

The Political Economy of Fuel Subsidy Reform and Public Sector Productivity: Evidence from the Benue State Civil Service, Nigeria (2012-2026)

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Abstract:

The removal of Nigeria's petroleum subsidy in May 2023 constitutes one of the most consequential fiscal adjustments in the country's post-2012 political economy, yet its institutional consequences at the subnational level remain empirically under-examined. This study investigates the political economy of fuel subsidy reform and its implications for public sector productivity in the Benue State Civil Service, Nigeria, over the period 2012–2026. Anchored on Political Economy Theory, incorporating Rentier State and Dependency perspectives, the study adopted a convergent mixed-methods design integrating quantitative data from 402 valid questionnaires with qualitative evidence from twelve key informant interviews (KIIs). Descriptive statistics, paired-samples t-tests, multiple linear regression, and binary logistic regression were applied to the quantitative data, while Braun and Clarke's (2019) six-phase framework guided thematic analysis of the qualitative data. Findings show that although nominal monthly take-home pay rose by approximately 12.6 per cent following subsidy removal, transportation expenditure increased by 194 per cent and food expenditure by 71.2 per cent, producing a statistically significant decline in real wage value ($t(401) = -12.89$, $p < .001$) and a fall in household savings from 8.2 to 2.4 per cent. Transportation cost increase ($\beta = -.412$), energy cost increase ($\beta = -.298$), and real wage decline ($\beta = -.245$) jointly explained 52.4 per cent of the variance in administrative productivity ($R^2 = .524$, $F(5, 396) = 43.78$, $p < .001$), whereas access to government palliatives showed no statistically significant association with institutional performance ($p = .067-.216$). Informal coping strategies were significantly and negatively associated with institutional performance (Wald $\chi^2 = 27.82$, $p < .001$). The study concludes that fuel subsidy reform in a rentier political economy redistributes fiscal adjustment costs onto fixed-income public servants, gradually converting bureaucratic institutions into sites of household survival rather than purely instruments of service delivery. It recommends statutory wage indexation, institutional transport support, performance-based management reform, and enhanced fiscal transparency in the utilisation of subsidy-related savings.

Keywords: Fuel subsidy reform, Political economy, Public sector productivity, Rentier state, Real wages, Civil service, Nigeria.

DOI: <https://doi.org/10.5281/zenodo.21872257>

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1. INTRODUCTION

The relationship between state subsidies, resource allocation, and developmental outcomes has long occupied a central place in political economy scholarship. States deploy subsidies as fiscal instruments to stabilise markets, cushion vulnerable populations, and advance industrial policy, whereas neoliberal economic theory treats them as market-distorting mechanisms that generate fiscal deficits, invite rent-seeking, and divert resources from core developmental sectors such as infrastructure, health, and education (Anyadike, 2013). This tension between subsidies as instruments of social protection and as sources of fiscal and institutional distortion frames the present study. Fuel subsidies are financial instruments through which governments hold consumer fuel prices below market levels, with the aim of improving energy affordability and lowering transportation and manufacturing costs (Mohammed et al., 2020). In Nigeria, the petroleum subsidy has functioned since its introduction in the 1970s as a poverty-mitigation and growth-support mechanism (Musa & Abubakar, 2024), but it degenerated over subsequent decades into what scholars describe as a "politician–tycoon–bureaucrat complex" in which fuel-importing cartels and rent-seeking elites siphoned trillions of naira while discouraging investment in alternative energy sources (Nwozor et al., 2020).

The economic burden of the subsidy nonetheless proved unsustainable, generating persistent budget deficits and diverting resources from education and healthcare (Ozili & Obiora, 2023). Nigeria's subsidy expenditure reached roughly US\$7 billion annually before its formal discontinuation in May 2023 (Bisu et al., 2024), a burden compounded by the country's limited domestic refining capacity and consequent reliance on imported refined products (Raifu & Afolabi, 2024). President Bola Tinubu's removal of the subsidy therefore represented less a discretionary policy choice than a structural surrender to accumulated fiscal pressure, triggering an immediate surge in fuel prices and anticipated inflationary pressure on basic goods and services, with civil servants among the groups most exposed given their fixed nominal incomes (Raifu & Afolabi, 2024). Rising fuel costs propagated through the economy via transportation and food prices in particular, deepening the cost-of-living crisis and eroding civil servants' purchasing power (Oyadeyi et al., 2024).

