2012 Review of Staff Compensation For The World Bank Group

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Public Disclosure Authorized

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GLOSSARY OF TERMS

Bank Group or WBG	The World Bank Group (WBG) consists of the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), Multilateral Investment Guarantee Agency (MIGA), International Development Association (IDA) and International Centre for the Settlement of Investment Disputes (ICSID). "The Bank" refers to IBRD and IDA collectively.
Country Office (CO) Staff	For purposes of this paper, country office staff refers to locally-recruited staff in all locations outside of Washington (country offices, satellite offices, and shared service centers in Chennai, India.)
HR or HRS	Human Resources Vice Presidency
Market Reference Point (MRP)	The point in the World Bank Group's salary ranges for each grade level which is aligned with the 75th percentile of salaries at comparable levels in the local labor market.
Performance-Based Salary Increase (PBSI)	The sum of structure adjustment and salary progression adjustment. This represents the total amount to be distributed through the merit increase matrix based on performance and position in range.
Salary Progression Adjustment (SPA)	The salary progression adjustment is a non-budgeted component of the PBSI that helps facilitate movement of individual staff salaries through their respective ranges, and helps address erosion of aggregate salaries relative to market created by changes in the staffing mix. As part of the PBSI envelope, it is distributed through the merit increase matrix based on a staff member's performance rating and position in range.
Salary Review Increase (SRI) Rating	The Bank Group's rating of individual staff performance (ranging from a rating of 2.2 for unsuccessful up to a rating of 5 for outstanding) used to allocate salary increases.
Salary Structure or Salary Scale	The set of salary ranges that are established for various grade levels. The Bank Group's salary structure or salary scale has 11 salary ranges from GA to GK.
Structure Increase or Structure Adjustment	This aligns the salary scales with the increases in labor market salary levels. This also refers to the percentage increase in the weighted average market reference points of all the grade levels. For purposes of this paper, structure adjustment also refers to the budgeted salary increase.
Supplemental Merit Increase (SMI)	This is an additional non-budgeted salary increase pool distributed to high performers in addition to PBSI.

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INTRODUCTION

1. This paper presents the results of the 2012 review of staff compensation for the World Bank Group (WBG).

2. The objective is to seek Board approval: (a) for the 2012 (FY13) salary structure adjustments for the WBG Washington and country office (CO) salary scales; and (b) to set aside funds for the non-salary awards programs (spot awards and performance awards).

3. Following last year's indexation methodology, whereby salary structures were adjusted on the basis of published market average pay increases, 2012 is the first year of the multi-year compensation cycle that calls for a full comparator based review[1] as approved by the Board in February 2011.

4. This compensation review paper covers recommendations for staff salaries in Washington Headquarters (HQ) and 128 locations outside of Washington, and it is the first time that full comprehensive market compensation reviews are conducted at the same time. In addition, as per established compensation rules, the Washington salary scale has been compared against the composite French and German market paylines to assess its international competitiveness.

5. The recommendations in this paper reflect the key principles discussed and agreed during Phases 1 and 2 of the Compensation Review[2]: (a) remain market competitive in order to attract and retain global top talent; (b) maintain a rules-based framework for governing decisions; (c) remain fiscally prudent and consistent with medium- to long-term budgetary requirements; and (d) further differentiate rewards according to performance.

6. The two key changes introduced in the first phase of the compensation review approved in February 2011 consisted of: (a) a revised formula to determine salary increases which results in a more modest overall growth of staff salaries; and (b) strengthened Board governance of the annual compensation review process for all country offices.

7. The second phase of the review, concluded in January 2012, reaffirmed two elements of the Bank Group's compensation methodology: (a) the comparator sector weighting of 2/3 private and 1/3 public; and (b) the inclusion of the comparator market's annual variable pay in determining the WBG salary structures.

8. This paper is organized in four major parts. **Section I** presents the strategic objectives and context. **Section II** presents the structure adjustment results and the associated price adjustment factor that is an input into the Bank Group's budget. **Section III** presents the non-budgeted salary adjustments. **Section IV** presents non-salary awards programs. Finally, **Section V** summarizes Management recommendations to the Board.

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[1] A multi-year compensation cycle covers a comprehensive labor market review in one year, followed by one or two years of adjustments based on the average local market salary increases as reported by external compensation survey consulting firms (two years for Washington Headquarters and one year for country offices).

[2] Review of Compensation Elements of the World Bank Group: The Proposed Approaches, dated January 25, 2011; Addendum to the Review of Compensation Elements of the World Bank Group: The Proposed Approaches, dated February 4, 2011 (R2011-0021/1, IDA/R2011-0022/1, IFC/R2011-0016/1, MIGA/R2011-0010/1. Review of Compensation Elements of the World Bank Group Phase 2, dated January 6, 2012 (R2012-0006, IFC/R2012-0006, MIGA/R2012-0001).

I. STRATEGIC OBJECTIVES AND CONTEXT

9. Every year, the World Bank Group assesses the competitiveness of its compensation practice with the overall strategic objective to remain an employer of choice which offers an employment value proposition that continues to attract and retain diverse staff of the highest caliber while, at the same time, being fiscally prudent.

10. Human Resources (HRS) has established the following key objectives to serve as a benchmark for measuring the effectiveness of its policies and the proposed changes:

a. **Alignment with Business Strategy** – The compensation and benefits framework must: (i) be aligned with business objectives; (ii) enable the WBG to respond to a rapidly changing business environment; (iii) provide required flexibility and global mobility for the WBG to recruit globally for new skills and retain high caliber diverse staff; (iv) support global talent development; and (v) facilitate deployment of staff where they are needed.

b. **Alignment with Employment Value Proposition (EVP)** – Compensation and benefits represent the more tangible aspect of EVP, and the framework must be structured to effectively meet current and future employee needs.

11. **The WBG offers a positive employment value proposition (EVP)** which includes the following elements: (a) its compelling mission and cause; (b) its standing in the international development community; (c) competitive compensation and benefits programs; (d) challenging and rewarding work; (e) a range of experiences provided by the breadth of its client base, products and services; (f) a diverse workforce; (g) an intellectually dynamic environment; and (h) opportunities for learning and development, career guidance, and potential to maintain marketability.

12. **Competitive compensation and benefits programs are core to a strong employment value proposition.** The compensation and benefits policies address staff needs not only in the short to medium term but also over the long term. Staff needs evolve and change over the course of their personal and work life and one size does not fit all. The compensation and benefits programs need to respond to those needs as well as the business needs. Any erosion of the overall EVP can hinder efforts to attract and retain the quality of staff needed to deliver the products and services our clients require.

II. STRUCTURE ADJUSTMENTS AND BUDGET IMPACT

13. **The salary structure adjustment is the only element of the compensation system that has a budget impact and is, therefore, subject to Board approval.** Based on the WBG compensation principle of ensuring competitiveness with the local market, the salary structure of each country and office location is adjusted based on local comparator market movement. The structure adjustments are an input in determining the price adjustment factor[3] for the WBG administrative budgets and are distributed to staff in each location based on individual performance and position in their respective salary ranges.

14. **Zero cost of living adjustment is provided by the compensation system.** All salary increases are performance-based. The Washington Headquarters average structure adjustment covers approximately 8,000 staff (Annex A provides an overview of the compensation methodology). The average structure adjustment of offices outside Washington (country offices, satellite offices and shared service centers) cover approximately 4,300 staff in 128 countries (details are provided in Annex B).

