being of public/private workers and consequent boost in entities' performance (Asuquo & Arzizeh, 2012).

5.1 Recommendations

Based on the findings we recommend that government should stimulate the production of more goods and services by developing infrastructures and paying more attention to agriculture and manufacturing sectors instead over dependent on oil and gas production. It is envisaged that increase production of both agricultural and manufactured goods and services will stabilize prices. The government should advocate remuneration increase by stabilizing the prices of goods and services because a realistic remuneration increase of the public workers will greatly improve their stock of living. The government should float welfare programs such as transport, canteen, housing and health to boost the morale of public workers. The government should formulate and environmental friendly policies to ensure a better financial performance of individuals and corporate bodies, which in turn would calm down harsh financial effect on public workers and workers of corporate entities (Asuquo, 2012b; Fadenikpo, Asuquo, Ogeni, Nwafor & Okoi, 2021; Nwafor, Asuquo, Inyang, & Fadenikpo, 2021; Asuquo, Dan & Effiong, 2020b).

6. References

Asuquo, A. I., Tapang, A. T., Effiong, G. T., Linus, M. U., & Uklala, A. P., & Duke, S. B. (2021). Remuneration reforms and welfare of employees in public school: Experience from Nigeria. Research in World Economy, 12(2, Special issue), 113-122.

Asuquo, A. I., Fadenipo, A. A., Ogbeche, L. O. & Ahonkhai, O.E. (2017). Effect of inflation accounting on business income measurement of quoted manufacturing companies in Nigeria. Imperial Journal of Interdisciplinary Research, 3(1), 1886-1894.

Asuquo, A. I. &Effiong, S. A. (2010a). Reporting the financial effects of price-level changes in globalized economy, Nigeria. *International Journal of Management Science, Pan-African Publishing: Accra*, 2(*3*), 66–77.

Asuquo, A. I. & Effiong, S. A. (2010b). Tax management as an alternative tool for Economic recovery and development in Cross River State. *International Journal of Accounting*, 1(*1*) 38–44.

Asuquo, A. I., & Udoayang, J. O. (March, 2020). Effect of Accounting Practices on trade and Information technology in Calabar Metropolis. International Journal of Recent Technology and Engineering, 8(6), 1572-1577.

Asuquo, A. I. (2008). Pension accounting in Nigeria's government: A case study of Cross River Post Primary School Board. Journal of Educational Issues, 4(1), 1-14.

Asuquo, A. I. (2012a). Inflation accounting and control through monetary policy measures in Nigeria: Multi-regression analysis (1973-2010). *Journal of Business and Management (IOSRJBM)*, 1(*2*), 53-62, (May-June).

Asuquo, A. I. (2012b). Environmental friendly policies and their financial effects on corporate performance of selected oil and gas companies in Niger Delta Region of

Nigeria. *American International Journal of Contemporary Research*: *Centre for Promoting Ideas*, 2(*1*), 168-173.

Asuquo, A. I. & Arzizeh, T. T. (2012). An empirical analysis of foreign exchange rate risk exposure and the performance of Nigerian companies: 2002-2011. *International Journal of Current Research and Review*, 4(*23*), 1-8.

Asuquo, A. I., Dan, N. O., & Effiong, G. T. (2020a). Impact of information Technology on accounting line of works. International Journal of Recent Technology and Engineering, 9(2), 1572-1577.

Asuquo, A. I., Dan, N. O., & Effiong, G. T. (2020b). Effect of eco-friendly costs on net revenue of cement producing firms. International Journal of Scientific and Technology Research, 9(9), 235-240.

Asuquo, A. I., Akpan, A. U. &Tapang, A. T. (2012). Nigerian pension reforms and Management: New strategies for rewarding past intellectuals towards sustainable development in the third world. USA, *Global Journal of Management and Business*, 12 (*13*) 11-18.

Asuquo, A. I. & Akpan, A. U. (2014). Professional proficiency for effective Accounting and practice for coping with the changing world: Nigeria's perception. Education *International Journal of Management Sciences. Research Academy of Social Sciences*, 4 (*6*), 241-252.

Asuquo, A. I. & Akpan, A. U. (2012). Professional ethics as instruments for Effective and efficient financial management in the Nigerian public sectors: A scientific approach. *International Journal of Advance Innovations Thoughts and Ideas*, 1(*6*), 5-10.

Asuquo, A. I. (2013). Analysis of financial accounting standards and their effects on financial reporting and practices of modern business organizations in Nigeria. *European Journal of Business and Management*, 5(*4*), 60-68.

