

Adequate compensation management is a key aspect in building a high-performance organisation, as it impacts three of the main goals of public sector HRM: attracting and retaining suitable human capital, building a motivated workforce oriented toward improving institutional performance, and achieving a fiscally sustainable wage bill.

The compensation management index evaluates four critical practices, which assess the following factors: adequacy of pay structure to attract, motivate and retain suitable individuals with the competencies needed for each job; adequacy of pay levels compared to the wider labour market; degree to which the compensation mechanisms encourage civil servants to enhance their performance; and degree to which the pay policy is defined by pre-established criteria.

The regional average for this subsystem rose from 29 to 35 points out of 100 between 2004 and 2012/15, the smallest increase of all the areas analysed using the IDB methodology (see two pages 6.1-6.5).

With the exception of Chile, Brazil and Uruguay, the starting point for all countries was relatively low, and not much has happened in the last decade. Perhaps the main exception was Costa Rica, which implemented an ambitious reform to enhance compensation for professionals to improve attraction and retention of staff (with negative fiscal consequences after teachers also received the same increase).

Most job classification and compensation systems in Latin America were designed several decades ago and have been subjected to *ad hoc* minor adjustments and modifications over time, mainly as a result of wage negotiations and taking into account political incentives rather than technical aspects to deliver the aforementioned objectives.

This has led to systems in which pay inequities – both horizontal (same responsibility, different pay) and vertical (hierarchically superior positions with lower pay) – abound and have worsened over time. It has also led to systems with inadequate wage compression (little difference between the positions with the most and the least responsibility, which acts as a disincentive to taking on a post with greater leadership), and to payroll management systems that are both complex and non-transparent, and therefore more difficult to administer.

In addition to pay inequities, the limited capacity to attract and retain highly qualified professionals at management and professional positions due to weak external pay competitiveness is one of the main problems.

In contrast, lower grades saw their pay levels increase during the last 10 years, in particular in Central America. In some cases, such as Paraguay, the pay increase for lower grades allowed pay to go above the minimum wage levels for the private sector and, in others, it created a very clear wage premium for the public sector (El Salvador, Dominican Republic, Guatemala). Although the most solid systems such as Brazil or Chile (with all its flaws) are not immune to unfairness, low competitiveness and inefficiency, they tend to show better coordination and collaboration between the civil service agency and the budgetary authorities.

### Methodology and definitions

In 2003, the governments in the region signed the ICPS, which defines the basis of a professional and efficient civil service and provides a generic framework of guiding principles, policies, and management mechanisms needed to build it. After defining this common framework, the countries – with the support of the IDB – established a baseline to measure the extent to which their own civil service systems were aligned with these principles and practices, using a methodology with critical points linked to the civil service subsystems of the ICPS. Data for a second measurement were collected through individual country diagnostics between 2012 and 2015.

### Further reading

Iacoviello, M. and L. Strazza (2014), “Diagnostic of the Civil Service in Latin America”, in J.C. Cortázar, M. Lafuente and M. Sanginés (eds), *Serving Citizens: A Decade of Civil Service Reforms in Latin America (2004-13)*, Inter-American Development Bank, Washington, DC., <http://publications.iadb.org/handle/11319/6636>.

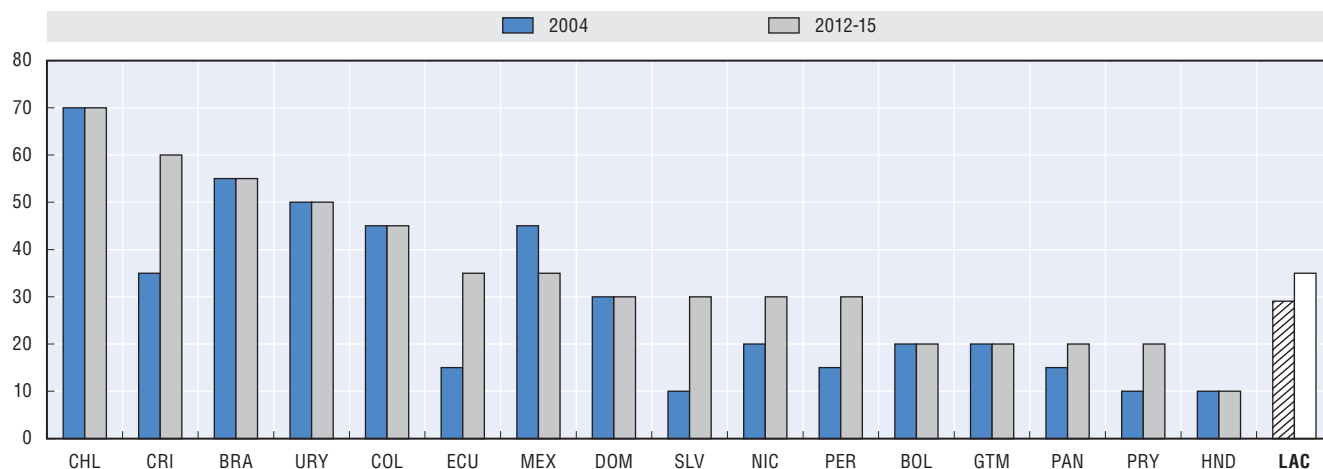
IDB (2017), Civil Service web pages, including the methodology and all country diagnostic reports, <http://descubre.iadb.org/civil-service> and <https://mydata.iadb.org/Reform-Modernization-of-the-State/Civil-Service-Development-Index/ddw5-db4y/about>.

### Figure notes

6.7 and 6.8: Timing of the second assessment per country was the following: Ecuador and Peru (2015); Bolivia, Brazil, Chile, Colombia, Paraguay and Uruguay (2013); Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama (2012).

### 6.7. Compensation management (2004,-2012-15)

Scale 0 to 100, with 100 being the best possible score



Source: Inter-American Development Bank (IDB) (2014).

StatLink <http://dx.doi.org/10.1787/888933431335>

### 6.8. Compensation management: Scores per Factor over 2012-15

Scale 0 to 5, with 5 being the best practice

	Adequacy of pay structure to attract, motivate and retain suitable individuals with the competencies needed for each job	Adequacy of pay levels compared to the wider labour market	Degree to which the compensation mechanisms encourage civil servants to enhance their performance	Degree to which the pay policy is defined by pre-established criteria
Bolivia	0	2	0	2
Brazil	4	1	3	3
Chile	2	4	4	4
Colombia	2	2	2	3
Costa Rica	3	3	3	3
Dominican Rep	1	3	1	1
Ecuador	2	1	1	2
El Salvador	1	2	1	2
Guatemala	1	2	0	1
Honduras	1	0	0	1
Mexico	2	3	1	1
Nicaragua	1	2	1	2
Panama	1	2	0	1
Paraguay	1	1	1	1
Peru	1	2	1	2
Uruguay	3	3	2	2

Key:

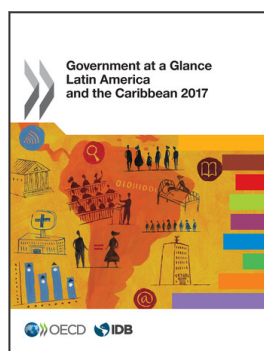
0-1 Low

2-3 Medium

4-5 High

Source: Inter-American Development Bank (IDB) (2014).

StatLink <http://dx.doi.org/10.1787/888933431759>



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