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# UNITARY PAY SYSTEM PROPOSAL FOR CIVIL SERVANTS

Florin DĂNĂLACHE[1], Anca A. PURCAREA [2]

*O componentă de importanță majoră a strategiei de reformă în Administrația Publică pe care urmăreşte să o implementeze orice guvern este proiectarea şi introducerea unui sistem de salarizare unitar capabil să acopere întreaga masă a funcționarilor public, indiferent de nivelul ierarhic.*

*În Romania nivelurile administrației sunt:* ***administrația centrală****: Ministerele cu agențiile şi autoritățile subordonate;* ***serviciile publice descentralizate****: prefecturile; consiliile locale şi comunale (sate, oraşe şi oraşe mari). Obiectivele reformei sistemului de salarizare ce au stat la baza demersului nostru de cercetare sunt: Echitatea, Plata proporțională cu performanța, şi Competitivitatea. Cercetarea prezintă o propunere pentru un sistem unitar de salarizare proiectat pe baza "analizei de post", capabil să respecte principiile de bază aplicate în spațiul Uniunii Europene.*

*As an important part of Public Administration Reform strategy, any Government wishes to implement a unitary pay system that will cover all civil servants at all levels of the administration. In Romania the levels of administration are: central administration: Ministries and their subordinate agencies and authorities; de-concentrated public services: prefectures; decentralized: county councils and communes (villages, towns, large towns). The objectives of the pay reform were set out, and, in summary, these are as follows: Fairness; Pay proportional to performance; and Competitiveness. The paper presents a proposal for unitary pay system based on job analysis able to respect the main principles applied in European Community.*

**Key words**: pay system; levels of administration; job analysis, pay system principles.

## 1. Formulation of the Problem

The target of the paper is the development of a proposal for a unitary pay system to address the deficiencies of the existing pay system in public administration. The development of a unitary pay system forms an integral part of the ongoing efforts by any Government to reform its civil service which have been in train for several years. The objective of this reform is to create a

[1]Professor, Department of Management, University "Politehnica" of Bucharest, ROMANIA
[2]Professor, Department of Management, University "Politehnica" of Bucharest, ROMANIA

professional, transparent, impartial, stable and efficient civil servants corps which can drive forward towards meeting the terms of the *acquis communautaire.* Apart from a revision of the remuneration system, professional development, recruitment, selection and mobility are areas where reforms are being sought to enable the development of such a corps.

Our own studies conclude that the Civil Service does not yet have a fair and motivating civil service (1). For example:

- We have identified an estimated 78 unique salary ranges as at 1 Feb 2006 (Ordinance No 2 /2006). A salary range is an expression used to define the lower, median, and upper limits of pay; we would expect it to be expressed in RON per month or RON per annum.
- With such a large number of salary ranges it is hardly surprising to find that anomalies and distortions abound. A system like this with varying salary range widths (the difference between the minimum and maximum salary in a range expressed as a percentage) does little to motivate civil servants.
- Taken together, all the 78 salary ranges constitute the pay system (or structure).
- There is plenty of anecdotal evidence to demonstrate that in practice, the so-called 'pay system' is not working.
- It does not meet the fundamental requirement that salaries should be motivating and sufficient to attract, recruit and retain qualified and skilled civil servants for the public administration.
- Basic salaries are low at all levels in the civil service.
- Allowances and bonuses which can be discontinued on a whim add little to encourage effort from civil servants in post.
- A pay structure such as this lacks attractiveness to outsiders whom the civil service might wish to recruit.
- It doesn't support the stated intent of allowing civil servants to enjoy a 'decent' standard of living.
- It is uncompetitive in relation to the market place and in particular to the relationship with the private sector.
- It has been estimated that the pay practice line of the civil service is, on average, some 60 per cent below the private sector median when comparing basic salaries with basic salaries in the private sector.

- Almost precisely the same relationship exists when comparing the total cash practice line (that is, base salaries plus allowances and bonuses) with the private sector.
- It makes recruitment and retention particularly difficult, especially in relation to graduate staff with professional and technical skills.
- It allows inequitable treatment in the various institutions and between central and local government bodies.
- Differences in responsibilities between the various grades / levels in the civil service are not clearly defined.
- Differentials between the salary ranges are generally very small, (typically 3 per cent between adjacent medians of each salary range) making for a 'flat' salary structure in relation to the outside world where structures tend to have much bigger differentials between midpoints of adjacent grades.
- Staff carrying out similar work or in similar grades can earn significantly different salaries, often as a result of a proliferation of bonuses, some of which we suspect may not have been properly authorized. This is contrary to the provisions of the EC legislation in the field, which foresees equal pay for work of equal value.
- It has been admitted that the current pay structure lacks logic.

