

## ANNEX C

## Composite Indexes for HRM, Budget Practices and Regulatory Management

The narrowly defined composite indexes presented in *Government at a Glance* represent the best way of summarising discrete, qualitative information on key aspects of public management practices, such as the type of HRM system or flexibility in budgeting practices. “Composite indexes are much easier to interpret than trying to find a common trend in many separate indicators” (Nardo *et al.*, 2004). However, their development and use can be controversial. These indexes are easily and often misinterpreted by users due to a lack of transparency as to how they are generated and the resulting difficulty to truly unpack what they are actually measuring.

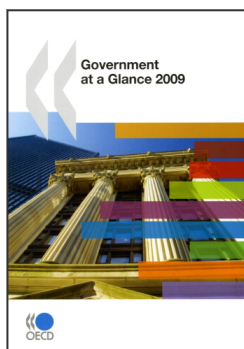
The OECD has taken several steps to avoid and address the common problems associated with composite indexes. The composites presented in this publication adhere to the steps identified in the *Handbook on Constructing Composite Indicators* (Nardo *et al.*, 2008) that are necessary for the meaningful construction of composite or synthetic indexes:

- Each composite index is based on a theoretical framework representing an agreed upon concept in the area it covers. The variables comprising the indexes were selected based on their relevance to the concept by a group of experts within the OECD and in consultation with country delegates to the relevant working parties.
- Various statistical tools – such as factor analysis and the computation of Cronbach's alpha – were employed to establish that the variables comprising each index are correlated and represent the same underlying concept.
- Different methods for imputing missing values have been explored.
- All sub-indicators and variables were normalised for comparability.
- To build the composites, all sub-indicators were aggregated using a linear method according to the accepted methodology.
- Sensitivity analysis was carried out in order to establish the robustness of the indicators to different weighting options (*e.g.* equal weighting, factor weights and expert weights).

The indexes do not purport to measure the overall quality of human resource, regulatory management or budgetary systems. To do so would require a much stronger conceptual foundation and normative assumptions. Rather, the composite indexes presented in *Government at a Glance* are descriptive in nature, and have been given titles to reflect this. The survey questions used to create the indexes are the same across countries and over time, ensuring that the indexes are comparable. Additional details about the

theoretical framework, construction and weighting for each composite are available at: [www.oecd.org/gov/indicators](http://www.oecd.org/gov/indicators), and all of the underlying data are available online. The online portion of this Annex includes graphs showing the sensitivity of the indexes to different weighting schemes, shedding light on any potential bias resulting from the chosen weights.

While the composite indexes were developed in co-operation with member countries and are based on best practices and/or theory, both the variables comprising the composites and their weights are offered for debate and, consequently, may evolve over time.



**From:**  
**Government at a Glance 2009**

**Access the complete publication at:**  
<https://doi.org/10.1787/9789264075061-en>

**Please cite this chapter as:**

OECD (2009), “Composite Indexes for HRM, Budget Practices and Regulatory Management”, in *Government at a Glance 2009*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264061651-38-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to [rights@oecd.org](mailto:rights@oecd.org). Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at [info@copyright.com](mailto:info@copyright.com) or the Centre français d'exploitation du droit de copie (CFC) at [contact@cfcopies.com](mailto:contact@cfcopies.com).