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POLAC MANAGEMENT REVIEW (PMR)
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# THE EFFECT OF FUEL SUBSIDY REMOVAL ON THE COST OF LIVING ON CIVIL SERVANTS IN SOME SELECTED LOCAL GOVERNMENTS IN BAUCHI STATE

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**Abstract**

*The study examines the effects of fuel subsidy removal on civil servants in some selected local governments in Bauchi state, emphasizing challenges such as higher transportation costs, inflation, and reduced disposable income. These economic pressures have resulted in greater financial hardship, declining job satisfaction, and overall diminished well-being. It anchored in Systems Theory, the research employs a quantitative methodology, utilizing structured questionnaires to gather data from 314 civil servants, with the sample size determined using Yamane's formula. The findings indicate that fuel subsidy removal has substantially escalated the cost of living, placing financial strain on civil servants and lowering job satisfaction. Respondents highlighted rising transportation and living costs, which negatively affected their economic stability and workplace performance. In response, civil servants adopted coping mechanisms, including budgeting, exploring alternative income sources, and engaging in community support programs. The study recommends implementing targeted palliatives, revising wage structures, improving public transportation, and adopting a phased approach to subsidy removal. These measures aim to alleviate the financial burden on civil servants. The findings provide crucial insights for policymakers and stakeholders in addressing the socio-economic implications of such policy reforms.*

**Keywords:** Fuel Subsidy Removal, Financial Strain, Job Satisfaction, Cost of Living, Economic Stability.

## 1. Introduction

The removal of fuel subsidies represents a significant shift in economic policy that has been adopted by many developing countries, including Nigeria. Initially, these subsidies were introduced to lower energy costs for consumers and stimulate economic growth by making fuel more affordable. However, as concerns about fiscal inefficiency and the unsustainable impact on government budgets have emerged, there has been a growing consensus on the need to reform these subsidies (Adams, 2021).

Fuel subsidies have often been criticized for their regressive nature, benefiting higher-income households more than lower-income ones, and for distorting market signals which can lead to inefficiencies in resource allocation (Bhattacharyya & Timilsina, 2022). In Nigeria, the decision to remove these subsidies is intended to reduce the economic burden on the national treasury and redirect funds to essential sectors such as healthcare and education, which are crucial for long-term development (Olukayode & Akintoye, 2020). This policy shift is part of a broader strategy to improve fiscal sustainability and promote economic resilience in the face of fluctuating oil prices and other external shocks (World Bank, 2021).

In this context, the impact of subsidy removal is particularly pronounced in areas like Bauchi Local Governments Area (LGA), where civil servants often experience lower salaries and higher living costs. Study has highlighted that in regions with significant socio-economic disparities, policy changes such as subsidy removal can exacerbate inequalities and negatively affect the livelihoods of public sector employees (Mabiala, 2023). For civil servants in Bauchi LGA, the removal of fuel subsidies can lead to increased transportation and living costs, potentially impacting their economic stability, job satisfaction, and overall effectiveness in public service (Adeyemo, 2020).

Furthermore, studies have shown that policy changes affecting fuel prices can have broader implications for public sector morale and productivity. For instance, in a comparative analysis of subsidy reforms across several developing countries, it was found that the removal of subsidies often leads to increased public sector grievances and reduced morale, especially when adequate compensatory measures are not put in place (Mendoza & Martinez, 2021). This can undermine the effectiveness of public services and hinder development goals.

In Bauchi LGA, the situation is compounded by existing economic challenges and infrastructural deficits. Civil servants in this area may face a more acute impact due to lower average salaries and less access to supplementary income sources compared to their peers in more economically developed regions. Therefore, understanding the specific effects of subsidy removal on these employees is crucial for designing targeted interventions that can mitigate adverse effects and support economic stability (Sani & Yusuf, 2022).

In conclusion, while the removal of fuel subsidies is a necessary step toward fiscal sustainability and economic reform, it is essential to consider the nuanced effects on different regions and demographics. The experiences of civil servants in Bauchi LGA illustrate the need for comprehensive support mechanisms to address the economic challenges that arise from such policy shifts and ensure that the benefits of reform are equitably distributed

**Statement of the Problem**

The removal of fuel subsidies in Nigeria represents a profound economic shift with wide-ranging implications, particularly for civil servants in regions such as Bauchi Local Government Area (LGA). Fuel subsidies were originally implemented to keep energy prices affordable and stimulate economic growth. However, the removal has led to a significant increase in fuel prices, which in turn has heightened the cost of living across the country (Adams, 2021). This policy shift poses specific challenges for civil servants, whose salaries often do not rise in tandem with inflation and the escalating costs of basic necessities. As a result, these employees are experiencing considerable financial strain, which could have adverse effects on their economic well-being, job satisfaction, and job performance (Adeyemo, 2020).