FY13 Compensation Results for Washington Headquarters

15. **The FY13 Washington Headquarters staff-weighted average structure increase for grades GA to GI is 1.9%.** The overall movement reflects the combined comparator labor market movements in the U.S. private and public sectors. Across the grades, movements ranged from -1.0% to 2.5%. Of note, the highest salary movement is at the professional GF-GG levels, while the GB-GC administrative/support grades actually declined. GH-GI senior technical and managerial grades moved marginally due to the stable bonus/variable pay payout.

Table 1: Market Year-on-Year Comparison

WBG Grade	Staff Count (#)	Market Reference Point FY12 (USD)	Market FY13 (USD)	Market Movement FY12	Market Movement FY13	
GA	1	32,100	32,600	0.0%	1.6%	
GB	33	41,200	40,800	0.0%	-1.0%	*
GC	802	50,900	50,500	0.0%	-0.8%	*
GD	685	59,100	60,100	0.0%	1.7%	
GE	730	79,150	80,700	2.0%	2.0%	
GF	1,435	104,800	107,300	2.0%	2.4%	
GG	2,692	141,200	144,700	2.0%	2.5%	
GH	1,527	194,900	197,200	2.0%	1.2%	
GI	252	260,900	264,500	2.0%	1.4%	
Total	8,157					
Staff-Weighted Average				1.9%	1.9%	

* While market values at grades GB and GC declined from FY12, the MRP for these grades will not change in FY13.
Note: Data as of March 31, 2012; includes Bank-budget and externally-funded regular, open-ended and term staff holding graded positions in confirmed status. FY12 MRPs were based on market indexation.
Data Source: HRS Database

[3] As the budget funds salary-related and non-salary costs, the price adjustment factor comprises four parts: the salary-related costs of the Washington-appointed staff; other Washington costs; salary costs of country office (non-Washington) appointed staff; and other country office (non-Washington) costs. The composite adjustment is derived by weighting each part in proportion to the relative size of total costs in the budget. The overall price factor, and the resulting nominal FY13 net administrative expenditure budget, will be presented in the respective FY13 budget documents for IBRD/IDA, IFC and MIGA. The price adjustment for salary-related components is based on external labor market compensation changes as captured by the structure adjustment.

16. **U.S. public sector.** In the U.S. public sector, salaries have continued to grow on average between 1.5% and 3.3% as result of the within-grade step increases system that is generally tenure-based and subject to a performance threshold. In addition, promotion increases have continued to be awarded despite the salary scale freeze. Although the U.S. public sector is now in its second year of zero structure increase (the General Pay Schedule or salary scale is frozen for U.S. civil servants for 2011 and 2012), step increases continue to be granted. Since 2012 is a comprehensive review year for the WBG, the actual salary increases provided to U.S. civil servants are measured through market data which also included public sector organizations outside of the U.S. General Pay Schedule, such as the Federal Reserve.

17. **U.S. private sector.** Private sector workers, specifically in the general industrial sector, received modest pay increases in 2011 given the slow economic recovery. In the financial sector, where a variable pay component plays an important role, annual bonuses are relatively unchanged from last year, with bonuses in some financial sector senior level front office roles[4] at slightly lower levels.

18. **Competitiveness versus the U.S. market.** The proposed structure increase of 1.9% aligns the WBG salary scale to the U.S. market comparators based on the rules-based methodology. While the overall assessment is that the WBG is still able to attract the expertise that it needs, there are recruitment difficulties in some key areas. For IBRD, these are in job streams such as macro-economists, social safeguards specialists, information security, infrastructure, SAP/PeopleSoft, and web/internet specializations, finance and treasury, among others. For IFC, the difficult area continues to be the investment and core finance job streams. In terms of retention, voluntary exits or resignations at the Bank are less of an issue compared to IFC's voluntary exit rates, which are higher.

19. **International competitiveness erosion.** The 2012 assessment of international competitiveness indicates a clear erosion of the WBG compensation practice that could put at risk the Bank Group's ability to attract and retain global talent. Based on Purchasing Power Parity (PPP), the rules-based 1.9% structure increase would position the HQ scale at 98% of the combined French-German market payline, or 2% below these international reference markets. The last international competitiveness test performed in 2005[5] indicated that the Bank Group payline was on average higher than the composite French and German market by 19.3%. The erosion of the WBG payline in relation to international competitiveness (also caused by a weak U.S. dollar) should be carefully monitored as this is critical to the Bank Group's ability to attract and retain talent from all over the world. Of note, there was an increase in rejection offer rate in 2012 (compared to 2011) in the WBG's Young Professional Program[6]. Annex C presents the methodology and results for the 2012 measurement and comparison with French and German markets for international competitiveness.

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[4] Front office roles pertain to senior level positions in investment banking and equities functional areas. The slight decline in bonus trend in the private financial sector for these jobs may be driven by regulatory, shareholder and public perception.

[5] 2005 Review of Staff Compensation for the World Bank Group (R2005-0121; IFC/R2005-0130;MIGA/R2005-0024).

[6] The Young Professional (YP) rejection rate to offers in the last 2 years has increased from to 6% in 2011 to 14% in 2012.

20. **Compensation practices of International Financial Institutions (IFIs).** While not included in the calculation of the WBG Washington HQ structure adjustment, IFI compensation practices represent an important benchmark. As reference for 2012, the structure adjustments of U.S.-based and non-U.S.-based IFIs range from zero to 4.7%.[7]

21. **The proposed July 1, 2012 WBG annual net salary structure is shown in the table below.** Table 2 shows the Market Reference Point (MRP), the minimum and maximum salary range for each grade, the MRP progression (i.e., the increase in the MRP from one grade to the next), and the salary range widths (i.e., the percentage by which the range maximum exceeds the minimum). For grades GJ and GK, the Board-approved methodology is to adjust the minimum, market reference point (MRP) and maximum levels by the May-to-May Washington-Baltimore Consumer Price Index (CPI) movement. On June 14, 2012, the United States Bureau of Labor Statistics reported that the May 2011 to May 2012 Washington-Baltimore CPI was 1.8%. The minimum, MRP and maximum levels of the salary structures for Grades GJ and GK have been updated accordingly per the table below.

Table 2: Proposed July 1, 2012 Salary Structure

WBG Grade	Minimum (USD)	Market Reference Point (USD)	Maximum (USD)	Salary Range Width*	MRP Progression**
GA	25,100	32,600	42,400	69%	
GB	31,700	41,200	57,700	82%	26%
GC	39,100	50,900	71,300	82%	24%
GD	46,200	60,100	84,200	82%	18%
GE	62,100	80,700	113,000	82%	34%
GF	82,500	107,300	150,200	82%	33%
GG	111,300	144,700	202,500	82%	35%
GH	151,700	197,200	254,900	68%	36%
GI	202,200	264,500	303,300	50%	34%
GJ	276,700	310,000	347,100	25%	17%
GK	304,000	344,700	379,100	25%	11%

* The salary range width is the percentage by which the maximum exceeds the minimum.

** MRP progression is the MRP percent difference from one grade to the next.

22. The individual salary increases of GJ and GK staff are not adjusted by the CPI movement but rather are based on individual performance and position in the new range using the same merit increase matrix as for all other staff.

[7] The International Financial Institutions included in the range are: International Monetary Fund (IMF), Inter-American Development Bank, (IADB), European Bank for Reconstruction and Development (EBRD), Asian Development Bank (ASDB), African Development Bank (AFDB), Islamic Development Bank (ISDB) and Bank for International Settlements (BIS).

