

1. Executive Summary¹

This report examines the pay-setting arrangements for senior civil servants in three settings: the Netherlands, the United Kingdom and Singapore. It concludes that:

1. A robust analytic approach for pay setting seems to be sufficient to maintain some general sense of legitimacy in the process, but is not the dominant driver of pay levels.
2. External consultancies are employed significantly to obtain data on salaries for comparable positions in the private sector, but the analytic approaches imply:
 - a. a significant capacity within government, particularly within the national revenue and statistics authorities, to manage data and interpret comparisons with skill and judgment;
 - b. the existence of a large and sophisticated private service sector to provide robust comparators.
3. The Hay method is used in many settings and the World Bank analytic approach is not dissimilar to that used in many governments.
4. However, governments are different to the World Bank in some critical ways. Like the Bank, they are driven by the need to establish a system which is seen to be legitimate both to staff and to the funders. Unlike the Bank, however, they face political pressures which may make a particular pay settlement, however technically appropriate, politically infeasible.
5. Thus, while the institutional arrangements for managing and overseeing the pay-setting process are, also, very much concerned with ensuring legitimacy for the resultant pay settlement, and so involve some significant delegation to signal that the recommendations are somewhat independent, the final decision for pay is ultimately made by government on political as well as fiscal and economic grounds.
6. The numbers of political advisors outside of the formal schemes is modest and does not seem to have a strong influence on the pay-setting process for senior staff in the settings studied. There is no evidence that the number or significance of political advisors appointed outside of the line structures is sufficient to alter or undermine the approach to pay-setting that is applied to other senior civil servants.

Looking forward, the note points out that countries still manage to attract and retain talented and experience professionals because of three factors: the intrinsic rewards of public service; the status inherent in being a civil servant; and the job security. The last two of these factors are under pressure in most OECD and middle income country settings leading to the question of whether pay levels must rise over time, unless governments can retain the intrinsic rewards for public service. This seems implausible given larger pressures, but the moves towards the establishment of cohesively managed corps of senior public managers are steps in this direction.

Within the overall pay-setting arrangements that has been the focus of this note, the moves towards delegation of pay-setting (with pay levels and structures adapted to the market situation and business case of different public sector organisations) and individualization of pay (with increasing variation between staff in similar positions based on their qualifications, competences and performance) are leading to increasing pay differentials within the civil service itself. However, as yet, in most cases the actual divergence is relatively modest.

¹ This paper draws extensively on background work prepared by Knut Rexed for the World Bank. The Bank is responsible for the final conclusions.

2 Background

2.1 The Senior Civil Service

The modernisation of the national public administration in a country involves a fundamental transformation. The old administrative paradigm is a heritage from a public administration focused on the core sovereignty functions, primarily engaged in applying rules and regulations, and itself being governed by rules and regulations. Today's public administration in a modern country has however broader responsibilities for promoting national development, managing the country's interrelations with a globalised world, and providing essential services for its citizens. There is no normal or best way of managing this transformation, due to a strong path dependency; that is a dependency on the country's own political, cultural and administrative history and its economic and social development (OECD 2004a).

What is evident is however that the new and greatly expanded tasks of the public administration always requires the development of a cadre of professional managers, specialised in public management and experienced in managing the political-administrative interface. Substantial attention has therefore been given during the last decades to the top managers in the public administrations; by individual countries as well as by intergovernmental organisations such as the World Bank, the OECD and the European Public Administration Network (EUPAN) and by administrative scientists.

This group of professional managers is normally referred to in the literature as the *Senior Civil Service (SCS)*, but the designation varies from country to country and with the language used. They are sometimes managed as an explicit discrete group, but sometimes only implicitly identifiable through the positions they hold.

OECD has defined a Senior Civil Service as a structured and recognised system of personnel for the higher non-political positions in government. It is a career civil service with people competitively appointed to functions that cover policy advice, operational delivery or corporate service delivery. The service is centrally managed through appropriate institutions and procedures, in order to provide stability and professionalism of the core group of senior civil servants, but also allowing the necessary flexibility to match changes in the composition of Government by using appropriate due processes (OECD 2008).