For civil servants in Bauchi LGA, where salaries are typically lower the removal of subsidies exacerbates financial pressures. The heightened cost of living affects their ability to meet daily expenses, potentially diminishing their overall quality of life significant increases in living costs that adversely impact job satisfaction and performance. However, the paper aims to provide a detailed analysis of the effects of fuel subsidy removal on civil servants in Bauchi LGA, focusing on their economic well-being, job satisfaction, and job performance.

**Objective of the study**

To identify the effect of fuel subsidies removal on the cost of living for civil servants in some selected Local Governments in Bauchi state.

## 2. Literature Review

### Fuel Subsidy

Fuel subsidies are financial aids provided by governments to reduce the retail price of fuel for consumers. These subsidies can take various forms, such as direct payments to fuel suppliers, tax exemptions for oil companies, or price controls that keep consumer prices artificially low. The rationale behind these subsidies typically revolves around making energy affordable, especially in developing nations where energy costs can significantly affect household budgets and economic activities. By lowering fuel prices, governments aim to stimulate consumption and ensure that energy is accessible to all socio-economic classes, thereby promoting economic stability. (Olukayode & Akintoye, 2020). The economic implications of fuel subsidies are multifaceted. On one hand, it can encourage consumer spending and investment in sectors reliant on affordable energy, such as transportation and manufacturing. A study by Kumar and Kumar (2021) highlights that lower fuel prices can enhance industrial competitiveness and promote job creation. However, these subsidies also impose a considerable fiscal burden on national budgets, often leading to budget deficits. Governments may divert funds from essential public services like education and healthcare to finance these subsidies, ultimately hindering broader economic development (Rogoff, 2020). The reliance on fossil fuels also locks economies into outdated energy models, making it difficult to transition to more sustainable alternatives.

The environmental implications of fuel subsidies cannot be overstated. By encouraging the consumption of fossil fuels, these subsidies contribute to increased greenhouse gas emissions and environmental degradation. Countries that heavily subsidize fossil fuels often struggle to meet international climate commitments and goals. Reports from the World Bank (2021) indicate that phasing out fossil fuel subsidies is a crucial step toward reducing emissions and promoting a shift to renewable energy sources. This transition is essential not only for environmental sustainability but also for enhancing long-term energy security, as dependence on oil can lead to vulnerability to price fluctuations and supply chain disruptions.

**Fuel Subsidy Removal**

Fuel subsidies are financial supports provided by governments to lower the cost of fuel for consumers, aimed at reducing living expenses and stimulating economic growth (Pass, Davies & Lowes, 2005). However, these subsidies often result in significant fiscal burdens for governments, leading to budget deficits and inefficiencies (Adams, 2021). The removal of subsidies typically leads to increased fuel prices, which can have widespread effects on the cost of living and economic stability, particularly in developing countries where energy costs represent a substantial portion of household expenditures (Olukayode & Akintoye, 2020). The removal of fuel subsidies exacerbates economic disparities and affects lower- and middle-income households more severely, as these groups spend a higher percentage of their income on fuel and other essential services (Adams, 2021).

**Concept of Local Government**

Local governments are critical to implementing national policies on fuel subsidies and managing their implications at the community level. They are responsible for ensuring that subsidy programs are administered effectively and equitably. Local governments also engage in planning and development activities that can help mitigate the negative impacts of fuel subsidies, such as environmental degradation and traffic congestion. Smith (2020) emphasizes that local governments play a pivotal role in integrating sustainable practices into their urban planning and development strategies, especially as global pressures mount for cleaner energy solutions.

One of the key functions of local governments in relation to fuel subsidies is community engagement. By involving citizens in the decision-making process, local governments can better understand the needs and priorities of their constituents. This engagement fosters transparency and accountability in how subsidies are allocated and administered. Involving local communities can also help mitigate potential conflicts that arise from the removal of subsidies, as citizens feel heard and considered in policy decisions (Jones, 2019).

Moreover, local governments must build their capacities to manage and oversee subsidy programs effectively. This involves training staff, improving administrative processes, and ensuring adequate funding for implementation. Local governance structures need to be robust enough to handle the complexities associated with subsidy distribution, compliance monitoring, and addressing public grievances. Investing in capacity building not only enhances efficiency but also strengthens trust between citizens and local authorities.

**Influence of Fuel Subsidy on Civil Servants**

Civil servants play a critical role in managing fuel subsidy programs, which can present several administrative challenges. The complexity of subsidy management often requires civil servants to navigate intricate regulatory frameworks and ensure compliance with national and international standards. This can lead to significant workloads and necessitate ongoing training to keep staff updated on policies and practices (Jones, 2019). Additionally, the need for data collection and analysis to assess the effectiveness of subsidy programs can further strain resources.