FY13 Compensation Results for Locations Outside of Washington

23. Following the same rules-based methodology as HQ, country office salary structures are aligned with the changes in and reflect the dynamics of local labor markets, including the demand for and supply of talent for which the Bank Group competes, the comparator organizations' financial affordability, perception of short- to medium-term business prospects, changes to national legislation, and macroeconomic influences. A summary of structure adjustments by WBG office is provided in Annex B.

24. Salary scales of WBG locations outside of Washington are based on local comparator markets which typically include employers from private and public/quasi-public enterprises involved in the financial, industrial, governmental and service sectors, where available. No single sector or type of enterprise (e.g. financial sector/investment banks or international public service agencies) dominates the entire market sample. In remote locations, where market data sources are limited, embassies/consular offices, non-governmental organizations (NGOs), or international organizations (IOs) may be used as comparators.

III. NON-BUDGETED SALARY INCREASES

25. The Board-approved methodology provides for two non-budgeted salary increase components: (a) a salary progression adjustment (SPA) available to all staff with at least satisfactory performance; and (b) a supplemental merit increase (SMI) for top performers. Both elements are absorbed within the real flat budget envelope.[8]

26. Similar to step increases in the public sector, the non-budgeted salary increases allow for progression of staff salaries within their ranges. However, a key difference from the tenure-based step increases used in many public sectors, the WBG approach is to distribute the non-budgeted salary increases (along with the structure adjustment) based entirely on performance, and includes an additional merit component for high performing staff.

27. In line with the changes to the compensation methodology approved by the Board in February 2011, the 2012 non-budgeted component is as follows:

a. **Washington-appointed staff.** The total Washington HQ non-budgeted salary adjustment is 1.3%. The non-budgeted salary increases can be compared with step increases (typically tenure-based) provided by the public sector in most countries, with the difference that the WBG increases are fully performance-related. As indicated earlier, within-grade step increases in the public sector (U.S. public sector and United Nations civil service) average between 1.5% and 3.3% of salary per year. Annex D provides a summary of the elements of civil servants compensation in some countries.

b. **Country office-appointed staff.** The total non-budgeted salary increases in country offices are calculated by applying the same methodology used for determining non-budgeted salary increases for Washington-appointed staff. Annex B provides individual country office average salary increase envelopes.

Annexes E and F provide additional information on the non-budgeted elements.

28. **All staff salary increases are merit-based**. No cost of living or any other automatic increases are provided. The merit-based salary increases show flexibility in distributing individual increases based on staff performance – a consistent approach applied in HQ and throughout all country offices. As summarized in Annex G, pay increases will continue to be distributed based on individual performance and staff position in their salary range.

29. **In comparison to the pre-FY12 formula, the 2011 Board approved rules-based approach show an estimated total avoided costs of USD24.5 M**:

a. For HQ, the estimated avoided spend is USD20.0 M, excluding impact on benefits, based on USD1.0 B payroll for FY13 (in comparison to the old "comparatio adjustment", which would have yielded an increase of 2% more; the HQ non-budgeted elements for 2012 would have been 3.3%); the salary-related benefits impact is an additional USD10.0 M.

b. For country offices, the estimated avoided spend is USD4.5 M, excluding impact on benefits, based on USD250.0 M payroll for FY13 (in comparison to the old "comparatio adjustment", which would have yielded an increase of 1.8% more; the CO non-budgeted elements for 2012 would have been an aggregate average of 5.4% in US-salary weighted terms).

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[8] The non-budgeted salary increase components are expected to be absorbed during the course of a fiscal year through normal turnover and new recruitment patterns. For example, salaries of staff leaving the organization are on average higher than those of new staff who join the organization.

IV. NON-SALARY AWARDS PROGRAMS

30. **Funds for Non-Salary Awards Programs.** In line with previous years, Management recommends setting aside funds of USD16.04 M for non-salary awards programs (as non-budgeted component). Table 3 shows the cost breakdown by program and organization.

Table 3: Funds for FY13 Non-Salary Awards Programs
(USD in thousands)

Program	IBRD/IDA (a)	IFC (b)	MIGA (c)	Total (a + b + c)
Spot Awards	610.0	160.0	4.4	774.4
VPU Team/EVP Team Awards	1,740.0	N/A	180.0	1,920.0
Annual Performance Awards	1,100.0	4,625.7	48.0	5,773.7
Long Term Performance Awards	N/A	7,571.9	N/A	7,571.9
Total	3,450.0	12,357.6	232.4	16,040.0

31. **Annual Performance Awards Program.** The Bank Group provides annual performance awards to certain staff groups based on defined guidelines and eligibility requirements.

a. The Bank's Finance Complex proposes to continue its annual performance award program. For 2012, Management proposes a budget of USD1.1 M (less than the 2011 budget of USD1.4 M).

b. Following the experience of the Bank's Finance Complex, MIGA is proposing to establish a performance award program to cover core finance staff. For 2012, MIGA proposes to allocate a budget of USD48,000.

c. IFC has developed its performance-based programs over time to reward top performers whose behaviors model corporate values. IFC's programs not only offer the opportunity to recognize and differentiate top performers but also help to address competitive market pressures for critical IFC workforce segments such as investment and core finance functions. IFC's annual performance awards budgets for FY13 were calculated utilizing FY12 headcount and salary structures.

32. **Spot and VPU/EVP Team Awards.** The proposed budgets for the Spot and VPU/EVP Team Awards for 2012 will remain the same as in 2011.

33. A summary of the various non-salary awards programs is provided in Box 1 below.

Box 1: Non-Salary Awards Programs

Spot Awards at IBRD/IDA, IFC and MIGA. The Bank Group grants spot awards as a means of recognizing and expressing appreciation for the special efforts of staff. The awards may be up to USD400 and may be granted at any time during the year. Staff members may receive multiple awards, awards may be given to teams as well as individuals and they may cross organizational boundaries within the WBG. The number of awards is limited by the size of the individual awards, the available budget and the number of staff meeting the criteria.

IBRD/IDA VPU Team Awards. The VPU Team Awards enable each vice presidency to recognize and reward a limited number of teams, based on criteria that reflect business priorities. The awards vary in amount from USD400 to USD2,000 per recipient, subject to a cap of 5% of the MRP of the recipient's grade. A nomination and review process is used to select the teams to be recognized.

MIGA EVP Awards. MIGA's awards program is a blended version of the IBRD/IDA VPU Team Awards and IFC's Performance Awards. The EVP Team Awards program has been designed to reinforce both the importance of teamwork and the quality of projects. Staff members who have successfully worked together as a group to achieve MIGA's strategic priorities through the execution of a project that contributes to MIGA's financial performance, and has a strong developmental impact, will receive the award. Teams are nominated through an open, web-based process with a defined cut-off date for eligible projects in the fiscal year.

IFC Variable-Pay Programs. IFC's Awards Program consists of several integrated components: annual performance programs, recognition programs (Corporate, Smart Lessons and Spot Awards), and long-term performance programs (Long-Term Performance Awards). IFC will continue to review its variable pay programs to further reinforce the link between rewards and corporate achievements.[9]

[9] Review of Compensation Elements of the World Bank Group, Annex F, IFC's Variable Pay Program Overview, December 1, 2010 (HRC2010-0018).

V. RECOMMENDATIONS

34. The Executive Directors are requested to approve the proposed structure adjustment/ budgeted salary increase of 1.9% for Washington-appointed staff and the country-by-country structure adjustments covering 128 WBG office locations as provided in Annex B.

