Query
What are typical corruption and integrity risks in the area of human resource (HR) management in the public sector, and what are good anti-corruption practices?

Purpose
We are planning to conduct a workshop on corruption risks and anti-corruption in HR management in the public sector.

Content
1. Overview of corruption risks in HR management in the public sector
2. Anti-corruption practices in HR management
3. References

Caveat
This Helpdesk Answer was treated as an urgent query and provides a preliminary overview of corruption challenges in HR management processes and approaches to address them.

Previous Helpdesk Answers have specifically focussed on low salaries, the culture of per diems and corruption and on salary top ups and their impact on corruption and anti-corruption.

Summary
In many developing countries, weak HR management processes have resulted in oversized and under-qualified civil services, with distorted incentive structures and poor work ethics that ultimately undermine the goal of building a strong, efficient and accountable public sector.

Corruption, particularly in the form of favouritism, nepotism and abuse of authority, can affect all HR management processes, including the management of recruitments and promotions, compensation, conditions of services and personal records.

Preventing corruption in HR management involves merit-based HR and recruitment policies, transparent pay packages and internal controls, as well as integrity management systems, including the implementation of codes of ethics, ethics training, and whistle-blowing mechanisms.
1. Overview of corruption risks in human resource management in the public sector

HR management is traditionally based on three key principles, namely, merit-based recruitment and promotion, tenure of employment to protect the independence of public servants from undue political influence, and a standardised framework of pay and conditions. In many countries, recent reforms to improve efficiency have included downsizing civil service spending and staff numbers, importing private sector practices into the public sector, and balancing the need to make the civil service more accountable with the need to protect its autonomy and independence (World Bank 2013).

Corruption can affect all aspects of HR management processes, with favouritism and nepotism and abuse of authority in areas of recruitment, training, promotion and transfer identified as major risk areas. This is rendered possible by unchecked discretionary power, lack of integrity, accountability, checks and balances and transparency in the overall administration of HR services.

Public appointments and promotion

In particular, risks of buying and selling positions, nepotism, patronage and corruption in recruitment and promotion are major concerns in many developing countries’ public sectors. Such practices result in employing unqualified civil servants, fuelling the development of corrupt patronage networks within the public service, and can greatly undermine the goal of building strong and efficient bureaucracies.

Selling or buying positions

Buying and selling positions is common in many countries, especially positions considered as lucrative and providing opportunities for illicit enrichment. In Benin and Senegal for example, the most “attractive” postings are at border crossings with a high density of transactions and interaction with the public, followed by those at the ports, the airports and postings at busy road intersections (Feldstad 2009). In China, corruption in selling civil posts is also widespread, especially in local governments (Poocharoen and Brillantes 2013).

Patronage

Political patronage and nepotism based on kinship ties or political allegiance, depending on the local context, are also common practices in many developing countries. In the absence of fair and transparent recruitment processes, officials can use their discretionary powers to employ and promote friends, relatives or political supporters into public jobs that they would not get otherwise.

While some countries have central examinations in place to address this challenge, this does not necessarily eliminate risks of favouritism in the hiring process, as favouritism may occur after the central examination takes place. For example, insiders may leak the exam questions to their favourite candidates. At the interview stage, those with the better connections may be better rated, with sons and daughters of the elite families receiving preferential treatment (Poocharoen and Brillantes 2013).

In some countries, such as Philippines and Malaysia, recommendations from government officials are used as selection criteria. Such practice can be misused, leading to patron-client relations, where the person hired feels indebted to the person who made the recommendation (Poocharoen and Brillantes 2013).