Fuel subsidies are also susceptible to corruption and mismanagement, which can undermine the integrity of civil servants. Akinwumi and Sulaimon (2022) highlight that the potential for abuse in subsidy distribution can lead to a lack of public trust in government institutions. Civil servants must adopt robust measures to enhance transparency and accountability in subsidy administration, including regular audits and public reporting. Fostering a culture of integrity within civil service is crucial for ensuring that subsidies achieve their intended goals.

As governments shift toward more sustainable energy practices, civil servants will face the challenge of balancing economic development and environmental sustainability. The transition away from fossil fuel subsidies requires civil servants to engage in policy advocacy, promote renewable energy initiatives, and educate the public on the benefits of sustainability. This dual focus on economic and environmental goals necessitates innovative thinking and collaboration with various stakeholders, including businesses, NGOs, and community groups (Nguyen, 2023).

In totality, the relationship between fuel subsidies, economic development, local government, and civil servants is complex and multifaceted. While fuel subsidies can provide immediate economic relief, their long-term sustainability and environmental implications must be critically assessed. Local governments have a crucial role in administering these subsidies and ensuring they benefit the entire community, particularly vulnerable populations. Furthermore, civil servants must navigate the challenges of subsidy management while promoting transparency and accountability. As the global economy shifts towards sustainability, the transition away from fossil fuel subsidies will be essential in achieving equitable and environmentally sound economic growth.
The removal of fuel subsidies can significantly impact civil servants by increasing their cost of living, leading to financial strain and a reduction in quality of life (Adeyemo, 2020). In many developing countries, civil servants often have lower salaries that do not keep pace with rising living costs, creating a financial squeeze that affects their overall well-being (Smith, 2020). Increased living expenses can lead to heightened financial stress, which may reduce job satisfaction and impact the morale of public sector employees. The economic pressures resulting from higher fuel prices can also strain public sector budgets, potentially affecting salary adjustments and other forms of compensation for civil servants (Smith, 2020).

**Theoretical Framework**

This paper employs Systems Theory to analyze the effects of fuel subsidy removal on civil servants in Bauchi Local Government Area (LGA). Systems Theory, initially formulated by Ludwig von Bertalanffy and later expanded by scholars like David Easton (1951) and Theirauf et al. (1970), offers a comprehensive framework for understanding complex, interrelated systems.

Ludwig von Bertalanffy first articulated General Systems Theory in the 1940s and 1950s, emphasizing a holistic view of systems as organized wholes composed of interrelated parts (Bertalanffy, 1968). His theory was a response to the limitations of reductionist approaches, proposing instead that systems should be understood as more than the sum of their parts. Systems Theory posits that an entity, whether it be an organism, organization, or any other system, operates as an interconnected network where changes in one part affect the entire system.

David Easton (1951) applied Systems Theory to political science, using it to analyze how political systems interact with their environments and respond to external stimuli. Easton’s work emphasized the dynamic nature of political systems and the importance of feedback mechanisms in maintaining system equilibrium. Theirauf et al. (1970) expanded these ideas into organizational studies, highlighting how complex organizations function as systems with various interacting components.

Similarly, Systems Theory underscores the importance of viewing the effects of fuel subsidy removal not just as isolated incidents but as part of a broader, interconnected system. In this study, Systems Theory is applied to understand how the removal of fuel subsidies affects various aspects of civil servants' lives, including their economic stability, job satisfaction, and performance. By considering civil servants and their socio-economic environment as interconnected elements, the study seeks to capture the full range of impacts stemming from policy changes. This approach helps to identify both direct and indirect effects of subsidy removal, providing a more nuanced understanding of its implications.

Interconnected Components: Systems Theory posits that changes in one component of a system can impact other components. In the context of this study, the removal of fuel subsidies is examined as a policy change that influences multiple aspects of civil servants' lives. For instance, increased fuel prices can lead to higher living costs, which in turn affect financial stability, job satisfaction, and job performance. By analyzing these interconnected components, the study aims to uncover how the financial strain from higher fuel prices can lead to reduced job satisfaction and decreased performance among civil servants. This interconnected analysis is crucial for understanding the broader systemic impacts of policy changes. (Smith & Johnson, 2019).

Feedback Loops: Systems Theory emphasizes the presence of feedback loops within systems, where changes in one part of the system can generate responses that either amplify or mitigate the initial change. This study uses this concept to explore how civil servants' coping mechanisms and adaptations to increased living costs might influence their overall job satisfaction and performance. For example, if civil servants resort to additional income sources or budget adjustments to manage increased fuel costs, these strategies may have varying effects on their job performance and satisfaction.

