

PUBLIC SECTOR GROUP

Application for Thematic Group Funding

1. *Activity Title:*

Public-Private Salary Data: maximizing existing resources and meeting outstanding needs

2. *Task Manager:*

Jana Orac, ECSPE (ext. 82024)

3. *Description of activity:*

Public administration assessments of the Bank's client countries frequently point out that remuneration for important subsets of the civil service is uncompetitive vis a vis relevant labor markets such as local and internationally-owned private firms, local offices of donor organizations, or consulting services. Important positions that require highly desirable skills (e.g. finance specialists, lawyers) or carry significant responsibility and authority often appear to be the most disadvantaged.¹ In order to mitigate brain drain and morale problems, countries are often advised to undertake salary reforms aimed at increasing the competitiveness of civil service remuneration levels. However, such efforts can be significantly undermined by a scarcity of the type of readily useable, systematic and detailed comparator data that would enable effectively targeting raises toward the most vulnerable positions.

This activity will:

- ✍ Review the success and viability of current practices for diagnosing public-private salary differentials. These include use of anecdotal evidence (currently widespread), and obtaining data from existing privately-funded comparator surveys, where available.
- ✍ Examine scope for constructing reliable comparators from existing instruments, notably the data sets from LSMS surveys. Specific questions to explore include: Does the data set include enough observations from relevant labor markets (see above) *and* the civil service? If LSMS does not include enough civil service observations, what are the possibilities (and pitfalls) of comparing official salary scales with LSMS data on the relevant labor markets? Is it possible to extract compensation data for those specific positions with priority human capital requirements? If not, is it possible to construct second best comparisons, e.g. a ranking of skill sets?
- ✍ Identify shortcomings in currently available data. This includes, for example, whether pension entitlements and allowances are addressed.
- ✍ Propose methods of addressing these shortcomings. This might include, for example, modification or development of additional questions for LSMS; or conducting separate, smaller-scale public-private comparator surveys.

The outputs will be in the form of (1) a methodology paper, providing guidance on how to obtain private/public sector comparative wage data from existing sources and how to design in comparative data in new LSMS and other surveys and (2) a PREM note.

This activity is directly relevant to Governments' reform implementation work as well as to Bank ESW.² It will also feed into current efforts to develop specific, verifiable performance monitoring indicators for IBRD/IDA civil service/public administration operations. Work will be carried out by Jana Orac, Public Sector Management Specialist, ECSPE. Quality control will be provided by Gary Reid, Senior Public Sector Management Specialist, ECSPE.

4. *Breakdown of costs:*

¹ For more information on the pattern of declining remuneration with rising human capital requirements, see for example Gary J. Reid and Graham Scott, "Public Sector Human Resource Management Experience in Latin America and the Caribbean and Strategies for Reform, Green Cover Report No. 12839 (March 1994) and Salvatore Schiavo-Campo, Giulio de Tommaso and Amitabha Mukherjee, "Civil Service and Economic Development: A Selective Synthesis of International Facts and Experience," (November 1996)

² Even the Bank's own diagnoses are often forced to rely heavily on anecdotal evidence.

<u>Item</u>	<u>Breakdown</u>	<u>Total \$</u>
Staff time	3 weeks @ \$3,000	9,000
Quality control	0.2 weeks @ \$3,900	780
TOTAL		9,780

5. *Timeline:*

Analytical work and consultations	March-April 2001
Methodology paper	May 2001
PREM note	May 2001

6. *Description of expected contributions to current operations on the ground (with identification of specific operations):*

Specific operations whose design will benefit from this work include the Public Sector Management Adjustment Credit in Macedonia and a Public Administration Reform Adjustment Loan in Romania, both of which have a major Civil Service focus and will address both remuneration reforms and their monitoring. The activity will also “piggyback” upon work under way in Albania, where a salary survey and salary reforms are envisioned under the Recovery Program Technical Assistance Credit and the Public Administration Reform Project Credit, and similar work in Russia and Croatia to the extent possible.

7. *Explanation of the public good aspect of this activity, i.e. the generalizable lessons and benefits that this activity is expected to provide:*

By its nature, this exercise readily lends itself to integration into Bank-wide operations in public administration and civil service reform, and all ESW that addresses government employment. For example, an easy approach to constructing comparators from LSMS data would improve the quality of the wage competitiveness assessments that are generally included in CEMs and PERs but presently rely heavily on anecdotal evidence. The activity also has potential to benefit other groups outside the Bank by facilitating application of the findings to LSMS data (already available from the Bank or client countries) or use of the viable alternative solutions to be presented (such as a prototype public-private remuneration comparator survey), which could also be posted on the Bank’s Civil Service website for maximum dissemination. The activity will use and where necessary improve the methodology defined on the Bank’s new civil service website (see: <http://www.worldbank.org/publicsector/civilservice/data.htm> and <http://www.worldbank.org/publicsector/civilservice/pension.htm#5> in particular) The methodology includes a rigorous review of base compensation, allowances and the net present value of future expectations, and some consideration of in-kind and intangible benefits.

Importantly, the activity will add to current work in designing effective monitoring indicators for IBRD/IDA operations by exploring the scope for systematic monitoring of wage improvements, and directly complement other Bank work on remuneration, such as the database on government employment and wages (the basis for Policy Research Working Paper 1806, currently being updated with Knowledge Management funding.)

8. *Form(s) of knowledge output(s) that this activity will generate (e.g., PREM Note, paper, workshop, seminar):*

- (a) PREM note
- (b) methodology paper