

## ANNEX A

### *HRM practices composite indexes*

This edition of *Government at a Glance: Latin America and the Caribbean 2017*, includes five composite indexes on human resource management practices: HR planning, civil service merit, performance appraisal, compensation management and organisation of the HRM function. Data used for the construction of the composites are derived from civil service diagnostic reports by country, which are based on the practices established in the Ibero-American Charter for the Public Service (ICPS).

In 2003, Latin American governments 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 and the technical work led by Professor Francisco Longo (ESADE) – 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.

The narrowly defined composite indexes presented in *Government at a Glance: Latin America and the Caribbean 2017* represent the best way of summarising discrete, qualitative information on key aspects of HRM practices such as the use of merit in the civil service, HR planning or performance appraisal. “Composite indexes are much easier to interpret than trying to find a common trend in many separate indicators” (Nardo et al., 2004). However, their development and use can be controversial. These indexes are easily and often misinterpreted by users due to a lack of transparency as to how they are generated and the resulting difficulty to comprehend what they are actually measuring.

The analytical framework used on the HRM practices composite indexes proposes a series of benchmarks or factors for each area. Each factor describes a specific and desirable situation that refers to a certain key aspect of HRM. The benchmark is therefore a specific and substantial parameter that enables comparison with the situation empirically encountered in each country diagnostic. This comparison is given a numerical score on a scale of 0 to 5, where the maximum score reflects the greatest correspondence between the situation expressed in the benchmark and the country diagnostic. The range points are classified as: (i) low level (0-1 points); (ii) medium level (2-3 points); and (iii) high level (4-5 points). Descriptors were established for each level so the users could more easily manage and interpret them.

Table A.1. **Composite index and benchmarks**

Composite index	#	Benchmark
HR planning	1	The staff planning provisions usually result from the organisation's priorities and strategic orientations. The degree to which they are adjusted to one another tends to be high.
	2	The personnel information systems enable reasonable awareness of the quantitative and qualitative resources available now and in the future, in the different organisational areas and units.
	3	In general, there are neither significant staff shortages nor overstaffing.
	4	The overall cost of civil service staff is maintained within reasonable parameters that are compatible with the country's economic situation.
	5	The level of workforce technification is commensurate with the knowledge society environment. Skilled labour represents a significant proportion of the workforce.
	6	The staffing policies, decisions and practices in each area of HRM arise from intentions that are determined during the planning process.
Civil service merit	1	Recruitment to fill vacancies is open, in law and in fact, to all candidates possessing the required qualifications. These are established according to suitability for the post and technical considerations, not arbitrarily.
	2	The necessary safeguard mechanisms and procedures are in place against arbitrariness, politicisation, patronage and clientelism throughout the entire hiring process.
	3	Dismissals or terminations of employment that affect professional positions are not motivated by a change in the government's political leanings.
Performance appraisal	1	Management normally defines guidelines and standards regarding the expected personnel performance in accordance with the organisation's priorities and strategy. Consequently, employees are aware of the aspects of their performance for which they will be specifically evaluated.
	2	Throughout the management cycle, management monitors, observes and supports improvements in employee performance, providing resources and removing obstacles wherever necessary.
	3	Employee performance is evaluated by the organisation and compared to the expected performance standards.
Compensation management	1	The pay structure is adequate for attracting, motivating and retaining suitable people with the necessary competencies for the positions that the organisation requires.
	2	Pay levels are not excessive compared with labour market costs for any similar sector or grade.
	3	The compensation mechanisms encourage people to make more effort and stimulate individual or group performance, learning and competency development.
	4	Pay policy is set according to previously established criteria and consistent with the organisation's structural design parameters.
Organisation of the HRM function	1	Managers take responsibility and appropriately exercise their responsibilities as managers of the personnel within their sphere of formal authority.
	2	The central civil service agency responsible for the system is viewed by the rest of the organisation as a department that adds value to the achievement of the common goals.

Source: Longo, F. and M. Iacoviello (2010), "Evaluación del grado de implementación de la Carta Iberoamericana de la Función Pública en los países de América Latina", document prepared for the Interregional Conference for Ministers/Heads of Public Service, Latin American Center for Development Administration (CLAD), Buenos Aires, Argentina, July 1-2.