The consequences of this national macroeconomic restructuring have been felt most acutely at the subnational level, and Benue State offers a particularly instructive case. Benue is a structurally agrarian, public-sector-dependent economy sustained largely by monthly Federation Account Allocation Committee (FAAC) disbursements; because

its civil service constitutes the backbone of state economic activity, national fiscal shocks transmit almost directly into the state's socioeconomic fabric. Since 2023, sharply rising transport, feeding, and healthcare costs have eroded the real value of fixed civil service wages, effectively shifting the fiscal burden of subsidy withdrawal from the federal center onto subnational public workers.

Existing scholarship on subsidy reform has largely addressed the question at the macroeconomic and national levels, documenting fiscal savings, inflationary transmission, and aggregate welfare effects (Raifu & Afolabi, 2024; Oyadeyi et al., 2024). What remains comparatively underexamined is the institutional dimension of this shock: how the erosion of civil servants' real wages and household socioeconomic stability translates into measurable changes in administrative productivity, attendance, and service delivery at the subnational level. This gap is analytically significant because subnational civil services, such as Benue's, are not peripheral to Nigeria's developmental architecture but, in agrarian and low-industrial-base states, are the primary engine of local economic activity and public service delivery. Against this backdrop, the present study interrogates the political economy of fuel subsidy reform in Nigeria (2012–2026) and specifically examines how the post-2023 removal of the subsidy has reshaped the real wages, working conditions, coping strategies, and institutional productivity of civil servants in Benue State.

The study was guided by four objectives: (i) to trace the political-economic forces driving fuel subsidy reform in Nigeria from 2012 to 2026; (ii) to assess the effects of subsidy removal on the real wages and socioeconomic status of Benue State civil servants; (iii) to examine the effects of subsidy removal on productivity and service delivery in the Benue State civil service; and (iv) to investigate civil servants' coping strategies and their implications for institutional capacity. Four corresponding null hypotheses were tested at the 0.05 level of significance.

2. THEORETICAL FRAMEWORK

This study is anchored in Political Economy Theory, incorporating Rentier State Theory and Dependency perspectives, as the most robust and appropriate analytical lens for examining Nigeria's fuel subsidy regime. Neoliberal economic theory offers a technically structured argument regarding market efficiency and fiscal deficit reduction, but it treats the state and the market as politically neutral systems and cannot explain why an economically inefficient policy that drained over ₦10 trillion from public coffers between 2006 and 2018 alone could nevertheless persist for four decades (Anyadike, 2013). Similarly, State and Economy Theory offers insight into state capacity but tends to overstate the administrative benevolence and policy autonomy of the state, glossing over the class interests and elite coalitions that shape how state capacity is deployed (Nwosu, 2015).

Political Economy Theory, by contrast, explicitly rejects the arbitrary separation of politics from economics, recognising that wealth production and political power distribution are inextricably linked (Obasi, 2023). It treats the fuel subsidy not merely as a fiscal line item but as a highly visible site of contestation in which the legitimacy of the

Nigerian state and the terms of the state–society social contract are continuously negotiated (Gbadebo, 2025; Solaja, 2025). Applying the rentier-state dimension of this framework reveals that Nigeria's oil-dependent economy has fundamentally altered the traditional social contract between the state and its citizens (Ncala, 2015). Because the state has historically bypassed domestic taxation in favour of external oil rents, the conventional democratic accountability loop in which citizens fund the state and demand quality public goods in return has been severed. Within this structure, cheap petrol emerged as the sole tangible, universally accessible dividend of the nation's resource wealth (Musa & Abubakar, 2024), such that its removal was experienced less as ordinary price adjustment than as the rupture of an implicit rentier social contract.