35. The remaining components of the merit increase envelope (salary progression and supplemental merit increase) will be absorbed within the real budget envelope. The total merit increase envelope will be distributed based on individual performance and position in range to eligible staff effective July 1, 2012.

36. Management also recommends allocating, from within its net administrative budget, funds of USD 16.04 M for the FY13 non-salary awards programs as per paragraph 30. This includes the spot awards, the VPU Team awards, the new Bank and MIGA annual performance awards program, and the IFC annual and long term performance awards programs.

Annex A: Overview of WBG Compensation Methodology and Measurement of U.S. Market

1. The following provides an overview of the policies and procedures used under the World Bank Group compensation system to measure the U.S. comparator market, adjust the Bank Group salary structure in relation to the market, and align staff salaries with the revised salary structure.

Overview

2. **The system is rules-based.** The reviews are conducted within an established methodology for setting salary levels. This annex describes the methodology used including (a) the acquisition of market compensation data at comparator organizations, (b) the aggregation of the market compensation data to develop the gross market compensation values at each salary grade and (c) the calculation of the corresponding net-of-tax market values that make up the headquarters salary scale.

3. **The system is U.S. market comparator-based.** Based on the Board-approved compensation system, the Bank Group Washington-appointed staff salary structure is referenced to the U.S. market. The Bank Group's total compensation competitiveness facilitates its ability to attract and retain a high-quality, diverse staff in jobs subject to international recruitment. Under the WBG compensation system, this goal is accomplished by determining the Bank Group's salary structure with reference to the U.S. market. Historical analyses have shown that the U.S. market consistently has been competitive internationally. On this basis, the system calls for international competitiveness to be reviewed periodically.

4. **The Bank Group's compensation system utilizes salary data from three labor market sectors in setting the salary structure: the public sector, the private general industrial, and the private financial sectors.** In the public sector, market data are gathered from U.S. Civil Service, Federal Agencies and the Federal Reserve System. At grades GJ and GK, the market reference points (MRPs) for these grades are adjusted on the basis of inflation, rather than market survey data.

5. **The market positioning of the Bank Group's payline is key to attraction and retention.** The competitive positioning of the Bank Group has been set at the 75th percentile of the private sector organizations and at average plus 10% of the public sector employers. The 75th percentile positioning objective, as reaffirmed by the Bank Group-wide Compensation System Review conducted with the support of AonHewitt (formerly Hewitt Associates) in 2006, continues to be important for the Bank Group in attracting and retaining staff with the required professional excellence and experience.[10]

6. **The use of total cash compensation, which includes both base salary and annual variable pay, is consistent with market pay practices and the WBG compensation system objective of reflecting market pay practices.** The bonus and/or incentive payment components are an integral part of staff compensation in most private sector and many public sector organizations. The WBG uses base salary and annual variable pay components of the comparator markets to build the salary structures. Long term incentives, such as stock options or performance-based incentives that are based on multi-year results, are excluded although these continue to be an important component of compensation for professional jobs.

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[10] 2006 Bank Group-Wide Compensation System Review - Stage 1 Report: Reconnaissance Findings, Competitive Analysis and High-Level Design Recommendations (PC2007-0002), February 5, 2007.

Job Matching and U.S. Market Data Sources

7. **Job matching is an integral part of the compensation review process.** Job matching of benchmark jobs to counterpart jobs in the market is an important element in any compensation survey. Benchmark jobs are reviewed annually to ensure continued relevance and market coverage. Job matching reviews are conducted to reflect changes in the Bank Group jobs relative to jobs in comparator organizations. This job matching review process contributes to a better understanding of the counterpart jobs in the market.

8. **Multiple high quality data sources are used to ensure adequate coverage for Bank Group jobs.** The comparator organizations used in each data source are also reviewed and updated to best reflect the market that the WBG competes with for its Washington-appointed staff.

a. **U.S. Public Sector**. The public sector data are collected from the U.S. Civil Service and the U.S. Federal Reserve organizations.

i. **U.S. Civil Service Data.** The U.S. Civil Service compensation data are from various U.S. Civil Service departments and agencies. The average total cash data from the U.S. Public Sector plus 10% is used to approximate the 75th percentile of the market.

ii. **U.S. Federal Reserve Data.** The compensation data from the Federal Reserve is drawn from the Federal Reserve Board and Federal Reserve Banks.

b. **U.S. Private Sector.** The sources of private sector compensation data generally remain consistent with previous years. For the industrial sector, data from the HayGroup is used. For the financial services sector, data sources are McLagan Partners and Towers Watson. For job families in the private sector, the 75th percentile market data is used.

Table 4: Summary of Market Data Sources by Job Family at Grades GE – GI

	Administrative						Core Business & Technical				
Market Data Sources	Accounting	External Affairs	General Services	Human Resources	Info Mgt Tech	Legal	Economist	Finance	Investment	Operations	Tech Specialists
U.S. Civil Service	X	X	X	X	X	X	X				X
U.S. Federal Reserve	X	X	X	X	X	X	X			X	X
McLagan Partners	X	X	X	X	X	X		X	X	X	X
TowersWatson	X	X	X	X	X	X		X	X	X	
HayGroup	X	X	X	X	X	X		X			X

Compensation Data Aggregation

9. **The compensation data are combined through a method using multiple stages of aggregation to obtain an overall market value for each Bank Group grade**. The following paragraphs describe the data aggregation process. The current data source weighting were approved by the Board as part of the compensation system, and broadly reflect the recruitment sources for new Bank Group staff.

10. The market data weights between private and public sector are provided below.

Table 5: Public and Private Sector Weights[11]

Grades	Private Sector*	Public Sector
GA to GH	67%	33%
GI	50%	50%

* Within the private sector, private general/industrial sector and private financial sector are weighted equally.

Compensation Data Aggregation for Grades GA to GD

11. At grades GA to GD, the data source weighting is one-third public sector and two-thirds private sector.

12. At grades GA to GC, there is insufficient number of jobs to support a separate analysis by job family. Therefore, the compensation market values at grades GA to GC are calculated at the 75th percentile market values of the survey jobs at each grade.

13. At grade GD, the job family weighting for the 2012 review are as follows:

Table 6: Staff Weights by Job Family at Grade GD

	Administrative							Core Business & Technical				
Grade	Accounting	External Affairs	General Services	Human Resources	Info Mgt Tech	Legal	Admin Support	Economist	Finance	Investment	Operations	Tech Specialists
GD	6.1%	2.6%	7.2%	1.8%	12.0%	2.8%	60.6%	0.6%	3.5%	1.6%	1.0%	0.1%

Compensation Data Aggregation for Salary Grades GE to GH

14. For all the job families (excluding Finance, Investment and Economist), the sector weights are:

a. U.S. Public sector: Within the 33% weight, the U.S. Civil Service data are further weighted 60% and the Federal Reserve data are weighted 40%.

b. U.S. Private sector: Within the 67% weight, the data are generally weighted 50% for the industrial sector, which is from the HayGroup. The financial services sector data are also weighted 50%, and drawn from McLagan Partners and TowersWatson databases.

15. The Finance job family uses private sector data from the McLagan Partners, HayGroup and TowersWatson. The Investment job family is drawn from the McLagan Partners and TowersWatson databases.

16. The Economist job family uses public sector data only. Within the public sector, the U.S. Civil Service data are weighted 60% and the Federal Reserve data are weighted 40%.

