

Útvar hodnoty za peniaze

Public wage bill in Slovakia

IMF mission;
November 29, 2017; Bratislava

Martin Rajňák

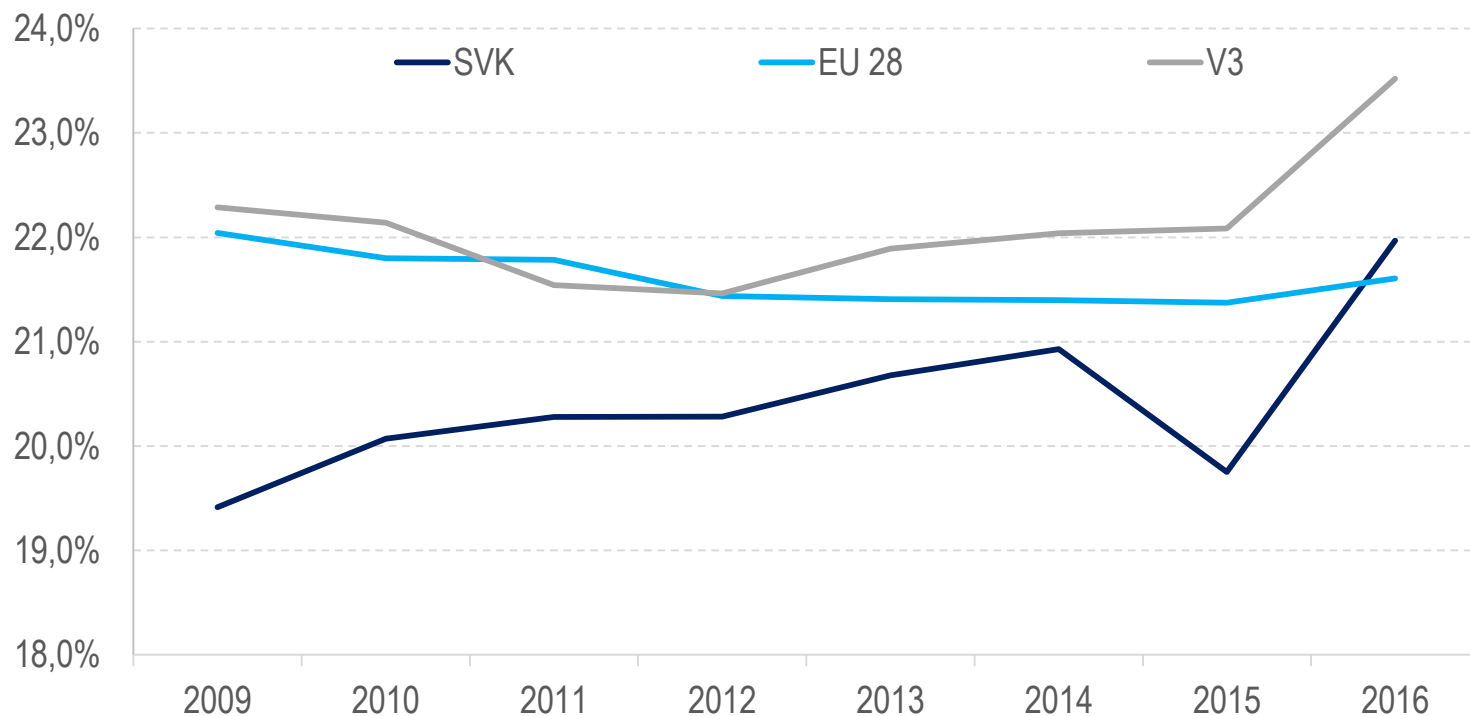

inštitút finančnej politiky

Key findings

- SVK Public Wage Bill as a share of GDP is below comparable countries, but it is converging
- Employment in „O“ sector (public administration, defense compulsory social security) above EU average
- Employment in „Q“ sector (health and social work) significantly below EU average
- Complicated and fragmented setup for employee compensation

Slovakia GG wage bill is lower than in neighboring countries, slightly higher than EU28 average...

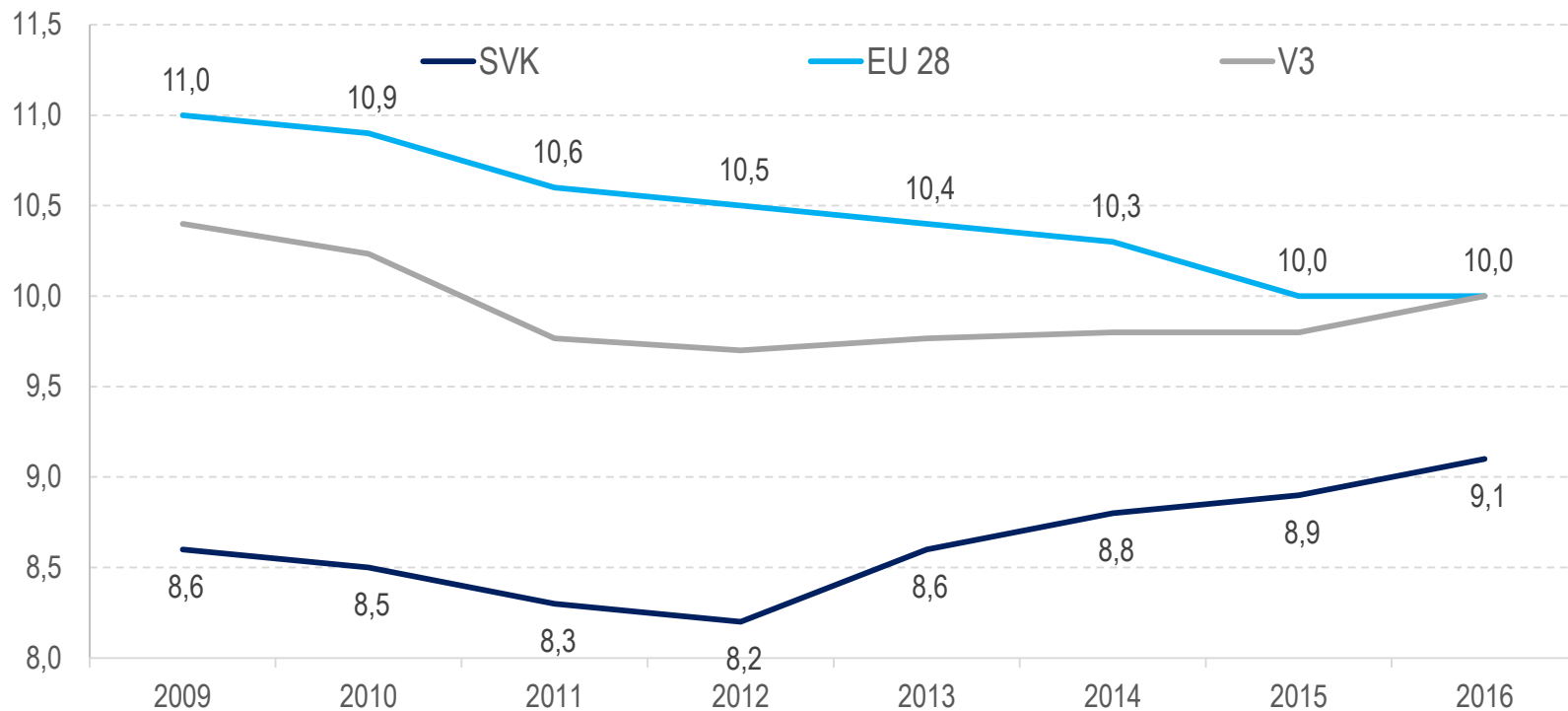
Compensations of employees in general government sector as a share of total general government expenditure



Source: Eurostat, Government statistics

... approximately 1 pp. lower than EU average when measured as GDP share.

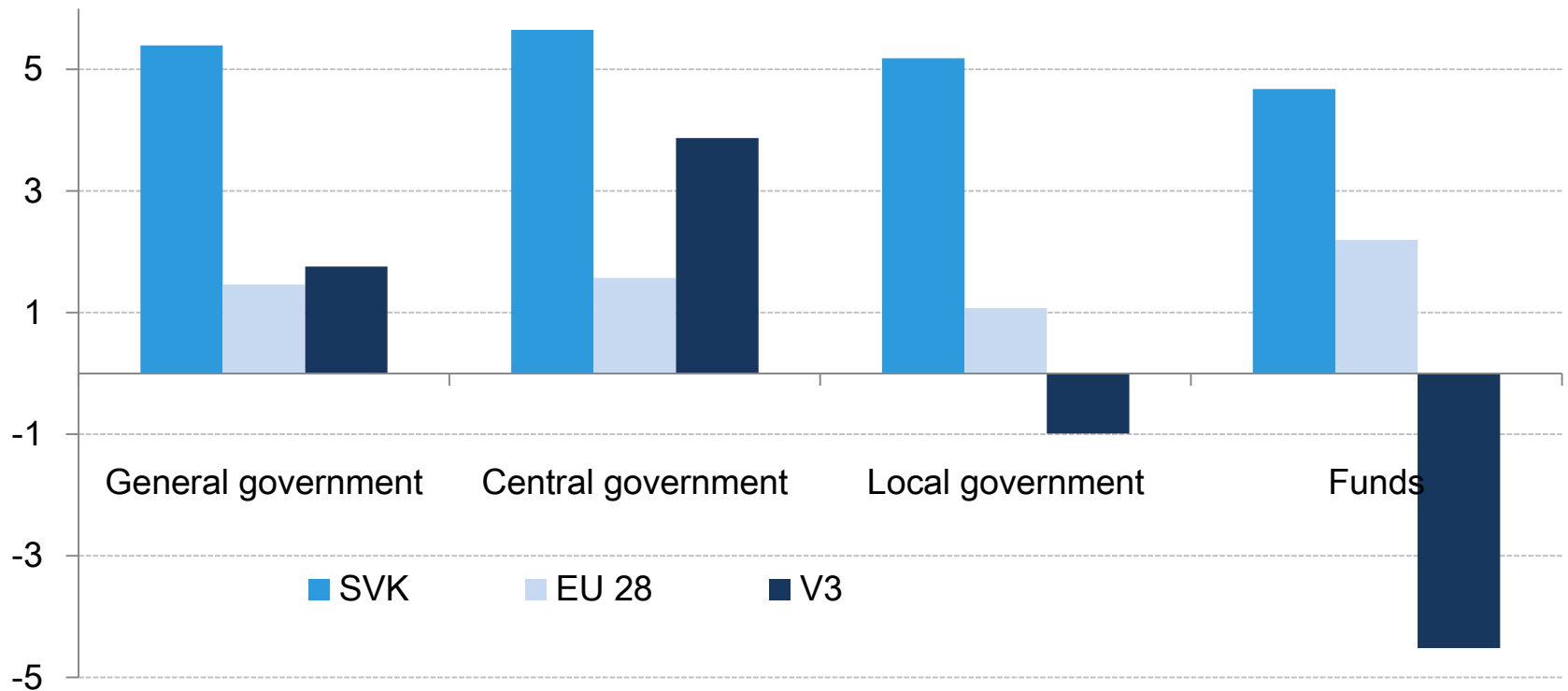
Compensations of employees in general government sector as a share of GDP (%)



