

ANNEX D

Methodology and additional notes on compensation of government employees

Compensation plays an important role in both attracting and motivating qualified workers in the public sector. As part of fiscal consolidation efforts in many OECD countries, government employees' compensation is being called into question, involving in some cases decreases in salaries and/or benefits or pay freezes. In 2010, the OECD launched a database, updated in 2012, on compensation levels for typical occupations in central government in core ministries that contributes to a better understanding of the salary structures and pay levels in the public sector. Since there is no common definition of managerial positions and the number of managerial levels varies across countries and ministries, this compensation survey offers a common typology for specific occupations in central government. Comparing average compensation in the public sector can be misleading because the public sector in different countries includes various and heterogeneous occupations. However, this survey provides compensation data for comparable occupations, hence improving our knowledge of the public sector.

The comparison of compensation levels for senior managers, middle managers, professionals and secretaries shows their relative total remuneration across OECD countries, which includes not only wages salaries but also contributions to health and pension benefits. Therefore when comparing compensation levels, we have a more or less full-cost approach that allows for consistent comparisons across countries.

Compensation data are also compared within countries to the average wage paid to tertiary-educated workers, reflecting the relative attractiveness of these professions to others requiring similar levels of education. Comparison must also take into account various levels of economic development in the countries, hence the correction by GDP per capita. However comparison between countries must be made with caution because of different labour markets, different cultural and political consensus, and possible differences in wage defining characteristics even for the same occupational groups across countries, which are not corrected for in this analysis.

Occupations

The survey on Compensation of Employees in Federal/Central Government provides an update to the previous 2010 survey. The data collected through this survey will enable

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

comparative analysis and further work on compensation policies and practices. This survey aims at collecting information on annual compensation of employees for a sample of occupations in central/federal/national government. The purpose is to build a database on compensation levels for typical positions in central government that contributes to a better understanding of the salary structures and pay levels in the public service.

The survey focuses on central/federal government level and excludes states, regional and local levels and social security institutions. The survey excludes all public and quasi-public corporations at all government levels. The survey doesn't cover the subordinated offices/organisations of central government ministries, often referred to as "agencies". It also focuses on employees working full-time, excluding consultants and short-term staff.

The questionnaire collects data for four typical occupational groups in central/federal government: top managers, middle managers, professionals, and secretaries. These occupations are considered relatively representative and comparable across countries. Information for these occupations – except the service occupations – is collected from three core ministries (Interior, Finance and Justice) and three sectoral ministries (Education, Health and Environment). Box D.1 describes the typical responsibilities of the ministries covered in this survey.

Box D.1. **Typical responsibilities of the ministries covered in this survey**

The following description of activities or functions of the ministries covered in this survey was for guidance only. In some countries the name of the ministry may be different or may be even called department or secretariat.

Ministry of Interior/Home Affairs

- Ensures the representation of the State in the entire territory.
- Ensures the respect of citizens' rights in general by universal suffrage.
- Ensures the respect of competencies of local authorities within the framework of devolution.
- Defines immigration policy.
- Establishes and co-ordinates national security policy.
- Ensures the maintenance of a peaceful and safe society.
- Ensures the preservation of internal security and the protection of the constitutional order.

Ministry of Finance

- Plans and prepares government's budget.
- Analyses and designs tax policies.
- Develops and implements regulations for financial institutions.
- Monitors economic and financial developments.
- Administers the transfer of funds from national/central/federal government to sub-national governments.

Ministry of Justice

- Ensures the well functioning of the judiciary system.
- Prepares the text of law and regulations for some specific fields.
- Defines the main orientations of the public policy in terms of justice and looks after its implementation.
- Provides support to the victims of crime.
- Provides fair, consistent, and effective enforcement of punishment and other sanctions.

Box D.1. **Typical responsibilities of the ministries covered in this survey** (cont.)

Ministry of Education

- Regulates, co-ordinates, and organises the national educational system, generally from primary school to secondary or high school.
- Ensures equal access to public education.
- Controls and assesses schools and higher education institutions both private and public.
- Ensures an effective management of the teachers and administrative workforce.

