



BCOP Working Group on Public Sector Wage Bill Management

Workshop: Managing Public Sector Wage Bill Expenditure

Background and Context

This workshop is a part of the Working Group on wage bill management, run by the Budget Community of Practice (BCOP) under BCOP Action Plan for FY14. The Working Group activities are supported by the World Bank team, working on a regional study *Managing Public Sector Wage Bill Expenditure*.

Wage bill management is highly important for overall budget sustainability. While there are significant differences across countries, on average the wage bill accounted for 25 percent of total public expenditures, equal to about 8.6 percent of GDP across the ECA region in 2010. In addition to being a sizable spending item, wage bill expenditures also entail long term fiscal commitments and are particularly costly to adjust. At the same time, the compensation system is also key to attracting, retaining, and motivating competent employees and therefore a crucial factor to enhancing the productivity of the public sector. Containing the cost of the wage bill without undermining workforce morale, commitment and performance, remains a key challenge across the ECA region (and beyond), especially in the context of ongoing fiscal consolidation pressures.

The key objective of the Working Group is to review and learn from the findings of the World Bank study on public sector wage bill management, including the analytical framework, selected country cases and policy recommendations. By May 2014 the Working Group has organized several video-conferences to review the initial findings from the World bank study and selected country cases. In November 2013 a survey of wage bill management practices has been undertaken under the Working Group to give opportunities to the Working Group participants better understand and discuss with their peer colleagues their own country cases, with support of the World Bank team.

Participants

The Working Group is a small group format activity under PEMPAL and participation was limited to countries, represented in the BCOP Executive Committee. The following countries revealed high interest to the Working Group and participated in the on-line survey and video-conferences: Albania, Bosnia and Herzegovina, Armenia, Kyrgyz Republic, Croatia and Belarus. These countries are invited to delegate 2 members to the workshop. In addition, the workshop is open for participation to the members of BCOP Executive Committee.

World Bank Team:

Tony Verheijen, Country Manager of the World Bank in Serbia, Public Sector Performance Global Expert Team

Maya Gusarova, Public Sector Specialist, Governance Practice Group

Zachary Mills, Public Finance Specialist, Governance Practice Group

Sebastian Eckardt, Task Team Leader for the study *Managing Public Sector Wage Bill Expenditure*. and Senior Economist, contributed to preparation of the workshop agenda and background materials.



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AGENDA

- 10:00 -10:15 **Opening**
- Welcoming of the participants*
Gelardina Prodani, BCOP Chair, General Secretary, Albania Ministry of Finance
- Overview of the Working Group activities and introduction of the agenda*
Maya Gusarova, Coordinator of BCOP Resorce Team, Public Sector Specialist, World Bank
- 10:15 – 12:00 *Pay and Employment Policy in the Public Sector: Global Trends*, Tony Verheijen, Public Sector Performance Global Expert Team
- Managing Public Sector Wage Bill for Sustainability and Performance: on- going analytical work in ECA region*, Zachary Mills, Public Finance Specialist, Governance Practice Group
- Questions and Answers
- 12:30 – 13:30 Lunch
- 13:30 – 15:45 *Institutional Arrangements and Wage Bill Management Policies in PEMPAL Countries: Presentation of the Survey Results*
Maya Gusarova, Public Sector Specialist, Governance Practice Group
- Civil Service Pay Reform in Kyrgyz Republic*
Jazgul Amanova, Kyrgyz Republic Ministry of Finance
- Public Sector Pay Reform Program in Armenia*
Konstantin Krityan, Armenia Republic Ministry of Finance
- Discussion: Participants of the Working group and World Bank Team
- 15:45 -16:00 Wrap-up
- 16.00-16.30 Coffee



Background Resources:

Sebastian Eckardt, Zachary Mills *What Goes Up Must Come Down – Cyclicalities in Public Wage Bill Spending*, Policy Research Working Paper, World Bank, 2014

Establishment Control & Pay Determination, World Bank, Governance and Public Sector Management Group, <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPUBLICSECTORANDGOVERNANCE/0,,contentMDK:23157941~pagePK:148956~piPK:216618~theSitePK:286305,00.html>

Salary Top-Ups, World Bank, Governance and Public Sector Management Group, <http://siteresources.worldbank.org/PUBLICSECTORANDGOVERNANCE/Resources/285741-1345485407865/SalaryTop.pdf>