Source: Eurostat, Government statistics

Average compensation growth of employees is higher than in EU and V3 and V3

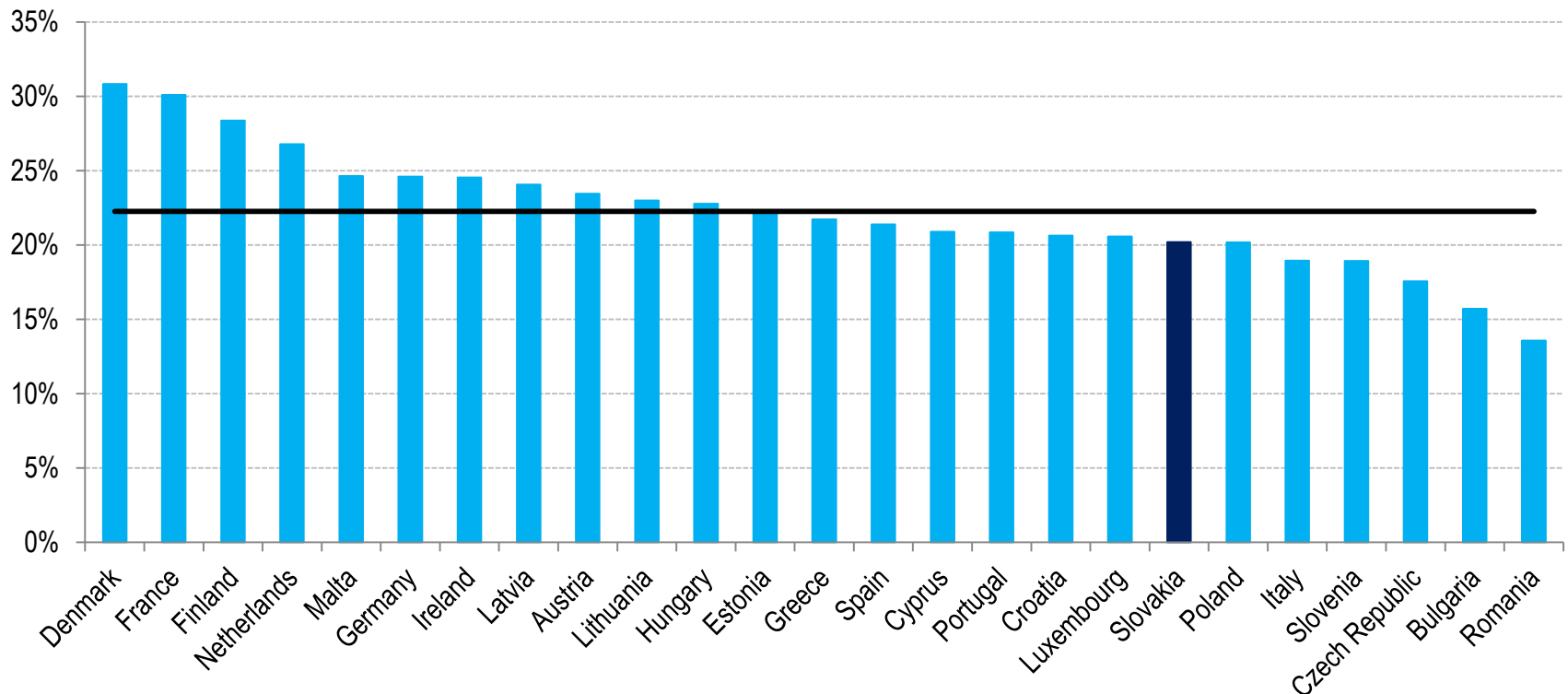
Average growth of Compensations of employees (%)
(2009-2015)



Source: Eurostat, Government statistics

Slovak public employment lower by 2 pp compared with EU avg. NACE OPQ: approx. 470 thousand persons.

OPQ* sectors as a share of total employment 2016



Source: Eurostat, National accounts

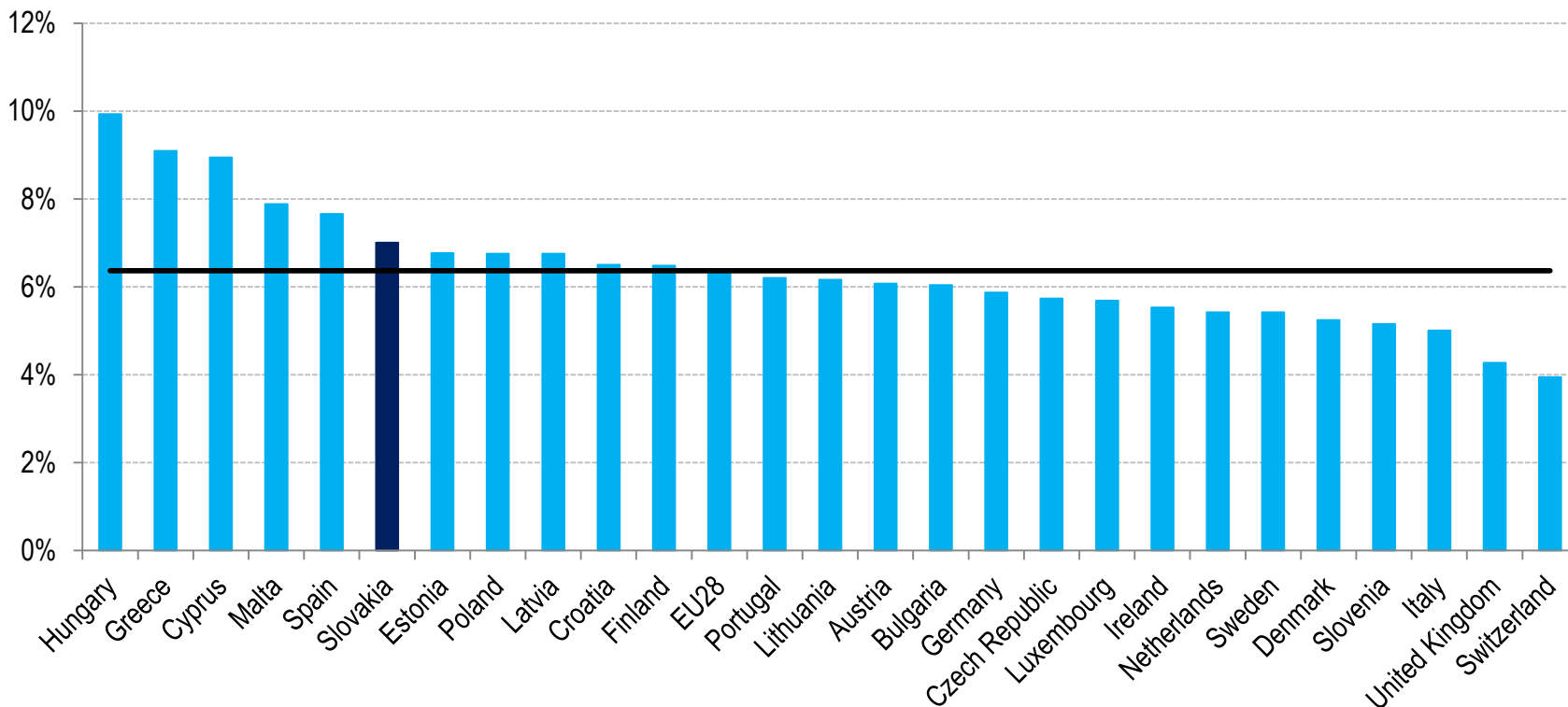
*Public administration, defense, education, human health and social work activities

Public administration and defense; compulsory social security :

Slovakia slightly above average

NACE O: 163 thousand employees

O* sector as a share of total employment 2016

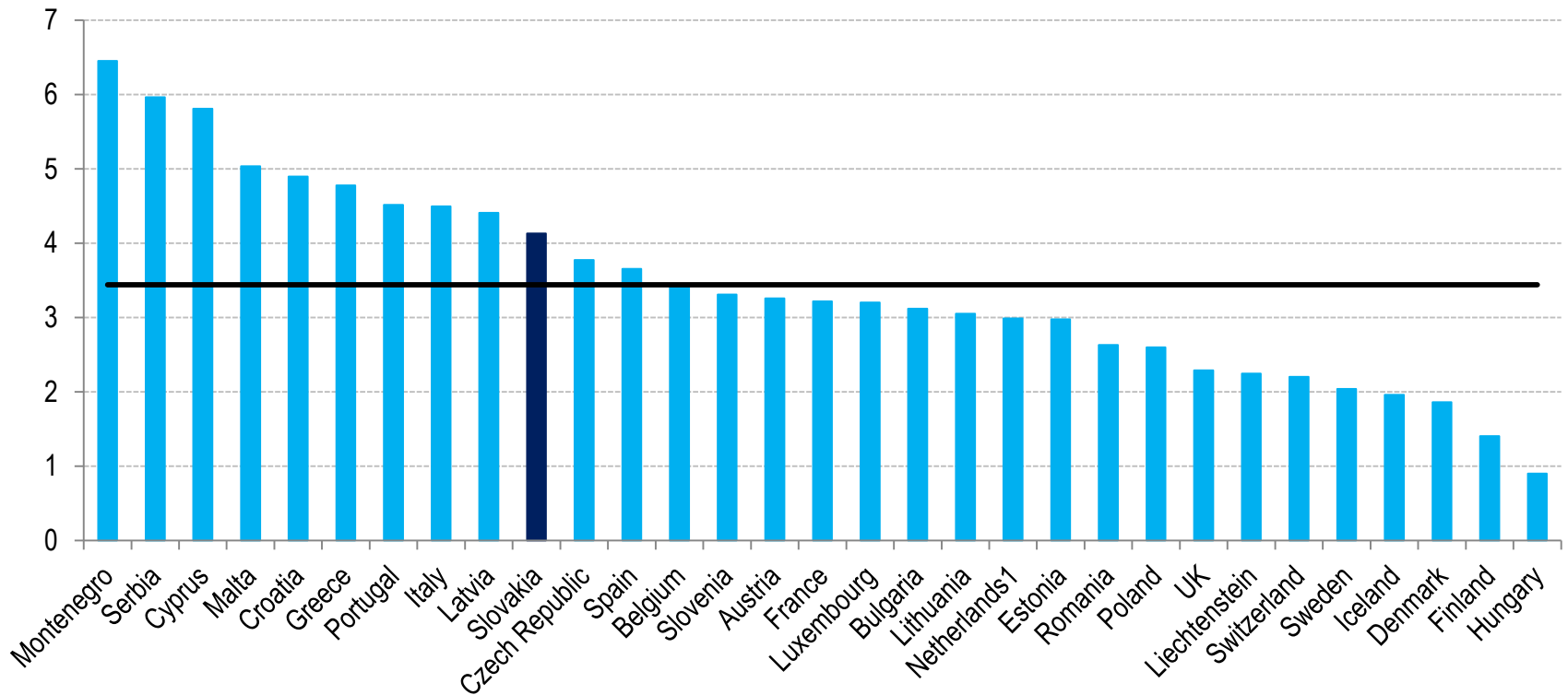


Source: Eurostat, National accounts

*Public administration and defense; compulsory social security

Police officers: SVK has more police officers per 1000 inhabitants than majority of other European countries. Cross-country comparison bit difficult.