## 2. Options for a sustainable Unitary Pay System

**Option 1 - Based on the current Classification of public functions contained in Law 188 republished, with subsequent modifications according to the level of responsibilities and education and grade (5):**
- high ranking civil servants (HCS)
- leading civil servants (LCS)
- executing civil servants (ECS): - class I: with Full Academic Degree; - class II: with Short Academic Degree; - class III: with High School Diploma.

**Salary Components**
**Basic Salary**
Twenty (20) different **basic salaries** corresponding to the 3 main categories of public function classifications: High-ranking Civil Servants – 2; Leading Civil Servants – 9; Executing Civil Servants, the latter classified into; Executing Civil

Servants with a full academic Degree - 3
Executing Civil Servants with a short academic Degree – 3; Executing Civil Servants with a high school Diploma – 3. The basic salaries across all five annexes are now identical.

**Job Supplement**

corresponding to the job responsibility: HCS: 7 different levels corresponding to the 7 public positions of HCS as provisioned in Law 188 republished; LCS: different levels corresponding to the level of complexity and responsibility of LCS as provisioned in Law 188 republished.
ECS: 10 different levels, three for each class, plus one additional level for Class I Auditor Superior as provisioned in Law 188 republished.

**Grade Supplement:** corresponding to experience and performance: HCS: 3 steps; LCS: 3 steps; ECS: 7 steps

**Seniority Allowance:** about 5-15% of the basic salary. All civil servants benefit from these four components which are guaranteed as provisioned in the law.

**Allowances and Bonuses :** No allowance or bonus may be paid if they are not mentioned in the law.

**Principles for pay dynamics**

- Pay increase to a higher public function through promotion
- Pay increase to a higher grade step
- Pay increase due to being eligible for a higher Seniority allowance

**Procedures for pay regulation**

Legislative procedure for annual adjustment, based on a recommendation of the Government : (budget-affordability, inflation rate, growth of GDP, collective agreements in the private sector).

**Costs**

We have constructed a fiscal model for Option 1 and calculated its effect on the payroll based on the 124,436 established posts furnished by the Ministry of Public Finance. The cost is **1 per cent in a full year**,

**Advantages**

- It is closely related to the current system, but makes necessary changes in modernising and unifying the system.

- No job evaluation for the whole staff is needed; job evaluation only in exceptional cases.
- It maintains the existing three classifications, High, Leading and Executing Civil Servants and the Professional Grades.
- It offers potential for performance with the wider grade steps.
- Potential for combining experience + performance.
- Transparency: nothing is paid without first being identified in the law.
- Easy to administer.
- Low cost of implementation.

**Disadvantages**

- More different groups than in other Civil Servant Systems.
- Five (5) Annexes have to be revised and later integrated into about 3-4 Annexes.
- Allowances / Bonuses referenced 8, 13 and 15 in the 15 July 2006 report remain to be resolved.
- Using variable numbers of grade steps could be seen as potentially unfair and discriminatory.
- A structure developed in this way without being underpinned with analytical job evaluation runs the risk of being challenged.
- Any pre-existing anomalies in the existing system are likely to remain.

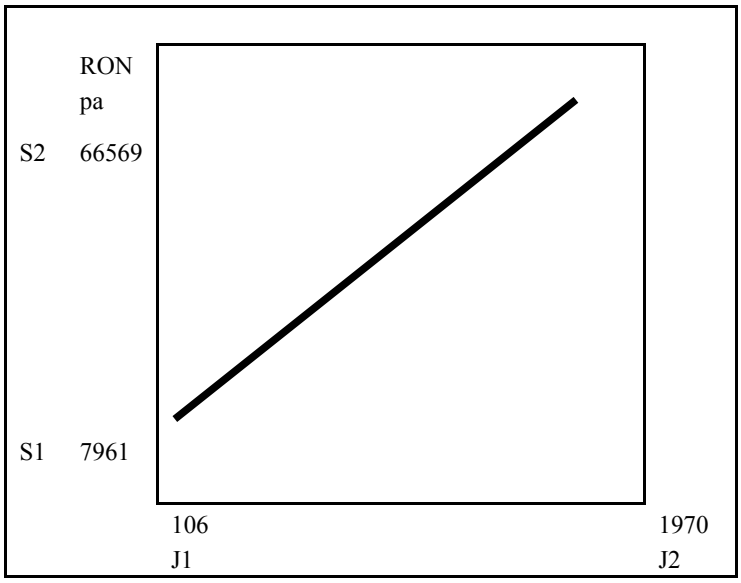
If Option 1 is chosen, further development is possible with this option. For example, allowances could be assimilated into basic pay, job supplements could be standardized etc.