Each critical point is assigned a value following three criteria: (i) instrumental: evaluates the availability of rules and technical instruments that enable the management practice established in the respective critical point to be developed; (ii) coverage: reveals the level of coverage of this practice in public organisations at the national level; and (iii) implementation: evaluates the degree of effective implementation (and subsequent institutionalisation) of the practice. Thus, these three criteria defined the positioning of each critical point at either a high, low, or medium point of compliance.

It is therefore likely that a critical point's score rises insofar as: (i) there are HRM tools available; (ii) they are accessible to a growing number of government agencies; and (iii) they are actually applied. It is worth highlighting that the third criterion (implementation) is the one that enables achievement of a high score (4 and 5 points), as the mere presence of these tools, even if they enjoy wide institutional coverage, will fail to produce good results without effective application.

The country score for each critical point or benchmark within a same composite index is weighted equally, and then normalised to a scale of 0 to 100 to reach the composite index final score.

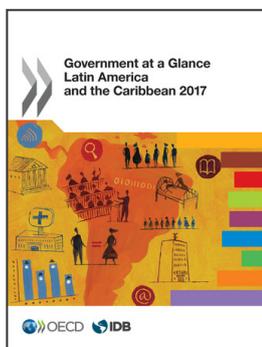
Table A.2. **Descriptors for each of the benchmarks**

Composite index	Benchmark	LOW LEVEL Score 0-1	MEDIUM LEVEL Score 2-3	HIGH LEVEL Score 4-5
		Instrumental: Non-existent or minimum Coverage: Very low Implementation: Non-existent or minimum	Instrumental: Basic Coverage: Low-medium Implementation: Medium	Instrumental: Sufficient Coverage: Medium-high Implementation: High
HR planning	The staff planning provisions usually result from the organisation's priorities and strategic orientations. The degree to which they are adjusted to one another tends to be high.	The government's strategic priorities and orientations have yet to be defined or, at most, are set out in formal documents without sufficient support or effective implementation in the institutions.	The planning process is relatively well coordinated and based on budgetary management, with the introduction of some strategic criteria.	Government plans enjoy wide consensus. Strategic planning mechanisms have influence in the day-to-day management of public organisations in defining the required quality and quantity of HR.
	The personnel information systems enable there to be reasonable awareness of the quantitative and qualitative resources available now and in the future, in the different organisational areas and units.	Limited availability of human resource information. Information systems in very early stages of development.	The information systems enable public institution staff numbers and costs to be determined. Qualitative profile yet to be developed, or available only in some institutions.	Adequate availability of information in both quantitative and qualitative terms.
	In general, there are neither significant staff shortages nor overstaffing.	Clear disproportion between the workforces in the different areas of government.	Measures to organise and redeploy public workforces were implemented, which reduced the disproportion between different areas, although these still do not respond to organisational needs.	Public workforce is distributed according to organisational needs.
	The overall cost of civil service staff is maintained within reasonable parameters that are compatible with the country's economic situation.	The wage bill absorbs a proportion of expenditure that is unsustainable over the medium term.	Implementation of measures to contain the wage bill, although with difficulties when it comes to striking the right balance.	The wage bill remains stable and is compatible with the country's economy.
	The level of workforce technification is commensurate with the knowledge society environment. Skilled labour represents a significant proportion of the workforce.	Low proportion of civil servants with higher education in relation to the reference labour market.	Proportion of civil servants with higher education is growing, although still below the reference labour market.	Significant proportion of civil servants with higher education in relation to the reference labour market.
	The staffing policies, decisions and practices in each area of HRM arise from intentions that are determined during the planning process.	The existing initiatives in the different areas of HRM are not coordinated.	Certain institutions manage to coordinate the areas of HRM according to a consistent policy based on strategic institutional planning.	Based on an HRM policy defined at the government level, most institutions manage to establish coordinated policies in the different areas within HRM.
Civil service merit	Recruitment to fill vacancies is open, in law and in fact, to all candidates possessing the required qualifications. These are established according to suitability for the post and technical considerations, not arbitrarily.	There are no rules or procedures for open recruitment of candidates to fill public sector vacancies.	There are rules and procedures for open recruitment of candidates, which are applied in certain areas of the state.	A significant proportion of the vacancies in public institutions are filled by widely publicised public job announcements.
	The necessary safeguard mechanisms and procedures are in place against arbitrariness, politicisation, patronage and clientelism throughout the entire hiring process.	Mechanisms and procedures that guarantee the transparency of the staff recruitment process do not exist.	There are rules, regulations and procedures for meritocratic staff recruitment, which are effectively applied in certain areas of the state.	A significant proportion of vacancies in public institutions are filled via procedures that are clearly protected against clientelistic interference.
	Dismissals or terminations of employment that affect professional positions are not motivated by a change in the government's political leanings.	There are mass dismissals of public employees whenever there is a change of government, either due to the absence of legal safeguards in this respect or because such safeguards are ignored by the incoming administration.	There are effective legal safeguards against arbitrary dismissals whenever there is a change of government, although these are not uniformly applied throughout the public sector.	The legal safeguards against arbitrary dismissals whenever there is a change of government are fully operational throughout all public sector employment.