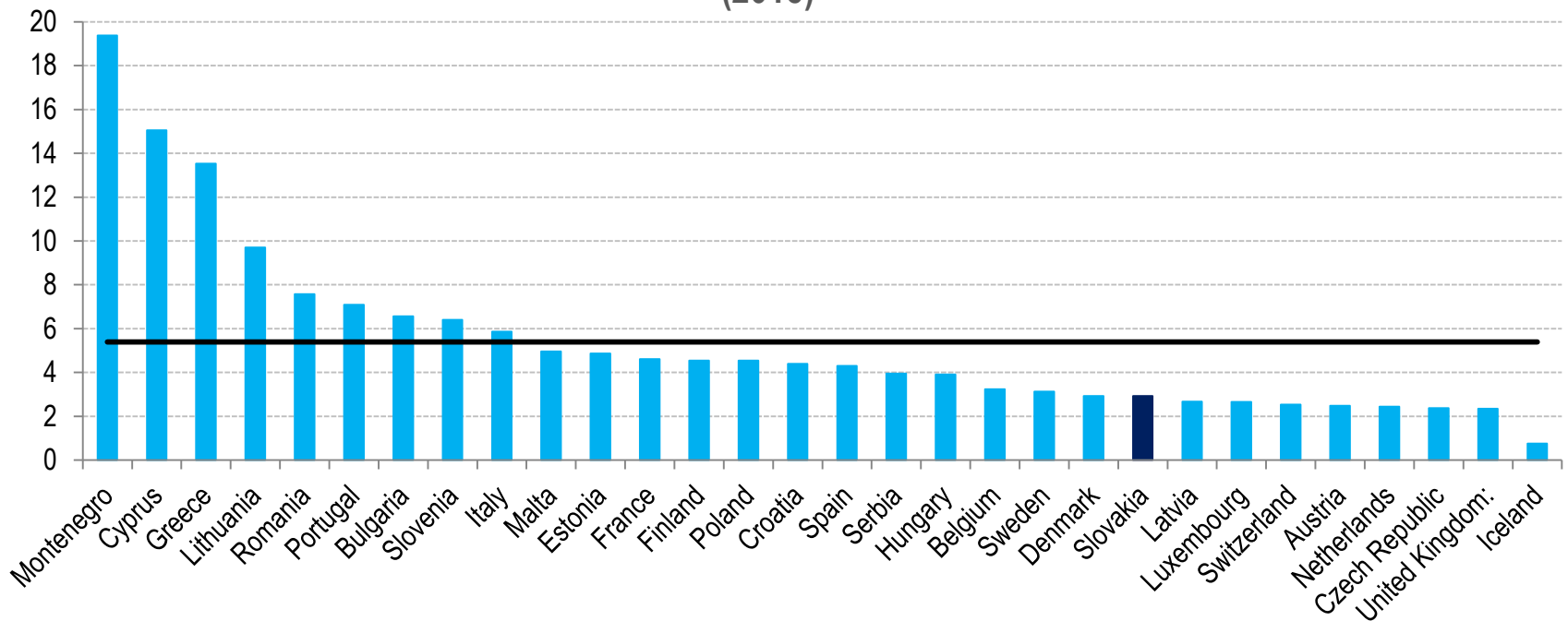
Number of Police officers per 1000 inhabitants (2015)



Source: Eurostat, Crime and criminal justice statistics

Armed forces personnel: SVK has less soldiers per 1000 inhabitants than majority of other European countries.

Number of Armed forces personnel per 1000 inhabitants
(2015)

