

In recent months, the Executive at The University of Western Australia has come under fire for some of their decisions and public behaviours. This was most striking in relation to the announcement made by the Vice Chancellor Paul Johnson, two weeks prior to Christmas (and, perhaps more importantly, prior to any of the consultation legally required by the Enterprise Agreement with Academic staff) of their decision to make 300 staff members (200 professional staff and 100 academic staff) redundant. This is the so-called 'renewal project'.

In a student protest on campus on the 2 March, the Vice Chancellor Paul Johnson was presented with an outsize, faux cheque depicting his salary of \$959,000, plus expenses and bonuses. In the previous week, the Post Newspaper (27/2) ran an article about the Pro-Vice Chancellor (Education Innovation) Gilly Salmon. Apparently, she posted to facebook a 'selfie' enjoying a drink in the Business Class bar of the luxurious Emirates A380, en route to Perth from Germany, at the same time as the plan to sack 300 staff members was announced.

Should we be outraged (or even mildly disturbed) by any of this? If the answer is yes, why?

Here are some reasons. I'll start with the question of how we might evaluate the actions of Professor Salmon, and then go on to look at the question of university executive salaries, with specific reference to the UWA Vice Chancellor's million-dollar pay packet. Keep in mind that, at UWA, the Executive is comprised of a Vice Chancellor, four Deputy Vice Chancellors, and four Pro Vice Chancellors, all of whom receive salaries in a similar range.

The short answer on Gilly Salmon is that her actions are inappropriate. Why? For several reasons. Most obviously, posting that selfie can be seen as braggy. Of course, facebook is a forum where bragging is hardly out of place. However, bragging about the (unnecessary?) luxury you are enjoying while occupying a senior leadership role in an, at least partially, tax-payer funded institution, at the same time as that institution is claiming to be so far in deficit that it needs to dispense with 300 staff members, is an act that can also be seen as callow, self-indulgent, unprofessional and, simply, crass.

What about travelling business class at all? Well, finding a problem with that seems is more difficult. Who would resent a Pro-Vice Chancellor travelling Business Class on a long haul flight in the service of their University? And if one happens to be in Business Class, why not avail oneself of the pleasures of the A380 Exclusive Business and First Class Onboard Lounge to, in the words of the airline, "take a break, stretch your legs and meet some of the most interesting people on the planet make new friends as you delve into a selection of canapés and sip a refreshing cocktail". Surely there has to be some advantage of being a member of the Executive, apart from the substantial salary?

Which brings me to these substantial salaries of university executives. Two questions: are the salaries appropriate at all, and are they appropriate when the university is declaring an 'underlying deficit' that requires it to cut 300 staff members?

In several of the meetings with staff to discuss the 'renewal project' the Vice Chancellor has been challenged about the size of his salary. Taken aback and unable to answer on a couple of occasions, the Vice Chancellor has now pointed out that getting rid of his salary would free up only enough money to keep the university going for two hours. Hardly worth worrying about. But, if cogent, the same line of reasoning could be used by every individual staff member facing redundancy to even greater effect, because their salary would free up only enough money to keep the university going for [N-number<2] of hours.

Looking at it from another perspective, if the Vice Chancellor's annual salary was reduced by, say approximately half, the university could continue to employ approximately five Level B Academics each year. The Vice Chancellor would still be earning around half a million dollars plus bonuses and expenses, which in most people's language is a rather generous amount.

But what about the old saying, "you pay peanuts, you get monkeys"? If the Vice Chancellor's annual salary was reduced to somewhere around the \$500,000 mark it would still be commensurate with, for instance, the \$507,338 salary of Prime Minister Malcolm Turnbull, about \$50,000 more than, for instance, the Chief Operating Officer of the WaterCorp, and still nearly three times that of a Level E (the highest) Professor at UWA. Compare this with the annual remuneration of the CEO of BHP which in 2014 was around \$8 million (\$2 million of which was salary and the rest bonuses) but which dropped to around \$4 million in 2015, after major shareholder losses and the death of five workers. But BHP, unlike the Watercorp and the Federal Government, is a multi-billion dollar (approx \$70 billion, in 2014) multinational mining company whose main object is to return profits to its shareholders.

The question that arises here is whether a university Vice Chancellor is more like the CEO of a multinational corporation or more like a high-ranking public servant. The answer to that question might depend on your perspective.

From the perspective of the academic and general staff, the students, and the community it serves, an Australian university is a publicly funded institution of higher learning and research. It would not be unfair or unrealistic for the Western Australian public to expect that The University of Western Australia, established by the Western Australian Government in 1911, for the express benefit of the people of Western Australia, should have as its primary function the education of its students, the granting of academic degrees, both undergraduate and postgraduate, and the undertaking of research, both basic and applied. One might expect its primary mission be to do those things to a world-class standard. From this perspective, the Vice Chancellor is the principal academic administrator of a community of scholars and teachers, established and funded by the state and its tax paying constituents.

