

Rightsizing the Government Wage Bill

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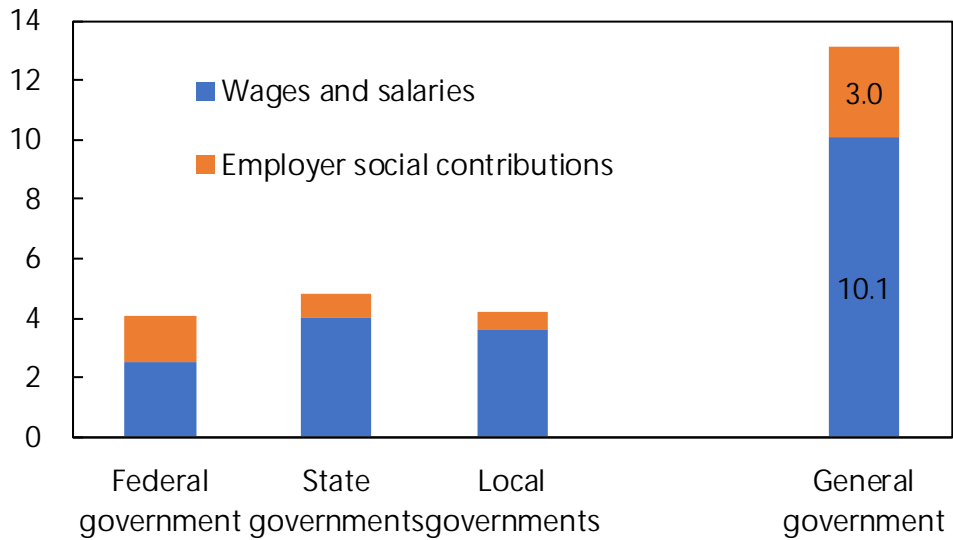
November, 2018



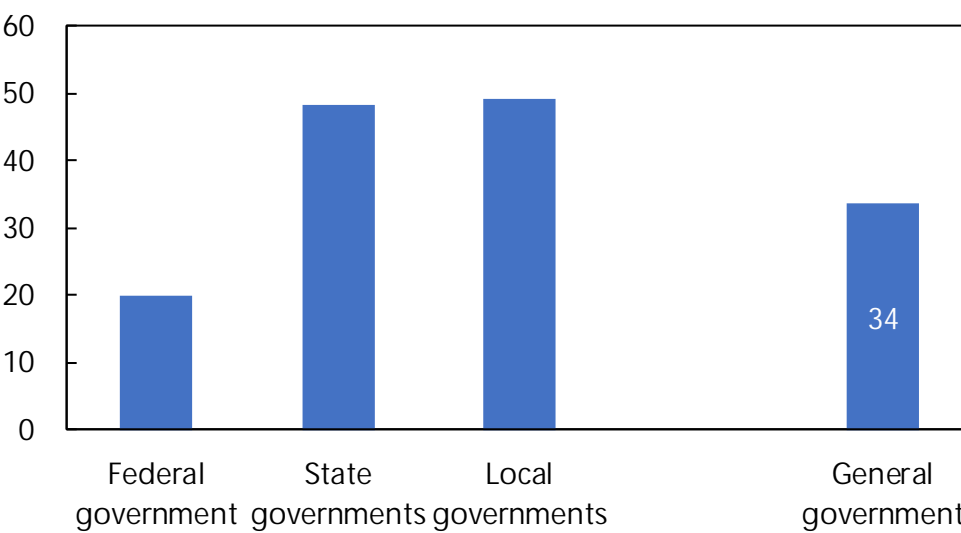


The government spends 13 percent of GDP in compensation of employees

Compensation of Employees, 2016
(Percent of GDP)

