

# Monetising performance

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Efficient public service delivery and overall government effectiveness have been problematic areas for Pakistan ever since its independence. Although some strides towards betterment have been made in recent years, the country still remains behind other countries in the region. For instance, according to the World Bank's Worldwide Governance Indicators, Pakistan's scores on key indicators such as 'Regulatory Quality' and 'Government Effectiveness' are below the South Asian median score.

One critical component that determines a government's effectiveness is its civil service system. Unfortunately, in Pakistan the civil service system continues to lag behind other countries when it comes to efficient administration and public service delivery. The inefficiency persists despite the fact that about 29 committees or commissions have been set up to reform the civil service since Independence.

Researchers at the Pakistan Institute of Development Economics (PIDE), in a recent study, have pointed out that the majority of reform efforts through commissions and committees "merely tinkered with organisational restructuring, minor adjustments of pay scales, creation, merger, or disbanding of occupational groups, and changes in functions and powers." Only a handful of reform efforts have focused on improving the state of the civil service with regard to critical issues of accountability, meritocracy and competence. For instance, in 1962 the A R Cornelius Commission recommended that the strict divide between the federal and provincial civil service be eliminated and that more specialists and professionals be included at all levels. These recommendations however have not been implemented to this date.

The road to effective civil service reform can often be a long and hard one, but there are enough examples of countries who have implemented successful reforms and transformed their civil services. A significant part of any effective civil service reform effort has to be the act of putting in a wage and compensation system that does not distort civil servants' incentives and rewards good performance.

Singapore is a country that upon its independence inherited a civil service system that needed reform. One central feature of the successful reforms in Singapore is the performance-based pay system that was first introduced in 1989 for senior civil servants, and since 2000 has been extended to include civil servants at all. This system is quite similar to the 'appraisal-based bonus' system which many companies in the private sector employ. This system has reinforced strong meritocracy within the civil service in Singapore.

An integral part of the successful compensation system in Singapore is the fact that as many as possible of the benefits and perks are monetised. The monetisation has had the effect of reducing the number of hidden perks and benefits that distort incentives, freeing up government resources used to administer these benefits and increasing the overall transparency of the system. Singapore also does not hire civil servants on pensionable terms and civil servants instead contribute to a central provident fund.

Two additional examples of countries which have successfully reformed their civil services by integrating their wages and compensation systems with performance-based evaluation and remuneration methods are South Korea and Malaysia. For example, in South Korea, senior civil servants are asked to sign performance contracts based on which they are evaluated and remunerated. Mid-level civil servants have their performance evaluated through a 360-degree evaluation system, whereas junior-level civil servants also get regular performance reviews by

their respective departments. Hence in South Korea, there is a direct link between good performance and higher compensation, something which has been the main trigger behind the country's civil service system becoming efficient and transparent. Similarly, in Malaysia, most of the benefits are monetised and civil servants are given performance-related bonuses in addition to their basic salary.

There are important lessons to be learned from the above mentioned countries which then can be applied to Pakistan. Monetisation of as many cash and in-kind benefits that the civil servants receive in Pakistan should be a starting point. Researchers at PIDE have, in a recent study, pointed out that if all the cash and in-kind benefits that civil servants receive in Pakistan were to be monetised, it will be noted that civil servants enjoy a wage-premium over their counterparts in the private sector. In such a scenario, the constant echoes from within the Pakistani civil service cadre about low salaries as compared to private-sector employees become rather questionable. Monetisation of wages will also allow the system to be integrated with effective performance evaluation mechanisms through which high performing civil servants can be remunerated accordingly.

Additional reforms that are worth exploring include reducing the total number of grades to bring more clarity and let more specialists come into the system. Currently as it stands, civil servants, particularly at the top-tier do not have any significant competition because there is no lateral entry into the system. The lack of competition poses a risk to these civil servants performing their jobs to the best of their abilities. However, even if the option of lateral entry at higher levels was opened up, there is a need to decompress the wages so that qualified individuals from the private sector can be attracted to these top positions.

Monetisation of benefits and a performance-based pay system are key ingredients to successful reform, but it should be kept in mind that the process is not as straightforward as it may first seem. The reality is that in the public sector outputs are often difficult to quantify. Nonetheless, the present government has already committed to bringing in a new performance-based system for the civil service in their reform agenda. What remains to be seen is if these proposals reach any fruition, as most previous reform efforts which have tried to challenge the established bureaucratic order have fizzled out over time.

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