

Public sector incentives

I gave another version of my Trafalgar talk this year, close to the anniversary of the battle. One of the reasons I am interested in it is that it was a moment when the UK public sector in the form of the English Navy excelled itself. It did so to such an extent that Nelson's flagship is still a commissioned vessel of the modern navy sitting in dry dock at Portsmouth. 200 years on from the battle its strategy and tactics are still analysed by modern naval experts and officers.

The task before Nelson, the other officers and men was formidable. They had to engage a large enemy fleet with little wind to drive them to battle. The enemy allies had 25% more fire power and 22% more battleships than the English force. Confidence, skilled seamanship, faster gunnery and better tactics helped secure them a remarkable victory, with 17 battleships captured, one blown up and four more captured a little later after they fled the battle. It was an important victory at a time when the UK was under severe threat of invasion. All Napoleon wanted his Admirals to do was to hold the English Channel for long enough to get the troop barges across, but they failed to get anywhere near to do the job. Trafalgar set them back again and turned out to be the end of serious invasion threat, though Napoleon did rebuild his navy and did threaten in other ways as the war wore on.

Accounts of how and why they succeeded include mention of several advantages which I will not dwell on here. One feature which gets less mention is that the public sector Navy encouraged a very entrepreneurial and individual approach to leadership. Whilst Captains were paid state employees on a reasonable salary, and whilst their ships were supplied and victualled by the Navy, the Navy also agreed to pay Captains and crews prize money for any captured ship. This included the money realised from the sale of any cargo or effects on the ship as well as the value of any warship to the Navy. Captains could plan to get rich if they gained a command that allowed substantial raiding of enemy commerce, and would do well out of a successful battle if they captured and returned enemy ships for use in the Royal Navy. Captains could use some of their own money to enhance the ship and its cargo if they wished. They had flexibility over who joined the crew and how they carried out their orders for a voyage or mission. Crews liked working for Captains who had the Midas touch.

Captains could often be relieved of command and put on half pay, waiting for some suitable new opportunity. It meant there was a keen determination to excel, both to be offered the better and more profitable commands, and to ensure success when opportunity came to take a prize. Some experienced and distinguished Captains wanted to stay as Frigate Captains as these ships were more regularly used as state privateers against enemy commerce. The victors of Trafalgar were given additional prize style money by Parliamentary grant, as a grateful nation was aware that all too many of their captured prizes were lost in the storm which followed the battle.

It would not be right to re enact the same incentives naval public sector personnel enjoyed in the 1800s to the modern public sector, but it does remind us that personal incentive can lead to innovation, daring and success.

There are acceptable ways of reward which can stimulate innovation and sensible risk taking. In this respect the navy of Nelson had much more in common with the first Elizabethans who plundered Spanish commerce from the New World, than with our own second Elizabethan Age.