A 2006 report from the European Institute for Public Administration (EIPA) classified the national arrangements in the 28 member countries of the European Union in the following five categories: (Kuperus 2008)

1. Centralised SCS organization (The Netherlands and the United Kingdom)
The senior civil service is formally defined in a national piece of law or regulation as a separate and special group of civil servants. Furthermore, this particular group is managed by a central office created for the support and administration of senior civil servants.
2. Formalised SCS status with special conditions (6 countries).
The senior civil service is formally defined in a national piece of law or regulation as a separate and special group of civil servants. There is no central SCS office but there are special conditions for senior civil servants which distinguish them from other civil servants.
3. Formalised SCS status without special conditions (3 countries)
The senior civil service is formally defined in a national piece of law or regulation as a separate and special group of civil servants. There is no central SCS office and on special conditions for senior civil servants.

4. Recognised SCS group with special conditions (14 countries)
Senior civil servants are not formally defined in any piece of national law or regulation, but are identifiable and have a special social status. This group also enjoys special conditions in relation to their recruitment, appointment and benefits.
5. No special SCS recognition or organization (3 countries).
Senior civil servants are not formally defined in any piece of national law or regulation and also do not receive any special support or enjoy special conditions in comparison with other civil servants.

Major areas of SCS reform among OECD countries include leadership cultivation and development, increased transparency in the recruitment and management of the SCS, the creation of relevant career opportunities, and a cultural shift toward more flexibility and individual accountability for performance (OECD 2008).

2.2 The elements of public sector compensation

Table 1 sets out the formal, and informal, elements of public sector compensation. Total compensation is generally taken to refer to contractually-provided base rewards and allowances, shaded in the table. This note focuses on contractually-provided monetary base rewards and allowances.

Performance bonuses can be one-off (sometimes referred to as the "at risk" element of current monetary rewards because it might not be provided the following year) and merit increments, where performance bonuses are subsequently folded into the base wage or salary.

Table 1: The elements of public sector compensation

		Contractually-provided		Non-contractual/ intangible			
		Monetary	In-kind	Legal	Illegal		
Current rewards	Base rewards		Base wage/salary	Health insurance	Job security, prestige, social privileges	Bribes, non-authorized additional employment (moonlighting), side-payments from public	
	Allowances	Variable	Performance bonuses		Trips abroad, training		
		Fixed	Person-specific	E.g. car, housing, etc.			E.g. car, housing, et c.
			Job-related	E.g. meals, telephone, remote travel, cost-of-living, conference fees etc.			E.g. Meals, telephone, remote travel, cost-of-living, conference fees etc.
Future expectations		Pension	Housing, land, etc.	E.g. Reputation, re-employment after retirement	Continuing bribes		

2.3 Rewarding SCS staff

Managerial competence and experience is normally a scarce asset in all countries. The public administration competes with other activities – both within and outside the country – for access to this asset. Attraction and retention issues are therefore always important aspects of the design and management of a country's SCS. Retention of competent and experienced staff through adequate compensation, terms and conditions may be a more significant driver of performance

than specific performance rewards (Ketelaar, A., Manning, N. & Turkisch, E. (2007)). That SCS staff and other civil servants feel that they are adequately rewarded is also important for the integrity of the civil service. The relative salary level for SCS staff in comparison with salaries paid in alternative activities is therefore a common concern for all countries. The relative level of the compensation is however not the only relevant factor.

The typical Western European civil service² is characterised by entry early in the professional career, by a strong socialisation into a public service culture, and by promotions being reserved for or dominated by insiders. The value shift inherent in growing affluence has contributed to this evaluation. This shift means among other things that the so-called survival values are weakened while opportunities for personal development and self-expression become more important.

Several studies of civil servants in Western European countries show that those attracted to public service value the opportunity to make a contribution to society higher than mere economic benefits. A recent commentator noted:

Let's face it: the public sector can't really compete for senior management talent with large private firms in terms of dollars and cents. Job satisfaction however can and does come from other things. The recruiting power of the government lies in connecting with the idealism of people who feel they can serve a larger good. Many people who join the Public Service do so because they see it as a chance to serve their country. All cynicism aside, they genuinely feel, almost altruistically, that they can make a contribution that transcends the job. For them, it's a calling, not just a job (Aucoin 2003).