Ministry of Health

- Designs and implements public health policy (prevention, sanitary organisation and formation of professionals).
- Defines the policy relative to sport and for fighting drug addiction.
- In collaboration with other ministries, it defines industrial safety regulations and social security.

Ministry of Environment

- Defines and manages the legislative and regulatory framework related to the protection of the environment and the efficient use of natural resources.
- Certifies the facilities, land uses and industries across the country to ensure that potential risks to environment, human health, safety and property are minimised.

Box D.2 contains the classification and definitions of the occupations covered in this survey and which are considered to be relatively typical in every government. There is a large focus on managers in general as the criteria for considering an official to be a manager is to supervise and lead the work of at least three people. Because it is extremely difficult to provide for more detailed descriptions of responsibilities that differentiate across the different layers of management, the option has been chosen to focus on hierarchical differentiation rather than a more detailed description of functions.

Box D.2. **Classification and definition of occupations**

Top managers

D1 Managers (part of ISCO-08 1112) are top public servants just below the minister or Secretary of State/junior minister. They can be a member of the senior civil service and/or appointed by the government or head of government. They advise government on policy matters, oversee the interpretation and implementation of government policies and, in some countries, have executive powers. D1 managers may be entitled to attend some Cabinet/Council of ministers meetings, but they are not part of the Cabinet/Council of ministers. They provide overall direction and management to the ministry/Secretary of State or a particular administrative area. In countries with a system of autonomous agencies, decentralised powers, flatter organisations and empowered managers. The precise job title can differ across countries.

D2 Managers (part of ISCO-08 11 and 112) are just below D1 managers. They formulate and review the policies and plan, direct, co-ordinate and evaluate the overall activities of the ministry or special directorate/unit with the support of other managers. They may be part of the senior civil service. They provide guidance in the co-ordination and management of the programme of work and leadership to professional teams in different policy areas. They determine the objectives, strategies, and programmes for the particular administrative unit/department under their supervision.

Box D.2. Classification and definition of occupations (cont.)

Middle managers (have managerial responsibilities for at least 3 staff)

D3 Managers (part of ISCO-08 12) are just below D2 managers. They plan, direct and co-ordinate the general functioning of a specific directorate/administrative unit within the ministry with the support of other managers usually within the guidelines established by a board of directors or a governing body. They provide leadership and management to teams of professionals within their particular area. These officials develop and manage the work programme and staff of units, divisions or policy areas. They establish and manage budgets, control expenditure and ensure the efficient use of resources. They monitor and evaluate performance of the different professional teams.

D4 Managers (part of ISCO-08 121) are just below D3 managers. They formulate and administer policy advice, and strategic and financial planning. They establish and direct operational and administrative procedures, and provide advice to senior managers. They control selection, training and performance of staff; prepare budgets and oversee financial operations, control expenditure and ensure the efficient use of resources. They provide leadership to specific professional teams within a unit.

Professionals

Senior economists/policy analysts (part of ISCO-08 242 and 2422) do not have managerial responsibilities (beyond managing 3 staff maximum), and are above the ranks of junior analysts and administrative/secretarial staff. They are usually required to have a university degree. They have some leadership responsibilities over a field of work or various projects, they develop and analyse policies guiding the design, implementation and modification of government operations and programmes. These professionals review existing policies and legislation in order to identify anomalies and out-of-day provisions. They analyse and formulate policy options, prepare briefing papers and recommendations for policy changes. Moreover, they assess the impact, financial implications and political and administrative feasibility of public policies. Staffs in this group have the possibility of becoming a manager through career progression. Their areas of expertise may vary from law, economics, politics, public administration, international relations, to engineering, environment, pedagogy, health economics, etc. Senior policy analysts/economists have at least five years of professional experience.

