

# **PUBLIC SECTOR PAY PRACTICES IN ROMANIA**

## **Overall Public Sector Trends and Detailed Analysis of Local Government Contract Employees**

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Poverty Reduction and Economic Management Unit  
Europe and Central Asia Region  
The World Bank



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## EXECUTIVE SUMMARY

***While average public sector pay in Romania has increased significantly in the past few years, its impact on the public sector's ability to attract and retain high-skilled individuals is less clear.*** Aggregate spending on personnel cost increased by 73 percent from 2005 to 2007, while GDP only grew by 40 percent during the same period. The increase in spending is due in part to an increase in the number of authorized positions – especially in local government and among the so-called special sector (e.g., police, gendarmerie, fire fighting). But some employee groups have also benefited from very large increases in their average salary. From December 2004 through December 2008, the government has authorized adjustments to base salary that amount to as much as 86 percent on a cumulative basis – almost three times the rate of inflation. Lack of competitiveness between public sector and private sector salaries has been the main justification for the rapid acceleration. However, the underlying structure of compensation has not changed at all, ***thus the government may have missed an excellent opportunity to address fundamental structural issues that undermine the quality of the public administration as a whole.*** This perhaps underscores the inherent difficulties, notably the political economy challenges, of reforming public pay systems in most countries. Yet, understanding the political economy reasons behind the present *status quo* of public pay systems in Romania—while beyond the scope of this study—is likely to be key to unlocking the much needed reform process.

***Compensation policies vary across employment categories—influenced by the respective trade union negotiations—but some common features are evident:***

- Base salary is a disproportionately small part of overall compensation, varying anywhere from 68 percent for teachers to 42 percent for military and 45 percent for public safety employees (this excludes the amounts that are paid by the employer for social contributions). In most European countries base salary is at least 80 percent of total pay.
- Very diverse allowances are described in employment statutes, with some given to almost all employees to top-up base salaries and others reserved for a very small subset of workers (e.g., police officers who use codes). Some forms of remuneration are in the form of in-kind benefits, and not explicitly authorized in the law.
- Years of service are compensated up to 25 percent of base salary, without regard to actual performance or job responsibilities. In addition, movement within grades is based on the number of years worked.

***As a result of such practices, the relationship between pay and job responsibility is very weak.*** Positions that would appear to have similar requirements and duties can have widely different levels of pay. For local government contract employees, for example, there are librarians with high school qualification making 4 times more than others with similar qualification. Among contract employee positions that require university qualification, the gaps were even larger—with a ratio of 8.4 between the lowest and highest paid “clerks.” Genuine differences in duties or job complexity would account for

some difference, but not of the magnitude observed in our sample. These wide variances in pay were reminiscent of the findings from the 2006 Hay study on the civil service.

***Moreover, current compensation strategies and career ladders make the public sector highly unattractive for those considering the public sector for employment.*** Although EU accession has increased demand for workers with new and different skill sets, the remuneration policies make it very difficult to acquire or retain the best workers. This is not purely an issue of private sector wage pressures. On the contrary, expenditure policies are structured such that the benefits of public sector accrue mostly to those with long tenures. Those new to the public sector not only start in the lowest pay grade, but they also do not qualify for allowances that are a major component of total pay. This marks a significant contrast with other developed countries. Elsewhere, job responsibilities are the major determinant of initial grade placement, and seniority is only compensated within the framework of a specific job grade.

***The government's insistence on across-the-board pay increases fail to take into account differentials that may exist in the labor market among key subsets of public sector employees.*** Fiscal surpluses (as evidenced in recent years) provide an opportunity to address inequities that may exist across different occupational families or job functions. In contrast, ad hoc negotiation with individual trade unions—in the absence of a coherent and comprehensive strategy for the public sector as a whole—only entrenches the inequities. Governments in other developed countries use job evaluation methodologies to benchmark jobs across occupational categories, and they take advantage of market surveys to more accurately identify which sub-groups of public sector positions are least competitive. Over time, pay structures are realigned to be more consistent with the market conditions and actual job content.

***This study raises questions about the relative pay equity between health workers, police, civil servants, teachers, and contract employees.*** However, in the absence of data on average total pay for each worker, or any kind of information on relative job content it is impossible to draw definitive conclusions. Our review of the official base salaries, however, suggests that there are potential inequities because jobs with comparable educational requirements and grading have substantial differences in pay. Given the role of allowances play for some groups, compiling data on actual pay practices would be a useful next step. In addition, the government requires a better understanding of local market conditions and the key competitors for each of these job categories.

***Finally, the government suffers from a lack of adequate information systems and reporting policies with which to analyze the fiscal cost and impact on equity of various policy options.*** For example, the Ministry of Finance is not able to isolate the total cost of employing contract workers versus civil servants; instead they are grouped together. Likewise, data on actual pay for different positions in pre-university education are unavailable from any central government source. Planning of future pay policies strategies would be enhanced by a more centralized and detailed reporting process that can permit costing of prospective policy options and monitoring of compliance with existing policy.

*While this report deals only with the technical or analytical aspects of the pay structure, the political economy issues that perpetuate the current system also need to be understood and addressed.* These could include the political power of individual trade unions, the fragmented nature of collective bargaining, and the general demands of an aging public sector work force. Therefore, technical approaches must be accompanied by an active engagement with key stakeholders and a strategy for managing change over time. Countries with similar legacies have addressed pay reform in recent years and may offer some lessons. One key success factor is that reforms need to be comprehensive in scope and not piecemeal, although different components might be phased in gradually over time.

*From a technical perspective, four steps the government should consider over the near term to strengthen the public sector's capacity to attract and motivate skilled staff are:*

- *Conduct a job evaluation for a small set of benchmark jobs* that span different occupational categories. Use this to develop a single comprehensive grading system for all jobs and to establish the relative job responsibilities. Review the criteria for movement across grades to reduce unnecessary rigidities such as years of service requirements.
- *Reduce the impact of allowances – especially seniority allowance – on total compensation.* Use the proceeds to enhance base salaries and the differentials between grades so that rewards for taking on additional responsibility are greater.
- *Develop a labor market survey* to compare compensation for different sub-categories of positions with the relevant private sector comparators.
- *Develop a medium term pay reform strategy* to target future salary increases toward skills that are hardest to recruit and retain in the public sector.

## INTRODUCTION

The purpose of this study was to assist the Ministry of Labor, Social Solidarity and Family (MoL) to analyze the current public sector pay practices and to provide recommendations that could be used to strengthen public sector compensation strategy in the future. It was intended as a complement to the study prepared in 2006 on civil service pay policy. That study, commissioned by the National Agency of Civil Servants (NACS) and conducted by the Hay Group Inc., highlighted a number of weaknesses in the current civil service pay system – including a lack of external competitiveness for skilled positions, large discrepancies in internal equity at all levels, and a lack of consistency with typical EU pay practices. It also supplements the note prepared in May 2007 by the World Bank on pay practices in select European countries.

This study was originally intended to focus on all categories of public sector employees that were not part of the civil service statute. However, because of problems the MoL faced in obtaining the central government data on several groups, the decision was made to limit the study to local government contract employees. Within that group it includes execution and management jobs, high and low-skilled positions, and jobs found in local governments of all sizes. The group is covered by its own employment statute and so the findings on pay from this group are not necessarily generalizable to others covered by different statutes. On the other hand, the study confirms that some of the problems and weaknesses found among the civil service can also be found among contract employees.

The study also confirmed that the highly disaggregated information management and reporting processes are a hindrance to policy analysis and planning. Although the individual employment statutes do detail what allowances each category of jobs is entitled to receive, the government lacks a picture of how this manifests itself in practice on external competitiveness, on internal equity, or on the capacity of governments to attract and motivate skilled professionals. This study is a first, limited attempt to address some of these issues for non-civil servants.

In the future additional data should be obtained to integrate into the analysis major categories of personnel such as pre-university education, health, and some parts of the special sector. Moreover, a few benchmark jobs could be identified in each of the major job categories, and these could be evaluated as to their relevant job content or weight. This would be one building block in addressing internal equity issues. In the end, addressing the government's ability to attract and retain skilled people concerns not merely overall pay levels, but the nature and structure of pay policies across positions.

The study is organized into four main sections:

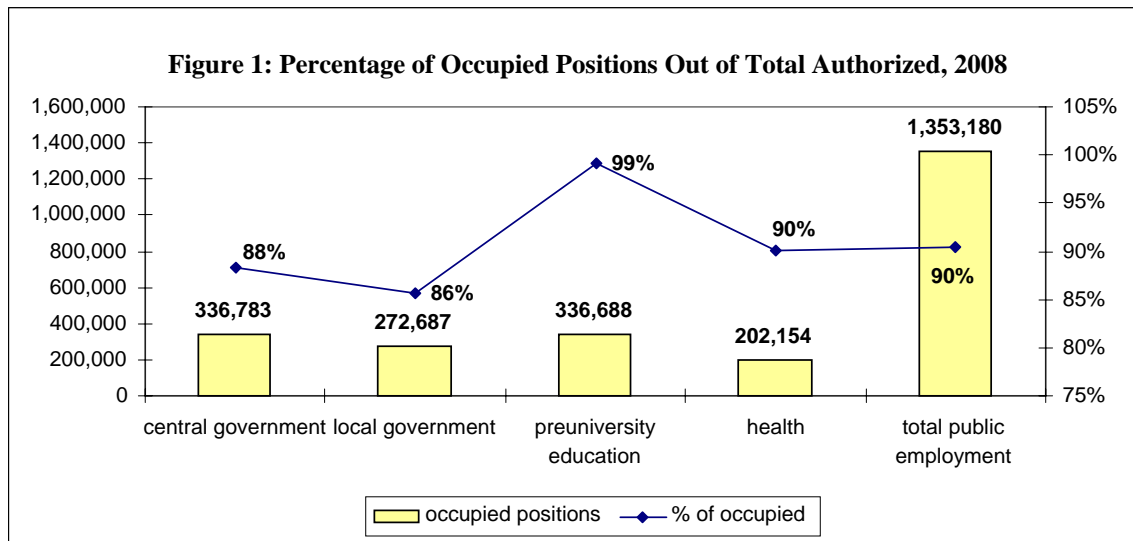
- 1) Size and Composition of Public Sector Employment
- 2) Remuneration of Local Government Contract Employees
- 3) Comparative Analysis of Pay Policies in the Public Sector
- 4) Conclusions and Recommendations.

# CHAPTER 1: OVERVIEW OF PUBLIC SECTOR PAY AND EMPLOYMENT

## Size and Composition of Public Sector Employment in 2007

1. *The Romanian public sector—including both central and local governments—employed approximately 1.333 million people in 2007, accounting for about 30 percent of total national employment.* Of this figure about 1.112 million are employed in non-health related functions at a cost of 26.2 billion lei or 6.5 percent of GDP. Spending on personnel costs<sup>1</sup> represent about 19.2 percent of total public spending. The full magnitude of Romanian personnel spending is difficult to estimate, however, because health workers are paid through transfers to public health units from the national health insurance fund (NHIF),<sup>2</sup> and because pensions of military/security personnel are funded directly as a budget line item.

2. *The number of authorized positions is moderately higher than the actual employment, but it makes little difference for budget purposes.* At the beginning of 2007 the total number of authorized positions in the Romanian public sector was 1,453,617, based on the monthly reports each main credit officer was required to file to the Ministry of Economy and Finance (see Figure 1). Out of the total number of positions, 90 percent were occupied overall, though a much smaller number of vacancies existed in education. The 10 percent of idle positions may be regarded as significant, but it has become a regular practice in Romanian public sector.

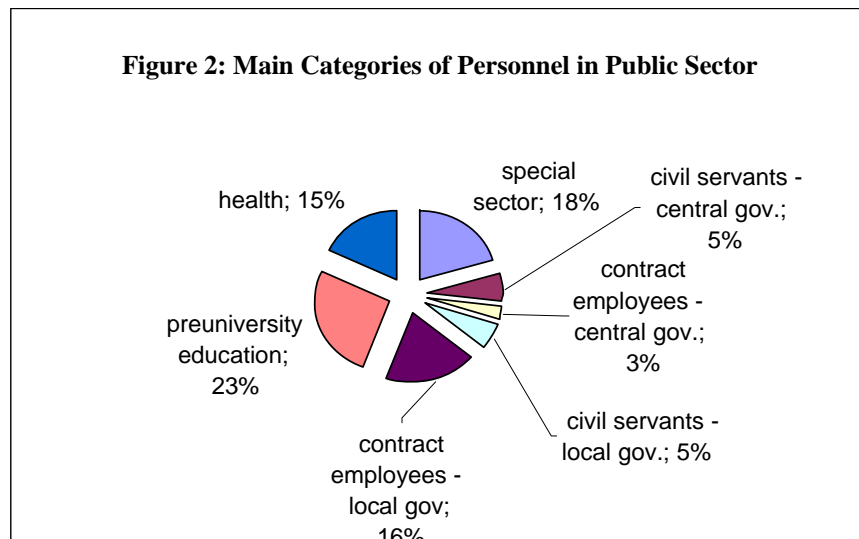


<sup>1</sup> Total personnel costs are defined to include wages and salaries, allowances, in-kind benefits (food and clothing), and social contributions (e.g., payments to pension, health, and labor funds).

<sup>2</sup> In the NIF budget, the personnel costs are subsumed with the category for goods and services.

3. The budgeting of personnel expenditure takes into account all authorized positions; hence, the idle ones serve multiple purposes. First, they make for a buffer against variations of personnel during the year. All central government bodies' job lists are approved by the State budget law, therefore, changes are extremely difficult and institutions make sure they have enough reserves. Second, the savings stemming from the idle positions are used for the bonus fund,<sup>3</sup> which is an important part of total pay. Thirdly, idle positions are used to cover unforeseen personnel needs at the central government level; if a new agency is set up at least some of its positions come from redistribution of existing idle positions in the other agencies and ministries.

4. **Teachers are the single biggest occupational category, with employment in the security and public safety function not far behind.** Employment in pre-university education accounts 23 percent of authorized positions (see Figure 2). This is followed by contract employees (19 percent) and the special sector (19 percent).<sup>4</sup> Within the special sector, roughly 25 percent are policemen (including border police), 23 percent soldiers, 11 percent gendarmes and fire fighters, 5 percent judiciary and the rest intelligence and administrative personnel. Among the remaining categories of employees are health personnel (15 percent), civil servants (10 percent) and university personnel<sup>5</sup> (5 percent). In all, these five main categories make for about 90 percent of public sector employment. As a rule, the rest of the personnel employed by public bodies<sup>6</sup> fit either into the civil servant or contract employee categories. However, data limitations prevent us from having a more accurate distribution along these lines; they also prevent having a functional or sectoral distribution of the civil servants and contract employee categories.



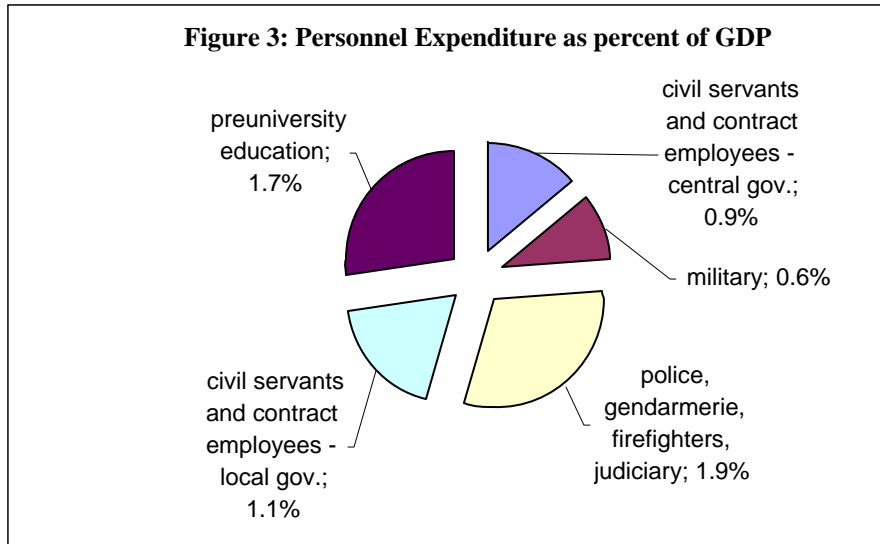
<sup>3</sup> Up to 10% of the total wage bill for civil servants and policemen, 5% for the military and 2% for contract employees and health.

<sup>4</sup> For methodological purposes, the Ministry of Economy and Finance approaches policemen, military, gendarmes, fire fighters, judiciary and intelligence services together as special sector, as opposed to civil servants, contract employees, teaching and health personnel.

<sup>5</sup> The authorized positions for the university education refer only to the ones subsidized by the state budget. However, universities may hire and pay more personnel out of their own revenues.

<sup>6</sup> Central and local agencies at least partly subsidized by the state or local budgets, own financed bodies, pension, health and labor funds' management bodies.

5. *Out of the 6.5 percent of GDP devoted to personnel costs, the biggest contributor is the special sector with 2,4 percent of GDP.*<sup>7</sup> The military accounts for a quarter of that amount while the rest is shared by policemen, gendarmes, firefighters and judiciary. Civil servants and contract employees together comprise 2.0 percent of GDP<sup>8</sup> (see Figure 3). Pre-university teachers and other school staff account for 1.7 percent of GDP. As noted above, the cost of health personnel is not included due to the funding mechanism. In addition, salaries of university professors are not included since they are not reported in the state budget execution.



6. *Some categories contribute a higher share of budgetary cost than their employment levels would suggest* (see Table 1). For example, civil servants and contract employees comprise about 41 percent of the total (non-health) authorized positions, but they account for only about 30 percent of the cost. In contrast, the special sector contributes about 31 percent of cost with only 25 percent of the positions. Some differences in per employee cost may be explained by relative differences in the complexity or responsibility of the positions in that sector. On the other hand, it may reflect genuine differences in the rates at which government has chosen to pay the different categories of positions. Without a comprehensive job ranking across categories of positions it is difficult to say.

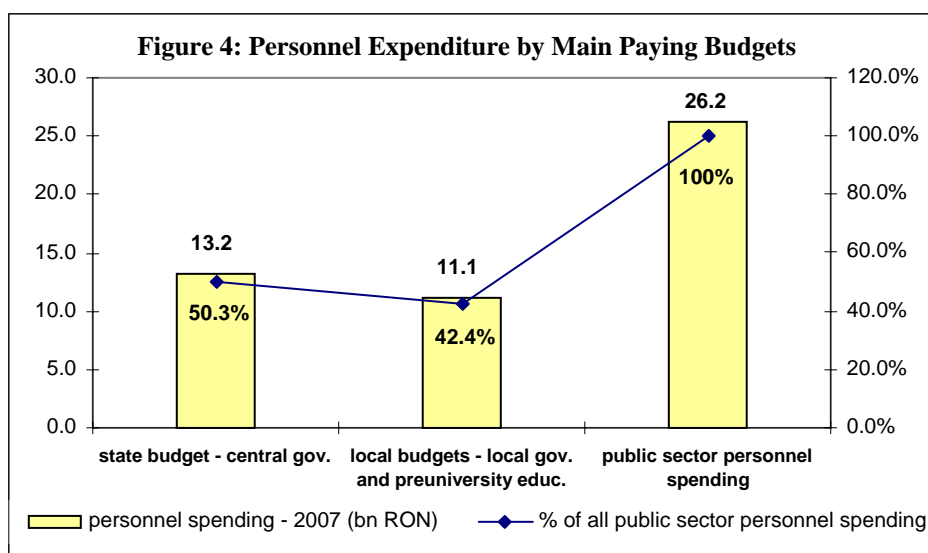
<sup>7</sup> The value relates to all personnel expenditure, including wages, in-kind benefits and social contributions.

