

## ANNEX D

### *Methodology and Additional Notes on Compensation of Government Employees*

In 2010, the OECD launched a database, updated first in 2012, and again in 2016, on compensation levels for typical occupations in central government in core ministries, which 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 and salaries but also contributions to health and pension benefits. Hence, when comparing compensation levels, we have a more or less full-cost approach that allows for consistent comparisons across countries.

Comparison must also take into account various levels of economic development in the countries; compensation has therefore been calculated in terms of 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.

The data collected through this survey enables comparative analysis and work on compensation policies and practices in OECD member and accession countries. 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 in core and sectoral ministries that contributes to a better understanding of the salary structures and pay levels in the public service in OECD countries. Pay levels not only reveal how much public servants are actually paid but also how competitive central government is in attracting and retaining a competent public workforce.

This database feeds the OECD secretariat's work on public employment allowing international comparisons on the compensation of public servants, and facilitate policy decisions regarding compensation policies in the public sector. In particular, this survey gathers data that permit the analysis of: i) the attractiveness of public administration as

an employer by offering competitive salaries and the ability of the public administration to recruit and retain qualified staff; ii) the differences between categories of employees and the compression ratios between highest and lowest paid; and iii) the structure of compensation costs the public workforce represents to governments. It should be noted that these research areas cannot be fully understood without considering other aspects apart from compensation.

## Occupations

In order to build a comparable database, this survey is based on a classification of occupations typical in most ministries of OECD countries, and of service delivery agents.

This survey collects data on compensation levels of public servants in central/federal/national government in the OECD countries, and accession countries. The survey focuses on the 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<sup>1</sup>. The survey does not cover the subordinated offices/organisations of central government ministries, often referred to as “agencies”, “executive agencies”, except for D1 and D2 positions (Box D.2) and service delivery agents (Box D.3).

The questionnaire asks for information concerning a number of occupations within central/federal/national government grouped under four basic headings: top managers, middle managers, professionals, and secretaries. The selected occupations are considered relatively representative and comparable across countries. Information for those positions is collected from three core ministries (Interior, Finance, and Justice) and three sectoral ministries (Education, Health, and Environment) (Box D.1).

Moreover, countries are requested to provide information concerning some frontline service delivery agents such as detectives/inspectors, police officers, immigration officers, customs inspectors, and tax inspectors.

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 Organisation (ILO). Few countries follow the ISCO model to classify their occupations in government. In the questionnaire countries were asked to identify and describe the jobs that may correspond to the identified occupations, including a submission of a job description and examples of key responsibilities in the most senior and less senior positions for each occupation. The survey focuses on employees under the general employment framework or statute and not on consultants.

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*. 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 will cover until D4 managerial level positions but D5 and D6 levels will be considered only if they are reported by participating countries. In the particular case of managerial positions countries will be asked whether data can be published considering the confidentiality of information.

The category of “professionals” has been divided between junior and senior positions. This group corresponds to the least identifiable group and involves staff with a large variety of experience.

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

##### **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 coordinates 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.

##### **Ministry of Education**

- Regulates, coordinates, and organises the national educational system, generally from primary school to secondary or high school).
- Ensures the equal access to public education.
- Controls and assesses the schools and the higher education institutions both private and public.
- Ensures and 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.

## 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, decentralized powers, flatter organizations and empowered managers, D1 Managers will correspond to Director Generals.

**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.

### 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 expenditures 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. 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 expenditures and ensure the efficient use of resources. They provide leadership to specific professional teams within a unit.

**D5 Managers** (optional) (part of ISCO-08 1211, 1212, and 1213) are just below D4. They may be senior professionals whose main responsibility is to lead the execution of the work programme and supervise the work of other professionals and young professionals.

**D6 Managers** (optional) (part of ISCO-08 1211, 1212, and 1213) may be professionals whose main responsibility is to lead the execution of the work programme and supervise the work of other professionals or young professionals.

### 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, 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 5 years of professional experience.

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

**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 5 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. 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 forwarding to appropriate person; check figures, prepare invoices and record details of financial transactions made; transcribe information onto computers, and proof read and correct copy. Some assist in the preparation of budgets, monitoring of expenditures, drafting of contracts and purchasing or acquisition orders. The most senior that supervise the work of clerical support workers are excluded from this category.

This survey also includes a section on compensation of service delivery agents including police detectives and inspectors, police officers, immigration officers, customs inspectors, and tax inspectors. These occupations are defined using job descriptions taken and adapted from ISCO-08 (Box D.3). The intention is to have an understanding of the compensations of service delivery agents for some functions that are relatively commonly provided by national governments such as tax administration, immigration services, and policing which are not covered in other surveys (such as those related to health and education services which typically involve sub-national governments).

