

Chapter 1

Employment Numbers and Compensation Costs: Changes over the Past Ten Years¹

This chapter draws on data gathered in the 2006 OECD survey entitled Comparison of Employment in the Public Domain (CEPD). The CEPD survey aimed at providing data on government employment that are comparable across countries and consistent with the classification of the General Government sector of the Systems of national Accounts, and at putting employment data in the perspectives of the wider production costs of goods and services in the public domain (that include goods and services funded by General Government and produced either by General Government or private entities). The full description of the methodology and of the data is available in a publication issued in 2008 as part of the series of *OECD Working Papers on Public Governance*: “Employment in Government in the Perspective of the Production Costs of Goods and Services in the Public Domain”.

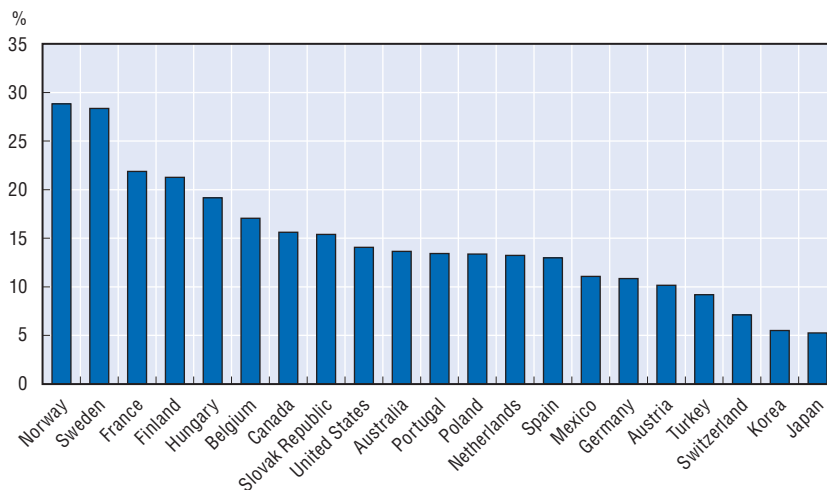
Trends in overall numbers and costs

Employment in government² represents today between 5% and 28% of the workforce in 21 OECD countries (see Figure 1.1). Between 1995 and 2005, the numbers seem to have been relatively stable in countries for which data are available, except in Canada, where there has been a significant decrease in the proportion of staff in the labour force working for government (although, mostly due to stable employment numbers and increases in the labour force).³ In some other countries, there have been large increases in staff numbers, which have taken place in parallel to increases in the labour force. This is the case for example in Australia and Portugal (see Figure 1.2 and Table 1.1).

Except for a few countries, and in particular for the Netherlands and France, employment in public corporations is a relatively minor part of the labour force (see Figure 1.3). Historical data are only rarely available for public corporations although they seem to have evolved quite significantly in recent times in a few countries, with large decreases in Australia, Canada, France and Spain, and some increase in the Netherlands (see Figure 1.4).

In most countries, the changes of the size of government workforce are consistent with the changes of the share of the compensation costs of government employees in the GDP. But in some countries, such as Finland and Spain, increases in the number of persons employed in government as a percentage of the labour force correspond to a decrease of the share of their compensation costs in the economy. Overall the share of the GDP that each

Figure 1.1. **Employment in government as a percentage of the labour force (2005)**



Notes: Data are in number of employees, except for Austria, the Netherlands, Sweden and Switzerland, where they are in full time equivalents. Employment numbers for those countries are thus underestimated.

Austria: Data do not include private non-profit institutions financed by government. Mixed data 2004 and 2005; for 1995, data for social security are missing but are of minor importance as a % of Labour Force (around 26 000 employees).

Belgium: Data are for 2004.

Finland: 2004 and 2005 data have been mixed

France: Data exclude some Public Establishments. Data are for 2004.

Mexico: Data are for 2000.

Poland: Data are for 2004.