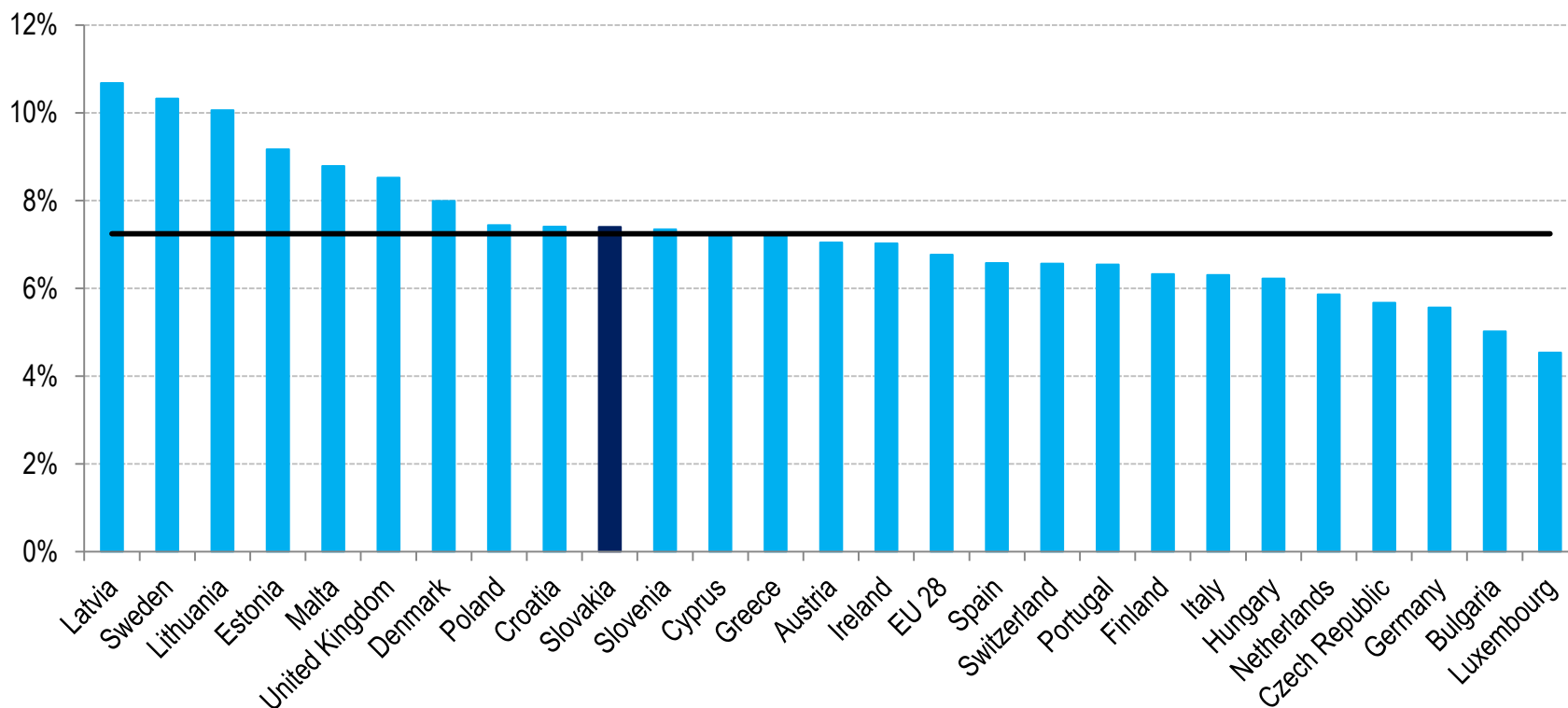


Source: World Bank

Education employees: On par with other European countries

NACE P: 171 thousand employees

Sector of education as a share of total employment 2016

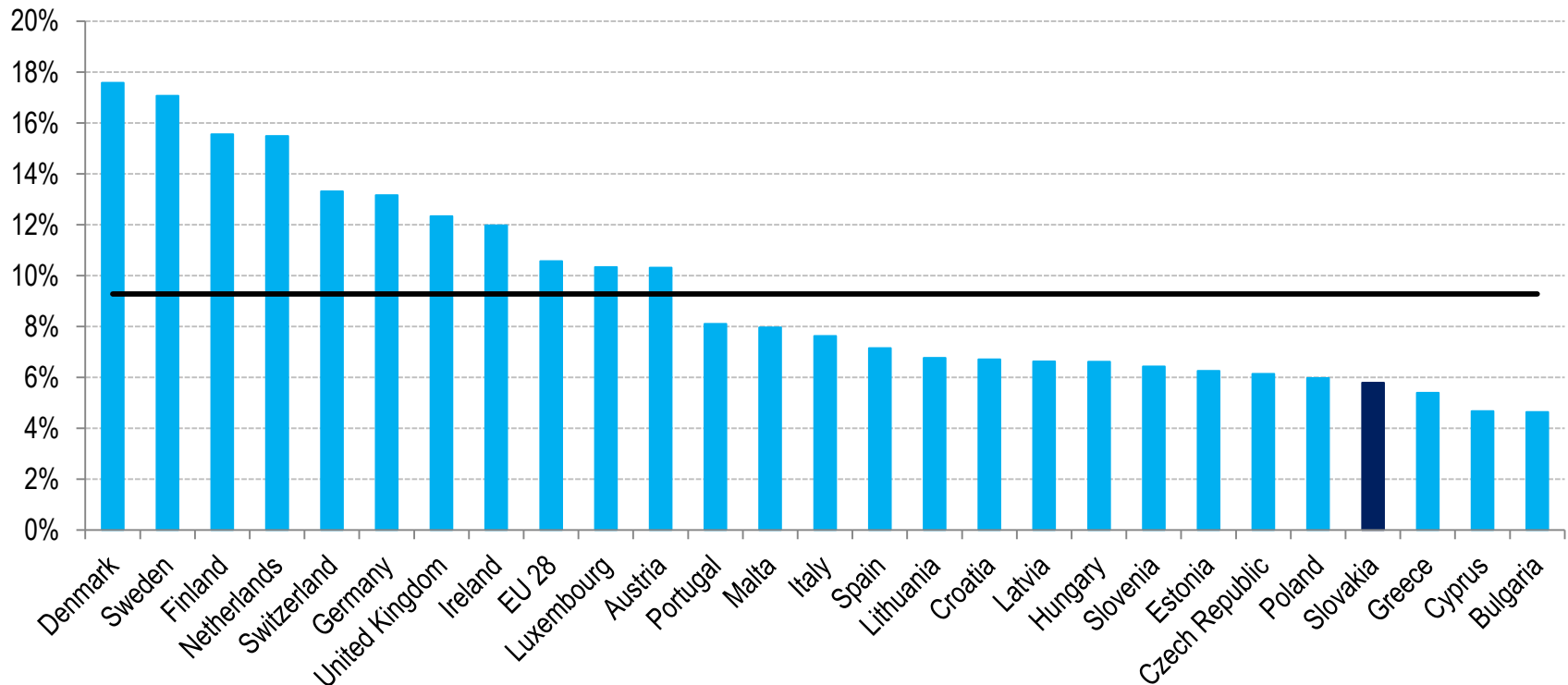


Source: Eurostat, National accounts

Health and Social Work: among the lowest share countries

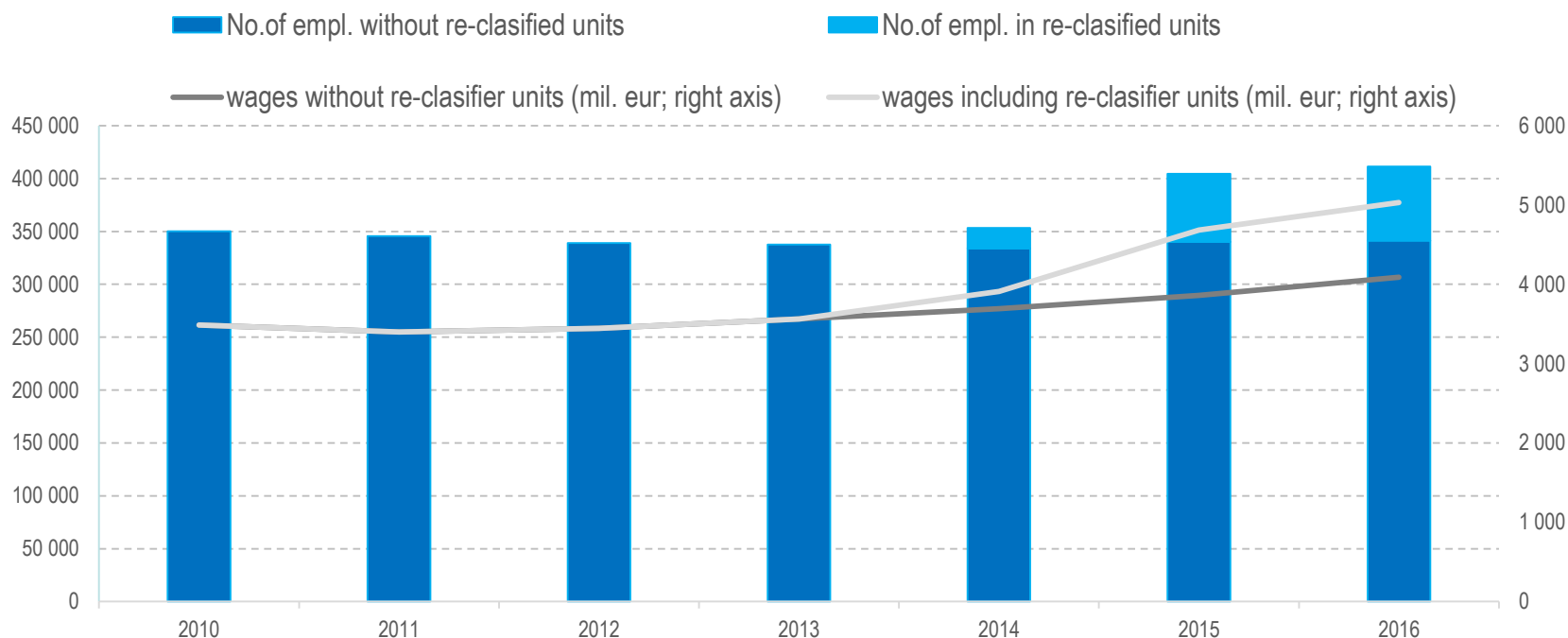
NACE Q: 134 thousand employees

Q* sector as a share of total employment 2016



Source: Eurostat, National accounts
*Human health and social work activities

Total number of employees is stable, controlling for reclassification of new units into the public sector



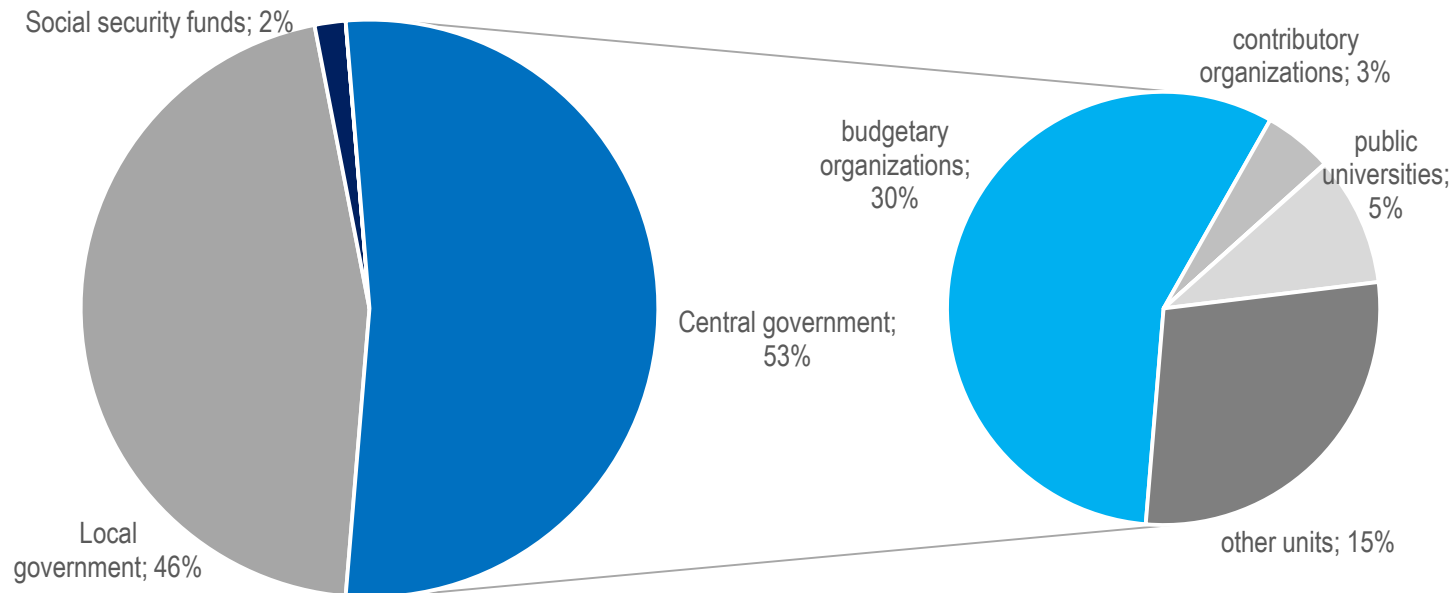
Source: MoF, Budgetary policy section

- Reclassified units with highest No of empl.:
 - human health units in central and local gov. (44 th.)
 - ŽSR – railway infrastructure operator (14 th.)
 - ZSSK – rail passenger carrier (6 th.)
 - Local transport companies (4 th.)

- Methodological remarks:
 - No. of employees: Full Time Equivalent
 - wages: wages and salaries without social contributions

Central government subsector comprises over a half of public sector employment, budgetary organizations make for 1/3

Employment distribution according to subsectors in 2016

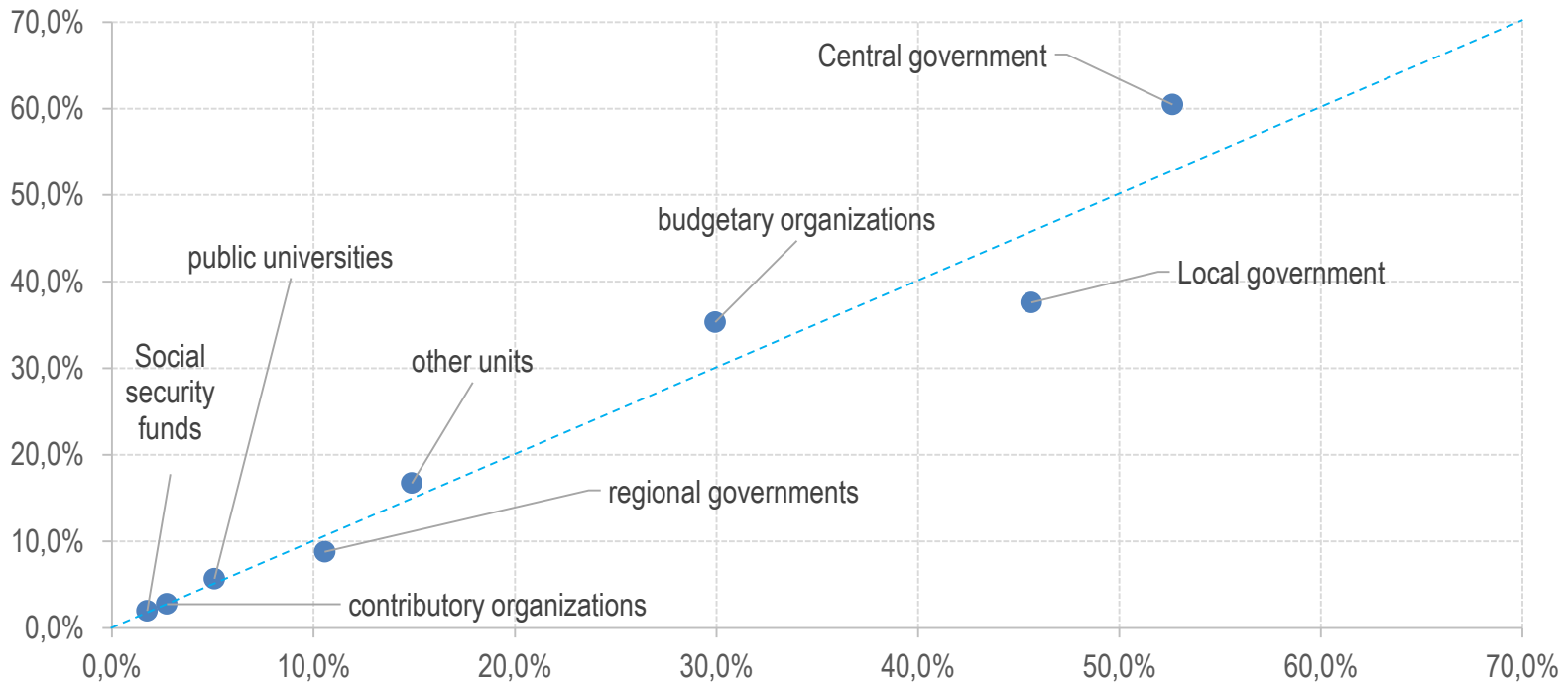


Source: MoF, Budgetary policy section

- Controlling for reclassification of new units into the public sector, subsector shares are stable over time; shares of Central vs. Local is 46%:51%
- Budgetary organizations includes Ministries and central offices