This theoretical lens is analytically productive for the present study because it shifts attention away from aggregate macroeconomic indicators toward the material realities of distributive politics: who bears the costs of adjustment, and how those costs are transmitted through institutions. Extending the framework to the subnational bureaucratic level, the study conceptualises the Benue State Civil Service as a site where the rupture of the rentier social contract is absorbed by fixed-income public employees, whose declining real wages and rising transportation costs are hypothesised to translate into measurable declines in administrative productivity and service delivery.

3. BRIEF REVIEW OF RELATED LITERATURE

A substantial body of literature documents the macroeconomic consequences of Nigeria's 2023 subsidy removal. Raifu and Afolabi (2024) and Oyadeyi et al. (2024) show that the reform triggered sharp increases in transportation and food prices, with inflationary transmission disproportionately affecting fixed-income households. Ozili and Obiora (2023) and Nwozor et al. (2020) similarly document that decades of subsidy administration functioned as a rent-seeking mechanism rather than an effective welfare instrument, while Bisu et al. (2024) provide SWOT-based evidence that Nigeria's limited domestic refining capacity structurally predisposed the subsidy regime toward fiscal unsustainability.

A smaller, more recent stream of scholarship has begun to link subsidy-induced cost shocks to institutional and workplace outcomes. Ibrahim and Musa (2025), studying Yobe State, found that civil servants relying on commercial transport reported substantially higher stress and absenteeism than those using official vehicles, while Yahaya (2025) found comparable transport-stress gradients between civil servants in remote local government areas and those in state capitals in Sokoto State. Okonkwo and Eze (2025) documented markedly elevated absenteeism in Education and Health ministries in Enugu State following subsidy removal, directly affecting service delivery to citizens. Oigochie et al. (2025) linked household dependency burden and financial stress to reduced civil-service productivity, and Akinlade (2024) frames subsidy removal within

a broader "fiscal policy and social contract" paradox in which fiscal correction undermines the very legitimacy it seeks to restore. Okafor (2024) advances the concept of "neo-patrimonial adaptation," whereby civil servants deploy informal income strategies within the interstices of the bureaucracy in response to wage erosion – a dynamic that this study extends by demonstrating its measurable institutional-performance consequences.

Despite this growing literature, most existing studies either remain at the macroeconomic level or examine household welfare and workplace outcomes as parallel but analytically separate phenomena. Few studies statistically model the pathway from subsidy-induced cost shocks through real-wage erosion to administrative productivity within a single subnational civil service, and fewer still integrate this quantitative pathway with qualitative evidence on how coping strategies become institutionalised within bureaucratic routines. The present study addresses this gap by combining multivariate regression evidence with thematic qualitative analysis within a single, theoretically integrated design focused on Benue State.

4. MATERIALS AND METHODS

The study adopted a convergent mixed-methods design in which quantitative and qualitative data were collected concurrently, analysed separately, and integrated at the interpretation stage through joint-display analysis (Creswell, 2018). The design was appropriate because the effects of fuel subsidy removal on productivity are both measurable (absenteeism, punctuality, task completion) and experiential (financial stress, motivation decline, coping behaviour).

The study population comprised all civil servants employed across ministries, departments, and agencies of the Benue State Government, estimated at approximately 17,800–20,000 personnel. Using the Yamane (1967) formula for finite populations at a 95 per cent confidence level and 5 per cent margin of error, a minimum sample size of 392 was calculated; this was inflated by 10 per cent to 430 to accommodate anticipated non-response and field attrition. A three-stage sampling procedure was employed: purposive selection of six ministries (Finance, Education, Health, Agriculture, Information, and Power/Transport) based on operational significance and exposure to post-subsidy shocks; proportionate stratified allocation of questionnaires across ministries and between headquarters (60%) and Local Government Area field offices (40%); and simple random selection of individual respondents within each stratum. Of 430 questionnaires distributed, 402 valid instruments were retrieved and analysed, representing a 93.5 per cent effective response rate that exceeds Yamane's minimum threshold. For the qualitative strand, twelve key informants comprising ministerial directors, senior and junior civil servants, labour union officials, and budget officers were purposively selected for semi-structured interviews lasting 30–90 minutes each.