A recent pay comparison from senior politicians and civil servants in selected EU countries showed that the SCS in these countries were paid between 30 percent (in the United Kingdom) and 60 percent (in Belgium) of a comparable market salary (Hays Group 2005). That the United Kingdom can attract and retain a high quality SCS in spite of the relatively low salary level is an indication of its strong civil service culture and ethos. Similarly, it is not surprising that Belgium with its complicated internal constitutional structure and internal dissent, has found it necessary with a higher relative salary level.

2.4 Political cabinets

The number and the role of political advisors vary, as does their relation to the senior management functions.³ A recent OECD report states that relations between political advisers and civil servants tend to be problematic in most EU and OECD member states (SIGMA 2007). Frictions occur particularly in a transition context, and in countries with long standing civil services where political advisers are newly introduced. The report identifies three main types of political advisors.

- Political advisors working alongside a politically neutral civil service. In these systems the civil service is usually the dominant element in advising and supporting the minister, and the role of the political adviser is confined to offering a separate stream of political counsel.
- Political advisors working alongside a civil service of which the top tier is also politicised: This creates a more muddled system.

² This civil service may – as in Belgium and France – encompass all public employees, or – as in Ireland and Germany – only be a select part of the public work force.

³ It is important to note that the identification of a distinct group of political advisers does not imply that the remainder of the senior civil service is completely apolitical. Most recruitment and promotion arrangements in most OECD countries include significant political involvement (Matheson, A., et al. (2007))

- Ministerial cabinets that are a mixed group of political advisors and civil servants on temporary secondment, who both advise the minister and exercise strong control over the ministry in his/her name: In such systems there is usually some distance between the minister and cabinet, and the civil servants who make up the remainder of the ministry.

The presidential administrations in for example Brazil and the United States can be seen as a fourth type. Here, the top public managers are political appointees recruited both from the civil service and from the private sector. At the same time these countries have politically appointed presidential advisors.

The more numerous political advisors are, the greater is the risk that they assume managerial functions and thus creates an unclear division of responsibilities.⁴ Political advisors are appointed at will, and can normally be dismissed at will. They are distinct from public servants in three respects:

- Since they are personally nominated by the minister, they are exempt from the usual civil service entry requirements (although sometimes they may previously have served as civil servants).
- They stand outside the normal hierarchy of the ministry. Usually they are responsible only to the minister and take their instructions from him/her.
- They are exempt from the requirement imposed on civil servants to act with political impartiality; the whole point of a political advisor is, precisely, that he/she can give politically loaded advice that the minister cannot request of the civil service. (James 2007: 8-9)

The elected assembly may supervise and limit the number of advisors, but does not interfere in their selection. Information on the number and remuneration of political advisers is never easily available, and often not at all.

In the UK, most ministries have two or three political advisers. It is only the Prime Minister's Office that has as many as 15 or 20. The Netherlands has political advisors working alongside a politically neutral civil service. No information is available on the number, but it is probably of the same order as in the United Kingdom. No information is available about political advisors in Singapore, although there are indications that they exist.

In no setting is there any evidence that their number or significance is sufficient to alter or undermine the approach to pay-setting that is applied to other senior civil servants.

3. National practices

3.1 The Netherlands

The Netherlands is noted for stable industrial relations, moderate unemployment and inflation, a sizable current account surplus, and an important role as a European transportation hub. The Netherlands Senior Executive Service (Algemene Bestuursdienst, ABD) is composed of about 800 civil servants. There is a special ABD bureau that assists in the management of the ABD and assessments of ABD-members. The Bureau is also responsible for candidate grooming, competency promotion and career counselling for ABD members. The about 70 holders of the highest civil service positions are called the Top Management Group (TMG), and are employed by the Ministry of Interior & Kingdom relations. They are a generalist corps that serves in different ministries and other public bodies. Their maximum term in the same position is normally 7 years.

⁴ See for example the assessments in OECD 2007a

The Netherlands uses a single salary grid for all civil servants. For each level there is a pay band with a minimum and maximum monthly salary. The salary grid is set by government decisions. The government negotiates and signs contracts with trade unions representing civil servants, but these agreements are not legally binding. The Ministry of the Interior and Kingdom Relations has studied the option of having benchmarks linking salary grid revisions to the wage increases in the private sector, but the Government has not adopted any formal benchmarks. Instead, the government addresses relative wages and attraction/retention issues in an ad-hoc manner when adjusting the salary grid. The system also allows the Government to freeze public salaries or reduce salary increases as part of budget stabilisation programmes.