There is also a growing trend in many public administrations to hire contract-based rather than tenure appointments, with more discretion on how to select, who to select and the terms of the appointments (Poocharoen and Brillantes 2013)

Political intervention in appointments

Political affiliation can play an important role in the appointment of civil servants, leading to the politicisation of the public sector, as political parties have incentives to gain control over bureaucrats. Some countries implicitly or explicitly tie party membership as a prerequisite for joining the civil service, often accepted as a hidden norm. In China, for example, communist party members make up 5% of the population but hold 80% of the civil service posts. In Singapore, the People’s Association Party has a strong hold on appointments of all leading positions in government. In the Philippines, in a survey of high-ranking civil servants, the majority (77%) of respondents indicated that there is interference or pressure by politicians or other influential persons in hiring (Poocharoen and Brillantes 2013).
Performance management, transfers and promotions

Weak incentive structures in the civil service undermine good performance and result in a weak work ethic and poor service delivery. Public administrations often restrict certain promotions to existing staff to minimise costs and provide career development opportunities. Internal promotion and transfers may provide opportunities for favouritism, as managers have typically greater discretion in performance management and promotion. In countries where selection is based on merit, promotion and rotation opportunities may be tied to political loyalties. In Thailand for example, elected politicians can gain control over bureaucrats through interventions in promotion processes, as ministers have tremendous power to nominate and approve promotion to key positions such as permanent secretaries, directors and deputy directors in key agencies (Poocharoen and Brillantes 2013).

Staff transfers can also be misused by corrupt managers as a reward or punishment for honesty. In some countries, rotation systems of staff have been introduced to limit opportunities for staff in “lucrative” positions, such as customs, to develop corrupt networks in their interactions with service users. The rotation of officials may also give corrupt superiors undue power. For instance, they might “sell” assignments to attractive positions or reassign officials to remote stations as a punishment for honesty. Rotation may also create incentives for staff to enrich themselves as much as they can while they are stationed in the most “lucrative” posts (Feldstad 2009).

Revolving doors

Increased mobility between private and public sectors also raises the risks of revolving doors or policy capture, when ex-government officials go to work for the sectors they used to regulate. While some argue that the practice of moving back and forth between the public and private sectors equips regulators and policy makers with specialised knowledge and practical insights into very complex technical issues and processes, there are indications that they are often hired not for their competence but for their connections and special access acquired while working in government (Zimbauer 2014). This practice seems to be on the rise in many countries. For example, examining the career trajectories of members of Congress in the US, LaPira and Thomas (2012) found that while less than 10% of Congress members in the 1970s left to become lobbyists, more than half of all Congress members who left in 2012 have already registered as lobbyists. While such practice are not per se unlawful, revolving door may lead to conflicts of interest, regulatory capture and corruption, both during and after a regulator’s term in public office, as corroborated by a number of cross-country analyses and case studies (Brezis and Cariolle 2014).

Compensation and benefits

Low salaries and corruption

In many developing countries, public service wages have declined rapidly over the past two decades. Due to a lack of resources and as a consequence of fiscal adjustment policies in stabilisation programmes, public service salaries and conditions have fallen far behind the private sector, with a trend of growing differentials between public and private sector wages (Chêne 2009). There is a broad consensus that low salaries and weak monitoring systems are breeding grounds for corruption, as underpaid staff develop individual coping strategies to top up their income, with activities such as teaching, consulting for development agencies, operating private businesses, moonlighting in the private sector or benefiting from generous systems of donor funded per diems and allowances.

Corruption can also be a coping strategy to compensate for economic hardship, with underpaid officials demanding bribes or informal payments for services that are supposed to be free of charge, or misusing public resources for private gain. In such a context, there is greater public tolerance for “need-based” forms of corruption, when civil servants wages are below the living standards or perceived as unfair in comparison to private sector salaries.

Declining wages and purchasing power also makes it difficult for the public sector to attract and retain honest, qualified and motivated staff, resulting in draining highly qualified staff away from government and into the private sector, which offers better pay incentives and career opportunities.

High salaries and corruption

In theory, higher salaries may reduce incentives for “need-based” forms of corruption. They also may make corruption more costly, as corrupt
In addition, public officials taking additional responsibilities outside their official duties face additional risks of being exposed to conflicts of interest, whether running private businesses or consulting for international organisations.

**Absenteism and other malpractices**

Underpaid staff is likely to spend a considerable amount of time off work due to rent-seeking activities or coping strategies to compensate for low salaries, reducing public sector productivity and undermining the quality of public services. For example, a 2010 World Bank study highlighted various types of non-monetary malpractice of frontline providers (teachers, doctors, inspectors, and other government representatives), referred to as “quiet corruption”, and their impact on the quantity and quality of public services. Such behaviours include high rates of absenteism and hard-to-observe deviations from expected conduct, such as a lower level of effort than expected or the deliberate bending of rules or misuse of public supplies, equipment and resources for personal advantage.

