

PROBLEMS AND SHORTCOMINGS IN FINANCING COST ESTIMATES AND STAFFING SCHEDULES

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The financing of cost estimates and staffing schedules has emerged as a significant challenge in public financial management systems during the period 2020–2025. In recent years, governments around the world have faced increasing fiscal pressure caused by economic shocks, rising wage demands, and structural inefficiencies in budget planning. These factors have exposed serious problems in how financial resources are allocated to staffing structures and operational expenditures.

One of the main issues is the rapid growth of public sector wage expenditures in relation to government revenues. According to analytical reports from the World Bank and the International Monetary Fund (IMF), the public wage bill accounted for more than 35% of government revenues globally during the period 2011–2022, while in some middle-income countries this figure reached 40–43%. This trend continued into 2020–2025, placing a heavy burden on state budgets. As a result, a large share of financial resources has been directed toward salaries, reducing the ability of governments to invest in infrastructure, healthcare, and education.

Another important problem is the mismatch between staffing schedules and actual fiscal capacity. During the COVID-19 pandemic (2020–2022), many governments either expanded public sector employment or failed to optimize existing staffing structures despite declining revenues. This led to an imbalance between approved staff positions and available financial resources. According to IMF data, since 2020 more than 70% of countries have experienced slower

productivity growth, while government expenditures, especially wage-related spending, continued to rise. This imbalance has contributed to increasing budget deficits and public debt levels. In addition, shortcomings in cost estimation methods remain a major concern. In many cases, budget planning is still based on incremental approaches, where current expenditures are adjusted slightly from previous years rather than being evaluated based on performance or efficiency. OECD reports indicate that approximately 79.2% of tax administrations recorded an increase in operational expenditures in 2022–2023 compared to previous years. However, these increases have not always led to improved outcomes, suggesting inefficiencies in financial planning and allocation.

A further complication is the lack of transparency and complexity in public sector salary systems. In many countries, remuneration structures include multiple allowances, bonuses, and additional payments that are not always clearly regulated. This creates difficulties in accurately forecasting staffing costs and ensuring fairness in compensation. OECD research highlights that such fragmented systems reduce transparency and complicate long-term financial planning. Moreover, inflation and labor market changes during 2021–2025 have intensified these challenges. Rising prices have increased pressure on governments to raise wages in the public sector. According to OECD data, by early 2025 real wages remained below 2021 levels in about 50% of countries, despite an average annual nominal wage growth of around 2.5%. This situation has further strained public finances and made it more difficult to maintain balanced cost estimates and staffing schedules.

Another critical issue is the weak integration between human resource planning and budgetary processes. In many cases, staffing schedules are approved independently of medium-term fiscal frameworks, leading to inconsistencies between planned employment levels and available funding. This lack of coordination reduces the effectiveness of financial management

and increases the risk of overspending. The financing of cost estimates and staffing schedules has emerged as a significant challenge in public financial management systems during the period 2020–2025. In recent years, governments around the world have faced increasing fiscal pressure caused by economic shocks, rising wage demands, and structural inefficiencies in budget planning. These factors have exposed serious problems in how financial resources are allocated to staffing structures and operational expenditures.

One of the main issues is the rapid growth of public sector wage expenditures in relation to government revenues. According to analytical reports from the World Bank and the International Monetary Fund (IMF), the public wage bill accounted for more than 35% of government revenues globally during the period 2011–2022, while in some middle-income countries this figure reached 40–43%. Between 2020 and 2023, in several developing economies, wage expenditures increased by an average of 5–8% annually, while government revenues grew at a slower pace of 3–5%, creating additional fiscal pressure. In some countries, the share of wage expenditures in total government spending exceeded 25–30%, indicating a high dependency on salary-related costs.

Another important problem is the mismatch between staffing schedules and actual fiscal capacity. During the COVID-19 pandemic (2020–2022), many governments either expanded public sector employment or maintained inefficient staffing structures despite declining revenues. Statistical data show that in 2020 alone, global GDP contracted by approximately 3.1%, while government expenditures increased by more than 10% in many countries. As a result, budget deficits widened significantly, in some cases reaching 8–12% of GDP. At the same time, employment in the public sector grew by 2–4% in a number of countries, further increasing the wage burden. In addition, shortcomings in cost estimation methods remain a major concern. In many cases, budgeting continues to rely on incremental methods rather than

performance-based approaches. According to OECD data, approximately 79.2% of tax administrations reported increased operational expenditures in 2022–2023, continuing a trend observed since 2018. However, efficiency indicators did not improve proportionally. For example, administrative cost-to-revenue ratios in some public institutions remained at around 0.8–1.2%, indicating limited gains in productivity despite higher spending.

A further complication is the lack of transparency and complexity in public sector salary systems. In many countries, base salaries account for only 60–70% of total compensation, while the remaining 30–40% consists of bonuses, allowances, and additional payments. This fragmented structure makes it difficult to accurately estimate total staffing costs and leads to inconsistencies in financial reporting. In some cases, hidden or irregular payments increased total wage expenditures by an additional 10–15% beyond planned estimates. Moreover, inflation and labor market changes during 2021–2025 have intensified these challenges. Global inflation rates peaked at around 8–9% in 2022, and although they gradually declined to 4–6% by 2024, their impact on wage demands remained significant. OECD data indicate that by early 2025 real wages were still below 2021 levels in about 50% of countries. At the same time, nominal wages increased by an average of 2.5–4% annually, forcing governments to allocate additional budget resources to maintain employee purchasing power.

Another critical issue is the weak integration between human resource planning and budgetary processes. In many countries, staffing schedules are approved without sufficient linkage to medium-term fiscal frameworks. As a result, discrepancies between planned and actual staffing costs reached 5–10% of total personnel expenditures in some public institutions. Furthermore, audits conducted in several countries revealed that up to 12–15% of approved positions were either redundant or not aligned with institutional priorities, indicating inefficiencies in workforce planning.

In conclusion, statistical evidence from 2020–2025 confirms that the main problems in financing cost estimates and staffing schedules include the excessive share of wage expenditures (often exceeding 25–30% of total spending), the mismatch between staffing plans and fiscal capacity, inefficiencies in budgeting practices, lack of transparency in compensation systems, and the impact of inflation and economic instability. Addressing these challenges requires the introduction of performance-based budgeting, better control over wage bill growth, improved transparency in salary structures, and stronger integration between human resource management and fiscal planning systems.

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