17. **Job Family Weighting.** At grades GE to GH, compensation market values are weighted in two steps: first, they are calculated by job family; and second, the job family market values are then weighted by the actual Bank Group staffing percentages. Table 7 provides the actual Bank Group staff weighting by grade and job family.

[11] This reflects the February 8, 2011 changes approved by the Board where the GA to GD market data sector weights were aligned with GE to GH weights of 2/3 private sector and 1/3 public sector; (Review of Compensation Elements of the World Bank Group, The Proposed Approaches (R2011-0021, IDA/R2011-0022, IFC/R2011-0016, MIGA/R2011-0010), dated January 25, 2011.

Table 7: Staff Weights by Job Family at Grades GE-GH

	Administrative						Core Business & Technical				
Grade	Accounting	External Affairs	General Services	Human Resources	Info Mgt Tech	Legal	Economist	Finance	Investment	Operations	Tech Specialists
GE	19.1%	6.8%	1.8%	4.8%	16.0%	3.9%	2.1%	8.4%	8.0%	26.8%	2.2%
GF	10.2%	4.8%	2.0%	3.2%	19.0%	3.0%	11.4%	8.7%	4.1%	18.3%	15.4%
GG	5.9%	2.8%	0.8%	2.1%	7.0%	5.0%	15.0%	9.0%	8.8%	17.9%	25.8%
GH	5.0%	1.5%	0.5%	2.1%	3.4%	5.1%	14.5%	12.0%	16.4%	16.5%	23.0%

18. The combination of the data source compensation levels, sector weights, job families aggregation, and the actual staff weighting by grade results in the **composite** gross market values for grades GE to GH.

Compensation Data Aggregation for Grade GI

19. The data source weighting for Grade I is one-half public sector and one-half private sector, as in past years.

a. U.S. Public sector: The U.S. Civil Service data are weighted 60% and the Federal Reserve data are weighted 40%.

b. U.S. Private sector: The data are equally weighted among data from the HayGroup, McLagan Partners and TowersWatson.

Table 8: Staff Weights by Job Family at Grade GI

	Administrative						Core Business & Technical				
Grade	Accounting	External Affairs	General Services	Human Resources	Info Mgt Tech	Legal	Economist	Finance	Investment	Operations	Tech Specialists
GI	4.5%	1.2%	0.8%	2.0%	2.0%	2.4%	15.4%	16.2%	12.6%	27.1%	15.8%

20. The combination of the data source compensation levels**,** sector weights, job families aggregation, and the actual staff weighting by grade results in the composite gross market value for grade GI.

Compensation Data Calculation for Grades GJ and GK

21. At grades GJ to GK, the market reference points are increased by the year-to-year inflation rate in the Washington DC/Baltimore Metro area.

22. Once the market salary levels have been weighted and aggregated for each WBG grade, the existing salary structure is adjusted effective July 1 to align the market reference points with the market grade levels at each WBG grade. The approved principles are that: (a) the market reference points (MRP) of the Bank Group pay line should be positioned to the market on a weighted average basis;[12] and (b) the market reference points should be positioned close to the market values on a grade-by-grade basis.

[12] This means that the weighted average margin by which the market reference points exceed the market values of the various grades should be zero or very close to zero, when weighted by the number of staff per grade.

Converting Gross Market Values to Net Values

23. **While labor market compensation data are collected and provided in gross terms, the resulting gross market value per grade are then netted down to restate them in terms comparable to the net-of-tax salaries of Bank Group staff.** The gross market values are netted down based on current tax tables provided by PriceWaterhouseCoopers (PwC). Grades GA to GD are netted down using a single taxpayer status. Grades GE and above are netted down assuming a status of married with two children. The dependency allowance for a married staff with two dependents is then subtracted from the market values at grades GE and above. The effect is to restate all market values in terms comparable to the Bank Group's net-of-tax salaries.

Annex B: FY12 Retrospective and FY13 Recommendations for Locations Outside of Washington

1. This section provides a summary of the budgeted structure adjustments and non-budgeted salary increases for locations outside of Washington in FY12 and FY13 on a USD salary-weighted basis based on currency exchange rates as of March 31, 2012.

2. The FY12 and FY13 individual country office budgeted structure adjustments and non-budgeted salary increases are presented by location in alphabetical order. The summary tables include information for satellite offices (such as those in Western Europe, Japan and New York City), all of which are based on market movements in the respective locations.

3. Inflation numbers are included as reference information to provide context for country office salary increases. WBG salary increases are not CPI-based but inflation is one of the drivers of labor costs in the respective local markets. The inflation data presented in the following tables are from the International Monetary Fund (IMF) World Economic Outlook as of April 2012.

Country	Region	Budgeted Structure Adjustment (%)		Non-Budgeted Salary Increase (%)		Inflation (%) (For Reference Only)
		FY12	FY13	FY12 (SPA + SMI)	FY13 (SPA + SMI)	
Afghanistan	SAR	8.8	5.2	1.7	3.4	5.0
Albania	ECA	6.3	0.6	1.8	3.4	0.6
Algeria	MNA	7.7	2.2	0.1	1.6	5.1
Angola	AFR	11.7	0.0	0.3	2.4	11.4
Argentina	LCR	23.1	20.6	1.4	1.3	9.7
Armenia	ECA	5.6	0.0	0.0	0.0*	3.0
Australia	EAP	4.3	0.7	0.8	2.4	2.7
Austria	Satellite	2.6	2.1	0.0	0.0*	2.6
Azerbaijan	ECA	3.4	8.6	0.5	2.2	9.3
Bangladesh	SAR	11.9	7.8	3.2	5.2	11.6
Belarus	ECA	10.1	14.4	0.1	0.0*	20.0
Belgium	Satellite	2.9	1.4	2.5	2.9	3.4
Benin	AFR	11.0	1.1	0.2	2.8	1.4
Bhutan	SAR	n/a	4.9	n/a	2.0	4.7
Bolivia	LCR	3.9	3.7	1.4	4.4	4.6
Bosnia-Herzegovina	ECA	2.6	1.8	0.2	2.8	4.0
Botswana	AFR	5.8	17.1	n/a	0.0*	8.3
Brazil	LCR	6.3	10.2	0.3	1.9	6.2
Bulgaria	ECA	6.5	5.7	2.9	4.7	4.1
Burkina Faso	AFR	5.8	3.8	1.4	1.0	2.8
Burundi	AFR	7.4	10.5	0.0	2.8	14.9
Cambodia	EAP	4.5	2.9	2.2	4.5	5.8
Cameroon	AFR	5.7	2.8	3.1	5.6	2.7
Central African Republic	AFR	5.7	0.0	2.0	3.9	2.6
Chad	AFR	1.7	4.0	0.9	0.0*	5.5
China - Beijing	EAP	9.6	7.1	3.1	4.8	3.3
China - Chengdu	EAP	9.8	6.8	4.0	3.4	3.3
Colombia	LCR	4.7	2.3	0.0	2.9	3.6
Congo	AFR	6.2	9.4	1.4	1.0	5.2
Cote d'Ivoire	AFR	5.3	7.2	1.7	0.8	2.0
Croatia	ECA	4.3	2.0	0.1	1.6	1.8
Democratic Republic of Congo	AFR	7.0	0.0	0.6	0.0*	12.7
Dominican Republic	LCR	7.2	8.2	0.0	2.9	6.0
Ecuador	LCR	3.2	0.6	0.0	5.6	5.5
Egypt	MNA	9.7	2.2	1.5	5.0	9.2
El Salvador	LCR	4.2	4.7	0.0	2.0	4.9
Eritrea	AFR	10.4	12.1	0.0	0.0*	12.3
Ethiopia	AFR	20.4	14.7	0.0	3.2	40.2
France - Paris	Satellite	2.3	2.7	0.0	0.0*	2.3
France - Marseille	Satellite	n/a	0.0	n/a	0.0*	2.3
Gabon	AFR	3.3	0.0	0.5	5.0	2.9
Gambia	AFR	8.6	8.5	0.0	0.0*	3.8
Georgia	ECA	13.6	4.2	0.5	2.0	7.6