The structured questionnaire, validated by subject experts in Economics, Political Science, and Public Administration and pilot-tested with 40 civil servants in neighbouring Kogi State, achieved a Cronbach's alpha reliability coefficient of 0.87. Quantitative data were analysed in SPSS Version 26.0 using descriptive statistics

(frequencies, means, standard deviations), paired-samples t-tests to test wage and welfare hypotheses, multiple linear regression to test the determinants of administrative productivity, and binary logistic regression to test the association between coping strategies, palliative access, and institutional performance, all evaluated at $\alpha = 0.05$. Qualitative data from the twelve KIIs were analysed following Braun and Clarke's (2019) six-phase reflexive thematic analysis framework: familiarisation, initial coding, theme searching, theme review, theme definition, and reporting. Quantitative and qualitative strands were integrated through a joint-display approach organised by research objective. Ethical clearance was obtained from the Research Ethics Committee of Benue State University together with administrative approvals from the Benue State Civil Service Commission; informed consent, anonymisation through alphanumeric coding, and encrypted data storage were applied throughout in line with APA (2020) ethical guidelines.

5. RESULTS AND ANALYSIS

5.1 Sample characteristics

Of the 402 valid respondents, 61.7% were male and 38.3% female, broadly consistent with the National Bureau of Statistics' (2024) estimate of 38.5% female labour-force participation in Nigeria's public sector. The sample skewed toward mid-career and senior staff: 43.5% were aged 41–55 years and 46.3% had served for more than fifteen years, indicating an ageing workforce with limited generational renewal. Educational attainment was comparatively high (58.2% held a bachelor's degree or higher), yet 74.1% of respondents depended exclusively on salary income, with only 25.9% reporting supplementary income from farming or trading a striking finding for a nominally agrarian state. Commercial transport was the dominant commuting mode (43.5%), the group most directly exposed to fuel-price transmission, while only 10.7% used official (fuel-insulated) vehicles, a group concentrated among senior officers.

5.2 Objective one: political-economic drivers of subsidy reform

Documentary analysis of subsidy expenditure between 2011 and 2023 (Table 1) shows that Nigeria's petroleum subsidy bill fluctuated sharply with global oil prices and political cycles rather than following a coherent fiscal trajectory, falling to as little as 0.1% of GDP in 2016–2017 before rising again to 2.2% in 2023 despite the subsidy's nominal mid-year elimination. This pattern corroborates the study's theoretical proposition that subsidy administration in Nigeria has functioned as an instrument of political expediency and elite rent-seeking rather than of consistent fiscal management (Nwozor et al., 2020; Ozili & Obiora, 2023).

Table 1. Nigeria's Petroleum Subsidy Expenditure as a Share of GDP, Selected Years (2011–2023)

Year	Subsidy (% of GDP)	Year	Subsidy (% of GDP)
2011	3.0	2018	0.6
2012	1.0	2019	0.4
2013	0.6	2020	0.1
2014	0.5	2021	0.7
2016	0.1	2022	1.5
2017	0.1	2023	2.2

Source: Adapted from Agora Policy analysis of Nigerian subsidy expenditure, 2006–2023,.

Qualitative evidence from key informants identified five distinct phases in the reform trajectory: the 2012 partial deregulation attempt (which triggered the "Occupy Nigeria" protests), political manipulation of pricing between 2013 and 2014, the consolidation of rentier dynamics from 2015 to 2019, the full deregulation shock of May 2023, and a subsequent era of palliative politics. Informants consistently characterized subsidy administration as a mechanism of elite accumulation rather than an effective social protection instrument, corroborating the rentier social contract framework.

5.3 Objective two: effects on real wages and socioeconomic welfare

Table 2 presents pre- and post-removal descriptive statistics and paired-samples t-test results for six key household economic indicators. Although average monthly take-home pay increased by ₦10,750 (12.6%), this gain was dwarfed by increases in transportation (194%), food (71.2%), and healthcare expenditures, while the household savings rate collapsed from 8.2% to 2.4%. All differences were statistically significant at $p < .05$.