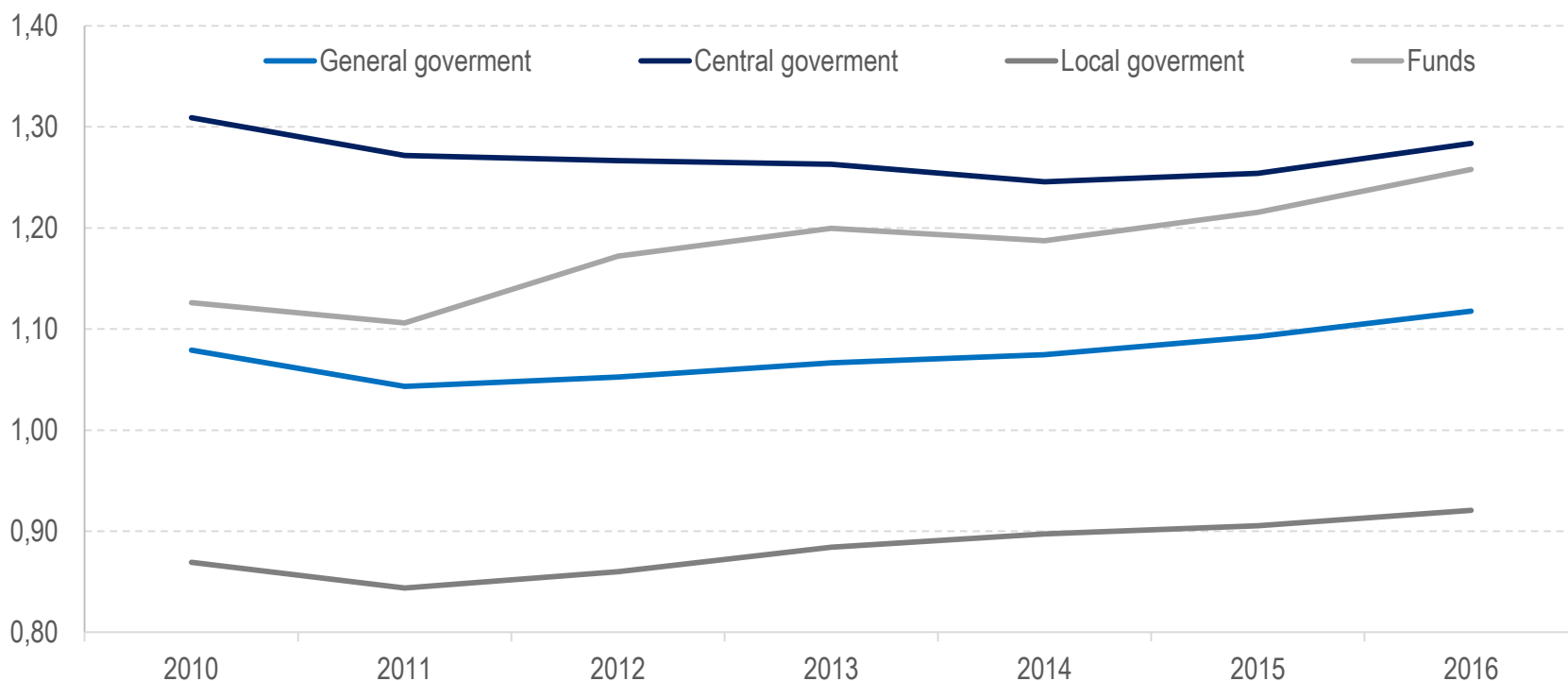
Central government employees (including corporations within sector) make up 53 % of the workforce and 60% of total costs.

share on wage bill (vertical axis) vs.
share on employment (horizontal axis)



Average wage public sector is above national average. Only local government subsector is below.

Average wage in Public sector as a ratio of average wage in national economy



Source: MoF, Budgetary policy section;

The largest state employer is the Ministry of Interior employing almost 50 thousands people with total wage bill almost 0,7 bn.

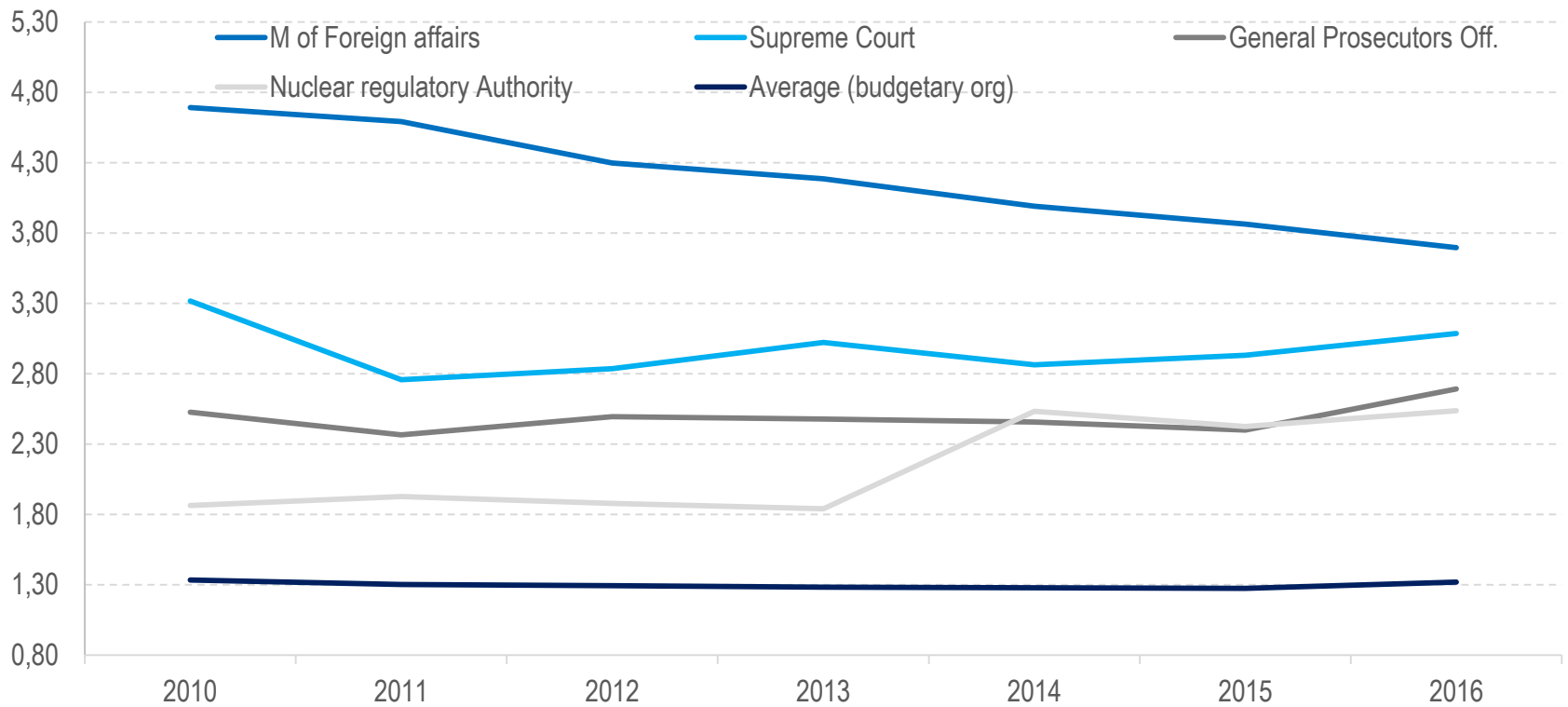
Largest employers among Budgetary organizations
(number of employees in thousands; wages in mil.)

	2010		2011		2012		2013		2014		2015		2016	
	emp.	wag.	emp.	wag.	emp.	wag.	emp.	wag.	emp.	wag.	emp.	wag.	emp.	wag.
M of Interior	36	474	34	439	34	443	46	556	49	615	49	648	49	687
M of Defense	21	271	21	264	20	256	20	254	20	263	20	243	20	266
M of Labor	13	109	12	102	12	102	12	109	13	122	14	132	14	142
M of Justice	11	158	11	154	11	160	11	163	11	167	11	177	11	187
M of Finance	11	131	10	121	10	123	10	132	10	138	10	143	10	149
M of Agriculture	4	45	3	38	3	38	3	37	3	33	3	35	3	36
M of Health	3	25	2	23	2	23	2	23	2	23	2	24	2	26
General Prosecutors Office	2	40	2	40	2	44	2	45	2	46	2	46	2	55
M of Education	12	112	12	108	12	114	2	30	2	32	2	35	1	25
M of Foreign affairs	1	48	1	49	1	47	1	48	1	48	1	50	1	55
M of Transport	2	21	2	25	2	25	2	21	1	18	1	19	1	21
Slovak Acad. of Science	2	22	2	21	2	22	2	22	2	23	2	23	1	15
M of Culture	1	11	1	10	1	11	1	11	1	12	1	12	1	13
Others	9	114	8	105	8	104	7	99	5	87	5	91	5	100
Sum	127	1 581	122	1 500	121	1 513	122	1 549	124	1 628	124	1 677	123	1 777

Source: Budgetary information system

The highest average wage is in the Ministry of Foreign Affairs

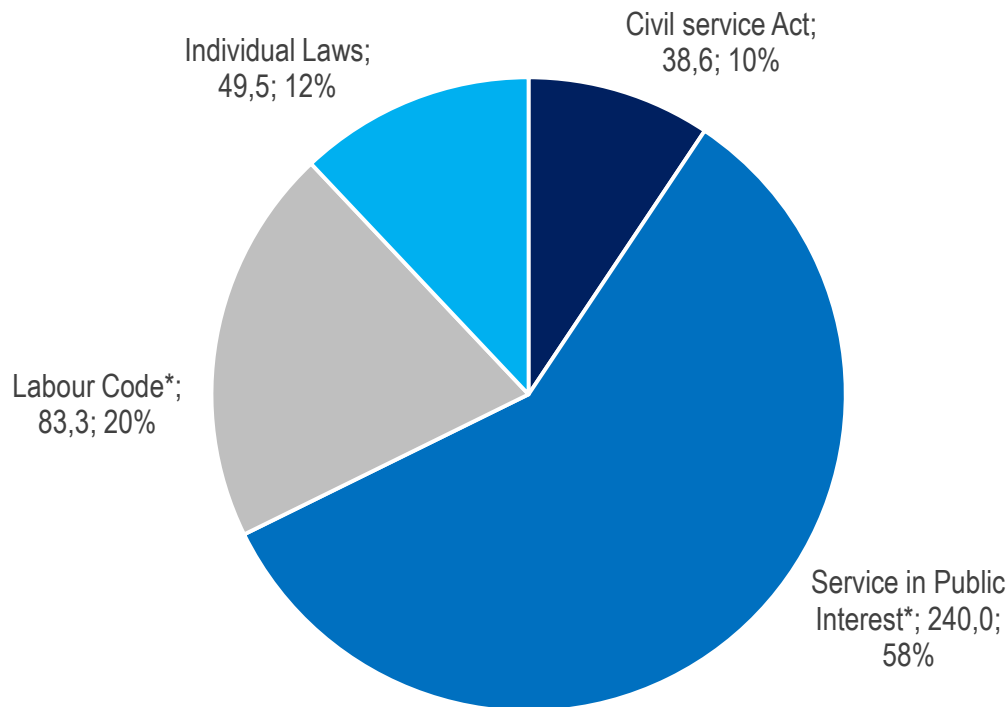
Average wage of employees at the best paying budgetary organizations as a ratio of average wage in national economy



Source: Budgetary information system

Lot of various types of employees; 4 main groups, but highly fragmented. 410k employees and 5bn in total.

