

Salary Top-Ups

Salary top-ups mean official cash payments or in-kind benefits that a civil servant receives over and above what colleagues in the same grade and pay scale receive. Often, the original purpose of salary top-ups is to persuade some civil servants to move to positions that (s)he would normally not want to accept. However, when granted in public sectors that offer few career rewards such as recognition or accelerated promotion opportunities, these salary top-ups render those posts (to which they are attached) very attractive, and civil servants end up wanting very much to move to these posts.

Salary top-ups introduce distortions in incentives, and are undesirable especially when they draw scarce knowledge and skills away from where are needed most. Civil service salary top-ups through official are initiated in three main ways:

1. Position-based allowances

These are usually attached to jobs with more than usual risk or skills such as dealing with law and order, or attached to "hardship" locations such as mountainous or inaccessible areas, and are often a percentage of the base salary. In addition, state owned enterprises and control bodies often attract officials from the regular civil service with salary top-ups. For several years, the Banking Regulation and Supervision Agency (BRSA) in Turkey gave a salary top-up to officials it attracted on a temporary basis from the Central Bank of Turkey. Once the top-ups were removed in 2001, virtually all deputationists returned to their original positions. Position-based allowances are often in-kind such as the use of a car, house, or telephone that can dramatically increase the total compensation received by a public employee. Often such benefits are limited to senior staff, but this is not always the case. In Pakistan, for example, federal and provincial (Sindh) employees at all levels are entitled to housing from the government, with the quality of house varies depending upon the category of staff. Military officers have also been given a house when they retire. The box in the text suggests that such allowances are less frequent in the OECD countries.

2. Task-based allowances

These extras are paid on the assumption that a civil servants is doing more than what one person can reasonably be expected to do, and the task-based allowance is to persuade the official to take on this additional responsibility as a temporary measure. For example, on account of a vacancy, a supervisor or manager may be asked to oversee a unit other than his own, and be granted extra compensation e.g. an additional charge allowance for the time he is actually performing this additional duty. In public sectors where human resource policies and procedures are not transparent, such additional responsibilities may continue for very long and the salary top-up can become almost regular.

Pay consolidation in the OECD

In the OECD, the basic wage component averages nearly 90% of the total wage packages of civil servants.

Country	Base pay as a proportion of total rewards	Country	Base pay as a proportion of total rewards
Australia	approximately 100%	Italy	35-65% of total
Austria	80-90% of total remuneration	Luxembourg	80-100% of total
Canada	100% of total	Netherlands	93-100% of total
Denmark	99%	Portugal	Approximately 100
Finland	65-90%	Spain	30-100% of total
France	75-95% of total	Sweden	100% of total
Germany	70-90% of total	Switzerland	100% of total
Greece	20% of total	UK	Approximately 100% of total
Iceland	100%	US	100% of total
Ireland	100% of total in most cases		

Indonesia offers a particular case where task-based allowances form a significant proportion of remuneration for many officials. These allowances are mainly funded from the development budget (therefore making the real cost of civil service employment in Indonesia higher than appears at first sight.) Civil servants receive allowances on the basis of the number and type of projects that their organization implements. An official is likely to receive more allowances if assigned to an organization implementing many projects than a colleague assigned to an organization implementing fewer projects. In widely accepted Indonesian civil service terminology, agencies are classified as 'dry' or 'wet' depending on the number of projects with development budget funding that it implements. These task-based allowances include: Representation Payment, Meeting Allowance, SOE Commissionship(s), Project Cars, Project Bonus(es), Per Diem(s).

One key impact of the complex allowances is that, for many structural civil servants, vertical compression has reduced their incentives to follow a civil service career, and for all staff, horizontal decompression has created gross disparities between staff undertaking similar tasks. The extreme horizontal decompression may have some considerable impact on the perceived problem of corruption in the civil service in Indonesia.

3. Donor-funded allowances

Donors are sometimes 'unregulated' in situations where there is little counterweight from government. This can lead to a large and confusing number of projects, driven as much by donor interests as by needs on the ground. Paying high salaries can be symptomatic of donor competition as it is used to 'catch up' with other donors that are seen to be successful in attracting good staff. Excessive use of international rates of pay enables donors to obtain the best staff, particularly those with the right language skills. It also expedites recruitment and broadens the potential labor pool available to them, as any skilled citizens will want to work with well-paying donors. However, the consequences are also well known. Excessively generous remuneration creams off competent staff from the sector ministries, and strips the civil service of all staff with donor language skills. It can contribute to a vicious circle as the removal of competent staff from the ministries then creates pressure for Project Implementation Units and other enclaves outside the civil

service. Overall, the practice distorts the local labor market - creating inflationary pressures and skewing the pay/skill balance, as language skills become the most lucrative. It also has some reputational risks for donors also as the practice is seen to attract international glamour rather than local talent, and feeds perceptions of favoritism and impropriety.

One way to prevent donors' higher salaries from attracting qualified civil servants is to lay down civil service regulations that all government allowances are made explicit, and no serving civil servants can receive salary supplements or other top-ups, whether cash or in-kind, from any source, including donors. To buttress this position, government regulations should require a "cooling off" period necessary between leaving government service and taking a donor contract, or a position with a private firm which is a supplier to the government.