For example, findings revealed that primary school teachers in a number of African countries are not in school 15% to 25% of the time (absenteeism), while a considerable fraction of those in school are not found teaching (low effort). Similarly, health care personnel spend a considerable amount of official time on a second job, generally in the private health care sector, or in teaching or other activities such as farming. Besides openly admitting to requiring extra-legal user fees for services and selling drugs to their clients, health workers also declare that their greatest source of income is agriculture, implicitly acknowledging their high rate of absenteeism. A comparison of working hours declared with observed working durations over the course of a month revealed that effective hours worked are in most cases one-third or less than what is declared (World Bank 2010).

**Ghost workers**

The problem of ghost workers is a common challenge in many developing countries. A ghost worker can be a real person who knowingly or not is placed on the payroll, or a fictitious person intentionally placed on the payroll by a dishonest employee who typically pockets the wages paid to the ghost worker.
In Ghana for example, the European Union has made the provision of budget support conditional on the removal of ghost workers from the public sector payroll (Euractiv 2014). In Nigeria, the ministry of defence discovered 24,000 forged names on its payroll in 2004, while a personnel screening exercise revealed in the same year an extra 40,000 names in the government’s official records. The Federal Ministry of Information and National Orientation found 60% of its staff to be under-qualified or ghost workers. Lack of transparency and accountability allowed anyone with connections to the government to get their name on the public dole and collect a salary. This situation is exacerbated by the fact that local government offices gain a larger share of Nigeria’s oil resources for higher numbers of workers. Politicians reportedly place migrant workers on the government payroll and register them to vote in return for their vote. In some instances, government officials have also collected deceased workers’ pensions (Iledia 2012; Springer 2012).

Theft of salaries
Money allocated to pay civil servants’ salaries can be siphoned off. In Afghanistan, for example, which still has little financial infrastructure in place and largely remains a cash economy, salary payments made in cash can be easily stolen before reaching their intended beneficiaries. An experiment by the National Afghan Police revealed that at least 10% of its salary payments had been going to ghost police officers who did not exist, while middlemen in the police hierarchy were pocketing the difference (Rice and Filippelli 2010).

Training
Attending workshop and conferences, especially funded by donor agencies, can open new career opportunities for public sector staff, fuelling the risk of favouritism and patronage in the selection of beneficiaries of capacity building interventions. In particular, generous donor per diem schemes may distort incentives to attend donor funded meetings or trainings rather than staying at the job. The practice of providing “sitting allowance” makes such events very attractive to higher-ranking officials, although lower staff that would benefit more from the intervention (Vian et al. 2011; Chene 2009).

2. Anti-corruption practices in HR management
Beyond developing an integrity management system centred on core integrity instruments, such as ethics codes, conflict of interest policies and whistle-blowing arrangements, preventing corruption in HR management processes involves the formulation of good and merit-based HR and recruitment policies, transparent and attractive pay packages and internal controls.

Meritocracy

Merit-based recruitment and promotion
There is a broad consensus that promotion and recruitment to the civil service should be based on merit, not political or family connections, with the view to making public administration more professional and efficient. However, there is no consensus on the definition of “merit” and the best tools to assess the concept of “merit”. It is important to precisely define “merit” in terms of knowledge and skills. If merit is vaguely defined in broad terms, such as “able to do the job”, many candidates may be adequate and the ambiguity may be misused to favour relatives or political supporters to the detriment of other outstanding candidates (McCourt 1999; Poocharoen and Brillantes 2013). In many countries, building merit-based civil service systems often includes basic university degree requirements and/or a central open examination competition – with a single agency administering the exams – for entry level, stable employment, performance-based evaluations, and competitive salary structures. However, having entry exams does not necessarily translate into employees feeling that meritocracy is practiced. For example, in South Korea and Taiwan, while there are stringent exams for entering civil service, only 35% of a survey’s respondents agreed that merit principles are used in actual hiring processes (Poocharoen and Brillantes 2013).

