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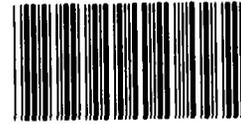
FEDERAL PERSONNEL AND
 COMPENSATION DIVISION

RELEASED

B-207092

APRIL 28, 1982

The Honorable Mary Rose Oakar
 Chair, Subcommittee on Compensation
 and Employee Benefits
 Committee on Post Office and Civil
 Service
 House of Representatives



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Dear Madam Chair:

Subject: Methods Used by Certain Foreign Governments to
 Set and Adjust Compensation Levels for Their
 Civil Servants (FPCD-82-40)

This letter is in response to your October 13, 1981, request for information on how foreign governments set and adjust civil servant pay and benefits. As agreed with your office, we obtained information on the compensation systems of Australia, Canada, England, and Japan. We conducted a computer-assisted literature search and obtained published studies and reports from the Library of Congress, Office of Personnel Management, and other Federal and non-Federal sources. We also obtained information from representatives of these countries. Specific details on how these countries set and adjust compensation levels are discussed below.

AUSTRALIA

Australia sets pay for virtually all of its 154,000 civil servants by collective bargaining. The only exceptions are for 30 top level officials whose pay is fixed administratively. Benefits, including pensions and leave, are set legislatively by the Parliament. The Parliament periodically adjusts pension annuities according to changes in the Australia consumer price index.

The Public Service Board, the government's central personnel agency, individually negotiates with over 70 employee unions organized along both agency and occupational lines. (Of the 70

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unions, 2 major ones represent about 65 percent of the work force.) The Board has used both annual comparability surveys of private sector pay and cost-of-living indices in the wage negotiation process. Based on comparability surveys conducted from 1973 through 1975, civil servants received substantial pay increases totaling about 60 percent. Because of high wage increases occurring in the private sector, the Board dropped comparability surveys in 1975 and adopted the principle of indexing wages to cost-of-living increases in its negotiations. In the next 3 years, civil servants received pay increases of 29 percent compared to pay increases of 33 percent in the private sector.

When a union and the Board cannot reach a negotiated settlement, an independent third party Public Service Arbitrator calls a conference and attempts to obtain an agreement between both parties. If this fails, the Arbitrator holds a public hearing. The Arbitrator then makes a final decision which is binding on both parties. The Board and unions, however, can appeal the Arbitrator's decision to a Conciliation and Arbitration Commission. All negotiated settlements are subject to review and funding approval by the Parliament. Strikes are illegal.

CANADA

Canada sets pay through collective bargaining for all its 250,000 civil servants except executive level employees. The Prime Minister administratively sets executive pay based on a comparability survey of top level private sector employees and on recommendations of an advisory group.

Some employee benefits--life and health insurance and retirement--are set by the Parliament. Pension annuities are adjusted annually by the Parliament based on changes in the Canadian consumer price index. Other benefits such as annual and sick leave are subject to collective bargaining.

The Treasury Board is responsible for overall government budgetary decisions and negotiates pay with 81 individual national bargaining units. Pay negotiations are binding on all parties, subject only to Parliament's appropriating the necessary funds.

The government's Pay Research Bureau of the Public Service Staff Relations Board conducts pay comparability surveys of the private sector. The Bureau collects data on about 80 occupations and provides the results to the Treasury Board and to the individual bargaining unit when its contract is about to expire.

Before negotiations begin, the bargaining unit specifies which of two impasse resolution processes--binding arbitration or referral to a conciliation board--it will follow should negotiations become deadlocked. If during negotiations the Treasury Board and a bargaining unit cannot resolve differences, either

party may request an independent third party to assist them in reaching an agreement. If this fails, they will go to one of the impasse resolution processes.

If binding arbitration is used for settling an impasse, an Arbitration Tribunal is formed to make the decision. This Tribunal is composed of government and union representatives with a chairperson acceptable to both parties. Its decision is to be based on criteria calling for comparability with the private sector.

Under the conciliation board process, the government appoints a three-person conciliation board to resolve the impasse. If this fails, the bargaining unit has a right to strike. To prevent a strike, the conciliation board's findings and recommendations can be reported publicly to generate pressure for a settlement. From 1967 to 1978, 11 legal strikes occurred in the 81 bargaining units. Not all civil servants, however, are permitted to strike. Employees designated to carry on emergency government services, such as police and firefighters, are not eligible to strike.