<sup>8</sup> The budgets classification does not allow for the separation of expenditure between civil servants and contract employees; hence, in terms of expenditure, they are analyzed together.

**Table 1: Share of Budgetary Cost per Category of Personnel, 2007**

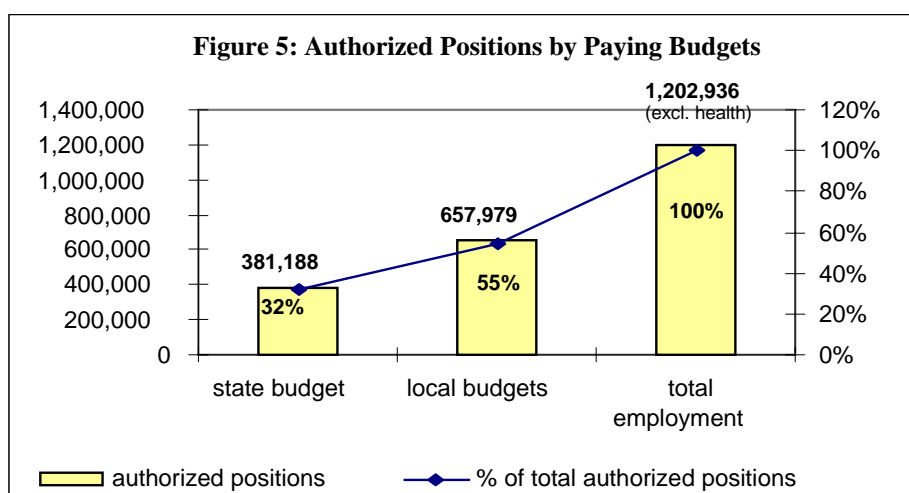
Category of Personnel	% in Total Public Personnel Spending	Personnel Expenditure per Authorized Position	Monthly Total per Capita Expenditure	Monthly Total Wage and In-kind Benefits Expenditure
Civil servants & contract employees - central government	13%	30,193	2,516	2,019
Military	9%	34,707	2,892	2,502
Policemen, gendarmes, firefighters, judiciary	28%	46,073	3,839	3,546
Civil servants & contract employees - local government	17%	14,052	1,171	921
Pre-university education	26%	19,699	1,642	1,277

7. *The cost of public sector employment is split almost equally between state and local budgets, although a larger number of positions are at the local level* (see Figure 4). The state budget shoulders half of all personnel expenditure, whereas the local budgets pay for 42 percent, including pre-university education.<sup>9</sup> In terms of employment levels, the situation is switched—55 percent of the positions are financed by local budgets and 32 percent financed by the state budget.<sup>10</sup> The main category of personnel on local budgets is pre-university education employees, whereas for the state budget it is the special sector. The differences in weights for financing are mainly explained by the higher per person levels of pay for special sector employees as compared to teachers.



<sup>9</sup> In Romania local budgets pay the bill for pre-university education; to this end, they receive conditional transfers from the state budget.

<sup>10</sup> The remaining balance not financed by either state or local budgets includes subordinated agencies that are either own financed or at least partly subsidized. It can also include pension, health and labor funds' management agencies.



### The Components of Public Sector Remuneration

8. Public sector personnel costs are comprised of three main budget components:
- *Wage expenditure* — base salaries, allowances<sup>11</sup> and bonuses,<sup>12</sup> and other wage expenditure (per diems, payouts to contractors, housing and transport compensation etc);
  - *In-kind benefits* — food allowance, clothing, employee housing, transport;
  - *Social contributions*— paid by the employer to the pension fund, health fund, and labor fund.

**Table 2: Composition of Personnel Expenditure Across Main Categories of Personnel, 2007**

Item of Expenditure	Civil Servants and Contract Employees – Central Government	Civil Servants and Contract Employees – Local Government	Pre-University Education Personnel	Police, Gendarmes, Firefighters, Judiciary	Military
Personnel expenditure	100%	100%	100%	100%	100%
Wage expenditure	80%	78%	78%	69%	67%
Base salaries	43%	47%	50%	29%	26%
Allowances (fixed part) <sup>13</sup>	9%	8%	12%	4%	8%
Other allowances and bonuses (variable part)	13%	17%	11%	32%	29%
other wage expenditure	14%	7%	4%	4%	5%
In-kind benefits	0.6%	0.1%	0.1%	15%	24%
Social contributions	20%	21%	22%	8%	9%

<sup>11</sup> Throughout this paper the term “allowances” refers to permanent benefits directly related to the employees’ regular work.

<sup>12</sup> Throughout this paper the term “bonuses” refers to non-permanent benefits received by employees as a result of work performance or other non-regular circumstances.

<sup>13</sup> Allowances such seniority pay and management allowance, when added to the base salary, are considered part of the “fixed” pay.

9. *Although wages are by far the most important category of personnel expenditure, the actual weight varies between civilian employment and the special sector.* Wages of the former make up 80 percent of total remuneration, with the rest allocated to social contributions. In the special sector, however, wages' weight drops to 67 percent and social contributions to 8 percent. In turn, in-kind benefits account for more than 15 percent of remuneration for police/gendarmes and 24 percent for military, mostly on food and clothing allowances. These benefits are typical for the special sector and are intended to compensate for harsh working conditions and requirements. The other differences stem from the privileged situation of the special sector employers regarding the pension and labor funds. In fact, they do not pay such contributions;<sup>14</sup> special sector pensions are entirely shouldered by the state budget instead. As far as the labor fund is concerned,<sup>15</sup> there is no such need because the different special sector statutes preclude layoffs. Therefore, the only special sector employees paying pension and labor contributions are the contract based military; the latter have been lately employed as soldiers, gendarmes and firefighters to replace the former conscripts.

10. *More importantly, within the wage expenditure<sup>16</sup> allowances play a diverse but substantial role* (see Annex 1). First, the base salaries of civilian employees (civil servants, contract employees and teachers) account for at least two thirds of all wage expenditure; for the special sector they are less than 45 percent. Second, the weight of specific allowances which are part of the fixed salary<sup>17</sup> is even more diverse; for civil servants and contract employees it ranges between 11 percent and 14 percent of total wage expenditure, with the onus on seniority; in the case of teachers the value raises to 17 percent as a result of privileged seniority reward (see Annex 3); however, for the special sector it has a much lower value (5 percent for police, gendarmes, firefighters and judiciary) because seniority is rewarded within the base salary. Third, the variable part of the salaries<sup>18</sup> is also heterogeneous. About 22 percent of civil servants and contract employees wage expenditure is related to such benefits; the most important of them is the bonus fund. In the case of teachers the value drops to 15 percent given the smaller weight of the bonus fund. The variable bonuses and allowances of the special sector, however, are a far cry from those of civilian employees' rising to almost half of total wage expenditure; the various working conditions allowances are the bulkiest such benefits whereas the bonus fund comes second; a wide array of other benefits make for the rest of the expenditure.

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<sup>14</sup> Except for the contract-based soldiers (firefighters, gendarmes or soldiers). Also, policemen make a 5% pension contribution to the state budget but not to the National Social Insurance Fund; the employer does not make any such contribution.

<sup>15</sup> Anyhow, in such cases they redundant employees receive compensations from the state budget.

<sup>16</sup> In the analysis in the following paragraph we have taken out the "other wage expenditure" from the denominator because actually it cannot be considered wage remuneration.

<sup>17</sup> The fixed salary is made of the base salary and practically universal allowances to which all employees are theoretically entitled, namely merit salary, management allowance and seniority allowance. Whenever awarded, the first two benefits join the base salary in the determination of other allowances and bonuses.

<sup>18</sup> The variable part is made of allowances and bonuses awarded to personnel in specific conditions or due to work performance. The list of such allowances and bonuses is explained in annex 3 for each category of personnel.

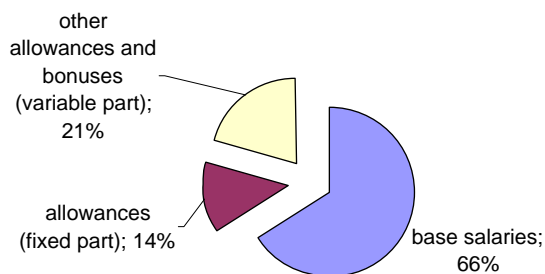
**Table 3: Public Sector Employment by Main Categories of Personnel, 2005-08**

<b>Category/ Employer</b>	<b>2005 (authorized)</b>	<b>2006 (authorized)</b>	<b>2007 (authorized)</b>	<b>2008 (authorized)</b>	<b>2008 (occupied)</b>	<b>% Occupied 2008</b>	<b>Increase 2008- 2005</b>
Central government	304,512	335,352	359,218	381,188	336,783	88%	25%
Special sector (military, police, gendarmerie, fire fighters, justice, intelligence)	199,117	221,425	244,154	263,325	N/A	N/A	32%
Civil servants	65,314	70,232	N/A	78,153	N/A	N/A	20%
Contract employees	37,981	41,595	N/A	37,535	N/A	N/A	-1%
Local government	257,679	301,956	314,895	318,291	272,687	86%	24%
Civil servants	55,417	58,282	N/A	78,002	N/A	N/A	41%
Contract employees	202,262	227,784	N/A	240,289	N/A	N/A	19%
Pre-university education	339,688	339,688	339,688	339,688	336,688	99%	0%
Central agencies subsidized	36,539	46,873	47,003	46,697	40,850	87%	28%
Local agencies subsidized	39,600	49,470	47,798	54,198	44,356	82%	37%
Health	193,933	202,090	215,875	224,458	202,154	90%	16%
University education	79,941	68,203	68,203	68,203	66,321	97%	-15%
Central agencies own revenues	21,737	29,824	29,819	31,050	26,862	87%	43%
Local agencies own revenues	31,334	20,399	19,404	19,907	15,220	76%	-36%
Pension fund management	5,792	4,181	4,181	4,737	4,423	93%	-18%
Labor fund management	3,464	3,545	3,505	3,152	3,057	97%	-9%
Health fund management	3,697	4,028	4,028	4,028	3,779	94%	9%
<b>Total public employment</b>	1,317,916	1,405,609	1,453,617	1,495,597	1,353,180	90%	13%
% of total workforce	28.9%	30.1%	30.5%	-	-	-	-

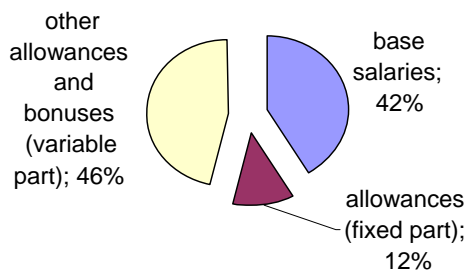
**Table 4: Data on Positions in the Special Sector Approved by State Budget, 2005-08**

<b>Employer</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Ministry of Justice</b>	<b>13,949</b>	<b>14,381</b>	<b>14,288</b>	<b>14,288</b>
Special statute - judiciary	4,663	4,732	4,738	4,743
Civil servants	550	726	755	752
Contract employees - judiciary	7,534	7,788	7,919	7,917
Contract employees - ordinary	963	891	848	848
Others	239	244	28	28
<b>Ministry of Interior &amp; Administrative Reform</b>	<b>108,507</b>	<b>131,809</b>	<b>150,123</b>	<b>159,564</b>
Public authorities	2,603	2,748	2,851	2,951
Civil servants	2,021	2,156	2,181	2,250
Contract employees - operational	80	350	427	428
Contract employees - administrative	216	216	215	245
Others	286	26	28	28
Public safety	104,328	127,445	144,424	153,765
Special statute	69,484	74,358	75,869	76,006
Policemen (including border police)	68,774	73,668	75,115	75,226
Others	710	690	754	780
Contract employees - specialist	6,157	7,133	7,338	7,661
Fire fighters and gendarmes	28,686	45,963	60,988	69,969
Education (specialist schools)	1,576	1,606	1,764	1,764
Others		10	1,084	1,084
<b>Ministry of Defense</b>	<b>86,687</b>	<b>85,566</b>	<b>89,894</b>	<b>89,894</b>
Army	63,562	62,319	69,088	69,872

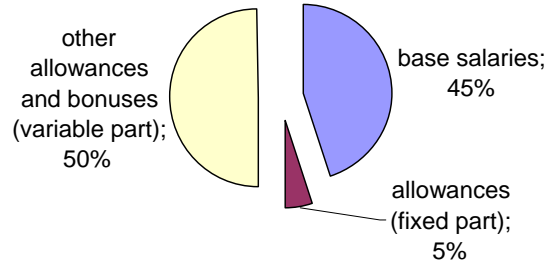
**Figure 6: Composition of Civil Servants and Contract Employees Total Wage Expenditures Central Government, 2007**



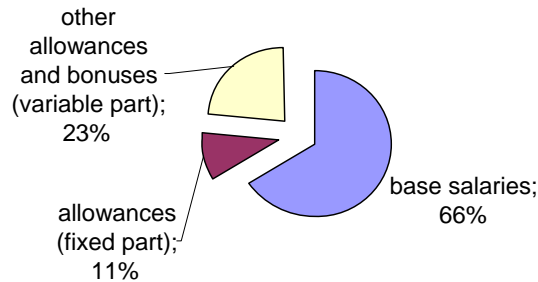
**Figure 7: Composition of Military Total Wage Expenditures, 2007**



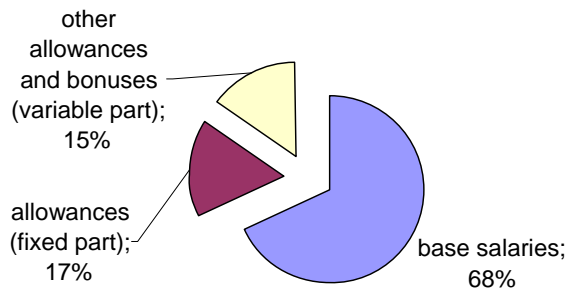
**Figure 8: Composition of Public Safety  
(Police, Gendarmerie, Firefighters, Judiciary, Intelligence)  
Total Wage Expenditures, 2007**



**Figure 9: Composition of Civil Servants and Contract Employees  
Total Wage Expenditures  
Local Government, 2007**

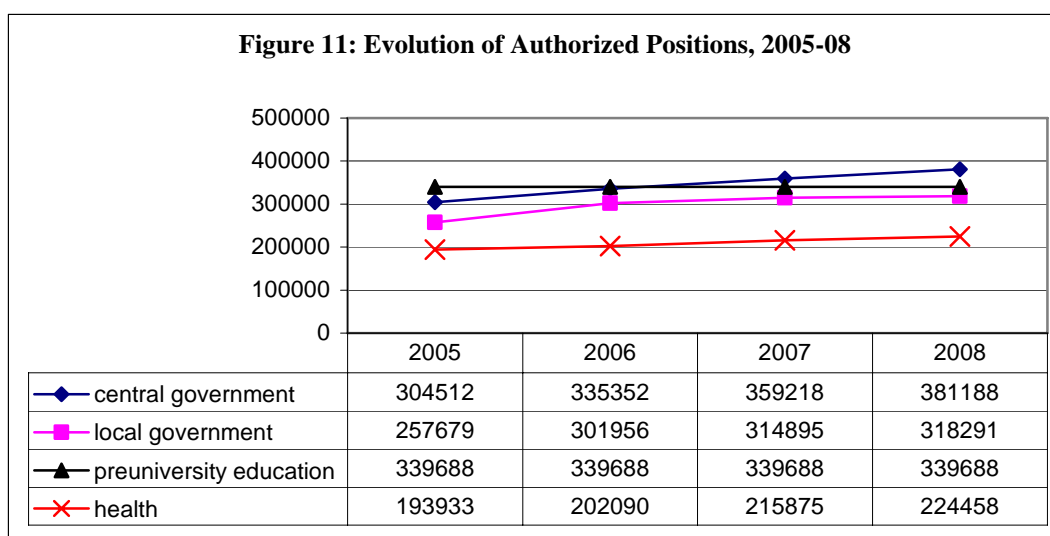


**Figure 10: Composition of Pre-university Education  
Total Wage Expenditures  
Central Government, 2007**



### **Trends in Public Employment and Personnel Expenditure (2005-08)**

11. *The aggregate trends in public sector employment masks important differences occurring within categories.* The total authorized positions have risen by 13 percent over the last four years. However, central government and local government employment grew by 25 percent each. Positions in health grew by 16 percent, while those in pre-university education remained flat.



12. **One of the most important trends over the four-year period has been the growth in local government civil service positions (41 percent).** Local government increases were driven by perceived staffing requirements in local public services and a delegation of decision-making authority (see Table 5). Until 2004 the number of authorized positions in local governments had been capped by Government Ordinance. Today job lists are approved by decision of local (or county) councils according to their needs. Since the removal of the cap, local governments have hired personnel especially in social services and in city halls to meet existing needs. Steady growth in revenues (channeled through the revenue sharing formula between central and local government) have given local governments resources to make this possible. However, over the long-term increases in staffing levels should be matched by either an expansion in services or an improvement in public service quality. There is currently no mechanism with which to assess whether that is taking place.

**Table 5: Total Number of Authorized Positions, 2005-08**

Category of Personnel	2005	2006	2007	2008	2008/ 2005
Special sector (military, police, gendarmerie, fire fighters, justice, intelligence)	199,117	221,425	244,154	263,325	32%
Civil servants - central government	65,314	70,232	N/A	78,153	20%
Contract employees - central government	37,981	41,595	N/A	37,535	-1%
Civil servants - local government	55,417	58,282	N/A	78,002	41%
Contract employees - local government	202,262	227,784	N/A	240,289	19%

13. **Two other important sources of employment growth were the special sector and the central government civil service.** The special sector witnessed growth in large part because of the elimination of the conscription system in emergency services. Moreover, European Union accession required more people to be hired in border police and gendarmerie. In all, the number of positions for the Ministry of Interior and Administrative Reform grew by more than 50.000. Similarly, the growth in civil servant numbers was influenced by EU accession, which required setting up new agencies, of

which the most important is the Agency for Payments and Interventions in Agriculture<sup>19</sup> (over 4500 new positions). Given the rapid economic growth during this period, there was also no pressure to make off-setting reductions in other central government functions.