Table 2. Effect of fuel subsidy removal on household economic indicators (Paired-Samples t-Test, N = 402)

Indicator	Pre-Removal Mean	Post-Removal Mean	% Change	t	p
Monthly take-home pay (₦)	85,450	96,200	+12.6%	2.34	.021*
Transportation expenditure (₦/mo)	12,800	37,600	+193.8%	9.67	<.001***
Food expenditure (₦/mo)	38,200	65,400	+71.2%	8.34	<.001***
School fees/education (₦/mo)	15,400	24,800	+61.0%	4.12	<.001***
Healthcare expenditure (₦/mo)	8,200	14,600	+78.0%	3.87	.001**
Household savings rate (%)	8.2	2.4	-70.7%	-4.67	<.001***

Note. * $p < .05$, ** $p < .01$, *** $p < .001$. Source: Field survey, 2026.

These results demonstrate a critical distinction between nominal and real income: when contextualized against the National Bureau of Statistics' estimate of approximately 28.7% food inflation over the same period, the observed wage adjustment translated into a real purchasing-power decline of roughly sixteen percentage points. Transportation expenditure recorded both the largest proportional increase and the strongest statistical effect among all indicators, establishing it as the primary transmission channel through which the national subsidy reform reached household budgets and, subsequently, workplace behavior. This finding was reinforced by hypothesis testing: the paired-samples t-test for real wage value, purchasing-power index, and disposable income (Table 3) confirmed a statistically significant deterioration across all three measures, leading to rejection of the null hypothesis (H_01) that subsidy removal has no significant effect on civil servants' real wage value.

Table 3. Paired-samples t-Test for real wage value (Hypothesis H₀₁, N = 402, df = 401)

Pair	Mean Difference	SD	t	p	Decision
Real wage value index	-45.67	12.34	-12.89	<.001***	Reject H ₀₁
Purchasing power index	-52.12	14.56	-14.23	<.001***	Reject H ₀₁
Disposable income (₦)	-34,800	8,950	-11.45	<.001***	Reject H ₀₁

Note. *** $p < .001$. Source: Field survey, 2026.

Beyond expenditure data, self-reported welfare indicators corroborated the objective findings: 90.7% of respondents reported deteriorating general living standards, 87.8% reported worsening food security, 82.9% reported difficulty meeting utility obligations, and 81.1% reported reduced healthcare access. The modal response for each indicator was "worsened significantly" rather than merely "worsened," indicating that the socioeconomic consequences of the reform were experienced as acute rather than incremental.

5.4 Objective three: effects on administrative productivity and service delivery

Descriptive evidence showed considerable deterioration in punctuality, working hours, task completion, and service delivery efficiency, along with an increase in absenteeism from 8.2% pre-removal to 24.6% post-removal. To assess the relative contributions of specific economic shocks to this decline, a multiple linear regression was estimated with the Administrative Productivity Index (a composite of punctuality, task completion, and output quality) as the dependent variable and transport cost increase, energy cost increase, real wage decline, palliative access, and grade level as predictors (Table 4).

Table 4. Multiple linear regression: predictors of administrative Productivity (Hypothesis H02, N = 402)

Predictor	B	SE	β	t	p	VIF
Constant	5.234	0.567		9.23	<.001	
Transport cost increase	-0.478	0.089	-.412	-5.37	<.001***	1.82
Energy cost increase	-0.342	0.076	-.298	-4.50	<.001***	1.67
Real wage decline	-0.289	0.094	-.245	-3.07	.002**	2.34
Access to palliatives	+0.123	0.067	+.089	1.84	.067	1.44
Grade level (control)	+0.045	0.032	+.058	1.41	.159	1.23

Note. $R^2 = .524$, Adjusted $R^2 = .512$, $F(5, 396) = 43.78$, $p < .001$. Durbin–Watson = 1.93. ** $p < .01$, *** $p < .001$. Source: Field survey, 2026.