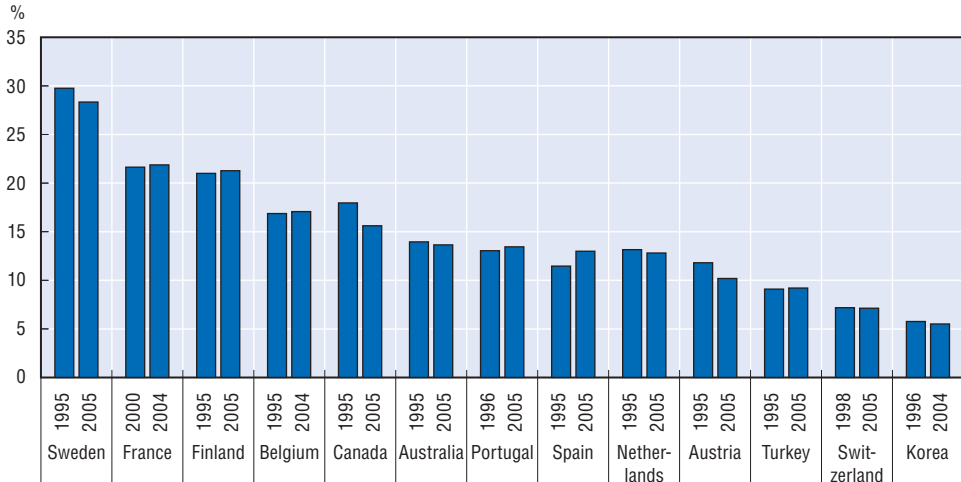
Slovak Republic: Data refer to the ISIC classification assuming that private institutions financed by General Government are of marginal importance. Categories L (public administration, defence, social security) + M (education) + N (health and social work) of the ISIC classification.

Source: CEPD survey and Labour Force Survey, OECD.

government employee costs is lower in 2005 than in 1995. This means that the increases in the GDP have been proportionally less distributed to government employees (both per head and as a group) than to the rest of the economy.

In most countries, the changes affecting the share of compensation costs of government employees in the economy are consistent with the changes of the level of production costs of goods and services in the public domain (that include the costs associated with the production of goods and services funded by government but provided by government and the private sector). This means that the costs of the production of goods and services funded by government increase in parallel with the costs associated with employment in government.

However, this is not necessarily the case in all countries, especially when the costs of producing services are driven by increases in the costs of goods and services funded by government but produced by the private sector. In

Figure 1.2. **Employment in government as a percentage of the labour force in 1995 and 2005**

Notes: Data are in number of employees, except for Austria, the Netherlands, Sweden and Switzerland where they are in full time equivalents. Employment numbers for those countries are thus underestimated.

Austria: Data do not include private non-profit institutions financed by government. Mixed data 2004 and 2005; for 1995, data for social security are missing but are of minor importance as a % of Labour Force (around 26 000 employees).

Belgium: Data are for 2004.

Finland: 2004 and 2005 data have been mixed.

France: Data exclude some Public Establishments. Data are for 2004.

Source: CEPD survey and Labour Force Survey, OECD.

Table 1.1. **Changes in employment in government over the past ten years (in %)**

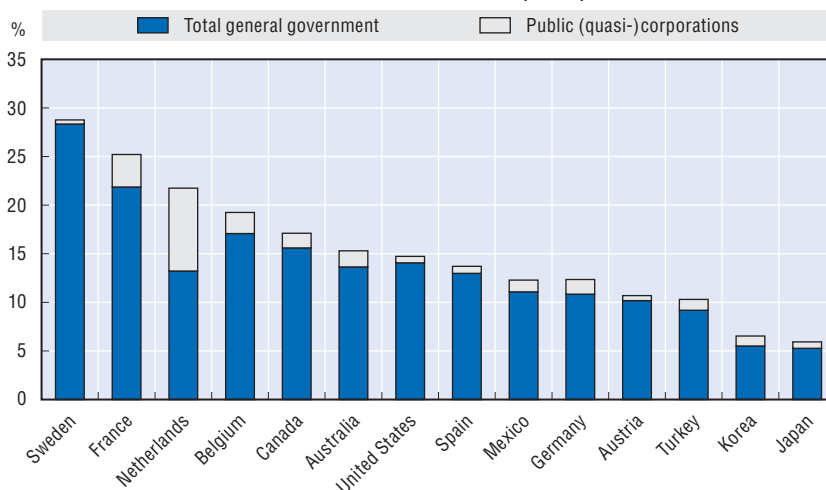
	1995 to 2000	2000 to 2005	1995 to 2005
Australia	0.71	13.46	14.27
Austria	7.20	-16.96	-10.98
Belgium	2.35	5.65	8.13
Canada	-4.84	7.76	2.54
Finland	3.98	2.52	6.61
France	n.a.	4.38	n.a.
Hungary	n.a.	0.81	n.a.
Korea	-0.57	5.83	5.22
Netherlands	4.70	3.52	8.39
Norway	n.a.	3.19	n.a.
Portugal	15.66	4.05	20.34
Sweden	0.14	0.11	0.25
Switzerland	0.68	5.26	5.97
Turkey	4.92	6.05	11.27