Junior economists/policy analysts (part of ISCO-08 242 and 2422) are above the ranks of administrative/secretarial staff. They are usually required to have a university degree. They have no leadership responsibilities. They develop and analyse policies guiding the design, implementation and modification of government operations and programmes. These professionals review existing policies and legislation in order to identify anomalies and out-of-day provisions. They analyse and formulate policy options, prepare briefing papers and recommendations for policy changes. Moreover, they assess the impact, financial implications and political and administrative feasibility of public policies. Their areas of expertise may vary from law, economics, politics, public administration, international relations, to engineering, environment, pedagogy, health economics, etc. Junior policy analysts/economists have less than five years of professional experience.

Secretarial positions

Secretaries (general office clerks) (part of ISCO-08 411 and 4110) are generally not required to have a university degree although many do. They perform a wide range of clerical and administrative tasks in connection with money-handling operations, travel arrangements, requests for information, and appointments. They record, prepare, sort, classify and fill information; sort, open and send mail; prepare reports and correspondence; record issue of equipment to staff; respond to telephone or electronic enquiries or forward to appropriate person; check figures, prepare invoices and record details of financial transactions made; transcribe information onto computers, and proofread and correct copy. Some assist in the preparation of budgets, monitoring of expenditures, drafting of contracts and purchasing or acquisition orders. The most senior ones who supervise the work of clerical support workers are excluded from this category.

The classification and the definition of the occupations are an adaptation of the International Standard Classification of Occupations (ISCO-08) developed by the International Labour Organization (ILO). The reason is that few countries follow the ISCO model to classify their occupations in government.

Since there is no common definition of managerial positions and the number of managerial levels varies across countries and ministries, for the purpose of this survey, D1 will denote the highest managerial level below the minister/Secretary of State (who are designated by the president/prime minister) and appointed by the minister (sometimes designated by the president/prime minister). This survey covers up to D4 managerial level positions, where D1 and D2 are considered senior management positions while D3 and D4 middle management ones.

The category of “professionals” has been divided between junior and senior positions. The reason is that this group involves staff with a large degree of variation of experience.

Moreover, the 2012 survey collects information concerning some frontline service delivery occupations (detectives/inspectors, police officers, immigration officers, customs inspectors and tax inspectors). These functions are organised in central government, and can be located in either ministries or agencies. It should be noted that in some countries functions like immigration officers do not exist as these activities are carried out by the police. In other countries, some of the functions mentioned above are carried out by states and/or local governments.

Box D.3. **Service delivery agents – description of occupation**

Police inspectors and detectives (part of ISCO-08 3355) investigate facts and circumstances relating to crimes committed in order to identify suspected offenders. They also search for information not readily available or apparent concerning establishments or the circumstances and behaviour of persons, mostly in order to prevent crimes. Their tasks include establishing contacts and sources of information about crimes planned or committed in order to prevent crimes or identify suspected offenders; obtaining, verifying and analysing evidence in order to solve crimes; making arrests; testifying in courts of law, among others. They usually have management responsibilities. Police inspectors and detectives are usually required to have a university diploma and/or are recruited through promotion after a certain number of years of experience as police officers (usually more than five years).

Police officers (part of ISCO-08 5412) maintain law and order, patrolling public areas, enforcing laws and regulations and arresting suspected offenders. Other duties include directing traffic and assuming authority in the event of accidents; providing emergency assistance to victims of accidents, crimes and natural disasters; among others. Police officers are usually not expected to have managerial responsibilities over more than three persons. Police officers are usually not required to have a university diploma.

Immigration officers (part of ISCO-08 3351) check persons crossing national borders to administer and enforce relevant rules and regulations. Their tasks include patrolling national borders and coastal waters to stop persons from illegally entering or leaving the country; checking travel documents of persons crossing national borders to ensure that they have the necessary authorisations and certificates; co-ordinating and co-operating with other agencies involved in law enforcement, deportation and prosecution; among others. Immigration officers are not expected to have management responsibilities over more than three persons, if any.

Box D.3. **Service delivery agents – description of occupation** (cont.)