From the perspective of the Executive of UWA, the university is a corporation. For instance, in a recent document submitted to the State Government's Economic and Industry Standing Committee the university described itself as a

“billion dollar a year innovation business”, as an active member of the Chamber of Commerce and Industry pursuing an industry engagement strategy that will “strengthen its path to impact and allied commercial return on investment”. In the restructure planned as part of the “renewal project”, the Executive intends to create of four large Faculties, which they have referred to as “profit centres”. Nowadays, a large and increasing proportion of University turnover is derived from non-government sources, such as the now deregulated full-fee paying international student market and industry research partnerships, so there is some sense in which the role of the University executive has moved away from academic administration towards business administration. That is, in some ways the role of Vice Chancellor has become one of Chief Executive Officer.

However, the CEO of a corporation, whose bonuses are often paid in stock options and depend on performance, shoulders a significant risk in taking on the job, unlike a Vice Chancellor, who has no ‘skin in the game’ and whose salary is guaranteed regardless of profit, loss, or damage to the institution’s reputation. An upshot of this lack of personal investment required of a Vice Chancellor is that it allows, and in fact encourages, careerism and short-term decision making of the most irresponsible sort. At the very same time as he or she is undertaking some high profile restructure that might, like the one at UWA, result in numerous job losses, a Vice Chancellor, or Deputy Vice Chancellor, could be putting their resume in for positions at other institutions (and members of the UWA Executive are doing this). A Vice Chancellor may institute enormous changes and then depart mid-way through their implementation, evading any responsibility for the long-term consequences of those changes.

So, it looks a lot like there are reasons to think the Vice Chancellor is like a high-ranking public servant and reasons to think he is like the CEO of a profit-making corporation. But what does this tell us about executive salaries at UWA, in particular that of the Vice Chancellor. Well, if the Vice Chancellor is like a high-ranking public servant, with similar responsibilities as, say, the Prime Minister (I jest!) then his remuneration package should be similar. If the Vice Chancellor is like the CEO of a corporation, then his remuneration package should be commensurate with that of a corporate CEO, but relative to the size of the corporation (recall BHP approximately a \$70 billion company, and UWA self described as a \$1 billion per annum innovation business). At a guess, responsibility for a corporation of this size might justify a salary of about \$500,000 perhaps with bonuses of the same amount if a significant surplus is achieved. It seems like, whichever way you look at it, the current salary of the Vice Chancellor of UWA is approximately twice as large as is justified by the nature of the job, and the nature of the institution or business.

In defense of the current salaries, one might respond to my line of argument by saying that UWA executive salaries are benchmarked against the executive salaries at similar universities across Australia and that, were the salaries of executives at UWA reduced, UWA would not be competitive in attracting applicants with the talents and attributes required of a Vice Chancellor of a ‘Group of Eight’ university. A cheeky riposte might be that even with a nearly \$1 million salary, UWA hasn’t been able to. But a more nuanced response has two

aspects. The first is that the argument I have made here could be applied to university executives across the country. Why are Australian universities crying poor when our tax dollars are being spent on overblown executive salaries that are often more than double the salary of the Prime Minister? This situation demands investigation. The second aspect of my response may go part way to explaining why executive salaries have become so overblown. A salary is benchmarked against that of other similar universities and, if it is found to be below the average, it is increased (strangely, the opposite never seems to occur). Increasing the salary of one Vice Chancellor to the average, or slightly above, immediately raises the average, and then other university senates have to respond by increasing the salary of their executives to be commensurate with the newly benchmarked figures. Benchmarking, a process that is, when carelessly applied, the enemy of true innovation, and one that's understandably popular among Australian university executives, creates, in the case of executive salaries, a 'race to the top'.

Does this matter? I think it does matter. When, on the one hand, a Vice Chancellor is telling his staff that approximately 300 jobs must go in order to improve the budget position of the university by \$40 million a year, even though in public documents UWA has posted an operating surplus every year from 2010 to 2014, totaling \$419 million, and, on the other hand, he is taking home a salary that could, if halved, save at least five of those jobs, and still be commensurate with the salary earned by the Prime Minister of Australia, something has gone very wrong. Approximately 300 Western Australians are slated to lose their jobs, a hundred of them with skills that would likely require them to leave the state or country to gain re-employment in their field. Meanwhile, Universities across Australia, UWA not least of all, are crying poor to the Federal Government; the quality of tertiary education is in decline with staff/student ratios rapidly increasing and small group, face to face teaching becoming increasingly rare; and students are graduating with substantial personal debts, many with no guarantee of employment in their field. I repeat, I think it does matter.

I have a suggestion. When a leader has to cause pain to the members of the organisation he or she leads, that leader has a moral responsibility to share some of the pain. Doing so may not alleviate the need to, in this instance, cause some redundancies, but it would certainly make the staff feel as if they were 'all in it together'. How about the Executive of The University of Western Australia, before implementing a decision to sack 300 staff members, in order to save money on salaries, have a good hard look at their own salaries, and see what cost saving could be made there? Now, that would be an example of leadership.

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