



## **Staffing numbers and salaries**

### **Horizontal audit in the decentralised entities of the federal administration**

#### **Key facts**

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A large number of Confederation tasks have been outsourced in the past from the central government to “decentralised entities”. Guidelines for personnel management in the decentralised entities were first set out in 2009 in the Federal Council’s supplementary report to the Corporate Governance Report. The executive salary report and personnel management report give details of HR-related developments in some of the Confederation’s decentralised entities.

To get an overview of developments in staffing numbers, personnel expenses and salaries, the Swiss Federal Audit Office (SFAO) conducted a horizontal audit in 2011 within nine administrative units of the decentralised government and one private organisation assigned federal tasks. To cover the wide range of outsourced tasks, the entities selected for the audit differed in terms of size, legal form, tasks and organisation.

Of the selected entities (the Federal Financial Market Supervisory Authority [FINMA], Pro Helvetia [PH], the Swiss Federal Institute of Intellectual Property [IGE], the Swiss Federal Institute of Technology in Lausanne [EPFL], OSEC, Switzerland Tourism [ST], ETH Board, Swiss Export Risk Insurance [SERV], PUBLICA and the Swiss Federal Nuclear Safety Inspectorate [ENSI]), two became autonomous organisations during the period under review (2006-2010). Two other organisations were subject to a major change in their legal basis or mandate during this time, and therefore also in their tasks.

The SFAO concentrated its audit activities on the following points:

- A study of developments in staffing numbers and personnel expenses between 2006 and 2010
- A horizontal audit of the salaries for selected functions between the audited decentralised entities and with respect to benchmark values from the central government in 2010
- An evaluation of personnel reporting

Regarding the change in staffing numbers, the audited decentralised entities of the federal administration saw a higher increase between 2006 and 2010 than the central federal administration. Moreover, organisations that experienced a change in legal basis or mandate grew at a faster rate than other organisations. In general, the increase in personnel expenses (defined for the purposes of the audit as the sum of salaries and employer contributions) was greater than the increase in staffing numbers. Average personnel expenses were higher, although this was also the case for the central federal administration.

In the decentralised entities, the competent body for creating new positions and for determining salary brackets and any funds for performance-linked payments is the supervisory board or the board of directors. In most cases, any adjustments to the salary systems also require the Federal Council’s consent. The SFAO regards this division of competencies as appropriate.

Of the ten audited organisations, nine have a defined salary system. The salary systems of the audited organisations vary widely. As a rule, the organisations base their measurement of the basic

salary on an evaluation of the function. In the less formalised salary systems, the internal salary structure plays a greater role in calculating the basic salary. In four of the 10 organisations, the variable component of the salary represents a low amount; three organisations deliberately remain below the limits applicable to them. Four organisations have given more weight to the individual performance-linked component in their salary system. All of the audited organisations plan an annual target-setting and performance appraisal meeting, which serves as a basis for measuring the performance-linked component.

In principle, the salary systems are appropriate. The individuals responsible are aware of any weaknesses, and possible improvements have been discussed with the organisations. In general, the SFAO found that, the greater the importance attached to maintaining the salary and appraisal systems, the higher the potential for the variable performance-linked salary components.

Taking eight benchmark functions defined for the audit, a salary comparison was carried out for 2010 between the decentralised entities, including also the central federal administration. As a rule, the median salaries in the decentralised entities lie within the range defined for the central federal administration. Substantial deviations were found between the minimum and maximum levels, however. The median salaries for department heads and also for assistants, although to a lesser extent, were higher in the decentralised entities than the salaries for these functions in the federal administration. Among the financial heads, some salaries were above the range set for these functions in the federal administration. Moreover, the range (distribution) of salaries for these three functions is very wide within the audited decentralised entities. Such deviations are due to the fact that the audited entities themselves are responsible for classifying the functions into the given salary systems. The SFAO regards this deviation as critical, as it causes the salary structure of the decentralised administrative units to drift apart. The SFAO considers it important that the Federal Office of Personnel (FOPER) also gathers information on the changes to this salary structure as part of its reporting on the Confederation's decentralised entities. As the owner, the Confederation can take corrective measures, if it so deems necessary, within the context of staff-policy guidelines, or else specifically accept the situation.

Given their differences in legal status, the decentralised entities are integrated differently into the reporting for the Federal Council and Parliament. Two of the audited entities (OSEC, PH) are not subject to the executive salary ordinance and are thus not included in the executive salary report. The agreement between the Federal Council and the Control and Finance Committees on the reporting of personnel management of the autonomous units covers six of the audited organisations. SERV, OSEC, ST and PH do not issue any corresponding reports.

The drafting of these reports is not based on a uniform personnel information system such as BV PLUS. It is therefore particularly important that the data to be processed and furnished should be precisely defined. The FOPER has formed a good basis in this respect with its survey for the 2010 report, to be verified in the following reports and possibly further expanded.

As in the central federal administration, there are no higher-level guidelines for internal reporting in HR. In principle, the organisations have expanded in HR the reports and communication channels of use in their management. Potential improvements have been discussed with the SFAO within the framework of the audit.

A concluding meeting was held with all audited entities and the FOPER in December 2011. The SFAO's recommendations were directed at the FOPER only. In its feedback, the FOPER agreed to implement both recommendations regarding reporting. However, the presentation of salary developments of various benchmark functions, initiated by the SFAO, was regarded by the FOPER as not feasible on account of the different function profiles. Two audited organisations submitted feedback to the SFAO, pointing to the lack of comparability of certain selected benchmark functions with management tasks.

The Joint Committee on Finance of the Federal Assembly and the Federal Council noted the report in February 2012.

**Original text in German**