n.a.: Not available.

Note: Very large variations can sometimes be explained by institutional reclassification of some organisations. In Austria, the large decrease in staff numbers can at least partially be explained by institutional changes that have affected, among others, employment in universities.

Source: CEPD survey, OECD.

Figure 1.3. **Employment in government and public corporations as a % of the labour force (2005)**



Notes: Data are in number of employees, except for Austria, the Netherlands and Sweden where they are in full time equivalents. Employment numbers for those countries are thus underestimated.

Austria: Data do not include private non-profit institutions financed by government. Data for 2004 and 2005 have been mixed; for 1995, data for social security are missing but are of minor importance as a % of Labour Force (around 26 000 employees). Data for public corporations are partial and only include universities that have been reclassified.

Belgium: Data are for 2004.

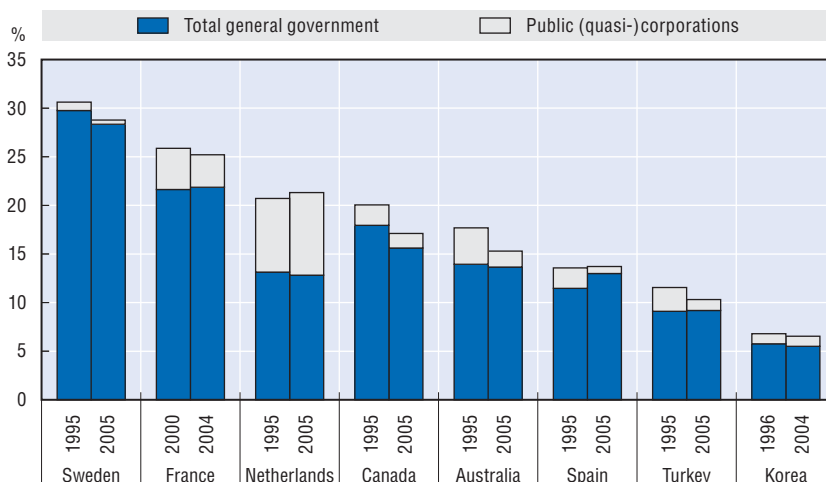
France: Data exclude some Public Establishments. Data are for 2004.

Mexico: Data are for 2000.

Poland: Data are for 2004.

Source: CEPD survey and Labour Force Survey, OECD.

Figure 1.4. **Changes in employment in government and public corporations as a % of the labour force from 1995 to 2005**