14. *In parallel to the increase of total authorized positions, there have been very large increases in pay since 2004.* In Romania, pay components and practices are established by specific pieces of legislation regulating the various categories of personnel (see Annex 3). However, base salaries are usually upgraded each year by government ordinances; the raise in base salary would in turn translate into an augmentation allowances and bonuses alike. By December 2008 teachers, policemen and health employees will have received almost double their pay as compared to December 2004; contract employees and civil servants come next. The most generous year was by far 2007, when base salaries increased by at least 19 percent across the board, while inflation stood at 6.8 percent. In fact, the pay rises awarded over the last years have well exceeded inflation by up to three times, in the case of teachers.

**Table 6: Annual Base Salary Increases in Main Categories of Personnel**

Personnel Category	Annual Rate of Increase				Cumulative Increase	
	dec.05/ dec.04	dec.06/ dec.05	dec.07/ dec.06	dec.08 <sup>20</sup> / dec.07	dec.07/ dec.04	dec.08 <sup>21</sup> / dec.04
Civil servants	17%	11%	19%	12%	55%	73%
Contract employees	20%	11%	19%	12%	59%	78%
Judiciary	8%	9%	20%	5%	42%	48%
Military	8%	10%	25%	5%	48%	55%
Police	30%	10%	25%	5%	78%	86%
Pre-university teachers	14%	12%	29%	12%	64%	84%
Health	20%	11%	22%	12%	63%	83%
<i>Annual inflation</i>	8.6%	4.9%	6.8%	5.9% <sup>22</sup>	22%	29%

15. *As a result of all the above-mentioned developments, personnel expenditure in the public sector has risen at a faster pace than total public spending or GDP.* In all, personnel expenditure<sup>23</sup> as a percentage of GDP went up from 5.3 percent in 2004 to 6.5 percent in 2007—a 23 percent increase. The costliest category became the special sector, which grew from 1.3 percent to 2.4 percent—surpassing pre-university education, which remained almost constant (1.7 percent).

<sup>19</sup> Central payment unit for the EU Common Agricultural Policy.

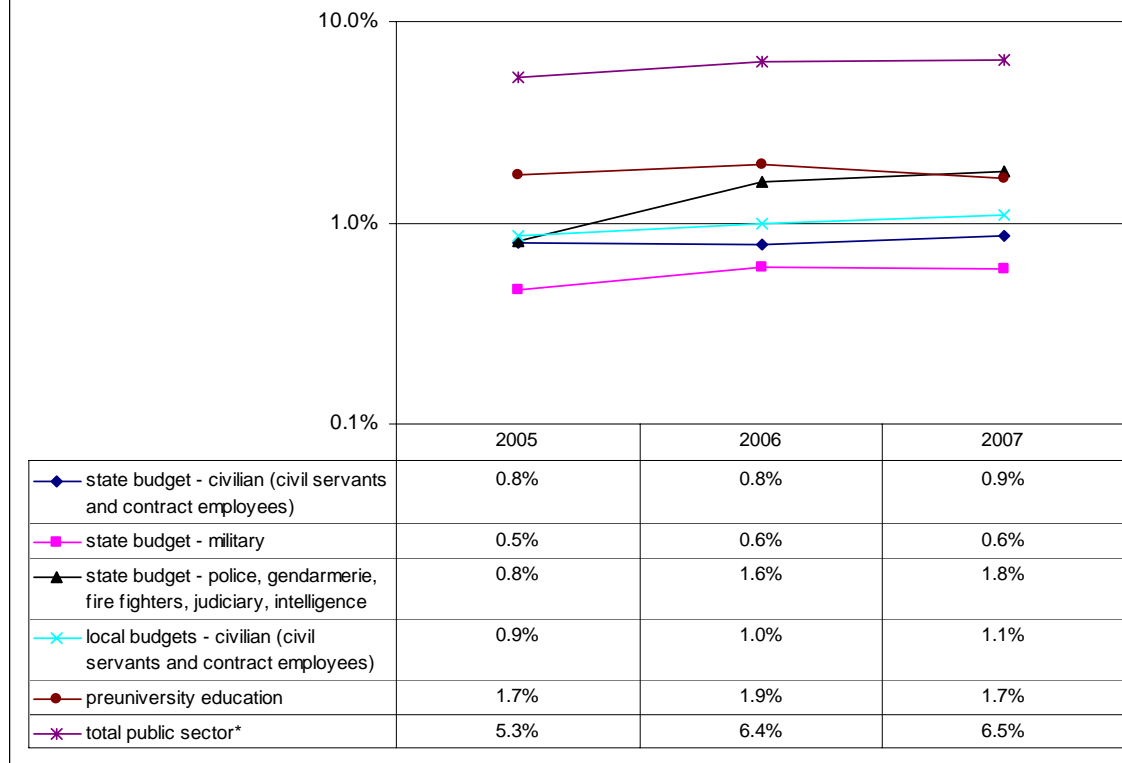
<sup>20</sup> Estimate, based on the legislation passed by the government in 2007 and early 2008.

<sup>21</sup> Estimate, based on the legislation passed by the government in 2007 and early 2008.

<sup>22</sup> National Bank of Romania estimate.

<sup>23</sup> Data on health and university education not available.

**Figure 12: Evolution of Total Personnel Expenditure as % of GDP, 2005-07**



16. *During 2005 and 2007 the increases in personnel expenditures were highest for the state budget (civilian and special sector personnel included), followed by local budgets.* Both rates of growth exceeded those of GDP and total public spending. As expected, the rate of growth for police, gendarmes, fire fighters and judiciary was highest in correlation with the increases in number of positions and pay.

**Table 7: Personnel Expenditure Increases in Main Categories of Personnel, 2005-07**

	2007/ 2006	2007/ 2005
Central government	30%	102%
Civil servants and contract employees	30%	53%
Military	17%	78%
Police, gendarmerie, fire fighters, judiciary, intelligence	34%	215%
Local government - civil servants and contract employees	30%	77%
Pre-university education	2%	35%
<b>Total public sector personnel expenditure<sup>24</sup></b>	<b>21%</b>	<b>73%</b>
<i>GDP</i>	<i>18%</i>	<i>40%</i>
<i>Total public sector spending</i>	<i>21%</i>	<i>59%</i>

<sup>24</sup> Data on health personnel expenditure and university education not available.

## **Main Issues and Recommendations**

17. Romanian economy has grown considerably over the last five years. As a consequence, public spending as a percentage of GDP has risen from almost 30 percent in 2005 to 34 percent in 2007. Against this backdrop, employment and pay in the public sector expanded even faster. Some level of increase was warranted, as public services needed more staff to meet existing requirements, and employee pay had lagged significantly behind the private sector.

18. As main priority for the future, the government has to ensure that the latest generosity translates into efficiency. From this point of view we need to emphasize a set of weaknesses which need to be overcome in the medium term:

- Performance assessment criteria and practices have not changed to ensure that employees deliver more and better;
- There are significant pay inequalities between the main categories of personnel; in addition, salaries are annually upgraded based on trade unions bargaining power instead of objective criteria;
- Pay practices have not changed at all as compared to early 2000 to cope with the recent windfall in remuneration; hence, work performance and job complexity are still poorly rewarded;
- Pay is utterly non-transparent in the majority of categories; allowances and bonuses make for too big a stake in total remuneration; the list of allowances and bonuses is long and diverse across main categories of personnel.

19. Finally at this stage, we strongly advise the government to improve current employment and pay monitoring practices. First, reports from the main credit officers concerning employment should be broken down into categories of personnel to allow close monitoring of developing trends. Second, the reporting on pay should also be broken down on main categories of personnel; in addition, the budget classification's line items on allowances and bonuses should be more detailed. Third, pay monitoring should comprise health and university personnel, which at the moment are unaccountable to both pundits and public.

## CHAPTER 2: REMUNERATION OF LOCAL GOVERNMENT CONTRACT EMPLOYEES

### Overview

20. Most local government contract employees occupy “execution” positions requiring only a high school education, though a subset hold university-required positions, with functions not far different from those of civil servants. Compensation for local government contract employees consists of base salary and an assortment of allowances. For university-level management positions these allowances comprise more than half the total compensation—compared with an average of 10-20 percent for public servants in most European countries. As a result, actual compensation varies substantially from one position to the next despite their having similar job responsibilities and education. For example, the span between the lowest and highest paid in some positions can be 7 to 8 times. Perpetuating such pay practices undermines performance over the long-term and keeps the Romanian public administration out-of-sync with others in Europe.

### Survey Methodology

21. As agreed with the Ministry of Labor, data was collected from local governments to provide a snapshot of pay practices for their contract employees as of October 2007. A total of 166 local governments responded to the questionnaire sent via the Ministry of Interior and Administrative Reform in December 2007. The questionnaire requested data for each type of contract employee position in the job list of local governments. The positions were structured based on education, grade and job responsibilities in order to distinguish the legal thresholds of base salaries. The main fields of the questionnaire included:

- Number of authorized employees for each type of position (e.g. adviser, grade I)
- Fixed part of the salary, which includes base salary and three supplements (merit salary, seniority allowance and management allowance<sup>25</sup>) and the number of beneficiaries for each supplement
- Variable part of the salary, comprising all other allowances and bonuses and their beneficiaries.

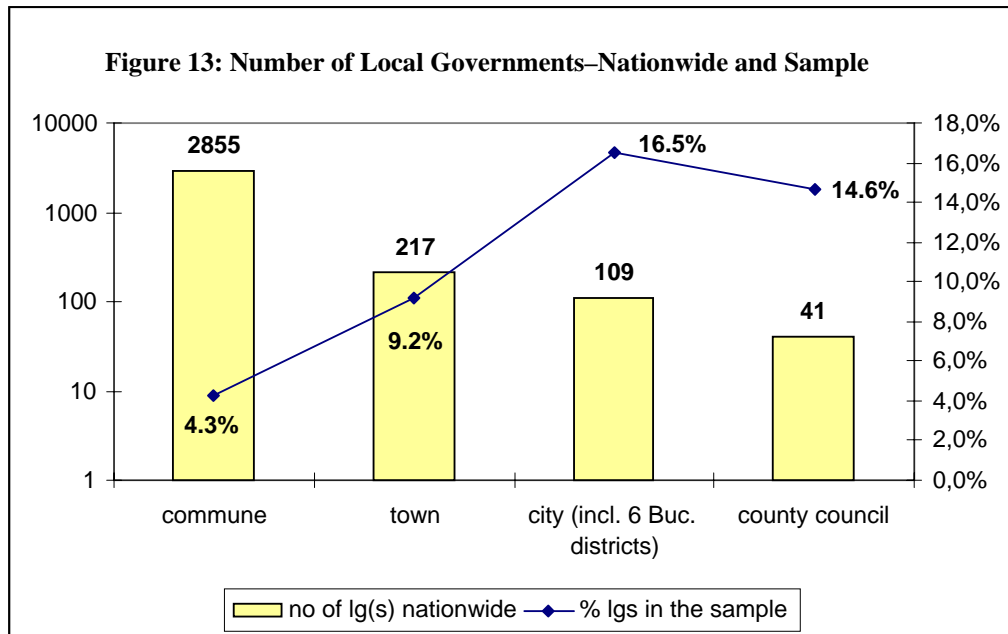
22. Data was received, sanitized, and structured into a comprehensive database in the first months of 2008.

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<sup>25</sup> One of the major drawbacks of the questionnaire was the reliance on fixed salary reporting instead of base salaries. The former is open to interpretation by human resource clerks and the collected data was at points inaccurate. Instead, the latter is much easier to understand and we recommend it to be included as such in future surveys.

## Local Government Representation within the Sample

23. Romania had 3,216 local government units as of July 1, 2007, of which 3,175 are considered first tier (communes, towns and cities) and 41 second tier (counties). For the purposes of this analysis the six Bucharest districts were taken separately into account because they function as employers in their own right.<sup>26</sup> This would bring the total number of employer local governments to 3,222. Out of the 166 to respond to the questionnaire there were 122 communes, 20 towns, 18 cities and 6 counties. Their weight at national level is the following:



24. The representation of the specific categories of local governments is not uniform, with 16 percent of cities and only 4 percent of communes having responded. However, because the overall pay policies for contract employees are set nationally, one can have a high degree of confidence that findings from the sample on specific positions are relevant to all local governments in Romania.

## Structure of Positions in the Sample

25. In Romania the list of contract employee positions is established by law. Currently, the legislation allows contract employees in a wide variety of fields, both in central and local governments. The rule is that contract employees may be used for activities outside the remit of other personnel statutes (civil service, education, health, police, gendarmerie, army, intelligence, judiciary, diplomacy). Hence, contract employees dominate areas such as social assistance, culture, research, sport bodies, cadastre and land registration. In addition, important numbers of contract employees are

<sup>26</sup> *De jure* Bucharest districts are neither local government units nor legal persons. *De facto*, they act as such.

working in ministries, city halls and other central and local agencies; their responsibilities may be both operational and administrative.

26. At the moment there are about 150 individual positions included in the legislation in force. Most of them have 2 to 5 grades, beginners excluded; a minority comprises single grade positions.

27. The execution positions are divided into four categories based on the education requirements:

- (a) up to high school (12 years of primary and secondary education; some administrative staff positions have only primary school requirements or none at all)
- (b) extended high school (one year specialization after high school graduation)
- (c) college (up to 3 years after high school)
- (d) university (master of arts).

28. The vast majority of employees fill either high school or university requirement positions (categories 1 and 4). Hence the analysis will focus on these two categories. The low management positions may be filled by all categories of graduates; however, middle and top management may only be filled by university graduates. There are nine levels of common management positions; the lowest is chief of team of workers, whereas the highest is general director and chief state inspector.

29. Figures and tables on the types of local contract positions and their functions are for illustrating the composition of the sample; they are not an accurate representation of the universe since the survey is not weighted and urban areas are deliberately over-sampled. The total number of contract employee authorized positions in our sample was close to 21.000, of which 96 percent execution positions and 4 percent management. The high percentage of execution positions is explained by the wide variety of jobs in social assistance and local government administrative tasks (see below).

30. Out of all execution positions, 85 percent required at most high school studies and 12 percent at least university studies. The ratio is reversed in the management positions: 16 percent required at most high school whereas 84 percent university studies.

31. Of the total high school positions, the majority are related to social assistance and local government administrative tasks. The university required positions are mostly in local governments' operational tasks and cultural institutions.

**Table 8: Number of Authorized Positions in the Sample by Education Requirements**

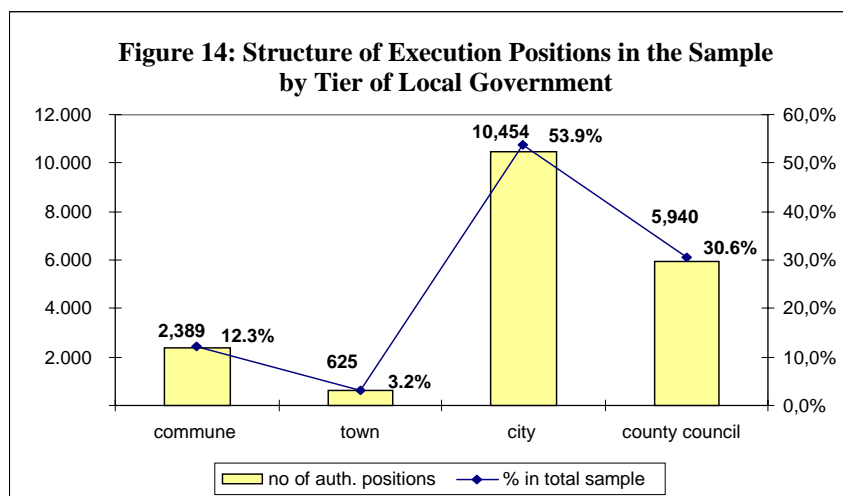
<b>Education</b>	<b>Total Number of Execution Authorized Positions</b>	<b>Total Number of Management Authorized Positions</b>	<b>Total Number of Authorized Positions</b>
High school	16,766	144	16,910
University	2,298	756	3,055
<b>Total</b>	<b>19,806</b>	<b>900</b>	<b>20,707</b>

32. As far as the breakdown on local government units is concerned, most positions are in the cities (54 percent execution, 66 percent management), followed by county councils (31 percent execution, 27 percent management) and communes (12 percent execution, 4 percent management).

**Table 9: Number of Authorized Positions in the Sample by Type of Employer Local Government**

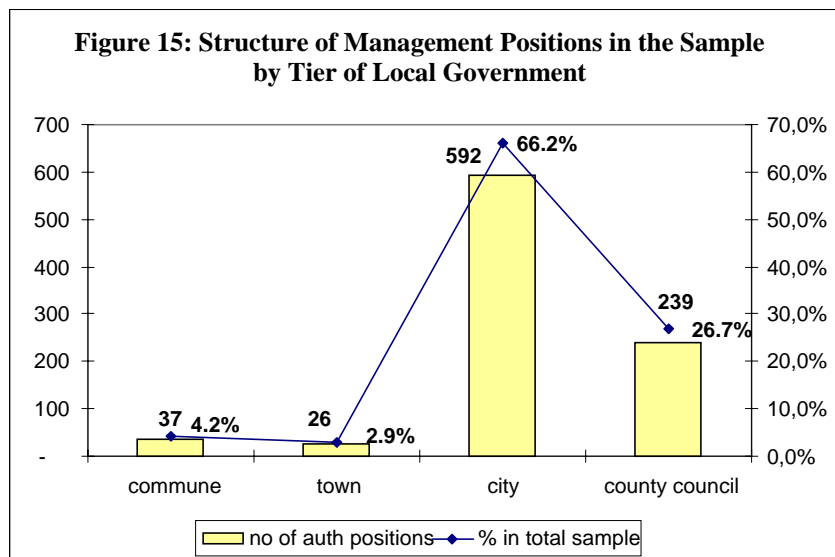
Local Government Unit	Total Number of Execution Authorized Positions	Total Number of Management Authorized Positions	Total Number of Authorized Positions
Commune	2,389	37	2,426
Town	625	26	651
City (incl. 6 Bucharest districts)	10,454	592	11,046
County council	5,940	239	6,179
<b>Total</b>	<b>19,408</b>	<b>894</b>	<b>20,302<sup>27</sup></b>

33. In practice the number of execution positions is not directly correlated with the population of local government units in the sample, but rather with their responsibilities. Both cities and county councils have to fund major social assistance and cultural institutions which are labor intensive; therefore, they employ large numbers of contract employees. In addition, their administrative apparatus is more expansive to cope with the array of problems that occur in public service delivery.