Public employment structure in 2016
(number of employees in thousands; share on total public employment)



- Up to 20 various Pay Scales
- Many various groups of employees with special approaches

Sources: MoF, Budgetary policy section; Budgetary information system; M of Education
*estimations

Individual laws: less than 12 % of workforce; 18 % of total bill.

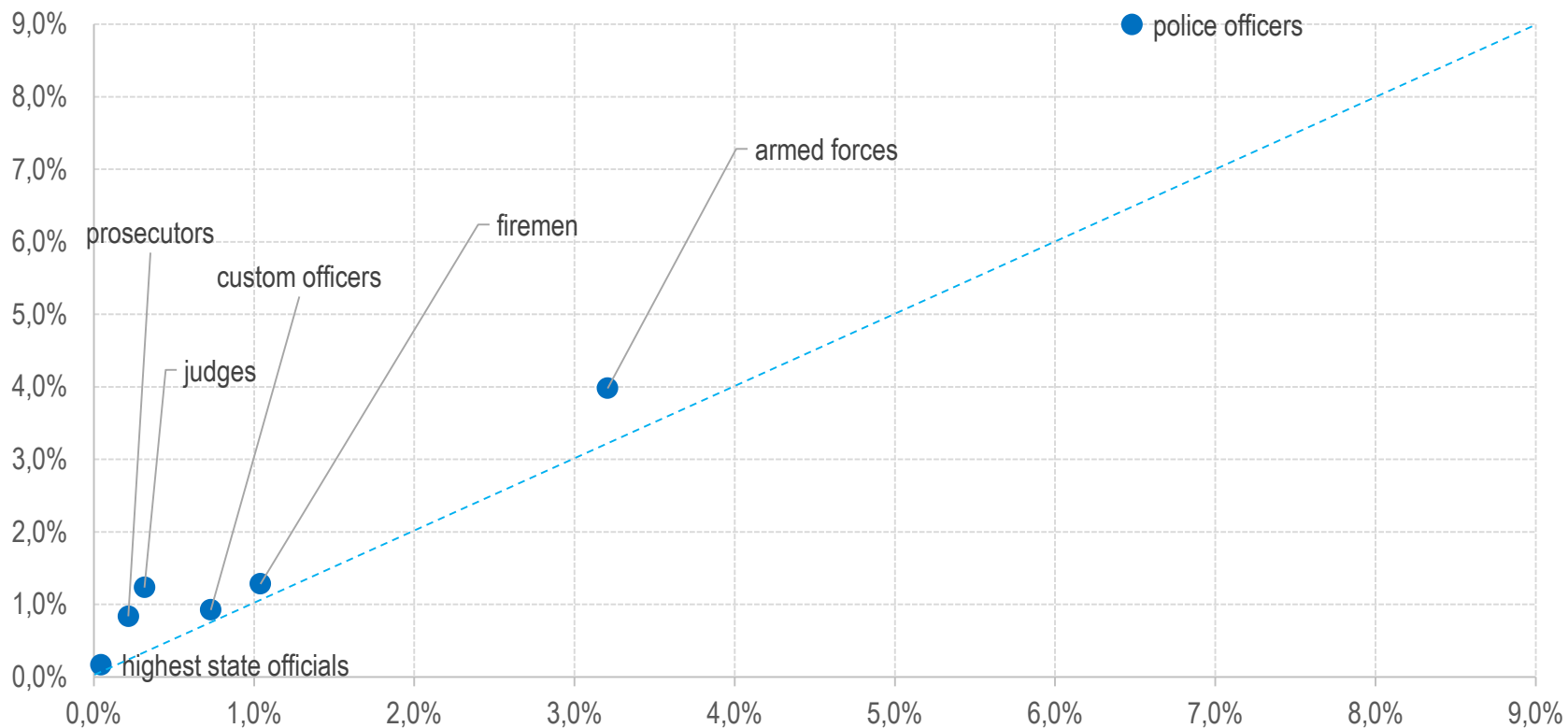
Police officers comprise more than a half of all „uniformed“ and other.

Employment under Special acts
(number of employees in thousands; wages in millions)

	2010		2011		2012		2013		2014		2015		2016	
	emp.	wag.	emp.	wag.	emp.	wag.	emp.	wag.	emp.	wag.	emp.	wag.	emp.	wag.
police officers	26,8	404	26,2	385	26,1	386	26,6	388	26,9	413	26,9	429	26,7	453
armed forces	14,2	196	13,7	191	13,4	186	13,1	183	13,1	188	13,2	184	13,2	200
firemen	4,3	58	4,2	53	4,2	55	4,3	55	4,3	57	4,3	62	4,3	65
custom officers	3,6	48	3,2	42	2,9	39	3,0	41	3,0	43	3,0	44	3,0	46
judges	1,4	54	1,3	51	1,3	54	1,3	55	1,3	55	1,3	58	1,3	62
prosecutors	0,9	34	0,9	32	0,9	35	0,9	35	0,9	35	0,9	34	0,9	42
highest state officials	0,2	8	0,2	8	0,2	8	0,2	8	0,2	8	0,2	8	0,2	8
Sum	51,4	801	49,9	763	49,0	762	49,3	767	49,7	800	49,8	820	49,5	876

Police officers make up 6,5% of the workforce and 9% of total costs.

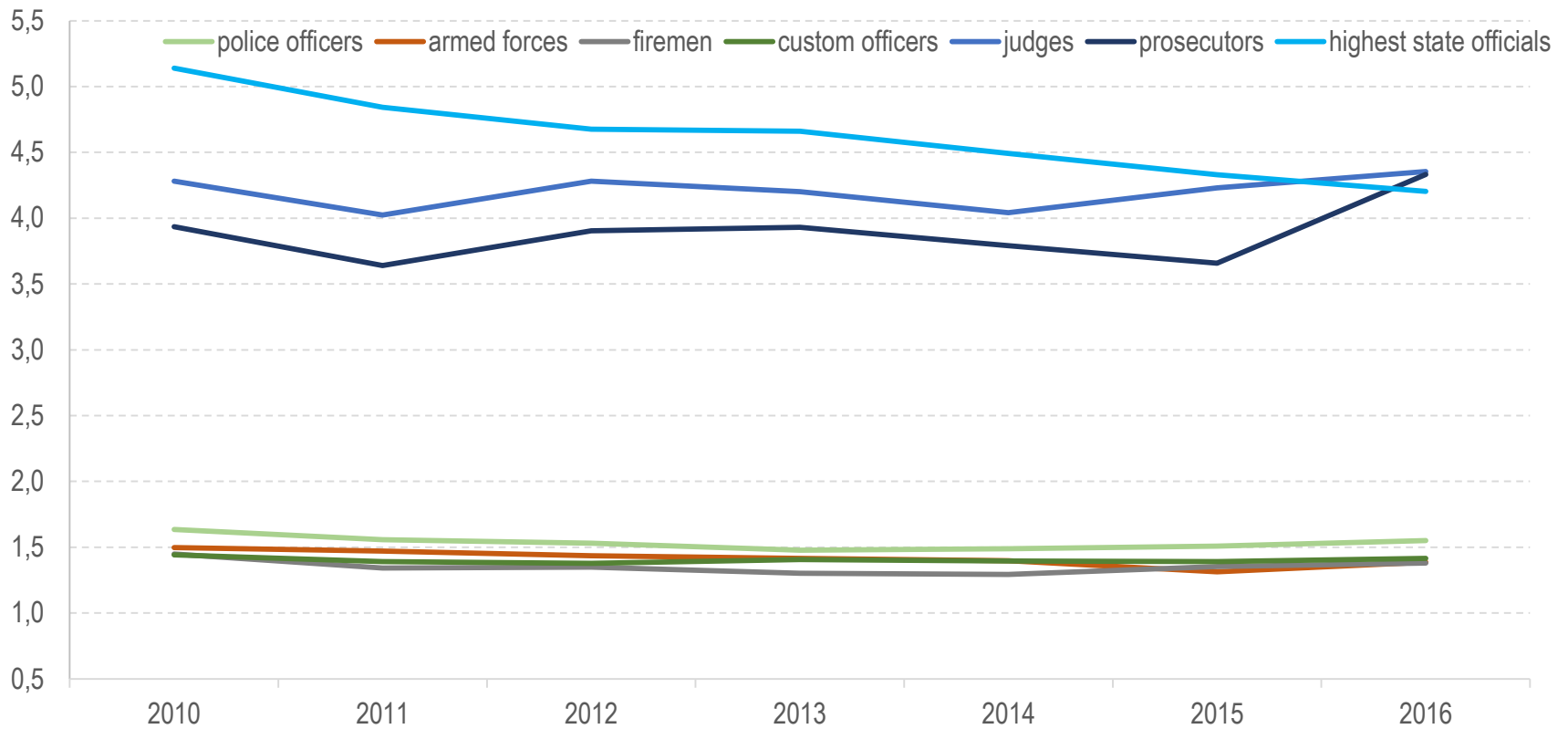
share on wage bill (vertical axis) vs.
share on employment (horizontal axis)



Source: Budgetary information system

Judges have the highest average wages

Average wage of employees under individual laws
as a ratio of average wage in national economy



Source: Budgetary information system

Civil service: 9% of employment and 10% of total cost. Over half work for 3 ministries.