The level used for a civil servant depends on the post held, while placement within the band depends on previous service, competence and performance. The grid has 18 levels. All ABD members except TMG members are placed in one of the four highest levels. TMG members are placed in level 19 above the grid, where the Ministry of the Interior and Kingdom sets the salary.

In 2001 the "van Rijn committee" observed that it was becoming increasingly difficult to find well-qualified graduates who were interested in a public sector career, and to keep them. Reasons for this included not only the steady economic growth in the late 1990s and the aging population, but also the higher salaries in the private sector. The committee's recommendations led to modifications in the salary policy for top officials, with the result that a number of senior civil servants ended up earning more than a minister.

In response to this, the "Dijkstal committee" urged in April 2004, that ministers be given a corresponding pay rise, arguing that their salaries should again function as a kind of standard for the SCS remuneration. Later, the Government decided that the maximum salary within the public sector should be that of a cabinet minister. The average annual taxable salary of a Dutch Cabinet minister is established every year by means of a ministerial regulation. The standard amount for 2009 was €188.000.

3.2 The United Kingdom

The arrangements in the United Kingdom are in many respects similar to those in the Netherlands, with one major complement: the existence of an independent salary review board.

The Senior Civil Service was created in April 1996. It has somewhat more than 4 000 members. The number tends to increase over time, probably due to grading creep. Government policy is that senior civil servants should have worked in more than one government department. There is a common performance appraisal system for the SCS.

There is a standard pay system that applies to the SCS across all government departments and agencies. Below permanent secretary level there are three broad pay bands that overlap significantly. On joining the SCS, one is allocated to a pay band on the basis of the job evaluation of the post being occupied. The actual level of pay depends on existing pay for internal entrants and is to some extent market related for those entering from outside the Service. Pay awards are made annually and are entirely performance-related.

The Review Body on Top Salaries was created in May 1971 and renamed the Review Body on Senior Salaries (SSRB) in July 1993. Its terms of reference have been revised several times. It is at present composed of ten distinguished persons with a background in science or in executive service in the private sector or in the civil service.

The Review Body provides independent advice to the Prime Minister, the Lord Chancellor and the Secretary of State for Defence on the remuneration of senior civil servants; holders of judicial office; senior officers of the armed forces; and other such public appointments as may from time to time be specified. The Review Body also advises the Prime Minister from time to

time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body is to consider the following considerations:

- The need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- Regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- The funds available to departments as set out in the Government's departmental expenditure limits;
- The Government's inflation target.

In particular it shall consider differences in terms and conditions of employment between the public and private sector and between the civil, judiciary and military services, taking account of relative job security and the value of benefits in kind.

The Cabinet Office provides the data underlying then Review Board's deliberation, as well as suggestion about the preferable income. Data on comparable salaries in private services are provided by external consultancies. It is not obliged to follow the advice of the Review Board; nor has it always done so.

The Hays Group report (2005) found that SCS salaries in the United Kingdom were considerably lower than salaries for similar jobs in the private sector. Another indication of this was presented by a Government commission that found a significant discrepancy between the salaries of SCS staff recruited internally and externally (Cabinet Office 2008). In its 2010 Report, the Board notes that the data available suggest that SCS pay has fallen further behind comparators in the private sectors since last year. Yet the Board accepted a Government suggestion and recommended zero growth in SCS remuneration in 2011.

3.3 Singapore

Singapore is a small city-state that became independent in 1965, with a governing structure patterned on the British system of parliamentary Government. It subsequently became one of the world's most prosperous countries with strong international trading links (its port is one of the world's busiest in terms of tonnage handled) and with per capita GDP equal to that of the leading nations of Western Europe. Services account for 73% of GDP and industry for the remaining 28%. It has a varied sophisticated industrial activity including electronics, chemicals, financial services, oil drilling equipment, petroleum refining, rubber processing and rubber products, processed food and beverages, ship repair, offshore platform construction, life sciences, and entrepot trade. It has a marginal oil extraction and no gas production.

The Civil Service consists of all public employees except those employed by statutory boards, government-owned enterprises and the Armed Forces. About 270 of these belong to the elite Administrative Service and hold key leadership positions in government ministries and the major statutory boards. Some are also seconded to Government linked companies. Among the key values underpinning the Singaporean Civil Service are market rates for civil servants.