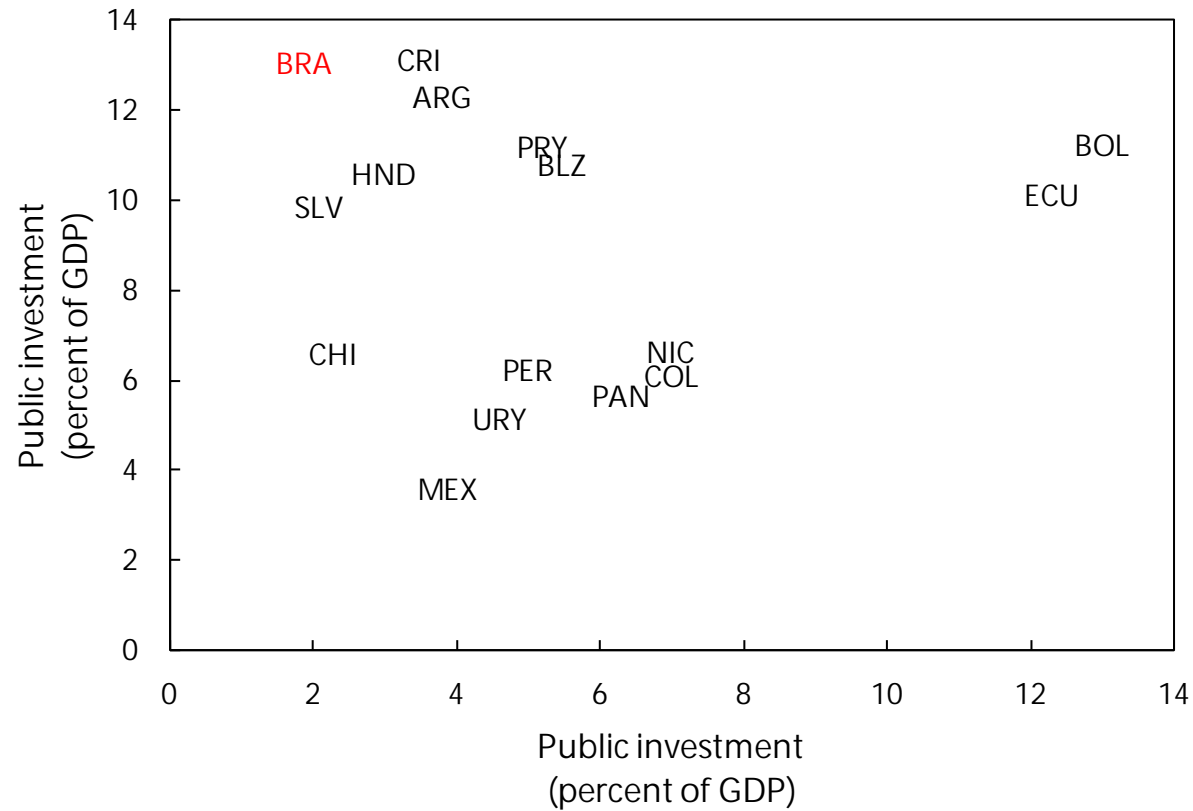


Compensation of Employees, 2016
(Percent of Primary Spending)



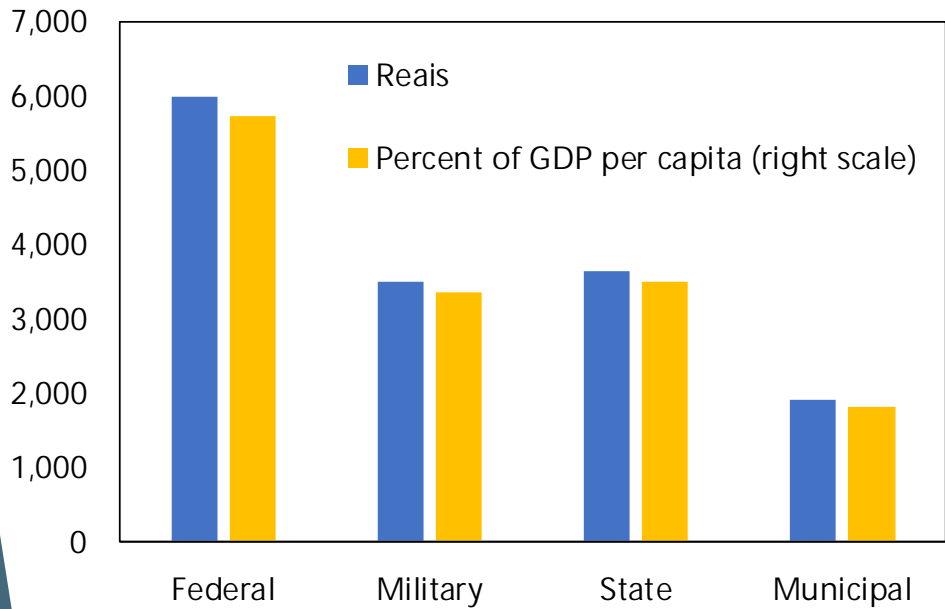
The considerable space taken by the wage bill limits other productive spending