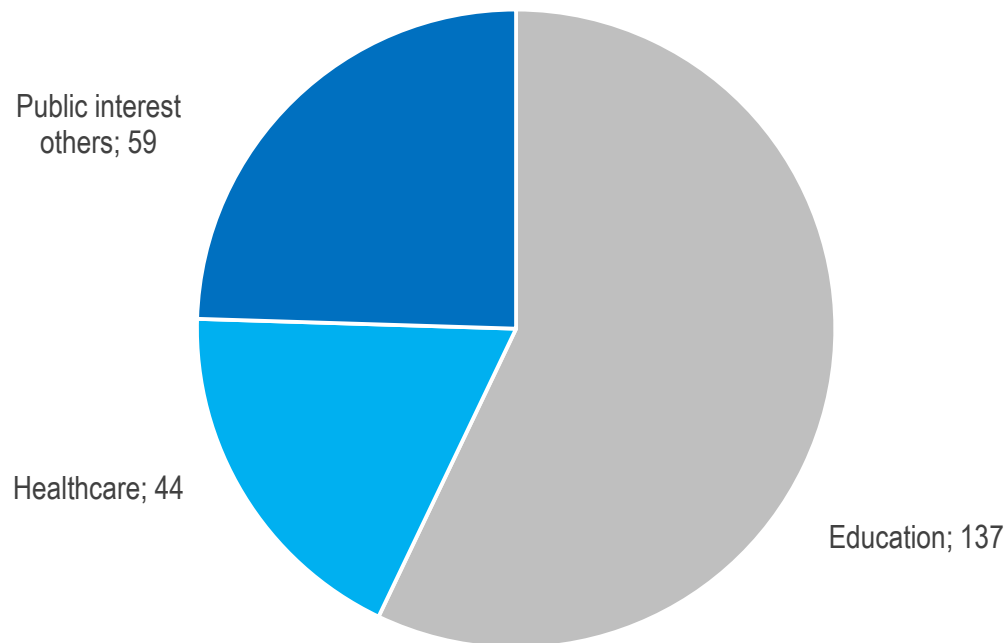
Employment under Civil Service acts
(number of employees in thousands; wages in millions)

	2010		2011		2012		2013		2014		2015		2016	
	emp.	wag.	emp.	wag.	emp.	wag.	emp.	wag.	emp.	wag.	emp.	wag.	emp.	wag.
Civil servants together	38,4	441,7	36,2	414,2	36,5	421,2	36,5	433,4	37,4	459,9	38,0	491,2	38,6	530,5
M of Labor	8,1	70,2	7,3	63,2	7,3	62,5	7,3	67,0	7,9	76,0	8,2	82,8	8,3	89,8
M of Interior	4,6	44,6	4,0	36,6	4,0	38,9	5,3	52,0	8,1	79,7	8,1	84,6	8,2	92,4
M of Finance	6,2	71,9	6,0	69,6	6,0	74,2	6,2	79,9	6,3	83,5	6,4	87,3	6,4	90,9
M of Justice	3,9	33,0	3,9	33,2	4,0	35,0	4,1	35,3	4,1	35,9	4,1	41,5	4,1	44,0
M of Agriculture	3,3	38,4	2,8	32,4	2,8	33,2	2,7	32,1	2,2	29,0	2,2	30,5	2,2	31,4
M of Health	1,5	15,5	1,4	14,7	1,4	14,9	1,4	14,6	1,4	15,2	1,4	16,0	1,4	17,1
M of Foreign affairs	0,8	37,7	0,8	39,5	0,8	38,0	0,8	38,5	0,9	38,8	0,9	39,6	1,0	44,4
M of Transport	1,1	15,1	1,3	18,7	1,4	19,2	1,1	15,6	0,8	13,1	0,8	14,0	0,9	15,3
General Prosecutors Off.	0,7	6,8	0,7	7,0	0,7	7,6	0,7	7,6	0,7	8,8	0,7	9,5	0,8	10,9
Statistical office	0,9	10,2	0,9	8,9	0,8	8,9	0,8	8,5	0,7	8,8	0,7	8,5	0,7	9,5
M of Economy	0,9	14,5	0,7	10,7	0,7	9,8	0,6	9,5	0,7	9,8	0,7	10,7	0,7	11,4
M of Education	0,8	11,7	0,7	10,6	0,7	10,0	0,5	8,2	0,5	8,4	0,6	9,8	0,6	11,1
M of Environment	0,2	2,9	1,3	15,5	1,2	14,9	1,1	13,5	0,6	9,4	0,6	9,0	0,6	9,3
M of Defense	0,6	9,7	0,6	9,5	0,6	9,2	0,5	8,8	0,5	9,3	0,6	9,6	0,6	10,5
M of Defense	0,3	4,1	0,3	3,9	0,3	4,1	0,3	4,2	0,3	4,4	0,3	4,5	0,3	4,7

Source: Budgetary information system

Public interest (240k) + Labor Code (83k) – fragmented data, estimates

Estimation of structure of Service in Public Interest 2016
(number of employees in thousands)



- Estimated number of employees according to Civil code is 83 thousands; working mainly for „other public organizations“, e.g. state companies

Sources: MoF, Budgetary policy section; Budgetary information system; estimations

Útvar hodnoty za peniaze

Wage bill: fast & furious?

Years	Pay bracket													
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
up to 2	292,00 €	299,00 €	308,00 €	321,00 €	343,00 €	368,00 €	397,00 €	427,50 €	468,00 €	495,00 €	524,00 €	554,00 €	590,50 €	633,50 €
up to 4	303,00 €	309,00 €	318,50 €	333,00 €	356,00 €	382,00 €	412,50 €	444,50 €	486,00 €	513,00 €	544,00 €	576,50 €	615,00 €	659,00 €
up to 6	312,00 €	318,50 €	330,50 €	344,00 €	368,50 €	396,50 €	427,50 €	462,00 €	504,50 €	534,00 €	565,00 €	599,00 €	639,00 €	683,50 €
up to 9	321,00 €	321,00 €	330,00 €	341,50 €	356,50 €	410,50 €	443,50 €	478,50 €	522,50 €	552,50 €	585,00 €	620,00 €	661,50 €	709,50 €
up to 12	331,00 €	340,00 €	350,50 €	368,00 €	394,00 €	424,50 €	458,50 €	495,50 €	540,00 €	571,50 €	606,50 €	642,00 €	684,50 €	735,00 €
up to 15	341,00 €	349,50 €	362,00 €	380,50 €	406,00 €	438,50 €	474,50 €	511,50 €	560,00 €	590,50 €	626,50 €	664,00 €	708,50 €	760,50 €
up to 18	349,50 €	360,00 €	373,00 €	391,50 €	420,50 €	452,50 €	489,50 €	529,00 €	577,50 €	612,00 €	647,00 €	685,00 €	732,50 €	785,50 €
up to 21	360,00 €	369,50 €	384,50 €	402,00 €	432,50 €	466,00 €	505,00 €	544,50 €	596,50 €	630,50 €	668,50 €	708,50 €	755,00 €	810,00 €
up to 24	369,50 €	380,50 €	394,50 €	415,00 €	445,50 €	480,50 €	520,00 €	562,00 €	614,00 €	650,00 €	688,50 €	730,00 €	778,50 €	835,50 €
up to 28	378,50 €	390,00 €	405,00 €	426,00 €	458,50 €	495,50 €	536,00 €	578,50 €	632,00 €	669,50 €	709,00 €	751,50 €	802,00 €	861,50 €
up to 32	388,00 €	400,00 €	416,00 €	438,50 €	471,50 €	509,00 €	551,50 €	596,00 €	651,00 €	688,50 €	730,00 €	774,00 €	826,50 €	886,50 €
32+	397,50 €	410,50 €	426,00 €	450,50 €	484,00 €	523,00 €	567,50 €	613,00 €	669,50 €	708,50 €	750,50 €	795,00 €	848,50 €	911,50 €

IMF mission;
November 29, 2017; Bratislava

Matej Kurian

Motivation: Find Money to Afford Higher Salaries

- quick rise of minimal wage – flagship government initiative.....but bulk of public interest-employees pay scheme *is „below minimal wage“* (base salary without other allowances)
- growing pressures in education, healthcare, social services

Objectives:

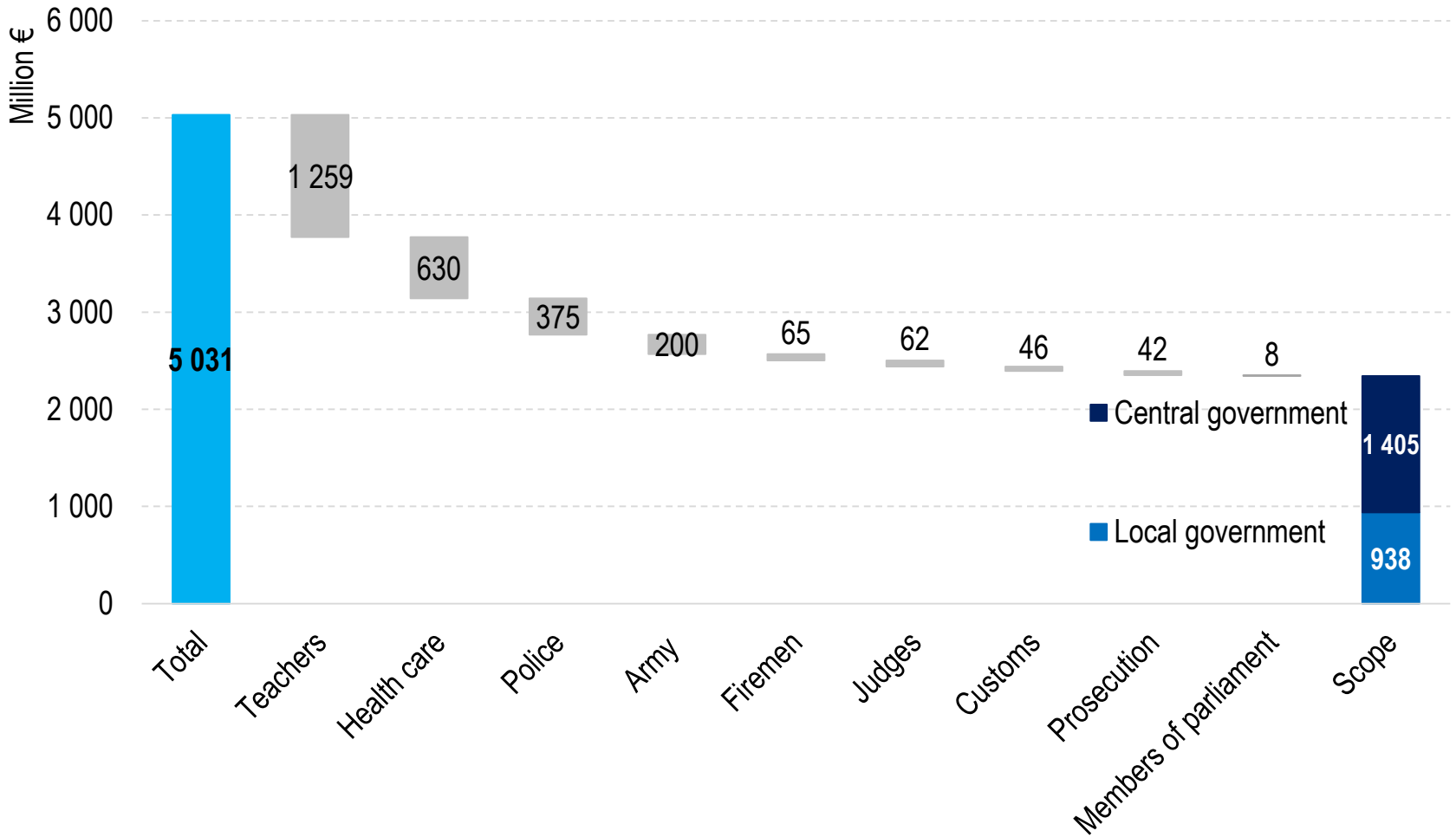
- 1) New pay-scheme by March 2018.
- 2) Find money to afford increased wages (rough estimates in the margin of ~ 220 mil. eur), ideally not a blanket solution. **No clear policy preference / fiscal target yet.**

