

Organisation for Economic Co-operation and Development

Public Employment and Management Working Party

Current Trends in the Compensation of Public Employees

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Key Questions

- Is compensation part of the problem or part of the solution?
- Is the search for long term – 3 years or longer – or for shorter, more immediate solutions?
- Is the more or less traditional program model the ‘right’ answer for the future?
- Which countries have ‘solved’ the problem?

Principal Conclusions

- There is no single programme model.
- Pay programs have been evolving and will continue to evolve.
- Political considerations have influenced program planning and management – and the minor differences make each program unique.
- Employers starting with a ‘blank slate’ would now adopt a different programme model.

The Importance of National Context

- As a generalization, changes in government practices are evolutionary, not revolutionary.
- Government pay programmes have a long history and tradition that is virtually impossible to ignore.
- It is important to understand the stakeholders and their influence on government planning.
- Elections and new governments are often responsible for introducing change.
- The context governs what is possible and acceptable.

The Relevance of the Business Model

- The business model for managing pay is increasingly consistent around the globe.
- Public employers tend to adopt business practices but with modification and a lag of several years.
- There are significant differences, however, in the culture and in the organizational constraints.
- A key difference is the 'right' in business to make unilateral management decisions.
- Another key difference is the virtual obsession with performance and keeping the company viable.

The End of an Era?

- The model of the classic government salary program was conceived decades ago.
- It was time when organizations and jobs rarely changed, 'knowledge workers' did not exist, and workers spent career with one employer.
- Employees were expected to 'follow orders' and 'stay out of trouble.'
- Administrative actions were time and paper intensive and bureaucratic.

An Open Question – The Role of Unions?

- Unions have for years played a prominent role in maintaining pay programmes but appear to be uncertain about the future.
- Unions have in some cases been bypassed in acting to reduce staff and pay / benefits.
- There is an argument that unions are an impediment to change.
- Are unions attractive to Millennial workers?

Impact of Layoffs, Pay Cuts and Freezes

- It is not clear that the impact of these decisions was fully considered – or ended.
- At some point and in some countries the cutbacks will affect performance adversely, induce turnover and early retirements, and loss of institutional knowledge.
- It could take years for agencies to recover their image or brand as an employer.

What is the Impact of Restructuring?

- Cutbacks could make it necessary to structure organizations and work systems.
- That could trigger a heavy workload to document the changes and reclassify jobs.
- With downsizing, the trend is to delegate and make supervisors and employees accountable.
- That will mean workers have to learn new behaviors and working relationships.

Another Trend – Market Alignment

- This is an interesting problem because political concerns can override the textbook.
- Labor markets are dominated by small employers not competing with government.
- Market alignment can conflict with the traditional focus on internal equity.
- Market alignment is a practical rationale to justify pay and benefits.

Another Trend – Performance-Related Pay

- There are to be sure critics but the trend continues. It is virtually universal in business.
- It makes solid sense for executive, manager and professional jobs but not all jobs.
- There are unique problems in government.
- It is best managed as organizational change.
- The problems can be minimized with a solid commitment to performance management.

Final Thoughts

- Government pay programmes will continue to evolve toward the business model.
- The public is now sensitive to the comparison with their situation.
- The public is also concerned about the cost and 'value' of government.
- The transition will not be without problems.
- The changes can and will benefit government.