Customs inspectors (part of ISCO-08 3351) check vehicles crossing national borders to administer and enforce relevant rules and regulations. Their duties include inspecting the luggage of persons crossing national borders to ensure that it conforms to government rules and regulations concerning import or exports of goods and currencies; examining transport documents and freight of vehicles crossing national borders to ensure conformity with government rules and regulations; detaining persons and seizing prohibited and undeclared goods found to be in violation of immigration and customs law; among others. Customs inspectors are not expected to have managerial responsibilities over more than three persons, if any.

Tax inspectors (part of ISCO-08 3352) examine tax returns, bills of sale and other documents to determine the type and amount of taxes, duties and other types of fees to be paid by individuals or businesses, referring exceptional or important cases to accountants or senior government officials. They advise organisations, enterprises and the public on government laws, rules and regulations concerning the determination and payments of taxes, duties and other government fees, and on the public's rights and obligations; examine tax returns, bills of sale and other relevant documents; investigate filed tax returns and accounting records, systems and internal controls of organisations to ensure compliance with taxation laws and regulations; among others. Tax inspectors are not expected to have managerial responsibilities over more than three persons, if any.

Compensation

The survey focuses on total compensation, which has two main components: 1) gross wages and salaries; and 2) employer's social contributions. Data on remuneration levels were asked for full time jobs:

1. **Gross wages and salaries** include the values of any social contributions, income taxes, etc., payable to the employee even if they are actually withheld by the employer for administrative convenience or other reasons and paid directly to social insurance schemes, tax authorities, etc., on behalf of the employee. Employer's social contributions are not included in gross wages and salaries. In-kind compensation is excluded from the survey. Gross wages and salaries include:

- **Basic wages and salaries** refer to the regular annual payments to employees for their time worked and services delivered to government. Although salaries and wages are paid at regular weekly, monthly or other intervals, for the purposes of this survey the annual salary was requested. Overtime payments are excluded from the data.
- **Additional payments** – because of the difficulties in getting exhaustive data and ensuring comparability across countries, additional payments have been limited to its most significant categories including:
 - ❖ Compensations for time not worked make reference to **annual leave** and statutory holidays only.
 - ❖ **Bonuses and gratuities regularly paid** refer to year-end and seasonal bonuses; profit-sharing bonuses; and additional payments in respect of vacation, supplementary to normal vacation pay and other bonuses and gratuities.
 - ❖ **Bonuses and gratuities not paid in a regular fashion** (performance-related pay) refer to ad hoc bonuses or other exceptional payments linked to the overall performance of the employee to which he/she may be entitled.

2. **Employer's social contributions** are social contributions payable by employers to social security funds or other employment-related social insurance schemes to secure social benefits (health insurance, pensions) for their employees:

- **Employer's contribution** to statutory social security schemes or to private funded social insurance schemes for covering old age, pension, sickness and health. Employer's social contributions represent social contributions payable by employers to social security funds or other employment-related social insurance schemes to secure social benefits (health insurance, pensions) for their employees. In some countries, these social contributions pay for public schemes, while in others they pay for private schemes. Employer's social contributions sometimes also include specific funds created, for example, in social agreements. Data collected on employer's social contributions have been limited in the 2011 survey to health and pension plans, which represent the majority of employer's social contributions.
- **Unfunded** employees' social benefits paid by employers limited to health and pension benefits. The term "unfunded" refers to social benefits for which no social security fund exists and there is no official tracking of social contributions. Unfunded pension or health schemes exist in many countries: in that case, it is the general government budget that pays for civil servants pensions/health benefits. In a number of countries, the employee and employer contributions do not cover all the costs associated with the social benefits of government employees. In those cases, special lines in the budget are often dedicated to covering this unfunded part of social benefits.