The model explained 52.4% of the variance in administrative productivity (Adjusted $R^2 = .512$), a comparatively strong result within behavioural and public-administration research, and diagnostic statistics (VIF range 1.23–2.34; Durbin–Watson = 1.93) indicated no problematic multicollinearity or autocorrelation. Transportation cost increase emerged as the strongest predictor of productivity decline ($\beta = -.412$), followed by energy cost increase ($\beta = -.298$) and real wage decline ($\beta = -.245$), all statistically significant at $p < .01$. Access to government palliatives ($\beta = .089$, $p = .067$) and grade level ($\beta = .058$, $p = .159$) were not statistically significant, indicating that productivity decline cut across cadres rather than being confined to lower-grade officers, and that existing palliative measures did not detectably restore administrative performance. These results support rejection of the second null hypothesis (H02).

5.5 Objective four: coping strategies and institutional capacity

Civil servants reported widespread reliance on informal coping mechanisms, including reduced food consumption, side businesses, borrowing, healthcare postponement, and asset liquidation. A binary logistic regression modelling institutional performance as a function of coping-strategy engagement, side-business involvement, debt burden, and palliative access (Table 5) confirmed that informal coping strategies were significantly and negatively associated with institutional performance.

Table 5. Summary of hypothesis testing outcomes

Hypothesis	Statistical Test	Statistic	p-value	Decision	Effect Size
HO1: Subsidy removal and real wage value	Paired t-test	$t(401) = -12.89$	$<.001^{***}$	Reject HO1	Large ($d \approx 3.70$)
HO2: Transport/energy costs and productivity	Multiple regression	$F(5,396) = 43.78$	$<.001^{***}$	Reject HO2	$R^2 = .524$
HO3: Coping strategies and performance	Binary logistic regression	Wald $\chi^2 = 27.82$	$<.001^{***}$	Reject HO3	Nagelkerke $R^2 = .456$
HO4: Palliatives and institutional capacity	Binary logistic regression	Wald $\chi^2 = 1.53$	.216	Fail to reject HO4	OR = 1.264

Note. *** $p < .001$. Source: Field survey, 2026.

Qualitative thematic analysis of the twelve KIIs converged with these quantitative findings, yielding the dominant theme of "informal financial buffering and grassroots survival strategies." Informants described coping behaviors, including time-partitioning between official duties and side-income activities, spatial reorientation of daily routines around transport availability, and a form of moral disengagement from formal performance expectations. These practices had moved beyond temporary household adjustments and become institutionalized features of bureaucratic routine. Access to government palliatives, by contrast, was not significantly associated with institutional performance ($p = .216$), and informants attributed this to limited coverage, token benefit levels, and elite capture of distribution mechanisms at the point of disbursement, supporting the study's finding that HO4 could not be rejected.

6. DISCUSSION

The findings of this study extend the political economy literature on fuel subsidy reform in three interrelated ways. First, they demonstrate empirically what much of the existing macro-level literature has assumed but not directly tested: that the erosion of real wages following subsidy removal transmits into measurable institutional outcomes at the subnational level. Whereas Raifu and Afolabi (2024) and Oyadeyi et al. (2024) document inflationary transmission at the national level, this study shows that transportation cost increase alone accounted for the largest share of explained variance in administrative productivity decline, providing direct micro-institutional evidence for what the rentier social contract framework predicts: that fiscal adjustment costs are transferred downward onto actors with the least capacity to absorb them (Ozili & Obiora, 2023).

Second, the finding that real wage decline remained a statistically significant predictor of productivity even after controlling for transportation and energy costs suggests that wage erosion operates through channels beyond commuting costs alone, plausibly including financial stress, declining morale, and diversion of attention toward income-generating side activities. This corroborates Okafor's (2024) concept of neo-patrimonial adaptation and extends it by demonstrating a measurable institutional cost: the binary logistic regression confirms that the very coping strategies civil servants adopt to survive wage erosion are significantly associated with reduced institutional performance (Wald $\chi^2 = 27.82$, $p < .001$). In this sense, the Benue State Civil Service exhibits characteristics of what this study terms a survival institution, a bureaucracy in which formal service delivery increasingly competes with, and loses out to, employees' informal economic survival activities.

