27. Compensation of senior management in central government

Due to their smaller numbers, the total compensation costs of senior management are relatively insignificant in the context of total government spending. Nevertheless, their levels of compensation are considered crucial for attracting and keeping talent for positions with high levels of responsibility in government. Compensation in these positions has an important symbolic value as they are usually at the top salary scales, and concern staff whose appointment tends to be more discretionary (see Indicators 17 and 18).

The compensation of the two highest levels of senior managers (excluding the political level) are shown. D1 managers are top public servants below the Minister or Secretary of State, and D2 are usually just below D1 (see Annex D for details). The data are adjusted for holidays but not for hours worked per week, since senior managers are formally or informally expected to work longer hours during the week than the rest of the civil service.

Data suggest that the yearly compensation of senior managers varies significantly across countries and between D1 and D2 Levels. On average, D1 Level senior managers' total compensation in responding countries amounts to just under USD 230 000 PPP (fully adjusted for employers' social contributions and holidays), and to about USD 162 000 PPP in wages and salaries. D2 Level managers' total compensation nearly reaches USD 180 000 PPP (fully adjusted for employers social contributions and holidays), and to USD 127 000 PPP in wages and salaries.

The survey shows that top managers (D1 Level) in Australia, Italy, New Zealand and the United Kingdom have significantly higher compensation than their counterparts in other OECD member countries. Senior managers in Estonia, Iceland and Slovenia, on the other hand, earn significantly below those of other OECD countries. Countries such as Australia, Belgium, Chile, Ireland, New Zealand and the United Kingdom seem to invest proportionately more than other countries in the compensation of their top management level (D1) compared to the immediate level below (D2).

Differences in compensation levels across countries can be a result of differences in national labour markets, in particular the remuneration in the private sector for comparable positions. They can also indicate different organisational structures in countries (*e.g.* Sweden has a flat government with numerous D1s) and different levels of seniority in similar occupations.

Data also show that countries differ in the way they organise the structure of the compensation of government employees, through relatively more or less employers' social contributions compared to wages and salaries. Sweden, Italy, the United States, Hungary and Estonia have the highest share of employers' social contributions in total compensation, and Ireland, Korea, and New Zealand have the lowest.

Methodology and definitions

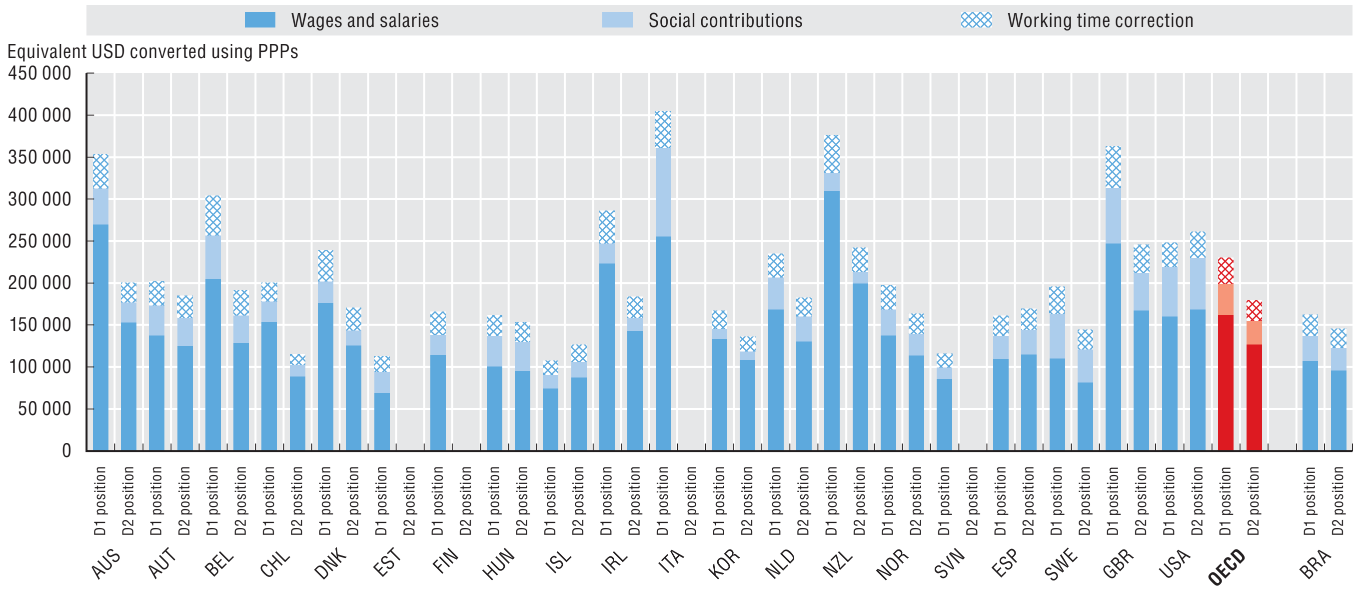
Data refer to 2009 and were collected by the 2010 OECD Survey on the Compensation of Employees in Central/Federal Governments. Officials from central Ministries and Agencies responded to the survey through the OECD Public Employment and Management Working Party.