Formal deadlines: Oct 2018 (interim report) / Mar 2019 (final report)

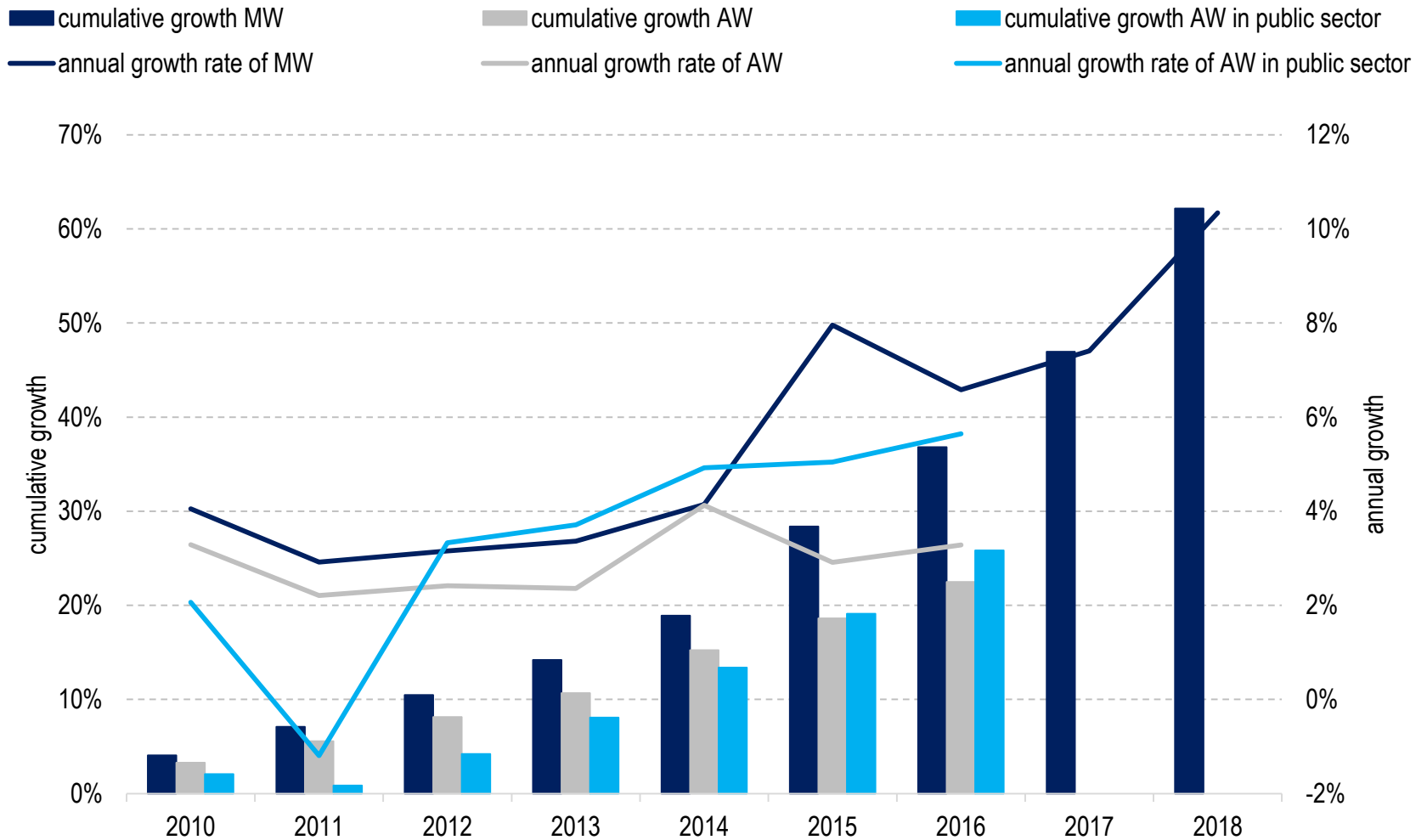
Wage Bill Spending Review: Stakeholders

- Budget Unit (Ministry of Finance)
- Civil and Public Service Unit (Office of the Government)
- Value for Money Unit (Ministry of Finance)
- Labor Unions & Interest Groups
- 400k people

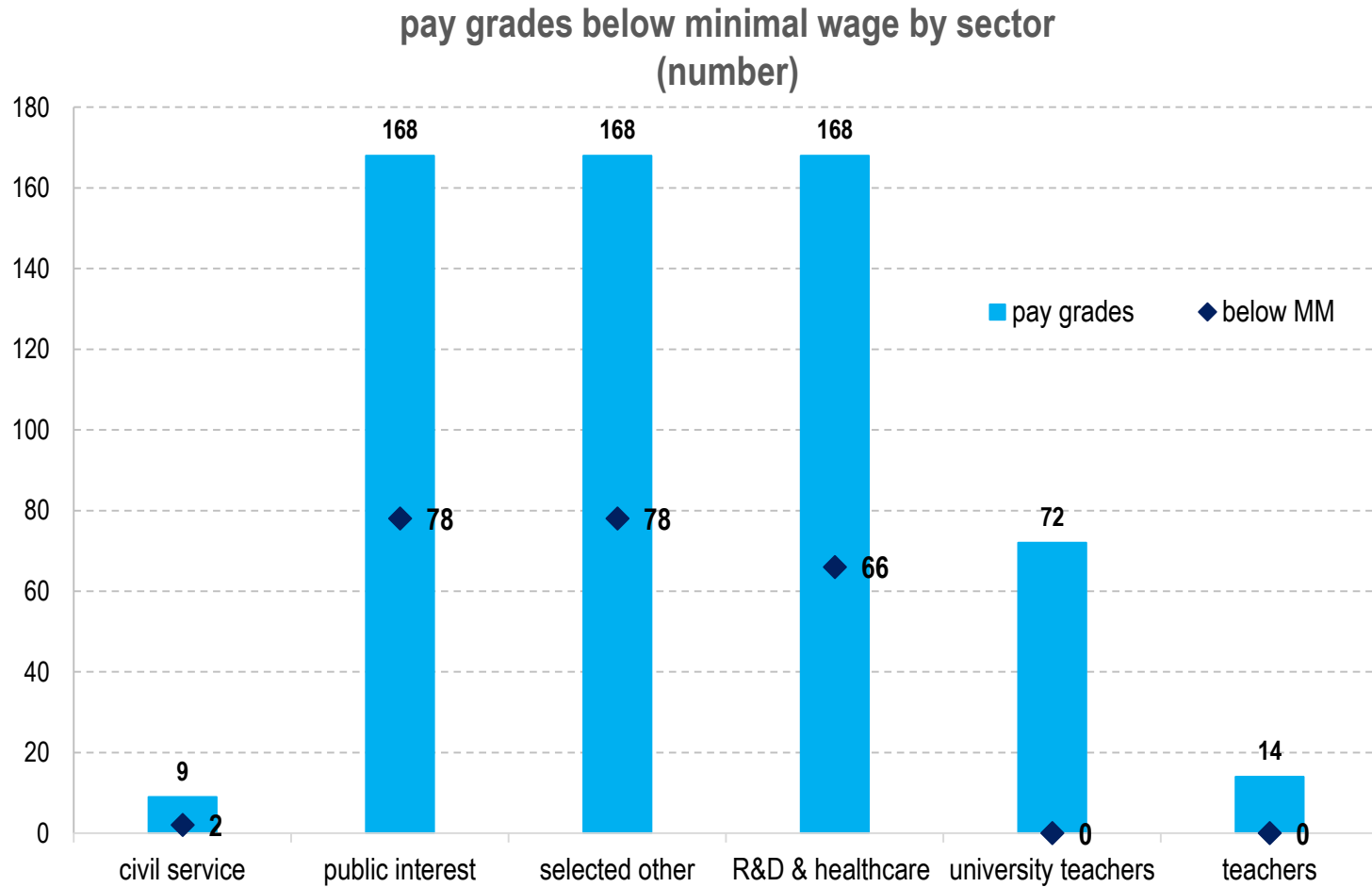
Target of 220 mil. eur = 10 % savings within official scope



More than 60 % growth of minimal wage since 2009. It's really fast and impacts pay- scales and allowances...



...differently in specific sectors



Data is fragmented, and quite a few guesses will need to be made

- no centralized payroll data on civil service –
 - each agency
 - yearly or biannual aggregate survey data
 - good data for approximately 1/3 of organizations
- no centralized data on public service
 - sector specific data for education, healthcare, social care
 - yearly aggregate survey data collected by the MoF
 - yearly aggregate survey data collected by external agency
 - very poor data on municipalities (~ roughly 46 %) of total labor

Structure & Work streams:

- Scoping – international benchmarking – Identify sectors for drill-down
- Scoping – domestic descriptive – ToR vs. reality
- Costing –
 - fiscal impact – public interest employment proposals
- Compensation benchmarking / ministries:
 - compensation structure vs. corporations (benefits, stability?)
 - bonuses, severance payments
 - benchmarking w/ private sector
- Case studies:
 - Back-office: Agency ratio + Make-or-Buy Decisions
 - Front-offices benchmarking

Questions & wicked issues:

- Indexation: best way of wage indexing (CPI /other linkage or leave it fully on union negotiations)?
- Governing legislation/payscales complexity / uniformity - How to strike a good balance?
- Established ways of measuring (& comparing) outputs
- Established ways of measuring (& comparing) productivity
- Engaging state corporations (almost arms-length) – possibly collaboration w/ labor market companies, competitiveness survey
- Engaging municipalities / regional governments – bit to far from where we are right now