**Option 2 – Based on the hierarchy of General Public Positions (annexed to the 'Law – on the modification and completion of Law 188 / 1999 and 251 / 2006 on the Statute of Civil Servants') with all allowances absorbed into basic pay -** 27 grades:

**Assigning salaries to grades using line formula**

Calculating the line formula for salaries and its relationship to the 'size' of each job, the latter usually expressed in term of job evaluation points, can be useful when setting out to design a grade structure including establishing proposed medians / midpoints for each of the grades. Moreover it is a scientifically proven

method of proceeding. In the graph below we have demonstrated the Romanian Government's Civil Service's current pay practice by taking the top and bottom salaries together with the top and bottom job evaluation points ( HAY method).




**The line formula**

(S2 – S1) / (J2 – J1) = a (the slope of the line)

S2 = (J2 x a) = b (the intercept on the y axis)

Function (x) (106 – 1970) = **31.44 x points + 4628**

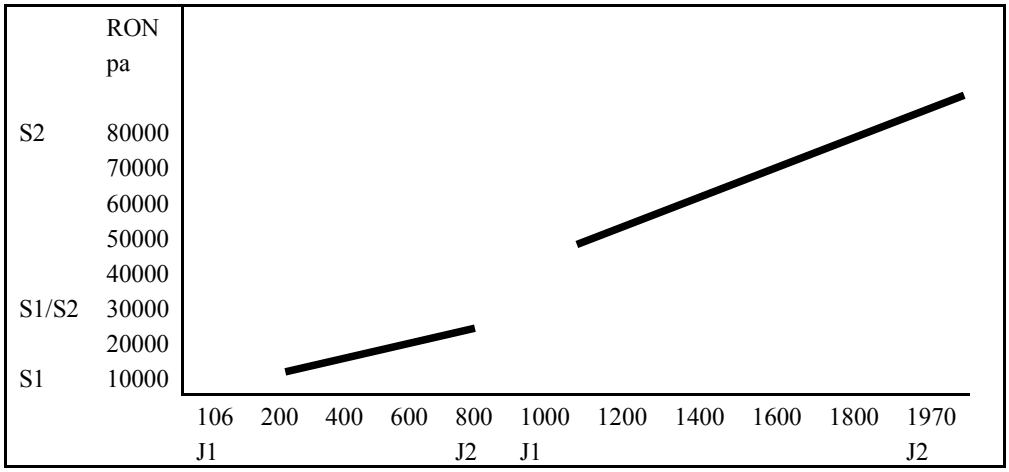
In other words, for any job having a points value between 106 and 1970, a salary value could be established, e.g. 600 points = 23492 RON per annum (1957.67 RON per month).

We have taken the 27 'levels' derived from the Law 188 / 1999 and 251 / 2006 republished and propose redefining them as 'a hierarchy of grades'. Assuming this 27-grade structure is adopted, then in order to develop it into a motivational structure encouraging career progression, it is clear that salaries at the lower end of the service need to be increased from the current 'low' of 428 RON per month (5136 RON per annum). Inclusive of the seniority allowance this becomes 663.42 RON per month (7961 RON per annum). However this cannot be achieved without an increase at the top of the service to allow for meaningful increases on promotion between the grades. Therefore this 27-grade structure has been designed with a lower target (midpoint) salary of 10000 RON per annum (833.33 RON per month); the minimum of this lowest grade would, we suggest, be 8,000

RON per annum, (666.66 RON per month), and a high salary of 80000 RON per annum (6666.66 RON per month).
We experimented first with a straight line formula to establish the midpoints for each of the grades. We used the HAY evaluations where they established the largest job at 1970 points and the smallest at 106 points. Using high and low salaries of 80,000 and 10,000 RON per annum the line formula is:

(S2 – S1) / (J2 – J1) = a (the slope of the line)
S2 = (J2 x a) = b (the intercept on the y axis)
Function (x) (106 – 1970) = 37.55 x points + 6019

However this gave extremely large increases, particularly for Grades 10 – 12 which have high populations. So instead of this we developed a 'dog leg' structure – see below:




The formula for the lower level jobs (grades 1 – 12) is Function (x) (106 – 493) = 51.68 x points + 4521
The formula for the higher level jobs (grades 13 – 27) is Function (x) (895 - 1970) = 46.51 x points - 11628
The effect of applying these formulae is to flatten the structure a little (Grades 1 – 12) and it does help to reduce the overall pay increase.