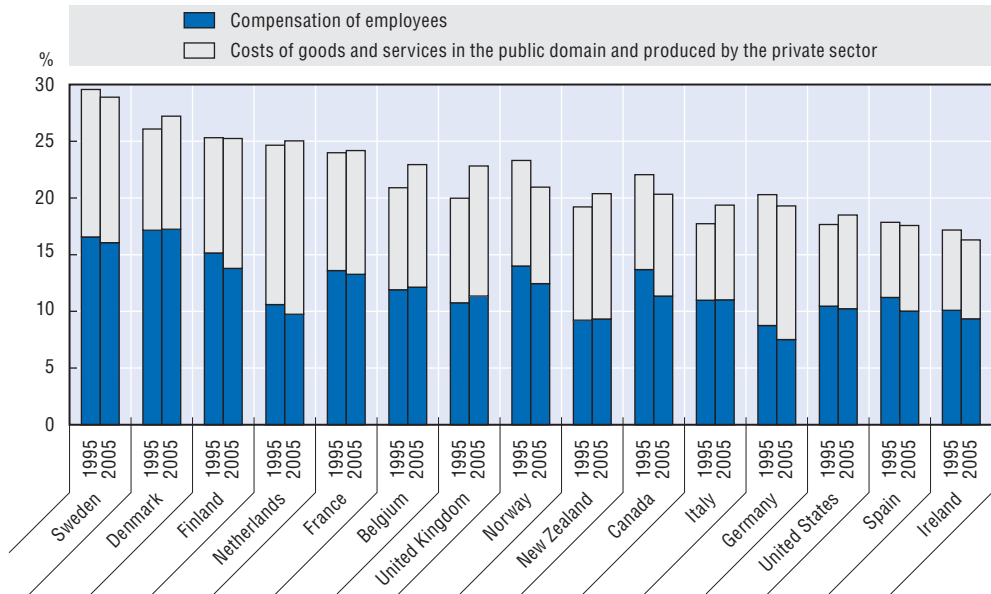
Notes: Data are in number of employees, except for the Netherlands and Sweden where they are in full time equivalents. Employment numbers for those countries are thus underestimated.

France: Data exclude some Public Establishments. Data are for 2004.

Source: CEPD survey and Labour Force Survey, OECD.

Denmark, Italy, New Zealand and the United Kingdom, for example, the compensation costs of government employees in the economy are relatively stable over time as a per cent of GDP, but the costs of goods and services produced by the private sector and funded by government have increased. In other countries, a relative decrease of the share of compensation costs of government employees in the economy has taken place in parallel with an even greater increase in costs associated with the provision of goods and services funded by government but provided by the private sector. This is the case, for example, in France and the Netherlands (see Figure 1.5).

Figure 1.5. **Government expenditures allocated to the production of goods and services in the public domain as a % of GDP, in 1995 and 2005 (ranked in decreasing order by overall level of production costs of goods and services in the public domain in 2005)**



Notes: Comparisons of compensation of employees across countries should be made with caution and refined by taking into account the arrangements for the funding of pensions schemes of government employees. Indeed, in some countries, savings for future pensions are partly or completely taken into account in the compensation of employees (this is the case, for example, in the Netherlands), whereas in other countries, the future liability remains a future liability in the general budget. This creates an important distortion in the comparison of present and future compensation costs of government employees across countries.

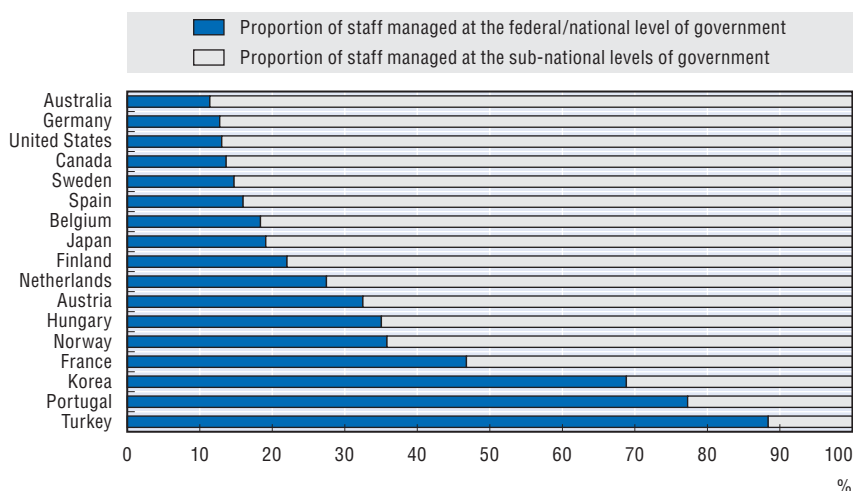
Goods and services funded by government and produced by the private sector include those produced for government consumption (intermediate consumption), and those produced for citizens but funded by government (directly or indirectly).