Not all countries have been able to include the social contribution element in their survey responses (mainly because of unfunded pension schemes). As a consequence, it has been necessary to estimate this component using other data sources for those countries. In the National Accounts, imputations for unfunded pension's schemes are made conceptually consistent across countries. Therefore, by using the National Accounts data it was possible to estimate the overall rate of employer's social contributions that was reported in the different existing databases regarding government compensation of employees. The rate to calculate compensation costs in the data for this publication has been chosen after investigation and discussion with the countries. The source of National Accounts for this share was selected in the following countries: Finland, Germany, Greece, Japan and Norway. Moreover, for Belgium this share was estimated using a combination of information from the compensation survey and National Accounts data.

We should note that, contrary to the compensation survey where employers' contributions are restricted to health and pensions, data under the National Accounts framework consider all employer's social contributions. By consequence, the share resulted, to a certain extent, was overestimated when this source was taken into account. Moreover, National Accounts data provide ratios of employer's social contributions for all government employees. Using this ratio doesn't accommodate any differences that may exist for instance in ratios of social contributions across occupations. For the countries which have provided data for employer's social contributions in the survey, the exact data for social contributions (that may vary across occupation) have been used.

The level of social contributions is only a proxy. The quantity and quality of benefits that employees receive through the employers' and employees' social contributions depend on many variables such as the quality and efficiency of the management of the funds and services in each country.

Use of comparators

Calculations have been made converting compensation data in USD using the PPP methodology. This compensates for differences in exchange rates and in relative price levels. The PPP does not take into account the relatively different costs of living in capital cities within and across countries. In many countries, the majority of central government employees are employed in capital cities. Wages can tend to make up for the relative difference in the costs of living in capital cities.

The OECD also compared countries with data normalised with GDP per capita available through the *OECD National Accounts Statistics* (database). This normalisation is a way to remove differences in levels of average wealth in the country.

The OECD also calculated ratios of average total compensation to average tertiary educated compensation (gross wages plus employer's social contributions). Since central government employees occupations covered in the survey generally have a high level of education, the ratio allows the issue of the comparability of the public sector compensation with that of the whole economy. Data on tertiary educated compensation are based on a combination of sources as stated in the publication *OECD Education at a Glance (2013 or previous editions)*. However, even if corrected for the level of education, other characteristics of the individuals in these occupations remain uncorrected, for example: seniority, age, gender, etc.

The ratios of compensation of employees relative to GDP per capita and to tertiary educated compensation were not corrected for working time. This approach was followed in order to maintain consistency between the three measures compared.

Adjustment for working time

The differences between the time people actually work and the annual average compensation (annual average gross salary plus employer's social contributions) is calculated so as to obtain an adjusted annual average compensation. Indeed, to put the compensation of employees reported on a comparable basis across countries, the differences in the working time (number of hours worked per week in the civil service, the legal or average holiday entitlement, and the number of days that apply to the civil service) are used for the calculation of the adjusted annual average compensation.

For all managers (namely D1, D2, D3 and D4 positions), since weekly working times apply very unevenly to this category of employees, data was adjusted only for holidays.

The working time corrections are reported in Table D.1.

Average comparative annual compensation is as:

$$W_{co}^{a*} = \frac{\left(\frac{W_{co}^a}{P_c}\right)}{H_c^{a*}}$$

where:

W_{co}^{a*} = Average annual compensation of employees in country *c* within occupational group *o* in PPP corrected for working time.

W_{co}^a = Average annual compensation in domestic currency in country *c* within occupational group *o* in national currency.

P_c = Purchasing power parity of country *c*.

H_c^{a*} = Ratio of average working time in country *c*. This corresponds to average annual working hours in country *c* (from survey data) divided by 2088. The number 2 088 equals the theoretical working hours in year with 40 hours of work per week, no holidays or leave of any kind. This also results in an average of 261 working days per year with each working day including 8 hours of work.

