# PEMPAL BCOP Public Wage Bill Management Working Group Study Visit to Slovenia

# STUDY VISIT REPORT

**Distribution**: PEMPAL website, to PEMPAL Steering Committee, possible presentation to be delivered at next BCOP plenary meeting, report to be distributed within participants' governments/institutions by participants.

**Process**: The report was prepared by PEMPAL Budget Community of Practice resource team, supporting operation of Wage Bill Management Working Group – Maya Gusarova, Public Sector Specialist and Zac Mills, Governance Specialist. The participants of the visit provided inputs to the report through sharing lessons learnt from the visit at the Round Table, organized on April 16, 2016. The Draft Report has been shared with all participants for comments before finalization.

## **Background**

### **Event Objectives and Participants**

On April 13-16, 2016 the PEMPAL Budget Community of Practice (BCOP) Wage Bill Working Group organized a study visit to Ljubljana to review Slovenia’s public sector pay reforms. The visit was co-organized with then Slovenian Ministry of Public Administration with inputs from Slovenian Ministry of Finance. Participants of the visit included members of the Wage Bill Working Group, which represented Ministries of Finance from six countries: Armenia, Croatia, Bosnia & Herzegovina, Belarus, Moldova and Kyrgyz Republic. The event provided a unique opportunity for PEMPAL Wage Bill Working Group members to hear details about the Slovenian reforms and lessons from Slovenian officials.

The accompanying Bank’s team comprised Maya Gusarova, Public Sector Specialist and BCOP Resource Team Coordinator and Zac Mills, Governance Specialist, who supported the working group agenda and operations between 2013-2016. Ksenia Galantsova, PEMPAL Secretariat, provided administrative support in organization of the visit. Nina Duduchava, Consultant, provided support to the post-event online feedback survey.

The PEMPAL Public Wage Bill Management Working Group was established in the fall of 2013 to discuss prominent issues in wage bill management and to share the findings from analytical work by the World Bank and other international development partners. FY16 is the last year of the working group’s operation. The group members participated in the *Survey on Institutional Arrangements and Policies*, conducted in November – December 2013 and 7 learning events, organized by video-conferencing and a face-to-face workshop in Moscow in May 2014. The most active group members were offered to participate in a study visit to Slovenia - a country, which has undertaken significant public sector pay reforms and consolidation of the wage bill in the last decade.

The objective of the visit was *to examine in detail the public sector pay reforms in Slovenia, including lessons learnt by the Ministry of Public Administration and Ministry of Finance.*

### **Agenda Overview[[1]](#footnote-1)**

The agenda of the visit covered employment regimes in public sector, public pay policy and reforms, staffing policy and management, planning wage bill expenditures and payroll management including IT solutions for payroll management, approaches to retaining highly skilled employees and other related topics.

## **Overview of Presentations**

The first day of the visit was dedicated to overview of Slovenian public sector and public sector salary system in Slovenia.

**Slovenian public sector[[2]](#footnote-2)**

Public sector in Slovenia comprises 157,000 civil servants employed by public administration, public funds and public commercial institutions and other entities of public law that indirectly use state or local budgetary funds. Public administration includes state administration entities of the executive, judiciary and legislature as well as local self-government bodies of 212 municipalities. State administration entities comprise the following types of entities:

* Ministries, performing administrative tasks in one or more administrative departments;
* Bodies under ministries, performing specialised tasks requiring expertise, inspection supervisory tasks;
* Administrative units, performing tasks of public administration requiring to be territorially organised;
* Government offices, performingorganizational, technical and other assistance for the Government (e.g. the Secretariat General of the Government, Office for Legislation, Government Communication Office, Office for Macroeconomic Analysis and Development, Statistical Office, etc.).

*Civil servant* in Slovenia context means *an individual employed in the public sector*. All public sector employees are civil servants, but 31,000 civil servants, employed by public administration, have special status.

Civil servants employed in *public administration* include:

* Officials, performing the public tasks relevant to their title[[3]](#footnote-3);
* Professional technical officers, performing support tasks. These employees don’t have titles.
* Senior civil servants – persons, occupying senor managerial positions in state administration (e.g. director general, secretary general, director of body within ministry, director of the government office, principal of the administrative unit

Based on the Constitution, recruitment into administrative civil service is only based on competition and some positions attract up to 200 applications. There is no mandatory rotation or civil servants in the Slovenia state administration civil service, but there is a possibility of transfer to a different entity within state administration.