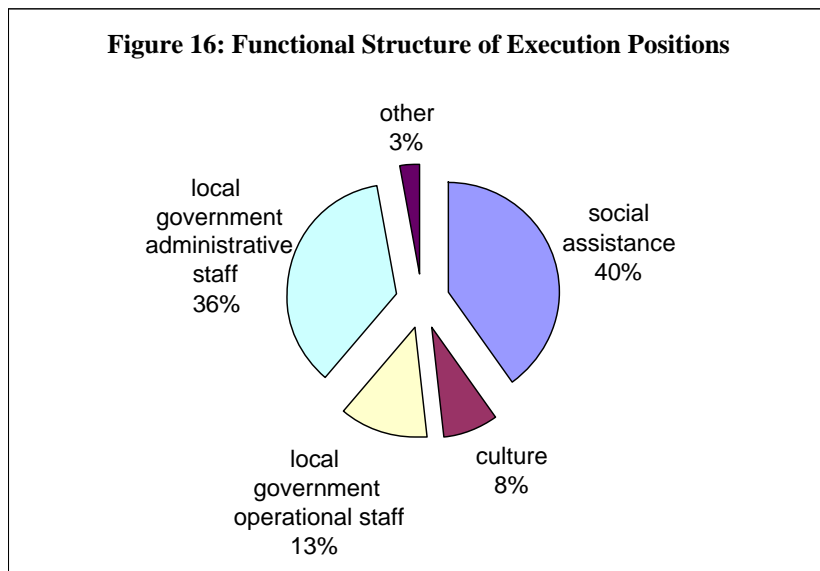


34. The high percentages of management positions in cities and county councils are explained by the numerous subordinated departments and agencies. Each theatre, museum, library and orchestra has its own management positions; social services likewise. Anyhow, the number of management positions in any public body cannot exceed 15 percent of all authorized positions.

<sup>27</sup> The 405 position difference from the total number of positions by education (see previous table) is due to reports wherein local governments are unidentifiable.



35. Out of the 21,000 positions in the sample, 40 percent were in the social assistance<sup>28</sup> and 8 percent in culture. Local governments' administrative staff accounted for 36 percent while the operational staff for 13 percent. As noted earlier, the actual figures in the population will vary from this because of over-sampling in the cities and counties.



36. Social services are the biggest employer at the County Council levels. City employment is also significantly dependent on social assistance. Of the three main positions in this field, the most numerous is on cities' payroll<sup>29</sup> (i.e., personal assistance for disabled), whereas the other two are on county councils' (i.e., social worker in the

<sup>28</sup> Among the 40% that are social assistance, 14% are for personal assistants for disabled persons. Many of these (perhaps up to 90%) are in fact family members of the disabled, and therefore, not a conventional public sector job.

<sup>29</sup> Also in towns and communes.

residential institutions and personal assistance of abandoned children—maternal assistant).

37. In culture, the most numerous positions are in public libraries, theatres and orchestras. Usually these are on the payroll of cities and county councils. Bucharest is far ahead of all other local governments from this point of view, with 25 cultural institutions under subordination and over 1,100 specialized positions.

38. Local government contract employee operational positions are dominated by clerks, advisers and inspectors. In theory they should perform tasks outside the remit of civil servants, namely those which do not involve the public authority prerogatives. In practice, most of the contract employees in this category are performing similar jobs to the civil servants; however, the contract status may be preferred because they are free to carry out other remunerated jobs.<sup>30</sup>

39. The administrative tasks of all local governments and their agencies<sup>31</sup> are reserved for contract employees. Half of this category's positions in the sample are dedicated to workers in the various local services (property maintenance, water and sewage, road maintenance, parks, cemeteries, refuse collection etc). Security employees come second, followed by doormen and drivers. Overall the positions' structure in this area is more diverse than the other three.

**Table 10: Most Frequent Positions in the Sample by Function**

<b>List of Main Positions by Weight in Total Authorized Positions</b>	<b>% in Total</b>
<b>Social Assistance</b>	<b>40.0%</b>
Social worker	10.9%
Personal assistant of disabled	14.4%
Personal assistant of abandoned children	4.9%
<b>Culture</b>	<b>8.3%</b>
Librarian	1.8%
Director	1.7%
Museum worker	1.0%
<b>Local government operational staff</b>	<b>12.7%</b>
Adviser (including legal advisers)	2.0%
Inspector	1.8%
Clerk	8.1%
<b>Local government administrative staff</b>	<b>36.2%</b>
Doorman	2.3%
Worker	18.6%
Driver	1.5%
Security worker	9.2%

<sup>30</sup> Romanian legislation forbids civil servants to perform other paid jobs, except teaching and training.

<sup>31</sup> Also in central government and its agencies.

## Remuneration Structure of Contract Employees

40. Contract employees' pay is made of base salary, merit salary (if entitled), management allowance (if entitled), seniority allowance, other allowances and bonuses. All pay components are related to the base salary. When paid, the merit salary and the management allowance are included in the base salary before determining the value of all other allowances and bonuses.

41. At the moment, base salaries for all contract employee positions are annually established by Government Ordinance. These pieces of legislation apply to all public sector employers funded at least partially from the state or local budgets. The agencies funded from own revenues may establish different salaries based on negotiations with trade unions and provided they do not receive any subsidies.

42. Some of the allowances and bonuses are common throughout the public sector, while others apply to particular sectors or institutions; in the first category one could list:

- seniority allowance
- overtime
- nightshifts
- bonuses from the bonus fund<sup>32</sup>
- annual bonus (or the 13<sup>th</sup> month salary)
- PhD allowance
- holiday bonus

43. The second category of allowances and bonuses is paid for specific sectors (e.g. culture) or if the job is performed in particular conditions (isolation, radiations, danger, etc)—see Annex 3 for a detailed presentation. Because of the wide variety of these pay components, any detailed data collection or analysis is very difficult. As a consequence unless a certain benefit is specifically required in the reporting forms, local governments may not send information about it at all.

44. For methodological purposes the main pay components taken into account in this research are structured as follows:

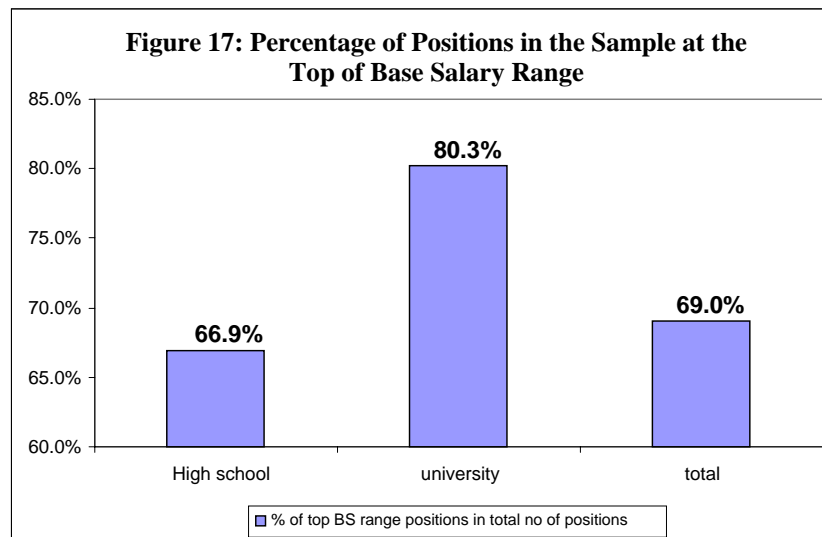
- base salary
- merit salary
- management allowance
- seniority allowance  
*(In Romanian human resource practice, these four components make up the “fixed salary” or “appointment salary”);*
- working conditions allowances (most public employers pay such an allowance in different forms and for different conditions)
- bonuses (from the bonus fund)
- other allowances
- other bonuses  
*(The later components make up the so-called “variable pay”).*

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<sup>32</sup> The bonus fund for contract employees may account for 2% of the total wage expenditure.

45. Most of the contract employees' base salaries are set within a range specified in the legislation for each grade (except beginners). Advancement in the range is made on the basis of performance assessment and seniority. The promotion to a superior grade is made by contest or exam, provided the performance assessment and seniority requirements are met and a vacant position is available.

46. In practice given the rather low wages as compared to private sector, employers have allowed most employees to reach the top end of base salary range in each grade. The findings in the sample confirm this assessment:



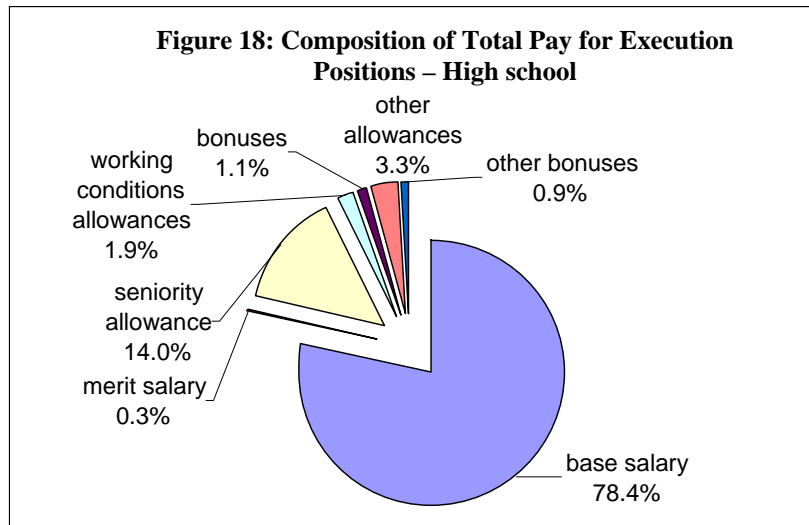
47. The flip side of this situation is that employees may have been stuck at the top end for years with no prospect for promotion. Hence discontent may be ripe, and employers have been prompted to pay a variety of allowances and bonuses. Sometimes the legality of these benefits is questionable, i.e., they are not explicitly permitted by contract employee remuneration legislation and therefore, should not be awarded. In this category one can list the on-call allowance (up to 25 percent of base salary), food allowance (fixed amount) and clothes allowance (fixed amount) for some city halls' and County Councils' employees. Actually, these benefits replicate the pay practices in the Ministry of Interior and Administrative Reform. All such benefits are approved by local councils' decisions as a result of trade union agreements.<sup>33</sup>

48. The analysis of the total pay structure distinguishes positions according to education requirements, on one hand, and job responsibilities, on the other. The

<sup>33</sup> In some cases prefects have challenged these decisions to the administrative courts; occasionally though, the courts have endorsed the local governments' decisions which has emboldened others to pass similar decisions.

denominator of the calculations is the estimated occupied positions out of the total authorized positions.<sup>34</sup>

49. As of October 2007, the base salary of high school execution contract employees<sup>35</sup> makes for 79 percent of their total pay.<sup>36</sup> The second pay component is the seniority allowance, 14 percent. The fixed salary totals 93 percent, which is high compared to civil service standards. Although diverse benefits are paid to these employees, they only account for 7 percent of total pay on average (for details on the various benefits see Annex 3).



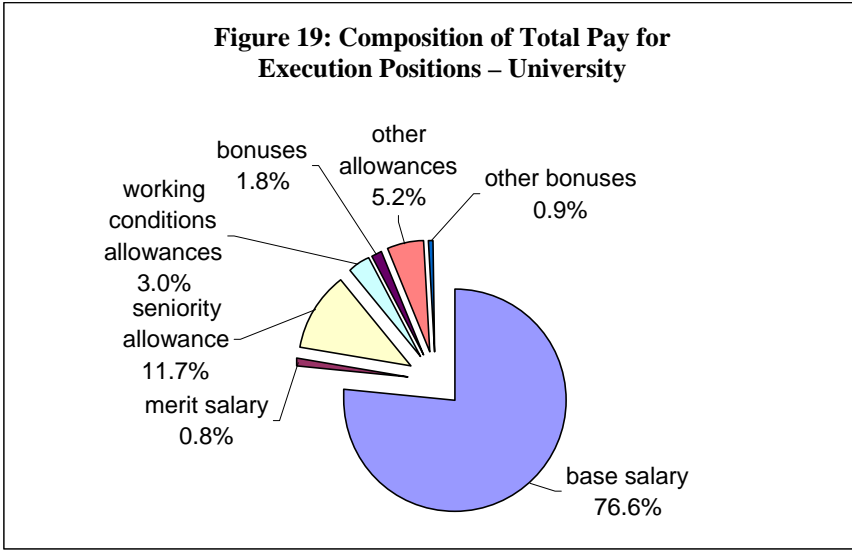
50. The base salary for university execution contract employees<sup>37</sup> is somewhat lower, 76 percent; likewise, the seniority allowance weights 12 percent. Fixed salary for university contract employees totals 88 percent. The array of allowances and bonuses in October 2007 summed up to 12 percent.

<sup>34</sup> The questionnaire failed to require such information from local governments. Hence, the number of actual occupied positions was approximated with the number of seniority allowance beneficiaries. The margin of error is maximum 5%.

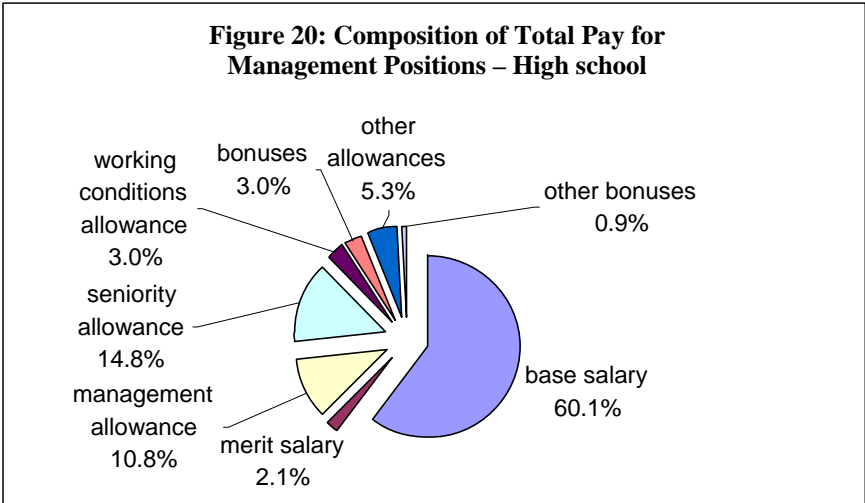
<sup>35</sup> Contract employees are those filling the positions with high school education requirements.

<sup>36</sup> This chapter analysis does not take into account one-off benefits such as per-diems or overtime. We only considered permanent benefits or those related to work performance. This is a limitation from the wage expenditures that can be distinguished in the budget classifications (see chapter 1).

<sup>37</sup> I.e. contract employees filling positions with university education requirements at least.



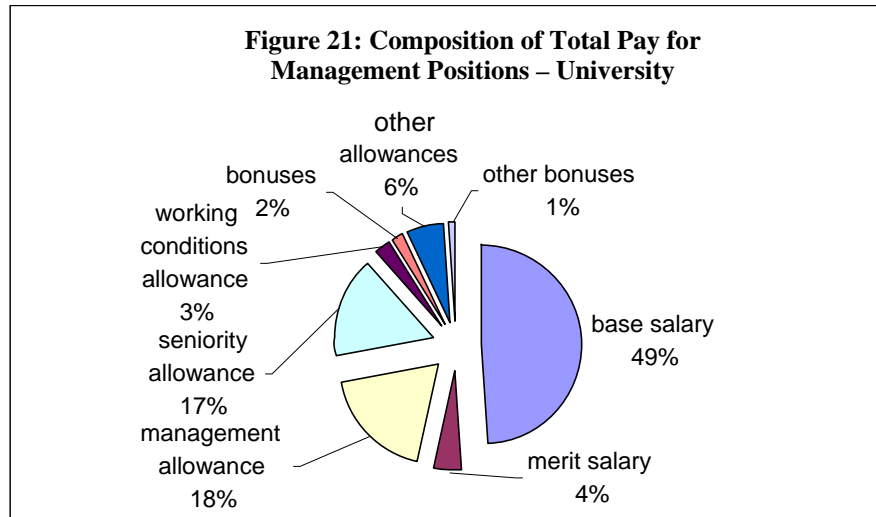
51. The pay composition of management positions is considerably different from execution ones. The base salary of high school management contract employees is 60 percent of total pay; second and third components are the seniority allowance<sup>38</sup> and management allowance, with 15 percent and 11 percent respectively. The fixed salary totals 88 percent. The differences in benefits' weight from the execution positions' pay composition is explained by the role of the management allowance. The latter is taken into consideration alongside the base salary and merit salary in the determination of all other allowances and bonuses. De facto, it is considered part of the base salary.



52. Pay composition of university contract employee management positions varies significantly from the execution ones. The main reason is the weight of the management allowances. Most such positions are at the high end of the hierarchy, and the allowances

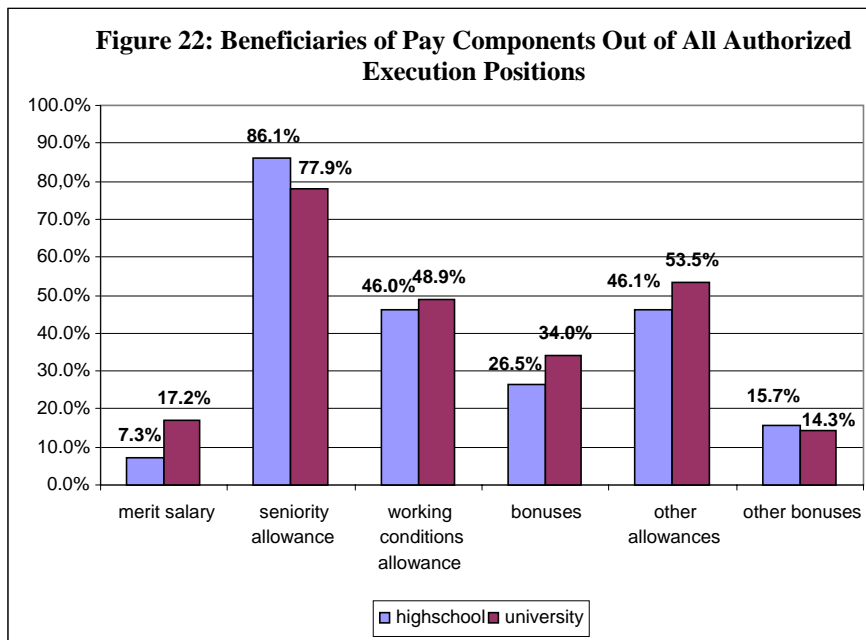
<sup>38</sup> For management positions, seniority allowance and the other allowances are determined against the sum of base salary, merit salary (if awarded) and the management allowance. Hence, all other allowances have a bigger weight in relation to total pay. For details on how seniority is divided and the other allowances contract employees are eligible to see Annex 3.

reach at least 30 percent of base salary (up to 55 percent). Subsequently all allowances and bonuses are determined taking into account the management allowance alongside base salary. In October 2007, the base salary of university management contract employees weighted half of total pay. Second was the management allowance, with 18 percent; in comparison to the “high school” positions the weight of this allowance was bigger. Third was the seniority allowance, with 17 percent. The fixed salary totaled 88 percent, as in the case of “high school” positions.



53. The composition of pay components' beneficiaries reveals, as expected, that almost all execution employees receive the seniority allowance; out of the total positions about 5-10 percent are idle. Beginners do not receive the seniority allowance. It is also worth noting that 80 percent of all execution contract employees receive at least one benefit of the variable part of the salary; the remaining 20 percent do not receive anything besides the fixed salary.<sup>39</sup> The high percentage of working conditions allowance beneficiaries is due to the various forms of this benefit across specific sectors (e.g., dangerous working conditions, stress/ special working conditions, toxic working conditions etc—for further details see Annex 3).