Table D.1. Working time corrections

	Contractual working time, h/week	Average number of holidays	Number of average public holidays that apply to the civil service	Average working days per year in country	Average working hours per year in country	Coefficient for working time corrections, weekly hours and holidays	Coefficient for working time correction, holidays	Coefficient for working time correction, no correction
Australia	37.5	20	10	231	1 730	0.830	0.885	1.000
Austria	40	25	10	226	1 806	0.866	0.866	1.000
Belgium	38	26	10	225	1 708	0.819	0.862	1.000
Chile	44	15	9	237	2 083	0.999	0.908	1.000
Denmark	37	30	9	222	1 641	0.787	0.850	1.000
Estonia	40	34	5	222	1 774	0.850	0.850	1.000
Finland	36.3	32	7	222	1 607	0.771	0.850	1.000
France	35.5	25	7.5	228	1 620	0.777	0.875	1.000
Germany	41	29.5	10	221	1 814	0.870	0.848	1.000
Greece	40	25	12	224	1 790	0.858	0.858	1.000
Iceland	40	30	14	217	1 734	0.831	0.831	1.000
Israel	42.5	24	9	228	1 936	0.928	0.873	1.000
Italy	36	32.0	8	221	1 589	0.762	0.847	1.000
Japan	38.8	20	17	224	1 734	0.831	0.858	1.000
Korea	40	20	14	227	1 814	0.870	0.870	1.000
Netherlands	36	23	8	230	1 654	0.793	0.881	1.000
New Zealand	40	20	11	230	1 838	0.881	0.881	1.000
Norway	37.5	25	10	226	1 693	0.812	0.866	1.000
Poland	40	26	11	224	1 790	0.858	0.858	1.000
Portugal	35	25	11	225	1 573	0.754	0.862	1.000
Slovak Republic	37.5	25	15	221	1 655	0.794	0.847	1.000
Slovenia	40	29.9	15	216	1 727	0.828	0.828	1.000
Spain	37.5	22	14	225	1 685	0.808	0.862	1.000
Sweden	39.8	33	9	219	1 739	0.834	0.839	1.000
United Kingdom	37	25	8	228	1 685	0.808	0.873	1.000
United States	40	20	10	231	1 846	0.885	0.885	1.000

Notes: Figures in the table are rounded.

Maximum working days per year if 5 out of 7 days per week are worked: 261. Maximum working hours per year if 8h per working day: 2 088.
Austria: From 1 January 2011 on, the amount of holidays depends on the age: an FTE is entitled to take 240 hours (30 days/6 weeks) from that year on, in which his/her 43rd birthday is before 1 July. If his/her 43rd birthday is after 30 June, he/she is entitled to take the 240 hours in the next year.

Estonia: The annual leave per year depends on the length of service. 35 calendar days = 28 working days + officials whose length of service exceeds three years, receive one extra day each year, maximum 10 days.

Finland: The number of days of annual leave per year is 30 or 38 days depending on the length of service.

Germany: Contractual working time between public employees and civil servants is different.

Italy: The number of legal working days of holidays varies. 30 days in the first three years of work, 32 from the fourth year. For the police, there are two bands based on seniority: 36 days from 15 to 25 years of service, 45 days for more than 25 years.

Korea: Civil servants are entitled to 3-21 days of annual leave per year depending on the length of service.

Slovak Republic: The contractual working time in hours per week is 40 h/week or 37.5 h/week depending on the contract. The number of days of holidays depend on age: 25 days (under 33 years old); or 30 days (for more than 33 years old).

Slovenia: The average number of days of annual leave is estimated. A worker is entitled to annual leave which may not be shorter than four weeks. In addition, he has the right to one additional day of annual leave for every child under the age of 15. In relation to work performance a civil servant is also entitled to no more than three days of annual leave. The annual leave can be extended by up to three days in case of bad working conditions (noise, heat,...) or of bad health condition or for directing an organisational unit.

Sweden: The number of working days varies with age according to the central collective agreement. Employees under 30 years of age have 28 days of holidays, between 30 and 39 years they are 31 days and for employees 40 years or older they have 35 days.

The United Kingdom: The number of working hours in a week is 37 outside London, where most Civil Servants work, and 36 inside London. The number of average working days per year of holiday's entitlement varies depending on the department.

Source: 2011 OECD Survey on Compensation of Employees in Central/Federal Government.



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