Total compensation includes wages and salaries, employers' social contributions to statutory social security schemes or privately funded social insurance schemes, as well as unfunded employee social benefits paid by the employer, including pension payments paid through the state budget rather than through employer social contributions (mostly for some pay-as-you-go systems). The focus on total compensation allows a comparison of the degree with which governments remunerate their employees via social contributions or via higher wages and salaries. Compensation was converted to USD using PPPs for GDP from the *OECD National Accounts Database*. Working time adjustment compensates for differences in time worked (various holidays for senior managers). A larger working time adjustment generally means that employees work fewer hours and/or days per year. In most cases data are for six central government Ministries/Departments only (Interior, Finance, Justice, Education, Health and Environment or their equivalents). Positions are based on the International Standard Classification of Occupations (ISCO). The main limitations of the data are the less-than-full comparability of occupations across countries, the way countries have interpreted the definition of the positions, and some lack of clarity regarding the level of social contributions and the differing costs of living across countries in capital cities.

Compensation levels are calculated by averaging the compensation of the staff in place. (It is not the middle point between the minimum and maximum salary.) This may explain higher averages in D2 compared to D1 positions in some countries, while in others these differences may come from the more tightly regulated remuneration for D1 positions that tend to include more politically appointed staff. See Annex D for the full methodology.

27.1 Average annual compensation of central government senior managers (2009)

Adjusted for differences in holidays



Notes: Compensation data for D2 positions are missing or mixed with D1 positions in Estonia, Finland, Italy and Slovenia. **Austria:** Value is median rather than average. **Brazil:** Source of social contribution: IBGE, source of PPP: World Bank. Data include career salary +60% of *Direção e Assessoramento Superiores*. **Chile:** Data exclude bonuses for critical functions. This affects cross-country comparisons by one to two percentage points depending on the occupational group but may be much higher for top ranking positions. **Ireland:** Data take into account the decrease in salaries following the *Financial Emergency Measures in the Public Interest Act 2009*. Social contribution rates are for staff hired after 1995 and exclude unfunded pension schemes through the pay-as-you-go system. **Italy:** Public managers' compensation is comprehensive in that it rewards "all functions, tasks, and assignments performed in relation to their office" and also includes social contributions paid by the manager (11% of gross salary). The government introduced cuts in 2011 to the wages of all public managers with a total gross remuneration above EUR 90 000. Reductions amount to 5% for the share of gross remuneration between EUR 90 000 and EUR 150 000, and 10% for the part exceeding EUR 150 000. **Korea:** Civil servants are entitled to 3-21 days of annual leave per year depending on the length of service. **New Zealand:** Data do not include all social payments including sick leave and other unfunded leave payments made by the employers. The D1 and D2 managers' compensation of the particular organisations surveyed are among the highest of all the New Zealand public service departments. **Spain:** Data are from 2009 and a major reduction in compensation in May 2010 is not reflected. **The United Kingdom:** Data exclude additional payments. Please see Annex D for additional notes.

Data are not available for the Czech Republic, France, Germany, Greece, Israel, Japan, Luxembourg, Mexico, Poland, Portugal, the Slovak Republic, Switzerland and Turkey. Canada withdrew its data.

Source: 2010 OECD Survey on the Compensation of Employees in Central/Federal Governments, *OECD STAN Database*.

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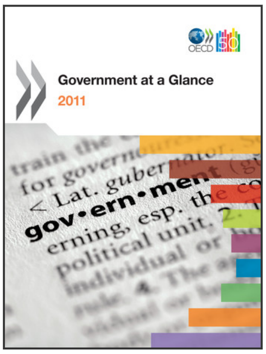

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