

STRENGTHS AND WEAKNESSES OF THE SALARY SYSTEM APPLICABLE TO PUBLIC SECTOR EMPLOYEES

Alunica MORARIU

„STEFAN CEL MARE” UNIVERSITY OF SUCEAVA, ROMANIA,
Faculty of Economics and Public Administration
alunica.morariu@gmail.com

Abstract:

Five years ago, in Romania was established the unitary pay system for public sector personnel paid from the general consolidated state budget. This was aimed at the harmonization of payroll system of the staff based on the importance, responsibility, complexity of the activity and the level of the studies necessary for the activity. The entire public sector personnel were reinstated and bonuses granted by law or government decisions have been introduced in basic salaries. Although subsequently intervened several laws of correction, the unitary pay system still has some weaknesses. Through this paper, the author aims to highlight the most important pluses and weaknesses of this system, but also to make some proposals regarding the application of the principles enshrined.

Key-words: *staff; payroll unit; public funds; hierarchy.*

JEL classification: H11 Structure, Scope, and Performance of Government, M54 Labor Management, M21 Business Economics, K22 Business and Securities Law, K31 Labor Law

1. Introduction

Prior to 2010, the basic salaries of public sector employees were laid down by approx. 40 acts, distinguishing between a minimum and a maximum limit between contractual staff and military personnel, or including the seniority point values for education personnel (EM-Law no. 330, 2009). In the case of public servants there were laid off levels, while for political positions there were unique levels of payment. The system practiced in Romania made it possible for over 400 wage levels to exist, inadequate for the initial hierarchy of functions and industries, and the ratio between the minimum wage and maximum salary in the public sector in the same sector reached 1/29. Specialty papers have treated critically the reward in this sector (Vasile, 2014; Bostan, 1999; Creța and Sandor, 2010), which beyond that it was very complicated, involved certain inequities. The complexity that characterized this system made it possible for the related control to face difficulties (Bostan, 2000). Those stated here, in a synthetic form were likely to cause significant changes in regulatory framework to which we refer below.

2. The first legislative step towards establishing uniform wage budget of staff in Romania

The many disadvantages of wages in the public sector and requests from the social partners imposed the necessity of considering the principles recognized in this field to achieve an improvement of the regulatory framework. From these we take into account the following (EM-Law no. 330, 2009):

- Uniform regulation of wages in the public sector, paid from public funds;
- Better/proper ratio between minimum wage and maximum wage in line with European practices;
- Harmonization of the payroll system given the importance, responsibility, complexity of the activity and the level of necessary studies;
- Increases of wages needed to achieve this objective must consider the social and macroeconomic indicators;

- Base salary, monthly allowances of employment, to constitute the main element of earning, by including bonuses and allowances which are general;
- Creating a new hierarchy of basic salaries, both between fields, and in the same area, depending on the complexity and importance of the activity.

As a result, it started to build the new legislation, called the Framework Law on the unitary remuneration of personnel paid from public funds (Framework Law no. 330, 2009), regarding the staff employed in public institutions fully financed by annual budgets, own revenues and subsidies from the state budget or entirely financed from own revenues, and staff of public institutions of local subordination entirely financed from own revenues. The wage system in question includes base salaries, function pays / wages and monthly wages of employment, bonuses, prizes, incentives and other rights (in cash and in kind). At art. 4, the law provides that "The ratio between minimum wage and maximum wage in the budget sector is 1 in 12", and the art. 12 (2) stipulates that "The value of the hierarchy coefficient 1.00 for 2010 is 705 lei and the increase of the hierarchy coefficient 1.00 after 2010 will be conditioned by the reduction of employees (...), in order to achieve a level of hierarchy coefficient 1.00 of 1.100 lei in 2015". Other significant provisions: "(1) Basic salary is differentiated by function in relation to the training, experience and job responsibility and level of complexity of the specific activity of each post. (2) Within each function, base salaries differ by degrees in case of higher education (...) and by professional stages for medium studies (...). Typically, 2 to 3 degrees are used and, respectively, 2-3 professional stages. (3) Within each degree or professional stage, the differentiation of basic wages is made on a number of 5 gradations corresponding to the five installments of employment (...), except public functions which use 3 professional degrees and three salary steps (art. 13). Next Article (14) states that "Differentiation basic salaries, pays of basic functions and monthly allowances is done by using hierarchical coefficients in the range 1.00 for the function with the least responsibility and 12.00 for the function with the highest state responsibility". What should be noted is that although it was intended to introduce some strengths in the system analyzed, this law was not applied, when it comes to new ranking factors, new percent of bonuses or other remuneration. In fact, "in 2010, was applied the old pay system, i.e. the one existing at the date of 31 December 2009, with adjustments under the new law, adjustments with transitional character to the effective implementation of the framework law, namely: the inclusion of bonuses in the base salary, elimination of other benefits, wage setting limits etc. Basically, under the express provisions of the new law cited above, the existing wage laws on December 31, 2009 were applied further to determine the actual amount of wages" (Petre, 2013).