*Indicates aggregate staff salaries are over aggregate market reference point (MRP); the total salary increase envelope for these country offices will be either lower than structure adjustment or subject to the PBSI minimum of 2% (minimum of 2% on PBSI is country office practice)

Country	Region	Budgeted Structure Adjustment (%)		Non-Budgeted Salary Increase (%)		Inflation (%) (For Reference Only)
		FY12	FY13	FY12 (SPA + SMI)	FY13 (SPA + SMI)	
Germany	Satellite	2.7	0.6	6.0	0.0*	2.3
Ghana	AFR	15.8	9.5	0.5	2.5	8.6
Guatemala	LCR	5.1	1.0	2.9	5.7	5.4
Guinea	AFR	21.1	14.6	0.0	1.4	18.5
Guinea-Bissau	AFR	3.9	2.6	0.0	0.3	2.1
Guyana	LCR	4.9	5.5	n/a	0.0*	3.2
Haiti	LCR	9.4	4.1	0.0	0.0*	7.7
Honduras	LCR	7.0	3.5	0.0	0.0*	5.6
Hong Kong SAR, China	EAP	3.8	1.8	4.5	5.1	3.8
India	SAR	7.3	6.2	1.8	3.2	8.5
India - INC (Chennai)	SAR	7.7	3.2	4.8	8.4	5.3
Indonesia	EAP	11.0	0.0	8.8	9.4	6.2
Iraq	MNA	4.1	0.6	0.0	5.4	5.0
Italy	Satellite	2.9	0.7	3.6	0.0*	3.1
Jamaica	LCR	10.3	10.1	0.8	0.0*	7.9
Japan	Satellite	2.7	0.0	3.8	3.7	0.0
Jordan	MNA	5.8	0.3	0.6	5.4	3.6
Kazakhstan	ECA	10.7	3.6	2.0	2.8	4.7
Kenya	AFR	8.6	13.0	1.9	2.3	16.7
Kosovo	ECA	4.9	1.3	0.0	1.3	6.7
Kuwait	MNA	2.2	0.0	4.8	6.7	3.5
Kyrgyz Republic	ECA	10.1	8.4	0.5	2.4	5.7
Lao	EAP	11.6	5.1	0.3	3.7	6.7
Lebanon	MNA	5.5	5.6	2.0	4.5	4.2
Lesotho	AFR	4.8	3.0	0.0	0.0*	7.5
Liberia	AFR	16.4	0.0	0.0	2.0	1.6
Macedonia	ECA	7.7	2.1	0.9	0.4	2.8
Madagascar	AFR	11.4	6.0	1.4	4.1	6.0
Malawi	AFR	10.7	16.8	6.0	1.9	11.1
Maldives	SAR	n/a	5.9	n/a	6.1	3.5
Mali	AFR	5.3	8.8	0.3	1.9	6.2
Mauritania	AFR	8.4	13.2	1.1	0.0*	6.3
Mauritius	AFR	5.6	4.0	n/a	2.6	5.3
Mexico	LCR	5.1	8.4	1.7	5.6	3.9
Moldova	ECA	11.9	4.2	0.4	0.8	6.2
Mongolia	EAP	13.3	18.4	3.4	2.5	13.6
Montenegro	ECA	7.5	8.8	3.4	0.0*	2.4
Morocco	MNA	4.2	0.0	0.9	6.8	0.9
Mozambique	AFR	16.2	3.0	0.6	1.2	3.1
New York City, USA	Satellite	1.9	0.0	2.8	3.2	2.7**
Nepal	SAR	9.9	2.0	0.2	2.4	8.9
New Zealand	EAP	2.5	2.6	0.0	0.0*	2.1
Nicaragua	LCR	8.0	7.3	2.8	2.1	8.8

*Indicates aggregate staff salaries are over aggregate market reference point (MRP); the total salary increase envelope for these country offices will be either lower than structure adjustment or subject to the PBSI minimum of 2% (minimum of 2% on PBSI is country office practice)

**March 2011 to March 2012 CPI-U from the US Bureau of Labor Statistics (All Urban Consumers, before seasonal adjustment)

Country	Region	Budgeted Structure Adjustment (%)		Non-Budgeted Salary Increase (%)		Inflation (%) (For Reference Only)
		FY12	FY13	FY12 (SPA + SMI)	FY13 (SPA + SMI)	
Niger	AFR	3.5	4.3	0.3	2.4	2.0
Nigeria	AFR	12.4	4.4	1.9	4.7	10.3
Pakistan	SAR	16.0	3.7	1.7	3.3	11.0
Panama	LCR	4.0	8.6	0.0	0.0*	6.4
Papua New Guinea	EAP	6.1	5.4	0.5	2.7	6.8
Paraguay	LCR	5.9	1.1	0.0	1.7	4.5
Peru	LCR	3.2	5.0	0.0	2.6	4.2
Philippines	EAP	8.3	0.0	4.3	7.6	3.4
Poland	ECA	3.3	0.8	4.3	8.4	4.4
Romania	ECA	6.7	7.2	0.0	0.8	2.6
Russian Federation - Moscow	ECA	8.8	3.1	1.9	4.7	4.2
Rwanda	AFR	9.0	8.0	0.0	0.9	7.8
Saudi Arabia	MNA	4.7	0.0	0.1	1.4	5.3
Senegal	AFR	4.6	0.5	0.9	3.4	2.2
Serbia	ECA	7.7	6.1	1.5	1.8	11.3
Sierra Leone	AFR	16.9	12.7	0.0	0.0*	11.0
Singapore	EAP	3.6	0.8	0.0	4.7	3.5
Solomon Islands	EAP	5.3	13.7	0.0	0.0*	5.3
South Africa	AFR	8.0	6.0	1.8	1.8	2.5
South Sudan	AFR	n/a	22.7	n/a	2.8	42.5
Sri Lanka	SAR	13.6	0.4	4.9	6.9	6.0
Sudan	AFR	6.8	19.3	0.0	0.8	20.3
Switzerland	Satellite	1.6	1.2	0.4	0.0*	-0.9
Tajikistan	ECA	9.5	6.4	0.0	1.2	12.6
Tanzania	AFR	6.0	21.2	0.8	0.8	19.4
Thailand	EAP	5.7	0.0	0.2	4.4	3.9
Timor-Leste	EAP	7.4	11.6	2.8	3.8	13.0
Togo	AFR	6.2	0.0	0.6	4.5	2.8
Trinidad and Tobago	LCR	7.7	0.0	0.0	0.0*	6.8
Tunisia	MNA	8.2	10.0	1.2	2.5	5.7
Turkey-Ankara	ECA	3.8	5.1	2.1	0.9	10.4
Turkey-Istanbul	ECA	3.8	7.0	2.1	3.6	10.4
Turkmenistan	ECA	6.5	4.3	0.0	0.0*	13.1
Uganda	AFR	8.8	16.8	2.3	2.6	25.4
Ukraine - Kiev	ECA	11.9	6.7	0.5	1.9	9.3
United Arab Emirates	MNA	5.4	3.0	0.5	1.5	2.1
United Kingdom	Satellite	2.7	1.8	3.1	1.2	3.4
Uruguay	LCR	8.7	14.3	0.0	0.0*	7.9
Uzbekistan	ECA	7.9	11.4	1.2	2.6	11.8
Vietnam	EAP	14.0	9.5	3.4	3.6	12.6
West Bank and Gaza	MNA	6.2	2.4	0.0	0.0*	2.2
Yemen	MNA	10.5	4.2	2.5	5.4	18.1
Zambia	AFR	13.2	8.1	2.5	3.0	8.7
Zimbabwe	AFR	5.8	11.0	0.0	0.0*	6.2