**Public sector salary system in Slovenia[[4]](#footnote-4)**

Public sector pay in Slovenia has undergone a radical reform in the last decade. The new public system pay system, introduced in 2008, is a result of six years of negotiations between the government and trade unions. Transparency is an important principle and centralization is a key feature of the new system. The new system was developed to improve fiscal sustainability and make wage bill expenditures more manageable. The Ministry of Public Administration of Slovenia is in charge of public sector pay policy, while Ministry of Finance supervises implementation of the pay system as a part of budgetary control.

***Structure of pay***

Civil servant pay in Slovenia includes base pay and flexible elements, which includes bonuses (which would be defined as allowances in other contexts) and performance pay.

*Base pay* is determined based on the unified salary grid, established by Public Sector Salary Act (Annex 1 to ZSPJS), which comprises 65 pay grades. Rules for salary setting are established by Public Sector Salary Act (ZSPJS). Individual salary should take into account salary groups (as regulated by Article 7 of ZSPJS) and tariff groups, indicating the difficulty level of the position and titles with regard to the required education or training (Article 8 of ZSPJS). The salary grade of the function, position or title is indicated in the Catalogue of functions, positions and titles. The basic salary of a public servant shall be stipulated by the salary grade into which the position or title that the public servant has been categorised or has acquired via promotion[[5]](#footnote-5). Wage grade for benchmark positions are set in Collective Agreement for the Public Sector (KPJS) and for the majority of positions in collective agreements for professions, negotiated and signed by the government and trade unions.

The system of *bonuses* has been simplified during the course of pay system reform[[6]](#footnote-6). The range of these bonuses is set by Article 23 of the Public Sector Salary Act (ZSPJS) and currently includes:

* a position bonus
* a length-of-service increment
* a mentorship bonus,
* an allowance for specialisation, master’s degree or PhD, if such is not a condition for occupying the position,
* a bilingualism bonus,
* bonuses for disadvantageous working conditions not taken into consideration in the valuation of the position or title,
* bonuses for dangers and special burdens not taken into consideration in the valuation of the position or title, and
* bonuses for work during less convenient hours.

The amount of bonus is determined by the Collective Agreement.

***Promotion to a higher salary grade***

Base pay can be increased as result of promotion to a higher title, based on criteria established in sector specific regulation adopted by line-ministries as a part of professional development framework. Promotions to a higher salary grade are possible every three years subject to meeting performance appraisal conditions. A Government Decree on Promotions to Salary Grades sets rules for promotions and establishes the performance appraisal criteria[[7]](#footnote-7).

***Public disclosure***

According to Public Sector Salary Act (ZSPJS)[[8]](#footnote-8), information about salaries in the public sector is public and it is available at National Interoperability Framework <https://nio.gov.si>. Through this site, the public can access information on the highest salaries in the public sector, the amount of budget users wage bill and of bonus funds, and the average monthly salaries for all positions and functions in the public sector.

***Performance Pay***

Performance pay is determined based on three types of performance, defined by thePublic Sector Salary Act (ZSPJS):

* *Regular work performance*: civil servants whose regular work performance is above average may receive performance bonus of no more than two monthly salaries. According to Public Sector Salary Act (ZSPJS), the total amount of bonus fund for regular work performance is between 2-5% of the annual basic salaries wage bill, but the exact % and criteria are set by the Collective Agreement. For senior administrative civil servants (directors,) the amount of performance bonus has to be set by the body responsible for the appointment on the basis of criteria set out by the relevant minister (Article 22, ZSPJS).
* *Work performance from increased workload (maximum 20% of the base pay monthly)*, when the workload “exceeds the anticipated work results in an individual month if a more rational implementation of tasks at the budget user can be achieved in this manner”. This option requires a written decision from the director of the budget user organization and the public servant (Article 22e, ZSPJS). To compensate for increased workload the budget user can use funds, earmarked in the budget user’s financial plan from savings coming from unfilled vacancies, as well as funds for special projects.
* *Budget users, selling goods and services in the market*, can use funds from the sale to compensate for performance. Conditions for using these funds are laid out in article 22J of ZSPJS.

***Recommendations on pay system enhancement***

In spite of a number of advantages of the new pay system, the system is still perceived as rigid, which limits autonomous decision-making by budget user managers, making difficult to manage resources efficiently. In 2012, the OECD completed an evaluation of the Slovenian pay system and provided a series of recommendations for further improvement (see Box 1).