Pay policies are centrally determined by the Public Service Division (PSD), who also ensures that various ministries implement them in a consistent way. The systems and mechanisms for determining pay levels and pay adjustments are partially decentralised. The pay structure is

centrally managed and regulated by the PSD, which carries out an annual state of service review to examine the various services' 'health' in terms of attrition and vacancy rates, pay competitiveness etc. In addition, various ministries are given the autonomy to review the competitiveness of their unique schemes of service as long, as they do not exceed the budget allocated to them. Comparators used include the wider public service and the private sector. The basis for pay level adjustments in the Singapore Civil Service is broad comparability with the market but not to lead it, while taking into consideration any prevailing recruitment and retention issues.

Singapore has sought to strengthen the links between pay for the Administrative Service and top private sector salaries. The stated motive is a need to stem the outflow of good officers from the Civil Service that would ultimately affect succession to top positions. Salary ranges have been introduced for senior civil servants in order to increase flexibility. Officers can be rewarded with merit increments within their salary range each year depending on their assessed potential and demonstrated performance.

Salaries for the Administrative Service have been pegged to salaries of top earners from a basket of 6 professions. These have been chosen based on similarity with the nature of work performed by such civil servants e.g. bankers, accountants, engineers, lawyers, multi-national companies and local manufacturers. The point of comparison is the average of the principal earned income of the 15th highest tax payer, aged 32 years old, belonging to each of the 6 professions. The benchmark figure is an estimated average of senior civil servant salaries and not a fixed entitlement. It includes basic pay as well as a typical performance bonus and diverse allowances. Benchmarks are computed annually based on income tax returns data. Salaries automatically follow the benchmarks up or down, albeit after a lag. The benchmarks are reviewed every 5 years.

For the rest of the Civil Service, PSD undertakes comparisons with the market pay on an annual basis. The comparison is against aggregated income data from the Central Provident Fund Board and the Inland Revenue Authority. Ministries are given the autonomy to engage consultants to conduct salary surveys and the outcomes will be used to inform their consultation with the PSD regarding the status of specific schemes of service. Services suffering from critical staffing level will be given interim market adjustments when the gap with the benchmark widens beyond a certain amount, for example 15%.

4 Common features

The analytic approach for pay setting seems to be sufficient to maintain some general sense of legitimacy in the process, but is not the dominant driver of pay levels.

In terms of analytic approaches, external consultancies seem to be employed significantly to obtain data on salaries for comparable positions in the private sector. The differentiation of salaries within a group of senior public managers is based on a dual assessment of job content and responsibility, and of individual competency and performance. Singapore is unusual in that data on comparators is not provided by outside consultancies but by public pension and tax authorities. In all settings, the analytic approaches imply:

1. a significant capacity within government, particularly within the national revenue and statistics authorities, to manage data and interpret comparisons with skill and judgment;
 2. the existence of a large and sophisticated private service sector to provide robust comparators.
- Details of the specific technical approaches used are difficult to discern, but the Hay method is used in many settings. Box 1 describes the World Bank analytic approach, and this is not dissimilar to that used in many governments.

Box 1: Setting remuneration levels for senior World Bank staff

The World Bank Group (WBG) uses compensation data from independent third-party consulting firms for senior staff. Compensation data from benchmark positions (in the public sector, the private industrial sector, and the private financial sector) within the US are used to develop the salary ranges for US-based staff.⁵

The data is consolidated into relevant Market Reference Points (MRPs) for each grade level. The MRP is the point in the World Bank Group's salary ranges which is aligned with comparable salaries in the local labor market at the 75th percentile. Each grade of the Bank Group salary structure has a range of net salaries. Salary ranges for positions are published externally annually by the Vice President, Human Resources.

After the MRPs have been aligned with the market, the average staff salaries are aligned to the new MRPs.

Every four years, the overall international competitiveness of the U.S. market is tested against a market comprised of comparator organizations from member countries selected by the Bank Group, currently France and Germany.