3. Review of unitary payment system of personnel paid from public funds

The wage budget regulates rewarding staff according to job responsibilities, hard work, quantity and quality and its social importance, the concrete conditions of progress, results, and established criteria. From 1st January 2010 the state sector was reinstated (Framework Law no. 330, 2009, OUG no. 1, 2010), and bonuses granted by various laws and management allowances were introduced in base salaries/ pays basic functions, respectively in monthly allowances corresponding to functions in December 2009. The modification of hierarchy coefficients and of reference values or establishing nominal wages for state employees, by replacing the hierarchy of functions and wage, always implies adjustments more or less than the wages paid (Petre, 2013). The categories of staff who previously benefited from certain bonuses that cannot be found in Annexes Framework Law nr. 330/2009 received compensatory amounts to cover the difference up to the level of wages for the job. At the end of 2010 it was adopted Framework Law no. 284/2010 regarding the unitary remuneration of personnel paid from public funds, its regulations aiming at the following:

- Harmonization of the remuneration system for public sector staff with important responsibility, complexity of work and level of education necessary;

- Establishing base salaries, the pays/ salary, monthly allowances as the principal element of earnings;

- Realization of hierarchy basic salaries, of function pays/ salary and allowances of monthly employment, both between fields, and in the same area, is based on job evaluation (differentiation being made by criteria such as: knowledge and experience, complexity, creativity and diversity of activities, judgment and decision-impact, influence, coordination and supervision; contacts and communication, working conditions, incompatibilities and special schemes);

d) Transparency of the mechanism for establishing the base salary and other personal rights;

e) Basic wage differentiation, the function pays/ salary and monthly allowances depending on the level at which activities are performed: central, territorial and local.

Also it is set the 1/15 ratio between minimum hierarchy coefficient and the maximum hierarchy coefficient for calculating the base salaries. Under the new grids there were established 110 classes of wage to which correspond hierarchy coefficients at a step interval of 1.025. Thus, the number of hierarchy coefficients was reduced from 164 to 110. The remuneration system governed by the law shown (Framework Law no. 284, 2010) is based on principles such as the *unitary character* in the sense that regulates the salaries of all categories of staff in the public sector, *the rule of law*, meaning that salary rights shall be determined solely by the law, *the equity and consistency* by creating equal opportunities and equal remuneration for work of equal value, *the financial sustainability* by establishing wage increases according to the annual special laws. Further, we will refer to what this act brings new (EM-Framework Law no. 284, 2010). First we deal with the inclusion of all functions within the hierarchy of the evaluation of posts and their grouping within the structure (which has 11 degrees and 7 occupational families for administration fields, health, education, justice, culture and religions, diplomacy, defense, public order and national security). It is created a new hierarchy of basic salaries, both between fields, and in the same area, depending on the 7 criteria used in the evaluation of posts (already mentioned above). In case of civil servants there were abolished pay scales and Annexes have been reduced from 13 to 8 - ie one for each of the seven occupational families and one for institutions financed from own revenues. The value of the hierarchy coefficient corresponding to salary class 1 is to be determined annually by law and sector-specific allocations and budget staff will be made to fully implement the law according to hierarchy coefficients. Subsequently law will be applied uniformly to all state employees, and base salaries, function pays/ salary and monthly allowances shall be determined by multiplying the hierarchy coefficients corresponding to classes of wage hierarchy with the value of the hierarchical coefficient corresponding to class 1. Salary classes and coefficients for executive functions correspond to the minimum level of each function, plus five gradations corresponding to current installments of service. Moving into a new grade of service is charged by granting two successive classes salary to that of the person with the execution function. For leadership functions we find two degrees of classification, hierarchy factors including long service allowance at maximum value.