Entry-level exams are not the only tool to ensure merit-based recruitment and must be accompanied by other selection tools. In the Philippines, for example, recruitment criteria are shifting from requiring minimum levels of education, training and work experience to include value dimensions, such as integrity, honesty and work ethics. As qualifications are only to a limited extent correlated to job performance, some countries such as the US put more emphasis on
work experience than on written exams, reflecting a selection process based on interviews, allowing selection to be based on a combination of competencies (Poocharoen and Brillantes 2013).

Irrespective on the selection process, appointment policy should include a number of steps: 1) a job analysis/description; 2) an advertisement to eligible groups; 3) a standard application process; 4) a scoring scheme; 5) a shortlisting procedure; 6) a final selection procedure; 7) an appointment procedure; and 8) notification of results to successful and unsuccessful candidates. Institutional arrangements should be considered to separate the administrative sphere from the political sphere in a way that protect appointments from any form of undue political interference (McCourt 1999).

**Merit-based appraisal systems and performance management**

Similarly, performance management should be transparent and based on clear and objective criteria, to limit the managers’ discretion. While performance may be taken into account in setting pay, or bonus levels, they must be based on actual performance, objectively assessed, and properly documented (Whitton 2001).

At service delivery level, performance management may involve regular monitoring of staff attendance, especially in countries with high levels of absenteeism. In some countries, such as Kenya and Uganda for example, direct observation of teacher attendance has been used, relying on unannounced visits to address absenteeism (World Bank 2010).

The Philippines has set up a performance management system that links up individual performance with organisational performance, as a way to create a rating system that can assess individual performance for better decisions on tenure, promotion and rewards (Poocharoen and Brillantes 2013).

An institution that wishes to set clear ethical standards can also use appraisal systems to reinforce its strong stance against corruption, by integrating ethical behaviour indicators into the performance review process. Such indicators are typically sector specific and need to be consistent with the organisation’s set of values and policies, as reflected in a guide for building workplace integrity developed by Australian’s Office for Police Integrity (Office of Police Integrity 2009).

**Contract management**

Employment contracts can introduce an anti-corruption clause and require the employees to abide by the agency’s code of conduct (see below) and the country’s anti-corruption legislation.

**Compensation management**

**Combining adequate salaries with effective internal controls**

While public sector salaries should reflect the cost of living wages, other factors, such as the expected gain for corruption, the risks of losing one’s job, the probability of being detected and the levels of sanctions enforced if caught, are important as well (Savedoff 2008). Hence, it is important to combine wage policies with measures aimed at increasing the risk of detection and punishment through strengthening monitoring, internal controls and enforcement, and establishing proportionate and dissuasive sanctions.

In Nigeria, as part of public sector reform, government pay scales have been reviewed, with an increase of public sector wages by 15% in 2007, with further upward revisions made dependant on the implementation of further public sector reforms, including downsizing, rationalising, redundancy packages, etc. Various benefits, such as housing and cars, were also monetised and consolidated with basic salaries to avoid the abuse of open-end privileges and entitlements. As a result of the monetisation of allowances and downsizing, the costs of personnel reduced drastically, from 85% of recurrent expenditures in 2002 to 66% in 2006 (Lawanson and Adeyoye 2013).

**Management of allowances, per diems and expenses**

In many countries, there is a need to reform the current regime of allowances and per diems to avoid distorting the incentive system. This can include introducing a transparent and accountable system for the payment of monetary incentives, harmonising donor and government monetary incentive regimes, discontinuing the payment of “attendance” or “sitting” allowances at workshops and training events, limiting the payment of per diems to cover actual expenses, and introducing standardised government rates (Siddiqi et al. 2004).
It may also be advisable to develop clear guidelines and policies for claiming expenses (e.g. economic travel, accommodation, hiring taxis rather than public transport, etc.) to avoid unwarranted costs being charged to the institution and promote ethical conduct in dealing with work related expenses.

**Payroll and record management**

Depending on the context, effective pay management systems need to be in place to eliminate ghost workers or leakages of salary related financial flows.