However, governments are different to the World Bank in some critical ways. Like the Bank, they are driven by the need to establish a system which is seen to be legitimate both to staff and to the funders. Unlike the Bank, however, they face political pressures which may make a particular pay settlement, however technically appropriate, politically infeasible. Thus, while the institutional arrangements for managing and overseeing the pay-setting process are, also, very much concerned with ensuring legitimacy for the resultant pay settlement, and so involve some significant delegation to signal that the recommendations are somewhat independent, the final decision for pay is ultimately made by government on political as well as fiscal and economic grounds.

Institutionally, the Netherlands has from time to time appointed temporary independent commissions for assessments and advise, while the United Kingdom has established a permanent salary review board with the same functions. The final decision remains in the Government's hands in both countries.

This political oversight over whether and how technical recommendations can be implemented is key. It applies even when pay-setting is delegated to the agency level (Rexed et al 2007) or when a significant proportion of remuneration is performance-related. Singapore, with its straightforward peg to a private sector salary index seems to be the exception – but the government is clear that it retains the right to deviate from the peg.

The three countries examined have independent commissions to advise on the pay-setting process and the ensuing pay structure. Such commissions are appointed on an ad-hoc basis in most countries. The Salary Review Board in the United Kingdom is however a permanent feature and provides an annual advisory report.

⁵ The compensation data retrieved from the various market sectors reflect annual total cash compensation, which includes both base salary and variable cash, such as bonus or incentive payments. The bonus and/or incentive payment components are an integral part of staff compensation in most private sector and many public sector organizations. The data exclude long term incentives, such as stock options or performance-based incentives that are based on multiyear results. For the current year the sources of private sector compensation data were: (i) for the industrial sector, data from the HayGroup (ii) for the financial services sector, data from McLagan Partners and Towers Watson (formerly Towers Perrin), (iii) for core technical positions, the World Bank also commissions a custom survey for core technical positions. For job families representing the private sector, data were extracted at the 75th percentile.

The numbers of political advisors outside of the formal schemes is modest and does not seem to have a strong influence on the pay-setting process for senior staff in the settings studied. There is no evidence that the number or significance of political advisors appointed outside of the line structures is sufficient to alter or undermine the approach to pay-setting that is applied to other senior civil servants.

5 Reflections on the future

That countries still manage to attract and retain talented and experience professionals is due to three factors: the intrinsic rewards of public service; the status inherent in being a civil servant; and the job security. The last two of these factors are under pressure in most OECD and MIC settings leading to the question of whether pay levels must rise over time. This is a part of the broader trend of modernisation and flexibilities described in recent OECD reviews (OECD 2004a). At the same time, many of these countries face political and fiscal restrictions that prevent more fundamental changes to the remuneration system for senior public managers. Governments which cannot – whether for economic or political reasons - offer comparable pay (extrinsic rewards) to its top public managers but still want to recruit and retain competent senior civil servants have to be able to offer offsetting intrinsic rewards.

It is likely for reasons at least partly related to the need to nurture the intrinsic rewards of public service that the Netherlands and the United Kingdom have identified the need for a more cohesively managed corps of senior public managers, and have set up special programmes for candidate grooming, career counselling and management and salary determination. Both countries have also identified a need to reduce the pay gap between senior managers in the public and the private sector, but are experiencing problems in making progress in this direction.

Within the overall pay-setting arrangements that has been the focus of this note, the moves towards delegation of pay-setting (with pay levels and structures adapted to the market situation and business case of different public sector organisations) and individualization of pay (with increasing variation between staff in similar positions based on their qualifications, competences and performance) are leading to increasing pay differentials within the civil service itself. Delegation has been a striking phenomenon of Australia, New Zealand and the United Kingdom (OECD 200, Rexed et al 2007). Individualization has also been most pronounced in those settings.

Individualization has led to some significant salary differentials in a few countries. Performance-related pay in the Czech Republic and Finland can reach 50% of base pay (OECD 2008). However, the maximum proportion of basic salary that is represented by performance-related bonuses is more usually around 10 or 15%.

The resulting divergence between the total compensation for staff within roughly similar positions within the public sector can be significant. One example is the pay differentials between internally and externally recruited senior civil servants in the United Kingdom. A similar problem arose with the United Kingdom's creation of separately managed executive agencies with Chief Executives hired on fixed-term contracts and thus more able to negotiate their own salary deal.⁶ However, as yet, in most cases the actual divergence is relatively modest.

⁶ That both these examples come from the United Kingdom is merely a reflection of their greater transparency.

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