*Indicates aggregate staff salaries are over aggregate market reference point (MRP); the total salary increase envelope for these country offices will be either lower than structure adjustment or subject to the PBSI minimum of 2% (minimum of 2% on PBSI is country office practice)

Annex C: International Competitiveness

1. This section presents the methods and results for measurement and comparison of international compensation practices in 2012. The previous measurements under the current compensation system were conducted in 2001 and 2005.

2. **Reference to WBG International Competitiveness.** Under the 1989-1998 rules, the HQ scale is required to show adequate competitiveness in comparison to a composite French and German market (public and private sectors), with the goal of maintaining a 10-20% margin over these international markets, or at 110-120% of these markets. If the WBG HQ scale falls outside the "test range", Management can recommend steps to ensure adequate international competitiveness. In December 1998, the WBG Board approved a number of compensation system changes, including assessment of international competitiveness. From the previous international competitiveness rule, this was changed to a measurement of the WBG salary scale against the 75th percentile of the **private sectors** of France and Germany, **without using a 10% to 20% margin.** Additionally, the Bank Group's comparisons would be based purely on Purchasing Power Parity (PPP) rather than a 12-month average of PPP and Annual Nominal Exchange Rate (ANER).[13]

3. **Private sector data for France and Germany cover the financial and industrial sectors.** TowersWatson provides general industry sector compensation data in France and Germany, and McLagan Partners provides financial sector job data. Private sector data are aggregated using the Washington staff weighting method.

4. **Based on Purchasing Power Parity (PPP), the proposed FY13 Washington scale is slightly below the combined French and German private market.** Assuming the 1.9% rules-based structure increase, the Washington scale would be at 98%, which is below the reference composite French and German private sector market, using Purchasing Power Parity (PPP). The Washington scale is on average 2.0% below the combined international market. The last international competitiveness test was conducted in 2005[14] and indicated that the Bank Group payline was on average higher than the composite French/German market by 19.3%.

Table 9: International Competitiveness Measured in USD Using Purchasing Power Parity

Grade	FY13 MRP	Combined Market	Market Margin
GE	80,700	79,150	2.0%
GF	107,300	101,720	5.5%
GG	144,700	146,260	-1.1%
GH	197,200	230,590	-14.5%
Total			**-2.0%**

[13] Purchasing Power Parity is an exchange rate equalized for the cost of a given set of goods in different countries. It differs from a nominal exchange rate because it considers relative price levels between the countries.

[14] 2005 Review of Staff Compensation for the World Bank Group (R2005-0121;IFC/R2005-0130;MIGA/R2005-0024)

Annex D: Elements of Civil Service Compensation in Some Countries

This section provides a summary of available information on civil service pay policy in some countries. Of the ten countries included in Table 10, nine provide both structure increase, and step increases which are largely tenure-based. A few combine tenure with some element of performance. Highlights of compensation practices in the public sector for some countries are as follows:

1. **France.** Compensation for French Civil Servants is composed of base pay and bonuses, which depend on the particular job assignment. Base salary increases are based on negotiation with the union(s) and are typically linked to inflation. In addition, individual salaries are increased based on both tenure and value of professional staff with a step system, which average +/- 2% per year.

2. **The Netherlands**. The salary system comprises 18 scales which are linked to specific functions in the Dutch Civil Service. The scales are negotiated based on market conditions and result in multi-year collective agreements. Each scale covers 10 annual steps (11 to 13 for some of the scales), which range from 2% to 5%. Annual step increases are granted based on performance. Spot bonuses are given for extraordinary efforts.

3. **United Kingdom.** A two-year pay freeze was instituted from 2011-12 for all public sector workers earning above the full-time equivalent of 21,000 GBP. Following the pay freeze, public sector pay awards will average one percent of total remuneration costs for the next two years. For UK civil servants, all elements that increase the total remuneration cost are included in the one percent, except for employer National Insurance contributions and employer pension contributions. For those UK bodies in the pay freeze (some civil service bodies and all public sector workforces remain in the pay freeze in 2012-13, but those civil service departments that entered the pay freeze one year early, in 2010-11, will leave the freeze in 2012-13), progression increments were frozen. However, increases arising from progression pay increments continue to be paid where such increments are a legal entitlement. For the Treasury, step increases have not been paid during the pay freeze; the Treasury has not operated automatic annual incremental progression pay for some years and pay arrangements are based on performance. The Department for International Development (DfID) has a time-served progression increment unless a staff member is at the maximum of their pay as this is an existing contractual arrangement. DfID's pay strategy runs from August 2009 to July 2012 and is thus currently under review.

4. **United States.** The U.S. Civil Service maintains 32 structures based on location and 9 structures for executive and senior positions. The General Schedule (GS) increase includes base and locality pay increases. Annual change in the Employment Cost Index from the Bureau of Labor Statistics determines the base increase and National Compensation Surveys determine locality pay increase. For 2011-2012, a zero structure increase has been announced for the General Schedule. However, step increases of an average of +/- 1.5% (ranging from 1.5% to 3.3%) per year are granted based on time/service and acceptable performance.

Table 10: Summary of Civil Service Compensation Elements

Country	Structure Increase	Additional Base Pay Increases: Seniority / Step Increase	Additional Base Pay Increases: Performance	Variable Pay / Bonuses
Australia	✔		✔	
Brazil	✔	✔		✔
Canada	✔	✔		
Chile	✔	✔		✔
France	✔	✔		
Germany	✔	✔		✔
Hong Kong, SAR China	✔	✔	✔	
Netherlands	✔	✔	✔	✔
United Kingdom	✔	✔	✔	✔
United States	✔	✔	✔	

Data Sources: Australia: Australian Public Service Commission - Enterprise Agreement 2009-2011 www.ag.gov.au/cca; Brazil: Ministerio de Planejamento: Tabela de la Remuneracao dos Servidores Publicos Federais www.servidor.gov.br, Canada : Treasury Board of Canada Secretariat, Labour Relations, Collective Agreements and Rates of Pay www.tbs-sct.gc.ca, Chile: Gobiernio de Chile - Ministerio de Hacienda www.hacienda.cl; France: Direction Generale de l'Administration et de la Fonction Publique www.fonction-publique.gouv.fr/; Germany : Bundesbesoldungsgesetz -Federal Pay Act www.bmj.bund.de; Hong Kong SAR, China : Civil Service Bureau, Administration of the civil service, pay and allowances. www.csb.gov.hk; Netherlands : Cao voor Rijksamtenaren- Collective Arbeidsoverennkomst Januari 2007-December 2010.www.werkenbijhetrijk.nl; United Kingdom. Civil Service pay guidance 2010-2011 www.hm-treasury.gov.uk/d/civilservicepayguidance 151209.pdf; United States : U.S. Office or Personnel Management - Information on Federal Pay. www.opm.gov/oca/

Annex E: Salary Progression Adjustment Methodology

1. The table below shows the 5-year trend 2007-2011 i.e., FY08-FY12 in weighted average salary gap with the aggregate market reference points, which is the basis for the FY13 salary progression adjustment (SPA) for Washington-appointed staff.