**Box 1: OECD RECOMMENDATIONS ON**

**THE SLOVENIAN PUBLIC SECTOR SALARY SYSTEM**

* More autonomy of the management upon the preservation of uniform rules for salary determination
* Establishing a central service, responsible for strategic management – ensuring an overview of the complete human resources system in the public sector
* An in-depth political and social dialogue for establishing competences and resources for a decentralized management of human resources
* Review of the current system of budget financing and establishing a normative framework using “top down” financing, and at the same time enforce uniform restrictions concerning the decentralized system of salary determination
* Put an end to the automatic salary indexation
* Lessen the scope of normative management and consequently boost the management role by an active management of human resources
* Renewal of the constructive social dialogue, but at the same time clearly delimit what is the subject of political decisions and what is the subject of the employer – employee relation
* Introducing the so called two-tiered negotiating model

*Source: Presentation by Branko Vidič, Head of Public Sector Salary System Division, Ministry of Public Administration for PEMPAL Wage Bill Working Group members, April 14-15, 2016, Ljubljana, Slovenia.*

**Budgeting, including payroll management**

The second day of the visit included a session with Slovenia Ministry of Finance representatives, who presented the approaches to planning wage bill expenditures[[9]](#footnote-9).

Budgeting for the public sector wage bill follows the procedures established by the following legislation:

* Public Finance Act;
* Decree on Development Planning Documents and Procedures for the Preparation of the National Budget;
* Budget Implementation Act;
* The Constitution (Art. 148);
* Fiscal Rule Act; and
* Stability and Growth Pact.

In general, it follows a two-stage process where wage expenditures must first fall within the three year fiscal framework and are then presented in the two year state budget. The Government has set a target balancing the structural balance of the general government by 2020 and expenditure ceilings are determined on this basis. Trade unions also play an important role in wage bill negotiations and social dialogue is very important in this context.

For wage expenditures, all budget users (both direct and indirect) are awarded a 2.5% increase for general growth. In addition, further increases may be awarded according to special rules, which only apply to certain budget users on a one-off basis. A personnel plan must be presented that is in line with the proposal of the funds. The budget is then prepared based upon the total number of positions, not the total number of filled positions. The personnel plan, however, does not contain the structure of employees nor is it evaluated. This situation makes it difficult for the Ministry of Finance to check whether the funds budgeted correspond to the required expenditures. In recent years, certain budget users purposefully under budgeted their wage bill commitments and thus required reallocations or supplementary budgets to make up for the shortfall. To prevent this situation from reoccurring, the Ministry of Finance has issued a policy whereby each budget user has to have the required funds in their accounts by January 31 (near the beginning of the budget year) for the remaining commitments of wage expenditures in the budget year.

**ICT Solutions for Pay Analysis and Payroll Management**

The key ICT system used to support payroll and HR management is called   
MFERAC. The majority the system users are from the Ministry of Finance (1630 out of 2410 total users).This Oracle based system supports unified management of personnel registry for all state institutions, as well as human resource planning, job post classification, salary positioning, administration of civil servants employment processes, promotions (horizontal and vertical), vacations, and training. The system also supports payroll management and accounting, disbursement of wages to employees of all budget users and transmission of data to tax administration, pension fund, medical insurance institute and other external institutions[[10]](#footnote-10).

In addition, the Ministry of Public Administration uses the ISPAP system for the transmission and analysis of data on public sector employment and wages. This system serves as the key source for national public sector labor and earnings statistics.

1. **Lessons Learned**

On Day 3 of the visit PEMPAL resource team organized round table to discuss the lessons learned by the participants from Slovenian experience. The following key findings were identified:

* All participants noted an impressive level of transparency of public sector pay in Slovenia. The National Interoperability portal contains information on highest salaries in the public sector, average monthly pay for all positions and functions in the public sector, and the wage bills of all budget users with separate information about bonuses and performance pay.
* Being practitioners responsible for the planning of compensation for employees, the participants saw the benefits of pay transparency for wage bill analysis and planning. While some of PEMPAL countries have undertaken reforms of civil service pay reforms (e.g. Moldova, Kyrgyz Republic, Armenia), the majority of participating countries admitted the need to enact further pay reforms due to the complexity of their pay systems, the lack transparency, and the difficulties in managing wage expenditure for efficient service delivery. The participants confirmed the need for greater focus on reforms, covering pay of public sector organizations (budget users) employees, because it constitutes usually the largest share of the consolidated government wage bill and have higher impact on the wage bill dynamics.
* All participants noted the importance of trade unions in pay reform. The Slovenian experience of collective agreements and negotiations with trade unions was especially useful for Croatia, which has a similar administrative context.
* All participants were impressed to learn about the use of two IT systems: one used for analysis of pay and pay policy setting by the Ministry of Public Administration; and the other used for wage bill analysis and payroll management by the Ministry of Finance. Participants noted that the IT system, operated by the Ministry of Finance, comprised all necessary functionalities for effective payroll management including payroll accounting and budget control and had a positive impact on unification of the approaches to human resources management in public sector institutions. Participants admitted that not all countries of the region have automated payroll management and human resources management. The importance of monitoring and analysing pay and employment for the sustainability of wage bill management was acknowledged by all participants. Not all participating countries, however, have dedicated structural units with the mandate to undertake analysis of public sector pay. Also participant noted that capacity development of specialists in public sector wage bill management is important and learning from international experience has been useful for enhancing regulation and management of the wage bill.

For more details on the Slovenia pay system, wage bill management practices and ICT system please refer to the presentations from the visit, located at PEMPAL web-site at <https://www.pempal.org/events/study-visit-public-sector-pay>

Public Sector Salary Act (ZSPJS), Collective Agreement for the Public Sector (KPJS) and Government Decree on Promotions to Salary Grades are available for BCOP members at BCOP wiki at

<http://bcop.wikispaces.com/BCOP+working+group+on+Wage+Bill+Management>

Annex 1 – Agenda of the Study Visit

**PEMPAL Budget Community of Practice**

**Study Visit on Public Sector Wage Bill Management**

Ljubljana, Slovenia, April 14-16, 2016

**AGENDA**

|  |  |
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| **April 13, 0 day** | |
| *Location* *– Four Point by Sheraton* | |
| 19:30 – 21:00 | *Welcome reception* |
| **April 14, 1st day** | |
| *Location* *– Four Point by Sheraton*, *Ravnikar Hall* | |
| 08:30 – 09:00 | *Registration* |
| 09:00 – 09:15 | **Welcome address by Ms Tanja Bogataj, M.SC, State Secretary at the Ministry of Public Administration**  **Opening remarks and introduction of PEMPAL delegation, Ms Maya Gusarova, Public Sector Specialist and Coordinator of PEMPAL Budget COP Resource Team, World Bank** |
| 09:15 – 10:15 | **Slovenian public sector**   * Organization of state administration * Structure of Slovenian public sector * Legal framework (Civil Servants Act, State Administration Act, implementing regulations)   *Speaker: Ms Barbara Koželj Sladič, Secretary, Public Sector Organization and Civil Service Division, Ministry of Public Administration* |
| TBC | GROUP PHOTO |
| 10:15 – 10:30 | *Coffee break* |
| 10:30 – 12:00 | **Public sector salary system in Slovenia - part 1**  **Legislative framework of public sector salary system**   * Pay policy and pay setting for public sector employees * Pay structure and pay scale * Public Sector Salary System Act * Collective Agreement for Public Sector * Other regulations   *Speakers:*   * *Mr Branko Vidič, MSc, Head of Public Sector Salary System Division, Ministry of Public Administration* * *Ms Mojca Reinhardt, Undersecretary, Public Sector Salary System Division, Ministry of Public Administration* * *Ms Silvija Drašler, Undersecretary, Public Sector Salary System Division, Ministry of Public Administration* |
| *Location* *– Four Point by Sheraton*, *Restaurant Atrium* | |
| 12:00 – 13:15 | *Lunch* |
| *Location* *– Four Point by Sheraton*, *Ravnikar Hall* | |
| 13:15 – 14:45 | **Public sector salary system in Slovenia – part 2**  **Legislative framework of public sector salary system**   * Pay policy and pay setting for public sector employees * Pay structure and pay scale * Public Sector Salary System Act * Collective Agreement for Public Sector * Other regulations   *Speakers:*   * *Mr Branko Vidič, MSc, Head of Public Sector Salary System Division, Ministry of Public Administration* * *Ms Mojca Reinhardt, Undersecretary, Public Sector Salary System Division, Ministry of Public Administration* * *Ms Silvija Drašler, Undersecretary, Public Sector Salary System Division, Ministry of Public Administration* |
| 14:45 – 15:00 | *Coffee break* |
| 15:00 – 16:00 | **Public sector salary system**   * Salaries of functionaries * Salaries at local level   **ISPAP - Information system for the transmission and analysis of data on public sector wages**  *Speakers:*   * *Mr Branko Vidič, MSc, Head of Public Sector Salary System Division, Ministry of Public Administration* * *Ms Mojca Reinhardt, Undersecretary, Public Sector Salary System Division, Ministry of Public Administration* * *Ms Silvija Drašler, Undersecretary, Public Sector Salary System Division, Ministry of Public Administration* |
| *Location* *– Four Point by Sheraton*, *Restaurant Terazzo* | |
| 19:00 – 21:00 | *Dinner* |