Public Investment and the Wage Bill

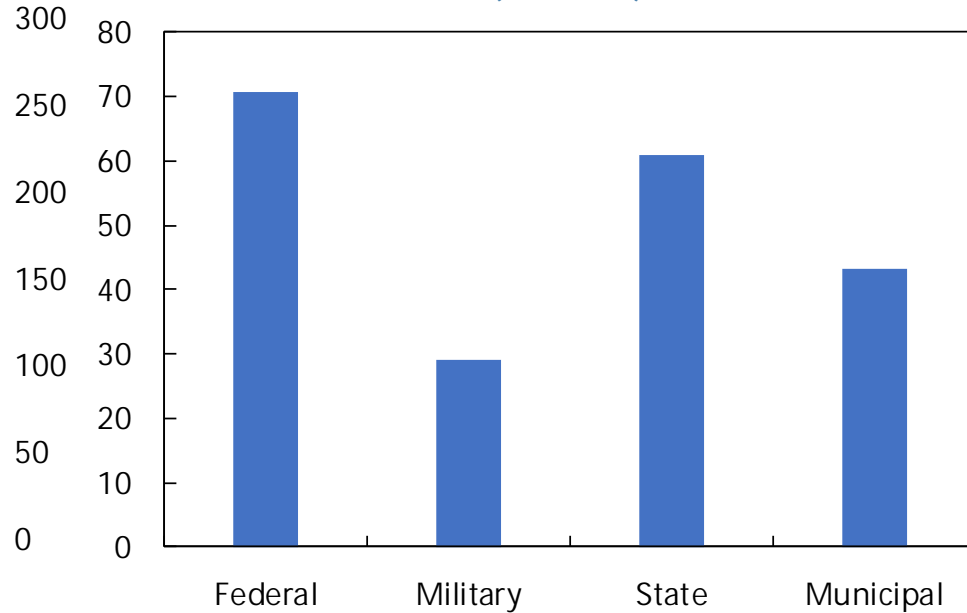


There are substantial disparities in pay across the various levels of government

Government Monthly Pay, 2015

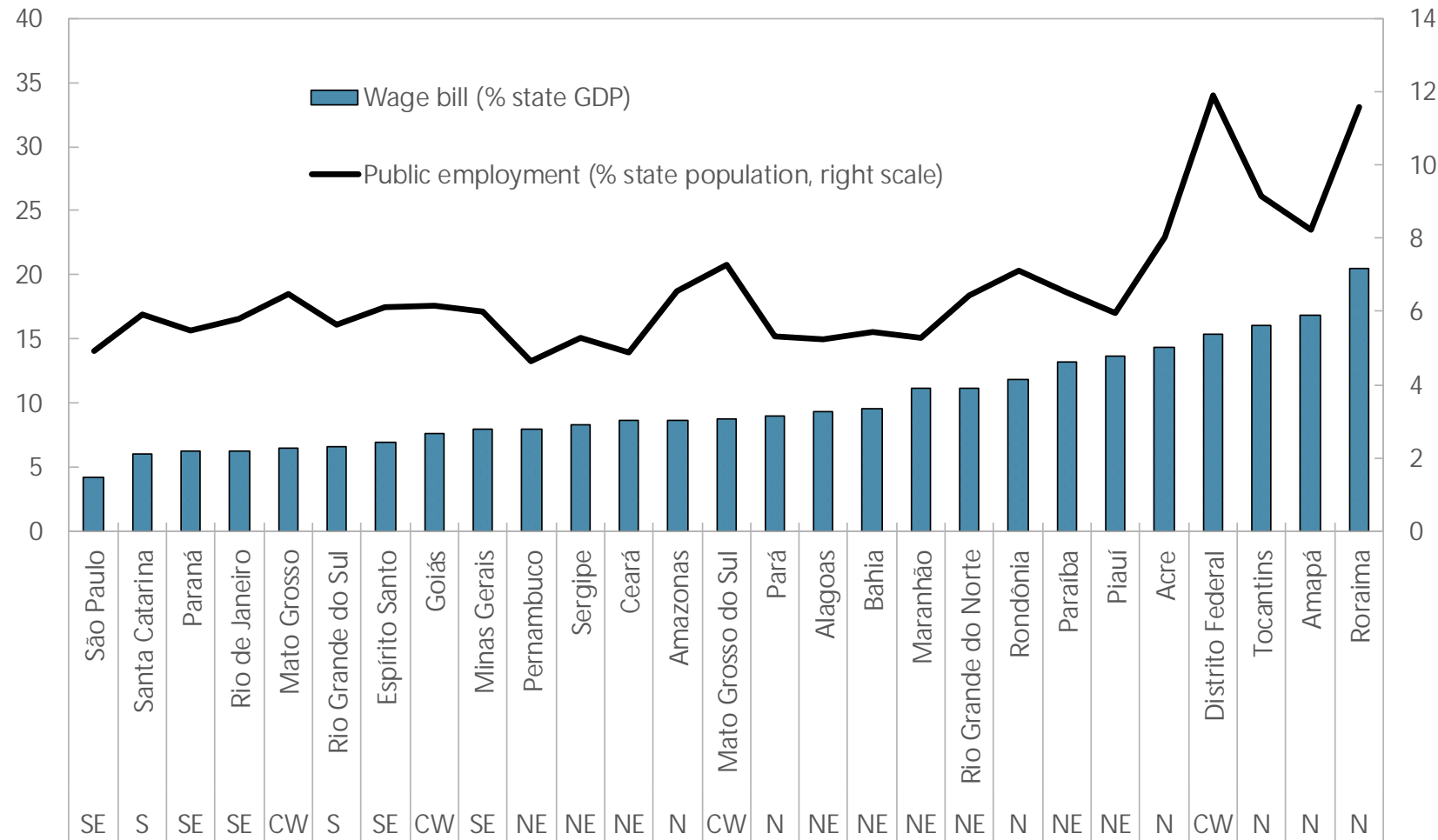


Share of Employees with Education beyond High School (Percent)



The wage bill varies across states largely reflecting differences in per capita income

Wage Bill and Employment by State and Region,, 2015



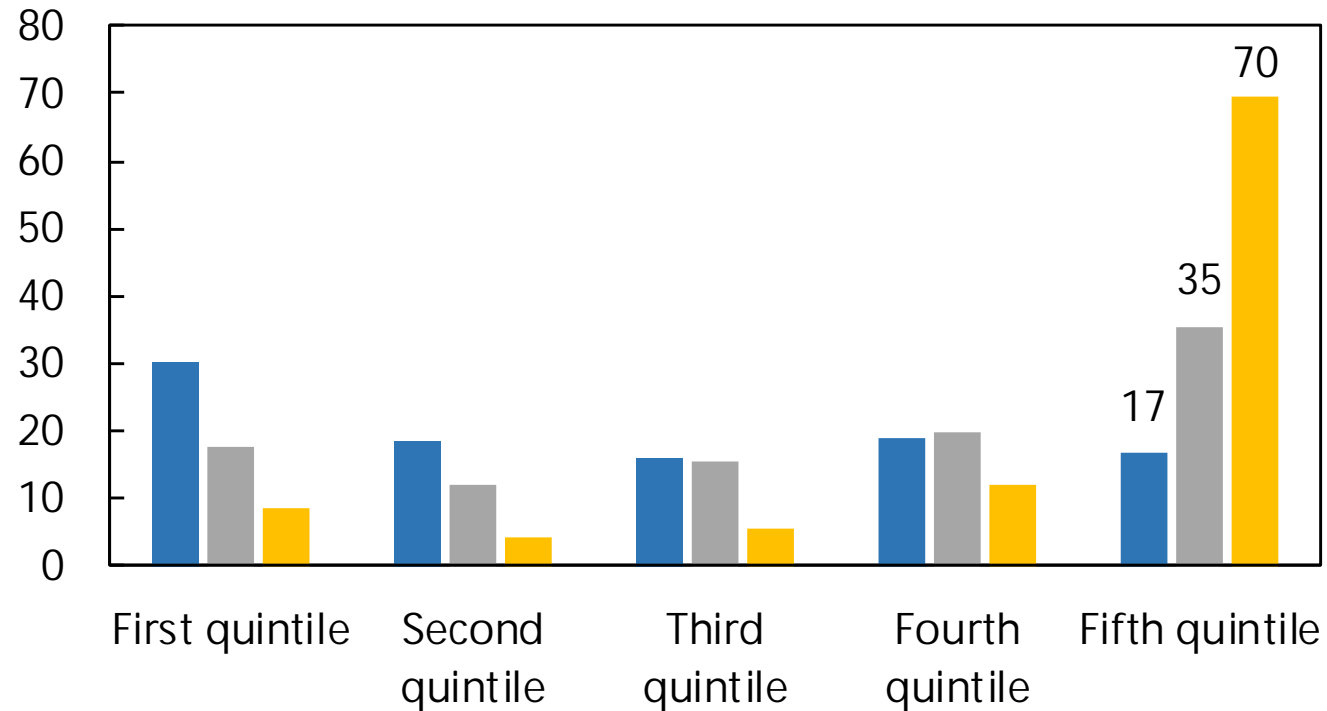
ISSUES

The level of pay is the main factor



Government workers are among the better off in the earnings distribution

Distribution of Employment, by



The compensation structure depends on career streams that reward seniority contributing to wage drift

The multitude of wage grids introduce disparities for similar jobs
across entities contributing to income inequality

REFORM OPTIONS

In the near term, options are limited

A multiyear agreement with employees to maintain wage increases below the rate of inflation

Differentiate increases by performance, while maintaining the average increase under inflation

Review non-salary pay, including existing bonuses and allowances (auxílios)

Curtail employment growth, particularly for low-skilled individuals

Allow for job movements across the different entities of the federal government