Table A.2. **Descriptors for each of the benchmarks** (cont.)

Composite index	Benchmark	LOW LEVEL Score 0-1	MEDIUM LEVEL Score 2-3	HIGH LEVEL Score 4-5
		Instrumental: Non-existent or minimum Coverage: Very low Implementation: Non-existent or minimum	Instrumental: Basic Coverage: Low-medium Implementation: Medium	Instrumental: Sufficient Coverage: Medium-high Implementation: High
Performance appraisal	Management normally defines guidelines and standards regarding the expected personnel performance in accordance with the organisation's priorities and strategy. Consequently, employees are aware of the aspects of their performance for which they will be specifically evaluated.	There are no systematic rules and procedures for establishing objectives and performance standards.	There are rules and procedures for establishing objectives and performance standards, but they are applied only partially in public institutions.	The system for establishing objectives and performance standards is developed and applied in the majority of public institutions.
	Throughout the management cycle, management monitors, observes and supports improvements in employee performance, providing resources and removing obstacles wherever necessary.	The technical tools that enable managers to support their staff's performance are lacking.	Technical instruments exist for performance monitoring and improvement and are partially applied in public institutions.	A developed performance monitoring and improvement system exists and is applied in the majority of public institutions.
	Employee performance is evaluated by the organisation and compared to the expected performance standards.	There are no systematic rules and procedures for evaluating performance.	There are systematic rules and procedures for evaluating performance, which are applied partially in public institutions.	A developed performance appraisal system is used in most public institutions.
Compensation management	The pay structure is adequate for attracting, motivating and retaining suitable people with the necessary competencies for the positions that the organisation requires.	There are difficulties in attracting and retaining qualified staff in most areas of the state.	There are difficulties in attracting and retaining qualified staff in some levels or areas of the state.	The pay structure is such that competent personnel can be attracted, motivated and retained in a significant proportion of public sector employment.
	Pay levels are not excessive compared with labour market costs for any similar sector or grade.	Pay levels are excessive compared to the reference labour markets.	Pay levels are slightly above those paid in the reference labour markets.	Pay levels are reasonable in relation to those paid in the reference labour markets.
	The compensation mechanisms encourage people to make more effort and stimulate individual or group performance, learning and competency development.	The compensation mechanisms fail to consider either individual or group performance or the incorporation of competencies.	Introduction of individual or group performance criteria, and incorporation of competencies in compensation management, are applied in certain areas of the state.	Current compensation mechanisms are based on individual or group performance, and incorporation of competencies applied in a significant proportion of public sector employment.
	Pay policy is set according to previously established criteria and consistent with the organisation's structural design parameters.	Compensation management is not based on established criteria or on structural design.	Introduction of organisational criteria in compensation management, with partial application in public organisations.	Compensation is determined on the basis of established criteria based on rules and regulations, with effective application in a significant proportion of public sector employment.
Organisation of the HRM function	Managers take responsibility and appropriately exercise their responsibilities as managers of the personnel within their sphere of formal authority.	Weak development of the senior civil service in terms of HRM responsibilities as heads of working groups.	Measures taken to strengthen the senior civil service enable the HRM role to be developed in some areas of the state.	The senior civil service is institutionalised, with the tools and competencies needed to exercise their role as managers of working groups.
	The central civil service agency responsible for the system is viewed by the rest of the organisation as a department that adds value to the achievement of the common goals.	The central civil service agency fails to position itself in a leadership role to drive the state's human resource policies.	Measures to strengthen the central civil service agency reinforce its position and the perception of other institutions with regard to the value it contributes.	Generalised recognition of the value added by the central civil service agency.

Source: Cortázar, J.C., M. Lafuente and M. Sanginés (eds.) (2014), *Serving Citizens: A Decade of Civil Service Reform in Latin America (2004-13)*, Inter-American Development Bank, Washington, DC. Annex 1, pp. 139-162.



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