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 and obtain 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 5 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;

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

among others. Police officers are usually not expected to have managerial responsibilities over more than 3 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 authorizations 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 3 persons, if any.

**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 officers are not expected to have managerial responsibilities over more than 3 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. Customs officers are not expected to have managerial responsibilities over more than 3 persons, if any.

## Compensation

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

1. **Gross wages and salaries** which include the values of any social contributions, income taxes, etc., payable by 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 (unless a government cannot exclude them, in which case, a note needs to explain the situation). Gross wages and salaries include:

- **Basic wages and salaries** (as laid down in the salary scales) 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 interval, for the purposes of this survey the annual salary is 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 bank 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. **Employers' 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. Employers' social contributions can be divided into:

- **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 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 to health and pension plans, which represent the majority of employer's social contributions.
- **Unfunded<sup>2</sup> employees social benefits paid by employers** limited to health and pension benefits. They represent the counterpart to social benefits paid directly by general government institutions without participating in, or establishing a fund, reserve or other special scheme for this purpose. Since these contributions do not involve actual cash flows, they have to be imputed. These unfunded pension or health schemes exist in many countries.

Not all countries have been able to include the social contribution element in their survey responses (mainly for 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 chosen 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: Germany, Greece, Japan, Norway, Portugal, Spain and Lithuania. 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 resulting share, 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 hence 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. PPPs are calculated for various levels of aggregation up to and including GDP. The PPP for GDP covers both final consumption expenditure and gross capital formation. The PPP for actual individual consumption covers all households consumption expenditures - which represent the private consumption component - and that part of government final expenditure supplied to individual households (e.g. health, education etc.).

The PPP used for the conversion of compensation in national currency of government employees by different positions was the PPP for private consumption. Prior to the 2013 edition of *Government at a Glance* (OECD, 2013), compensations were converted using PPP for GDP. As consequence, average compensations by positions in USD published in this edition are not directly comparable with the figures published prior to the 2013 edition.

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

The ratio of compensation of employees relative to GDP per capita has not been corrected for working time. This approach was followed in order to maintain consistency between the measures compared.

## Computations for comparing annual compensation including adjustment for working time

Average comparative annual compensation is calculated 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 to 2088. The number 2088 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.

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 as specified in the work contract, and the number of public holidays per year 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.

Table D.1. **Working time correction**

	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	38	20	12	229	1715	0.822	0.877	1.000
Austria	40	25	10	226	1806	0.866	0.866	1.000
Belgium	38	26	13	222	1685	0.808	0.850	1.000
Canada	38	20	11	230	1723	0.826	0.881	1.000
Chile	44	15	10	236	2074	0.995	0.904	1.000
Denmark	37	30	10	221	1633	0.783	0.847	1.000
Estonia	40	35	9	217	1734	0.831	0.831	1.000
Finland	36	34	9	218	1581	0.758	0.837	1.000
France	35	25	8	228	1594	0.764	0.873	1.000
Germany	41	30	9	222	1818	0.872	0.850	1.000
Greece	40	25	12	224	1790	0.858	0.858	1.000
Iceland	40	30	14	217	1734	0.831	0.831	1.000
Israel	43	24	9	228	1936	0.928	0.873	1.000
Italy	36	32	8	221	1589	0.762	0.847	1.000
Japan	39	20	19	222	1718	0.824	0.850	1.000
Korea	40	20	15	226	1806	0.866	0.866	1.000
Latvia	40	24	14	223	1782	0.854	0.854	1.000
Mexico	40	20	10	231	1846	0.885	0.885	1.000
Netherlands	36	23	8	230	1654	0.793	0.881	1.000
Norway	38	25	10	226	1693	0.812	0.866	1.000
Portugal	40	22	9	230	1838	0.881	0.881	1.000
Slovenia	40	29	14	218	1742	0.835	0.835	1.000
Spain	38	22	14	225	1685	0.808	0.862	1.000
Sweden	40	33	11	217	1723	0.826	0.831	1.000
United Kingdom	37	25	8	228	1685	0.808	0.873	1.000
United States	40	20	10	231	1846	0.885	0.885	1.000
Colombia	44	15	18	228	2004	0.961	0.873	1.000
Lithuania	40	20	15	226	1806	0.866	0.866	1.000

Source: OECD (2016) Survey on Compensation of employees in Central/Federal governments.

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.

Germany: contractual working time between public employees (39 hours per week) and civil servants (41 hours per week) 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.

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.

Spain: the number of days of annual leave is equal to 22 days plus more days off according to seniority, with a maximum of 26.

### **Notes**

1. Non-profit institutions are also excluded from the survey.
2. 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.