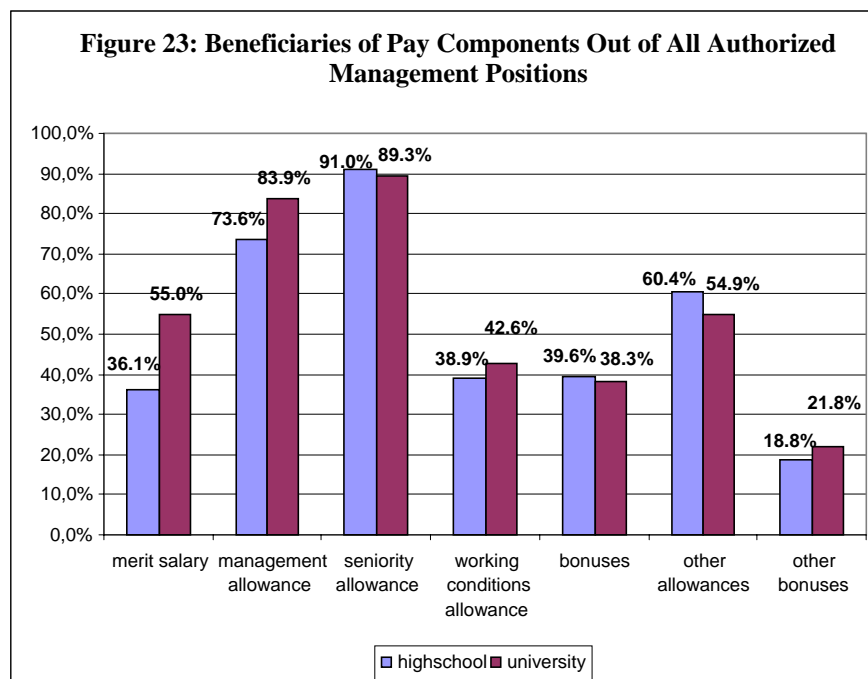
<sup>39</sup> Hence, quite a few beginner employees are rewarded only base salary.



54. The structure of pay component beneficiaries for management positions differs significantly from the execution ones in several aspects:

- as expected the management allowance is received by almost all positions (the remaining are idle);
- the percentage of merit salary beneficiaries is much higher; and
- the percentage of allowances' and bonuses' beneficiaries is significantly higher.

55. All these aspects reveal the effort of public employers to improve the pay of management positions.

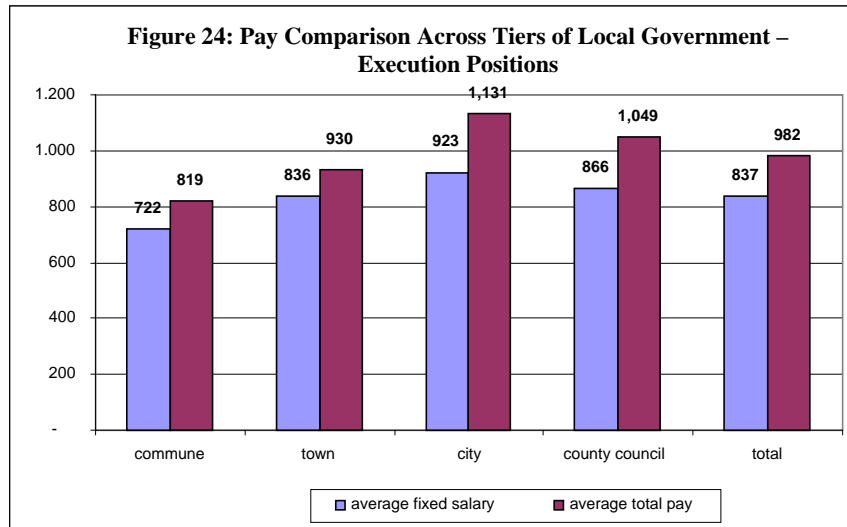


56. Because the number and value of allowances and bonuses is higher for management positions than for execution in relative and nominal terms respectively, one would expect the fixed salary and total pay for management positions to be higher too. Indeed, the average base salary and total pay is double for management positions than execution ones.

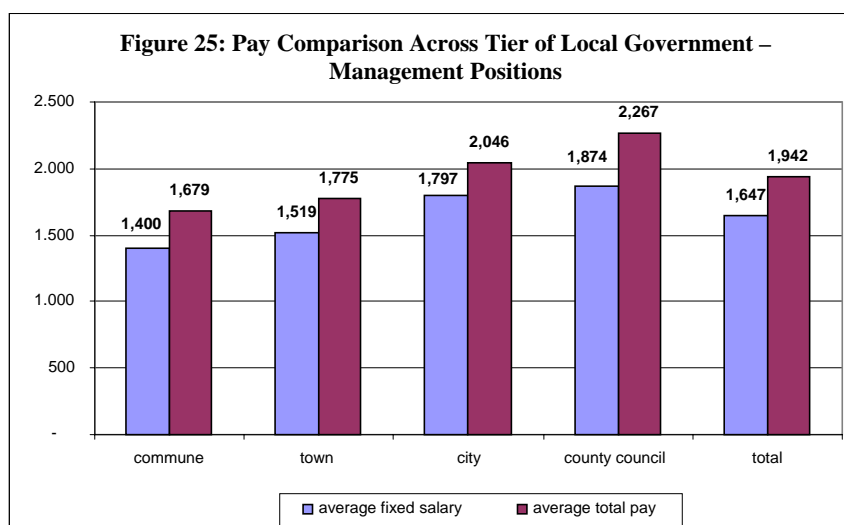
**Table 11: Average Pay in the Sample by Type of Employer, Local Government and Job Responsibilities**

	Execution	Management		Execution	Management	
Local Government Unit	Average Fixed Salary	Average Fixed Salary	% Increase for Management Positions	Average Total Pay	Average Total Pay	% Increase for Management Positions
Commune	722	1,400	94%	819	1,679	105%
Town	836	1,519	82%	930	1,775	91%
City	923	1,797	95%	1,131	2,046	81%
County council	866	1,874	116%	1,049	2,267	116%
<b>Total</b>	<b>837</b>	<b>1,647</b>	<b>97%</b>	<b>982</b>	<b>1,942</b>	<b>98%</b>

57. The comparison of average pay across types of local governments reveals the highest pay for the execution employees in cities, followed by those of county councils. As expected the lowest pay is in communes. The difference between city and commune employee average pay is 38 percent. Only cities and county councils are above the national local government average. The main reasons for this situation are job education requirements and availability of bonuses and allowances; urban governments tend to have more university requirement positions and more funds to pay a variety of allowances and bonuses.



58. The tally changes at the top in the case of management positions. County Council managers are the best paid contract employees of all local governments. They receive 10 percent more than those in the cities and 35 percent more than those in communes.



59. The compression ratio—which is the ratio between the best and least paid jobs—gives an indicator of the level of incentives provided for career progression. The overall compression ratio of the contract employee positions in the sample is 13; which is broadly similar to that of civil servants',<sup>40</sup> although the latter does not have low skilled positions such as workers, guards and drivers. The best paid position is an execution one—a play director in a theatre,<sup>41</sup> whereas the least paid is also execution—beginner librarian/ typewriter/ clerk.<sup>42</sup> As expected the span within the main categories of the analysis is also significant. Within “high school” execution positions, the span 5.5, whilst within the “university” it tops 12. The management positions seem more cohesive, the “high school” category ratio is 5.5, whereas for the “university” it reaches 6. All the values are inferior to the ones determined by Hay Group for the civil servants in 2006.

**Table 12: Compression Rates Across Main Categories of Positions by Education Requirements**

Education	Execution		Management	
	Maximum	Minimum	Maximum	Minimum
High school	2,558	468	3,817	698
University	6,158	494 <sup>43</sup>	6,112	1,007
Compression rate high school	5.5		5.5	
Compression rate university	12.5		6.1	
<b>Compression rate overall</b>	<b>13.2</b>		<b>8.8</b>	

<sup>40</sup> The comprehensive private/ public survey in the Romanian civil service carried out by Hay Group in the first quarter of 2006 for the National Agency of Civil Servants. The ratio calculated for civil servants was 14.

<sup>41</sup> This position is not an outlier; there are at least two other positions with similar pay. One of them is another play director and the other is a city manager. The explanation for this high pay level rests with the allowances and bonuses awarded, which account for more than half of total (see Annex 3 to grasp the multitude of benefits cultural institutions' employees are entitled to).

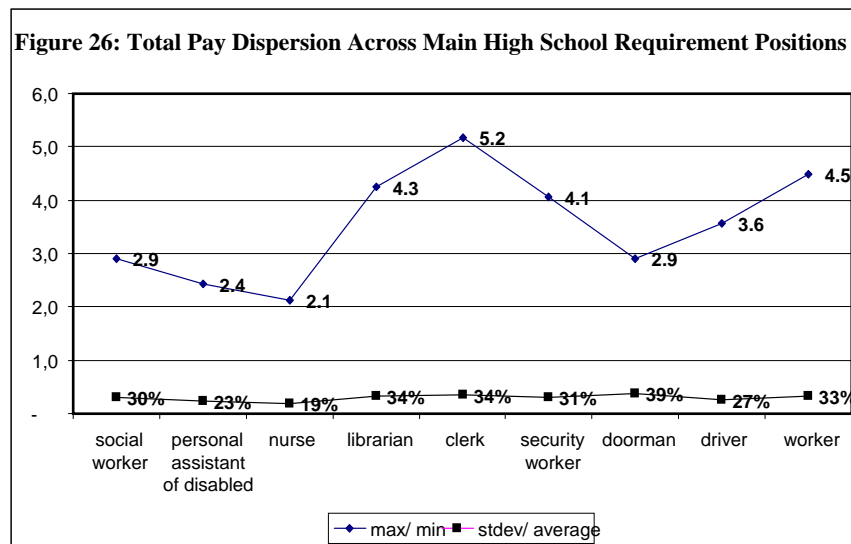
<sup>42</sup> As previous, this not an outlier either; there are numerous such positions. Apart from the base salary, beginners are not entitled to any other fixed salary allowance; the employer may not award other allowances either; hence the low pay.

<sup>43</sup> The legal base salary for university education beginners in cultural institutions; in the reported situations, the employees have not received any other pay benefits.

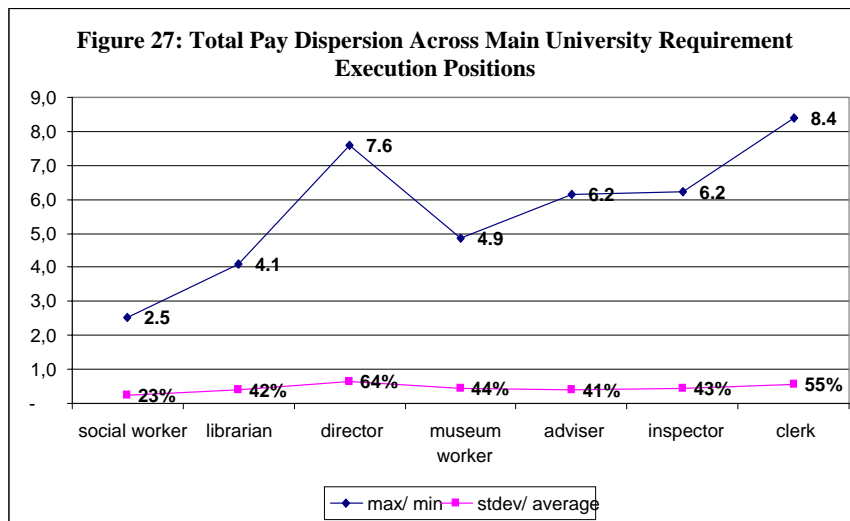
## Internal Equity Concerns in Pay Practices

60. One last major issue to analyze is the dispersion of total pay among similar types of positions. To this end we selected three sets of representative positions (because of data constraints we included all grades attached to each specific position). Then we determined the maximum to minimum ratio and a dispersion indicator which showed how widely values were dispersed from the average value. The results showed important discrepancies in pay across the board for similar positions. They resemble the findings of Hay Group on civil servants, and represent on the most important deficiencies in the current pay system.

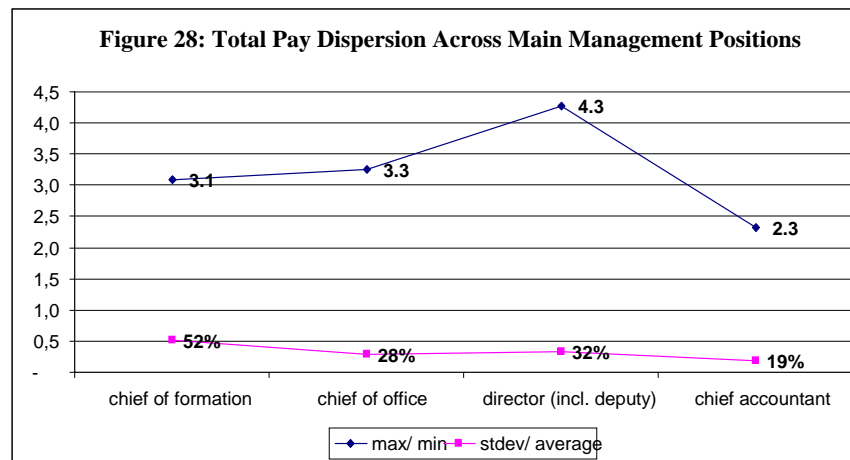
61. The dispersion across positions with high school education requirements is significant. The highest maximum to minimum ratio is found on clerks (5.2), workers (4.5), librarians (4.3) and security staff (4.1); these are some of the most frequent contract employee positions (together they make for about 20 percent of the sample). The number of grades for these positions varies from 2 (clerks) to 5 (worker). However, the span in their base salaries is less than 2; consequently, differences in pay stem from seniority and other benefits. By the same token, the dispersion indicator tends to show high values for the above mentioned positions, which reveals a considerable variety of pay. The findings are in keeping with the Hay Group report on civil servants.



62. Pay span and dispersion within university requirement execution positions is even higher. The highest maximum to minimum ratio is found on clerks (8.4), play directors (7.6) and advisers/inspectors in local government offices (6.2). Librarians and museum workers also reveal high ratios. Pay span of base salaries for these positions varies between 2 and 3; therefore the compression ratios are mainly due to allowances and bonuses. The dispersion indicator shows high values for play directors and clerks, which point to a variety of pay practices and polarization across local governments for rather similar jobs. Again, the results resemble the Hay Group findings, but the values are somewhat lower.



63. The values relating to management positions also reveal big differences in pay for similar responsibilities. However, the results are lower than execution positions since these positions are single grade. Directors and chiefs of office have the biggest gap between best and least paid jobs. The dispersion indicator, on the other hand, is higher among chief of team of workers, revealing more polarization from the average.



### Similarities with Civil Service Practices

64. The 2006 Hay Group study on the civil service revealed practices that are similar to those among local government contract employees. First, the civil service positions are also compensated through a mix of base salaries and allowances, where allowances are a very significant share of the salary for some positions, ranging from 33 percent to 48 percent on average. Some of the allowances are for taking on special duties or for special working conditions; others appear to reflect qualifications of the position. Secondly, the internal equity among positions was very poor. Hay grouped positions with others of similar levels of responsibility and found that the spread between the lowest and highest paid were sometimes 9 times, or for one type of municipal deputy director, the pay span

was 14 times. On the flip side, they saw that positions with very different levels of responsibility had similar rates of pay. Hay concluded that “the pay practice does not comply with the pay policy as declared in government ordinances.”

65. They Hay study went on to confirm that pay for civil service positions is generally not competitive with the private sector. Using their database of national and foreign firms, the analysis showed that the gap between civil service salaries and the private sector widened the more senior the position.

66. A research note prepared by the World Bank in 2007 described European pay practices and provided examples of pay scales used in a few selected countries. A short extract on European pay principles is found in Annex 4. In general, bonuses and allowances are relied on much less in other countries.

### **Main Issues and Recommendations**

67. The most significant weakness in the pay practices for contract employees is the poor linkage between the pay one receives and their job responsibility. Although all potential benefits are enshrined in the legislation in force, contract employee pay practices in local governments are very diverse. Positions with similar levels of qualifications and similar titles have widely different levels of pay. Differences in job content and performance would account for some differences in pay, but it is very usual when one finds positions where some people make 6, 7, or even 8 times what others make in a similar position.

68. Second, the remuneration system is structured so that length of employment in the public sector is a bigger determinant of pay than job responsibility. Seniority allowances can go as high as 25 percent of base salary, and this is in addition to career progression that places heavy emphasis on years worked. As a result, the pay package that is very unattractive to new employees and their prospects for pay progression are extremely limited in the medium term.

69. Third, the wide variety of allowances and bonuses undermine transparency and contribute to the major discrepancies in pay across positions with similar qualifications. For management positions with university qualifications for example, the base salary is only 49 percent of total pay. Management allowances contribute to big differences in pay compared to execution positions with similar qualifications, though this may not always be justified based on actual job content or expertise required. In addition, there are a number of allowances (especially for working conditions) that have different names and weights although they compensate equivalent working conditions. Some benefits that paid are not even authorized in the law.

70. Fourth, basic information needed to develop an effective public sector pay system and or even to assess the implementation of the current one are essentially missing. The government does not monitor in detail the pay and employment<sup>44</sup> practices of either local

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<sup>44</sup> Though the Ministry of Finance monitors overall personnel expenditure, as well as authorized, occupied and vacant positions, their report does not distinguish between the various components of pay or between statutes and grades.

or central public bodies. Hence, the government is not aware of specific developments and misses opportunities to improve the system or to offset shortcomings.

71. ***Our main recommendations over the medium term include:***

- a comprehensive review of all allowances and bonuses which would result either in standardization or inclusion into base salaries; only a handful of such benefits should be maintained to compensate for working conditions and reward performance; make sure that no other benefits can be paid by employers
- the pay curve should be reviewed upwards for early age positions so as to attract more young people to the system. The role that seniority plays in career advancement should be relaxed, with more emphasis given to actual job performance. Review performance assessment procedures to ensure objectivity.
- rewards for seniority should come through advancement in the salary range rather than through an additional allowance that is not linked to job responsibility. The current seniority allowance should be gradually phased out, with savings being used to make base salary ranges wider and the impact of promotions (from one grade to the next) more meaningful.
- Review the relative total pay for management and execution positions to ensure that execution positions that may require equally high-levels of expertise (e.g., senior advisors and other technical experts) are not unfairly disadvantaged.

## CHAPTER 3: COMPARATIVE ANALYSIS OF PAY POLICIES IN THE PUBLIC SECTOR

### Overview

72. *Base salary pay varies significantly across the different public sector employment groups, but local government contract employees tend to be consistently the lowest paid of all.* This is the case even when one compares positions with similar educational requirements and at similar places in the career ladder. Among positions requiring university degrees, those working in health, pre-university education, and security tend to be the highest paid. Among positions requiring only high school education, those employed in pre-university education remain relatively well-paid, followed by those in security. Without knowing the allowances paid to each position, it is hard to say whether these relative differences would hold (some sectors like security use allowances extensively). However, this preliminary analysis does raise questions about the relative pay equity across the public sector, especially the relative rates of pay for contract employees and some civil servants.