Also there are regulated such situations (EM Framework Law no. 284, 2010):

- The one of the staff occupying leadership positions for which the employment condition is of high education and of those who have not completed these studies. They will receive base salaries provided by law for these functions reduced by 10 classes of salary. Also, people who at the moment of the entry into force of the law occupy functions in positions as provided above will benefit from a transitional period of five years in which to acquire higher education;

- Certain bonuses that were granted in the form of compensatory amounts in 2010, by increasing base salaries with a couple of wage classes successive of the one held. The hierarchy coefficient set for the position of auditor contains bonus for work complexity, and for people who exercise preventively financial control the detained basic salary shall be increased by 4 salary classes.

At the same time, the text of the law (Framework Law no. 284, 2010) states that it is simplified the development/ approval of regulations for granting allowances for working conditions, this procedure returning to ministries, in consultation with trade unions.

Conclusions

Although through the repeated legislative steps, to which we referred earlier, we wanted to unify wage legislation in the public sector, which covers about 1.2 million recipients, the situation is still not resolved. The two unitary framework- laws of unitary wage of staff paid from public funds, with amendments, did not bring a uniform salary, nor a simplification of wage, it even "created even greater discrepancies between budgetary employees, even within the same professional categories " (Petre, 2013). The justification is given by the fact that these laws have not ever actually applied in the determination of wages, but there were only applied the transitional provisions within them or, where appropriate, the annual laws. Therefore, in our opinion, the wage system of unit staff salaries paid from public funds must remain the attention of the legislature, which at any step is required to ensure compliance with the fundamental principles related to non-discrimination, stability of legal relations, the non-retroactivity of the new law or predictability.

Acknowledgments. The author would like to thank the anonymous reviewers for their valuable comments and suggestions to improve the quality of the paper.

Bibliography

- [1] Bostan, I. (2000), Controlul financiar, Editura Polirom, Iași.
- [2] Bostan, I. (1999), Recompensarea factorului muncă, Editura Media-Tech, Iași.
- [3] Creța, Simona; Șandor, D.S. (2010), Deciziile în domeniul salarizării în sectorul public, *Revista Transilvană de Științe Administrative* 3(27): 30-40, <http://www.apubb.ro/wp-content/uploads/2011/02/TRAS-27-2010-3Creta-Sandor.pdf>
- [4] EM/ Expunere de motive la Legea-cadru privind salarizarea unitară a personalului plătit din fonduri publice, 2009.
- [5] EM/ Expunere de motive la Legea-cadru nr. 284/2010 privind salarizarea unitară a personalului plătit din fonduri publice, http://www.mmuncii.ro/pub/imagemanager/images/file/Proiecte%20legislative/240810EM_lege_salari_zare.pdf
- [6] Legea-cadru nr.330/2009 privind salarizarea unitară a personalului plătit din fonduri publice, publicată în Monitorul Oficial al României, Partea I, nr.762 din 9 noiembrie 2009, <http://www.financiarul.ro/wp-content/uploads/legea-salarizarii-bugetarilor.htm>
- [7] Legea-cadru nr. 284/2010 privind salarizarea unitară a personalului plătit din fonduri publice (publicată în Monitorul Oficial al României, Partea I, nr. 877 din 28 decembrie 2010), http://www.avocat-dreptul-muncii.eu/Legea_nr_284_2010_privind_salarizarea_unitara_a_personalului_platit_din_fonduri_publice.php#
- [8] OUG nr. 1/2010 privind unele măsuri de reîncadrare în funcții a unor categorii de personal din sectorul bugetar și stabilirea salariilor acestora
- [9] Petre, Ileana (2013), Câteva comentarii și critici privind legislația salarizării personalului bugetar, Clubul de Dezbateri Juridice, București, <http://www.juridice.ro/267090/cateva-comentarii-si-critici-privind-legislatia-salarizarii-personalului-bugetar.html#>
- [10] Vasile, I. (2014), The management of the payment system, *Buletinul Universității Naționale de Apărare „Carol I”*, Decembrie, 138-144, www.spodas.ro/revista/index.php/revista/article/download/73/69