Asuquo, A. I. & Akpan A. U. (2012). Emerging issues in international Accounting and their effects on global financial reporting (A comparative study of United State, China, Germany and Nigeria). International Journal of Pure and Applied Research in Engineering and Technology, 1(2), 31-50, DOI: 10.32357.

Asuquo, A. I., & Udoayang, J. O. (March, 2020). Effect of Accounting Practices on trade and Information technology in Calabar Metropolis. International Journal of Recent Technology and Engineering, 8(6), 1572-1577.

Asuquo, A. I., Dan, N. O., Odey, I. O., Linus, M. U., Uklala, A. P., & Tapang, A. T. (2021). Environmental operations review and stakeholders' wealth of extracting firms: Evidence from Nigeria. International Journal Financial Research, 12(3, Special issue), 172-180.

Axel, L. (1968). Keynesian economies and the economics of Keynes. New York, Oxford University Press.

Baumol, W. J. and Blinder, A. S. (1988). Economics principle and policy; (4th ed.), New York: Harcourt Brace Jovanovich, lnc.

Bradley, R. S. (1989). The economy today; (4th ed), New York: Random House.

"Budget of Realism", Saturday Champion, January 2, l999, p.34.

Chambers Dictionary; lbadan: Spectrum Book, 1982.

Civil Service Handbook, Federal Ministry of Establishment and Service Matters, 1972.

Component of Tenth National Plan, 1999 2001, Calabar Municipal Government, Cross River State, p. 1.

Federal Office of Statistics; Review of the Nigerian Economy, Lagos, 1995.

Friedman, M. (1953). "The methodology of positive economics", in essays in positive

Economics, University of Chicago Press.

Fadenikpo, A. A., Asuquo, A. I., Ogeni, J. O., Nwafor, C. B., Okoi, J. O. (Dec, 2021). Environmental smog control costs and proceeds of oil and gas. Journal of University of Shanghai Science and Technology. 23(12), 361-374.

Glautier, M. W. E. and Underdown, B. (1990). Accounting theory and practice; London: ELBS.

James, R. & Richard, T. (1982). Economics, private and public choice; (4th ed.), USA: Harcourt Bruce, Javanovich.

Lawal, O. A. (1985). 'A' Level Economics of West Africa; Ibadan: Heinemann Educational Books (Nig.) Limited.

Lipsey, R. 0. (1982). An introduction to positive economic; (5th ed.), London: ELBS and Weildenfold and Nelson.

Longe, G. A. E. Managing the Civil Service in a Presidential System of Government: Issues, Problems and Prospects. ASCON Journal of Management, 1 (2).

Ndebbio, J. U. E. (1997). Strategies for better socio-economic management in Nigeria's Ultimate goals: The journey so far. Ed. Ogon. E. K. M.; Calabar: University of Calabar Press.

Nwafor, C. B., Asuquo, A. I., Inyang, E. O., & Fadenikpo, A. A. (Dec, 2021). Effect of green Accounting on financial performance of oil and gas companies. Journal of University of Shanghai Science and Technology. 23(12), 166-190.

Nwana, O. L. (1981). An introduction to educational research; Ibadan: Heinemann Educational Books limited.

Osuala, E. L. (1982). Introduction to research methodology; Onitsha: Africana FEP Publishers limited.

Oti, P. A. & Asuquo, A. I. (2016). Framework of church accounting in Nigeria: Pragmatic examination of the problems, prospects and financial implications of proliferation of churches, 27(*1*) 7-21 *JMCR@iiste.org*.

Parkin, M. (1989). Economics for professional and business studies; (4th ed.), New York: Random house.

Salif Atojoko (1999). "Tarring the shrew"; News watch magazine, November 15, p3.

Ubeku, A. K. (1975). Personnel management in Nigeria; Benini City: Ethiope publishing Corporation.

Udoayang, J. O., Asuquo, A. I., & Akpan, A. U. (June 2020). Tasks based Costing Technique and labour place effectiveness in processing firms. International Journal of Scientific and Technology Research, 9(6), 285-291.

Uwah, U. E. & Asuquo, A. I. (2016). Capital budgeting processes and wealth maximization objectives: Implications for firms in Nigeria. *Research Journal of Finance* and Accounting, 7(10), 73-85 RJFA@iiste.org.

William, B. and Holen, 3. "Civil Service"; the New Encyclopedia Britanica (15th ed.), IV.