2. For FY13 (2012), the salary progression adjustment is 0.8% which is based on an analysis of 5-year average aggregate salaries (of confirmed staff with more than one year in the same grade) relative to market reference points over the same period. Similar to the step increases in the public sector, the SPA provides for progression within the salary ranges, with the difference of the Bank Group's SPA being totally performance-based. The SPA (or a similar element) is also common among IFIs to allow progression of staff salaries within their salary ranges, and to help address salary erosion that reflects the ongoing changes in the staffing skills and mix.

3. The actual average adjustment over this period is 1.9% (for all confirmed staff including staff with less than one year of service in the same grade).

4. Based on Board-approved methodology, a five-year rolling average (determined based on confirmed staff with greater than one year time in grade) will serve as input for the salary progression adjustments. The rolling average approach will help address competitiveness gaps between WBG salaries and the market that may occur over time as a result of "payroll not being equal to payline". In addition, the use of a five-year average on a rolling basis has a "smoothing" mechanism that will gradually address salary erosion against market.

Table 10: Salary Progression Adjustment Calculation

Year	Salary Gap with the MRP (Full Actual)	Salary Gap with the MRP (Using staff with greater than one year time-in-grade)	Percentage Point Difference
2007	1.3%	0.5%	0.8%
2008	1.7%	0.8%	0.9%
2009	2.2%	0.8%	1.4%
2010	1.9%	0.7%	1.2%
2011	2.4%	1.1%	1.3%
5-year Average	1.9%	0.8%	1.1%

5. Similarly, for each country office, the 2012 salary progression adjustment is estimated at 0.8% divided by 1.9% or 42 % of the full salary gap with the aggregate current market reference points. (Last year, this was at one-third of the full actual salary gap versus aggregate market reference points). Annex B shows the country by country results, applying the SPA approach to each country office (as reflected in the Non-budgeted Salary Increase data).

Annex F: Supplemental Merit Increase Methodology

1. The Supplemental Merit Increase (SMI) envelope is determined using a rules-based measurable methodology (subject to a Board-approved maximum of 1.1%).[15]

2. The SMI envelope is determined based on the salary gap of staff with performance rating of 4 or 5 relative to their market reference points (performance rating refers to SRI or Salary Review Increase rating which is based on relative contribution against peers) This approach is in contrast to the pre-FY12 methodology which measured the salary gap for all staff, regardless of performance. The resulting SMI envelope will be distributed to all staff with performance rating of 4 or 5. The SMI envelope is determined based on the previous year's performance ratings data and aggregate salaries of high performing staff. The SMI pool is distributed to high performing staff across all grades.

3. For 2012, the supplemental merit increase pool for Washington-appointed staff is 0.5%. The country offices' supplemental merit increase pool is based on Washington's SMI pool of 0.5% (as a percentage of the 1.1 percent cap). This represents 45% of respective country office salary gap with the aggregate market reference points. Annex B shows the country by country results, applying the SMI approach to each country office (as reflected in the Non-budgeted Salary Increase data).

[15] The paper on the "Review of Compensation Elements of the World Bank Group: The Proposed Approaches, dated January 25, 2011, R2011-0021/1, IDA/R2011-022/1, IFC/R2011-0016, MIGA/R2011-0010/1" makes a provision to use the SMI in future years, on certain occasion and on a targeted basis to staff with a performance rating of 3.3, 4 or 5 in critical grades that lag behind market (e.g. this may occur in cases where specific jobs and grades in certain business functions may need special salary adjustment due to shortage of skills in the market).

Annex G: Distributing Increases Based on Performance and Position in the Salary Range

1. All annual salary increases are based on performance. The Performance-Based Salary Increase (PBSI) is the only regular increase available to most staff. No increases are provided to staff whose performance is rated as "Unsuccessful". Salaries may increase after successfully completing the initial period of probation upon appointment and also upon promotion.

2. Since its introduction last year, top performers with SRI ratings of 4 or 5 may receive in addition to the Performance-Based Salary Increase (PBSI), a Supplemental Merit Increase (SMI).

3. Table 12 below shows last year's PBSI matrix for a salary increase envelope of 2.5%.

Table 11: FY12 Performance-Based Salary Increase Matrix

Salary Range Zone	SRI Performance Category						
	2	3		4		5	
		Min	Max	Min	Max	Min	Max
1	0.0%	0.60%	3.10%	3.60%	4.40%	4.90%	5.70%
2	0.0%	0.60%	2.10%	2.40%	3.00%	3.30%	4.00%
3	0.0%	0.60%	1.30%	1.40%	1.60%	1.70%	2.10%

Note: The Supplemental Merit Increase (SMI), an additional increase to the PBSI is available only to staff with SRI ratings of 4 or 5. Based on the 0.3% SMI envelope in FY12 (not included in the above PBSI matrix), staff with SRI rating of 4 received an additional of 0.5% and staff with SRI rating of 5 received an additional 1.4%. The FY12 total salary increase envelope was 2.8%.

4. The PBSI Matrix above shows that the greater the SRI rating, the larger the range of available increases. Conversely, the higher the salary zone, the smaller the range of available increases. This allows staff who are in the bottom third of the salary range (Zone 1) to progress towards the Market Reference Point (MRP) while allowing higher performing staff to accelerate progression in their salary grade. For staff whose salaries are is in the top third of the salary range (Zone 3), the smaller increases slow salary progression as they approach the maximum of the salary scale and as their salaries are already above the MRP.

5. Annually, performance is differentiated under the merit review process. Over the last 7 years, 60 % of staff received increases below the total salary increase envelope, and only 40% received higher. Staff members do not automatically receive the structure adjustment, nor do they receive cost of living or step increases. In July 2011, consistent with this trend, only 40% of staff (3,464 of 8,706 total eligible HQ confirmed and unconfirmed staff) received a combined PBSI and SMI salary increase of 2.8% or higher.

Table 12: FY12 Average Staff Increase by Performance Category and Salary Zone

Salary Range Zone	SRI Performance Category						
	2.1	**2.2**	**3.1**	**3.2**	**3.3**	**4***	**5***
1	0.0%	0.0%	1.1%	2.0%	2.7%	4.4%	6.6%
2	0.0%	0.0%	0.9%	1.4%	1.9%	3.2%	5.0%
3	0.0%	0.0%	0.7%	0.9%	1.2%	2.0%	2.9%

* The average staff increases for SRI ratings 4 and 5 include the SMI increase.

6. As indicated in the April 2012 Modernization paper[16], a range of human resource reforms are underway to support the objectives of results, openness, and accountability. These reforms will continue to be a priority going forward. Specifically on performance management, we have embarked on a collective effort with managers, staff and the Staff Association to build a stronger culture of performance and accountability. In FY13, our focus will be on the introduction of a new approach to performance and talent management.

[16] See DC2012-0005, Update on the Bank's Business Modernization: Results, Openness, and Accountability Spring 2012, April 11, 2012.