Budget 2015: Are civil service bonuses justified?

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The bonus for civil servants announced in the annual Malaysian federal budget no doubt brings cheer to the public sector, but raises questions on its validity and sustainability amid concerns that the government machinery needs to be trimmed.

If bonuses are a reward for good work, has the civil service on the whole done a good enough job? Could not more public funds be diverted to infrastructure, technology and research? And is the

Malaysian civil service of 1.5 million workers, really as bloated as it is perceived to be?

In interviews with an economist, civil servants and those who have left the service, The Malaysian Insider discovered that the more important question was not how much, but which areas to trim, and also whether people will be willing to bear the consequences of a leaner public sector.

More on operations, less on development

The numbers say it all. More and more public funds are going to the business of maintaining government machinery and services than to development.According to Universiti Malaya (UM) economist Dr Lee Hwok Aun, Malaysia spent 33% of its budget on development just over a decade ago. Today, it is spending 20% on development. It was 33% between 1998 and 2001 before dropping to 26% in 2002-2008, to 23% (2009-2011) and finally to 20% (2012-2014).

“Less and less of our public spending is going toward new infrastructure, capacity and technology,” Lee said. For the past three years, the amount of money spent on paying salaries of civil servants equalled and then surpassed the amount spent on development, according to documents from the Finance Ministry.In 2012, RM52 billion was spent on salaries and wages for civil service servants or “emolument”, versus RM51.2 billion spent on development. Emoluments made up 22% of the budget.In 2013, RM58.6 billion, or 23% of the budget, was spent on emoluments but only RM49.7 billion was spent on development. The amount for emoluments jumped to RM63.6 billion in 2014, or 24% of the budget. The money for development has shrunk to RM46.5 billion.

The growth in emoluments seems to coincide with a growth in the number of public sector employees.According to UM's Lee, from 2004 to 2012, employment in federal government per total employment grew slightly, from 9.86% to 10.04%.“Over this period, my estimates show that federal government employment grew by 3.31% per year, while private sector employment grew by 3.05% per year.”

Public or privatised service?

So has the civil service machinery grown too big? Stall owner Zainal Ahmad of Shah Alam thinks so. In a recent trip to a government agency counter, the businessman was left fuming when he was made to wait.“There were five counter workers that I saw but they were all glued to a television screen in their office. No one was manning the counter. I had to call out to them to get service. I was really upset.“Is this what the public pays for? For civil servants to watch television?” Many Malaysians probably have similar stories to tell.Civil servants themselves will argue that the machinery's size is necessary for Malaysia's population.

“There are about 28 million Malaysians. Not including foreign workers who total about two million,” said one Selangor-based officer. (The Statistics Department has said there are now 30 million Malaysians.)“Someone needs to look after security, defend our borders, help the administration run the country and collect taxes.”In fact, said Cuepacs, the umbrella group that represents civil servants, the majority of its members are those who provide the services that society has come to depend on.Teachers form the largest group of civil servants, said Cuepacs president Azih Muda. They number about 440,000, followed by nurses at 270,000 and policemen, 110,000.

“If you start cutting these services, then you'll have to turn to the private sector to get them,” said Azih.“That means paying more for private schools, hospitals and security guards.”Former civil servant Tan Sri Ramon Navaratnam feels trimming the public sector and going private for some services may not necessarily be a bad thing, especially when it comes to education.

As it is, Malaysian public schools and universities are already producing "sub-standard graduates" and yet education gets about 20% of the national budget every year, said Ramon.“Malaysians do not appear to be getting value for money in education,” he said.“Why not allow for more private schools to be set up? You can maintain public schools for the poor but with fewer public schools, you cut down the amount of money spent for education in the budget.”

Honest assessment needed

But even by cutting down on public education spending, the trajectory of Malaysia's economy would still need a big enough public service.UM's Lee argues that Malaysia will require a sizable public sector since it wants to become a service-based economy.It has also been argued that Malaysia's civil service is not bloated, and it is only perceived as such because of the way civil servants are defined here, according to Minister in the Prime Minister's Department Datuk Idris Jala.

The Performance Management and Delivery Unit (Pemandu) chief, writing in The Star in January, said Malaysia lists all teachers, doctors and their supporting staff, as well as armed forces members, as civil servants. Developed countries like the United Kingdom and Australia, do not.Ultimately, what is needed is an honest assessment of civil service roles.“Malaysia's recent track record of employment growth needs to be critically examined, and the detailed data made publicly available, alongside an uncompromising appraisal of government efficiency,” Lee said.

Such a report card is perhaps the key to creating a service good enough to serve Malaysia's needs without being a drag on public finances.As the prime minister, who is finance minister, unveils the budget on October 10, what kinds of assurances he will give to increase government efficiency will determine whether he will get more boos than cheers when he announces the civil service bonus. – October 6, 2014.