### Methodology

73. To assess how well public sector pay as whole complies with the principle of “equal pay for equal work,” we used the base salaries laid down in the legislation (as of 1<sup>st</sup> of April 2008) for each of the major employment groups. Although base salaries do not provide a comprehensive picture of pay practices, they are the best proxy one could employ to distinguish the main features of pay policies in the public sector. One should note that each of the categories of personnel analyzed below has a set of complementing allowances and bonuses which finally alter the compression rates<sup>45</sup>. Predictably, given the lists and weights of other pay benefits, the compression rates of total pay are significantly higher than those presented below for base salary. (For a detailed summary of allowances and bonuses see Annex 3.)

74. We selected 15 relevant positions from five categories of personnel, namely civil servants, contract employees, policemen, teachers and health employees. The positions are relevant for their frequency in the system. Positions were selected from two main categories of education requirements; then for each position we chose two grades: the highest and the lowest (beginners excluded). The two grades are relevant for every career path; the former includes employees with most experience and presumably best knowledge in the system, whereas the latter is the entry gate for young people who should ensure continuity over the long term.

75. The comparison across the different statutes is not completely relevant without a job evaluation process. However, the selected positions partly offset this drawback given their positions in the career path (most experienced and fresh graduates).

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<sup>45</sup> Given that highest base salary categories also get most allowances and bonuses the hierarchies remain unchanged.

76. The table below presents the selected positions, their education requirements, grades and base salaries determined according to the legislation in force. All selected position grades come with pay ranges; some of them have specific pay steps (e.g., civil servants,<sup>46</sup> teachers<sup>47</sup>) while the others simply lay down minimum and maximum values.

**Table 13: Positions Selected for Base Salary Comparisons**

Statute	Code	Education	Name	Grade	Min RON	Max RON
Health	IA <sup>48</sup>	u	doctor	primary	1,500	2,094
Contract employees	IA	u	adviser (clerk) - c.g. <sup>49</sup>	IA	725	1,648
Contract employees	IA	u	adviser (clerk) - l.g. <sup>50</sup>	IA	608	1,253
Contract employees	IA	u	play director	IA	848	1,725
Civil servants	IA	u	civil servant - c.g.	superior	1,540	1,944
Civil servants	IA	u	civil servant - l.g.	superior	1,181	1,539
Policemen	IA	u	officer	specialist principal	2,039	2,204
Teachers	IA	u	teacher	I	1,299	2,013
Health	IB <sup>51</sup>	u	doctor	assistant II	1,143	1,143
Contract employees	IB	u	adviser (clerk) - c.g.	IV	576	1,052
Contract employees	IB	u	adviser (clerk) - l.g.	IV	576	873
Contract employees	IB	u	play director	V	554	831
Civil servants	IB	u	civil servant - c.g.	assistant	896	1,035
Civil servants	IB	u	civil servant - l.g.	assistant	708	821
Policemen	IB	u	officer	(regular)	1,064	1,330
Teachers	IB	u	teacher	(regular)	1,048	1,593
Health	IIA <sup>52</sup>	h	nurse (medical assistant)	principal	650	1,126
Contract employees	IIA	h	social assistant	principal	630	940
Contract employees	IIA	h	worker	I	660	851
Civil servants	IIA	h	civil servant - c.g. deconcentrated	superior	757	999
Civil servants	IIA	h	clerk - l.g.	superior	762	908
Policemen	IIA	h	agent	chief principal	1,102	1,266
Teachers	IIA	h	schoolmaster (incl. kindergarten)	I	1,022	1,570
Health	IIB <sup>53</sup>	h	nurse (medical assistant)	(regular)	600	1,021
Contract employees	IIB	h	social assistant	(regular)	600	794
Contract employees	IIB	h	worker	VI	560	642
Civil servants	IIB	h	civil servant - c.g. deconcentrated	assistant	585	617

<sup>46</sup> Three pay steps for each grade. Advancement is achieved by performance assessment, seniority and exams combined.

<sup>47</sup> Up to 10 pay steps. Advancement is achieved mainly by seniority.

<sup>48</sup> University education requirement and highest grade.

<sup>49</sup> Central government.

<sup>50</sup> Local government.

<sup>51</sup> University education requirement and lowest grade.

<sup>52</sup> High school education requirement and highest grade.

<sup>53</sup> High school education requirement and lowest grade.

Statute	Code	Education	Name	Grade	Min RON	Max RON
Civil servants	IIB	h	clerk - l.g.	assistant	580	624
Policemen	IIB	h	agent	(regular)	810	931
Teachers	IIB	h	schoolmaster (incl. kindergarten)	(regular)	903	1,305

### Comparison of Pay Policies across Main Categories of Employees in the Public Sector

77. As shown in Table 14, the pay span between minimum and maximum base salaries within the four classes of grades is significant; it increases along with education requirements and seniority. The 3.62 ratio for the highest grade positions in all categories of personnel reveals the pervasive discrepancies across the entire public sector; basically, positions similarly placed in the career path of each main category of personnel receive considerably different pay. This is the consequence of many years of isolated policy adjustments and lack of cohesion in the overall pay policy. Actually, sector pay policy decisions have been made mostly under pressure from trade unions; there has not been any consistent attempt from the government to approach the issue comprehensively over the last 10 years. As a result, civil servants and contract employees have shown discontent at the consistently higher salaries in the special sector and recent pay increases in health and education.

78. The dispersion indicator which measures the spreading of the values within a certain set from the average shows similar results across all grades, implying that the ratios between the various positions remain constant throughout.

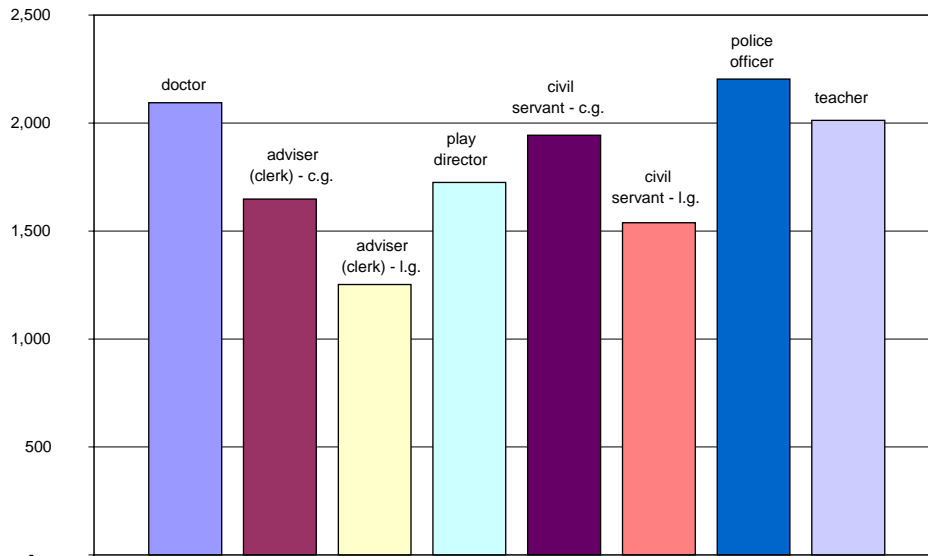
**Table 14: Pay Span for Main Types of Selected Positions**

Code	Min	Max	Max/ Min	Average	Dispersion
IA	608	2,204	3.62	1,510	33%
IB	554	1,593	2.88	953	30%
IIA	630	1,570	2.49	946	28%
IIB	560	1,305	2.33	755	29%

79. Within each of the grade levels, one gets a better understanding of the pay span by comparing across occupation groups. The pay span of the maximum base salaries for type IA positions (i.e., the most experienced employees in the system) reaches 1.76; the police officer is best paid, whereas the local government contract employee the worst paid. The relationship between university education civil servants and contract employees is of particular importance given the similarities of their job responsibilities. In central government, experienced civil servants get an 18 percent higher base salary than the experienced contract employees. The difference increases to 21 percent in the local governments. It is meant to compensate the civil servants' theoretically more important responsibilities,<sup>54</sup> their severe conflict of interest regime and slower career progression.

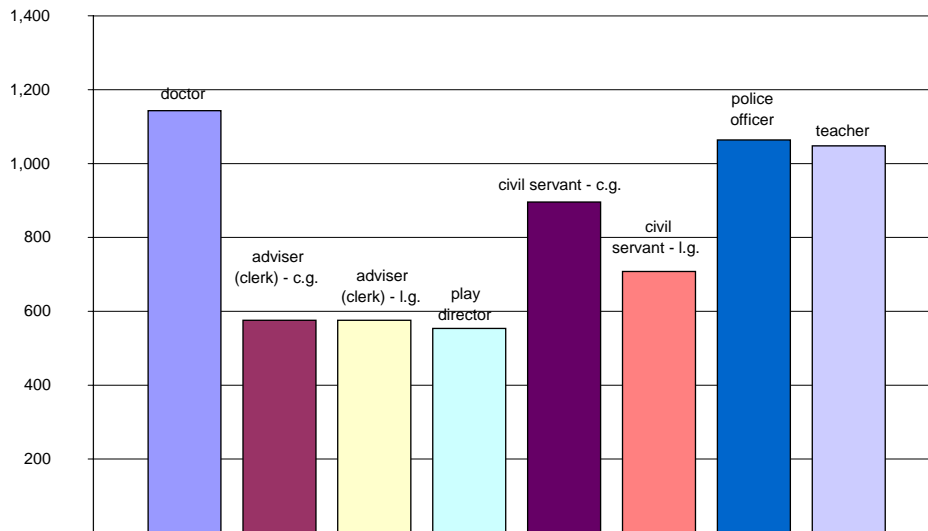
<sup>54</sup> The use of public authority power.

**Figure 29: Differences in Maximum Base Salaries for Highest Grade Positions Requiring University Education (Type IA)**



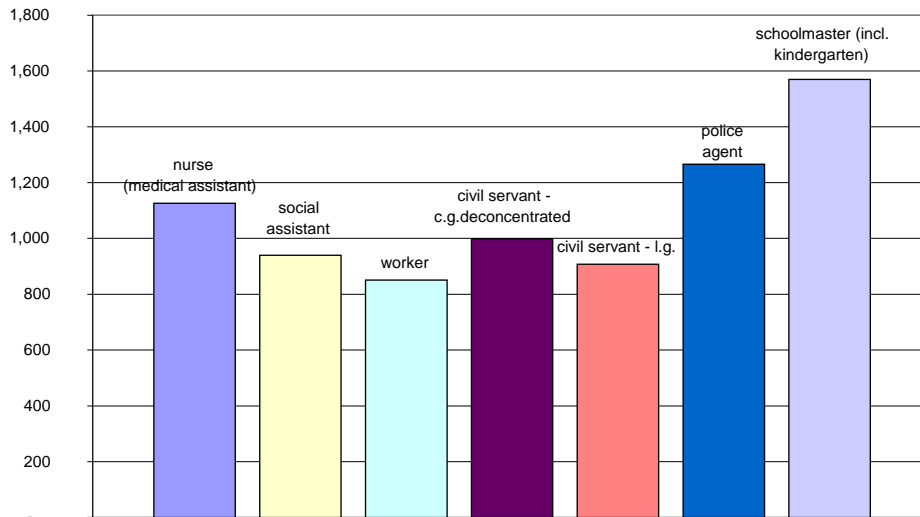
80. The pay span across minimum base salaries for university required positions (class IB) is 2.1, considerably higher than above. The best paid is the young doctor and the worst is the young play director; the contract employees come second to last. Two rather cohesive groups are formed: upwards the health, police and education employee; downwards the contract employees, the play director and the local government civil servant. The ratio between the civil servants and contract employees is higher than above; the young central government civil servant receives 50 percent more than the contract employee; in local government the difference drops to 23 percent.

**Figure 29: Dispersion of Minimum Base Salaries for Lowest Grade Positions Requiring University Education (Type IB)**



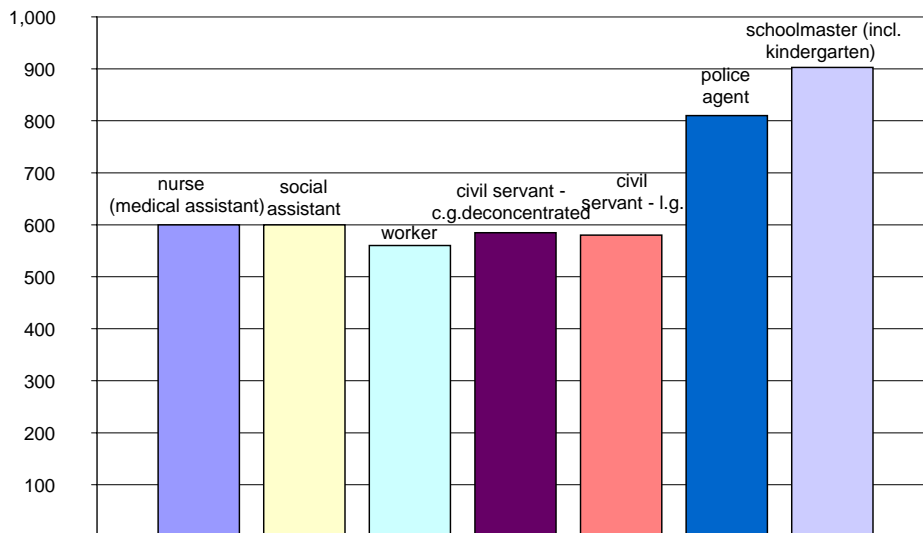
81. In the case of high school education positions, the most experienced schoolmaster has a 60 percent higher salary than a local government contract employee (i.e., worker). This time only one cohesive group can be distinguished, made of the civil servant in the deconcentrated services and the contract employees, all receiving less than 1000 RON as base salary. The reason for the schoolmaster's distance from the others may be the longer pay career for each grade (10 pay steps for over 40 years of seniority); hence the top base salaries exceed those of policemen and nurses who retire much sooner.

**Figure 30: Dispersion of Maximum Base Salaries for Highest Grade Positions Requiring High School Education (Type IIA)**



82. Pay span among the young high school education employees is 1.6; the best paid is again the schoolmaster and the worst is the contract worker. This time the main group is placed downwards and includes the contract employees, the civil servant and the nurse.

**Figure 31: Dispersion of Minimum Base Salaries for Lowest Grade Positions Requiring High School Education (Type IIB)**



## Main Issues and Recommendations

83. The analysis of base salaries across similar grades in the main categories of personnel in Romania's public sector reveals a series of weaknesses which may impact the efficiency and effectiveness of the public services over the medium and long term. The main issues which came through were the following:

- Romanian public sector employees do not receive “equal pay for equal work”. The current pay policy does not show correlation across categories of personnel; base salaries for similar positions in the career path differ significantly; in addition, the related ratios are not meaningful. The lack of correlation is the result of isolated pay policy decisions made under trade union or inward pressure over time.<sup>55</sup> The government has not embarked to any comprehensive pay review at the public sector level over the last ten years. Consequently, pay discrepancies are pervasive and discontent among the worst paid categories is growing.
- The lack of equity in the system is exposed by the separation of the categories of personnel according to their base salaries; policemen, health and education employees consistently get higher salaries than civil servants and contract employees. Within the two groups base salaries are somewhat close; the differences between them are significant.
- Pay is not attractive for young graduates. First, public sector salaries for young employees are much lower than the ones in private sector or abroad.<sup>56</sup> Second, the span between minimum and maximum base salaries for specific positions across all their related grades varies from 1.5<sup>57</sup> to 3.1. Hence young employees may feel somehow discriminated from the experienced ones.
- Civil servants and contract employees in local governments are significantly worse paid than those in central government. The implied reasons are job complexity and macroeconomic balance. However, local governments have many reasons to attract highly qualified personnel<sup>58</sup> given the need to improve service quality and to develop strategies and investment projects. Their ability to do so is seriously hindered by the current discrimination between central and local government base salaries. Rich local governments should be allowed to pay similar salaries as the central government.

84. There are several steps that the government could take toward developing a pay reform strategy: First, it could begin categorizing the types of allowances and to work out a phased approach to dealing with each. Some would be merged into base salary immediately, some redefined or renamed and kept as an allowance, some could be

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<sup>55</sup> Police, health and especially education trade unions obviously have more leverage than civil servants and contract employees.

<sup>56</sup> See the conclusions of the “Comprehensive Private/Public Survey in the Romanian Civil Service,” carried out by Hay Group in the first quarter of 2006 for the National Agency of Civil Servants.

<sup>57</sup> The span is usually below 2 for high school education positions.

<sup>58</sup> For instance the number of fully qualified architects working in the 3222 employer local governments is less than 100. The other employees who fill the positions of chief architect are either construction engineers of Architecture College graduates.

reduced gradually over time, and others eliminated altogether. Safeguards would be put in place so that no employee would see his/her salary decline as a result of the changes. Secondly, the government could initiate a program for merging the various positions into a single grade scale. This could be done through evaluations of a sub-group of benchmark jobs to assure that the job content and complexity are recognized equally across occupational families. Third, the government should estimate the available resources over the medium term to support future pay increases. Those resources could then be targeted to those positions that have previously been under-valued in the pay system. The size of that budget will then determine the pace at which structural reforms could be implemented. Support for reform will be enhanced if resources enable a large share of people to see their pay rise, despite the structural changes. Instead of ad hoc negotiations with unions each year, pay policy would be guided by a multi-year framework or guideline developed in advance.

## CHAPTER 4: CONCLUSIONS AND RECOMMENDATIONS

85. Reforming public sector pay systems is inherently challenging because it affects so many distinct stakeholders, and in different ways. The political economy issues that affect the setting of pay policies can be more important and more difficult to resolve than the technical issues. This report provides only an analytical foundation for understanding problems in the current system, and how to align that system more closely to common European pay practices. In fact, many of the findings from this report are not new to the government but have been discussed in previous studies and in technical assistance.

86. However, this report is a “work in progress” because it does not attempt to address **why** institutional changes have been so hard to make in Romania. There are underlying political economy issues that have been obstacles to initiating reform of the pay system, and it is important that these be understood and addressed in the formulation of any strategy. In countries confronting similar challenges, the reforms are part of a comprehensive strategy and are phased in over several years. Lessons from others in the region—and how they manage stakeholder concerns—can be useful. But it is equally important that one evaluate the Romanian context and the factors that prevent a more strategic approach to pay policy decisions.

87. Improvement in the long-term quality of the public administration in Romania is dependent on many factors, but reform of the pay system is an important one. Higher levels of budget resources will not necessarily resolve the challenges faced by the public administration. In fact, spending on public sector pay has risen dramatically since 2004, but the overall system of remuneration and career advancement for public servants has not changed much. Annual pay increases are still negotiated ad hoc with individual trade unions and reflected in across-the-board increases in base salaries. Careers scales still place heavy emphasis on time-in-grade and the accumulation of allowances. The incentives needed to attract skilled workers and motivate performance remain weak.