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| **April 15, 2nd day** | |
| *Location* *– Four Point by Sheraton*, *Ravnikar Hall* | |
| 09:00 – 10:30 | **Performance-related pay**   * Performance assessment and criteria for promotion   **Approaches to retain highly skilled employees**  **Experiences and lessons learnt from public sector pay reforms**  **Way forward**  *Speakers:*   * *Mr Branko Vidič, MSc, Head of Public Sector Salary System Division, Ministry of Public Administration* * *Ms Mojca Reinhardt, Undersecretary, Public Sector Salary System Division, Ministry of Public Administration* * *Ms Silvija Drašler, Undersecretary, Public Sector Salary System Division, Ministry of Public Administration* |
| 10:30 – 10:45 | *Coffee break* |
| 10:45-13:00 | **Budgeting, including payroll management (IT system, technical tools)**  **Planning and adjusting wage bill expenditures**  **Methodology for wage bill expenditures planning**  **Roles of different ministries and budget users in wage bill expenditures planning**  **Mechanism of wage bill approval for public sector organizations**  *Speakers: Mr Slavko Lenarčič, Head of Unit for Business Solutions, Ministry of Finance*  *Ms Saša Jazbec, M.Sc., Director General of Budget Directorate, Ministry of Finance* |
| *Location* *– Four Point by Sheraton*, *Restaurant Atrium* | |
| 13:00 – 14:30 | *Lunch* |
| 15.30-19.00  TBC | Cultural program TBC |
| 19.00-21.00 | *Dinner outside the hotel*  *Restaurant Grajska ploščad (address: grajska planota 1)* |

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| **April 16, 3rd day** | |
| *Location* *– Four Point by Sheraton*, *Ravnikar Hall* | |
| 09:30 – 11:30 | **Round Table on Lessons Learnt and Wrap Up** |
| 11:30 – 12.00 | *Coffee break* |

1. Agenda is included in Attachment A. All Power Point presentations from this Study Visit are available at <https://www.pempal.org/events/study-visit-public-sector-pay> [↑](#footnote-ref-1)
2. Based on presentation by Barbara Koželj Sladič, Public Sector Directorate, Ministry of Public Administration of the Republic of Slovenia. [↑](#footnote-ref-2)
3. Officials are persons who obtain a mandate to perform functions through general elections, persons who obtain a mandate to perform functions of the executive or judicial branches of power through election or appointment at the National Assembly of the Republic of Slovenia (hereinafter the National Assembly) or at a local authority representative body, and other persons who are, in accordance with the law, elected or appointed officials by those responsible for the legislative, executive or judicial branches of power (p. 3, article 2, Public Sector Salary System Act of the Republic of Slovenia, ZSPJS-NPB16). [↑](#footnote-ref-3)
4. Based on presentation by Branko Vidič, Head of Public Sector Salary System Division, Ministry of Public Administration. [↑](#footnote-ref-4)
5. Public Sector Salary Act of the Republic of Slovenia (ZSPJS) [↑](#footnote-ref-5)
6. OECD Review 2012. [↑](#footnote-ref-6)
7. Decree of the Government of the Republic of Slovenia On the Promotion of Public Employees to Salary Grades. [↑](#footnote-ref-7)
8. Article 22 of ZSPJS. [↑](#footnote-ref-8)
9. Planning of Wage Bill Expenditures was presented by Saša Jazbec, Director General, Budget Directorate

   Ministry of Finance of Slovenia. [↑](#footnote-ref-9)
10. Based on the presentation about MFERAC System by Slavko Lenarčič, Marjeta Bančič and Paula Kolenko, Business Solutions Unit of the Ministry of Finance of Slovenia. [↑](#footnote-ref-10)