In Nigeria, verifications exercises have been conducted to update personnel records and payroll data. Payroll computerisation has been used to address widespread incidences of “ghost workers” and its impact on inflated wage bills (Lawanson and Adeyoye 2013). In Afghanistan, which, as already mentioned is a cash-based economy, the Afghan National Police tested paying salaries via mobile phones instead of cash in 2009, using a text and interactive voice response system. Most police officers assumed that they had been given a significant raise in salary, while there were simply receiving their full pay for the first time (Rice and Filippelli 2010).

Effective information management systems can contribute to identify vulnerabilities and detect fraud, corruption and other forms of malpractices in HR management processes and beyond. In Sierra Leone, for example, no credible data existed regarding the number of schools, teachers and pupils in 2006, and the teachers’ payroll was believed to be seriously inflated. An Education Management Information System (EMIS) was introduced with the potential to highlight malpractices related to anything from local record keeping, teachers’ salaries, building new schools and educational indicators. Properly implemented, such systems have the potential not only to effectively manage the financial aspect of the teachers’ payroll by reconciling the number of salaries paid in a specific month with the number of salaried teachers in the EMIS, but also to support the proper management and administration of school resources and teaching and learning materials (Hamminger 2008).

**Discipline and internal integrity management systems**

The civil service also needs to raise professional and ethical standards through credible internal integrity management systems, including the adoption and implementation of effective codes of ethics, ethical training, whistle-blowing protection and complaints mechanisms.

**Codes of conduct**

Organisational leaders need to commit to high standards of integrity, set the tone from the top and lead by example. At the organisational level, this can trickle down through the adoption and implementation of a code of conduct for public servants (Whitton 2009). Codes of conduct provide guidance for employees when they are confronted with specific situations and ethical dilemmas, and offer a clear, concise frame of reference for an institution’s ethical principles in a single document, with clear standards and sets of penalties for civil servants found to be in violation.

They can cover a wide range of issues and policies relevant to public sector integrity, such as: accountability to the agency’s stakeholders through regular reporting, financial transparency, sound financial management and accounting, receiving gifts, entertainment and hospitality; regulation of treatment of friends and relatives; prohibition and/or disclosure; outside and post-employment; conflicts of interest; disclosure of information and transparency standards; confidentiality/misuse of information gained in the course of duties; use of public property (vehicles, equipment, materials, etc.) for personal convenience or profit; political activity; establishment of complaints procedures towards internal and external audiences to facilitate the reporting of wrongdoing; and protection of whistle-blowers. Although emphasising punishment can be detrimental to building an ethical organisational culture, processes for managing breaches of the code and adequate disciplinary measures and appeals need to be established.

For example, the Council of Europe (2000) has approved a model code of conduct for public (non-elected) officials, which covers the general issues that are normally thought to be necessary, including general principles, conflicts of interest and reporting requirements, political activity, gifts, reaction to improper offers, duties on leaving public service.
Ethical training
As part of induction training, civil servants should also be taught on the institution's code of ethics. A commitment to training staff on a regular basis in the full range of ethics related issues also belongs to an internal integrity management system, to raise awareness of key integrity challenges and build civil servants' ability to identify and manage improper conduct.

Whistle-blowing protection and complaints mechanisms
Establishing an effective complaints mechanism to allow citizens and staff to report suspicion of misconduct is also an important element of an integrity management system, with fair and transparent processes to investigate and sanction misconduct. Monitoring its use to identify vulnerability areas as well as periodic reporting may contribute to raising awareness of expected behaviour standards across the organisation. Adequate whistle-blowing protection also needs to be in place to ensure that civil servants can report allegations of corruption without fear of retaliation.

In particular, complaint mechanisms can ensure that the principle of merit-based appointments and promotion is respected. The Philippines, for example, has a promotion board that addresses concerns and receives complaints and grievances pertaining to merit selection. In Thailand, the Merit System Protection Commission hears appeals involving unfair treatment within the public sector, including unfair dismissal and disciplinary punishments and can receive complaints about supervisors (Poocharoen and Brillantes 2013).

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