**Option 3 – Based on the hierarchy of General Public Positions (annexed to the 'Law – on the modification and completion of Law 188 / 1999 and 251 / 2006 on the Statute of Civil Servants') but with some allowances and bonuses rolled into basic pay**

Option 3 is designed similarly to Option 2 with 27 grades. However with this option not all allowances and bonuses are rolled into basic pay. Basic pay is

70% of Option 2 basic because some allowances are still paid in addition.

**Comparing Options 2 and 3**

In both worksheets we have also created tables that show the current average salary by grade, compared to that under the new pay structure. It can be seen that on some of the grades there are some large increases. By reducing the midpoint values these will also reduce automatically.

| Grd | Existing Average Salary | Increase (RON per annum) | Incr (%) | Grd | Existing Average Salary | Increase (RON per annum) | Incr (%) |
|---|---|---|---|---|---|---|---|
| 27 | 0 | 0 | | 27 | 0 | 0 | |
| 26 | 0 | 0 | | 26 | 0 | 0 | |
| 25 | 57,348 | 1,635 | 3% | 25 | 57,348 | 1,811 | 3% |
| 24 | 50,921 | 5,639 | 11% | 24 | 50,921 | 6,341 | 12% |
| 23 | 59,809 | 0 | | 23 | 59,809 | 0 | |
| 22 | 53,742 | 0 | | 22 | 53,742 | 0 | |
| 21 | 0 | 0 | | 21 | 0 | 0 | |
| 20 | 37,471 | 8,452 | 23% | 20 | 37,471 | 11,178 | 30% |
| 19 | 37,416 | 5,241 | 14% | 19 | 37,416 | 8,686 | 23% |
| 18 | 40,746 | 2,520 | 6% | 18 | 40,746 | 4,942 | 12% |
| 17 | 35,169 | 2,457 | 7% | 17 | 35,169 | 6,889 | 20% |
| 16 | 32,487 | 2,249 | 7% | 16 | 32,487 | 7,290 | 22% |
| 15 | 29,036 | 2,952 | 10% | 15 | 29,036 | 8,574 | 30% |
| 14 | 29,648 | 567 | 2% | 14 | 29,648 | 5,875 | 20% |
| 13 | 23,343 | 4,426 | 19% | 13 | 23,343 | 10,051 | 43% |
| 12 | 22,196 | 9,013 | 41% | 12 | 22,196 | 8,574 | 39% |
| 11 | 15,692 | 12,061 | 77% | 11 | 15,692 | 11,669 | 74% |
| 10 | 12,428 | 12,315 | 99% | 10 | 12,428 | 11,966 | 96% |
| 9 | 9,008 | 8,016 | 89% | 9 | 9,008 | 7,774 | 86% |
| 8 | 14,708 | 5,166 | 35% | 8 | 14,708 | 4,903 | 33% |
| 7 | 11,804 | 6,086 | 52% | 7 | 11,804 | 5,831 | 49% |
| 6 | 8,565 | 7,587 | 89% | 6 | 8,565 | 7,359 | 86% |
| 5 | 7,842 | 3,440 | 44% | 5 | 7,842 | 3,281 | 42% |
| 4 | 11,942 | 1,435 | 12% | 4 | 11,942 | 1,276 | 11% |
| 3 | 9,234 | 3,003 | 33% | 3 | 9,234 | 2,830 | 31% |
| 2 | 8,249 | 3,005 | 36% | 2 | 8,249 | 2,846 | 35% |
| 1 | 7,673 | 327 | 4% | 1 | 7,673 | 214 | 3% |
| Avrag pa | 23203 | 3985 | 32% | Avrag pa | 23203 | 5191 | 36% |
| Avrag pm | 1934 | 332 | | Avrag pm | 1934 | 433 | |

## 3. Conclusions

- Social Impact - Adopting Option 1 is unlikely to have any impact. On the other hand, if either Option 2 or Option 3 is adopted, then we believe this will make the Civil Service somewhat more attractive as an employer, particularly in respect of young people.
- Financial impact - From financial budget figures provided by the Ministry of Public Finance (MPF) for March 2006 we have extrapolated that, for 12 months, Personnel Expenses contained in the State and Local Budget salary bill inclusive of allowances / bonuses, but excluding health insurance, social security and unemployment insurances amount to **6,340,316,392 RON**.

Romania's Gross Domestic Product (GDP) is estimated at 287,186,3 million lei (287.2 billion lei) (2005). Personnel Expenses therefore currently accounts for approximately **2.21** per cent of total GDP. Whichever option is chosen, it has a small impact on GDP.

- Risks - Whichever option is chosen, however, brings risks.

Other sectors of Public Administration who may presently be paid differently may feel that differentials have been eroded between the Civil Service and themselves. This could result in an escalation of pay demands from such groups.

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