88. Some of the main challenges reflected in the pay practices for local government contract employees are:

- Transparency and perception of equity are eroded by heavy reliance upon allowances and bonuses to determine total pay. The pay dispersion for similar types of positions is much greater than could be explainable by genuine differences in responsibility or pay grade. Allowances should be scaled back and base salary given a higher share of overall pay.
- Incentives for attracting new staff from outside the public service are extremely poor. Time-in-grade requirements create rigidities in the salary structure that keep new staff in lower pay grades and severely limit pay enhancement opportunities. Greater flexibility is needed in career advancement criteria.
- The incentives for performance are undermined by the weight given to the seniority allowance and its poor linkage to job responsibility. As a result, those with less responsibility can make much higher salaries merely by virtue of their number of years in the public sector. Differences in pay should be driven foremost by differences in responsibility. Steps within grades should be a

sufficient tool to reward seniority, and base salary differentials between grades should be expanded so that promotion matters more. Seniority allowance should be scaled back over time and eventually eliminated. The savings can be used to expand base salary ranges and decompress base salaries.

89. Quality of public administration could be enhanced by a better alignment between job responsibilities and pay—throughout the public sector. In other words, the relative differences in pay within the public sector can be as important as the comparisons with private sector averages. Likewise, a more accurate assessment of job weight or relative complexity can also be important to resolving pay problems. In this study, data on civil servants, teachers, health workers, and police were only available in terms of base salaries. However, that information was sufficient to confirm that positions with similar educational requirements have very different levels of pay depending on which statute they are covered under. This could result in relative over-spending for some positions, and relative under-spending on others. To address this, the government should consider:

- A review of the job content for selected positions would help to confirm whether there are well-founded reasons to explain the significant differences. Other positions can then be benchmarked against those that have been evaluated formally for job content.
- If the differences cannot be explained by job responsibility, the government should assess whether labor market conditions would justify continuing the current pay echelon. In other words, if some occupational families or job functions face greater competition with the private sector they may merit being on a higher scale.
- Armed with information about the relative job weights and any distinctive labor market conditions, the government should then develop a medium term strategy to reposition selected jobs within an overall public sector pay structure. This could imply that some categories of positions benefit from faster rates of increase in the future than others. The collective bargaining process with unions should be refined to accommodate the system-wide adjustments.
- As with local government contract employees, the government should reconsider the role of allowances in total compensation for all other public sector personnel – with the aim of reducing allowances that are not directly tied to job responsibilities (e.g., seniority allowance). Career advancement criteria should also be reassessed to assure that they do not unduly weight seniority over performance.

90. Finally, the government should develop a long-term strategy for improving information management and reporting on public sector pay practices. Although there is a large legislative base for Romanian pay policies, the actual implementation of the policy can have unintended consequences across job families. To develop a more strategic approach to pay formulation, including the costing of various policy alternatives, the government should make a priority to consolidate data on public sector pay and establish appropriate monitoring procedures.

## **ANNEXES**

## Annex 1: Macroeconomic Data and Public Sector Personnel Expenditure (2005-07)

### Table A1.1: Macroeconomic Data

Statistics Romania	2005	2006	2007
GDP (RON)	288,000,000,000	341,000,000,000	404,000,000,000
No of total national employment	4,559,000	4,667,300	4,770,000
Population	21,680,974	21,565,119	21,537,563
GDP per capita (RON)	13,284	15,669	18,758
Public spending as a % of GDP	29.8%	33.0%	33.8%
Total public spending (general consolidated budget) (RON)	85,720,800,000	112,626,314,696	136,556,539,507
Average exchange rate RON/EURO	3.6234	3.5245	3.3373
Average exchange rate RON/USD	2.9137	2.8090	2.4383

### Table A1.2: Personnel Expenditure in Public Sector, 2005-2007

Total public sector personnel spending	2005	2006	2007	2007/ 2006	2007/ 2005
GDP	288,000,000,000	341,000,000,000	404,000,000,000	18%	40%
Total public sector spending	85,720,788,583	112,626,314,696	136,556,539,507	21%	59%
Central government	6,511,162,685	10,174,048,356	13,184,277,068	30%	102%
Local government	2,499,148,640	3,404,315,215	4,424,773,543	30%	77%
Preuniversity education	4,974,644,295	6,592,565,017	6,691,601,679	2%	35%
Local agencies subsidized	358,148,519	554,192,826	680,565,619	23%	90%
Central agencies own revenues	374,834,275	469,428,622	672,894,123	43%	80%
Local agencies own revenues	227,034,668	190,740,638	225,926,412	18%	0%
Pension fund management	83,853,361	103,029,096	115,302,203	12%	38%
Labor fund management	57,190,604	82,036,547	99,638,144	21%	74%
Health fund management	69,450,953	95,524,361	123,467,518	29%	78%
Total public sector pers. exp.*	15,155,468,000	21,665,880,678	26,218,446,309	21%	73%
% of GDP	5.3%	6.4%	6.5%		

**Table A1.3: Personnel Expenditure by Main Categories of Personnel, 2005-2007**

<b>State budget - civilian (civil servants and contract employees)</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Wage expenditure	n.a.	1,085,080,013	1,430,992,399
Base salaries	n.a.	657,983,813	776,688,731
Allowances (fixed part)	n.a.	124,530,932	159,722,496
Other allowances and bonuses (variable part)	n.a.	254,969,665	241,892,721
In-kind benefits	n.a.	10,341,781	11,180,831
Social contributions	n.a.	296,071,845	355,236,529
<b>State budget - military</b>			
	<b>2005</b>	<b>2006</b>	<b>2007</b>
Total expenditure	38,782,387,518	51,235,616,951	64,373,518,140
Personnel expenditure	1,346,717,203	2,058,121,683	2,397,859,871
Wage expenditure	n.a.	1,340,770,596	1,611,948,226
Base salaries	n.a.	499,264,114	620,471,352
Allowances (fixed part)	n.a.	135,069,099	182,931,473
Other allowances and bonuses (variable part)	n.a.	562,389,219	691,546,021
In-kind benefits	n.a.	528,275,109	568,177,018
Social contributions	n.a.	189,075,978	217,734,627
<b>State budget - police, gendarmerie, fire fighters, judiciary, intelligence</b>			
	<b>2005</b>	<b>2006</b>	<b>2007</b>
Total expenditure	38,782,387,518	51,235,616,951	64,373,518,140
Personnel expenditure	2,319,924,415	5,445,952,462	7,312,332,453
Wage expenditure	n.a.	3,479,829,636	5,009,807,264
Base salaries	n.a.	1,574,146,312	2,118,987,189
Allowances (fixed part)	n.a.	117,764,875	256,817,947
Other allowances and bonuses (variable part)	n.a.	1,736,415,671	2,363,798,567
In-kind benefits	n.a.	947,579,300	1,083,894,101
Social contributions	n.a.	483,058,802	558,517,953
<b>Local budgets - civilian (civil servants and contract employees)</b>			
	<b>2005</b>	<b>2006</b>	<b>2007</b>
Total expenditure	18,776,959,809	24,139,020,789	33,982,266,772
Personnel expenditure	2,499,148,640	3,404,315,215	4,424,773,543
Wage expenditure	1,575,469,056	2,196,623,134	2,889,410,717
Base salaries	1,118,736,929	1,390,452,285	1,736,217,181
Allowances (fixed part)	137,524,532	215,309,637	276,277,667
Other allowances and bonuses (variable part)	198,409,016	445,225,959	608,813,054
In-kind benefits	n.a.	6,065,435	4,958,971

Social contributions	465,555,855	626,091,874	787,015,538
<b>Local budgets - preuniversity education</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Total expenditure	18,776,959,809	24,139,020,789	33,982,266,772
Personnel expenditure	4,974,644,295	6,592,565,017	6,691,601,679
Wage expenditure	3,784,590,628	5,076,868,435	5,199,673,549
Base salaries	2,450,537,553	3,035,191,731	3,318,584,611
Allowances (fixed part)	438,994,402	715,130,863	824,613,058
Other allowances and bonuses (variable part)	592,876,259	1,109,413,711	758,632,919
In-kind benefits	n.a.	2,547,917	7,735,336
Social contributions	1,181,810,978	1,513,148,665	1,484,192,794

**Table A1.4: Personnel Expenditure per Authorized Position, 2007<sup>59</sup>**

Category of personnel	% in total public personnel spending	Personnel expenditure per authorized position	Monthly total per capita expenditure	Monthly total wage and in-kind benefits expenditure
Civil servants& contract employees - central government	13%	30,193	2,516	2,019
Military	9%	34,707	2,892	2,502
Policemen, gendarmes, firefighters, judiciary	28%	46,073	3,839	3,546
Civil servants& contract employees - local government	17%	14,052	1,171	921
Preuniversity education	26%	19,699	1,642	1,277

<sup>59</sup> Determined based on budget execution and total authorized positions.

## Annex 2: Main Categories of Public Sector Personnel – Positions and Wage Expenditure

**Table A2.1: Public Sector Employment by Main Categories of Personnel**

Category/ employer	2005	2006	2007	2008	2008*	% occupied 2008	Increase 2008- 2005
Central government	304,512	335,352	359,218	381,188	336,783	88%	25%
Special sector (military, police, gendarmerie, fire fighters, justice, intelligence)	199,117	221,425	244,154	263,325	N/A	N/A	32%
Civil servants	65,314	70,232	N/A	78,153	N/A	N/A	20%
contract employees	37,981	41,595	N/A	37,535	N/A	N/A	-1%
Local government	257,679	301,956	314,895	318,291	272,687	86%	24%
Civil servants	55,417	58,282	N/A	78,002	N/A	N/A	41%
Contract employees	202,262	227,784	N/A	240,289	N/A	N/A	19%
Preuniversity education	339,688	339,688	339,688	339,688	336,688	99%	0%
Central agencies subsidized	36,539	46,873	47,003	46,697	40,850	87%	28%
Local agencies subsidized	39,600	49,470	47,798	54,198	44,356	82%	37%
Health	193,933	202,090	215,875	224,458	202,154	90%	16%
University education	79,941	68,203	68,203	68,203	66,321	97%	-15%
Central agencies own revenues	21,737	29,824	29,819	31,050	26,862	87%	43%
Local agencies own revenues	31,334	20,399	19,404	19,907	15,220	76%	-36%
Pension fund management	5,792	4,181	4,181	4,737	4,423	93%	-18%
Labor fund management	3,464	3,545	3,505	3,152	3,057	97%	-9%
Health fund management	3,697	4,028	4,028	4,028	3,779	94%	9%
<b>Total public employment</b>	1,317,916	1,405,609	1,453,617	1,495,597	1,353,180	90%	13%
% of total workforce	28.9%	30.1%	30.5%				

**Table A2.2: Data on Positions in the Special Sector Approved by State Budget, 2005-08**

<b>Employer</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Ministry of justice</b>	<b>13,949</b>	<b>14,381</b>	<b>14,288</b>	<b>14,288</b>
Special statute - judiciary	4,663	4,732	4,738	4,743
Civil servants	550	726	755	752
Contract employees - judiciary	7,534	7,788	7,919	7,917
Contract employees - ordinary	963	891	848	848
Others	239	244	28	28
<b>Ministry of interior and administrative reform</b>	<b>108,507</b>	<b>131,809</b>	<b>150,123</b>	<b>159,564</b>
public authorities	2,603	2,748	2,851	2,951
civil servants	2,021	2,156	2,181	2,250
contract employees - operational	80	350	427	428
contract employees - administrative	216	216	215	245
others	286	26	28	28
public safety	104,328	127,445	144,424	153,765
special statute	69,484	74,358	75,869	76,006
policemen (including border police)	68,774	73,668	75,115	75,226
others	710	690	754	780
contract employees - specialist	6,157	7,133	7,338	7,661
fire fighters	28,686	45,963	60,988	69,969
education (specialist schools)	1,576	1,606	1,764	1,764
others		10	1,084	1,084
<b>Ministry of defense</b>	<b>86,687</b>	<b>85,566</b>	<b>89,894</b>	<b>89,894</b>
army	63,562	62,319	69,088	69,872

### **Annex 3: Main Regulations on Public Sector Personnel Remuneration**

The various categories of personnel in Romania's public sector are regulated by specific pieces of legislations. The latter describe the wage benefits which can be paid in terms of weight or value, entitled personnel and paying conditions. Legally, no other wage benefits may be paid unless laid down in the legislation in force.

The description of pay components across categories of personnel reveals similar characteristics and specific benefits. The similar characteristics relate to the existence of base salary, the merit salary, management allowance and seniority allowance. These benefits are paid to all public employees. Other similar features include the bonus funds, the overtime allowance and PhD allowance.

On the differential side, specific categories such as police, military and health enjoy a wide array of allowances and bonuses to complement for the unsatisfying base salaries. These benefits are sometimes paid to all or almost all employees. Anyhow, for these categories in particular, it is clear that the weight of such benefits in the total pay is very important.

This annex reveals the lack of a correlated approach at the public sector level as regards the components of the variable part of wages.

#### **1. Teaching personnel in preuniversity education**

Legislation in force: Law no 128/1997 on the statute of teaching personnel

Description: Five different positions structured into four grades, including beginner. The positions and their education requirement are specific to kindergarten, primary school and secondary school. The grades are divided in up to 10 pay levels (beginner excluded), as opposed to 5 for civil servants and contract employees. The pay levels are structured according to seniority.

The base salary is coefficient based. Each position is assigned a series of fixed coefficients, i.e. the pay levels.

Procedures for update: the value of the coefficient is set each year by G.O.

Who pays: local governments.

<b>Wage Component</b>	<b>Weight / Amount</b>	<b>Conditions / Comments</b>
Base salary	Coefficient according to position, grade and seniority.	The coefficient is fixed.
Merit grade	20% of BS <sup>60</sup>	The allowance is considered as part of the BS and thus taken into account when determining other allowances weighted against the BS. Has to be approved by the minister after a bottom up evaluation procedure. Awarded for 4 years. Only 10% of the positions within a county may benefit.
Merit salary	15% of BS.	The allowance is considered as part of the BS and thus taken into account when determining other allowances weighted against the BS.
Management allowance	15% - 35% of the maximum BS for the teacher's correspondent position.	Established by the County Inspectorate (deconcentrated service) based on the school size, complexity and managerial performance. May be revised annually.
Seniority allowance	5% - 25% of BS.	After 30, 35 and 40 years of seniority an extra 4% of the previous base salary is awarded.
Rural allowance	5% - 80% of BS	The % is established by local governments in consultation with trade unions
Stability allowance	15% of BS.	The allowance is part of the BS and thus taken into account when determining other allowances weighted against the BS. The beneficiaries are teachers with at least 10 years of continuous work in the system.
PhD bonus	15% of BS.	
Stress allowance	3% of BS.	The allowance is considered as part of the BS and thus taken into account when determining other allowances weighted against the BS. Awarded to each teacher on passing each level of seniority. Basically, the allowance is a 3% increase of the base salary, including the allowance determined for the previous seniority level.
Allowance for personnel in special education units and residential services for children	15% of BS	The allowance is considered as part of the BS and thus taken into account when determining other allowances weighted against the BS.
Class coordination allowance	10% of BS.	The allowance is considered as part of the BS and thus taken into account when determining other allowances weighted against the BS. The beneficiaries are teachers who are responsible/ coordinators of a specific class of pupils.

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<sup>60</sup> Base salary.

Wage Component	Weight / Amount	Conditions / Comments
Annual bonus	100% on last month BS	All employees are entitled.
Teacher training allowance	10% - 25% of BS.	For teachers involved in training activities.
Other bonuses	Food allowance.	According to national agreement with trade unions (collective work contract).

## 2. Police and border police

Legislation in force: Law no 360/2002 on the statute of policeman; G.O<sup>61</sup>. no 38/2003 on the remuneration and other entitlements of policemen.

Description: Policemen are considered civil servants with special statute; hence they are regulated by specific legislation.

There are 22 main different positions structured into classes and categories; there are two classes based on education (officers and agents), whereas the categories relate to the responsibilities of the positions (dignitaries, high civil servants, leading civil servants and execution). Apart from his position, each policeman has a specific grade, according to education and experience. Seniority is acknowledged by up to seven specific levels (every three years).

The base salary is made of several components: position salary, grade salary, seniority allowance, merit salary, management allowance and on-call allowance<sup>62</sup>. The base salary is supplemented by a wide range of bonuses and allowances.

The position and grade salaries are set based on coefficients. The rest of the remuneration components are related to the base salary or position salary.

Procedures for update: the value of the coefficient is set each year by G.O.

Policemen do not make contributions to the pension and employment funds and neither do the employers. Instead policemen make a 5% contribution to the state budget for pension benefits; policemen retirement benefits are paid from the state budget.

Who pays: central government.

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<sup>61</sup> Government Ordinance

<sup>62</sup> In Romanian the name is „permanent mission allowance”.

<b>Wage Component</b>	<b>Weight / Amount</b>	<b>Conditions / Comments</b>
Position salary	Coefficient according to education, type of function and complexity.	Most positions may range from minimum to maximum coefficient.
Grade salary	Coefficient based, according to grade.	Fixed coefficient. Much smaller than the function salary.
Seniority allowance (“gradație”)	6% of the position salary, grade salary, merit salary and management allowance.	Up to seven levels, one every three years. In effect, each policeman gets 2% for every years of seniority.
Merit salary	20% of the position salary	Up to 30% of the positions are eligible.
Management allowance	10% - 50% of the position salary	
On-call allowance	25% of the position salary, grade salary, seniority allowance, merit salary and management allowance	All policemen are entitled.
Fidelity allowance	25% of base salary	All personnel in the public safety and national security institutions
Confidentiality allowance	15% - 20%	Policemen who use codes.
Overtime	75% and 100% of base salary hour	
Move bonus	100% of the base salary, 25% of base salary for each member of the family	
Isolation allowance	Up to 20% of base salary	
Commencement bonus	100% of base salary	Graduates of police educations joining the forces
Protection/ intelligence/ intervention allowance	Up to 30% of base salary	
Corruption combating allowance	30% of base salary	Policemen in units assigned to fight corruption within the police system.
Danger allowance	16% - 50% of base salary	
Bonus fund	10% of monthly wage expenditures	
Annual bonus	Last month base salary	All policemen entitled
PhD allowance	15% of base salary	
Special work/ extraordinary results allowance	Up to 50% of base salary	Up to 5% of all positions
Night work bonus	Minimum 15%	
Dangerous working conditions allowance	10% of base salary	e.g. radio magnetic waves. Subject to Ministry of Labor authorization.
Incentive for the personnel in the central apparatus of the ministry	25% increase of coefficients for position and grade	All personnel in the central apparatus units

### 3. Military personnel in the army, gendarmerie, intelligence and judiciary

Legislation in force: Law no 80/1995 on the statute of military personnel; Law no 138/1999 on the remuneration and other entitlements of military personnel in public military institutions, public safety and national security, as well as the civilian personnel in these institutions.

Description: the legislation is applicable to the personnel of the Ministry of Defense, Ministry of Interior and Administrative Reform (i.e. gendarmes and firefighters), intelligence services and Ministry of Justice.

