Compensation is a critical element of human resources management (HRM). For civil servants, it is probably the most important reward for their work. For governments, especially in Latin America and the Caribbean (LAC), wage management is a critical function that regulates incentives and impacts on a country's fiscal sustainability. Balanced remunerative systems contribute to attracting, motivating and retaining staff without compromising fiscal health. On the contrary, distorted remunerative systems have a negative impact on HRM. Therefore, it is key to consider the rules that impact on the pay system, such as the negotiation scheme and criteria used for pay setting.

In LAC countries with available data, like in most OECD countries, compensation tends to be negotiated centrally between the government and the unions. This means that only one negotiation defines pay adjustments for all civil servants. Centralisation makes it possible to negotiate looking at the overall health of public expenditure, while delegation allows ministries to agree according to their own margin of action, but with the risk of big differences among them and higher overall expenditures.

Close to three-quarters of LAC countries reported using a centralised scheme for pay negotiation. However, there are differences. While Chile, Colombia and Costa Rica, are more centralised, in other countries such as Argentina, Brazil, El Salvador, Guatemala, Mexico and Uruguay there are adjustments at the decentralised level or by department/sector; although always within the rules and limits of the payroll defined by the budgetary authority. Peru reported a decentralised negotiation scheme, although since November 2018, collective bargaining is forbidden by law. In Jamaica wages are set following a recommendation of the executive.

In 69% of OECD countries, negotiation is also centralised between governments and unions. However, an interesting feature in some OECD countries, which is absent in LAC, is the existence of an independent examining committee that provides evidence and objective parameters aligned with the economic and institutional context and makes recommendations.

In terms of criteria for defining base pay in the different hierarchical levels, the most common practice is to use functional parameters – such as the actual content of each job and the specific experience needed to hold it – over personal characteristics such as age and seniority. This is repeated in all job segments from senior managers to administrative support. Regarding performance, for 33% of LAC countries, it is a priority in the calculation of compensation for managers and in 25% for professionals, technical support and administrative support. In 67% of OECD countries, performance is highly relevant for determining the compensation of technical support staff; for the other categories, a proportion similar to that of LAC countries consider it to be highly important.

In terms of criteria for defining bonuses, seniority still has more weight than performance in LAC countries.

Although 67% assign bonuses for seniority on the job (only Brazil, the Dominican Republic, Peru and Uruguay do not), some countries have been decreasing their importance. In the OECD, 69% still include a bonus for seniority (although 31% have reduced their share in overall compensation).

Regarding performance pay, 42% of the countries in the LAC sample reported using this mechanism. While its implementation is mostly decentralised to individual institutions, Brazil, Chile and Uruguay tend to link their performance pay schemes to institutional or team performance, while Costa Rica and Jamaica tend to apply it at the individual level (IDB, 2014). In OECD countries, 83% have some type of performance pay, which is implemented through an annual bonus and/or salary increases.

Methodology and definitions

LAC data refer to 2018 and were collected through the 2018 IDB-OECD Survey on Strategic Human Resources Management. The survey was completed by 11 LAC countries (Argentina, Brazil, Chile, Colombia, Costa Rica, El Salvador, Guatemala, Jamaica, Mexico, Peru and Uruguay). Data for OECD countries are for 36 respondent countries, refer to 2016 and were collected through the 2016 Survey on Strategic Human Resources Management. Respondents were predominately senior officials from ministries/agencies with responsibilities for public employment/management of the civil service. Their main focus was HRM practice and institutions in the central public administration at the federal/national government level.

Civil servants are considered those public employees covered under a specific public legal framework or other specific provisions. For the purposes of this survey, it is assumed that civil servants are the dominant public employee profile.

Further reading

IDB (2014), *Serving Citizens: A Decade of Civil Service Reforms in Latin America (2004-2013)*, Inter-American Development Bank, Washington, DC, *https://publications.iadb.org/en/serving-citizens-decade-civil-service-reforms-latin-america-2004-13*.

OECD (2017), *Skills for a High Performing Civil Service*, OECD Public Governance Reviews, OECD Publishing, Paris, *https://doi.org/10.1787/9789264280724-en*.

Figure notes

6.19 (Most important factors to determine base pay by function, 2018) is available online in Annex F.

## 6.17. Determination of base pay and use of performance-related pay, 2018

Country	Determination of base pay				
	A single, comprehensive negotiation for the entire central/national/federal government sector	Negotiation at the central level, with possibilities of adjustments at the decentralised level	Remuneration based on recommendations of the executive	Negotiations at the central level, with adjustments by department/sector	Performance-related pay in use
Argentina	○	●	○	○	○
Brazil	○	●	○	○	●
Chile	●	○	○	○	●
Colombia	●	○	○	○	○
Costa Rica	●	○	○	○	●
Dominican Republic	○	○	●	○	○
El Salvador	○	○	○	●	○
Guatemala	○	○	○	●	○
Jamaica	○	○	●	○	●
Mexico	●	●	●	○	○
Peru	○	○	○	○	○
Uruguay	○	●	○	●	●
LAC total					
● Yes	4	4	3	3	5
○ No	8	8	9	9	7
OECD total					
● Yes	21	5	6	6	30
○ No	15	31	30	30	6

Source: OECD/IDB (2018), Survey on Strategic Human Resources Management in Central/Federal Governments of Latin American and Caribbean Countries; OECD (2016), Survey on Strategic Human Resources Management.

StatLink 🔗 *https://doi.org/10.1787/888934092417*

6.18. Use of seniority-based bonuses, 2018
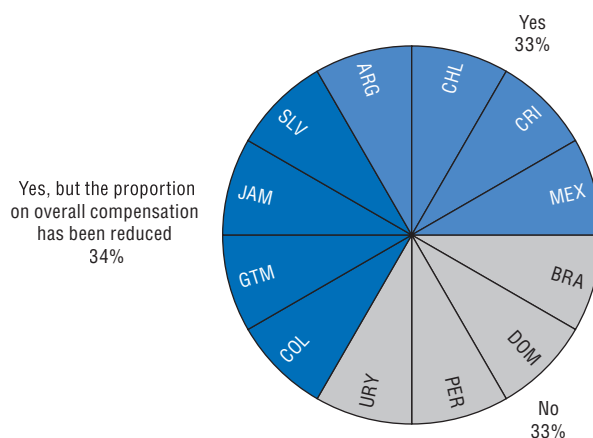
Source: OECD/IDB (2018), Survey on Strategic Human Resources Management in Central/Federal Governments of Latin American and Caribbean Countries.

StatLink 🔗 *https://doi.org/10.1787/888934092436*

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