Third, the non-significance of government palliative measures ($p = .067-.216$) across both the regression and logistic models is a critical finding with direct implications for social protection design. This result is consistent with Ibrahim and Musa's (2025) and Yahaya's (2025) findings in Yobe and Sokoto States, respectively, where transport-related stress gradients persisted despite palliative interventions, and lends empirical weight to the qualitative theme of elite capture in palliative distribution. Rather than concluding that palliatives are inherently ineffective, the evidence more precisely suggests that consumption-oriented, short-term transfers are structurally mismatched to a structural, recurring cost shock: transportation and energy costs represent permanent increases in the cost of formal employment, not one-off emergencies that a single cash transfer or bag of rice can address.

The absence of a significant grade-level effect ($p = .159$) is equally instructive. It indicates that the institutional consequences of subsidy removal were not confined to junior cadres, even though descriptive evidence shows junior officers (GL 01–06) bearing the heaviest proportional cost burden. This suggests that productivity decline should be understood as a systemic institutional phenomenon rather than a poverty-specific one—a distinction with direct implications for how reform should be targeted. Taken together, these findings support the study's central theoretical proposition: that petroleum subsidy reform in a rentier political economy is not a neutral fiscal correction but a redistributive process that reallocates the costs of macroeconomic adjustment from the central state onto subnational, fixed-income public servants, with measurable consequences for the administrative capacity of the state itself.

7. POLICY RECOMMENDATIONS

Based on the empirical findings, four evidence-based recommendations are proposed for policymakers in Benue State and, by extension, other subnational governments confronting similar post-subsidy institutional pressures.

7.1 Statutory wage indexation

The Benue State Government should establish a formal mechanism linking civil servants' salaries to movements in the Consumer Price Index, reviewed quarterly by a Wage Indexation Committee comprising representatives of the Ministry of Finance, the Civil Service Commission, organised labour, and independent economists. Because the regression evidence shows real wage decline to be an independent predictor of productivity even after controlling for transport and energy costs, indexation would address a distinct institutional pathway that transport-focused interventions alone cannot resolve.

7.2 Institutional transport support

Given that transportation cost increase was the single strongest predictor of productivity decline ($\beta = -.412$), palliative resources should be redirected from predominantly consumption-oriented distributions toward subsidised staff transportation including compressed natural gas (CNG) bus schemes, transport vouchers for officers in remote Local Government Areas, and public–private transport partnerships.

7.3 Performance-based management reform

The Civil Service Commission should introduce management systems that emphasise measurable outputs alongside attendance, incorporating flexible work arrangements, clearly defined key performance indicators, and supervisor training, thereby accommodating the operational realities created by transport constraints without abandoning accountability for service delivery.

7.4 Fiscal transparency and targeted

Structural (rather than consumption-based) social protection. A publicly accessible dashboard that reports quarterly on the use of increased FAAC revenues, subject to independent oversight by civil society and the State House of Assembly, would help rebuild the eroded rentier social contract identified in the theoretical framework. Given the non-significance of existing palliatives, future interventions should prioritize structural cost-reduction (transport, housing, healthcare access) over episodic cash or in-kind transfers and should be designed with household size and dependency burden, rather than individual employee status alone, as the unit of targeting.

8. CONCLUSION

This study has shown that removing Nigeria's petroleum subsidy produced consequences extending well beyond rising fuel prices, fundamentally reshaping the welfare of civil servants and the operational capacity of a subnational bureaucracy. Although the policy was justified as a mechanism for fiscal sustainability, its implementation shifted a substantial share of the adjustment burden onto fixed-income public servants in Benue State, whose real wages, savings, and household welfare deteriorated significantly while administrative productivity fell in tandem. Transportation and energy costs emerged as the principal transmission mechanisms linking macroeconomic reform to bureaucratic performance, while government palliative measures showed no statistically detectable capacity to arrest this decline.

Civil servants' adaptive coping strategies, in turn, evolved from temporary household responses into institutionalized features of bureaucratic life that further eroded organizational commitment. These findings demonstrate that fuel subsidy reform in rentier political economies should be evaluated not solely by fiscal savings but by its distributive consequences for state capacity, and that sustainable institutional recovery will require structural reforms, including wage indexation, transport support, performance management, and fiscal transparency, rather than reliance on short-term welfare interventions alone.

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