Source: National Accounts, OECD.

Trends in numbers and costs across levels of government

The proportion of government employees managed at national or sub-national levels of government varies significantly across countries (see Figure 1.6). For countries for which data are available, the proportion seems to have been relatively stable between 1995 and 2005, except in Norway with a relative recentralisation of the management of staff and in Spain with a relative decentralisation of the management of staff (see Figure 1.7).

Figure 1.6. **Employment in government by level of government (2005)**



Notes: Data are in number of employees, except for Austria, the Netherlands and Sweden.

Employment in social security is not taken into account at the national level in Austria, Belgium, Finland, France, Hungary, Japan, Korea, the Netherlands, Spain, Sweden and Turkey. Employment in social security is not taken into account at other levels of government in Australia, Canada, Germany, Norway, Portugal (for 2005), and the United States. This concerns relatively small numbers of staff and thus has only minor consequences on the graph above.

Austria: Data do not include private non-profit institutions financed by government. Data for 2004 and 2005 have been mixed. Data for public corporations are partial and only include universities that have been reclassified.

Belgium: Data are for 2004.

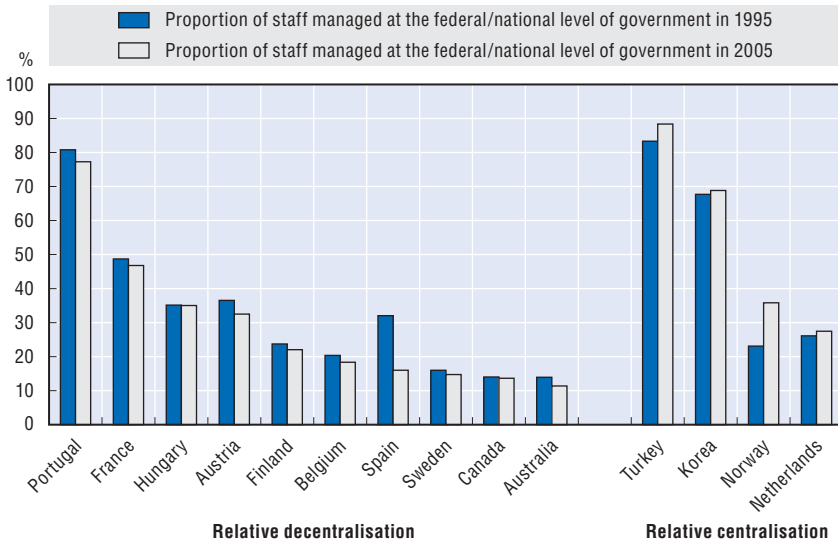
Finland: Data have been mixed for 2004 and 2005.

France: Data exclude some Public Establishments. Data are for 2004.

Korea: Teachers and police officers are included at the national level and account for 75% of the workforce at national government level.

Source: CEPD survey, OECD.

Figure 1.7. **Changes in the number of employees in government at the national/federal level between 1995 and 2005¹ as a proportion of total employment in government**



1. France, Hungary, Norway: 2000 and not 1995.

Source: CEPD survey, OECD.

Notes

1. Data are fully available, along with a description of the methodology used, in Pilichowski and Turkisch (2008).
2. In this chapter, “Government” refers to the “General Government” sector in the SNA. General Government includes core ministries, departments and agencies, non market publicly owned hospitals, public schools, social security organisations, etc. It includes units at all levels of governments including regions, provinces and municipalities.
3. In Austria, the large decrease can at least be partially attributed to institutional changes that have affected employment in universities.

Bibliography

Pilichowski, E. and E. Turkisch (2008), “Employment in Government in the Perspective of the Production Costs of Goods and Services in the Public Domain”, *OECD Working Papers on Public Governance*, No. 8, OECD Publishing, Paris, <http://dx.doi.org/10.1787/245160338300>.

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