## 3. Methodology

The study employs a quantitative research design to systematically gather and analyze numerical data regarding the effects of fuel subsidy removal on civil servants in Bauchi Local Government Area (LGA). Quantitative research is selected for its capacity to quantify variables and generalize findings from a sample to a broader population (Creswell, 2014). This methodology facilitates the collection of data through structured instruments, such as surveys or questionnaires, enabling statistical analysis and objective interpretation of results (Bryman, 2016). The sample size of the study was determined with Yamani's (1967) formula. By this formula, the sample size was computed approximately 314 respondents. The Bauchi Local Governments staff selected at the random sampling and three hundred and fourteen (314) questionnaires administered. The questionnaire utilizes a 5-point Likert scale to assess respondents' attitudes toward the effects of fuel subsidy removal on civil servants in Bauchi LGA. This scale enables participants to indicate their level of agreement with various statements, providing a quantitative measure of their perceptions. By employing this method, the study captures nuanced opinions and allows for effective statistical analysis of the data collected.

The collected data will be analyzed using various quantitative methods to ensure comprehensive and accurate results: Descriptive statistics such as means, percentages, and standard deviations will be used to summarize and describe the basic features of the data. This analysis will provide an overview of the central tendencies and variability in responses. Inferential statistics employed to examine relationships between variables and draw conclusions about the impact of fuel subsidy removal. Techniques such as correlation analysis will identify relationships between different factors (e.g., financial stability and job satisfaction), while regression analysis will explore the predictive power of variables on outcomes like job performance and overall well-being.

## 4. Results and Discussion

**Table 1:** The overall cost of living for civil servants has risen as a result of the removal of fuel subsidies.

| Respond | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| DISAGRED | 32 | 10.2 | 10.2 | 10.2 |
| AGREED | 177 | 56.4 | 56.4 | 66.6 |
| STRONGLY AGREED | 105 | 33.4 | 33.4 | 100.0 |
| Total | 314 | 100.0 | 100.0 | |

**Source: Field Work, 2025**

From the table above, 32 (10.2%) of the respondents disagreed, 177 (56.4%) agreed, and 105 (33.4%) strongly agreed. The result shows that 89.8% of the respondents believe the overall cost of living for civil servants has increased due to the fuel subsidy removal. With 56.4% agreeing and 33.4% strongly agreeing, it is evident that most civil servants perceive the removal of the subsidy as a major contributing factor to the rising cost of living. The 10.2% who disagreed may have different perspectives or believe that other factors are more influential in increasing the cost of living.

The study found that the removal of fuel subsidies significantly increased the cost of living for civil servants in Bauchi Local Government Area. Specifically, a majority of respondents reported an increase in transportation and living expenses, which directly impacted their financial stability. These findings align with previous research by Adediran (2023), who argued that fuel subsidy removal leads to a sharp rise in the cost of essential goods and services, further straining household budgets. Similarly, Akinwumi (2022) indicated that the removal of fuel subsidies disproportionately affects low- and middle-income households, particularly civil servants, who face challenges in managing their finances. Additionally, informants noted that many civil servants had to adjust their budgets and reduce non-essential expenditures to cope with the higher cost of living, supporting findings from Dada (2021), who stated that civil servants in Nigeria often prioritize basic needs such as food, healthcare, and education in response to increased living costs.

The findings revealed that the removal of fuel subsidies significantly increased the cost of living for civil servants in Bauchi local governments' area. Respondents reported higher expenses in transportation, food, and energy bills. For example, transportation costs doubled for many, especially those commuting from rural to urban areas. The price hike in essential commodities like food, kerosene, and electricity exacerbated the financial strain on households. These increases forced many civil servants to alter their lifestyles, cutting down on leisure activities, social events, and even essential healthcare.

The inflationary effects of the subsidy removal also contributed to a reduction in disposable income. Many local government civil servants in Bauchi state they could no longer afford the standard of living they previously enjoyed. This economic adjustment was most challenging for lower-income earners, who disproportionately bore the brunt of the rising costs. The increased financial burden led to anxiety and stress, further affecting the overall well-being and their dependents.

## 5. Conclusion and Recommendations

The removal of fuel subsidies has had a profound impact on civil servants in Bauchi Local Government Area. The study concludes that while the policy was aimed at economic reform and national development, its implementation disproportionately affected civil servants, leading to increased costs of living, diminished job satisfaction, and the adoption of unsustainable coping strategies. The findings suggest that the adverse effects could have been mitigated with better planning, communication, and the introduction of supportive measures. The policy, though potentially beneficial in the long run, lacked the immediate safeguards necessary to cushion its short-term impacts. Civil servants, who are key to public service delivery, experienced significant challenges, highlighting the need for more inclusive and equitable policy implementation processes in the future.

Based on the findings, the study recommends:

i. Introduce Targeted Palliatives: The government should provide financial support, such as transport allowances or subsidies for civil servants, to alleviate the immediate burden of higher living costs.

ii. Invest in Public Transportation: Developing affordable and reliable public transportation systems would reduce commuting costs and make mobility more accessible for civil servants and the general public.

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