There are different types of positions determined against grades and education requirements. Apart from his position, each soldier has a specific grade, according to education and experience. Seniority is acknowledged by up to seven specific levels (every three years).

The base pay is made of several components: position pay, grade pay, seniority allowance, merit pay, command allowance and on-call allowance. The base pay is supplemented by a wide range of bonuses and allowances.

The position and grade pays are set based on coefficients. The rest of the remuneration components are related to the base pay or position pay.

Procedures for update: the value of the coefficient is set each year by G.O.

Military personnel do not make contributions to the pension and employment funds, except contract based soldiers/ gendarmes/ firefighters. The militaries' retirement benefits are paid from the state budget.

All civilian personnel in the military institutions carrying out similar tasks as soldiers may benefit from the same bonuses and allowances as the latter.

Personnel working in the air forces receive specific bonuses determined against the flying time. Personnel working in the navy receive specific bonuses determined against the duration of their missions off base. Personnel working in the army corps of engineers receive specific bonuses determined against their fulfillment of the work plan.

Who pays: central government.

Wage Component	Weight / Amount	Conditions / Comments
Position pay	Coefficient according to education, type of function and complexity.	Most positions may range from minimum to maximum coefficient.
Grade pay	Coefficient based, according to grade.	Fixed coefficient. Much smaller than the function pay.
Seniority allowance (“gradație”)	6% of the position pay, grade pay, merit pay and management allowance.	Up to seven levels, one every three years.

Wage Component	Weight / Amount	Conditions / Comments
Merit pay	20% of the position pay	Up to 30% of the positions are eligible.
Management allowance	10% - 50% of the position pay	
On-call allowance	25% of the position pay, grade pay, seniority allowance, merit pay and management allowance	All military are entitled.
Confidentiality allowance	15% - 20% of base pay	Soldiers who use codes.
Overtime allowance	5% - 25% of base pay	
Move bonus	100% of the base pay, 25% of base pay for each member of the family	
Commencement bonus	100% of base pay	Graduates of military education joining the military. Contract soldiers after their first 3 year contract.
Isolation allowance	Up to 20% of base pay	
Protection/ intelligence/ intervention allowance	Up to 30% of base pay	
Danger allowance	16% - 50% of base pay	
Bonus fund	5% of monthly wage expenditures	
Annual bonus	Last month base pay	All soldiers entitled, excluding recruits.
PhD allowance	15% of base pay	
Special work/ extraordinary results allowance	Up to 50% of base pay	Up to 5% of all positions
Night work bonus	Minimum 15%	
Dangerous working conditions allowance	10% of base pay	e.g. radio magnetic waves. Subject to Ministry of Labor authorization.

#### 4. Contract employees

Legislation in force: G.E.O.<sup>63</sup> no 24/2000 on the establishment of base salaries for contract employees in public sector.

Description: base salaries are nominated for a wide range of positions across different sectors: general administration, customs, research, civilian air force and navy, culture, social assistance, churches, sport bodies, agriculture, cadastre, archives. In addition, common administrative positions are included (drivers, secretary, typewriter, warehouse administrator, building administrator, guard, fireman, worker etc). For all base salaries a minimum and maximum is provided. The value is determined across fields of work based on sector coefficients. Within the same field of work, hierarchies are established according to education requirements and job complexity. Job complexity is reflected in grades; the number of grades varies across sectors and categories of education from 2 to 5. Employees advance in grade and base salary on the basis of seniority and performance assessment.

Each employee receives a seniority allowance structured into 5 levels of seniority.

<sup>63</sup> Government Emergency Ordinance

The base salary is coefficient based, but expressed in RON.

The allowances and bonuses may be divided into two categories: universal and sector specific. All contract employees are entitled to the universal ones (e.g. seniority, dangerous working conditions, merit, management, bonuses). In addition, specific sectors benefit from particular allowances and bonuses (see below). The former is included into the common legislation for the remuneration of contract employees. The latter is included into sector specific legislation (e.g. law on museums, law on child protection system).

Procedures for update: the values of the base salaries are set each year by G.O.

Who pays: employer institutions.

Wage Component	Weight / Amount	Conditions / Comments
Base salary	Values in RON are set within the law.	Minimum and maximum thresholds for each position. The actual value is determined on the recruitment assessment.
Merit salary	15% of BS	Up to 15% of contract employees positions. Awarded for the whole duration of a year.
Management allowance	10% - 55% of BS	According to the complexity of the management position. Varies across sectors on similar positions.
Seniority allowance	5% - 25% of BS	Five levels starting from 3 years of seniority.
Dangerous working conditions	10% of BS	Personnel in institutions subject to electromagnetic radiations.
Bonus fund	2% of payroll (only wage expenditure included)	The beneficiaries are established by the credit officers (heads of institutions).
Overtime	75%, 100% of the hourly base salary	
Night shift	25% of the hourly base salary	All civil employees are entitled.
Annual bonus	100% on last month BS	All employees are entitled.
Local government bonus fund (for Christmas)	5% of payroll, provided recurrent revenues <sup>64</sup> cover all personnel expenditures	
Confidentiality allowance	Up to 15% of BS	Personnel within the Government central apparatus and other 7 central government bodies.
Holiday bonus	Sum of the daily BS, seniority allowance and management allowance.	All employees.

<sup>64</sup> The budget classification classifies as recurrent all fiscal and non-fiscal revenues, except capital. Hence, it includes state budget transfers, too. This makes it very easy for any local government to meet the conditions for this bonus fund.

### Specific allowances and bonuses for particular categories of personnel

Nr. crt.	Allowance / Bonus	% of BS	Legal Base	Beneficiaries
1.	fidelity	15%, 7%-17%, 10%	Law no. 334/2002, Law no. 311/2003, Law no. 593/2004	librarians, social services workers
2.	stress/ special working conditions	10%, 5%, 15%, 25%	Law no. 334/2002, G.D. 281/1994, G.O. 10/2008	librarians, social services workers, civil aviation, mountain rescue, local police
3.	preventive financial control (ex-ante audit)/ ex-post audit	25%, 15%, 20%	Law no. 84/ 2003, G.O. 119/2003	specialized personnel in all institutions
4.	job complexity	25%	Order MFP nr. 522/2003, G.O. 119/1999	personnel carrying preventive financial control tasks
5.	job difficulty	30%-50%	Law no. nr.10/2001; G.D. nr.498/2003; OUG nr.209/2005; Law no. 263/2006	legal advisers involved in nationalized property restitution
6.	night shift	15%	G.D. 281/1993	social services workers doing shifts
7.	on-call	25%	Court decisions, Order MAI 496/2003	employees of Ministry of Interior and Administrative Reform, employees in local governments
8.	mobility	10%	Trade union agreement, Law no. 514/2003	Legal advisers
9.	stability	5%-15%	Law no. 311/2003, Law no. 12/2006	museum employees with more than 10 years seniority
10.	computer (dangerous work)	15%	Trade union agreement, G.D. 281/1993	local governments
11.	health and work security	500 lei	local government decision, trade union agreement	local governments
12.	anti-pandemic or other diseases campaigns	50%	G.O. 10/2008	employees of the Ministry of Agriculture involved in prevention and fighting such situations; some local governments have also wrongfully paid such bonuses
13.	work in shifts	15%	G.D. 281/1993	employees of a specific county government carrying out secretariat work
14.	food allowance	11, 14 RON/day	trade union agreement	local governments
15.	Easter and Christmas bonus	300 RON	trade union agreement	local governments
16.	uniform	670, 300 RON	trade union agreement	local governments

<b>Nr. crt.</b>	<b>Allowance / Bonus</b>	<b>% of BS</b>	<b>Legal Base</b>	<b>Beneficiaries</b>
17.	toxic working conditions	7%, 15%	local government decision, trade union agreement, Law no. nr. 311/2003	local governments, museums
18.	national importance activities	25%	G.D. 281/1993	sport bodies, cultural institutions of national importance of located in Bucharest
19.	Project Implementation Unit	75%	Law no. 490/2004, G.E.O. no. 1/2006	All civil servants working in Project Implementation Units carrying out project funded by European Union or other IFIs

## **5. Civil servants**

Legislation in force: Law no. 188/1999 on the statute of civil servants; annual G.O.(s) establishing base salaries and other wage components.

Description: all civil servant positions have fixed base salaries; these are differentiated across education requirements, grades and administration level. In the latter respect, base salaries are structured onto four main levels:

- Own apparatus of the government, presidency and parliament; seven other public institutions in central administration and judiciary
- Ministries and other central government bodies; city hall of Bucharest
- Prefectures, deconcentrated services and county councils
- Local governments and subordinated institutions.

Civil service is structured into three main classes according to education. First class is, in turn, structured into three categories (high civil servants, leading, execution). Each execution position is structured into three grades (beginner excluded), whereas each grade is divided into three pay steps.

The base salary is expressed in RON.

Civil servants' base salaries are about 20% higher than those of contract employees.

Each employee receives a seniority allowance structured into 5 levels of seniority.

The allowances and bonuses are broadly similar to the universal ones of contract employees. However, civil servants working in particular institutions may receive specific allowances stated in the legislation regulating the respective fields of work or institutions.

Procedures for update: the values of the base salaries are set each year by G.O.

Who pays: employer institutions.

<b>Wage Component</b>	<b>Weight / Amount</b>	<b>Conditions / Comments</b>
Base salary	Values in RON are set within the law.	Fixed values. Each grade has three pay steps.
Merit salary	15% of BS	Up to 20% of civil servant positions within the institution. Awarded for the whole duration of a year.
Management allowance	15% - 55% of BS	According to the complexity of the management position. Varies across sectors on similar positions.
Seniority allowance	5% - 25% of BS	Five levels starting from 3 years of seniority.
Dangerous working conditions	10% of BS	Personnel in institutions subject to electromagnetic radiations.
PhD allowance	15% of BS	All civil servants are entitled.
Bonus fund	10% of payroll (only wage expenditure included)	The beneficiaries are established by the credit officers (heads of institutions).
Overtime	75%, 100% of the hourly base salary	
Night shift	25% of the hourly base salary	All civil servants are entitled.
Annual bonus	100% on last month BS	All employees are entitled.
Holiday bonus	Sum of the daily BS, seniority allowance and management allowance.	All employees.
Special bonus fund	5% of payroll out of savings from wage expenditure	Employees selected by credit officers.
Local government bonus fund (for Christmas)	5% of payroll, provided recurrent revenues <sup>65</sup> cover all personnel expenditures	
Confidentiality allowance	Up to 15% of BS	Personnel within the Government central apparatus, the presidency and five other central government bodies.

<sup>65</sup> The budget classification classifies as recurrent all fiscal and non-fiscal revenues, except capital. Hence, it includes state budget transfers, too. This makes it very easy for any local government to meet the conditions for this bonus fund.

## Specific allowances and bonuses for civil servants in particular institutions

Nr. crt.	Allowance/ Bonus	% of BS	Beneficiaries
1.	preventive financial control (ex-ante audit)/ ex-post audit	25%, 15%, 20%	specialized personnel in all institutions
2.	Public manager	55%	Civil servants with public manager statute (200-300 employees)
3.	Project Implementation Unit	75%	All civil servants working in Project Implementation Units carrying out project funded by European Union or other IFIs
4.	Mobility	20%, 25%	Local governments
5.	Border	20%	Customs services
6.	On-call	25%	Employees of the Ministry of Interior and Administrative Reform, including Prefectures; subsequently, many local governments have awarded such allowances
7.	Foreign languages	10%	Ministry of External Affairs
8.	Special working conditions	5%, 10%, 15%	Competition Council, Danube Delta Administration, Social (Pension) Fund Administration, Customs services
9.	Isolation	40%, 50%, 60%	Danube Delta Administration, Environment Guard, public finance deconcentrated services
10.	Job difficulty	25%-40%	legal advisers involved in nationalized property restitution
11.	Stress	16%	Social (Pension) Fund Administration, Public Health Authorities (county level)
12.	Stability	3% - 10%	Customs services, National Statistics Institute
13.	Treasury	10%	Employees of public finance deconcentrated services

### 6. Health personnel

Legislation in force: G.E.O. no 115/2004 on the remuneration and other entitlements of contract employees in public health units.

Description: positions are structured according to job responsibilities (specialist, research, auxiliary, administrative), education requirements and grades. For each grade pay is laid down between minimum and maximum values. Pay progression is allowed once a year based on work performance assessment.

Procedure for update: by G.O.

Who pays: hospitals and the other public health units. Their revenues come from the health fund, own revenues, state budget.

Wage Component	Weight / Amount	Conditions / Comments
Base salary	Values in RON are set within the law.	Each grade has a pay range within minimum and maximum values. Base salaries of employees in forensic medicine and pathologic anatomy are 100% higher than the standard laid down by the law. Base salaries of members of hospitals' management committees are different from the execution positions, i.e. higher.
Merit salary	15% of BS	Up to 20% of civil servant positions within the institution. Awarded for the whole duration of a year.
Management allowance	15% - 55% of BS	According to the complexity of the management position. Varies across sectors on similar positions.
Seniority allowance	5% - 25% of BS	Five levels starting from 3 years of seniority.
Dangerous working conditions I	Up to 15% of BS	
Stress allowance	Up to 15% of BS	For activity in tense working environments.
Dangerous working conditions II	Up to 25% of BS	For work in infectious disease units and in neurological emergency units.
Dangerous working conditions III	50% - 100% of BS	For work in extremely dangerous conditions (ambulance, AIDS, emergency, intensive care, epidemics etc). The receiving units are established by the Minister of Public Health.
Dangerous working conditions IV	Up to 30% of BS divided into three thresholds	Personnel working under radiations.
Isolation allowance	Up to 60% of BS	The receiving units are established by the Minister of Public Health.
PhD allowance	15% of BS	All personnel is entitled.
Bonus fund	2% of payroll (only wage expenditure included)	The beneficiaries are established by the credit officers (heads of institutions).
Overtime I	75%, 100% of the hourly base salary	All personnel is entitled.
Overtime II	25% - 50% of base salary in working days 50% - 100% in week-end and legal holidays	The beneficiaries are doctors who work beyond their norm to ensure over the clock medical assistance in the public health units.
Night shift	25% of the hourly base salary	All personnel is entitled.
Annual bonus	100% yearly average monthly wage	All employees are entitled.

<b>Wage Component</b>	<b>Weight / Amount</b>	<b>Conditions / Comments</b>
Food vouchers	Up to 20 food vouchers	
Move bonus	100% of monthly wage	Employees moved to units outside their home towns/ cities.
Graduates working in another community than their home town	100% of BS. 200% of BS for isolated communities.	Awarded after the first year of work.
Stability bonus	The value is established by government decision	All personnel in the health system. Awarded in the 2 <sup>nd</sup> and 4 <sup>th</sup> quarters.

**N.B.:**

1) Base salaries of doctors working in hospitals may be increased or diminished by up to 50% based on their achievement of performance indicators. The decisions are made quarterly by the hospitals' management committee based on criteria passed by Government decision.

2) Base salaries of doctors working in hospitals or hospital divisions which have own revenues may be increased by up to 100% provided the extra expenditure is covered by the own revenues. The increase is quarterly.

3) General practitioners' are negotiated with the Health Fund but may not be lower than base salaries of doctors in county emergency hospitals.

## Annex 4: Principles of European Pay Practices<sup>66</sup>

Although there are variations in actual application across countries, European public sector pay practices are generally structured around a common set of objectives:

- ensure consistency, internal equity, and transparency
- create pay differentials that provide an incentive for staff to perform well and to seek higher levels of responsibility
- set salaries reasonably in line with market pay levels in order to attract and retain qualified staff and to minimize incentives to supplement income through other means.
- Drawing on work from various organizations and consulting firms, one can summarize some of the key elements of European pay practice as follows:
  - ***Base pay is the main element of total pay, typically forming at least 90% of total pay.*** Many governments still use allowances to reflect special working conditions, but by limiting the number and magnitude of allowances, governments increase the transparency of compensation system and the perception of fairness across positions.
  - ***Bonuses are not common*** – it is generally considered difficult to devise bonus schemes in the public service environment that are objective and that motivate staff. Performance-based pay systems require a system for managers and staff to agree on objectives and system for assessing performance against those goals.
  - ***Where bonuses exist they are usually limited to around 10-20 percent of base pay*** and take into account performance over the full previous year. Though governments are increasingly looking to emphasize the link between pay and performance, bonuses are most common among senior professional and managerial positions where there is greater scope to affect results.
  - ***Bonuses are typically funded through a specific allocation in the budget.*** Money saved from staff vacancies cannot be used to pay bonuses to existing staff. Ministry budgets are intended to fund the actual staffing levels, and any unused resources revert back to the Treasury.
  - ***Benefits in kind (e.g. housing, cars, mobile phones) are rare*** – benefit schemes are regarded as expensive to administer and potentially divisive, i.e. some people get greater value from the benefits than others for whom the benefits may not be relevant.
  - ***Total pay levels in the public service are normally lower than for comparable jobs in the private sector.*** The range varies from country to country, but in general they will approximate perhaps 60-80 percent of private sector pay levels. The lower pay level recognizes that public servants usually have greater job security than in the private sector. The actual rate of comparability to the private sector often varies with position.

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<sup>66</sup> Extracted from a longer research note on “Public Sector Pay Practices in Europe” prepared by Bernard Myers and Aleksandra Rabrenovic for the Romanian Ministry of Labor in May 2007.

- ***Pay structures are usually based on a series of grades that reflect relative job content.***  
The grade of a job is usually decided by means of a job evaluation system that allocates jobs to grades on the basis of an assessment of relative outputs, accountability, knowledge and skills required, management responsibility, and the extent and nature of contacts inside and outside the department etc. Under this system it is possible to have similar titles, but based on the job requirements in different departments/ministries the jobs may be in different grades.
- ***For each grade there is usually a pay range*** which allows staff at each level to receive an annual salary increase each year (up to the maximum of the pay range) that reflects increasing experience and performance at that job level. The size of the range varies, but usually it is no more than 50 percent.
- ***Seniority plays a subordinate role to actual job responsibility.*** Annual salary increases enable a person to progress through the salary range, but they are capped at the maximum of the pay range. The benefits of experience are linked to a particular job or grade. Pay for seniority is therefore within the overall range for the job. Once at the top of the range, further increases in pay require an increase in job responsibility (i.e., a promotion).
- ***There is a significant differential between pay levels of successive grades,*** normally at least 12% (and usually more) from one grade mid-point to another. This provides the financial motivation for staff to accept higher level responsibility. It motivates performance within the grade by making promotion something of value to pursue.
- There is a single grade and pay structure within each public service or occupation family (e.g., health workers, teachers, etc.), which reflects the HR principle of “equal pay for equal work”. This ensures that the employees in each public service with the same level of qualification, with approximately the same complexity of job, responsibility and working conditions, are equally paid.
- ***The pay structure is intended to achieve equal competitiveness of remuneration across public sector positions.*** In other words, if the government’s objective were to pay at the median of the private sector, it would seek to achieve this across all positions within a public service category.