

Disclosure of Civil Servants' Salaries: Openness and Transparency?

By Dr Lawrence Serewicz

Recently the Government published the salaries of the civil servants who are paid more than Prime Minister David Cameron's £142,500-a-year salary. The government released the figures to "help win back people's trust".

<http://news.bbc.co.uk/1/hi/uk/10200387.stm>

While the move is welcome and well intentioned in this time of austerity, it raises several secondary questions that need to be considered.

1. What does the disclosure tell us, if anything, about the government and the public morality it is trying to promote?
2. Is this a departure from previous administrations regarding salary information?
3. How does publishing salary information or financial information add to transparency?
4. Does this transparency make the government accountable and therefore more trustworthy?
5. Is the prime minister's salary a useful benchmark?
6. Finally, does financial transparency lead to budget savings, which is different from budget cuts?

The argument that is being used is that transparency leads to accountability and accountability leads to trust. However, the implicit question is whether this information really creates transparency. The salaries have been published; but it does not tell us what they intend to do or how they would act in the future situations.

For the most part salary information has been available upon request and in some cases, it was already published.

The Prime Minister's salary has been used as a benchmark for other public sector salaries however, that confuses two roles one is the role of the politician and the other is the civil servant. In some cases, such as housing associations, there is no political oversight so the salary that would most likely be comparable is that of the chairman of the board. On the surface, the Prime Minister's salary appears to be a good benchmark. However, there are two flaws to this approach. First, the salary does not reflect all the benefits that are available to the post that are not included in other public sector salaries. For example, the PM is supported by staff that are on hand for his official functions twenty-four hours a day, seven days a week. At the same time, his accommodation is not included in his salary, (the apartment at No.10 is a grace and favour apartment). The Prime Minister has his transport covered by the state (all ministers are entitled to an official car for departmental duties even if they forgo it.)

Second, the PM's salary reflects his political responsibilities rather than his administrative responsibilities. To be sure, the Prime Minister has great political responsibilities, the political, social, and economic health of the country fall within his remit. However, the key difference is that the PM does not run a very large department and most of the administrative work is handled by others such as his Chief of Staff or the Cabinet Secretary. Unlike the Chief Executive Officer (CEO), the PM has only an indirect role within the administrative function within the government. In other words, he does not have a direct hand in restructuring the Home Office. He may have a view, but he is not (at least I hope he is not) working through the structures. In this role, he is more the Chairman of the Board setting the overall strategic direction, rather than the CEO working out the full details and the day-to-day operation of the various sub units within the corporation.

If the PM's salary is the benchmark it may be a way to cap or control salaries. If that is the case, as it appears to be, it will skew the market for civil servants. Research on executive compensations schemes shows that salary caps skew the relevant labour markets. A better control is linking salary to performance, but this is difficult in the public sector. Performance indicators are notoriously unreliable and open to perverse incentives. The NHS waiting times performance indicators provide the cautionary tale on relying on performance indicators to determine quality or value for money. Where performance and pay are linked is in professional sports and few fans decry the money spent to attract and retain top talent. Even then, the managers are paid less than the players are. To put it directly, the PM is a politician who can only be removed in an election while a civil servant can be removed from post either by malfeasance or through a restructuring.

What we should be concerned with regarding the disclosure are two deeper stories. The first is what the disclosure tells us about the government's understanding of public morality. In effect, the government is saying directly that the civil servants are paid too much. The disclosure looks increasingly like an opening gambit in their attempt to reform the civil service. The disclosure may encourage openness and transparency, but it appears more like an attempt to play to the demos (the average Sun reader) to gain the political advantage they believe they need to "reform" the civil service.

The second story is the mistaken belief that salary control will lead to value for money. Value for money is a utopian idea in that it is like running to the horizon. You can always show progress, but never achieve your destination. There is always room for improvement in achieving value for money. Value for money is something that cannot be demonstrated and is only relative to the user and the provider. The assumption is that somehow more people that are talented will be attracted to public service even though their salary is capped and other, more lucrative work is available elsewhere. Moreover, salary caps will not lead to savings.

Transparency by itself does not lead to savings. Savings are a misnomer because government are designed to spend money. A government discusses and decides which

policy objectives will or will not receive money. The process is about reallocating spending rather than "saving" it. A reference to "savings" suggests that the money was not allocated effectively or efficiently in the first place. We cannot say that the current spending decisions are any more "efficient or effective" than the previous government. We have to wait until the future effects of the current budget are known. A secondary question will be to consider how the effectiveness and efficiency of that spending is determined. We then see the underlying problem for this bid of transparency and accountability. If the government and the local authorities publish their spending amounts, what if anything does that tell us about the impact of that spending? What does it tell us about whether it is being effective or achieving the illusory dream of "value for money"? Publishing salaries and spending information is a start but it does not demonstrate that spending or decisions are being effective or delivering the intended results.

While the salaries add to transparency and trust to some extent, the effect is relatively minor in making someone accountable. How the salary information makes someone accountable is uncertain because their salary is already set. What would need to be understood is how the salary (or the spending choice) was decided and how future salaries (or spending choices) will be decided. Transparency emerges when we can understand how and why decisions were made as the consequences of the alternatives not chosen. That understanding will lead to the accountability that creates trust. The clarity around the decision process that led to such salaries (or spending choices) creates the transparency that leads to trust. One way that a government could deliver transparency, around its decision process, would be a process whereby official and unofficial advisors to the PM, now and future, publish their call logs while in office as well as their email correspondence lists. The call logs and the email correspondence lists would add to transparency and trust. The challenge is that it may create something like that faced by the former Google executive working for the White House. He was found to have emailed former colleagues and contacts regarding policies and decisions.

<http://www.businessweek.com/news/2010-05-18/google-contacts-trigger-reprimand-for-obama-aide-update1-.html>

What does this story tell us in the end? The outcome is that some civil servants are paid more than the PM. As a taxpayer, I am still struggling to understand why the story is important given the situations in Afghanistan, the world economy, and the domestic economy. Unemployment is over 2 million, the young people appear to have fewer opportunities, and the public services that will help the least advantaged seem to be targeted for cuts.

<http://www.parliament.uk/business/publications/research/key-issues-for-the-new-parliament/the-public-finances/sustainable-public-spending/>

The danger is that the story may appear to be more of a political manoeuvre rather than a change in the underlying public morality. If the government pursue the transparency in these other areas, as it has for civil servant salaries and spending, it can then claim the mantle of transparency. If we do not have that level of transparency, how can we accept that the government has the public trust needed to speak for the common good?

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