According to a 1980 Conference Board of Canada study, government and private sector pay rates are reasonably comparable, although civil servants receive somewhat higher benefits than private sector employees. Government pay rates were clearly higher than the private sector in 4 of 46 positions compared, while government pay rates were clearly behind the private sector in 3 positions. The Board also reported that the civil servant level of benefits was 3 to 5 percent higher in 1978 than that received by employees in the private sector. This was a major change from 1975 when Government employees' level of benefits trailed the private sector by 2.6 percent. From 1970 through 1979, government and private sector pay rate increases were generally comparable, averaging about 9.7 percent a year over the period.

ENGLAND

England sets civil servant pay for about 560,000 white-collar and about 170,000 blue-collar employees through collective bargaining. Benefits are also set through collective bargaining. Pay for about 1,000 executive level employees is administratively reviewed every 2 years based on a Government survey of top level employees in the private sector.

The Civil Service Department, the government's central personnel office, is responsible for setting white-collar pay and benefits. It negotiates white-collar pay with about 40 employee unions organized along occupational lines.

White-collar employees' pay is based on pay rates for broadly comparable work outside the government and takes into consideration differences in benefits provided to the two groups. An impartial Pay Research Unit, staffed with government and private sector

employees, conducts surveys of private sector employers. After collecting this data, it reports the results to the Civil Service Department and union representatives without making any recommendations.

During negotiations, Department and union representatives consider differences in retirement and other benefits within and outside the government and attempt to agree on revised pay rates. If agreement cannot be reached, the matter is referred to a three-member Civil Service Arbitration Tribunal represented by management, employees, and an independent chairperson. Arbitration settlements are subject only to the overriding authority of the Parliament. Civil servants have no statutory right to strike.

During the 1970's when private sector pay increased rapidly, the government implemented counter-inflationary policies to restrict the growth of its negotiated pay increases. Consequently, pay comparability surveys were suspended from 1975 until 1979 and pay increases were restricted in accordance with prevailing national pay policies designed to slow the wage growth in both the private and public sectors.

Pay-setting for blue-collar or industrial civil servants is somewhat different from the white-collar process. Each industrial group conducts its own separate pay negotiations, not by statistical comparisons with outside basic rates but according to its own needs, Government income policies, and productivity agreements.

JAPAN

The National Personnel Authority, an independent government organization, studies and recommends pay and allowances for all of Japan's 500,000 civil servants. Each year the Authority reports on the adequacy of civil servant compensation. If the cost of living or pay differential between private and government sectors changes by 5 percent or more, the Authority is required to recommend a pay adjustment to the cabinet and legislature. It also recommends any appropriate increases in civil servant allowances. These include a family allowance based on the number of dependents, a commuter allowance for civil servants using public transportation, and a housing allowance. Benefits, including health and accident insurance, severance pay, and retirement, are set legislatively.

Japan's civil servants are not permitted to bargain collectively or to strike over compensation. They may, however, organize to negotiate conditions of work. Currently, about 63 percent of the non-managerial civil servants are organized in about 2,000 employee unions.

To determine pay, the Authority follows two principles: setting pay comparable to the private sector and maintaining pay equity among schedules, grades, and steps within the service.

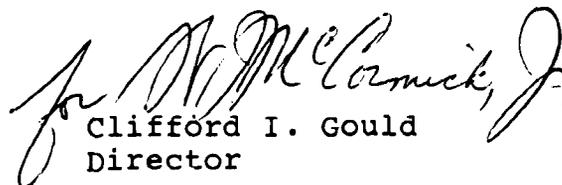
The Authority annually surveys pay rates for comparable jobs in private sector firms having 100 or more employees. Unions are not allowed to formally participate in these surveys. The aggregate pay differential between the government and private sector rates of pay is distributed among 16 different pay schedules, 8 grades, and as many as 24 steps within each grade, according to a formula which considers factors such as employee job content, educational level, age, and regional composition of the labor force. Increases in pay and allowances are made retro-active to the reference date of the comparability surveys.

The Authority has conducted these surveys annually for the last 20 years. In fiscal years 1977, 1978, and 1979, the Authority recommended pay increases of 6.9, 3.8, and 3.7 percent, respectively, which were approved by the cabinet and legislature.

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As arranged with your office, we do not plan to distribute this report until 7 days after its issue date. At that time, we will send copies of this report to the Office of Personnel Management, the Office of Management and Budget, and other interested parties and make copies available to others upon request.

Sincerely yours,


Clifford I. Gould
Director